CHINA DASHENG BANK

中華大盛銀行

REPORT BY THOSE CHARGED WITH GOVERNANCE AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

MARCH 2022

INNOVEX

TABLE OF CONTENTS

LIST OF ABBREVIATIONS

BOT	Bank of Tanzania
BRELA	Business Registration and Licensing Authority
CPA-PP	Certified Public Accountant in Public Practice
EAD	Exposure at Default
ECL	Expected Credit Loss
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
LGD	Loss Given Default
LTECL	Lifetime Expected Credit Loss
NBAA	National Board of Accountants and Auditors
PD	Probability of Default
SIC	Standard Interpretation Committee
TFRS	Tanzania Financial Reporting Standard
TIN	Tax Identification Number
TZS	Tanzanian Shillings
COVID-19	Coronavirus Disease 2019

BANK INFORMATION

Name of organization	China Dasheng Bank Limited
Registered office	China Dasheng Bank Limited Extelecoms House Mezzanine Floor Samora Avenue PO Box 388 Dar es Salaam Tanzania
Principal bankers	Bank of Tanzania Head Office PO Box 2939 Dar es Salaam Tanzania
	EQUITY Bank Tanzania Limited Head Office PO Box 110183 Dar es Salaam Tanzania
Tax advisors	Auditax International PPF Tower, 7th Floor PO Box 77949 Dar es Salaam Tanzania
Legal advisors	ARBOR LAW CHAMBERS Plot no.211, Kimweri Avenue Msasani PO Box 105092 Dar es Salaam Tanzania
Auditors	INNOVEX Auditors Certified Public Accountants 8 Kilimani Road Ada estate Kinondoni PO Box 75297 Dar es Salaam, Tanzania Email: info@innovexdc.com Web: www.innovexdc.com

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

1. INTRODUCTION

Those charged with governance are pleased to present their report together with the audited financial statements of China Dasheng Bank Limited ("the Bank") for the financial year ended 31 December 2021, which disclose the state of affairs of the Bank. This report has been prepared in accordance with the Tanzania Financial Reporting Standard (TFRS) No. 1, Report by those charged with governance issued by the National Board of Accountants and Auditors (NBAA).

2. ESTABLISHMENT

China Dasheng Bank Limited was incorporated as private limited liability company under the Tanzanian Companies Act, 2002 on 1 March 2017 and issued with a certificate of registration number 133554. Bank of Tanzania (BOT) issued provisional license to China Dasheng Bank on 25 November 2017 that granted approval to carry out banking business as a commercial bank subject to fulfillment of the conditions set forth by the BOT. The Bank was then issued with a permanent banking business license number CBA00066 by the Bank of Tanzania on 8 November 2018 and started banking operations on 26 November 2018.

3. MISSION AND VISION

(i) MISSION

To become the bridge of economic cooperation between China and Tanzania by providing swift and convenient international banking services; to satisfy various requirements of Chinese and Tanzanian customers by providing quality products and highly efficiency financial services.

(ii) VISION

To become multinational bank of China – Tanzania economic cooperation by providing comprehensive financial solutions.

4. PRINCIPAL ACTIVITIES

The principal activity of China Dasheng Bank Limited is to provide banking and related services as stipulated by the Banking and Financial Institutions Act, 2006. These include but are not limited to provision of general banking services (like deposit taking, foreign exchange dealings, bank guarantees, construction financing, and treasury products. The primary market for the bank will include 4 major sectors as follows;

- Construction
- Transport and Logistics
- Manufacturing and
- Traders.

5. CORPORATE VALUES

- Efficiency
- Innovation
- Pragmatism
- Excellency
- Customer centricity

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

6. OBJECTIVES AND STRATEGIES

The main objectives of the Bank are to build the China Dasheng Bank into a world class bank in the new era by enabling advancement through the technology, driving development through innovation, delivering performance through transformation and enhancing strength through reforms. The following are priority strategies established by the bank to achieve its objectives;

COMPLIANCE AND STABLE OPERATION OF THE BANK

This strategy is the overall requirement and guidance of bank's operation. As a professional financial institution, it ensures long-term and stable operation under the premise of ensuring legal and compliance. This strategy starts from the top level and involve whole bank management and all staffs.

For top level, the bank should enhance effective corporate governance. For management, statutory and compliance requirement should be the red line that no one can override. This is also a guarantee for the existence and continued operation of the bank.

CONTINUOUS BUSINESS GROWTH

In order to enhance yields to shareholder value, the bank looks forward to increase its business. This ambition is backed up by the changes of government's policies. The current government policies support FDI, strengthen private sector and international corporation. Chinese firms' projects are increasing in Tanzania i.e., constructions and trade. Industrialization agenda remained key to drive GDP growth. Monetary policy is anticipated to improve liquidity flow geared by massive government strategic investments, payments of local suppliers and investments in local governments. This strategy commits to continuous growth of business in the coming 5 years.

SOUND FINANCIAL POSITION

The bank with initial capital of 40 million dollars and at the beginning majority invested in Treasury bonds. The bank's initial strategy was conservative, and the risk appetite is averse and avoid. But for the coming 5 years' strategy, it will be a bit aggressive. The bank decided to expand and get public deposit do more business. The achievement of this new strategy needs the support of sound finance position.

SOUND INTERNAL CONTROL AND RISK MANAGEMENT

The level of internal control and risk management is the most important factor which reflect the management level of a bank. This runs through the entire process of bank operation. Good internal control and risk management can prevent and effectively reduce different risks encountered by the bank and ensuring the safety of bank assets and people.

DIGITAL TRANSFORMATION

Technology has changed traditional banking completely and for the bank to succeed in the current environment it must embrace technological solutions in offering of products and services. This strategy singles out digital transformation as the core priority of our bank's five-year strategic plan. We are committed to enhance our systems to be able to digitalize our internal process, to fasten our service delivery as well as to add alternative business channels to enable customer to transact whenever and wherever they are. We commit to partner with various fintech companies and other banks to tap maximum potential available in the market. This strategy sets out the need to build our technological infrastructure to match and if possible, surpass the leading bank in the market.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

6. OBJECTIVES AND STRATEGIES (Continued)

PEOPLE ORIENTED AND CUSTOMER CENTRIC
Human resources are the bank's most precious resource. All strategies and plan goals need to be achieved by dedicated professionals. The bank will focus on maximizing the potential of employees, improving their abilities, and providing space and assistance for their long-term career development.
Meantime, Tanzanian banking services is blessed with highly competitive banks as well as innovative services. This competitive landscape pushes banks to be more responsive to customers' needs and services. Therefore, offering better products and exceptional services remained key. This strategy is committed to implement our core values of being customer oriented and focused as well as pragmatic on dealing with our customers. We commit to implement a system which will whatever we do will lead to customer satisfaction.

7. COMPOSITION OF BOARD OF DIRECTORS
The Board of Directors is comprised of seven (7) Members. All Members are non-executive with the exception of the Chief Executive Officer who is the executive director of the bank.

Directors who served during the year and up to the date of this report are:

S/n	Name	Position	Age	Qualification/ Discipline	Nationality	Date of appointment/ Resignation
1	Mr. Bao Dongqiang	Acting Chairman	55	Academic: Master of Business Administration degree certificate; Professional: Intermediate of Finance and Economy	Chinese	1 March 2017
2	Mr. Huang Jianfang	Member	53	Management Certificate from United University of America	Chinese	12 October 2017
3	Mr. Albert Elisa Mallya	Member	58	Bachelor of Laws (LL. B) University of Dar es salaam. Master of Laws (LL.M) George Washington University.	Tanzanian	Resigned 17 March 2021
4	Mr. Jimmy Medard Mrosso	Member	43	Bachelor of Laws (LL. B) University of Dar es salaam. Master of Laws (LL.M) University of Dar es salaam.	Tanzanian	29 March 2019
5	Mrs. Poniwoa Andrew Mbisse	Member	44	Bachelor of Commerce (Finance), University of Dar es Salaam. Certified Risk analyst, International Academy of Business and Financial Management,	Tanzanian	9 June 2021

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

S/n	Name	Position	Age	Qualification/ Discipline	Nationality	Date of appointment/ Resignation
				Certified Public Accountant (CPA) NBAA		
6	Mr. Xu Zheng	Member	43	Academy Graduation Certificate; Self-taught higher education examination certificate; Professional Accountant; Senior Economist	Chinese	21 January 2021
7	Mr. Liu Guolin	Member	58	Bachelor degree in Law; master degree in civil and commercial Law, East China University of Political Science and Law. Advanced program in Intellectual Property and commercial law, Queen Mary University - London	Chinese	17 September 2021
8	Cheng Ji	Chief Executive Officer	47	Master of Professional Accounting (MPACC); Shanghai national Accounting Institute and Shanghai University of Finance and Economics September 2008 Bachelor of Economics; International Business School; Shanghai University; July 1998	Chinese	14 September 2021

The Company secretary during the year was Mr. Ezra M. Nicholous.

8. DIRECTORS' INTEREST IN THE SHARES OF THE BANK

All Directors of the Bank do not have direct interest in the Bank's issued and paid-up shares.

9. CORPORATE GOVERNANCE

As at 31 December 2021, China Dasheng Bank Limited Board of Directors consists of four (7) members one (1) member resigned during the year under review (2020: Four (4) Members). No other member holds an executive position in the Bank except the Chief Executive Officer who is also an Executive Director. The Board is responsible for safe custody and investment of depositors' funds. Consequently, the Board commits sufficient time in the oversight of affairs of the Bank including identification of key risk areas, considering significant financial matters, reviewing the performance of management business and ensuring a comprehensive system of internal control policies and procedures is operative in compliance with sound corporate governance principles.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

9. CORPORATE GOVERNANCE (Continued)

The effective oversight by the Board for the overall responsibility of the Bank entails possession of necessary skills to make sound and independent judgments and be able to apply immediate remedial measures.

The Board is required to meet at least four times in a year and delegates the day-to-day management of the business to the Chief Executive Officer assisted by senior management team. The China Dasheng Bank Limited is committed to the principles of effective corporate governance recognizing the importance of integrity, transparency, and accountability.

The Bank shall continue its endeavor to enhance its shareholders' value by protecting their interest by ensuring performance at all levels and maximizing returns with optimal use of the existing resources.

The Bank shall comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong corporate governance practices. The Bank believes in setting high standards of ethical values, transparency and a disciplined approach to achieve excellence in all its sphere of activities. The Bank shall strive hard to best serve the interests of its stakeholders comprising shareholders, customers, government and society at large.

In connection with effective oversight, the Board of China Dasheng Bank Limited during the year had a responsibility to ensure high standard of corporate governance through establishment and effective functioning of various board committees and management in key areas.

The Board formed sub-committees to ensure a high standard of corporate governance throughout the Bank. The following are the Board sub-committees and their members:

i. Audit, Risk and Compliance Committee

S/n	Name	Position	Qualification
1	Mrs. Poniwoa Andrew Mbisse	Chairperson	Bachelor of Commerce (Finance), University of Dar es Salaam. Certified Risk analyst, International Academy of Business and Financial Management, Certified Public Accountant (CPA) NBAA
2	Mr. Xu Zheng	Member	Academy Graduation Certificate; Self-taught higher education examination certificate; Professional Accountant; Senior Economist
3	Mr. Liu Guolin	Member	Bachelor degree in Law; master degree in civil and commercial Law, East China University of Political Science and Law. Advanced program in Intellectual Property and commercial law, Queen Mary University - London

ii. Credit Committee

S/n	Name	Position	Qualification/Discipline
1	Mr. Bao Dongqiang	Chairman	Academic: Master of Business Administration degree certificate; Professional: Intermediate of Finance and Economy
2	Mr. Huang Jianfang	Member	Management Certificate from United University of America

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

S/n	Name	Position	Qualification/Discipline
3	Mr. Jimmy Medard Mrosso	Member	Bachelor of Laws (LL. B) University of Dar es salaam. Master of Laws (LL.M) University of Dar es salaam.

iii. Remuneration and Human Resources Committee

S/n	Name	Position	Qualification/Discipline
1	Mr. Jimmy Medard Mrosso	Chairman	Bachelor of Laws (LL. B) University of Dar es salaam.
2	Mr. Huang Jianfang	Member	Management Certificate from United University of America
3	Mr. Bao Dongqiang	Member	Academic: Master of Business Administration degree certificate; Professional: Intermediate of Finance and Economy

9. ATTENDANCE OF THE BOARD AND COMMITTEE MEETINGS

i) Members of Board Attendance

The Board held four (4) meetings during the year under review. The attendance to these meetings by Those charged with governance in 2021 is tabulated below:

S/n	Name	Position	Meeting held 18-March-2021	Meeting held 24-April-2021	Meeting held 23-July-2021	Meeting held 22-October-2021
1	Bao Dongqiang	Ag. Chairman	√	√	√	√
2	Huang Jianfang	Member	√	√	√	√
3	Mr. Albert Elisa Mallya	Member	√	N/A	N/A	N/A
4	Mr. Jimmy Medard Mrosso	Member	√	√	√	√
5	Mrs Poniwoa Andrew Mbisse	Member	N/A	N/A	√	√
6	Mr. Xu Zheng	Member	√	√	√	√
7	Mr. Liu Guolin	Member	N/A	N/A	N/A	√
8	Cheng Ji	CEO	N/A	N/A	N/A	√

ii) Members of Board Credit Committee Attendance

The Committee held Two (4) meetings during the year under review. The attendance to these meetings by Those charged with governance in 2021 is tabulated below:

S/n	Name	Position	Meeting held 17-March-2021	Meeting held 22-April-2021	Meeting held 23-July-2021	Meeting held 22-October-2021
1	Mr. Bao Dongqiang	Chairman	√	√	√	√

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

S/n	Name	Position	Meeting held 17-March-2021	Meeting held 22-April-2021	Meeting held 23-July-2021	Meeting held 22-October-2021
2	Mr. Huang Jianfang	Member	√	√	√	√
3	Mr. Jimmy Medard Mrosso	Member	√	√	√	√

iii) Members of Renumeration and Human Resource Attendance

The Committee held Four (4) meetings during the year under review. The attendance to these meetings by Those charged with governance in 2021 is tabulated below:

S/n	Name	Position	Meeting held 17-March-2021	Meeting held 22-April-2021	Meeting held 23-July-2021	Meeting held 22-October-2021
1	Mr. Jimmy Medard Mrosso	Chairman	√	√	√	√
2	Mr. Albert Elisa Mallya	Member	√	N/A	N/A	N/A
3	Mr. Bao Dongqiang	Member	√	√	√	√
4	Mr. Huang Jianfang	Member	N/A	√	√	√

iv) Members of Board Audit, Risk and Compliance Committee

The Committee held four (4) meetings during the year under review. The attendance to these meetings by Those charged with governance in 2021 is tabulated below:

S/n	Name	Position	Meeting held 17-March-2021	Meeting held 22-July-2021	Meeting held 24-August-2021	Meeting held 20-October-2021
1	Mr. Albert Mallya	Chairman	√	N/A	N/A	N/A
2	Mrs. Poniwoa Mbisse	Chairperson	N/A	√	√	√
3	Mr. Xu Zheng	Member	√	√	√	√
4	Mr. Liu Guolin	Member	N/A	√	√	√

Key

√ Attended the meeting

N/A Did not attend the meeting

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

9.1 CORPORATE GOVERNANCE STATEMENT

Good Corporate Governance practice is an important ingredient in creating and sustaining shareholder value and ensuring that behavior is ethical, legal and transparent. The Board Charter which was approved by the board is an important component of the framework that defines our Corporate Governance practice within China Dasheng Bank and is designed to provide guidance to directors and external audiences as to how we approach this critical issue within China Dasheng Bank.

The bank's corporate governance approach is focused on a set of values and behaviours that underpin the bank's operations, and are designed to promote transparency, fair dealing, and the protection of stakeholders' interests, including our customers, our shareholders, our employees, and our community. It includes aspiring to the highest standards of corporate governance, which China Dasheng Bank sees as fundamental to the sustainability of our business and our performance.

9.2 BOARD OPERATION AND CONTROL

9.2.1 Principal on appointment of board members

The appointment of new Directors to the Board is overseen by the Remuneration Committee (REMCO). All Directors are availed a letter of appointment setting out the terms of their appointment to the Board. Criteria for the desired experience and competencies of new Directors is recommended by the REMCO who review the expertise of each potential new director before their appointments are recommended to the Board. After recommendation to the Board, the Board will endorse the appointment and recommend to the shareholders for final decision.

9.2.2 Responsibility of the Board

The Board is responsible to shareholders for creating and delivering sustainable shareholder value through the management of China Dasheng Bank's business in particular in relation to the triple bottom line of social, economic and environmental performance. Therefore, the board should determine the strategic objectives and policies of China Dasheng Bank so as to deliver such long-term value, providing overall strategic direction within a framework of rewards, incentives and controls. The Board ensures that management strikes an appropriate balance between promoting long-term sustainable growth and delivering short-term performance.

9.2.3 Independence of the Board members.

The Board considers the following criteria and the issue of independence on an annual basis to determine the independence of non-executive Directors. The Board has also concluded that the following behaviours are essential for the Board to consider a director to be independent and will assess non-executive Directors against these criteria:

- Provides objective challenge to management;
- Is prepared to challenge others' assumptions, beliefs or viewpoints as necessary for the good of the bank;
- Questions and debates matter in a constructive manner;
- Is willing to stand up to defend their own beliefs and viewpoints in order to support the ultimate good of the bank; and
- Has a good understanding of the bank's businesses and affairs to enable them to properly evaluate information and responses provided by management.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

9.2 BOARD OPERATION AND CONTROL (Continued)

9.2.4 Principal for the Age limit of the Board members

The board has adopted the age mix of directors as provided under the Companies Act, 2002 where the minimum age for a person to serve as a director, both Executive directors and non-Executive directors is Twenty-One years of age. To give a wider spectrum of experience and knowledge the board has not limited the maximum age one can serve as a director, rather focus is on their ability to suit the directors' role.

9.2.5 Governance and audit.

The Board is also responsible for ensuring that management maintain a system of internal control which provides assurance of effective and efficient operations, internal financial controls and compliance with law and regulation. In addition, the Board is responsible for ensuring that management maintains an effective risk management and oversight process. In carrying out these responsibilities, the Board must have regard to what is appropriate for China Dasheng Bank business and reputation, the materiality of the financial and other risks inherent in the business and the relative costs and benefits of implementing specific controls.

The Board is the decision-making body for all other matters of such importance as to be of significance to China Dasheng Bank as a whole because of their strategic, financial or reputational implications or consequences. Delegation to committees or to management in no way mitigates or dissipates the discharge by the Board and its Directors of their responsibilities.

9.2.6 Right of the Government and other stakeholders.

The board ensures that the relationship with the government agencies is well maintained. The board ensures that the tax and other deductions due to the government are calculated and remitted accordingly.

9.2.7 Stakeholders' relations

The board of Directors acts in a way they consider, in good faith, would promote the success of the company for the benefit of the shareholders as a whole and, in doing so, have regard (amongst other matters) to: -

- the likely consequences of any decision in the long-term;
- the interests of China Dasheng Bank employees;
- the need to foster China Dasheng Bank business relationships with suppliers, customers and others;
- the impact of China Dasheng Bank operations on the community and the environment;
- the desirability of China Dasheng Bank in maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of China Dasheng Bank.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

9.2.8 Ethics and social responsibility (Responsibility, Accountability, fairness and transparency

The Board has a duty to act in accordance with its powers and Directors must not use the position of director, or any information obtained while acting in the capacity of a director:

- To gain an advantage for the director, or for another person other than China Dasheng Bank or
- To knowingly cause harm to China Dasheng Bank. A director must communicate to the Board at the earliest practicable opportunity any information that comes to the director's attention, unless the director reasonably believes that the information is immaterial to China Dasheng Bank or generally available to the public or known to the other directors; or is bound not to disclose that information by a legal or ethical obligation of confidentiality.

China Dasheng Bank has Executive and Non-executive Directors who share the same responsibilities and are subject to the same constraints. Directors owe both duty of care, duty of loyalty and general duties of reasonable care, skill and diligence to the company as a whole. The duties of Directors include:

i. Only exercising powers within the authority given and acting in accordance with the company's constitutive documents;
ii. At all times acting not only in good faith and honesty, but also in the bank's best interests and to promote the success of the company for all its members, whilst having regard to the likely consequences of any decision in the long-term, the interests of employees, the need to further relationships with suppliers and customers, the impact on the community and the environment, and the need to act fairly as between members of the company;
iii. Exercising independent judgment in carrying out their duties;
iv. Exercising reasonable care, skill and diligence in carrying out their duties commensurate with their knowledge and experience;
v. Avoiding conflict of interest between their personal interests and their duties to the company.

9.2.9 Risk management and Internal Control.

To assist the China Dasheng Bank Board in the implementation of its Risk management and Internal Control responsibilities the board has delegated its powers to the Board Risk and Compliance Committee (BARCC) whose primary functions are:

- To review the bank's accounting policies, the contents of the financial reports, disclosure controls and procedures, management's approach to internal controls, the adequacy and scope of the external and internal audit functions, compliance with regulatory and financial reporting requirements, oversee the relationship with the bank's external auditors and to provide assurance to the Board that executive management's control assurance processes are implemented and are complete and effective;
- To ensure that the bank has implemented and manages an effective risk management plan and set of policies that will support the bank's ability to achieve its strategic objectives;
- To ensure that the bank has effective capital and liquidity processes in place and their management is effective and optimal on an ongoing basis.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

10. MANAGEMENT

Management of the China Dasheng Bank Limited is under the leadership of the Chief Executive Officer (CEO), and is organized in the following nine-line departments:

- Risk and Compliance
- Internal Audit
- Human Resources
- Credit & Recovery
- Operations
- Finance & Administration
- Business Development
- Legal & Company Secretary
- Information Technology

11. CAPITAL STRUCTURE

The Bank's capital structure for the year is disclosed under Note 22 to the financial statements. Details of capital management, regulatory capital and capital structure are disclosed under Note 4.6 of the financial statements.

12. SHAREHOLDERS OF THE BANK

The Bank has only one class of ordinary shares which carries no right to fixed income. They carry one vote per share at the annual general meeting of the Bank and a right to dividends as and when declared by the Bank. All ordinary shares rank equally which regards to the Bank's residual assets. The following is a list of shareholders of the Bank:

Names	No. of shares held at reporting date	Value of shares TZS '000	Percentage shareholding
Shanghai Huahu Equity Investment Co. Ltd	8,000,000	17,808,000	20.00%
Suzhou New District Hi-Tech Industrial Co. Ltd	7,500,000	16,695,000	18.75%
Changzhou Sanyou Real Estate Developing Co. Ltd	7,000,000	15,582,000	17.50%
Shanghai Jinfengyu Cereals Industry Co. Ltd	6,500,000	14,469,000	16.25%
Jiangsu Overseas Group Corporation	5,000,000	11,130,000	12.50%
Nanjing New city Shopping Mall Development Co. Ltd	6,000,000	13,356,000	15.00%
Total	**40,000,000**	**89,040,000**	**100.00%**

13. RESULTS AND DIVIDENDS

During the year under review the Bank reported a profit of TZS 4.4 billion (2020: profit of TZS 4.3 billion). Those charged with governance will be declaring dividends with respect to the year ended 31 December 2021 of TZS 3.4b (2020: Nil).

14. SOLVENCY

Those charged with governance have reviewed the current financial position of China Dasheng Bank Limited. On the basis of this review together with the current business plan, those charged with governance are satisfied that the Bank is a solvent going concern within the meaning ascribed by the Companies Act No. 12 of 2002 of the laws of Tanzania, the Banking and Financial Act 2006 and International Financial Reporting Standards (IFRSs).

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

15. GOING CONCERN ASSUMPTION

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

16. RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts ultimate responsibility for the risk management and internal control function of the China Dasheng Bank Limited. It is the responsibility of the Management to ensure that adequate internal control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding:

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

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

The Board assessed the internal control systems throughout the year ended 31 December 2021 and is of the opinion that they met accepted criteria.

17. PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES

The Bank's activities expose it to a variety of financial risks including credit risk, liquidity risk, market risks, operational risks and interest rate risks. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign-exchange risk, interest-rate risk, credit risk, and liquidity risk. More details of the financial risks facing the Bank are provided in Note 4 to the financial statements.

17.1 Credit risk

Credit risk is defined as the probability that a Bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

Management of credit risk

The Credit Risk Department of the Bank is responsible for developing and implementing appropriate systems for credit risk identification, measurement and mitigations. The credit risk management process is part of the overall operational risk management framework of the Bank and is reviewed continually with respect to its accuracy and appropriateness. The Bank mitigates risk concentration through policy and portfolio diversification in regard to loan products, economic sectors or geographical location.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

17. PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

17.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting maturing obligations from its financial liabilities.

Management of liquidity risk

Liquidity, or the ability to fund increases in assets and meet obligations as they come due, is crucial to the ongoing viability of any banking organisation.

The Bank has put in place the following guidelines as tolerance levels for effective management of liquidity risk.

- Liquid assets to be not less than 50% of customer deposits with a maturity of 30 days or less
- Liquid assets to be not less than 20% of demand liabilities plus projected net cash outflows in the following four business weeks
- Maturity gap to be not more than 100% of total capital with maturity gap defined as liabilities falling due within 90 days [including the portion of any indebtedness falling due within that period] less the aggregate of assets which mature or are payable to the Bank on demand or within 90 days.

The Bank was in compliance with the above guidelines as at the reporting date.

17.3 Market risk

Market risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices. Broadly, the Bank is concerned with two main components under market risk:

- Interest rate risk is the risk that the value of an interest rate sensitive instrument will fall as a result of a change in market interest rates. .
- Foreign exchange risk is the risk of loss due to adverse changes in foreign exchange rates

Management of market risk

The Asset and Liability Committee oversees the management of market risk inherent in the Bank. The objective of market risk management is to manage and control market risk exposure within acceptable levels, while optimizing on the return on the risk.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

18. KEY PERFORMANCE INDICATORS

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

Key performance indicators	Definition and calculation method	Bank's ratios	
		2021	2020
Return on equity	Net profit/Total equity	4%	5%
Return on assets	Net profit/Total assets	4.2%	4%
Cost to income ratio	Operating expenses/Operating income	51%	63%
Gross loans to customers deposits	Loans to customers/Deposits from customers	262%	197%
Growth in total assets	Trend (increase in total assets / 2018 total assets)	0%	4%
Non-performing loans to total Loans	(Non-performing Loans/ Gross Loans & Advance) *100%	0%	0%
Growth in deposits	Trend (increase in deposits/2019 total deposits)	-34%	5%
Capital adequacy:			
Tier 1 Capital ratio	Core capital/Risk weighted assets including off balance sheet items	245.73%	219.29%
Tier 1 + Tier 2 Capital ratio	Total capital / Risk weighted assets including off balance sheet items	247.24%	219.29%

19. PERFORMANCE FOR THE YEAR

Statement of profit of loss and other comprehensive income

The Bank has reported a profit of TZS 4.49 billion during the year ended 31 December 2021 (2020: Profit of TZS 4.3 billion). The profit is mainly attributed by the increase in interest income from loans and advances, Interbank placements and Investment in government securities totaling to TZS 13.2 billion (2020: TZS 11.7 billion). The interest income generated by the Bank during the year under review was sufficient to cover operating expenses amounting to TZS 6.9 billion whereas a major part of expenses incurred by the Bank during the year was staff cost which was around TZS 2.8 billion (2020: TZS 3.6 billion).

Statement of financial position

As at 31 December 2021, the Bank had total assets amounting to TZS 107.17 billion (2020 TZS 107.54 billion). A significant part of assets in investment in government securities amounting to TZS 69.22 billion which is equivalent to 64% of total assets owned by the Bank, the Bank also managed to issue new loans and advances and the balance at year end stood at TZS 22.8 billion (2020: TZS 25.9 billion). As at year end the Bank had received deposits from customers amounting to TZS 8.7 billion (2020: TZS 13.2 billion).

Cashflow

In 2021, the Bank had investment in government securities amounting to TZS 69.2 billion (2020: 58.9 billion), lending to customers amounting to TZS 22.8 billion (2020: TZS 25.9 billion) and placement with other banks amounting to TZS 8.6 billion (2020: TZS 11.9 billion). On the other hand, deposits from customers stood at TZS 8.7 billion (2020: TZS 13.2 million). Such investment activities, lending to customers and accepting deposits from customers are the major factors explaining the Bank's movement in cash flow generated from operations. The Bank continues to maintain sound liquidity position to enable it to meet its cash flow commitments.

The audited financial statements for the year are set out on pages 27 to 30.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

20. KEY ACHIEVEMENT DURING THE YEAR

During the year ended December 2021 the bank achieved to earn a profit of TZS 4.4billion, Total assets reached TZS 107 billion with customer deposits of TZS 8.7billion and have managed to grant loan facilities to different sector such as Real estate, Manufacturing, Trade, Health and Personal loan totaling TZS 23 billion of which helped to grow country's economy in each respective sector.

21. FUTURE DEVELOPMENTS PLANS

As per the Bank's business objectives, the Bank intends to increase its customer base, give support to local and international customers, expand inside and outside the boundaries of Tanzania and secure profit of the shareholders.

22. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the year with related parties were conducted at terms and conditions similar to those offered to other clients and in the normal course of business. Details of transactions and balances with related parties are included in Note 24 to the financial statements.

23. ETHICAL BEHAVIOUR AND ORGANIZATION INTERGRITY

China Dasheng Bank Limited's corporate governance structure involves managing and controlling relationships amongst different stakeholders, Board of Directors, employees, customers, suppliers and the community at large. The Board and all employees of the Bank observe values and ethical business all its business interactions and relationships to stakeholders.

24. RELATIONSHIP WITH STAKEHOLDERS

In fulfilling their responsibilities, Directors believe that they govern the Bank in the best interests of shareholders, whilst having due regard to the interests of other stakeholders in the bank including customers, employees, regulators and suppliers. The Bank continues to maintain good relationship with all stakeholders.

25. LOCAL AND INTERNATIONAL RELATIONS

The Board through its mission statement which is to become the bridge of economic Cooperation between China and Tanzania by Providing Swift and convenient international banking services, and to satisfy various requirement of Chinese and Tanzania customers by providing quality products and highly efficient financial service brings home the local and international relations.

In order to enhance yields to shareholder value, the bank looks forward to increasing its business. This ambition is backed up by the changes of government's policies after 2021. The current government policies support FDI, strengthen private sector and international corporation.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

26. EMPLOYEES WELFARE

Management and employees' relationship
Management took measures to build strong workplace relations by ensuring that employees lived up to the standards of the Bank's culture and values while maintaining effective communication at all levels.

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 which does not impair ability to discharge duties.

Training
There is training plan, all staff attended different trainings as per plan. During the year the Bank spent TZS 89.6 million (2019: 43.10 million) on staff training in order to improve employees' technical skills and hence effectiveness.

Medical assistance
All staff have medical insurance which also covers their families up to the maximum of four members. The Bank provides medical assistance to its employees through an external medical insurance company, whereas the Bank is responsible for paying annual insurance premiums.

Health and safety
All staff have medical insurance and also trained on security issues.

Financial assistance to staff
Staff are provided with personal loans with favorable interest rate.

Persons with disabilities
Our policy gives equal employment opportunity to every person provided that one has required qualifications.

Employees benefit plan
All eligible employees are members of approved pension funds. The Bank makes contributions to publicly administered pension plans on mandatory basis which qualifies to be defined contribution plans with the Bank having no legal or contractual obligations to pay further top ups or contributions.

Staff leave
All staff are entitled to 28 days annual leave, women staff have 90 days maternity leave for one child or 100 days for twins, men have 3 days paternity leave when their wives get kids, 7 days compassionate leave on the event of death of parents, spouse, brother/sister and children and 14 days study leave provided the Bank approved the same studies.

Compensation benefits
The Bank has compensation plan which provide refund to some issues like employee development, provided that studies are approved and beneficial to the Bank.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

27. GENDER PARITY

The Bank gives equal opportunities to all Tanzanians during recruitment and filling of positions provided they have the required qualifications and ability. The following is the distribution of employees by gender:

Gender	2021	2020
Female	11	8
Male	17	17
Total	**28**	**25**

28. POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any political or charitable donations during the year under review (2020: Nil).

29. FIDUCIARY RESPONSIBILITY

Members of the Board of Those charged with governance as stewards of public trust always acted for the good of the bank rather than for the benefit of themselves throughout the period. Reasonable care was exercised in all decisions taken by the bank without placing the Bank under unnecessary risks

30. ENVIRONMENTAL CONTROL PROGRAME

In its mission to support the Government efforts on environmental protection programs the Bank usually support business activities that are environment friendly. The bank has made efforts that prohibits in addition, lending to activities that are environmentally unfriendly, which in this regard is also highly discouraged. The Bank when making a lending decision, should always insist on a Certificate of Compliance from bodies charged with the responsibility of managing the environment when considering facilities that appear to be environmentally unfriendly.

31. LEGAL AND REGULATORY REQUIREMENTS

The board ensures that the bank is able to discharge its duties and comply with the requirements of statutory/regulatory bodies that affect the functioning and responsibilities of the bank:

- Annually review and approve the Compliance Plan and ensure the necessary resources and budget available.
- Review and confirm the unrestricted access to key personnel and no undue restrictions have been placed on scope.
- Review compliance practices and procedures for enabling the Directors of the Company to discharge their regulatory and reporting responsibilities.
- Review the relationship and material communications, with the Company's regulators, including annual compliance statements.
- Satisfy itself that the Head of Compliance provides regular information on the level of compliance with laws and regulations or supervisory requirements and annually reports to

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

31. LEGAL AND REGULATORY REQUIREMENTS (Continued)

the Committee on the overall status of compliance and any significant breakdowns that caused or may cause material loss or penalty.

- Consider any significant compliance risk matters reported by the Head of Compliance and monitor progress in rectifying these matters.

32. RESOURCES

33.1. Human Resources

The Bank has skilled and experienced employees who are considered as key resource in pursuing its business objectives. As at 31 December 2021 the number of employees were 28 of which 11 were females and 17 males.

During the year the Bank spent TZS 89.6 million on staff training to improve employee's technical skills and hence effectiveness.

33.2. Financial resources

The bank is financed by Ordinary share capital which comprises six companies' shareholding namely: Shanghai Huahu Equity Investment Co. Ltd, 20.00%; Suzhou New District Hi-Tech Industrial Co. Ltd, 18.75%; Changzhou Sanyou Real Estate Developing Co. Ltd, 17.50%; Shanghai Jinfengyu Cereals Industry Co. Ltd, 16.25%; Jiangsu Overseas.

33. ACCOUNTING POLICIES, CRITICAL JUDGEMENT AND ESTIMATES

Results of the Bank are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. When preparing the financial statements, it is Those charged with governance' responsibility under the Tanzania Companies Act 2002 to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent. The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgment involved, including the use of assumptions and estimation, are described in Notes 2 to the financial statements.

34. PREJUDICIAL ISSUES

In the opinion of directors, there are no prejudicial issues that may affect the Bank.

35. CAPITAL COMMITMENT

As at 31 December 2021, the Bank had no capital commitments (2011: Nil). The Bank had no other outstanding commitments such as unutilized overdraft facilities, undrawn formal standby facilities, or other commitments to lend as at the reporting date.

36. EVENTS AFTER REPORTING PERIOD

Declaration of dividend

On 18 March 2022, the Board of Directors declared dividend of TZS 3.3 billion which is TZS 82 for each share owned being 3.68% per share price in respect of financial year ended 31 December 2021.However the events is considered to be non-adjusting event as per IAS 10.

REPORT BY THOSE CHARGED WITH GOVERNANCE (Continued)

36. EVENTS AFTER REPORTING PERIOD (Continued)

Transfer of share

On 18 March 2022, the Board approves the share transferred which entered on 14 February 2022 between Mr. Yu Jiaqin (Seller) and Shanghai Jinfengyu Cereals Industry Co. Ltd (Buyer) on sell shares of TZS 890.4 million equivalent to 400,000 shares accounting to 1% of the Bank shareholding. However, the event is non-adjusting event as required by IAS 10.

37. IMPACT OF COVID 19

As per the requirement of BOT circular in response to COVID-19, the bank reassessed its clients' ability to do repayments with the view of discussing flexibility in loan repayment. With exception of one client who brought request for interest reduction due to failure of his Engineers for Machinery installation from China travelling to Tanzania due to COVID-19 pandemic created impact in the performance of his business. Management reduces his interest rate from 19% to 15% and restructured the Overdraft of TZS 2.3 billion to term loan. No other customer struggled with COVID-19 hence the business was not much impacted by the effects of the COVID-19. The bank has continued to be profitable in the year ended 2021 despite the pandemic.

During the year, no managerial decision that was made due to impact of COVID-19 that had a financial implication that warrant a separate disclosure of facts. There was neither reduction of interest rates nor suspension of products because of impact assessment of COVID-19

38. RESPONSIBILITY OF AUDITORS

The objective of an auditor is 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 auditors' report that includes opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

39. INDEPENDENT AUDITORS

M/s INNOVEX Auditors, Certified Public Accountants of PO Box 75297, Dar es Salaam were appointed as the independent auditors of China Dasheng Bank Limited for the year ended 31 December 2021. The auditors have expressed their willingness to continue in office. A resolution proposing the reappointment of auditors of the Bank for the year ending 31 December 2022 will be put to the Annual General Meeting.

Approved by Board of Directors for issue on 18/03/2022 **and signed on its behalf by:**

Bao Dongqiang	**Cheng Ji**
Ag. Chairperson	**Chief Executive Officer**

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of 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 China Dasheng Bank Limited will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by Board of Directors for issue on 18/03/2022 **and signed on its behalf by:**

Bao Dongqiang	**Cheng Ji**
Ag. Chairperson	**Chief Executive Officer**

DECLARATION OF THE HEAD OF FINANCE

The National Board of Accountants and Auditors (NBAA) according to the power conferred, under the Auditors and Accountants (Registration) (Amendment) Act 2021, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge its responsibility of preparing financial statements showing true and fair view of the entity financial position and performance in accordance with applicable International Financial Reporting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors of China Dasheng Bank Limited as indicated under the statement of directors' responsibilities.

I, **Guydon G. Chihwalo** being the Head of Finance at China Dasheng Bank, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2021 have been prepared in compliance with applicable accounting standards and statutory reporting requirements.

I, thus confirm that the financial statements of China Dasheng Bank Limited for the year ended 31 December 2021 give a true and fair view position as on that date and that they have been prepared based on properly maintained financial records.

Signed by:	....
Position:	Head Of Finance & Administration
NBAA Membership No:	GA 4512
Date:	18/03/2022

INNOVEX

The Board Chairperson
China Dasheng Bank Limited
Extelecoms House, Mezzanine Floor
Samora Avenue
PO Box 388
Dar es Salaam

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF CHINA DASHENG BANK LIMITED

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of China Dasheng Bank Limited set out on pages 27 to 76 which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the China Dasheng Bank Limited as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the Financial Statements section of our report. We are independent of China Dasheng Bank Limited in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in United Republic of Tanzania and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Impairment on loans and advances	
The key matters	**How the matter was addressed in our audit**
Expected Credit Loss on loans and advances Loans and advances to customers amounted to TZS 22.81 billion at 31 December 2021 (TZS	*Our audit procedures in this area, included among others:* • Testing of controls over the compilation and review of the credit

Impairment on loans and advances

The key matters	How the matter was addressed in our audit
25.98 billion as at 31 December 2020), and the total expected credit loss amounted to TZS 2.9 million as at 31 December 2021 (TZS 28.33 as at 31 December 2020). (Refer to Note 2.22, 3.5, 6 and 15) Measurement of loan impairment losses for loans and advance to customers is deemed a key audit matter as the determination of expected credit losses is highly subjective as it involves significant level of judgement applied by Management and is a significant estimate. The key areas where we identified significant levels of management judgement and therefore increased levels of audit focus on the Bank's impairment charge on loans and advances to customers are: • Quantitative and qualitative criteria used in determining criteria for significant increase in credit risk and default for classification of loans and advances to customers. • Choosing appropriate models and assumptions for the determination of probabilities of default (PD), exposures at default (EAD) and loss given default (LGD) and ultimately measurement of Expected Credit Loss (ECL); • Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated impact on ECL; • Estimation of cash flows from collateral realisation for secured facilities used in the determination of loss given default; and • Establishing groups of similar financial assets based on the shared risk characteristics for the purposes of measuring ECL	watch list, credit review processes, approval of external collateral valuation vendors and review of controls over the approval of impairment; • Testing the reasonableness and reliability of data used for estimating probability of default and loss given default; • Reviewing management model for establishing Stage 3 impairment amounts. This includes challenging reasonability of management assumptions through among others performing retrospective review of prior year assumptions. • Selecting a sample from the Bank's loan book and carry out tests to establish whether significant facilities are correctly staged/classified and valued based on IFRS as well as regulatory considerations; • Testing of a sample of key data inputs and assumptions impacting ECL calculations to assess the reasonableness of economic forecasts and PD assumptions applied; • Evaluating the appropriateness of the Bank's IFRS 9 methodologies including the SICR criteria used; • Testing the impairment calculations to check if the correct parameters – Probability of Default (PDs, Loss Given Default (LGDs), and Exposure at Default (EADs) were determined by considering local economic/portfolio factors; • Reviewing management method of determining groups of similar financial assets for purposes of measuring ECL to confirm that assets are properly

Impairment on loans and advances	
The key matters	**How the matter was addressed in our audit**
	stratified based on existing economic trends; and • Assessing whether the disclosures appropriately disclose the key judgements and assumptions used in determining the expected credit losses.

Other Information

The other information comprises the Bank Information, is the report of Those charged with governance, Statement of Those charged with governance Responsibilities and Statement of Head of Finance's Responsibilities. The other information does not form part of the financial statements and our auditor's report thereon. The Management are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Bank 's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank 's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- 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.

We 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 we identify during our audit.

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

From the matters communicated with those charged with governance, we 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. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

In respect of the foregoing requirements, we have no other matter to report.

The engagement partner on the audit resulting in this independent auditor's report is CPA Christopher Mageka.

INNOVEX Auditors
Certified Public Accountants
Dar es Salaam
Per Christopher Mageka, CPA-PP

INNOVEX AUDITORS P.O. Box 75291, DAR-ES-SALAAM

Date 24/03/2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 TZS '000	2020 TZS '000
Interest income	5	**13,695,145**	12,382,415
Interest expense	5	**(500,117)**	(670,905)
Net interest income		**13,195,028**	11,711,510
Fees and commission income	7	**194,024**	191,802
Net foreign exchange gain	8	**(21,839)**	88,257
Other income	9	**20**	19,729
Total operating income		**13,367,233**	12,011,299
Impairment charge	6	**9,368**	(3,733)
Net operating income		**13,376,601**	12,007,566
Employee benefits expenses	10	**2,706,035**	3,599,453
Administrative and other operating expenses	11	**2,264,086**	2,118,109
Depreciation and amortization	12	**1,845,231**	1,822,170
		6,815,352	7,539,732
Profit before income tax		**6,561,249**	4,467,834
Income tax expense	28.1	**(2,071,533)**	(171,688)
Profit for the year		**4,489,716**	4,296,146

The Notes on pages 31 to 76 form an integral part of these financial statements. The Financial Statements on pages 27 to 30 were approved by the Board of Those charged with governance and authorized for issue on 18/03/2022 and were signed on its behalf by:

Bao Dongqiang
Ag. Chairperson

Cheng Ji
Chief Executive Officer

Report of the independent auditors - page 23 to 26.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	Notes	2021 TZS '000	2020 TZS '000
ASSETS			
Cash and cash equivalents	13	**475,710**	4,589,221
Placement with other banks	14	**8,615,297**	11,966,571
Loans and advances to customers	15	**22,810,843**	25,984,623
Investment in government securities	16	**69,215,433**	58,890,487
Other assets	17	**1,145,917**	185,218
Property and equipment	18	**2,596,595**	3,207,589
Intangible assets	19	**2,236,851**	2,716,842
Tax receivable	28	**70,024**	-
TOTAL ASSETS		**107,166,670**	107,540,551
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits	20	**8,699,228**	13,201,731
Other liabilities	21	**2,279,145**	2,640,239
		10,978,373	15,841,970
EQUITY			
Share capital	22	**89,040,000**	89,040,000
Regulatory reserve	23	**586,678**	-
Retained earnings		**6,561,619**	2,658,581
		96,188,297	91,698,581
TOTAL LIABILITIES AND EQUITY		**107,166,670**	107,540,551

The Notes on pages 31 to 76 form an integral part of these financial statements. The Financial Statements on pages 27 to 30 were approved by the Board of Those charged with governance and authorized for issue on 18/03/2022 and were signed on its behalf by:

Bao Dongqiang
Ag. Chairperson

Cheng Ji
Chief Executive Officer

Report of the independent auditors - page 23 to 26.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Retained earning	Regulatory reserve	Total
Year ended 31 December 2020	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
At 1 January 2019	89,040,000	(1,637,565)	-	87,402,435
Profit for the year	-	4,296,146	-	4,296,146
At 31 December 2020	89,040,000	2,658,581	-	91,698,581
Year ended 31 December 2021				
At 1 January 2021	**89,040,000**	**2,658,581**	**-**	**91,698,581**
Profit for the year	**-**	**4,489,716**	**-**	**4,489,716**
Regulatory reserve	**-**	**(586,678)**	**586,678**	**-**
At 31 December 2021	**89,040,000**	**6,561,619**	**586,678**	**96,188,297**

The Notes on pages 31 to 76 form an integral part of these financial statements. The Financial Statements on pages 27 to 30 were approved by the Board of Directors and authorized for issue on 18/03/ 2022 and were signed on its behalf by:

Bao Dongqiang

Ag. Chairperson

Cheng Ji

Chief Executive Officer

Report of the independent auditors - page 23 to 26.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 TZS '000	2020 TZS '000
Cash flow from operating activities			
Profit before tax		**6,561,249**	4,467,834
Adjustments for:			
Depreciation and amortization	12	**1,845,231**	1,822,170
Impairment on loans and advances	6	**1,154**	(2,372)
Impairment on interbank placements	6	**(19,662)**	5,878
Impairment on government securities	6	**9,615**	624
Impairment on bank balances	6	**(475)**	(397)
Changes in working capital			
Increase in loans and advances	15	**3,172,626**	(2,992,355)
(Increase)/ Decrease in other receivables	17	**(960,699)**	621,699
Decrease in trade and other payables	21	**(292,175)**	(522,198)
Decrease in lease liability	26	**(68,919)**	(83,614)
Decrease placement with other banks	14	**3,370,936**	4,878,985
(Decrease)/Increase in deposits from customers	20	**(4,502,503)**	664,992
Tax paid	27	**(2,141,557)**	(156,344)
Net cashflow used in operating activities		**6,974,821**	8,704,902
Cash flows from investing activities			
Acquisition of property and equipment	18	**(339,011)**	(24,589)
Acquisition of intangible assets	19	**(443,137)**	(98,449)
Investment in government securities	16	**(10,334,561)**	(6,039,221)
Proceed from sale of non-current assets		**27,902**	
Net cash flow used in investing activities		**(11,088,808)**	(6,162,259)
Cash flows from financing activities			
Paid up share capital		**-**	-
Net cash generated from financing activities		**-**	-
Net increase in cash and cash equivalents		**(4,113,986)**	2,542,642
Cash and cash equivalents at the start of the year		**4,589,811**	2,047,169
Cash and cash equivalents at the end of the year	13	**475,825**	4,589,811

The Notes on pages 31 to 76 form an integral part of these financial statements. The Financial Statements on pages 27 to 30 were approved by the Board of Those charged with governance and authorized for issue on 18/03/ 2022 and were signed on its behalf by:

Bao Dongqiang
Ag. Chairperson

Cheng Ji
Chief Executive Officer

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

China Dasheng Bank Limited is a limited liability company incorporated under Companies Act No. 2 of 2002 with Certificate of Incorporation No. 133554 and domiciled in the United Republic of Tanzania. The Bank was then issued with a permanent banking business license No. CBA00066 by the Bank of Tanzania on 8 November 2018 and started banking operations in December 2018. The Bank is engaged in providing banking and related services stipulated by the Banking and Financial Institutions Act, 2006. The address of its registered office is as follows:

China Dasheng Bank Limited
Extelecoms House, Mezzanine Floor
Samora Avenue
PO Box 388
Dar es Salaam

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of compliance

The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS).

2.2 Basis of preparation

The financial statements of the Bank have been prepared in accordance with the International Financial Reporting Standards (IFRS). The standards also encompass the International Accounting Standards (IAS), International Financial Reporting Interpretation Committee (IFRIC) and the Standing Interpretation Committee (SIC). Additional information required by the Tanzania Companies Act 2002 were included where appropriate.

The financial statements comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the notes. The measurement basis applied in the preparation of these financial statements is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings rounded to the nearest thousands (TZS '000), which is the Bank's functional currency. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Those charged with governance to exercise judgment in the process of applying the Bank's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Those charged with governance believe that the underlying assumptions are appropriate and that the Bank's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Improvements to IFRSs

i. New and revised IFRSs mandatorily effective at the end of the reporting period

The following new or revised IFRSs were mandatorily effective and adopted by China Dasheng Bank Limited as at the end of the reporting period. The Bank has adopted these standards during the year ended 31 December 2021 and the standards had no impact on the current financial statements.

Name of standard	Changes made to the standard
Covid-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. Effective date : applicable to reporting periods commencing on or after 1 June 2020
Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	Amendments to Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) was done to address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting. • Modification of financial assets, financial liabilities and lease liabilities. The IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of standard	Changes made to the standard
	Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (continued) • Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements. • Disclosures. In order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about o how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition; o quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark; o to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks. The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform. The IASB has come to the conclusion that the application of all proposed amendments is mandatory. It also assessed that the nature of the proposed amendments is such that they can only be applied to modifications of financial instruments and changes to hedging relationships that satisfy the relevant criteria and, as such, no specific end of application requirements needed to be specified. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii. Standards and interpretations in issue but not yet effective

At the reporting date, the following new and/or revised accounting standards and interpretations were in issue but not yet effective and therefore have not been applied in these financial statements. China Dasheng Bank Limited has not yet assessed the impact of these changes on their financial statements when they become effective:

Name of standard	Changes made to the standard
IFRS 17 Insurance Contracts	IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of: • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Effective date: Originally 1 January 2021, but extended to 1 January 2023 by the IASB in March 2020
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of standard	Changes made to the standard
	The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.
Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. Effective date: applicable to reporting periods commencing on or after 1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date. Effective date: applicable to reporting periods commencing on or after 1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. Effective date: applicable to reporting periods commencing on or after 1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of standard	Changes made to the standard
	• IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. • IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. • IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. • • IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. Effective date: applicable to reporting periods commencing on or after 1 January 2022
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2. Effective date: applicable to reporting periods commencing on or after 1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Name of standard	Changes made to the standard
	The amendment is effective for accounting periods beginning on or after 1 January 2023 and is not expected to have any impact on the financial statements
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendment is effective for accounting periods beginning on or after 1 January 2023 and is not expected to have any impact on the financial statements
Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	The amendment extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification Amendment to IFRS 16 is effective for accounting periods beginning on or after 1 April 2021. The Directors are still assessing impact of IFRS 16 to the financial statements.

2.4 Current versus non-current classification

The Bank presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current. A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The bank classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.5 Interest income and expense

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Interest income and expense (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.
Any accrued but uncollected interest on credit accommodations placed on non-accrual basis shall be reversed and placed in suspense.

The Bank calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

2.6 Fees and commission income

Fees and commission income are recognized in the Statement of Profit or Loss and Comprehensive Income on the accrual basis. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank, the stage of completion at the balance sheet date can be measured reliably, the costs incurred, or to be incurred, in respect of the transaction can be measured reliably and the revenue can be reliably measured.
The Bank's turnover is in respect of performance of services less discounts, allowances and value added tax. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as 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 –such as arrangement of the acquisition of shares or other securities or the purchase or sale of business are recognized on completion of the underlying transaction

2.7 Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in Tanzania Shilling which is the Bank's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Foreign currencies (Continued)

(ii) Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

(iii) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of primary economic environment in which the Bank operates ("the functional currency"). The financial statements are presented in Tanzania Shilling which is the Bank's functional and presentation currency.

(iv) Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

2.8 Property and equipment

All categories of property, plant and equipment are initially recorded at historical cost. Subsequently, the assets are stated at historical costs, less accumulated depreciation and accumulated impairment in value.

Historical costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Costs of replacing part of the property and equipment and major inspection cost are capitalised if the recognition criteria are met as required by IAS 16. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss account during the financial year in which they occurred.

Depreciation is recognised in the profit or loss on a straight-line method over the estimated useful lives of each part of an item of property and equipment. Depreciation is charged on an annual basis as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Property and equipment (Continued)

Classes	Depreciation rate
Motor vehicle	20%
Computers	20%
Office equipment	20%
Computer equipment	20%
Furniture and fittings	20%
Leasehold improvements	20%
Right of use asset	Lease term

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other income in the profit and loss account.

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Gains and losses on disposal of property and equipment are determined by comparing proceeds with their carrying amount and are taken into account in determining operating profit.

2.9 Intangible assets

Intangible assets comprise computer software licenses and are recognized at cost. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured

Intangible assets are amortized using the straight-line method over their estimated useful economic life, generally not exceeding 5 years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Leasehold improvements

Leases of leasehold improvements are classified as operating leases; these include improvements made on leased Bank buildings for its head office and branch. The total payments made under operating leases are charged to profit or loss on a straight-line basis over the life of the lease period.

Leasehold improvements are stated at cost, less accumulated amortization and accumulated impairment in value. Leasehold improvements amortisations are calculated on straight line basis at annual rates estimated to write down the carrying values of the assets to their residual value over their expected useful lives which is currently 5 years.

2.11 Leases

Leases are classified under the single on-balance sheet model in the similar way to finance leases under IAS 17 which has been superseded by IFRS 16 with the exemptions for leases- leases of low- value assets (e.g personal computers) and short- term leases (i.e leases with a lease term of 12 months or less). At the commencement date of a lease, the liability is recognised to represent the obligation to make payment and an asset to represent the right to use the underlying asset during the lease term (i.e the right-of- use asset). The interest expense on lease liability and depreciation expenses on the right-of -use asset is separately recognised. The lease liability is remeasured upon occurrence of certain events (e.g a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine the payments). The amount of remeasurement of the lease liability is recognised as an adjustment to the right-of- use asset.

The organisation has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

Policy applicable from 1 January 2019

At inception of a contract, the organisation assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the organisation uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

At commencement or on modification of a contract that contains a lease component, the organisation allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the organisation has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The organisation recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Leases (Continued)

underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the organisation by the end of the lease term or the cost of the right-of-use asset reflects that the organisation will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the organisation's incremental borrowing rate. Generally, the organisation uses its incremental borrowing rate as the discount rate.
The organisation determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.
Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the organisation is reasonably certain to exercise, lease payments in an optional renewal period if the organisation is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the organisation is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the organisation's estimate of the amount expected to be payable under a residual value guarantee, if the organisation changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Leases (Continued)

The organisation presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets
The organisation has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The organisation recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the organisation determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee the organisation classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the organisation's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Leases (Continued)

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease, unless another systematic basis is more representative of the time pattern in which the benefit is derived from the leased asset.

2.12 Share capital

The Bank has only one class of ordinary shares which is classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

2.13 Cash and cash equivalents

In the statement of cash flow, cash and cash equivalents comprises of cash on hand, demand and time deposits with banks whose original maturities do not exceed three months together with short term highly liquid investments that are readily convertible to known mounts of cash and subject to insignificant risk of change in value. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2.15 Financial instruments

Financial instrument is any contract that gives rise to a financial asset of one entity, and a financial liability or equity instrument of another entity.

A financial asset or liability other than loans and advances to customers and balances due to customers are initially recognized when the Bank becomes party to the contractual provisions of the instrument (The trade date). For Loans and advances to customers are recognized when funds are transferred to the customers' accounts and the Bank recognizes balances due to customers when funds are transferred to the Bank.

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised costs,
- Fair value Through Other Comprehensive Income (FVOCI) and
- Fair Value Through Profit and Loss (FVPL).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments (Continued)

i. Financial instruments at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met:

- The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis
- The liabilities are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed, and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
- The liabilities (and assets until 1 January 2018 under IAS 39) containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Bank's own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss.

ii. Financial instrument at fair value through other comprehensive income.

Financial assets and liabilities are categorized as FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test

These instruments largely constitute those assets that had been previously classified as financial investments available for sale.

iii. Loans and advances to customers, financial investments at amortised cost.

The Bank only measures due from banks, loans and advances to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Loans and receivables are initially recognized at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the balance sheet as loans and advances to customers or as investment securities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Financial instruments (Continued)

iii. Loans and advances to customers, financial investments at amortised cost (Continued)

Interest on loans is included in the statement of profit or loss and is reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of profit or loss as 'loan impairment charges'.

2.16 Recognition of financial assets

Management determines the appropriate classification of its investments at initial recognition. The Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

2.17 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the balance sheet date.
In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment.
The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs. The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

2.18 Financial liabilities

After initial recognition, the Bank measures all financial liabilities including customer deposits other than liabilities held for trading at amortized cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Derivative financial instruments

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in profit or loss. These derivatives are trading derivatives and are classified as a current asset or liability.

2.20 Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.21 Classes of financial instruments

The Bank classifies the financial assets and liabilities into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen in the table as follows:

Item on balance sheet	Class
Financial assets	
Cash and cash equivalents	Amortised cost
Loans and advances to customers	Amortised cost
Placements in banks	Amortised cost
Financial liabilities	
Deposit from customers	Financial liabilities at amortised cost
Other liabilities	Financial liabilities at amortised cost

2.22 Impairment of financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Impairment of financial assets (Continued)

- The segmentation of financial assets when their ECL is assessed on a collective basis
- Development of ECL models, including the various formulas and the choice of inputs. Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

2.23 Offsetting financial instruments

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

2.24 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets (if any) that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.25 Tax

Income tax expense is the aggregate of the charge to the statement of profit or loss and other comprehensive income in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Tanzanian Income Tax Act, 2004 (Revised 2008).

Deferred tax is a tax arising due to timing difference in the value of assets as per applicable accounting standards as booked in the financial statements and as per Income Tax Act.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Tax (Continued)

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss, it is not accounted for.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

2.26 Employees' benefits

i. Short term benefits

The cost of all short-term employee entitlements to leave pay, medical aids, long service awards, other contributions etc. are recognized during the period in which the employees rendered the related services.

ii. Retirement benefits

The Bank's contributions in respect of retirement benefit costs are charged to the statement of profit or loss in the year to which they relate.

The Bank makes contributions to statutory defined contribution pension schemes. A defined contribution plan is a pension plan under which the Bank pays fixed contribution into a separate entity. The Bank has no obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and previous periods.

The Bank's obligations under the schemes are limited to specific contributions legislated from time to time.

2.27 General provision reserve

General provision is the banking risk reserve that represents the surplus of loan provision computed as per the Bank of Tanzania regulations over the impairment of loans and advances. This is a non-distributable reserve.

2.28 Comparatives

Wherever considered necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the bank's accounting policies.

3.1 Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates.

3.2 Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3.3 Deferred tax asset

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and on-going tax planning and strategies. There were no deferred tax assets recognized by the organization in year 2021 (2020: TZS Nil).

The judgments take into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income, and future reversals of existing taxable temporary differences.

3.4 Property, equipment and intangible assets

Critical estimates are made by Those charged with governance in determining the useful lives of property, equipment and intangible assets as well as their residual values. The Bank reviews the estimated useful lives of property, equipment and useful lives at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other (losses)/gains – net' in profit or loss. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

3.5 Impairment losses on loans and advances

To estimate the amount of loan impairment, the Bank uses requirements of both Bank of Tanzania Management of Risks Regulation, 2014 as well as IFRS 9. Under BOT regulation all loans were categorized in current status no provision was taken as general provision, following changes in BOT requirements.

Under IFRS 9, the loans as at reporting date are categorized under Stage 1 as they have not yet fallen due and some (staff loans) under Stage 3 as they have significantly increased in credit risk. Under requirements of IFRS 9 an entity is required to make an ongoing assessment of Expected Credit Losses (ECL) and therefore requires earlier recognition of credit losses, ECL is derived as EAD x PD x LGD.

The key elements for ECL calculations are, as follows:

- PD - The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments
- LDG – The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The Bank's LDG was zero as at reporting date due to the fact that the expected realization from collateral is greater than the EAD, hence no impairment loss was expected.

3.6 Leases

In implementing IFRS 16 the Bank made various judgment and assumptions to determine the amount of Right of Use Asset and Lease liability to be recognized as per the requirements of the standard.

The key judgments and assumptions made by the Bank are as follows;

- Lease contracts that are to be included in the computation of IFRS 16 needs to be of more than 12 months and of high value (More than USD 5000)
- The incremental borrowing rate used is 15.49% which is the interbank lending rate.
- The lease term has been established as twice of the current existing lease term with the judgment that the Bank is going to renew the existing lease contracts.
- There are no estimates of dismantling costs to be incurred after the end of the lease term.

4 FINANCIAL RISK MANAGEMENT

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business.

The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank

regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Board of Those charged with governance has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign-exchange risk, interest-rate risk, credit risk, and liquidity risk.

The Bank has exposure to the following risks from its use of financial instruments:

(a) Credit risk
(b) Liquidity risk
(c) Foreign exchange risk
(d) Interest rate risk

This Note presents information about the Bank's exposure to each of the above risks, its objectives, policies and processes for measuring and managing the risks.

4.1 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's trade and other receivables.

The Bank's principal financial assets are cash and bank balances as well as accounts receivables. The credit risk on bank balances is limited because the China Dasheng Bank banks with established and well recognised banking institutions. Trade receivables comprise a limited customer base. Management evaluates credit risk relating to customers on an ongoing basis.

4.1.1 Credit risk measurement

Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations and (ii) current exposures to the counterparty and its likely future development, from which the bank derives the 'exposure at default'. These credit risk measurements, which reflect expected loss (the 'expected loss model'), are embedded in the Banks' daily operational management.

4. FINANCIAL RISK MANAGEMENT (Continued)

The operational measurements can be contrasted with impairment allowances required under IFRS 9, which are based on expected losses.

Customers of the Banks are segmented into five rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

Banking internal rating

Bank's rating	Past due (Days)	Description of grade	Provisioning rate
1	0-30	Current	Nil
2	31-90	Especially Mentioned	3%
3	91-180	Sub-standard	20%
4	181-360	Doubtful	50%
5	361-	Loss	100%

4.1.2 Risk limit control and mitigation policies

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

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

Collateral

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

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss, the bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1 Credit risk (Continued)

4.1.3 Impairment losses on loan and advances

At each balance sheet date, all financial assets are subject to review for impairment. If it is probable that the Bank will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortized cost, an impairment loss has occurred.

The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate (recoverable amount). The carrying amount of the asset is reduced to its estimated recoverable amount. The amount of the loss incurred is included in income statement for the period.

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognized directly in equity is removed from equity and recognized in the income statement for the period even though the financial asset has not been derecognized.
Impairment assumptions and calculations are as detailed under Note 3.5.

Credit risk

	Neither past due not impaired	Not past due but impaired	Past due and impaired	Total
31 December 2021	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Cash and cash equivalents	475,710	-	-	475,710
Loans and advances to customers	-	22,810,843	-	22,810,843
Placement with other banks	-	8,615,297	-	8,615,297
Investment in Government securities	-	69,215,433	-	69,215,433
	475,710	100,641,573	-	101,117,283
31 December 2020	**TZS '000**	**TZS '000**	**TZS '000**	**TZS '000**
Cash and cash equivalents	4,589,221	-	-	4,589,221
Loans and advances to customers	-	25,984,623	-	25,984,623
Placement with other banks	-	11,966,571	-	11,966,571
Investment in Government securities	-	58,890,487	-	58,890,487
	4,589,221	96,841,681	-	101,430,902

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2 Liquidity risk

Liquidity risk is the risk that the Bank will not be able to meet its financial obligations as they fall due. The Bank 's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank 's reputation. Liquidity is further managed by monitoring forecast cash flows to ensure that the Bank has adequate cash resources to meet its short-term commitments.

The Bank ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Bank's board of Those charged with governance.

Banking operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, those charged with governance ensure that the mismatch is controlled in line with allowable risk levels and includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

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

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2021 to the contractual maturity date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT (Continued)
4.2 Liquidity risk (Continued)

	Up to 1 month TZS '000	1-3 months TZS '000	3-12 months TZS '000	Over 12 months TZS '000	Total TZS '000
31 December 2021					
Assets					
Cash and cash equivalent	475,710	-	-	-	475,710
Loans and advances to customers	1,650,045	1,078,985	2,191,375	17,890,439	22,810,843
Placement with other banks	1,880,297	1,172,500	5,562,500	-	8,615,297
Investment in Government securities	-	-	-	69,215,433	69,215,433
Other assets	-	-	-	1,145,916	1,145,916
Total financial assets	4,006,052	2,251,485	7,753,875	88,251,788	102,263,200
Liabilities					
Deposits from customers	518,333	-	182,639	-	700,971
Deposits due to other banks	1,328,257	1,150,000	5,520,000	-	7,998,257
Other liabilities	-	-	-	2,279,145	2,279,145
Total liabilities	1,846,590	1,150,000	5,702,639	2,279,145	10,978,373
Liquidity gap	2,159,462	1,101,485	2,051,236	85,972,644	91,284,827
31 December 2020					
Assets					
Cash and cash equivalent	4,589,221	-	-	-	4,589,221
Loans and advances to customers	1,090,409	-	-	24,894,214	25,984,623
Placement with other banks	-	-	11,966,571		11,966,571
Investment in Government securities	-	-	3,980,210	54,910,277	58,890,487
Other assets	-	-	-	185,218	185,218
Total financial assets	5,679,630	-	15,946,781	79,989,709	101,616,120
Liabilities					
Deposits from customers	2,393,599	-	357,166	-	2,750,765
Deposits due to other banks	10,450,966	-	-	-	10,450,966
Other liabilities	-	-	-	2,640,239	2,640,239
Total liabilities	12,844,565	-	357,166	2,640,239	15,841,970
Liquidity gap	(7,164,935)	-	15,589,615	77,349,470	85,774,150

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3 Foreign exchange risk

The Bank records transactions in foreign currencies at the rates in effect at the date of the transaction. The Bank retranslates monetary assets and liabilities denominated in foreign currencies at the rates of exchange in effect at the statement of financial position date. All the gains or losses arising from changes in the currency exchange rates are accounted for in the statement of profit or loss and other comprehensive income.

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

The currency changes can result in unpredictable gains and losses to the Bank when receivables are converted or translated from a foreign currency into the local one. The Bank held foreign denominated net monetary assets worth TZS 15 billion as at 31 December 2021. If Tanzanian Shillings strengthened or weakened by 5% the reported gain or loss on foreign exchange would be higher or lower by TZS 314 million

The Bank had the following currency exposure position (all amounts expressed in thousands).

	2021		2020	
	USD '000	**TZS '000**	USD '000	TZS '000
Exchange rate (TZS 2,325/USD)				
As at 31 December				
Assets				
Cash and cash equivalents	**60**	**137,472**	45	103,649
Loans and advances to customers	**6,656**	**15,308,186**	7,797	18,128,094
Total financial assets	**6,716**	**15,445,659**	7,842	18,231,743
Liabilities				
Deposits from customers	**207**	**475,833**	1,050	2,441,979
Other liabilities	**3,775**	**8,682,903**	5,166	12,010,624
Total liabilities	**3,982**	**9,158,736**	6,216	14,452,603
Net open position	**2,733**	**6,286,922**	1,626	3,779,140
Gain or loss if TZS strengthened by 5%		**314,346**		188,957

4.4 Interest rate risk

Interest rate risk is the risk that the future cash flows or the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Bank take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank's board sets limit on the level of mismatch of interest rate re pricing that may be undertaken, which is monitored daily by the Bank. The table below summarizes the Bank's exposure to interest rate risks.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT (Continued)

4.4 Interest rate risk (Continued)

	Up to 1 month TZS '000	1-3 months TZS '000	3-12 months TZS '000	1-5 Years TZS '000	Non- interest bearing TZS '000	Total TZS '000
31 December 2021						
Assets						
Cash and cash equivalents	-	-	-	-	475,710	475,710
Loans and advances to customers	1,650,045	1,078,985	2,191,375	17,890,439	-	22,810,843
Placement with other banks	1,880,297	1,172,500	5,562,500	-	-	8,615,297
Investment in Government securities			-	69,215,433	-	69,215,433
Other assets	-	-	-	-	1,145,916	1,145,916
Total financial assets	**3,530,342**	**2,251,485**	**7,753,875**	**87,105,872**	**1,621,626**	**102,263,200**
Liabilities						
Deposits from customers	241,190	-	182,639	-	277,142	700,971
Deposits due to other banks	1,328,257	1,150,000	5,520,000	-	-	7,998,257
Other liabilities	-	-	-	-	2,279,145	2,279,145
Total financial liabilities	**1,569,447**	**1,150,000**	**5,702,639**	**-**	**2,556,287**	**10,978,373**
Interest rate sensitivity gap	**1,960,894**	**1,101,485**	**2,051,236**	**87,105,872**	**(934,661)**	**91,284,827**

	Up to 1 month TZS '000	1-3 months TZS '000	3-12 months TZS '000	1-5 Years TZS '000	Non- interest bearing TZS '000	Total TZS '000
31 December 2020						
Assets						
Cash and cash equivalents	-	-	-	-	4,589,221	4,589,221
Loans and advances to customers	1,090,409	-	-	24,894,214	-	25,984,623
Placement with other banks	-	-	11,966,571	-	-	11,966,571
Investment in Government securities			3,980,210	54,910,277	-	58,890,487
Other assets	-	-	-	-	185,218	185,218
Total financial assets	1,090,409	-	15,946,781	79,804,491	4,774,439	101,616,120
Liabilities						
Deposits from customers	279,692	-	357,166	-	2,113,908	2,750,765
Deposits due to other banks	10,450,966		-	-	-	10,450,966
Other liabilities	-	-	-	-	2,640,239	2,640,239
Total financial liabilities	10,730,658	-	357,166	-	4,754,147	15,841,970
Interest rate sensitivity gap	(9,640,249)	-	15,589,615	79,804,492	20,291	85,774,150

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT (Continued)

4.5 Fair values of financial assets and liabilities

4.5.1 Fair value of financial instruments

The following table summarizes the carrying amounts and fair values of those financial assets and liabilities.

	Carrying amounts		Fair values	
	2021	2020	**2021**	2020
	TZS '000	TZS '000	**TZS '000**	TZS '000
Financial assets				
Cash and cash equivalent	**475,710**	4,589,221	**475,710**	4,589,221
Loans and advances to customers	**22,810,843**	25,984623	**22,810,843**	25,984623
Placement with other banks	**8,615,297**	11,966,571	**8,615,297**	11,966,571
Investment in Government securities	**69,215,433**	58,890,487	**69,215,433**	58,890,487
Other assets	**1,145,916**	185,218	**1,145,916**	185,218
Total financial assets	**102,263,200**	101,616,120	**102,263,200**	101,616,120
Financial liabilities				
Deposits from customers	**700,971**	2,750,765	**700,971**	2,750,765
Deposits due to other banks	**7,998,257**	10,450,966	**7,998,257**	10,450,966
Other liabilities	**2,279,145**	2,640,239	**2,279,145**	2,640,239
Total liabilities	**10,978,373**	15,841,970	**10,978,373**	15,841,970

The carrying amount of financial assets and liabilities approximate their fair values.

4.5.2 Fair value hierarchy and measurement

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT (Continued)

4.5 Fair values of financial assets and liabilities (Continued)

4.5.2 Fair value hierarchy and measurement (Continued)

	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS'000	Total TZS '000
31 December 2021				
Financial assets				
Cash and cash equivalent	-	475,710	-	475,710
Loans and advances to customers	-	22,810,843	-	22,810,843
Placement with other banks		8,615,297		8,615,297
Investment in Government securities		69,215,433		69,215,433
Other assets	-	1,145,916	-	1,145,916
Total financial assets	-	102,263,200	-	102,263,200
Financial liabilities				
Deposits from customers	-	700,971	-	700,971
Deposits due to other banks		7,998,257		7,998,257
Other liabilities	-	2,279,145	-	2,279,145
Total liabilities	-	10,978,373	-	10,978,373
31-December 2020				
Financial assets				
Cash and cash equivalent	-	4,589,221	-	4,589,221
Loans and advances to customers	-	25,984,623	-	25,984,623
Placement with other banks		11,966,571		11,966,571
Investment in Government securities		58,890,487		58,890,487
Other assets	-	185,218	-	185,218
Total financial assets	-	101,616,120	-	101,616,120
Financial liabilities				
Deposits from customers	-	2,750,765	-	2,750,765
Deposits due to other banks		10,450,966		10,450,966
Other liabilities	-	2,640,239	-	2,640,239
Total liabilities	-	15,841,970	-	15,841,970

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT (Continued)

4.5 Fair values of financial assets and liabilities (Continued)

Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer/Bank of Tanzania quotes for similar instruments;
- Quoted prices for identical or similar assets or liabilities in markets that are not active.

All Bank's assets and liabilities are classified as level two with carrying values equal to fair values, therefore there are no fair value adjustments.

4.5.3 Categories of financial instruments

	Amortized cost TZS '000	Held to maturity TZS '000	Total TZS '000
31 December 2021			
Financial assets			
Cash and cash equivalents	475,710		475,710
Loans and advances to customers	22,810,843	-	22,810,843
Placement with other banks	-	8,615,297	8,615,297
Investment in Government securities	-	69,215,433	69,215,433
Other assets	1,145,916	-	1,145,916
Total financial assets	24,432,469	77,830,730	102,263,200

	Financial liabilities at amortized costs TZS '000
Deposits from customers	700,971
Deposits due to other banks	7,998,257
Other payables	2,279,145
Total liabilities	10,978,373

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4.5.3 Categories of financial instruments (Continued)

	Amortized cost TZS '000	Held to maturity TZS '000	Total TZS '000
31 December 2020			
Financial assets			
Cash and cash equivalent	4,589,221		4,589,221
Loans and advances to customers	25,984,623	-	25,984,623
Placement with other banks	-	11,966,571	11,966,571
Investment in government securities	-	58,890,487	58,890,487
Other assets	185,218	-	185,218
Total financial assets	30,759,061	70,857,059	101,616,120

	Financial liabilities at amortized costs TZS '000
Deposits from customers	2,750,765
Deposits due to other banks	10,450,966
Other payables	2,640,239
Total liabilities	15,841,970

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT (Continued)

4.6 Capital management

The primary objectives of the Bank's capital management which is a broader concept than the 'equity' on the face of statement of financial positions are:

- To comply with the capital requirements set by the Bank of Tanzania (BOT).
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To maintain a strong capital base to support the development of its business.
- To ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business; and
- To maximize shareholders value.

Regulatory capital

The Bank of Tanzania sets and monitors capital requirements for the banking industry as a whole. The Bank of Tanzania has set among other measures, the rules and ratios to monitor adequacy of a Bank's capital. Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines, as implemented by the Bank of Tanzania (BoT), for supervisory purposes. The required information is filed with the BoT on a quarterly basis. In implementing current capital requirements, the Bank of Tanzania requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analysed in two tiers:

- Tier 1 capital, which includes ordinary share capital, retained earnings, after deductions for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.
- Tier 2 capitals, which includes qualifying subordinated liabilities and the element of fair value reserve relating to unrealized gains on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of tier 2 capital.

Tier 1 capital (Core capital) are also subjected to various limits like limitation in risk weighted assets by 10%, premises investments are not supposed to exceed 50% of core capital and movable assets are subjected to 20% limitation of core capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized in addition to the need to maintain a balance between the higher returns and that may be possible with greater gearing and the advantages and security afforded by sound capital position.

The table below summaries the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2021, the Bank complied with all of the externally imposed capital requirements to which they are subject.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. FINANCIAL RISK MANAGEMENT (Continued)

4.6 Capital management (Continued)

Regulatory capital	2021 TZS '000	2020 TZS '000
Tier 1 Capital		
Share capital	89,040,000	89,040,000
Retained earnings	6,561,619	2,658,581
Prepaid expenses	(78,843)	(58,648)
Total qualifying Tier 1 capital	95,522,776	91,639,933
Tier 2 Capital		
Regulatory reserve	586,678	-
General reserve	-	-
Total qualifying Tier 2 capital	586,678	-
Total regulatory capital	96,109,454	91,639,933
Risk - weighted assets		
On balance sheet position	37,869,344	38,396,581
Off balance sheet position	1,003,705	3,392,873
Total risk - weighted assets	38,873,049	41,789,454

	Required ratios	2021 Bank's ratio	2020 Bank's ratio
Tier 1 Capital	12.5%	245.73%	219.29%
Tier 1 + Tier 2 Capital	14.5%	247.24%	219.29%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 TZS '000	2020 TZS '000
5. NET INTEREST INCOME		
Interest income		
Interest Income - term Loan	**1,913,529**	1,910,124
Interest Income - overdraft	**739,059**	447,506
Interest Income-interbank	**740,425**	1,052,405
Interest Income- staff loan	**74,970**	55,648
Interest Income- T bonds and T bills	**10,227,162**	8,916,732
	13,695,145	12,382,415
Interest expense		
Interest Expenses-saving account	**13**	14
Interest Expenses-fixed deposits	**13,158**	8,239
Interest Expense- interbank borrowing	**486,946**	662,652
	500,117	670,905
	13,195,028	11,711,510
6. IMPAIRMENT CHARGE		
Impairment on loans (Note 15)	**1,154**	(2,372)
Impairment on interbank placements (Note 14)	**(19,662)**	5,878
Impairment on government securities (Note 16)	**9,615**	624
Impairment on bank balance (Note 13)	**(475)**	(397)
	(9,368)	3,733
7. FEES AND COMMISSION INCOME		
Service / transaction fees	**194,024**	191,802
8. NET FOREIGN EXCHANGE GAIN		
Realized gain	**26,059**	46,469
Unrealized foreign exchange gain	**(47,898)**	41,789
	(21,839)	88,258
9. OTHER INCOME		
Other Income	**20**	19,729
	20	19,729

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 TZS '000	2020 TZS '000
10. EMPLOYEE BENEFITS EXPENSES		
Salaries	**1,909,054**	3,021,606
Pension costs -defined contribution plan	**222,372**	273,363
Overtime	**9,503**	793
Skills and Development Levy	**93,138**	116,083
Acting allowance	**177,102**	11,232
Workman compensation	**17,630**	27,336
Recruitment expenses	**1,200**	1,275
Electricity for staff	**2,800**	1,700
Maintenance of staff residence	**2,608**	880
Food and beverages	**11,430**	25,086
Medical expenses	**91,982**	76,994
Training expenses	**89,599**	43,105
Leave allowance	**75,017**	-
Staff uniform	**2,600**	-
	2,706,035	3,599,453

11. ADMINISTRATIVE AND OTHER OPERATING EXPENSES		
Utility expenses	**36,000**	35,500
Business registration fee	**12,211**	11,844
Car rental expenses	-	-
Communication fees	**93,953**	92,297
Consultation fees	**338,975**	113,791
Consumable expenses	**12,879**	17,059
Parking charges	**9,255**	9,266
Service charge expenses	**10,391**	
Rent expenses (short term)	**32,627**	-
Stationeries expenses	**18,501**	13,291
Transport expenses	**14,628**	2,085
Travelling and accommodation	**69,913**	50,918
Working permit and visa	**10,319**	-
Entertainment expenses	**1,515**	8,505
Miscellaneous expenses	**10,477**	-
Security expenses	**43,471**	38,235
Cash in transit charges	**4,838**	6,608
Fuel Expense - motor vehicle	**22,620**	21,086
Correspondent bank charge	**13,245**	15,435
Office cleaning expenses	**30,353**	23,597
Postage expenses	**544**	624
Repairs and maintenance	**6,839**	5,377
Service contracts-hardware	**5,664**	1,416
Computer maintenance expenses	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. ADMINISTRATIVE AND OTHER OPERATING EXPENSES (Continued)

	2021 TZS '000	2020 TZS '000
Repairs and maintenance	258,704	163,051
Car wash	983	827
Insurance charges - properties and equipment	36,201	34,384
Advertisement expenses	11,846	18,230
Newspapers and periodicals	47,881	30,205
Directors - directors fees	469,276	664,215
Directors fees - directors meeting expense	17,830	591
Directors - sitting allowance	47,734	13,931
Directors – travelling and other expenses	22,339	-
Memberships & subscriptions	36,022	35,581
Deposit protection fund board	3,220	2,516
Cheque book production charges	474	187
City service levy	20,132	30,257
Government fees	1,260	4,130
Meeting expense	10,337	1,986
Swift expenses	67,823	57,134
Reuters equipment rental expenses	69,221	148,608
Service contract - software	82,378	192,641
Land rates expenses	2,855	1,131
Interest expense-lease liability	200,649	217,045
Audit fees	24,017	24,017
Legal fees	33,686	10,508
	2,264,086	2,118,109

12. DEPRECIATION AND AMORTIZATION

Depreciation of property and equipment (Note 18)	922,103	906,892
Amortization of intangible assets (Note 19)	923,128	915,278
	1,845,231	1,822,170

13. CASH AND CASH EQUIVALENTS

Cash in hand	283,246	143,203
Balance with Bank of Tanzania	152,214	4,411,825
Balance with other banks	40,365	34,783
	475,825	4,589,811
Impairment	(115)	(590)
	475,710	4,589,221

14. PLACEMENT WITH OTHER BANKS

Placement with other banks	8,410,000	11,730,000
Interest receivable on placements	228,462	279,398
	8,638,462	12,009,398
Impairment charge (Note 6)	(23,165)	(42,827)
	8,615,297	11,966,571

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 TZS '000	2020 TZS '000
14. PLACEMENT WITH OTHER BANKS (Continued)		
IMPAIRMENT CHARGE BY STAGE		
Stage 1 Expected credit losses	**(23,165)**	(42,827)
15. LOANS AND ADVANCES TO CUSTOMERS		
Term loan	**18,023,916**	21,447,331
Overdraft	**3,395,879**	3,364,382
Staff loan	**1,017,438**	796,433
Car loan	**-**	-
Interest receivable on term loan	**284,177**	326,950
Interest receivable on overdraft	**88,142**	73,555
Interest receivable on staff loan	**4,216**	4,300
Interest receivable on car loan	**-**	-
Impairment charge (Note 6)	**(2,925)**	(28,328)
	22,810,843	25,984,623
IMPAIRMENT CHARGE BY STAGE		
Stage 1 Expected credit losses	**(2,925)**	(4,789)
Stage 3 Expected credit losses	**-**	(23,539)
	(2,925)	(28,328)
16. INVESTMENT IN GOVERNMENT SECURITIES		
Treasury bills	**-**	3,987,506
Treasury bonds	**66,906,690**	53,064,541
Interest receivable on Treasury Bonds	**2,325,654**	1,845,736
	69,232,344	58,897,783
Impairment charge (Note 6)	**(16,911)**	(7,296)
	69,215,433	58,890,487
IMPAIRMENT CHARGE BY STAGE		
Stage 1 Expected credit losses	**(16,911)**	(7,296)
17. OTHER ASSETS		
Prepayments	**78,844**	58,648
Other receivable	**1,067,073**	103,857
Staff advance	**-**	22,713
	1,145,917	185,218

All assets reported under other assets are classified as current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. PROPERTY AND EQUIPMENT

	Leasehold improvement TZS '000	Motor vehicles TZS '000	Furniture and fittings TZS '000	Computers and related equipment TZS '000	Right of use asset TZS '000	Total TZS '000
31 December 2021						
Cost						
At the start of the year	869,516	31,000	330,691	2,460,712	1,529,590	5,221,509
Additions during the year	-	278,114	35,918	24,979	-	339,011
Disposal during the year	-	-	(54,089)	-	-	(54,089)
At 31 December 2021	869,516	309,114	312,520	2,485,691	1,529,590	5,506,431
Depreciation						
At 1 January 2021	410,028	16,528	138,898	1,109,851	338,615	2,013,920
Charge for the year	172,474	24,588	65,220	490,513	169,308	922,103
Disposal			(26,187)			(26,187)
At 31 December 2021	582,502	41,116	177,931	1,600,364	507,923	2,909,836
Net book value	287,014	267,998	134,589	885,327	1,021,667	2,596,595
31 December 2020						
Cost						
At the start of the year	869,516	31,000	314,197	2,452,617	1,529,590	5,196,920
Additions during the year		-	16,494	8,095		24,589
At 31 December 2020	869,516	31,000	330,691	2,460,712	1,529,590	5,221,509
Depreciation						
At 1 January 2020	235,648	10,311	75,033	616,728	169,308	1,107,028
Charge for the year	174,380	6,217	63,865	493,123	169,307	906,892
At 31 December 2020	410,028	16,528	138,898	1,109,851	338,615	2,013,920
Net book value	459,488	14,472	191,793	1,350,861	1,190,975	3,207,589

None of the Bank's property and equipment has been pledged as collateral against liabilities (2020: None).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19. INTANGIBLE ASSETS

	Computer software TZS '000	Software work in progress TZS '000	Total TZS '000
31 December 2021			
Cost			
At the start of the year	**4,616,387**	**38,234**	**4,654,621**
Additions during the year	**-**	**-**	**-**
Transfer in/(out)	**-**	**443,137**	**443,137**
At 31 December 2021	**4,616,387**	**481,371**	**5,097,758**
Amortization			
At 1 January 2021	**1,937,779**	**-**	**1,937,779**
Charge for the year	**923,128**	**-**	**923,128**
At 31 December 2021	**2,860,907**	**-**	**2,860,907**
Net Book value			
As at 31 December 2021	**1,755,480**	**481,371**	**2,236,851**
31 December 2020			
Cost			
At the start of the year	4,538,849	17,324	4,556,173
Additions during the year	77,538		77,538
Transfer from WIP		20,910	20,910
At 31 December 2020	4,616,387	38,234	4,654,621
Amortization			
At 1 January 2020	1,022,501	-	1,022,501
Charge for the year	915,278	-	915,278
At 31 December 2020	1,937,779	-	1,937,779
Net Book value			
As at 31 December 2020	2,678,608	38,234	2,716,842

Computer software represents the cost for the Oracle database system, the core banking i.e., SUNLINE CBS and SQL server.

Software reported as work in progress includes cost for development of truncation system, the software was not fully deployed as at reporting date.

None of the Bank's intangible assets have been pledged as collateral against liabilities (2020: None).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 TZS '000	2020 TZS '000
20. DEPOSITS		
Deposits from customers		
Saving accounts	**241,184**	279,685
Current accounts	**277,142**	2,113,908
Fixed deposits	**182,400**	355,727
Interest payable - Saving account	**6**	7
Interest payable - Fixed deposit	**239**	1,438
	700,971	2,750,765
Deposits with other banks		
To be settled within 12 months	**7,820,000**	10,230,000
Interest payable - deposits with other banks	**178,257**	220,966
	7,998,257	10,450,966
	8,699,228	13,201,731

	2021 TZS '000	2020 TZS '000
21. OTHER LIABILITIES		
Statutory payables	**223,047**	-
Tax payable	**37,507**	19,687
Account payable due to pre-operating expenses	**699,831**	996,179
Lease liability (Note 26)	**1,191,607**	1,260,525
Deferred appraisal fees	**119,297**	174,330
Provision for audit fees	**7,856**	23,760
Provision for consultancy fees	**-**	165,758
	2,279,145	2,640,239
Current and non-current portions		
Current portion	**1,087,538**	1,379,714
Non-current portion	**1,191,607**	1,260,525
	2,279,145	2,640,239

	2021 TZS '000	2020 TZS '000
22. SHARE CAPITAL		
Authorized share capital		
40,000,000 ordinary shares of TZS 2,226 each	**89,040,000**	89,040,000
Issued and fully paid-up share Capital		
40,000,000 ordinary shares of TZS 2,226 each	**89,040,000**	89,040,000

China Dasheng Bank Limited capital structure is made up with contribution from shareholders.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. REGULATORY RESERVE(SPECIFIC)

The statutory credit risk reserve represents amounts by which provision for loan losses determined in accordance with the Banking and Financial Institutions Act of 2006 exceeds those determined in accordance with IFRS.During the year under review the excess reserve was TZS 581million (2020: Nil)

	2021	2020
	TZS '000	TZS '000
Provision per BOT approach	**629,795**	-
Less: Provision per IFRS9/IAS 39	**(43,117)**	-
Excess taken as statutory credit risk reserve	**586,678**	-

	2021	2020
	TZS '000	TZS '000
At 1 January	-	-
Movement during the year:	-	-
Transfer from retained earnings during the year	**586,678**	
At 31 December	**586,678**	-

24. RELATED PARTY TRANSACTIONS AND BALANCES

Identification of related parties

Parties are considered to be related if the party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business, several banking transactions are entered into with related parties i.e., key management personnel and Those charged with governance, these include loans and deposits.

a) Transactions with related parties

Transactions entered with related parties during the year, includes payments to Those charged with governance, key management personnel and consultants working with the Bank. Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, excluding Those charged with governance of the Bank. They comprise the Chief Executive Officer and heads of departments who are reporting directly to the Chief Executive Officer.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

	2021 TZS '000	2020 TZS '000
Key management personnel remuneration	**2,465,916**	2,504,245
Directors fee	**469,275**	664,215
Directors sitting allowance	**47,734**	13,931
Interest income-staff loans	**74,970**	55,648
	3,057,895	3,328,039

a) Transactions with related parties (Continued)

Consultancy fees payable includes payments to Chief Executive Officer who is paid as a consultant.

b) Balances with related parties

	2021 TZS '000	2020 TZS '000
Consultancy fees payable	-	165,758
	-	165,758

Deposits

As at 31 December 2021 there was no deposit from related party (2020: NIL).

Loans and advances

Loans and advances	2021 TZS '000	2020 TZS '000
Staff loans	**1,017,438**	796,433
Interest receivable on staff loan	**4,216**	4,300
	1,021,654	800,733

25. LEASE

Leases as lessee

Maturity analysis of lease liabilities	2021 TZS'000	2020 TZS'000
Less than one year	**315,588**	315,588
Between one and five years	**944,937**	944,937
	1,260,525	1,260,525

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25. LEASE (Continued)

Leases as lessee (Continued)

At 31 December 2021:
The following amounts have been recognized in the statement of comprehensive income in respect of lease

	2021	2020
	TZS '000	TZS '000
Depreciation charge for right of use assets (Note 12)	**315,588**	169,308
Interest expense on lease liabilities (Note 11)	**876,018**	217,045
Total lease expenses recognized during the year	**1,191,606**	386,353
Actual lease payment during the year	**416,552**	342,108

Right of use assets recognised in the statement of financial position relate to the following classes of assets:

	Right of Use Asset	Depreciation	Carrying amount
31 December 2021	**TZS '000**	**TZS '000**	**TZS '000**
Property leases	**1,529,590**	**(507,923)**	**1,021,667**
31 December 2020			
Property leases	1,529,590	(338,615)	1,190,175

The Bank has entered into commercial leases for premises, these leases have an average life of between seven and nine years with renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

26. COMMITMENTS AND CONTINGENCIES

26.1 CAPITAL COMMMITMENTS
As at 31 December 2021, the Bank had no capital commitments (2020: Nil). The Bank had no other outstanding commitments such as unutilized overdraft facilities, undrawn formal standby facilities or other commitments to lend as at the reporting date.

26.2 CONTIGENT LIABILITIES
As at 31 December 2021 the Bank had four pending litigations which are not acknowledged as liabilities as follows;

a) An ex-employee is suing the Bank. The ex-employee claims a total of TZS 81million for unlawful termination of the contract. The award was in favor of the Bank, therefore the applicant filed for revision to the High court (Labor division).

B) An ex-employee is suing the Bank. The ex-employee claims a total of TZS 865 million for unlawful termination of the contract. This case is still on mediation stage.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

26. COMMITMENTS AND CONTINGENCIES(Continued)

26.3 COMMMITMENTS AND CONTIGENCIES (Continued)

c) An ex-employee is suing the Bank. The ex-employee claims a total of TZS 75 million for unlawful termination of the contract. This case is still on mediation stage.

d) An ex-employee is suing the Bank. The ex-employee claims a total of USD 1,235,810 equivalent to TZS 2.8 billion for unlawful termination of the contract. This case is still on mediation stage.

The bank has reviewed all its pending litigations and proceedings and has disclosed the contingent liabilities, wherever applicable, in its financial statements. The Company does not reasonably expect the outcome of these proceedings to have a material impact on its financial statements.

27. TAXATION

27.1 Income tax charge

	2021	2020
Tax expense	**TZS '000**	TZS '000
Current tax	**2,071,533**	171,688
Deferred tax	**-**	-
	2,071,533	171,688
Reconciliation		
Profit/(loss) before income tax	**6,561,249**	4,467,834
Tax calculated at the statutory tax rate of 30% (2020: 30%)	**1,968,375**	1,340,350
Tax effect of:		
Expenses not deductible for tax purposes	**655,798**	622,202
Expenses deductible for tax purpose	**(552,640)**	(564,997)
Turnover for the year	**-**	-
Unused tax credit	**-**	(1,225,867)
Income tax expense	**2,071,533**	171,688

27.2 Tax payable/repayable

	2021	2020
Tax payable/repayable	**TZS '000**	TZS '000
Opening balance	**15,343**	7,323
Charge for the year	**2,071,533**	171,688
Provisional tax paid	**(2,141,557)**	(156,345)
Tax paid during the year	**(15,343)**	(7,323)
Tax (repayable)/payable	**(70,024)**	15,343

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27. TAXATION (Continued)

27.3 Deferred tax

The recognition of deferred tax assets is subject to specific requirements in IAS 12. These require a deferred tax asset to be utilized to the extent that it is probable that the deferred tax asset will be recovered. The actual realization of the deferred tax assets depends on the generation of future taxable income during the periods in which the temporary differences become deductible and based on projected future taxable income and available Bank's strategies.

The Bank had a deferred tax assets of TZS 1,870.17 million as at 31 December 2021 (2020: TZS 1,860.09 million mainly on account of the accumulated tax losses from previous years. Below is a movement from year 2020 to 2021.

	2021	2020
	TZS '000	TZS '000
At beginning of the year	**(1,860,097)**	(695,460)
Property and equipment	**14,676**	46,718
General provisions	**(24,756)**	14,512
Estimated tax losses	**-**	(1,225,867)
At end of year	**(1,870,177)**	(1,860,097)

28. DIVIDEND DISTRIBUTION

The Bank has not declared dividend distribution during the year (2020: Nil).

29. SEGMENTAL REPORTING

As per the requirement of IFRS 8-Operating segments, an operating segment is a component of an entity: that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The Bank does not have such a component and hence there has been no segmental reporting in the current year.

30. EVENTS AFTER REPORTING DATE

Declaration of dividend

On 18 March 2022, the Board of Directors declared dividend of TZS 3.3 billion which is TZS 82 for each share owned being 3.68% per share price in respect of financial year ended 31 December 2021.However the event is non-adjusting event as required by IAS 10.

Transfer of share

On 18 March 2022, the Board approves the share transferred which entered on 14 February 2022 between Mr. Yu Jiaqin (Seller) and Shanghai Jinfengyu Cereals Industry Co. Ltd (Buyer) on sell shares of TZS 890.4 million equivalent to 400,000 shares accounting to 1% of the Bank shareholding. However, the event is non-adjusting event as required by IAS 10.