REPORT OF THE CONTROLLER AND AUDITOR GENERAL

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

BANK OF TANZANIA

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2022

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AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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BANK INFORMATION

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Secretary to the Board	Mr. Palloty M. Luena Bank of Tanzania Head Office 16 Jakaya Kikwete Road 40184 P.O. Box 2303, Dodoma, Tanzania

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Tanzania

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Makongoro Road
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Tanzania

Bank of Tanzania Academy
Capri Point Street
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Tanzania

Mbeya
Bank of Tanzania
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Bank of Tanzania
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THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022

1. INTRODUCTION

Those Charged with Governance (TCWG) at the Bank of Tanzania (BoT) is the Board of Directors. The Board of Directors presents this report together with the financial statements for the year ended 30 June, 2022, which provides the results of the Bank's operations and its state of affairs. The report was prepared in compliance with Tanzania Financial Reporting Standard 1 (TFRS 1)- Report by Those Charged with Governance issued by the National Board of Accountants and Auditors (NBAA) which became effective on 1 January, 2021.

The report is addressed to internal and external stakeholders who are both primary and secondary users of financial reports. It sets out analysis of the Bank's operations and financial review, with a forward-looking orientation in order to assist stakeholders to assess the strategies adopted by the Bank and the potential for those strategies to succeed toward creating value over the short, medium and long-term periods.

The Bank's internal stakeholders include the Board of Directors and employees; external stakeholders comprise of Government of the United Republic of Tanzania (URT) and the Revolutionary Government of Zanzibar (RGOZ); the Parliament of Tanzania and Zanzibar House of Representatives; Ministries, Independent Departments and Agencies (MDA's); Parastatals; banks and other financial institutions, World Bank and International Monetary Fund (IMF). Other external stakeholders include; development partners, other multilateral and bilateral organizations, other central banks, Non-Government Organizations (NGOs), regional organizations civic societies, regulatory authorities, services providers, researchers, media, academia, private sector, professional associations and the general public.

The objective of the report is to provide users with understanding of the Bank's culture, nature of operations, objectives, strategies, operating model, performance and future developments, resources, corporate governance matters, stakeholder's analysis, risk management, employee's welfare, liquidity management, environmental control program, corporate social responsibility, responsibility of the auditor and statement of responsibility by Those Charged with Governance.

2. CORPORATE CULTURE

The Bank's culture consists of vision, mission and core values as provided hereunder;

a) Vision

The Bank's vision is "To be a Central Bank that effectively fosters macro-economic stability and modernized financial system in sustenance of country's middle-income status and beyond."

b) Mission

The Bank's mission is "To maintain price stability and integrity of the financial system for inclusive economic growth".

c) Core Values

The Bank embraces the following core values, which are upheld by members of the Board of Directors and employees;

i. Integrity: To exhibit high ethical and moral standards reflected by honesty, sincerity, truthfulness, and confidentiality in executing the Bank's mandate.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

2. CORPORATE CULTURE (CONTINUED)

ii. Excellence: To execute duties professionally with creativity and innovativeness to improve organizational performance.
iii. Accountability: To be collectively and individually accountable for discharging responsibilities.
iv. Transparency: To clearly and openly execute the Bank's mandates and proactively communicate relevant information to stakeholders.
v. Inclusiveness: To value broad participation, teamwork, diversity and harnessing multiple skills and experiences in discharging duties.

3. NATURE OF OPERATIONS

Legislative and Regulatory Environment

The Bank of Tanzania exercise its mandates as provided in the Bank of Tanzania Act, 2006. It is the central bank and regulatory authority entrusted with the duty of maintaining price and financial stability, issuing of currency and an overall regulatory and supervisory role to banks and financial institutions in the country. Further, the Bank regulates, monitors, and supervises the payment, clearing and settlement systems for both products and services.

Principal Functions

The principal functions of the Bank are to;

a) formulate, implement and be responsible for monetary policy, including foreign exchange rate policy;
b) issue currency and deal, hold and manage foreign exchange reserves of Tanzania;
c) regulate and supervise banks and financial institutions including mortgage financing, development financing, lease financing, microfinance business and licensing and revocation of licenses;
d) compile, analyse and publish the monetary, financial, balance of payments statistics and other statistics covering various sectors of the national economy;
e) regulate, monitor and supervise the payment, clearing and settlement systems;
f) act as a banker and fiscal agent of the Government of the United Republic of Tanzania and the Revolutionary Government of Zanzibar (the "Governments"); and
g) ensure the financial system's integrity, support the general economic policies of the Governments, and promote sound monetary, credit and banking conditions conducive to the sustainable development of the national economy.

Current Situation and Outlook

The current situation and outlook entails examining current global and national trends in inflation and the financial system for a period of one year and its projection for the next period. The analysis lays the foundation for the Bank's current strategic direction in achieving the Bank's vision and mission. Through this analysis the Bank diagnose needs, establishes priorities, indicates areas for improvement, and takes advantage of identified opportunities.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

3. NATURE OF OPERATIONS (CONTINUED)

a) Global

Inflation remained elevated in most of advanced and emerging market economies, triggered by the rising commodity prices amid supply shortages, escalated by the war in Ukraine. Elevated inflation rates in the United States, United Kingdom and Euro area were largely driven by rising energy prices, particularly gasoline. In China, the rise in inflation was due to a recovery in aggregate demand.

Likewise, inflation remained high in most of the EAC countries, due to a surge in world commodity prices, but remained within the convergence criteria of not more than 8 percent. Elevated inflation in Rwanda was driven by the higher cost of utilities, while in Kenya and Uganda was due to higher food prices. In the SADC region, inflation was above the convergence criteria of 3-7 percent, save for South Africa, Seychelles, Eswatini, Namibia and Tanzania.

The IMF World Economic Outlook of April 2022 projects inflation to remain elevated for longer than in the previous forecast, reflecting war-induced commodity price increases and broadening price pressures in 2022. Inflation in advanced economies is projected at 5.7 percent in 2022, before easing to 2.5 percent in 2023, while in the emerging and developing economies, it is projected at 8.7 percent and 6.5 percent for 2022 and 2023, respectively. Inflation in sub-Saharan Africa is projected at 12.2 percent in 2022, before slowing to 9.6 percent in 2023. Inflation in the EAC and SADC regions is projected at 6.2 percent and 9.9 percent in 2022 and ease to 6 percent and 7 percent in 2023, respectively.

b) National

Inflation remained low, at a single digit, averaging at 4.0 percent that was below the medium-term target of 5.0 percent and is projected to range from 3.0 - 5.0 percent in the medium term. However, uncertainty in short rain season harvests and effect of geopolitical war between Russia and Ukraine might exert upward pressure on inflation. The shilling remained stable, depreciating marginally by less than 1.0 percent against the USD, in 2021/2022 and is expected to remain stable in the medium term. The stability of the shilling was a result of low inflation, prudent monetary and fiscal policies, and moderate current account deficit. Foreign exchange reserves remained adequate and are projected to be above the national benchmark on 4 months of imports and regional convergence criteria.

Notwithstanding the challenges of residual effects of the COVID-19 pandemic and high commodity prices in the world market, the financial sector remained stable, and profitable, with capital and liquidity levels exceeding minimum regulatory requirements. The sector also remained resilient to shocks and registered strong growth in deposits and assets. The quality of assets also improved, with non-performing loans (NPLs) declining to 7.8 percent in June 2022 from 9.3 percent in June 2021. This was bolstered by measures taken by the Bank of Tanzania to reduce NPLs close to the desired level of not more than 5.0 percent. The measures included enforcement of credit related prudential requirements and requiring banks to improve credit underwriting standards by using reports from credit reference bureaus in loan application assessment and ensuring adequate segregation of duties in the credit function. In addition, the Bank instituted mechanisms of monitoring banks in the implementation of strategies to reduce NPLs, directed banks to submit credit information to the credit reference databank and adhere to code of conduct to enhance staff integrity.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

3. NATURE OF OPERATIONS (CONTINUED)

The country has achieved significant strides in implementing financial inclusion initiatives that are among the key pillars for inclusive economic growth. The implementation of these initiatives, as guided in the National Financial Inclusion Framework, among others: led to increased access and usage of financial products and services to the unbanked population, technology and skills transfer to a broader range of stakeholders, growth and expansion of Micro, Small and Medium Enterprises, employment creation and improved contribution to the growth of the economy. The Bank, in collaboration with other stakeholders will continue to develop and implement initiatives that contribute to the attainment of the fundamental objectives of the National Financial Inclusion Framework.

The country evidences a digital revolution in terms of the rapidly growing range of new technologies based on digital applications accelerating efficiency in production, services delivery and governance systems. Rapid technological innovations are making ICTs both less expensive and easier to use, thereby bringing the power of ICTs within reach of a more significant number of people. These facts point to ICT's potential to spur inclusive economic growth and expand the reach and effectiveness of development initiatives. The Bank will embrace and implement nationally coordinated strategies for enabling ICT development and provide a supportive environment for increased utilization of digital technologies in advancing efficiency and resilience of the financial system while adhering to the e-Government Agency's standards and guidelines.

4. OBJECTIVES AND STRATEGIES

During the year under review, the Bank completed its first year of the five-year Strategic Plan 2021/22 – 2025/26. The Plan has six objectives with strategic initiatives implementable within 5 years.

To facilitate the implementation of the five-year Strategic Plan (Medium Term), corporate plan strategies and objectives were cascaded down to the departmental level where short-termed action plans were developed in accordance with the departments' mandate. Departments formulated objectives and specific tasks that were implementable within one year to support achievement of medium term corporate objectives and strategies. Departmental activities and tasks were monitored and evaluated quarterly to ascertain the achievement of the corporate objectives. Medium term objectives and strategies as provided by the five-year Strategic Plan 2021/22 - 2025/26 are as follows:

a) **Enhance effectiveness of Monetary Policy:** This objective aims to improve the monetary policy formulation and implementation process in a way that will best contribute to macroeconomic stability and support financial markets' growth and access.

Strategies executed to achieve the strategic objective were as follows:

(i) implement interest rate based monetary policy framework;
(ii) deepen domestic financial markets for effective monetary policy transmission;
(iii) design and implement effective strategies to promote transparency, communication, and public education in monetary policy and financial markets; and

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

4. OBJECTIVES AND STRATEGIES (CONTINUED)

(iv) conduct research to promote a cash-lite economy and preparedness towards the adoption of digital currencies.

b) Enhance Foreign Reserves: This ensures there are adequate foreign reserves to meet the country's foreign exchange demands and management of monetary and exchange rate policies. It also intends to enhance the country's resilience to external shocks.
Strategies executed to achieve the strategic objective were as follows:
(i) broaden avenues for the accumulation of foreign reserves; and
(ii) enhance management of risks on foreign reserves.

c) Enhance Safety, Soundness and Inclusiveness of the Financial Sector: This aims at ensuring the availability of a macro-prudential framework for a resilient financial sector supportive of new product development and risk management. It also aims at having sound infrastructure and resolution frameworks that prevent macroeconomic shocks from disrupting the financial sector. Further, it includes facilitating the public with easy access to affordable financial services.

Strategies executed to achieve the strategic objective were as follows:

(i) enhance protection of consumers of financial services;
(ii) enhance Bank's legislation and regulatory tools;
(iii) develop and Implement a retail payment platform;
(iv) develop and implement system for banks and financial institutions to submit real-time data; and
(v) enhance financial crisis preparedness and management capability.

d) Enhance Banking and Currency Services: This entails the provision of banking and currency services that are safe, convenient, reliable, timely and affordable. The Bank endeavours to achieve this by modernizing banking (including payment) services and currency management operations.

e) Strengthen Institutional Efficiency: This entails improving organization performance through effective allocation of resources, optimization of human capital, enhancement of corporate culture, infrastructure as well as leveraging on technology and research.

Strategies executed to achieve the strategic objective were as follows:

(i) develop and implement effective resources management strategies;
(ii) develop and implement corporate culture improvement programs;
(iii) enhance research, innovation and data management;
(iv) streamline internal business processes;
(v) enhance the efficiency of information and technology, including cyber resilient tools;
(vi) modernize the Bank of Tanzania Academy; and
(vii) upgrade properties and facilities for effective service delivery.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

4. OBJECTIVES AND STRATEGIES (CONTINUED)

f) **Enhance Organizational Effectiveness:** This entails enhancing compliance with national and international legislations, regulations, standards, internal policies, and guidelines. It also aims at putting in place appropriate internal controls and mitigation measures to manage risks and crisis. Further, it points to a need for the Bank to proactively ensure there is effective communication with stakeholders.

Strategies executed to achieve the strategic objective were as follows:

(i) develop and implement corporate wide risk management strategies;
(ii) strengthen security and safety of the bank's assets;
(iii) enhance collaboration with international and regional counterparts; and
(iv) enhance engagement with stakeholders.

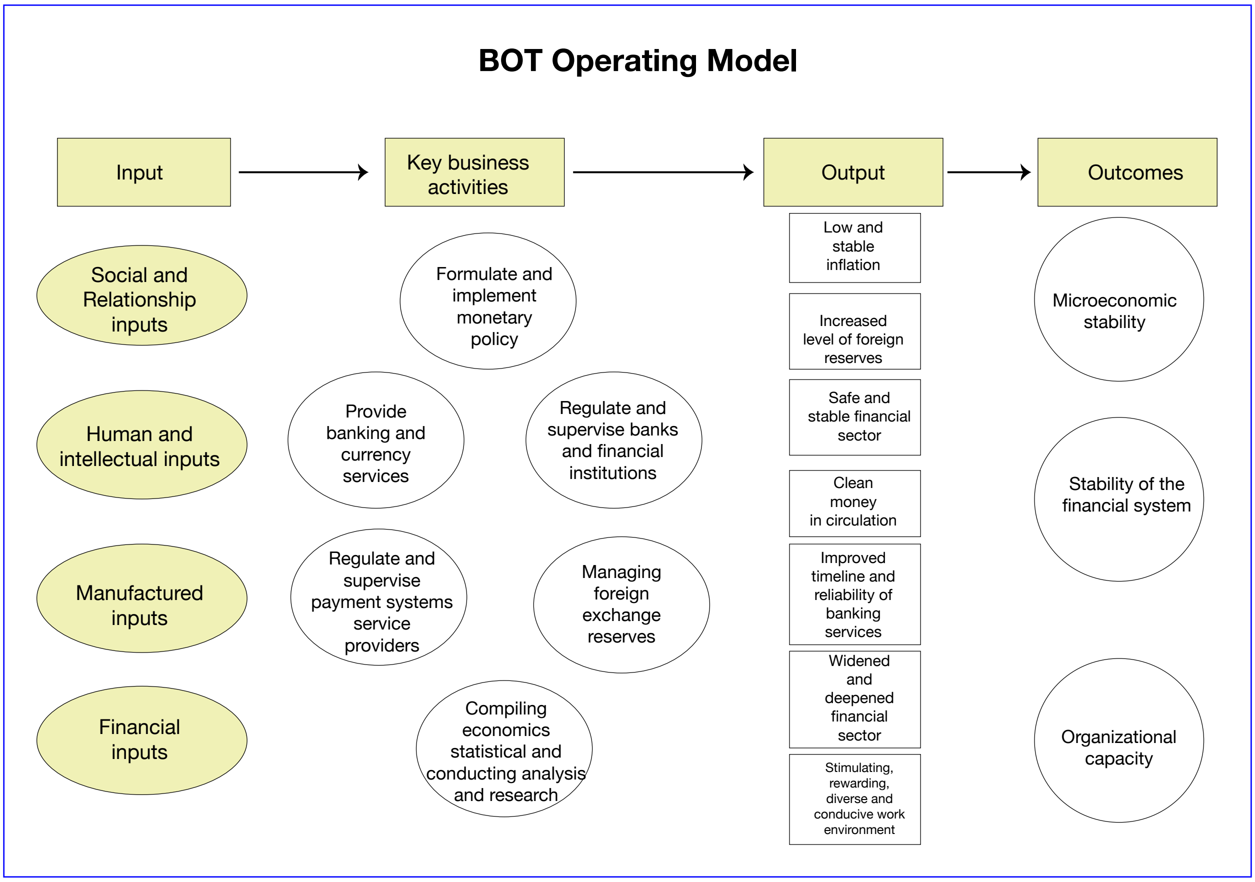
5. BANK'S OPERATING MODEL

The ultimate goal of the Bank of Tanzania is to ensure sustainable macroeconomic stability and growth in the country. To achieve this goal, the Bank formulates and implements medium and short-term strategies. The Bank's bedrock for the continued impressive performance lies in its model of operations, that embraces a philosophy of giving utmost priority of strengthening its internal capacity, hiring highly qualified staff, providing learning and development opportunities, optimizing the use of technology and ensuring adequate availability of working tools.

The Bank invests in streamlining of its internal processes that results in improved effectiveness of monetary policy, improved efficiency of financial services, enhanced compliance with international, regional and national legislations, improved financial affairs, improved organizational efficiency and engagement with stakeholders. Effective internal processes have always enhanced the Bank's ability to maintain price stability, ensure financial stability, enhance usage of financial services as well as converge policies with regional and international parties. The following is the relationship between inputs, key business activities, outputs and outcomes;

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. BANK'S OPERATING MODEL (CONTINUED)



INPUTS

Inputs consist of resources which the Bank uses to accomplish its tasks as provided hereunder;

Social and Relationship Inputs

i. Continual engagement with Governments, Banks and Non-Bank Financial Institutions, the general public and Bank staff to build knowledge and understanding around the benefits of price and financial stability.

ii. Collaborative relationships with Governments, Ministries and Agencies especially; the Ministry of Finance and Planning and the President's Office- Finance and Planning (Zanzibar).

iii. Constructive relationships with financial institutions and financial regulatory bodies including Tanzania Insurance Regulatory Authority (TIRA) and Capital Markets and Security Authority (CMSA) that provide the information needed to properly assess risks to financial stability and exercise regulatory oversight of the financial sector.

iv. Relationships with research and academic institutions to enhance the Bank's own research capability and inform its decision-making.

v. Active participation in international and regional fora to contribute to the development and promotion of regional integration and harmonize financial sector regulatory frameworks.

vi. Broder stakeholder engagements that strengthen the Bank's accessibility and accountability.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. BANK'S OPERATING MODEL (CONTINUED)

Human and Intellectual Inputs

i. Experienced and capable leaders and specialist teams with a deep understanding of local and international economic and financial fundamentals and systems.
ii. Presence of competent, experienced, motivated and skilled staff who are committed and adaptive to changes.
iii. Investment in training and development, supporting careers and enhancing the skills base.
iv. An employee value proposition that attracts and enables the Bank to retain critical skills, built on a culture that is empowering, agile, caring and collaborative.
v. Existence of robust Information and Communication Technology (ICT) infrastructure for continuous improvement of the work process.

Manufactured Inputs

i. Strategically located head office, 2 sub-head offices, 4 branches and 11 safe custody centres that enable effective discharge of the Bank's mandate.
ii. A dedicated Bank Academy which offers short-term courses to the staff of the Bank of Tanzania, staff from central banks, banks and financial institutions in EAC and SADC, the Academy is now offering long-term professional programs.
iii. A reliable energy farm system for supporting Bank operations especially ICT infrastructure (servers) and other facilities during a power outage for business continuity.
iv. Data centres, Business Work Area Recovery (BWAR) and disaster recovery sites, to support business continuity of critical processes.

Financial Inputs

i. Sound financial and budgetary controls.
ii. Authorized and paid up capital.
iii. Capital reserves.
iv. Income from investments.

PROCESSES

Processes consist of Bank's key business activities as defined in the Bank of Tanzania Act, 2006. These activities are highlighted in the Bank's Strategic Plan and include the following;

i. Formulating and implementing monetary policy.
ii. Conducting research and compiling economic statistics.
iii. Regulating and supervising National Payment System (NPS) and electronic payment instruments.
iv. Regulating and supervising banks and financial institutions.
v. Managing foreign exchange reserves of the country.
vi. Providing banking and currency services.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. BANK'S OPERATING MODEL (CONTINUED)

OUTPUTS AND OUTCOMES

Outcomes and related outputs consist of key products and services as provided hereunder;

Macroeconomic Stability

i. Low and stable inflation - inflation rate within a target of 3 – 5 percent;
ii. Increased level of foreign reserves- maintaining foreign reserves adequate to cover a target of more than 5.5 months of imports;
iii. Deepened financial markets - Volatility of IBCM rate evolved within the range of ±2.0 percent.

Stability of the Financial System

Stable and safe financial system

i. Ensured capital adequacy and liquidity ratios above the minimum regulatory requirement of 10 percent and 20 percent respectively;
ii. Reduced level of non-performing loans to 7.5 percent; and
iii. Financial sector stability index within the range of ±3.

Widened and deepened financial sector and payment system

i. Access to formal financial services through mobile phones reached 80.2 percent; and
ii. The usage of digital financial services reached 90% of the customers with access to mobile financial services.

Improved timeliness, safety and reliability of banking (including payment) services

i. Settlement period for cheque & SWIFT within two working days (T+1) and EFT within a working day (T+0).

Increased adequacy of clean currency in circulation

i. Reaching customers satisfaction on banking and currency services of 80 percent corporate desired level.

Organizational Capacity

i. Regulatory and supervisory frameworks that support priorities such as transformation, competition, financial inclusion and the integrity of the financial system.
ii. A reputable Bank, trusted and respected by the public, banks and financial institutions as well as international counterparts, regulators and Governments
iii. A stimulating, rewarding, diverse and conducive work environment
iv. A high employee retention rate of 99.0 percent.
v. A central bank with the technical and digital know-how to appropriately oversee and regulate the advancements being made by banks, financial institutions and payment system service providers.
vi. A financially sound central bank.

6. CURRENT PERFORMANCE AND FUTURE DEVELOPMENT

Review of Current Performance

The Bank commenced implementation of the 2021/22 – 2025/26 Strategic Plan which contains six strategic objectives geared towards achieving the Bank mandate of maintaining price stability and promoting the financial system's stability. During the implementation of the first year, the overall evaluation revealed considerable achievements as detailed in three thematic areas based on the strategic objectives, intended results, Key Performance Indicators (KPI's), the set targets and budget utilization.

Theme 1: Macroeconomic Stability

The macroeconomic stability thematic area contains two strategic objectives namely: Enhance the Effectiveness of Monetary Policy and Enhance Foreign Reserves.

Strategic Objective 1.1: Enhance the Effectiveness of Monetary Policy

This objective aimed at improving the process of monetary policy formulation and implementation in a way that will best contribute to macroeconomic stability and support financial markets growth and access.

Two intended results were; low and stable inflation and deepened financial markets.
Four KPIs were designed to track the achievement of results; core inflation with a target of 3.8 percent, headline inflation of 5.0 percent, reserve money growth of 9.9 percent and volatility of IBCM within the target range of ±2.0 percent by June 2022.

a. Core inflation rate

This is a measure of price movements caused by factors other than unprocessed food and energy prices over a specified period. The measure intends to indicate the effectiveness of monetary policy by assessing variability of prices.

During the year under review, inflation remained low and stable within the country and regional benchmarks. Core inflation averaged 3.8 percent compared to 3.1 percent in the corresponding period of 2020/21. The increase in core inflation was driven by prices of building materials, transport and rent.

Despite the increase, core inflation remained within the targets, implying that the amount of money supplied to the economy was in line with the demands of various productive sectors of the economy.

b. Headline inflation rate

This is a measure of price movements of all items in the consumer basket in a specified period. The purpose of the measure is to determine the extent of variability in general price level to assess whether the economy is operating in stable conditions.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

6. CURRENT PERFORMANCE AND FUTURE DEVELOPMENT (CONTINUED)

During the year under review, inflation averaged 4.0 percent, up from 3.3 percent recorded in the corresponding period in 2020/21. This attributed to the increase in prices of energy, food and non-food consumer goods and services. It is worth noting that inflation took a rising trend since July 2021 mainly on an account of the increase in commodity prices in the world market. However, inflation remained within the country and regional benchmarks, despite this increase.

c. Reserve money growth

This measure intends to determine if liquidity in the economy is adequate. It is measured as a percentage of growth in liabilities of the Bank consisting of currency outside the Bank and banks' deposits at the Bank.

The growth of reserve money continued to respond to the implementation of accommodative monetary policy growing broadly in line with the target set for 2021/22. Specifically, during the period between July 2021 and June 2022, reserve money grew at an average rate of 13.6 percent compared with 2.8 percent in the corresponding period of 2020/21 and a target of 9.9 percent by end of June 2022.

d. Volatility of the IBCM rate

This KPI measures variation of the weighted average overnight inter-bank cash market interest rate at which banks lend to each other. The measure is intended to monitor the adequacy of liquidity in the economy in line with demands of various economic activities and stability of money market interest rates consistent with stability of prices.

During the year under review, the actual volatility of the Inter-Bank Cash Market (IBCM) was 0.97 percent (2021:0.43 percent) which was within the target range of ±2.0 percent. The achievement was largely attributed to the implementation of initiatives that were geared to promote transparency (the IBCM portal), communication and public awareness programmes.

Budget estimated to implement this objective was TZS 9,482.9 million and the actual expenditure as at (30 June 2022) the end of financial year 2021/22 was TZS 9,029.0 million. The variation on actual expenditure from the budget is attributed to improvement in liquidity in the market calling for less issuance of liquidity papers.

Strategic Objective 1.2: Enhance Foreign Reserves.

This objective entails ensuring adequate foreign reserves to meet the country's foreign exchange demands and management of monetary and exchange rate policies. It also intended to enhance country's resilience to external shocks.

Its intended result was increased level of foreign reserves. The KPI for this result was months of import cover with a target of greater or equal to 5.5 months by June 2022.

6. CURRENT PERFORMANCE AND FUTURE DEVELOPMENT (CONTINUED)

Months of Import Cover

This measure reflects the number of months for which available official foreign exchange reserves can cover importation of goods and services, and is intended to gauge the extent to which the level of foreign exchange reserves can cover and sustain imports.

During July 2021 to June 2022, the level of reserves was USD 5,110.3 million compared to USD 5,209.8 million recorded in June 2021 due to settlement of some strategic government obligations. Nevertheless, this reserve level was adequate to cover approximately 4.6 months of imports, which is below the set target but above the statutory benchmark of not less than 4.0 months of import cover.

In addition, during the period under review, the Bank generated an income of USD 105.58 million, which is 12.03 percent above the targeted budget for the reviewed period. The outperformance was mainly attributed to increased commission on foreign operations and increased interest income from the CNY money market investments.

Budget estimated to implement this objective was TZS 1,554.9 million and actual expenditure as at 30 June, 2022 was TZS 1,541.0 million.

Theme 2: Stability of Financial Sector

The stability of financial sector thematic area contains two strategic objectives namely: enhance safety, soundness and inclusiveness of the financial sector and enhance banking and currency services.

Strategic Objective 2.1: Enhance Safety, Soundness and Inclusiveness of the Financial Sector.

This aimed at ensuring availability of macro-prudential framework for resilient financial sector supportive to new product development and risk management. It also referred to having sound infrastructure and resolution frameworks that prevent macroeconomic shocks from disrupting the financial sector. Further, it included facilitating public with easy access to affordable financial services.

Two intended results were; increased safety, reliability, and integrity of the financial sector and widened and deepened financial and payment systems.

Six KPI's were designed to track the achievement of these results; capital adequacy ratio with a target of 14.5 percent, asset quality with a target of less or equal to 5 percent, liquidity ratio with a target of greater of equal to 20 percent, financial sector stability index with a target of ±3, access to formal and usage of formal financial services with a target of 79 and 78.5 percent respectively by June 2022.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

6. CURRENT PERFORMANCE AND FUTURE DEVELOPMENT (CONTINUED)

a. Capital Adequacy

As at the end of June 2022, the ratio of total capital to total risk weighted assets and off-balance sheet exposures was 20.17 percent compared to 17.91 percent that was recorded in June 2021. The ratio was above the minimum legal and regulatory requirement of 12 percent and a baseline of 14.5 percent. The increase in capital adequacy ratio was mainly attributed to increase in profitability of banks and decline of the level of non-performing loans.

b. Asset Quality

As at the end of June 2022, the ratio of non-performing loans to gross loans was 7.75 percent, declining from 9.32 percent that was recorded in June 2021. However, the ratio was still above the desired benchmark of 5.00 percent. The improvement in asset quality was attributed to increase in recovery of NPLs, prudent credit risk management practices by banks and financial institutions and increased lending that resulted into increase in gross loans.

c. Liquidity Ratio

As at the end of June 2022, the ratio of Liquid Assets to Demand Liabilities was 28.09 percent, which was above the minimum regulatory requirement of 20 percent, signifying the ability of banks and financial institutions to meet maturing obligations and fund increases in assets. The ratio had declined from 33.3 percent that was recorded in June 2021, due to increase in lending to the private sector as the economy started to recover from the impact of the COVID-19 pandemic, coupled with policy measures taken by the Bank.

d. Financial Sector Stability Index (FSSI)

The Financial System Stability Index (FSSI) is a composite index related to financial system development indicators, vulnerability indicators, financial soundness indicators and other indicators which characterize national, regional and global economic climate. The Bank uses FSSI as an early warning indicator in assessing the resilience of the financial sector to internal and external shocks. The index stood at 0.2 as at the end of June 2022, which was within the target of ±3 indicating financial system remained stable and resilient against short-term vulnerabilities.

e. Access and Usage of formal Financial Services

Access to Formal Financial Services is a proportion of all active registered accounts of all products and services in the financial system to adult population with a purpose to enable the Bank understand the progress of interventions for enhancing financial inclusion and therefore effectively allocate resources and set priorities for interventions. Usage of Formal Financial Services is a proportion of all registered active accounts using formal financial services in relation to adult population with a purpose to enable the Bank understand the progress of interventions for enhancing financial inclusion and therefore effectively allocate resources and set priorities for intervention.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

6. CURRENT PERFORMANCE AND FUTURE DEVELOPMENT (CONTINUED)

By the end of June 2022, access to formal financial services through mobile phones reached 80.42 percent, which was above the target of 79 percent. This was mainly attributed to technological advancement, financial innovations especially appealing products, improved public awareness on mobile financial services as well as presence of effective oversight.

In June 2022, the usage of digital financial services reached 82.07 percent, which was above the target of 78.5 percent. That growth in usage was due to innovations in formal financial services including GePG, which continued to play a great role in revenue collection. In addition, new digital products on saving and credit for community based groups such as Changisha, M-Koba, and Kibubu have increased the use of mobile financial services. Apart from enhancement of transaction limits during the COVID-19 Pandemic, the growth of remittance business facilitated by emergence of global payment hubs such as TerraPay, MFS Africa, TransferTo, and HomeSend further enhanced usage of financial services.

Budget estimated to implement this Objective was TZS 5,340.2 million and the actual expenditure as at the end of financial year 2021/22 was TZS 4,200.8 million. The variance was due to changes of prioritisation of implementation activities in order to address gaps identified during implementation.

Strategic Objective 2.2: Enhance Banking and Currency Services

This entailed provision of banking and currency services that are safe, convenient, available, timely and affordable.

Intended results were; improved timeliness, safety and reliability of banking (including payment) services and increased adequacy of clean currency in circulation.

Two KPI's were designed to track achievements; Settlement period of (Cheque, SWIFT and EFT) with a targets of T+1 for cheque and SWIFT and for EFT with a target of T+0. Secondly, was measured by percentage of perception on quality of currency in circulation with a target of 80 percent by June 2022.

a. Settlement period (Cheque and EFT)

This is time taken for a payment instrument (cheque or EFT) to be cleared, counted from the time is received to when a beneficiary account is credited. This measure shows that all incoming and outgoing payment instructions in favour of Bank's customers are settled on time. Its purpose is to ensure that Bank's customers (intended beneficiaries) get their values on time.

During the period under review, Cheque and EFTs received were processed within the specified time of T+1 and T+0, respectively. This was made possible using the Central Banking System (CBS), Tanzania Automated Clearing House (TACH) system as well as adoption of the Treasury Single Account (TSA) which increased the use of electronic funds transfer (EFTs) as settlement instrument for most of the government payments. Moreover, settlement period for SWIFT was T+0 for pressing transactions and T+1 for value date transactions.

6. CURRENT PERFORMANCE AND FUTURE DEVELOPMENT (CONTINUED)

The achievement recorded was further attributed to updated operations and procedures manuals (OPMs), adopted government and parastatal accounts regulations, new staff accounts guidelines, adopted dormant account guidelines and fixed painful areas in the current CBS.

b. Percentage perception on quality of currency in circulation

This measures perception of stakeholders on quality of currency in circulation in implementing clean currency policy. The target for the year 2021/22 was 80 percent.

The survey to ascertain the percentage perception of quality of currency in circulation was not conducted for the year 2021/22. However, the Bank improved currency management process to ensure that currency services meet customers' expectations. Some of these include timely distribution of currency stock, improved servicing of commercial banks for deposits and withdrawals; minimization of time taken in clearance of currency consignments from the port; and automation of safe custody centres which has significantly reduced human errors in interpreting requirement of safe custody centres, provide real time data of stock position and improved record keeping.

Budget estimated to implement this objective was TZS 171,633.3 million and actual expenditure as at 30 June 2022 was TZS 144,765.1 million. The variation was on account of delays in delivery of currency machines, which resulted in less capital expenditure incurred.

Theme 3: Organizational Capacity

The organizational capacity thematic area contains two strategic objectives namely: strengthen institutional efficiency and enhance good governance.

Strategic Objective 3.1: Strengthen Institutional Efficiency

This entailed improving organization performance through effective allocation of resources, developing human resource, meliorating employees' culture and infrastructure, while leveraging on technology and research to improve institutional efficiency.

Intended results were; improved management of Bank's resources, improved organization performance, improved technology and security of IT infrastructure and improved work environment.

Five KPI's were put forward to track the results; expenditure coverage ratio with a target of 1, Strategic Management Maturity Level (SMML) with a target of level three, IT maturity level with a target of level 3, system availability of 97.5 percent, and employee's satisfaction with work environment with a target of 90 percent by June 2022.

a. Expenditure Coverage Ratio.

This is the level at which total expenditure for a given period is covered by the revenue generated in the same period. The intent of this measure is to gauge the extent at which the Bank's expenditures are financed by income generated within the same period. It assists in allocation and utilization of resources.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

6. CURRENT PERFORMANCE AND FUTURE DEVELOPMENT (CONTINUED)

The Expenditure Coverage Ratio stood at an average of 1.1 for the period covering July 2021 to June 2022 signifying continued ability to generate revenue sufficient to cover expenditure obligations.

b. Strategic Management Maturity Level (SMML).

SMML measures progress that the Bank is making in strategic management and performance measurements efforts. Assessment is based on 7 dimensions of maturity and measured at scale of 0 (being lowest) to 5 (being highest). SMML assessment is conducted periodically to inform management of where the Bank stands in terms of strategic management. It also allows management to monitor progress in improving maturity of strategic management and to allow benchmarking the Bank against other high performing organisations.

According to a survey that was conducted in December 2021, the Bank's overall average strategic management maturity level increased from 2.5 in December 2020 to 2.8, slightly missing a target of 3 by 0.3. That score implies that the Bank has a structured and comprehensive strategic plan with formal formulation processes and procedures; employees across functional units are regularly engaged in strategic management activities; top management and management are regularly informed about the pursuit of strategies; vision, goals, and values are communicated effectively; there is no efficient linkage between organizational culture and strategy.

c. IT Maturity Level

The desired level of IT processes maturity recommended in good practices of IT governance in accordance with COBIT 19 Framework. The purpose is to determine the level of IT governance in the Bank.

During the period under review, the Bank improved from level 2 to level 3, consistent with the set target. To a large extent, that improvement emanated from improved compliance and governance aspects, whereby important policy documents and guidelines including an Information and Technology (I&T) Governance Framework; Information and Technology (I&T) Policy; Information Security Policy and Information and Technology (I&T) Disaster Recovery Plan, were developed and adopted. In addition, the Bank deployed an external customer service management system to manage IT incidents from the Bank's external users and adopted a unified mobility technology strategy in-line with SADC/EAC for IT harmonization.

d. System Availability

This measure determines availability of critical systems to deploy appropriate measures whenever required. The purpose of the measure is to determine availability of critical systems to deploy appropriate measures whenever required.

In the review period, the Bank maintained the level of system availability at an average of 99.47 percent against the set target of 97.5 percent. This performance was mainly attributed to enhanced resilience and monitoring of the IT Infrastructure, replacement of substantial number of obsolete technologies, deployment of new servers and data storages.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

6. CURRENT PERFORMANCE AND FUTURE DEVELOPMENT (CONTINUED)

e. Employee's Satisfaction with Work Environment

This measures the extent to which staff are satisfied with perceiving policies, systems, facilities, services, development opportunities, welfare issues and the overall working environment in the Bank. The aim of the KPI is to understand employees' satisfaction on the work environment in the Bank and take appropriate actions. The target for the ending financial year was to raise the employees' satisfaction from 69 percent to 90 percent by June 2022.

Nevertheless, the Bank has implemented various initiatives with the focus to improve work life and environment by reviewing and adoption of policies, procedures and guidelines. The policies reviewed and implemented are Staff By-Laws 2022, Financial Regulations 2022, BPM Policy; OPMs Standard Operating Procedures (SOPs) for Bank's Clinics and Guide for Facilitation of Funeral Events.

In terms of capacity building the Bank addressed identified skills gap by 83 percent. This has greatly improved skills and delivery of work with ease as well as employee morale in individual development goals.

Further, the bank recruited new staff, which has reduced staff shortage and excessive workload. **Budget estimated** to implement this objective was TZS 70,966.3 million and the actual expenditure as at 30 June 2022 was TZS 69,148.9 million. Budget variance was mainly on account of low fixed asset capitalisation arising from delay in completion of major construction, procurement of properties and equipment earmarked for the period.

Strategic Objective 3.2: Enhance Good Governance

This entailed enhancing compliance to national and international legislations, standards, regulations, internal policies, and guidelines. It also aimed at putting in place appropriate internal controls and mitigation measures to manage risks and crisis. Further, it points to a need for the Bank to proactively ensure there is effective communication with stakeholders coupled with sense of accountability, transparency and quality disclosures.

The intended results were; improved risk and crisis management, improved compliance to international and national standards and improved stakeholders' understanding of Bank's undertakings.

Three KPI's were designed to track results; risk maturity level with the target of level four, organizational rating by relevant authorities with a target of 100 percent and percentage of customer's satisfaction of 95 percent by June 2022.

a. Risk Maturity Level

This assesses the Bank's risk culture and the development of the risk management program. It evaluates the extent to which risk management is embedded within the Bank where a high maturity level translates into effective risk management.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

6. CURRENT PERFORMANCE AND FUTURE DEVELOPMENT (CONTINUED)

The Bank uses Deloitte Risk Maturity Model and according to the recent assessment, the Bank remained at maturity of level 3 which was below the targeted level 4. Level 4 Risk Maturity requires developing Key Risk Indicators (KRIs) to be applied in risk monitoring and also automation of risk management processes. During the period under review, the process of developing KRIs for significant risks was not finalized and automation of risk management process just started. The Bank will finalize developing KRIs for significant risks next financial year while the project of automation of risk management process is on-going.

During the period, the Bank conducted knowledge and awareness sessions on risk management that resulted in improved employees' appreciation of the importance of having in place a robust enterprise risk management framework. Also, the Bank Reviewed Risk Management Framework and Guidelines in line with Risk Management standards, industry changes and challenges; defined risk appetite statements; developed Key Risk Indicators for some significant corporate risks; and reviewed EAC central banks risk assessment tool to be used among the Banks during the peer review program in the year 2022/23.

b. Organizational compliance to national and international legislations.

This measures the Bank compliance to all the guiding principles, standards and legislations during execution of its mandate. The assessment is conducted periodically either by regulatory authorities or the Bank.

During the period under review, the Bank engaged a Consultant to conduct a quality assurance assessment and determine the Bank's level of conformance with the Institute of Internal Auditors' (IIA's) International Standards for the Professional Practice of Internal Auditing. In general terms, the Bank was found to be embracing acceptable leading practices in areas of Positioning, People and Processes, hence obtaining the rating of generally conforms.

c. Stakeholders' Satisfaction

This measure stakeholders' satisfaction on their interaction with the Bank. Findings on Stakeholders Satisfaction Survey conducted in June 2022 indicated that 90 percent of stakeholders were satisfied compared to the set target of 95 percent.

The achievement towards the target was attributed to intensive public education and awareness programmes through print and electronic media, exhibitions, lectures, seminars, workshops and meetings covering various topics on Bank operations and provision of conference management services to internal and external events.

Budget estimated to implement this objective was TZS 181,148.6 million and actual expenditure as at 30 June 2022 was TZS 165,138.4 million. Variation noted on actual expenditure was on account of low depreciation charges on planned capital expenditures due to implementation delay in some of the capital assets.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

6. CURRENT PERFORMANCE AND FUTURE DEVELOPMENT (CONTINUED)

Future Developments

In its five-Year Strategic Plan 2022/23 – 2026/27, the Bank aligns its vision and strategic objectives with the national priorities outlined in the National Development Vision 2025, the Zanzibar Development Vision 2050, Zanzibar Development Plan 2021-2026, National Five-Year Development Plan III (2021/22 – 2025/26), and National Financial Sector Development Masterplan 2020/21–29/30. The Bank recognizes the main agenda of the Governments to sustain the country in the middle-income status and above. Among others, the agenda can be attained through having macro-economic and financial stability; and widened and deepened access to financial services for enhanced investments in the productive sectors leveraging technological advancement. In executing its mandate and achieve its expected results, the Bank intends to achieve and accomplish the following in the coming five years:

(a) Enhance effectiveness of monetary policy:

The Bank will continue to improve the process of monetary policy formulation and implementation such that will contribute to macroeconomic stability and support financial markets growth and access. Through this objective, the Bank will implement an interest rate-based monetary policy framework, deepen domestic financial markets for effective monetary policy transmission and conduct research to promote a cash-lite economy, transformation into a blue economy and preparedness towards the adoption of digital currencies. The Bank will also design and implement effective strategies to promote regional and international integration, climate change and public education in monetary policy and financial markets.

Five KPI's and targets have been set to realize success of this objectives; core inflation with a target of 3.8 percent, headline inflation of 5.0 percent, money supply growth of 10.3 percent and volatility of IBCM to be within the target range of ±2.0 percent by June 2023.

(b) Enhance foreign reserve:

The Bank will continue to maintain adequate foreign reserves to meet the country's foreign exchange demands, management of monetary and exchange rate policies and enhance the country's resilience to external shocks. The Bank will achieve this objective by broadening avenues for the accumulation of foreign reserve and improving the management of risk on foreign reserves.

To track and realize this achievement, one KPI of months of import cover is used with a target of greater or equal to 5.5 months by June 2023.

(c) Enhance safety, soundness and inclusiveness of the financial sector:

The Bank will ensure the availability of a macro-prudential framework for a resilient financial sector supportive to new product developments, risk management and facilitating access to affordable financial services. Through this objective, the Bank will enhance the protection of consumers of financial services, banks' legislation and regulatory tools, develop and implement a retail payment platform, a system for accessing real-time data from banks and financial institutions and enhance financial crisis preparedness and management capability.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

6. CURRENT PERFORMANCE AND FUTURE DEVELOPMENT (CONTINUED)

The Bank will continue to use the following KPI's in measuring the results, which are; capital adequacy ratio with a targeted of 14.5 percent, asset quality with NPL target of less or equal to 5 percent, liquidity ratio with a target of greater of equal to 20 percent. Financial sector stability index with a target of ±3, access to formal financial services with targets of 85.5 percent and 85 percent respectively by June 2023**.**

(d) Enhance banking and currency service:

The Bank will continue to provide banking and currency services that are safe, convenient, available, timely and affordable. Whereas the Bank will modernize banking service and enhance currency management operations.

In order to track achievements two KPI's have been maintained which are; settlement period of (Cheque, SWIFT and EFT) with a target of T+1 for cheque and SWIFT and for EFT with a target of T+0. The Bank will also track achievements of this objective by measuring customer's satisfaction level on banking and currency services quality with a target of reaching 75 percent by June 2023.

(e) Strengthen institutional efficiency:

The Bank will improve organization performance through effective allocation of resources, optimization of human capital, enhancement of corporate culture and refining infrastructure while leveraging technology and research to improve institutional efficiency. Through this objective, the Bank will develop and implement effective resources management strategies, redefine corporate culture to align with Bank Strategy, develop a robust research and innovation agenda, and data management, streamline internal business processes. The Bank will also adopt new technologies, innovations, cyber-resilient tools and upgrade data centers, modernize the Bank of Tanzania Academy and upgrade properties and facilities for effective service delivery.

Five KPI's have been placed to track the results; expenditure coverage ratio with a target of 1, SMML with a target of reaching level three; IT maturity level with a target of reaching level 3, system availability of 96 percent, and employee's satisfaction with work environment with a target of 95 percent, and implementation of corporate training plan with target of 88 percent by June 2023.

(f) Enhance organizational effectiveness: The Bank will enhance compliance with national and international legislations, standards, regulations, internal policies, and guidelines, putting in place appropriate internal controls and mitigation measures to manage risks and crisis. Further, the Bank aims at ensuring there is effective communication with stakeholders. To achieve this objective, the Bank will develop and implement corporate wide risk management strategies, strengthen the security and safety of the Bank's assets, enhance collaboration with international and regional counterparts and enhance engagement with stakeholders.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

6. CURRENT PERFORMANCE AND FUTURE DEVELOPMENT (CONTINUED)

Three KPI's have been designed to track results; risk maturity level with a target of reaching level four, net risk levels with a target of yellow level category, Compliance to Public Procurement Regulatory Authority (PPRA) criteria with a target of 100 percent and percentage of stakeholder's satisfaction of 95 percent by June 2023.

7. RESOURCES

The Bank has adequate resources, including human capacity, to implement its mandates as set out in the Bank of Tanzania Act 2006. In order to achieve its strategic goals, the Bank uses its human, financial, intellectual, social and relationship and natural resources efficiently and effectively.

i. **Financial Resources:** The Bank has adequate financial resources to support its strategic and operational initiatives. The financial resources comprise capital TZS 100.00 billion and reserves TZS 1,331.87 billion. The Bank generated revenue that covered all operating expenses and support provided to its stakeholders. This has enabled the Bank to continue fulfilling its mandates without seeking shareholder's support. The profitable operations have helped the Bank accumulate adequate reserves while paying reasonable dividends to its shareholder. From a strategic perspective, the Bank seeks to improve its financial performance by improving resource management, prioritizing initiatives, implementing initiatives within available financial resources and generating adequate revenue to support its operations.

ii. **Human Resources:** The Bank has 1,277 employees who are qualified, motivated, competent and committed for a long-term career, of which 819 are male and 458 are female. Management adheres to sound principles of governance and promotes good working relationships that provide an enabling environment for the performance of its mandates. The Bank is committed to continuing to set aside budget for talent nurturing and engagement programmes to ensure they continue delivering value to stakeholders.

iii. **Intellectual Resources:** The Bank staff knowledge is a very significant strategic resource that has played a great role in modernizing its operations by developing in house modern technology to improve its day-to-day operations. The Bank staff has developed TIPS - an interoperable digital payment platform which allows the transfer of payments between different Digital Financial Service Providers (DFSPs), both banks and other financial institutions such as e-money issuers.

iv. **Social and Relationship Resources**: The Bank maintains strong relationships with its stakeholders with the aim of understanding their expectations and creating values that ensure satisfaction. To maintain good relationships with the communities in which the Bank operates, we provide support in the form of public education, scholarships and charitable contributions to good causes. During the year, the Bank donated a total of TZS 201.2 million to various community groups and TZS 3,319.9 million in respect of subscriptions and contributions to various organizations. The Bank shall continue engaging its stakeholders and contribute to improving their welfare.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

7. RESOURCES (CONTINUED)

v. **Natural Resources:** This forms the basis for other forms of capital which together make up the productive capacity of the organization. While the Bank does not use natural resources for its productivity, its operations are sensitive to the ecosystem to sustain life and economic activity. Recognizing the loss of ecosystems such as the atmosphere's ability to absorb carbon dioxide without becoming dangerously unstable and threatening to the economy, the bank considers the impact of its operations on the environment and thus promotes the green environment agenda. The Bank currently uses energy serving systems; has set its motor vehicles mileage and age limits; and has instituted a near-paperless office policy in its efforts to use modern, environmentally friendly systems that use water, land, and energy sparingly; and minimize air pollution.

8. CORPORATE GOVERNANCE MATTERS

Corporate Governance Statement

A good corporate governance requires legal, regulatory and institutional basis that is appropriate and efficient. Clear governance rules as well as the necessity of accountability in its actions allow management to be carried out focusing the priorities defined by the organization, and decision-makers to have their actions assured by a formally established institutional structure, among other benefits.

Governance is associated with setting of rules for the decision-making process; it defines who makes decisions, who is responsible for them, and how decisions have to be made. In essence, it defines roles and responsibilities. Management has to do with the execution of rules set by governance, and the operational routine of the organization. Good corporate governance is critical in the public sector entities, and Bank of Tanzania in particular, is committed to adhering to the highest standards of corporate governance. This commitment is rooted in the reputation built on a solid foundation of integrity, excellence, accountability, transparency, fairness and inclusiveness.

In view thereof, during the year under review, the Bank complied with aspects of good corporate governance principles which include:

(i) **Accountability:** The Bank has been accountable at all times to the stakeholders including the Government by maintaining price stability and integrity of the financial system for inclusive economic growth. In accordance with section 21, subsection (3) to (6) of the Bank of Tanzania Act, Cap. 197, the Governor submitted the Monetary Policy Statement to the Minister of Finance and Planning for 2021/22 which subsequently was submitted to the Parliament.

(ii) **Transparency**: The Bank of Tanzania exercises a high degree of transparency on its decisions. The decisions of the Monetary Policy Committee (MPC) are communicated to banks through post-MPC engagements with Chief Executive Officers of banks, and to the public through the media. In addition, the Bank regularly publishes various periodic reports, which highlight monetary policy stance, the outcome of monetary policy implementation, and developments of the economy at large. The reports are available on the Bank of Tanzania website. The Bank regularly organize and conduct awareness and sensitization programs to enable the general public to understand its roles and operations.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

8. CORPORATE GOVERNANCE MATTERS (CONTINUED)

(iii) **Fairness:** The Bank has been fair to banks and financial institutions, payment systems service providers and microfinance service providers while discharging its primary functions of supervising and regulating as per section 5 of the Bank of Tanzania Act, 2006. The Bank of Tanzania improved legal and regulatory frameworks which eased licensing requirements, promoted innovations in the financial sector and developed proportional prudential requirements while maintaining an appropriate balance between financial inclusion objectives and other policies, such as financial stability and consumer protection as provided for under the Bank of Tanzania (Financial Consumer Protection) Regulations,2019.

(iv) **Responsibility:** The primary function of the Bank is to control the money supply in the economy. Therefore, the Bank has been responsible for issuing currency on behalf of the government. In addition to this primary function, the Bank performed the following responsibilities in the year 2021/22: receipt of the state revenues, kept deposits of various departments and made payments on behalf of the government; it kept the cash reserves of the commercial banks; acted as a clearinghouse for the inter-bank transactions and as a lender of last resort. It supervised the commercial banking system and ensured its smooth running; it controlled the money and capital markets by changing the supply of money and thereby the rate of interest; it acted as the custodian of the foreign exchange, and it advised the government in all the monetary affairs.

(v) **Independence:** The Bank has been exercising independence in the formulation and implementation of the monetary policy, management of currency and banking operations, supervision of the financial sector as well as managing its resources. This has led to a greater transparency of decision-making, accountability and the capability of the Bank to pursue its mandate.

Membership and Committees of Those Charged with Governance

Members of the Board of Directors other than the Governor and Deputy Governors are appointed by the Minister for Finance of the United Republic of Tanzania, while the latter are appointed by the President of the United Republic of Tanzania. The following Directors served in the Board during the financial year 2021/22.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

8. CORPORATE GOVERNANCE MATTERS (CONTINUED)

Table 1: Members of the Board of Directors

No.	Name	Position	Age	Gender	Discipline	Date of Appointment	Nationality
1.	Prof. Florens D.A.M. Luoga	Governor and Chairman of the Board	63	Male	Lawyer	4th January 2018	Tanzanian
2.	Mr. Julian B. Raphael	Deputy Governor	66	Male	Economist	26th January 2016	Tanzanian
3.	Dr. Yamungu M. Kayandabila[1]	Deputy Governor	50	Male	Economist	31st May 2017	Tanzanian
4.	Dr. Bernard Y. Kibesse[2]	Deputy Governor	55	Male	Economist	31st May 2017	Tanzanian
5.	Ms. Sauda K. Msemo[3]	Deputy Governor	49	Female	Economist	1st June 2022	Tanzanian
6.	Dr. Juma M. Akil	Member	58	Male	Agricultural Economist	23rd January 2021	Tanzanian
7.	Prof. Nehemiah E. Osoro	Member	75	Male	Economist	1st June 2017	Tanzanian
8.	Mr. Joseph O. Haule	Member	66	Male	Economist	1st June 2017	Tanzanian
9.	Mr. Joseph A. Meza[4]	Member	64	Male	Economist	5th April 2019	Tanzanian
10.	Ms. Esther L.J. Manyesha[5]	Member	63	Female	Lawyer	14th February 2022	Tanzanian

Key:
[1] Reappointed for five years effective 1st June 2022.
[2] Appointment ceased on 31st May 2022
[3] Appointed for five years effective 1st June 2022.
[4] Appointment ceased on 14th April 2022.
[5] Appointed on 14th February 2022.

In accordance with Section 9(2) (c) of the Bank of Tanzania Act, 2006, a representative of the Ministry of Finance and Planning of the United Republic and Principal Secretary to the Treasury of the Revolutionary Government of Zanzibar are ex-officio members.

Bank of Tanzania ascribes to the highest standards of corporate governance. The Bank through the Board of Directors and Management upholds and practices the principles of sound corporate governance.

To this end, the Bank of Tanzania Act, 2006, has provided a framework for ensuring the application of sound corporate governance principles and best practices by the Bank's Board of Directors and its Committees and Management in the course of managing the day to day affairs/operations of the Bank as summarized below:

(i) In terms of the provisions of Section 9(1) of the Bank of Tanzania Act, 2006, the Board of Directors of the Bank is the supreme policy-making body, and the approving authority of the corporate plan and budget of the Bank;

(ii) Four committees are currently assisting the Bank's Board of Directors in discharging its functions. These are the Monetary Policy Committee, Audit Committee, Banking Supervision Committee and Finance and Investment Committee.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

8. CORPORATE GOVERNANCE MATTERS (CONTINUED)

(a) Monetary Policy Committee

The Monetary Policy Committee was established under the provision of Section 12(1) of the Bank of Tanzania Act, 2006. Its membership comprises of the Governor as Chairman, the Deputy Governors, and six Non-Executive Directors. The Monetary Policy Committee assists the Board in the review of monetary policy targets; review of research papers and major economic and monetary policy changes before adoption by the Board. The Committee's mandate also covers review of the Governments' revenue and expenditure patterns; review of debt management operations and statutory reports of the Bank related to implementation of monetary and financial policies

The Members of the Monetary Policy Committee that served during the year ended 30 June, 2022 were as follows:

Table 2: Monetary Policy Committee

No	Name	Position	Discipline	Nationality
1.	Prof. Florens D.A.M. Luoga	Chairman	Lawyer	Tanzanian
2.	Mr. Julian B. Raphael	Member	Economist	Tanzanian
3.	Dr. Yamungu M. Kayandabila	Member	Economist	Tanzanian
4.	Dr. Bernard Y. Kibesse[1]	Member	Economist	Tanzanian
5	Ms. Sauda K. Msemo[2]	Member	Economist	Tanzanian
6.	Prof. Nehemiah E. Osoro	Member	Economist	Tanzanian
7.	Mr. Joseph O. Haule	Member	Economist	Tanzanian
8.	Ms.Esther L.J. Manyesha[3]	Member	Lawyer	Tanzanian
9.	Mr. Joseph A. Meza[4]	Member	Economist	Tanzanian

Key:]

[1] Appointment ceased on 31st May 2022

[2] Appointed on 1st June 2022

[3] Appointed on 14th February 2022

[4] Appointment ceased on 4th February 2022

(b) Audit Committee

Established under the provision of Section 12(1) of the Bank of Tanzania Act 2006, the Audit Committee is composed mainly of Non-Executive Directors. The Chairman of the Committee is a Non-Executive Director. The Deputy Governor-Administration and Internal Control is the only Executive member of the Committee. The Terms of Reference for the Audit Committee cover four major areas, namely, Internal Control, Financial Reporting, Internal Audit and External Audit.

The Audit Committee's mandate under Internal Control covers evaluation of the control environment and culture; the adequacy of the internal control systems and compliance with International Financial Reporting Standards (IFRS) in the preparation of financial statements; the overall effectiveness of the internal control and risk management framework. The Committee also reviews Management requests for write off/ write back of items from the books of accounts and reviews the effectiveness of the system for monitoring compliance with laws and regulations.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

8. CORPORATE GOVERNANCE MATTERS (CONTINUED)

The mandate relating to financial reporting requires the Audit Committee to review significant accounting and reporting issues and their impact on the financial reports and ensure current financial risk areas are managed appropriately. The Committee also ensures adequacy of the financial reporting process, reviews draft financial statements before submission to the external auditors for audit and the audited financial statements before approval and adoption by the Board. With regards to External Audit, the Audit Committee is informed by the independent external auditor (National Audit Office of Tanzania) about the scope, approach and audit.

The Committee's mandate on Internal Audit covers review of the activities and resources of the internal audit function; effectiveness, standing and independence of internal audit function within the Bank; review of the internal audit plan; and follow up on implementation of internal audit findings and recommendations. The Audit Committee reports to the Board of Directors.

The Members of the Audit Committee that served during the year ended 30 June 2022 were as follows:

Table 3: Audit Committee

No	Name	Position	Discipline	Nationality
1.	Prof. Nehemiah E. Osoro[1]	Ag. Chairman/ member	Economist	Tanzanian
2.	Mr. Joseph O. Haule	Member	Economist	Tanzanian
3.	Mr. Julian B. Raphael	Member	Economist	Tanzanian
4.	Mr. Joseph A. Meza[2]	Member	Economist	Tanzanian
5.	Ms. Esther L.J. Manyesha[3]	Member	Lawyer	Tanzanian

Key:

[1] Chairman position still vacant since 4th April 2022.

[2] Appointment ceased on 4th April 2022.

[3] Appointed on 14th February 2022.

(c) Banking Supervision Committee

The Banking Supervision Committee was also established under the provision of Section 12(1) of the Bank of Tanzania Act, 2006. Members of the Committee comprise the Non-Executive Director who is the Chairman, the Deputy Governors, Representative of the Ministry of Finance and Planning, Government of the United Republic of Tanzania and Principal Secretary to the Treasury, Revolutionary Government of Zanzibar and two Non-Executive Directors.

The Banking Supervision Committee is responsible for review of internal control and systems in banks and other financial institutions; the banking supervision function; adequacy of the prevailing legal and regulatory framework; operating performance of banks, financial institutions, microfinance service providers and bureau de change to ensuring safety and soundness in the banking system; financial stability reports before publication; and on emerging supervisory issues. The Committee advises the Board on appropriate policy, legislative and regulatory measures that promote a safe banking system and high supervisory standards and practices.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

8. CORPORATE GOVERNANCE MATTERS (CONTINUED)

The Members of the Banking Supervision Committee that served during the year ended 30 June 2022 were as follows.

Table 4: Banking Supervision Committee

No	Name	Position	Discipline	Nationality
1.	Mr. Joseph O. Haule[1]	Chairman	Economist	Tanzanian
2.	Prof. Florens D.A.M. Luoga[2]	Member	Lawyer	Tanzanian
3.	Mr. Julian B. Raphael	Member	Economist	Tanzanian
4.	Dr. Yamungu M. Kayandabila	Member	Economist	Tanzanian
5.	Dr. Bernard Y. Kibesse[3]	Member	Economist	Tanzanian
6	Ms. Sauda K. Msemo[4]	Member	Economist	Tanzanian
7.	Dr. Juma M. Akil	Member	Agricultural Economist	Tanzanian
8.	Prof. Nehemiah E. Osoro	Member	Economist	Tanzanian
9.	Mr. Joseph A. Meza [5]	Member	Economist	Tanzanian
10.	Ms. Esther L.J. Manyesha[6]	Member	Lawyer	Tanzanian

Key:

[1] Appointed as Chairman since 1st October 2021.

[2] Appointment as Chairman ceased on 1st October 2021.

[3] Appointment ceased on 31st May 2022.

[4] Appointed on 1st June 2022.

[5] Appointment ceased on 4th April 2022.

[6] Appointed on 14th February 2022.

(d) Finance and Investment Committee

The Finance and Investment Committee was established under the provision of Section 12 (1) of the Bank of Tanzania Act, 2006. Members of the Committee comprise Non-Executive Director who is the Chairman, the Deputy Governors and four Non-Executive Members of the Board.

The Finance and Investment Committee is responsible for review of the proposed budgets, reallocation of funds involving capital expenditure and supplementary budget requests; quarterly budget performance reports; Financial Regulations and Staff By-Laws; requests for disposal of immovable assets; and Bank's Annual Corporate Plan. The Committee also reviews the appropriateness of the Bank's investment policy and assets allocation strategy, Risk Management Framework for the Bank's operations and Project Management framework.

The Members of the Finance and Investment Committee that served during the year ended 30 June 2022 are as follows:

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

8. CORPORATE GOVERNANCE MATTERS (CONTINUED)

Table 5: Finance and Investment Committee

No	Name	Position	Discipline	Nationality
1.	Prof. Nehemiah E. Osoro[1]	Chairman	Economist	Tanzanian
2	Prof. Florens D.A.M. Luoga[2]	Chairman	Lawyer	Tanzania
3.	Mr. Julian B. Raphael	Member	Economist	Tanzanian
4.	Dr. Yamungu M. Kayandabila	Member	Economist	Tanzanian
5.	Dr. Bernard Y. Kibesse[3]	Member	Economist	Tanzanian
6	Ms. Sauda K. Msemo[4]	Member	Economist	Tanzanian
7.	Mr. Joseph A. Meza[5]	Member	Economist	Tanzanian
8.	Mr. Joseph O. Haule	Member	Economist	Tanzanian
9.	Ms. Esther L.J. Manyesha[6]	Member	Lawyer	Tanzanian

Key:

[1] Appointed as Chairman on 1st October 2021.

[2] Appointment as Chairman Ceased on 1st October 2021.

[3] Appointment ceased on 31st May 2022.

[4] Appointed on 1st June 2022.

[5] Appointment ceased on 4th April 2022.

[6] Appointed on 14th February 2022.

Meetings of Those Charged with Governance

The Board held (5) ordinary meetings and (7) extra ordinary during the year ended 30 June 2022. In addition, there were various meetings of the Board Committees. All members of the Board were able to substantially devote their time required for the Board and Committee meetings. Below is a summary indicating the number of meetings attended by each members of the Board from 1 July 2021 to 30 June 2022.

Table 6: Meetings of Those Charged with Governance

		Number of meetings					KEY
		Board	MPC	BSC	AC	FIC	**Board:**
No	Number of meetings	9	8	5	8	11	Board of Directors
	Names						
1.	Prof. Florens D.A.M. Luoga	9	6	2	N/A	N/A	**MPC:**
2.	Mr. Julian B. Raphael	8	8	5	5	8	Monetary Policy Committee
3.	Dr. Yamungu M. Kayandabila	7	7	4	N/A	9	**BSC:**
4.	Dr. Bernard Y. Kibesse	5	6	5	3[1]	5	Banking Supervision Committee
5.	Ms. Esther L.J. Manyesha	5	3	1	1	5	**AC:**
6.	Prof. Nehemiah E. Osoro	8	7	4	8	11	Audit Committee
7	Ms. Sauda K. Msemo	2	2	-	N/A	3	**FIC:**
8.	Mr. Joseph O. Haule	7	5	5	8	11	Finance and Investment
9.	Dr. Juma I. Akil	4	1	1	N/A	N/A	Committee
10.	Mr. Joseph A. Meza	4	4	4	7	6	**N/A:** Not applicable

Key:

[1] Represented Deputy Governor-AIC.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

8. CORPORATE GOVERNANCE MATTERS (CONTINUED)

The Board and its committees meet after every two months with additional meetings convened as and when necessary. During the year, the Board and its committees met to discuss and decide on various business activities. The Board's Committees recommend key business decisions to the Board for approval.

Independence of the Non-Executive Directors

The Board considers all Non-Executive Directors to be independent both in character, judgment and free of relationships or circumstances, which could affect their judgment.

Management

Section 13(1) of the Bank of Tanzania Act, 2006 vests the Management of the Bank and the direction of its business and affairs to the Governor. The Governor is required to discharge such functions and directions, in conformity with the policies and other decision made by the Board.

The law further provides that the Governor to be assisted by three Deputy Governors. The Deputy Governors head various functions under them, which are managed by seventeen directors, five managers of independent departments and the principal of Bank of Tanzania Academy.

Secretary to the Bank

The Director of Legal Services is the secretary to the Bank, and is responsible for advising the Board on legal and corporate governance matters and, in liaise with the Chairman, for ensuring good information flows between the Board, its Committees and Management. All members of the Board and Management have access to his legal advice and services.

9. RELATIONSHIP WITH STAKEHOLDERS

The Bank's Five Years Strategic Plan 2021/22 - 2025/26 provides a comprehensive analysis of the Bank's key stakeholders. The Bank recognises the importance of addressing the needs of its key stakeholders in order to add value and satisfy their needs and expectations. The Bank's key stakeholders include the Government, banks and other financial Institutions, staff and the public. The Bank is committed to delivering value to its stakeholders through better services and good customer care while maintaining good relationship in its engagements. The Bank's key stakeholders and their concerns and values created by the Bank is as follows:

a) **The Governments:**
URT and RGoZ, as the main stakeholders, expect timely and reliable economic and financial services, banking services and dividend from the Bank. During the year under review, the Bank provided the two governments with its advice on monetary and financial matters through the Monetary Policy Statements, which review recent global and domestic macroeconomic developments and the outcome of monetary policy implementation during 2020/21 against targets. It also provided timely, safe and reliable banking services including payments and

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

9. RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)

led to an increase in the adequacy of clean currencies in circulation. The Bank also reduced the settlement time of instruments (cheque, EFT and SWIFT) to T+0 to improve stakeholders' satisfaction with its banking services. As part of return to its shareholder, the directors proposed and declared dividend amounting to TZS 100 billion. The Bank strives to meet the expectations of its shareholders and to serve their interests through open communication.

b) **Banks and Other Financial Institutions:** The Bank provides banking and currency related services, supervisory and regulatory services and the payment and settlement systems infrastructures to these stakeholders. These services have to be provided in a timely and reliable manner. During the period under review, the Bank provided banking services and currency that met their expectations. Further, the Bank continue to play its supervisory role to enhance safety, soundness, and inclusiveness of the financial sector through risk based supervision (onsite and offsite examination) through systems (OES, BSIS, CRD and BDCS). In addition, the Bank kept pace with the speed of innovation and technology changes in payment systems by putting in place and improving payment systems including Tanzania Instant Payment System (TIPS) and Core Banking Systems (CBS) that are supportive of economic growth.

c) **The General Public:** This is another key stakeholder whose needs from the Bank include clean cash in circulation and reliable economic and financial information. The Bank issues currency to the public through commercial banks. In order to ensure the supply of cash in the economy, the Bank distributes currency through its branches and its safe custody centers. To inform the public on economic and financial developments, the Bank issues monthly, quarterly and annual economic reports. Further, the Bank uses national exhibitions such as Saba Saba and Nane Nane for raising awareness and outreach to the public about its activities. TV/radio programs as well as social media and the Bank's website are also used to inform the public.

The Bank will continue to provide information to stakeholders to minimize misunderstandings among stakeholders about the Bank's operations and reduce reputational damage through TV/radio programs, social media, website, trade fairs and outreach programs.

d) **The Bank Staff:** Staff is the most valuable asset as the Bank performance and growth is largely dependent on staff commitment in delivering its mandates. The staff expect a conducive working environment, optimal utilization of their skills and knowledge, and fair compensation. As at the end of the year, the total staff stood at 1,277 employees, where 819 (64%) were males and 458 (36%) females. During the period under review, the Bank set aside 27.6% of its budget to cater for personnel and related expenses. The Bank prouds itself of experienced and competent leadership team, well trained and engaged staff with proper mix of skills, knowledge and attitudes necessary for execution of its mandates.

The Bank will continue to take deliberate efforts to develop its staff and ensure their knowledge and skills remain relevant to meet the current and future needs of its business.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

10. CAPITAL STRUCTURE AND TREASURY POLICIES

Capital Structure

The capital structure of the Bank as at 30 June 2022 consists of authorized share capital of TZS 100.00 billion (2021: TZS 100.00 billion) and Reserves of TZS 1,331.87 billion (2021: TZS 1,862.49 billion). Section 17 of the Bank of Tanzania Act, 2006 provides the level of authorized share capital of the Bank to be TZS 100.00 billion. The paid up capital is TZS 100.00 billion. This amount may be increased by such amount as may be determined by the Board and authorized by the Minister of Finance and Planning by Notice published in the Government Gazette. The share capital of the Bank is subscribed to and held by the Government of the United Republic of Tanzania. Due to the nature of the Bank's business and statutory requirements, the whole capital is held in the form of equity.

The Bank establishes and maintains different classes of reserves as stipulated by section 18 of the Bank of Tanzania Act, 2006. As at 30 June 2022, the Bank's main reserves include General Reserve, Foreign Exchange Revaluation Reserve, Foreign Exchange Equalization Reserves, Capital Reserve, Asset Revaluation Reserve, Reserve for Projects and Security Revaluation Reserves. Details of movement of the capital during the year is provided under the Statement of Changes in Equity.

Treasury Policies and Objectives

The Bank engages in treasury transactions mainly in managing foreign exchange reserves, implementing monetary policy, and managing liquidity in the banking sector. The Bank has put in place Foreign Exchange Reserves Management Policy to govern the foreign reserves management function. The Policy defines the approach and framework governing the reserves management and outlines the governance structure, roles and responsibilities pertaining to reserve management.

Each year, the Bank uses Strategic Asset Allocation (SAA) process to determine an optimal mix of its foreign assets that meets its long-term investment objectives. The process incorporates approved risk tolerance, Bank strategic objectives and global macroeconomic and financial market conditions. Further, the Bank has Foreign Exchange Reserves Investment Guidelines that directs reserve management operations and serves as the basis for monitoring performance and compliance of its investments to the benchmarks and limits approved by the Board. Adherence to the Investment Guidelines is critical for the full attainment of the Bank's foreign exchange reserves management objectives of preservation of value, liquidity, and return generation.

In addition, the Bank uses Monetary Policy Statements to provide guidance on managing market liquidity. The statement serves as the basis for injecting or mopping up liquidity in the financial system through buying or selling monetary policy instruments to the market. The instruments used for liquidity management include repo, reverse repo, Treasury bills, and FX transactions.

Lastly, the Bank has put in place guidelines to provide loans and advances to commercial banks as mandated by the Bank of Tanzania Act 2006. The guidelines provide guidance on issuing special loans and standing facilities (Intraday and Lombard) to commercial banks.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

11. FINANCIAL PERFORMANCE AND POSITION

Significant Aspects of the Statement of Financial Performance

i. Operating Income

During the year operating income was TZS 484.30 billion (2021: TZS 579.27 billion), which is a decrease of TZS 94.94 billion from previous year and equivalent to 16.39%. The decrease was mainly attributed to decline in foreign exchange revaluation gain following strengthening of Tanzania Shillings relative to major currencies.

ii. Operating Expenses

During the year under review operating expenses was TZS 543.94 billion (2021: TZS 332.53 billion), which is an increase of TZS 211.41 billion from previous year and equivalent to 63.58%. The increase related to fair valuation of government securities in alignment with IFRS requirement on initial recognition.

iii. Other Comprehensive Loss

The Bank recorded other comprehensive loss of TZS 230.09 billion (2021: TZS 88.68 billion), which is an increase of TZS 141.41 billion from previous year and equivalent to 160.42%. The increase in loss was on account of a fall in market prices of financial instruments following the tightening of global financial conditions.

Significant Aspects of Statement of Financial Position

i. Cash and balances with central banks and other banks

Cash and balances with central banks and other banks as at 30 June, 2022 was TZS 4,471.11 billion (2021: TZS 5,834.32 billion), which is a decrease by TZS 1,363.21 billion, equivalent to 23.37%. The decrease was attributed to a decline in demand and time deposits and foreign currency notes as Bank shifted to higher earning long-term investments.

ii. Foreign currency marketable securities

The Bank's foreign currency marketable securities as at 30 June, 2022 was TZS 7,606.90 billion (2021: TZS 6,255.04 billion), which is an increase of TZS 1,351.86 billion, equivalent to 21.61 %. The increase was on account of increase in investment of foreign currency marketable securities due to a shift from short term investments

iii. Government Securities

The Bank's Government securities as of 30 June, 2022 was TZS 2,479.51 billion (2021: TZS 1,094.88 billion), which is an increase by TZS 1,384.63 billion, equivalent to 126.46%. This was attributed to increase in Government bonds.

iv. Currency in Circulation

The currency in circulation as at 30 June, 2022 was TZS 6,618.85 billion (2021: TZS 5,704.68 billion), which is an increase by TZS 914.17 billion, equivalent to 16.02%. The increase was attributed to increase in currency issued to the public.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

11. FINANCIAL PERFORMANCE AND POSITION

v. Deposits - Banks and Non-Bank Financial Institutions

The deposits - banks and non-bank financial institutions as at 30 June, 2022 was TZS 3,651.67 billion (2021: TZS 3,548.41 billion), which is an increase of TZS 103.26 billion, equivalent to 2.91%. The increase was attributed to deposits made to the Bank by commercial banks to fund their current and settlements accounts.

vi. Deposits – Others

The deposits – others as at 30 June 2022 was TZS 2,701.16 billion (2021: TZS 3,668.29 billion), which is a decrease by TZS 967.13 billion, equivalent to 26.36%. The decrease was attributed to withdrawal and transfers made by parastatals.

Capital

The capital position of the Bank as at 30 June 2022 was TZS 1,431.87 billion (2021: TZS 1962.50 billion), a decrease by TZS 530.63 billion equivalent to 27.03%. The decrease was on account of paid dividend and unrealized losses due to fall in prices of financial instruments following the tightening of global financial conditions.

Results and Dividends

During the year ended 30 June 2022, the Bank operations registered an overall total comprehensive loss of TZS 289.71 billion (2021: profit of TZS 158.06 billion). The loss incurred mainly resulted from unrealized loss on marketable securities, and the increase in other operating expenses due to accounting loss on initial recognition of Government securities at fair value as per IFRS.

The Bank of Tanzania Act, 2006 requires transfer of net unrealized gains or losses to a separate reserve account until realized and available for distribution. In line with section 17 of the Act, special purpose reserves have been set to cater for specific needs and the balance is distributed as dividend to the Government. As a result, a dividend amounting to TZS 100.0 billion (2021: TZS 200.0 billion) is payable to the Government.

Cash Flows

The cash flows statement for the Bank is presented using indirect method whereby it is classified and presented into cash flows from operating, investing and financing activities. The cash flow analyses changes in cash and cash equivalent during the year ended 30 June 2022. Cash and cash equivalent for the Bank includes, fixed deposits, account balances with foreign banks and holding of foreign currency in Bank's strong room, in overall terms the Bank utilized its cash and cash equivalent which caused a decrease from TZS 5,834.32 billion to TZS 4,471.11 billion due to investments made in long term financial instruments in order to maximize return. Similarly, financing activities provided for additional foreign reserves providing comfort to finance major Government projects.
The changes in cash flow have been summarized below:

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

11. FINANCIAL PERFORMANCE AND POSITION (CONTINUED)

(a) Operating Activities

Operating activities for the year ended 30 June 2022 resulted in net outflow of TZS 692.30 billion (2021: TZS 95.26 billion). Decrease in cash flow from operating activities during the year was on account of improved revenue collection from the Government, withdraws by parastatals to finance their operations and disbursement of loans and advances to commercial banks as part of managing the lending rate.

(b) Investing Activities

Investing activities during the year resulted in net cash outflows of TZS 3,255.67 billion (2021: TZS 130.38 billion). Major activities during the year included investment in Government and marketable securities as part of investment strategy.

(c) Financing Activities

Financing activities during the year resulted in net cash inflows of TZS 2,504.59 billion (2021: TZS 443.19 billion). Increase in cash flows during the year was a result of increase in currency in circulation, increase in foreign currency financial liabilities and allocation of Special Drawing Right (SDR). These items provided additional funding for operating and investing activities.

12. RISK MANAGEMENT AND INTERNAL CONTROLS

Effective risk management and controls are an integral element in the Bank's strategic objectives in meeting its policy responsibilities. The Board accepts final responsibility for risk management and internal control systems in the Bank. Accordingly, risk management and internal control frameworks are embedded in all processes of the Bank in order to provide reasonable assurance regarding:

(a) The effectiveness and efficiency of operations;
(b) The safeguarding of the Bank's assets;
(c) Compliance with applicable laws and regulations;
(d) The reliability of accounting records;
(e) Business sustainability under normal as well as adverse conditions; and
(f) Responsible behaviours towards all stakeholders.

The risk management process is guided by the Corporate Risk Management Framework (CRM) and Guidelines that nurture an integrated approach to the management of all risks inherent in the operations so that the Bank can in turn attain its strategic objectives.

The CRM framework provides guidance on identifying and managing multiple and cross-enterprise risks; determining appropriate risk response decisions; aligning risk appetite with corporate strategy; allocating resources effectively; minimizing unexpected events which might result in financial losses and reputational damage, and seizing opportunities in a timely manner.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

12. RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

The risks that the Bank is exposed to emanate from fulfilling its responsibilities, such as formulation and implementing monetary and exchange rate policies, managing foreign exchange reserves, and rendering banking services to the banking sector and the Government of the United Republic of Tanzania.

KEY RISKS AND UNCERTAINTIES

The risks that may affect the implementation of the Bank's strategies are categorized as financial, operational, and strategic risks. Below is a description of the operational and strategic risks facing the Bank. The risks related to financial instruments have been disclosed under Note 42 of the financial statements:

(a) Operational risk: This is a risk resulting from inadequate or failed internal processes, people, and systems or from external events. In order to effectively manage operational risk, the Bank has put in place mechanism that assist in operational risk assessment, evaluation, treatment, monitoring, and reporting across all organisational levels. The main operational risks of the Bank are:

i. Human Resource Risk

The particular nature of the activities of the Bank necessitates specialized knowledge in many areas. This risk relates to the possibility of having inadequate and unspecialized resources. Materialization of the risk is likely to cause business disruption and inefficiencies, ultimately exerting an adverse impact on the achievement of the Bank's objectives.

The Bank ensures that there is an adequate knowledge base for all specialized job requirements by investing significantly in human resource development in terms of capacity building and practical exposure. The Bank also organizes workshops, seminars, conferences, and job attachments to its staff to improve their competencies. It regularly revises its staff retention scheme to compete with the prevailing labour market. The Bank has Staff By-Laws, Financial Regulations, and Code of Ethics that guide staff behaviour and foster staff integrity.

ii. Business Disruption and Security Risks

Risks related to failure to execute business processes and events that compromise the assets, operations, and objectives of the Bank. The risks might be due to lack of business continuity management, lack of good practices, or controls on the Bank's activities. This risk may result in the loss of the Bank's properties injuries and loss of life as well as jeopardizing the Bank's reputation.

The Bank addresses these risks inter alia by ensuring the existence of a Business Continuity Management (BCM) plan and sound internal control system, which include operational and procedural manuals, Information and Communication Technology (ICT) security policies, backup facilities, contingency planning, and independent risk management function.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

12. RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

iii. Project Risks

The risk associated with the mismanagement of projects leading to an adverse impact on the achievement of the project objectives. This risk may lead to delays in project completion, project cost overrun, legal disputes from infringement of terms of conditions and ultimately damage the Bank's reputation.

The Bank addresses these risks by putting place Projects Management Framework and Operational Manuals which provide mandate, methodology and governance mechanism to ensure common and consistent application of project management principles and practices across the Bank.

iv. Information Technology Risks

Risks arising from failure of software, hardware and IT infrastructure and other risks related to confidentiality, integrity and availability of information technology, and IT support services. The risk may result in failure of critical business applications, malicious software attacks and unauthorized access to Bank's IT assets and consequently disrupting business processes and adversely affecting the Bank's reputation.

In managing these risks, the Bank has put in place committees, policies and guidelines, which govern the usage and operations of IT systems and infrastructure by providing guidance on the protection of IT assets, business continuity management of its operations and internal controls against potential damage caused by technology risk events. Further, continuous assessment and monitoring of controls is done by IT team and reviewed by the risk and internal audit teams.

v. External Stakeholders Risk

Risks arising due to the failure of stakeholders to meet obligations to the Bank or potential failure of the Bank to meet stakeholders' needs. This risk may potentially tarnish the reputation of the Bank if it materializes.

The Bank manages these risks through strong involvement of stakeholders in carrying out its undertakings and conducting constant public education through training, press conferences, circulars and direct engagement via social media accounts.

vi. Compliance and Business Practice Risks

Risks related to non-adherence to legislations, regulations, Government directives, and public or internal policies. This risk exposes the bank to legal disputes which may result in the loss of the Bank's financial resources and reputational damage.

The Bank ensures the risk is mitigated through a high level of compliance with laws and regulations and code of conduct. Further, compliance reviews and monitoring in various departments are conducted to ensure that operations are in line with all applicable laws, regulations, standards, policies and procedures.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

12. RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

vii. Legal Risk

Legal risk arises from any uncertainty of enforceability, whether through legal or judicial processes, of the obligations of the Bank's clients and counterparties. The Bank aims at minimizing such uncertainties through continuous consultations with all relevant parties.

In mitigating this type of risk, the Bank ensures that all business agreements are contracted under Standard Industry Contracts, e.g. International Swaps and Derivatives Association (ISDA), International Securities Markets Association (ISMA), etc. Where substantially different contracts and substantive changes to existing contracts are entered into, external lawyers are contracted. The Bank has in place a clear procedure for the delegation of authorities. In addition, a strict code of conduct and ethics is used to minimize the chances of causing legal disputes between the Bank and its counterparts.

(b). Strategic Risk

This entails policy, business, performance and external risks facing the Bank in course of its operations. Policy risks are associated with economic and monetary policy formulation, while business risk refers to the probability of loss inherent in the Bank's operations and environment. On the other hand, performance risk is associated with the formulation and execution of business plans and strategies, and external risks refer to threats from the external environment such as infrastructure disruption, financial crime, and computer viruses, political, social and economic changes. Similar to operational risk, strategic risk may result in damage to the Bank's reputation.

In managing strategic risk, the Bank adheres to the best practices and applies the principle of sound corporate governance. It also ensures that all relevant employees have a clear understanding of the appropriate processes in respect to the best practices and principles of good governance. Further, the Bank sets out policies and guidelines that govern sound functional operations within the Bank. The performance of these policies and guidelines is periodically reported to the Bank's Management for control and compliance monitoring.

The top Management of the Bank has the necessary freedom and discretion to exercise central banking functions. However, this freedom is exercised within the context of good governance and having regard to a proper balance between accountability and the best interests of the Bank and its various stakeholders. The Board assessed the internal control systems throughout the financial year ended June 2022 and is of the opinion that they met the accepted criteria.

13. LIQUIDITY MANAGEMENT

The liquidity management ensures at all times the Bank is able to discharge its mandate. This is achieved through setting annual budget for the implementation of departmental action plans derived from the set objectives. The budget allocation is based on approved ceiling, which is based on available resource envelope. The budget process ensures adequate allocation of funds is made in terms of both timing and adequacy. The resulting budget is then approved by the Board of Directors and acts as an expenditure limit.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

14. EMPLOYEES WELFARE

(a) Management and Employees' Relationship

The relationship between the Bank and its employees continued to be very good. Employee complaints raised during the year were resolved mainly through the use of consultative meetings/fora involving the management, trade union, and employees through the worker's council. There is a grievances handling mechanism and the Bank encourages amicable complaints resolution through meetings and discussions. As a result, a healthy relationship continued to exist between management and the trade union.

(b) Staff Training and Development

The Bank recognizes the role of its staff knowledge and skills in its operations and thus allocates resources in its budget to train and develop its staff through short and long term programmes. The Bank has a training institute (the Bank of Tanzania Academy) in Mwanza as well as several facilities at its premises to enable in-house trainings. The Bank has several development programmes including leadership programmes where it provides full or partial sponsorship that enables staff improve performance in their jobs and prepare them for career development.

(c) Medical Assistance

The Bank provides medical assistance to its staff and their dependents as well as retirees and their spouses through the National Health Insurance Fund. During the year ended 30 June 2022, the National Health Insurance Fund provided these services.

(d) Health and safety

Effective health, safety, and risk management are priorities for the Bank. The Bank's safety management system delivers a safe working environment through continuous and effective assessment. The Bank ensures the working environment is safe by monitoring the health and safety incidences in compliance with the occupational Osha Act, 2003 and Regulations.

(e) Financial assistance to staff

The Bank provides various loans to employees per the Staff Bylaws and Financial Regulations in force. These include house loans, motor vehicle loans, personal loans, and computer loans.

(f) Employee's pension plan

The Bank has an arrangement whereby the employer and employees make monthly contributions to pension schemes. Such contributions are mandatory and aggregate to twenty percent of the employee's basic salary. The detail of the benefits plan is provided under the Summary of Significant Accounting Policies in Note 3 to the financial statements.

(g) Voluntary agreement

The Bank has a voluntary agreement with the Tanzania Trade Union of Industrial and Commercial Workers to enhance good industrial relations and employee welfare, and retain high-calibre employees.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

15. DISABLED PERSONS AND GENDER PARITY

Persons with disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes 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.

Gender balance

The Bank is 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 and without regard to factors like gender, marital status, tribe, religion, and disability, which do not impair the ability to discharge duties. As of 30 June 2022 and 30 June 2021, the Bank had the following distribution of employees by gender.

Gender	2022	%	2021	%
Male	819	64.0	759	63.5
Female	458	36.0	436	36.5
Total	**1,277**	**100.0**	**1,195**	**100.0**

16. ENVIRONMENTAL CONTROL PROGRAM

The Bank monitors the impact of its operations on the environment, which is mainly with power, water, and the generation of waste. The Bank minimizes the impact through better use of its premises and inbuilt facilities to ensure that there is proper waste management. Further, the Bank ensures compliance with requirements of environmental impact assessment in its construction projects.

Notwithstanding the impact of the Bank's operation on the environment, the Bank as a regulator has an important role to play in adapting and mitigating environmental and climate-related financial risks. Its immediate task is to improve information flows within financial markets so that climate-related financial risks are considered accordingly in policy formulation, investment decisions and for disclosure purposes. As such, the Bank is building internal capacity to understand the regulatory remedies appropriate for addressing environmental and climate-related financial risks.

Moreover, the Bank is in the process to put in place guidelines on climate-related financial risks management to assist banks and financial institutions in incorporating sound governance and risk management frameworks within their existing risk management frameworks.

17. POLITICAL, CHARITABLE CONTRIBUTIONS AND SUBSCRIPTIONS

The Bank made various subscriptions and contributions to various organizations which included the African Rural and Agricultural Credit Association (AFRACA); African Association of Central Banks (AACB); Macroeconomic and Financial Management Institute (MEFMI); Capital Markets and Securities Authority (CMSA); Deposit Insurance Board (DIB), Government for promoting Tanzania economy,

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

17. POLITICAL, CHARITABLE CONTRIBUTIONS AND SUBSCRIPTIONS (CONTINUED)

charities and subscription to Professional Associations. During the year ended 30 June 2022, such contributions and subscriptions amounted to TZS 3,320 million (2021: TZS 3,557.5 million). There was no donation made to any political party during the year.

Table 7: Beneficiaries of Contributions and Donations

S/N	BENEFICIARY	AMOUNT 'TZS MILLION'	% OF TOTAL CONTRIBUTION
1	Government- for Promoting Tanzania Economy	250.0	7.53%
2	Committee of Central Bank Governors	45.9	1.38%
3	Research Development Fund	119.9	3.61%
4	African Economic Research Consortium	229.8	6.92%
5	Association of African Central Banks	14.0	0.42%
6	Macro-Economic and Financial Management Institute	905.8	27.28%
7	Capital Markets and Security Authority	708.8	21.35%
8	Deposit Insurance Board	292.4	8.81%
9	Institute of Bankers	340.0	10.24%
10	Donation and other contributions	249.1	7.50%
11	Subscription to Various Entities	164.4	4.95%
	TOTAL	**3,320.0**	**100.0%**

18. CORPORATE SOCIAL RESPONSIBILITY

The Bank is committed to fulfilling part of its Corporate Social Responsibility (CSR) through supporting national activities and other areas of interest to the Bank in the United Republic of Tanzania. In this endeavor, the Bank has in place Donation Guidelines, 2009 that assist in the implementation of CSR. During the year, the Bank donated a total of TZS 249.1 million (2021: TZS 232.3 million) to various community groups.

19. PREJUDICIAL ISSUES

During the year ended 30 June 2022, there were no prejudicial issues to report as required by Tanzania Financial Reporting Standard No. 1 – The Report by Those Charged with Governance.

20. APPOINTMENT OF AUDITORS

Pursuant to the provisions of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2005), Sections 30 – 33 of the Public Audit Act No. 11 of 2008 mandates the Controller and Auditor General (CAG) as the statutory auditor of the Bank of Tanzania.

In addition, Section 20(6) of the Bank of Tanzania Act, 2006 earmarked that the annual external audit of the Bank shall be performed by the Controller and Auditor General in accordance with international accounting and audit standards and in compliance with the Public Finance Act.

THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

20. APPOINTMENT OF AUDITORS (CONTINUED)

In addition, Section 20(6) of the Bank of Tanzania Act, 2006 earmarked that the annual external audit of the Bank shall be performed by the Controller and Auditor General in accordance with international accounting and audit standards and in compliance with the Public Finance Act.

The contact and other details about the Controller and Auditor General are as provided below:
National Audit Office,
Audit House, 4 Ukaguzi Road,
P.O. Box 950,
41101 Tambukareli,
DODOMA, TANZANIA.
TIN Number: 104-961-444
Tel: 255 (026) 216 1200,
Fax: 255 (026) 211 7527,
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz

21. RESPONSIBILITY OF THE AUDITOR

The Controller and Auditor General has a statutory responsibility to report to the stakeholders as to whether, in his opinion, the financial statements of the Bank present fairly the financial position, financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard, the Tanzania Financial Reporting Standard (TFRS 1) and in the manner required by the Bank of Tanzania Act, 2006. And whether the procurement transactions and processes have complied with the requirements of the Public Procurement Act No.7 of 2011 and its underlying Regulations of 2013 as amended in 2016.

22. STATEMENT OF COMPLIANCE BY THOSE CHARGED WITH GOVERNANCE

In performing the activities of the Bank, various laws and regulations having the impact on the Bank's operations were observed. Moreover, this report has been prepared in full compliance with the Tanzania Financial Reporting Standard No. 1 requirements - The Report by Those Charged with Governance.

23. APPROVAL

This Report was approved and authorized for issue by the Board of Directors during its Extra-Ordinary Meeting held on **08 December, 2022** and signed on its behalf by

Prof. Florens D.A.M Luoga	Prof. Nehemiah E. Osoro
The Governor and Chairman of the Board	Director and Chairman of the Audit Committee

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Board of Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), National Board of Accountants and Auditors' (NBAA) Pronouncements and the requirements of the Bank of Tanzania Act, 2006 and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors accept responsibility for these financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards, NBAA's Pronouncements and in the manner required by the Bank of Tanzania Act, 2006. The Board of Directors are of the opinion that financial statements give a true and fair view of the state of the financial affairs of the Bank and its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Approved by the Board of Directors on **08 December 2022** and signed on its behalf by:

Prof. Florens D.A.M Luoga
The Governor and Chairman of the Board

Prof. Nehemiah E. Osoro
Director and Chairman of the Audit Committee

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 30 JUNE 2022

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of the Bank showing true and fair view of the Bank's financial position and financial performance in accordance with applicable International Financial Reporting Standards, NBAA's pronouncements and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as stated under the statement of directors' responsibilities on page **43**.

I, Jamhuri Joseph Ngelime, being the Head of Finance of the Bank of Tanzania hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2022 have been prepared in compliance with International Financial Reporting Standards, NBAA's Pronouncements and the Bank of Tanzania Act, 2006.

I thus confirm that the financial statements give a true and fair view position of the Bank of Tanzania as on that date and that they have been prepared based on properly maintained financial records.

....
Director of Finance
NBAA Membership No.: ACPA 1497

08 December 2022

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Board Chairman,
Bank of Tanzania,
16 Jakaya Kikwete Road 40184
P.O. Box 2303
Tanzania.

REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of Bank of Tanzania, which comprise the statement of financial position as at 30 June 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of Bank of Tanzania as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in compliance with the requirements of the Bank of Tanzania Act, 2006.

Basis for Opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of Bank of Tanzania in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Other Information

Management is responsible for the other information. The other information comprises the Director's Report, Declaration by the Head of Finance and Statements of Directors Report but does not include the financial statements and my audit report thereon which I obtained prior to the date of this auditor's report.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)
INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

My opinion on the financial statements does not cover the other information, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS's and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.
Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)
INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

- 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 entity's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; and

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

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

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)
INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL (CONTINUED)

Compliance with the Public Procurement laws

Subject matter: Compliance audit on procurement of works, goods and services

I performed a compliance audit on procurement of works, goods and services in the Bank of Tanzania for the financial year 2021/22 as per the Public Procurement laws.

Conclusion

Based on the audit work performed, I state that procurement of goods, works and services of Bank of Tanzania is generally in compliance with the requirements of the Public Procurement laws in Tanzania.

Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the Bank of Tanzania for the financial year 2021/22 as per the Budget Act and its Regulations and Guidelines.

Conclusion

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

Charles E. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
.08./ December 2022.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30.06.2022	30.06.2021
		TZS '000	TZS '000
Operating income			
Interest income	5	318,752,271	294,007,068
Interest expenses	6	(5,224,168)	(4,458,203)
Net interest income		**313,528,103**	**289,548,865**
Net foreign exchange revaluation gains	7	54,433,746	202,455,504
Fees and commissions	8	76,591,085	64,138,590
Other operating income	9	39,777,244	23,130,631
		170,802,075	**289,724,725**
Total operating income		**484,330,178**	**579,273,590**
Operating expenses			
Net realised/unrealized loss on Financial Assets	10	(10,164,024)	(26,994,554)
Administrative expenses	11	(77,426,726)	(64,391,548)
Currency issue and related expenses	12	(64,548,016)	(72,897,384)
Personnel expenses	13	(121,704,029)	(124,108,057)
Other operating expenses	14	(239,513,654)	(20,257,026)
Depreciation of property and equipment	29	(28,491,796)	(22,657,547)
Loss on disposal of property and equipment	29	(48,553)	-
Amortisation of intangible assets	30	(2,045,101)	(1,226,703)
Total operating expenses		**(543,941,899)**	**(332,532,819)**
Profit/(loss) before tax		**(59,611,721)**	**246,740,771**
Income tax expense		-	-
Profit/(loss) for the year		**(59,611,721)**	**246,740,771**
Other comprehensive profit/(loss)			
Items that will be reclassified to profit or loss			
Net unrealized loss on marketable securities-FVOCI	15	(238,188,226)	(84,113,602)
Items that will not be reclassified to profit or loss			
Loss on re-measurement of Defined Benefit Scheme	15	(8,469,745)	(9,753,241)
Net revaluation gain on equity investments	15	16,563,771	5,183,480
Total other comprehensive profit/(loss)		**(230,094,200)**	**(88,683,363)**
Total comprehensive profit/(loss)		**(289,705,921)**	**158,057,408**

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Notes	30.06.2022 TZS '000	30.06.2021 TZS '000
Assets			
Cash and balances with central banks and other banks	16	4,471,112,672	5,834,322,961
Escrow accounts	17	11,278,779	11,257,016
Holdings of Special Drawing Rights (SDRs)	19	21,177,737	22,217,849
Quota in International Monetary Fund (IMF)	19	1,217,187,495	1,304,531,756
Foreign currency marketable securities	20	7,606,900,473	6,255,042,431
Government securities	22	2,479,507,487	1,094,883,220
Advances to the Government	23	2,022,036,054	2,393,706,756
Loans and receivables	24	430,404,969	132,403,424
Equity investments	21	111,721,028	44,254,186
Inventories	25	6,682,138	6,539,063
Deferred currency cost	26	92,991,489	52,103,739
Other assets	27	130,923,942	203,070,840
Property and equipment	29	1,023,189,769	995,657,377
Intangible assets	30	3,061,646	4,800,382
Total assets		**19,628,175,678**	**18,354,791,000**
Liabilities			
Currency in circulation	31	6,618,845,966	5,704,677,413
Deposits - Banks and non-bank financial institutions	32	3,651,670,348	3,548,412,774
Deposits – Others	34	2,701,166,785	3,668,295,459
Items in course of settlement	18	3,837,283	3,408,577
Foreign currency financial liabilities	35	2,300,452,450	1,569,043,226
BoT liquidity papers	36	47,058,358	40,010,514
Provisions	37	5,841,897	8,537,729
Other liabilities	38	63,071,731	102,644,984
Retirement benefit obligation	28	18,445,849	13,835,705
IMF related liabilities	19	1,034,440,924	1,108,671,457
Allocation of Special Drawing Rights (SDRs)	19	1,751,474,416	624,756,632
Total liabilities		**18,196,306,007**	**16,392,294,470**
Equity			
Authorised and paid up share capital	39	100,000,000	100,000,000
Reserves	40	1,331,869,671	1,862,496,530
Total equity		**1,431,869,671**	**1,962,496,530**
Total equity and liabilities		**19,628,175,678**	**18,354,791,000**

The financial statements on page 49 to 150 were approved and authorised by the Board of Directors for issue on 08 December 2022 and signed on its behalf by:

Prof. Florens D.A.M. Luoga
The Governor and Chairman of the Board

Prof. Nehemiah E. Osoro
Director and Chairman of the Audit Committee

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

STATEMENT OF CHANGES IN EQUITY AS AT 30 JUNE 2022

Year ended 30 June 2022	Share capital Note 44	General reserve Note 40 (a)	Retained earnings	Capital reserve Note 40 (b)	Equalisation reserve Note 40 (c)	Reserve for projects Note 40 (d)	Staff housing fund Note 40 (e)	Financial Sector Development fund Note 40 (f)	Securities revaluation reserve Note 40 (g)	Foreign exchange revaluation reserve Note 40 (h)	Reserve for dividends Note 40 (i)	Defined benefit reserves Note 40 (j)	Total
(Amounts in TZS '000)													
At 1 July 2021	100,000,000	750,914,385	-	99,262,908	372,815,082	210,000,000	140,851,098	38,698,854	12,495,637	63,101,454	200,000,000	(25,642,888)	1,962,496,530
Profit/(loss) for the year	-	-	(59,611,721)	-	-	-	-	-	-	-	-	-	(59,611,721)
Other comprehensive income/(loss)	-	-	-	-	-	-	-	-	(221,624,455)	-	-	(8,469,745)	(230,094,200)
	100,000,000	750,914,385	(59,611,721)	99,262,908	372,815,082	210,000,000	140,851,098	38,698,854	(209,128,818)	63,101,454	200,000,000	(34,112,633)	1,672,790,609
Transfer of realised gains from OCI securities to P&L*	-	-	-	-	-	-	-	-	(40,920,938)	-	-	-	(40,920,938)
Transfer of unrealised gains to foreign exchange revaluation reserve	-	-	(90,857,809)	-	-	-	-	-	-	90,857,809	-	-	-
Transfer of unrealised loss FVTPL to securities revaluation reserve	-	-	30,147,777	-	-	-	-	-	(30,147,777)	-	-	-	-
Transfer of realised gain on foreign exchange revaluation reserve to retained earnings	-	-	53,531,591	-	-	-	-	-	-	(53,531,591)	-	-	-
Transfer of realised loss from previous years to retained earnings (RAMP)	-	-	(6,827,778)	-	-	-	-	-	6,827,778	-	-	-	-
Staff housing fund	-	-	(5,466,783)	-	-	-	5,466,783	-	-		-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	(200,000,000)	-	(200,000,000)
Transfers to financial sector development fund	-	-	(7,106,091)	-	-	-	-	7,106,091	-	-	-	-	-
Transfers from reserve for Projects to retained earning			186,190,814			(186,190,814)							
Appropriation of 2021/22 net profit	-	-	(100,000,000)	-	-	-	-	-	-	-	100,000,000	-	-
At 30 June 2022	**100,000,000**	**750,914,385**	**0**	**99,262,908**	**372,815,082**	**23,809,186**	**146,317,881**	**45,804,945**	**(273,369,755)**	**100,427,672**	**100,000,000**	**(34,112,633)**	**1,431,869,671**

* Transfer of realised gains includes amount relating to price valuation and amortization premium on foreign marketable securities that are measured at FVOCI recycled to profit or loss statement.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

STATEMENT OF CHANGES IN EQUITY as at 30 june 2021

Year ended 30 June 2021 (Amounts in TZS '000)	Share capital Note 39	General reserve Note 40 (a)	Retained earnings	Capital reserve Note 40 (b)	Equalisation reserve Note 40 (c)	Reserve for projects Note 40 (d)	Staff housing fund Note 40 (e)	Assets revaluation reserve	Financial Sector Development fund Note 40 (f)	Securities revaluation reserve Note 40 (g)	Foreign exchange revaluation reserve Note 40 (h)	Reserve for dividends Note 40 (i)	Defined benefit reserves Note 40 (j)	Total
At 1 July 2020	100,000,000	465,994,163	-	99,262,908	388,159,606	210,000,000	136,398,348	260,246,145	38,699,077	123,558,995	8,832,005	150,000,000	(15,889,647)	1,965,261,600
Profit for the year	-	-	246,740,771	-	-	-	-	-	-	-	-	-	-	246,740,771
Other comprehensive income	-	-	-	-	-	-	-	-	-	(78,930,122)	-	-	(9,753,241)	(88,683,363)
	100,000,000	465,994,163	246,740,771	99,262,908	388,159,606	210,000,000	136,398,348	260,246,145	38,699,077	44,628,873	8,832,005	150,000,000	(25,642,888)	2,123,319,008
Transfer of realised gains from OCI securities to P&L*	-	-	-	-	-	-	-	-	-	(10,822,478)	-	-	-	(10,822,478)
Transfer of unrealised gains to foreign exchange revaluation reserve	-	-	(71,919,509)	-	-	-	-	-	-	-	71,919,509	-	-	-
Transfer of realised gains from previous years to retained earnings	-	-	32,994,584	-	(15,344,524)	-	-	-	-	-	(17,650,060)	-	-	-
Transfer of unrealised loss FVTPL to securities revaluation reserve	-	-	12,447,493	-	-	-	-	-	-	(12,447,493)	-	-	-	-
Transfer of realised loss on securities revaluation reserve to retained earnings	-	-	(3,003,017)	-	-	-	-	-	-	3,003,017	-	-	-	-
Transfer of realised gain from previous years to retained earnings (RAMP)	-	-	11,866,282	-	-	-	-	-	-	(11,866,282)	-	-	-	-
Re-allocation of asset revaluation to general reserve	-	260,246,145	-	-	-	-	-	(260,246,145)	-	-	-	-	-	-
Staff housing fund	-	-	(4,452,750)	-	-	-	4,452,750	-	-	-		-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(150,000,000)	-	(150,000,000)
Transfers to financial sector development fund	-	-	223	-	-	-	-	-	(223)	-	-	-	-	-
Appropriation of 2020/21 net profit	-	24,674,077	(224,674,077)	-	-	-	-	-	-	-	-	200,000,000	-	-
At 30 June 2021	**100,000,000**	**750,914,385**	**-**	**99,262,908**	**372,815,082**	**210,000,000**	**140,851,098**	**-**	**38,698,854**	**12,495,637**	**63,101,454**	**200,000,000**	**(25,642,888)**	**1,962,496,530**

* Transfer of realised gains includes amount relating to price valuation and amortization premium on foreign marketable securities that are measured at FVOCI recycled to profit or loss statement.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2022

	Notes	30.06.2022 TZS '000	30.06.2021 TZS '000
Cash flows from operating activities			
Net cash (used in)/ generated from operating activities	41	**(692,297,241)**	**(95,257,871)**
Cash flows from investing activities			
Purchase of property and equipment	29	(56,079,723)	(28,456,995)
Proceeds from disposal of property and equipment	29	6,982	115,827
Purchase of intangible assets	30	(306,365)	(3,168,033)
Increase in foreign currency marketable securities		(1,630,439,488)	(175,038,630)
(Increase)/decrease in Government securities		(1,606,329,077)	126,081,509
Acquisition of equity shares		(50,903,071)	(591,288)
(Increase)/decrease in quota in International Monetary Fund (IMF)		87,344,261	(47,202,869)
(Increase)/decrease holdings of SDRs		1,040,112	(2,117,667)
Net cash flows from investing activities		**(3,255,666,369)**	**(130,378,146)**
Cash flows from financing activities			
Increase in currency in circulation		914,168,553	479,356,593
Increase/(decrease) in IMF related liabilities and PRGF		(74,230,533)	13,917,170
Increase in foreign currency financial liabilities		731,409,224	156,552,824
Increase in allocation of SDRs		1,126,717,784	22,606,047
Increase/(decrease) in BoT liquidity papers		7,047,843	(78,778,119)
Dividends paid to the Government		(200,000,000)	(150,000,000)
Lease principal payments		(518,567)	(455,833)
Cash generated from financing activities		**2,504,594,304**	**443,198,682**
Net increase in cash and cash equivalents		**(1,443,369,306)**	**217,562,665**
Unrealized gains on foreign exchange revaluation		80,132,972	15,408,768
Cash and cash equivalents			
At the beginning of the year		5,834,393,941	5,601,422,508
At the end of the year	16	**4,471,157,607**	**5,834,393,941**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. REPORTING ENTITY

Legal framework

The Bank of Tanzania operates under the Bank of Tanzania Act, 2006, to act as the Central Bank for the United Republic of Tanzania. Its principal place of business is at 16 Jakaya Kikwete Road 40184, Dodoma, Tanzania and it operates sub head offices in Dar es Salaam and Zanzibar and four branches in Arusha, Mbeya, Mtwara and Mwanza. The Bank is an independent institution with its own legal personality and submits its reports to the Minister for Finance and Planning.

The Bank's principal responsibilities are to:

(a). Conduct monetary policy and manage the exchange rate policy of the Tanzania Shillings aimed at supporting orderly, balanced and sustainable economic growth of Tanzania;

(b). Regulate and supervise financial institutions carrying on activities in, or from within, Tanzania, including mortgage financing, lease financing, development financing and licensing and revocation of licenses;

(c). Manage, in collaboration with other relevant supervisory and regulatory bodies, the clearing, payment and settlement systems of Tanzania;

(d). Collect, compile, disseminate, on a timely basis, monetary and related financial statistics; and

(e). Hold and manage gold and foreign exchange reserves of Tanzania.

Section 17 of the Bank of Tanzania Act, 2006, (the Act) provides that the authorised capital of the Bank to be one hundred billion Tanzanian Shillings (TZS 100 billion). The capital may be increased by transfer from the General Reserve established by the Act such amount as may be determined by the Board and authorised by the Minister of Finance and planning, by notice published in the government Gazette.

The paid up capital of the Bank shall not be reduced. The capital of the Bank shall be subscribed and held solely by the Government of the United Republic of Tanzania.

Section 18(1) of the Bank of Tanzania Act, 2006 provides that, the Bank shall establish and maintain:

(a) A General Reserve Fund;

(b) A Foreign Exchange Revaluation Reserve;

(c) Other appropriate assets revaluation reserves or retained net unrealised gains reserves, set up under a decision of the Board to reflect changes in market values of the Bank's major assets and in accordance with the best international accounting practice; and

(d) Other special reserves or funds from time to time from appropriation of net profit.

Under Section 18(2) of the Act, the Bank shall transfer to the General Reserve Fund twenty-five per-centum of the net profits until such time that the total capital of the Bank reaches a sum equivalent to at least ten per-centum of the total assets of the Bank less its assets in gold and foreign currencies, thereafter the Bank shall transfer not less than ten percent of its net profits to the General Reserve Fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

1. REPORTING ENTITY (CONTINUED)

Legal Framework (continued)

In terms of Section 18(3) of the Act, the Board shall determine, whenever the authorised capital, the General Reserve Fund, the Foreign Exchange Revaluation Reserve and other appropriate asset revaluation reserves or retained net unrealised gains reserves set up by the Board are below five per cent of monetary liabilities all profits shall be retained to the General Reserve Fund, the Foreign Exchange Revaluation Reserve and to any other asset revaluation reserve.

Section 18(4) of the Act provides that; unrealised profits or losses from any revaluation of the Bank's net assets or liabilities in gold, foreign exchange, foreign securities or any internationally recognised reserve asset as a result of any change in the par or other value of any currency unit shall be transferred to a special account to be called the Foreign Exchange Revaluation Reserve Account; the same procedure shall be applied to market value movements in relation to the Bank's other major assets when any of the underlying asset is eventually sold, any resultant realised components shall be transferred to the Statement of Profit or Loss and Other Comprehensive Income.

Section 18(5) of the Act, requires both realised and unrealised gains and losses to be included in the profit calculation but only the residual of any net realised profits of the Bank to be paid, within three months of the close of each financial year, into the Consolidated Fund; subject to the condition that if at the end of any financial year any of the Governments (The Government of the United Republic and the Revolutionary Government of Zanzibar) is indebted to the Bank, the Bank shall first apply the remainder of its net realised profits to the reduction or discharge of the indebtedness and thereafter such amount as relates to the net realised profits of the Bank in the relevant financial year shall be paid out of the Consolidated Fund to the Treasury of the Government of the United Republic of Tanzania and the Revolutionary Government of Zanzibar in accordance with the formula agreed upon by the Governments.

Section 19(1) of the Act, provides that, where the Bank's Statement of Financial Position indicates that the amount of its assets is less than the amount of its liabilities and the statutory fund, the Minister of Finance and Planning shall, on behalf of the United Republic, issue to the Bank negotiable interest-bearing securities at market determined interest rates with a fixed maturity date to the amount necessary to restore the Bank's level of paid up capital.

In terms of Section 20(1) of the Act, the financial year of the Bank shall be the period commencing on 1 July of each year and the accounts of the Bank shall be closed on 30th June of each financial year. Furthermore, Section 20(2) of the Act provides that, the Bank's accounting policies, procedures and associated accounting records shall be consistent at all times with the best international accounting standards.

Section 20 (6) of the Act, provides the annual external audit of the Bank to be performed by the Controller and Auditor General in accordance with International Accounting and Auditing Standards and in compliance with the Public Finance Act.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. REPORTING ENTITY (CONTINUED)

Section 23 of the Act provides that the Bank shall only be placed in liquidation or wound up pursuant to the procedure prescribed in an enactment of Parliament but the provisions of the Companies Act and the Companies Decree shall not apply in relation therewith.

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

(a) New and revised IFRSs that are mandatorily effective for the year

Management noted but did not apply the standards or amendments that are not applicable to the Bank's current business and accounting policy. The unapplied amendments include those related to Covid-19-Related Rent Concessions beyond 30 June 2021 leading to changes in IFRS 16 Lease and Interest Rate Benchmark Reform- Phase 2 leading to changes in IFRS 9, IFRS 7, IFRS 4 and IFRS 16.

(b) Amended standards in issue but not yet effective for the year

The Bank has not early adopted any of the following new and revised IFRSs that have been issued but are not yet effective. Commentary is provided for the amendments and standards that are applicable to the Bank's operations

Amended standards:	Effective for annual periods beginning on or after
IAS 1 - Presentation of Financial Statements	1-Jan-23
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	1-Jan-23
IAS 12 – Income Taxes	1-Jan-23
IAS 16 - Property, Plant and Equipment	1-Jan-22
IAS 37 - Provisions, Contingent Liabilities and Contingent Assets	1-Jan-22
IAS 41 – Agriculture	1-Jan-22
IFRS 1 - First-time Adoption of International Financial Reporting Standards	1-Jan-22
IFRS 3 - Business Combinations	1-Jan-22
IFRS 4 - Insurance Contracts	1-Jan-23
IFRS 9 - Financial Instruments	1-Jan-22
IFRS 16 – Lease	1-Jan-22
IFRS 17 - Insurance Contracts	1-Jan-23
IFRS 41 – Agriculture	1-Jan-22

i. IAS 1- Presentation of Financial Statements

The IASB issued two amendments under IAS 1. In July 2020, amendment of classification of liabilities as current and non-current and on February 2021, amendment of disclosure of accounting policies.

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

The amendment of classification of liabilities as current and non-current will only affect the presentation of liabilities in the statements of financial position, the classification of liabilities as current and non-current should base on rights that are in existence at the end of the reporting period.

The amendment of disclosure of accounting policies will assist preparers in deciding which accounting policies to disclose in the financial statements, that is entities to disclose material accounting policies rather than significant accounting policies.

Management is still evaluating the requirements of this amendment and its impact on the Bank's financial reporting when it falls due.

ii. IAS 16 - Property, Plant and Equipment

The IASB issued amendment to IAS 16, Property, Plant and Equipment on proceeds before intended use. This amendment prohibits an entity from deducting the cost of property, plant and equipment amounts received from selling items produced while an entity is preparing the asset for its intended use. Instead, an entity should recognize such sales proceeds and related cost in profit or loss.

Management has assessed the requirements in this amendment and its impact on the Bank's financial reporting when they fall due and believes that their impact will be insignificant.

iii. IAS 37- Provisions, Contingent Liabilities and Contingent Assets

The IASB developed amendments to IAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling the contract and an allocation of other costs that relate directly to fulfilling contracts. The amendments apply to contracts for which the entity has not yet fulfilled its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Management has assessed the requirements in this amendment and its impact on the Bank's financial reporting when they fall due and believes that their impact will be insignificant.

iv. IFRS 9 - Financial Instruments

The amendment clarifies fees that an entity includes when applying the 10 percent test in de-recognition of financial liabilities. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Management has assessed the requirements in this amendment and its impact on the Bank's financial reporting when they fall due and believes that their impact will be insignificant.

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

v. IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors.

The amendment introduces a new definition of accounting estimates which states that accounting estimates are ‘monetary amounts in financial statements that are subject to measurement uncertainty’. This is in order to help entities to distinguish between accounting policies and accounting estimates.

Management has assessed the requirements in this amendment and its impact on the Bank’s financial reporting when they fall due and believes that their impact will be insignificant.

vi. IFRS -16 Leases

The amendment removes from the example 13 of (IFRS 16) the illustration of the reimbursement of leasehold improvements by the lessor to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Management has assessed the requirements in this amendment and its impact on the Bank’s financial reporting when they fall due and believes that their impact will be insignificant.

3. SIGNIFICANT ACCOUNTING POLICIES

Presentation of financial statements

The Bank presents its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date and more than 12 months after the statement of financial position date is presented in **Note 42**.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense are not offset in the profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Basis of preparation

The financial statements have been prepared on a historical cost basis except where otherwise stated or as required by International Financial Reporting Standards and Interpretations to those Standards for assets and liabilities to be stated at their fair value as disclosed in the accounting policies hereafter. The financial statements are presented in thousands of Tanzanian Shillings (TZS ‘000) except where explicitly stated.

Statement of compliance

The financial statements of Bank of Tanzania have been prepared in accordance with International Financial Reporting Standards as far as they are practically applicable to the Bank and comply with

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the requirements of the Bank of Tanzania Act, 2006. The Report by Those Charged with Governance is presented together with financial statements in compliance with Tanzania Financial Reporting Standards.

Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must be met before revenue is recognised:

Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method for all interest bearing financial instruments except for assets measured at fair value through profit or loss (FVTPL)

For all financial instruments measured at amortised cost, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental cost that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of receipts or payments. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fees and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been rendered. The recognition is when or as performance obligations within contract with customer are satisfied. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct cost) and recognised as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating or participating in the negotiation of a transaction for a third party is recognised on completion of the underlying transaction.

Dividend income

Dividend on equity investments that are measured at fair value through other comprehensive income (FVOCI) are recognised in the statement of comprehensive income when the Bank's right to receive the payment is established

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other income

Other income falling under IFRS 15 is recognized after satisfaction of performance obligations at a point in time or over time. These include income from hire of conference facility and fees and commission. Other income out of the scope of IFRS 15 is recognised in the period in which it is earned.

Dividend payable

Dividend is recognised as a liability in the period in which it is declared. Proposed dividend is disclosed as a separate component of equity.

Expenses

These are losses and other expenses that arise in the course of Bank's ordinary activities. They include interest and administrative expenses. Generally, expenses are recognised in the Statement of Profit or Loss and Other Comprehensive Income when decrease in future economic benefits related to decrease in an asset or an increase of a liability has arisen and can be measured reliably.

Interest expenses

Interest expense is the cost of debt that has accrued during a specified accounting period regardless of the time of spending the cash. These include interests on liquidity papers, repurchase agreements and IMF drawings. Interest expenses are recorded using the effective interest rate method.

Since interest on debt is not paid daily, the Bank passes adjusting entries periodically to recognise interest expense within the accounting period that the expense has been accrued.

Administrative expenses

This includes expenses that produce no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the balance sheet as an asset. Such expenses are recognised immediately in the income statement in the accounting period that the cost has been incurred. These include maintenance, transport and travelling, meetings, conference and seminars, water and electricity, fees, rates and security expenses, telecommunication and postage, board expenses, audit fees, budget and annual accounts preparation, loss on disposal of property and equipment, hospitality, legal and investigation expenses.

In addition, administrative expenses include expenses whose economic benefits are expected to arise over several accounting periods and the association with benefit can only be broadly or indirectly determined. Such expenses are recognised in the income statement in the accounting period in which the economic benefits are consumed or have expired. They may include stationery and office supplies.

Other expenses

Other expenses are recognised in the statement of profit or loss and other comprehensive income when decrease in future economic benefits related to decrease in an asset or an increase of a liability has arisen and can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' benefits including post-employment benefits

Short-term employment benefits such as salaries, social security contributions, and leave fare assistance are recognised in Statement of Profit or Loss and Other Comprehensive Income when they fall due.

Retirement benefits

The Bank has a statutory obligation to contribute for retirement benefits to its employees. All eligible employees of the Bank are currently members of the social security schemes operating in Tanzania. The fund where employees are members is Public Sector Social Security Fund (PSSSF) Under this scheme, the Bank and employee contribute agreed rate of employee's basic salary every month. The Bank signed a Voluntary Agreement (VA) with the Tanzania Union of Industrial and Commercial Workers (TUICO), which provides for a number of benefits on retirement upon attaining a number of years in service with the Bank as specified in the Bank's Staff Bylaws. The provisions in the VA and Staff By-Laws constitute a defined benefits plan, which has been accounted and disclosed in accordance with the requirements of International Accounting Standard 19 Employee Benefits.

The plan is partly funded through employees' contribution. There are two categories of benefits to Bank's staff. The first is payable to staff employed for unspecified period and second is to executive management who are under specific contracts. Benefits are paid upon end of contract, retirement, withdrawal or death as specified in the Staff By-Laws.

The total accumulated obligation to the Bank relating to this arrangement is based on assessments made by independent actuaries. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

Under IAS 19, measurement of scheme liabilities must be calculated under the projected unit credit method, which requires certain demographic and financial assumptions, including future salary growth. The assumptions used are applied for the purposes of compliance with the IAS 19 only.

Re-measurement comprising of actuarial gains and losses are reflected immediately in the statement of the financial position with a charge or credit recognised in Other Comprehensive income in the period in which they occur. Re-measurement recognised in Other Comprehensive Income is reflected immediately in retained earnings and not reclassified to profit or loss.

Past service, cost is recognised in the profit or loss in the period of plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined beginning obligation. In the absence of a deep corporate bond market in Tanzania, the Bank has used the discount rate for Tanzania long-term bond yields as published in the Bank Monthly Economic Reviews.

The Bank presents current service cost and net interest cost in personnel expenses. Curtailment gains and losses are accounted for as past service cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

The Bank provides free medical treatment to its employees and their dependants through medical insurance scheme. Exclusions are met by the Bank as medical expenses. The cost is charged to profit or loss. The estimated monetary liability for employees' earned but not taken leave entitlement at the end of the reporting period is recognised as an accrued expense.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Bank expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognised in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Income Tax

No provision for income tax is made in the Financial Statements as Section 10 Second Schedule of the Income Tax Act, 2004 exempts the Bank from taxation imposed by law in respect of income or profits.

Further, according to Section 22(1) and (2) of the Bank of Tanzania Act, 2006, the Bank is exempt from payment of any taxes, levies or duties in respect of its profits, operations, capital, property or documents or any transaction, deed, agreement or promissory note to which it is a party. The Bank is also exempt from payment of stamp duty or other duties in respect of notes and coins issued as currency under the Act.

The Bank pay Value Added Tax (VAT), as per the VAT legislations, on goods or services provided to the Bank. The Bank is also required to pay import and customs duties in accordance with the provisions of the East African Customs Management Act, 2004.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in Tanzanian Shillings, which is the Bank's functional and presentation currency and all values are rounded to the nearest thousand (TZS'000) except where otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transactions and balances

Foreign currency transactions are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions during the year and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end are recognised in profit or loss.

Foreign exchange revaluation reserve under the legal framework

The realised foreign exchange gains/losses are separated from the total revaluation gains/losses. The unrealised part is excluded from computation of distributable profits for the year and is carried in foreign currency revaluation reserve until realised in subsequent years thereby becoming part of the distributable profits. These are determined as follows:

(a) For each foreign currency account or security for the case of securities accounts, cash inflows and outflows are determined.

(b) Each inflow is valued using the prevailing exchange rate.

(c) Each outflow is revalued using the prevailing exchange rate and compared with the rate at which the outflow was recognised in the books of accounts. Where specific originating rate cannot be identified, the applicable is determined on First in First out (FIFO) basis. The difference between the two entries represent realised revaluation gains or losses.

(d) All balances in foreign currencies are revalued using prevailing exchange rates. The differences between the values at the time when the related instrument was recognised, and the current values represent unrealised losses or gains as the case may be.

Property and equipment

Property and equipment are initially recorded at construction, acquisition or purchase cost plus direct attributable cost. Where an item of property and equipment comprises, major components having different useful lives, they are accounted for separately. Property that is being constructed or developed for future use to support operation is classified as Work in Progress (WIP) and stated at cost until construction or development is complete and is available for use, at which time it is reclassified as property and equipment in use.

The Bank's immovable properties (buildings) are subsequently measured at cost less accumulated depreciation on buildings and impairment losses. Depreciation is charged to profit or loss on a straight-line basis to write off the cost of property and equipment to their residual values over their expected useful lives. These residual values and expected useful lives are re-assessed on an annual basis and adjusted for prospectively, if appropriate.

The review of residual values takes into account the amount that the Bank would currently obtain on disposal of the asset after deducting the estimated cost of disposal if the asset were already of the age and condition expected at the end of its useful or economic life (whichever is earlier).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation rates and useful life applied for the year ended 30 June 2022 were as follows:

Asset classification	Annual depreciation rate (%)	Useful life years
Office Premises	1.0	100
Staff Club Premises	1.5	67
Residential Premises	1.5	67
Computer Servers	25.0	4
Computer Printers	25.0	4
Personal Computers	25.0	4
Network Equipment	25.0	4
Bullion Trucks and Armoured Vehicles	10.0	10
Motor Vehicles	20.0	5
Currency Processing Machines	10.0	10
Machinery and Equipment	20.0	5
Security Monitoring, Fire Detection and Fire Fighting Systems	25.0	4
Office Furniture	20.0	5

No depreciation is charged to Capital Work-in-Progress. Property and equipment acquired during the year are depreciated from the date when they are available for use and cease to be depreciated at earlier of the date that the asset is classified as held for sale or the date that the assets are derecognised.

Property and equipment are derecognised when no economic benefits are expected from its use or disposal. The disposal methods applied include; sale, donation or scrapping. Gains or losses on disposal of property and equipment are determined by comparing net disposal proceeds if any with the carrying amount and are taken into account in determining operating profit or loss

Intangible assets

Intangible assets consist of computer application software and computer application licence packages. Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised over the useful economic life and assessed for impairment at the reporting date to ascertain if there is an indication that the intangible asset may be impaired. Generally, cost associated with developing computer software programmes are recognised as an expense when incurred. Intangible assets acquired are measured on initial recognition at cost. Internally developed intangible assets are not capitalised unless they meet certain criteria.

Internally developed software products include direct cost incurred by the Bank and are recognised as intangible assets upon meeting the following criteria:

(a) It is technically feasible to complete the software product so that it will be available for use;

(b) Management intends to complete the software product and use it;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) There is ability to use the software product;

(d) It can be demonstrated how the software product will generate probable future economic benefits;

(e) Adequate technical, financial and other resources to complete the development and to use the software product are available; and

(f) The expenditure attributable to the software product during its development can be measured reliably.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The annual rate of amortisation, which has been consistently applied, is 25 percent. The amortisation period and the amortisation method for an intangible asset are reviewed at the reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognised in profit or loss. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Lease

The lease policy for the Bank covers recognition, measurement and disclosure of right of use assets and lease liabilities, as per IFRS 16 Leases

Date of recognition

The Bank assesses whether the contracts contain lease element and recognize assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value as guided by IFRS 16. Leases are recognised as right-of-use assets and liabilities at the date at which the leased assets are available for use by the Bank.

Initial recognition and subsequent measurement

Lease assets

The Bank recognises right of use in respect of land plot and fibre optic cables. The Bank measures right of use asset using cost model. Amount recognized as right of use asset at initial recognition takes into consideration; estimated incremental borrowing rate as a discount rate, any initial direct costs, disposal costs to be incurred during dismantling and removing of the underlying asset. Payments associated with all short-term leases and leases of all low-value assets are recognised on a straight-line basis as an expense in profit or loss

Subsequently the Bank measures right of use asset assets at cost, this accommodates all adjustments including accumulated depreciation and any accumulated impairment losses that may arise during the lifetime of the lease

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The right-of-use assets are depreciated over the shorter of the remaining contractual time at recognition date, and the lease term on a straight-line basis Periods covered by options to extend and terminate the lease are only included in the lease term if it is reasonably certain that the lease will be extended or not terminated. The amortisation periods for the right-of-use assets are up to 99 years for land plots and up to 5 years for fibre optic cables

Lease liabilities

Lease liabilities are recognized in the balance sheet and are measured at the present value of the remaining lease payments discounted at the weighted average Bank's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost.

After commencement date the Bank measures lease liability by increasing the carrying amount to reflect interest on lease liability, reducing the carrying amount to reflect the lease payments made and re-measuring carrying amount to reflect lease modification, revised payments or other assessments.

Presentation and disclosure

The Bank presents the right of use assets and liability as line items in the notes of the financial statements under property, plant and equipment. Lease interest expense is presented in the statement of comprehensive income as operating expense separate from other interest expenses. Cash payments for the principal portion of lease liabilities are presented in the cash flow statements under financing activities

Capital grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the cost that it is intended to compensate. When the grant relates to an asset, it is recognised as deferred income and released as income in equal instalments over the expected useful life of the related asset.

When the Bank receives non-monetary grants, the asset and the grant are recorded at gross amounts and released to the income statement over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by Governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grants.

Currency printing and minting expenses

These expenses include ordering, printing, minting, freight, carriage insurance and handling expenses which are first deferred after delivery. Based on the currency issued into circulation, the respective proportional actual cost expenses incurred are released to profit or loss from the deferred currency expenses account on weighted average cost basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency in circulation

This represents Tanzanian currency that has been issued into the Tanzanian economy by the Bank since inception. Currency in circulation is measured at the face value of notes and coins issued. Currency in circulation is determined by netting off notes and coins issued against the balance held in the Bank of Tanzania vaults, safe custody centres and notes and coins destroyed.

Impairment of non-financial assets

Non-financial assets include Property and equipment, Intangible assets and Right of use leased assets. The Bank assesses at each reporting date whether there is an indication of impairment and whenever events or changes in circumstances indicate that the carrying amount of non-financial assets exceeds their recoverable amount. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether or not there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Repurchase and Resale Agreements (REPOs and Reverse REPOs)

Repurchase agreements are contracts under which a party sells securities and simultaneously agrees to purchase the same securities at a specified future date at a fixed price. Resale agreements are contracts under which a party purchases security and simultaneously agrees to resell the same securities at a future date at a fixed price.

It is the Bank's policy to take possession of securities purchased under resale agreements, which are primarily liquid government securities. The market value of these securities is monitored and, within parameters defined in the agreements, additional collateral is obtained when their fair value declines. The Bank also monitors its exposure with respect to securities sold under repurchase agreements and, in accordance with the terms of the agreements, requests the return of excess securities held by the counter party when fair value increases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Repurchases and resale agreements are accounted for as collateralised financing transactions and recorded at the amount at which the securities were acquired or sold plus accrued interest.

REPOs continue to be recognised in the Statement of Financial Position and are measured in accordance with policies for financial liabilities.

The difference between sale and purchase price is treated as interest income or expense and is recognised in profit or loss.

Foreign Exchange Revaluation Reserve

The Bank has a policy whereby both net realised, and unrealised foreign exchange gains and losses are firstly recognised in profit or loss in accordance with the requirements of IAS 21 (The Effects of Changes in Foreign Exchange Rates). The net realised foreign exchange gains (losses) for the year arising from daily revaluation of foreign assets and liabilities form part of the distributable profits while the net unrealised foreign exchange revaluation gains (losses) are transferred to the Foreign Exchange Revaluation Reserve.

Reserve for Dividend

This reserve accommodates the amount of proposed dividend to the Governments as at end of the accounting period or declared dividend if the declaration is made after the end of the period but before the financial statements are signed. In accordance with Section 18 (5) of the Bank of Tanzania Act, 2006, the remainder of the net profits of the Bank is paid to the Governments as dividend. However, this is subject to the condition that if at the end of any financial year any of the Governments is indebted to the Bank, the Bank shall first apply the reminder of its net realised profits to the reduction or discharge of the Governments indebtedness.

Financial instruments

IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities.

Date of recognition

The Bank recognises financial instruments on the trade date, that is the date that the Bank commits to purchase or sell the asset. Such purchases or sales of financial assets would require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial recognition and subsequent measurement

All financial instruments under IFRS 9 are initially measured at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental cost of acquisition or issue.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of financial instruments

IFRS 9 classification is based on two aspects: the business model within which the asset is held (the business model test) and the contractual cash flows of the asset which meet the Solely Payments of Principal and Interest ('SPPI') test.

Classification of financial assets

Under IFRS 9 there are three principal classification categories for financial assets: measured at Amortised Cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through Profit or Loss (FVTPL).

Amortised cost

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition);

(a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(b) The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These includes all other financial assets with an exclusion of foreign currency marketable securities and investments in Equity

Financial assets measured at FVOCI-debt instruments

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at fair value through profit or loss on initial recognition and are subsequently measured at fair value with gains or losses recognised in other comprehensive income;

(a) The asset is held within a business model whose objective is both to hold assets in order to collect contractual cash flows and sale; and

(b) The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These includes all foreign currency marketable securities that are internally managed

Financial assets designated as measured at FVTPL

Financial assets designated as FVTPL are measured at fair value. Gains and losses that arise as a result of changes in fair value are recognised in profit or loss, gains and losses that arise between the end of the last annual reporting period and the date an instrument is derecognised do not constitute a separate profit or loss on disposal. Such gains and losses will have arisen prior to disposal, while the item is still being measured at FVTPL, and are recognised in profit or loss when they occur. These are foreign currency marketable securities that are externally managed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value through Other Comprehensive Income (FVTOCI)-Investments in Equity

On initial recognition, the Bank made an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. These are equity investment in Afreximbank and Society for Worldwide Interbank Financial Telecommunication (SWIFT).

Financial liabilities

This represents issued financial liabilities or their components, which are not held at fair value through profit or loss, financial liabilities that arise when a transfer of financial asset does not qualify for de-recognition or when the continuing involvement approach applies, commitments to provide a loan at below market interest rate and hedged items are classified at amortised cost. All Bank's financial liabilities are classified as measured at amortised cost using the effective interest rate method.

De-recognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Bank of similar financial assets) is derecognised where:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either
   - (i) the Bank has transferred substantially all the risks and rewards of the asset, or
   - (ii) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

Financial liabilities are derecognised when the obligation to pay cash flows relating to the financial liabilities has expired. Where an existing financial liability is replaced by another from the same lender

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial assets and financial liabilities

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

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

Determination of fair value

The fair value for financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations without any deduction for transaction cost.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Impairment of financial assets

The impairment of financial assets is based on expected credit losses. The Bank recognizes loss allowances for Expected Credit Losses (ECL) on all financial assets except those that are measured at FVTPL and equity investments measured at FVOCI.

The Bank uses the general approach in determining the impairment of financial assets. A loss allowance is always recognized for expected credit losses and is re-measured at each reporting date for changes in those expected credit losses. The term 'expected credit loss' does not imply that losses are anticipated, rather that there is recognition of the potential risk of loss. Determining whether an expected credit loss should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk of the financial asset since initial recognition.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

Debt investment securities, advances to the government and other government securities that are determined to have low credit risk at the reporting date; and other financial instruments on which credit risk has not increased significantly since their initial recognition. The Bank considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

Stage 1: Assets that are performing. If credit risk is low as of the reporting date or the credit risk has not increased significantly since initial recognition, The Bank recognize a loss allowance at an amount equal to 12-month expected credit losses. This amount of credit losses is intended to represent lifetime expected credit losses that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

Stage 2: Assets that have significant increases in credit risk. In instances where credit risk has increased significantly since initial recognition, the Bank measures a loss allowance at an amount equal to full lifetime expected credit losses. That is, the expected credit losses that result from all possible default events over the life of the financial instrument. For these debt instruments, interest income recognition will be based on the Effective Interest Rate (EIR) multiplied by the gross carrying amount.

Stage 3: Credit impaired. For debt instruments that have both a significant increase in credit risk plus observable evidence of impairment.

Significant Increase in credit risk (SICR)

The Bank decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date. When making the assessment, the Bank uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. This forms the basis of stage 1, 2 and 3 classification and subsequent migration.

For all financial instruments the Bank considers that financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring and could be used to determine whether credit risk has increased significantly since initial recognition.

The appropriateness of using changes in the risk of a default occurring over the next 12 months to determine whether lifetime expected credit losses should be recognized depends on the facts and circumstances. The Bank applies qualitative and quantitative criteria for stage classification and for its forward and backward migration

Quantitative Criteria

The quantitative criteria are based on relative and not absolute changes in credit quality by ratings and days past due depending on the types of instruments as detailed below:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and balances with Central Banks and other banks, Holdings of Special Drawing Rights (SDRs), Quota in International Monetary Fund (IMF) and foreign currency marketable securities: the SICR indicator is determined by comparing the movement in credit rating at origination date and credit rating at the reporting date.

Notch movements give an indicator of the number of downgrades required in order for the asset to be considered to have a significant change in the credit rating. Therefore, highly rated assets for example those in the AAA category would need to move down three notches to AA- (or below) for it to be considered a significant increase in credit risk whereas an asset rated B- would only need to move down one notch.

Staff loans: staff who are still in employment with the Bank, there is no increase in credit risk at any point in time as the cash flow for staff loan is deducted from the payroll directly hence no increase in credit risk.

For staff who are no longer employees of the Bank of Tanzania, the increase in credit risk is determined by using the backstop indicator of 30 days past due of instalments (as prescribed in the IFRS 9 standard) is used to determine significant increase in credit risk.

Government securities and Advances to the Government: The Bank considered all government securities and short-term advances to the Government of United Republic of Tanzania to be low credit risk assets.

Qualitative Criteria

Other factors are considered by the Bank policies in the determination of significant increase in credit risk. They include but not limited to the following:

(a). Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g.: increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.

(b). Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g.: credit spread; credit default swap prices; length of time or the extent to which the fair value of a financial asset has been less than its amortized cost; other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).

(c). Changes in the Bank's credit management approach in relation to the financial instrument (e.g. based on emerging indicators of changes in the credit risk of the financial instrument, the bank's credit risk management practice is expected to become more.

(d). Active or focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the bank specifically intervening with the borrower.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e). Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations (e.g. increase in interest rates or unemployment rates); operating results of the borrower e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations; or regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology).

(f). Significant decrease in the value of collateral or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to pay or otherwise effect the probability of default (e.g. if the value of collateral declines because house prices decline, borrowers in some jurisdictions have a greater incentive to default on their mortgages); or quality of a guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.

(g). Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).

(h). Significant decrease in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group

Loss allowances for ECL are presented in the statement of financial position as follows:

(a). Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;

(b). Loan commitments and financial guarantee contracts: generally, as a provision;

(c). Where a financial instrument includes both a drawn and an undrawn component, and the Bank *cannot identify the ECL on the loan commitment component separately from those on the drawn* component: The Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

(d). Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is their fair value.

General approach to collective or individual assessment

The Bank's measurement of expected credit losses is based on the weighted average credit loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis although measurement on a collective basis is accepted by the Bank if more practical for large portfolios of items.

The assessment of whether there has been a significant increase in credit risk may be on a collective basis where the Bank is not able to identify significant changes in credit risk on individual financial instruments before the financial instrument becomes past due.

Collateral

The Bank obtains collateral where appropriate, from Staff to manage their credit risk exposure to the Bank staff. The collateral forms a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customers in the event that the customer default

Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are the discounted product of: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

(a) 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.

(b) 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Other liabilities

Other liabilities are stated at their nominal value/cost, which approximates fair value due to the short term nature of the obligation.

Items in course of settlement, Advance to the Government and Other assets

These are measured at carrying amounts which approximates their fair value due to the short period between reporting date and settlements of these assets.

Cash and Cash equivalent

Cash and cash equivalent comprise of demand and time deposit with central banks and commercial banks and holding of notes denominated in foreign currency. Cash and cash equivalent is carried at amortised cost in the statement of financial position. Due to their short-term nature, the carrying amount approximates the fair value.

Escrow Accounts

These represent funds held by the Bank in foreign exchange, as funds deposited by the United Republic of Tanzania following a memorandum of economic and financial policies arrangement pending agreement with creditors.

The escrow fund is both an asset and a liability in the Bank's books. However, the accounts cannot be netted against each other because they must be visible as both asset and liability according to accounting standards

Periodically the BoT Escrow balance is reviewed to ensure that sufficient funds will be available when payments are due.

Both assets and liabilities representing these funds are initially measured at fair value and subsequently measured at amortised cost where they have specific dates of maturity. Details of the accounts have been shown under **Note 17** of the accounts.

Derivatives

A derivative is a financial instrument or other contract within the scope of IFRS with all three of the following characteristics:

(a) Its value changes in response to the change in a specified variable such as interest rate, financial instrument price or foreign exchange rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

(c) It is settled at future date.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from market observable prices including recent market transactions, or valuation techniques which incorporate market observable input, such as discounted cash-flow models. Generally, the best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received). All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Bank uses derivatives mostly for hedging in risk management and liquidity support in monetary implementation. The Bank does not apply the optional hedge accounting rules of IFRS 9.

International Monetary Fund (IMF) related balances

Relationship

The Bank is the fiscal and depository agent of United Republic of Tanzania for transactions with the International Monetary Fund (IMF). Financial resources availed to Tanzania by the Fund are channelled through the Bank. Repayment of the IMF loans as well as charges is the responsibility of the Bank.

Currency of Transactions with the IMF

Borrowings from and repayments to the IMF are denominated in Special Drawings Rights (SDRs). The SDR balances in IMF accounts are translated into TZS and any unrealised gains or losses are accounted for in profit and loss account in accordance with IAS 21 – Effects of changes in foreign exchange rates.

Quota in IMF, Interest and Charges

Borrowings from the related Tanzania's quota are non-interest bearing with no stated maturity, while borrowings from the General Resources Account of the IMF bears interest at rates set by the IMF on a weekly basis and are repayable according to the repayment schedules of the agreement.

Inventories

The Bank owns all inventories stated in the statement of financial position. Inventories are valued at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business less estimated cost necessary to make the sale. Writing down of values of inventories is made for slow moving and obsolete inventories.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit Guarantee Schemes

These are schemes operated in accordance with the rules governing them and administered by the Bank on behalf of the URT Government as stipulated in their respective agency agreements. The primary objective of the schemes is to facilitate access to the credit facilities by guaranteeing loans granted by the participating financial institutions to small and medium enterprises, exporters and development projects.

The rules of the schemes include a requirement for the financial institutions to properly assess the projects' viability, as to adequacy of loan security and approve the loan prior to applying for the guarantee. Because of the nature of the loan transactions, contingent liabilities exist in respect of possible default

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of estimates and judgment that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The most significant use of judgement and estimates are as follows:

(a) Going concern

The Bank's Management has made an assessment of the Bank's ability to continue as a going concern. Management is satisfied that the Bank has resources to continue in operation for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis

(b) Impairment of assets carried at amortised cost

Impairment losses on items in cash and balances with central banks, escrow account, items in course of settlement, holdings of Special Drawing Rights (SDR), quota in International Monetary Fund (IMF) government securities, advances to the Governments, loans and receivables and other assets.

The Bank reviews its financial assets measured at amortised cost at each reporting date to assess whether an impairment loss should be recognised in profit or loss. In particular, judgment by the Directors is required in the estimation of the amount and timing of future cash flows when determining the level of impairment loss required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the impairment.

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

The Bank makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows in an individual asset in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss incurred.

(c) Impairment of other financial assets

Impairment exists when the carrying amount exceeds its recoverable amount and the asset is written down to the recoverable amount. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(d) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives and discount rates. Details have been provided under **Note 42** to these accounts.

(e) Useful lives of property and equipment

Pursuant to the requirements of IAS 16 (Property, Plant and Equipment) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) the Bank makes accounting estimation of the useful lives of assets based on the expected pattern of consumption of the future economic benefits and reviews its depreciation rates at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(f) Retirement benefits

Under IAS 19 measurement of scheme liabilities must be calculated under the projected unit credit method, which requires certain demographic, financial and future salary growth assumptions. A degree of judgement is required in establishing market yields, long term expectations, the notional contribution rate and other inputs used in the actuarial valuation. Details have been provided under **Note 43** to these accounts.

(g) Contingent liabilities

The Bank has 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 judgments than other types of provisions. When cases are at an early stage, accounting judgments can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists as a result of a 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 judgments and estimates as appropriate.

5. INTEREST INCOME

Interest income from foreign operations relates to interest earned from investments in foreign fixed income securities, money market operations and foreign deposits. Interest on domestic investments relates to interest earned from investments in United Republic of Tanzania government bonds, stocks and discounted treasury bills

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. INTEREST INCOME (CONTINUED)

	30.06.2022			30.06.2021		
	Received	**Accrued**	**Total**	**Received**	**Accrued**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
From foreign operations						
GBP investments	9,516,198	1,065,553	10,581,751	18,390,445	2,680,093	21,070,538
USD investments	41,561,377	16,976,769	58,538,146	60,933,006	15,693,756	76,626,762
EUR investments	9,901	-	9,901	2,519	-	2,519
AUD investments	1,551,939	1,433,615	2,985,554	5,702,824	1,562,276	7,265,100
CNY investments	42,940,284	29,478,206	72,418,490	34,956,051	7,464,233	42,420,284
Other foreign interest income	3,053,002	189,178	3,242,180	2,048,520	-	2,048,520
	98,632,701	**49,143,321**	**147,776,022**	**122,033,365**	**27,400,358**	**149,433,723**
From domestic operations						
Interest on domestic investments	44,500,873	79,014,800	123,515,673	75,311,187	46,194,524	121,505,711
Interest on loans and advances	25,538,430	16,812,145	42,350,575	10,748,607	2,987,119	13,735,726
Interest on staff loans	349,892	-	349,892	313,353	364	313,717
Interest on Repurchase Agreements (Reverse REPO)	4,748,396	11,714	4,760,109	8,881,555	136,636	9,018,191
	75,137,590	**95,838,659**	**170,976,249**	**95,254,702**	**49,318,643**	**144,573,345**
	173,770,291	**144,981,980**	**318,752,271**	**217,288,067**	**76,719,001**	**294,007,068**

Classification of interest income arising from financial instruments is indicated below:

	30.06.2022	**30.06.2021**
	TZS '000	**TZS '000**
Income from instruments measured at fair value	101,125,294	108,246,253
Income from instruments measured at amortised cost	217,626,977	185,760,815
	318,752,271	**294,007,068**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

6. INTEREST EXPENSES

	30.06.2022			30.06.2021		
	Paid	**Accrued**	**Total**	**Paid**	**Accrued**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Interest on BoT liquidity papers	892,491	352,055	1,244,546	3,716,267	186,302	3,902,569
Interest on repurchase agreements	-	-	-	85,036	-	85,036
Charges on IMF Drawings	2,051,047	1,928,575	3,979,622	470,598	-	470,598
	2,943,538	**2,280,630**	**5,224,168**	**4,271,901**	**186,302**	**4,458,203**

The Bank issues 35-Day, 91-Day, 182-Day and 364-Day Treasury Bills to mop up excess liquidity in the economy. The interest expense arising from liquidity mop up activities is shared between the Bank and the Government of the United Republic of Tanzania in accordance with the sharing ratios agreed in Memorandum of Understanding (MOU) in force.

7. FOREIGN EXCHANGE REVALUATION GAINS/(LOSS)

During the year, the Bank recorded a total net foreign exchange revaluation gain amounting to TZS 54,433.7 million (2021: TZS 202,455.5 million). This amount has been included in the statement of profit or loss in determining the Bank's net operating profit for the year in order to comply with the requirements of IAS 21 - Accounting for the Effects of Changes in Foreign Exchange Rates. Out of the total net foreign exchange revaluation gain, an amount of TZS 90,857.8 million (2021: 59,931.6 million) relating to unrealised gain is not available for distribution of dividend and according to the Bank of Tanzania Act, 2006 has been transferred to the foreign exchange revaluation reserve (refer to **Note 40 (i**).

Analysis of foreign exchange valuation	**30.06.2022**	**30.06.2021**
	TZS '000	**TZS '000**
Net realised foreign exchange revaluation gain/(loss) during the year	(36,424,063)	142,523,944
Net unrealised foreign exchange revaluation gains during the year	90,857,809	59,931,560
	54,433,746	**202,455,504**

8. FEES AND COMMISSIONS

	30.06.2022	**30.06.2021**
	TZS '000	**TZS '000**
Commission on foreign operations	70,615,982	58,955,850
Tanzania Interbank Settlement System (TISS) fees and charges	4,959,936	3,940,240
Bureau de change application fees	69,300	10,000
Bureau de change registration fees	9,050	6,500
Bureau de change penalty fees	337,667	725,500
Banks and financial institutions applications/licensing fees	599,150	500,500
	76,591,085	**64,138,590**

Commission on foreign operations relates to income received from buying or selling foreign currency, and funds transfers by SWIFT and TISS.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

9. OTHER OPERATING INCOME

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Foreign operations		
Miscellaneous income	16,373,134	5,102,010
Interest from FVTPL investments	8,477,223	10,806,178
Dividend from equity investment	1,003,966	-
Other income from foreign operations	**25,854,323**	**15,908,188**
Domestic operations		
Miscellaneous income	6,661,372	531,848
Income - domestic operations	461,517	1,279,282
Income from Staff Housing Funds *	5,466,783	4,452,750
Rental income from staff quarters	824,510	738,610
Income from hostel accommodation	179,377	129,021
Expected Credit Loss on Financial instruments	275,148	
Income from cafeteria operations	54,214	73,385
Gain on disposal of PPE	-	17,547
Other income from domestic operations	**13,922,921**	**7,222,443**
Total other income	**39,777,244**	**23,130,631**

*Income from investments and loans on Staff Housing Funds

10. NET GAINS/ (LOSSES) ON FOREIGN CURRENCY MARKETABLE SECURITIES

	30.06.2022			30.06.2021		
	Realised	Unrealised	Total	Realised	Unrealised	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
USD	6,083,060	(30,147,777)	(24,064,717)	(5,506,260)	(12,447,493)	(17,953,753)
GBP	(9,935,549)	-	(9,935,549)	(10,064,563)	-	(10,064,563)
AUD	18,406,681	-	18,406,681	1,313,871	-	1,313,871
CNY	5,429,561	-	5,429,561	(290,109)	-	(290,109)
Total	**19,983,753**	**(30,147,777)**	**(10,164,024)**	**(14,547,061)**	**(12,447,493)**	**(26,994,554)**

The net realised gain or losses on foreign currency marketable securities represents the net (decrease)/ increase in the fair value of these foreign securities. The value of this balance aggregated to a loss of TZS 10,164.0 million (2021: TZS 26,994.6 million). During the year the Bank reclassified realised gain of TZS 40,954.03 million of securities measured at FVOCI from security revalution reserve to profit or loss account as required by IAS 1 and IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

11. ADMINISTRATIVE EXPENSES

	30.06.2022 TZS '000	30.06.2021 TZS '000
Maintenance - computer, software and related expenses	18,124,904	14,790,836
Transport and travelling related expenses	15,195,734	9,645,084
Meetings, conferences and seminars	4,757,288	3,487,080
Water and electricity	5,798,259	5,235,512
Maintenance - bank premises	8,871,527	6,686,557
Insurance expenses	5,505,009	5,402,528
Fees, rates and security expenses	2,976,989	2,609,402
Printing, stationery and office supplies	782,190	1,811,593
Telecommunication and postage	1,549,411	1,885,829
Board expenses	1,322,949	720,816
Other administrative expenses	4,987,635	4,273,421
Skills development levy	2,940,016	2,895,705
Maintenance - furniture, machinery and equipment	1,800,768	2,276,087
Audit fees	688,797	491,998
Budget and annual accounts related expenses	1,027,861	922,826
Hospitality	260,492	239,546
Audit related expenses	247,267	367,321
Legal and investigation expenses	589,630	649,407
	77,426,726	**64,391,548**

12. CURRENCY AND RELATED EXPENSES

	30.06.2022 TZS '000	30.06.2021 TZS '000
Notes printing and related expenses (Note 26)	46,807,677	59,872,437
Coins minting and related expenses (Note 26)	4,155,886	4,292,211
Cost of currency issued into circulation	**50,963,563**	**64,164,648**
Maintenance of currency machines	3,882,123	1,440,050
Currency transport, storage and handling	8,961,365	6,530,774
Other currency expenses	740,965	761,912
Other currency related costs	**13,584,453**	**8,732,736**
Total currency and related expenses	**64,548,016**	**72,897,384**

The amount of TZS 50,963.6 million (2021: TZS 64,164.6 million) is in respect of notes printing and coins minting and related expenses, refers to the proportionately amortised portion of deferred notes printing and coins minting cost for the new currency notes and coins that were issued into circulation during the year.

A total of TZS 3,882.1 million (2021: TZS 1,440.1 million) was incurred during the year in respect of currency processing machines maintenance expenses. The amount of TZS 8,961.4 million (2021: TZS 6,530.8 million) relates to currency distribution expenses that include; transportation, handling, storage, and other related expenses incurred during the year. Other currency related expenses aggregated to TZS 740.9 million (2021: TZS 761.9 million).

13. PERSONNEL EXPENSES

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Staff salaries and related expenses	75,875,522	75,955,107
Contribution to social security schemes	9,404,907	9,818,873
Staff medical expenses	7,629,574	7,779,860
Management car maintenance and other related expenses	5,961,349	6,055,956
Travel on leave expenses	2,438,085	5,535,773
Staff retirement benefit	8,333,999	4,689,672
Staff training expenses	3,816,861	4,123,842
HR planning policies expenses	1,993,331	2,306,420
Furniture grant expenses	497,020	2,060,735
Cafeteria expenses	2,048,576	1,959,747
Workers Council expenses	1,193,412	1,194,794
Tanzania Union for Industrial and Commercial (TUICO) expenses	1,061,492	908,503
Motor vehicles expenses	604,274	836,838
Contributions to Workers Compensation Fund	363,873	361,854
Condolence and related expenses	325,564	278,897
Staff uniforms expenses	147,649	233,777
Course functions and field trips expenses	8,541	7,409
	121,704,029	**124,108,057**

14. OTHER OPERATING EXPENSES

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Foreign operations		
Foreign reserve management expenses	6,677,143	1,640,267
Financial markets development expenses	1,632,069	1,594,280
Commission and fees on foreign operations	1,389,735	4,292,477
	9,698,947	**7,527,024**
Domestic operations		
Contribution to professional associations, charities	2,510,045	2,006,842
Other expenses & initial fair valuation loss on Governments securities*	226,428,812	9,895,534
Contribution to national development programs/projects	645,577	275,872
Subscriptions	164,373	160,277
Expected Credit Loss on Financial instruments	-	335,032
	229,748,807	**12,673,557**
Cheques issued expenses	65,900	56,445
	239,513,654	**20,257,026**

*Included in domestic operation is the amount related to fair valuation loss of government securities in alignment with IFRS requirement on initial recognition

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

14. OTHER OPERATING EXPENSES (CONTINUED)

Analysis of donations, contributions and subscriptions

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI)	905,775	1,058,631
Donations and other contributions	249,136	289,611
Subscription to various entities	164,373	160,277
Capital Markets and Securities Authority	708,750	354,375
Contribution to African Research Consortium	229,773	229,901
Contribution to Research Development	119,910	-
Deposit Insurance Board	292,369	210,914
African Association of Central Banks and African Rural and Agriculture Credit Association	14,015	93,310
Contribution - Committee of Central Bank Governors (CCBG)	45,894	45,972
Tanzania Institute of Bankers	340,000	-
Promotion of Tanzania Economy Abroad and Other Foreign Institutions	250,000	-
	3,319,995	**2,442,991**

15. COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Loss on re- measurement of Defined Benefit Scheme	(8,469,745)	(9,753,241)
Net revaluation gains on equity investments	16,563,771	5,183,480
Net unrealised gains on marketable securities-FVOCI	(238,188,226)	(84,113,602)
Total other comprehensive Income/(loss)	(230,094,200)	(88,683,363)

Included in other comprehensive loss is TZS 238,188.2 million which represents changes in prices of marketable securities portfolio that are classified to Fair Value Through Other Comprehensive Income (2021: loss of TZS 84,113.6 million). The gain of TZS 16,563.8 million (2021: TZS 5,183.5 million) is in respect of revaluation on the Bank's shares in Afrexim bank and SWIFT measured at FVTOCI. The computation of actuarial gain/loss is reported under **Note 43**.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

16. CASH AND BALANCES WITH CENTRAL BANKS AND OTHER BANKS

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Demand, time deposits with commercial banks	3,360,835,818	4,900,261,580
Cash balances with Central Banks	1,049,695,430	882,357,109
Foreign Currency notes and coins	58,942,157	46,631,506
Accrued interest on deposits	1,684,202	5,143,746
Provision for Expected Credit Losses	(44,935)	(70,980)
	4,471,112,672	**5,834,322,961**

Cash and cash equivalents consist of demand deposits; two-day notice accounts and time deposits with maturities of less than three months and carry interest at market rates. For the purpose of recording cash flows in the Statement of Cash Flow, the Provision for Expected Credit Losses on cash and cash equivalents has been added back as it is not a cash flow.

17. ESCROW ACCOUNTS

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Bank of Tanzania Escrow	11,278,779	11,257,016

This account was opened under the memorandum of economic and financial policies arrangement of the United Republic of Tanzania (URT) Government. The agreement was to establish an external escrow account into which the URT Government would pay a significant portion of the estimated debt service due to the relevant group of non-Paris creditors. The URT Government Deposits the funds into the account pending agreement with creditors. In line with the arrangement, the funds are available to confirmed creditors.

The Government deposited funds into this account once in March 2003 of USD 5.0 million that was equivalent to TZS 5,256.0 million. Some of the funds were utilised to settle due obligations before financial crises. The balance on the account earns interest. As at 30 June 2022, the account had a balance of USD 4.9 million equivalent to TZS 11,278.8 million (2021: USD 4.9 million equivalent to TZS 11,257.0 million).

18. ITEMS IN COURSE OF SETTLEMENT

	30.06.2022	30.06.2021
	TZS '000	TZS '000
BoT net clearing account	(3,837,283)	(3,408,577)

This balance represents values of outward and inward clearing instruments, held by the Bank while awaiting clearance in the normal course of business. This includes values of clearing instruments both as inward and outward items and cheques deposited into Government accounts for settlement of various obligations in accordance with the rules and regulations as set in the clearing house.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

19. INTERNATIONAL MONETARY FUND (IMF) RELATED BALANCES

	30.06.2022		30.06.2021	
		Equivalent		Equivalent
	SDR '000	TZS '000	SDR '000	TZS '000
Assets				
Holdings of SDR's	6,859	20,988,559	6,775	22,217,849
Accrued interest on Holding of SDR	8	23,135	-	-
Accrued interest on SDR Tranches	54	166,043	-	-
Quota in IMF	397,800	1,217,187,495	397,800	1,304,531,756
	404,721	**1,238,365,232**	**404,575**	**1,326,749,605**
Liabilities				
IMF Account No.1	338,071	1,034,430,230	338,071	1,108,659,994
IMF Account No.2	3	10,694	3	11,463
	338,074	**1,034,440,924**	**338,074**	**1,108,671,457**
Allocation of SDRs	571,785	1,749,545,841	190,511	624,756,632
Accrued interest on allocation of SDR	630	1,928,575	-	-

The Tanzania's quota in IMF stood at SDR 397.8 million equivalent to TZS 1,217,187.5 million (2021: SDR 397.8 million equivalent to TZS 1,304,531.8 million). On a quarterly basis, the IMF pays interest (remuneration) to those members who have a remunerated reserve tranche position at the adjusted rate of remuneration. As at 30th June 2022, reserve tranche stood at SDR 59.7 million (2021: SDR 59.7 million) whereas the adjusted rate of remuneration was 0.89 percent (2021: 0.5 percent). In August 2021 IMF allocated SDR 397.8 million to URT being 100 percent of the Quota. The allocated SDRs form part of Bank's foreign reserves in the balance sheet to supplement other reserve assets.

During the year, IMF disbursed SDR 397.80 million as Rapid Credit Facility (RCF) and SDR 115.36 million as Extended Credit Facility (ECF). The facilities were issued to the United Republic of Tanzania as direct budget support. While the disbursements supported the Bank in addressing the balance of payment needs, the repayment liability is with the United Republic of Tanzania as the fund beneficiary. The Bank discloses and keeps the loans records off the balance sheet in recognition of its role as a fiscal agent of the Government.

20. FOREIGN CURRENCY MARKETABLE SECURITIES

These are financial assets consisting of foreign currency marketable securities that are internally managed, and portfolio externally managed by the World Bank Treasury under a special program known as Reserve Advisory Management Program (RAMP). Majority of such securities are sovereign issues with a minimum credit rating of AA, bearing fixed interest and specified maturities. The balance of this reserve was as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

20. FOREIGN CURRENCY MARKETABLE SECURITIES (CONTINUED)

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Internally Managed Portfolio in Foreign Currency Marketable Securities-FVOCI	6,879,338,148	5,540,699,276
Marketable securities- FVTPL	678,434,082	690,480,351
Accrued coupon on marketable securities	49,128,243	23,862,804
	7,606,900,473	**6,255,042,431**

Analysis of foreign currency marketable securities by concentration into sovereign issues, supranational securities and agency securities by fair values:

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Sovereign Issues		
USD	3,602,795,029	4,651,037,572
GBP	10,931,705	278,855,780
AUD	194,033,920	201,260,406
CNY	730,903,782	356,150,025
	4,538,664,436	**5,487,303,783**
Supranational Securities		
USD	1,463,838,134	481,900,064
	1,463,838,134	**481,900,064**
Agency Securities		
USD	74,294,250	249,924,972
GBP	296,816,469	-
CNY	1,214,744,438	35,913,612
AUD	5,341,573	-
	1,591,196,730	**285,838,584**
Corporate Securities		
USD	13,201,173	-
	13,201,173	**-**
Total Investments		
USD	5,154,128,586	5,382,862,608
GBP	307,748,174	278,855,780
AUD	199,375,493	201,260,406
CNY	1,945,648,220	392,063,637
	7,606,900,473	**6,255,042,431**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

21. EQUITY INVESTMENTS

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Investment in equity are measured at Fair Value through Other Comprehensive Income (FVTOCI):		
Equity investment in Afreximbank	110,640,285	43,245,308
Equity investment in SWIFT	1,080,743	1,008,878
	111,721,028	**44,254,186**

Equity investment in Afreximbank

The African Export-Import Bank (Afreximbank) is a supranational institution, established on 27 October 1993. The Bank holds an investment in the equity of Afreximbank. Afreximbank is a grouping of regional central banks and financial institutions designed to facilitate intra and extra African trade. During the year, the Bank's acquired 1260 shares from Afreximbank hence as at June 2022 equity investment in Afreximbank is 2075 ordinary shares (2021:815) of par value of USD 10,000 each. As at 30 June 2022, the Bank's equity aggregated to USD 8,300,000 representing two fifth of the Bank's paid up shares in Afreximbank (2021: USD 3,260,000). The proportion of the Bank's equity interest to the total holding in this bank is 1.0980 percent. These shares are measured at FVTOCI.

Equity Investment in SWIFT

Society for Worldwide Interbank Financial Telecommunications (SWIFT) (the "Company") is a company founded in Brussels in 1973 to provide a secured network that enables financial institutions worldwide to send and receive information related to financial transactions in a secure, standardised and reliable environment.

SWIFT members hold interest in the cooperatives through shares. The Company manages the shares through the reallocation principle defined in its By-laws and general membership rules.

The number of shares allocated to each member is determined at least after every three years according to the Bylaws of the Company and is proportional to the annual contributions paid for the network-based services to the Company. The members have the obligation to give up or take up the resulting change in shares. The By-laws of the Company state that shares are only reimbursed when a member resigns, or when a member has to give up shares following reallocation. This investment is measured at fair value through other comprehensive income. During the year, under review the Bank had a total of 61 shares (2021: 61).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

22. GOVERNMENT SECURITIES

Amortised cost:	30.06.2022	30.06.2021
	TZS '000	TZS '000
Treasury Bills	-	595
Special Treasury Bonds	2,199,101,565	847,296,979
Treasury EPA Stock	201,391,122	201,391,122
Sub-total	**2,400,492,687**	**1,048,688,696**
Accrued interest	79,014,800	46,194,524
Total	**2,479,507,487**	**1,094,883,220**

The Bank holds various Government fixed income securities issued by the United Republic of Tanzania Government. Treasury special stocks and bonds are issued at face value, discount or premium. Treasury stocks are issued at a fixed coupon.

Special Treasury Bonds

Treasury Special Bonds are long-term instruments issued at fixed coupon for Government financing. Interest on the bonds is payable semi-annually based on the agreed coupon rate. The balance includes:

Matured stock that was converted into 5.75% 6-Year Special Bond 2019/2025 with face value of TZS 51,333.3 million and the 10 Year Special Government Bond 2009/19 that matured on 2 July 2019 that was rolled over into 6% 7 Year Special bond 2019/2026 with a face value of TZS 50,000.0 million. The carrying amount of these bonds stood at TZS 35,992.9 million and TZS 33,824.7 million respectively in 30 June 2022.

The 10 Year Special Government Bond 2009/2019 with a face value of TZS 150,000.0 million had partial redemption of TZS 100,000.0 million. Where by, TZS 50,000.0 million paid on 3 July 2017, TZS 50,000.0 million paid on 2 July 2018, and the remained balance was rolled over to 5.15% 3 Years Special Government Bond, which matured on 29 December 2021.

A 10 Years 8% special bond 2009/19 with face value of TZS 323,000.0 million was issued on 2 June 2009. Upon its maturity, the bond was rolled over and divided into three maturities including;

(i) 5 years' special bond 2019/24 at coupon of 5.5% with face value of TZS 100,000.0 million and whereas at 30 June 2022 the fair value stood at TZS 73,158.5 million;

(ii) 6 years' special bond 2019/25 at coupon of 5.75% with face value of TZS 100,000.0 million and fair value of TZS 70,116.1 million as at 30 June 2022 and;

(iii) 7 years' special bond 2019/26 at coupon of 6.0% with face value of TZS 123,000.0 million whereas at 30 June 2022 the fair value stood at TZS 83,208.8 million.

The initial purpose of the two bonds was to bridge Government revenue shortfall mainly attributed to the impact of the global financial crisis.

22. GOVERNMENT SECURITIES (CONTINUED)

On 12 October 2012, the Government issued a 10-Year 2012/2022 Special Bond with face value of TZS 469,484.4 million with coupon of 11.44%. The bond was issued to replace the accumulated deficit position of the United Republic of Tanzania Government. As at 30 June 2022 the carrying amount of the bond stood at TZS 469,484.4 million.

On February, March and April 2022, the Revolutionary Government of Zanzibar issued 6.0% 20-Years special bond 2022/2042 in three tranches of TZS 40,000 million each whereby, the fair value for Tranches 1 & 2 was TZS 21,988.5 million each and TZS 22,705.5 million for Tranche 3 at 30th June 2022.

On June 2022, the Government of the United Republic of Tanzania issued six special bonds with face value of TZS 250,000 million each;

(i) 4.00% 2 Years Special Bond 2022/2024 No. 04, 05 and 06 with fair value of TZS 233,375.3 million each;

(ii) 4.25% 3 Years Special Bond 2022/2025 No. 07 and 08 market value of TZS 224,944.9 million each and;

(iii) 4.50% 4 Years Special Bond 2022/2026 No. 09 market value of TZS 216,617.9 million

The value of Special Bonds as at 30 June 2022 was TZS 2,199,101.6 million (2021: TZS 847,297.0 million).

Treasury EPA Stock

Treasury EPA Stocks represent External Payment Arrears (EPA) that date back to 1980's when the defunct National Bank of Commerce (NBC) had external commercial obligations that were in arrears for lack of foreign exchange. These were later on transferred to the Bank to facilitate their administration and control. According to the arrangement, the externalisation of EPA obligations was done based on agreed exchange rates. The exchange rate differential between the exchange rate prevailing when the beneficiaries are paid and the agreed rate resulted into exchange losses, which are recoverable from the Government. Funding of the resulting obligations was obtained through issuance of EPA stocks.

The Government effective from 01 August 2008 reissued two EPA Special Stocks namely EPA Special Stock 2002/2052 and EPA Special Stock 2005/2055 with values of TZS 4,352.8 million and TZS 65,646.1 million and replaced them with EPA Special Stock 2008/18 and EPA Special Stock 2008/23 respectively. Their tenures were reviewed from 50 years and 55 years to 10 years and 15 years with annual coupons of 7.5 percent and 8.0 percent payable semi-annually respectively. The EPA special Stock 2008/18 valued at TZS 4,352.8 matured and was repaid. Furthermore, on 1 August 2008 the Government issued EPA Special Stock with face value of TZS 135,745.1 million to accommodate external payment arrears exchange losses incurred up to 31 December 2007. The stock has a maturity of 20 years with annual coupon of 8.5 percent payable semi-annually. As at 30 June 2022, the aggregate position of Special EPA stocks stood at TZS 201,391.1 million (2020: TZS 201,391.1 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

23. ADVANCES TO THE GOVERNMENT

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Advances to the Governments (URT)- Note 33	2,127,015,634	2,336,510,828
Accrued interest (URT)		
Advance/ (deposit) to the Governments (RGOZ)-Note 33	13,716,834	
	(121,791,724)	57,195,928
Accrued interest (RGOZ)	3,095,310	
Net advance to the Governments	**2,022,036,054**	**2,393,706,756**

Advances to the Governments represent temporary financial accommodation to finance short term financial gap between the receipts from budgeted revenue and Governments expenditure. The interest chargeable for advances granted to the Governments is three percent per annum. Total advance outstanding at the year-end amounted to TZS 2,022,036 million (2021: TZS 2,393,706.8 million) as summarised under **Note 33**.

During the year, the Governments net position was overdrawn by TZS 2,005,223.9 million (2021: TZS 2,393,706.8 million). Pursuant to Section 34 of the Bank of Tanzania Act, 2006, an amount of TZS 41,643.01 million (2021: TZS 13,735.7 million) was charged to the Governments as interest on overdrawn position. Where interest repayment during the year amounted to TZS 28,559.48 million thus as at 30 June 2022 interest outstanding amounted to TZS 16,812.2 million (2021: TZS 3,728.6 million).

24. LOANS AND RECEIVABLES

	30.06.2022	30.06.2021
	TZS "000"	TZS "000"
Accounts receivable	358,552,469	60,902,571
Staff loans and advances	76,695,610	76,626,160
Cash loss recoverable from NBC Limited	5,144,000	5,144,000
	440,392,079	**142,672,731**
Provision for impairment	(9,987,110)	(10,269,307)
Net carrying amount loan and receivable	**430,404,969**	**132,403,424**

	30.06.2022	30.06.2021
Analysis of impairment by line items	TZS "000"	TZS "000"
Cash loss recoverable from NBC Limited	5,144,000	5,144,000
Staff loans, advances and receivables	4,843,110	5,125,307
	9,987,110	**10,269,307**

The Bank did not pledge any loans and receivables as securities against liabilities in 2022 and 2021. Accounts receivable represent short term claims which are expected to be recovered within a period not exceeding twelve months and outstanding transactions made on trade date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

24. LOANS AND RECEIVABLES (CONTINUED)

a) Accounts Receivable:

Major components under accounts receivable include the following:

(i) Interest receivable on Liquidity Management:

Included under accounts receivable is TZS 310.8 million (2021: TZS 294.8 million) relating to 2021/22 URT Government share in respect of interest on liquidity management costs. The URT Government and Bank of Tanzania share liquidity management cost based on the formula contained in the Memorandum of Understanding between BoT and the Government.

(ii) Advances to commercial banks:

The Bank disbursed advances of TZS 317,000 million to commercial banks in order to reduce lending rate as a part of the implementation of monetary policy intending to increase lending to private sector.

b) Staff Loans and Advances:

Employees of the Bank are entitled to loans and advances as approved in accordance with the Bank's Staff Bylaws and Financial Regulations in force. Staff loans are granted to employees to assist them in acquisition of residential houses, motor vehicles, computers, furniture and short-term needs. The advances/loans are granted at preferential rates of interest determined by the Bank presently at 5.0 percent fixed over the period of the loan. These loans and advances are recovered from the employees' monthly salaries. The facilities are secured against the borrowers' employment and terminal benefits. As at 30 June 2022, the balance of staff loans and advances was TZS 76,695.7 million (2021: TZS 76,626.2 million).

25. INVENTORIES

The inventory balance consists of the following:	30.06.2022 TZS '000	30.06.2021 TZS '000
Currency machine spare parts	4,776,588	4,826,078
Building, machinery and maintenance consumables	927,636	850,393
Stationery	477,135	495,233
ICT accessories and consumables	706,408	566,670
Cheque books	351,281	370,682
Copier parts and consumables	396,168	378,396
Drugs and medicines	27,836	32,525
Inventory in Transit	55	55
Less: Inventory impairment	(980,969)	(980,969)
	6,682,138	**6,539,063**

All inventories held by the Bank as at 30 June 2022 were for the internal consumption to support Bank's operations and not intended for sale.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

26. DEFERRED CURRENCY COST

This account represents direct cost relating to notes printing and coins minting held by the Bank. During financial year 2021/22, the movement on deferred currency cost account was as follows:

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Balance as at the beginning of the year	52,103,739	34,035,017
Add: Cost of currency received during the year	91,851,313	82,233,370
Less: Cost of currency issued in circulation (Note 12)	(50,963,563)	(64,164,648)
Balance as at the end of the year	**92,991,489**	**52,103,739**

27. OTHER ASSETS

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Reverse REPO	11,714	107,333,086
Financial Sector Development Fund	45,804,944	35,515,414
Prepayments	21,948,675	30,280,198
Staff Housing Fund investments	46,071,244	26,048,418
Sundry receivables	16,413,982	1,891,783
Staff benefit fund	-	1,751,587
Staff imprest	525,383	105,354
Petty cash balances	148,000	145,000
	130,923,942	**203,070,840**

(i) Prepayment:

The balance under prepayment for the year ended 30 June 2022 mainly covers; TZS 8,562.18 million paid as advance payment in respect of notes printing. As at 30 Jun 2022 the balance of prepayment was TZS 21,948.7 million (2021: TZS 30,280.2 million)

(ii) Reverse REPO:

The balance represents short term advance granted to commercial banks under reverse REPO contracts, where commercial banks sell securities to the Bank and simultaneously agree to purchase the same securities at a specified future date at a fixed price. The difference between sale and repurchase price is treated as interest income and is recognised in profit or loss. As at 30 Jun 2022 the balance of reverse REPO contracts was TZS 11.7 million (2021: 107,333.1 million).

(iii) Staff housing fund:

The balance represents staff housing fund investments in government securities including treasury bills and treasury bonds. The operation of the fund is as explained under Note 40 (e).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

27. OTHER ASSETS (CONTINUED)

(iv) Financial Sector Development Fund

The balance represents the Financial Sector Development fund's investments in government securities. The operation of the fund is as explained under Note 40 (f).

28. RETIREMENT BENEFIT OBLIGATION

	30.06.2022	30.06.2021
	TZS '000'	**TZS '000'**
Retirement benefit obligation	18,445,849	13,835,705
	18,445,849	**13,835,705**

During the year the retirement benefit recorded TZS 18,445.8 million (2021: TZS 13,835.7 million), details shown on staff benefits scheme under **Note 43.**

29. PROPERTY AND EQUIPMENT

Year ended 30 June 2022	Buildings TZS '000	Lease TZS '000	Machinery and equipment TZS '000	Motor vehicles TZS '000	Fixtures and fittings TZS '000	Computers, servers and printers TZS '000	Capital work in progress TZS '000	Total TZS '000
Cost/valuation								
At 01 July 2021	958,393,185	5,065,733	280,209,955	31,183,022	11,349,850	40,495,644	8,568,774	1,335,266,163
Additions	1,026,580	-	43,632,773	241,769	285,384	6,408,888	4,484,329	56,079,723
Disposal	-	-	(114,165)	(114,849)	(52,128)	(91,996)	-	(373,138)
At 30 June 2022	**959,419,765**	**5,065,733**	**323,728,563**	**31,309,941**	**11,583,106**	**46,812,536**	**13,053,104**	**1,390,972,748**
Accumulated depreciation and Impairment								
At 01 July 2021	37,957,985	1,152,126	247,073,031	19,161,504	9,105,548	25,143,592	15,000	339,608,786
Depreciation charges for the year	8,021,952	575,322	9,412,162	1,788,679	468,018	4,400,614	-	24,666,747
Impairment			3,713,620	111,429				3,825,049
Disposal	-	-	(104,864)	(91,879)	(47,266)	(73,593)	-	(317,603)
At 30 June 2022	**45,979,937**	**1,727,448**	**260,093,949**	**20,969,733**	**9,526,300**	**29,470,613**	**15,000**	**367,782,979**
Net book value								
At 30 June 2022	**913,439,828**	**3,338,285**	**63,634,614**	**10,340,209**	**2,056,806**	**17,341,923**	**13,038,105**	**1,023,189,770**

There were neither amounts nor restrictions on title of property and equipment held by the Bank as at 30 June 2022.

29. PROPERTY AND EQUIPMENT (CONTINUED)

Year ended 30 June 2021	Buildings TZS '000	Lease TZS '000	Machinery and equipment TZS '000	Motor vehicles TZS '000	Fixtures and fittings TZS '000	Computers, servers and printers TZS '000	Capital work in progress TZS '000	Total TZS '000
Cost/valuation								
At 30 June 2020	914,348,439	5,065,733	277,174,389	25,498,483	10,900,079	28,829,001	45,581,054	1,307,397,178
Additions	2,583,744	-	3,276,002	5,817,231	529,670	11,800,626	4,449,722	28,456,995
Disposal	-	-	(240,436)	(132,692)	(79,899)	(133,983)	(1,000)	(588,010)
Transfers	41,461,002	-	-	-	-	-	(41,461,002)	-
At 30 June 2021	**958,393,185**	**5,065,733**	**280,209,955**	**31,183,022**	**11,349,850**	**40,495,644**	**8,568,774**	**1,335,266,163**
Accumulated depreciation and Impairment								
At 01 July 2020	30,041,250	576,805	237,398,971	17,054,489	8,660,584	23,693,870	15,000	317,440,969
Depreciation charges for the year	7,916,735	575,321	9,863,419	2,213,765	517,457	1,570,850	-	22,657,547
Disposal	-	-	(189,359)	(106,750)	(72,493)	(121,128)	-	(489,730)
At 30 June 2021	**37,957,985**	**1,152,126**	**247,073,031**	**19,161,504**	**9,105,548**	**25,143,592**	**15,000**	**339,608,786**
Net book value								
At 30 June 2021	**920,435,200**	**3,913,607**	**33,136,924**	**12,021,518**	**2,244,302**	**15,352,052**	**8,553,774**	**995,657,377**

There were neither amounts nor restrictions on title of property and equipment held by the Bank as at 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

29. PROPERTY AND EQUIPMENT (CONTINUED)

Reconciliation of items disposed during the period by class of assets.

Gain or (loss) on disposal of property and equipment					30.06.2022	30.06.2021
	Cost	Accumulated depreciation	Cost of disposal	Cash proceeds	Net gains/(loss)	Net gains/(loss)
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Class of asset						
Machinery & equipment	114,165	104,864	(213)	1,645	(7,869)	(12,862)
Motor vehicles	114,849	91,879	-	-	(22,970)	34,761
Fixtures & fittings	52,128	47,266	(1,161)	6,186	162	7,413
Computers, servers & printers	91,996	73,593	(58)	583	(17,876)	(10,765)
Capital work in progress	-	-	-		-	(1,000)
	373,138	**317,603**	**(1,431)**	**8,414**	**(48,553)**	**17,547**

30. INTANGIBLE ASSETS

2022	Computer software	Computer software - WIP	Total
	TZS '000	TZS '000	TZS '000
Cost			
At 1 July 2021	32,846,966	-	32,846,966
Additions	306,364	-	306,364
Disposal	-	-	-
Transfer in/(out)	-	-	-
At 30 June 2022	**33,153,330**	**-**	**33,153,330**
Accumulated amortisation			
At 1 July 2021	28,046,584	-	28,046,584
Charge for the year	2,045,100	-	2,045,100
Transfers	-	-	-
At 30 June 2022	**30,091,684**	**-**	**30,091,684**
Net book value			
At 30 June 2022	**3,061,646**	**-**	**3,061,646**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

30. INTANGIBLE ASSETS (CONTINUED)

2021	Computer software TZS '000	Computer software - WIP TZS '000	Total TZS '000
Cost			
At 1 July 2020	32,696,409	941,342	33,637,751
Additions	3,168,033	-	3,168,033
Disposal	(3,936,127)	(22,691)	(3,958,818)
Transfer in/(out)	918,651	(918,651)	-
At 30 June 2021	**32,846,966**	**-**	**32,846,966**
Accumulated amortisation			
At 1 July 2020	30,756,008	22,691	30,778,699
Charge for the year	1,226,703	-	1,226,703
Transfers	(3,936,127)	(22,691)	(3,958,818)
At 30 June 2021	**28,046,584**	**-**	**28,046,584**
Net book value			
At 30 June 2021	**4,800,382**	**-**	**4,800,382**

31. CURRENCY IN CIRCULATION

	30.06.2022 TZS '000	30.06.2021 TZS '000
Notes		
Notes issued	13,327,902,109	10,143,314,840
Provision for Cash Loss	1,996,960	-
Less: Notes in Custody	(6,859,816,451)	(4,579,524,145)
Notes in Circulation	**6,470,082,618**	**5,563,790,695**
Coins		
Coins issued	167,370,657	161,135,867
Less: Coins in Custody	(18,607,309)	(20,249,149)
Coins in Circulation	**148,763,348**	**140,886,718**
Total currency in circulation	**6,618,845,966**	**5,704,677,413**

Currency in circulation represents the face value of notes and coins in circulation. Notes and coins held by the Bank as cash in main vault, intermediary vault, safe custody centre and cashier/teller at the end of financial year have been deducted from notes and coins issued to reflect actual liability for notes and coins in circulation.

The notes and coins in circulation figure of TZS 6,618,846.0 million (2021: TZS 5,704,677.4 million) includes banknotes that were phased out in 2003 with the face value of TZS 99,386.9 million (2021: TZS 99,386.9 million) still in circulation.

32. DEPOSITS – BANKS AND NON-BANK FINANCIAL INSTITUTIONS

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Deposits - commercial bank deposits		
Domestic banks local currency deposits	2,849,746,581	2,977,832,000
Domestic banks foreign currency deposits	724,035,453	522,691,067
Sub total	**3,573,782,034**	**3,500,523,067**
Deposits – Non-bank financial institutions		
Clearing	77,888,314	47,889,707
Sub total	**77,888,314**	**47,889,707**
Total deposits	**3,651,670,348**	**3,548,412,774**

Domestic deposits include, general purpose deposits, clearing balances and Statutory Minimum Reserve (SMR). SMR deposits are based on a ratio determined by the Bank to the total deposits of the banks and non-bank financial institution for monetary policy purposes. Banks and non-bank financial institutions are required to hold at the Bank of Tanzania a prescribed percentage of their total deposits as prescribed in circular No.1 issued on 2 December 2016 in accordance with Section 44 of the Bank of Tanzania Act, 2006 and Sections 4 and 71 of the Banking and Financial Institutions Act, 2006.

33. DEPOSITS – GOVERNMENTS

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Voted accounts		
URT Government	(5,273,147,033)	(4,889,398,790)
SMZ Government	645,403	157,939
Sub Total	**(5,272,501,630)**	**(4,889,240,851)**
Un-voted accounts		
URT Government	3,146,131,400	2,552,887,962
SMZ Government	121,146,321	(57,353,867)
Sub total	**3,267,277,721**	**2,495,534,095**
Total (Advance) URT Government	**(2,127,015,633)**	**(2,336,510,828)**
Total (Advance) / Deposit SMZ Government	**121,791,724**	**(57,195,928)**
Net (Advance) / Deposit Governments	**(2,005,223,909)**	**(2,393,706,756)**
Accrued interest income on Advance to Government URT	13,716,834	2,646,032
Accrued interest income on Advance to Government SMZ	3,095,310	1,082,580
Total Accrued interest on Advance to the Government	**16,812,145**	**3,728,613**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

33. DEPOSITS – GOVERNMENTS (CONTINUED)

As at 30 June 2022 the position of the Government of the United Republic of Tanzania (URT) accounts were overdrawn by TZS 2,005,223.9 million (2021: TZS 2,393,706.7 million). Pursuant to the provision of Section 34 of the Bank's Act, a total of TZS 41,643.01 million (2021: TZS 13,743.9 million) was charged during the year ended 30 June 2022 as interest on overdrawn. Governments position in various periods at the interest rate equal to the average monthly rates charged on treasury bills. Government deposit balances are non-interest earning.

34. DEPOSITS – OTHERS

	30.06.2022 TZS '000	30.06.2021 TZS '000
Deposits-Parastatals United Republic of Tanzania	2,016,502,324	3,154,845,187
Export Credit Guarantee Fund	2,337,533	2,798,025
Staff Benefit Deposit	1,683,204	-
Government obligations settlements	17,192,103	63,997,807
Deposit staff	22,273,076	23,270,362
Small and Medium Enterprises Guarantee Fund	695,604	147,743
Deposit Insurance Fund	39,125,278	2,687,458
Miscellaneous deposits*	591,068,109	410,412,489
Mwalimu Julius K Nyerere Memorial Scholarship Fund	35,279	26,061
External Payment Arrears – NBC	2,288,419	2,288,419
Debt Conversion Scheme	2,098,960	2,098,960
Debt Service cash cover	1,811,145	1,937,640
Economic Empowerment Programme	3,402,894	3,342,894
Bank drafts issued	614,247	403,804
Redemption of Government Stock/Bonds	38,610	38,610
	2,701,166,785	**3,668,295,459**

*Included in miscellaneous is TZS 110,534.0 million (2021: TZS 122,130.7 million) in respect of Federal Bank of Middle East (FBME) funds transferred from FBME clearing accounts to cater for bank liquidation process.

Development Finance Guarantee Fund:	30.06.2022 TZS '000	30.06.2021 TZS '000
Development finance guarantee fund consists of the following:		
Capital contribution by the Government	56,500,000	56,500,000
Less: Transfer of loans proceeds to ECGF, SME-CGS	(12,793,177)	(4,103,928)
Net capital contribution	43,706,823	52,396,072
Interest on refinancing and structured loans	47,381,560	32,753,300
Sub Total	91,088,383	85,149,371
Less: Loans issued for refinancing and structured facility	(91,088,383)	(85,149,371)
Net balance	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

34. DEPOSITS – OTHERS (CONTINUED)

The Fund was established by the Government of the United Republic of Tanzania with the purpose of financing development projects that manufacture products for export purposes. The Government supports development efforts by business with potential to export their products by providing required guarantee to finance the infrastructure in those businesses.

As at 30 June 2022, Government Capital contribution made in financial years 2002/03 and 2003/04 to the Fund amounted to TZS 56,500.0 million. Interest received and accrued on refinancing and restructured loans aggregated to TZS 47,381.6 million (2021: TZS 32,753.3 million). The total accumulated fund as at 30 June 2022 amounted to TZS 91,088.4 million (2021: TZS 85,149.4 million) which represented the total loans issued for refinancing facilities to flowers and vegetable export companies on the same.

Government Obligations Settlement:

This represents Government cash cover in order to settle outstanding foreign currency obligations. The balance as at 30 June 2022 amounted to TZS 17,192.1 million (2021: TZS 63,997.8 million).

Export Credit Guarantee Fund:

The balance under this fund consists of the following:	30.06.2022 TZS '000	30.06.2021 TZS '000
Export Credit Guarantee Fund	4,396,026	3,935,534
Less: ECGS receivable/ impairment	(6,733,559)	(6,838,559)
	(2,337,533)	**(2,903,025)**

The Export Credit Guarantee Fund (the "Fund") was established by the Government of the United Republic of Tanzania in 2001 under the export credit guarantee scheme, in a bid to promote exports. The Fund provides guarantees to commercial banks to cover risk of default for the loans issued.

As at 30 June 2022, the Fund had a net balance of TZS 2,337.5 million (2021: TZS 2,903.0 million). It is a net of Government and the Bank's contributions, accumulated income from investment in treasury bills, bonds, guarantee fees and impairments.

Debt Service Cash Cover:

The amount represents URT Government funds deposited with the Bank equivalent to the foreign URT Government obligations and other services awaiting externalisation. As at 30 June 2022 the balance stood at TZS 1,811.1 million (2021: TZS 1,937.6 million)

Debt Conversion Scheme:

These are balances of debt conversion funds that are blocked in the account pending submission of progress reports by beneficiaries in respect of utilisation of previous disbursements, so as to justify further disbursements. The balance has remained at the same level for the three years since no report has been received to facilitate disbursements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

34. DEPOSITS – OTHERS (CONTINUED)

Mwalimu Julius K Nyerere Memorial Scholarship Fund:

Included in Deposit Others is the Mwalimu Julius K. Nyerere Memorial Scholarship Fund. The Fund was established by the Bank of Tanzania on 12 October 2009 in honour of the life of the Father of the Nation, Mwalimu Julius Kambarage Nyerere. The objective of the Fund is to sponsor best performing students pursuing mathematics, science, accounting, finance and information technology degrees at the University level in Tanzania. As at 30 June 2022, a total of TZS 5115.6 million (2021: TZS 4,846.4 million) in respect of the Fund's resources had been invested in Government treasury bills and treasury bonds. As a result, the Fund had a net cash balance of TZS 35.3 million (2021: TZS 26.1 million)

35. FOREIGN CURRENCY FINANCIAL LIABILITIES

Foreign Currency Financial Liabilities consist of the following:	30.06.2022	30.06.2021
	TZS '000	**TZS '000**
Special Projects	2,234,884,260	1,506,017,124
Other Foreign Currency Deposits	35,950,808	33,474,753
Multilateral Debt Relief Initiative Fund	18,337,566	18,294,333
Non-Paris Club Liabilities Escrow	11,279,816	11,257,016
	2,300,452,450	**1,569,043,226**

Special Projects Funds:

These are United Republic of Tanzania Government funds received from donors for financing various Government projects. The projects are managed and monitored by the Ministry of Finance and Planning or other appointed project implementation agency. As at 30 June 2022, the total balance in respect of Special Project accounts aggregated to TZS 2,234,884.3 million (2021: TZS 1,506,017.1 million).

Non Paris Club Liabilities Escrow:

This account represents funds deposited by the United Republic of Tanzania Government under memorandum of economic and financial policies arrangement pending agreement with the relevant group of non-Paris creditors. As at 30 June 2022, the account had a balance of TZS 11,279.8 million (2021: TZS 11,257.0 million).

Multilateral Debt Relief Initiative Funds:

Multilateral debt initiative funds relate to debt relief relating to cancellation of Government of the United Republic of Tanzania indebtedness to the IMF under the IMF-Multilateral Debt Relief Initiative (MDRI). As at 30 June 2022, the fund had a balance amounting to TZS 18,337.6 million (2021: TZS 18,294.3 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

36. BOT LIQUIDITY PAPERS

	30.06.2022	30.06.2021
	TZS '000	TZS '000
BOT liquidity papers	46,706,302	39,824,212
Accrued interest	352,056	186,302
	47,058,358	**40,010,514**

As at 30 June 2022, the maturities profile of BOT Liquidity Papers held to maturity were as follows:

	30.06.2022		30.06.2021	
	TZS'000		TZS'000	
	Cost	Accrued Interest	Cost	Accrued Interest
35-Day Treasury Bills	1,995,598	2,767	-	-
91-Day Treasury Bills	9,935,234	35,126	3,039,990	23,127
182-Day Treasury Bills	34,775,470	314,162	36,784,222	163,175
364-Day Treasury Bills	-	-	-	-
	46,706,302	**352,055**	**39,824,212**	**186,302**

These are financial instruments issued by the Bank under the open market operations to manage liquidity levels in the economy. Interest incurred on these instruments is accrued and recognised in profit and loss account as interest expenses.

37. PROVISIONS

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Provision for leave pay	**5,841,897**	**8,537,729**

Relates to the estimated monetary liability for employees' earned but not taken leave entitlement at the end of the reporting period. The maximum allowance for number of leaves days accumulated is 56 days. Only leave falling under this period are accumulated. The movements between the two periods are recognised in the profit and loss accounts.

Movement in provisions	30.06.2022	30.06.2021
	TZS '000	TZS '000
Leave pay		
Carrying amount at the beginning of the year	8,537,729	8,512,789
(Decrease)/Increase in provision	(2,695,832)	24,940
Carrying amount at the end of the year	**5,841,897**	**8,537,729**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

38. OTHER LIABILITIES

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Accounts payable	54,686,829	47,132,814
Stale draft payables	108,330	108,330
Other employee cost payable	619,880	230,990
Sundry payables	5,937,609	52,935,200
Lease liability	1,719,083	2,237,650
	63,071,731	**102,644,984**

Included in the accounts payable is TZS 8,942.1 million for trade date payables of foreign financial investments and TZS 36,097.7 million for other creditors

Below is the maturity analysis table in respect of lease liability, all figures are un-discounted

	Fiber Optic Cables	Land
	TZS '000	TZS '000
Up to 1 year	718,438	80,665
From 1 to 2 years	718,438	80,665
From 2 to 3 years	-	80,665
From 3 to 4 years	-	80,665
From 4 to 5 years	-	80,665
From 5 to 33 years	-	1,727,695
Above 33 years	-	4,102,501
Total	**1,436,876**	**6,233,521**

39. AUTHORIZED AND PAID UP SHARE CAPITAL

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Authorised and paid up share capital	100,000,000	100,000,000

The Authorised and paid up capital of the Bank is determined in accordance with Section 17(i) of the Bank of Tanzania Act, 2006.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

40. RESERVES

		30.06.2022	30.06.2021
		TZS '000	TZS '000
(a)	General Reserve	750,914,385	750,914,385
(b)	Capital Reserve	99,262,908	99,262,908
(c)	Equalisation Reserve	372,815,082	372,815,082
(d)	Reserve for Projects	23,809,186	210,000,000
(e)	Staff Housing Fund	146,317,882	140,851,098
(f)	Foreign Exchange Revaluation Reserve	100,427,672	63,101,454
(g)	Securities Revaluation Reserve	(273,369,755)	12,495,637
(h)	Financial Sector Development Fund	45,804,944	38,698,854
(i)	Reserve for Dividend	100,000,000	200,000,000
(j)	Defined Benefit Reserves	(34,112,633)	(25,642,888)
		1,331,869,671	**1,862,496,530**

(a) General Reserve

In accordance with Section 18(1) of the Bank of Tanzania Act, 2006, the Bank is required to maintain a General Reserve Fund. The amount maintained in this account relates to annual appropriation of distributable profits determined by virtue of Section 18(2) of the aforesaid Act. The Act requires the Bank to transfer to the General Reserve Fund twenty-five percent of the net profits until such time that the total capital of the Bank reach a sum equivalent to at least ten per centum of the total assets of the Bank less its assets in gold and foreign currencies. Thereafter, the Bank transfers not less than ten percent of profits to the General Reserve Fund. As at 30 June 2022 the reserve had a balance of TZS 750,914.4 million (2021: TZS 750,914.4 million).

(b) Capital Reserve

The Capital Reserve was established on 30 June 2002. On an annual basis the amount spent to finance capital projects from the Reserve for Projects account is transferred to this reserve. The reserve is permanent in nature and can only be available for enhancement of share capital when need arises. As at 30 June 2022, the reserve had the same balance as it was on 30 June 2021 of TZS 99,262.9 million.

(c) Equalisation Reserve

The reserve was established on 30 June 2006 as foreign exchange equalisation reserve and amended on 30 June 2015 to include cushion for future losses on fair value movements on securities. The reserve acts as a cushion against any significant future losses, which may arise from significant appreciation of Tanzanian Shilling compared to other international currencies, and unfavourable movement in market prices of financial instruments measured at fair value. The reserve is also available to absorb unrealised losses that cannot be absorbed by the opening balances in that account.

40. RESERVES (CONTINUED)

The justification for the establishment of the aforesaid reserve as part of the equity of the Bank centres on the requirement of the Bank, among other business entities requiring management to ensure preservation of capital, in terms of mitigating risks that can cause capital impairment or impairment of the entity's assets. As at 30 June 2022, the reserve had a balance of TZS 372,815.1 million (2021: TZS 372,815.1 million).

(d) Reserve for Projects

This reserve was established by a resolution of the Bank's Board of Directors on 30 June 1992. The purpose of the reserve is to provide funds for financing major capital projects of the Bank. On an annual basis, the Board determines the amount to be appropriated from the distributable profit to the reserve. The Board considered the balance available in this account as at 30 June 2016 to be adequate to meet current and future projects. As at 30 June 2022 the reserve had a balance of TZS 23,809.19 million (2021: TZS 210,000.0 million).

(e) Staff Housing Fund

The Staff Housing Fund was established by a resolution of the Board of Directors on 30 June 1990. The purpose of this Fund is to finance housing loans to Bank's employees. On an annual basis, the Board determines the amount to be appropriated from the distributable profit to the reserve. As at 30 June 2022, the Fund had a balance of TZS 146,317.9 million (2021: TZS 140,851.1 million). The increase during the year was on account of interest earned from Fund's investments.

(f) Financial Sector Development Fund

This is a Fund established by the Board on 30 June 2016 pursuant to Section 18(1) (d) of the Bank of Tanzania Act, 2006 to foster execution of the Bank's mandate on financial sector development. The fund complements donor funds directed towards financial sector reforms. As at 30 June 2022, the fund had TZS 45,804.9 million (2021: TZS 38,698.9 million). The increase is on account of interest income earned from the Fund's investments.

(g) Securities Revaluation Reserve

The Bank maintains Securities Revaluation Reserve to account for unrealised gains and losses arising from changes in fair value of financial instruments measured at fair value. As at 30 June 2022, the reserve had a total loss of TZS 273,369.8 million (2021: TZS gain of TZS 12,495.6 million).

(h) Foreign Exchange Revaluation Reserve

In accordance with Section 18(4) of the Bank of Tanzania Act, 2006, unrealised gains or losses on foreign exchange are transferred to this reserve account. In accounting for unrealised gains or losses the Bank complies with the requirements of both IFRS and the Bank of Tanzania Act (2006). Pursuant to the requirements of the International Accounting Standard (IAS – 21) the Effects of Changes in Foreign Exchange Rates, all realised and unrealised foreign exchange valuations should be taken to the profit or loss. As at 30 June 2022, the reserve had a total balance of TZS 100,427.7 million (2021: TZS 63,101.5 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

40. RESERVES (CONTINUED)

Both realised and unrealised foreign exchange gains or losses are taken to profit or loss for the purposes of determination of profit or loss for the year. Until such gains or losses are realised, they are not available for distribution; in the interim, the unrealised amounts are reflected in the Foreign Exchange Revaluation Reserve. The separation of realised from unrealised exchange gains and losses is done by use of an “inventory accounting for foreign exchange assets and liabilities”.

(i) Reserve for Dividend

This reserve accommodates the amount declared a dividend payable to the Governments after end of the accounting period. During the year ended 30 June 2021, the Bank declared dividend of TZS 200,000.0 million. As at 30 June 2022, the dividend reserve had a balance of TZS 100,000.0 million (2021: TZS 200,000 million).

(j) Defined Benefit Reserve

This reserve was established in June 2013 in order to accommodate re-measurements arising from change in actuarial assumptions to ensure compliance with International Accounting Standard (IAS 19 as revised in 2011)- Employee Benefits. During the year ended 30 June 2022 an actuarial loss of TZS 8,469.7 million (2021: TZS 9,753.2 million) was recorded following revision of actuarial assumptions. As at 30 June 2022, the reserve had a loss balance of TZS 34,112.6 million (2021: TZS 25,642.9 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

41. CASH GENERATED FROM/USED IN OPERATING ACTIVITIES

	30.06.2022 TZS '000	30.06.2021 TZS '000
Profit before tax	**(59,611,721)**	**246,740,771**
Adjustment for:		
Depreciation and impairment of property and equipment	28,491,796	22,657,547
Unrealized gains on foreign exchange revaluation and price	(60,710,032)	(2,961,275)
Amortisation of intangible assets	2,045,101	1,226,703
Net (gain)/loss on disposal of property and equipment	48,553	(17,547)
Impairment loss/ (Reversal of Impairment loss)	(275,148)	335,032
Provision for retirement benefit	9,976,104	4,868,985
Fair valuation of Government bond(Fair valuation loss)	221,704,810	9,104,778
Net loss/ (gain)on disposal of foreign currency marketable securities	(19,983,753)	14,547,061
	121,685,710	**296,502,055**
Changes in working capital		
Increase in escrow assets	(21,763)	(3,469)
(Increase)/Decrease in items in course of settlement	428,706	(14,322,304)
(Increase)/Decrease in advances to Government	371,670,702	(1,549,673,011)
(Increase)/Decrease in loans and receivables	(297,719,348)	253,350,095
(Increase)/Decrease in inventories	(143,075)	529,340
Increase in deferred currency costs	(40,887,750)	(18,068,722)
(Increase)/decrease in other assets	72,146,898	(99,412,427)
(Increase)/decrease in deposits**	(863,871,100)	1,053,393,845
Increase in other liabilities and provisions***	(55,586,221)	(17,553,273)
Net changes in working capital	**(813,982,951)**	**(391,759,926)**
Net cash (used)/ generated from operating activities	**(692,297,241)**	**(95,257,871)**

**Included in deposits is an amount in respect of other deposit, deposit banks and non-bank financial institutions

*** Included in other liabilities and provisions is an amount in respect of provisions, retirement benefit obligations and other liabilities.

42. RISK MANAGEMENT

42.1 Introduction

Risk management process in the Bank is based on the Corporate Risk Management Framework (CRM), policy and guidelines that call for an integrated approach to ensure that all risks inherent in the operations are effectively managed; so that the Bank can in turn attain its strategic goals and objectives.

While fulfilling its mandate, the Bank carries out a wide range of activities from implementing monetary policy to monitoring, regulating and supervising the financial system. These activities

42. RISK MANAGEMENT (CONTINUED)

include, managing foreign reserves and banking system liquidity, providing payment systems and settlement services, banking services to the government, and issuing currency.

Bank's activities in managing foreign exchange reserves, implementing monetary policy and managing liquidity in the banking sector necessitate the use of financial instruments. The majority of the Bank's financial risks arise from these activities, which involve trading in foreign and local currency assets and liabilities. In the course of carrying out these activities, the Bank is likely to encounter financial and non-financial risk the non-financial risks have been elaborated in the Report by Those Charged with Governance under the key risks and uncertainties section

The main financial risks that the Bank is exposed to include; foreign currency risk, interest rate risk, credit risk, and liquidity risk.

The financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Bank.

The Bank's risks are measured to reflect both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on quantitative factors. The quantitative factors use models which make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

The financial risk is analysed and reported to management on timely basis. As part of its financial risk management, the Bank uses various limits specified in the policy and guidelines to manage exposures to various risks.

42.2 Risk management structure

The Bank's management seeks to ensure that effective risk management processes exist for assessing, managing and monitoring risk, within clear risk policies and frame work.. The Bank identifies, assesses and manages risk at both Corporate ('top-down') and business ('bottom-up') level, thus risk management is the responsibility of all employees. Heads of business units have a responsibility to evaluate their risk environment, put in place appropriate controls and monitor the effectiveness of these controls.

There are governance arrangements within the Bank as set out in a Corporate Risk Management Framework (approved by the Board of Directors) and documented authorities for implementation of risk management and oversight of the Bank's operations.

Finance and Investment Committee oversee corporate risk managament as implemented by the Bank`s management in ensuring that agreed standards and policies are followed.

42. RISK MANAGEMENT (CONTINUED)

The Risk Management Department is responsible for analysing the financial and operation risks faced by the Bank in its operations, and exercising control on these risks as they are taken through those operations. The Internal Audit function is responsible for providing an independent evaluation of risk management, implementation and reviewing corporate risk profile.

Classification and measurement of financial instruments

The Bank performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. After the assessment the Bank did not make any changes on the business model.

IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities

Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument.

IFRS 9 classification is based on two aspects: the business model within which the asset is held (the business model test) and the contractual cash flows of the asset which meet The Solely Payments of Principal and Interest ('SPPI') test.

Credit risk

Credit risk is the risk of loss due to a borrower or counterparty failing to meet their financial obligations to the Bank in accordance with agreed terms.

The Bank credit risk exposure includes both direct exposures and contingent exposures. Direct credit exposure arises from open market operations carried out in order to provide short term liquidity to banks within the framework of monetary policy implementation and from the investments made during foreign exchange reserve management. Whereby contingent credit exposures relate to banknote issuance and circulation activities.

The Bank's maximum exposure to credit risk for each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

Credit risk for Foreign Reserves Management is monitored and managed through rating agencies analysis and Internal Credit tools. Exposures are controlled through comprehensive individual counterparty credit limit and issuer credit rating by the International Credit Rating Agencies. The Bank confines its investment to high credit quality issuers and counterparties mainly comprising of foreign governments, suprationals, international financial institutions and government guaranteed agencies.

The institutions eligible for investment placements and transactions are selected based on criteria set in Investment Management Policy and Guidelines. The investment policy requires issuers/ counterparties to be considered for foreign reserve investments to have minimum credit rating

42. RISK MANAGEMENT (CONTINUED)

(a) Credit risk continued

criteria of "A" and the counterparty/issuer must be rated by at least two rating agencies among S&P Global Ratings, Moody's Rating and Fitch Ratings. For brokerage services of fixed income and foreign exchange transactions, the counterparties must have a rating of F-2, A-2 and P-2 by at least two of rating agencies. With regard to individual counterparty exposure, the limit is set in the investment management guidelines takes into consideration Internal Credit Rating, Public Rating Agencies Analysis and strength of business relationship.

Overall, the credit risk assumed during financial year 2020/21 operations remained at quite low levels as a great portion of reserves are invested in assets issued or directly guaranteed by the respective governments as well as by supranational institutions such as the World Bank, the European Investment Bank and Bank for International Settlements.

Total assets of the Bank exposed to credit risk as of 30 June 2022 with its comparative figures are presented in the table below according to the classification of assets (classification according to external credit rating is done based on credit ratings published by Standard and Poor's)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

(a) Credit risk continued

Description	30.06.2022		30.06.2021	
	TZS '000	Share (%)	TZS '000	Share (%)
Central Banks				
AAA to A	1,039,401,205	5.66	695,082,456	4.04
B+ to B	10,294,225	0.06	6,898,587	0.04
CCC	-		180,376,066	1.05
Foreign Commercial Banks				
AAA to A	3,359,970,898	18.29	4,900,190,600	28.45
B+ to B	864,920	0.004	-	-
Foreign currency Operation	58,942,157	0.32	46,631,506	0.27
Accrued interest on deposits	1,684,202	0.01	5,143,746	0.03
Escrow accounts				
A+	11,278,779	0.06	11,257,016	0.07
Loans, receivables & advances to the government				
NR*	2,452,441,023	13.35	2,526,110,180	14.67
Investment in securities				
Marketable securities	7,606,900,473	41.41	6,255,042,431	36.32
AAA	4,980,506,567		4,834,200,194	
AA+	330,062,470		54,528,365	
AA	22,650,386		278,855,784	
AA-	310,040,628		-	
A+	1,963,640,322		392,063,637	
Government securities				
NR*	2,479,507,487	13.50	1,094,883,220	6.36
Other assets (excluding prepayments)				
NR*	108,975,267	0.59	172,790,642	1.00
Holdings of Special Drawing Rights (SDRs)				
NR*	21,177,737	0.12	22,217,849	0.13
Quota in International Monetary Fund (IMF)				
NR*	1,217,187,495	6.63	1,304,531,756	7.57
	18,368,625,868	**100.00**	**17,221,156,055**	**100.00**

* NR - Not Rated

42. RISK MANAGEMENT (CONTINUED)

(a) Credit risk continued

The sectoral classification of the Bank's credit exposure as at 30 June 2022 is as follows:

Details	Foreign Central Banks &Treasury	Supranational Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Government Guaranteed Agencies	Tanzania Treasury	Total
2022	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Central Banks, Foreign Commercial Banks and Escrow accounts							
Cash with Central Banks	1,049,695,430	-	-	-	-	-	1,049,695,430
Demand, time deposits and foreign currency notes and coins	449,864,753	55,586,388	-	2,857,068,880	-	-	3,362,520,021
Foreign currency operations	-	-	-	-		58,942,156	58,942,156
6Escrow accounts	-		-	11,278,779	-	-	11,278,779
Investment in securities							
Foreign Currency Marketable securities	4,538,663,923	1,463,838,134	-	-	1,604,398,416	-	7,606,900,473
Government securities	-	-	-	-	-	2,479,507,487	2,479,507,487
Others							
Loans, receivables and advances	-	-	440,392,079	-	-	2,022,036,054	2,462,428,133
Other assets (excluding prepayments)	-	-	-	-	-	108,975,267	108,975,267
Holdings of Special Drawing Rights (SDRs)	-	21,177,737	-	-	-	-	21,177,737
Quota in International Monetary Fund (IMF)	-	1,217,187,495	-	-	-	-	1,217,187,495
	6,038,224,106	**2,757,789,754**	**440,392,079**	**2,868,347,659**	**1,604,398,416**	**4,669,460,964**	**18,378,612,978**

42. RISK MANAGEMENT (CONTINUED)

(a) Credit risk continued

The sectoral classification of the Bank's credit exposure as at 30 June 2021 is as follows:

Details	Foreign Central Banks & Treasury	Supranational Institutions	Domestic Financial Institutions	Foreign Financial Institutions	Government Guaranteed Agencies	Tanzania Treasury	Total
2021	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Central Banks, Foreign Commercial Banks and Escrow accounts							
Cash with Central Banks	882,357,109	-	-	-	-	-	882,357,109
Demand, time deposits and foreign currency notes and coins	2,408,844,671	642,213,923	-	1,854,275,752	-	-	4,905,334,346
Foreign currency operations	-	-	-	-		46,631,506	46,631,506
Escrow accounts	-		-	11,257,016	-	-	11,257,016
Investment in securities							
Foreign Currency Marketable securities	4,538,663,923	1,116,439,715	-	-	225,777,915	-	6,255,042,431
Government securities	-	-	-	-	-	1,094,883,220	1,094,883,220
Loans, receivables and advances	-	-	132,403,424	-	-	2,393,706,756	2,526,110,180
Other assets (excluding prepayments)	-	-	-	-	-	172,790,642	172,790,642
Holdings of Special Drawing Rights (SDRs)	-	22,217,849	-	-	-	-	22,217,849
Quota in International Monetary Fund (IMF)	-	1,304,531,756	-	-	-	-	1,304,531,756
	8,203,445,354	**3,085,780,703**	**132,403,424**	**1,865,532,768**	**225,777,915**	**3,708,012,124**	**17,221,156,055**

42. RISK MANAGEMENT (CONTINUED)

(a) Credit risk continued

An analysis of the Bank's assets and liabilities by geographical concentrations as at 30 June 2022 is as follows:

Details	Tanzania	USA	UK	Other European Countries	China	Other Countries	Total
2022	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Assets							
Cash and balances with central banks & other banks	63,125,625	818,214,408	636,964,817	922,860,677	1,556,692,956	473,299,124	4,471,157,607
Foreign Time Deposits	-	-	-	-	-	-	-
Escrow accounts	-	-	11,278,779	0	-	-	11,278,779
Holdings of Special Drawing Rights (SDRs)	-	21,177,738	-	0	-	-	21,177,738
Quota in International Monetary Fund (IMF)	-	1,217,187,495	-	0	-	-	1,217,187,495
Foreign currency marketable securities	-	4,336,889,754	296,816,483	548,612,118	1,966,575,202	458,006,916	7,606,900,473
Government securities	2,479,507,487	-	-	0	-	-	2,479,507,487
Advances to the Government	2,022,036,054	-	-	0	-	-	2,022,036,054
Loans and receivables	440,392,079	-	-	0	-	-	440,392,079
Other assets (excluding prepayments)	108,975,267	-	-	0	-	-	108,975,267
Total assets	**5,114,036,512**	**6,393,469,395**	**945,060,079**	**1,471,472,795**	**3,523,268,158**	**931,306,040**	**18,378,612,979**
Liabilities							
Currency in circulation	6,618,845,966	-	-	-	-	-	6,618,845,966
Deposits - banks and non-banks financial institutions	3,651,670,348	-	-	-	-	-	3,651,670,348
Deposits – others	2,701,166,785	-	-	-	-	-	2,701,166,785
Items in course of settlement	3,837,283	-	-	-	-	-	3,837,283
Foreign currency financial liabilities	2,300,044,999	-	-	-	-	407,451	2,300,452,450
BoT liquidity papers	47,058,357	-	-	-	-	-	47,058,357
Other liabilities	61,352,648	-	-	-	-	-	61,352,648
Lease Liability	1,719,083	-	-	-	-	-	1,719,083
IMF related liabilities	1,034,440,924	-	-	-	-	-	1,034,440,924
Allocation of Special Drawing Rights (SDRs)	-	1,751,474,416	-	-	-	-	1,751,474,416
Total liabilities	**16,420,136,393**	**1,751,474,416**	--	-	-	**407,451**	**18,172,018,260**

42. RISK MANAGEMENT (CONTINUED)

(a) Credit risk continued

An analysis of the Bank's assets and liabilities by geographical concentrations as at 30 June 2021 is as follows:

Details	Tanzania	USA	UK	Other European Countries	China	Other Countries	Total
2021	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Assets							
Cash and balances with central banks & other banks	46,631,506	782,764,835	79,687,999	17,123,391	24,390,955	180,949,168	1,131,547,854
Foreign Time Deposits	-	-	64,164,980	3,764,643,487		873,966,640	4,702,775,107
Escrow accounts	-	-	11,257,016	0		-	11,257,016
Holdings of Special Drawing Rights (SDRs)	-	22,217,849	-	0		-	22,217,849
Quota in International Monetary Fund (IMF)	-	1,304,531,756	-	0		-	1,304,531,756
Foreign currency marketable securities	-	4,824,779,950	29,218,895	754,630,494	445,152,686	201,260,406	6,255,042,431
Government securities	1,094,883,220	-	-	0		-	1,094,883,220
Advances to the Government	2,393,706,756	-	-	0		-	2,393,706,756
Loans and receivables	132,403,424	-	-	0		-	132,403,424
Other assets (excluding prepayments)	172,790,642	-	-	0		-	172,790,642
Total assets	**3,840,415,548**	**6,934,294,390**	**184,328,890**	**4,536,397,372**	**469,543,641**	**1,256,176,214**	**17,221,156,055**
Liabilities							
Currency in circulation	5,704,677,413	-	-	-	-	-	5,704,677,413
Deposits - banks and non-banks financial institutions	3,548,412,774	-	-	-	-	-	3,548,412,774
Deposits – others	3,668,295,459	-	-	-	-	-	3,668,295,459
Foreign currency financial liabilities	1,569,043,226	-	-	-	-	-	1,569,043,226
BoT liquidity papers	40,010,514	-	-	-	-	-	40,010,514
Other liabilities	100,407,334	-	-	-	-	-	100,407,334
Lease Liability	2,237,650	-	-	-	-	-	2,237,650
IMF related liabilities	1,108,671,457	-	-	-	-	-	1,108,671,457
Allocation of Special Drawing Rights (SDRs)	-	624,756,632	-	-	-	-	624,756,632
Total liabilities	**15,741,755,827**	**624,756,632**	--	-	-	-	**16,366,512,459**

42. RISK MANAGEMENT (CONTINUED)

(a) Credit risk continued

Credit quality per class of financial assets

The credit quality per class of financial assets is managed by the Bank using internal ratings system. The table below shows the quality by class of asset for all financial assets exposed to credit risk, based on the Bank's credit rating system. The amount presented is gross of impairment allowances.

Details	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
	TZS '000	TZS '000	TZS '000	TZS '000
30.06.2022				
Cash and cash equivalents	4,471,112,672	-	44,935	4,471,157,607
Escrow accounts	11,278,779	-	-	11,278,779
Foreign currency marketable securities	7,606,900,473	-	33,095	7,606,933,568
Government securities	2,479,507,487	-	-	2,479,507,487
Loans, receivables and advances	2,452,441,023	-	9,987,110	2,462,428,133
Other assets (excluding prepayments)	108,975,266	-	-	108,975,266
Holdings of Special Drawing Rights (SDRs)	21,177,737	-	-	21,177,737
Quota in International Monetary Fund	1,217,187,495	-	-	1,217,187,495
	18,368,580,932	**-**	**10,065,140**	**18,378,646,072**
30.06.2021				
Cash and cash equivalents	5,834,322,961	-	70,980	5,834,393,941
Escrow accounts	11,257,016	-	-	11,257,016
Foreign currency marketable securities	6,255,021,077	-	21,354	6,255,042,431
Government securities	1,094,883,220	-	-	1,107,182,334
Loans, receivables and advances	2,526,110,180	-	10,269,307	2,536,379,487
Other assets (excluding prepayments)	172,790,642	-	-	172,213,781
Holdings of Special Drawing Rights (SDRs)	22,217,849	-	-	22,260,521
Quota in International Monetary Fund	1,304,531,756	-	-	1,304,866,544
	17,221,134,701	**-**	**10,361,641**	**17,243,596,055**

Details on provision for impairment losses on loans and receivables have been provided under **Note 24.** The Bank does not hold collateral for financial liabilities pledged as security.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

(a) Credit risk continued

Credit quality per class of financial assets (continued)

Individually assessed allowances:

The Bank determines the allowances appropriate for each individually significant loan or advance on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficult has arisen, projected receipts and the expected pay-out should bankruptcy ensure, the availability of other financial support, the realisable value of collateral and timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

	30.06.2022 Gross Maximum Exposure TZS '000	30.06.2021 Gross Maximum Exposure TZS '000
Cash and cash equivalents	4,471,157,607	5,834,393,941
Escrow accounts	11,278,779	11,257,016
Foreign currency marketable securities	7,606,900,473	6,255,042,431
Government securities	2,479,507,487	1,094,883,220
Loans, receivables and advances	2,462,428,133	2,536,379,487
Other assets (Excluding prepayments)	108,975,267	172,790,642
Holdings of Special Drawing Rights (SDRs)	21,177,737	22,217,849
Quota in International Monetary Fund	1,217,187,495	1,304,531,756

The Bank's maximum exposure to credit risk for each class of recognised financial assets, other than derivatives, is the carrying amount of those assets as indicated in the balance sheet. The maximum exposure to credit risk for derivatives at the reporting date is detailed below. Futures are settled and recorded on net terms while swaps are settled on gross terms but recorded on net basis. The net values of derivatives are as follows:

	Asset (Liabilities) TZS '000
2022	
Futures	(25.7)
SWAP	32,745
2021	
Futures	175,229
SWAP	NIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

(a) Credit risk continued

Expected Credit Loss allowance disclosure

The following tables explain the changes in the loss allowance between the previous period and the current reporting period due to change in credit risk factors:

Loss allowance-Cash and balances with central banks and other banks	Stage 1 12-month ECL TZS 000s	Stage 2 Lifetime ECL TZS 000s	Stage 3 Lifetime ECL TZS 000s	Total TZS 000s
Loss allowance as at 30 June 2021	**70,980**	**-**	**-**	**70,980**
Movements with impact in the Statement of Profit or Loss				
New financial assets originated or purchased	543	-	-	**543**
Financial assets that have been derecognised	-			**-**
Changes in risk parameters	(26,588)	-	-	**(26,588)**
Loss allowance as at 30 June 2022	**44,935**	**-**	**-**	**44,935**

Cash and balance with central and other banks at amortised cost stage movement

Loss allowance – Loans and receivables	Stage 1 12-month ECL TZS '000	Stage 2 Lifetime ECL TZS '000	Stage 3 Lifetime ECL TZS '000	Total TZS '000
Loss allowance as at 30 June 2021	**698,635**	**176,636**	**9,394,037**	**10,269,308**
Changes in the loss allowance				
Transfer to stage 1	272,478	(133,732)	(138,745)	-
Transfer to stage 2	-	558,307	(558,307)	-
Transfer to stage 3	(12,937)	(42,904)	55,841	-
Movements with Impact in the Statement of Profit or loss				
New financial assets originated or purchased	336,432	-	-	336,432
Financial assets that have been derecognised	(28,494)	-	(158,997)	(187,492)
Changes in risk parameters	276,629	120,767	(828,535)	(431,138)
Total loss movement	**584,567**	**120,767**	**(987,532)**	**(282,197)**
Loss allowance as at 30 June 2022	**1,283,202**	**297,403**	**8,406,505**	**9,987,110**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

(a) Credit risk continued

Cash and balance with central and other banks at amortised cost stage movement

Gross carrying amount-Cash and balances with central banks and other banks	Stage 1 12-month ECL TZS 000s	Stage 2 Lifetime ECL TZS 000s	Stage 3 Lifetime ECL TZS 000s	Total TZS 000s
Gross carrying as at 30 June 2021	**5,841,549,289**	**4,462,530**	**-**	**5,846,011,819**
Movements with impact in the Statement of Financial Position				
Changes in the gross carrying amount				
– Transfer to stage 1	**4,462,530**	(4,462,530)		
New financial assets originated or purchased	60,171,724	-	-	**60,171,724**
Financial assets that have been derecognised	-			**-**
Changes in risk parameters	(1,423,746,956)	-	-	**(1,423,746,956)**
Gross carrying as at 30 June 2022	**4,482,436,586**	**-**	**-**	**4,482,436,586**

Gross carrying amount Loans and receivables	Stage 1 12-month ECL TZS '000	Stage 2 Lifetime ECL TZS '000	Stage 3 Lifetime ECL TZS '000	Total TZS '000
Gross carrying as at 30 June 2021	**106,692,054**	**225,419**	**10,946,423**	**117,863,896**
Changes in the loss allowance				
Transfer to stage 1	343,145	(174,360)	(168,785)	-
Transfer to stage 2	-	679,183	(679,183)	-
Transfer to stage 3	(1,971,669)	(51,059)	2,022,728	-
Total movement	*(1,628,524)*	*453,764*	*1,174,760*	-
Movements with Impact in the Statement of Financial Position				
New financial assets originated or purchased	3,307,656	-	-	3,307,656
Financial assets that have been derecognised	(5,311,850)	-	(326,683)	(5,638,578)
Changes in risk parameters	(61,959)	(211,018)	(1,639,809)	(1,912,741)
Gross carrying amount Loans and receivables as at 30 June 2022	**102,997,376**	**468,165**	**10,154,691**	**113,620,232**

Write-off policy

(a) The Bank writes off financial assets, in whole or in part, 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.

(b) The Bank may write-off financial assets that are still subject to enforcement activity. The Bank will seek to recover amounts it is legally owed in full, but which have been fully or partially written off due to no reasonable expectation of full recovery.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

(a) Credit risk continued

Exposure to Credit Risk

Maximum exposure to credit risk — Financial instruments subject to impairment

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

				30 June 2022	30 June 2021
	Stage 1 12-month ECL TZS '000	Stage 2 Lifetime ECL TZS '000	Stage 3 Lifetime ECL TZS '000	Total TZS '000	Total TZS '000
Investment grade	17,148,953,592	-	-	17,251,950,969	16,329,726,013
Standard monitoring	102,997,377	468,165	5,010,691	5,478,856	10,490,372
Default	-	-	5,144,000	5,144,000	5,144,000
Gross carrying amount	**17,251,950,969**	**468,165**	**10,154,691**	**17,262,573,825**	**16,345,360,385**
Loss allowance	**(897,002)**	**(297,402)**	**(8,870,737)**	**(10,065,140)**	**(10,361,643)**
Net Carrying amount	**17,251,053,967**	**170,763**	**1,283,954**	**17,252,508,685**	**16,334,998,742**

Collateral and other credit enhancements. The Bank obtains collateral where appropriate, from Staff to manage their credit risk exposure to the Bank staff. The collateral is in the form of staff properties and staff internal terminal benefits.

(b) Liquidity risk

This arises from inability of the Bank to meet its own foreign exchange and government obligations without incurring huge price concession. The Bank does not have liquidity risk for financial liabilities denominated in Tanzanian shillings as the Bank can meet these liabilities through market operations

Due to its nature of business (externalisation of the government obligations), a huge amount of expected foreign cash flows is not reflected in the Statement of Financial Position. As a result, assets-liabilities management may not be effective. Thus, to manage this risk, the Bank categorizes its foreign exchange reserves into Liquidity, Investment, Stable, Special Purposes and Investment tranches. The liquidity tranche is intended to meet both anticipated and unanticipated monthly cash requirements thus matching both on and off Statement of Financial Position foreign assets and liabilities. The tranche is monitored on a daily basis. It is comprised of highly liquid short-term financial instruments

The table below analyses the assets and liabilities of the Bank into relevant maturity based on the remaining period at Statement of Financial Position date to contractual maturity date.

42. RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk continued

By contractual maturity analysis of financial instruments

Details	Up to 1 Month	From 1 to 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Total
2022	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Assets						
Cash and balances with central banks & other banks	4,471,112,672	-	-	-	-	4,471,112,672
Escrow accounts	11,278,779	-	-	-	-	11,278,779
Items in course of settlement	-	-	-	-	-	-
Holdings of Special Drawing Rights (SDRs)	21,177,737	-	-	-	-	21,177,737
Quota in International Monetary Fund (IMF)	-	-	-	-	1,217,187,495	1,217,187,495
Foreign currency marketable securities	276,464,068	287,118,552	1,699,679,921	5,275,834,026	67,803,906	7,606,900,473
Equity investment	-	-	-	-	111,721,028	111,721,028
Government securities	-	481,077,335	-	1,812,009,259	186,420,893	2,479,507,487
Advance to the Government	-	-	2,022,036,054	-	-	2,022,036,054
Loans and receivables	43,680,943	317,270,424	1,242,301	9,521,722	58,689,579	430,404,969
Other assets (excluding prepayments)	17,099,079	45,804,944	-	46,071,244	-	108,975,267
Total assets	**4,840,813,278**	**1,131,271,255**	**3,722,958,276**	**7,143,436,250**	**1,641,822,901**	**18,480,301,961**
Liabilities						
Currency in circulation	6,618,845,966	-	-	-	-	6,618,845,966
Deposit - banks and non-banks financial institutions	3,651,670,348	-	-	-	-	3,651,670,348
Deposit others	2,701,166,785	-	-	-	-	2,701,166,785
Foreign currency financial liabilities	2,300,452,450	-	-	-	-	2,300,452,450
Items in course of settlement	3,837,283	-	-	-	-	3,837,283
BOT liquidity papers	11,655,398	19,304,779	16,098,181	-	-	47,058,358
Other liabilities	61,352,648	-	-	-	-	61,352,648
Lease liability	-	-	-	1,719,083	-	1,719,083
IMF Related Liabilities	1,034,440,924	-	-	-	-	1,034,440,924
Allocation of Special Drawing Rights (SDRs)	-	-	-	-	1,751,474,416	1,751,474,416
Total liabilities	**16,383,421,802**	**19,304,779**	**16,098,181**	**1,719,083**	**1,751,474,416**	**18,172,018,261**
Net liquidity gap	**(11,542,608,524)**	**1,111,966,476**	**3,706,860,095**	**7,141,717,169**	**(109,651,515)**	**308,283,700**

42. RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk continued

By contractual maturity analysis of financial instruments

Details	Up to 1 Month	From 1 to 3 Months	From 3 to 12 Months	From 1 to 5 Years	Over 5 Years	Total
2021	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Assets						
Cash and balances with central banks & other banks	3,733,499,425	1,304,548,801	796,274,735	-	-	5,834,322,961
Escrow accounts	11,257,016	-	-	-	-	11,257,016
Holdings of Special Drawing Rights (SDRs)	22,217,849	-	-	-	-	22,217,849
Quota in International Monetary Fund (IMF)	-	-	-	-	1,304,531,756	1,304,531,756
Foreign currency marketable securities	108,671,448	322,777,397	1,682,927,784	4,140,665,802	-	6,255,042,431
Equity investment	-	-	-	-	44,254,186	44,254,186
Government securities	594	-	49,368,221	871,338,341	174,176,064	1,094,883,220
Advance to the Government	-	-	2,393,706,756	-	-	2,393,706,756
Loans and receivables	25,998,542	134,594	25,827,233	22,678,056	57,764,999	132,403,424
Other assets (excluding prepayments)	137,275,228	35,515,414	-	-	-	172,790,642
Total assets	**4,038,920,102**	**1,662,976,206**	**4,948,104,729**	**5,034,682,199**	**1,580,727,005**	**17,265,410,241**
Liabilities						
Currency in circulation	5,704,677,413	-	-	-	-	5,704,677,413
Deposit - banks and non-banks financial institutions	3,548,412,774	-	-	-	-	3,548,412,774
Deposit others	3,668,295,459	-	-	-	-	3,668,295,459
Foreign currency financial liabilities	1,569,043,226	-	-	-	-	1,569,043,226
Items in course of settlement	3,408,577	-	-	-	-	3,408,577
BOT liquidity papers	7,558,680	10,470,000	22,468,179	-	-	40,496,859
Other liabilities	100,407,334	-	-	-	-	100,407,334
Lease liability	-	-	-	2,155,314	-	2,155,314
IMF Related Liabilities	1,108,671,457	-	-	-	-	1,108,671,457
Allocation of Special Drawing Rights (SDRs)	-	-	-	-	624,756,632	624,756,632
						0
Total liabilities	**15,710,474,920**	**10,470,000**	**22,468,179**	**2,155,314**	**626,994,282**	**16,370,325,045**
Net liquidity gap	**(11,671,554,818)**	**1,652,506,206**	**4,925,636,550**	**5,032,526,885**	**953,732,723**	**895,085,196**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk continued

The following tables detail the Bank's maturity profiles of both financial assets and liabilities.

2022	Less than 12 months	Over 12 months	Total
Assets	TZS '000	**TZS '000**	**TZS '000**
Cash and balances with central banks & other banks	4,471,112,672	-	4,471,112,672
Escrow accounts	11,278,779	-	11,278,779
Items in course of settlement	-	-	-
Holdings of Special Drawing Rights (SDRs)	21,177,737	-	21,177,737
Quota in International Monetary Fund	-	1,217,187,495	1,217,187,495
Foreign Currency Marketable securities	2,263,262,541	5,343,637,932	7,606,900,473
Equity investment	-	111,721,028	111,721,028
Government securities	481,077,335	1,998,430,152	2,479,507,487
Advance to the Government	2,022,036,054	-	2,022,036,054
Loans and receivables	362,193,669	68,211,300	430,404,969
Other assets (excluding prepayments)	62,904,023	46,071,244	108,975,267
	9,695,042,810	**8,785,259,151**	**18,480,301,961**
Liabilities			
Currency in circulation	6,618,845,966	-	6,618,845,966
Deposit - banks and non-banks financial institutions	3,651,670,348	-	3,651,670,348
Deposit – Others	2,701,166,786	-	2,701,166,786
Foreign currency financial liabilities	2,300,452,450	-	2,300,452,450
Items in course of settlement	3,837,283	-	3,837,283
BOT liquidity papers	47,058,357	-	47,058,357
Other liabilities	61,352,648	-	61,352,648
Lease liability	1,719,083	-	1,719,083
IMF related liabilities	1,034,440,924	-	1,034,440,924
Allocation of Special Drawing Rights (SDRs)	-	1,751,474,416	1,751,474,416
Total liabilities	**16,420,543,845**	**1,751,474,416**	**18,172,018,261**
Net Liquidity gap	**(6,725,501,035)**	**7,033,784,735**	**308,283,700**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk continued

The following tables detail the Bank's maturity profiles of both financial assets and liabilities.

2021	Less than 12 months	Over 12 months	Total
Assets	TZS '000	**TZS '000**	**TZS '000**
Cash and balances with central banks & other banks	5,834,322,961	-	5,834,322,961
Escrow accounts	11,257,016	-	11,257,016
Holdings of Special Drawing Rights (SDRs)	22,217,849	-	22,217,849
Quota in International Monetary Fund	-	1,304,531,756	1,304,531,756
Foreign Currency Marketable securities	2,114,376,629	4,140,665,802	6,255,042,431
Equity investment	-	44,254,186	44,254,186
Government securities	49,368,815	1,045,514,405	1,094,883,220
Advance to the Government	2,393,706,756	-	2,393,706,756
Loans and receivables	51,960,369	80,443,055	132,403,424
Other assets (excluding prepayments)	172,790,642	-	172,790,642
	10,650,001,037	**6,615,409,204**	**17,265,410,241**
Liabilities			
Currency in circulation	5,704,677,413	-	5,704,677,413
Deposit - banks and non-banks financial institutions	3,548,412,774	-	3,548,412,774
Deposit – Others	3,668,295,459	-	3,668,295,459
Foreign currency financial liabilities	1,569,043,226	-	1,569,043,226
Items in course of settlement	3,408,577	-	3,408,577
BOT liquidity papers	40,010,514	-	40,010,514
Other liabilities	100,407,334	-	100,407,334
Lease liability	2,237,650	-	2,237,650
IMF related liabilities	1,108,671,457	-	1,108,671,457
Allocation of Special Drawing Rights (SDRs)		624,756,632	624,756,632
Total liabilities	**15,745,164,404**	**624,756,632**	**16,369,921,036**
Net Liquidity gap	**(5,095,163,367)**	**5,990,652,572**	**895,489,205**

(c) Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate because of movements in market interest rates. The price of marketable securities rises when market interest rates decline, and it falls if market rates rise. Interest rate risk increases with the maturity of a security. Interest rate risk on foreign assets is controlled through limits on the duration of these portfolios. Interest rate risk on Bank's assets is relatively low as most of the portfolio is held in short-term. As of 30 June 2022, portfolio duration stood at 2.15 years while that of 30 June 2021 was 2.12 years. The tables below show duration and other characteristics of all portfolios;

42. RISK MANAGEMENT (CONTINUED)

(c) Interest risk continued

Portfolio Characteristics

USD

	30.06.2022				30.06.2021			
Asset Type	Number of Securities	Duration (Years)	USD	TZS '000	Number of Securities	Duration (Years)	USD	TZS '000
Market value of Marketable Securities	191	2.12	2,236,602,851	5,154,128,478	185	2.18	2,341,380,721	5,382,862,608
Money Markets placements	39	0.07	965,528,071	2,225,006,431	14	0.05	1,445,225,876	3,322,591,776

GBP

	30.06.2022				30.06.2021			
Asset Type	Number of Securities	Duration (Years)	USD	TZS '000	Number of Securities	Duration (Years)	USD	TZS '000
Market value of Marketable Securities	8	2.38	133,545,596	307,748,187	4	1.34	121,293,742	278,855,780
Money Markets placements	3	0.05	24,479,813	56,412,386	-	-	-	-

AUD

	30.06.2022				30.06.2021			
Asset Type	Number of Securities	Duration (Years)	USD	TZS '000	Number of Securities	Duration (Years)	USD	TZS '000
Market value of Marketable Securities	6	2.22	86,517,892.17	199,375,733	5	2.72	87,542,125	201,260,406

CNY

	30.06.2022				30.06.2021			
Asset Type	Number of Securities	Duration (Years)	USD	TZS '000	Number of Securities	Duration (Years)	USD	TZS '000
Market value of Marketable Securities	32	2.17	844,302,203.58	1,945,648,075	14	1.62	170,535,699	392,063,637
Money Markets placements	10	0.06	315,933,249.56	728,050,829	17	0.09	600,342,809	1,380,195,382

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

(c) Interest risk continued

Portfolio Value-at-Risk

The Bank also uses Value-at-Risk (VaR) to measure and monitor interest rate risk. VaR is a probabilistic measure of risk, which provides an estimate of the maximum potential loss in the value of the Bank's positions due to adverse interest rate movements over a defined time horizon with a specified confidence level. The Bank applies a one-month time horizon and a 95 percent confidence level to calculate VaR. This means if the portfolio incurs loss under normal conditions, then there is 95 percent chance the maximum expected loss will not exceed the VaR amount. The amount of VaR for major currencies is as follows;

Details	30.06.2022		30.06.2021	
	95% VaR		95% VaR	
		TZS '000		TZS '000
USD	36,355,678	83,779,665	6,949,357	15,976,656
GBP	1,846,786	5,206,993	153,255	487,826
AUD	2,619,207	4,224,470	447,642	771,645
CNY	11,326,332	3,932,577	2,530,382	900,800

Sensitivity to interest rate risk

For measuring the sensitivity of the Bank's foreign exchange reserves to interest rate risk, the portfolios are shocked with +/–1 percent parallel change in the respective government yield curves. The figures below show the effect on the Bank's profit and equity of a movement of +/–1 percentage point in interest rates, given the level, composition and modified duration of the Bank's foreign reserve as at 30 June 2022.

		30.06 2022		30.06 2021
		TZS'000		TZS'000
USD	(43,425,827.38)	(100,072,435)	(15,602,814)	(35,871,058)
GBP	(3,051,900.81)	(8,604,800)	(448,584)	(1,427,887)
CNH	(14,607,524.00)	(23,560,199)	(3,569,058)	(1,270,561)
AUD	(1,243,207.09)	(431,650)	(1,287,240)	(2,218,945)

Stress Testing

The Bank performs stress testing to analyse the resilience of its portfolios to extreme volatility changes caused by potential market events. Portfolios are simulated with extreme events which likely lead to high volatility in the market. The portfolios are shocked with past market events that exerted significant volatility in the market in order to estimate the potential decrease in income generated by the portfolio if the similar events are to re-occur. Likewise, the Bank applies interest rate shocks to the portfolio that stem from potential interest rate cut/hike by central banks in its investment universe. As bond prices have inverse relation with interest rate, portfolio values will increase when interest rate fall and decrease when interest rate rises. In that regard, interest rate hikes of 25bps,50bps and 100bps constitute the potential worst case scenarios whereas interest rate cut of 25bps is considered as positive scenarios. The results of stress testing are provided in Table.

42. RISK MANAGEMENT (CONTINUED)

(c) Interest risk continued

Amounts in USD equivalent

	Portfolio			
Worst case scenarios 2022	**CNY**	**AUD**	**GBP**	**USD**
Bear Market - SPX Down 20%, Oil down 20% and VIX Up 150%	168,719	12,370	502,516	4,322,210
Oil price shock (Brent Crude Oil trades at $ 120 per barrel)	(631,589)	222,976	197,649	6,423,898
Ukranian Protest & Civil unrest	7,710,256	212,691	618,208	7,704,999
Severe Economic Slowdown	(149,977)	(235,883)	83,283	(4,294,099)
Interest rate scenarios				
25 rate cut	2,401,748	461,929	886,886	10,096,844
25 rate hike	(2,374,386)	(457,568)	(879,262)	(11,003,859)
50 rate hike	(4,721,409)	(910,774)	(1,750,900)	(21,909,450)
100 rate hike	(9,333,368)	(1,804,103)	(3,471,303)	(43,425,827)

	Portfolio			
Worst case scenarios 2021	**CNY**	**AUD**	**GBP**	**USD**
Bear Market - SPX Down 20%, Oil down 20% and VIX Up 150%	(59,558)	106,360	73,279	3,236,453
Brexit 2016	79,400	303,858	595,266	7,072,302
Debt Ceiling Crisis & Downgrade in 2011	325,768	1,386,286	492,266	12,435,970
Lehman Default – 2008	(630,198)	1,931,938	944,334	10,520,243
Interest rate scenarios				
25 rate cut	249,190	942,798	416,940	19,606,269
25 rate hike	(138,186)	170,066	(1,663)	6,140,629
50 rate hike	(498,380)	(211,718)	(208,989)	(513,481)
100 rate hike	(552,742)	(966,267)	(619,741)	(13,666,789)

The results of stress testing provided in the above table indicate that except for CNY portfolio which is slightly vulnerable to high market volatility and extreme shocks in stocks and oil markets due to safe haven stance, other portfolios show high resilience to these shocks. Similarly, the interest rate scenarios indicate that all portfolios are likely to benefit with potential interest rate cuts nevertheless showing high sensitivity to extreme interest rate rise with USD-portfolio being the most exposed to potential interest rate rises given its size.

d) Currency Risk

The exchange rate risk (or currency risk) refers to the loss of the portfolio value or purchasing power of the portfolio occasioned by adverse foreign exchange rate movements. The Bank foreign reserves portfolio is denominated in a number of currencies whose exchange rates are subject to fluctuation on international foreign exchange market.

Based on the sensitivity of the ten per cent deviation of the exchange rate against major currencies the impact on the Banks profit and equity was TZS 772,009.3 million (2021: TZS 1,020,817.2 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

d) Currency Risk continued

The Bank is exposed to this risk in the context of its holding of foreign exchange reserves, intervention in the local inter-bank foreign exchange market (IFEM) and foreign exchange transactions in the international foreign exchange market. Often, currency exposures are not out rightly hedged, but the currency risk is controlled through a target currency composition whose criteria are specified in the Investment Policy and stated in the Investment Guidelines. The target currency composition attempts to match the composition of on and off balance sheet foreign denominated obligations, thereby managing adverse currency movement at the national level. The currency positions of the Bank as of 30 June 2022 and 2021 which provides the Bank's assets, liabilities and equity at carrying amounts, categorised by currency is summarised below.

42. RISK MANAGEMENT (CONTINUED)

d) Currency Risk continued

Details	GBP	USD	EUR	SDR	TZS	Others	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
2022							
Assets							
Cash and balances with central banks & other banks	66,973,786	3,046,606,761	56,467,842	-	1,684,202	1,299,380,081	4,471,112,672
Escrow accounts	-	11,278,779	-	-	-	-	11,278,779
Items in course of settlement		5,211,394			-		5,211,394
Holdings of Special Drawing Rights (SDRs)	-	-	-	21,177,738	-	-	21,177,738
Quota in International Monetary Fund (IMF)	-	-	-	1,217,187,495	-	-	1,217,187,495
Foreign currency marketable securities	307,748,188	5,154,128,478	-	-	-	2,145,023,808	7,606,900,474
Equity investments	-	110,640,285	1,080,743	-	-	-	111,721,028
Government securities	-	-	-	-	2,479,507,487	-	2,479,507,487
Advances to the Government	-	-	-	-	2,022,036,054	-	2,022,036,054
Loans and receivables	-	9,521,455	-	-	420,883,514	-	430,404,969
Other assets (Excluding prepayments)	-	-	-	-	108,975,266	-	108,975,266
Total financial assets	**374,721,974**	**8,337,387,152**	**57,548,585**	**1,238,365,233**	**5,033,086,523**	**3,444,403,889**	**18,485,513,356**
Liabilities							
Currency in circulation	-	-	-	-	6,618,845,966	-	6,618,845,966
Deposits - banks and non-bank financial institutions	-	716,595,965	-	-	2,927,634,895	7,438,822	3,651,670,346
Deposits – Others	16,421,506	863,998,787	51,701,977	-	1,768,974,015	70,500	2,701,166,785
Items in course of settlement	-	-	-	-	9,048,677	-	9,048,677
Foreign currency financial liabilities	294,283	2,122,373,424	175,825,106	-	1,959,637	-	2,300,452,450
BoT liquidity papers	-	-	-	-	47,058,357	-	47,058,357
Other liabilities	-	8,942,101	-	-	52,383,514	27,033	61,352,648
Lease liability	-	-	-	-	1,719,083	-	1,719,083
IMF related liabilities	-	-	-	-	1,034,440,924	-	1,034,440,924
Allocation of Special Drawing Rights (SDRs)	-	-	-	1,751,474,416	-	-	1,751,474,416
	16,715,789	**3,711,910,277**	**227,527,083**	**1,751,474,416**	**12,462,065,068**	**7,536,355**	**18,177,229,652**
Net liquidity gap	**358,006,185**	**4,625,476,875**	**(169,978,498)**	**(513,109,183)**	**N/A**	**3,436,867,534**	**4,300,395,379**
Scenario of 10% appreciation/(depreciation)	**35,800,619**	**462,547,688**	**(16,997,849)**	**(51,310,918)**	**N/A**	**343,686,753**	**430,039,540**

42. RISK MANAGEMENT (CONTINUED)

d) Currency Risk continued

Details	GBP TZS '000	USD TZS '000	EUR TZS '000	SDR TZS '000	TZS TZS '000	Others TZS '000	Total TZS '000
2021							
Assets							
Cash and balances with central banks & other banks	51,530,343	4,145,504,949	29,815,637	-	5,143,746	1,602,328,286	5,834,322,961
Escrow accounts	-	11,257,016	-	-	-	-	11,257,016
Holdings of Special Drawing Rights (SDRs)	-	-	-	22,217,849	-	-	22,217,849
Quota in International Monetary Fund (IMF)	-	-	-	1,304,531,756	-	-	1,304,531,756
Foreign currency marketable securities	278,855,780	5,382,862,608	-	-	-	593,324,043	6,255,042,431
Equity investments	-	43,245,308	1,008,878	-	-	-	44,254,186
Government securities	-	-	-	-	1,094,883,220	-	1,094,883,220
Advances to the Government	-	-	-	-	2,393,706,756	-	2,393,706,756
Loans and receivables	-	20,261,393	-	-	112,142,031	-	132,403,424
Other assets (Excluding prepayments)	-	-	-	-	167,555,426	-	167,555,426
Total financial assets	**330,386,123**	**9,603,131,274**	**30,824,515**	**1,326,749,605**	**3,773,431,179**	**2,195,652,329**	**17,260,175,025**
Liabilities							
Currency in circulation	-	-	-	-	5,704,677,413	-	5,704,677,413
Deposits - banks and non-bank financial institutions	-	520,562,094	-	-	3,025,721,707	2,128,973	3,548,412,774
Deposits – Others	902,248	561,082,291	2,023,853	-	3,104,217,406	69,661	3,668,295,459
Items in course of settlement	-	214,507	-	-	3,194,070	-	3,408,577
Foreign currency financial liabilities	53,374	1,498,208,351	68,570,109	-	2,211,392	-	1,569,043,226
BoT liquidity papers	-	-	-	-	40,010,514	-	40,010,514
Other liabilities	-	65	-	-	100,407,269	-	100,407,334
Lease liability	-	-	-	-	2,237,650	-	2,237,650
IMF related liabilities	-	-	-	-	1,108,671,457	-	1,108,671,457
Allocation of Special Drawing Rights (SDRs)	-	-	-	624,756,632	-	-	624,756,632
	955,622	**2,580,067,308**	**70,593,962**	**624,756,632**	**13,091,888,296**	**2,198,634**	**16,369,921,036**
Net liquidity gap	**329,430,501**	**7,023,063,966**	**(39,769,447)**	**701,992,973**	**N/A**	**2,193,453,695**	**N/A**
Scenario of 10% appreciation/(depreciation)	**32,943,050**	**702,306,397**	**(3,976,945)**	**70,199,297**	**N/A**	**219,345,370**	**N/A**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost. A summary of significant accounting policies in **Note 3** describes how classes of financial instruments are measured and how income and expenses, including fair value gains are recognised. The following table analyses the carrying amounts of the financial assets and liabilities by category:

2022	Amortised Cost	FVTPL	FVOCI	Total	Fair values
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Financial assets					
Cash and balances with central banks & other banks	4,471,112,672	-	-	4,471,112,672	4,471,112,672
Escrow accounts	11,278,779	-	-	11,278,779	11,278,779
Holdings of Special Drawing Rights (SDRs)	21,177,737	-	-	21,177,737	21,177,737
Quota in International Monetary Fund (IMF)	1,217,187,495	-	-	1,217,187,495	1,217,187,495
Foreign currency marketable securities	-	680,292,383	6,926,608,397	7,606,900,473	7,606,900,473
Equity investment	-	-	111,721,028	111,721,028	111,721,028
Government securities	2,479,507,487	-	-	2,479,507,487	2,479,507,487
Advances to the Government	2,022,036,054	-	-	2,022,036,054	2,022,036,054
Loans and receivables	430,404,969	-	-	430,404,969	430,404,969
Other assets (Excluding prepayments)	108,975,267	-	-	108,975,267	108,975,267
	10,761,680,460	**680,292,383**	**7,038,329,118**	**18,480,301,961**	**18,480,301,961**
Financial liabilities					
Currency in circulation	6,618,845,966	-	-	6,618,845,966	6,618,845,966
Deposits - banks and non-banks financial institutions	3,651,670,348	-	-	3,651,670,348	3,651,670,348
Deposits – others	2,701,166,786	-	-	2,701,166,786	2,701,166,786
Items in course of settlement	3,837,283			3,837,283	3,837,283
Foreign currency financial liabilities	2,300,452,450	-	-	2,300,452,450	2,300,452,450
BoT liquidity papers	47,058,357	-	-	47,058,357	47,058,357
Other liabilities	61,352,648	-	-	61,352,648	61,352,648
Lease Liability	1,719,083	-	-	1,719,083	1,719,083
IMF related liabilities	1,034,440,924	-	-	1,034,440,924	1,034,440,924
Allocation of Special Drawing Rights (SDRs)	1,751,474,416	-	-	1,751,474,416	1,751,474,416
	18,172,018,261	**-**	**-**	**18,172,018,261**	**18,172,018,261**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

2021	Amortised Cost	FVTPL	FVOCI	Total	Fair values
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Financial assets					
Cash and balances with central banks & other banks	5,834,322,961	-	-	5,834,322,961	5,834,322,961
Escrow accounts	11,257,016	-	-	11,257,016	11,257,016
Holdings of Special Drawing Rights (SDRs)	22,217,849	-	-	22,217,849	22,217,849
Quota in International Monetary Fund (IMF)	1,304,531,756	-	-	1,304,531,756	1,304,531,756
Foreign currency marketable securities	-	692,086,542	5,562,955,889	6,255,042,431	6,255,042,431
Equity investment	-	-	44,254,186	44,254,186	44,254,186
Government securities	1,094,883,220	-	-	1,094,883,220	1,094,883,220
Advances to the Government	2,393,706,756	-	-	2,393,706,756	2,393,706,756
Loans and receivables	132,403,424	-	-	132,403,424	132,403,424
Other assets (Excluding prepayments)	172,790,642	-	-	172,790,642	172,790,642
	10,966,113,624	**692,086,542**	**5,607,210,075**	**17,265,410,241**	**17,265,369,912**
Financial liabilities					
Currency in circulation	5,704,677,413	-	-	5,704,677,413	5,704,677,413
Deposits - banks and non-banks financial institutions	3,548,412,774	-	-	3,548,412,774	3,548,412,774
Deposits – others	3,668,834,882	-	-	3,668,834,882	3,668,834,882
Foreign currency financial liabilities	1,569,043,227	-	-	1,569,043,227	1,569,043,227
Items in course of settlement	3,408,577	-	-	3,408,577	3,408,577
BoT liquidity papers	40,010,514	-	-	40,010,514	40,010,514
Other liabilities	100,407,328	-	-	100,407,328	100,407,328
Lease Liability	2,237,650	-	-	2,237,650	2,237,650
IMF related liabilities	1,108,671,457	-	-	1,108,671,457	1,108,671,457
Allocation of Special Drawing Rights (SDRs)	624,756,632	-	-	624,756,632	624,756,632
	16,370,460,454	**-**	**-**	**16,370,460,454**	**16,370,460,454**

DETERMINATIONS OF FAIR VALUE AND FAIR VALUE HIERACHY

Financial instruments recorded at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants under current market condition at the measurement date. The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

42. RISK MANAGEMENT (CONTINUED)

DETERMINATIONS OF FAIR VALUE AND FAIR VALUE HIERACHY (CONTINUED)

Foreign currency marketable securities

The marketable securities are quoted in active markets. The valuation techniques are based on quoted prices in active markets for identical assets.

Fair value of derivatives

The Bank values over the counter derivative instruments like swaps using a valuation technique with market-observable inputs. Swap models use present value calculations and include market determined foreign exchange rates. For listed derivatives like futures, the Bank uses prices quoted in the active markets.

Long dated derivative contracts are valued using a valuation technique with significant non–market-observable. These derivatives are valued using models that calculate the present value and incorporate various non–observable assumptions that include market rate volatilities.

Unquoted equities securities

These Investments are valued using the market approach. The inputs to this methodology are observable inputs based on recent transactions. The data used were from recently published accounts of these entities. These were then corroborated to arrive at the fair values at the reporting date.

Fair value of financial assets and liabilities not carried at fair value

Below are the methodologies and assumptions used to determine fair values for those financial instruments which are not recorded at fair value in the financial statements:

Assets and liabilities for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to cash and cash equivalent, escrow accounts, items in course of settlements, deposits, repurchase agreements and BoT liquidity papers and other liabilities without a specific maturity.

Government securities

The fair value of Government securities carried at amortised cost is estimated by discounting the future cash flows using the market interest rates of similar instruments.

Fair value of financial assets and liabilities

Financial instruments are grouped into 3 levels based on the degree to which fair value data / input is observable.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

DETERMINATIONS OF FAIR VALUE AND FAIR VALUE HIERACHY (CONTINUED)

- **Level 1 fair value measurements**: are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities. This level includes listed debt instruments on exchanges for example Foreign Currency Marketable securities.

Fair value of financial assets and liabilities

- **Level 2 fair value measurements**: are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as a price) or indirectly (i.e. derived from prices).
- Input data for this category is sourced mainly from Bloomberg and the Dar es Salaam Securities Exchange.
- **Level 3 fair value measurements**: are those derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Fair value hierarchy

The following table analyses within the value hierarchy the Bank are measured at fair value as at:

30.06.2022

Description	**Level 1**	**Level 2**	**Level 3**
	TZS '000	**TZS '000**	**TZS '000**
Foreign currency marketable securities	7,606,900,473	-	-
Government securities		2,479,507,487	
Equity investments	-	111,721,028	-
Total	**7,606,900,473**	**2,591,228,515**	-

30.06.2021

Description	**Level 1**	**Level 2**	**Level 3**
	TZS '000	**TZS '000**	**TZS '000**
Foreign currency marketable securities	6,255,042,431	-	-
Equity investments	-	44,254,186	-
Total	**6,255,042,431**	**44,254,186**	-

There were no transfers between levels 1, 2 and 3 in the period.If below observable inputs to valuation model were 10 per cent higher or lower while other variables were held constant, carrying amount of TZS 7,606,900.5 million, TZS 2,479,507.5 million and TZS 111,721.0 million for Foreign Currency Marketable Securities, Government Securities and Equity Investments would have been higher or lower by TZS 7,606,90 million, TZS 2,479,50.7 million and TZS 111,72.1 million respectively. Swap would change by 3.3 million respectively.

The following table gives information about how the fair value of these financial assets and liabilities are determined.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

DETERMINATIONS OF FAIR VALUE AND FAIR VALUE HIERACHY (CONTINUED)

	Fair value at 2022 TZS '000	Fair value at 2021 TZS '000	Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable input to fair value
Foreign currency marketable securities (Excluding futures)	7,606,900,780	6,255,042,431	1	Prices of listed securities	N/A	N/A
Government securities	2,479,507,487		2	Prices of the similar securities in the active market.		
Equity investments	111,721,028	44,254,186	2	Prices of recent transactions	N/A	N/A
Derivatives:						
Swap Asset	32,744.7	-	2	Discounted Cash-flows, using market exchange and interest rate	N/A	N/A
Futures Asset/ (Liability)	(25.7)	175,229	1	Quoted prices	N/A	N/A

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value with exception of foreign currency marketable securities.

2022	Level 1	Level 2	Level 3	Total
Assets	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Cash and balances with central banks & other banks	4,471,112,672	-	-	4,471,112,672
Escrow accounts	-	11,278,779	-	11,278,779
Holdings of Special Drawing Rights (SDRs)	-	21,177,737	-	21,177,737
Quota in International Monetary Fund (IMF)	-	1,217,187,495	-	1,217,187,495
Foreign currency marketable securities	7,606,900,473	-	-	7,606,900,473
Equity investment	-	111,721,028	-	111,721,028
Government securities	-	2,479,507,487	-	2,479,507,487
Advances to the Government	-	2,022,036,054	-	2,022,036,054
Loans and receivables	-	430,404,969	-	430,404,969
Other assets (Excluding prepayments)	-	108,975,267	-	108,975,267
	12,078,013,145	**6,402,288,816**	**-**	**18,480,301,961**
Liabilities				
Currency in circulation	-	6,618,845,966	-	6,618,845,966
Deposits - banks and non-banks financial institutions	-	3,651,670,348	-	3,651,670,348
Deposits – others	-	2,701,166,786	-	2,701,166,786
Foreign currency financial liabilities	-	2,300,452,450	-	2,300,452,450
BoT liquidity papers	-	47,058,357	-	47,058,357
Other liabilities	-	61,352,648	-	61,352,648
IMF related liabilities	-	1,034,440,924	-	1,034,440,924
Allocation of Special Drawing Rights (SDRs)	-	1,751,474,416	-	1,751,474,416
	-	**18,166,461,895**	**-**	**18,166,461,895**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

42. RISK MANAGEMENT (CONTINUED)

DETERMINATIONS OF FAIR VALUE AND FAIR VALUE HIERACHY (CONTINUED)

Fair value hierarchy (Continued)

2021	Level 1	Level 2	Level 3	Total
Assets	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Cash and balances with central banks & other banks	5,834,322,961	-	-	5,834,322,961
Escrow accounts	-	11,257,016	-	11,257,016
Holdings of Special Drawing Rights (SDRs)	-	22,217,849	-	22,217,849
Quota in International Monetary Fund (IMF)	-	1,304,531,756	-	1,304,531,756
Foreign currency marketable securities	6,255,042,431	-	-	6,255,042,431
Equity investment	-	44,254,186	-	44,254,186
Government securities	-	1,094,883,220	-	1,094,883,220
Advances to the Government	-	2,393,706,756	-	2,393,706,756
Loans and receivables	-	132,951,048	-	132,951,048
Other assets (Excluding prepayments)	-	172,790,642	-	172,790,642
	12,089,365,392	**5,176,592,473**	**-**	**17,265,957,865**
Liabilities				
Currency in circulation	-	5,704,677,413	-	5,704,677,413
Deposits - banks and non-banks financial institutions	-	3,548,412,774	-	3,548,412,774
Deposits – others	-	3,668,834,882	-	3,668,834,882
Foreign currency financial liabilities	-	1,569,043,227	-	1,569,043,227
Items in course of settlement	-	3,408,577	-	3,408,577
BoT liquidity papers	-	40,010,514	-	40,010,514
Other liabilities	-	100,407,328	-	100,407,328
Lease Liability	-	2,237,650		2,237,650
IMF related liabilities	-	1,108,671,457	-	1,108,671,457
Allocation of Special Drawing Rights (SDRs)	-	624,756,632	-	624,756,632
	-	**16,370,460,454**	**-**	**16,370,460,454**

43 RETIREMENT BENEFIT PLAN

Defined Benefit Plan

The Bank operates a funded lump sum end of service and Long Service Award Benefit Fund. The Scheme was registered effective 13 April 2017 by Social Security Regulatory Authority. Under the plan employees are entitled to benefits upon meeting requirements as stipulated in the Bank's Financial Regulations, 2011 and Staff Bylaws, 2015 and the Scheme rules.

43 RETIREMENT BENEFIT PLAN (CONTINUED)

Defined Benefit Plan (Continued)

The plan provides benefits of a defined benefit nature. Therefore, one of the main risks relating to the benefits under the Scheme is the rates of salary growth. As most of the benefits are based on the final salary, any changes in salary that differ from the salary escalation rate assumed will have a direct bearing on the benefits paid and the present value of the benefit obligation under the Scheme.

Similarly, any increases to the fixed lump sum amounts that differ from the assumed escalation rates for these amounts will also have a direct bearing on the benefits paid and the present value of the benefit obligation under the Scheme. The plan typically exposes the Bank to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk.

Investment Risk	The present value of the defined benefit obligations is calculated using a discount rate determined by the yield on long term Government bond. The higher the discount rate the lower the defined benefits obligations payable by the Bank.
Interest Rate Risk	A decrease in the long term government bond interest will increase the plan liability.
Longevity Risk	The present value of the defined benefits obligations is calculated by reference to the best estimate of the mortality rate of plan members both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.
Salary Risk	The present value of the defined benefits obligations is calculated by reference to the future salaries of the members. As such a change in the salary of the members will result to change in the plan's liability.

Actuarial valuation of the Scheme was carried out for the year ended 30 June 2022 by NYUX Tanzania Company LTD based in Tanzania. The principle assumptions used for the purposes of the valuation included discount rate, expected return on Scheme assets, future salary increase, mortality rate, withdrawals, Ill-Health and compulsory retirement age as per the table hereunder:

Actuarial Assumptions	30.06.2022	30.06.2021
Discount rate (% p.a.)	9.33%	10.14%
Non-Executives - Future salary increases (% p.a.)	4.0%	6.0%
Executives - Future salary increases (% p.a.)	0.0%	0.0%
Mortality (pre-retirement)	A1949-1952	A1949-1952
Mortality (post-retirement)	n/a	n/a
Withdrawals (voluntary or Ill - Health)	At rates consistent with similar arrangements	At rates consistent with similar arrangements
Retirement Age*	60 years. Assumed that 10% of members retire early at age 55.	60 years. Assumed that 10% of members retire early at age 55.

43 RETIREMENT BENEFIT PLAN (CONTINUED)

Defined Benefit Plan (Continued)

As per the fund operations and valuation, the movements in the present value of defined benefit obligation in the current year were as follows:

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Opening benefit obligation	118,825,235	114,430,194
Current service costs	5,135,879	4,689,672
Past service cost	3,198,120	-
Interest cost	11,955,799	12,767,663
Employee contribution	529,482	526,211
Actuarial loss/(gain) in experience	9,077,718	(1,283,405)
Actuarial loss in assumptions	4,539,470	9,810,280
Benefits paid	(21,029,000)	(22,115,380)
Closing benefits obligation	**132,232,703**	**118,825,235**

Reconcilation on plan asset in the current year with the comperative figures are as per the below table

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Opening market value of assets	(104,989,528)	(115,216,715)
Interest income on plan assets	(10,313,694)	(12,588,349)
Employer contributions	(13,835,705)	-
Employee contribution	(529,482)	(526,211)
Return on plan assets*	(5,147,443)	1,226,367
Benefits paid	21,029,000	22,115,380
Closing market value of the assets	**(113,786,852)**	**(104,989,528)**

* *Return on plan asset, excludes amoun in interst income*

A summary of the distribution of the Scheme assets as at 30 June 2022, based on the Scheme management accounts, is shown in the table below;

	30.06.2022	30.06.2021
	TZS "000	TZS "000
Cash	1,535,584	-
Treasury Bonds FV plus accrued Interest	108,898,641	95,041,994
Treasury Bills plus accrued Interest	3,380,574	12,803,428
SBF receivables	5,643	-
Retirement Benefits Payable	(33,590)	(2,855,893)
Net Assets	**113,786,852**	**104,989,529**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

43 RETIREMENT BENEFIT PLAN (CONTINUED)

Defined Benefit Plan (Continued)

Being a funded Scheme, the defined obligation/(asset) is presented in net terms after consideration of the Scheme assets as per the below;

	30.06.2022 TZS "000	30.06.2021 TZS "000
Present value of funded obligations	132,232,703	118,825,234
Fair value of Scheme assets	(113,786,852)	(104,989,529)
Present value of net obligation/ (asset) recognized in the balance sheet	**18,445,851**	**13,835,705**

Included in the computation are benefit plan expenses which are recognized in the Statement of Profit or Loss statement. Below are the components:

	30.06.2022 TZS '000	30.06.2021 TZS '000
Service cost		
Current service cost net of employees' contributions	5,135,879	4,689,672
Past service cost	3,198,120	-
Total Service Cost	**8,333,999**	**4,689,672**
Interest Income		
Interest cost on defined benefit obligation	11,955,799	12,767,663
Interest income on plan assets	(10,313,694)	(12,588,349)
Net Interest income on Balance Sheet Asset	**1,642,105**	**179,314**
Total included in profit or loss in respect of Scheme	**9,976,104**	**4,868,986**

Re-measurement on defined benefit are measured through other comprehensive Income and it is composed of the below;

Re-measurements (OCI)	30 06 2022 TZS '000	30.06.2021 TZS '000
Actuarial loss/(gain) - obligation	9,077,718	9,810,280
Actuarial (gain) loss - experience adjustment	4,539,470	(1,283,405)
Return on plan assets (excluding amount in interest cost)	(5,147,443)	1,226,367
Amount recognised in OCI statement for the financial year	**8,469,745**	**9,753,242**

Development of net obligation

	30.06.2022 TZS "000	30.06.2021 TZS "000
Net (obligation)/asset at the beginning of the year	13,835,705	(786,522)
Net expenses recognized in the income statement	9,976,104	4,868,985
Amount recognized in OCI	8,469,747	9,753,242
Settlement/Employer's contribution	(13,835,705)	-
Net (asset)/ liability at end of period	**18,445,851**	**13,835,705**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

43 RETIREMENT BENEFIT PLAN (CONTINUED)

Defined Benefit Plan (Continued)

Sensitivity analysis

The results of the actuarial valuation are more sensitive to changes in the financial assumptions than changes in the demographic assumptions. In preparing the sensitivity analysis of the results to the discount and salary used, the actuarial valuation has relied on the duration of the liability. Weighted average duration of the liability as at 30 June 2022 is 5 years (2021: 7 years). Based on this methodology, below are the results of the sensitivity analysis

As at 30 June 2022

Assumptions	*Result on Financial assumptions*	
	Impact of 1.0% increase	*Impact of 1.0% decrease*
	TZS '000	**TZS '000**
Discount Rate (fall)/rise	(5,434,898)	5,489,561
Salary increase rise/(fall)	3,077,898	(3,170,595)
	Results on Demographic assumptions	
Early Retirement Rate rise/(fall)	271,583	(314,289)
Withdrawal Rate rise/(fall)	1,015,949	(687,760)

As at June 2021

Assumptions	*Result on Financial assumptions*	
	Impact of 1.0% increase	*Impact of 1.0% decrease*
	TZS '000	**TZS '000**
Discount Rate (fall)/rise	(113,392,435)	124,832,965
Salary increase rise/(fall)	122,389,400	(115,605,696)
	Results on Demographic assumptions	
Early Retirement Rate rise/(fall)	118,929,128	(118,721,340)
Withdrawal Rate rise/(fall)	119,712,932	(117,838,006)

Since the bulk of benefits payable under the arrangement are salary related, the sensitivity of a liability to a change in the salary escalation assumption is not expected to be materially different. However, the impact of a change in salary escalation is expected to be less than the impact of a change in the discount rate as a portion of the liability. In this case long service awards would not be affected by a change in the salary escalation rate as the amount is fixed does not relate to salary.

Effect on Bank's cash flow

The benefits arrangement is funded, and the Bank pays benefits from the defined benefit obligation as and when they arise. The timing of the benefit payments from the arrangement will be influenced by the age at which employees leave the Bank.

Defined benefits profile

The maturity profile of the present value of define benefit obligation at valuation date for the next five years presented in the table below excludes benefits payable to top management.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

43 RETIREMENT BENEFIT PLAN (CONTINUED)

Defined Benefit Plan (Continued)

Maturity Profile of the Defined Benefit Obligation is as per below;

	Up to 1 yr.	1-2 yrs.	2-3 yrs.	3-4 yrs.	5 yrs. and above
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
30 June 2022	21,468,566	11,926,719	12,529,924	10,397,018	75,910,474
30 June 2021	13,486,393	22,725,389	12,965,962	12,998,521	55,001,701

Separation of benefits payable between vested and non-vested benefits resulted to TZS 117,856.8 million (30 June 2021: TZS 108,294.3 million) and TZS 14,375.9 million (30 June 2021 TZS 10,530.9 million) respectively.

44 CAPITAL

Section 17 of the Bank of Tanzania Act, 2006 states that "the authorised capital of the Bank shall be one hundred billion shillings, provided that it may be increased by such amount as may be determined by the Board, and authorised by the Minister, by Notice published in the Government Gazette."

The capital of the Bank is subscribed and held only by the Government of the United Republic of Tanzania. The equity of the Bank includes share capital and reserves. During the year, movement of equity is as shown below and further details are provided in the statement of changes in owners' equity on page 51.

	30.06.2022	30.06.2021
	TZS '000	TZS '000
Capital	100,000,000	100,000,000
Reserves	1,331,869,671	1,862,496,530
Total	**1,431,869,671**	**1,962,496,530**

The Bank is not subject to any capital adequacy regulatory requirements concerning the level of capital in relation to assets it holds, although the Bank of Tanzania Act, 2006 sets out how the statutory annual net profit for the year shall be allocated. The principal source of capital increase is through appropriations of annual profits to various reserves.

The Bank is not for profit organisation, nor does it seek profit maximisation. Instead it seeks to make profit commensurate with normal market returns in areas where it conducts normal commercial operations.

Capital is not actively managed and the relative low risk nature of most of the Bank's activities means that it is not capital intensive. Its purpose is to cover unexpected losses. The most significant unexpected losses are likely to rise out of the support operations and the Bank's role as the lender of last resort, or from losses on price movements and changes in exchange rates on the Bank's foreign investments.

45 CONTINGENT LIABILITIES

Contingent liabilities arise in the normal course of the Bank's business activities. In order to meet the financial needs of the government, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

(a) External payment arrears deposit account

In the ordinary course of business, the Bank is subject to threatened or actual legal proceedings. All such material cases are periodically reassessed to determine the likelihood of the Bank incurring a liability. In those instances, where it is concluded that it is more likely that a payment will be made, a provision is established to management's best estimate of the amount required to settle the obligation at the relevant statement of financial position date. In some cases, it will not be possible to form a view, either because the facts are unclear or because further time is needed to properly assess the merits of the case and no provisions are held against such cases. However, the Bank does not currently expect the final outcome of any such case to have a material adverse effect on its financial position.

During the 1970s and 1980s, there was a shortage of foreign currencies in the country, which required the Government to control and prioritise foreign payments (forex). Tanzania importers were required to remit equivalent amount of Tanzanian Shilling with the then National Bank of Commerce (NBC) for the required amount of forex and subject to availability of forex and priority, the forex amount would be remitted to the intended overseas suppliers.

However due to the forex shortage not all funds deposited with the then NBC by private and public importers were remitted to the overseas suppliers' accounts.

In 1985, the Government of the United Republic of Tanzania formally assumed the responsibility of handling liabilities arising from External Payment Arrears deposit account (EPA) from the then NBC. The Bank was given the responsibility to manage EPA liabilities on behalf of the Government of the United Republic of Tanzania. As at 30 June 2022 the balance in this liability account has remained at the same level as it was in the previous year of TZS 2,288.4 million since the Bank has suspended all transactions relating to EPA pending reconciliation and resolution of the remaining external payment arrears. In order to undertake the reconciliation and resolution of the remaining balance, on 14 April 2009 the Bank engaged a consultant, M/S Lazard Freres's & CIE to assist in the process.

The objectives of the exercise were:

i. To ascertain how the remaining debt as at 2004 has been handled.
ii. To compile and establish the current stock of the remaining EPA debts.
iii. To develop, jointly with the Ministry of Finance and Planning and Bank of Tanzania, a strategy and action plan to handle the unsettled claims.

The consultant submitted an inception report in August 2009 which was not accepted by the Bank.

45 CONTINGENT LIABILITIES (CONTINUED)

Further, the original contract expired on 14 January 2010 while the consultant was yet to provide the expected contract deliverables. Subsequent follow ups on the matter with the consultant's assignment proved futile. Due to non-responsiveness of the consultant to the Bank's subsequent follow ups, on 25 July 2011, the Bank wrote to the World Bank to seek for their advice on the way forward, which was not provided.

On 25 August 2011, the consultant wrote to the Bank demanding renewal of the expired contract; to include:

i. Upward revision of the price of the contract to USD 843,700 from the original amount of USD 663,950;
ii. Implicitly complaining for not being paid initial fee amounting to USD 175,000 after submitting inception report; and
iii. Revising some items on the original contract.

Based on the original contract, the consultant would have been paid initial fee after submitting an inception report that is acceptable to the client. However, the earlier submitted report fell short of the required standard and the consultant was notified.

On 14 April 2012, the Bank officially informed the consultant about the expired contract and that the Bank had no intention to renew the same.

The consultant was further informed that since the inception report that was submitted in August 2009 was not accepted by the client, there is no any accrued liability to the Bank.

The Bank's further efforts to solicit detailed information from the World Bank on work that was done by M/S Lazard Freres during the Debt Buyback Scheme that ended in year 2004 have proved futile. The efforts were aimed at obtaining information that would have paved way for another consultant to be engaged to perform the assignment. The Bank later sought legal advice on how to bring EPA to a close. On the basis of legal advice that was obtained, and following a Board of Directors Resolution, on 20th November 2012 the Bank officially wrote to the Minister for Finance to transfer operations and management of the External Payment Arrears Account and public debt back to the Ministry of Finance and Planning. The transfer was in line with the Bank's program for shedding-off non-core activities.

(b) Export credit guarantee scheme (ECGS)

The Bank is an agent of the Government on the operationalisation of the Export Credit Guarantee Scheme. The scheme is charged with the responsibility of considering guarantee applications from financial institutions, and on behalf of the Principal, issue guarantees to financial institutions covering short and long term finance to exporters as long as the capital funds in the ECGS accounts are not leveraged more than 1:5. As a result there is a contingent liability under this scheme in respect of guarantees, limited to five times the balance of the Fund in accordance with the agency agreement in force.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

45 CONTINGENT LIABILITIES (CONTINUED)

(c) Small and medium enterprises - credit guarantee schemes

The Bank operates this scheme by issuing guarantees on behalf of the Government to financial institutions covering medium and long-term finance to SMEs on a pilot as long as the capital funds in the CGS-SME accounts are not leveraged more that 1:3. There is a contingent liability under this scheme in respect of guarantees, limited to three times the balance of the Fund in accordance with the Agency agreement in force. As at 30 June 2022, there was no outstanding guarantees as it was for the period ended June 2021. As the result on 30 June 2022, the fund had a net cash balance of TZS 695.6 million (2021: TZS 147.7 million)

46 OUTSTANDING COMMITMENTS

Capital commitments

As at 30 June 2022, the Bank's capital commitments in respect of, Property and Equipment, Intangible Assets and major capital projects aggregated to TZS 61,510.8 million (2021: 23,013.1 million).

The major capital expenditure commitments item is as reflected herewith below

Particulars	30.06.2022 TZS '000	30.06.2021 TZS '000
Office buildings	420,000	429,661
Residential buildings	1,077,567	1,901,644
Machinery and equipment	23,522,117	8,045,718
Information, communication and technology (ICT)	12,291,013	1,084,483
Motor vehicles	18,270,724	-
Furniture and fittings	1,169,145	190,755
Intangible assets	215,168	357,035
On-going projects	4,545,031	11,003,775
Total	**61,510,765**	**23,013,071**

The above commitments have been included and approved for payment in accordance with the 2022/2023 Approved Budget Estimates.

Post employment benefits

Effective July 2008, the Bank has a medical insurance arrangement, which covers retired employees and their spouses. At the reporting date the Bank had insurance commitment amounting to TZS 1,495.9 million (2021: TZS 937.7 million) involving retired staff with their spouses who retired since financial year 2009/10.

47 RELATED PARTY DISCLOSURES

In the course of its operations, the Bank enters into transactions with related parties, which include the Government of the United Republic of Tanzania, the ultimate shareholder of the Bank, the Deposit Insurance Fund and key management personnel. The related party transactions during the year are as follows:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

47 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Loans and emoluments to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Bank. The Bank's key management personnel are the Governor, Deputy Governors', Non-Executive Directors and Directors.

The Bank extends loans facilities to the Governor, the Deputy Governors and its members of staff. Loans and receivables (**Note 24**) included advances to employees that as at 30 June 2022 amounted to TZS 76,626.2 million (2021: TZS 76,626.2 million). The advances are granted at preferential rates of interest determined by the Bank presently at 5 percent fixed over the period of the loan.

The following is the breakdown of loans and emoluments granted to key management personnel except Non-Executive Directors.

		30.06.2022	30.06.2021
		TZS '000	**TZS '000**
i)	**Loans to Senior Management (i.e. Governor, Deputy Governors and Directors)**		
	At start of the year	2,088,637	1,714,011
	Loans granted during the year	487,155	874,547
	Loans repaid during the year	(982,452)	(499,921)
	Balance end of the year	**1,593,340**	**2,088,637**
ii)	**Emoluments to Senior Management Personnel (Governor, Deputy Governors and Directors)**		
		TZS '000	**TZS '000**
	Salaries, allowances and benefits	4,312,182	4,526,862
	Post-employment benefits	3,868,198	832,189
	Total	**8,180,380**	**5,359,051**

In accordance with Section 15 of the Bank of Tanzania Act, 2006, remuneration of the Governor and Deputy Governors is determined by the President of the United Republic of Tanzania. The Board determines remuneration of Directors including Secretary to the Bank. As at 30 June 2022, the number of key management personnel was 22 (2021: 22).

(b) Directors' remunerations

During the year ending 30 June 2022, emoluments paid to the members of the Board amounted to TZS 121.9 Million (2021: TZS 122.3 million). These emoluments include benefits of Non - Executive Directors. Non-Executive Directors are not entitled to loans and advances.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

47 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Government of the United Republic of Tanzania

Transactions entered into with the Government include:

(a) Government deposits. There are no interest and bank charges on deposits;

(b) Cost sharing of liquidity management cost arising from issue and redemption of liquidity papers and Repurchase Agreements in accordance with the memorandum of understanding in force;

(c) Settlement of foreign currency denominated obligations;

(d) Financial accommodation on temporary short falls in Government revenue;

(e) Other duties including agency of the Government as provided under the Bank of Tanzania Act, 2006.

As at the close of business on 30 June 2022, the following balances, which are included in the statement of financial position in various categories, were outstanding:

	30.06.2022 TZS '000	30.06.2021 TZS '000
Due from Governments of Tanzania (Note 23 and 33)	2,022,036,054	2,552,887,962
IMF funds on-lent to the Government (Note 19)	1,217,187,495	1,304,531,756
Due from Revolutionary Government of Zanzibar (Note 23 and 33)	-	157,939
Investments in Government Securities (Note 22)	2,479,507,487	1,094,883,220
Structured Financing Facility (Note 34)	91,088,382	85,411,151
Export Credit Guarantee Fund (Note 34)	2,337,533	2,798,025
Small and Medium Enterprises Guarantee Fund (Note 34)	695,604	147,743

The above Schemes are administered by the Bank on behalf of the Government of the United Republic of Tanzania. Funds are deposited with the Bank and no interest is paid on these balances.

The Governments of Republic of Tanzania (URT) and Revolutionary Government of Zanzibar (RGZ) deposits are governments funds held by the Bank as Governments' bank.

Deposit Insurance Fund Board

The Bank has a close working relationship with the Deposit Insurance Board, an entity incorporated under the Banking and Financial Institution Act, 1991 (as amended 2006). The Bank provides it with staff, subvention and office accommodation.

During the year, the Bank contribution to the Deposit Insurance Board amounting to TZS 2,516.1 million (2021: TZS 210.9 million). The balance outstanding from the Fund included under Deposit Others as at 30 June 2022 was TZS 39,125.3 million (2021: TZS 2,687.5 million).

48 EVENT AFTER THE REPORTING DATE

Ammendment of the Bank of Tanzania Act, 2006

The Finance Act, 2022 introduced changes to the Government borrowing limit from the Bank effective from 1 July 2022. Under the new arrangement, the total amount outstanding at any time of advances made by the Bank shall not exceed eighteen percentum of the budgeted domestic revenues of each of the Governments. As at 30 June 2022 the total amount outstanding at any time of advances made and the Treasury bills and other securities held by the Bank was not to exceed twelve and a half percentum of the average budgeted revenues of each of the Governments.

The amendment will result in different amounts of borrowing limit which may change every year depending on the amount of budgeted domestic revenues. The amendment does affect the amount of outstanding borrowing as at 30 June 2022.