REPORT OF THE CONTROLLER AND AUDITOR GENERAL

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE BANK OF TANZANIA FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2021

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AR/BoT/2020/21

BANK OF TANZANIA

AUDITED ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

DIRECTORS REPORT AND ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

BANK INFORMATION

Registered office	Bank of Tanzania Head Office P.O. Box 2303 2 NCC Link, Dodoma Tanzania
Governor	Prof. Florens D A.M. Luoga Bank of Tanzania Head Office P.O. Box 2303 2 NCC Link, Dodoma Tanzania
Secretary to the Board	Mr. Palloty M. Luena Bank of Tanzania Sub Head Office P.O. Box 2939 2 Mirambo Street, 11884 Dar es Salaam Tanzania

SUB HEAD OFFICES

Dar es Salaam
Bank of Tanzania Sub Head Office
P.O. Box 2939
2 Mirambo Street,11884 Dar es Salaam
Tanzania

Zanzibar
Bank of Tanzania Sub Head Office
Gulioni Area
P.O. Box 568, Zanzibar
Tanzania

BRANCHES AND ACADEMY

Arusha
Bank of Tanzania building
Makongoro Road
P.O. Box 3043, Arusha
Tanzania

Bank of Tanzania Academy
Capri Point Street
P.O. Box 131, Mwanza
Tanzania

Mbeya
Bank of Tanzania building
Kadege Road
P.O. Box 1203, Mbeya
Tanzania

Mtwara
Bank of Tanzania building
Mikindani Area
P.O. Box 1446, Mtwara
Tanzania

Mwanza
Bank of Tanzania building
Nyerere Road
P.O. Box 1362, Mwanza
Tanzania

AUDITOR

Controller and Auditor General
National Audit Office
Audit house, Ukaguzi Road
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41104 Tambukareli Dodoma Tanzania

1. INTRODUCTION

The Directors present this report together with the audited financial statements for the financial year ended 30 June 2021, which disclose the state of financial affairs of the Bank of Tanzania (the "Bank, BoT").

During the year, the Bank continued to implement its mandate as provided in the Bank of Tanzania Act, 2006 to ensure sustainable national economic growth. The Bank carried out its mandate to issue and distribute currency to the economy through its branch network and custody centres in some parts of the country. During the year, the Bank operated two sub head offices in Dar es Salaam and Zanzibar, four branches in Arusha, Mbeya, Mtwara and Mwanza, the Bank of Tanzania Academy in Mwanza and eleven safe custody centres.

The Bank provided information and data on economic activities in the country which included periodic economic reports to its stakeholders.

ESTABLISHMENT

The Bank of Tanzania was established under the Bank of Tanzania Act, 1965 which was repealed in 1995 and 2006. The Bank currently operates under the Bank of Tanzania Act, 2006.

BANK'S VISION

The vision of the Bank is "attained macro-economic stability, modernized financial system and expanded financial inclusion that supports Tanzania's inclusive industrial economic growth."

BANK'S MISSION

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

2. STATUTE AND PRINCIPAL ACTIVITIES

Bank of Tanzania is the Central Bank of the United Republic of Tanzania comprising Tanzania Mainland and Zanzibar and is wholly owned by the Government of the United Republic of Tanzania. The Bank discharged its obligations as provided in the Bank of Tanzania Act, 2006.

Functions and objectives of the Bank are to:

(a). Formulate, implement and be responsible for monetary policy, including foreign exchange rate policy, issue currency, regulate and supervise banks and financial institutions including mortgage financing, development financing, lease financing, licensing and revocation of licenses and to deal, hold and manage foreign exchange reserves of Tanzania;

(b). Compile, analyse and publish the monetary, financial, balance of payments statistics and other statistics covering various sectors of the national economy;

(c). Regulate, monitor and supervise the payment, clearing and settlement systems;

(d). 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

(e). Ensure the financial system's integrity, support the general economic policies of the Government, and promote sound monetary, credit and banking conditions conducive to the sustainable development of the national economy.

3. RESOURCES AND STRENGTHS

The Bank possesses adequate resources and human capacity to implement its mandates as provided in the Bank of Tanzania Act,2006. The Bank uses its human, financial and technological resources to achieve its strategic objectives.

The Bank has highly skilled, committed, motivated and competent staff dedicated to a long-term career. Management adheres to sound governance principles and promotes good labour relations that provides a conducive environment to discharge its mandates.

The Bank has adequate financial resources to perform its mandates. It develops Corporate Plan which identifies strategic objectives to effectively direct resources and guide the performance. From its strategic perspective, the Bank enhances its financial performance by improving management of its resources through prioritisation of initiatives, implementing initiatives within the available financial resources and generating adequate income to support its operations. The Bank has been generating revenue that covered all operating expenses and other support provided to stakeholders. This has enabled the Bank to discharge its mandates without seeking support from shareholder. The profitable operations have helped the Bank to accumulate adequate reserves while paying adequate returns to its shareholder through dividend payments.

On the technological side, the Bank has modernized its operations by adopting modern technology to improve its day-to-day operations. Further, the Bank has strategically located branches and safe custody centres, facilitating efficient banking and currency services.

In addition, the Bank has undertaken various reforms that contribute to the attainment of its objectives. These include enhancing Bank's operational and leadership capacity by instilling sound management practices, innovative human resource policies, building core competencies, optimizing business processes, applying modern and secure technologies, and acquiring adequate resources for sustainable operational excellence.

The Bank has been undertaking modernisation of the monetary policy framework and payment systems to improve efficiency and effectiveness of the monetary policy implementation and reduce costs to customers thus improving the financial services access.

4. REVIEW OF THE BANK'S PERFORMANCE

The Bank effectively implemented its strategic plan for 2020/21 which contained five strategic objectives that were geared towards achieving Bank mandate of maintaining price stability and promoting stability of the financial system. The overall evaluation reveals considerable achievements during the year as detailed hereunder based on the strategic objectives, measures and the set targets

a. *Enhance Effectiveness of Monetary Policy*

This entails making changes on the process of monetary policy formulation and implementation with a view to increasing the efficacy of monetary policy actions. The changes aim at attaining the objectives of price stability and adequate foreign reserves, in line with the changing domestic and global economic environment.

i. Core Inflation: The Bank's target was to maintain core inflation to be not more than 5 percent. During the period, core inflation remained subdued averaging 3.1 percent, rising slightly from 2.4 percent in the previous financial year. The increase in core inflation was largely due to increase in prices of non-food items including garments and footwear, building materials, rent, furniture, school books and bicycles. However, the rate remained within the country's inflation objectives implying that the amount of money supplied in the economy was in line with demands of various productive sectors of the economy

ii. Headline Inflation: During the review period, headline inflation averaged 3.3 percent from an average of 3.5 percent in the previous financial year. This was below the country's medium-term target of 5.0 percent, EAC convergence criteria of not more than 8.0 percent and within SADC benchmark of between 3.0 and 7.0 percent. The low and stable headline inflation was mainly on account of prudent monetary and fiscal policies, adequate food supply situation in the country and subdued oil prices in the global market.

iii. Overnight Interbank Cash Market (IBCM) interest rate: During the period, IBCM rate averaged 3.63 percent compared with 4.53 in the previous financial year. This performance was on account of effective liquidity management in the banking sector, following the sustained implementation of accommodative monetary policy. The Bank continued to inject liquidity using policy instruments including reverse repo, purchase of forex in the IFEM and from public institutions, granting special loans and access to standing credit facilities.

iv. 4 Months of import: The foreign official reserves remained adequate in line with the objective, sufficient to support imports demand, meeting various Governments external obligations, supporting monetary policy operations, and providing confidence to foreign investors, among others. As at the end of June 2021, the level of foreign reserves was sufficient to cover 6.1 months (June 2020: 6.0 months) of imports of goods and services, which is above the target of 4.0 months. The observed increase in the level of official foreign reserves was mainly attributed to budgetary inflows, purchase of forex from the IFEM and public institutions consistent with improved exports and narrowing of the current account deficit.

b. *Enhance Stability, Safety, and Inclusiveness of Financial Systems*

This objective entails putting in place effective legal and regulatory frameworks for ensuring resilient financial systems while facilitating provision of convenient and affordable financial services and products to majority of the population in the rural and urban areas. It also involves monitoring and assessing financial system vulnerability and risks that may disrupt provision of financial services, trigger financial crisis and lower economic activities.

The Bank continued to implement consumer protection framework; a system for registration of physical financial access points and a system for accessing real-time data from banks and financial institutions. Also, the Bank strengthened legal, regulatory and supervisory frameworks in order to ensure resilient banking sector through alignment of the frameworks with the best international standards and practices; and adopted appropriate tools for monitoring resilience of the financial system.

i. Access of Financial Services: Ability of individuals or enterprises to obtain financial services, including accessing credit at reasonable cost, deposit facilities, efficient and smooth payment platforms, insurance services, and other risk management services is crucial for inclusiveness of the financial sector. During the period, the country made significant progress on enhancing access to financial services, mainly contributed by use of mobile phones. The number of adult population accessing financial services through mobile phones remained at 78.4 percent in 2020/21. That position was maintained mainly due to technological advancement, financial innovations, as well as putting in place appropriate policy and regulatory frameworks.

ii. Usage of Financial Services: Use of formal financial services by majority of the adult population through various forms of payments, credit lines, saving facilities, insurance covers, and investments contributes to the health of the financial sector and its contribution to economic growth. The adoption of mobile phones to provide financial services in Tanzania has become instrumental in accelerating the usage to unbanked segments of the population compared to other means of formal financial services.

The usage of mobile financial services has reached 92.8 percent, up from 80.3 percent in 2019/20. The increase was due to ongoing innovations supported by appropriate policy and regulatory frameworks adopted by the government in facilitating revenue collection, bill payments, settlement of various fees and traffic fines, provision of Microloans and implementation of various payment through Government e-Payment Gateway (GePG). In addition, the Bank of Tanzania decision to enhance mobile money transaction limits and daily balances to promote cashless transactions during COVID-19 pandemic contributed to the increased use of digital financial services.

iii. Financial Soundness Indicators: The banking sector remained sound and stable in terms of capital adequacy, asset quality, liquidity and profitability. The core capital adequacy ratios were above the regulatory requirements of not less than 10.0 percent, standing at 17.1 percent (June 2020: 16.9 percent). Asset quality, as reflected by the Non Preforming Loans (NPL) ratio, remained relatively stable at 9.3 percent (June 2020: 10.8 percent), which was above the desired level of not more than 5.0 percent. Liquid Assets ratio stood at 32.56 percent (June 2020: 33.4) above the regulatory requirement of not less than 20.0 percent. Also, during the period, the ratio of Return on Asset was 2.4 percent (June 2020: 1.6 percent). Further, the financial system remained stable and resilient to short-term vulnerabilities as evidenced by financial sector stability index which was within the allowed threshold of ±3 points.

c. *Enhance Banking and Currency Services*

This entails improving the way the Bank provides domestic currency services, banking services on domestic and foreign currencies, and ensuring payment systems are safe, convenient, timely available and affordable. It also includes enhancement of Government and parastatals banking arrangements that are robust and customer-centric.

i. Settlement Period: During the period, banking and currency services were safe, convenient, timely and affordable. Cheques and EFTs received were processed within the specified time of T+1 and T+0, respectively. This was made possible through use of the Tanzania Automated Clearing House (TACH) system as well as the implementation of the Treasury Single Account (TSA) which increased the use of electronic funds transfer (EFT). Introduction of Electronic Funds Transfers (EFT) for the Revolutionary Government of Zanzibar (RGOZ) provided efficient and timely processing of government payments and reduced paper transfer instructions.

ii. Currency Processing Lag: This is a time difference between when a commercial bank deposits its money and the time that the Bank processes money.
The currency processing lag was on average within a one-month target for higher denomination banknotes as these are processed through machines. Processing of lower denomination remained above the set target of six months. There is an improvement on the performance of processing lower denominations. The Bank is implementing additional measures in improving the processing of lower denominations.

d. Enhance Good Governance

This objective leads the Bank towards effective compliance to national and international legislations and standards, internal policies, regulations, guidelines and operational manuals. It also refers to the Bank's quest for improved organizational performance, risk management, internal control systems and optimal use of resources. Further, the objective entails understanding the changing needs and expectations of various stakeholders and appropriately realigning them to the Bank's work plans.

i. Net Risk Levels: This measure indicates percentage reduction in risks to Bank's tolerable levels. The Bank needs to develop mitigating strategies to curb high risk exposures that may compromise its ability to achieve its strategic objectives.
During the review period, the Bank promoted organizational-wide adherence and compliance to internal policies, regulations, guidelines, circulars, and operational manuals. Risk awareness and culture was also promoted across the Bank. As a result, risks with controls which are both effective in design and operating effectiveness increased to 51 percent from 33 percent, and the Bank overall exposure continued to be moderate.

ii. 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 targeted ratio for this measure is at least 1, connoting that 100 percent financing of Bank's expenditure obligations from generated revenue.
During the financial year the Expenditure Coverage Ratio stood at an average of 1.3 times (June 2020: 1.5 times), signifying continued ability to generate revenue sufficient to cover expenditure obligations.

iii. Improved stakeholders' understanding of the Bank undertakings: The Bank enhanced stakeholders' engagement as evidenced by perception surveys conducted in 2020/21, indicating an increase of satisfaction to 97.0 percent from 93.5 percent in 2019/20. Overall, the perception of Bank by its stakeholders has continued to be good owing to its efforts to its educational and awareness outreach programs.

iv. Improved Staffing Complement and Quality: This entails attracting and retaining right numbers and quality of employees for the Bank to effectively discharge its mandate. It also refers to various learning and development initiatives towards strengthening employees' ability to cope up with contemporary issues in their careers.
During the period, the Bank continued, in consultation with the President's Office Public Service Management and Good Governance to recruit new employees in accordance with corporate staff establishment. Despite the efforts in place, there has been delays in filling gaps in some areas that resulted in overstretching available employees.

Further, the Bank continued to develop and implement annual strategic employees' learning and development plans to bolster organizational capacity to effectively execute its mandate. During the period, the corporate annual training plan was implemented at 74.00 percent compared to 68.1 percent in 2019/20.

e. Strengthen Institutional Capacity and Operational Efficiency

This objective aimed at continuous building capacity and capabilities in a wider spectrum so as to enhance the Bank's ability to fulfil its mandate in an efficient and effective manner. It also entails advancing modern ICT technologies that are secured and efficient in services delivery.

i. System Availability: The Bank continued to devise and implement various strategies geared towards ensuring stability and sustainability of the system applications. In the review period, the Bank maintained the level of system availability at an average of 98.6 percent (June 2020: 99.3 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, as well as modernization of the help desk operations.

ii. IT Maturity Level: The Information Technology maturity level measures and assesses the level of maturity for IT practices and activities on annual basis with the goal of improving IT processes. The pre-set target was 3.

During the period, the Bank attained level 2.7 (June 2020: 3.0) against a maximum of 5. Almost 71.4 percent (June 2020: 73.5 percent) of all the key business processes are performed in a controlled environment (automated). Some of the major systems that were developed or enhanced and put into implementation during the period included electronic trading platform for the Inter Bank Cash Market (IBCM); Government (URT/RGoZ) payments and tax (TRA/ZRB) collection systems; Budget Management System (BMS); Central Depository System (CDS); Credit Guarantee Management Scheme and Staff Self Payment system in memo automation. In addition, the Bank deployed external customer service management system to manage IT incidents from Bank's external users and adopted unified mobility technology strategy in-line with SADC/EAC for IT harmonization.

iii. Improved Management of Bank's Properties: This refers to the extent the Bank performed in terms of managing its buildings and associated facilities. It also entails a number of newly developed/acquired capital assets.

During the review period, the Bank modernized buildings and infrastructure at branches with a view to further improve efficiency in service delivery and quality of working environment. Notable improvements include major rehabilitation of the Zanzibar sub head office and opening of new Mwanza branch office.

During the same period, the Bank acquired and initiated construction of additional staff residential houses at Dodoma head office and Arusha branch

As part of strengthening institutional performance, the Bank had continued to maintain the measures that were undertaken in the previous period in response to the impact of the Covid-19 pandemic including reduction of a discount rate, lowering of the Statutory Minimum Reserve (SMR) requirement, reduction on haircuts, and enhancement of mobile money operators' daily transaction limit and balance to customers The Bank has also continued to assess and prioritize its operational activities thought out the year in order to deliver its mandate with minimum disruption from the impact of Covid-19 pandemic

5. CORPORATE 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 year.

No.	Name	Position	Age	Discipline	Date of Appointment	Nationality
1.	Prof. Florens D.A.M. Luoga	Governor and Chairman of the Board	62	Lawyer	4 January 2018	Tanzanian
2.	Mr. Julian B. Raphael	Deputy Governor	65	Economist	26 January 2016	Tanzanian
3.	Dr. Yamungu M. Kayandabila	Deputy Governor	49	Economist	31 May 2017	Tanzanian
4.	Dr. Bernard Y. Kibesse	Deputy Governor	54	Economist	31 May 2017	Tanzanian
5.	Mr. Khamis M. Omar[1]	Member	54	Finance	20 April 2006	Tanzanian
6.	Ms. Mary N. Maganga[2]	Member	53	Economist	1 June 2017	Tanzanian
7.	Prof. Nehemiah E. Osoro	Member	74	Economist	1 June 2017	Tanzanian
8.	Mr. Joseph O. Haule	Member	65	Economist	1 June 2017	Tanzanian
9.	Mr. Geoffrey I. Mwambe[3]	Member	46	Economist	1 June 2017	Tanzanian
10.	Mr. Joseph A. Meza	Member	63	Economist	5 April 2019	Tanzanian
11.	Dr. Juma M. Akil[4]	Member	57	Agricultural Economist	23 January 2021	Tanzanian
12.	Mr. Palloty M. Luena	Secretary	55	Lawyer	3 September 2018	Tanzanian

Key:

[1] Appointment ceased on 23rd January 2021.
[2] Appointment ceased on 4th April 2021.
[3] Appointment ceased on 5th November 2020.
[4] Appointed on 23rd January 2021 to replace Mr. Khamis M. Omar.

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 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 summarised 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 the discharge of its functions. These are the Monetary Policy Committee, Audit Committee, Banking Supervision Committee and Finance and Investment Committee.

(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 2021 were as follows:

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	Member	Economist	Tanzanian
7.	Prof. Nehemiah E. Osoro	Member	Economist	Tanzanian
8.	Mr. Joseph O. Haule	Member	Economist	Tanzanian
9.	Mr. Geoffrey I. Mwambe[3]	Member	Economist	Tanzanian
10.	Mr. Joseph A. Meza	Member	Economist	Tanzanian
11.	Mr. Khamis M. Omar[1]	Member	Finance	Tanzanian
12.	Dr. Juma M. Akil[2]	Member	Agricultural Economist	Tanzanian
13.	Mr. Palloty M. Luena	Secretary	Lawyer	Tanzanian

Key

[1] Appointment ceased on 23rd January 2021

[2] Appointed on 23rd January 2021 to replace Mr. Khamis M. Omar

[3] Appointment ceased on 5th November 2020

(b) The 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 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 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

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

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 2021 were as follows:

No	Name	Position	Discipline	Nationality
1.	Prof. Nehemiah E. Osoro[1]	Chairman	Economist	Tanzanian
2.	Mr. Joseph O. Haule	Member	Economist	Tanzanian
3.	Mr. Julian B. Raphael	Member	Economist	Tanzanian
4.	Mr. Joseph A. Meza	Member	Economist	Tanzanian
5.	Mr. Geoffrey I. Mwambe[2]	Member	Economist	Tanzanian
6.	Mr. Palloty M. Luena	Secretary	Lawyer	Tanzanian

Key:

[1]Chairman from January 2021

[2]Appointment ceased on 5th November 2020.

(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 Governor 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 Members of the Banking Supervision Committee that served during the year ended 30 June 2021 were as follows

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	Member	Economist	Tanzanian
5.	Mr. Khamis M. Omar[1]	Member	Finance	Tanzanian
6.	Dr. Juma M. Akil[2]	Member	Agricultural Economist	Tanzanian
7.	Ms. Mary N. Maganga	Member	Economist	Tanzanian
8.	Prof. Nehemiah E. Osoro	Member	Economist	Tanzanian
9.	Mr. Joseph O. Haule	Member	Economist	Tanzanian
10.	Mr. Geoffrey I. Mwambe[3]	Member	Economist	Tanzanian
11.	Mr. Joseph A. Meza	Member	Economist	Tanzanian
12.	Mr. Palloty M. Luena	Secretary	Lawyer	Tanzanian

Key

[1]Appointment ceased on 23rd January 2021

[2]Appointed on 23rd January 2021 to replace Mr. Khamis M. Omar

[3]Appointment ceased on 5th November 2020

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

The 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 include the Governor 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 2021 are as follows:

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	Member	Economist	Tanzanian
5.	Prof. Nehemiah E. Osoro	Member	Economist	Tanzanian
6.	Mr. Joseph A. Meza	Member	Economist	Tanzanian
7.	Mr. Joseph O. Haule	Member	Economist	Tanzanian
8.	Mr. Geoffrey I. Mwambe[1]	Member	Economist	Tanzanian
9.	Mr. Palloty M. Luena	Secretary	Lawyer	Tanzanian

Key

[1] Appointment ceased on 5th November 2020

6. MEETINGS

The Board held eight (8) meetings during the year ended 30 June 2021. 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 2020 to 30 June 2021.

No	Number of meetings Names	Number of meetings Board 8	 MPC 7	 BSC 5	 AC 5	 FIC 8
1.	Prof. Florens D.A.M. Luoga	8	5	3	N/A	6
2.	Mr. Julian B. Raphael	7	7	3	3	8
3.	Dr. Yamungu M. Kayandabila	8	7	5	N/A	7
4.	Dr. Bernard Y. Kibesse	6	4	3	N/A	4
5.	Ms. Mary N. Maganga	3	4	4	N/A	N/A
6.	Mr. Khamis M. Omar	3	0	3	N/A	N/A
7.	Prof. Nehemiah E. Osoro	7	6	5	5	7
8.	Mr. Joseph O. Haule	7	7	5	5	4
9.	Mr. Geoffrey I. Mwambe	0	1	1	0	1
10.	Mr. Joseph A. Meza	7	5	4	5	6
11.	Dr. Juma M. Akil	2	2	1	N/A	N/A
12.	Mr. Palloty M. Luena	7	6	5	5	6

KEY
Board: Board of Directors
MPC: Monetary Policy Committee
BSC: Banking Supervision Committee
AC: Audit Committee
FIC: Finance and Investment Committee
N/A: Not applicable

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.

7. INDEPENDENCE

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.

8. CAPITAL STRUCTURE

Section 17 of the Bank of Tanzania Act, 2006 provides the level of authorised share capital of the Bank to be TZS 100,000,000,000 (one hundred billion Tanzanian Shillings). This amount may be increased by 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 share capital of the Bank is subscribed and held only 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. Different classes of reserves have been prescribed under section 18(1) of the Bank of Tanzania Act, 2006 and detailed in **Note 40** to these financial statements. The movement of the capital during the year is reflected under the Statement of Changes in Equity.

9. RELATIONSHIP WITH STAKEHOLDERS

The Bank recognises the importance of addressing the needs of its key stakeholders in order to add value, satisfy their needs and expectations to fulfil its mission. The Bank's key stakeholders include the Governments, banks and non-bank financial institutions, development partners, general public and staff. The Bank is committed to delivering value to its stakeholders through better services and good customer care while maintaining good relationship in its engagements.

Accordingly, the Bank fulfils its mandate by delivering the following services to meet its stakeholders' needs and expectations:

(a) Issuance of bank notes and coins: The Bank provides secure, adequate, durable and portable bank notes and coins; ensure prompt circulation of currency through its network of branches and safe custody centres throughout the country; and promote public awareness on the currency handling and security features;

(b) Banking services: The Bank promptly facilitates payments, settlements and clearing of payment instruments for the Governments and financial institutions. Further, the Bank provides safe deposit custody for the Governments and financial institutions; and

(c) Price stability: The Bank formulates and executes monetary policy that leads to stable domestic prices; provide policy advice to the governments; disseminate economic reports; ensure stable exchange rates; and conduct government securities auctions;

(d) Financial stability: The Bank promotes the stability of the financial system through effective regulation and supervision of banking system; provide safe and efficient payment systems; and promote public access to the financial services; and

(e) Internal customer requirements: The Bank attracts and retains high calibre staff with integrity, competency and accountability and provides conducive working environment and career development opportunities to its staff.

10. CASH FLOW PROJECTION

Due to the nature of the Bank's operations most of the cash projections indicate that future cash flows will mostly be generated from operating, investing and financing activities and that the Bank will continue to be a going concern within the foreseeable future.

11. 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

12. FUTURE DEVELOPMENT PLANS

In its strategic plan, the Bank aligns its vision and strategic objectives with the national priorities outlined in the National Development Vision 2025, the Zanzibar Development Vision 2050, National Five-Year Development Plan III (2021/22 – 2025/26), and National Financial Sector Development Masterplan 2020/21–29/30. The Bank recognises 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 do the following in the coming year:

(a) Enhance effectiveness of monetary policy

The Bank will continue to improve the process of monetary policy implementation and formulation 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 cash-lite economy and preparedness towards adoption of digital currencies

(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 financial instruments.

(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.

(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 modernise banking service and currency management operations

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

(e) Strengthen institutional efficiency
The Bank will improve organization performance through effective allocation of resources, developing human resources, enriching employees culture and refining infrastructure while leveraging technology and research to improve institutional efficiency.

(f) *Enhance* organizational effectiveness
Bank will enhance compliance with national and international legislations, standards, regulations, internal policies and guidelines Further it will put in place appropriate internal controls and mitigation measures to manage risk and crisis and ensure there is effective communication with stakeholders

13. RESULTS AND DIVIDENDS

During the year, the Bank operations registered an overall total comprehensive income of TZS 158,057.4 million (2020: TZS 209,794.0 million). The amount includes net unrealized loss on marketable securities of TZS 84,113.6 million (2020: gain of TZS 125,476.5 million) and net revaluation gain on equity investments of TZS 5,183.5 million (2020: TZS 579.9 million). The Bank recorded an operating profit of TZS 246,740.8 million (2020: TZS 88,279.1 million). The Bank's accounting policy requires transfer of net unrealized revaluation gains or losses on foreign exchange and financial assets measured at FVTPL to the foreign exchange revaluation reserve and Securities revaluation reserve respectively. After appropriate accounting adjustments of various funds/appropriations (statement of changes in equity), the dividend amounting to TZS 200,000.0 million (2020: TZS 150,000.0 million) is payable to the Government in compliance with the requirements of the Bank of Tanzania Act, 2006.

14. FINANCIAL PERFORMANCE AND POSITION

(a) Financial results

The performance of the Bank is measured on the basis of achievements in implementing its core functions as detailed in the Bank of Tanzania Act, 2006. The Bank needs to generate adequate resources in order to support its operations and maintain its independence.

In the course of its operations, the Bank made a total comprehensive income of TZS 158,057.4 million (2020: TZS 209,794.0 million). The total comprehensive income recorded a decrease of 24.7 percent. The decrease was mainly attributed to a fall in prices of the Bank's foreign marketable securities, the decrease was however offset by an increase in net operating income of TZS 246,740.8 million (2020: TZS 88,279.1 million). The increase in net operating income of 179.5 percent was mainly on account of the effects of foreign exchange rates following a weakening of Tanzania Shillings relative to major currencies.

(b) Financial position

Changes to the Bank financial position resulted from the activities taken by the Bank as part of monetary policy implementation.
Bank total assets increased by TZS 1,626,574.1 million (10.0 percent) during the year compared to an increase of TZS 975,152.6 million (6.2 percent) in the previous year. The major areas of increase were on advance to the Governments by TZS 1,549,673.0 million (183.6. percent). The increase in total liabilities is explained by corresponding increases in other deposits and currency in circulation.

(c) Capital

The capital has demonstrated strong position over the period. The capital is composed of paid up capital and other reserves in line with the requirement of BoT Act 2006. The entire capital is available to absorb shocks arising from operation and adequately covers the monetary liabilities. Capital remained at TZS 100,000.0 million and other reserves have been detailed on **NOTE 41** .

15. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

16. KEY RISKS AND UNCERTAINTIES

The key risks that may significantly affect the Bank's strategies and development are mainly financial, operational and strategic. Below we provide a description of the operational and strategic risks facing the Bank. The risks related to financial instruments have been disclosed under Note 43 of the financial statements:

(a). Operational risk

Includes both financial and non-financial resulting from inadequate human resource and systems, management failures, ineffective internal control processes, non-compliance, inadequate security and adverse legal judgements. The main operational risks of the Bank during the year were:

i. Human resource risk

The particular nature of the activities of the Bank necessitates specialised knowledge in many areas. This risk relates to possibility of having inadequate and unspecialized human resource. The Bank ensures that there is an adequate knowledge base for all specialised job requirements by investing significantly in human resource development in terms of capacity building and practical exposure. The Bank also organises workshops, seminars, conferences and job attachments to its staff to improve its human resource capabilities. It also revises regularly its staff retention scheme to compete with the prevailing labour market.

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.

The Bank addresses these risks inter alia through ensuring existence of Business Continuity Management (BCM) plan and sound internal control system, which include operational and procedural manuals, Information and Communication Technology (ICT) security policies, back up facilities, contingency planning, and independent internal audit function. Managing operational risk in the Bank is an integral part of day-to-day operations by the management. Management, internal audit function, Audit Committee and the Board, closely monitor this risk.

iii. 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 counter parties. 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 of the delegation of authorities. In addition, strict code of conduct and ethics is used to minimise chances of causing legal disputes between the Bank and its counterparts.

(b). Strategic risk

This covers analytical and policy risks which are associated with economic and monetary policy formulation; business risk which refers to the probability of loss inherent in the Bank's operations and environment; performance risk which is associated with formulation and execution of business plans and strategies; and external risks which 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 into damage of the Bank's reputation.

The Bank has an obligation to ensure that it performs its functions and maintains its reputation as a Central Bank in line with requirements of the provision of Section 5(1) of the Bank of Tanzania Act, 2006.

In view of the above, the Bank's Management ensures that it fulfils its fiduciary responsibilities. The Bank adheres to the best practices and applies principle of sound corporate governance. It also ensures that all relevant employees have clear understanding of the appropriate processes in respect of the best practices and principles of good governance.

The Bank therefore, sets out policies and guidelines that govern sound functional operations within the Bank. The performance of these policies and guidelines are periodically reported to different levels of 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 function of the Bank of overseeing and ensuring the integrity of the financial system exposes it to severe criticism whenever there is an incident of bank failure or systemic difficulty. The responsibilities of the Bank regarding monetary policy, the National Payment System (NPS) and the issuing of notes and coins also expose the Bank to a significant risk. The Bank adheres to international best practices and, to this end, maintains close liaison with international peers. The Bank strives towards full compliance with the principles for effective banking supervision as well as the core principles for systemically important payment systems. The Board assessed the internal control systems throughout the financial year ended June 2021 and is of the opinion that they met accepted criteria

17. SOLVENCY

The Board of Directors confirms that IFRS have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Bank of Tanzania has adequate resources to continue carrying out its statutory activities and meet its obligations for the near future.

18. EMPLOYEES WELFARE

(a). Management and employee's relationship

The relationship between the Bank and its employees continued to be good. Employees complaints raised during the year were resolved mainly through the use of consultative meetings/fora involving the management, trade union and employees through worker's council. As a result, healthy relationship continued to exist between management and the trade union.

Complaints are resolved through meetings and discussions. Work morale is good and there were no unresolved complaints from employees. The Bank provides a number of facilities aiming at improving the working environment and living standards of its employees. Such facilities include medical services, gym facilities, transport to and from work, housing facilities, employee training and development, leave travel assistance and long service awards for employees as stipulated in the Staff By-Laws.

(b). Training facilities

The Bank has training facilities at the Bank of Tanzania Training Academy in Mwanza region. During the year, the Training Academy conducted 40 courses for the Bank's staff against the plan of 45 whereas 11 courses for banks and financial institutions were conducted during the year under review against the plan of 12. Following the broadened scope of the regulatory and supervisory role of the Bank to include the Social Security sector, the Academy is planning to conduct a Training Needs Assessment (TNA) for other relevant stakeholders including Social Security Schemes and some ministries

(c). Medical Assistance

All members of staff with a maximum number of five beneficiaries for each employee were availed with medical insurance services. During the year ended 30 June 2021 and 2020, 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 by continuous and effective assessment. The Bank's Medical Committee and Bank's Business Recovery Team ("BBRT"), respectively monitor health and safety incidences of the Bank.

(e). Financial assistance to staff

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

(f). 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

(g). 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 benefits plan is provided under Summary of Significant Accounting Policies in **Note 3** to the financial statements.

(h). Voluntary agreement

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

19. GENDER PARITY

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, tribes, religion and disability, that does not impair ability to discharge duties. As at 30 June 2021 and 2020, the Bank had the following distribution of employees by gender.

REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2021

Gender	2021	%	2020	%
Male	759	63.5	756	63.1
Female	436	36.5	442	36.9
Total	**1,195**	**100.0**	**1,198**	**100.0**

20. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in **Note 49** to these financial statements. The directors' emoluments and key management personnel have been disclosed in **Note 49** to the financial statements.

21. 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 minimises the impact through better use of its premises and inbuilt facilities to ensure that there is proper waste management.

22. CONTRIBUTION AND SUBSCRIPTIONS

The Bank made various subscriptions and contributions to various organisations 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); charities and subscription to Professional Associations. During the year ended 30 June 2021, such contributions and subscriptions amounted to TZS 3,557.5 million (2020: TZS 3,649.4 million). There was no donation made to any political party during the year.

23. 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 endeavour, the Bank has in place Donation Guidelines that assist in the implementation of CSR. During the year, the Bank donated a total of TZS 232,261.1 million (2020: TZS 1,406.8 million) to various community groups.

24. SECRETARY TO THE BANK

The Secretary to the Bank is responsible for advising the Board on legal and corporate governance matters and, in conjunction 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.

25. COMPLIANCE WITH LAWS AND REGULATIONS

In performing the activities of the Bank, various laws and regulations having the impact on the Bank's operations were observed.

26. SERIOUS PREJUDICIAL MATTERS

During the year ended 30 June 2021, there were no serious prejudicial matters to report as required by Tanzania Financial Reporting Standard No. 1 - Directors' Report.

27. STATEMENT OF COMPLIANCE

The Directors' Report has been prepared in full compliance with the Tanzania Financial Reporting Standards No. 1 - Directors' Report requirements.

28. AUDITORS

The Controller and Auditor General (CAG) is the statutory auditor for the Bank of Tanzania 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 and Section 20(6) of the Bank of Tanzania Act, 2006.

Approved by the Board of Directors on 30 November, 2021 and signed on its behalf by:

Prof. Florens D.A.M Luoga	Mr. Joseph A. Meza
The Governor and Chairman of the Board	Director and Chairman of the Audit Committee

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 30 JUNE 2021

The 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 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 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 30 November 2021, and signed on its behalf by:

Prof. Florens D.A.M Luoga	Mr. Joseph A. Meza
The Governor and Chairman of the Board	Director and Chairman of the Audit Committee

BANK OF TANZANIA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 30 JUNE 2021

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the 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 **19**.

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 2021 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

30 November 2021

INDEPENDENT AUDITOR'S REPORT

Board Chairman,
Bank of Tanzania,
P.O. Box 2303,
2 NCC Link, Dodoma.
Tanzania.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS

Report on the financial statements:

Opinion

I have audited the financial statements of Bank of Tanzania (the "Bank"), which comprise the statement of financial position at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies set out from page 24 to 114.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of Bank of Tanzania as at 30 June 2021, its financial performance and 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 International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in Responsibilities of the Controller and Auditor General for the audit of the financial statements section of my report. 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) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to my audit of the financial statements in Tanzania. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

The Directors are responsible for the other information, including the Directors' report. The other information does not include the financial statements and auditor's report thereon. 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 auditor's 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 Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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.

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

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

Responsibilities of the Controller and Auditor General on 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 auditor's 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 judgement 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;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's 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 auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Responsibilities of the Controller and Auditor General on the Audit of the Financial Statements (continued)

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 benefits of such communication.

In addition, Section 10 (2) of the Public Audit Act, Cap 418 [R.E. 2021] 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 (as amended in 2016) 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.

Compliance with Public Procurement Act

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I reviewed as part of this audit, I state that the Bank of Tanzania is generally in compliance with the requirements of the Public Procurement Act No.7 of 2011 and its underlying Regulations of 2013 as amended in 2016.

Charles E. Kichere,
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
22 December 2021.

BANK OF TANZANIA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	30.06.2021 TZS '000	30.06.2020 TZS '000
Operating income			
Interest income	5	294,007,068	330,038,192
Interest expenses	6	(4,458,203)	(10,686,025)
Net interest income		**289,548,865**	**319,352,167**
Net foreign exchange revaluation gains	7	202,455,504	-
Net realised/unrealized gain on Financial Assets	8	-	23,674,912
Fees and commissions	9	64,138,590	67,485,483
Other operating income	10	23,130,631	24,338,290
		289,724,725	**115,498,685**
Total operating income		**579,273,590**	**434,850,852**
Operating expenses			
Net foreign exchange revaluation losses	8	-	(28,810,880)
Net realised/unrealized loss on Financial Assets	8	(26,994,554)	-
Administrative expenses	11	(64,391,548)	(60,805,866)
Currency issue and related expenses	12	(72,897,384)	(62,971,045)
Personnel expenses	13	(124,108,057)	(123,169,083)
Other operating expenses	14	(20,257,026)	(47,017,517)
Depreciation of property and equipment	29	(22,657,547)	(22,424,938)
Loss on disposal of property and equipment	29	-	(20,730)
Amortisation of intangible assets	30	(1,226,703)	(1,351,648)
Total operating expenses		**(332,532,819)**	**(346,571,707)**
Profit before tax		**246,740,771**	**88,279,145**
Income tax expense		-	-
Profit for the year		**246,740,771**	**88,279,145**
Other comprehensive income			
Items that will be reclassified to profit or loss			
Net unrealized gains on marketable securities-FVOCI	15	(84,113,602)	125,476,503
Items that will not be reclassified to profit or loss			
Loss on re-measurement of Defined Benefit Scheme	15	(9,753,241)	(4,541,485)
Net revaluation gain on equity investments	15	5,183,480	579,873
Total other comprehensive income		**(88,683,363)**	**121,514,891**
Total comprehensive income		**158,057,408**	**209,794,036**

BANK OF TANZANIA

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2021

	Notes	30.06.2021 TZS '000	30.06.2020 TZS '000
Assets			
Cash and balances with central banks and other banks	16	5,834,322,961	5,601,157,009
Escrow accounts	17	11,257,016	11,253,547
Holdings of Special Drawing Rights (SDRs)	19	22,217,849	20,100,182
Quota in International Monetary Fund (IMF)	19	1,304,531,756	1,257,328,887
Foreign currency marketable securities	20	6,255,042,431	6,201,955,789
Government securities	22	1,094,883,220	1,230,069,507
Advances to the Government	23	2,393,706,756	844,033,745
Loans and receivables	24	132,403,424	386,261,716
Equity investments	21	44,254,186	38,479,418
Inventories	25	6,539,063	7,068,403
Deferred currency cost	26	52,103,739	34,035,017
Other assets	27	203,070,840	102,871,891
Retirement benefit asset	28	-	786,522
Property and equipment	29	995,657,377	989,956,209
Intangible assets	30	4,800,382	2,859,052
Total assets		**18,354,791,000**	**16,728,216,894**
Liabilities			
Currency in circulation	31	5,704,677,413	5,225,320,820
Deposits - Banks and non-bank financial institutions	32	3,548,412,774	3,541,963,084
Deposits – Others	34	3,668,295,459	2,621,351,304
Items in course of settlement	18	3,408,577	17,730,881
Foreign currency financial liabilities	35	1,569,043,226	1,412,490,402
Poverty reduction and growth facility	36	-	26,198,739
BoT liquidity papers	37	40,010,514	118,788,633
Provisions	38	8,537,729	8,512,789
Other liabilities	39	102,644,984	119,892,509
Retirement benefit obligation	28	13,835,705	
IMF related liabilities	19	1,108,671,457	1,068,555,548
Allocation of Special Drawing Rights (SDRs)	19	624,756,632	602,150,585
Total liabilities		**16,392,294,470**	**14,762,955,294**
Equity			
Authorised and paid up share capital	40	100,000,000	100,000,000
Reserves	41	1,862,496,530	1,865,261,600
Total equity		**1,962,496,530**	**1,965,261,600**
Total equity and liabilities		**18,354,791,000**	**16,728,216,894**

The financial statements on page 24 to 114 were approved and authorised by the Board of Directors for issue on 30 November 2021 and signed on its behalf by:

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

Mr. Joseph A. Meza
Director and Chairman of the Audit Committee

STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2021 (Amounts in TZS '000)	Share capital Note 40	General reserve Note 41 (a)	Retained earnings	Capital reserve Note 41 (b)	Equalisation reserve Note 41 (c)	Reserve for projects Note 41 (d)	Staff housing fund Note 41 (e)	Assets revaluation reserve Note 41 (f)	Financial Sector Development fund Note 41 (g)	Securities revaluation reserve Note 41 (h)	Foreign exchange revaluation reserve Note 41 (i)	Reserve for dividends Note 41 (j)	Defined benefit reserves Note 41 (k)	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.

STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2020 (Amounts in TZS '000)	Share capital Note 40	General reserve Note 41 (a)	Retained earnings	Capital reserve Note 41 (b)	Equalisation reserve Note 41 (c)	Reserve for projects Note 41 (d)	Staff housing fund Note 41 (e)	Assets revaluation reserve Note 41 (f)	Financial Sector Development fund Note 41 (g)	Securities revaluation reserve Note 41 (h)	Foreign exchange revaluation reserve Note 41 (i)	Reserve for dividends Note 41 (j)	Defined benefit reserves Note 41 (k)	Total
At 1 July 2019	100,000,000	457,166,248	-	99,262,908	413,567,609	210,000,000	131,893,926	260,246,145	38,699,077	61,777,172	3,077,265	250,000,000	(11,348,162)	2,014,342,188
Profit for the year	-	-	88,279,145	-	-	-	-	-	-	-	-	-	-	88,279,145
Other comprehensive income	-	-	-	-	-	-	-	-	-	126,056,376	-	-	(4,541,485)	121,514,891
	100,000,000	457,166,248	88,279,145	99,262,908	413,567,609	210,000,000	131,893,926	260,246,145	38,699,077	187,833,548	3,077,265	250,000,000	(15,889,647)	2,224,191,154
Transfer of realised gains from OCI*	-	-	-	-	-	-	-	-	-	(8,874,624)	-	-	-	(8,874,624)
Transfer of unrealised gains to foreign exchange revaluation reserve	-	-	(5,754,740)	-	-	-	-	-	-	-	5,754,740	-	-	-
Transfer of net realised gains to equalization reserve and retained earnings**			79,023,137		(13,425,901)					(65,597,236)				-
Transfer of unrealised gain FVTPL to securities revaluation reserve	-	-	(10,197,307)	-	-	-	-	-	-	10,197,307	-	-	-	-
Transfer of realised gain on foreign exchange revaluation reserve to retained earnings	-	-	11,982,102	-	(11,982,102)	-	-	-	-	-	-	-	-	-
Staff housing fund	-	-	(4,504,422)	-	-	-	4,504,422	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-	(250,000,000)	-	(250,000,000)
Appropriation of 2019/20 net profit	-	8,827,915	(158,827,915)	-	-	-	-	-	-	-	-	150,000,000	-	-
At 30 June 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**

* 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.
** Net realised gains from previous years on securities revaluation reserve includes gains of TZS 88,242.8 million and loss of TZS 22,645.5 million

STATEMENT OF CASH FLOWS

	Notes	30.06.2021 TZS '000	30.06.2020 TZS '000
Cash flows from operating activities			
Net cash (used in)/ generated from operating activities	42	**(95,257,871)**	**1,527,361,511**
Cash flows from investing activities			
Purchase of property and equipment	29	(28,456,995)	(23,012,714)
Proceeds from disposal of property and equipment	29	115,827	-
Purchase of intangible assets	30	(3,168,033)	(357,035)
(Increase) in foreign currency marketable securities		(175,038,630)	(995,973,270)
Decrease in Government securities		126,081,509	27,580,643
Acquisition of equity shares		(591,288)	(826,310)
(Increase)/decrease in quota in International Monetary Fund (IMF)		(47,202,869)	8,856,515
(Increase)/decrease holdings of SDRs		(2,117,667)	47,292,164
Net cash flows from investing activities		**(130,378,146)**	**(936,440,007)**
Cash flows from financing activities			
Increase in currency in circulation		479,356,593	260,118,261
Increase/(decrease) in IMF related liabilities and PRGF		13,917,170	(112,184,918)
Increase in foreign currency financial liabilities		156,552,824	493,233,454
Increase/ (decrease) in allocation of SDRs		22,606,047	(4,241,496)
Decrease in BoT liquidity papers		(78,778,119)	(211,965,199)
Dividends paid to the Government		(150,000,000)	(250,000,000)
Lease principal payments		(455,833)	(400,752)
Cash generated from financing activities		**443,198,682**	**174,559,350**
Net increase in cash and cash equivalents		**217,562,665**	**765,480,854**
Unrealized gains on foreign exchange revaluation		15,408,768	18,964,656
Cash and cash equivalents			
At the beginning of the year		5,601,422,508	4,816,976,998
At the end of the year	16	**5,834,393,941**	**5,601,422,508**

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 2 NCC Link, 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.

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.

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 business and accounting framework. The unapplied standards amendments include, IAS 41 Agriculture and IFRS 3 Business combinations.

(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 16 - Property, Plant and Equipment	1-Jan-22
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	1-Jan-23
IAS 37 - Provisions, Contingent Liabilities and Contingent Assets	1-Jan-22
IAS 39 - Financial Instruments: Recognition and Measurement	1-Jan-21
IAS 41 - Agriculture	1-Jan-22
IFRS 7 - Financial Instruments: Disclosures	1-Jan-21
IFRS 4 - Insurance Contracts	1-Jan-21
IFRS 16 - Lease	1-Jan-21
IFRS 1 - First-time Adoption of International Financial Reporting Standards	1-Jan-22
IFRS 3 - Business Combinations	1-Jan-22
IFRS 9 - Financial Instruments	1-Jan-22
IFRS 17 - Insurance Contracts	1-Jan-23

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.

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 these 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 is still evaluating the requirements of these amendment, its impact on the Bank's financial reporting when they fall due.

iv. IFRS 9 - Financial Instruments

The amendment clarifies fees that an entity includes in the 10 percent test for de-recognition of financial liabilities. The management is still evaluating the requirements of these amendment, its impact on the Bank's financial reporting when they fall due

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

The amendment introduces the definition of accounting estimates and includes other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. Management has assessed the requirements in these 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 43**.

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 is 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 the requirements of the Bank of Tanzania Act, 2006. The Directors Report 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.

Other income falling under IFRS 15 is recognized after satisfaction of performance obligations at a point in time or over time. Except for rental income from staff quarters covered by IFRS 16 Leases, the remaining other income not under IFRS 15 or other standard is recognized in the period in which it is earned on accrual basis.

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.

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.

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 (PSSF) Under this scheme, the Bank and employee contribute an agreed rates 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 actuarial valuation was carried out as at 30 June 2021 by Actuarial and Risk Consultants Limited based in Tanzania. 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.

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.

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. Prior to financial year ended 30 June 2021, the Bank was subsequently measuring its immovable properties on fair value, which was revalued after every 5 years. The most recent valuation was carried out in year 2016. In January 2018 the Government required Government entities to use cost model in measurement of property, plant and equipment. The Bank decided to change its measurement approach to cost model to align with other public institutions whose financial records are consolidated together with the Bank's records on annual basis. For practical reasons and in line with the transition guideline issued by the Government, the carrying amounts at the migration dates were applied as estimated cost of the assets. Thus, the change of measurement model did not impact the current values of assets, liabilities and comprehensive income. However, the asset revaluation reserve (TZS 260.2 billion) was reallocated to general reserves.

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).

Depreciation rates applied for the year ended 30 June 2021 and its comparative were as per below:

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;

(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

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 recognised 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.

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.

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. subsequent to measurement of the instrument

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).

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

- 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
- 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.

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:

- the rights to receive cash flows from the asset have expired; or
- 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
  (a) the Bank has transferred substantially all the risks and rewards of the asset, or

  (b) 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 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’.

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:

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.

(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. 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.

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:

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

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.

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 44** 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.

(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 45** 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

	30.06.2021			30.06.2020		
	Received	Accrued	Total	Received	Accrued	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
From foreign operations						
GBP investments	18,390,445	2,680,093	21,070,538	8,648,919	4,736,064	13,384,983
USD investments	60,933,006	15,693,756	76,626,762	138,391,544	23,708,952	162,100,496
EUR investments	2,519	-	2,519	-	-	-
AUD investments	5,702,824	1,562,276	7,265,100	3,980,413	1,874,037	5,854,450
CNY investments	34,956,051	7,464,233	42,420,284	12,635,495	3,273,910	15,909,405
Other foreign interest income	2,048,520	-	2,048,520	1,555,576	-	1,555,576
	122,033,365	**27,400,358**	**149,433,723**	**165,211,947**	**33,592,963**	**198,804,910**
From domestic operations						
Interest on domestic investments	75,311,187	46,194,524	121,505,711	84,743,447	34,452,390	119,195,837
Interest on loans and advances	10,748,607	2,987,119	13,735,726	-	2,324,898	2,324,898
Interest on staff loans	313,353	364	313,717	345,789	364	346,153
Interest on Repurchase Agreements (Reverse REPO)	8,881,555	136,636	9,018,191	9,366,394	-	9,366,394
	95,254,702	**49,318,643**	**144,573,345**	**94,455,630**	**36,777,652**	**131,233,282**
	217,288,067	**76,719,001**	**294,007,068**	**259,667,577**	**70,370,615**	**330,038,192**

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

	30.06.2021	30.06.2020
	TZS '000	TZS '000
Income from instruments measured at fair value	108,246,253	112,769,422
Income from instruments measured at amortised cost	185,760,815	217,268,770
	294,007,068	**330,038,192**

6. INTEREST EXPENSES

	30.06.2021			30.06.2020		
	Paid	Accrued	Total	Paid	Accrued	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Interest on BoT liquidity papers	3,716,267	186,302	3,902,569	5,880,411	1,196,442	7,076,853
Interest on repurchase agreements	85,036	-	85,036	-	-	-
Charges on IMF Drawings	470,598	-	470,598	3,609,172	-	3,609,172
	4,271,901	**186,302**	**4,458,203**	**9,489,583**	**1,196,442**	**10,686,025**

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 202,455.5 million (2020: loss of TZS 28,810.9 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 59,931.6 million (2020: 5,754.7 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 41 (g)**).

Analysis of foreign exchange valuation	**30.06.2021**	**30.06.2020**
	TZS '000	**TZS '000**
Net realised foreign exchange revaluation gain/(loss) during the year	142,523,944	(34,565,620)
Net unrealised foreign exchange revaluation gains during the year	59,931,560	5,754,740
	202,455,504	**(28,810,880)**

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

		30.06.2021			**30.06.2020**	
	Realised	**Unrealised**	**Total**	**Realised**	**Unrealised**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
USD	(5,506,260)	(12,447,493)	(17,953,753)	11,504,916	10,197,307	21,702,223
GBP	(10,064,563)	-	(10,064,563)	427,265	-	427,265
AUD	1,313,871	-	1,313,871	1,467,441	-	1,467,441
CNY	(290,109)	-	(290,109)	77,983	-	77,983
Total	**(14,547,061)**	**(12,447,493)**	**(26,994,554)**	**13,477,605**	**10,197,307**	**23,674,912**

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 26,994.6 million (2020: gain of TZS 23,674.9 million). Included in the net realised loss TZS 10,822.5 million is the reclassification adjustment of the net unrealised gains recognised in other comprehensive income in the previous period for the disposed securities.

9. FEES AND COMMISSIONS

	30.06.2021	**30.06.2020**
	TZS '000	**TZS '000**
Commission on foreign operations	58,955,850	60,036,995
Tanzania Interbank Settlement System (TISS) fees and charges	3,940,240	3,115,494
Bureau de change application fees	10,000	8,000
Bureau de change registration fees	6,500	12,000
Bureau de change penalty fees	725,500	4,164,696
Tender application fees	-	16,900
Banks and financial institutions applications/licensing fees	500,500	131,398
	64,138,590	**67,485,483**

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

10. OTHER OPERATING INCOME

	30.06.2021	30.06.2020
	TZS '000	TZS '000
Foreign operations		
Miscellaneous income*	5,102,010	215,365
Interest from FVTPL investments	10,806,178	14,255,166
Dividend from equity investment	-	1,794,843
*Included in miscellaneous income is gain from IFEM operations TZS 4,390.0 millions		
Other income from foreign operations	**15,908,188**	**16,265,374**
Domestic operations		
Miscellaneous income	531,848	1,790,229
Income - domestic operations	1,279,282	844,924
Staff contributions *	4,452,750	4,504,422
Rental income from staff quarters	738,610	767,383
Income from hostel accommodation	129,021	108,579
Income from cafeteria operations	73,385	57,379 -
Gain on disposal of PPE	17,547	
Other income from domestic operations	**7,222,443**	**8,072,916**
Total other income	**23,130,631**	**24,338,290**

*Net contribution and investments income on Staff Housing Compensatory Fund

11. ADMINISTRATIVE EXPENSES

	30.06.2021	30.06.2020
	TZS '000	TZS '000
Maintenance - computer, software and related expenses	14,790,836	11,897,560
Transport and traveling expenses	9,645,084	10,066,968
Meetings, conferences and seminars	3,487,080	3,660,372
Water and electricity	5,235,512	5,496,002
Maintenance - bank premises	6,686,557	6,556,001
Insurance expenses	5,402,528	5,037,468
Fees, rates and security expenses	2,609,402	2,507,117
Printing, stationery and office supplies	1,811,593	1,023,704
Telecommunication and postage	1,885,829	1,776,846
Board expenses	720,816	821,541
Other administrative expenses	4,273,421	4,263,224
Skills development levy	2,895,705	3,561,927
Maintenance - furniture, machinery and equipment	2,276,087	1,601,084
Audit fees	491,998	491,998
Budget and annual accounts preparation expenses	922,826	471,065
Hospitality	239,546	194,578
Audit related expenses	367,321	124,608
Legal and investigation expenses	649,407	1,253,803
	64,391,548	**60,805,866**

12. CURRENCY AND RELATED EXPENSES

	30.06.2021 TZS '000	30.06.2020 TZS '000
Notes printing and related expenses (Note 26)	59,872,437	47,953,937
Coins minting and related expenses (Note 26)	4,292,211	5,321,383
Cost of currency issued into circulation	**64,164,648**	**53,275,320**
Maintenance of currency machines	1,440,050	2,486,969
Currency transport, storage and handling	6,530,774	6,421,413
Other currency expenses	761,912	787,343
Other currency related costs	**8,732,736**	**9,695,725**
Total currency and related expenses	**72,897,384**	**62,971,045**

The amount of TZS 64,164.6 million (2020: TZS 53,275.3 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 1,440.1 million (2020: TZS 2,487.0 million) was incurred during the year in respect of currency machines maintenance expenses. The amount of TZS 6,530.8 million (2020: TZS 6,421.4 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 761.9 million (2020: TZS 787.3 million).

13. PERSONNEL EXPENSES

	30.06.2021 TZS '000	30.06.2020 TZS '000
Staff salaries and related expenses	75,955,107	76,102,308
Contribution to social security schemes	9,818,873	10,263,631
Staff medical expenses	7,779,860	8,014,832
Management car maintenance and other related expenses	6,055,956	6,008,215
Travel on leave expenses	5,535,773	7,699,450
Staff retirement benefit	4,689,672	3,896,652
Staff training expenses	4,123,842	2,769,057
HR planning policies expenses	2,306,420	1,490,450
Furniture grant expenses	2,060,735	1,120,017
Cafeteria expenses	1,959,747	2,339,309
Workers Council expenses	1,194,794	1,092,968
Tanzania Union for Industrial and Commercial (TUICO) expenses	908,503	672,085
Motor vehicles expenses	836,838	835,114
Contributions to Workers Compensation Fund	361,854	366,310
Condolence and related expenses	278,897	294,635
Staff uniforms expenses	233,777	200,060
Course functions and field trips expenses	7,409	3,990
	124,108,057	**123,169,083**

14. OTHER OPERATING EXPENSES

*The amount of fair valuation of government securities is to align with IFRS 9 requirement on initial recognition

	30.06.2021	30.06.2020
	TZS '000	TZS '000
Foreign operations		
Foreign reserve management expenses	1,640,267	7,365,952
Financial markets development expenses	1,594,280	1,737,856
Commission and fees on foreign operations	4,292,477	1,006,247
	7,527,024	**10,110,055**
Domestic operations		
Contribution to professional associations, charities	2,006,842	3,649,376
Other expenses & fair value changes on Governments securities	9,895,534	32,614,086
Contribution to national development programs/projects	275,872	400,561
Subscriptions	160,277	146,034
Expected Credit Loss on Financial instruments	335,032	-
	12,673,557	**36,810,057**
Cheques issued expenses	56,445	97,405
	20,257,026	**47,017,517**

The amount of fair valuation of government securities is to align with IFRS 9 requirement on initial recognition

Analysis of donations, contributions and subscriptions

Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI)	1,058,631	1,364,295
Donations and other contributions	289,611	868,759
Subscription to National Board of Accountants and Auditors (NBAA) and National Board of Material Management (NBMM)	160,277	847,237
Capital Markets and Securities Authority	354,375	531,563
Contribution to African Research Consortium	229,901	228,930
Deposit Insurance Board	210,914	193,677
African Association of Central Banks and African Rural and Agriculture Credit Association	93,310	119,459
Contribution - Committee of Central Bank Governors (CCBG)	45,972	42,051
	2,442,991	**4,195,971**

15. COMPONENTS OF OTHER COMPREHENSIVE INCOME

	30.06.2021	30.06.2020
	TZS '000	TZS '000
Loss on re- measurement of Defined Benefit Scheme	(9,753,241)	(4,541,485)
Net revaluation gains on equity investments	5,183,480	579,873
Net unrealised gains on marketable securities-FVOCI	(84,113,602)	125,476,503
Total other comprehensive Income	**(88,683,363)**	**121,514,891**

Included in other comprehensive income is TZS 84,113.6 million which represents changes in prices of marketable securities portfolio that are classified to Fair Value Through Other Comprehensive Income (2020: gain of TZS 125,476.5 million). The gain of TZS 5,183.5 million (2020: TZS 579.9 million) is in respect of revaluation on the Bank's shares in Afrexim bank and SWIFT measured at FVTOCI. Except for net realised gains on marketable securities, other gains/ losses under OCI are not recycled to profit or loss. The computation of actuarial gain/loss is reported under **Note 45**.

16. CASH AND BALANCES WITH CENTRAL BANKS AND OTHER BANKS

	30.06.2021 TZS '000	30.06.2020 TZS '000
Demand, time deposits with commercial	4,900,261,580	4,214,050,137
banks Cash balances with Central Banks	882,357,109	544,099,723
Foreign Currency notes and coins	46,631,506	834,852,232
Accrued interest on deposits	5,143,746	8,420,416
Provision for Expected Credit Losses	(70,980)	(265,499)
	5,834,322,961	**5,601,157,009**

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

	30.06.2021 TZS '000	30.06.2020 TZS '000
Bank of Tanzania Escrow	11,257,016	11,253,547

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 2021, the account had a balance of USD 4.9 million equivalent to TZS 11,257.0 million. (2020: USD 4.9 million equivalent to TZS 11,253.5 million).

18. ITEMS IN COURSE OF SETTLEMENT

	30.06.2021 TZS '000	30.06.2020 TZS '000
BoT net clearing account	(3,408,577)	(17,730,881)

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.

19. INTERNATIONAL MONETARY FUND (IMF) RELATED BALANCES

	30.06.2021		30.06.2020	
		Equivalent		Equivalent
	SDR '000	TZS '000	SDR '000	TZS '000
Assets				
Holdings of SDR's	6,775	22,217,849	6,359	20,100,182
Quota in IMF	397,800	1,304,531,756	397,800	1,257,328,887
	404,575	**1,326,749,605**	**404,159**	**1,277,429,069**
Liabilities				
IMF Account No.1	338,071	1,108,659,994	338,071	1,068,544,503
IMF Account No.2	3	11,463	3	11,046
	338,074	**1,108,671,457**	**338,074**	**1,068,555,549**
Allocation of SDRs	**190,511**	**624,756,632**	**190,511**	**602,150,585**

The Tanzania's quota in IMF stood at SDR 397.8 million equivalent to TZS 1,304,531.8 million (2020: SDR 397.8 million equivalent to TZS 1,257,328.9 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 2021, reserve tranche stood at SDR 59.7 million (2020: SDR 59.7 million) whereas the adjusted rate of remuneration was 0.05 percent (2020: 0.5 percent).

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:

	30.06.2021	30.06.2020
	TZS '000	TZS '000
Internally Managed Portfolio in Foreign Currency Marketable Securities-FVOCI	5,540,699,276	5,489,894,595
Marketable securities- FVTPL	690,480,351	684,192,137
Accrued interest	23,862,804	27,869,057
	6,255,042,431	**6,201,955,789**

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

	30.06.2021	30.06.2020
	TZS '000	TZS '000
Sovereign Issues		
USD	4,651,037,572	4,507,506,441
GBP	278,855,780	708,710,393
AUD	201,260,406	295,587,055
CNY	356,150,025	192,247,838
	5,487,303,783	**5,704,051,727**

	30.06.2021 TZS '000	30.06.2020 TZS '000
Supranational Securities		
USD	481,900,064	353,051,203
	481,900,064	**353,051,203**
Agency Securities		
USD	249,924,972	125,698,450
CNY	35,913,612	-
	285,838,584	**125,698,450**
Corporate Securities		
USD	-	19,154,409
	-	**19,154,409**
Total Investments		
USD	5,382,862,608	5,005,410,504
GBP	278,855,780	708,710,393
AUD	201,260,406	295,587,055
CNY	392,063,637	192,247,838
	6,255,042,431	**6,201,955,789**

21. EQUITY INVESTMENTS

	30.06.2021 TZS '000	30.06.2020 TZS '000
Investment in equity are measured at Fair Value through Other Comprehensive Income (FVTOCI):		
Equity investment in Afreximbank	43,245,308	37,232,149
Equity investment in SWIFT	1,008,878	1,247,269
	44,254,186	**38,479,418**

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 19 share from Afreximbank hence as at June 2021 equity investment in Afreximbank is 815 ordinary shares (2020:796) of par value of USD 10,000 each. As at 30 June 2021, the Bank's equity aggregated to USD 3,260,000 representing two fifth of the Bank's paid up shares in Afreximbank (2020: USD 3,184,000). The proportion of the Banks equity interest to the total holding in this bank is 0.60 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 (2020: 85).

22. GOVERNMENT SECURITIES

Amortised cost:	30.06.2021	30.06.2020
	TZS '000	TZS '000
Treasury Bills	595	2,635,416
Special Treasury Bonds	847,296,979	991,590,579
Treasury EPA Stock	201,391,122	201,391,122
Sub-total	**1,048,688,696**	**1,195,617,117**
Accrued interest	46,194,524	34,452,390
Total	**1,094,883,220**	**1,230,069,507**

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.

Treasury Bills

This represents treasury bills discounted by commercial banks to the Bank. As at 30 June 2021, the value of treasury bills discounted was TZS 0.6 million (2020: TZS 2,635.4 million).

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 and the 10 Year Special Government Bond 2009/19 that matured 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 33,156.7 million and TZS 29,992.9 million respectively

The 10 Year Special Government Bonds 2009/2019 with a face value of TZS 150,000.0 million had partial redemption of TZS 50,000.0 million paid on 3 July 2017 and 1 July 2018 and the reminder balance was rolled over to 5.15% 3 Years special government bond. As at 30 June 2021, the balance stood at TZS 46,490.6. million (2020: TZS 46,490.6 million).

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 was divided into three maturities of 5 years at coupon of 5. 5 percent with face value of TZS 100,000.0 million as at 30 June 2021 the carrying amount was TZS 85,504.8 million,6 years at coupon of 5.75 percent with face value of TZS 100,000.0 million whereas at 30 June 2021 the carrying amount was TZS 84,441.8 million and 7 years at coupon 6.0 percent with face value of TZS 123,000.0 million and closed with a carrying amount of TZS 98,225.7 million. The initial purpose of the two bonds was to bridge Government revenue shortfall mainly attributed to the impact of the global financial crisis

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 percent. The bond was issued to replace the accumulated deficit position of the United Republic of Tanzania Government. As at 30 June 2021 the carrying amount of the bond stood at TZS 469,484.4 million

The value of Special Bonds as at 30 June 2021 was TZS 847,297.0 million (2020: TZS 991,590.6

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 2021, the aggregate position of Special EPA stocks stood at TZS 201,391.1 million (2020: TZS 201,391.1 million).

23. ADVANCES TO THE GOVERNMENT

	30.06.2021 TZS '000	30.06.2020 TZS '000
Advances to the Governments (URT)- **Note 33**	**2,336,510,828**	**780,154,647**
Advances /(deposit) to the Governments(RGOZ)**- Note 33**	**57,195,928**	**63,879,098**
Net advance to the Governments	**2,393,706,756**	**844,033,745**

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 2,393,706.8 million (2020: TZS 844,033.7 million) as summarised under **Note 33**.

24. LOANS AND RECEIVABLES

	30.06.2021 TZS "000"	30.06.2020 TZS "000"
Accounts receivable	60,902,571	313,808,580
Staff loans and advances	76,626,160	77,070,246
Cash loss recoverable from NBC Limited	5,144,000	5,144,000
	142,672,731	**396,022,826**
Provision for impairment	(10,269,307)	(9,761,110)
Net carrying amount loan and receivable	**132,403,424**	**386,261,716**

Analysis of impairment by line items	30.06.2021 TZS "000"	30.06.2020 TZS "000"
Cash loss recoverable from NBC Limited	5,144,000	5,144,000
Staff loans, advances and receivables	5,125,307	4,617,110
	10,269,307	**9,761,110**

The Bank did not pledge any loans and receivables as securities against liabilities in 2021 and 2020. 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.

a) Accounts Receivable:

Major components under accounts receivable include the following:

(i) Interest receivable on Liquidity Management:

Included under accounts receivable is TZS 294.8 million (2020: TZS 13,469.6 million) relating to 2020/21 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) Interest receivable on overdrawn Governments account:

During the year, the Governments net position was overdrawn by TZS 2,393,706.8 million (2020: TZS 844,033.7 million). Pursuant to Section 34 of the Bank of Tanzania Act, 2006, an amount of TZS 13,735.7 million (2020: TZS 2,324.8 million) was charged to the Governments as interest on overdrawn position. Where interest repayment during the year amounted to TZS 238,110.4 million thus as at 30 June 2021 interest outstanding amounted to TZS 3,728.6 million (2020: TZS 228,103.3 million).

(iii) Standby credit facility:

The commercial banks have access to the standby credit facility with a maturity of one day to settle their obligations in their clearing balances to avoid systematic risk when their balances are not sufficient to cover their obligations. Such facility is available at market rate prevailing on that particular date subject to provision of allowable securities as collateral. At 30 June 2021, the facility had a balance of TZS 399.3 million as compared to TZS 12,597.9 million balance as at 30 June 2020.

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 2021, the balance of staff loans and advances was TZS 76,626.2 million (2020: TZS 77,070.2 million).

25. INVENTORIES

	30.06.2021	30.06.2020
The inventory balance consists of the following:	TZS '000	TZS '000
Currency machine spare parts	4,826,078	5,133,459
Building, machinery and maintenance consumables	850,393	904,017
Stationery	495,233	532,058
ICT accessories and consumables	566,670	585,751
Cheque books	370,682	393,596
Copier parts and consumables	378,396	396,522
Drugs and medicines	32,525	103,914
Inventory in Transit	55	55
Less: Inventory impairment	(980,969)	(980,969)
	6,539,063	**7,068,403**

All inventories held by the Bank as at 30 June 2021 were for the internal consumption to support Bank's operations and not intended for sale.

26. DEFERRED CURRENCY COST

This account represents direct cost relating to notes printing and coins minting held by the Bank. During financial year 2020/21, the movement on deferred currency cost account was as follows:

	30.06.2021	30.06.2020
	TZS '000	TZS '000
Balance as at the beginning of the year	34,035,017	41,375,635
Add: Cost of currency received during the year	82,233,370	45,934,702
Less: Cost of currency issued in circulation (Note 12)	(64,164,648)	(53,275,320)
Balance as at the end of the year	**52,103,739**	**34,035,017**

27. OTHER ASSETS

	30.06.2021	30.06.2020
	TZS '000	TZS '000
Reverse REPO	107,333,086	19,714,804
Financial Sector Development Fund	35,515,414	373,108
Prepayments	30,280,198	51,465,733
Staff Housing Fund investments	26,048,418	26,024,464
Sundry receivables	1,891,783	4,854,492
Staff benefit fund	1,751,587	-
Staff imprest	105,354	300,790
Petty cash balances	145,000	138,500
	203,070,840	**102,871,891**

(i) Prepayment:

The balance under prepayment for the year ended 30 June 2021 mainly covers; TZS 25,308.0 million paid as advance payment in respect of notes printing. As at 30 Jun 2021 the balance of prepayment was TZS 30,280.2 million (2020: 51,718.6 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 2021 the balance of reverse REPO contracts was TZS 107,333.1 million (2020: 19,714.8 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 41 (e).

(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 41 (i).

28. RETIREMENT BENEFIT ASSETS (OBLIGATION)

	30.06.2021	**30.06.2020**
	TZS '000'	**TZS '000'**
Retirement benefit (obligation)/asset	(13,835,705)	786,522
	(13,835,705)	**786,522**

During the year the retirement benefit recorded an obligation of TZS 13,835.7 million (2020: TZS 786.5 million), details shown on staff benefits scheme under **NOTE 45**.

29. PROPERTY AND EQUIPMENT

Year ended 30 June 2021	Buildings TZS '000	Lease	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.
No depreciation is charged on capital work in progress until it is substantially completed.

Year ended 30 June 2020	Buildings TZS '000	Lease	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 2019	908,931,604	-	266,999,727	25,228,295	10,423,492	26,565,145	43,349,261	1,281,497,524
Lease recognition at 01 July 2019	-	5,065,733	-	-	-	-	(1,971,498)	3,094,235
Balance As at 01 July 2019	908,931,604	5,065,733	266,999,727	25,228,295	10,423,492	26,565,145	41,377,763	1,284,591,759
Additions	4,369,505	-	10,402,793	270,188	190,755	2,263,856	5,515,617	23,012,714
Disposal	-	-	(207,295)	-	-	-	-	(207,295)
Transfers	1,047,330	-	(20,836)	-	285,832	-	(1,312,326)	-
At 30 June 2020	**914,348,439**	**5,065,733**	**277,174,389**	**25,498,483**	**10,900,079**	**28,829,001**	**47,552,554**	**1,307,397,178**
Accumulated depreciation & Impairment								
At 01 July 2019	22,402,150	-	227,061,628	15,382,534	8,012,331	22,328,953	15,000	295,202,596
Charges for the year	7,639,100	576,805	10,764,787	1,586,086	635,432	1,136,859	-	22,339,069
Transfer/Reclassifications	-	-	(240,879)	-	12,821	228,058	-	-
Impairment			-	85,869	-	-	-	85,869
Disposal	-	-	(186,565)	-	-	-	-	(186,565)
At 30 June 2020	**30,041,250**	**576,805**	**237,398,971**	**17,054,489**	**8,660,584**	**23,693,870**	**15,000**	**317,440,969**
Net book value								
At 30 June 2020	**884,307,189**	**4,488,928**	**39,775,418**	**8,443,994**	**2,239,495**	**5,135,131**	**45,566,054**	**989,956,209**

There were neither amounts nor restrictions on title of property and equipment held by the Bank as at 30 June 2020.
No depreciation is charged on capital work in progress until it is substantially completed.

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

					30.06.2021	30.06.2020
	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	240,436	189,359	1,151	39,366	(12,862)	(20,730)
Motor vehicles	132,692	106,750	3,737	64,440	34,761	-
Fixtures & fittings	79,899	72,493	1,817	16,636	7,413	-
Computers, servers & printers	133,983	121,128	123	2,213	(10,765)	-
Capital work in progress	1,000	-	-		(1,000)	
	588,010	**489,730**	**6,828**	**122,655**	**17,547**	**(20,730)**

30. INTANGIBLE ASSETS

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**

2020	Computer software TZS '000	Computer software - WIP TZS '000	Total TZS '000
Cost			
At 1 July 2019	32,339,374	941,342	33,280,716
Additions	357,035	-	357,035
Transfer in/(out)	-	-	-
At 30 June 2020	**32,696,409**	**941,342**	**33,637,751**
Accumulated amortisation			
At 1 July 2019	29,404,360	22,691	29,427,051
Charge for the year	1,351,648	-	1,351,648
Transfers	-	-	-
At 30 June 2020	**30,756,008**	**22,691**	**30,778,699**
Net book value			
At 30 June 2020	**1,940,401**	**918,651**	**2,859,052**

The WIP relates to foundation software that have been transferred to purchased software

31. CURRENCY IN CIRCULATION

	30.06.2021	30.06.2020
	TZS '000	TZS '000
Notes		
Notes issued	10,143,314,840	7,664,544,958
Less: Notes in Custody	(4,579,524,145)	(2,571,256,561)
Notes in Circulation	**5,563,790,695**	**5,093,288,397**
Coins		
Coins issued	161,135,867	161,136,567
Less: Coins in Custody	(20,249,149)	(29,104,144)
Coins in Circulation	**140,886,718**	**132,032,423**
Total currency in circulation	**5,704,677,413**	**5,225,320,820**

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 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 5,704,677.4 million (2020: TZS 5,225,320.8 million) includes banknotes that were phased out in 2003 with the face value of TZS 99,386.9 million (2020: TZS 99,386.9 million) still in circulation.

32. DEPOSITS – BANKS AND NON-BANK FINANCIAL INSTITUTIONS

	30.06.2021	30.06.2020
	TZS '000	TZS '000
Deposits - commercial bank deposits		
Domestic banks local currency deposits	2,977,832,000	3,124,937,065
Domestic banks foreign currency deposits	522,691,067	393,361,331
Sub total	**3,500,523,067**	**3,518,298,396**
Deposits – Non-bank financial institutions		
Clearing	47,889,707	23,664,688
Sub total	**47,889,707**	**23,664,688**
Total deposits	**3,548,412,774**	**3,541,963,084**

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 30 April 2015 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

	30.06.2021 TZS '000	30.06.2020 TZS '000
Voted accounts		
URT Government	(4,889,398,790)	(3,632,297,756)
SMZ Government	157,939	381,245
Sub Total	**(4,889,240,851)**	**(3,631,916,511)**
Un-voted accounts		
URT Government	2,552,887,962	2,852,143,109
SMZ Government	(57,353,867)	(64,260,343)
Sub total	**2,495,534,095**	**2,787,882,766**
Total (Advance) URT Government	**(2,336,510,828)**	**(780,154,647)**
Total (Advance) / Deposit SMZ Government	**(57,195,928)**	**(63,879,098)**
Net (Advance) / Deposit Governments	**(2,393,706,756)**	**(844,033,745)**

As at 30 June 2021 the position of the Government of the United Republic of Tanzania (URT) accounts were overdrawn by TZS 2,393,706.7 million (2020: TZS 844,033.7million). Pursuant to the provision of Section 34 of the Bank's Act, a total of TZS 13,743.9 million (2020: TZS 2,324.8 million) was charged during the year ended 30 June 2021 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

	30.06.2021 TZS '000	30.06.2020 TZS '000
Deposits-Parastatals United Republic of Tanzania	3,154,845,187	2,103,904,503
Export Credit Guarantee Fund	2,798,025	5,583,373
Staff Benefit Deposit	-	11,258,805
Government obligations settlements	63,997,807	33,063,456
Deposit staff	23,270,362	21,643,816
Small and Medium Enterprises Guarantee Fund	147,743	1,496,712
Deposit Insurance Fund	2,687,458	60,528,720
Miscellaneous deposits*	410,412,489	373,997,721
Mwalimu Julius K Nyerere Memorial Scholarship Fund	26,061	931,054
External Payment Arrears - NBC	2,288,419	2,288,419
Debt Conversion Scheme	2,098,960	2,098,960
Debt Service cash cover	1,937,640	1,937,640
Economic Empowerment Programme	3,342,894	2,019,005
Bank drafts issued	403,804	560,510
Redemption of Government Stock/Bonds	38,610	38,610
Development Finance Guarantee Fund	-	
	3,668,295,459	**2,621,351,304**

*Included in miscellaneous is TZS 122,130.7 million (2020: TZS 120,832.0 million) in respect of Federal Bank of Middle East (FBME) funds transferred from FBME clearing accounts to cater for bank liquidation process.

34. DEPOSITS – OTHERS (CONTINUED)

Development Finance Guarantee Fund:	**30.06.2021** **TZS '000**	**30.06.2020** **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	(4,103,928)	(4,103,928)
Net capital contribution	52,396,072	52,396,072
Interest on refinancing and structured loans	32,753,300	32,753,300
Sub Total	85,149,371	85,149,371
Less: Loans issued for refinancing facility	(85,149,371)	(85,149,371)
Net balance	**-**	**-**

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 2021, 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 32,753.3 million (2020: TZS 32,753.3 million). The total accumulated fund as at 30 June 2021 amounted to TZS 85,149.4 million (2020: 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 2021 amounted to TZS 64,528.0 million (2020: TZS 33,063.5 million).

Export Credit Guarantee Fund:

The balance under this fund consists of the following:	**30.06.2021** **TZS '000**	**30.06.2020** **TZS '000**
Export Credit Guarantee Fund	4,040,534	1,255,186
Less: ECGS receivable/ impairment	(6,838,559)	(6,838,559)
	(2,798,025)	**(5,583,373)**

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 2021, the Fund had a net balance of TZS 2,798.0 million (2020: TZS 5,583.4 million). It is a net of Government and the Bank's contributions, accumulated income from investment in treasury bills, bonds, guarantee fees and impairments.

34. DEPOSITS – OTHERS (CONTINUED)

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 2021 the balance stood at TZS 1,937.6 million (2020: 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.

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 2021, a total of TZS 4,846.4 million (2020: TZS 3,674.2 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 26.1 million (2020: TZS 931.0 million)

35. FOREIGN CURRENCY FINANCIAL LIABILITIES

Foreign Currency Financial Liabilities consist of the following:	**30.06.2021**	**30.06.2020**
	TZS '000	**TZS '000**
Special Projects	1,506,017,124	1,346,115,508
Other Foreign Currency Deposits	33,474,753	36,838,811
Multilateral Debt Relief Initiative Fund	18,294,333	18,282,535
Non-Paris Club Liabilities Escrow	11,257,016	11,253,548
	1,569,043,226	**1,412,490,402**

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 2021, the total balance in respect of Special Project accounts aggregated to TZS 1,506,017.1 million (2020: TZS 1,346,115.5 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 2021, the account had a balance of TZS 11,257.0 million (2020: TZS 11,253.5 million).

35. FOREIGN CURRENCY FINANCIAL LIABILITIES (CONTINUED) 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 2021, the fund had a balance amounting to TZS 18,294.3 million (2020: TZS 18,282.5 million).

36. POVERTY REDUCTION AND GROWTH FACILITY (PRGF)

	30.06.2021 TZS '000	30.06.2020 TZS '000
IMF Drawings	**-**	**26,198,739**

This relates to funds disbursed by International Monetary Fund (IMF) to the Bank on behalf of the Government to support balance of payments. Repayment of these funds to IMF is effected in line with IMF repayment schedule. The funds attract charges, which are paid on quarterly basis and borne by the Bank.

The Government of United Republic of Tanzania (URT) entered into an Exogenous Shocks Facility - (ESF) arrangement with the IMF for SDR 218.79 million (USD 318.17 million) on 29 May 2009. Following approval, the Bank had on 12 June 2009 received a total of SDR 159.1 million (USD 245. 8 million) equivalent to TZS 318,195.1 million being the first tranche. The Bank further received SDR 39.8 million (USD 63.4 million) equivalent to TZS 83,288.1 million and SDR 19.9 million (USD 29.0 million) equivalent to TZS 40,200.3 million on 10 December 2009 and 14 June 2010 respectively.

The first tranche is repayable in ten years, including five and half year's grace period, payable semi-annually in ten equal instalments on 14 December and 14 June beginning 14 December 2014. The loan carries an interest of 0.5 percent per annum payable semi-annually beginning on 14 December 2009. On 20 February 2013, the Government received a loan facility of SDR 74.6 million equivalent to TZS 181,472.8 million

As at 30 June 2021, the balance of PRGF account was nil (2020: TZS 26,198.7 million).

37. BOT LIQUIDITY PAPERS

	30.06.2021 TZS '000	30.06.2020 TZS '000
BOT liquidity papers	39,824,212	117,592,191
Accrued interest	186,302	1,196,442
	40,010,514	**118,788,633**

As at 30 June 2021 the maturities profile of BOT Liquidity Papers held to maturity were as follows:

	Cost	Accrued	Cost	Accrued
35-Day Treasury Bills	-	-	1,995,408	3,581
91-Day Treasury Bills	3,039,990	23,127	7,909,898	32,373
182-Day Treasury Bills	36,784,222	163,175	31,504,589	312,786
364-Day Treasury Bills	-	-	76,182,296	847,802
	39,824,212	**186,302**	**117,592,191**	**1,196,442**

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.

38. PROVISIONS

	30.06.2021 TZS '000	30.06.2020 TZS '000
Provision for leave pay	**8,537,729**	**8,512,789**

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	30.06.2021 TZS '000	30.06.2020 TZS '000
Leave pay		
Carrying amount at the beginning of the year	8,512,789	6,062,277
Increase in provision	24,940	2,450,512
Carrying amount at the end of the year	**8,537,729**	**8,512,789**

39. OTHER LIABILITIES

	30.06.2021 TZS '000	30.06.2020 TZS '000
Accounts payable	47,132,814	47,738,727
Stale draft payables	108,330	108,330
Other employee cost payable	230,990	89,981
Sundry payables	52,935,200	69,207,059
Lease liability	2,237,650	2,693,483
	102,644,984	**119,837,580**

Included in the accounts payable is TZS 20,647.9 million for trade date payables of foreign financial investments and TZS 22,939.0 million for other creditors

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

	Fiber Optic Cables TZS '000	Land TZS '000
Up to 1 year	718,438	80,665
From 1 to 2 years	718,438	80,665
From 2 to 3 years	718,438	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	-	4,183,166
Total	**2,155,314**	**6,314,186**

40. AUTHORIZED AND PAID UP SHARE CAPITAL

	30.06.2021 TZS '000	30.06.2020 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.

41. RESERVES

	30.06.2021	30.06.2020
	TZS '000	TZS '000
(a) General Reserve	750,914,385	465,994,163
(b) Capital Reserve	99,262,908	99,262,908
(c) Equalisation Reserve	372,815,082	388,159,606
(d) Reserve for Projects	210,000,000	210,000,000
(e) Staff Housing Fund	140,851,098	136,398,348
(f) Assets Revaluation Reserve	-	260,246,145
(g) Foreign Exchange Revaluation Reserve	63,101,454	8,832,005
(h) Securities Revaluation Reserve	12,495,637	123,558,995
(i) Financial Sector Development Fund	38,698,854	38,699,077
(j) Reserve for Dividend	200,000,000	150,000,000
(k) Defined Benefit Reserves	(25,642,888)	(15,889,647)
	1,862,496,530	**1,865,261,600**

(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 2021 the reserve had a balance of TZS 750,914.4 million (2020: TZS 465,994.2 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 2021, the reserve had the same balance as it was on 30 June 2020 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.

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 2021, the reserve had a balance of TZS 372,815.1 million (2020: TZS 388,159.6million).

(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 2021 the reserve had a balance of TZS 210,000.0 million (2020: 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 2021, the Fund had a balance of TZS 140,851.1 million (2020: TZS 136,398.3 million). The increase during the year was on account of interest earned from Fund's investments.

(f) Assets Revaluation Reserve

The Bank maintained Assets Revaluation Reserve to account for revaluation surpluses or deficits. To ensure compliance with requirement of International Accounting Standard (IAS 16), Property, Plant and Equipment if an asset-carrying amount increases as a result of revaluation, the increase is credited directly to other comprehensive income. However, this amount is not available for distribution. Accordingly, it is retained in the asset revaluation reserve. Following the Government requirement to Government entities to use cost model in measurement of property, plant and equipment. The Bank decided to change its measurement approach to cost model to align with other public institutions whose financial records are consolidated together with the Bank's records on annual basis. To effect the change, the asset revaluation reserve TZS 260.246.1 million was transferred to general reserves. As at 30 June 2021, the reserve had a nil balance (2020: TZS 260,246.1 million).

(g) 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 2021, the reserve had a total balance of TZS 63,101.5 million (2020: TZS 8,832.0 million).

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".

(h) 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 2021, the reserve had a total balance of TZS 12,495.6 million (2020: TZS 123,559.0 million).

(i) 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 2021, the fund had TZS 38,698.9 million (2020: TZS 38,699.1 million). The increase is on account of interest income earned from the Fund's investments.

(j) 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 2021, the dividend reserve had a balance of TZS 200,000.0 million (2020: TZS 150,000 million).

(k) 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 2021 an actuarial loss of TZS 9,753.2 million (2020: TZS 4,541.5 million gain) was recorded following revision of actuarial assumptions. As at 30 June 2021, the reserve had a loss balance of TZS 25,642.9 million (2020: TZS 15,889.6 million).

42. CASH GENERATED FROM/USED IN OPERATING ACTIVITIES

	30.06.2021 TZS '000	30.06.2020 TZS '000
Profit before tax	**246,740,771**	**88,279,145**
Adjustment for:		
Depreciation and impairment of property and equipment	22,657,547	22,424,938
Unrealized gains on foreign exchange revaluation and price	(2,961,275)	(29,161,963)
Amortisation of intangible assets	1,226,703	1,351,648
Net (gain)/loss on disposal of property and equipment	(17,547)	20,730
Provision /(Reversal) for Impairment loss	335,032	(229,149)
Provision for retirement benefit	4,868,985	2,899,650
Initial fair value loss on government securities	9,104,778	-
Net loss/ (gain)on disposal of foreign currency marketable securities	14,547,061	(13,477,605)
	296,502,055	**72,107,394**
Changes in working capital		
Increase in escrow assets	(3,469)	(35,261)
(Decrease) in items in course of settlement	(14,322,304)	(8,024,363)
(Increase)/Decrease in advances to Government	(1,549,673,011)	394,413,640
Decrease in loans and receivables	253,350,095	36,476,869
Decrease in inventories	529,340	1,335,744
(Increase)/Decrease in deferred currency costs	(18,068,722)	7,340,618
(Increase)/decrease in other assets*	(99,412,427)	419,142,931
Increase in deposits**	1,053,393,845	557,944,453
(Decrease)/Increase in other liabilities and provisions***	(17,553,273)	46,659,486
Net changes in working capital	**(391,759,926)**	**1,455,254,117**
Net cash (used)/ generated from operating activities	**(95,257,871)**	**1,527,361,511**

* Included in other assets is an amount in respect of other assets and retirement benefit asset

**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.

43. RISK MANAGEMENT

43.1 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 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 Directors Report 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.

43.2 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.
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

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.

(a) Credit risk continued

Total assets of the Bank exposed to credit risk as of 30 June 2021 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)

Description	30.06.2021		30.06.2020	
	TZS '000	Share (%)	TZS '000	Share (%)
Central Banks				
AAA to A	695,082,456	4.04	543,185,586	3.48
B+ to B	6,898,587	0.04	914,137	0.01
CCC	180,376,066	1.05		
Foreign Commercial Banks				
AAA to A	4,900,190,600	28.45	4,213,037,416	27.00
B+ to B	-	-	1,012,721	0.01
Foreign currency Operation	46,631,506	0.27	834,852,232	5.35
Accrued interest on deposits	5,143,746	0.03	8,420,416	0.05
NR				
Escrow accounts				
A+	11,257,016	0.07	11,253,547	0.07
Loans, receivables & advances to the government				
NR	2,526,110,180	14.67	1,230,295,461	7.88
Investment in securities				
Marketable securities	6,255,042,431	36.32	6,201,955,789	39.75
AAA	4,834,200,194		5,122,519,152	
AA+	54,528,365		103,140,912	
AA	278,855,784		750,835,847	
AA-	-		33,212,041	
A+	392,063,637		192,247,838	
Government securities				
NR	1,094,883,220	6.36	1,230,069,507	7.88
Other assets (excluding prepayments)				
NR	172,790,642	1.00	51,406,158	0.33
Holdings of Special Drawing Rights (SDRs)				
NR	22,217,849	0.13	20,100,182	0.13
Quota in International Monetary Fund (IMF)				
NR	1,304,531,756	7.57	1,257,328,887	8.06
	17,221,156,055	**100.00**	**15,603,832,039**	**100.00**

43. 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	4,912,243,574	1,116,439,715	-	-	225,777,915	-	6,255,042,431
Government securities	-	-	-	-	-	1,094,883,220	1,094,883,220
Others							
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**

43. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

The sectoral classification of the Bank's credit exposure as at 30 June 2020 is as follows:

Details 2020	Foreign Central Banks &Treasury TZS '000	Supranational Institutions TZS '000	Domestic Financial Institutions TZS '000	Foreign Financial Institutions TZS '000	Government Guaranteed Agencies TZS '000	Tanzania Treasury TZS '000	Total TZS '000
Central Banks, Foreign Commercial Banks and Escrow accounts							
Cash with Central Banks	544,099,723	-	-	-	-	-	544,099,723
Demand, time deposits and foreign currency notes and coins	905,646,315	538,095,918	-	2,778,462,821	-	-	4,222,205,054
Foreign currency operations	-	-	-	-		834,852,232	834,852,232
Escrow accounts	-		-	11,253,547	-	-	11,253,547
Investment in securities							
Foreign Currency Marketable securities		339,976,145	-	39,159,747	5,822,819,897	-	6,201,955,789
Government securities	-	-	-	-	-	1,230,069,507	1,230,069,507
Others							
Loans, receivables and advances	-	-	386,261,716	-	-	844,033,745	1,230,295,461
Other assets (excluding prepayments)	-	-	-	-	-	51,406,158	51,406,158
Holdings of Special Drawing Rights (SDRs)	-	20,100,182	-	-	-	-	20,100,182
Quota in International Monetary Fund (IMF)	-	1,257,328,887	-	-	-	-	1,257,328,887
	1,449,746,038	**2,155,501,132**	**386,261,716**	**2,828,876,115**	**5,822,819,897**	**2,960,361,642**	**15,603,566,540**

43. 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**

43. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

An analysis of the Bank's assets and liabilities by geographical concentrations as at 30 June 2020 is as follows:

Details	Tanzania	USA	UK	Other European Countries	Other Countries	Total
2020	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Assets						
Cash and balances with central banks & other banks	835,370,222	450,391,142	80,606,204	132,166,510	57,802,977	1,556,337,055
Foreign Time Deposits	-	-	284,819,469	1,984,051,455	1,775,949,030	4,044,819,954
Escrow accounts	-	-	11,253,547	0	-	11,253,547
Holdings of Special Drawing Rights (SDRs)	-	20,100,182	-	0	-	20,100,182
Quota in International Monetary Fund (IMF)	-	1,257,328,887	-	0	-	1,257,328,887
Foreign currency marketable securities	-	4,433,766,350	708,710,393	194,519,924	864,959,122	6,201,955,789
Government securities	1,230,069,507	-	-	0	-	1,230,069,507
Advances to the Government	844,033,745	-	-	0	-	844,033,745
Loans and receivables	386,261,716	-	-	0	-	386,261,716
Other assets (excluding prepayments)	51,406,158	-	-	0	-	51,406,158
Total assets	**3,347,141,348**	**6,161,586,561**	**1,085,389,613**	**2,310,737,889**	**2,698,711,129**	**15,603,566,540**
Liabilities						
Currency in circulation	5,225,320,820	-	-	-	-	5,225,320,820
Deposits - banks and non-banks financial institutions	3,541,963,084	-	-	-	-	3,541,963,084
Deposits – others	2,621,351,304	-	-	-	-	2,621,351,304
Foreign currency financial liabilities	1,412,490,402	-	-	-	-	1,412,490,402
Poverty deduction and growth facility	-	26,198,739	-	-	-	26,198,739
BoT liquidity papers	118,788,633	-	-	-	-	118,788,633
Other liabilities	117,199,026	-	-	-	-	117,199,026
Lease Liability	2,693,483	-	-	-	-	2,693,483
IMF related liabilities	1,068,555,548	-	-	-	-	1,068,555,548
Allocation of Special Drawing Rights (SDRs)	-	602,150,585	-	-	-	602,150,585
Total liabilities	**14,108,362,300**	**628,349,324**	**--**	**-**	**-**	**14,736,711,624**

43. 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
30.06.2021				
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
				0
	17,221,134,701	**-**	**10,361,641**	**17,243,596,055**
30.06.2020				
Cash and cash equivalents	5,601,157,009	-	265,499	5,601,422,508
Escrow accounts	11,253,547	-	-	11,253,547
Foreign currency marketable securities	6,201,955,789	-	-	6,201,955,789
Government securities	1,230,069,507	-	-	1,230,069,507
Loans, receivables and advances	1,230,295,461	-	9,761,110	1,240,056,571
Other assets (excluding prepayments)	51,406,158	-	-	51,406,158
Holdings of Special Drawing Rights (SDRs)	20,100,182	-	-	20,100,182
Quota in International Monetary Fund	1,257,328,887	-	-	1,257,328,887
	15,603,566,540	**-**	**9,761,110**	**15,613,593,149**

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.

43. 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.

	30.06.2021 Gross Maximum Exposure TZS '000	30.06.2020 Gross Maximum Exposure TZS '000
Cash and cash equivalents	5,834,393,941	5,601,422,508
Escrow accounts	11,257,016	11,253,547
Foreign currency marketable securities	6,255,042,431	6,201,955,789
Government securities	1,094,883,220	1,230,069,507
Loans, receivables and advances	2,536,379,487	1,240,056,571
Other assets (Excluding prepayments)	172,790,642	51,406,158
Holdings of Special Drawing Rights (SDRs)	22,217,849	20,100,182
Quota in International Monetary Fund	1,304,531,756	1,257,328,887

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 TZS '000
2021	
Futures	175,229
2020	
Futures	913,420

43. 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 2020	**265,499**	**-**	**-**	**265,499**
Movements with impact in the Statement of Profit or Loss				
New financial assets originated or purchased	-	-	-	**-**
Financial assets that have been derecognised	(1,446)			**(1,446)**
Changes in risk parameters	(193,073)	-	-	**(193,073)**
Loss allowance as at 30 June 2021	**70,980**	**-**	**-**	**70,980**

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 2020	**667,679**	**444,683**	**8,648,748**	9,761,110
Changes in the loss allowance				
Transfer to stage 1	28,675	-	(28,675)	-
Transfer to stage 2	(2,640)	2,640	-	-
Transfer to stage 3	(8,780)	(420,584)	429,364	-
Total movement	*17,255*	*(417,944)*	*400,689*	-
Movements with Impact in the Statement of Profit or loss				
Write offs	-	-	-	-
New financial assets originated or purchased	42,661	-	1,256	43,917
Financial assets that have been derecognised	(9,470)	(24,098)	(411,014)	(444,582)
Changes in risk parameters	(19,489)	173,995	754,356	908,862
Total loss movement	**13,702**	**149,897**	**344,598**	**508,197**
Loss allowance as at 30 June 2021	**698,636**	**176,636**	**9,394,035**	**10,269,307**

43. RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

Cash and balance with central and other banks at amortised cost stage movement

Loans and receivbale 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 2020	**5,612,676,055**	**-**	**-**	**5,612,676,055**
Movements with impact in the Statement of Financial Position				
New financial assets originated or purchased	189,257,892	-	-	**189,257,892**
Financial assets that have been derecognised	(135,634,245)			**(135,634,245)**
Other changes	179,351,255	-	-	**179,351,255**
Gross carrying as at 30 June 2021	**5,845,650,957**	**-**	**-**	**5,845,650,957**

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 2020	**124,175,199**	**499,182**	**10,049,445**	**134,723,826**
Changes in the loss allowance				
Transfer to stage 1	34,883	-	(34,883)	-
Transfer to stage 2	(327,428)	327,428	-	-
Transfer to stage 3	(963,064)	(456,744)	1,419,808	-
Total movement	*(1,255,609)*	*(129,316)*	*1,384,925*	-
Movements with Impact in the Statement of Financial Position				
Write offs	-	-	-	-
New financial assets originated or purchased	5,763,483	-	1,528	5,765,011
Financial assets that have been derecognised	(1,670,087)	(42,438)	(837,947)	(2,550,472)
Other Changes	(20,860,355)	(102,009)	348,473	(20,613,891)
Gross carrying amount Loans and receivables as at 30 June 2021	**106152,631**	**225,419**	**10,946,424**	**117,324,474**

Write-off policy

- 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 (a) ceasing enforcement activity and (b) where the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.
- The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 30 Jun 2021- Nil (30 June 2020 – Nil). The Bank will seek to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery

43. RISK MANAGEMENT (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 2021	**30 June 2020**
	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	16,329,726,013	-	-	16,329,726,013	14,807,336,984
Standard monitoring	-	4,687,949	5,802,423	10,490,372	5,900,820
Default	-	-	5,144,000	5,144,000	5,144,000
Gross carrying amount	**16,329,726,013**	**4,687,949**	**10,946,423**	**16,345,360,385**	14,818,381,804
Loss allowance	**(790,970)**	**(176,636)**	**(9,394,037)**	**(10,361,643)**	**(10,026,610)**
Net Carrying amount	**16,328,935,043**	**4,511,313**	**1,552,386**	**16,334,998,742**	**14,808,355,194**

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. .

43. 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	**4,027,663,086**	**1,662,976,206**	**4,948,104,729**	**5,034,682,199**	**1,591,984,021**	**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
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	**(11,682,811,834)**	**1,652,506,206**	**4,925,636,550**	**5,032,526,885**	**964,989,739**	**895,085,196**

43. 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
2020	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Assets						
Cash and balances with central banks & other banks	2,228,782,754	1,272,157,779	2,100,216,476	-	-	5,601,157,009
Escrow accounts	-	-	-	-	11,253,547	11,253,547
Items in course of settlement	-	-	-	-	-	-
Holdings of Special Drawing Rights (SDRs)	20,100,182	-	-	-	-	20,100,182
Quota in International Monetary Fund (IMF)	-	-	-	-	1,257,328,887	1,257,328,887
Foreign currency marketable securities	1,910,664	387,050,141	1,205,660,303	4,607,334,681	-	6,201,955,789
Equity investment	-	-	-	-	38,479,418	38,479,418
Government securities	-	-	163,471,309	769,477,801	297,120,397	1,230,069,507
Advance to the Government	-	-	844,033,745	-	-	844,033,745
Loans and receivables	26,572,632	134,594	279,111,436	22,678,056	57,764,999	386,712,642
Other assets (excluding prepayments)	51,033,050	373,108	-	-	-	51,406,158
Total assets	**2,328,399,282**	**1,659,715,622**	**4,592,493,268**	**5,399,490,538**	**1,661,947,248**	**15,642,045,958**
Liabilities						
Currency in circulation	5,225,320,820	-	-	-	-	5,225,320,820
Deposit - banks and non-banks financial institutions	3,541,963,084	-	-	-	-	3,541,963,084
Deposit others	2,621,351,304	-	-	-	-	2,621,351,304
Foreign currency financial liabilities	1,412,490,402	-	-	-	-	1,412,490,402
Items in course of settlement	17,730,881	-	-	-	-	17,730,881
Poverty Reduction and Growth Facility	-	103,260	26,609,315	-	-	26,712,575
BOT liquidity papers	10,979,382	18,794,963	89,014,288	-	-	118,788,633
Other liabilities	117,199,026	-	-	-	-	117,199,026
Lease liability	-	-	799,103	2,477,974	5,991,526	9,268,603
IMF Related Liabilities	1,068,555,549	-	-	-	-	1,068,555,548
Allocation of Special Drawing Rights (SDRs)	-	-	-	-	602,150,585	602,150,585
Total liabilities	**14,015,590,447**	**18,898,223**	**116,422,706**	**2,477,974**	**608,142,111**	**14,761,531,461**
Net liquidity gap	**(11,687,191,165)**	**1,640,817,399**	**4,476,070,562**	**5,397,012,564**	**1,053,805,137**	**880,514,497**

43. 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
	10,638,744,021	**6,626,666,220**	**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	**(5,106,420,383)**	**6,001,909,588**	**895,489,205**

43. RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The following tables detail the Bank's maturity profiles of both financial assets and liabilities.

2020	Less than 12 months	Over 12 months	Total
Assets	TZS '000	**TZS '000**	**TZS '000**
Cash and balances with central banks & other banks	5,601,157,009	-	5,601,157,009
Escrow accounts	-	11,253,547	11,253,547
Holdings of Special Drawing Rights (SDRs)	20,100,182	-	20,100,182
Quota in International Monetary Fund	-	1,257,328,887	1,257,328,887
Foreign Currency Marketable securities	1,594,621,108	4,607,334,681	6,201,955,789
Equity investment	-	38,479,418	38,479,418
Government securities	163,471,309	1,066,598,198	1,230,069,507
Advance to the Government	844,033,745	-	844,033,745
Loans and receivables	305,818,661	80,443,055	386,261,716
Other assets (excluding prepayments)	51,406,158	-	51,406,158
	8,580,608,172	**7,061,437,786**	**15,642,045,958**
Liabilities			
Currency in circulation	5,225,320,820	-	5,225,320,820
Deposit - banks and non-banks financial institutions	3,541,963,084	-	3,541,963,084
Deposit – Others	2,621,351,304	-	2,621,351,304
Foreign currency financial liabilities	1,412,490,402	-	1,412,490,402
Items in course of settlement	17,730,881	-	17,730,881
Poverty reduction and growth facility	26,198,739	-	26,198,739
BOT liquidity papers	118,788,633	-	118,788,633
Other liabilities	117,199,026	-	117,199,026
Lease liability	127,927	2,565,556	2,693,483
IMF related liabilities	1,068,555,548	-	1,068,555,548
Allocation of Special Drawing Rights (SDRs)	-	602,150,585	602,150,585
Total liabilities	**14,149,726,364**	**604,716,141**	**14,754,442,505**
Net Liquidity gap	**(5,569,118,192)**	**6,456,721,645**	**887,603,453**

43. RISK MANAGEMENT (CONTINUED)

(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 2021, portfolio duration stood at 2.12 years while that of 30 June 2020 was 2.06 years. The tables below show duration and other characteristics of all portfolios;

(c) Interest risk continued

Portfolio Characteristics

USD

	30.06.2021				30.06.2020			
Asset Type	Number of Securities	Duration (Years)	USD	TZS '000	Number of Securities	Duration (Years)	USD	TZS '000
Market value of Marketable Securities	185	2.18	2,341,380,721	5,382,862,608	169	2.04	2,178,605,543	5,030,337,382
Money Markets placements	14	0.05	1,445,225,876	3,322,591,776	33	0.30	1,483,319,325	3,407,969,906

GBP

	30.06.2021				30.06.2020			
Asset Type	Number of Securities	Duration (Years)	USD	TZS '000	Number of Securities	Duration (Years)	USD	TZS '000
Market value of Marketable Securities	4	1.34	121,293,742	278,855,780	10	2.16	308,466,286	708,710,393

AUD

	30.06.2021				30.06.2020			
Asset Type	Number of Securities	Duration (Years)	USD	TZS '000	Number of Securities	Duration (Years)	USD	TZS '000
Market value of Marketable Securities	5	2.72	87,542,125	201,260,406	8	2.56	128,654,302	295,587,055
Money Markets placements	-	-	-	-	2	0.09	36,440,901	83,724,045

CNY

	30.06.2021				30.06.2020			
Asset Type	Number of Securities	Duration (Years)	USD	TZS '000	Number of Securities	Duration (Years)	USD	TZS '000
Market value of Marketable Securities	14	1.62	170,535,699	392,063,637	14	1.48	83,675,895	192,247,838
Money Markets placements	17	0.09	600,342,809	1,380,195,382	15	0.16	249,643,140	573,562,479

43 RISK MANAGEMENT CONTINUED

(c) Interest rate 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	30.06.2021			30.06.2020
	95% VaR			95% VaR
		TZS '000		TZS '000
USD	6,949,357	15,976,656	8,760,375	20,127,220
GBP	153,255	487,826	1,124,250	3,169,986
AUD	447,642	771,645	738,081	1,161,768
CNY	2,530,382	900,800	1,997,629	648,761

43. RISK MANAGEMENT (CONTINUED)

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 2021.

		30.06 2021		30.06.2020
		TZS'000		TZS'000
USD	(15,602,814)	(35,871,058)	(33,032,984)	(75,894,255)
GBP	(448,584)	(1,427,887)	(5,303,908)	(14,955,137)
CNH	(3,569,058)	(1,270,561)	(2,885,063)	(936,970)
AUD	(1,287,240)	(2,218,945)	(2,885,063)	(7,205,861)

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.

Amounts in USD equivalent

	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)

	Portfolio			
Worst case scenarios 2020	**CNY**	**AUD**	**GBP**	**USD**
Bear Market - SPX Down 20%, Oil down 20% and VIX Up 150%	(31,735)	178,073	449,653	5,867,407
Brexit 2016	36,653	414,756	2,666,204	5,857,703
Debt Ceiling Crisis & Downgrade in 2011	150,335	1,935,511	2,343,093	9,779,166
Lehman Default - 2008	(290,751)	2,827,655	2,127,929	10,919,657
Interest rate scenarios				
25 rate cut	115,029	958,298	1,046,093	9,572,928
25 rate hike	(102,063)	(64,494)	(1,118,448)	(9,491,456)
50 rate hike	(230,058)	(570,327)	(2,187,543)	(18,902,342)
100 rate hike	(408,250)	(1,571,037)	(4,299,814)	(37,485,939)

43. RISK MANAGEMENT (CONTINUED)

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 1,020,817.2 million (2020: TZS 1,052,361.4 million).

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 2021 and 2020 which provides the Bank's assets, liabilities and equity at carrying amounts, categorised by currency is summarised below.

43. 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**

43. 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
2020							
Assets							
Cash and balances with central banks & other banks	74,031,490	4,648,385,906	135,559,411	-	8,420,416	734,759,786	5,601,157,009
Escrow accounts	-	11,253,547	-	-	-	-	11,253,547
Items in course of settlement	-	-	-	-	-	-	-
Holdings of Special Drawing Rights (SDRs)	-	-	-	20,100,182	-	-	20,100,182
Quota in International Monetary Fund (IMF)	-	-	-	1,257,328,887	-	-	1,257,328,887
Foreign currency marketable securities	703,977,699	4,987,838,661	-	-	25,172,547	484,966,882	6,201,955,789
Equity investments	-	37,232,149	1,247,269	-	-	-	38,479,418
Government securities	-	-	-	-	1,230,069,507	-	1,230,069,507
Advances to the Government	-	-	-	-	844,033,745	-	844,033,745
Loans and receivables	-	28,449,187	-	-	357,812,529	-	386,261,716
Other assets (Excluding prepayments)	-	-	-	-	51,406,158	-	51,406,158
Total financial assets	**778,009,189**	**9,713,159,450**	**136,806,680**	**1,277,429,069**	**2,516,914,902**	**1,219,726,668**	**15,642,045,958**
Liabilities							
Currency in circulation	-	-	-	-	5,225,320,820	-	5,225,320,820
Deposits - banks and non-bank financial institutions	-	391,517,447	-	-	3,148,544,472	1,901,165	3,541,963,084
Deposits – Governments	-	-	-	-	-	-	-
Deposits – Others	15,640,336	68,838,726	77,473,668	-	2,459,398,574	-	2,621,351,304
Items in course of settlement	-	5,299,029	-	-	12,425,386	6,466	17,730,881
Foreign currency financial liabilities	25,533	1,354,999,416	57,194,358	-	-	271,095	1,412,490,402
Poverty reduction and growth facility	-	-	-	26,198,739	-	-	26,198,739
BoT liquidity papers	-	-	-	-	118,788,633	-	118,788,633
Other liabilities	-	64	-	-	117,198,962	-	117,199,026
Lease liability	-	-	-	-	2,693,483	-	2,693,483
IMF related liabilities	-	-	-	-	1,068,555,548	-	1,068,555,548
Allocation of Special Drawing Rights (SDRs)	-	-	-	602,150,585	-	-	602,150,585
	15,665,869	**1,820,654,682**	**134,668,026**	**628,349,324**	**12,152,925,878**	**2,178,726**	**14,754,442,505**
Net liquidity gap	**762,343,320**	**7,892,504,768**	**2,138,654**	**649,079,745**	**N/A**	**1,217,547,942**	**N/A**
Scenario of 10% appreciation/depreciation	**76,234,332**	**789,250,477**	**213,865**	**64,907,975**	**N/A**	**121,754,794**	**N/A**

43. 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:

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**

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

2020	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	5,601,157,009	-	-	5,601,157,009	5,601,157,009
Escrow accounts	11,253,547	-	-	11,253,547	11,253,547
Items in course of settlement	-	-	-	-	-
Holdings of Special Drawing Rights (SDRs)	20,100,182	-	-	20,100,182	20,100,182
Quota in International Monetary Fund (IMF)	1,257,328,887	-	-	1,257,328,887	1,257,328,887
Foreign currency marketable securities	-	686,888,647	5,515,067,142	6,201,955,789	6,201,955,789
Equity investment	-	-	38,479,418	38,479,418	38,479,418
Government securities	1,230,069,507	-	-	1,230,069,507	1,230,069,507
Advances to the Government	844,033,745	-	-	844,033,745	844,033,745
Loans and receivables	386,261,716	-	-	386,261,716	386,712,641
Other assets (Excluding prepayments)	51,406,158	-	-	51,406,158	51,406,158
	9,401,610,751	**686,888,647**	**5,553,546,560**	**15,642,045,958**	**15,642,045,958**
Financial liabilities					
Currency in circulation	5,225,320,820	-	-	5,225,320,820	5,225,320,820
Deposits - banks and non-banks financial institutions	3,541,963,084	-	-	3,541,963,084	3,541,963,084
Deposits - others	2,621,351,304	-	-	2,621,351,304	2,621,351,304
Deposits - Government	-	-	-	-	-
Foreign currency financial liabilities	1,412,490,402	-	-	1,412,490,402	1,412,490,402
Items in course of settlement		-	-		-
Poverty deduction and growth facility	26,198,739	-	-	26,198,739	26,198,739
BoT liquidity papers	118,788,633	-	-	118,788,633	118,788,633
Other liabilities	117,199,026	-	-	117,199,026	117,199,026
Lease Liability	2,693,483	-	-	2,693,483	2,693,483
IMF related liabilities	1,068,555,548	-	-	1,068,555,548	1,068,555,548
Allocation of Special Drawing Rights (SDRs)	602,150,585	-	-	602,150,585	602,150,585
	14,736,711,624	**-**	**-**	**14,736,711,624**	**14,736,711,624**

44. 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.

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.

- **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.

44 DETERMINATIONS OF FAIR VALUE AND FAIR VALUE HIERACHY (Continued)

Fair value of financial assets and liabilities (continued)

- **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:

30.06.2021

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**	-

30.06.2020

Description	Level 1	Level 2	Level 3
	TZS '000	TZS '000	TZS '000
Foreign currency marketable securities	6,201,955,789	-	-
Equity investments	-	38,479,418	-
Total	**6,201,955,789**	**38,479,418**	-

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 6,255,042.4 million and TZS 44,254.2 million Foreign Currency Marketable Securities and Equity Investments would have been higher or lower by TZS 6,255,042.4 million and TZS 44,254.2 million respectively. Futures would change by 175.2 million respectively.

The following table gives information about how the fair value of these financial assets and liabilities are determined.

	Fair value at		Hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable input to fair value
	2021	2020				
	TZS '000	TZS '000				
Foreign currency marketable securities (Excluding futures)	6,255,042,431	6,201,955,789	1	Prices of listed securities	N/A	N/A
Equity investments	44,254,186	38,479,418	2	Prices of recent transactions	N/A	N/A
Derivatives:						
Swap Asset	-	-	2	Discounted Cash-flows, using market exchange and interest rate	N/A	N/A
Futures Asset/(Liability)	175,229	913,420	1	Quoted prices	N/A	N/A

44 DETERMINATIONS OF FAIR VALUE AND FAIR VALUE HIERACHY (Continued)

Fair value hierarchy (Continued)

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value.

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**

44 DETERMINATIONS OF FAIR VALUE AND FAIR VALUE HIERACHY (Continued)

Fair value hierarchy (Continued)

2020	Level 1	Level 2	Level 3	Total
Assets	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Cash and balances with central banks & other banks	5,601,157,009	-	-	5,601,157,009
Escrow accounts	-	11,253,547	-	11,253,547
Holdings of Special Drawing Rights (SDRs)	-	20,100,182	-	20,100,182
Quota in International Monetary Fund (IMF)	-	1,257,328,887	-	1,257,328,887
Foreign currency marketable securities	6,201,955,789	-	-	6,201,955,789
Equity investment	-	38,479,418	-	38,479,418
Government securities	-	1,230,069,507	-	1,230,069,507
Advances to the Government	-	844,033,745	-	844,033,745
Loans and receivables	-	386,261,716	-	386,261,716
Other assets (Excluding prepayments)	-	51,406,158	-	51,406,158
	11,803,112,798	**3,838,933,160**	**-**	**15,642,045,958**
Liabilities				
Currency in circulation	-	5,225,320,820	-	5225,320,820
Deposits - banks and non-banks financial institutions	-	3,541,963,084	-	3,541,963,084
Deposits - others	-	2,621,351,304	-	2,621,351,304
Foreign currency financial liabilities	-	1,412,490,402	-	1,412,490,402
Items in course of settlement	-	17,730,881	-	17,730,881
Poverty deduction and growth facility	-	26,198,739	-	26,198,739
BoT liquidity papers	-	118,788,633	-	118,788,633
Other liabilities	-	117,199,026	-	117,199,026
Lease Liability	-	2,693,483		2,693,483
IMF related liabilities	-	1,068,555,548	-	1,068,555,548
Allocation of Special Drawing Rights (SDRs)	-	602,150,585	-	602,150,585
	-	**14,754,442,505**	**-**	**14,754,442,505**

45 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.

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 2021. 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

	30.06.2021	30.06.2020
Discount rate (% p.a.)	10.14%	12.02%
Non-Executives - Future salary increases (% p.a.)	6.0%	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.

As per the fund operations and valuation, the movements in the present value of defined benefit obligation in the current year were as follows:

	30.06.2021 TZS '000	30.06.2020 TZS '000
Opening benefit obligation	114,430,194	101,984,110
Current service costs	4,689,672	3,896,652
Interest cost	12,767,663	14,789,625
Employee contribution	526,211	536,964
Actuarial loss/(gain) in experience	(1,283,405)	(1,864,638)
Actuarial loss in assumptions	9,810,280	15,675,123
Benefits paid	(22,115,380)	(20,587,642)
Closing benefits obligation	**118,825,235**	**114,430,194**

Reconcilation on plan asset in the current year with the comperative figures are as per the below table

	30.06.2021 TZS '000	30.06.2020 TZS '000
Opening market value of assets	(115,216,715)	(110,211,766)
Interest income on plan assets	(12,588,349)	(15,786,627)
Employee contribution	(526,211)	(536,964)
Return on plan assets*	1,226,367	(9,269,000)
Benefits paid	22,115,380	20,587,642
Closing market value of the assets	**(104,989,528)**	**(115,216,715)**

* *Return on plan asset, excludes amoun in interst income*

A summary of the distribution of the Scheme assets as at 30 June 2021, based on the Scheme management accounts, is shown in the table below;

	30.06.2021 TZS "000	30.06.2020 TZS "000
Cash	-	11,258,805
Treasury Bonds FV plus accrued Interest	95,041,994	92,044,606
Treasury Bills plus accrued Interest	12,803,428	13,488,847
Retirement Benefits Payable	(2,855,893)	(1,575,542)
Net Assets	**104,989,529**	**115,216,716**

Being a funded Scheme, the defined obligation/(asset) is presented in net terms after consideration of the Scheme assets as per the below;

	30.06.2021 TZS "000	30.06.2020 TZS "000
Present value of funded obligations	118,825,234	114,430,194
Fair value of Scheme assets	(104,989,529)	(115,216,716)
Present value of net obligation/ (asset)	13,835,705	(786,522)
Defined benefit obligation/ (asset) recognized in the balance sheet	**13,835,705**	**(786,522)**

Included in the computation are benefit plan expenses which are recognized in the Statement of Profit or Loss statement. Below are the components:

Service cost	**30.06.2021**	**30.06.2020**
	TZS '000	**TZS '000**
Current service cost net of employees' contributions	4,689,672	3,896,652
Past service cost	-	-
Total Service Cost	**4,689,672**	**3,896,652**
Interest Income		
Interest cost on defined benefit obligation	12,767,663	14,789,625
Interest income on plan assets	(12,588,349)	(15,786,627)
Net Interest income on Balance Sheet Asset	**179,314**	**(997,002)**
Total included in profit or loss in respect of Scheme	**4,868,986**	**2,899,650**

Re-measurement on defined benefit are measured through other comprehensive Income and it is composed of the below;

Re-measurements (OCI)	**30 06 2021**	**30.06.2020**
	TZS '000	**TZS '000**
Actuarial loss/(gain) - obligation	9,810,280	15,675,123
Actuarial (gain) loss - experience adjustment	(1,283,405)	(1,864,638)
Return on plan assets (excluding amount in interest cost)	1,226,367	(9,269,000)
Amount recognised in OCI statement for the financial year	**9,753,242**	**4,541,485**

Development of net obligation

	30.06.2021 TZS "000	30.06.2020 TZS "000
Net (obligation)/asset at the beginning of the year	(786,522)	(8,227,657)
Net expenses recognized in the income statement	4,868,985	2,899,650
Employer's contribution	-	-
Amount recognized in OCI	9,753,242	4,541,485
Settlement/Employer's contribution	-	-
Net (asset)/ liability at end of period	**13,835,705**	**(786,522)**

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 2021 is 7 years (2020: 5 years). Based on this methodology, below are the results of the sensitivity analysis

As at 30 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)

As at June 2020

Assumptions	*Result on Financial assumptions*	
	Impact of 1.0% increase	*Impact of 1.0% decrease*
	TZS '000	**TZS '000**
Discount Rate (fall)/rise	(109,670,020)	119,645,060
Salary increase rise/(fall)	117,371,770	(111,759,050)
	Results on Demographic assumptions	
Early Retirement Rate rise/(fall)	114,568,190	(114,292,200)
Withdrawal Rate rise/(fall)	115,755,620	(112,983,680)

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.

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 2021	13,486,393	22,725,389	12,965,962	12,998,521	55,001,701
30 June 2020	18,580,438	11,912,161	20,233,156	11,963,270	50,439,266

Separation of benefits payable between vested and non-vested benefits resulted to TZS 108,294.3 million (30 June 2020: TZS 106,413.6 million) and TZS 10,530.9 million (30 June 2020: TZS 8,016.6 million) respectively.

46 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 26.

	30.06.2021 TZS '000	30.06.2020 TZS '000
Capital	100,000,000	100,000,000
Reserves	1,862,496,530	1,865,261,600
Total	**1,962,496,530**	**1,965,261,600**

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.

47 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 TZS 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 2020 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.

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.

(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 2021, there was no outstanding guarantees as it was for the period ended June 2020. As the result on 30 June 2021, the fund had a net cash balance of TZS 147.7 million (2020: TZS 1,496.7 million)

48 OUTSTANDING COMMITMENTS

Capital commitments

As at 30 June 2021, the Bank's capital commitments in respect of, Property and Equipment, Intangible Assets and major capital projects aggregated to TZS 23,013.1 million (2020: 106,513.5 million).

The major capital expenditure commitments item is as reflected herewith below

Particulars	30.06.2021 TZS '000	30.06.2020 TZS '000
Office buildings	429,661	4,988,000
Residential buildings	1,901,644	2,934,056
Machinery and equipment	8,045,718	45,236,606
Information, communication and technology (ICT)	1,084,483	16,123,212
Motor vehicles	-	18,799,919
Furniture and fittings	190,755	829,435
Intangible assets	357,035	8,702,497
On-going projects	11,003,775	8,899,827
Total	**23,013,071**	**106,513,553**

The above commitments have been included and approved for payment in accordance with the 2021/2022 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 937.7 million (2020: TZS 462.4 million) involving retired staff with their spouses who retired since financial year 2009/10.

49 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:

(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 2021 amounted to TZS 76,626.2 million (2020: TZS 77,070.2 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.

		30.06.2021	30.06.2020
		TZS '000	**TZS '000**
i)	**Loans to Senior Management (i.e. Governor, Deputy Governors and Directors)**		
	At start of the year	1,714,011	2,035,490
	Loans granted during the year	874,547	1,210,258
	Loans repaid during the year	(499,921)	(1,531,764)
	Balance end of the year	**2,088,637**	**1,714,011**
ii)	**Emoluments to Senior Management Personnel (Governor, Deputy Governors and Directors)**		
		TZS '000	**TZS '000**
	Salaries, allowances and benefits	4,526,862	4,353,456
	Post-employment benefits	832,189,	759,763
	Total	**5,359,051**	**5,113,219**

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 2021, the number of key management personnel was 22 (2020: 22).

(b) Directors' remunerations

During the year ending 30 June 2021, emoluments paid to the members of the Board amounted to TZS 122.3. Million (2020: TZS 273.9million). These emoluments include benefits of Non - Executive Directors. Non-Executive Directors are not entitled to loans and advances.

49 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 2021, the following balances, which are included in the statement of financial position in various categories, were outstanding:

	30.06.2021	30.06.2020
	TZS '000	TZS '000
Due from Governments of Tanzania (Note 23 and 33)	2,552,887,962	2,852,143,109
IMF funds on-lent to the Government (Note 19)	1,304,531,756	1,257,328,887
Due from Revolutionary Government of Zanzibar (Note 23 and 33)	157,939	64,620,591
Investments in Government Securities (Note 22)	1,094,883,220	1,230,069,507
Structured Financing Facility (Note 34)	85,411,151	85,411,151
Export Credit Guarantee Fund (Note 34)	2,798,025	5,583,373
Small and Medium Enterprises Guarantee Fund (Note 34)	147,743	1,496,712

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 210.9 million (2020: TZS 193.7 million). The balance outstanding from the Fund included under Deposit Others as at 30 June 2021 was TZS 2,704.8 million (2020: TZS 60,528.7 million).

50 EVENT AFTER THE REPORTING DATE

There was no event after reporting period that had material impact to the financial statements.