

# NBC MULTI-CURRENCY MEDIUM TERM NOTE PROGRAMME



## Information Memorandum in Respect of Tanzanian Shillings Three Hundred Billion (TZS 300 billion) Multi-Currency Medium Term Note Programme

This Information Memorandum is issued in compliance with all applicable laws including the Companies Act, Cap 212 (Act No. 12 of 2002), Capital Markets and Securities Act, Cap 79 (Act No. 5 of 1994 (as Amended)) and the Dar es Salaam Stock Exchange PLC Rules, 2022

**November 1<sup>st</sup>, 2022**

*This document is not for sale.*

# NBC Twiga Bond

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# CAUTIONARY STATEMENT

This Information Memorandum has been prepared in compliance with the Capital Markets and Securities Act, Cap 79, Companies Act, Cap 212 (Act No.12 of 2002) of the laws of Tanzania, Capital Markets and Securities (Guideline for the issuance of Corporate Bonds, Municipal Bonds and Commercial Papers), 2019 and the Dar Es Salaam Stock Exchange PLC. Rules, 2022.

A copy of this Information Memorandum has been delivered to the Capital Markets and Securities Authority (CMSA) for approval and to the Registrar of Companies (BRELA) for registration. Approval of this Information Memorandum by the CMSA should not be taken as an indication of the merits of National Bank of Commerce Limited or its application. The securities offered in this Information Memorandum have not been approved or disapproved by the CMSA.

Prospective investors should carefully consider the matters set forth under the caption "Risk Factors" in section 9 of this Information Memorandum. If you are in doubt about the contents of this Information Memorandum, you should consult your Investment Advisor, Stockbroker, Lawyer, Banker, or any other Financial Consultant.

## IMPORTANT INFORMATION

The Information contained in this Information Memorandum is provided in compliance with the requirements of the Companies Act Cap. 212 of the laws of Tanzania, the Capital Markets and Securities Act Cap. 79 of the laws of Tanzania, the Regulations of the Capital Markets and Securities Authority (CMSA) and the Rules of the Dar es Salaam Stock Exchange (DSE) in force at the date herein.

Lawhill & Co. Advocates, the legal advisors to the transaction, have given and not withdrawn their written consent to have their legal opinion included as part of this Information Memorandum in section 11.

This Information Memorandum contains the Reporting Accountant's opinion from Deloitte & Touche, which constitutes a statement made by an expert. Deloitte & Touche have given and not withdrawn their consent to the issue of the said statement in the form and context in which it is included in this Information Memorandum in section 12. KPMG is the company's Auditor.

# DIRECTORS DECLARATION

The Board of Directors of National Bank of Commerce Limited having made all reasonable inquiries, accepts responsibility for and confirms that this Information Memorandum contains all information with regard to the Company and the Offer, which is material in the context of the Offer, that the information contained in this Information Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Information Memorandum as a whole or any of such information or the expression of any such opinions misleading in any material respect. The directors of National Bank of Commerce, whose names appear in section 8 of this Information Memorandum, accept responsibility accordingly.



A blue ink signature of Dr. Elirehema Doriye, written in a stylized cursive script, positioned above a horizontal line.

**Dr. Elirehema Doriye**  
**Chairman, Board of Directors**



A blue ink signature of Edward Lyimo, written in a stylized cursive script, positioned above a horizontal line.

**Edward Lyimo**  
**Company Secretary**

# TERMS AND ABBREVIATIONS

Unless otherwise stated and as the context allows, the words in the first column have the meaning stated opposite them in the second column, throughout this Information Memorandum, its appendices, and enclosures. Words in the singular include the plural and vice versa, words signifying one gender include the other gender and references to a person include references to juristic persons and associations of persons:

Subject	Definition
<b>Advisors</b>	Means the Lead Transactional Advisors and Sponsoring Brokers, Legal Advisor, Reporting Accountants, Brokers and other advisors of the Issuer as provided in the Information Memorandum.
<b>Agency Agreement</b>	Means the agreement pursuant to which the Issuer covenants and agrees to perform the functions of the Note Agents as set out in the Agency Agreement
<b>Applicable Laws</b>	Means any laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority which may govern the Issue, the Conditions of the Notes and the Notes issued thereunder in accordance with which the same are to be construed
<b>Bank</b>	Means the National Bank of Commerce Limited as described in paragraph who is the Issuer of the Notes or the Issuer for the Program
<b>Banking and Financial Institution Act</b>	Means The Banking and Financial Institutions Act No. 5 of 2006, Cap. 342 of the laws of Tanzania
<b>BCBS</b>	Basel Committee on Banking Supervision
<b>Books closure period</b>	Means the period which is fifteen days prior to each Interest Payment date until the redemption in full of the Notes
<b>BOT</b>	Means the Bank of Tanzania established under the Bank of Tanzania Act, 2006
<b>Business Day</b>	Means a day which is (i) a business day within the meaning of the DSE PLC Rules, and (ii) (for the purposes of payment or calculation of Interest) a date on which banks are open for general business in Tanzania
<b>CAGR</b>	Means Compound Annual Growth Rate
<b>Capital Markets and Securities Authority or CMSA</b>	Means the Capital Markets and Securities Authority set up pursuant to the provisions of Capital Markets and Securities Act (Chapter 79 of the laws of Tanzania)
<b>CDS</b>	Means a central depository system maintained by the CSDR through the Central Securities Depository
<b>Companies Act</b>	Means The Companies' Act No. 12 of 2002, Cap. 212 of the laws of Tanzania
<b>Conditions</b>	Means the terms and Conditions to be endorsed on the dematerialized Notes as set out in Section 4 of this Information Memorandum
<b>CSD</b>	Means Central Securities Depository
<b>CSDR</b>	Means The CSD & Registry Company Limited
<b>CPI</b>	Consumer Price Index
<b>Default Rate</b>	Means the default rate of interest to be charged for late payment as specified in the relevant Pricing Supplement.
<b>Directors or Board</b>	Means the directors of the Issuer whose names are set out under the heading Board of Directors in Section 8 of this Information Memorandum
<b>DITF</b>	Dar es Salaam International Trade Fair
<b>DSE PLC</b>	Means Dar es Salaam Stock Exchange Public Limited Company
<b>EAC</b>	East African Community
<b>EAP</b>	East Asia and Pacific
<b>ECA</b>	Europe and Central Asia

<b>Subject</b>	<b>Definition</b>
<b>EMDE</b>	Emerging Market and Developing Economy
<b>ERMS</b>	Enterprise Resource Management Suit
<b>ERP</b>	Enterprise Resource Management
<b>Event of Default</b>	Means any one of the circumstances described in Condition 4.11. (Events of Default)
<b>Fixed-Rate Note</b>	Means a Note in respect of which interest is to be calculated and paid on a fixed rate basis as provided in Condition 4.6.2 and the relevant Pricing Supplement
<b>Floating Rate Note</b>	Means a Note in respect of which interest is to be calculated and paid on a floating rate basis as provided in section 4.6.2 and the relevant Pricing Supplement
<b>GePG</b>	Government Electronic Payment Gateway
<b>IMF</b>	International Monetary Fund
<b>Interest</b>	Means the amount of interest payable in respect of each Principal Amount of the Notes as determined in accordance with section 4.6.2
<b>Interest Determination Date</b>	Means the date on which the Floating Rate Notes Rate of Interest or the Fixed Rate Notes Rate of Interest is determined by the Calculation Agent in accordance with section 4.6.2
<b>Interest Rate</b>	Means either the Floating Rate Notes Rate of Interest or the Fixed Rate Notes Rate of Interest or any other rate determined in accordance with section 4.6.2
<b>ISIN</b>	Means International Securities Identification Numbering system
<b>Issue</b>	Means Medium Notes to be issued under the Medium Term Note Programme and in an aggregate amount of Tanzanian Shillings three hundred billion (TZS 300,000,000,000), or the equivalent in other currencies as specified in the relevant pricing supplement
<b>Issue Date</b>	Means the date upon which the relevant Tranche of the Notes is issued and as provided in the summary of the Notes
<b>Issue Price</b>	Means the price at which the Notes are issued by the Issuer (being, at the election of the Issuer, at par or at a discount to, or premium over their nominal amount as specified in the relevant Pricing Supplement)
<b>Issuer</b>	Means National Bank of Commerce Limited.
<b>LAC</b>	Latin America and the Caribbean
<b>Last Day to Register</b>	Means 1700 hours Tanzania time on the last Business Day before the first day of a Books Closure Period
<b>Material Contracts</b>	Have the meaning ascribed to it in paragraph 5.5 of the Legal Opinion
<b>Material Litigation</b>	Have the meaning ascribed to it in paragraph 5.7 of the Legal Opinion
<b>MENA</b>	Middle East and North Africa
<b>MTN</b>	Medium Term Note
<b>MUSE</b>	Mfumo wa Ulipaji Serikalini (Government Electronic Payment Gateway)
<b>Note Agent</b>	Means the Issue, the Calculation Agent, the Registrar, and the Fiscal Agent or any of them and their respective Successors from time to time
<b>Note Documents</b>	Means the Agency Agreement and other accompanying documents such as the relevant Pricing Supplement
<b>Noteholder</b>	And (in relation to a Note) “holder” means a person in whose name a Note is registered in the Register as at the relevant date or, in the case of joint holders, the first-named thereof
<b>Notes</b>	Means the notes comprising the TZS 300,000,000,000 Floating Rate and Fixed Rate Notes issued pursuant to the Agency Agreement
<b>OPEC</b>	Organization of the Petroleum Exploring Countries
<b>Placing Agent</b>	Means Tanzania Securities Limited, Optima Corporate Finance or such other agent that may be appointed as a placing agent.
<b>Pricing Supplement</b>	Means, in relation to a tranche, a pricing supplement supplemental to the Information Memorandum issued for the purpose of specifying the relevant issue details of such tranche
<b>Principal Amount</b>	Means the nominal amount of each Note endorsed on the Notes in respect of that Note
<b>Program</b>	Means the Medium-Term Notes Program



Subject	Definition
<b>Program Documents</b>	Means the National Bank of Commerce Limited Medium Term Note Issue Proposal of January 2022, the Information Memorandum and Extracts of Board Resolutions on the Program dated 25th February 2022 including amendments or addendum or supplements to such documents
<b>Register</b>	Means the register of Note-holders, which the Issuer will maintain or will procure to be maintained by the Registrar at its Specified Office in accordance with the Conditions and the Agency Agreement
<b>Registrar</b>	Means the person at its Specified Office appointed or acting as registrar pursuant to the Conditions and the Agency Agreement or, if applicable, any Successor Registrar at its Specified Office
<b>Relevant Authorities</b>	Means the Bank of Tanzania, Capital Markets and Securities Authority and Dar es salaam Stock Exchange
<b>ROA</b>	Return on Asset
<b>SADC</b>	South African Development Community
<b>SAR</b>	South Asia
<b>Senior Creditors</b>	Means all such persons who are unsubordinated creditors of the Issue
<b>Senior Notes</b>	Means the Notes issued with the status and other conditions set out in the Terms and Conditions and "Senior Note" shall be construed accordingly
<b>Series</b>	Means, in relation to those Notes of that Tranche that are issued on the same issue date, issue price and in respect of which, the first interest payment date is identical, and which may otherwise have differing terms as stipulated in the relevant Pricing Supplement
<b>Specified Office</b>	Means, in relation to any Note Agent, either the office identified with its name in the Conditions, or any other office notified to any relevant parties pursuant to the Agency Agreement
<b>Subordinated Notes</b>	Means the Notes issued with the status and other conditions set out in the Terms and Conditions and "Subordinated Note" shall be construed accordingly
<b>Successor</b>	Means, in relation to the Note Agent, such other or further person, as may from time to time be appointed pursuant to the Conditions and the Agency Agreement as a Note Agent
<b>Tanzania</b>	Means the United Republic of Tanzania and "Tanzania" shall be construed accordingly
<b>Tanzanian Shillings or TZS</b>	Denotes the lawful currency of Tanzania
<b>Tranche</b>	Means a series of Notes comprising one or more Series, that (except in respect of the first interest payment date and their issue price) have the identical terms of issue and are expressed to have the same Tranche number. Details applicable to each Tranche will be specified in the relevant Pricing Supplement
<b>USD</b>	Means United States Dollars

# CHAIRMAN'S STATEMENT

Dear Investors,

I present this Information Memorandum on behalf of the Board of Directors of National Bank of Commerce Limited. It is with pleasure that I offer you the opportunity to participate in investing in the TZS 300,000,000,000 National Bank of Commerce Limited Multi-currency Medium Term Note Program on the terms of this Information Memorandum.

This program will be National Bank of Commerce Limited's first public offer and will highlight how far we have come.

National Bank of Commerce Limited's mission and vision is to bring possibilities to people's lives.

National Bank of Commerce Limited offers financial solutions that create lasting value for clients, shareholders, people, and businesses in our communities. The Bank offers solution for all segments / sectors including inter alia corporates, SME, Retailers, Farmers as well as youth and women.

National Bank of Commerce Limited is now well positioned with a major presence in the country's main business hubs. The Bank consistently delivers a unique banking experience modeled around a one-stop financial solutions product offering for all sectors in the country.

At National Bank of Commerce Limited, we live by four values that have enabled us to succeed. These are: We drive high performance to achieve sustainable results, we are obsessed with the customer, our people are our strength and We have an African heartbeat.

We aim to become one of the key players in transforming the Tanzanian economy and taking it to the next level through the provision of financial solutions that enable the Government, Corporates, SME, and retail clients to achieve their economic objectives.

In the quest to grow its balance sheet and profitability, National Bank of Commerce Limited has embarked on several initiatives that will drive the agenda. Below are key measures and initiatives being implemented by management: Establishment of Mini Branches / Service Centres in strategic locations, Establishment of Super Agencies / Wakala Plus through Own Agency banking in areas with high economic activities, Adoption of the new requirements set out by the Public and Private Sector, Revamped SME proposition. Focus on customer base growth and deposit mobilization through Agri business, National Bank of Commerce Limited Shambani and

KUA NASI propositions. Becoming a truly digital bank by effectively moving the Network to a predominantly Alternative Channel Network which include Mobile and Internet Banking Enhancement, Retail Lending Automation and Strategic Partnership with Fintech & Mobile Network Operators to Drive Revenue.

The Bank will continue to focus on cost reduction initiatives, inter alia automation of key business processes, rigorous procurement processes, and contract review and re-negotiations.

On behalf of the board, the management, and the staff, I wish to thank most sincerely all those people who have been with us through this journey. I would particularly like to acknowledge the support of our shareholders, our partners, the government, our regulators and, above all, our clients. Let's work together towards enabling each of us to achieve what matters most.



A stylized handwritten signature in blue ink, appearing to read 'Elirehema Doriye', positioned above a horizontal line of small dots.

Dr. Elirehema Doriye  
Chairman, Board of Directors

# TRANSACTION ADVISORS

## LEAD TRANSACTION ADVISOR AND SPONSORING BROKER



**Tanzania Securities Limited,**  
2nd Floor, Jangid Plaza,  
Chabruma Street,  
P. O. Box 9821,  
Dar es Salaam,  
Tanzania

## CO - LEAD TRANSACTION ADVISOR AND CO-SPONSORING BROKER



**Optima Corporate Finance,**  
1st Floor, Togo Tower,  
Kinondoni Road,  
P. O. Box 4441,  
Dar es Salaam,  
Tanzania

## LEGAL ADVISORS



**Lawhill & Co. Advocates,**  
Lawhill House; 14112,  
Regent Estate,  
Lukuledi Street,  
Plot No. 198,  
House No. 12,  
P. O. Box 105646,  
Dar es Salaam,  
Tanzania

## REPORTING ACCOUNTANTS



**Deloitte & Touche,**  
3rd Floor,  
Aris House, Plot 152,  
Haile Selassie Road,  
Oysterbay,  
P. O. Box 1559,  
Dar es Salaam,  
Tanzania

## RECEIVING BANK



**National Bank of Commerce**  
*Conveniently Everywhere.*

**NATIONAL BANK OF COMMERCE LIMITED**  
NBC House,  
Sokoine Drive/Azikiwe Street,  
P. O. Box 1863,  
Dar es Salaam,  
Tanzania



**CSD & REGISTRY COMPANY LIMITED**  
2nd Floor,  
Kambarage House,  
6 Ufukoni Street.,  
PO Box 70081,  
Dar es Salaam,  
Tanzania.

# 1 GENERAL DESCRIPTION OF THE PROGRAMME

Under the Programme, the Issuer may from time-to-time issue Notes denominated in the currency specified in the relevant Pricing Supplement. The applicable terms of any Notes will be set out in the Terms and Conditions incorporated by reference into the Notes, as modified and supplemented by the relevant Pricing Supplement relating to the Notes and any Supplemental Information Memorandum. A summary of the Programme and the Terms and Conditions appears in Section 4 of this Information Memorandum.

This Information Memorandum will only apply to Notes issued under the Programme in an aggregate nominal amount which does not exceed TZS 300,000,000,000 or its equivalent in such other currencies as Notes are issued unless such amount is increased as set out below.

For the purpose of calculating the aggregate nominal amount of notes issued under the Programme from time to time. The TZS equivalent of Notes denominated in another currency shall be determined at or near the time when an agreement is reached between the Issuer and the relevant Placing Agent for the issue of such notes on the basis of the spot rate at such time for the sale of such TZS amount against the purchase of such currency or unit of account in the Dar es Salaam inter-bank foreign exchange markets, as quoted by the Issuer or any leading bank selected by the Issuer.

Below is the tentative timetable of the Medium-Term Note.

TRANCHES	DATES	AMOUNT
Tranche 1	December, 2022	30 billion
Tranche 2	October, 2023	50 billion
Tranche 3	September, 2024	50 billion
Tranche 4	September, 2025	50 billion
Tranche 5	September, 2026	50 billion
Tranche 6	September, 2027	70 billion

## 2 OFFER DETAILS AND FEATURES

### 2.1 SUMMARY OF THE ISSUE

The following overview is qualified in its entirety by the remainder of this Information Memorandum. Capitalised expressions used below in this overview have the definitions ascribed to them in the Terms and Conditions of the Medium-Term Notes unless otherwise defined in this Information Memorandum.

1	<b>Issuer or Company:</b>	National Bank of Commerce Limited
2	<b>Description:</b>	Multicurrency Medium Term Note ("MTN") Programme under which Fixed Rate Notes and Floating Rate Notes may be issued.
3	<b>Programme Size:</b>	Up to TZS 300,000,000,000 or the equivalent in other currencies at the date of issue, aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Placing Agreement, subject to the approval of the CMSA.
4	<b>Minimum Subscription Amount:</b>	As specified in the Relevant Pricing Supplement.
5	<b>Currency:</b>	The Notes will be denominated in Tanzanian Shillings ("TZS") or in other currency as otherwise stated in the relevant pricing supplement. Subject to any applicable legal or regulatory requirements, such currencies as may be agreed between the Issuer and the Arrangers, including, without limitation, US dollars, Euro, or any other freely transferable and freely convertible currency (each such currency being a "Specified Currency")
6	<b>Lead Transaction Advisor and Co-Lead Transaction Advisor</b>	Tanzania Securities Limited and Optima Corporate Finance.
7	<b>Lead Sponsoring Broker and Co-Lead Sponsoring Broker</b>	Tanzania Securities Limited (TSL) and Optima Corporate Finance.
8	<b>Fiscal and Calculating agent, Registrar, Paying Agent, Transfer Agent</b>	CSD & REGISTRY COMPANY LIMITED



9	<b>Auditors</b>	KPMG
10	<b>Legal Counsel:</b>	Lawhill & Co. Advocates
11	<b>Reporting Accountants</b>	Deloitte & Touche
12	<b>Method of Issue/ Distribution:</b>	Initial Public Offering (IPO) or Private placement by way of public offers, privately placed and listing by introduction or private placement without listing.
13	<b>Issue Price:</b>	Notes may be issued on a fully paid basis at their nominal amount or at a discount or premium to their nominal amount.
14	<b>Form of the Notes:</b>	The Notes will be issued in book-entry form as Dematerialized security.
15	<b>Initial Delivery of the Notes:</b>	The Notes will be uploaded into the CDS accounts on the Issue Date.
16	<b>Maturities:</b>	Unless otherwise permitted by the then current laws, regulations and directives, Subordinated Notes will have a maturity of not less than 3 years.
17	<b>Specified Denomination:</b>	Notes will be issued in such denominations as may be specified in the relevant pricing supplement.
18	<b>Fixed Rate Notes:</b>	Fixed interest will be payable on the date or dates in each year specified in the relevant Pricing Supplement.
19	<b>Floating Rate Notes:</b>	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> <li>by reference to 91-day, 182-day or 364-day Treasury Bill (or such other Benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or</li> <li>In any other manner as may be specified in the relevant Pricing Supplement.</li> </ul>
20	<b>Other Notes:</b>	Terms applicable to any other type of Notes that the Issuer and any Placing Agent(s) may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
21	<b>Interest Periods and Interest Rates</b>	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
22	<b>Redemption:</b>	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable.
23	<b>Redemption by Installments:</b>	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more installments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
24	<b>Optional Redemption:</b>	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and, if so, the terms applicable to such redemption.
25	<b>Status of the Notes:</b>	The Notes will constitute direct, general, and unconditional obligations of the Issuer.
26	<b>Use of Proceeds:</b>	<p>General Balance Sheet funding including lending to:</p> <ul style="list-style-type: none"> <li>Retail</li> <li>Agriculture</li> <li>SME</li> <li>Women-owned Businesses</li> <li>Other economically vital sectors</li> </ul>
27	<b>Allotment Policy:</b>	The Notes will be allotted on a pro rata basis based on the amount applied for with a minimum allotment of TZS. 500,000. If the offer is under-subscribed all applicants will be allotted their application in full.
28	<b>Events of Default:</b>	The terms and conditions of the Notes will contain events of default provisions as set out in Terms and Conditions.
29	<b>Taxation:</b>	All payments in respect of the Notes may be made subject to withholding or deduction for or on account of any taxes imposed within the United Republic of Tanzania, where such taxes are applicable. Refer to the relevant pricing supplement for applicable taxes.

30	<b>Listing:</b>	Tranches of The Notes may be listed or not listed on the Dar es Salaam Stock Exchange as specified in the relevant pricing supplement.
31	<b>Rating:</b>	Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, such a rating will be specified in the relevant Pricing Supplement. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency and will be disclosed in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, or withdrawal at any time by the assigning rating agency.
32	<b>Governing Law:</b>	The Notes will be governed by and construed in accordance with the laws of Tanzania.
33	<b>Eligibility</b>	The offer for sale is open to all Tanzanian persons and non-Tanzanian persons.

## 2.2 USE OF PROCEEDS

The proceeds of the issue will be used for the following purposes:

- General Balance Sheet Funding including lending to:
  - Retail
  - Agriculture
  - SME
  - Women-owned Businesses
  - Other economically vital sectors.

## 2.3 INFORMATION REGARDING THE FIRST TRANCHE

Below are some of the key information regarding the First Tranche of the programme. Please refer to the relevant Price Supplement for additional information.

<b>Issue Amount</b>	TZS. 30,000,000,000
<b>Green Shoe Option</b>	TZS. 20,000,000,000
<b>Interest Rate (Coupon)</b>	10% per annum
<b>Interest Payment Period</b>	Semi annually
<b>Interest Payment Dates</b>	June and December of each year
<b>Tenor</b>	5 years
<b>Issue Price</b>	par
<b>Minimum Subscription Amount</b>	TZS. 500,000 in multiples of TZS. 100,000
<b>Issue Date</b>	12 <sup>th</sup> December 2022
<b>Maturity Date</b>	12 <sup>th</sup> December 2027
<b>Currency</b>	Tanzanian Shillings (TZS)
<b>Method Of Distribution</b>	Public offering
<b>Fixed Rate Note Provisions</b>	Applicable
<b>Business Day Convention</b>	Following business day
<b>Default Rate</b>	Rate of interest + 2%
<b>Form Of The Notes</b>	Book entry
<b>Governing Laws</b>	Laws of Tanzania
<b>Board Approval Date</b>	17th February 2022 and 12th September 2022
<b>Allotment Policy</b>	The notes will be allotted on a pro rata basis based on the amount applied for with a minimum allotment of TZS. 500,000. if the offer is undersubscribed all applicants will be allotted their application in full.
<b>Last Day To Register</b>	15 days before the payment date
<b>Settlement Procedure</b>	Evidence of payment should be submitted to the authorised selling agent, the issuer together with the duly completed application form prior to the date offer closes
<b>Tax</b>	Interest will not be subject to withholding tax

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## 2.4 TIMETABLE

Below are some of the key information regarding the First Tranche of the programme. Please refer to the relevant Price Supplement for additional information.

	ACTIVITY	DATE
1	Approval by CMSA	31 <sup>st</sup> October 2022
2	Offer open period	7 <sup>th</sup> November 2022
3	Offer close period	6 <sup>th</sup> December 2022
4	Announcement of the results and allotment criteria	12 <sup>th</sup> December 2022
5	Allotments	12 <sup>th</sup> December 2022
6	Crediting securities to CDS Accounts	13 <sup>th</sup> December 2022
7	Listing Date and commencement of Trading	15 <sup>th</sup> December 2022

## 3 KEY INVESTMENT CONSIDERATIONS

National Bank of Commerce Limited wishes to raise up to TZS 300 billion through the program. The company has received approval from the relevant regulatory authorities for the issue to proceed on the terms set out in this Information Memorandum. The investment considerations in the following section do not constitute a guarantee, nor are they indicative of future returns. Furthermore, they are not intended to be exhaustive and there may be other considerations which should be taken into account in relation to an investment in the Notes. Potential investors are advised to consult with their investment, legal, and tax advisors to determine the suitability of an investment in the corporate bond and the appropriate amount, if any, for an investment of this nature.

### 3.1 TRACK RECORD OF GROWTH

The Bank has recorded tremendous growth in both operating income and profit before tax over the years. Interest Income continues to be the Bank's primary revenue stream, contributing on average 68% of total income over the past five years, followed by Fees & Commission and Trading income at an average of 22% and 10%, respectively.

For the last five years (2017 to 2021), growth in profits was as provided below:

- CAGR of 3% in net interest income
- CAGR of 3% in net operating income
- Profit before taxes - CAGR of 28%
- CAGR of 27% in net profit

### 3.2 SHAREHOLDERS WITH EXPERIENCE IN THE BANKING SECTOR:

National Bank of Commerce Limited is part of ABSA Group Limited, which is considered a strong player in the banking sector in Africa (ABSA Group Limited) owns 55% of National Bank of Commerce Limited). The Bank

leverages on its relationship with ABSA to get the latest banking technology and expertise in several areas, which in turns, leads to increased efficiency in its operations.

The remaining two shareholders are the Government of Tanzania, which owns 30%, and IFC (part of World Bank), owning 15%. These are very strong shareholders and their commitment and support give a lot of comfort to a prospective investor.

### 3.3 LIQUIDITY

Some tranches will be listed and quoted on the Dar es Salaam Stock Exchange PLC (DSE PLC), to facilitate secondary trading of the Notes. Refer to the relevant pricing supplement for details as to whether a specific tranche will be listed or not.

### 3.4 DIVERSIFICATION OF ASSET CLASSES

The Notes will give investors an opportunity to diversify their portfolio composition as well as overall risk reduction.

### 3.5 COMPETENT BOARD AND SENIOR MANAGEMENT

National Bank of Commerce Limited is led by a management team that represents very experienced professionals in the banking industry, having worked for different entities both locally and internationally. The Bank is therefore well equipped with human resources that is capable to provide all banking solutions. The Board of the National Bank of Commerce Limited also comprises members who have extensive experience in various industries cutting across Financial, Consulting and Banking sectors. The available mix of skills and experience within board and management has been instrumental in the current performance of the Bank.

### 3.6 WIDE GEOGRAPHIC COVERAGE

As of 30th June 2022, National Bank of Commerce Limited had one of the largest branch networks in Tanzania cutting across major urban and rural areas in the country. The Bank had 47 branches, 181 ATMs and 7169 agents. The Bank has 2 service centres in various stages of construction and looking to expand its channels across the country.

## 4 TERMS & CONDITIONS OF THE NOTE

### Terms and Conditions of the Notes

The following are the terms and conditions of the Notes ("the Conditions") which will be endorsed on each Note of the National Bank of Commerce Limited Multicurrency Medium Term Note Programme. The Notes are issued subject to Agency Agreement dated 1<sup>st</sup> November 2022 ("the Agency Agreement") between the Registrar & Fiscal Agent and the Issuer. The holders of the Notes (the "Note holders") are deemed to have notice of and are entitled to the benefit of all the provisions of the Agency Agreement, which are binding on them or on



their behalf. Copies of the Note Documents are available for inspection at the Specified Offices of the Issuer. Words and expressions defined in the Agency agreement and the rules of interpretation specified therein shall have the same meanings or application were used in the Conditions and the relevant Pricing Supplement unless the context otherwise requires or unless otherwise stated.

#### 4.1 FORM AND DENOMINATION

The Notes are issued in registered book form and are in denominations as specified in each relevant Pricing Supplement. The obligations of the Issuer in respect of each Note constitute separate and independent obligations which each Note-holder is entitled to enforce, subject to these conditions and Note Documents. In accordance with the prevailing DSE PLC Rules, the Note holder's registered CDS account will be credited with the amount of the Note. The Notes will be issued as Fixed Rate Notes or Floating Rate Notes which shall attract interest as specified in these conditions and the relevant Pricing Supplement.

#### 4.2 TITLE

Entries in the Register in relation to a Note constitute conclusive evidence that the person so entered is the registered owner of the Note, subject to rectification for fraud or error. No Note will be registered in the name of more than two persons. A note registered in the name of more than one person is held by those persons as joint owners. Notes will be registered by name only, without reference to any trusteeship. The person whose name is entered on the Register is deemed as the Note holder; except, if ordered by a court of competent jurisdiction or as required by statute to be treated as the absolute owner of the Note in all circumstances. (Whether or not payment under the Note is overdue and notwithstanding any notice of ownership or writing therein or notice of any previous loss or theft thereof). Adults can purchase a note in trust for minors.

#### 4.3 TRANSFER OF NOTES

All Notes will be issued as dematerialized securities within the meaning of the DSE PLC Rules and will therefore be transferable only in accordance with the prevailing DSE PLC Rules. No Note holder may require the transfer of interest on any Note to be registered during a Books Closed Period.

#### 4.4 STATUS OF THE NOTES

##### a. Senior Unsecured Notes:

Unless otherwise specified in the Relevant Pricing Supplement, the Senior Unsecured Notes will constitute direct, unconditional, senior and, subject to the Negative Pledge contained therein, unsecured obligations of the Issuer and rank pari passu among themselves and (save for certain debts preferred by law) equally with all other unsecured obligations (other than subordinated obligations (if any) of the Issuer from time to time outstanding.

##### b. Subordinated Notes:

Unless otherwise specified in the Relevant Pricing Supplement, the Subordinated Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which (a) rank pari passu among themselves and (b) are subordinated to the claims of the Senior Creditors.

"Senior Creditors" means all such persons who are;

- i. Unsubordinated creditors of the Issuer; and
- ii. Subordinated creditors of the Issuer other than those whose claims are expressed to rank and do rank, pari passu or junior to the claims of the Note-holders under the Notes.

The holder of a Subordinated Note may not exercise a claim or plead any right of set off, counter claim or retention (whether before or after the winding up of the Issuer), in respect of any amount owed by it to the Issuer against any amount owing by the Issuer to it, arising under or in connection with the Subordinated Notes, and each such holder shall be deemed to have waived all such rights of set off, counter claim or retention. If any of the rights and claims of such Note-holder are discharged by set off, such Note-holder will immediately pay an amount equal to the amount of such discharge to the Issuer, or as applicable, the liquidator in winding up of the Issuer as the case may be, and until such time as payment is made, such Note-holder will hold a sum equal to such amount in trust for the Issuer, or if applicable, the liquidator in winding up of the Issuer. Accordingly, such discharge will deem not to have taken place.

#### 4.5 FINANCIAL COVENANTS OF THE ISSUER

##### 4.5.1 Security

The notes are unsecured.

##### 4.5.2 Negative Pledge

The Issuer agrees that, as long as any Senior Notes remain outstanding, it shall not create or permit to subsist any mortgage, charge, lien, pledge or other security interest upon or with respect to any of its undertakings, assets or revenues to secure any future indebtedness evidenced by Notes, bonds or other securities which are or which are capable of being, at the request of the Issuer quoted, listed or dealt in for the time being on any stock exchange or any other similar generally recognized market for securities unless the Senior Notes are secured equally and ratably therewith. The terms of the Subordinated Notes will contain no negative pledge.

##### 4.5.3 Other Financial Covenants

The Issuer covenants to the Note are as follows:

- Maintain compliance with the minimum capital adequacy prudential ratios as prescribed by the Bank of Tanzania from time to time.
- Provide financial and other information that may affect the Notes in a timely manner.
- Its assets shall be maintained in good condition and where applicable, comprehensively insured for the full market value at all times.

## 4.6 INTEREST

### 4.6.1 Payment of interest

The Notes bear interest on their outstanding Principal Amount from the relevant Issue Date at the Interest Rates and Interest Periods determined below. Interest on each Note will be payable in arrears on the dates indicated in the relevant Pricing Supplement commencing on the Issue Date specified in such Pricing Supplement (each "Interest Payment Date") until the Principal Amount of each Note is repaid in full. If any Interest Payment Date falls on a day which is not a Business Day, the next following Business Day shall be substituted for such day. In these Conditions, "Business Day" means any day, other than a Saturday, Sunday or public holiday in the United Republic of Tanzania, and on which commercial banks are open for business in The United Republic of Tanzania. The period beginning on and including the "Issue Date" to but excluding, the first Interest Payment Date, and each successive interest period from and including an Interest Payment Date to but excluding the next Interest Payment Date is an "Interest Period".

### 4.6.2 Interest Rate

- **Fixed Rate Notes:**  
Each Fixed Rate Note will bear interest on its Principal Amount from (and including) the relevant Issue Date at the rate of interest (expressed as a percentage per annum) (the "Fixed Rate Notes Rate of Interest") equal to the Rate of Interest specified in the relevant Pricing Supplement, payable in arrears on the Interest Payment Dates specified in the relevant Pricing Supplement. Each Fixed Rate Note shall cease to bear interest from the date of its redemption unless, upon due presentation thereof, payment of any Principal Amount due thereunder is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate (if any) as specified in the relevant Pricing Supplement.
- **Floating Rate Notes:**  
Each Floating Rate Note will bear interest on its Principal Amount from (and including) the relevant Issue Date at the rate of interest (expressed as a percentage per annum) (the "Floating Rate Notes Rate of Interest") equal to the sum of the applicable Floating Rates Note Reference Rate (hereinafter defined) plus the Floating Rate Notes Margin (hereinafter defined) specified in the relevant Pricing Supplement, payable in arrears on the Interest Payment Date(s) specified in the relevant Pricing Supplement. The Calculation Agent will on the first day of the Interest Period for which Floating Rate Notes Rate of Interest will apply (the "Interest Rate Fixing Date") determine the value of the relevant benchmark (the "Floating Rate Notes Reference Rate") plus the relevant margin (the "Floating Rate Notes Margin") and aggregate them to form the applicable Interest Rate. The Floating Rate Notes Reference Rate and the Floating Rate Notes Margin will be specified in the relevant Pricing Supplement. The Floating Rate Notes Rate of Interest payable from time to time for each Interest Period in respect of the Floating Rate Notes will be determined by the Calculation Agent (unless otherwise specified in the relevant Pricing Supplement)

two Business Days before each Interest Payment Date and in the case of the first Interest Period, two days prior to the relevant Issue Date. Each Floating Rate Note shall cease to bear interest from the date of its redemption unless, upon due presentation thereof, payment of any Principal Amount due thereunder is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate (if any) as specified in the relevant Pricing Supplement.

### 4.6.3 Calculation of Interest

The Interest payable in respect of any Note for any Interest Period shall be calculated by multiplying the product of the Interest Rate and the outstanding Principal Amount of such Note by the Day Count Fraction, unless Interest (or a different formula for its calculation) is specified in the relevant Pricing Supplement in respect of such Interest Period; in which case the Interest payable in respect of such Note for such Interest Period shall be the amount specified in the relevant Pricing Supplement (or be calculated in accordance with such formula).

**"Day Count Fraction"** means, in respect of the calculation of an amount of interest in accordance with this Condition:

- i. If "Actual/365". "Actual/Actual" or as per applicable currency day count convention as specified in the relevant Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in a portion of the Interest Period falling in a non – leap year divided by 365) or as per applicable currency day count convention.

For the purpose of any calculation of Interest pursuant to these Conditions (unless otherwise specified in the Conditions or the relevant Pricing Supplement),

- All percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up),
- All figures shall be rounded to seven significant figures (with halves being rounded up) and
- All currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, "unit" means the lowest amount of the currency.

### 4.6.4 Notification of Rate of Interest and Interest

As soon as practicable after an Interest Determination Date, the Calculating Agent will cause the Interest Rate, the Interest Payment in respect of each Interest Period and relevant Interest Payment Dates and, if required to be calculated, the Final Redemption Amount or Early Redemption Amount to be notified to the Issuer, the Noteholders, any other Note Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange, and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than the fourth Business Day after all such determinations are complete. Where any Interest Payment Date or Interest Period is

subject to adjustment pursuant to these Conditions, the Interest and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment), and such amendment will be promptly notified to the Note-holders in accordance with Condition 16 (Notices). If the Notes become due and payable under an Event of Default, the accrued Interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated in accordance with this Condition, but no publication of the Interest Rate or the Interest so calculated need be made. The Calculation and determination of the Interest Rate or the Interest by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

#### 4.6.5 Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6 (Interest), by the Calculation Agent shall (in the absence of willful default, bad faith or manifest error) be binding on all parties and (in the absence of the aforesaid) the Calculation Agent shall not be liable to the Issuer or the Note-holders in connection with the exercise or failure to exercise by Calculation Agent any of their respective powers, duties and discretions pursuant to such provisions.

#### 4.6.6 Accrual of Interest

Each Note will cease to accrue interest from the date of its redemption unless, upon due presentation thereof, payment of the Principal Amount is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- i. The date on which all amounts due in respect of such Note have been paid by the Issuer to the Note-holder (if no Issue and Paying Agent has been appointed under the Agency Agreement); and
- ii. The date on which all amounts due in respect of such Note have been received by the Issue and Paying Agent and notice to that effect has been given in accordance with Condition 16 (Notices) or individually.

### 4.7 PAYMENTS

#### 4.7.1 Method of Payment to Note-holders

- i. Payment of amounts due on the final redemption of the Notes (the "Final Redemption Amount(s)") will be made in accordance with the prevailing DSE PLC Rules.
- ii. Payments of amounts due on any prepayment of the Notes (the "Early Redemption Amounts") will be made in accordance with the prevailing DSE PLC Rules.
- iii. Interest and Principal Amounts due on redemption shall only be payable to Note-holders registered as such on the Last Date to Register immediately preceding the relevant Interest Payment Date or

relevant Redemption Date (as the case may be).

- iv. Subject to Condition 4.7.1 (i), payment of Interest and Principal Amounts shall be made by the Paying Agent via electronic funds transfer to the account designated for the purpose by the Note-holder. In the event that for any reason, payment by means of electronic funds transfer is not possible, payment will be made by cheque in the manner set out in the remainder of this Condition 4.7 (Payments).
- v. Cheques in payment of Interest and Principal Amounts shall be drawn on the Issuer or the Issue and Paying Agent and issued by the Issuer or the Issue and Paying Agent as the case may be. Payment of cheques shall be a valid discharge by the Issuer of the obligation upon it to pay Interest or the Redemption Amount on redemption, as the case may be. Cheques shall be dated with the relevant Interest Payment Date or Redemption Date, as the case may be, and shall therefore be payable on that date.
- vi. Payments made by cheque will be made by cheque in the Specified Currency cheque and posted by registered post to the address (as recorded in the Register or to such other address as may have been duly notified in writing to the Issue and Paying Agent by the Note-holder in accordance with these Conditions not later than the relevant Last Day to Register) of the relevant Note-holder on the Business Day not later than the relevant due date for payment unless prior to the relevant Last Day to Register the relevant Note-holder has applied to the Registrar, and the Registrar has acknowledged such application for payment to be made to a designated Tanzanian Shillings account maintained by such Note-holder with a bank in Tanzania in which case payment shall be made on the relevant due date for payment by transfer to such account.
- vii. Neither the Issuer nor any of the Agents will be responsible for any loss in transmission of any cheque posted by way of registered post, and the postal authorities shall be deemed to be the agent of the Note-holders for the purposes of all the cheques so posted.
- viii. All payments of principal Amounts and Interest in respect of the Notes are subject in all cases to any applicable laws, fiscal or otherwise in the place of payment, but without prejudice to the provisions of Condition 4.9 (Taxation). No commissions or expenses shall be charged to the Note-holders in respect of such payments.
- ix. If at any time a partial payment of any Principal Amount and/or Interest is made in respect of any Note, the Registrar shall endorse the Register with a statement indicating the amount and date of such payment.

#### 4.7.2 Payments on Business Days and Late Payments

- i. Where payment is to be made by electronic funds transfer to a Note-holder's account, payment instructions (for value the due date or, if that is not



- a Business Day, for value the first following Business Day) will be initiated on the due date for payment.
- ii. Where payment is to be made by cheque, the cheque will be posted by registered post on the Business Day immediately preceding the due date for payment.
- iii. If (otherwise than by reason of the application of Conditions 4.7.2 (i) and 4.7.2 (ii) (a) payment of a Principal Amount is withheld or refused when due in respect of any Note, or (b) any Interest is not paid when due (the defaulted amounts mentioned in (a) and (b) above being referred to in this Condition as "Defaulted Amounts") then interest shall accrue on each such Defaulted Amount at the Default Rate and shall be paid to the person who is shown as the Noteholder on the relevant Record Date.

**"Default Rate"** means the aggregate of the interest rate specified in the relevant Pricing Supplement for the specified Note plus a Default Rate Margin.

### 4.7.3 Interpretation of Principal Amount

Any reference in these Conditions to a Principal Amount in respect of the Notes shall be deemed to include as applicable:

- The Final Redemption Amount(s) of the Notes.
- The Optional Redemption Amount(s) of Notes; and
- Any premium and any other amount which may be payable by the Issuer under or in respect of the Notes.

### 4.7.4 Currency of Accounts and Payments

The currency of account and for any sum due from the Issuer hereunder is the Tanzanian Shilling, any successor currency, or as may be specified in the relevant Pricing Supplement

## 4.8 REDEMPTION AND PURCHASE OF NOTES BY THE ISSUER

### 4.8.1 Final Redemption

Unless previously redeemed or purchased and canceled, each Note shall be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the relevant Pricing Supplement (and which, unless otherwise provided in the relevant Pricing Supplement, is its nominal amount) on the Maturity Date specified in the relevant Pricing Supplement.

### 4.8.2 Redemption at the option of the Issuer

- i. If the Issuer has specified in the relevant Pricing Supplement that it has an option to redeem any Notes, the Issuer may after the expiry of one (1) year from the relevant Issue Date and, in addition, after giving:
  - a) not less than thirty nor more than ninety days' irrevocable notice to the Note-holders in accordance with Condition 16 (Notices); and
  - b) not less than seven Business Days before giving such notice, having given irrevocable notice to the Registrar; redeem the Principal Amount specified in such notice under the Notes then

outstanding on the date specified by the Issuer in such notice (the "Option Redemption Date") at the Optional Redemption Amount specified in, or determined in the manner specified in, the relevant Pricing Supplement together with Interest accrued to (but excluding) the Option Redemption Date.

- ii. In the case of a partial redemption of Notes, the Notes to be redeemed (the "Redeemed Notes") will be selected individually not more than thirty five days prior to the date fixed for redemption (such date of selection being referred to below as the "Selection Date") by lot drawn in such place and in such manner as the Registrar deems appropriate, subject to compliance with any applicable laws and the requirements of any stock exchange on which the Notes are listed, or any other regulatory requirements. In the case of a partial redemption, the notice referred to in Condition 4.8.2 (i) (a) shall contain a list of the serial numbers of Notes relative to the Redeemed Notes.
- iii. All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.
- iv. Where only a portion of a Note is being redeemed, redemption shall be in accordance with prevailing DSE PLC rules on partial redemption and the Noteholder's account shall reflect the unredeemed balance upon redemption.
- v. So long as the Notes are listed on the DSE PLC and the rules of the DSE PLC and/or CMSA so require, the Issuer shall, once in every year in which there has been a partial redemption of the Notes, cause to be published in a leading English language newspaper of general circulation in the United Republic of Tanzania and/or as specified by the CMSA and/or DSE PLC, a notice specifying the aggregate nominal amount of the outstanding Notes.
- vi. For the purpose of Condition 4.8.2 (and unless otherwise stated in these Conditions), the Notes will be redeemed at the Early Redemption Amount calculated as follows:
  - a) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
  - b) in the case of Notes with either a Final Redemption Amount which is or may be less or greater than the Issue Price, to be determined in the manner specified in the relevant Pricing Supplement or, if no such amount or manner is so specified in the relevant Pricing Supplement, at their nominal amount.
- vii. **Purchases.** The Issuer may at any time purchase Notes at any price in the open market or otherwise. In the event of the Issuer purchasing Notes, such Notes may (subject to any approvals required from the relevant stock exchange and/or the CMSA or to any restrictions under any applicable laws) be held, resold or, at the option of the Issuer, canceled in terms of and in accordance with these Conditions.



The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meeting of the Note-holders and shall not be deemed to be outstanding for the purposes of calculating quorum at meetings of the Note-holders or for the purposes of Condition 17 (Meetings of Note-holders Modification and Waiver).

#### **4.8.3 General: Cancellation**

All Notes purchased by or on behalf of the Issuer may be canceled by the Issuer after five (5) years from the date of purchase by informing the Registrar of the intention to have such Notes canceled. Notes canceled as aforesaid may not be reissued or resold and the obligations of the Issuer in respect of such Notes shall be wholly discharged.

### **4.9 TAXATION**

**4.9.1** All payments in respect of the Notes may be made subject to withholding or deduction for or on account of any taxes imposed within the United Republic of Tanzania, where such taxes are applicable. Refer to the relevant pricing supplement for applicable taxes.

### **4.10 PRESCRIPTION**

The Notes will become void unless presented for payment of Principal Amount within a period of six years and for payment of Interest within a period of six years after the Relevant Date (hereinafter defined) thereof. "Relevant Date" means the date on which such payment first becomes due, except that if the full amount of the moneys payable has not been duly paid by or on account of the Issuer on or prior to such date, it means the date on which notice to that effect is duly given to Note holders in accordance with Condition 16 (Notices). The amounts due under such void Notes will be dealt with in accordance with the provisions of the Bank of Tanzania Act, 2006 and the Banking and Financial Institutions, 2006.

### **4.11 EVENTS OF DEFAULT**

An Event of Default shall have occurred in the case of Notes, if:

**4.11.1 Non Payment:** the issuer fails to pay Principal Amount which is due in respect of the Notes or the Issuer is in default with respect to the payment of interest on any such Notes and such defaults continues for a period of seven (7) business days (provided that the Issuer shall not be in default if, during such a period, it satisfies CMSA that the amounts not paid were not paid (i) in order to comply with any applicable laws or order of any court or competent jurisdiction or (ii) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or acceptability given at any time during such period by independent advisors acceptable to the CMSA); or

**4.11.2 Breach of Other Obligations:** the Issuer is in default in the performance, or is otherwise in breach, of

any warranty, covenant, obligation, undertaking or other agreement under the Notes (other than non-payment under the Notes) and such default or breach (if capable of remedy) is not remedied within (30) Business Days (or such longer period as the CMSA may in its sole discretion determine) after notice thereof has been given to the Issuer and, if applicable, by the CMSA; or

**4.11.3 Bankruptcy:** the Issuer shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be placed into liquidation or winding up or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganization under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, manager, liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer or in respect of its property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Issuer commences proceedings with a view to the general adjustment of its indebtedness, which event in any such case is (in sole opinion of the CMSA), materially prejudicial to the interest of the Noteholders; or

**4.11.4 Substantial Change in Business:** The Issuer makes or threatens to make substantial change in the principal nature of its business as presently conducted which (in the sole opinion of the CMSA) materially prejudicial to the interests of the Noteholders; or

**4.11.5 Maintenance of Business:** the Issuer fails to take any action as is required of it under the applicable laws or otherwise to maintain in effect its corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is (in the sole opinion of the CMSA) materially prejudicial to the interests of the Noteholders and such failure (if capable of remedy) is not remedied within thirty (30) Business Days (or such longer period as the CMSA may in its sole discretion determine) after notice thereof has been given to the Issuer; or

**4.11.6 Material compliance with applicable laws:** the Issuer fails to comply in any material respect with any applicable laws to enable it lawfully to exercise its rights or perform or comply with its obligations under the Note Documents; or

**4.11.7 Invalidity or Unenforceability:** (i) the validity of the Notes or Note Documents is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes or the Note Documents (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (ii) it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set

out in the Notes or the Note Documents and the CMSA is of the opinion (determined on its sole discretion) that such occurrence is materially prejudicial to the interest of the Noteholders; or

**4.11.8 Government Intervention:** All or any substantial part of the undertaking, assets and revenues of the Issuer is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government.

## 4.12 REGULATORY CONSENT

The Noteholders will not without the prior written consent of the Relevant Authorities:

- purport to retain or set off at any time any amount payable in respect of the Notes against any amount otherwise payable by any of them to the Issuer except to the extent that payment of such amount in respect of the Notes would be permitted at such time under the conditions.
- amend or waive or concur in amending or waiving the terms of the Note Documents whereby the subordination of the Notes or any part thereof might be terminated, impaired or adversely affected; or
- attempt to obtain repayment of the whole or any part of the amounts payable in respect of the Notes otherwise than in accordance with the terms of the Note Documents.

## 4.13 TRUST

Any amounts paid by or for the account of the Issuer or received or recovered by any Noteholder and any distributions of any kind or character in respect of the Notes received or recovered by any Noteholder otherwise than in accordance with the provisions of the Note Documents shall be held in trust by the Noteholder and to return the same to the Issuer, or where applicable, the liquidator or other similar such officer.

## 4.14 LOCATION OF REGISTER

**4.14.1** The Register shall be kept at the offices of the Registrar. The Register shall contain the name, address and bank account details of the registered Noteholder, the Principal Amount of the Note issued to such Noteholder, the date of such issue and the serial number of Note issued. The Registrar shall not be bound to enter any trust into the Register or to take notice of any or to accede to any trust executed, whether expressly or implied, to which any Note may be subject.

**4.14.2** The Register shall be open for inspection during the normal business hours of the Registrar to any Noteholder or any person authorized in writing by any Noteholder, the CMSA and the DSE PLC on which the Notes will be listed.

## 4.15 AGENTS AND SPECIFIED OFFICES

The names of the Issuer, Fiscal and Calculating Agent, Paying Agent, Transfer Agent, Registrar and their initial

Specified Offices are set out below:

<b>Issuer</b>	<b>NATIONAL BANK OF COMMERCE LIMITED</b> NBC House, Sokoine Drive/Azikiwe Street, P. O. Box 1863, Dar es Salaam
<b>Fiscal and Calculating agent, Registrar, Paying Agent, Transfer Agent</b>	<b>CSD &amp; REGISTRY COMPANY LIMITED</b> 2nd Floor, Kambarage House, 6 Ufukoni Street, P. O. Box 70081, Dar es Salaam, Tanzania.

**4.15.1** The Issuer is entitled to change, appoint additional or other Note Agents and/or approve any change in the Specified Office through which any Note Agent acts in accordance with the provisions of the Note Documents.

**4.15.2** Any variations to the Note Agents shall only take effect (other than in the case of insolvency when it shall be of immediate effect) after not less than thirty and not more than forty-five days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 4.16 (Notices). A copy of the notice shall be sent to the CMSA and the DSE PLC on which the Notes are listed.

## 4.16 NOTICES

**4.16.1 Notices** to the Noteholders will be deemed to be validly given if made by fax, short messaging service, electronic mail, delivered to them, or sent by registered post to them, and:

**4.16.2** In the case of notices that are posted to holders of Notes, the notices will be valid if mailed to their registered addresses appearing on the Register. Any such notice shall be deemed to have been given on the seventh Business Day after the day on which it was posted.

**4.16.3** In the case of any communication made by fax, the notice will be deemed to have been validly given when on the date following transmission (provided that the sender produces, if requested to do so, a fax transmission report showing that the entire communication was received by the intended recipient); or

**4.16.4** In the case of delivery, the notice will be deemed to have been validly given when such communication or document is left with or delivered to the intended Noteholder at its address as recorded on the Register.

**4.16.5** In case of short messaging service (SMS), the notice will be deemed to have been validly given when such SMS is sent to the intended Noteholder provided that an SMS which is received after 5:00 p.m. on a Business Day, or on a day which is not a full Business Day, in the place of receipt shall be deemed to be delivered on the next full Business Day in that place.

**4.16.6** In case of electronic email, the notice will be deemed to have been validly given when such electronic communication is sent to the intended Noteholder provided that a communication or document which is received after 5:00 p.m. on a Business Day, or on a day which is not a full Business Day, in the place of receipt shall be deemed to be delivered on the next full Business Day in that place.

**4.16.7** All notices regarding the Notes shall be published in a leading English newspaper expected to be of national circulation in the United Republic of Tanzania. Any such notice will be deemed to have been given on the date of the first publication in the newspaper. Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Note Agents.

## **4.17 MEETING OF NOTE HOLDERS, MODIFICATION AND WAIVER**

The agency agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of modification of the Notes or certain provision of Agency Agreement.

## **4.18 GOVERNING LAW AND JURISDICTION**

The agency agreement and the Notes are governed by, and shall be construed in accordance with, the laws of Tanzania. The Issuer agrees for the benefit of the Noteholders that the courts of the United Republic of Tanzania shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, "Proceedings" and "Disputes"). Service of any summons or any other notice of legal process shall be received by the Issuer at its Specified Office.

# **5 ECONOMIC OVERVIEW**

## **5.1 OVERVIEW OF THE GLOBAL ECONOMY**

Following more than two years of the pandemic, spill overs from the Russian Federation's invasion of Ukraine are set to sharply hasten the deceleration of global economic activity, which is now expected to slow to 2.9 percent in 2022 (World Bank-Global Economic Prospect June 2022). The war in Ukraine is leading to high commodity prices, adding to supply disruptions, increasing food insecurity and poverty, exacerbating inflation, contributing to tighter financial conditions, magnifying financial vulnerability, and heightening policy uncertainty. The growth rate in Emerging Markets and Developing Economies (EMDEs) has been revised down to 3.4 percent this year, as negative spill overs from Ukraine's invasion have been found to offset any near-term boost from higher energy prices for some commodity exporters.

In addition to creating a massive humanitarian disaster, Russia's invasion of Ukraine has had a huge negative impact on an economy that is still fighting to recover from the pandemic. Global activity was already slowing down due to the exhaustion of accumulated demand and the unwinding of supportive macroeconomic policies, and inflation was rising as a result of supply disruptions and rising food and energy prices. These strains on the world economy have been made worse by the war, with poor and vulnerable populations bearing the brunt of the costs.

### **5.1.1 Global trade**

Goods trade slowed in the first half of 2022 as supply chains were still disrupted by the pandemic's lingering effects, including disruptions in major Asian ports and lockdowns in key Chinese cities. In addition, Russia's invasion of Ukraine and its repercussions have led to severe physical and logistical dislocations that have magnified pre-existing bottlenecks.

According to the World Bank's global economic prospect (June 2022), Russia and Ukraine account for less than 3% of global exports. However, many global industries rely on supplies of key commodities produced in these two countries, especially in Russia. Shortages and unprecedented increases in the prices of these inputs have rippled through global value chains (GVCs), leading to production standstills and elevated producer prices. At the same time, transport costs have increased, in the wake of the war in Ukraine. Navigation and trade in the Black Sea have been materially disrupted, negatively affecting the transport of food and crude oil. Cargos and shipments held at Russian and Ukrainian ports have been rerouted through longer and more expensive routes.

### **5.1.2 Commodity market**

Commodity prices surged in the first half of 2022, in part reflecting the effects of Russia's invasion of Ukraine and following a broad-based rise that began in mid-2020 spurred by a rebound in demand amid constrained production for several commodities. The increase in prices was particularly pronounced for commodities of which Russia and Ukraine are large exporters, including energy and wheat, as the war resulted in major disruptions to production and trade.

The International Energy Agency (IEA 2022) estimates that, under current sanctions, Russia's oil exports could be temporarily reduced by 2.5 million barrels per day, about 30 percent of its current exports and about 3 percent of global supply. A combination of diversion of oil to other countries, use of strategic petroleum reserves, and potentially some additional production from OPEC would likely be sufficient to fill this shortfall.

### **5.1.3 Inflation**

The rate of inflation in the global economy is still rising. The consequences of COVID 19 and the existence of the Russian-Ukrainian war, which began earlier in 2022,



have greatly contributed to this. Inflation has accelerated in both advanced economies and emerging developing economies, according to the World Bank's Global Economy Prospect 2022. This is due to firming demand, ongoing supply disruptions, tight labor markets in some countries, and, most notably, rising commodity prices that have been further pushed up by the invasion. In April 2022, the global median headline CPI climbed to 7.8 percent (y/y), its highest level since 2008. Inflation in emerging markets and developing nations as a whole increased to over 9.4% percent, the highest level since 2008, while inflation in advanced economies at 6.9 percent, is the highest since 1882.

The steep spike in headline inflation has primarily been caused by rises in food and energy prices, although core inflation has also increased globally. In advanced countries and EMDEs, respectively, the housing, fuel, transportation, and furnishing sectors contributed around two-thirds and two-fifths of the total headline inflation. Advanced economies, in particular, have experienced considerable house price inflation.

**5.1.4 Financial development:**

Rising inflation has led to expectations of faster monetary policy tightening across the world. Advanced-economy bond yields have risen markedly, and measures of equity volatility have seen a sustained increase, weighing on valuations of risky assets.

According to the Global Economic Prospects report (June 2022)-World Bank, U.S. and euro area stocks have fallen about 13 percent and 12 percent, respectively, since the beginning of the year. The invasion triggered an initial appreciation of the U.S. dollar against emerging developing economies' currencies that was larger than appreciations related to the 2013 taper tantrum and previous conflict-related events involving oil exporters.

Financial conditions in Emerging Market and Developing Economies (EMDEs) have generally tightened to their highest level since the pandemic's beginning as investor risk appetite has been reduced by the conflict in Ukraine, Chinese government restrictions, and a bleaker outlook for growth, and higher interest rates in advanced economies.

Bond issuance in the first quarter of 2022 across all EMDEs was less than in any first quarter since 2016, while equity and debt flow to EMDEs sharply turned negative in March. Significant short-term loan and equity outflows have been observed in LAC and MENA, although ECA and countries with significant numbers of commodities importers (such as EAP and SAR) have had more brittle flows. In general, sovereign spreads have increased on average throughout EMDEs since the invasion, among commodity importers more so than among commodity exporters.

**5.2 GLOBAL OUTLOOK**

Global growth is expected to slow sharply from 5.7 percent in 2021 to 2.9 percent in 2022 as a result of deep recessions in Russia and Ukraine, negative global spill overs from Ukraine's war, the fading of pent-up demand, and policy support withdrawal amid high inflation (Global outlook prospect World Bank). Despite the negative shock to global activity in 2022, there is essentially no rebound projected for next year. Global growth is expected to pick up only slightly, to a still low 3% in 2023, as many headwinds, particularly high commodity prices and continued monetary tightening, are expected to persist. Global growth is expected to remain at 3% in 2024, as activity returns to its long-run potential rate. The cumulative losses to global activity relative to its pre-pandemic trend are expected to continue mounting, especially among emerging market and developing economies' commodity importers.

**5.2.1 Global Trade**

As a result of the Ukraine crisis disrupting global value chains, a gradual shift back toward the less trade-intensive services sector, and a gradual return to pre-pandemic levels of international mobility, global trade growth is predicted to decrease to 4% in 2022.

Prolonged closures of factories and key ports in China as a result of COVID-19 lockdowns pose a significant downside risk to the near-term trade outlook. Delivery times could lengthen further, leading to new trade disruptions and global supply shortages, which could in turn severely affect production and activity in other countries. In addition, although some of the effects of the invasion of Ukraine could be mitigated by new trade linkages, a more protracted war and its long-lasting repercussions, such as persistent uncertainty, represent a substantial downside risk to the longer-term trade outlook, as it could lead to fragmentation in the global trade system.

Figure 1: World trade volume growth



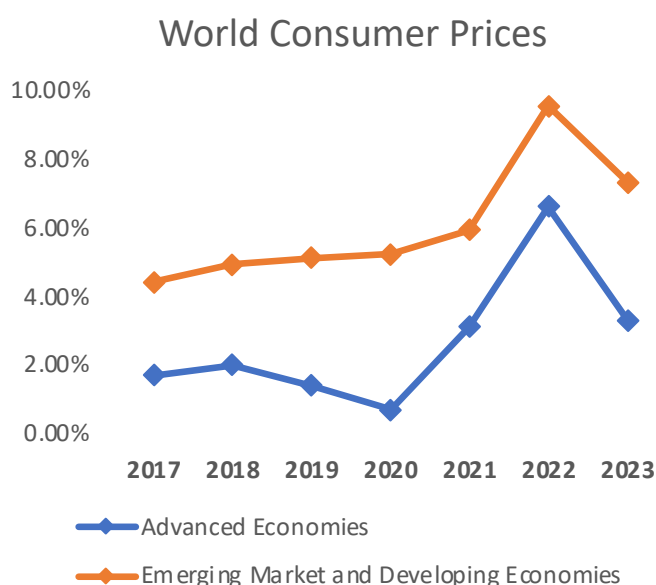
Source: world bank global economy outlook prospect 2022

### 5.2.2 Inflation:

Inflation is expected to remain elevated for longer than in the previous forecast, driven by war-induced commodity price increases and broadening price pressure. According to the IMF World Economic Outlook report (July 2022), year-over-year inflation for emerging market and developing economies is projected to be 9.5% in 2022 and 7.3% in 2023.

Further increases in commodity prices could lead to persistently high inflation, rising inflation expectations, and stronger wage growth. If signs emerge that inflation will be high over the medium term, central banks will be forced to react faster than currently anticipated, raising interest rates, and exposing debt vulnerabilities, particularly in emerging markets.

Figure 2: Inflation



### 5.2.3 Interest rate:

Most economies around the world have begun to tighten interest rate policy to reduce the persistent increase in inflation. The uncertainties that exist due to the on-going war between Russia and Ukraine will result in increased interest rates in the near future. As interest rates rise, this will strain public budgets with tough choices around fiscal consolidation over the medium term, as pressures for social and, in some cases, defense spending may remain high. Also, the World Bank, through the Global Economic Outlook Prospects report of June 2022, projects that there will be fiscal pressures, widespread corporate defaults, and feeble global investment as the impact of rising interest rates increases.

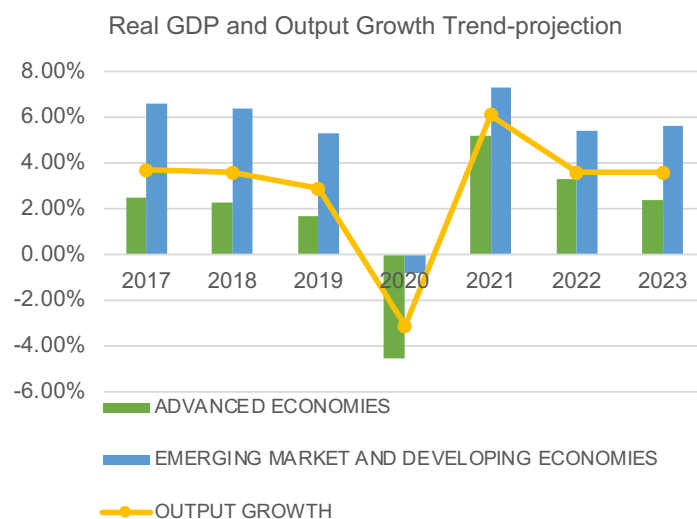
### 5.2.4 Real GDP:

The world GDP is expected to decline due to the slowing down of various economic activities as a result of the Russian and Ukraine wars. According to the World Bank global outlook projection for June 2022, real GDP is projected to grow at a rate of 2.9% in 2022, down from 5.9% in 2021.

Also, from the IMF global economic outlook report 2022, the growth rate of output in both economies is expected

to decline to reflect the impact of the ongoing war between Russia and Ukraine. The decline is attributed to the fact that the cost of production is expected to be high as a result of inflation. In advanced economies, the growth rate of output is projected to slow down to 3.3% in 2022 from 5.2% in 2021, while in emerging economies, the growth rate in 2022 is expected to decline to 3.8% from 6.8% in 2021.

Figure 3: GDP Projections



Source: IMF Global Economic Outlook 2022

## 5.3 OVERVIEW OF THE TANZANIA ECONOMY

### 5.3.1 Real Gross Domestic Product (GDP):

According to the African Development Bank's economic outlook for 2022, the country's GDP grew at 4.90% in 2021, up from 4.8% in 2020, supported by the global economic recovery. Growth was driven by agriculture, construction, mining, and quarrying; manufacturing; trade and transport services on the supply side; and final consumption and investment on the demand side.

### 5.3.2 Inflation:

As per the National Bureau of Statistics' National Consumer Index report for August 2022, the twelve-month headline inflation increased to 4.6 percent in August 2022 from 4.5 percent in the preceding month. The increase in the headline inflation rate was attributed to the increase manifested in the prices of food and non alcoholic beverages, energy and fuel and housing maintenance. Nonetheless, inflation remained within the 3-5 percent target range for 2021/22 and in line with EAC and SADC convergence criteria.

### 5.3.3 Foreign direct investment (FDI):

The total value of foreign investments in Tanzania in the period of March–November 2021 reached USD 4.144 billion, which is equivalent to a growth rate of 300% more than the USD 1.013 billion in FDI in 2020 (Investing.com and UNCTDA). Tanzania attracted FDIs primarily in the mining, oil and gas, and primary agricultural products sectors (coffee, cashew nuts, and tobacco). The primary investors in the Tanzanian economy are China, India, Kenya, the United Kingdom, Oman, Mauritius, South Africa, and Germany.



#### 5.3.4 Interest rate:

Despite the accommodative monetary policy, loan interest rates remained around 16 percent. This reflects the existence of structural impediments to the economy and a high-risk premium owing to, among others, uncertainties in the global market. Overall lending interest rates fell slightly to an average of 16.44 percent from July 2021 to April 2022, compared to 16.59 percent in the same period in 2020/21. Meanwhile, negotiated lending rates to prime customers averaged 13.93 percent, compared with 13.73 percent. (BOT-Monetary policy statement June 2022). Overall interest rates offered on deposits by banks averaged 6.81 percent from July 2021 to April 2022, up from 6.70 percent in the corresponding period in 2020/21. Negotiated deposit rates rose from 9.15 percent to 9.68 percent on average.

#### 5.3.5 Export and import:

According to the BOT Monthly Economic Review-August 2022, exports of goods and services increased to USD 11,226.5 million during the year ending July 2022 from USD 68,927 million in 2021, driven by non-traditional exports and services receipts. The exports of goods rose by 10 percent to \$7082 billion, with non-traditional exports rising by 9 percent. Imports of goods and services rose by USD 4,412.4 million to USD 14,422.3 million in the year ending July 2022. Much of the increase was observed in intermediate goods, especially white petroleum products and industrial supplies such as iron and steel, and plastic products.

#### 5.3.6 Financial market:

The government securities market remained active throughout the period of July 2021 to April 2022, which enabled the financing of the budget. According to the BOT Monetary Policy Statement Review (June 2022), the government commenced a Treasury bond reopening program in November 2021 as part of the initiatives of improving depth and liquidity and transforming the debt market by enhancing price discovery. The coupon rates on Treasury bonds were also reviewed downward in April 2022 to align them with prevailing market interest rates. During the period, the Bank of Tanzania continued to conduct public awareness programs to stakeholders on investment in government securities, which increased the participation of retail investors to 14.6 percent in May 2022 from 7.8 percent in July 2021.

#### 5.3.7 Government budgetary performance:

According to the monetary policy statement of the Bank of Tanzania (June 2022), revenue performance remained satisfactory during the period July 2021 to April 2022, notwithstanding challenges attributable to residual effects of the COVID-19 pandemic and spill overs from the ongoing war in Ukraine. Revenue from tax and non-tax sources totaled TZS 19,986.3 billion, or 93.3 percent of the target gross tax revenue was TZS 16,470.7 billion, or 97.6 percent of the target, with income tax and VAT accounting for the majority of the revenue, consistent with

improved tax administration, compliance, and ongoing domestic and global trade recovery.

#### 5.3.8 Exchange Rate:

The monetary policy statement by the Bank of Tanzania (June 2022) reported that the exchange rate of the shilling against major trading currencies remained stable throughout July 2021 to April 2022. The stability of the shilling was a result of low inflation, prudent monetary and fiscal policies, and adequate foreign exchange reserves. The shilling traded between TZS 2,304.6 and TZS 2,310.9 per US dollar, compared to TZS 2,309.0 and TZS 2,310.0 in the same period in 2020/21. This amounted to a 0.03 percent annual increase.

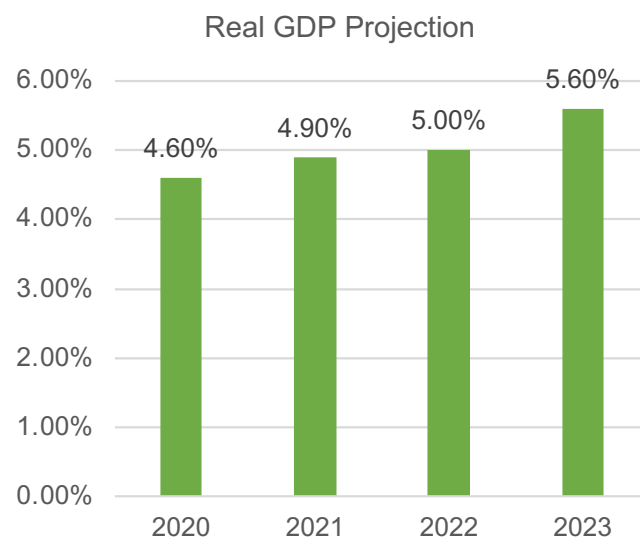
### 5.4 TANZANIA ECONOMY OUTLOOK:

In an open economy, it is anticipated that the ongoing conflict between Russia and Ukraine will have some impact on Tanzania's economy. Due to the spreading effects of the Russia-Ukraine war, which have resulted in ongoing uncertainty, supply disruptions, and skyrocketing food and fertilizer prices into many African countries, the International Monetary Fund is projecting Tanzania's economic growth at 4.8 percent this year 2022 after cutting the global outlook. The World Bank predicted that Tanzania's economy will expand by between 4.5% and 5.5% in 2022 as a rollback of coronavirus-related restrictions in many countries boosts tourism and trade.

#### 5.4.1 Gross Domestic Product:

GDP growth is projected at 5.0% and 5.6% in 2022 and 2023, due to improved performance in tourism, the reopening of trade corridors, and the accelerated rollout of vaccines. (African Development Bank Outlook 2022).

Figure 4: Real GDP Projection



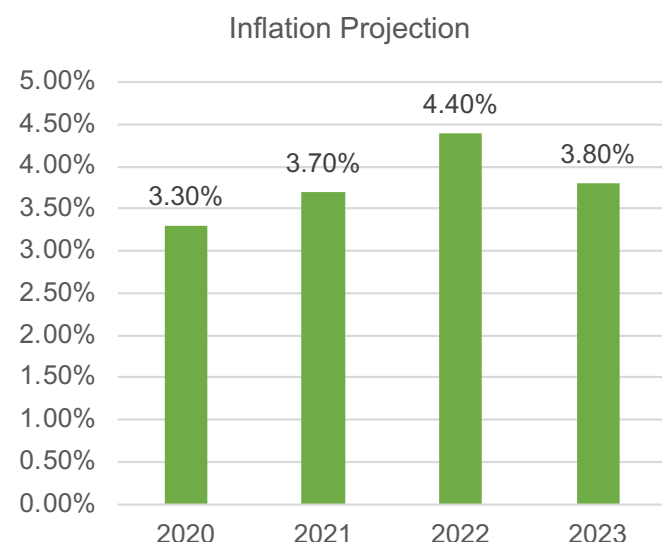
Source: ADB African Economy Outlook 2022

#### 5.4.2 Inflation:

Inflation is projected to increase to 4.4% in 2022 and to 3.8% in 2023 due to higher energy prices because of the Russia-Ukraine conflict. Despite the fact that there is a projection for the inflation rate to grow, the country's inflation will still be within the country's target (3.0%-

5.0%), below the EAC inflation target of 8% and the SADC region, which ranges between 3% and 7%.

Figure 5: Inflation Projection



Source: ADB Africa Economy Outlook 2022

### 5.4.3 Exchange rate:

According to the monetary policy statement (June 2022) issued by the Bank of Tanzania, the exchange rate will continue to be market-determined, and the Bank of Tanzania will participate in the interbank foreign exchange market (IFEM) primarily for liquidity management, managing foreign reserves, and ensuring orderly foreign exchange market operations. In addition, the Bank of Tanzania will continue to allow exchange rate flexibility to help cushion the economy from external shocks arising from higher commodity prices while maintaining an adequate level of foreign official reserves.

### 5.4.4 Interest rate:

Interest rates will continue to be market-determined in order to sustain efficient price discovery and the allocation of resources in the economy. The Bank of Tanzania, for its part, will continue to promote transparency and efficient operations in the financial markets so as to enhance the transmission of monetary policy actions to the economy. In addition, the measures implemented by the governments to improve the business environment will assist in improving the responsiveness of interest rates to changes in the stance of monetary policy. (Monetary policy statement June 2022-Bank of Tanzania)

## 6 BANKING INDUSTRY OVERVIEW

### 6.1 TANZANIA BANKING INDUSTRY OVERVIEW

The banking industry plays a key role in the entire financial system by mobilizing deposits and making these funds available for investment through lending to individuals and businesses. In doing that, banks help in the efficient allocation of resources by channeling resources to their most effective use. According to economic bulletin report, June 2022 by BOT, credit extended to private sector grew at around 16 percent, the highest in the past five years. Thus, the banking industry in Tanzania has become

an integral part of the nation's economic progress and is critical to the financial well-being of individuals and businesses.

The banking industry in Tanzania is mainly dominated by commercial banks, which account for about 96.4% of total assets of banking institution in Tanzania. According to the financial sector supervision report 2021 issued by the Bank of Tanzania, there are 990 bank branches up from 969 in 2020, and slightly decrease in ATMs from 2058 ATMs in 2020 to 2048 ATMs in 2021. In addition to the mainstream banking models, the sector is characterized by the increased use of e-banking and agency banking services, which have become the preferred mode of banking.

This has been much more advocated by the Financial Sector Deepening Trust (FSDT), which aims at increasing financial inclusion by emphasizing the use of e-banking and agency banking. By the end of the financial year 2021, the number of agents was 48,923, which is equivalent to a growth of 21.1% from the year 2020.

The financial performance of the banking industry improved significantly in 2020–21. According to the Banking Supervision Report 2021, there has been a growth in bank balance sheet size, profitability, and key financial soundness indicators. The banking industry reported a growth in the size of assets from TZS 34,689.5 billion in 2020 compared to 39,346.3 billion in 2022, which represents a growth rate of 13.4 percent.

This growth in assets was mainly financed by an increase in deposits, borrowings, and retained earnings. Loans, advances, and overdrafts represent major components of total assets, which grew by 11.0 percent from TZS 18,765.1 billion in 2020 to TZS 20,822.6 billion in 2021. The expansion of lending was attributed to the implementation of expansionary monetary policies, which intend to lower lending rates to boost economic growth.

Furthermore, earning assets which are the main source of income generation have increased to TZS 31,981.1 billion in 2021 compared to TZS 28,362.5 billion recorded in 2020 which is the increase of approximately 13.1 percent. On the other hand, the ratio of earning assets to total assets increased to 81.30 percent in 2022 compared to 81.8 percent recorded in 2020.

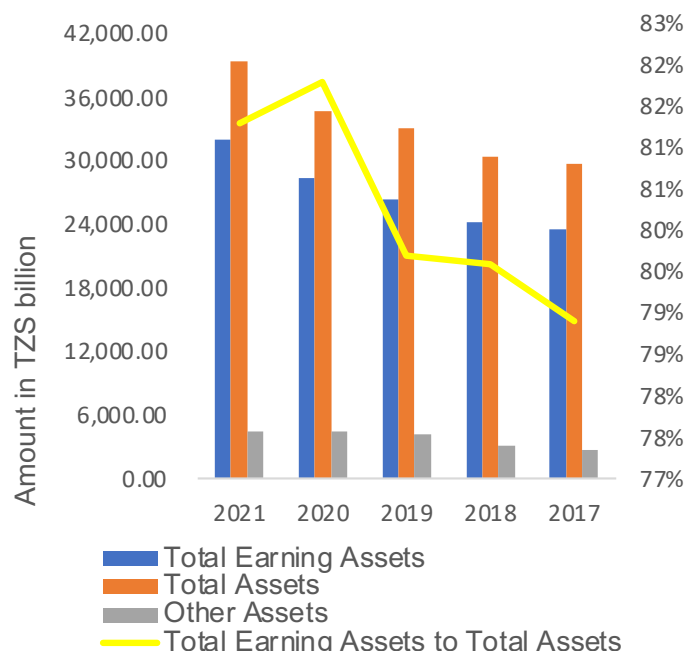
This indicates that assets are continuing to be channeled to productive sectors of the economy. Total liabilities have increased by 14.6 percent to TZS 33,015.12 billion compared to TZS 28,799.198 billion recorded in the preceding year. Deposits are the main source of total liabilities, which have increased by 15.1 percent to 28,499.1 billion. Local currency deposits increased by 14.35 percent and foreign currency deposits increased by 16.9 percent from the year 2020 to 2021.

Besides the COVID-19 pandemic, the banking industry

has remained sound and stable. For the financial year 2020/2021, total capital has increased by 14.4 percent, which is driven by the growth in profitability of 67.5 percent. The increase in capital signifies an enhanced resilience of the industry to withstand shocks that may emanate from both internal and external environments.

The chart below provides Banking Sector Assets from 2017 to 2021.

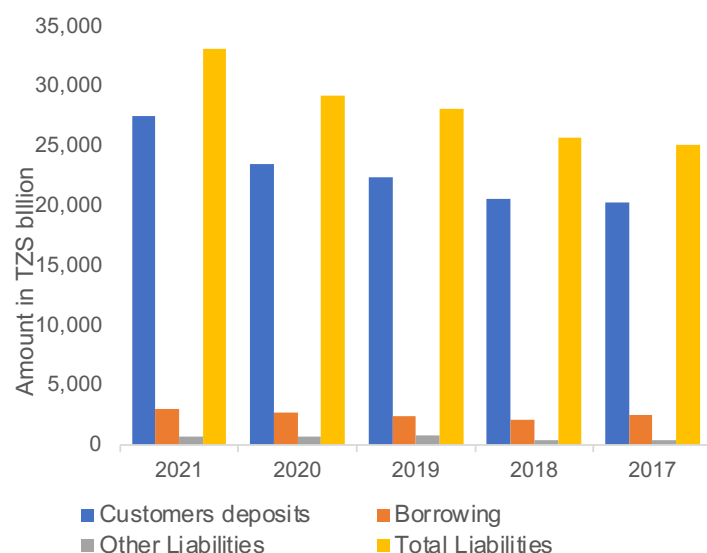
Figure 6: Banking Sector Assets



Source of Data: Financial Sector Supervision Report 2021-BOT

The chart below provides customer deposits, borrowing and other liabilities

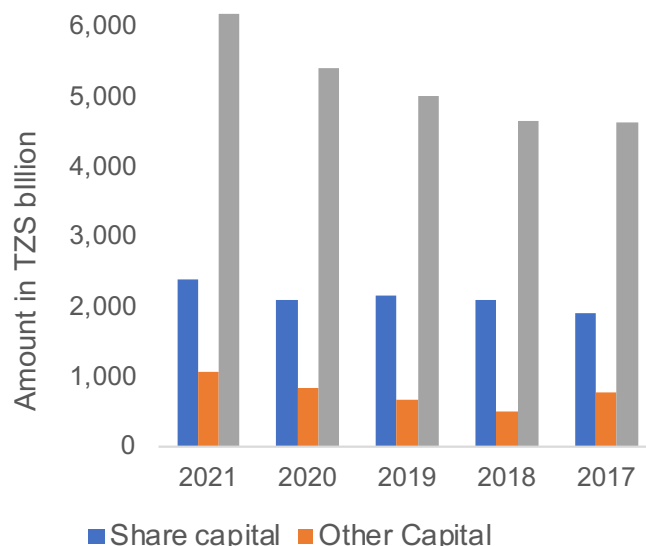
Figure 7: Customers deposits, Borrowing and Other Liabilities



Source of Data: Financial Sector Supervision Report 2021-BOT

The chart below provides paid up capital, other capital, and total capital.

Figure 8: Share capital, Other Capital, and Total Capital



Source of Data: Financial sector supervision report 2020/21-BOT

## 6.2 HIGHLIGHTS FOR THE KEY FINANCIAL SOUNDNESS INDICATORS

The key financial soundness indicators of the banking industry as at end-December 2021 have shown broad improvements compared with the prior year's position.

**Capital adequacy:** The banking industry has succeeded in meeting the capital adequacy ratio as per Bank of Tanzania requirements. According to the Financial Sector Supervision Annual Report by Bank of Tanzania in 2021, core and total capital adequacy ratio stood at 19.5% and 20.2% compared to 17.2% and 18.1% reported in 2020, respectively.

Hence, core capital ratios were above the minimum requirements set by the regulator, which are 12.5% for core capital and 14.4% for total capital. This indicates the Bank's improved ability to absorb unexpected losses that might occur.

**Liquidity:** The banking sector continued to maintain adequate liquidity sufficient to meet maturing obligations and fund growth in assets. The liquid assets to demand liabilities ratio was 29.4 percent compared to 30.7 percent reported in 2020, which is above the minimum regulatory requirement of 20%. The decline in liquidity ratio was attributed to a portfolio shift to more profitable investments, including loans, advances, overdrafts, and investments in debt securities. The ratio of gross loans to total deposits decreased to 81.8 percent in December 2021 from the 86.8 percent reported in December 2020, indicating that deposits remained as the main source of funding.

**Earnings and profitability:** Earnings ability reflect a bank's capacity to generate profits consistently and deliver sustainable growth into the future. The banking industry witnessed an increase in profitability from TZS

397.9 billion in 2020 to TZS 666.4 billion in 2022. Return on Assets (ROA) and Return on Equity (ROE) increased to 2.8% and 11.5% from 1.9% and 7.6% recorded in 2020 respectively. The increase in profitability was attributed to the increase in interest income consistent with a growth in the loan portfolio, an increase in non-interest income, and an improvement in operational efficiency. Non-interest expenses as a percentage of total income fell to 49.8 percent in 2021 from 53.8 percent in 2020. The decrease in non-interest expenses indicates an improvement in operational efficiency.

**Asset quality:** Asset quality is one of the most critical areas in determining the overall condition of a bank. The primary factor affecting overall asset quality is the quality of the loan portfolio. According to the Financial Sector Supervision report of 2021, there is a decline in non-performing loan ratio to 8.5% from 9.4% reported in 2020, which has remained above the desired benchmark of 5% set by the regulator. Moreover, the loan portfolio was highly diversified in various sub-sectors of the economy. Personal loans accounted for 37.1 percent of total loans, followed by trade, which was 16.5 percent, manufacturing stood at 9.5 percent, building, construction, and real estate at 7.6 percent, agriculture accounted for 7.1 percent, and other remaining sectors contributed to 22.3 percent of the loan portfolio.

**Sensitivity to market risk:** Net open position is the measurement that is usually used in banks to analyze the foreign exchange risk (FX risk) that the company is exposed to. It is the difference between total assets and total liabilities in a foreign currency. The net open position to total capital ratio decreased to 7.8 percent in 2021 from the 9.0 percent reported in the preceding year, implying a moderate increase in the banks' exposure to foreign exchange risk. The ratios of foreign currency denominated assets to total assets and foreign currency denominated liabilities to total liabilities were 35.5% and 29.7% compared to 35.7% and 30.2% in 2020, respectively. The decrease in the ratio was partly associated with the increase in foreign currency denominated assets, mainly from a decrease in foreign currency cash and placements abroad.

### 6.3 REGULATORY ENVIRONMENT

The banking industry is the most regulated industry in many economies. Bank regulation is a form of government regulation that subjects banks to certain requirements, restrictions, and guidelines that are designed to create market transparency between banking institutions and the individuals and corporations with whom they conduct business. The Bank of Tanzania (BOT) is the regulator and supervisor of banks within the country. BOT establishes rules for financial institutions, which are implemented through Regulations, Guidelines, and Circulars (directions and notices). The aim is to encourage best practices among banks and to create trust, which is the core of a healthy banking industry. Therefore, these regulations help the BOT achieve the outcome of a sound and

progressive financial services sector.

The following regulations are in force in Tanzania:

- The Foreign Exchange Regulations 2022
- The Banking and Financial Institutions (Corporate Governance) Regulation 2021
- The Banking and Financial Institutions (Prompt Corrective Actions) Regulations 2014
- The Banking and Financial Institutions (Mortgage Finance) Regulations 2015
- The Banking and Financial Institutions (Internal Control and Internal Audit) Regulation 2014
- The Banking and Financial Institutions (Financial Leasing) Regulations 2011
- The Banking and Financial Institutions (Disclosures) Regulations 2014
- The Banking and Financial Institutions (Credit Reference Databank) Regulation 2012
- The Banking and Financial Institutions (Capital Adequacy) (Amendment) regulations, 2015
- The Bank of Tanzania (Credit Reference Bureau) Regulations 2012
- The Anti-Money Laundering (Electronic Funds Transfer and Cash Transactions Reporting) regulations, 2019
- The Anti-Money Laundering (Amendment) Regulations, 2019
- Bank of Tanzania (Financial Consumer Protection) Regulations 2019
- TISS RULES AND REGULATIONS
- TACH RULES
- The Payment Systems Licensing and Approval Regulations 2015
- The Electronic Money Regulations 2015
- The Banking and Financial Institutions (Management of Risk Assets) Regulations, 2014
- The Banking and Financial Institutions (Credit Concentration and other Exposures Limits) Regulations 2014
- The Banking and Financial Institutions (Foreign Exchange Exposure Limits) Regulations 2014
- The Banking and Financial Institutions (Licensing) Regulations 2014
- The Banking and Financial Institutions (Physical Security Measures) Regulations 2014
- The Banking and Financial Institutions (Liquidity Management) Regulations 2014
- The Banking and Financial Institutions (External Auditors) Regulations 2014
- The Banking and Financial Institutions (Consolidated Supervision) Regulations 2014

### 6.4 PLAYERS IN THE BANKING SECTOR IN TANZANIA

As of July 2022, there are 47 banks operating in Tanzania, which includes 34 commercial banks and 5 community banks. There are 4 microfinance banks, 2 development banks, and 2 mortgage banks. According to the Tanzania banking sector report of 2021 issued by the EY, these banks are being categorized based on asset size. There are 10 large banks; 21 medium-sized banks; 9 small banks and 2 non-bank financial institutions (NBFIs). The assets of large banks stood at TZS 29.792 trillion in the



year ended 2021. The assets of medium banks stood at TZS 784 trillion in the year ended 2021. The assets of regional and small banks stood at TZS 1.176 trillion in the year ended 2021, and those of NBFIs stood at TZS 0.392 trillion.

Table 1: Players in the Banking Sector

Bank's Categories Definition by Asset Base	
<b>Large Banks</b> Azania Bank Citibank CRDB Bank DTB Bank Exim Bank National Bank of Commerce Limited NMB bank Standard Chartered Bank Stanbic Bank Tanzania Commercial Bank	<b>Medium Banks</b> Absa Bank Akiba Bank Amana Bank Banc ABC Bank of Africa Bank of Baroda Bank of India Canara Bank China Dasheng DCB Bank Ecobank Equity Bank FNB Bank Habib Bank I&M Bank KCB Bank Maendeleo Bank Mkombozi NCBA Bank PBZ Bank UBA Bank
<b>Small Banks</b> GTB Bank ICB Bank KCBL Bank Letshego Bank MCB Bank MHB Bank MUCOBA Bank Tandahimba Commercial Bank Uchumi Commercial Bank	
<b>NBFIs</b> TADB TIB Development	

Source of Data: The banking sector report 2021, EY

## 6.5 POSITION IN THE INDUSTRY

The banking industry has remained a competitive industry, especially among the largest ten banks in Tanzania. National Bank of Commerce Limited, as one of the largest top three (3) banks, has been employing various strategies to position itself well so as to remain competitive and expand its market share. One of the indicated strategies by the Bank is to double the market share by growing the customer base and attracting the unbanked population. National Bank of Commerce Limited is the only international bank with a presence all over the country.

In recent years, National Bank of Commerce Limited has invested massively in research and development to come up with innovative products that meet the needs of clients, especially in the retail segment, which was not much emphasized before. For example, the Bank's most popular retail bank products, such as National Bank

of Commerce Limited Shambani and Kua Nasi, were developed because of extensive research conducted in collaboration with the financial services firm, Financial Sector Deepening Trust (FSDT).

National Bank of Commerce Limited is also investing in digital financial services solutions such as mobile banking platforms and Internet banking for corporations and individuals. This is to facilitate more efficiency and convenience for the customers. Also, the Bank has re-engineered the process of accessing finance in recent years so that it is now simple and easy for small entrepreneurs and individuals to access loan services at any branch. According to the Tanzania Invest website, the Bank has partnered with other financial services such as Private Agricultural Sector Support (PASS), the Tanzania Agricultural Development Bank (TADB), and the African Guarantee Fund (AGF) to support the extension of credit, which is core banking activity to SMEs.

Moreover, National Bank of Commerce Limited has invested much in sales promotion and advertising. In 2021, the Bank entered into an agreement with the Tanzania Football Federation (TFF) to be the main sponsor of the Tanzania Premier League. This facilitated the Bank's popularity, which is key to gaining a competitive advantage and expanding market share. The Bank has been conducting various sales campaigns in different areas, which intend to expand the Bank's products to new customers. For example, in 2021, the Bank launched a sales campaign in the southern regions called "Vuna na National Bank of Commerce Limited," with the goal of expanding its customer base to cashew nut producers in Mtwara and Lindi.

In addition to that, the Bank has been conducting intensive agency recruitment in different areas within the country to facilitate easy access to banking services for its customers. As per the annual report of the Bank in 2021, the Bank was reported to have 5,177 agents across the country.

## 6.6 BANKING SECTOR MARKET SHARE COMPARISON

According to the Financial Sector Supervision Report 2020/21 by Bank of Tanzania, the banking sector maintains a 70% market share of the financial industry in Tanzania. As of 2021, ten of the largest banks accounted for 76% of total assets, 76% of total loans, and 69% of total deposits in the banking sector. These banks dominate the industry by leveraging their large customer bases and wide branch networks.

Based on financial results for the years ended 2017 to 2021, National Bank of Commerce Limited has grown its customer assets by a Combined Annual Growth Rate (CAGR) of 11% compared to 7% which the market has been growing; this has resulted into National Bank of Commerce Limited growing its Market share from 5% to 7%. Relatively National Bank of Commerce Limited has



been growing its total income in line with the market growth.

The Table below provides National Bank of Commerce Limited's Market shares in various aspects.

*Table 2: National Bank of Commerce Limited Market Share*

TOTAL INCOMES (AMOUNT IN BILLION SHILLINGS)						
	2021	2020	2019	2018	2017	CAGR
<b>TOTAL</b>	2,942	2,970	3,068	3,318	3,631	4%
<b>National Bank of Commerce Limited</b>	192	188	197	198	219	4%
<b>National Bank of Commerce Limited (Share)</b>	7%	6%	6%	6%	6%	

LOANS AND ADVANCES (AMOUNT IN MILLION SHILLINGS)						
	2021	2020	2019	2018	2017	CAGR
<b>TOTAL</b>	15,036	15,485	17,428	18,392	20,788	7%
<b>National Bank of Commerce Limited</b>	821	947	984	1,106	1,387	11%
<b>National Bank of Commerce Limited (Share)</b>	5%	6%	6%	6%	7%	

Source: Tanzania Securities Limited

## 6.7 CHALLENGES FACED BY THE BANKING SECTOR IN TANZANIA

The banking industry faces the following problems:

- **Non-performing loans:** continue to affect banks' capital. Most banks fail to comply with the minimum ratio set by the regulatory body of 5%.
- **Rising expectations and awareness:** in today's world, customers are more aware and well informed about various products offered within the banking industry, thanks to the growth of information technology. This has resulted in an increase in competition within the banking industry and low customer switching costs. Most banks are now required to invest heavily in developing new products that will outperform their

competitors in terms of customer satisfaction.

- **Continuous innovation:** The banks are required to be innovative in terms of products and delivery of products to customers to enhance customer satisfaction. Investment in research and development requires a large amount of funds, which is a big challenge for most banks in Tanzania.
- **Uncertainties:** uncertainties tend to increase various operational risks and create an unfavorable business environment for making profits. For example, the eruption of COVID-19 and the ongoing war between Russia and Ukraine. COVID-19 has impacted banks' loan portfolios and banks have responded by restructuring their loan portfolio to minimize its impact on NPL.
- While the impact of digitization in the banking sector is changing consumer experience and business strategy, banks are experiencing a decline in walk-in customers. Most customers are opting for mobile banking, and that has posed a challenge to banks, which have invested heavily in growing a strong branch network.
- The sector is faced with cyber security risks. Due to the complex nature of cyber risks, handling them requires specialized talent. However, the availability of trained and experienced professionals in the local market has been a challenge for most banks.

## 6.8 FUTURE/ PROSPECTS OF THE BANKING INDUSTRY IN TANZANIA

In recent years, most banks have invested in technology and innovation to satisfy consumer needs and preferences. This has brought about new and innovative channels of delivering banking services. Digital payments have played an important role in promoting financial inclusion, economic growth, and individual financial empowerment by improving efficiency and convenience in the provision of financial services. The utilization of digital platforms in the financial sector has addressed the challenges of accessibility and usage of formal financial services and products. Digital payment channels include Automated Teller Machines (ATMs), Point of Sale Devices (POS), mobile (SMS) banking, and Internet banking.

With constantly changing consumer expectations, emerging technologies, and new business models, the banking industry is ripe for transformation. How quickly and nimbly banks react to digitization, new business models, developing technologies, and altering consumer tastes will determine their level of success. Most banks are also anticipated to continue placing a high priority on innovation. If banks want to move the innovation agenda forward at the proper pace, they must partner with fintech firms.



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## 7 OPERATIONAL OVERVIEW

### 7.1 GENERAL INFORMATION

<b>Principal Place of Business</b>	<b>NATIONAL BANK OF COMMERCE LIMITED</b> NBC House, Sokoine Drive/ Azikiwe Street, PO Box 1863, Dar es Salaam
<b>Company Secretary</b>	<b>Mr. Edward Lyimo</b> NATIONAL BANK OF COMMERCE LIMITED NBC House, Sokoine Drive/ Azikiwe Street, PO Box 1863, Dar es Salaam
<b>Company Auditors</b>	<b>KPMG</b> The Luminary Plot No. 574, Haile Selassie Road Msasani Peninsula Area PO Box 1160 Dar es Salaam

### 7.2 NATIONAL BANK OF COMMERCE LIMITED'S HISTORY

National Bank of Commerce Limited is the oldest serving Bank in Tanzania with over five decades of offering banking services in Tanzania. The Bank offers a range of retail, business, treasury, corporate and investment banking and wealth management products and services.

#### 7.2.1 Our history

The National Bank of Commerce Limited traces its origins to 1967, when the Tanzanian government nationalised all financial institutions, including banks. In 1990s, the Government decided to liberalize the financial sector in Tanzania to complement economic reforms. Thereafter, a number of legislations were enacted including the Banking and Financial Institutions Act, 1991 designed to pave the way for licensing of new banks and financial institutions and to allow for market determined financial resource allocation. In 1997, the institution then known as the National Bank of Commerce was split into three separate entities:

- NBC Holding Corporation
- National Microfinance Bank (NMB)
- National Bank of Commerce (1997) Limited

In 2000, the bank was privatized whereby South African financial services Group, Absa Group Limited, acquired a majority shares (55%) in National Bank of Commerce (1997) Limited.

The Government of Tanzania retained a 30% shareholding and the International Finance Corporation (IFC), a member of the World Bank Group, took up 15% shareholding in the bank. From 25th July 2000, the new transformed entity became known as National Bank of Commerce Limited.

### 7.2.2 Mission, Visions and Values

#### OUR VISION

To be the preferred provider of financial services in Tanzania

#### OUR MISSION STATEMENT

We are a caring financial services provider, partnering with all our stakeholders to create prosperity through a customer centric, innovative, and diverse product offering.

#### OUR VALUES

We drive high performance to achieve sustainable results  
We are obsessed with the customer  
Our people are our strength  
We have an African heartbeat

#### 7.2.3 Our benchmarks

- National Bank of Commerce Limited is the only international Bank with a presence all major towns in the country.
- With 47 branches and over 181 ATMs, National Bank of Commerce Limited delivers a unique collection and banking capability to its customers.
- National Bank of Commerce Limited currently employs around 977 staff across the country as of 30th September 2022.

#### 7.2.4 Our accolades and awards

- 2005 Bankers Awards (Corporate Bank of the Year)
- 2005 Bankers Awards (Special Technology Awards)
- 2009 TRA Compliant Large Taxpayer Award
- 2009 African Banker Award (Best Local Bank in Africa)
- 2015 Asian Banker Award (Best Retail Bank)
- 2015 National Bank of Commerce Limited Voted 2015 – 16 Superbrands
- 2017 Best Islamic Retail Bank Award
- 2017 National Bank of Commerce Limited Voted 2017 – 18 Superbrands
- 2018 Best Financial Institution that supports SMEs during 42nd DITF 2018
- 2018 2nd Best Financial Institutions during 2018 Farmers exhibitions



### 7.3 BANK STRATEGY

National Bank of Commerce Limited aims at achieving its strategic aspiration by focusing on the following key areas:

- Focus on customers by improved service.
- Double Market Share by growing our customer base and attract the unbanked population.
- Becoming a truly digital bank through enhanced alternative channels.
- Focus on building relevance in the Tanzania Financial transactions Ecosystem.
- Empowerment by bringing decisions closer to customers.
- Improve customer experience through payments.

### 7.4 BUSINESS OPERATING MODEL

National Bank of Commerce Limited business model has historically been anchored to corporate business, also serving businesses, SMEs, and retail, and expanded into Islamic Banking. However, in the past two years the bank has invested heavily in research and development and managed to come up with a value proposition that is closely aligned to the needs of the retail and micro, small, and medium enterprises (MSMEs) segments, which are currently making significant strides in the market.

We execute on this business model through our four customer facing business segments which are:

- Retail Banking
- Corporate and Investment Banking
- Business Banking
- Treasury and Markets

### 7.5 COMPOSITION OF THE BOARD OF DIRECTORS

The directors serving to the Board of National Bank of Commerce Limited at the date of this report and who have served since 1st January 2022 except where otherwise stated, are;

Name	Nationality	Remarks
Mr. Anthony De La Rue**	British	Appointed 21st August 2008
Mr. Daniel Johannes Brits**	South African	Appointed 1st April 2010
Dr. Kassim Hussein**	Tanzanian	Appointed 19th August 2010
Mr. Theobald Sabi*	Tanzanian	Appointed 14th February 2019
Mr. Waziri Barnabas*	Tanzanian	Appointed 14th February 2019
Mr. Godfrey Malekano**	Tanzanian	Appointed 5th November 2019
Mr. Felix Mlaki**	Tanzanian	Appointed 1st November 2020
Dr. Elirehema Doriye**	Tanzanian	Chairman: Appointed 5th October 2021.

\* Executive Director

\*\* Non-Executive Director

### 7.6 CORPORATE GOVERNANCE

The Board operates under a comprehensive structure made up of committees established to assist it in discharging its responsibilities and obligations. Each committee has a set of specific terms of reference outlining the scope of its responsibility and relevant administrative and procedural arrangements. The Board appoints the members of the Board Committee and reviews each Committee's composition regularly upon recommendation of the Remuneration Committee. In deciding committee memberships, the Board endeavors to make the best use of the range of skills across the Board and share responsibility.

The Board consists of eight directors, six of whom are non-executive directors. The Chairperson of the Board leads the Board. The Board has in place an annual work plan that sets out the Board activities in a year. The Board meets at least once every quarter, and additionally, when necessary, to consider all matters relating to the overall control, business performance and strategy of the bank.

The Board is governed by a charter which is reviewed annually and has the following Board Committees to ensure a high standard of corporate governance: -

#### Audit, Risk and Compliance

The Committee reviews the integrity of the bank's financial statements and recommends the statements for approval to the Board. The Committees review the effectiveness of the bank's system of internal control and receives reports on the findings of the internal and external audits and tracks the actions on audit findings. The Committee also reviews the proposed work plans for the Internal Audit, Risk and Compliance functions at the beginning of each year. The Committee oversees the enterprise-wide view of risks and controls and brings together the overall risk appetite and risk profile of the business.

It also oversees the bank's preparedness and mitigation for the major risks faced by the bank across the business including operational risk, credit risk, liquidity risk, market risk, regulatory risk, legal risk, reputational risk and compliance risk. The Committee is responsible for ensuring that there are written policies, procedures, and processes to identify and manage all types of risks within the bank.

As of 31st September 2022, the Committee was comprised of the following members:

- Mr. Daniel Brits - Chairperson
- Mr. Godfrey Malekano - Member

#### Board Lending Committee

The Board Lending Committee plays a critical role in the formulation and review of lending policies and ensures that such policies comply with regulatory requirements. It assesses the credit quality and risk profile of the bank's lending book by sector and by product and makes recommendations to the Board on remedial actions or on matters that may enhance the quality of the lending book.



Members of Board Lending Committees as of 31st September 2022 were;

- Dr. Kassim Hussein - Chairperson
- Mr. Anthony De La Rue - Member
- Mr. Felix Mlaki - Member

### Remuneration Committee

The Committee acts as the link between the board and management. It is responsible for reviewing human resources policies and practices, particularly concerning the various business units' operations. This Committee reviews human resource policies and makes suitable recommendations to the Board on senior management appointments. This Committee also oversees the nomination functions and senior management performance reviews. It also leads the process for identifying, nominating for approval by the Board, candidates to fill Board vacancies.

The Members of the Committee as of 31st September 2022 were;

- Mr. Anthony De La Rue - Chairperson
- Dr. Kassim Hussein - Member
- Mr. Felix Mlaki - Member

### Board of Directors Meetings

During the Financial Year ending December 2021, the following board meetings were conducted.

- Main Board meetings - 4
- Board Lending Committee meetings - 4
- Remunerations Committee meetings - 4
- Audit, Risk and Compliance meetings - 5

### Time and Age Limit for CEO and Directors

The Bank of Tanzania through the Banking and Financial Institutions (Corporate Governance Regulations), 2021, requires the board member and Chief Executive Officer of a Bank or a financial institution not to hold office for a consecutive period of more than 10 years. A board member or a Chief Executive Officer of a bank or financial institution who has served for a period of 10 years or more by the date of these regulations came into effect shall have a moratorium period of 2 years before ceasing to function in that capacity. The Board has put in place a succession planning designed to comply with requirements under the newly issued Corporate Governance regulation.

## 7.7 MANAGEMENT

The Executive Committee of the Bank is led by the Managing Director and is structured in the following departments: -

- Chief Operating Office department.
- Corporate and Investment Banking department.
- Compliance and Regulatory Affairs department.
- Credit department.
- Finance department.
- Legal and Company Secretary department.
- Human Resources department.
- Internal Audit department.
- Retail Banking department.
- Business Banking department.
- Risk department; and
- Treasury and Markets department.

## 7.8 CURRENT AND FUTURE DEVELOPMENT PLANS

National Bank of Commerce Limited recorded a Profit before Tax of TZS 60.1 billion and Profit after Tax of TZS 40 billion in 2021, which is the highest in the last five years. The key drivers have been the increase in net interest income by 15% year on year largely driven by an increase in customer loans across the business and specifically in consumer public sector lending. Another significant driver is the improvement in the portfolio quality where impairment levels have dropped year on year by 78%.

In this regard, National Bank of Commerce Limited has been able to meet its budget on revenue and impairment, cost, and profits. The customer asset growth has been ahead of budget and has been a key contributor to profitability. Deposit mobilization remains a key focus for our growth in the year 2022.

National Bank of Commerce Limited continues to focus on expanding our customer base across the country, expanding provision of loans, investing in transactional systems for the convenience of customers and working with partners through agency banking to provide services near our customers.

The Bank will continue to invest in digital platforms that support the government to achieve electronic government (eGovernment). Such government digitization projects include GePG collections gateway enhancement, the MUSE platform (Government Accounting System), and other government digitization projects.

National Bank of Commerce Limited will continue to implement the measures that are issued by the government through the BOT to cushion the economy from the adverse effects of COVID-19, safeguarding the financial sector stability and facilitating the financial intermediation process. Nevertheless, National Bank of Commerce Limited, as a responsible corporation and one of the major players in the financial system, remains responsible for supporting the efforts of the government in promoting development.

## 7.9 NATIONAL BANK OF COMMERCE LIMITED'S OFFERINGS

- National Bank of Commerce Limited is one of the largest Commercial banks in Tanzania with a network of 47 branches strategically located in retail centers and other major towns across the country.
- National Bank of Commerce Limited has given its clients access to global banking environment. There is a large consensus among our clients that, "wherever you may be, National Bank of Commerce Limited has the solution to all your banking requirements".
- The products and services are offered under four business segments namely: Retail Banking, Business Banking, Treasury and Markets and Corporate & Investment Banking. Details of these offerings are provided below.

## 7.9.1 Retail Banking

### a) Transaction Products

These are accounts designed for managing funds and day-to-day financial activities including fund transfers, payments, online purchases, etc. They range from local account to multi-currency accounts.

### b) Saving Products

A savings account is a deposit account designed to hold money you don't plan to spend immediately. This is different from a checking account, a transactional account meant for everyday spending, allowing you to write checks or make purchases and ATM withdrawals using a debit card.

### c) Fixed Deposit Products

Fixed Deposits are one of the best investment avenues for those looking for an assured return. A Fixed Deposit is a type of an account opened with a bank where a guaranteed rate of interest is paid for keeping the funds for a particular period. Fixed Deposits are an easy way to earn returns from funds that are lying idle.

### d) Loan Products

- i. An unsecured loan is a loan that doesn't require any type of collateral. Instead of relying on a borrower's assets as security, the Bank approves unsecured loans based on a borrower's creditworthiness.
- ii. Secured loan: this is the type of loan where a borrower pledges an asset such as a house, car, equity, cash etc, against the loan as collateral. The loan amount among other things is determined by the pledged security such that it is not above its value.

### e) Other Services

- Insurance
- Agri solutions
- Islamic Banking

## 7.9.2 Business Banking

### a) Current account

This account allows account holders to deposit funds and withdraw on demand either by cheque, standing orders, or other means allowed by the Bank.

### b) Call Accounts.

Call Account allows clients to save funds while maintaining liquidity and earning interest.

### c) Fixed Deposit Accounts:

This is an investment account for a fixed amount made for a specific period at a guaranteed fixed rate of interest.

### d) Cash Management – Payment Solutions

National Bank of Commerce Limited can take payment challenge away from client and enable to concentrate on its core duties.

### e) Swift Channels:

All transactions relating to receipt or payment of funds at National Bank of Commerce Limited are

processed electronically using the swift system of transfer.

### f) Business Internet Banking:

This is National Bank of Commerce Limited's electronic banking platform which enables easy access of various banking services in a timely manner, convenient and in a secure dedicated link.

### g) Mobile Banking Disbursements

National Bank of Commerce Limited has automated its systems and products to ensure more clients are reached out with banking service regardless of whether they do maintain an account or not.

### h) Payments to Government Agencies:

Government has a various Tax collection platform to assist on collecting Tax and non-Tax payments. To ensure alignment with Government initiatives, National Bank of Commerce Limited has direct integration with Tanzania Revenue Authority through Revenue Gateway Systems (RGS) and Ministry of Finance through Government Electronic Payment Gateway (GePG).

### i) Distributor Financing Program (DFP)

Distributor financing is a supply chain financing program to distributors through National Bank of Commerce Limited's Unsecured Short-term loan.

### j) Overdraft Facilities

An overdraft is a loan arrangement between the borrower and the Bank whereby the Bank extends credit to a maximum amount against which the customer can write cheques or make withdrawals.

### k) Term Loans

A Term loan is a loan from a bank for a specific amount that has a specified repayment schedule and a floating interest rate. Asset based short and medium term (usually for one to four years) loan payable in a fixed number of equal installments over the term of the loan.

### l) Purchase Order (PO) Finance.

Unsecured financing arrangement in which the Bank agrees to finance the supplier funds to assist them to fulfil their obligations under the purchase orders.

### m) Commercial Asset Finance (CAF).

A hire Purchase Finance for Business tangible Assets for the purpose of promoting productivity, efficiency, and revenue. These assets include Commercial Vehicles, Plant & Machinery, Forklift Trucks & Yellow Plant

### n) Commercial Property Finance (CPF).

Financing of commercial buildings / properties under both, purchase of a complete building or finishing of a sub-finished building which is under construction.

## 7.9.3 Corporate Banking Accounting Structure

These are facilities for managing funds, ranging from local accounts to multi-currency accounts. Under this category National Bank of Commerce Limited offers Ordinary Business Current account, Islamic Business

Current account, and Collection accounts.

### Information Services

These provide information with regards to client's activities into their respective accounts. These include Bank statement, e-statements, SWIFT statements, and statements from other channels like Online Banking.

### Liquidity Management

This provides clients with the opportunity to both optimize and simplify their cash management. Clients can invest excess short-term funds so that the respective balance can earn interest at the Bank's prevailing tariff rate applicable for the amount and investment time. E.g., Fixed Deposit, Call account with Sweep facility etc.

#### a) Collection

##### Verified Collection (GEPG)

Government e-Payment Gateway (GePG) is a government system that facilitates electronic money transaction from the public to the Government. This is to ensure that each income and payments to/from the Government are centralised, monitored, and controlled.

##### E-statement

This is a service where the client is being sent an electronic bank account statement on his/her mail address at a certain frequency, the E-statements can be sent weekly or monthly.

National Bank of Commerce Limited Cash in Transit (CIT) Service

In partnership with a reputable security company, National Bank of Commerce Limited can facilitate ease collection of your cash through the National Bank of Commerce Limited Cash in Transit (CIT) service.

##### National Bank of Commerce Limited Courier Service - Mail

The service provides a dedicated courier that will collect and deliver the following non-cash items to and from the Bank on Client's behalf: - cheques, fund transfer applications for processing, cheque books, entry advices, transaction receipts, bankers cheques, letters to the Bank, inward unpaid cheques.

#### Onsite Teller

This provides an advantage to the customer of having National Bank of Commerce Limited collecting cash on behalf of the customer with real time credit onto the customer's account.

#### b) Transactions

##### Payments

National Bank of Commerce Limited can make all kinds of payments and settlements on your behalf within and outside Tanzania i.e., internal, local (Urgent & EFT – Salary payments), Revenue payments and cross-border. SWIFT payments format can also be processed.

##### mWallet Super Agent

This provides National Bank of Commerce Limited with the capability of receiving Electronic Money (E-money)

from Mobile Wallet Users/Agents in exchange for cash and paying out cash sums to Mobile Wallet Users/Agents in exchange for E-money.

##### DigitalPay – AzamPay

This solution eliminates cash transactions by allowing Azam customers to directly connect to their respective Bank accounts with National Bank of Commerce Limited via AzamPay Mobile Application and make payments to the Azam Group of Companies.

#### c) Channels

##### Corporate Internet Banking

This is an electronic banking service which allows customers to access and manage their accounts online conveniently anywhere. Customers can perform several transactions. These are basic transactions; portfolio related transactions, various payment solutions as well as some refined capabilities like TRA payments.

##### Host to Host

This is an electronic banking channel that connects the client's Line of Business (LoB) or Enterprise Resource Planning (ERP) system directly with the Bank to enable large volume transaction files to be processed

##### MUSE

The Government, through the Ministry of Finance and Planning (MoFP), implemented a payment gateway system known as; "Mfumo wa Ulipaji Serikalini" (MUSE), seeking to ensure real-time visibility of all Governments' payments to service providers for control and governance purposes. National Bank of Commerce has integrated with MUSE to ensure Government Institutions can perform transactions in compliance to Government requirements.

##### ERMS

Government Enterprise Resource Management Suite (ERMS) is an ERP solution developed by e-Government Authority to be used by Public Institutions for management of its resources including Finance/Accounting. The system has been integrated by banks through the existing MUSE - Banks integration.

#### d) Trade Finance Products

Trade finance represents the financial instruments and products that are used by companies to facilitate international trade and commerce.

##### i. Letters of Credit (import and export):

This is an irrevocable undertaking which gives assurance to buyers and suppliers that, upon shipment and submission of compliant documents the buyer will take delivery of the specified goods while the supplier will receive the related payment.

##### ii. Bonds and Guarantees

These are written undertakings, either conditional or unconditional, issued by National Bank of Commerce Limited on client behalf to indemnify the beneficiary (the buyer of your goods or services, your supplier, or a Statutory Board) wherein the



beneficiary requires a bank Guarantee as support in the event of default against the terms of contract by yourself.

### iii. Import and Exports Bills for Collection

Exporters can instruct their Bank (called the "Remitting Bank") to send commercial documents (such as invoices, Bills of lading or Airway Bills) or financial documents (such as Bills of Exchange) on a collection basis to the "Presenting Bank", normally located in the Importers/buyers' country. Upon receipt of such documents, Presenting National Bank of Commerce Limited will acknowledge receipt and release documents strictly in accordance with instructions received from the Remitting Bank either against payment or acceptance.

### iv. Post Import Loan

An import Loan is a short-term cash advance (with recourse) that enables you as an importer to meet your immediate payment obligations under a sight or usance Letter of Credit presentation or Import Documentary Collection.

### v. Pre-Shipment Finance

Pre-shipment finance is working-capital finance that is provided by National Bank of Commerce Limited to an exporter, on a with-recourse basis against either sales contract, proforma invoice or against a Letter of Credit, provides working capital financing to the producer.

### vi. Import Invoice Financing/Invoice Discounting

These products enable an importer or exporter who trades on an open account basis to raise short-term finance using commercial invoices (not proforma invoices) and transport documents. This form of finance can be domestic or cross border.

## 7.10 NATIONAL BANK OF COMMERCE LIMITED-SERVICE NETWORK

### 7.10.1 Branches

The table below provides a list of National Bank of Commerce Limited branches as of 30th September 2022:



Table 3: List of National Bank of Commerce Limited Branches as of 30th September 2022

No.	Branch	Location
1	ARUSHA	Arusha
2	BABATI	Manyara
3	BUKOBA	Kagera
4	CHANG'OMBE	Dar es Salaam
5	CORPORATE	Dar es Salaam
6	DODOMA	Dodoma
7	GEITA	Geita
8	INDUSTRIAL	Dar es Salaam
9	IRINGA	Iringa
10	KAHAMA	Shinyanga
11	KARATU	Arusha
12	KARIAKOO	Dar es Salaam
13	KIBAHA	Coastal
14	KIGOMA	Kigoma
15	LINDI	Lindi
16	MAKAMBAKO	Njombe
17	MASASI	Lindi
18	MBAGALA	Dar es Salaam
19	MBEYA	Mbeya
20	MBEZI BEACH	Dar es Salaam
21	MERU	Arusha
22	MLIMANI CITY	Dar es Salaam
23	MNAZI MMOJA	Dar es Salaam
24	MOROGORO	Morogoro
25	MUHIMBILI	Dar es Salaam
26	MUSOMA	Mara
27	MWANZA	Mwanza
28	NJOMBE	Njombe
29	NYANZA	Mwanza
30	SAMORA	Dar es Salaam
31	SEA CLIFF	Dar es Salaam
32	SHINYANGA	Shinyanga
33	SINGIDA	Singida
34	SONGEA	Ruvuma
35	SUMBAWANGA	Rukwa
36	TABORA	Tabora
37	TANGA	Tanga
38	TARIME	Mara
39	TEGETA	Dar es Salaam
40	TUKUYU	Mbeya
41	TUNDUMA	Songwe
42	UBUNGO	Dar es Salaam
43	UDSM	Dar es Salaam
44	VICTORIA	Dar es Salaam
45	ZANZIBAR	Unguja
46	MOSHI	Kilimanjaro
47	MTWARA	Mtwara

Source: National Bank of Commerce Limited



### 7.10.2 Agents

The table below provides a list of the National Bank of Commerce Limited agents as of 30th September 2022



Table 4: List of National Bank of Commerce Limited Agents as of 30th September 2022

Region	Direct	Selcom	Grand Total
Arusha	213	244	457
Coastal	126	64	190
Dar es Salaam	1579	1499	3078
Dodoma	179	64	243
Geita	56	23	79
Iringa	93	38	131
Kagera	68	34	102
Katavi	17	-	17
Kigoma	63	38	101
Kilimanjaro	167	81	248
Lindi	49	29	78
Manyara	35	26	61
Mara	104	91	195
Mbeya	188	154	342
Mjini Magharibi	23	-	23
Morogoro	175	65	240
Mtwara	88	14	102
Mwanza	150	192	342
Njombe	124	92	216
Pemba Kaskazini	21	-	21
Pemba Kusini	7	-	7
Rukwa	60	38	98
Ruvuma	129	63	192
Shinyanga	103	101	204
Simiyu	12	-	12
Singida	44	19	63
Songwe	36	18	54
Tabora	50	52	102
Tanga	71	38	109
Unguja Kaskazini	2	60	62
<b>Grand Total</b>	<b>4,032</b>	<b>3,137</b>	<b>7,169</b>

Source: National Bank of Commerce Limited

### 7.10.3 Service Centers

As of 30th September, 2022, the National Bank of Commerce Limited currently has two service centers located in Bunge and Kigamboni. The Bank will continue to grow its branch and service center network as per its strategic vision.



Table 5: List of Service Centres

Service Centre	Status
Bunge Dodoma	Operational
Kigamboni	Operational

Source: National Bank of Commerce Limited

### 7.11 RISK MANAGEMENT AND INTERNAL CONTROL

The Board has final responsibility for the risk management and internal control systems of the Bank. The Board does its risk and internal control assessment through its Board Audit, Risk and Compliance Committee. It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an on-going basis to provide reasonable assurance regarding: -

- The effectiveness and efficiency of operations.
- The safeguard of the company's assets.
- Compliance with applicable laws and regulations.
- The reliability of accounting records.
- Market related risks in changing interest rates; and
- Responsible behaviour towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank's controls are 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 financial year ended 2021 and is of the opinion that they were effective.

### 7.12 LIQUIDITY

The Bank places very high importance in liquidity management. The Directors, after due consideration of the information pertaining to the performance

and financial position of the Bank, have no reason to question the ability of the Bank to fund its current and future operations and strategies.

The Bank's internal sources of liquidity include adequate amounts of liquidity resources that are sufficient in amount and quality; together with a funding profile that is appropriate to meet the approved liquidity risk appetite of the Bank.

On top of the standard and regulatory liquidity metrics, National Bank of Commerce Limited manages liquidity risk through additional daily and monthly assessment of qualitative and quantitative early warning indicators. These include overall market and political situation, depositor's concentration risks, undrawn commitment levels, and unplanned movements in customer assets/liabilities; all of which are used to alert National Bank of Commerce Limited ALCO of a potential liquidity pressure and allow for implementation of mitigations.

The regulatory liquidity on 31 December 2021 was 24%

### 7.13 RELATIONSHIP WITH STAKEHOLDERS

The Bank continued to maintain a good relationship with all stakeholders including the regulators. It has implemented an effective stakeholder engagement plan that comprised of engaging senior officials from the public and private sectors to strengthen commercial relationships. Furthermore, the Bank, invested in the community by being involved in projects and community initiatives that positively impacted the lives of Tanzanians across the country. The sponsorship of leading sports events, including athletics and football, will give impetus in elevating the acceptability of the National Bank of Commerce Limited brand that allowed National Bank of Commerce Limited to access markets across the country.

## 7.14 RESOURCES

### Financial resources

Capital is comprised of shareholders' funds, subordinated debt, and revenue reserves. As of 31st December 2021, the Bank paid up capital was TZS. 15.7 billion, share premiums TZS 71.3 billion, and retained earnings TZS 209.7 billion. The financial capital position of the Bank is adequate to meet both regulatory and internal capital requirements for running the businesses. Management and the Board are committed to obtaining funds from diversified sources and utilizing them in the most effective, strategic, and prudent manner while seeking to generate sustainable value.

#### 7.14.1 Manufactured capital

The Bank has various equipment, physical facilities, digital and alternative channels (ATM, mobile banking, internet banking, card business, etc), applications and operational systems available to support the offering of products and services to customers. The available facilities provide comfort, convenience and security for our customers and employees. National Bank of Commerce Limited invests constantly to improve infrastructures, which

is important for the growth and efficiency of our business model. With physical facilities (branches & agents) and alternative channels, we have created an opportunity to deliver our services both locally (across the country) and internationally. Our channels continue to experience growth in terms of volumes of transactions and the number of customers, as of 30th June 2022 our delivery footprint which indicates a flourishing business was as follows.

- Number of branches across the region: 47
- Number of ATMs across the region: 181
- Service Centers: 2
- Number of Agents: 7169

#### 7.14.2 Human resources

National Bank of Commerce Limited is sufficiently resourced with competent human capital. The Bank's competence-based assessment processes are aimed at ensuring the Bank is staffed with people with the right level of technical abilities, experience, and character. The Bank's general scheme of reward, values and broader brand strength provides motivation for our people at delivering the Bank's strategy.

The Bank subscribes to equal opportunity in its employment policies that guides recruitment. Therefore, all vacant roles are transparently advertised internally and externally. We also make use of market expertise to reach talent in the market through recruitment agencies. The Bank has a talent management policy that provides modalities of how we grow talents individually and career as part of retention.

The bank has a performance management process in place dubbed "My Contribution" that is meant to track and assess employee contribution to the Bank's performance. This is in line with the Performance Management Policy of the Bank where employees set objectives in line with Bank strategic objectives and upon alignment with management those objectives are tracked throughout the year. The performance assessment outcome is tied to reward decisions and under-performance is met with specific actions to re-mediate. The Bank has a robust learning platform providing world class learning facilities necessary for on job requirements and person development. Annually there is a specific training plan meant to address specific business requirements of the Bank.

The Bank strategy is communicated in simple terms in writing to employees but also in focus group discussions as part of the strategy cascade activities done annually.

Following the Covid-19 pandemic that brought in new dimensions of managing people including managing people remotely, the Bank rolled out a learning program for line managers to enhance their capabilities to manage teams remotely and ensure results while taking care of their wellness. The Bank has created a remote working policy to provide guidelines to employees and managers to ensure there is efficient use of remote working arrangements where necessary.

The Bank's human resources process is fully automated where all HR processes are catered for on Workday System which is a main employee management system that feeds into other HR systems specific for certain processes or other downstream systems of the Bank.

### **Social and relationship resources**

The Bank's social and relationship resources comprise of our values as outlined under National Bank of Commerce Limited Code of ethics/ NBC Ways. Our code of ethics provides our purpose and values, which govern our way of working across our business. It is a reference point covering all aspects of colleagues' working relationships with other National Bank of Commerce Limited employees, customers and clients, governments and regulators, business partners, suppliers, competitors, and the broader community.



**Karibu  
Tufanye  
Biashara**

## 8 CORPORATE GOVERNANCE AND GENERAL INFORMATION

### 8.1 BOARD OF DIRECTORS

The summary profiles of the directors of National Bank of Commerce Limited Board are as follows:



**Dr. Elirehema Doriye**  
Nationality: Tanzanian  
Chairman  
Non - Executive Director

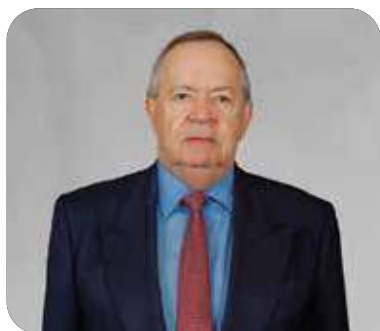
Dr. Doriye serves as the Managing Director of the National Insurance Corporation of Tanzania Limited (NIC), Non-Executive Director Zep-Re (PTA Reinsurance), Chairperson of the COMESA Council of Regional Customs Transit Guarantee, Chairperson of the COMESA Council of Bureaux on the Regional Third Party Motor Vehicle Insurance, Chairman of the Insurers' and Social Security Examination Board and Board member of NSSF. He has served as a member of the Tax Revenue Appeals Tribunal, Assistant Registrar/Head of Examinations at the Institute of Finance Management and has served in various capacities as a consultant.

Dr. Doriye has a wealth of experience in the areas of business development, corporate governance, corporate finance, risk management and strategy with over 15 years of consultancy, training, teaching and leadership.



**Mr. Godfrey Malekano**  
Nationality: Tanzanian  
Non - Executive Director

Godfrey is a holder of B.Com Accounting and Finance and MBA in Finance and Financial Management Service. He previously served as director of Capital Markets and Security Authority (CMSA), Godfrey is also the chief executive officer of Tanzania Mercantile Exchange and non-executive director of Moshi University College of Cooperative and Business Studies. He has over 15 years of leadership in private and government institutions.



**Mr. Anthony De la Rue**  
Nationality: British  
Non - Executive Director

Anthony has been a member of the Institute of Chartered Accountants of Zimbabwe since 1976. He worked for Ernest and Young for almost 30 years as an auditing partner, he managed projects on diverse matters including but not limited to Mergers and Acquisitions, Corporate Finance and General Management Consulting. His last position at Ernest and Young was as Country Managing Partner for Zimbabwe. Currently he is the Managing Director of BDO Capital. Anthony serves in several boards of private, listed and public sector companies. He is also a director of Lumigar (Private) Ltd and Lumigar Solar (PUT) Ltd.

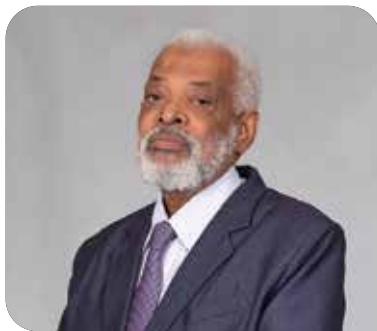




**Mr. Daniel Johaness Brits**

Nationality: South African  
Non - Executive Director

Daniel has over 30 years' experience in banking, having worked at Absa Group Limited, Volkskas Merchant Bank Limited, Federal Bank Limited, of Johannesburg. He has been a director of numerous companies including the independent Chairperson of Banks Consortiums. Daniel has been a director on the boards of Ambit Properties Limited, Salamander Asset Management PTY, Seawind Investment 13 PTY, Shellffrank Seven Nine (PTY). Mr. Brits also serves in the board of Absa Bank Mozambique.



**Dr. Kassim Hussein**

Nationality: Tanzanian  
Non - Executive Director

Dr Kassim holds a Ph.D. in Banking from University of Wales – Bangor in UK. He is a retired senior lecturer at the Institute of Financial Management (IFM) and has taught extensively graduate courses in accounting and finance. He is a longstanding resource person to, among others, Bank of Tanzania Training Institute, Procurement and Supplies Professionals and Technicians Board, the National Board of Accountants and Auditors and ESAMI of Arusha. He has earlier served in boards of National Printing Company, Tax Institute, Vijana Hostel and several academic management organs. He has published extensively and worked in editorial boards of referred journals such as: The Business Review; The African Journal of Finance and Management; International Journal of Islamic and Middle Eastern Finance and Management; and Majimaji. Dr. Kassim is non-executive Director of Asikah Properties and Mnazi Mmoja Hospital in Zanzibar.



**Mr. Theobald Sabi**

Nationality: Tanzanian  
Managing Director

Theobald joined National Bank of Commerce Limited from Standard Chartered Bank (T) Ltd, where he was heading the Corporate Banking department. He is a holder of a BSC (Hons) in Electrical Engineering from the University of Dar Es Salaam and is a Certified Chartered Accountant (ACCA). He is also a Fellow of the Association of Chartered Accountants (FCCA). Theobald has more than 19 years of professional banking experience covering Finance and Corporate banking. He brings with him a demonstrated wealth of experience and ideal knowledge on all matters related to Banking, Tanzanian market dynamics and Leadership. He was appointed Managing Director of National Bank of Commerce Limited from in October 2018. A role he occupies to date. He is the chairman of TMRC (Tanzania Mortgage Refinance Company Ltd. He is a member of the Bank of Tanzania Training Academy - Advisory board, He is a Member, Tanzania Private Sector Foundation (TPSF) Local Content & Economic Diplomacy Committee. He also represents the Tanzania Bankers Association on the National Engineered Wood Products Action Committee.



**Mr. Waziri Barnabas**

Nationality: Tanzanian  
Chief Finance Officer

He has over 20 years of Banking industry experience in the field of Finance and Accounting, Treasury Management and Strategic Sourcing. He has held senior management roles in both international and local banks. He brings in a wealth of experience in financial controls and general management. He previously worked as the Chief Finance Officer at NMB Tanzania for a period of almost 10 years to December 2017.

Prior to that his previous notable roles were Senior Manager Finance & Control at NMB Bank Tanzania, Head of Finance and Financial Controller at Barclays Bank Tanzania, Head of Business Finance and Financial Controller at Standard Chartered Bank Tanzania, and Treasury, Finance and Accounts Manager at International Bank of Malaysia. He has attended several trainings in Finance and management in the UK, USA, India, South Africa and Singapore. He holds a BCOM Accounting from the University of Dar Es Salaam and is Certified Public Accountant (CPA T). He also holds a Certificate in Directorship from the Institute of Directors in Tanzania.



**Mr. Felix Mlaki**

Nationality: Tanzanian  
Non - Executive Director

Felix has over 18 years of experience in the banking industry after having worked with Standard Chartered Bank and KCB Bank. Felix has an MBA in Economics and Finance from Edinburgh Business School. He is also a non-executive director of Geita Gold Mine Limited and executive director of Farm Access Limited and Economic Business Foundation Limited.

Source: National Bank of Commerce Limited

## 8.2 SENIOR MANAGEMENT

The summary profiles of National Bank of Commerce Limited's senior management are as follows:



**Mr. Theobald Sabi**

Managing Director

Theobald joined National Bank of Commerce Limited's from Standard Chartered Bank (T) Ltd, where he was heading the Corporate Banking department. He is a holder of a BSC (Hons) in Electrical Engineering from the University of Dar Es Salaam and is a Certified Chartered Accountant (ACCA). He is also a Fellow of the Association of Chartered Accountants (FCCA). Theobald has more than 19 years of professional banking experience covering Finance and Corporate banking. He brings with him a demonstrated wealth of experience and ideal knowledge on all matters related to Banking, Tanzanian market dynamics and Leadership. He was appointed Managing Director of National Bank of Commerce Limited's in October 2018. A role he occupies to date. He is the chairman of TMRC (Tanzania Mortgage Refinance Company Ltd. He is a member of the Bank of Tanzania Training Academy - Advisory board, He is a Member, Tanzania Private Sector Foundation (TPSF) Local Content & Economic Diplomacy Committee. He also represents the Tanzania Bankers Association on the National Engineered Wood Products Action Committee.



**Mr. Waziri Barnabas**

Nationality: Tanzanian  
Chief Finance Officer

He has over 20 years of Banking industry experience in the field of Finance and Accounting, Treasury Management and Strategic Sourcing. He has held senior management roles in both international and local banks. He brings in a wealth of experience in financial controls and general management. He previously worked as the Chief Finance Officer at NMB Tanzania for a period of almost 10 years to December 2017.

Prior to that his previous notable roles were Senior Manager Finance & Control at NMB Bank Tanzania, Head of Finance and Financial Controller at Barclays Bank Tanzania, Head of Business Finance and Financial Controller at Standard Chartered Bank Tanzania, and Treasury, Finance and Accounts Manager at International Bank of Malaysia. He has attended several trainings in Finance and management in the UK, USA, India, South Africa and Singapore.

He holds a BCOM Accounting from the University of Dar Es Salaam and is Certified Public Accountant (CPA T). He also holds a Certificate in Directorship from the Institute of Directors in Tanzania.



**Mr. Salehe Mohamedi**

Nationality: Tanzanian  
Director of Credit

He has over 20 years of banking experience with concentration in Credit Risk Management for both Corporate and Retail Banking business. He joined the Bank in January 2013 as the Head of Credit Sanctioning to where he performed his role with high integrity and passion. In the last one year he has been performing his new appointed role in acting capacity and has achieved great number things in support to driving the banks strategy. He is also a Non – Executive Director at Tanzania Mortgage Refinancing Company (TMRC).

Prior to that his previous notable roles were Head of Credit at BancABC Tanzania, Head of Business Support and Corporate Recovery at Barclays Bank Tanzania, Head of Corporate Credit at Barclays Bank Tanzania, and Head of Credit processing at International Bank of Malaysia.



**Mr. Peter Nalitoela**

Nationality: Tanzanian  
Director of Treasury and Markets

Peter Nalitoela joined National Bank of Commerce Limited's in 2018 from Barclays Bank where he was appointed the Country Treasurer of Barclays Bank Tanzania in April 2016. He has over six years' experience in Treasury space and has been instrumental in embedding Balance Sheet Management at National Bank of Commerce Limited's. As the Director of Treasury and Markets, Peter is tasked with delivering greater focus to Balance Sheet Management across the Bank.

Peter holds a MSc. Applications of Modeling from Trent University in Canada. Prior to joining Barclays, Peter had worked in various sectors including Power & Energy; Mutual Investment Fund Management; Pension Management and Telecommunications. Peter also occasionally lectures at the University of Dar es Salaam where he teaches Mathematics and Finance courses.



**Ms. Flora Mollel Lupembe**

Nationality: Tanzanian  
Director of Human Resources

Flora started her career in January 1999 at Tanzania Cigarette Company (TCC), member of Japan Tobacco, as Management Trainee, and worked in various capacities in that area up to the level of Recruitment & Employee Relations Manager in 2003. In 2004, Flora moved from TCC to Coca Cola Kwanza Limited as Regional Human Resources Manager. Flora occupied this position until March 2008 when she was promoted to be Director of Human Resources. In October 2011, she joined National Bank of Commerce Limited as Head of Human Resources the position she holds until now. Flora holds Bachelor of Arts (Education) from the University of Dar Es Salaam, Dar es Salaam Tanzania, and Masters of Arts Degree from University of Leicester, United Kingdom.



**Ms. Alelio Lowassa**

Nationality: Tanzanian  
Chief Operating Officer

Alelio has over 20 years knowledge of banking products and services with a proven record on relationship management, change management and operations experience gained largely in the market and outside the country. She joined National Bank of Commerce Limited's in 2018 as Chief Operating Officer from Standard Chartered Bank Tanzania where she held the post of Chief Information Officer since 2007. Prior to that she was based in Standard Chartered Bank Kenya working as Manager Support and Compliance reviewing operations of six countries hubbed in Kenya. She also held other various senior roles with Standard Chartered Bank Tanzania including Support and Compliance Manager and Head of Operations. She has extensive experience in meeting aggressive regulatory deadlines, driving significant changes in the industry and regional payments systems; driving digital agenda; and building talent and capacity. Over the last two years Alelio has been driving various Regulatory projects including relocation of Data Centre; Service Transformation by embracing new technologies and digital platforms that are critical for attaining service excellence and creating value for customers and building successful client experience model. She is passionate of process and system improvement plans to scale up productivity, improve work life balance for Staff and meet customers' high expectations and convenience.



**Ms. Sarah Laiser-Sumaye**

Nationality: Tanzanian  
Head of Compliance and Regulatory Affairs

Sarah has worked for several years in the Banking Industry in different leadership and managerial capacities in managing Compliance, Operational Risk & Credit Risk and has had membership in diverse Management and Board committees. She holds MBA – Finance (Masters in Business Administration- Finance) from Coventry University, United Kingdom. She is a Certified Compliance Risk Specialist with an Advanced Diploma in Accountancy and International Diploma in Banks' Risk Management. She is an appointed Member of the Tanzania Bankers' Association AML, Risk and Compliance Technical Committees. She has pioneered in several Risk Management initiatives in the Tanzania Banking Industry including that of the AML Risk Based Approach project under the oversight of the Central Bank and Bankers' Association and has conducted independent research on Fraud Risk Management in different banks in Tanzania on Fraud Risk Mitigation Strategies which can be implemented to banks in order to mitigate Fraud Risks. She joined National Bank of Commerce Limited's in November 2013.





**Mr. Elvis Ndunguru**

Nationality: Tanzanian  
Director of Business Banking

Elvis has over 12 years of banking experience in areas of Commercial Banking, SME, Credit, Trade, Transactional, Strategy, Operations, Collections and Recoveries as well as risk. He joined National Bank of Commerce Limited's in 2009 from Deloitte & Touché where he served as Senior Associate in Audit Department. Prior to Deloitte, Elvis worked with Citibank Tanzania as a Bank Teller.

He holds Bachelor of Commerce (Hons) Majoring in Accounting from University of Dar es salaam. He is Certified Chartered Accountant (ACCA). He is also a Fellow of the Association of Chartered Accountants (FCCA).

He also holds Leadership Qualification from Gordon Institute of Business Science (GIBS) - University of Pretoria South Africa as well as Advanced Leadership certification from Duke University. Elvis is a graduate of the CEO Apprenticeship Program organised by CEO round table of Tanzania in Collaboration with Strathmore University.



**Mr. James Meitaron**

Nationality: Tanzanian  
Head of Corporate and Investment Banking

James has over 13 years of banking experience in areas of Transactional Banking, Corporate, SME and Financial market products. He joined National Bank of Commerce Limited's from Standard Chartered Bank Tanzania where he held the post of Head of Corporate & Institutional Banking. Prior to that, he had served as Head of Business Banking and SME at NMB Bank and Barclays Bank. He started his career as Relationship Manager Global Corporates at Standard Chartered Bank. He holds BCom Accounting (Hons) from the University of Dar es Salaam and several Executive Leadership certificates. He enjoys cycling and traveling in his free time.



**Mr. Elibariki Masuke**

Nationality: Tanzanian  
Head of Retail Banking

Elibariki is a seasoned banker with more than 20 years' experience in the banking industry having previously worked in Standard Chartered Bank Tanzania Limited and CRDB Bank Plc. Prior to joining National Bank of Commerce Limited's, he was a Senior Manager SME and Mid-Corporate Banking at CRDB Plc. He has experience in Retail Banking includes Card business, MSME Financing, Project Management and Bank branch Operations. He has international exposure, including having been on attachment at VISA International London U.K. CEMEA Region Head office on Card Programmes and Clearing and Settlements, Cooperative Bank of Kenya, and Bank Rakyat Indonesia where he did attachments in SME/ Micro finance individual lending. Elibariki is a graduate of CEO Apprenticeship Program organised by CEO round table of Tanzania in Collaboration with Strathmore University. He also holds a Master of Business Leadership from the School of Business Leadership University of South Africa (UNISA) (2015 -2018), a Higher Diploma in Banking from Milpark Business School of South Africa (May 2011 – October 2013) majoring in Credit Risk Management, a Bachelor of Arts in Economics from the University of Dar-es- Salaam (1993-1996) and a Diploma in SME Development and Management from Galilee International Management Institute, Israel.

A certified Associate of Institute of Bankers (CAIB) South Africa. He also served as a board Member of Tandahimba Community Bank ended September 2019.



**Mr. Godliving Maro**

Nationality: Tanzanian  
Head of Risk

Godliving joined National Bank of Commerce Limited's in 2013 as Head of Internal Control. Prior to his current appointment in January 2014 as National Bank of Commerce Limited's Head of Risk, Godliving was Head of Internal Control for National Bank of Commerce Limited's. He worked with Bank of Africa and Standard Chartered Bank. Godliving has held various roles in the banking sector spanning from Finance, Audit, Bank operations and Operational Risk.

Godliving holds a Master's in Business Administration from University of Dar es Salaam, Bachelor of Commerce degree in Banking. He is a member of the Professional Risk Managers International Association (PRMIA).

In his current position Godliving is responsible for coordinating National Bank of Commerce Limited's Enterprise Risk Management Framework and ensuring full compliance with the applicable regulations.



**Mr. Fulgence Shirati**

Nationality: Tanzanian  
Head of Regional Internal Audit

Fulgence joined National Bank of Commerce Limited's as the Head of Audit in May 2013. Prior to taking on that role, Fulgence was the Chief Internal Auditor for Standard Chartered Bank Tanzania Limited. He holds a master's degree in Business Administration from the Eastern and Southern Africa Management Institute (ESAMI), Bachelor of Commerce in Accounting from University of Dar Es Salaam (UDSM). He is also an Associate Certified Public Accountant. Fulgence has a wealth of experience from the banking sector having worked in Tanzania Postal and Standard Chartered banks in different units and roles including Operations, Credit, Finance, Sales and Customer Service.



**Mr. Edward Lyimo**

Nationality: Tanzanian  
Head of Legal and Company Secretary

Edward Lyimo joined National Bank of Commerce Limited on the 1st of June 2022 in the position of Head of Legal and Company Secretary. He is a lawyer by profession with vast experience of 16 years in legal practice mostly as in-house counsel. He specializes in banking and financing, commercial and corporate, real estate and conveyancing, commercial litigation, labour, dispute resolution, intellectual property, forensic investigation, governance, and board management. He has experience in other areas such as project management, business sustainability, management, leadership and law and technology.

Edward has previously worked at TIB Corporate Bank Limited and KCB Bank Tanzania Limited in the capacity of Director of Legal and Company Secretary. He also worked at Barclays Bank Tanzania Limited as Legal Counsel.

Source: National Bank of Commerce Limited

## 8.3 COMPETENCE AND SUITABILITY OF DIRECTORS AND MANAGEMENT

As at the date of the application and for a period of at least two years prior to the date of the application, no director or senior manager of the Issuer has:

- Had any petition under bankruptcy laws pending or threatened against the directors (for individuals) or senior managers, or any winding-up petition pending or threatened against it (for corporate bodies).
- Had any criminal proceedings in which the director or senior manager was convicted of fraud or any criminal offence or action either within or outside United Republic of Tanzania; and
- Been the subject of any ruling of a court of competent jurisdiction or any governmental body that permanently or temporarily prohibits such director or senior manager from acting as an investment adviser or as a director or employee of a stockbroker, dealer or any financial institution or engaging in any type or business practice or activity.

## 8.4 SHAREHOLDING STRUCTURE

### 8.4.1 Authorised Shares

National Bank of Commerce Limited has an authorized share capital of TZS 50,000,000,000 divided into five million (5,000,000) ordinary shares of TZS 10,000 each Paid Up Shares.

### 8.4.2 Subordinated debt

In order to satisfy the requirements of the Capital Adequacy Regulations as per Bank of Tanzania, the Bank issued a Tier 2 Capital of TZS 31.25 billion, on the 29th January 2019, which was in the form of subordinated debt, unlisted and privately placed term loan with 10-year tenor (callable in 5 years) to ABSA Group Treasury.

### 8.4.3 Shareholders of the Bank

The shareholders of the National Bank of Commerce Limited are as provided below:

- ABSA Group Limited (AGL) – 55%
- The Government of the United Republic of Tanzania (GoT) – 30%
- International Finance Corporation (IFC) – 15%

### 8.4.4 Change in Major Shareholding

There was no change of the shareholding in the last 5 years.

## 8.5 SUBSIDIARIES

The Bank does not have subsidiaries

## 8.6 STRATEGY AND PROSPECTS

National Bank of Commerce Limited plans to improve its profitability through expansion to Retail and SME in line with the sectors experiencing a higher growth in economic activities.

- Amid global spill over of adverse impact of the pandemic, economic growth for 2020 was at 4.8%, reflecting adverse impact of the pandemic. In 2021,

the economy is projected to grow at 4.1%, having been revised from the initial projection of 5.5%, reinforced by construction, agriculture, transport and communication activities.

- Private sector credit growth in August 2021 is down to 3.2% from 6.8% in August 2020 but remained lower than pre-pandemic historical averages. A sustained high growth of credit to the private sector is expected in the outer period of 2022. The demand for credit is expected to recover owing to operationalization of policy measures rolled out by the Bank of Tanzania in July 2021 that are geared towards reducing lending interest rate and promoting credit to the private sector. The recovery of the global economy and on-going implementation of measures by the Governments to improve business environment will add impetus to private sector growth momentum.
- Despite a subdued growth of credit to private sector; loans extended to Retail customers / personal loans have continued to grow year on year at above 30% as indicated in the Monthly BOT Economic report.
- In the quest to grow its balance sheet and profitability; National Bank of Commerce Limited has embarked on a number of initiatives that will drive the agenda. Below key measures and initiatives being implemented by management:
- Establishment of Mini Branches / Service Centers in strategic locations
- Establishment of Super Agencies / Wakala Plus through Own Agency banking in areas with high economic activities
- Adopt to new requirements by the Public and Private Sector
- Revamped SME proposition
- Focus on customer base growth and deposit mobilization through Agri business, National Bank of Commerce Limited Shambani and KUA NASI propositions
- Becoming a truly digital bank by effectively moving the Network to a predominantly Alternative Channel Network:

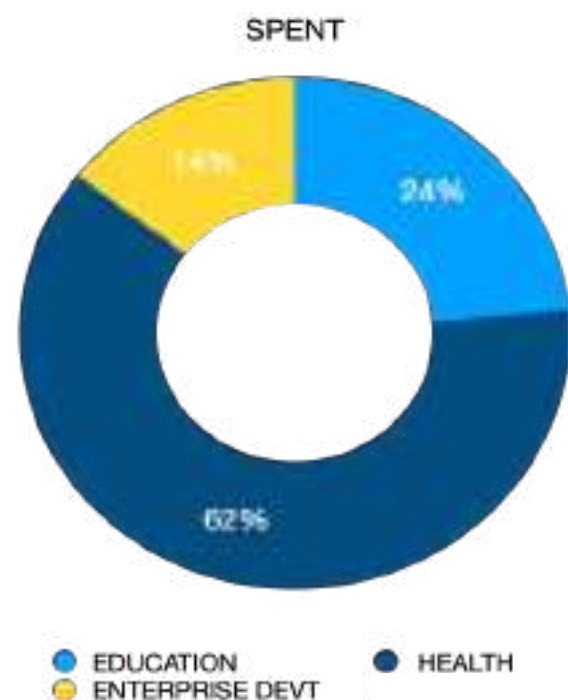
The Bank will continue to focus on cost reduction initiatives inter alia automation of key business processes, Rigorous procurement process, as well as Contracts review and re-negotiations.

## 8.7 CORPORATE SOCIAL RESPONSIBILITY (CSR)

During the 2021 financial year, National Bank of Commerce Limited spent TZS 603,000,000 in Citizenship and corporate investments spread across various initiatives within the scope of our policy provisions. Significant efforts were directed to health 55%, education 30%, and the rest 20%. We are happy to have left our mark on the lives of our fellow Tanzanians after a difficult year raved by the pandemic.



Figure 6: Amount Spent on CSR



Source: National Bank of Commerce Limited

### 8.7.1 Education:



Source: National Bank of Commerce Limited

In 2021, National Bank of Commerce Limited spent USD 104,302.57 on education development projects enriching the Government's efforts to improve the quality of the teaching and learning environment.

The amount was spent constructing classrooms, renovating school buildings, and donating beds and desks across various schools.

In the year in question, National Bank of Commerce Limited contributed 829 desks, built four new classrooms and two teachers' offices, renovated one secondary school, and supplied 3,980 bags of cement for the country's construction of primary and secondary schools.

### 8.7.2 Health:

In 2021, National Bank of Commerce Limited continued to support the health sector through various projects that impact society. A total of USD 275,417.87 was spent on health sector improvement activities. Notable areas that were funded include:

#### a) Deployment of a brand-new Mobile Clinic in Zanzibar



Source: National Bank of Commerce Limited

National Bank of Commerce Limited deployed a brand-new mobile clinic in Zanzibar that provides free medical services for expectant mothers. The National Bank of Commerce Limited mobile clinic program is jointly operated by the Bank and the Ministry of Health of Zanzibar. Within the first six months (September 2021 to February 2022), the clinic made a significant impact, where 3,184 expectant mothers attended.

The cost of the brand-new mobile clinic, including the medical equipment, is USD 69,376.20.

#### b) Cleft Lip surgeries.

National Bank of Commerce Limited partnered with a reputable local Non-Governmental Organization (NGO), Same Qualities Foundation, to provide surgery to 60 children in three regions of Tanzania Kilimanjaro, Tabora, and Kahama. The Bank spent a total of USD 9,782.60 for the course.

#### c) Donation towards the fight against cervical cancer.



Source: National Bank of Commerce Limited

The Bank organized the second NBC Dodoma Marathon to collect funds to fight against cervical cancer, the leading cause of cancer deaths amongst women in Tanzania. In 2018 Tanzania had the fourth-highest incidence rate



of cancer globally, with 59.1 new cases per 100,000 women. National Bank of Commerce Limited Dodoma Marathon, the second biggest marathon event in Tanzania, managed to raise USD 86,956.50, which was channeled to the Ocean Road Cancer Institute (ORCI), the country's largest cancer treatment center.

**d) Maternal and Child Mortality International Conference.**

National Bank Commerce Limited contributed USD 5,000 and hosted one of the most well-attended international health conferences in Tanzania. The Maternal and Child Mortality International Conference provided a platform for donors to make significant donations towards the health sector.

**8.7.3 Enterprise Development:**



Source: National Bank of Commerce Limited

National Bank of Commerce Limited adopted the Enterprise Development agenda in 2019 to nurture and grow entrepreneurs and startup businesses by providing capacity-building training to improve efficiency, productivity, and profitability. Over 6,000 entrepreneurs have been trained through the sound structure of National Bank of Commerce Limited Business Clubs, where 65% were women entrepreneurs.

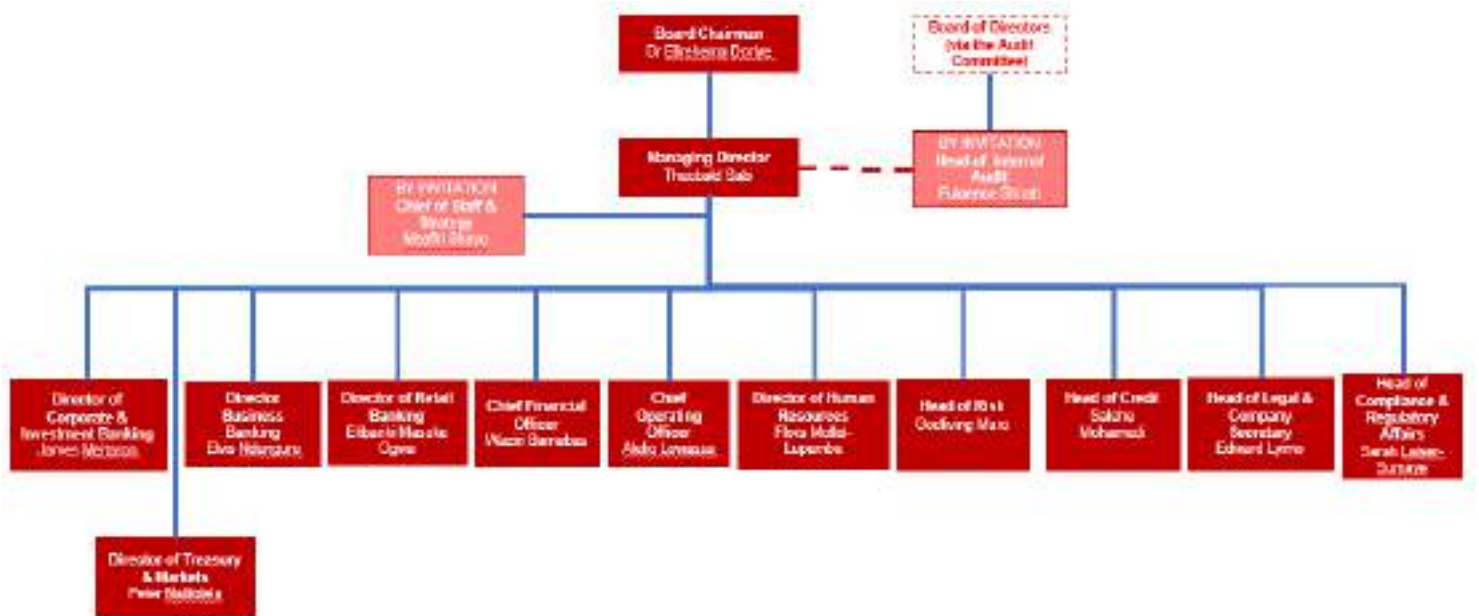
The National Bank of Commerce Limited Business clubs have successfully trained and grown entrepreneurs' businesses by strategically joining hands with partners from government and international agencies to provide basic business and financial knowledge in areas of bookkeeping, market linkages, regulatory requirements, tax laws, insurance, empowerment and investment opportunities, health and safety and many others. The investment in this activity was USD 39,000

In addition to that, National Bank of Commerce Limited also spent USD 3,000 for organized training for 100 leaders of local Non-Governmental Organizations (NGOs) from Kilimanjaro, Arusha, Mwanza, and Mara regions in product awareness and financial accountability, financial solutions, and business development.

**8.8 ORGANISATIONAL CHART**

Figure 7: Organisation Chart

**NATIONAL BANK OF COMMERCE LIMITED - EXECUTIVE COMMITTEE (ExCo) - AS AT 30 JUNE 2022**



Source: National Bank of Commerce Limited

## 8.9 FINANCIAL SUMMARY

The sections below provide a summary of the income statements, balance sheets and cashflow of National Bank of Commerce Limited

### 8.9.1 Statement of Comprehensive Income

The table below provides highlights of National Bank of Commerce Limited financial performance from the audited financial statements of the last five years (December 2017 to December, 2021) and six months management accounts as of 30th June 2022.

Table 6: Income Statement from December 2017 to June 2022

TZS in Millions	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	30-Jun-22
Interest income	184,335	158,861	156,117	163,616	184,936	102,210
Interest expense	(49,278)	(29,538)	(29,452)	(30,916)	(31,731)	(21,526)
<b>Net Interest Income</b>	<b>135,057</b>	<b>129,323</b>	<b>126,665</b>	<b>132,700</b>	<b>153,205</b>	<b>80,684</b>
Fee and commission income	44,286	37,305	44,011	43,595	48,218	24,453
Net trading income	13,262	21,372	26,141	21,627	17,949	14,261
Dividend received		18	17	12	40	-
<b>Total income</b>	<b>192,605</b>	<b>188,019</b>	<b>196,834</b>	<b>197,934</b>	<b>219,412</b>	<b>119,399</b>
Impairment losses on loans & advances	(25,030)	(23,077)	(5,903)	(33,941)	(7,331)	4,804
<b>Net operating income</b>	<b>167,575</b>	<b>164,942</b>	<b>190,931</b>	<b>163,993</b>	<b>212,081</b>	<b>124,202</b>
Staff costs	(71,165)	(70,727)	(81,421)	(85,465)	(79,272)	(39,109)
Infrastructure costs	(20,218)	(18,494)	(24,319)	(22,585)	(22,456)	(12,446)
Administration and general expenses	(53,691)	(54,227)	(46,482)	(49,647)	(50,297)	(30,096)
<b>Operating expenses</b>	<b>(145,074)</b>	<b>(143,448)</b>	<b>(152,222)</b>	<b>(157,697)</b>	<b>(152,025)</b>	<b>(81,651)</b>
<b>Profit before tax</b>	<b>22,501</b>	<b>21,494</b>	<b>38,709</b>	<b>6,297</b>	<b>60,056</b>	<b>42,551</b>
<b>Income tax expense</b>	<b>(7,040)</b>	<b>(11,172)</b>	<b>(16,057)</b>	<b>(29,587)</b>	<b>(20,035)</b>	<b>(8,406)</b>
<b>Profit for the year</b>	<b>15,461</b>	<b>10,322</b>	<b>22,652</b>	<b>(23,290)</b>	<b>40,021</b>	<b>34,145</b>

Source: National Bank of Commerce Limited Audited Statements and 6 months Management Accounts

#### Income

- Interest income grew from TZS 184.3 billion in 2017 to TZS 184.9 billion in 2021. In 2018 and 2019 there was a drop which was caused by general decrease in business activities in those years. However, 2020 and 2021 saw business picking up again. The growth from 2017 to 2021 represents a 0.08% CAGR.
- Net Interest Income grew by 3% CAGR from TZS 135.06 billion in 2017 to TZS 153.21 billion in 2021. The growth is attributed to improved margin on average interest-bearing due to a significant strategic growth in customer assets largely from Retail public sector.
- Fees and Commissions increased from TZS 44.28 billion in 2017 to TZS 48.22 billion in 2021 representing a 2% CAGR mainly from transactions.

#### Impairments

Expected credit losses on loans and advances decreased to TZS 7.3 billion in 2021 (2017: TZS 25.03 billion). The key reason behind the decrease is the improvement in the portfolio quality with the key strategic focus being the Retail public sector and completion of regulatory write-off of legacy names in the year 2020 which significantly impacted the performance. This represents a CAGR of -26% from 2017 to 2021.

#### Costs

- Total operating expenses increased by 1% from TZS 145.07 billion in 2017 to TZS 152.0 billion in 2021. This lower growth is mainly due to decrease in staff cost line largely being results from early retirement programs implemented in 2020 and 2021.
- The cost to income ratio significantly decreased to 69% compared to 75% in 2017 due to both increase in revenues as well as decrease in costs.

#### COVID-19 Impact on Financial Performance

National Bank of Commerce Limited leveraged on the measures that were implemented by the government through the BOT to cushion the economy from the adverse effect of Covid-19, safeguarding the financial sector stability and facilitating the financial intermediation process. National Bank of Commerce Limited implemented various measures to support borrowing customers during the pandemic and as a responsible corporate and one of the major players in the financial system remained responsible to support the efforts of the Government and other organizations to fight the pandemic and support the economic growth.

### 8.9.2 Statement of Financial Position

- The table below provides National Bank of Commerce Limited's audited Balance Sheet for five years from 31st December 2017 to 31st December 2021 and six months management accounts as of 30th June 2022.

Table 7: Statement of Financial Position

TZS in Millions	31-Dec-17	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	30-Jun-22
<b>ASSETS</b>						
Cash and balances at central banks	213,421	305,108	314,788	304,551	271,923	387,809
Loans and advances to banks	64,538	184,869	118,676	120,741	66,105	157,956
Trading portfolio assets	18,557	32,473	25,815	47,591	40,430	75,970
Derivative financial instruments	79	1,235	1,138	2,028	594	853
Financial assets at fair value through OCI	-	353,318	381,126	376,275	324,069	372,614
Available for sale Investment	566,245	-				
Loans and advances to customers	820,765	947,417	982,350	1,102,978	1,384,488	1,425,199
Other receivables	46,445	39,956	66,693	99,285	93,263	116,270
Current Tax Assets	19,495	19,378	21,606	9,782	10,731	9,539
Property, Plant and Equipment	37,822	37,167	49,005	48,910	48,660	48,402
Intangible assets	4,954	2,990	2,753	2,765	8,021	11,703
Deferred tax assets	12,109	25,405	25,212	18,855	19,216	12,914
<b>TOTAL ASSETS</b>	<b>1,804,430</b>	<b>1,949,316</b>	<b>1,989,162</b>	<b>2,133,761</b>	<b>2,267,500</b>	<b>2,619,227</b>
<b>LIABILITIES</b>						
Deposits from banks	197,897	154,074	67,326	189,913	219,379	158,809
Customer accounts	1,202,180	1,414,220	1,502,082	1,504,480	1,596,505	1,967,668
Derivative financial liabilities	604	63	576	2,667	2,163	1,238
Subordinated debt loan	33,389	33,404	32,298	31,997	32,067	32,049
Provisions	1,499	3,063	2,976	4,659	5,463	4,100
Trade and other payables	77,907	76,409	100,754	137,894	110,838	129,716
<b>TOTAL LIABILITIES</b>	<b>1,513,476</b>	<b>1,681,233</b>	<b>1,706,012</b>	<b>1,871,610</b>	<b>1,966,415</b>	<b>2,293,580</b>
<b>CAPITAL AND RESERVES</b>						
Share capital	15,700	15,700	15,700	15,700	15,700	15,700
Share premium	71,300	71,300	71,300	71,300	71,300	71,300
Fair value reserves	23,783	4,249	3,124	5,417	4,330	7,718
Specific regulatory reserve	20,184	528	4,329	-	-	-
General regulatory reserve	8,691	12,141				
Retained income	151,296	164,165	188,697	169,734	209,755	230,930
<b>TOTAL SHAREHOLDERS' FUNDS</b>	<b>290,954</b>	<b>268,083</b>	<b>283,150</b>	<b>262,151</b>	<b>301,085</b>	<b>325,647</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS</b>	<b>1,804,430</b>	<b>1,949,316</b>	<b>1,989,162</b>	<b>2,133,761</b>	<b>2,267,500</b>	<b>2,619,227</b>

Source: National Bank of Commerce Limited Audited Financial Statements and six months Management Accounts

- Total loans and advances to customers increased by 14% CAGR from TZS 820.76 billion in 2017 to TZS 1,384 billion in 2021 attributed to additional loans issued to customers especially from public sector schemes.
- Customer deposits increased by 7% CAGR from TZS 1,202.2 billion in 2017 to TZS 1,596 billion in 2021. Loan to deposit ratio (LDR) stood at 86.7% as of 2021 (Up from 72.1%).
- Total assets increased by 6% CAGR from TZS 1,804,430 billion in 2017 to TZS 2,268 billion as of 31 December 2021.
- In a view to increase the deposits mobilization to support the Bank's future growth; National Bank of Commerce Limited is scaling up its customer base through a mix of service channels - Branches, Agents and Digital Channels, focusing on products that will attract the unbanked population to start using banking services.

### 8.9.3 Cashflow

The table below provides financial highlights on cash flows based on National Bank of Commerce Limited's audited financial statements for the years 2018 to 2021.

Table 8: Cashflow from 31st December 2018 to 31st December 2021

TZS in Millions	2018	2019	2020	2021
<b>Cash flow from operating activities:</b>				
Profit after tax	10,322	22,652	(23,291)	40,021
Adjustments for:	-	-	-	-
Depreciation of plant property and equipment's	5,075	8,160	9,345	9,572
Amortization of Intangibles	1,953	2,118	1,602	1,053
Loss on translation of subordinated debt	-	-	(1,051)	(190)
Loss on disposal of property and equipment	8	106	1,504	-
Loss on disposal of intangible	11	-	-	-
Impairment on loans and advances	23,077	5,904	33,941	7,331
Impairment on investments at FVOCI	-	-	751	213
Interest on subordinated loan	15	2,278	1,754	1,945
Tax expenses	11,172	16,056	29,587	20,035
Dividends on equity securities at FVOCI	(18)	(17)	(12)	(40)
	<b>51,615</b>	<b>57,257</b>	<b>54,130</b>	<b>79,940</b>
<b>Changes in:</b>				
Financial Assets at Fair Value through OCI	184,674	(29,398)	7,972	373,179
Derivative Financial Assets	(1,156)	97	(890)	(322,041)
Loans and advances to customers	(161,955)	(42,535)	(154,570)	(288,841)
Other receivable	6,489	(26,737)	(32,592)	6,022
Deposit from Bank	(43,823)	(86,748)	122,588	29,466
Deposit from Customer	212,040	87,862	2,398	92,025
Derivative Financial Liabilities	(541)	513	2,090	(504)
Provisions and liabilities	1,564	(87)	1,683	804
Trade and other payables	(1,499)	13,635	41,408	(21,487)
Statutory minimum reserve	(3,703)	3,468	4,024	8,272
Trading Portfolio	(13,916)	6,658	(21,776)	7,161
	<b>229,789</b>	<b>(16,015)</b>	<b>26,466</b>	<b>(36,004)</b>
Interest paid	-	(1,229)	(941)	(835)
Tax paid	(11,946)	(17,100)	(12,972)	(20,122)
<b>Net cash used in operating activities</b>	<b>217,843</b>	<b>(34,344)</b>	<b>12,553</b>	<b>(56,961)</b>
<b>Cash flow from investing activities</b>				
Purchase of property and equipment	(4,358)	(4,380)	(10,754)	(9,533)
Proceeds from sale of equipment	-	(845)	-	-
Purchase of intangible assets	-	(1,881)	(1,614)	(6,100)
<b>Net cash used in investing activities</b>	<b>(4,358)</b>	<b>(7,106)</b>	<b>(12,368)</b>	<b>(15,633)</b>
<b>Cash flow from financing activities</b>				
Proceeds from subordinated debt	-	31,250	-	-
Subordinated debt repayment	-	(33,404)	(1,004)	(1,685)
Dividend paid	(5,100)	(5,100)	-	-
Payment of lease liabilities	-	(4,341)	(3,328)	(4,713)
<b>Net cash used in financing activities</b>	<b>(5,100)</b>	<b>(11,595)</b>	<b>(4,332)</b>	<b>(6,398)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>208,385</b>	<b>(53,045)</b>	<b>(4,148)</b>	<b>(78,992)</b>
Cash and cash equivalents at the beginning of the year	166,054	374,369	321,324	317,176
<b>Cash and cash equivalents at the end of the year</b>	<b>374,439</b>	<b>321,324</b>	<b>317,176</b>	<b>238,184</b>

Source: National Bank of Commerce Limited Audited Financial Statements

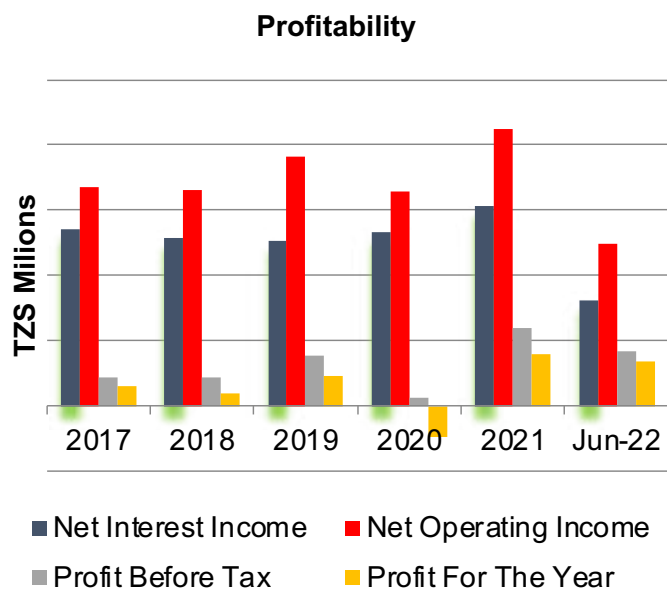


## 8.10 GRAPHS

### 8.10.1 Profitability

The figure below provides profitability performance for five years from 31st December 2017 to 31st December 2021.

Figure 8: National Bank of Commerce Limited Bank Profitability from 2017 to 2021



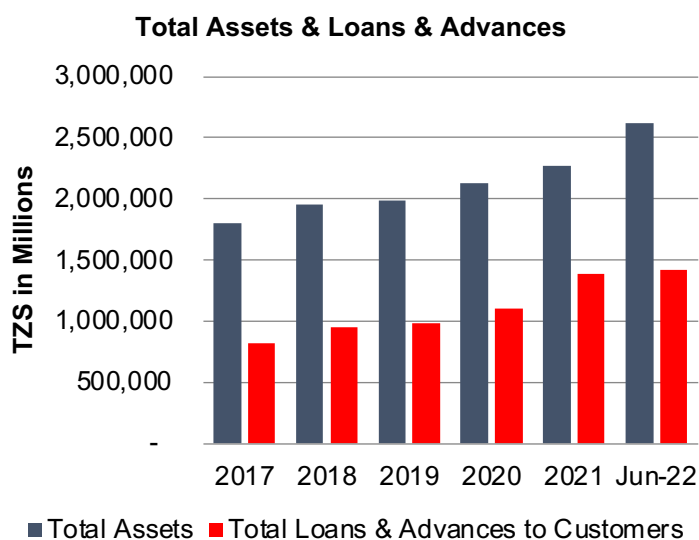
Source: National Bank of Commerce Limited Audited Financial Statements & TSL/Optima Analysis

The profitability for the last five years (from 2017 to 2021) grew at a CAGR 3% (Net Interest Income), 3% (Net Operating Income), 28% (Profit Before Tax) and 27% (Profit for the year)

### 8.10.2 Assets

The figure below provides National Bank of Commerce Limited's Asset growth for five years from 31st of December 2017 to 31st of December 2021.

Figure 9: Total Assets and Loans & Advances



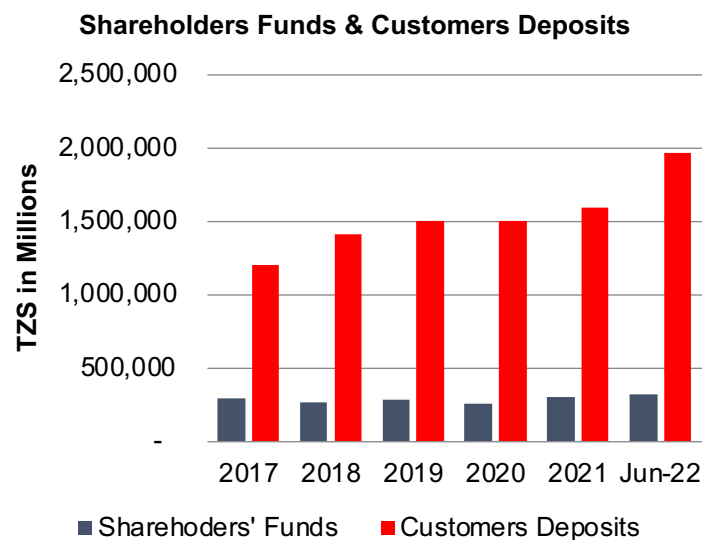
Source: National Bank of Commerce Limited Audited Financial Statements & TSL/Optima Analysis

Assets and Loans & Advances grew at a CAGR of 6% and 14% respectively.

### 8.10.3 Shareholders' Equity

The figure below provides the Shareholders Funds and Customers deposit growths from 31st December 2017 to 31st December 2021.

Figure 10: Shareholders Funds & Customers Deposits



Source: National Bank of Commerce Limited Audited Financial Statements & TSL/Optima Analysis

Shareholders' Funds grew by 1% CAGR and Customers deposit grew by 7% from 2017 to 2021

## 9 RISK FACTORS

National Bank of Commerce Limited defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. The Bank aims to achieve an appropriate balance between risk and return and minimize the potential adverse effects on the Bank's financial performance. As a financial services provider, effective risk management is critical to the overall profitability, competitive market positioning and long-term financial viability of the Company.

National Bank of Commerce Limited Risk Management Framework sets out lines of responsibility and authority for risk-taking, governance and control. The Board of Directors is ultimately responsible for ensuring the oversight of all risks across the enterprise and has primary responsibility for taking action to ensure risk management policies, programs and practices are in place. The Board delegates certain responsibilities to standing Board Committees, which oversee and monitor these risks i.e., Audit, Risk and Compliance Committee.

## National Bank of Commerce Limited risk management approach

**The Bank's comprehensive and proactive approach to risk management is comprised of three processes: Evaluate, Respond and Monitor (E-R-M).**

- The Risk Evaluation focuses on the Risk Identification and Assessment. The Risk Identification and Assessment is focused on recognizing and understanding existing risks that may arise from new or evolving business initiatives or emerging risks from the changing environment. The Bank's Objective is to establish and maintain integrated risk identification and assessment process that enhance the understanding of risk interdependence, consider how risk types intersect and support the identification of the emerging risk. To the end the Bank's Stress Testing Program enables the Board and management to identify and articulate enterprise-wide risks and understand potential vulnerabilities for the Bank.
- The Respond Part of the E-R-M focus on determining the appropriate risk treatment, which is an iterative process of formulating and selecting risk treatment options, planning, and implementing, assessing the effectiveness, deciding whether the remaining risk is acceptable, and taking further action if needed.
- The Risk Monitoring and Reporting: The Bank monitors and reports risk levels on regular basis against its risk appetite and Risk Management Report on its monitoring activities to Management and the Board.

The Bank's Risk Culture starts with "The Tone at the top" as set by the Board, supported by the Bank's Vision, Purpose and shared commitment. These objectives describe the behavior that the Bank seeks to foster, among its employees, in building culture where the only risk taken are those that can be understood and managed.

The Bank's Risk Management Framework is governed by internally and externally verified best practice and experience, combined with implementation of The Risk Management Guidelines for Banks and Financial Institutions, 2010 and supervisory requirements such as the BCBS (Basel Committee on Banking Supervision) Corporate Governance Principles for Banks, and King IV. Risks relevant to National Bank of Commerce Limited have been presented into three categories i. Risk Relating to the Issuer (National Bank of Commerce Limited), Risks related to the Market and Risks related to the Medium-Term Note.

## 9.1 RISKS RELATING TO NATIONAL BANK OF COMMERCE LIMITED

### 9.1.1 Operational and Resilience Risk

Operational and Resilience Risk is the risk of loss to the National Bank of Commerce Limited resulting from inadequate or failed internal processes, people, systems and/or from external events. It is the risk of loss arising from the potential of technological failure, breaches in internal controls, fraud, or other operational problems that may result in unexpected losses. Operational and

Resilience risk exists in all products and business activities. The leveraging of operational processes and capabilities is pivotal to the achievement of the Bank's strategy and objectives and the management of Operational and Resilience Risk aims to ensure that these processes and capabilities are safeguarded and resilient.

**Mitigating Measures:** National Bank of Commerce Limited management ensures to:

- Articulate an appropriate level of risk appetite for Operational and Resilience Risk, which supports the business strategy.
- Manage risk and control effectively, thus maintaining the Operational and Resilience Risk profile within appetite.
- Embed a positive risk culture across the organization; and
- Minimize the impact of losses suffered in the normal course of business (expected losses) and to avoid or reduce the likelihood of suffering an extreme (or unexpected) loss.

### 9.1.2 Reputational Risk

Reputational risk is the potential that negative stakeholder impressions or perceptions, whether true or not, regarding the National Bank of Commerce Limited's business practices, actions, or inactions, will or may cause a decline in its value, brand, liquidity or customer base.

**Mitigating Measures:**

National Bank of Commerce Limited has a Code of Ethics in place to be followed by all employees. The code of ethics requires each employee to execute his/her business ethically and with integrity.

In addition to that, every employee and representative of National Bank of Commerce Limited has a responsibility to contribute in a positive way towards the company's reputation. This is done through ensuring ethical practices are always adhered to, interactions with all stakeholders are positive, and ensuring compliance with applicable policies, legislation, and regulations. Reputational risk is most effectively managed when every individual works continuously to protect and enhance the company's reputation.

Senior Management and the Board of Directors receive periodic reports on the assessment of the company's reputational risk exposures that arise from its business activities to form a view on associated risks and corrective actions.

### 9.1.3 Regulatory Compliance Risk

Regulatory risk is the risk of non-compliance with regulatory guidelines. Regulatory risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practice, or ethical standards issued by the regulator from time to time. Regulatory risk also arises in situations where the laws or rules governing certain products or activities of National Bank of Commerce Limited's clients may be ambiguous or untested.

**Mitigating Measures:** National Bank of Commerce Limited has a Compliance department charged with responsibility for monitoring ongoing legislative compliance. The Board and management evaluate the Bank's risk areas, identify the key risks, and ensure that the process of risk management and the systems of internal control are effective.

#### 9.1.4 Legal Risk

Legal risk is the risk of loss or imposition of penalties, damages, or fines from the failure of the Bank to meet its legal obligations including regulatory or contractual requirements. National Bank of Commerce Limited classifies legal risk as a sub risk of operational risk as required under Basel II.

Legal and Company Secretariat department is charged with the responsibility for proactive control and management of potential, emerging and actual legal risks. Management is responsible with evaluation of the Bank's risk areas, identify the key legal risks, and ensure that the process of risk management and the systems of internal controls are effective. The Board of Directors is responsible for ensuring that the Bank has established adequate, effective and efficient system of legal risk management. The board responsibilities include to approve and review, at least annually, legal risk policies and set acceptable levels for those risks and ensure that senior management takes the steps necessary to identify, measure, monitor and control the underlying legal risks;

#### Mitigating Measures include:

- National Bank of Commerce Limited established risks governance and control forums at the level of Board and Management to identify and assess key legal risks facing the Bank and set acceptable levels for those risks
- National Bank of Commerce Limited has designed legal risk policies, processes and procedures to govern Legal risk management within the Bank.
- National Bank of Commerce Limited manages risk and control effectively, thus maintaining Legal Key Risk within the appetite set out in the Legal Key Risk Control Framework.
- National Bank of Commerce Limited ensures that competition/antitrust law is followed and that the risk of mismanagement of relationships with competition/antitrust authorities is mitigated.
- National Bank of Commerce Limited ensures that the Bank does not infringe the valid intellectual property rights of third parties.
- National Bank of Commerce Limited ensures that our customer and client relationships comply with applicable law and regulation and reduce the risk of potential detriment to customers, clients and counter-parties.
- National Bank of Commerce Limited ensures appropriate management of the Legal Risk in Contractual Arrangements documentation through appropriate legal review
- National Bank of Commerce Limited reduces legal risk and promote efficiency by ensuring that

appropriate control is exercised over the instruction of any law firm.

## 9.2 RISKS RELATED TO THE MARKET

### 9.2.1 Credit Risk

Credit risk is the risk of financial loss should any of National Bank of Commerce Limited's customers, clients or market counterparties fail to fulfil their contractual obligation to the Bank. Credit risk arises from all transactions where actual, contingent, or potential claims against a third party exist, and includes those claims the Bank plans to distribute.

#### Credit Risk limit control and mitigation policies

- National Bank of Commerce Limited has designed policies, processes and procedures to govern lending activities together with robust systems and manpower to execute these processes. Credit risk policies are comprehensive and in compliant with Bank of Tanzania requirement.
- National Bank of Commerce Limited accepts and manages credit risk within a defined risk appetite which is set at an appropriate level for the Bank to achieve its objectives.
- National Bank of Commerce Limited aims to prevent undue concentration and tail-risks (large, unexpected losses) by maintaining a well-diversified credit portfolio.
- National Bank of Commerce Limited deals with creditworthy counter parties and obtains appropriate collateral though ability to pay is the primary consideration.
- National Bank of Commerce Limited structures the level of credit risk it undertakes by placing limits on amounts of risk accepted in relation to one borrower or a group of borrowers: and
- National Bank of Commerce Limited undertakes regular analysis of the ability of borrowers to meet interest and capital repayment obligations and proactively takes remedial action where appropriate.

### 9.2.2 Funding Risk

**Funding Risk** is the risk and related constraints, which supports the effective management of the National Bank of Commerce Limited's financial resources, inter alia capital, liquidity, and funding, that are critical to meeting National Bank of Commerce Limited strategic objectives.

**Liquidity Risk** is the risk that the National Bank of Commerce Limited is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.

**Capital Risk** is the risk that National Bank of Commerce Limited has an insufficient level or inappropriate composition of capital to support its normal business activities and to remain within its Board-approved capital target ranges under normal operating conditions or above regulatory capital requirements under stressed conditions.

### **Mitigating Measures include:**

- National Bank of Commerce Limited does day-to-day funding, managed by monitoring future cash flows to ensure that obligations are met. These include replenishment of funds as they mature or are borrowed by customers. National Bank of Commerce Limited is an active player in the local money markets and plays a significant role in the liquidity of the market.
- National Bank of Commerce Limited maintains a portfolio of marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flows.
- National Bank of Commerce Limited Monitors balance sheet liquidity ratios against internal and regulatory requirements;
- National Bank of Commerce Limited manages the concentration and profile of instruments with maturities, and
- National Bank of Commerce Limited performs stress testing on periodic basis and cushion the Bank financial performance against adverse scenarios and environment that could impact Bank's capital and liquidity position.

### **9.2.3 Market Risk**

The Bank is exposed to the risk on earnings or capital due to adverse impact from changes in the level or volatility of prices affecting the positions in its books. This includes but is not limited to changes in interest rates, credit spreads, commodity prices, equity prices and foreign exchange levels. Market Risk is taken by the Bank to support client demands, to facilitate market liquidity as a market maker and take advantage of short-term market mispricing.

**Market Risk** comprises of Traded and Non-Traded Market Risk defined below.

**Traded Market Risk** is defined as market risk resulting from trading activities booked in trading books in accordance with regulatory requirements.

Non-Traded Market Risk comprises of Interest Rate Risk in the Banking Book (IRRBB). This risk arises in the banking book due to re-pricing differences between assets, liabilities and equity, originating from the provision of retail and wholesale banking products and services (considered core banking activities), together with rate insensitive exposures within the balance sheet. Other IRRBB types include Foreign Exchange Rate Risk in the Banking Book (FXBB) and Credit Spread Risk in the Banking Book (CSRBB).

### **Mitigating Measures**

As part of the management of market risk, National Bank of Commerce Limited controls Market Risk to limit earnings volatility and ensure risk utilization is within allocated appetite. Market Risk is governed by strong risk management frameworks, policies and standards, supported by daily limit monitoring.

The major measurement techniques used to measure and control market risk are outlined below.

#### **i. Value at Risk**

National Bank of Commerce Limited applies a Value at Risk' (VaR) methodology to both trading and non-trading portfolios to estimate the market risk of positions held and the maximum losses expected, based upon several assumptions for changes in market conditions. The Board sets limits on the Value at Risk that may be accepted for the Bank, which are monitored on a daily and monthly basis by Risk Department. Interest rate risk in the non-trading book is measured using interest rate repricing gap analysis.

#### **ii. Stress tests**

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Market risk includes interest rate, credit foreign exchange and liquidity risks, where stress movements are applied to each risk category to assess the overall impact and the Bank's capital resilience to different market risk factor shocks. The results of the stress tests are reviewed by the Asset and Liability Management Committee (ALCO) and reported to the Board of Directors. National Bank of Commerce Limited is exposed to the volatility risk on the value of financial instruments that fluctuate due to changes in market interest rates, as funds are sourced at both fixed and floating rates. Interest rates on advances to customers and other risk assets are pegged to the National Bank of Commerce Limited credit policy. The interest rates are adjusted from time to time in line with market movements. Interest rates are negotiated between National Bank of Commerce Limited and the customer with National Bank of Commerce Limited retaining the discretion to adjust the interest rates in line with changes in market trends.

## **9.3 RISKS RELATED TO THE MEDIUM-TERM NOTE**

The MTN has features that entail risks for potential investors. Set out below is a brief description of certain risks relating to the Notes generally:

### **9.3.1 Legal Investment Considerations May Restrict Certain Investments**

Certain investors' investment activities are subject to legal investment laws and regulations or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

**Mitigating factors:** The Issuer's Information Memorandum has recommended that investors should seek professional



advice where clarity is required.

### 9.3.2 Change of law

The Terms and Conditions of the Notes are based on laws of Tanzania in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to laws of Tanzania or administrative practice after the date of issue of the relevant Notes.

**Mitigating factors:** The Government of Tanzania seeks to improve the attractiveness of the country as an investment destination. Accordingly, it is expected that any changes to the existing laws will seek to improve the overall business and investment environment.

## 10 STATUTORY AND GENERAL INFORMATION

### 10.1 INCORPORATION

NATIONAL BANK of COMMERCE LIMITED is a limited liability company duly incorporated in accordance with the laws of the United Republic of on 23rd September 1997 with Registration Number: 32700

### 10.2 AUTHORISED AND ISSUED SHARES

#### 10.2.1 Authorised, issued and paid up shares

The National Bank of Commerce Limited has an authorized share capital of TZS 50,000,000,000 divided into five million (5,000,000) ordinary shares of TZS 10,000 each.

#### 10.2.2 Paid Up Shares

Paid up shares comprises of 1,570,000 ordinary shares of TZS 10,000 each.

### 10.3 EXTRACTS OF MEMORANDUM AND ARTICLES OF ASSOCIATION

#### 10.3.1 Memorandum of Association

Principal objects (as contained in the Memorandum of Association) are:

**3.1** To establish and carry on the business of a bank, with the head office or place of business in Dar es Salaam, Tanzania, with such branches or agencies as may from time to time be determined.

**3.2** To carry on the business of banking including taking deposits, borrowing, raising or taking up money; lending or advancing money, Securities and property; discounting, selling and dealing in bills of exchange; promissory notes, coupons, draft bills of lading, warrants debentures, certificates, scrip and other instruments and Securities, whether transferable or negotiable, or not, granting and issuing letters of credit and circular notes; buying, selling and dealing in bullion and specie; acquiring, holding,

issuing on commission, underwriting and dealing with stock funds, shares, debentures, debenture stock, bond obligations, Securities and investments of all kinds, the negotiating of loans and advances; receiving money, valuables on deposit, or for safe custody, or otherwise, and transmitting money and Securities; managing property and transacting all kinds of agency business commonly transacted by bankers.

**3.3** To undertake and execute any trusts, the undertaking whereof may seem desirable, and to undertake the office of executor, administrator, receiver, treasurer, registrar or auditor, and to keep for any company, government authority, or body, any register relating to any stocks, funds, shares or Securities, or to undertake any duties in relation to the registration of transfers and the issue of certificates.

**3.4** To take or concur taking all such steps and proceedings, as may seem best calculated to uphold and support the credit of the company, and to obtain and justify public confidence, and to avert or minimize financial disturbances which might affect the company.

**3.5** To acquire and take over any business or undertaking carried on, upon, or in connection with, any bank or business which the company may desire to acquire as aforesaid, or become interested in and the whole or any of the assets and liabilities of such bank, business or undertaking and to carry on the same, or to dispose of, reserve or put an end thereto, or otherwise deal with the same as may seem expedient.

The Issuer is also empowered to borrow and issue debt securities in clause 3 (12) of its Memorandum of Association as follows:

**3.12** To borrow, raise money or secure obligations (whether of the Company or any other person) by the issue of debentures, debenture stock, bonds, mortgages, or any other Securities, founded or based upon all or any of the properties and rights of the Company, including its uncalled capital, or without any such security, and upon such terms as to priority or otherwise, as the Company shall think fit.

#### 10.3.2 Articles of Association

The Board is empowered to exercise all the borrowing powers of the Issuer in Article 18.1 of its Articles of Association as follows:

**18.1** The Directors may direct the executive management of the Company to exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability, or obligation of the Company or of any third party.

Below are other key provisions of its Articles of Association:

**3.1** The authorized share capital of the Company is Tanzanian Shillings Fifty Billion (TZS50,000,000,000) divided into five million (5,000,000) Shares of Tanzanian Shillings Ten Thousand (TZS 10,000) each.

## **12. GENERAL MEETINGS**

**12.1** The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year and shall specify the meeting as such in the notices calling it; and not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next.

**12.2** All general meetings other than annual general meetings shall be called extraordinary general meetings.

**12.3** The Directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or, in default, may be convened by such requisitions, as provided by the law.

## **13 NOTICE OF GENERAL MEETINGS**

**13.1** Every General Meeting shall be called by twenty-one Clear Days' notice in writing at the least. The notice shall specify the place, the day and the hour of meeting, its business, and shall be given in the manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in General Meeting to such persons as are, under the regulations of the Company, entitled to receive such notices from the Company: Provided that a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in these Articles be deemed to have been duly called if it is so agreed:-

- a) in the case of a meeting called the Annual General Meeting, by all the Members entitled to attend and vote thereat; and
- b) in the case of any other meeting, by a majority in number of the Members having a right to attend and vote at the meeting, being a majority together holding not less than three-fourths of the issued Shares giving that right.

**13.2** The accidental omission to give notice of a meeting to or the non-receipt of notice of a meeting by any person entitled to receive a notice shall not invalidate the proceedings at that meeting.

## **14 PROCEEDINGS AT GENERAL MEETING**

**14.1** All business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting with the exception of declaring a Dividend, the consideration

of the Accounts, and the reports of the Directors and Auditors, the election of Directors in the place of those retiring and the appointment of, and the fixing of the remuneration of, the Auditors.

**14.2** No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. The quorum for the meeting shall be two people at least holding or representing by proxy one tenth of the Company's issued Ordinary Shares.

**14.3** If within half an hour from the time appointed for the meeting a quorum not present, the meeting if convened up on the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place or to such other day at such other time and place as the Directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the Members present shall be a quorum.

**14.4** The chairman, if any, of the Board shall preside as chairman at every general meeting of the Company or, if there is no such chairman or if he shall not be present within fifteen minutes after the time appointed for the holding of the meeting or is unwilling to act, the Directors present shall elect one of their number to be chairman of the meeting.

**14.5** If at any meeting no Director is willing to act as chairman or if no Director is present within fifteen minutes after the time appointed for holding the meeting, the Members present shall choose one of their number to be chairman of the meeting.

**14.6** The chairman at a meeting of Members shall be a Tanzanian citizen.

**14.7** The chairman may, with the consent of any meeting at which a quorum is present (and shall, if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

When a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

**14.8** At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded:

- a) by the chairman; or
- b) by at least three Members present in person or by

- proxy: or
- c) by any Member or Members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the Members having the right to vote at the meeting; or
  - d) by a member or Members holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

**14.9** Unless a poll be so demanded, a declaration by the Chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for poll may be withdrawn.

**14.10** Except as provided in Article 14.12 and 14.13 hereof, if a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

**14.11** In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall not be entitled to a second or casting vote.

**14.12** No poll shall be demanded on the election of a Chairman of a meeting or on any question of adjournment.

**14.13** The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business, other than the question on which a poll has been demanded.

## **15. VOTES OF MEMBERS**

**15.1** Subject to any rights or restrictions for the time being attached to any class or classes of Shares, on a show of hands, every Member present in person shall have one vote, and, on a poll, every Member shall have one vote for each Share of which he is the holder.

**15.2** In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and, for this purpose, seniority shall be determined by the order in which the names stand in the register of Members.

**15.3** A Member in respect of whose estate a manager has been appointed under section 29 of the Mental Disease Act (Cap. 98) may vote, whether on a show of

hands or on a poll, by his said manager, and any such manager may, on a poll, vote by proxy.

**15.4** No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of Shares in the Company have been paid.

**15.5** No objection shall be raised to the qualification of any voter except at the meeting or adjourned meetings at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive.

**15.6** On a poll, votes may be given either personally or by proxy.

**15.7** The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointed is a corporation, either under Seal, or under the hand of an Officer or attorney duly authorised. A proxy need not be a member or the Company.

**15.8** The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited at the Office of the Company or at such other place within Tanzania as is specified for that purpose in the notice convening the meeting, not less than 48 hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and, in default, the instrument of proxy shall not be treated as valid. The instrument appointing a proxy shall only be valid for the specified meeting.

**15.13** Subject to the provisions of the Ordinance, a resolution in writing signed by all the Members for the time being entitled to receive notice of and to attend and vote at General Meetings (or being corporations by their duly authorized representative) shall be as valid and effective as if the same had been passed at a General Meeting of the Company duly convened and held and may consist of several instruments in the like form each executed by or on behalf of one or more Members.

## **16 CORPORATIONS OR STATUTORY BODIES ACTING BY REPRESENTATIVES AT MEETINGS**

**16.1** Any corporation which is a Member of the Company may by resolution of its Directors or other governing body authorise such person as it thinks to act as its representative at any meeting of the Company or of

any class of Members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member of the Company.

## 17 DIRECTORS

**17.1** Unless otherwise determined by the Company in general meeting by ordinary resolution, the number of Directors (other than alternate Directors) shall not be less than five (5).

**17.2** The Directors shall be appointed in the manner and in the proportion to be determined by the Company in the general meeting.

**17.3** Any Director (other than an alternate Director) may appoint any other director, or any other person approved by resolution of the Directors and willing to act, to be an alternate Director and may remove from office an alternate Director so appointed by him.

**17.4** An Alternate Director shall be entitled to receive notice of all meetings of Directors and of all meetings of committees of Directors of which his appointer is a Member, to attend and vote at any such meeting at which the director appointing him is not personally present, and generally to perform all the functions of his appointee as a Director in his absence but shall not be entitled to receive any remuneration from the Company for his services as an Alternate Director. But it shall not be necessary to give notice of such a meeting to an Alternate Director who is absent from Tanzania.

**17.5** An Alternate Director shall cease to be an Alternate Director if his appointer ceases to be a Director; but, if a Director retires by rotation or otherwise but is reappointed or deemed to have been reappointed at the meeting at which he retires, any reappointment of an Alternate Director made by him which was in force immediately prior to his retirement shall continue after his reappointment.

**17.6** Any appointment or removal of an alternate Director shall be by notice to the Company signed by the Director making or revoking the appointment or in any other manner approved by the Directors.

**17.7** Save as otherwise provided in the articles, an Alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the Director appointing him.

**17.8** The shareholding qualification for Directors may be fixed by the Company in a general meeting, and, unless and until so fixed, no qualification shall be required.

**17.9** A Director of the Company may be or become a Director or other officer of, or otherwise interested in,

any company promoted by the Company or in which the Company may be interested as a shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of, or from his interest in, such other Company unless the Company in general meeting by ordinary resolution otherwise direct: Provided always that the Director shall declare his interest either before becoming a Director of the Company, or a Director or officer of such other company.

## 18. BORROWING POWERS

**18.1** The Directors may direct the executive management of the Company to exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability, or obligation of the Company or of any third party.

## 19 POWERS AND DUTIES of DIRECTORS

**19.2** Without derogating from the generality of the duties and obligations of the Directors, the Board shall, inter alia, have the following duties and obligations:

- e) to appoint a Managing Director (who shall be a Director) On such terms as it may think fit.
- f) to appoint a management committee comprising the chief executive, and such number of executive Directors as the Board shall from time to time determine.
- g) to act honestly and in good faith and to exercise such powers it has to manage the Company in the best interest and for the benefit of the Company and its depositors with due regard to the interest of all stakeholders.
- h) to comply with all the requirements as prescribed by the relevant Acts and Regulations.
- i) to determine the strategic direction of the Company including strategic acquisitions or disposals.
- j) to deal with issues which fall outside the authority levels of management.
- k) to approve the mandates of the individual officials and committees of the Board.
- l) to establish among others the following committees of the Board:
  - i. the audit and risk committee.
  - ii. the remuneration committee and
  - iii. the credit committee
- m) to approve the annual budgets, forecasts, financial reports, and Dividend declarations. Any proposed material revision to the Budget shall first be approved at a duly convened meeting of the Board.
- n) to approve the risk, credit, audit and accounting policies of the Company, which policies are necessary for the proper conduct of affairs and operations of the Company and ensure that, the Company carries out those policies.
- o) to ensure compliance with domestic and international guidelines for good corporate governance.



- p) to approve the acquisition and/or disposal of any assets or business interests which exceed 10% of Members' funds.
- q) to approve major legal proceedings outside the normal course of business.
- r) to submit to the Members annual reports.

## 23 MANAGING DIRECTOR

**23.1** Subject to the provisions of the Banking and Financial Institution Act, the Directors shall from time to time appoint one of their bodies to the office of managing Director for such period and on such terms as they think fit, and subject to the terms of any agreement entered into in any particular case, may revoke such appointment. A Director so appointed shall not, whilst holding that office, be subject to retirement by rotation or be taken into account in determining the rotation of retirement of Directors, but his appointment shall be automatically determined if he ceases from any cause to be a Director.

**23.2** The managing Director will be responsible for the day-to-day management of the business of the Company, within the parameters set for him by the Board.

**23.3** The Managing Director shall receive such remuneration as the Directors may determine

**23.4** The Directors may entrust to and confer upon the Managing Director any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and may from time-to-time revoke, withdraw, alter or vary all or any of such powers.

## 24 SECRETARY

**24.1** Subject to the provisions of the Ordinance, the Directors shall appoint the Secretary for such term, at such remuneration and upon such conditions as they may think fit; and they may remove any Secretary so appointed.

**24.2** No person shall be appointed or hold office as Secretary who is—

- i. the sole Director of the Company; or
- ii. a corporation the sole director of which is the sole Director of the Company; or
- iii. the sole director of a corporation, which is the sole Director of the Company.

**24.3** A provision of the Ordinance or these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as, or in place of, the Secretary.

## 10.4 MATERIAL CONTRACTS

The Legal Opinion on section 11 (item 5.5) lists material

contract which arose in the ordinary course of business in which the company is presently involved. The Directors confirm that, apart from those contracts already disclosed therein, they are not aware of any material contracts that may have material impact on the company's financial position.

## 10.5 INSURANCE CONTRACTS

The Legal Opinion on section 11 (item 9) lists insurance contracts which the company has taken to insure itself against various kinds of risks. The Directors confirm that reasonable measures have been taken to make sure that all foreseen risks have been insured against.

## 10.6 ESTIMATED EXPENSES OF THE OFFER

Table 9: Estimated expenses of the offer

Cost Component	Amount in TZS
Advisors Fees**	1,643,350,000
CMSA approval fees	195,000,000
DSE PLC listing fees	30,000,000
IPO Processing FEE (CDS fees)	10,000,000
Printing of depository receipt**	1,000,000
ISIN	300,000
Printing of Information Memorandum	22,939,200
<b>Total expenses</b>	<b>1,902,589,200</b>

\*\*Includes Placement Fees

\*\*Depends on the number of depository receipts to be printed

## 10.7 REGISTRATION OF THE INFORMATION MEMORANDUM

A copy of this Information Memorandum was registered with the Registrar of Companies on 2<sup>nd</sup> November 2022 in terms of Section 49 of the Companies' Act, Cap 212 of the laws of Tanzania.

## 10.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at National Bank of Commerce Limited offices.

- a) The Memorandum and Articles of Association of the Company;
- b) The audited accounts of the company for the financial year ended 31st December 2021 and for the four years preceding the publications of the Information Memorandum;
- c) The signed legal opinion by Lawhill & Co. Advocates,
- d) The Accountant's Report by Deloitte & Touche;
- e) Approval for the MTN and Pricing supplement for Tranche 1 from Capital Markets and Securities Authority; and
- f) Written consent of Lead Advisors, Reporting Accountants and Legal Advisors named in this Information Memorandum.

## 11 LEGAL OPINION

LEGAL OPINION IN RESPECT OF THE PROPOSED MULTI-CURRENCY MEDIUM TERM NOTES PROGRAM ("MTN") TO BE ISSUED BY NATIONAL BANK OF COMMERCE LIMITED ("NBC")

### Opinion addressed to:

Managing Director,  
National Bank of Commerce Limited,  
NBC House, Azikiwe Street/Sokoine Drive,  
P. O. Box 1863,  
Dar es Salaam – Tanzania.

### Date of Submission of the Opinion:

8th September 2022

### 1. Introduction & Background Information

- 1.1 We Lawhill & Co. Advocates, a law firm registered and organized under the Laws of Tanzania have been engaged as Legal Advisors by the National Bank of Commerce Limited ("NBC", "the Bank" or "the Issuer") to provide our independent legal opinion in respect of the Medium Term Notes Program ("MTN", "the Program"). We harbour experience in corporate, transactions and legal advisory thus qualified and competent to render our opinion as regard to Program and issuance suitability under the laws of Tanzania.
- 1.2 The Program envisages the issue of Medium-Term Notes/Notes/Bonds (used interchangeably) by the Bank to the general public for purposes of general balance sheet funding, including onward lending on terms provided in the MTN Issue Proposal and the Information Memorandum. The Program is to the tune of Tanzanian Shillings Three Hundred Billion (TZS 300,000,000,000) to be issued in multiple tranches as specified in the Information Memorandum, Pricing Supplements and such other documents in connection with the Program. The Notes are a Multi-Currency bond and will be issued in registered form in denominations of Tanzanian Shillings or any other currency as specified in the relevant price supplements. The Notes will be subsequently listed and placed for trading with the Dar es Salaam Stock Exchange.
- 1.3 This opinion is provided following the conduct of due diligence, information and documents availed to us by the issuer as summarized in paragraph 4 below that are relevant to the Program. These include information relating to the corporate standing of the issuer, business operations, litigations, contracts, assets, taxation, regulatory and compliance and such matters of fact and Laws of Tanzania that are relevant to the Program.

### 2. Context of the Opinion

The opinion is confined to the MTN Program, factual issues, information relevant to the Program and the Laws of Tanzania applicable generally to the Program and in particular, those applicable to Capital Markets and Securities in force as of the date of this opinion.

### 3. Interpretation

Wherever used in this opinion, unless the context requires otherwise, the following expressions shall have the following meaning:

- 3.1 "Advisors" means the Lead Transactional Advisors and Sponsoring Brokers, Legal Advisor, Reporting Accountants, Brokers and other advisors of the Issuer as provided in the Information Memorandum.
- 3.2 "Bank" means the National Bank of Commerce Limited as described in paragraph 5.1.1 who is the Issuer of the Notes or the Issuer for the Program.
- 3.3 "BOT" means the Bank of Tanzania established under the Bank of Tanzania Act, 2006.
- 3.4 "CMSA or the Authority" means the Capital Markets and Securities Authority established under the Capital Markets Authorities Act, Cap 79 of the Laws of Tanzania.
- 3.5 "DSE" means the Dar es Salaam Stock Exchange Public Limited Company.
- 3.6 "Issuer" means the National Bank of Commerce Limited.
- 3.7 "Material Contracts" have the meaning ascribed to it in paragraph 5.5 of this opinion.
- 3.8 "Material Litigation" have the meaning ascribed to it in paragraph 5.7 of this opinion.
- 3.9 "Medium Term Notes, Notes/Bonds" has the meaning ascribed to it under the Program Documents and are used interchangeably in the Program Documents and this opinion.
- 3.10 "Program" means the Medium Term Notes Program provided in the Program Documents.
- 3.11 "Program Documents" means the National Bank of Commerce Limited MTN Issue Proposal of January 2022, the Information Memorandum and Extracts of Board Resolutions on the Program dated 25th February 2022 including amendments or addendum or supplements to such documents.
- 3.12 Unless otherwise provided, references herein to a specified paragraph shall be construed as a reference to a specified paragraph hereof. In this opinion, the headings are inserted for convenience of reference only and shall not be used to define, interpret or limit the content hereof.
- 3.13 Terms defined in the Information Memorandum and Program Documents to which the Notes are constituted, unless otherwise herein defined, have the same meanings in this opinion.
- 3.14 In this opinion, reference to a person is construed as reference to any natural or juridical person, firm,

- company, corporation, government, state, agency or organ of a state, association, trust or partnership (whether or not having separate legal personality).
- 3.15 Terms and expressions referring the singular are deemed to include the plural and vice-versa and shall have the same meaning in this opinion.
- 3.16 The Schedules to this opinion form part of this opinion and should be read in conjunction with the specific paragraph under which they are made.

## **4. Laws and Documents Reviewed**

### **4.1 Documents**

- 4.1.1 The National Bank of Commerce Limited MTN Issue Proposal, January 2022;
- 4.1.2 Extract of NBC Board Meeting Deliberations dated 25th February 2022 sanctioning Medium Term Notes issuance;
- 4.1.3 A copy of the Issuer's Certificate of Incorporation dated 23rd September 1997;
- 4.1.4 A copy of the Issuer's Certificate of Change of Name dated 25th July 2000;
- 4.1.5 A copy of the Issuer's Memorandum and Articles of Association (the "MEMARTS");
- 4.1.6 Original official search report dated 30th August 2022, issued by office of the Registrar of Companies in Tanzania in respect of the Issuer's registered memorials and compliance status in the Register of Companies;
- 4.1.7 A copy of the BOT approval for appointment of the Issuer's Company Secretary dated 13th April 2022;
- 4.1.8 Case files on pending litigation or claims for and against the Bank generally and litigation matters under the Fifth Schedule [Material Litigation];
- 4.1.9 Contracts/Agreements entered by or with the Issuer generally and contractual matters under the Third Schedule [Material Contracts];
- 4.1.10 Licences from BOT, the Tanzania Insurance Regulatory Authority, the Tanzania Communication Regulatory Authority, the Business Registration and Licensing Agency and Local Government Authorities; and
- 4.1.11 Email correspondence of diverse dates between 10th August 2022 to the date of this opinion conveying information on the Program by the Issuer; her officers, advisors, authorized lawyers and other authorized persons; AND
- 4.1.12 Information exchanged and confirmations received from the Bank and Advisors via a Microsoft Teams meeting recorded and held from 12:00-13:30 hrs on 7th September 2022.

### **4.2 Laws and Guidelines**

- 4.2.1 The Capital Markets and Securities Act, Cap. 79 [R.E 2002];
- 4.2.2 The Stamp Duty Act, Cap. 189 [R.E 2019];
- 4.2.3 The Income Tax Act, Cap. 332 [R.E 2019];

- 4.2.4 The Companies Act No. 12 of 2002;
- 4.2.5 The Bank of Tanzania Act, No. 5 of 2006;
- 4.2.6 The Finance Act, No. 8 of 2020;
- 4.2.7 The Finance Act, No. 3 of 2021;
- 4.2.8 The Finance Act, No. 5 of 2022;
- 4.2.9 The Capital Markets and Securities (Advertisement) Regulations, G.N No. 15 of 1997;
- 4.2.10 The Capital Markets and Securities (Information Memorandum Requirement) Regulations, G.N. No. 769 of 1997; and
- 4.2.11 Guidelines for the Issuance of Corporate Bonds, Municipal Bonds and Commercial Papers, 2019.

## **5. Opinion**

The opinion hereinafter is based on our understanding of the MTN Program, the Program Documents and other documents and information referred to in paragraph 4 above as provided in the parameters herein and the position of Laws of Tanzania prevalent at the date of this opinion. The opinion is subject to matters set out in the First Schedule (Assumptions) and the qualifying statements in the Second Schedule (Qualifications) to this opinion:

### **5.1 Corporate Standing of the Issuer**

- 5.1.1 The issuer is a private company limited by shares incorporated under the Laws of Tanzania on 23rd September 1997 and issued with Certificate of Incorporation No. 32700 in the name National Bank of Commerce (1997) Limited. With the sanction of a special resolution of the company and upon approval of the Registrar of Companies, the issuer changed its name from National Bank of Commerce (1997) Limited to "National Bank of Commerce Limited" with effect from 25th of July 2000.
- 5.1.2 Independent official search made to the companies' registry has revealed that the Bank is in operation and transact its affairs in compliance with the Companies Act, orders and directives of the Registrar of Companies.
- 5.1.3 The Issuer has requisite powers under its MEMARTS and Laws of Tanzania to issue and deal with the securities including the Notes subject to its internal corporate approvals. For purposes of the Notes, the requisite internal corporate approvals have been duly granted to issue the Notes and execute the Program Documents.
- 5.1.4 The MEMARTS contain no clause that restricts the Issuer from issuing the Notes or entering into the Program Documents and transactions subsequent to and related to the Program.
- 5.1.5 The Issuer has taken all required internal steps and procedures to authorize the execution, delivery, issue, performance and publication of the Program Documents consistent with Laws of Tanzania.
- 5.1.6 The transactions contemplated by the Program and the performance of the Issuer's obligations under the

Notes and Program document will not violate the MEMARTS and the Laws of Tanzania.

- 5.1.7 The Bank is in possession of valid, up to date, in full legal force, the requisite licences, authorizations, approvals, clearances from local authorities, government authorities, departments and agencies to undertake the banking business (related, ancillary or such other licenced dealings, business and arrangements) including but not limited to the Bank of Tanzania, the Tanzania Communication Regulatory Authority, the Tanzania Insurance Regulatory Authority, the Business Registrations and Licensing Agency and Local Government Authorities where the Bank operates.

## 5.2 Medium Term Notes

- 5.2.1 The creation, issue, sale and delivery of the Notes have been duly authorised, and when duly effectuated, issued and delivered by the Issuer will constitute a valid, enforceable and legally binding obligations of the Issuer in accordance with the terms of the Notes and the Laws of Tanzania except as may be limited by the terms of the Notes and subject to limitations prescribed under the Program Documents (including associated documents), insolvency or other limitations under the laws.
- 5.2.2 The Program Documents have been duly executed by persons authorised and constitute a valid, legally binding and enforceable obligations of the Issuer in accordance with their terms and subject to limitations prescribed under the Program Documents (including associated documents) and the laws.
- 5.2.3 The Program complies with Laws of Tanzania applicable generally and particularly, the Capital Markets and Securities Act, its attendant Regulations, DSE PLC listing Rules and Guidelines prevalent at the time of this opinion.
- 5.2.4 All submissions as to the laws and jurisdiction of Courts by the Issuer in the Program Documents are valid and binding to the Issuer.
- 5.2.5 The terms of the Notes are not in violation of the Laws of Tanzania prevalent at the date of this opinion.
- 5.2.6 All authorisations, approvals, consents, licences, exemptions, filings or registrations of or with any governmental or public bodies or authorities of or in Tanzania required in connection with the business of the Issuer including the BOT Approval, CMSA approval and DSE PLC approval [have been obtained in proper form, and are in full force and effect all authorizations and approvals by CMSA and DSE PLC required for the Program under the respective legislation and rules have been obtained].
- 5.2.7 The Notes have been prescribed as dematerialized securities under the Capital Markets legislation and the Guidelines for the Issuance of Corporate Bonds, Municipal Bonds and Commercial Papers, 2019.
- 5.2.8 Except for the registration of the approved Information

Memorandum at the Business Registration and Licensing Agency under the Companies Act; there are no governmental or regulatory consents, approvals, authorisations or related formalities that are required to be sought in Tanzania by the Issuer in connection with the issuance of the Notes and the performance by the Issuer of its obligations under the Program.

- 5.2.9 Consistent with Capital Markets and Securities legislation and subject to independent advice from professional advisors, there are generally no restrictions for non-residents to participate in the Program and that a holder of the Note will not be deemed to be a resident or domiciliary of the United Republic of Tanzania under the Laws of Tanzania.

## 5.3 Taxation

- 5.3.1 The Notes (and any interest thereon) are not exempt from taxation generally.
- 5.3.2 Payment of Interest on the Bonds to residents and non-residents is not subject to withholding tax under the Income Tax Act, Cap. 332 of the Laws of Tanzania.
- 5.3.3 Net gains on realization of bonds are not subject to capital gains tax where the bonds are owned by resident persons or by non-resident persons who controls less than 25% of the controlling shares of the Issuers and are listed with the DSE PLC under the Income Tax Act, Cap. 332 of the Laws of Tanzania.
- 5.3.4 Stamp duty at the rate of 1% of the consideration will be payable in event of transfer of any interest secured by a bond. This rate is payable by the purchaser or transferee in absence of an agreement that obliges the transferor/seller to pay under the Stamp Duty Act, Cap. 189 of the Laws of Tanzania.
- 5.3.5 Non-resident persons may be entitled to tax credits or reliefs under their domestic legislation and double taxation treaties in force with Tanzania.
- 5.3.6 The confirmation on the tax status of the Notes is provided on the basis of the legislation prevailing as at the date of the opinion. The tax treatment may vary due to change in laws. Prospective investors are advised to consult their professional advisors and the Tanzania Revenue Authority in respect to tax status of the prevailing time.

## 5.4 Information Memorandum

Having reviewed the Information Memorandum, we confirm that it conforms to the requirements set in Part XII of the Capital Markets and Securities Act, Cap 79, the Capital Markets and Securities Act (Information Memorandum Requirement) Regulations and Laws of Tanzania. As such, the Information Memorandum is correct to the extent of compliance.

## 5.5 Material Contracts

For purposes of this part (including the Third Schedule to



this opinion), the expression “material contracts” means contracts/agreements in force entered by the Issuer (in whatever capacity) which are core and fundamental to the business or operations of the Issuer or contracts, breach of which is likely to result to broad economic consequences on part of the issuer as described in paragraph 9, Part II of the Schedule to the Capital Markets and Securities (Information Memorandum Requirements) Regulations. A summary of Material Contracts is appended to this opinion in the Third Schedule (Material Contracts).

## **5.6 Landed Properties and Assets**

5.6.1 To the best of our knowledge based on our review of the evidence of ownership of landed properties and assets of the issuer, and having relied on information availed to us by the issuer, we confirm that the Bank has good title to the properties in the Fourth Schedule (Landed Properties). We further confirm that the evidence of ownership of title availed to us are consistent with relevant laws in Tanzania and that there are no encumbrances, covenants or limitation that may affect the enforcement of the titles before courts of competent jurisdiction in Tanzania.

5.6.2 To the best of our knowledge, and upon due inquiry being made to the Issuer, save for the landed properties listed in the Fourth Schedule, leased motor vehicles and office place for some branches, the Issuer does not own other registrable assets. A summary of landed properties owned by the Bank is appended in the Fourth Schedule (Landed Properties) to this opinion.

## **5.7 Material Litigation**

5.7.1 For purposes of this part (including the Fifth schedule to this opinion), the expression “material litigation” means, litigation matters in the form of court, arbitral proceedings or claims for and or against the Issuer that are pending before the Courts, Tribunals, Judicial and Quasi-Judicial bodies in Tanzania that have a significant potential exposure to the solvency and business operations (in wider context) of the Issuer and that of her Directors with the minimum threshold exposure of Tanzanian Shillings Two Hundred Million (TZS 200,000,000).

5.7.2 As of the date of this opinion, on the basis of information provided to us by the Issuer, their empaneled authorized lawyers in Tanzania, on due inquiry being made and having reviewed case files and related documents, none of the directors of the Issuer are subject to any material litigation, criminal prosecution or bankruptcy proceedings instituted against any of them in Tanzania.

5.7.3 Subject to our qualifications provided herein under the Second schedule and the material litigation disclosed under the Fifth Schedule (Material Litigation), which we have reviewed, as of the date of this opinion, there are no material litigation claims or matters involving the Issuer or her Directors before

the Jurisdictions in Tanzania.

## **6. Registered Charges of the Issuer**

To the best of our knowledge and upon an independent search at the Companies registry, the Bank has secured the following charges:

6.1 Debenture dated 16th February 2016 in favour of Tanzania Mortgage Refinance Company to secure the sum of shillings secured medium-term facility of Tanzanian Shillings two billion only pursuant to a Loan Pre-Finance Agreement dated 16th February 2016.

6.2 Charge over collateral accounts dated 21st November 2017, in favour of Barclays Bank Tanzania Limited to secure the sum of shillings USD 4,600,000.00 only.

6.3 Charge over collateral accounts dated 21st November 2017, in favour of Barclays Bank Tanzania Limited to secure the sum of shillings USD 7,000,000.00 only.

6.4 Charge over collateral accounts dated 5th June 2018, in favour of Barclays Bank Tanzania Limited to secure the sum of USD 7,000,000.00 only.

6.5 Charge over collateral accounts dated 28th June 2018, in favour of Barclays Bank Tanzania Limited to secure the sum of USD 1,000,000.00 only.

6.6 Debenture deed dated 10th May 2019, in favour of Tanzania Mortgage Refinance Company Limited to secure the sum of a Pre-Finance Facility of TZS 1,000,000,000 only together with interest and all other charges thereon.

6.7 Debenture deed dated 19th June 2019 in favour of Tanzania Mortgage Refinance Company Limited to secure the sum of a Pre-Finance Facility of TZS 10,000,000,000/= only together with interest and all other charges thereon.

## **7. Immunity and Privileges**

To the best of our knowledge, the law and information from the Issuer; the Bank, Directors and any of its properties are not entitled to privileges or immunity from any suit, attachment and/ or sale before judgment and execution on the grounds of sovereignty or other immunities from administrative, civil or criminal jurisdiction in Tanzania.

## **8. Insolvency Proceedings**

On the basis of the due diligence conducted, information received from the Issuer which upon due inquiry made, we confirm that the Bank and the Directors are not subject to any insolvency or related proceedings in Tanzania.

## **9. Insurance**

To the best of our knowledge and upon due inquiry being made from the Issuer, we can confirm that the Issuer has in place an Assets All Risks Insurance Policy with Britam Insurance Tanzania Limited (the Insurer) as per the following description:

Risks Insured		Premium	Expiry date
Risk Description	Cover Limit in TZS	TZS 524,662,086.15	31st October 2022 (renewable)
Material damage	403,235,771,661.00		
Business interruption	10,000,000,000.00		
Machinery breakdown	2,000,000,000.00		
Business interruption (Following MB)	1,000,000,000.00		
Accidental damage	500,000,000.00		
Burglary (first loss limit)	5,000,000,000.00		
Money (excluding theft of money)	4,500,000,000.00		
Electronic equipment	5,000,000,000.00		
Good in transit (any one loss limit)	250,000,000.00		
Business all risks	700,000,000.00		
Claims preparations costs	500,000,000.00		
Debris removal	300,000,000.00		
Lessee failure to insure	500,000,000.00		
Privity of contract	1,000,000,000.00		
Extended damage; Property; Utility and Decontamination	500,000,000.00		
Maximum limit for all other risks not specifically sub-limited	500,000,000.00		

## 10. Consent

We hereby consent that this legal opinion be included in the Information Memorandum to be issued by National Bank of Commerce Limited, in the form and text in which it is included consistent with the requirement of the Capital Markets and Securities legislation and Guidelines.

## 11. Conclusion

The opinion is given to the National Bank of Commerce Limited on strength of the Program Documents, documents and information received from the Bank, upon due inquiry being made, independent review of information supplied, due diligence and assumptions made in the context herein. It is delimited to the Program under the laws of the United Republic of Tanzania in force as of the date of this opinion. It may be relied by the Issuer, advisors, CMSA and DSE PLC and not any other person unless our written consent is sought and obtained.

Kindly be so advised,



Hadija Ally Kinyaka  
Managing Partner

## Disclaimer!

This legal opinion is issued to **National Bank of Commerce Limited** in respect of the Medium-Term Notes Program. The opinion has been prepared exclusively for **National Bank of Commerce Limited** and in anticipation of the Prospective Investor(s) to the Program. It may not be relied upon by any other person or entity beyond the background and context in which it is provided. Lawhill & Co. Advocates disclaims all responsibility for any loss, injury, claim, liability or damage of any kind resulting from or arising out of or any way related to any representation, errors in or omissions from this opinion and its content as shall be sustained by any such person or entity other than **National Bank of Commerce Limited** or the Prospective Investor(s) to the Program or by **National Bank of Commerce Limited** or the Prospective Investor to the Program beyond the context set in this opinion.

## **FIRST SCHEDULE: ASSUMPTIONS**

This legal opinion has been prepared on the basis of the following assumptions:

- 1.1 Parties to the Program (other than the Issuer) exist as legal persons and have powers to carry on their business and duly authorised to execute documents in connection with the Program.
- 1.2 The Program Documents and the signatures, stamps, seals and all authorizations are genuine and copies of the documents that we have examined conform to the original documents and no alteration, variation or modification has been made to them.
- 1.3 All original documents availed to us are complete, authentic and up to date and all copies supplied to us are complete and conform to the originals.
- 1.4 All information provided to us by the Issuer, the Lead Transactional Advisors, the Reporting Accountants and their respective officers are true, accurate and up to date.
- 1.5 Each natural person signing any document reviewed had legal capacity and was authorised to do so and if acting under agency or representative capacity (in wider context) had legal capacity and authority to act and execute such documents.
- 1.6 All signatures on all documents or information reviewed by us are genuine and authentic.
- 1.7 All information contained in the Information Memorandum are true, accurate and up to date.
- 1.8 All factual statements including representations contained in the Program Documents are true and correct.
- 1.9 As of the time of providing our opinion, there are no facts or circumstances in existence and no events have occurred which would render any Program Documents void or voidable or capable of rescission for any reason.
- 1.10 No party to the Program Documents has entered into an agreement in consequence of bad faith, fraud, coercion, misrepresentation, undue influence or on the basis of a mistake of fact or law believing that the Program Documents to be fundamentally different in substance or in kind from what it is.
- 1.11 The Program Documents have been entered into each of the parties thereto in good faith, for the purposes of carrying their respective business for their benefits and on arm's length commercial terms.
- 1.12 The Program Documents have not been superseded, amended or repealed in any respect by any subsequent deletion, amendment or substitution of any of the provisions thereof since the original dates of signature thereof.
- 1.13 Other than in Tanzania, any consent, licence, approval or authorisation of any person which is required in relation to the execution and delivery of the Program Documents and the performance and observance of the terms of the Program Documents by the parties thereto has been obtained.

We have found nothing to indicate that the above assumptions are not justified.

## **SECOND SCHEDULE: QUALIFICATIONS**

This legal opinion is subject to the following qualifications:

- 1.1 The opinion is provided on the pillars of impartiality, bonafide-good faith and on the core of professional etiquettes on competence, courtesy and duties expected from legal advisors. It is not misleading or intended to convey a message otherwise than confirmed, given the scope, documents reviewed and due inquiry to the affairs of the Issuer.
- 1.2 The scope of the opinion is limited to the Program, Program Documents, document and Information referred in paragraph 4 herein as at the date hereof. There are no other factual circumstances which are not evident from the Program Documents or which have not been disclosed to us that may affect the opinion given herein of the enforceability of the Program Documents.
- 1.3 The opinion is given on the strength of documents and information availed to us by the Issuer, her officers and advisers which are material to the transaction.
- 1.4 Unless expressly stated herein, no opinion is expressed on matters of fact or in relation to any representation or warranty contained in Program Documents.
- 1.5 The opinion expressed is confined to matters of law, in particular, Laws of Tanzania prevailing and in force as of the date hereof and no opinion is expressed as to the laws prevalent in any other jurisdiction.
- 1.6 Matters as to Laws of Tanzania prevailing at the date of the opinion may be subject to amendment or revision due to change in legislation.
- 1.7 If any obligation is to be performed in a jurisdiction outside Tanzania, it may not be enforceable in Tanzania if the performance of such obligation would be contrary to Laws of Tanzania or other jurisdiction.
- 1.8 Enforceability of the obligations of any of the parties to Program/ Program Documents may be limited by bankruptcy, insolvency, reorganization, moratorium, prescription or other laws affecting creditors' rights generally.

- 1.9 Any claim may be or become barred under the laws relating to the limitation of actions or may be or become subject to counter claim or set-off.
- 1.10 The opinion is given as is and may not cover situations or peculiar circumstances of the investor. An investor is advised to seek an opinion from his/her advisors at the time of entering into any arrangement under the Program.

## THIRD SCHEDULE: SUMMARY OF MATERIAL CONTRACTS

### 1. Master Loan Agreement.

<b>Description of the Agreement.</b>	A Master Loan Agreement of a loan facility up to an aggregate amount not exceeding USD 130,000,000.00 (say One Hundred and Thirty Million United States Dollars) made available by ABSA Bank Limited to the National Bank of Commerce Limited.
<b>Parties.</b>	ABSA Bank Limited (Lender) and National Bank of Commerce Limited (Borrower).
<b>Loan Amount</b>	USD 130,000,000.00 (One Hundred and Thirty Million United States Dollars)
<b>Date of Execution.</b>	16th November 2021
<b>Duration, expiry and renewal.</b>	N/A
<b>Event of Default (if relevant).</b>	(i) Change of control or ownership of the Borrower's management, merger, demerger, amalgamation and/or corporate reconstruction. (ii) Failure by the borrower to repay on the due date. (iii) Breach of obligations by either Party
<b>Consequences in the event of breach.</b>	Cancellation of the available facility and Lender to declare that all or part of the loans, together with accrued interest and all other amounts accrued or outstanding under this Agreement be immediately due and payable.
<b>Anticipated Termination Provisions.</b>	Termination on mutual consent.
<b>Termination Notice/Procedure.</b>	Thirty (30) Days written notice.
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	The Borrower shall comply in all respects with all laws to which it may be subject, where failure to comply would materially impair its ability to perform its obligations under this Agreement and any drawdown request.
<b>Governing law.</b>	Laws of England and Wales.
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

### 2. Subordinated Term Loan Agreement.

<b>Description of the Agreement.</b>	A Subordinated Term Loan Agreement of a loan facility of TZS 31,250,000,000 (say Thirty One Billion Two Hundred and Fifty Million Tanzanian Shillings) made available by ABSA Group Limited to the National Bank of Commerce Limited
<b>Parties.</b>	ABSA Group Limited (Lender) and National Bank of Commerce Limited (Borrower).
<b>Loan Amount</b>	TZS 31,250,000,000
<b>Date of Execution.</b>	28th January 2019
<b>Duration, expiry and renewal.</b>	N/A



<b>Event of Default (if relevant).</b>	<p>(i) Change of control or ownership of the Borrower's management, substantial change is made to the Borrower's general nature of the business, merger, demerger, amalgamation and/or corporate reconstruction.</p> <p>(ii) Failure by the borrower to repay on the due date and/or failure by the Borrower to comply with any provision of the Agreement.</p>
<b>Consequences in the event of breach.</b>	Cancellation of the available facility and Lender to declare that all or part of the loans, together with accrued interest and all other amounts accrued or outstanding under this Agreement be immediately due and payable.
<b>Anticipated Termination Provisions.</b>	None.
<b>Termination Notice/Procedure.</b>	None.
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	The Borrower shall comply in all respects with all laws to which it may be subject, where failure to comply would materially impair its ability to perform its obligations under this Agreement.
<b>Governing law.</b>	Laws of the Republic of South Africa.
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

### 3. Service Agreement.

<b>Description of the Agreement.</b>	An agreement for the supply and installation of Data Centre hardware based on the scope of work provided by the National Bank of Commerce Limited and other key day to day requirements.
<b>Parties.</b>	Twenty Third Century Systems Tanzania Limited (Supplier) and National Bank of Commerce Limited (Bank).
<b>Contractual Amount</b>	USD 1,381,673.61 (One Million Three Hundred Eighty One Thousand Six Hundred Seventy Three Sixty One cents United States Dollars).
<b>Date of Commencement.</b>	20th August 2022
<b>Duration, expiry and renewal.</b>	Three years from the commencement date.
<b>Event of Default (if relevant).</b>	Breach of obligations by either Party.
<b>Consequences in the event of breach.</b>	N/A
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Thirty (30) Days written notice.
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	Supplier undertakes to perform its obligations under this Agreement in accordance with all applicable laws, enactments, orders, regulations, guidance, and all Regulatory changes.
<b>Governing law.</b>	Laws of the United Republic of Tanzania.
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

### 4. Service Agreement.

<b>Description of the Agreement.</b>	An agreement for the support and maintenance of National Bank of Commerce Limited's Automated Teller Machines (ATMs).
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<b>Parties.</b>	National Bank of Commerce Limited (Bank) and SCI Tanzania Limited (Supplier).
<b>Contractual Amount</b>	Charge per maintenance service of One Hundred and Seventy Five (175) ATMs ranging from TZS 305,000 to TZS 505,000 depending on the location.
<b>Date of Commencement.</b>	1st January 2021
<b>Duration, expiry and renewal.</b>	Two years from the commencement date.
<b>Event of Default (if relevant).</b>	Change of control/ownership of Supplier's Management.
<b>Consequences in the event of breach.</b>	Cancellation of the Agreement and the Bank to recover damages and/or enforce performance in terms of the Agreement.
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Thirty (30) Days written notice.
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	The Supplier will perform its obligations under this Agreement in compliance with laws, enactments, orders, regulations, guidance, External Supplier Control Obligations, all regulatory changes and any policies which may be notified by the Bank.
<b>Governing law.</b>	Laws of the United Republic of Tanzania.
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

## 5. Service Agreement.

<b>Description of the Agreement.</b>	An agreement for the supply of proof of concept and provision of direct agency banking services to the National Bank of Commerce Limited.
<b>Parties.</b>	National Bank of Commerce Limited (Bank) and Linkwell Telesystems Private Limited (Supplier).
<b>Contractual Amount</b>	USD 200,000 (Two Hundred Thousand United States Dollars)
<b>Date of Commencement.</b>	3rd September 2020
<b>Duration, expiry and renewal.</b>	Five (5) years from the commencement date unless extended or terminated.
<b>Event of Default (if relevant).</b>	Change of control or ownership of the Supplier or if the Supplier subcontracts to Bank's competitor.
<b>Consequences in the event of breach.</b>	Cancellation of the Agreement and the Bank to recover damages and/or enforce performance in terms of the Agreement.
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Notice in writing.
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	The Supplier will perform its obligations under this Agreement in compliance with all laws, enactments, orders, regulations, guidance, External Supplier Control Obligations, all regulatory changes and any policies which may be notified by the Bank.
<b>Governing law.</b>	Laws of England and Wales.
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

## 6. Service Agreement.

<b>Description of the Agreement.</b>	1st Contract Extension to the Provision of Voice and Data links and support services on the scope of work provided by the National Bank of Commerce and other key day to day requirements.
<b>Parties.</b>	National Bank of Commerce Limited (Bank) and Tanzania Telecommunications Corporation (Supplier).
<b>Contractual Amount</b>	TZS 79,610,462.27 (Seventy Nine Million, Six Hundred and Ten Thousand, Four Hundred and Sixty Two and Twenty Seven cents Tanzanian Shillings)
<b>Date of Commencement.</b>	2nd January 2021
<b>Duration, expiry and renewal.</b>	31st December 2022.
<b>Event of Default (if relevant).</b>	N/A
<b>Consequences in the event of breach.</b>	N/A
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Notice in writing
<b>Securities (including guarantees, sponsor support, subordinations.</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	The Supplier undertakes to perform its obligations under this Agreement in compliance with all applicable laws, enactments, orders, regulators, guidance and all regulatory changes.
<b>Governing law.</b>	Laws of the United Republic of Tanzania.
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

## 7. Service Agreement.

<b>Description of the Agreement.</b>	An agreement for the provision of agency banking services platform and related services to the National Bank of Commerce Limited.
<b>Parties.</b>	Selcom Paytech Limited (Supplier) and National Bank of Commerce Limited (Bank).
<b>Contractual Amount</b>	The Bank pays 0.25% (VAT inclusive) of the difference between withdrawal and the deposit amounts per month.
<b>Date of Commencement.</b>	1st January 2022
<b>Duration, expiry and renewal.</b>	Three (3) years subject to termination in accordance with the provisions of the Agreement.
<b>Event of Default (if relevant).</b>	Breach of obligations by either Party.
<b>Consequences in the event of breach.</b>	N/A
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Notice in writing.
<b>Securities (including guarantees, sponsor support, subordinations.</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	Parties agree that services shall be performed in compliance with all applicable laws, enactments, orders regulations and other similar instruments.
<b>Governing law.</b>	Laws of the United Republic of Tanzania.
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

## 8. Service Agreement.

<b>Description of the Agreement.</b>	An agreement for the supply and maintenance of Point of Sale (POS) machines and its components.
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<b>Parties.</b>	Pergamon Group Limited (Supplier) and National Bank of Commerce Limited (Bank).
<b>Date of Commencement.</b>	1st September 2020
<b>Duration, expiry and renewal.</b>	Three (3) years from the commencement date.
<b>Event of Default (if relevant).</b>	N/A
<b>Consequences in the event of breach.</b>	N/A
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Notice in writing
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	The Supplier will perform its obligations under this Agreement in compliance with laws, enactments, orders, regulations, guidance and all regulatory changes.
<b>Governing law.</b>	Laws of the United Republic of Tanzania.
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

## 9. Framework Service Agreement

<b>Description of the Agreement.</b>	An agreement for the supply of the NI Membership, POS VISA, MC UPI & Amex Contactless, N-genius Interface, DCC on POS and N-Genius Online Gateway to National Bank of Commerce Limited.
<b>Parties.</b>	Network International Services (Mauritius) Limited (Supplier) and National Bank of Commerce Limited (Bank)
<b>Contractual Amount</b>	<ul style="list-style-type: none"> <li>(i) POS Management service fee = Agreed initial charge is USD 31,000 (Thirty One Thousand United States Dollars).</li> <li>(ii) N-Genius Online Gateway service = Agreed initial charge is USD 40,000 (Forty Thousand United States Dollars).</li> <li>(iii) DCC service = the services are offered on a revenue share basis; whereby the Bank and the Supplier shall share the revenues generated from the provision of the services according to the following:- <ul style="list-style-type: none"> <li>• the Bank shall pay to the supplier 30% of the Total Monthly revenues generated from the provision of the service.</li> <li>• The total Monthly revenues generated from the provisional services are calculated based on the records, retained by the supplier, related to the POS transactions from both Visa and MasterCard, carried out by the Banks customers in connection with the services. It is agreed between the Parties that all payments due to NIS shall be computed, invoiced and paid on a monthly basis in accordance with this agreement.</li> </ul> </li> </ul>
<b>Date of Commencement.</b>	2nd September 2021
<b>Date of Expiry.</b>	Endures for a period of 4 years from the effective date, 2nd September 2021.
<b>Event of Default (if relevant).</b>	N/A
<b>Consequences in the event of breach.</b>	N/A
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Notice in writing
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.



<b>Noteworthy warranties, indemnities and undertakings.</b>	N/A
<b>Governing law.</b>	Laws of England
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

## 10. Service Agreement

<b>Description of the Agreement.</b>	An agreement for the provision of Secondary Network links for the National Bank of Commerce Limited; that is, provision of network links for NBC branches, ATMs and other premises/ service that will be requiring connectivity back to NBC Head office in Dar es Salaam.
<b>Parties.</b>	National Bank of Commerce Limited (Bank) and Vodacom Tanzania Public Limited Company (a supplier).
<b>Contractual Amount</b>	Payment effected monthly after validation of the service report by both parties as follows:- <ul style="list-style-type: none"> <li>Charges for capacity of 1024/1024Kbps = TZS 209,160</li> <li>Charges for capacity of 2048/2048Kbps = TZS 313,740</li> <li>Charges for capacity of 512/512Kbps = TZS 97,608</li> </ul>
<b>Date of Commencement.</b>	1st September 2021
<b>Date of Expiry.</b>	31st August 2023.
<b>Event of Default (if relevant).</b>	N/A
<b>Consequences in the event of breach.</b>	The Bank has the right to cancel the agreement in whole or in part and recover such damages as it may be able to prove them, enforce performance of the agreement or suspend provision of the services
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Notice in writing
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	The supplier represents and warrants that as at the date of this agreement and on an ongoing basis no application to the court for an administration or insolvency order against it has been made, its obligations under the agreement will be performed by a sufficient number of appropriately experienced, qualified, competent, trained and efficient supplier personnel and in accordance with Good Industry Practice.
<b>Governing law.</b>	Law of the United Republic of Tanzania
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

## 11. Service Agreement

<b>Description of the Agreement.</b>	An agreement for the provision of services including but not limited to provision of Project Implementation Plan, training to NBC Staff, provision of new empty cartons, provision of stationary (barcode labels and transmittal forms), sorting/cataloguing and barcoding within Dar es Salaam and upload into Archiving system, records dispatch and handover, scanning services and collection of documents.
<b>Parties.</b>	National Bank of Commerce Limited (Bank) and TOP Archives EA Limited (Supplier).

<b>Contractual Amount</b>	Monthly Storage price per box TZS 582.50 (Five Hundred Eighty Two Fifty Cents Tanzanian Shillings)
<b>Date of Commencement.</b>	1st June 2022
<b>Date of Expiry.</b>	31st May 2025.
<b>Event of Default (if relevant).</b>	N/A
<b>Consequences in the event of breach.</b>	Cancellation of the agreement by the bank and recover damages.
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Notice in writing
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	The supplier represents and warrants that as at the date of this agreement and on an ongoing basis; no application to the court for an administration or insolvency order against it has been made, its obligations under the agreement will be performed by a sufficient number of appropriately experienced, qualified, competent, trained and efficient supplier personnel and in accordance with Good Industry Practice.
<b>Governing law.</b>	Law of the United Republic of Tanzania
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

## 12. Wholesale Banknote Agreement

<b>Description of the Agreement.</b>	An agreement for the service of sale and purchase of Banknotes.
<b>Parties.</b>	Moneycorp (Hong Kong) Limited (Supplier) and National Bank of Commerce Limited (Bank).
<b>Date of Commencement.</b>	23rd February 2021
<b>Date of Expiry.</b>	22nd February 2023.
<b>Event of Default (if relevant).</b>	N/A
<b>Consequences in the event of breach.</b>	N/A
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Notice in writing
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	N/A
<b>Governing law.</b>	Laws of England
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

## 13. Memorandum of Understanding.

<b>Description of the Agreement.</b>	An agreement for the provision of 24/7 security services to Forty Seven (47) NBC Retail Branches, 5 BOT Safe Custody and 1 Super Wakala Plus.
<b>Parties.</b>	Tanzania Police Force (Service provider) and National Bank of Commerce Limited (the Bank).

<b>Contractual Amount</b>	TZS 111,300,000 per month (One Hundred Eleven Million Three Hundred Thousand Tanzanian Shillings) plus a monthly charge per branch of TZS 10,000 (Ten Thousand Tanzanian Shillings) per shift to each Police Officer on duty or TZS 70,000 (Seventy Thousand Tanzanian Shillings) per week in facilitation thereof, and this will include One Liaison Officer from Police Headquarters.
<b>Date of Commencement.</b>	1st August 2022
<b>Date of Expiry.</b>	Three (3) years from the commencement date.
<b>Event of Default (if relevant).</b>	N/A
<b>Consequences in the event of breach.</b>	Cancellation of the agreement by the bank and recover damages.
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Notice in writing
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	The supplier represents and warrants that as at the date of this agreement and on an ongoing basis; no application to the court for an administration or insolvency order against it has been made, its obligations under the agreement will be performed by a sufficient number of appropriately experienced, qualified, competent, trained and efficient supplier personnel and in accordance with Good Industry Practice.
<b>Governing law.</b>	Law of the United Republic of Tanzania
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

#### 14. Service Agreement.

<b>Description of the Agreement.</b>	An Agreement for the Automated Payment Processing through Government Muse System Integration.
<b>Parties.</b>	Linkwell Telesystems Private Limited (Supplier) and National Bank of Commerce (Bank)
<b>Contractual Amount</b>	USD 40,000 (Forty Thousand United States Dollars)
<b>Date of Commencement.</b>	26th August 2020
<b>Date of Expiry.</b>	Five years from the commencement date
<b>Event of Default (if relevant).</b>	N/A
<b>Consequences in the event of breach.</b>	N/A
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Notice in writing
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	The Supplier undertakes that its obligations under this Agreement will be performed by a sufficient number of approximately experienced, qualified, competent, trained and diligent Personnel in accordance with Good Industry Practice.
<b>Governing law.</b>	Laws of the United Republic of Tanzania.
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

## 15. Master Service Agreement.

<b>Description of the Agreement.</b>	An Agreement for the building and configuration of a MOVEit Manager File Transfer solution which will provide the Bank with the ability to share and process data securely from internal and external system and users.
<b>Parties.</b>	National Bank of Commerce Limited (Bank) and Indigocube Security Solutions Proprietary Limited (Service Provider).
<b>Contractual Amount</b>	Implementation and Setup Costs, knowledge transfer and documentation and Go live (VAT inclusive) = ZAR 170,016.00 (One Hundred Seventy Thousand and Sixteen Rand) and charges for Software Licensing Costs and Professional Services (VAT inclusive) = ZAR 1,682,643.20 (One Million Six Hundred and Eighty Two Thousand Six Hundred and Forty Three and Twenty Cents South African Rand)
<b>Date of Commencement.</b>	16th February 2021
<b>Date of Expiry.</b>	Three (3) years from the Effective date.
<b>Event of Default (if relevant).</b>	N/A
<b>Consequences in the event of breach.</b>	N/A
<b>Anticipated Termination Provisions.</b>	Termination on lapse of the contract period.
<b>Termination Notice/Procedure.</b>	Notice in writing
<b>Securities (including guarantees, sponsor support, subordinations).</b>	None.
<b>Noteworthy warranties, indemnities and undertakings.</b>	The Service Provider represents and warrants that the execution and performance of its obligations and terms of the Agreement does not and shall not contravene any legislation and shall not breach any agreement, license, Court Order, Judgment or Ruling to which the Service Provider is a Party or is bound. .
<b>Governing law.</b>	Laws of the United Republic of Tanzania.
<b>Other unusual/noteworthy provisions (including rights of first refusal).</b>	N/A

## FOURTH SCHEDULE- LIST OF LANDED PROPERTIES

No.	Title No.	Plot No.	Area
1.	CT055025/17	110 Block E	Arusha Township
2.	CT11298	100/6	Bukoba Township
3.	CT9613 – DLR	1 Block “FF”	Kuu Street/Mwanza Avenue, Mji Mpya, Dodoma Municipality
4.	CT186024/9	39/8	Ingles Street, Dar Es Salaam
5.	CT186024/20	Block 186024	Junction Of Main Avenue And Ingles Street, Dar Es Salaam
6.	CT49243	46/1a/A/1	Pugu Road, Dar Es Salaam City
7.	CT6089- MBYLR	17-26 Block A	Mshindo Iringa Municipality
8.	CT49541	705	Kawe, Dar Es Salaam City
9.	CT18364	191 C	Kigoma/Ujiji Township
10.	CT284015/40	27 Block C	Marine Avenue, Lindi
11.	CT13823	1 Block 2	Mbeya Township
12.	CT186009/31	1000/149	Flur II, Dar es Salaam
13.	CT9350	13a	Commercial Area, Morogoro Township
14.	CT16224	35A Section 1	Moshi Municipality
15.	CT1201 MTW	210 Block H	Raha Leo Mtwara Township



No.	Title No.	Plot No.	Area
16.	CT12587	130,131,132,133,134&135 Block C	Mkendo Street, Musoma Township
17.	CT033025/99	75/7 Block S	Nkomo Street, Mwanza Municipality
18.	CT16159 -- MBYLR	92/1 Block D	Njombe Urban Area, Njombe
19.	CT186022/4	186022	Junction of Mission Street and Acacia Avenue, Dar es Salaam
20.	CT064005/104	Cinema Plot Block A	Shinyanga Township, Shinyanga
21.	CT9736-DLR	2, 2A AND 3 Block R	Boma Road Singida Urban Area
22.	CT7565 -- MBYLR	23, 24, 25, 26, 27& 28 Block E	Central Area Songea Township, Ruvuma
23.	CT7566 -- MBYLR	9 – 10 Block H	High Density Jangwani Area, Sumbawanga Township
24.	CT118039/10	88 Block DD	Market Street, Tabora Municipality
25.	CT130511/17	130511	Corner of Market Street and George Street, Tanga
26.	CT18558	8 & 9 Block B	Tukuyu Urban Area, Mbeya
27.	CT149853	433 Block G	Ubungu, Dar es Salaam City
28.	CT2821 (9/183)	House No. 129705	Shangani, Shehia Township, Zanzibar

### FIFTH SCHEDULE: MATERIAL LITIGATION MATTERS BEFORE THE COURT OF APPEAL OF TANZANIA

S/N	Reference/Case Citation	Forum	Material Facts/ Description	Estimated Value of Claim exclusive of interest (TZS)	Chances of Success
1.	Civil Application No. 661/17 of 2021 between National Bank of Commerce Limited v. Saoligo Holdings Ltd and Magreth Joseph	Court of Appeal of Tanzania at Dar es Salaam	The Bank's application is for extension of time to lodge an appeal at the Court of Appeal against the decision of the High Court Land Division in Land Case No. 79 of 2006 that ordered the Bank to pay USD 1,915,000. Respondent claims for the Bank's failure to grant vacant possession of the land property that was sold by the Bank to the second Respondent. The Bank's application was granted by the Court of Appeal on 18th August 2022 allowing the Bank to lodge an appeal at the Court of Appeal.	4,485,780,000	30%
2.	Civil Appeal No. 322 of 2019 between National Bank of Commerce Limited v. Tanco Energy Limited and Steel Rolling Mills Limited	Court of Appeal of Tanzania at Dar es Salaam	Before the High Court, the Plaintiff sued the Defendant for payment of a sum of USD 469,894.50 arising from a dishonored bill of exchange payable by the third party. Judgment was entered in favor of the Defendant. Aggrieved by the decision of the High Court, the Plaintiff appealed to the Court of Appeal.	1,095,792,808	50%
3.	Civil Case No. 13 of 2019 between Ngurdoto Mountain Lodge Limited and Impalla Hotel v. National Bank of Commerce Limited and Another	Court of Appeal of Tanzania at Arusha	The Plaintiffs' suit objecting to attachment and sale of mortgaged properties pledged as security to secure credit facility of USD 549,227.89 and USD 2,342,621.85. In defense, the Bank raised a counterclaim. The High Court dismissed the Plaintiff's claims and allowed the Bank's claim in the counterclaim. The Plaintiffs have preferred an appeal to the Court of Appeal.	6,743,791,868	50%
4.	Civil Application No. 226/17 of 2021 between Mahmood Salum Chibango @ Mahmood Salum Chibango Mhina v. National Bank of Commerce Limited	Court of Appeal of Tanzania at Dar es Salaam	The Applicant has lodged an application before the Court of Appeal praying the Court to strike out the Respondent's notice of appeal. The High Court allowed the Applicant's suit and awarded him TZS 559,510,000 but did not address the Respondent's counter claim.	559,510,000	50%

S/N	Reference/Case Citation	Forum	Material Facts/ Description	Estimated Value of Claim exclusive of interest (TZS)	Chances of Success
5.	Civil Appeal No. 503 of 2020 between Luhumbo Investment v. National Bank of Commerce Limited	Court of Appeal of Tanzania at Shinyanga	An appeal against the judgment of the High Court in Civil Case No. 1 of 2020 where the Appellant prayed for nullification of the sale transaction of the property mortgaged to the Bank to secure a loan of unspecified amount due to the Appellant's default to service the loan. The Appellant's suit at the High Court was dismissed for being time barred. The Appellant was claiming special damages of TZS 1,200,000,000 for loss of business, general damages and interest.	2,165,840,000	70%
6.	Intended Civil Appeal in respect of Civil Case No. 138 of 2017 between Elizabeth Kalunga v. National Bank of Commerce Limited	Court of Appeal of Tanzania at Dar es Salaam	The Plaintiff was claiming TZS 2,719,545,112 being an outstanding debt collection commission. The matter was dismissed with cost for being hopelessly time-barred. The plaintiff has filed an appeal. The matter is pending, and hearing will come on notice	2,719,545,112	70%
7.	Intended Appeal in respect of Civil Case No. 23 of 2003 between James Mbatia vs. National Bank of Commerce Limited	Court of Appeal of Tanzania at Dar es Salaam	In 2003, the Bank instituted a suit against the Appellant, a prominent political figure in Tanzania, seeking TZS 1 Billion (GBP400k) damages arising from defamation. The claim was based on a press release which contained defamatory remarks made by the plaintiff against NBC. The plaintiff raised a counterclaim claiming TZS 5,000,000,000 billion (GBP 2million) for defamation based on alleged libelous statements made. NBC defended the claim on the grounds that it was not the originating source of the document that was sent to the press and even if it was, the words that were used were not defamatory. Judgment was delivered on 6th May 2016. The court found that the statements made by the Bank were based on a subject matter that both parties were aware of, and thus the Bank was protected by the defense of qualified privilege. The plaintiff has lodged a notice of appeal since. The Bank is yet to be served with an appeal.	5,000,000,000	30%
8.	Civil Appeal No. 258 of 2017 between MM Worldwide Trading Company Limited, Jacob Fredrick Msaki and Annethe Jacob Msaki v. National Bank of Commerce Limited	Court of Appeal of Tanzania at Dar es Salaam	The Bank claimed against the Defendant for payment of USD 683,839.70 being the outstanding amount on total facilities granted to the first Defendant. The Defendants raised a P.O in their defense with a counter claim that the mortgage is a nullity and should be discharged. Judgment was delivered in favour of the Bank. MM worldwide filed an appeal and the Court of Appeal nullified the judgment and decree of the High Court. The Bank has filed an Application for review.	1,538,639,325	30%
9.	Intended Appeal in respect of Civil Case No. 192 of 2018 between Ramadhani Shabani v. Tanganyika Cheap Store Limited, National Bank of Commerce Limited & Makata Hela Jembe	Court of Appeal of Tanzania at Dar es Salaam	The plaintiff is alleging that the property subject of mortgage was illegally charged to the Bank as the title was handed over to guarantee a loan and not subsequent loans involving his property. He challenges the Bank's sale of his property without notice. In April, this matter was dismissed for want of prosecution. The Appeal has been filed against the Bank	310,000,000	80%
10.	Intended appeal in respect of Land case No. 117 of 2014 between National Bank of Commerce Limited v. Mbezi luxury Resort Limited, Yohana Hilarius Nyakibari, Mocrops (Tanzania) Limited, Kimwaga Richard Stika	Court of Appeal of Tanzania at Dar es Salaam	The Bank filed the suit against Mbezi Luxury for breach of the facility agreement where the Court decided in the Bank's favour. The Bank advanced a loan to Mocrops Tanzania Limited where Mbezi Luxury Resort and Yohana Nyakibari were guarantors of the advanced loan. Mocrops failed to pay the loan. A consent judgement was entered by the High Court. The Defendants' applications for review against consent judgement and for stay of execution were dismissed by the High Court. The Defendants lodged a notice of appeal at the Court of Appeal.	1,574,288,000	90%
11.	Intended Appeal in respect of Commercial Case No. 106 of 2018 between National Bank of Commerce v. Mapele Enterprises Limited to be litigated at the Court of Appeal	Court of Appeal of Tanzania at Dar es Salaam	The Bank was claiming TZS 1,408,954,166.53 as principal outstanding amount relating to multi option facility and interest. The High Court dismissed the Bank's suit. The Bank has lodged an appeal and the matter awaits for hearing.	1,408,954,166.53	50%

S/N	Reference/Case Citation	Forum	Material Facts/ Description	Estimated Value of Claim exclusive of interest (TZS)	Chances of Success
12.	Civil Appeal No. 324 of 2019 between Festo Japhet Mkilana v. National Bank of Commerce Limited	Court of Appeal of Tanzania at Dar es Salaam	The Appeal arises from Civil Case No. 121 of 2015 whereby the Plaintiff was claiming TZS 462,000,000 being specific and general damages for breach of the parties' bank loan agreement and loss of cargo during attachment of a motor vehicle purchased by the Plaintiff through the Bank's sole agent Morocco Commission Agent Ltd. The Bank granted TZS 45,500,000 to the Plaintiff which was directly paid to the Bank's agent to purchase a Mitsubishi Fuso truck which the Appellant claims was an old model and was defective contrary to the loan agreement. The defectiveness of the motor vehicle caused loss to the Plaintiff as the truck got into four accidents in different regions. Despite the Plaintiff notifying the Bank of the vehicle's defectiveness and request for repayment, the Bank did not abide. Before the expiration of the loan agreement, the Bank repossessed the motor vehicle and sold it in a public auction that didn't follow the correct procedures neither was the Plaintiff served with the statutory notice of sale. Judgment was delivered on 16th August 2019 in favour of the Bank. The Plaintiff has filed an Appeal at the Court of Appeal	462,000,000	50%
14.	Application No. 445/01 of 2022 between National Bank of Commerce Limited v. Ballast Construction Co. Ltd & Another	Court of Appeal of Tanzania at Tanga	An application for extension of time to lodge an appeal (second bite) after the High Court dismissed the Bank's application for extension of time to lodge an appeal against the decision of the High Court in Civil Case No. 10 of 2009 awarding the Respondent TZS 300,000,000 out of TZS 500,000,000 as general damages	971,896,800	70%

## MATTERS BEFORE THE HIGH COURT OF TANZANIA & ZANZIBAR

S/N	Reference/Case Citation	Forum	Material Facts/ Description	Estimated Value of Claim (TZS)	Chances of Success
1.	Civil Case No. 47 of 2018 between Ahmed Abdalla Ali, Yusuph Mohamed Yussuf, Seif Hafidhi Suleiman v. National Bank of Commerce Limited	High Court of Zanzibar at Vuga	The Bank granted a loan facility to the Applicants who defaulted to make payment. The Bank proceeded to auction the mortgaged property. The Applicant filed a suit against the Bank and prayed for compensation of TZS 200,000,000. As general damages that resulted from the Defendants act of illegally advertising the sale by auction of properties worth TZS 350,000,000	550,000,000	60%
2.	Land Case No. 24 of 2020 between Justina James Lukumay, John Paul Mlay, and James Njoolay Lukumay v. National Bank of Commerce Limited and Makame Sengulo t/a MAS & Associates Company Limited & Court Broker	High Court of Tanzania Land Division at Dar es Salaam	The plaintiff is suing the Bank for an alleged wrongful advertising of the mortgaged property and attempting sale of his property. The suit was struck out for lack of jurisdiction of the Court. The Plaintiff has lodged a new suit at the High Court Land Division.	482,000,000	70%
3.	Land Case No. 38 of 2016 between Msae Investment Co. Limited and National Bank of Commerce Limited	High Court of Tanzania Land Division	The Plaintiff claims that it is not indebted to the Bank since there was a frustration of the loan agreements.	4,485,780,000	30%
4.	Civil Case No. 21 of 2016 between Adam Mohammed Said v. World Travel Adventure Limited and National Bank of Commerce Limited	High Court of Zanzibar at Vuga	The Plaintiff prays for Judgement and decree that the second Defendant be permanently restrained from selling the Plaintiff's mortgaged properties.	1,848,693,919.67	50%

S/N	Reference/Case Citation	Forum	Material Facts/ Description	Estimated Value of Claim (TZS)	Chances of Success
5.	Commercial Case No.73 of 2021 between Oil com Tanzania Limited v. Alchemist Energy Trading DMCC, Oddo BHF Ktiengesellschaft, National Bank of Commerce Limited and Deutsche Bankers Trust Co. Americas	High Court Commercial Division	The Plaintiff claims against the first, second, third Defendants jointly and severally is for damages for breach of terms of the Letter of Credit amounting to USD75188750 and ICC Uniform Customs and Practice for Documentary Credit, cancellation of the reimbursement authorization issued on 5th March 2021 by third Defendant to the second Defendant, payment of Letter of Credit creation charges, payment of extra freight and premium for the emergency cargo, and payment of price difference.	1,753,401,650	30%
6.	Commercial Case No. 76 of 2021 between Vivo Energy Tanzania v. Alchemist energy trading DMCC, National Bank of Commerce Limited and Oddo BHF ktiengesellschaft, Deutsche.	High Court Commercial Division	The Plaintiff claims against all Defendants jointly and severally that the first Defendant is in breach of the shipping and supply contract, and second defendant for cancellation of a letter of credit amounting to USD 201,398.44	469,661,162.08	50%
7.	Civil Case No.104 of 2021 between ATN Petroleum Company Limited v. Alchemist Energy Trading DMCC, National Bank of Commerce, Petroleum Bulk Procurement Agency	High Court of Tanzania Dar es Salaam District Registry	The Plaintiff's claim against the first and third Defendants is for a declaratory order that the first and third Defendants are in breach of the shipping and supply contract for petroleum products. The Plaintiff's claim against the second Defendant is for a declaratory order that the irrevocable letter of credit issued to the second Defendant by the Plaintiff is invalid and should be canceled.	1,019,643,680	50%
8.	Land case No. 47 of 2022 between Impala Hotel v. National Bank of Commerce Limited and Dr Onesmo Kyauke	High Court of Tanzania Arusha District Registry	A loan was advanced to the Plaintiff by the Bank, on failure to pay the Bank, the Defendant initiated recovery measures of recovering the outstanding balance. The Plaintiff being aggrieved instituted a case in which judgment was delivered in favour of the Bank and the Plaintiff was ordered to pay the outstanding balance in which it failed to repay, the Bank proceeded to auction. Being aggrieved, the Plaintiff filed an injunction claiming and seeking declaration order that the Bank does not have legal right to sell the said property and trespassed, thus claiming damages of TZS 3,800,000,000 as specific damages.	3,800,000,000	80%
9.	Civil Case No. 72 of 2021 between Raymond Shauri Nkingo v. National Bank of Commerce Limited	High Court of Tanzania Dar es Salaam District Registry	The Plaintiff is claiming compensation of TZS 760,000,000 plus interest on the alleged loss suffered due to Bank's delay to return his Title Deed after he discharged the loan. The Bank's defense is based on similar cases lodged at the High Court, Kinondoni RM Court which was overturned by the High Court to the extent that the cases were time barred and the current cannot be reopened by the High Court on the basis of the previous decisions of the High Court.	760,000,000	80%
10.	Civil Case No. 49 of 2009 between Gapco Zanzibar Limited v. National Bank of Commerce Limited and Another	High Court of Zanzibar at Vuga	The Plaintiff claims against NBC compensation of US\$ 255,000 for loss of business, US\$ 500,000 for loss of profit, US\$ 500,000 for general and special damages arising from the alleged trespass and illegal seizure of land where the Plaintiff's Bububu petrol station is owned and operated. A claim arises from NBC's attempt to sell the property which is a petrol station to recover an outstanding amount against Bububu petrol station owned by the Plaintiff.	2,922,895,000	60%
12.	Intended Revision in respect of CMA/DSM/ILA/105/2021 between Mongateko M Mongateko & Lucy George v. National Bank of Commerce Limited	The Commission for Mediation and Arbitration at Dar es Salaam	The Complainants are suing the Bank for wrongful termination without following statutory procedure and without good reason. CMA's award was delivered on 3rd August 2022 against the Bank. The Bank has lodged an application for revision against general damages.	619,000,000	30%



## MATTERS BEFORE THE TAX REVENUE APPEALS TRIBUNAL

S/N	Reference/Case Citation	Forum	Material Facts/ Description	Estimated Value of Claim (TZS)	Chances of Success
1.	Intended Appeal to the Tax Revenue Appeals Board between Commissioner General (TRA) V. National Bank of Commerce Limited	Tax Revenue Appeals Tribunal at Dar es Salaam	The Commissioner General, Tanzania Revenue Authority (TRA) filed a notice of Intention to Appeal. This follows the decision of the Board in Tax Appeal No. 283 of 2019 filed by NBC Challenging the decision of the Commissioner General (TRA) issuing a demand Notice of TZS 5,409,808,750.41, Unremitted Tax amount ought to have been paid by NBC to TRA on behalf of the Tanzania Telecommunication Company Limited (TTCL)	5,409,808,750.41	80%
2.	Intended Appeal to the Tax Revenue Appeals Board between Commissioner General (TRA) V. National Bank of Commerce Limited	Tax Revenue Appeals Tribunal at Dar es Salaam	Upon conclusion of the audit, TRA issued corporate tax assessments of TZS 6,302,172,634.59, 2,653,965,632.10, and TZS 5,505,654,192.30 for the years of income 2011, 2012 and 2013, respectively. On final determination, TRA amended the assessments upward to TZS 7,284,163,693.19, TZS 17,630,888,407.07, and TZS 20,167,737,937.15 for the years of income 2011, 2012 and 2013, respectively. Subsequently, TRA issued other notices of assessments for the years of income 2011, 2012 and 2013 in respect of deferred lending fees, upward adjustment of tax and upward re-adjusting the amount in dispute, respectively. The Board issued a decision on 13th December 2019 in favour of the TRA by confirming TRA's decision to disallow interest in suspense account, to reclaim tax on deferred lending fees for the year 2011, to adjust upwards amounts of interest in suspense account for the years 2012 and 2013. The Bank has filed a notice of appeal at the Tax Revenue Appeals Tribunal.	TZS 21,082,790,037.41	50%

## MATTERS BEFORE THE COMMISSION FOR MEDIATION AND ARBITRATION

S/N	Reference/Case Citation	Forum	Material Facts/ Description	Estimated Value of Claim (TZS)	Chances of Success
1.	CMA/DSM/ILA/322/2021/119/2021 between Doxa Mbapila v. National Bank of Commerce Limited	The Commission for Mediation and Arbitration at Dar es Salaam	The Complainant filed a complaint against the Bank claiming that the Bank, being her former employer, discriminated and terminated her employment unfairly. The Complainant is praying to be awarded TZS 500,000,000 as general damages for gross mistreatment, mental torture and discrimination by the employer. She is also praying to be reinstated by the employer. The Bank's reason for terminating her employment was gross insubordination because the Complainant refused to complete her "Performance Improvement Plan" draft for review in order to commence the improvement plan.	500,000,000	30%

## MATTERS BEFORE DISTRICT COURT(S)

S/N	Reference/Case Citation	Forum	Material Facts/ Description	Estimated Value of Claim (TZS)	Chances of Success
1.	Civil Case No. 6 of 2020 between Anna Luvanda v. National Bank of Commerce Limited	In The District Court of Iringa at Iringa	The Plaintiff's claim against the Defendants is for the payment of TZS 90,000,000 being compensation for the lost and damaged property, and TZS 500,000,000 as general damages for inconvenience sustained during eviction from the mortgaged property used to secure the Plaintiff's loan which she defaulted to service.	590,000,000	70%

## MATTERS BEFORE THE DISTRICT LAND AND HOUSING TRIBUNAL

S/N	Reference/Case Citation	Forum	Material Facts/ Description	Estimated Value of Claim (TZS)	Chances of Success
1.	Land Application No. 151 of 2019 between Oscar Greyson Mnzava v. National Bank of Commerce Limited	District Land and Housing Tribunal of Mbeya at Mbeya	The Applicant's claim is based on the alleged loss of property and business as a result of eviction by the owner of mortgaged property. The Applicant claims for a loss of TZS 270,000,000 consisting of the purchase price of the property that he bought in auction, loss of business, costs of renovation of property and costs of prosecuting the claim.	270,000,000	40%



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**NATIONAL BANK OF COMMERCE LIMITED**

**(Registration number: 32700)**

**HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT**

**FOR THE THREE YEARS ENDED 31 DECEMBER 2019,  
31 DECEMBER 2020, AND 31 DECEMBER 2021**

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

FOR THE THREE YEARS ENDED 31 DECEMBER 2019,  
31 DECEMBER 2020, AND 31 DECEMBER 2021

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The Board of Directors,  
National Bank of Commerce Limited,  
Head Office Building, 6<sup>th</sup> Floor,  
Sokoine Drive and Azikiwe Street  
PO Box 1863,  
Dar es Salaam,  
Tanzania

Dear Sirs,

## REPORTING ACCOUNTANT'S REPORT ON COMPILATION OF HISTORICAL FINANCIAL INFORMATION

On the basis of information provided by Directors and the audited financial statements we have compiled, in accordance with the International Standard on Related Services applicable to compilation engagements, the statement of financial position of National Bank of Commerce Limited (referred as "NBC" or "Bank") as at 31 December 2019, 31 December 2020 and 31 December 2021 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

The financial statements for the three years ended 31 December 2019, 31 December 2020, and 31 December 2021, were audited by KPMG, Certified Public Accountants (Tanzania), and received unqualified audit opinions.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), *Compilation Engagements*.

We have applied our expertise in accounting and financial reporting to assist Directors in the preparation and presentation of these financial information in accordance with International Financial Reporting Standards. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are Director's responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information Directors provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with International Financial Reporting Standards.

The historical financial information has been prepared for inclusion in an information memorandum for a proposed Bank's Medium Term Note Program issue and may, therefore, not be appropriate for another purpose.

### Deloitte & Touche

Certified Public Accountants (Tanzania)



Signed by: F.J. Kibiki

NBAA Registration No.: ACPA 3214

Dar es Salaam

1 November 2022

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

FOR THE THREE YEARS ENDED 31 DECEMBER 2019, 31 DECEMBER 2020 AND 31 DECEMBER 2021

### STATEMENT OF ADJUSTMENTS

The following adjustments were made to the audited financial statements for the three years ended 31 December 2019, 31 December 2020, and 31 December 2021 so as to conform to International Financial Reporting Standards:

- Reclassification has been made in the statement of cash flows in line with the requirements of International Accounting Standard No. 7, Statement of Cash Flows.
- During the year ended 31 December 2021 the Bank updated the Expected Credit Loss model for revolving overdraft facilities which were previously calculated on contractual life assurance as opposed to the behavioral model. This resulted to restatement of each of the affected financial statements lines in the financial years ended 31 December 2020 and 31 December 2019. This historical compilation report reflects the numbers after restatement of the affected financial statements lines.

### COMPILED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THREE YEARS ENDED 31 DECEMBER 2019, 31 DECEMBER 2020 AND 31 DECEMBER 2021

	Notes	2021 TZS Million	2020 TZS Million	2019 TZS Million
Interest income calculated using the effective interest method	5	184,936	163,616	156,117
Interest expense	6	31,731)	(30,916)	(29,452)
<b>Net interest income</b>		<b><u>153,205</u></b>	<b><u>132,700</u></b>	<b><u>126,665</u></b>
Fee and commission income	7	48,218	43,595	44,011
Net trading income	8	17,949	21,627	26,141
Dividend income		40	12	17
<b>Total operating income</b>		<b><u>219,412</u></b>	<b><u>197,934</u></b>	<b><u>196,834</u></b>
Expected credit losses	9	(7,331)	(33,941)	(5,903)
<b>Net operating income</b>		<b><u>212,081</u></b>	<b><u>163,993</u></b>	<b><u>190,931</u></b>
Staff costs	10	(79,272)	(85,465)	(81,421)
Infrastructure costs	11	(22,456)	(22,585)	(24,319)
Administration & general expenses	12	(50,297)	(49,647)	(46,482)
<b>Operating expenses</b>		<b><u>(152,025)</u></b>	<b><u>(157,697)</u></b>	<b><u>(152,222)</u></b>
Profit before tax		60,056	6,296	38,709
Income tax	13.1	(20,035)	(29,587)	(16,057)
<b>Profit/(loss) for the year</b>		<b><u>40,021</u></b>	<b><u>(23,291)</u></b>	<b><u>22,652</u></b>
<b>Other comprehensive income</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Movement in fair value of debt instruments classified at FVOCI				
Movement in fair value reserve FVOCI		(1,553)	3,276	(1,607)
Deferred tax	13.2	466	(983)	482
<b>Net fair value (loss) / gain</b>		<b><u>(1,087)</u></b>	<b><u>2,293</u></b>	<b><u>(1,125)</u></b>
<b>Total other comprehensive (loss) / income for the year, net of tax</b>		<b><u>(1,087)</u></b>	<b><u>2,293</u></b>	<b><u>(1,125)</u></b>
<b>Total comprehensive income / (loss) for the year, net of tax</b>		<b><u>38,934</u></b>	<b><u>(20,998)</u></b>	<b><u>21,527</u></b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### COMPILED STATEMENT OF FINANCIAL POSITION

#### AS AT 31 DECEMBER 2019, 31 DECEMBER 2020 AND 31 DECEMBER 2021

	Notes	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>Assets</b>				
Cash and balances at central bank	14	271,923	304,551	314,788
Trading portfolio assets	15	40,430	47,591	25,815
Derivative financial instruments	16	594	2,028	1,138
Loans and advances to banks	18	66,105	120,741	118,676
Loans and advances to customers	19	1,384,488	1,102,978	982,350
Financial assets at fair value through OCI	17	324,069	376,275	381,126
Current tax asset	33	10,662	9,782	21,606
Property and equipment	20	48,660	48,910	49,005
Intangible assets	21	8,021	2,765	2,753
Deferred tax asset	24	19,285	18,855	25,212
Other receivables	22	93,263	99,285	66,693
<b>Total assets</b>		<b><u>2,267,500</u></b>	<b><u>2,133,761</u></b>	<b><u>1,989,162</u></b>
<b>Equity and liabilities</b>				
<b>Liabilities</b>				
Derivative financial instruments	16	2,163	2,667	576
Deposits from banks	27	219,379	189,913	67,326
Deposits from customers	28	1,596,505	1,504,480	1,502,082
Subordinated debt	29	32,067	31,997	32,298
Provisions	25	5,463	4,659	2,976
Trade and other payables	26	110,838	137,894	100,754
<b>Total liabilities</b>		<b><u>1,966,415</u></b>	<b><u>1,871,610</u></b>	<b><u>1,706,012</u></b>
<b>Capital and reserves</b>				
Share capital	30	15,700	15,700	15,700
Share premium	30	71,300	71,300	71,300
Fair value reserves	31	4,330	5,417	3,124
Specific regulatory reserve	31	-	-	4,329
Retained income	31	209,755	169,734	188,697
<b>Total equity</b>		<b><u>301,085</u></b>	<b><u>262,151</u></b>	<b><u>283,150</u></b>
<b>Total equity and liabilities</b>		<b><u>2,267,500</u></b>	<b><u>2,133,761</u></b>	<b><u>1,989,162</u></b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### COMPILED STATEMENT OF CHANGE IN EQUITY

FOR THE THREE YEARS ENDED 31 DECEMBER 2019, 31 DECEMBER 2020 AND 31 DECEMBER 2021

	Share Capital TZS Million	Share premium TZS Million	Fair value reserves TZS Million	Retained income TZS Million	Specific Regulatory Reserve TZS Million	Total Equity TZS Million
<b>Year ended 31 December 2021</b>						
<b>At 1 January 2021</b>	<b>15,700</b>	<b>71,300</b>	<b>5,417</b>	<b>169,734</b>	<b>-</b>	<b>262,151</b>
Profit for the year	-	-	-	40,021	-	40,021
Other comprehensive loss for the year – net of tax	-	-	(1,087)	-	-	(1,087)
Net comprehensive income for the year	-	-	(1,087)	40,021	-	38,934
<b>At 31 December 2021</b>	<b>15,700</b>	<b>71,300</b>	<b>4,330</b>	<b>209,755</b>	<b>-</b>	<b>301,085</b>
<b>Year ended 31 December 2020</b>						
<b>At 1 January 2020</b>	<b>15,700</b>	<b>71,300</b>	<b>3,124</b>	<b>188,695</b>	<b>4,330</b>	<b>283,149</b>
Loss for the year	-	-	-	(23,291)	-	(23,291)
Other comprehensive income for the year	-	-	2,293	-	-	2,293
Net comprehensive loss for the year	-	-	2,293	(23,291)	-	(20,998)
Transfer to/ (from) retained income	-	-	-	4,330	(4,330)	-
<b>At 31 December 2020</b>	<b>15,700</b>	<b>71,300</b>	<b>5,417</b>	<b>169,734</b>	<b>-</b>	<b>262,151</b>



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### COMPILED STATEMENT OF CHANGE IN EQUITY (CONTINUED)

FOR THE THREE YEARS ENDED 31 DECEMBER 2019, 31 DECEMBER 2020 AND 31 DECEMBER 2021

	Share Capital TZS Million	Share premium TZS Million	Fair value reserves TZS Million	Retained income TZS Million	Specific Regulatory Reserve TZS Million	General Regulatory Reserve* TZS Million	Total Equity TZS Million
<b>Year ended 31 December 2019</b>							
<b>At 1 January 2019</b>	<b>15,700</b>	<b>71,300</b>	<b>4,249</b>	<b>164,165</b>	<b>528</b>	<b>12,141</b>	<b>268,083</b>
Adjustment on initial application of IFRS 16, net of tax (see Note 4)	-	-	-	(171)	-	-	-
<b>At 1 January 2019 – restated</b>	<b>15,700</b>	<b>71,300</b>	<b>4,249</b>	<b>163,994</b>	<b>528</b>	<b>12,141</b>	<b>267,912</b>
Profit for the year	-	-	-	22,652	-	-	22,652
Other comprehensive loss for the year – net of tax	-	-	(1,125)	-	-	-	(1,125)
<b>Net comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(1,125)</b>	<b>22,652</b>	<b>-</b>	<b>-</b>	<b>21,527</b>
Dividend paid	-	-	-	(5,100)	-	-	(5,100)
Transfer to/ (from) retained income	-	-	-	8,340	3,801	(12,141)	-
<b>At 31 December 2020</b>	<b>15,700</b>	<b>71,300</b>	<b>3,124</b>	<b>189,886</b>	<b>4,329</b>	<b>-</b>	<b>284,339</b>
<b>Note</b>	<b>30</b>	<b>30</b>	<b>31</b>	<b>31</b>	<b>31</b>	<b>31</b>	

\* Specific regulatory reserve represents 1% additional provision on performing (current) loans and advances to customers in order to comply with requirement of Bank of Tanzania prudential guidelines. This reserve is not available for distribution. The Bank of Tanzania issued guidelines that the reserve should cease following adoption of IFRS 9.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### COMPILED STATEMENT OF CASH FLOW

FOR THE THREE YEARS ENDED 31 DECEMBER 2019, 31 DECEMBER 2020 AND 31 DECEMBER 2021

	Notes	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>Cash flows from operating activities</b>				
Profit / (loss) after tax		<b>40,021</b>	<b>(23,291)</b>	<b>22,652</b>
<b>Adjustments for:</b>				
Depreciation of plant property and equipment	20	9,572	9,345	8,160
Amortization of Intangibles	21	1,053	1,602	2,118
Loss on translation of subordinated debt	29	(190)	(1,051)	-
Loss on disposal of property and equipment		-	1,504	108
Impairment on loans and advances	9	7,331	33,941	5,903
Impairment on investments at FVOCI	17	213	751	443
Interest cost on subordinated loan	29	1,945	1,754	2,278
Tax expenses	13.1	20,035	29,587	16,056
Dividends on equity securities at FVOCI		(40)	(12)	(17)
		<b>79,940</b>	<b>54,130</b>	<b>57,700</b>
<b>Changes in:</b>				
Financial assets at FVOCI	17	373,179	7,972	(29,841)
Derivative financial assets	16	(322,041)	(890)	97
Loans and advances to customers	19	(288,841)	(154,570)	(42,535)
Other receivables	22	6,022	(32,592)	(26,737)
Deposit from banks	27	29,466	122,588	(86,748)
Deposit from customers	28	92,025	2,398	87,862
Derivative financial liabilities	16	(504)	2,090	513
Provisions	25	804	1,683	(87)
Trade and other payables	26	(21,487)	41,408	13,635
Statutory minimum reserve	14	8,272	4,024	3,468
Trading portfolio assets	15	7,161	(21,776)	6,658
		<b>(36,004)</b>	<b>26,465</b>	<b>(16,015)</b>
Interest paid	12	(835)	(941)	(1,229)
Tax paid	33	(20,122)	(12,972)	(17,100)
<b>Net cash (used in)/ generated by operating activities</b>		<b>(56,961)</b>	<b>12,552</b>	<b>(34,344)</b>
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	20	(9,533)	(10,754)	(4,380)
Proceeds from sale of equipment		-	-	(845)
Purchase of intangible assets	21	(6,100)	(1,614)	(1,881)
<b>Net cash utilized in investing activities</b>		<b>(15,633)</b>	<b>(12,368)</b>	<b>(7,106)</b>
<b>Cash flows from financing activities</b>				
Proceeds from subordinated debt		-	-	31,250
Subordinated debt repayment		-	-	(33,404)
Interest paid on subordinated debt	29	(1,685)	(1,004)	-
Dividend paid	32			(5,100)
Payment of principal portion of lease liabilities	39	(4,713)	(3,328)	(4,341)
<b>Net cash utilized in financing activities</b>		<b>(6,398)</b>	<b>(4,332)</b>	<b>(11,595)</b>
<b>Net cash utilized in financing activities</b>		<b>(78,992)</b>	<b>(4,148)</b>	<b>(53,045)</b>
Payment of principal portion of lease liabilities		317,176	321,324	374,369
<b>Net cash utilized in financing activities</b>	14	<b>238,184</b>	<b>317,176</b>	<b>321,324</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1. REPORTING ENTITY

National Bank of Commerce Limited ("the Bank") is a limited liability company incorporated in Tanzania under the Companies Act 2002, and is domiciled in the United Republic of Tanzania. The Bank is regulated by the Bank of Tanzania. The Bank's registered office and principle activity is as included on Page 1.

#### 2. BASIS OF ACCOUNTING

##### a. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006. They were authorised for issue by the Bank's board of directors on 22 March 2022.

Details of the Bank's accounting policies are included in Note 4.

##### b. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through profit or loss which are measured at fair value.

##### c. Functional and presentation currency

These financial statements are presented in Tanzanian Shillings, which is the Bank's functional and presentation currency. All amounts have been rounded to the nearest million, except when otherwise indicated.

#### 3. USE OF ESTIMATES AND JUDGMENTS

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

##### a. Judgments, assumptions and estimation uncertainties

Information about judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the years ended 31 December 2019, 31 December 2020 and 31 December 2021 is included below.

##### i. Estimation of useful life of property and equipment

Intangible assets	Useful lives Years
Core banking software	10 years
Other supporting systems	5 years
Property, plant and equipment	
Buildings	2% p.a.
Equipment	15% p.a.
Furniture and fittings	10% p.a.
Motor vehicles	25% p.a.
Computer equipment	20% p.a.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

##### a. Judgements, assumptions, and estimation uncertainties (continued)

Leasehold improvements are depreciated over the shorter of the leasehold term and the useful life of the asset. The impact of application of these judgements and estimates on property, plant and equipment and intangible assets are disclosed under Note 20 and 21.

##### ii.Expected credit loss (ECL)

##### Determination of the lifetime of a credit exposure

The determination of initial recognition and asset duration (lifetime) are critical judgements in determining quantum of lifetime losses that apply. The date of initial recognition reflects the date that a transaction (or account) was first recognised in the statement of financial position. The probability of default recorded at this time provides the baseline used for subsequent determination of a significant increase in credit risk. When determining the period over which the entity is expected to be exposed to credit risk, but for which the ECL would not be mitigated by the entity's normal credit risk management actions, the Bank considers factors such as historical information and experience about:

- the period over which the entity was exposed to credit risk on similar financial instruments;
- the length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk; and
- the credit risk management actions that an entity expects to take once the credit risk on the financial instrument has increased, such as the reduction or removal of undrawn limits.
- For asset duration, the approaches which are applied (in line with IFRS 9 requirements) are:
- Term lending: the contractual maturity date, reduced for behavioral trends where appropriate (such as, expected settlement and amortization); and
- Revolving facilities: for Retail portfolios, asset duration is based on behavioral life and this is normally greater than contractual life. For Wholesale portfolios, a sufficiently long period to cover expected life modeled and an attrition rate is applied to cater for early settlement.

##### Model parameters

The calculation of ECL incorporates the probability that a credit loss will occur, as well as the probability that no credit loss occurs, even if the most likely outcome is no credit loss. The estimate reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. In some cases, relatively simple modelling is considered to be sufficient, without the need to consider the outcome under different scenarios. For example, the average credit losses of a large group of financial instruments with shared risk characteristics may be a reasonable estimate of the probability-weighted amount. In other situations, the identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes will be needed.

The IFRS 9 models make use of three parameters namely probability of default (PD), loss given default (LGD) and exposure at default (EAD) in the calculation of the ECL allowance.



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

##### b. Judgements, assumptions and estimation uncertainties (continued)

##### ii.Expected credit loss (ECL) (continued)

##### Model parameters (continued)

The PD is the likelihood of default assessed on the prevailing economic conditions at the reporting date (that is, at a point in time), adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default; it will not equate to a long run average. For IFRS 9 purposes, two distinct PD estimates are required:

- Lifetime PD: the likelihood of accounts entering default during the remaining life of the asset.
- 12 month PD: the likelihood of accounts entering default within 12 months of the reporting date.

The general approach for the IFRS 9 LGD models has been to leverage the Basel LGD models with bespoke IFRS 9 adjustments to ensure unbiased estimates.

In calculating LGD, losses are discounted to the reporting date using the EIR determined at initial recognition or an approximation thereof. For debt instruments, such as loans and advances, the discount rate applied is the EIR calculated on origination or acquisition date.

##### Retail ECL model parameters

The Retail PD model consists of three elements namely:

- a term structure, capturing typical default behavior by the months since observation;
- a behavioral model which incorporates client level risk characteristics; and
- a macroeconomic model that incorporates forward looking macroeconomic scenarios.

A further adjustment is made to incorporate an account's propensity to attrite. The PD model is used to identify accounts that have increased significantly in credit risk since origination. The final PD is a probability weighted average of Bank's three forecasted macroeconomic scenarios.

The LGD model estimates the loss that can be expected if an account defaults. The LGD model is adjusted for:

- forward looking macroeconomic adjustments; and
- future expected changes in collateral and EAD.

The LGD model further incorporates the losses associated with re-defaults for lifetime losses.

##### Wholesale ECL model parameters

Wholesale PDs and LGDs are modelled using the parameters from regulatory models as starting point. Parameters are adjusted for differences between requirements under Basel III and IFRS 9.

The main adjustments to PD comprise:

- a macroeconomic adjustment that changes the paradigm from a long-run average default rate to a PD that reflects the prevailing macroeconomic conditions, thereby adjusting the PD from a seven-year historical average to a PD reflective of the macroeconomic environment at the reporting date; and
- an adjustment to the regulatory PD to convert it from a PD over 12 months, to a PD over the lifetime of an exposure, to be able to assess significant increases in credit risk and estimate lifetime provisions for stage 2.

The main adjustments to LGD comprise a macroeconomic adjustment that changes the long- run LGD to reflect a given macroeconomic scenario. Lifetime projections of LGD take into account the expected balance outstanding on a loan at the time of default, as well as the value of associated collateral at that point in time. The impact of application of the ECL model is disclosed under Note 9 and 35.5.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

##### (a) Judgements, assumptions and estimation uncertainties (continued)

###### Impact of COVID- 19

The coronavirus pandemic has had a devastating impact on the global economy and has resulted in significant changes to government actions, economic and market drivers as well as consumer behaviour.

###### Impact on the use of estimates, judgements and assumptions

The pandemic has had a significant impact on the risks that the Bank is exposed to, in particular credit risk, and has forced the Bank to reassess assumptions, and existing methods of estimation and judgements, used in the preparation of these financial statements. There remains a risk that future performance and actual results may differ from the judgements and assumptions used.

As the outbreak continues to progress and evolve, it is challenging to predict the full extent and duration of its business and economic impact. Management adjustments (which have been subjected through greater governance across the Bank) were therefore also required, in addition to the model outputs, to provide a more appropriate assessment of credit risk.

Other areas of estimates, judgements and assumptions that have been affected by the Covid- 19 pandemic include determination of fair values and impairments of non-financial assets. Further detail on the application of judgements and estimates is included in the note below.

###### COVID-19 customer payment relief

The Bank implemented a payment relief programme across segments from March 2020 for eligible customers, allowing customers requiring short-term financial relief, to reduce or defer their monthly instalments to assist with cash flow needs. For Retail and Business Banking customers, the payment relief programmes provides relief for periods of, in general up to six months as informed by local regulatory and management actions. The Corporate Investment Banking customers received tailored solutions specific to their individual circumstances, including interest and/or capital moratoriums, covenant concessions and extensions of maturity dates on expiring facilities.

The Bank's existing credit policies continued to apply to customers not meeting the payment relief eligibility criteria. The gross carrying value of loans and advances to customers that were granted payment relief as at 31 December 2021 and customers who successfully returned to payment after payment relief is as follows:

###### Management overlays on Macro Economic Variables

Growth of the Tanzania mainland economy was satisfactory at 4.9% in the first three quarters of 2021: driven by construction, agriculture, mining, manufacturing and transport. The economic outlook is positive, with the economy projected to grow at 5.8% in 2022, due to improved performance of the tourism sector and the reopening of trade corridors.

Private sector credit growth improved to 7.8% and 10% in the months of November and December 2021, respectively from less than 5% in March of 2021 and was consistent with the target of 10.6% for 2021/22. The increase was attributed to accommodative monetary policy and measures adopted to increase bank lending, lowering interest rates and rebounding of the economy following opening of the economy.

The external sector of the economy continued to recover from the effects of the Covid 19 pandemic, with resumption in tourism. The foreign exchange reserve remained adequate, amounting to USD 6.4 billion covering about 6.6 months of projected imports. The level of reserve was in line with the country benchmark of at least 4 months, as well as EAC and SADC convergence criteria of at least 4.5 and 6 months, respectively.

Government budget execution was in conformity with the estimates due to improvement in revenue collection and receipt of foreign grants and loans.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

##### (a) Judgements, assumptions and estimation uncertainties (continued)

Source: Monetary Policy Committee held on 31 January 2022.

- **Increasing Focus on Retail Public Schemes in response to declining yields and increased Non Performing Loans:**  
In light to the pandemic; we have seen declining yields / interest rates in the Corporate book which is largely floating therefore compressed margins; in addition, we noted increase in non-performing loans on private retail schemes (tourism, hotel, trade etc.) being largely impacted by the slowdown in business. National Bank of Commerce Limited management on a strategic look responded by enriching its focus on Retail Public Loans and SMEs where margins are still on the higher side and the default risk is lower as well as exploring corporate opportunities in the public sector.
- **Extension of Investment profile for Government Securities:**  
In response to declining yields in the government papers the Central Bank continued to maintain a low rate environment; National Bank of Commerce Limited management responded by fairly extending its investment horizon to continue tapping higher yields.
- **Impact on bank's performance:**  
National Bank of Commerce Limited leveraged on the measures that were implemented by the government through the BOT to cushion the economy from the adverse effect of Covid-19, safeguarding the financial sector stability and facilitating the financial intermediation process. National Bank of Commerce Limited implemented various measures to support borrowing customers during the pandemic and as a responsible corporate and one of the major players in the Financial system remained responsible to support the efforts of the Government and other organizations to fight the pandemic and support the economic growth.  
For financial guarantee contracts or loan commitments for which the EIR cannot be determined, losses are discounted using a rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows (to the extent that such risks have not already been taken into account by adjusting the cash shortfalls).

The EAD model estimates the exposure that an account is likely to have at any point of default in future. This incorporates both the amortising profile of a term loan, as well as behavioural patterns such as the propensity of the client to draw down on unutilised facilities in the lead up to a default event.

Expert credit judgement may, in certain instances be applied to account for situations where known or expected risk factors have not been considered in the ECL assessment or modelling process, or where uncertain future events have not been incorporated into the modelled approach. Adjustments are intended to be short term measures and will not be used to incorporate any continuous risk factors. The Bank has a robust policy framework which is applied in the estimation and approval of management adjustments.

Models are validated with the same rigor applied to regulatory models. Testing procedures assess the quality of data, conceptual soundness and performance of models, model implementation and compliance with accounting requirements.

##### Deferred tax assets

Recognition of deferred tax assets. The Bank follows the IAS 12 guidance for the recognition of deferred tax assets based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted.

The amounts recognised in the financial statements in respect of each matter are derived from the Bank's best estimation and judgement as described above.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

##### (a) Judgements, assumptions and estimation uncertainties (continued)

###### Uncertain tax positions

There are some transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the relevant tax authority may have indicated disagreement with the bank treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the relevant tax authority.

The Bank recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due after taking into account external advice where appropriate.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the bank taxation framework and IFRIC 23. See Note 33.

###### i. Measurement of fair values

A number of the Bank's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Bank recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

##### (a) Judgements, assumptions and estimation uncertainties (continued)

###### ii. Determination of fair values

In determining the carrying amounts of certain assets and liabilities, the Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. The Bank's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. This disclosure excludes uncertainty over future events and judgments in respect of measuring financial instruments. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty are set out below.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 4.1. REVENUE RECOGNITION

###### (a) Net interest income

###### i. Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

At times the Bank estimates future cash flows based on its experience of customers' behaviour, considering all contractual terms of the financial instrument, as well as the expected lives of the assets and liabilities. Due to the large number of products and types (both assets and liabilities), there are no individual estimates that are material to the results or financial position.

###### ii. Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. USE OF ESTIMATES AND JUDGEMENTS (CONTINUED)

##### (a) Judgements, assumptions and estimation uncertainties (continued)

###### ii. Determination of fair values

In determining the carrying amounts of certain assets and liabilities, the Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the end of the reporting period. The Bank's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. This disclosure excludes uncertainty over future events and judgments in respect of measuring financial instruments. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty are set out below.

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# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.1. REVENUE RECOGNITION (CONTINUED)

###### (a) Fee and commission income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission income – including administration fees, consulting and similar services – is recognised as revenue as the related services are performed. The service is billed and the cash is received on a monthly basis.

IFRS 15.7 A contract with a customer that results in a recognised financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Merchant income from usage of debit cards is recognised at the point of transaction completion. The services are billed and paid on an annual basis.

Commitment fees relate to loan commitments where it is not probable that the loan will be drawn. Such fees are regarded as a return for the provision of a service and are amortised over the commitment period. Commitment fees for loans that are likely to be drawn down are deferred and are recognized as an adjustment to the effective interest rate on the loan.

###### (b) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities, and includes all fair value changes, interest and foreign exchange differences.

###### (c) Dividend income

Dividend income is recognised when the right to receive income is established. Usually, this is the ex-dividend date for quoted equity securities. Dividends are presented in net trading income, net income from other financial instruments at FVTPL or other revenue based on the underlying classification of the equity investment.

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.2. LEASES

At inception of a contract, the Bank 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.

##### (a) The bank acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Bank allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Bank has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Bank 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 any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. 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 Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate. Incremental borrowing rate for motor vehicles include 4.14%p.a and 14.12%p.a for USD and TZS contracts respectively. Properties have an average rate of 4.05%p.a and 11.34%p.a for USD and TZS contracts respectively while ATMs have a discount rate of 5.26%.

The Bank determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of 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 Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Bank is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Bank 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 Bank's estimate of the amount expected to be payable under a residual value guarantee, if the Bank 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.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.2. LEASES (CONTINUED)

###### (a) The bank acting as a lessee (continued)

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.

The Bank presents right-of-use assets in 'property and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

###### Short-term leases and leases of low-value assets

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

###### (b) The bank acting as a lessor

At inception or on modification of a contract that contains a lease component, the Bank allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Bank acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Bank considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Bank applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Bank further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

##### 4.3. FOREIGN CURRENCIES

Transactions and balances in foreign currencies are translated into Tanzanian Shillings at the rate ruling on the date of the transaction. Foreign currency balances are translated into Tanzanian Shillings at the reporting period end exchange rates. Exchange gains and losses on such balances are taken to profit or loss.

In preparing the annual financial statements, transactions in currencies other than the functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.4. EMPLOYEE BENEFITS

###### (a) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

###### (b) Defined contribution scheme

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

##### 4.5. TAXATION

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Bank has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore has accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets and has recognised the related expenses in 'other expenses'.

###### (a) Current taxation

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

###### (b) Deferred taxation

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on business plans for the Bank. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.5. TAXATION (CONTINUED)

###### (b) Deferred taxation (continued)

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if there is any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Bank has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

##### 4.6. INTANGIBLE ASSETS

###### (a) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The useful lives are disclosed under the Note 3(i) Use of estimates and judgements.

###### (b) Acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent measurement

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

###### (c) De-recognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

###### (d) Impairment of tangible and intangible assets

At each reporting date, the Bank reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.



**NATIONAL BANK OF COMMERCE LIMITED**  
**HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT**

**NOTES TO THE HISTORICAL FINANCIAL INFORMATION**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4.7. PROPERTY AND EQUIPMENT**

**(a) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

**(b) Subsequent costs**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Bank. Ongoing repairs and maintenance are expensed as incurred.

**(c) Depreciation**

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

<b>Property, plant and equipment</b>	<b>Useful lives Years</b>
Buildings	2% p.a.
Equipment	15% p.a.
Furniture and fittings	10% p.a.
Motor vehicles	25% p.a.
Computer equipment	20% p.a.

The Bank's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGUs to which the corporate assets are allocated.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4.8. FINANCIAL INSTRUMENTS

##### (a) Recognition and initial measurement

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. The fair value of a financial instrument at initial recognition is generally its transaction price. See Note 17 and 36 for a description of the policy if the fair value of a financial instrument at initial recognition differs from the transaction price.

##### (b) Classification

###### Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting
- Contractual cash flows and selling financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

On initial recognition, the Bank classifies its financial assets into the following measurement categories:

###### Business model assessment:

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.8. FINANCIAL INSTRUMENTS (CONTINUED)

###### Financial assets (continued)

The Bank reclassifies debt instruments when, and only when, the business model for managing those assets changes. Such changes are highly unlikely and therefore expected to be very infrequent.

###### *Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI):*

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans);
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Bank holds a portfolio of long-term fixed-rate loans for which the Bank has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Bank has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Equity instruments have contractual cash flows that do not meet the SPPI criterion. Accordingly, all such financial assets are measured at FVTPL unless the FVOCI option is selected.

###### *Non-recourse loans*

In some cases, loans made by the Bank that are secured by collateral of the borrower limit the Bank's claim to cash flows of the underlying collateral (non-recourse loans). The Bank applies judgement in assessing whether the non-recourse loans meet the SPPI criterion.

The Bank typically considers the following information when making this judgement:

- whether the contractual arrangement specifically defines the amounts and dates of the cash payments of the loan;
- the fair value of the collateral relative to the amount of the secured financial asset;
- the ability and willingness of the borrower to make contractual payments, notwithstanding decline in the value of collateral;
- whether the borrower is an individual or a substantive operating entity or is a special- purpose entity.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.8. FINANCIAL INSTRUMENTS (CONTINUED)

###### Financial assets (continued)

- the Bank's risk of loss on the asset relative to a full-recourse loan;
- the extent to which the collateral represents all or a substantial portion of the borrower's assets; and
- whether the Bank will benefit from any upside from the underlying assets.

###### Contractually linked instruments

- The Bank has some investments in securitisations that are considered contractually linked instruments. Contractually linked instruments each have a specified subordination ranking that determines the order in which any cash flows generated by the pool of underlying investments are allocated to the instruments. Such an instrument meets the SPPI criterion only if all of the following conditions are met:
- the contractual terms of the instrument itself give rise to cash flows that are SPPI without looking through to the underlying pool of financial instruments; the underlying pool of financial instruments (i) contains one or more instruments that give rise to cash flows that are SPPI; and (ii) may also contain instruments, such as derivatives, that reduce the cash flow variability of the instruments under (i) and the combined cash flows (of the instruments under (i) and (ii)) give rise to cash flows that are SPPI; or align the cash flows of the contractually linked instruments with the cash flows of the pool of underlying instruments under (i) arising as a result of differences in whether interest rates are fixed or floating or the currency or timing of cash flows; and
- the exposure to credit risk inherent in the contractually linked instruments is equal to or less than the exposure to credit risk of the underlying pool of financial instruments.

###### Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Bank changes its business model for managing financial assets.

###### Financial Liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### (b) Derecognition

###### Financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.8. FINANCIAL INSTRUMENTS (CONTINUED)

###### (b) Derecognition

###### Financial assets (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain or loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, because the Bank retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

###### (c) Modifications of financial assets and financial liabilities

###### Financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised

(see (iii)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.8. FINANCIAL INSTRUMENTS (CONTINUED)

##### Modifications of financial assets and financial liabilities (continued)

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and modification fees received adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method (see 4.1).

##### Financial liabilities

The Bank derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

##### (c) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

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

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.8. FINANCIAL INSTRUMENTS (CONTINUED)

###### (d) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Bank determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the difference, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.8. FINANCIAL INSTRUMENTS (CONTINUED)

###### (e) Expected credit losses of financial assets

The Bank recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition

The Bank uses a mixed approach to impairment where parameters are modeled at an individual financial instrument level or on a portfolio basis when they are only evident at this higher level. A collective approach will only be carried out when financial instruments share similar risk characteristics, which could include factors such as instrument type, collateral type, industry, geography and credit risk ratings.

Impairment is recognised based on a three-stage approach:

- Stage 1: Exposures where there has not been a significant increase in credit risk since origination. For these exposures an expected credit loss is recognised based on the credit losses expected to result from default events that are possible within 12 months of the reporting date. Interest income is calculated based on the gross carrying value of these instruments.
- Stage 2: Exposures for which the credit risk has increased significantly since initial recognition. For these exposures lifetime expected credit losses should be recognised (i.e. credit losses from default events that are possible over the life of the instrument). The Bank will assess whether a significant increase in credit risk has occurred based on (i) qualitative drivers including being marked as high risk or reflected on management's early warning list; and (ii) quantitative drivers such as the change in the asset's cumulative weighted average lifetime probability of default (PD). Any exposure that is more than 30 days past due will also be included in this stage. Interest income is calculated based on the gross carrying value of these instruments.
- Stage 3: Exposures which are credit impaired. For these exposures, expected credit losses are based on lifetime losses. Assets are considered to be credit impaired when they meet the regulatory definition of default which includes unlikelihood to pay indicators as well as any assets that are more than 90 days past due. Interest income is calculated based on the carrying value net of the loss allowance.

Lifetime expected credit losses will no longer be recognised when there is evidence that the criteria are no longer met. This could include a history of timely payment performance. The low credit risk exemption in IFRS 9 has not been adopted by the Bank.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.8. FINANCIAL INSTRUMENTS (CONTINUED)

##### (f) Expected credit losses of financial assets (continued)

###### Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Bank expects to recover.

When discounting future cash flows, the following discount rates are used:

- financial assets other than purchased or originated credit-impaired (POCI) financial assets and lease receivables: the original effective interest rate or an approximation thereof;
- POCI assets: a credit-adjusted effective interest rate;
- lease receivables: the discount rate used in measuring the lease receivable;
- undrawn loan commitments: the effective interest rate, or an approximation thereof, that will be applied to the financial asset resulting from the loan commitment; and
- financial guarantee contracts issued: the rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows.
- Expected credit losses comprise the unbiased probability weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. Expected credit losses are calculated (for both 12 months and lifetime losses) as a function of the exposure at default (EAD); PD and loss given default (LGD). These terms are interpreted as follows per the requirements of IFRS 9:
  - EAD is the estimated amount at risk in the event of a default (before any recoveries) including behavioral expectation of limit usage by customers in the various stages of credit risk.
  - PD is the probability of default at a particular point in time, which may be calculated, based on the defaults that are possible to occur within the next 12 months; or over the remaining life; depending on the stage allocation of the exposure.
  - LGD is the difference between the contractual cash flows due and the cash flows expected to be received, discounted to the reporting date at the effective interest rate. The expectation of cash flows take into account cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The estimate reflects the amount and timing of cash flows expected from the enforcement of collateral less the costs of obtaining and selling the collateral. The collection of any cash flows expected beyond the contractual maturity of the contract is also included.



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## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.8. FINANCIAL INSTRUMENTS (CONTINUED)

##### (f) Expected credit losses of financial assets (continued)

###### *Lifetime of financial instruments*

For exposures in stage 2 and stage 3, the maximum lifetime over which expected credit losses should be measured, is the maximum contractual period over which the Bank is exposed to credit risk. The Bank estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument. In rare cases when it is not possible to reliably estimate the expected life of a financial instrument, the Bank use the remaining contractual term of the financial instrument.

Certain credit exposures include both a drawn and an undrawn component and the Bank's contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to the contractual notice period. In this case, expected credit losses are measured over the period that the Bank is exposed to credit risk, even if that period extends beyond the maximum contractual period. Within the Bank, this applies to overdrafts and other revolving products. These contracts are cancellable at very short notice and they have no fixed term but credit may continue to be extended for a longer period and may only be withdrawn after the credit risk of the borrower increases, which could be too late to prevent losses. For these types of products the expected life is based on the behavioural life, i.e. the period over which there is exposure to credit risk which is not expected to be mitigated by credit actions (e.g. limit decreases) even though the contract permits immediate limit decrease.

###### *Forward looking information*

Forward-looking information is factored into the measurement of expected losses through the use of multiple expected macro-economic scenarios that are either reflected in estimates of PD and LGD for material portfolios; or adjusted through expert credit judgement where the effects could not be statistically modelled.

	2022	2023	2024	2025
<b>Inflation rate % (average)</b>				
Base scenario	3.8	4.0	3.6	3.6
Downside scenario	4.9	5.1	5.1	5.1
Upside scenario	2.7	2.9	2.5	2.5
<b>Foreign exchange % (period end)</b>				
Base scenario	2 390	2 450	2 475	2 500
Downside scenario	2 500	2 650	2 750	2 850
Upside scenario	2 350	2 390	2 395	2 400
<b>Policy rate % (period end)</b>				
Base scenario	5.13	6	6	6
Downside scenario	5.63	6.44	6.69	7
Upside scenario	5.16	5.28	5.5	5.5
<b>Real GDP % (year on year)</b>				
Base scenario	5.6	5.9	6.1	6.2
Downside scenario	4.5	4.9	5	5.1
Upside scenario	7	7.4	7.6	7.8

Expected credit loss incurred during the year is disclosed under Note 19 and full year credit risk loss allowance reconciliation has been disclosed under Note 35.5.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.8. FINANCIAL INSTRUMENTS (CONTINUED)

###### (f) Expected credit losses of financial assets (continued)

###### *Restructured financial assets*

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset;
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

###### *Credit impaired financial assets*

At each reporting date, the Bank assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI, and finance lease receivables are credit impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Bank considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.8. FINANCIAL INSTRUMENTS (CONTINUED)

##### (f) Expected credit losses of financial assets (continued)

###### *POCI financial assets*

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL are incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognised as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

###### *Presentation of allowance for ECL in the statement of financial position*

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

###### *Write -off*

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and OCI.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.

###### *Financial guarantee contracts held*

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.8. FINANCIAL INSTRUMENTS (CONTINUED)

###### (f) Expected credit losses of financial assets (continued)

The Bank assesses whether a financial guarantee contract held is an integral element of a financial asset that is accounted for as a component of that instrument or is a contract that is accounted for separately. The factors that the Bank considers when making this assessment include whether:

- the guarantee is implicitly part of the contractual terms of the debt instrument;
- the guarantee is required by laws and regulations that govern the contract of the debt instrument;
- the guarantee is entered into at the same time as and in contemplation of the debt instrument; and
- the guarantee is given by the parent of the borrower or another company within the borrower's group.

If the Bank determines that the guarantee is an integral element of the financial asset, then any premium payable in connection with the initial recognition of the financial asset is treated as a transaction cost of acquiring it. The Bank considers the effect of the protection when measuring the fair value of the debt instrument and when measuring ECL.

If the Bank determines that the guarantee is not an integral element of the debt instrument, then it recognises an asset representing any prepayment of guarantee premium and a right to compensation for credit losses. A prepaid premium asset is recognised only if the guaranteed exposure neither is credit-impaired nor has undergone a significant increase in credit risk when the guarantee is acquired. These assets are recognised in 'other assets'. The Bank presents gains or losses on a compensation right in profit or loss in the line item 'impairment losses on financial instruments'.

###### (g) Designation at fair value through profit or loss

###### *Financial assets*

On initial recognition, the Bank has designated certain financial assets as at FVTPL because this designation eliminates or significantly reduces an accounting mismatch, that would otherwise arise.

###### *Financial liabilities*

The Bank has designated certain financial liabilities as at FVTPL in either of the following circumstances:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Note 34* sets out the amount of each class of financial asset or financial liability that has been designated as at FVTPL. A description of the basis for each designation is set out in the note for the relevant asset or liability class.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

##### 4.10. TRADING ASSETS AND LIABILITIES

'Trading assets and liabilities' are those assets and liabilities that the Bank acquires or incurs principally for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are initially recognised and subsequently measured at fair value in the statement of financial position, with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss.

##### 4.11. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

##### 4.12. LOANS AND ADVANCES TO BANKS

The 'loans and advances to banks' caption in the statement of financial position includes loans and advances measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

The 'loans and advances to customers' caption in the statement of financial position includes:

- loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- loans and advances mandatorily measured at FVTPL or designated as at FVTPL these are measured at fair value with changes recognised immediately in profit or loss.

When the Bank purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the consideration paid is accounted for as a loan or advance, and the underlying asset is not recognised in the Bank's financial statements.



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.13. DEPOSITS, DEBT SECURITIES ISSUED AND SUBORDINATED LIABILITIES

Deposits, debt securities issued and subordinated liabilities are the Bank's sources of debt funding.

When the Bank sells a financial asset and simultaneously enters into an agreement to repurchase the asset (or a similar asset) at a fixed price on a future date (sale-and-repurchase agreement), the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements.

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Bank's redeemable preference shares bear non-discretionary coupons and are redeemable at the option of the holder and are therefore included within subordinated liabilities.

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at FVTPL.

When the Bank designates a financial liability as at FVTPL, the amount of change in the fair value of the liability that is attributable to changes in its credit risk is presented in OCI as a liability credit reserve.

On initial recognition of the financial liability, the Bank assesses whether presenting the amount of change in the fair value of the liability that is attributable to credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. This assessment is made by using a regression analysis to compare:

- the expected changes in the fair value of the liability related to changes in the credit risk; with
- the impact on profit or loss of expected changes in fair value of the related instruments.

Amounts presented in the liability credit reserve are not subsequently transferred to profit or loss. When these instruments are derecognised, the related cumulative amount in the liability credit reserve is transferred to retained earnings.

##### 4.14. PROVISIONS

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense. A provision for restructuring is recognised when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

##### 4.15. FINANCIAL GUARANTEES AND LOAN COMMITMENTS

Financial guarantees' are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument.

'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 4.8) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Bank has issued no loan commitments that are measured at FVTPL.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.16. SHARE CAPITAL

Proceeds are included in equity, net of transaction costs. Dividends and other returns to equity holders are recognised when declared by the board. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

##### 4.17. SEGMENT REPORTING

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Bank's other components, whose operating results are regularly reviewed by the Chief Financial Officer (CFO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CFO include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

The Bank's reportable operating segment deals with general insurance business. The segment is managed separately based on the Bank's management and internal reporting structure.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.18. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

##### i. New standards, amendments and interpretations effective and adopted during the period of 3 years

During the current year, the Bank has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRS-IC that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2021. The adoption of these new and revised standards and interpretations has not resulted in material changes to the Bank's accounting policies.

The Bank adopted the following standards, interpretations and amended standards during the year:

New standard or amendments	Effective for annual periods beginning on or after
Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.

The adoption of this standard did not have a material impact on the Bank's financial statements.

The Bank adopted the following standards and amendments during the year ended 31 December 2020, including consequential amendments to other standards with the date of initial application by the Bank being 1 January 2020. The nature and effects of the changes are as explained here in.

New standards or amendments	Effective for annual period beginning or after
IFRS 3 Definition of a Business	1 January 2020
Amendments to references to the Conceptual Framework in IFRS Standards	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
COVID- 19- Related Rent Concessions (Amendments to IFRS 16)	1 January 2020

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.18. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

##### ii. New standards, amendments and interpretations in issue but not yet effective

The following new and amended standards are not expected to have a significant impact on the Bank's financial statements.

New standards or amendments	Effective for annual period beginning or after
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	30 June 2021
Annual Improvements to IFRS Standards 2018–2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Classification of liabilities as current or non-current (Amendments to IAS 1)	1 January 2023
Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimate (Amendments to IAS 8)	1 January 2023
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	1 January 2023

##### *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*

Amendments specifying which costs an entity needs to include when assessing whether a contract is onerous or loss-making. Costs that are required to be included are those that relate directly to a contract to provide goods or services, and include both incremental costs, as well as an allocation of costs directly related to contract activities.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.18. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

##### ii. New standards, amendments and interpretations in issue but not yet effective (continued)

###### *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)*

IFRS 16 - The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) Amendment prohibiting entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

###### *Reference to the Conceptual Framework (Amendments to IFRS 3)*

Business Combinations - Amendments intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework).

###### *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts*

IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles for reinsurance contracts held and issued investment contracts with discretionary participation features. The standard brings a greater degree of comparability and transparency about an insurer's financial health and the profitability of new and in-force insurance business.

IFRS 17 introduces a general measurement model that measures groups of insurance contracts based on fulfilment cash flows (comprising probability-weighted current estimates of future cash flows and an explicit entity specific adjustment for risk) and a contractual service margin (effectively representing the unearned profit). As a result, no profit may be recognised at inception of an insurance contract, and profit is rather recognised over the coverage period. Losses are however immediately recognised on initial recognition for contracts where fulfilment cash flows are a net outflow.

The premium allocation approach is a simplified measurement model that may be applied when certain conditions are fulfilled. Under the premium allocation approach, the amount relating to remaining service is measured by allocating the premium over the coverage period. The general measurement model has specific modifications applicable to accounting for reinsurance contracts, direct participating contracts and investment contracts with discretionary participation features.

In June 2020, the International Accounting Standards Board issued targeted amendments to IFRS 17 resulting from the Exposure Draft that was published in June 2019 and subsequent redeliberation based on feedback received. The effective date of IFRS 17 has been deferred to annual reporting periods beginning on or after 1 January 2023.



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.18. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

###### ii. New standards, amendments and interpretations in issue but not yet effective (continued)

###### *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (continued)*

During 2018, the Group's joint insurance programme focused on interpreting the requirements of the new accounting standard, solution design, model prototyping as well as the commencement of an impact assessment. During 2019, the solution design was approved by the relevant governance forums and development activities commenced on the big data framework which provides a single source of reconciled insurance data to support the required system and business processes changes. Unpacking of the new concepts within the accounting standard have largely been concluded to support the base case methodologies and interpretations which are being used in the transition and impact assessments.

During 2020, development activities continued and the new data process that supports the new IFRS 17 standard was established. During 2021, the actuarial software as well as the financial process were upgraded to ensure compliance. The programme plans for a full year of parallel runs in 2022 to ensure the end to end solution inclusive of the transition and impact assessment is fully understood, quantified and implemented ahead of the compliance date of 1 January 2023. The IFRS 17 programme is currently on track to deliver an integrated actuarial and finance solution.

During 2020, development activities continued and the new data process that supports the new IFRS 17 standard was established. During 2021, the actuarial software as well as the financial process were upgraded to ensure compliance. The programme plans for a full year of parallel runs in 2022 to ensure the end to end solution inclusive of the transition and impact assessment is fully understood, quantified and implemented ahead of the compliance date of 1 January 2023. The IFRS 17 programme is currently on track to deliver an integrated actuarial and finance solution.

###### *Classification of liabilities as current or non-current (Amendments to IAS 1)*

Amendments which aim to help companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

###### *Disclosure of Accounting Policy (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.

###### *Definition of Accounting Estimate (Amendments to IAS 8)*

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### 4.18. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS (CONTINUED)

##### ii. New standards, amendments and interpretations in issue but not yet effective (continued)

##### *IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (continued)*

##### *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Bank accounts for deferred tax on leases applying the ‘integrally linked’ approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Bank will recognise a separate deferred tax asset and a deferred tax liability. There will be no impact on retained earnings on adoption of the amendments.

The Bank did not early adopt new or amended standards in the three years period ended 31 December 2021.

	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>5. INTEREST INCOME</b>			
Debt instruments at fair value through OCI	25,642	29,786	33,118
Loans and advances to banks	976	1,538	3,382
Loans and advances to customers	158,318	132,292	119,617
<b>Total interest income</b>	<b>184,936</b>	<b>163,616</b>	<b>156,117</b>
<b>6. INTEREST EXPENSE</b>			
Deposits from banks	2,953	(1,661)	(4,376)
Customer accounts	(26,833)	(25,832)	(19,504)
Subordinated debt	(1,945)	(3,423)	(5,572)
<b>Total interest expense</b>	<b>(31,731)</b>	<b>(30,916)</b>	<b>(29,452)</b>
<b>7. FEE AND COMMISSION INCOME</b>			
Account activity fees/ ledger fees	11,262	11,116	4,748
Insurance commission received	3,698	2,745	2,784
Merchant income	2,373	1,573	2,287
Retail and banking customer fees	4,600	3,598	3,906
Savings maintenance fees	156	117	226
Commission received	5,940	5,465	9,270
Service fees	10,048	9,692	10,535
Cash based transaction fees	2	3	22
Cash withdrawal fees	10,139	9,286	10,233
<b>Fee and commission income</b>	<b>48,218</b>	<b>43,595</b>	<b>44,011</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>8. NET TRADING INCOME</b>			
Investment income	5,812	2,606	-
Foreign currency exchange dealings	12,126	18,758	26,141
Translation gains	11	263	-
<b>Net trading income</b>	<b>17,949</b>	<b>21,627</b>	<b>26,141</b>

### 9. EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES

Stage 3 Expected credit losses	-1,632	12,415	2,615
Stage 2 Expected credit losses	3,671	-175	-1,308
Stage 1 Expected credit losses	-5,718	-4,316	2,614
<b>Expected credit losses under IFRS 9</b>	<b>(31,731)</b>	<b>(30,916)</b>	<b>(29,452)</b>
Loss on modifications	-	-1,908	-
Recoveries of loans and advances previously written off	12,926	12,732	6,647
Loans and advances written off in current year	-16,578	-52,689	-16,471
<b>Statement of comprehensive income charge</b>	<b>-7,331</b>	<b>-33,941</b>	<b>-5,903</b>

### 10. STAFF COSTS

Salaries	-54,896	-54,386	-54,549
Social security costs	-7,227	-7,071	-14,387
Redundancy scheme	-2,590	-7,511	-
Other staff cost	-14,559	-16,497	-12,485
<b>Total staff cost</b>	<b>-79,272</b>	<b>-85,465</b>	<b>-81,421</b>
Average number of employees during period	950	1,005	1,155

Other staff cost include staff medical expenses TZS 3.3 billion (2020: TZS 3.4 billion, 2019: TZS 3.0 billion), other allowances TZS 2.8 billion (2020: TZS 2.2 billion, 2019: TZS 1.9 billion), Staff training TZS 433 million (2020: TZS 190 million, 2019: TZS 845 million), staff benefit in kind TZS 220 million (2020: 271 million, 2019: 265 million), staff entertainment TZS 187 million (2020: TZS 442 million, 2019: TZS 511 million), staff relocation TZS 430 million (2020: TZS 372 million, 2019: TZS 172 million) and discretionary bonus TZS 406 million (2020: TZS 2.5 billion, 2019: TZS 3.7 billion).

	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>11. INFRASTRUCTURE COSTS</b>			
Equipment costs	(6,570)	(6,863)	(9,483)
Information technology	(5,511)	(4,779)	(4,559)
Depreciation of property, plant and equipment	(4,701)	(4,883)	(4,789)
Amortisation of intangible assets	(1,051)	(1,597)	(2,118)
Depreciation of right of use assets	(4,623)	(4,463)	(3,370)
<b>Total infrastructure costs</b>	<b>(22,456)</b>	<b>(22,585)</b>	<b>(24,319)</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>12. ADMINISTRATIVE AND GENERAL EXPENSES</b>			
<b>Auditor's remuneration:</b>			
Audit related services	(754)	(646)	(631)
Marketing, advertising and sponsorship	(4,181)	(2,949)	(2,832)
Occupancy	(7,188)	(8,973)	(8,985)
Cash transportation	(2,984)	(2,528)	(2,917)
	<b>(14,353)</b>	<b>(14,450)</b>	<b>(14,734)</b>
<b>Indirect taxation:</b>			
VAT	(3,222)	(3,538)	(2,589)
Other indirect tax	(6,167)	(8,508)	(4,788)
	<b>(9,389)</b>	<b>(12,046)</b>	<b>(7,377)</b>
Interest expense on lease liability	(835)	(941)	(710)
<b>Other costs – general</b>	<b>(24,966)</b>	<b>(21,564)</b>	<b>(23,030)</b>
	(25,801)	(22,505)	(23,740)
<b>Total administrative and general expenses</b>	<b>(50,297)</b>	<b>(49,647)</b>	<b>(46,482)</b>

Other general costs, among others, include TZS 2.9 billion for insurance, TZS 1.4 billion for litigation costs, TZS 1.6 billion for stationery, TZS 5.1 billion for sundry expenses, Directors expenses TZS 370 million (2020: TZS 209 million, 2019: TZS 7.4 billion) and donations of TZS 404 million (2020: TZS 401 million, 2019: TZS 90 million)

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>13. INCOME TAXES</b>			
<b>13.1. INCOME TAX RECOGNISED IN PROFIT OR LOSS</b>			
<b>Current tax</b>			
Normal tax – current year	18,333	(964)	14,998
Normal tax – prior year taxes	(910)	23,210	-
Normal tax – prior year adjustment	-	-	(57)
	<b>17,423</b>	<b>22,246</b>	<b>14,941</b>
<b>Deferred tax</b>			
Deferred tax recognised in the current year - Note 24	793	5,146	-
Deferred tax relating to the prior year	1,819	2,550	1,116
Deferred tax relating to restatement	-	(355)	-
Other indirect tax	<b>2,612</b>	<b>7,341</b>	<b>1,116</b>
<b>Total income tax recognised in the current year</b>	<b>20,035</b>	<b>29,587</b>	<b>16,057</b>
Reconciliation between operating profit and tax expense		29,587	16,057
Profit for the year	60,056	6,296	38,709
Income tax expense calculated at 30% (2020:30%; 2019:30% )	18,017	1,890	11,613
Prior year taxes	(910)	23,210	2,750
Expenditure not allowed	1,109	1,941	578
Dividend income received ( final withholding)	-	(4)	-
Prior year over estimation of deferred tax charge	1,819	2,550	1,116
<b>Income tax expense recognised in profit or loss</b>	<b>20,035</b>	<b>29,587</b>	<b>16,057</b>

### 13.2. INCOME TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME

<b>Deferred tax</b>			
Fair value re- measurement of fair value through OCI financial assets	466	983	482
	466	983	482
<b>Total income tax expense recognised directly in other comprehensive income</b>	<b>466</b>	<b>983</b>	<b>482</b>

### 14. CASH AND BALANCES AT CENTRAL BANK

Subject to IFRS 9 requirements:			
Balances with other central bank	41,214	37,711	71,914
Statutory minimum reserve	99,854	108,116	112,140
<b>Gross balances with central bank</b>	<b>141,068</b>	<b>145,827</b>	<b>184,054</b>
Expected credit losses ( ECL)	-10	-50	-24
<b>Net balances with central bank</b>	<b>141,058</b>	<b>145,777</b>	<b>184,030</b>
Not subject to IFRS 9 requirements:			
Cash at hand	130,865	158,774	130,758
<b>Total cash and balances at central bank</b>	<b>271,923</b>	<b>304,551</b>	<b>314,788</b>

#### Statutory reserve

The Statutory minimum reserve (SMR) deposit is a non-interest bearing and is not available to finance the Bank's day-to-day operations and is hence excluded from cash and cash equivalent for the purpose of the statement of cash flows.



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### Cash and cash equivalents for the purpose of statements of cash flows:

	2021 TZS Million	2020 TZS Million	2019 TZS Million
Balances with central bank – Note 14 (net of ECL)	41,214	37,661	71,890
Cash at hand – Note 14	130,865	158,774	130,758
Loans and advances to banks – Note 18 (net of ECL)	66,105	120,741	118,676
<b>Total cash and cash equivalents at year end</b>	<b>238,184</b>	<b>317,176</b>	<b>321,324</b>

Cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity (90 days) when acquired.

	2021 TZS Million	2020 TZS Million	2019 TZS Million
Treasury bonds – matures within one year	1,803	1,369	2,590
Treasury bonds – matures after one year	38,627	46,222	23,225
<b>Total trading portfolio</b>	<b>40,430</b>	<b>47,591</b>	<b>25,815</b>

### 15. TRADING PORTFOLIO ASSETS

### 16. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank offers interest rate swap and forward contracts to its customers. Interest rate swap is a pair of transactions executed between two counterparties on a particular date whereby one has fixed rate and the other have variable rate to hedge against interest rate risk. Forward exchange contracts are transactions where the counterparties agree to exchange one currency against another at a pre-agreed exchange rate on a certain future date. The Bank's credit risk represents the potential cost to replace the forward or swap contract if counterparties fail to perform their obligation. This risk is monitored on an ongoing basis. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities. Fair value gains or losses on derivative assets and liabilities are recognised in profit or loss in foreign currency dealings and translation gains.

	Assets TZS Million	Liabilities TZS Million
<b>2021</b>		
<b>Foreign exchange derivatives</b>		
Forward foreign exchange	594	2 163
<b>Foreign exchange derivatives</b>	<b>594</b>	<b>2 163</b>
<b>2020</b>		
<b>Foreign exchange derivatives</b>		
Forward foreign exchange	2 028	2 667
<b>Foreign exchange derivatives</b>	<b>2 028</b>	<b>2 667</b>
<b>2019</b>		
<b>Foreign exchange derivatives</b>		
Forward foreign exchange	1123	576
<b>Foreign exchange derivatives</b>	<b>1123</b>	<b>576</b>
<b>Interest rate derivatives</b>		
Interest rate swaps	15	-
<b>Interest rate derivatives</b>	<b>15</b>	<b>-</b>
<b>Total Derivatives</b>	<b>1138</b>	<b>576</b>

The Bank recognized in the profit and loss account, a profit of TZS 816 million (2020: TZS 1.2 billion, 2019: TZS 6.9 billion) arising from fair valuation of derivative instruments.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</b>			
<b>Treasury bills</b>			
Matures within one year	52,187	181,733	228,882
Expected credit loss	-	-	-214
<b>Net treasury bills</b>	<b>52,187</b>	<b>181,733</b>	<b>228,668</b>
<b>Treasury bonds</b>			
Matures within one year	98,755	24,201	84,108
Matures after one year	171,312	169,064	66,551
Expected credit loss	-213	-751	-229
<b>Net treasury bonds</b>	<b>269,854</b>	<b>192,514</b>	<b>150,430</b>
<b>Gross Treasury bills and bonds</b>	<b>322,254</b>	<b>374,998</b>	<b>379,541</b>
Expected credit losses	-213	-751	-443
<b>Net debt securities</b>	<b>322,041</b>	<b>374,247</b>	<b>379,098</b>
Equity securities	2,028	2,028	2,028
<b>Total equity securities</b>	<b>2,028</b>	<b>2,028</b>	<b>2,028</b>
<b>Net financial assets at FVOCI</b>	<b>324,069</b>	<b>376,275</b>	<b>381,126</b>

Dividend received from equity investment during the year was TZS 40 million (2020: TZS 12 million, 2019 TZS 17 million)

	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>18. LOANS AND ADVANCES TO BANKS</b>			
Cheques in course of collection	4,550	5,380	4,370
Balances with other banks	43,465	72,532	50,019
Placements with other banks	18,111	42,835	64,298
	<b>66,126</b>	<b>120,747</b>	<b>118,687</b>
Expected credit losses (ECL)	-21	-6	-11
<b>Net loans and advances to banks</b>	<b>66,105</b>	<b>120,741</b>	<b>118,676</b>

All loans and advances to banks are neither past due nor impaired.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 19. LOANS AND ADVANCES TO CUSTOMERS

2021

##### Loans and advances

	Retail TZS Million	Corporate TZS Million	Total TZS Million
Stage 3	18,330	581,155	599,485
Stage 2	7,655	98,003	105,658
Stage 1	676,477	53,157	729,634
<b>Gross loans and advances to customers</b>	<b>702,462</b>	<b>732,315</b>	<b>1,434,777</b>
<b>Less: Expected losses</b>			
Stage 3	-12,030	-4,755	-16,785
Stage 2	-2,886	-2,882	-5,768
Stage 1	-13,305	-8,763	-22,068
<b>Allowance for impairment</b>	<b>-28,221</b>	<b>-16,400</b>	<b>-44,621</b>
Interest in suspense	-2,332	-3,336	-5,668
<b>Net loans and advances to customers</b>	<b>671,909</b>	<b>712,579</b>	<b>1,384,488</b>

2021

##### Loans and advances

Stage 3	20 684	43 763	64 447
Stage 2	21 109	128 536	149 645
Stage 1	441 555	494 645	936 200
<b>Gross loans and advances to customers</b>	<b>483 348</b>	<b>666 944</b>	<b>1 150 292</b>
<b>Less: Expected losses</b>			
Stage 3	(15 745)	-382	(16 127)
Stage 2 (*)	(5 758)	(5 852)	(11 610)
Stage 1 (*)	(8 769)	(5 216)	(13 985)
<b>Allowance for impairment</b>	<b>(30 272)</b>	<b>(11 450)</b>	<b>(41 722)</b>
Interest in suspense	(2 262)	(3 330)	(5 592)
<b>Net loans and advances to customers</b>	<b>450 814</b>	<b>652 163</b>	<b>1 102 978</b>

2021

##### Loans and advances

Stage 3	17 111	72 594	89 705
Stage 2	15 198	79 682	94 880
Stage 1	299 170	557 584	856 754
<b>Gross loans and advances to customers</b>	<b>331 479</b>	<b>709 860</b>	<b>1 041 339</b>
<b>Less: Expected losses</b>			
Stage 3	(7 479)	(24 940)	(32 419)
Stage 2 (*)	(6 205)	(1 959)	(8 164)
Stage 1 (*)	(5 873)	(5 278)	(11 151)
<b>Allowance for impairment</b>	<b>(19 557)</b>	<b>(32 177)</b>	<b>(51 734)</b>
Interest in suspense	(4 843)	(2 412)	(7 255)
<b>Net loans and advances to customers</b>	<b>307 079</b>	<b>675 271</b>	<b>982 350</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	Stage I 12-month ECL TZS Million	Stage II Lifetime ECL TZS Million	Stage III Lifetime ECL TZS Million	Total TZS Million
<b>2021</b>				
<b>Loans and advances</b>				
Current	1 256 534	102 691	-	1 359 225
Especially Mentioned	1 089	15 338	-	16 427
Substandard	-	-	31 070	31 070
Doubtful	-	-	10 806	10 806
Loss	-	-	11 580	11 580
<b>Gross carrying amount</b>	<b>1 257 623</b>	<b>118 029</b>	<b>53 456</b>	<b>1 429 108</b>
ECL Allowance	22 068	5 765	16 787	44 620
<b>Net loans and advances</b>	<b>1 235 555</b>	<b>112 264</b>	<b>36 669</b>	<b>1 384 488</b>
<b>LCs and guarantees</b>				
Current	236 071	3,282	-	239 353
Especially Mentioned	-	596	-	596
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-
<b>Gross carrying amount</b>	<b>236 071</b>	<b>3 878</b>	<b>-</b>	<b>239 949</b>
ECL Allowance	636	203	-	839
<b>Net LCs and guarantees</b>	<b>235 435</b>	<b>3 675</b>	<b>-</b>	<b>239 110</b>
<b>2020</b>				
<b>Loans and advances</b>				
Current	932 233	131 705	4 835	1 068 773
Especially Mentioned	2 966	12 622	21 149	36 737
Substandard	-	-	14 921	14 921
Doubtful	-	-	13 010	13 010
Loss	-	-	11 260	11 260
<b>Gross carrying amount</b>	<b>935 199</b>	<b>144 327</b>	<b>65 175</b>	<b>1 144 701</b>
ECL Allowance	15 496	8 757	17 470	41 723
<b>Net loans and advances</b>	<b>919 703</b>	<b>135 570</b>	<b>47 705</b>	<b>1 102 978</b>
<b>LCs and guarantees</b>				
Current	166 881	80 200	-	247 081
Especially Mentioned	-	2 500	-	2 500
Substandard	-	-	-	-
Doubtful	-	-	190	190
Loss	-	-	-	-
<b>Gross carrying amount</b>	<b>166 881</b>	<b>82 700</b>	<b>190</b>	<b>249 771</b>
ECL Allowance	1 034	910	-	1 944
<b>Net LCs and guarantees</b>	<b>165 847</b>	<b>81 790</b>	<b>190</b>	<b>247 827</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 19. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

##### Reconciliation of impairment charge/ (release) recognized in profit and loss

	2021 TZS Million	2020 TZS Million	2019 TZS Million
Cash and cash equivalent (Note 35.5.4)	9	55	35
Treasury bills and bonds (Note 35.5.4)	213	751	443
Loans and advances to customers (Note 35.5.4)	44 621	41 724	51 734
Letter of credit (Note 35.5.4)	531	1 071	2 631
Financial guarantee contract (Note 35.5.4)	308	873	472
Loan commitments (Note 35.5.4)	447	478	179
	<b>46 129</b>	<b>44 952</b>	<b>55 494</b>
Movement between current year and prior year	(1 177)	10 542	-
PV unwind interest	(2 515)	(2 169)	-
Others	13	-449	-
<b>Expected credit loss in profit and loss (Note 9)</b>	<b>(3 679)</b>	<b>7 924</b>	<b>-</b>



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 20. PROPERTY AND EQUIPMENT

	Land and buildings TZS Million	Lease hold Improvements TZS Million	Machine & Equipment TZS Million	Furniture & Fittings TZS Million	Computer Equipment TZS Million	WIP TZS Million	Right of use asset TZS Million	Total TZS Million
<b>Cost – 2021</b>								
Balance at 1 January 2021	32 856	19 814	19 534	19 177	36 437	3 456	17 548	148 822
Additions	-	29	505	1 197	5 093	409	2 300	9 533
Transfers to / (from)	-	-	-	-	3 227	(3 438)	-	-211
<b>Balance at 31 December 2021</b>	<b>32 856</b>	<b>19 843</b>	<b>20 039</b>	<b>20 374</b>	<b>44 757</b>	<b>427</b>	<b>19 848</b>	<b>158 144</b>
<b>Accumulated depreciation 2021</b>								
Balance at 1 January 2021	(10 402)	(18 565)	(17 459)	(13 090)	(33 136)	-	(7 260)	(99 912)
Depreciation charge for the year	-647	-386	-914	-995	(1 759)	-	(4 871)	(9 572)
<b>Balance at 31 December 2021</b>	<b>(11 049)</b>	<b>(18 951)</b>	<b>(18 373)</b>	<b>(14 085)</b>	<b>(34 895)</b>	<b>-</b>	<b>(12 131)</b>	<b>(109 484)</b>
<b>Carrying amount at 31 December 2021</b>	<b>21 807</b>	<b>892</b>	<b>1 666</b>	<b>6 289</b>	<b>9 862</b>	<b>427</b>	<b>7 717</b>	<b>48 660</b>
<b>Cost – 2020</b>								
Balance at 1 January 2020	32 862	19 915	20 493	17 927	36 220	150	14 880	142 447
Additions	-	353	54	1 112	1 192	3 456	4 587	10 754
Transfers	-6	-	6	150	-	-150	-	-
Disposals	-	-454	(1 019)	-12	-975	-	(1 919)	(4 379)
<b>Balance at 31 December 2020</b>	<b>32 856</b>	<b>19 814</b>	<b>19 534</b>	<b>19 177</b>	<b>36 437</b>	<b>3 456</b>	<b>17 548</b>	<b>148 822</b>
<b>Accumulated depreciation – 2020</b>								
Balance at 1 January 2020	(9 755)	(18 432)	(17 372)	(12 130)	(32 383)	-	(3 370)	(93 442)
Charge for the year	-647	-451	(1 085)	-972	(1 727)	-	(4 463)	(9 345)
Disposals	-	318	998	12	974	-	573	2 875
<b>Balance at 31 December 2020</b>	<b>(10 402)</b>	<b>(18 565)</b>	<b>(17 459)</b>	<b>(13 090)</b>	<b>(33 136)</b>	<b>-</b>	<b>(7 260)</b>	<b>(99 912)</b>
<b>Carrying amount at 31 December 2020</b>	<b>22 454</b>	<b>1 249</b>	<b>2 075</b>	<b>6 087</b>	<b>3 301</b>	<b>3 456</b>	<b>10 288</b>	<b>48 910</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 20. PROPERTY AND EQUIPMENT

	Land and buildings TZS Million	Lease hold Improvements TZS Million	Machine & Equipment TZS Million	Furniture & Fittings TZS Million	Computer Equipment TZS Million	WIP TZS Million	Right of use asset TZS Million	Total TZS Million
<b>Cost – 2019</b>								
Balance at 1 January 2021	33,164	20,594	23,215	16,376	39,111	846	-	133,306
Recognition of right- of- use asset on initial application of IFRS 16*	-	-	-	-	-	-	3,122	3,122
<b>Adjusted balance at 01 January 2019</b>	<b>33,164</b>	<b>20,594</b>	<b>23,215</b>	<b>16,376</b>	<b>39,111</b>	<b>846</b>	<b>3,122</b>	<b>136,428</b>
Additions	8	940	446	1,453	1,241	150	11,758	15,996
Transfers	-	271	-	575	-	-846	-	-
Disposals	-310	-1,890	-3,168	-477	-4,132	-	-	-9,977
<b>Balance at 31 December 2019</b>	<b>32,862</b>	<b>19,915</b>	<b>20,493</b>	<b>17,927</b>	<b>36,220</b>	<b>150</b>	<b>14,880</b>	<b>142,447</b>
<b>Accumulated depreciation – 2019</b>								
Balance at beginning of the year	-9,381	-20,022	-19,371	-11,792	-34,726	-	-	-95,292
Recognition of right- of- use asset on initial application of IFRS 16	-	-	-	-	-	-	-313	-313
<b>Adjusted balance at 1 Jan 2019</b>	<b>-9,381</b>	<b>-20,022</b>	<b>-19,371</b>	<b>-11,792</b>	<b>-34,726</b>	<b>-</b>	<b>-313</b>	<b>-95,605</b>
Depreciation	-654	-300	-1,165	-895	-1,775	-	-3,057	-7,846
Disposals	280	1,890	3,164	557	4,118	-	-	10,009
<b>Balance at 31 December 2019</b>	<b>-9,755</b>	<b>-18,432</b>	<b>-17,372</b>	<b>-12,130</b>	<b>-32,383</b>	<b>-</b>	<b>-3,370</b>	<b>-93,442</b>
<b>Carrying amount at 31 December 2019</b>	<b>23,107</b>	<b>1,483</b>	<b>3,121</b>	<b>5,797</b>	<b>3,837</b>	<b>150</b>	<b>11,510</b>	<b>49,005</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 21. INTANGIBLE ASSETS

	Total TZS Million
<b>Cost – 2021</b>	
Balance at 01 January	19 755
Addition	6 100
Transfer from PPE	209
<b>Balance at 31 December</b>	<b>26 064</b>
<b>Amortisation and impairment losses – 2021</b>	
Balance at 01 January	(16 990)
Amortisation	(1 053)
<b>Balance at 31 December</b>	<b>(18 043)</b>
<b>Cost – 2020</b>	
Balance at 01 January	18 141
Addition	1 614
<b>Balance at 31 December</b>	<b>19 755</b>
<b>Amortisation and impairment losses – 2020</b>	
Balance at 01 January	(15 388)
Amortisation	(1 602)
<b>Balance at 31 December</b>	<b>(16 990)</b>
<b>Cost – 2019</b>	
Balance at 01 January	16 340
Addition	1 881
Disposals	-80
<b>Balance at 31 December</b>	<b>18 141</b>
Balance at 01 January	(13 350)
Amortisation	(2 118)
Disposals	80
<b>Balance at 31 December</b>	<b>15 388</b>
<b>Carrying amount at 31 December 2019</b>	<b>2 753</b>
<b>Carrying amount at 31 December 2020</b>	<b>2 765</b>
<b>Carrying amount at 31 December 2021</b>	<b>8 021</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 22. OTHER RECEIVABLES

	2021 TZS Million	2020 TZS Million	2019 TZS Million
Prepaid staff expenses	-	59	7,418
Other prepayments	7 081	1 497	5 246
Trade receivables	483	367	303
Accepted letters of credit	53 545	71 648	36 131
Sundry assets	32 154	5 714	17 595
	<b>93 263</b>	<b>99 285</b>	<b>66 693</b>

Sundry assets among others include visa settlements of TZS 1.2 billion (2020: TZS 0.5 billion, 2019: TZS 0.6 billion), mobile money wallet TZS 9.7 billion (2020: TZS 11 billion, 2019: 10.6 billion) and staff loan fair valuation TZS 10.84 billion (2020: TZS 10.8 billion, 2019: TZS 7 billion).

Trade receivable is the balance for facilitating virtual money transactions. The account can be in receivable or payable position depending on customer transactions making deposits or withdrawals.

Accepted letters of credit relate to letters of credit in the post acceptance phase to which the Bank as the issuing bank. The asset is recognized in the statement of financial position after the bank receives shipping documents and payment instructions from the confirming bank. The value of the financial asset recorded equals the value of the payment to be made.

#### 23. RETIREMENT BENEFIT PLANS

##### Defined contribution plans

All eligible employees are members of approved Pension Funds. The Banks pays contributions to publicly administered pension plans on a mandatory basis which qualifies to be contribution plan with Bank having no legal or contractual obligation to pay further top up contributions. The amount of the expense recognised in respect of the defined contribution plans during the year is TZS 7.2 billion (2020: TZS 7.7 billion, 2019: TZS 10.6 billion).

The number of full-time permanent employees as at 31 December 2021 was 950 (2020:1,005, 2019: 1,155).

#### 24. DEFERRED TAX ASSET

	2021 TZS Million	2020 TZS Million	2019 TZS Million
The net deferred tax asset at the end of the year is as follows:			
<b>Total deferred tax asset</b>	<b>19 285</b>	<b>18 855</b>	<b>24 702</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 24. DEFERRED TAX ASSET (CONTINUED)

##### Deferred tax asset (continued)

Deferred tax assets and liabilities are attributable to the following

	Balance at 1 January TZS Million	Recognised in profit or loss TZS Million	Recognised in other comprehensive income TZS Million	Prior year over estimation TZS Million	Recognized directly in equity TZS Million	Restatement TZS Million	Balance at 31 December TZS Million
<b>2021</b>							
Property, plant and equipment	1 398	-202	-	-	-	-	1 196
Financial assets at fair value through OCI	1,465	-	-466	-	-	-	999
General provisions	3,054	167	-	(1 689)	-	-	4,910
Expected credit losses	13 007	-842	-	-	-	-	12 165
IFRS 16 adoption	-69	83	-	-	-	-	14
<b>Total deferred tax</b>	<b>18 855</b>	<b>-793</b>	<b>-466</b>	<b>(1 689)</b>	<b>-</b>	<b>-</b>	<b>19 285</b>
<b>2020</b>							
Property, plant and equipment	1,814	-416	-	-	-	-	1,398
Financial assets at fair value through OCI	482	-	983	-	-	-	1,465
General provisions	5 416	-678	-	-2,550	-	866	3 054
Expected credit losses	17 059	(4 052)	-	-	-	-	13 007
IFRS 16 adoption	-69	-	-	-	-	-	-69
<b>Total deferred tax</b>	<b>24 702</b>	<b>(5 146)</b>	<b>983</b>	<b>(2 550)</b>	<b>-</b>	<b>866</b>	<b>18 855</b>
<b>2019</b>							
Property, plant and equipment	2 349	-535	-	-	-	-	1 814
Financial Assets at fair value through OCI	-	-	482	-	-	-	482
General provisions	4 361	1 055	-	-	-	-	5 416
Expected Credit Losses	18 695	(1 636)	-	-	-	-	17 059
IFRS 16 adoption	-	-	-	-	-69	-	-69
<b>Total deferred tax</b>	<b>25 405</b>	<b>(1 116)</b>	<b>482</b>	<b>-</b>	<b>-69</b>	<b>-</b>	<b>24 702</b>



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 25. PROVISIONS

	<b>TZS Million</b>
Balance at 1 January 2021	4 659
Provisions made	8 399
Release for the year	-7,595
<b>Balance at 31 December 2021</b>	<b>5 463</b>
Balance at 1 January 2020	2,976
Provisions made	1,910
Release for the year	-227
<b>Balance at 31 December 2020</b>	<b>4,659</b>
Balance at 1 January 2019	3,063
Provisions released during the Year	-87
<b>Balance at 31 December 2019</b>	<b>2,976</b>

Provision relate to litigation, claims and ongoing fraud cases.

#### 26. TRADE AND OTHER PAYABLES

	<b>2021 TZS Million</b>	<b>2020 TZS Million</b>	<b>2019 TZS Million</b>
Trade payables	19 283	25 978	24 411
Accrued expenses	26 858	24 950	23 478
Deferred lending commitment fees	3 964	5 316	5 817
Lease liabilities	7 207	10 001	10 917
Accepted letters of credit*	53 546	71 649	36 131
	<b>110 858</b>	<b>137 894</b>	<b>100 754</b>

Accrued expenses is made up of TZS 19 billion ABSA sundry creditors for group IT costs (2020: TZS 18 billion, 2019: TZS 16 billion) and TZS 404 million for audit fees (2020: TZS 472 million, 2019: TZS 506 million).

\* Accepted letters of credit relate to letters of credit in the post acceptance phase to which the bank as the issuing bank. The asset is recognized in the statement of financial position after the bank receives shipping documents and payment instructions from the confirming bank. The value of the financial asset recorded equals the value of the payment to be made.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 27. DEPOSITS FROM BANKS

	2021 TZS Million	2020 TZS Million	2019 TZS Million
Current accounts	9,549	13,089	8,303
Placement with fixed interest rate	209,830	176,824	59,023
Balance at year end	<b>219,379</b>	<b>189,913</b>	<b>67,326</b>

#### 28. DEPOSIT FROM CUSTOMERS

	Retail TZS Million	Corporate TZS Million	Total TZS Million
<b>2021</b>			
Cheque account deposits	215 907	698 917	914 824
Savings and transmission accounts	378,826	8,477	387,303
Fixed deposits	124,137	87,108	211,245
Unclaimed deposits	3,381	-	3,381
Margin deposits	-	73,721	73,721
Call deposits	53	5,978	6,031
Balance at year end	<b>722 304</b>	<b>874 201</b>	<b>159 650 5</b>
<b>2020</b>			
Cheque account deposits	160,389	672,550	832,939
Savings and transmission accounts	417,694	8,744	426,438
Fixed deposits	106,539	54,065	160,604
Unclaimed deposits	8,744	-	8,744
Margin deposits	-	75,755	75,755
Balance at year end	<b>693,366</b>	<b>811,114</b>	<b>1,504,480</b>
<b>2019</b>			
Cheque account deposits	126,337	750,310	876,647
Savings and transmission accounts	367,774	10,127	377,901
Fixed deposits	119,200	25,690	144,890
Unclaimed deposits	13,258	-	13,258
Margin deposits	-	89,386	89,386
Balance at year end	<b>626,569</b>	<b>875,513</b>	<b>1,502,082</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 29. SUBORDINATED DEBT

	Initial call date	Interest rate	Maturity	2021 TZS Million	2020 TZS Million	2019 TZS Million
Absa group limited	29-Jan-19	7.85%	29-Jan-29	32 067	31 997	32 298
<b>Balance at year end</b>				<b>32 067</b>	<b>31 997</b>	<b>32 298</b>

In January 2019, NBC exercised a call-option on the first redemption date of the then existing subordinated debt of TZS 26.25 billion and TZS 5 billion to Absa Group and PSPF (Public Service Pension fund) respectively. If the call option was not exercised on the fifth anniversary, then the interest rate would have increased by 50bps resulting to a new fixed rate of 16.94%.

In order to satisfy the requirements of the Capital Adequacy Regulations as per Bank of Tanzania, On 29th January 2019 NBC issued another Tier 2 capital of TZS 31.25 billion which was in the form of subordinated debt, unlisted and privately placed term loan with 10-year tenor (callable in 5-years) to Absa Group Treasury.

The loan maturity date is on 29 January 2029. The loan bears a floating interest rate based on the 182 days Treasury bill weighted average yield plus a margin of 2.62% per annum; with interest repricing and payable every six months. The applicable interest rate as at 31/12/2021 was 6.12 %. The Bank has a first call-option from the fifth anniversary of the loan for a prepayment of all or some of the outstanding principal amount plus accrued but unpaid interest of the amount prepaid and, subject to any Break costs, without premium or penalty and such prepayment being in the minimum amount of TZS 1 billion.

#### *Subordinated debt movement schedule:*

	2021 TZS Million	2020 TZS Million	2019 TZS Million
Opening balance at 1 January	31,997	32,298	32,298
Accrued interest during the year	1,945	1,754	-
Interest paid	(1,685)	(1,004)	-
Foreign exchange revaluations	(190)	(1,051)	-
<b>Balance at year end</b>	<b>32,067</b>	<b>31,997</b>	<b>32,298</b>

#### 30. SHARE CAPITAL

	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>Authorised share capital</b> 5,000,000 (2020:5,000,000, 2019:5,000,000) ordinary shares of TZS 10,000 per share.	50,000	50,000	50,000
<b>Issued share capital</b> 1570000 (2020: 1,570,000, 2019: 1,570,000) ordinary shares of TZS 10,000 per share.	15,700	15,700	15,700
Share premium	71,300	71,300	71,300
<b>Balance at year end</b>	<b>87,000</b>	<b>87,000</b>	<b>87,000</b>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank. All ordinary shares rank equally with regard to the Bank's residual assets.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 31. RESERVES

	Retained earnings TZS Million	Fair value reserve (**) TZS Million	Specific regulatory reserve (*) TZS Million	General regulatory reserve (***) TZS Million
Balance at 1 January 2021	169,713	5,417	-	-
Profit for the year	40,021	-	-	-
Transfer to/ (from) regulatory reserve	-	-	-	-
Fair value movement	-	-1,087	-	-
<b>Balance at 31 December 2021</b>	<b>209,734</b>	<b>4,330</b>	<b>-</b>	<b>-</b>
<b>Balance at 1 January 2020 as previously stated</b>	<b>189,885</b>	<b>3,124</b>	<b>4,329</b>	<b>-</b>
Impact of correction of errors, net of tax	-1,189	-	-	-
<b>Balance at 1 January 2020 as restated</b>	<b>188,696</b>	<b>3,124</b>	<b>4,329</b>	<b>-</b>
Loss for the year	-23,311	-	-	-
Transfer to/ (from) regulatory reserve	4,329	-	-4,329	-
Fair value movement	-	2,293	-	-
<b>Balance at 31 December 2020</b>	<b>169,713</b>	<b>5,417</b>	<b>-</b>	<b>-</b>
<b>Balance at 1 January 2019</b>	<b>164,165</b>	<b>4,249</b>	<b>528</b>	<b>12,141</b>
Profit for the Year	22,652	-	-	-
Dividends paid	-5,100	-	-	-
Transfer to/ (from) regulatory reserve	8,340	-	3,801	-12,141
Fair Value movement	-	-1,125	-	-
Impact of initially applying IFRS 16	-171	-	-	-
<b>Balance at 31 December 2019</b>	<b>189,886</b>	<b>3,124</b>	<b>4,329</b>	<b>-</b>

(\*) Specific regulatory reserve represents an amount set aside on specified loans and advances to customers to cover additional provision for loan losses over and above the impairment loss determined in accordance with IFRS in order to comply with requirement of Bank of Tanzania prudential guidelines. This reserve is not available for distribution.

(\*\*) The fair value reserve comprises the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognized or reclassified. This amount is adjusted by the amount of loss allowance.

(\*\*\*) General regulatory reserve represents 1% additional provision on performing (current) loans and advances to customers in order to comply with requirement of Bank of Tanzania prudential guidelines. This reserve is not available for distribution. The central bank of Tanzania issued guidelines that the reserve should cease following adoption of IFRS 9 effective 2019.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 32. DIVIDEND

The Bank had a profit after tax for the year of TZS 40.1 billion (2020: loss after tax of TZS 23.3 billion, 2019: profit after tax of TZS 22.6 billion).).

No dividend was declared during the year (2020: None, 2019: TZS 5.1 billion i.e. TZS 3,248.41 per share relating to 2018 profit). Decisions to declare and pay dividends out of 2021 profits will be made by the annual general meeting (AGM) in May 2022 (2020: Nil, 2019: TZS 5.1 billion i.e. TZS 3,248.41 per share relating to 2018 profit).

#### 33. TAX PAID

	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>
Current tax asset at 1 January	9 782	21 606	19 378
Current tax expense	(19 242)	(24 796)	(10 804)
Prior year under provision	-	-	(4 068)
Current tax asset at 31 December	(10 662)	(9 782)	(21 606)
<b>Tax paid</b>	<b>(20 122)</b>	<b>(12 972)</b>	<b>(17 100)</b>

The 2021 tax expenses includes TZS 4.61 billion relating to prior year taxes , out of which TZS 1.1billion relate to prior year taxes in dispute for the years 2010-2016 not yet resolved TZS 1.219 billion relates to 2019 Corporate tax and withholding taxes which were in dispute now resolved. TZS 1.128 billion for Corporate tax and withholding taxes in dispute for the year 2020 not yet resolved and TZS 1.164 billion provision made for Corporate tax dispute for the year 2020.

The normal procedure for agreeing final income tax liability in Tanzania involves the Bank filing its final income tax returns with the Tanzania Revenue Authority (TRA) followed by TRA performing their own review of the Bank's submissions and issuing their notice of final income tax assessments to the Bank.

The final income tax assessment determined by TRA after their review and possible site visit may differ from the assessments determined by the Bank and procedures are in place for the Bank to object and appeal against the TRA assessments if not satisfied with issues. It is common that a timeframe from the Bank's own submission of its final tax returns and for TRA performing their reviews and issuing of notice of final tax assessment may take several months or years.

The Bank has duly submitted its final tax returns for all previous years including 2020 , which was filled in 2021. TRA conducted their review and issued final assessments in November 2021.The Bank paid portion of indirect taxes not in dispute and filled objections on corporate tax and portion of withholding taxes in dispute.

Final assessments by TRA for financial years 2011 to 2013 amounting to TZS 14.5 billion is still pending at the Court of Appeal. This relates to interest in suspense and management has booked a provision of TZS 7.2 billion after the decision at Tax Revenue Appeals' Board (TRAB) not being in favour of the Bank.

Amended assessment for year of income 2019 has been issued amounting to tax credit of TZS 11.925 billion. Management is planning to utilise the tax credit to offset the Interest in suspense liability for the year 2011-2013.



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 34. CATEGORIES OF FINANCIAL INSTRUMENTS

	Mandatorily at fair value through profit/ loss TZS Million	Fair value through OCI - equity instruments TZS Million	Amortised cost - debt instruments TZS Million	Amortised cost financial liabilities TZS Million	Total TZS Million	Outside the scope of IFRS 9 TZS Million	Total Assets TZS Million
<b>Assets as per statement of financial position - 2021</b>							
Cash and balances at central banks	-	-	271 923	-	271 923	-	271 923
Trading portfolio assets	40 430	-	-	-	40 430	-	40 430
Derivative financial instruments	594	-	-	-	594	-	594
Financial Assets at Fair Value through OCI	-	324 069	-	-	324 069	-	324 069
Loans and advances to banks	-	-	66 105	-	66 105	-	66 105
Loans and advances to customers	-	-	1 384 488	-	1 384 488	-	1 384 488
Other receivables	-	-	86 182	-	86 182	7 081	93 263
Current tax assets	-	-	-	-	-	10 662	10 662
Property and equipment	-	-	-	-	-	48 660	48 660
Intangible assets	-	-	-	-	-	8 021	8 021
Deferred tax assets	-	-	-	-	-	19 285	19 285
<b>Total</b>	<b>41 024</b>	<b>324 069</b>	<b>1 808 698</b>	<b>-</b>	<b>2 173 791</b>	<b>93 709</b>	<b>2 267 500</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 34. CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Fair value through profit/ loss- Mandatory TZS Million	Fair value through OCI - equity instruments TZS Million	Amortised cost - debt instruments TZS Million	Amortised cost financial liabilities TZS Million	Total TZS Million	Outside the scope of IFRS 9 TZS Million	Total Assets TZS Million
<b>Liabilities as per statement of financial position - 2021</b>							
Deposits from Banks	-	-	-	219 379	219 379	-	219 379
Customer accounts	-	-	-	1 596 505	1 596 505	-	1 596 505
Derivative financial instruments	2 163	-	-	-	2 163	-	2 163
Subordinated debt	-	-	-	32 067	32 067	-	32 067
Provisions	-	-	-	-	-	5 463	5 463
Trade and other payables	-	-	-	53 545	53 545	57,313	110 858
<b>Total</b>	<b>2 163</b>	<b>-</b>	<b>1 901 496</b>	<b>1 903 659</b>	<b>5 520</b>	<b>58,281</b>	<b>1 966 435</b>
Share capital	-	-	-	-	15 700	-	15 700
Share premium	-	-	-	-	71 300	-	71 300
Fair value reserve	-	-	-	-	4 330	-	4 330
Retained earnings	-	-	-	-	209 735	-	209 735
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>301 065</b>	<b>-</b>	<b>301 065</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 34. CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Fair value through profit/ loss- Mandatory TZS Million	Fair value through OCI - equity instruments TZS Million	Amortised cost - debt instruments TZS Million	Amortised cost financial liabilities TZS Million	Total TZS Million	Outside the scope of IFRS 9 TZS Million	Total Assets TZS Million
<b>Assets as per statement of financial position - 2020</b>							
Cash and balances at central banks	-	-	304 551	-	304 551	-	304 551
Trading portfolio assets	47 591	-	-	-	47 591	-	47 591
Derivative financial instruments	2 028	-	-	-	2 028	-	2 028
Financial Assets at Fair Value through OCI	-	376 275	-	-	376 275	-	376 275
Loans and advances to banks	-	-	120 741	-	120 741	-	120 741
Loans and advances to customers	-	-	1 102 978	-	1 102 978	-	1 102 978
Other receivables	-	-	97 787	-	97 787	1 498	99 285
Current tax assets	-	-	-	-	-	9 782	9 782
Property and equipment	-	-	-	-	-	48 910	48 910
Intangible assets	-	-	-	-	-	2 765	2 765
Deferred tax assets	-	-	-	-	-	18 855	18 855
<b>Total</b>	<b>49 619</b>	<b>376 275</b>	<b>1 626 057</b>	<b>-</b>	<b>2 051 951</b>	<b>81 810</b>	<b>2 133 740</b>

# NATIONAL BANK OF COMMERCE LIMITED

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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 34. CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Fair value through profit/ loss- Mandatory TZS Million	Fair value through OCI - equity instruments TZS Million	Amortised cost - debt instruments TZS Million	Amortised cost financial liabilities TZS Million	Total TZS Million	Outside the scope of IFRS 9 TZS Million	Total Assets TZS Million
<b>Liabilities as per statement of financial position - 2020</b>							
Deposits from Banks	-	-	-	189,913	189,913	-	189,913
Customer accounts	-	-	-	1,504,480	1,504,480	-	1,504,480
Derivative financial instruments	2,667	-	-	-	2,667	-	2,667
Subordinated debt	-	-	-	31,997	31,997	-	31,997
Provisions	-	-	-	-	-	4,659	4,659
Trade and other payables	-	-	-	71,648	71,648	66,245	137,893
<b>Total</b>	<b>2,667</b>	<b>-</b>	<b>-</b>	<b>1,798,038</b>	<b>1,800,705</b>	<b>70,904</b>	<b>1,871,609</b>
Share capital							
Share premium	-	-	-	-	-	15,700	15,700
Fair value reserve	-	-	-	-	-	71,300	71,300
Retained earnings	-	-	-	-	-	5,417	5,417
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>169,714</b>	<b>169,714</b>

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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 34. CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Fair value through profit/ loss- Mandatory TZS Million	Fair value through OCI - equity instruments TZS Million	Amortised cost - debt instruments TZS Million	Amortised cost financial liabilities TZS Million	Total TZS Million	Outside the scope of IFRS 9 TZS Million	Total Assets TZS Million
<b>Assets as per statement of financial position - 2019</b>							
Cash and balances at central banks	-	-	14 788	-	314 788	-	314 788
Trading portfolio assets	25 815	-	-	-	25 815	-	25 815
Derivative financial instruments	1 138	-	-	-	1 138	-	1 138
Financial Assets at Fair Value through OCI	-	381 126	-	-	381 126	-	381 126
Loans and advances to banks	-	-	118 676	-	118 676	-	118 676
Loans and advances to customers	-	-	984 049	-	984 049	-	984 049
Other receivables	-	-	61 295	-	61 295	5 398	66 693
Current tax assets	-	-	-	-	-	21 606	21 606
Property and equipment	-	-	-	-	-	49 005	49 005
Intangible assets	-	-	-	-	-	2 753	2 753
Deferred tax assets	-	-	-	-	-	24 702	24 702
<b>Total</b>	<b>26 953</b>	<b>381 126</b>	<b>1 478 808</b>	<b>-</b>	<b>1 886 887</b>	<b>103 464</b>	<b>1 990 351</b>



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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 34. CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Fair value through profit/ loss- Mandatory TZS Million	Fair value through OCI - equity instruments TZS Million	Amortised cost - debt instruments TZS Million	Amortised cost financial liabilities TZS Million	Total TZS Million	Outside the scope of IFRS 9 TZS Million	Total Assets TZS Million
<b>Liabilities as per statement of financial position - 2019</b>							
Deposits from Banks	-	-	-	67 326	67,326	-	67,326
Customer accounts	-	-	-	1 502 082	1,502,082	-	1 502 082
Derivative financial instruments	576	-	-	-	576	-	576
Subordinated debt	-	-	-	32 298	32 298	-	32 298
Provisions	-	-	-	-	-	2 976	2 976
Trade and other payables	-	-	-	36 131	36 131	64,623	100 754
<b>Total</b>	<b>576</b>	<b>-</b>	<b>-</b>	<b>1 637 837</b>	<b>1 638 413</b>	<b>67 599</b>	<b>1 706 012</b>
Share capital	-	-	-	-	-	15 700	15 700
Share premium	-	-	-	-	-	71 300	71 300
Fair value reserve	-	-	-	-	-	3 124	3 124
Specific regulatory reserve	-	-	-	-	-	4 329	4 329
Retained earnings	-	-	-	-	-	189 886	189 886
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>284 339</b>	<b>284 339</b>



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# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT

During the year, given the impact of the increase in economic uncertainty on forecasting cash flows and other unobservable inputs used in valuation techniques (e.g. certain risk-adjusted discount rates) as a result of the COVID-19 pandemic, the bank remained vigilant to note any impact and shock on market, credit and liquidity risks. Key assumptions and judgements made by management have been included in Note 3(i). Fair value determination is disclosed in Note 36.

##### 35.1. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Board of Directors is ultimately responsible for financial risk management of the Bank. Risk taking, in an appropriate manner is an integral part of business. Success relies on optimising the trade-off between risk and reward. The risk arising from financial instruments to which the Bank is exposed are financial risks, which include credit risk, liquidity risk and market risks.

The Bank's risk management approach is that:

- All risks must be identified and managed, and that the returns must be commensurate with the risks taken, relative to the Bank's risk appetite;
- The effectiveness of risk management processes is ensured through formal governance and comprehensive regular reporting processes in a well-defined control environment; and
- It is the responsibility of each individual, relative to their position, to identify themselves with the declared priority of risk management, to recognise real or anticipated risk and to take appropriate action.

Risk management is guided by several principles, the most important being:

- The assignment of appropriate responsibility and accountability for all risks and resulting returns;
- The adoption of a framework for integrated risk management which applies across all business units and all risk types for the protection of the Bank's reputation;
- Comprehensive risk assessment, measurement, monitoring and reporting;
- Independent review; and
- Formal risk governance processes.

##### 35.2. MARKET RISK

###### Market risk

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

The market risks arising from trading and non-trading activities are concentrated in the treasury department and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

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

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange risks arising from the Bank's loans and receivables and financial assets at FVOCI.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.2. MARKET RISK (CONTINUED)

###### (a) Market risk measurement techniques

As part of the management of market risk, the Bank also enters into interest rate swaps to match the interest rate risk associated with the fixed-rate long-term debt securities and loans to which the fair value option has been applied. The major measurement techniques used to measure and control market risk are outlined below.

###### (i) Value at risk

The Bank applies a 'value at risk' (VAR) methodology to its non-trading portfolios (including assets designated at fair value i.e. the available-for-sale financial assets) and at a bank level to estimate the market risk of positions held and the maximum losses expected, based upon a number of assumptions for various changes in market conditions. The Board sets limits on the value at risk that may be accepted for the Bank, which are monitored on a daily and monthly basis by Market risk Department. Interest rate risk in the non-trading book is measured through the use of interest rate repricing gap analysis.

VAR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements. It expresses the 'maximum' amount the Bank might lose, but only to a certain level of confidence (95%). There is therefore a specified statistical probability (5%) that actual loss could be greater than the VAR estimate. The VAR model assumes a certain 'holding period' until positions can be closed (1 day). It also assumes that market moves occurring over this holding period will follow a similar pattern to those that have occurred over 1-day period in the past. The Bank's assessment of past movements is based on data for the past five years. The Bank applies these historical changes in rates, prices, indices, etc, directly to its current positions - a method known as historical simulation.

Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation. The use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

As VAR constitute an integral part of NBC's market risk control regime, VAR limits are reviewed by Assets and Liabilities Committee (ALCO) annually. Actual exposures against limits are reviewed by the Bank Treasurer (or his delegate) and Head of Risk on a daily and on monthly basis the overall limit utilizations and month-on-month movements will be presented to ALCO. The Average DVAR for the Bank was TZS 49.3 million in 2021 (2020: TZS 37.1 million, 2019: TZS 33.8 million).

###### (ii) Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by Market risk includes: interest rate, credit foreign exchange and liquidity risks, where stress movements are applied to each risk category to assess the overall impact and the Bank's capital resilience to different market risk factor shocks. The results of the stress tests are reviewed by the Asset and Liability Management Committee (ALCO) and reported to the Board of Directors.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.2. MARKET RISK (CONTINUED)

VAR summary for 2021, 2020 and 2019 (figures in TZS Million)

Bank VAR by risk type

	12 months to 31 December 2021			12 months to 31 December 2020			12 months to 31 December 2019		
	Average	High	Low	Average	High	Low	Average	High	Low
Foreign exchange risk	16.24	41.73	0.142	13.01	27.16	4.63	6.19	9.59	3.34
Interest rate risk	40.34	58.58	0.266	32.94	39.94	25.94	29.39	35.93	24.51
	<b>56.58</b>	<b>100.31</b>	<b>408</b>	<b>45.95</b>	<b>67.1</b>	<b>30.57</b>	<b>35.58</b>	<b>45.49</b>	<b>27.85</b>

Note: Overall portfolio (FX and IR) limit of TZS 316.32 million ( 2020: TZS 579 million, 2019: TZS 148 million)



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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.3. FOREIGN CURRENCY RISK

- The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. 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 table below summarizes the Bank's exposure to foreign currency exchange risk at 31 December 2021 and 31 December 2020. Included in the table are the Bank's financial instruments at carrying amounts, categorized by currency.
- All figures are in millions of Tanzanian Shillings

2021	TZS	USD	GBP	EUR	ZAR	Other	Total
<b>ASSETS</b>							
Cash and balance with Bank of Tanzania	212 729	48 754	723	2 343	-	7 374	271 923
Loans and advances to banks	5 012	32 598	5	9 526	18 964	-	66 105
Loans and advances to customers	1 139 013	245 475	-	-	-	-	1 384 488
Trading portfolio assets	40 430	-	-	-	-	-	40 430
Investment securities	324 069	-	-	-	-	-	324 069
Derivative assets	-	594	-	-	-	-	594
Other receivables	42 218	51 045	-	-	-	-	93 263
<b>Total financial assets</b>	<b>1 763 471</b>	<b>378 466</b>	<b>728</b>	<b>11 869</b>	<b>18 964</b>	<b>7 374</b>	<b>2 180 872</b>
<b>LIABILITIES</b>							
Deposits due to banks	34 939	184 440	-	-	-	-	219 379
Deposits due to Customers	1 313 196	270 425	483	12 094	43	264	1 596 505
Other liabilities	38 411	53 307	-12	1	19 150	-	110 858
Derivative liabilities	-	2 163	-	-	-	-	2 163
<b>Total financial liabilities</b>	<b>1 386 546</b>	<b>510 335</b>	<b>472</b>	<b>12 095</b>	<b>19 194</b>	<b>264</b>	<b>1 928 905</b>
<b>Net recognised position</b>	<b>376 925</b>	<b>(131 869)</b>	<b>257</b>	<b>-226</b>	<b>-230</b>	<b>7 109</b>	<b>251 967</b>
<b>Credit commitments</b>	<b>88 315</b>	<b>178 263</b>	<b>-</b>	<b>23 301</b>	<b>-</b>	<b>167</b>	<b>290 046</b>

# NATIONAL BANK OF COMMERCE LIMITED

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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.3. FOREIGN CURRENCY RISK

2020	TZS	USD	GBP	EUR	ZAR	Other	Total
<b>ASSETS</b>							
Cash and balance with Bank of Tanzania	204 874	80 396	713	13 433	-	5 135	304 551
Loans and advances to banks	31 381	62 557	-	8 344	18 459	-	120 741
Loans and advances to customers	911 293	191 685	-	-	-	-	1 102 978
Trading portfolio assets	47 591	-	-	-	-	-	47 591
Investment securities	376 275	-	-	-	-	-	376 275
Derivative assets	-	2 028	-	-	-	-	2 028
Other receivables	27 932	71 353	-	-	-	-	99 285
<b>Total financial assets</b>	<b>1 599 346</b>	<b>408 019</b>	<b>713</b>	<b>21 777</b>	<b>18 459</b>	<b>5 135</b>	<b>2 053 449</b>
<b>LIABILITIES</b>							
Deposits due to banks	44 151	145 572	190	-	-	-	189 913
Deposits due to Customers	1 202 167	281 397	430	20 259	63	164	1 504 480
Other liabilities	64 969	72 919	2	3	-	-	137 893
Derivative liabilities	-	2 667	-	-	-	-	2 667
<b>Total financial liabilities</b>	<b>1 311 287</b>	<b>502 555</b>	<b>622</b>	<b>20 262</b>	<b>63</b>	<b>164</b>	<b>1 834 953</b>
<b>Net recognised position</b>	<b>288 059</b>	<b>(94 536)</b>	<b>91</b>	<b>1 515</b>	<b>18 396</b>	<b>4 971</b>	<b>218 496</b>
<b>Credit commitments</b>	<b>93 828</b>	<b>179 384</b>	<b>22 016</b>	<b>-</b>	<b>448</b>	<b>-</b>	<b>295 676</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.3. FOREIGN CURRENCY RISK

2019	TZS	USD	GBP	EUR	ZAR	Other	Total
<b>ASSETS</b>							
Cash and balance with Bank of Tanzania	242,812	68,328	120	3,528	-	-	314,788
Loans and advances to banks	48,360	44,780	739	8,679	14,712	1,406	118,676
Loans and advances to customers	729,193	254,856	-	-	-	-	984,049
Trading portfolio assets	25,815	-	-	-	-	-	25,815
Investment securities	381,126	-	-	-	-	-	381,126
Derivative assets	1,138	-	-	-	-	-	1,138
Other receivables	66,693	-	-	-	-	-	66,693
<b>Total financial assets</b>	<b>1,495,137</b>	<b>367,964</b>	<b>859</b>	<b>12,207</b>	<b>14,712</b>	<b>1,406</b>	<b>1,892,285</b>
<b>LIABILITIES</b>							
Deposits due to banks	28,805	38,521	-	-	-	-	67,326
Deposits due to Customers	1,176,474	312,716	762	11,356	30	744	1,502,082
Other liabilities	47,530	37,429	2	3	15,788	2	100,754
Derivative liabilities	576	-	-	-	-	-	576
<b>Total financial liabilities</b>	<b>1,253,385</b>	<b>388,666</b>	<b>764</b>	<b>11,359</b>	<b>15,818</b>	<b>746</b>	<b>1,670,738</b>
<b>Net recognised position</b>	<b>241,752</b>	<b>-20,702</b>	<b>95</b>	<b>848</b>	<b>-1,106</b>	<b>660</b>	<b>221,547</b>
<b>Credit commitments</b>	<b>226,479</b>	<b>228,876</b>	<b>-</b>	<b>2,504</b>	<b>1,126</b>	<b>-</b>	<b>458,985</b>

# NATIONAL BANK OF COMMERCE LIMITED

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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.3. FOREIGN CURRENCY RISK

##### Foreign currency fluctuation impact on earnings US \$

The Annual Earnings at Risk (AEaR) measures the impact of the sensitivity to foreign currency exposure on net interest income when market exchange rates move up and down by 200 basis points. Assuming no management action is taken in response to market foreign exchange rate movements, a hypothetical, immediate and sustained parallel decrease of 200 bps in all market foreign exchange rates for US \$ would, at the reporting date, result in a pre-tax decrease in projected 12-month net interest income of TZS 0.789 billion. A similar increase would result in an increase in projected 12-month net interest income of TZS 0.789 billion.

	Increase in USD exchange rate by 200 bps	Decrease in USD exchange rate by 200 bps
	TZS Million	TZS Million
<b>2021</b>		
<b>Changes in interest</b>		
<i>Increase/(decrease) in net interest income</i>	-0.789	-0.789
<b>Increase/(decrease) in profit before tax</b>	0.789	0.789
<i>Tax</i>	0.237	(0.237)
<b>Profit for the year increase/(decrease)</b>	0.552	-0.552
<b>2020</b>		
<i>Changes in interest</i>		
<i>Increase/(decrease) in net interest income</i>	-1,389	-1,389
<b>Increase/(decrease) in profit before tax</b>	1,389	1,389
<i>Tax</i>	417	-417
<b>Profit for the year increase/(decrease)</b>	972	-972
<b>2019</b>		
<i>Changes in interest</i>	200	-200
<i>Increase/(decrease) in net interest income</i>	200	-200
<b>Increase/(decrease) in profit before taxation</b>	-60	60
<i>Tax</i>	-	-
<b>Profit for the year increase/ ( decrease)</b>	140	-140

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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.3. FOREIGN CURRENCY RISK

##### Impact on equity reserves

Market interest rate changes may affect equity (capital) in the following ways:

- higher or lower profit after tax resulting from higher or lower net interest income;
- higher or lower financial assets at FVOCI reserves reflecting higher or lower fair values of financial assets at FVOCI.

The equity reserve sensitivities that follow are based on simplified scenarios and consider the impact on financial assets at FVOCI portfolios which are MTM through reserves. The impact on equity is calculated by revaluing the fixed rate financial assets at FVOCI for an assumed change in market interest rates. The change in sensitivity of the financial assets at FVOCI reserves is mainly due to the decrease in net directional risk. This movement will be traced through Other comprehensive income.

##### Impact on Equity

	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>+ 200 bps parallel move in all yield curve</b>			
<i>Fair value reserve (financial assets at FVOCI)</i>	(7 985)	(9 700)	-3,793
<b>As a % of Bank Equity</b>	-2.63	-3.5	1
<b>- 200 bps parallel move in all yield curve</b>			
<i>Fair value reserve (financial assets at FVOCI)</i>	7 985	9 700	3,793
<b>As a % of Bank Equity</b>	2.63	3.5	1

##### Interest rate benchmark reform

##### Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, replacing some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Bank has significant exposure to certain IBORs on its financial instruments that are being reformed as part of these market-wide initiatives.

The main risks to which the Bank has been exposed as a result of IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with customers, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Bank established an IBOR Committee (a project workstream) to manage its transition to alternative rates. The objectives of the IBOR Committee include evaluating the extent to which loans advanced, loan commitments, liabilities and derivatives reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.



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## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.3. FOREIGN CURRENCY RISK

##### Interest rate benchmark reform (continued)

##### Overview (continued)

The key work streams encompasses a legal work stream to manage legal risks; clients engagement work stream to ensure clients are well informed and that we appropriately manage conduct risks; and a product lifecycle work stream which is tasked with architectural and operational readiness including updating of impacted systems, processes, models and data feeds.

For contracts indexed to an IBOR that mature after the expected cessation of the IBOR rate, the project workstream has established policies to amend the contractual terms. As at the end of December 2021, the project team had successfully implemented key milestones which included remediation of ten out of thirteen contracts which required remediation before 31 December 2021. These amendments include the addition of fallback clauses or replacement of the IBOR rate with an alternative benchmark rate.

The Bank has signed up to fallback mechanisms for centrally cleared derivatives and aimed to transfer exposures to the new benchmark rate ahead of the activation date of the fallback provisions.

The Bank monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Bank considers that a contract is not yet transitioned to an alternative benchmark rate (and referred to as an 'unreformed contract') when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR.

As at 31 December 2021, the IBOR reform in respect of currencies to which the Bank has exposure has been largely completed. The table below sets out the IBOR rates that the Bank had exposure to, the new benchmark rates to which these exposures have or are being transitioned, and the status of the transition.

Currency	Status as at 31 December				
	Benchmark before reform	Benchmark after reform	2021	2020	2019
USD	LIBOR	SOFR	LIBOR	LIBOR	LIBOR
GBP	LIBOR	SONIA	GBP LIBOR	GBP LIBOR	GBP LIBOR
EUR	EURIBOR	EONIA (€STR)	EURIBOR	EURIBOR	EURIBOR
SWISS FRANC	LIBOR	SARON	LIBOR	LIBOR	LIBOR
JAPANESE YEN	TIBOR	TONAR	TIBOR	TIBOR	TIBOR

In March 2021, the Financial Conduct Authority (FCA), as the regulator of ICE (the authorised administrator of LIBOR), announced that after 31 December 2021 LIBOR settings for sterling, euro and the one-week and two-month US dollar settings will either cease to be provided or no longer be representative. The remaining US dollar settings will either cease to be provided or no longer be representative after 30 June 2023.

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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.3. FOREIGN CURRENCY RISK

The Bank monitors concentrations of credit risk that arises by location and type of customer in relation to the Bank loans and advances to customers by carrying a balanced portfolio. Analysis of credit concentration of the Bank's portfolio by industry sector is set below.

	2021 %	2020 %	2019 %
<b>Concentration of gross loans and advances</b>			
<b>By Sector</b>			
<i>Agriculture</i>	8	4	6
<i>Construction</i>	1	3	3
<i>Electricity</i>	-	-	2
<i>Finance</i>	1	2	4
<i>Manufacturing</i>	7	11	15
<i>Mining</i>	0	1	1
<i>Services</i>	62	50	41
<i>Transport</i>	4	8	5
<i>Wholesale</i>	17	21	23
	<b>100</b>	<b>100</b>	<b>100</b>

##### Gross advances

##### Credit risk measurement

Loans and advances

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Bank reflects three components:

- the 'probability of default' by the client or counterparty on its contractual obligations;
- current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and

the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'expected loss model'), are embedded in the Bank's daily operational management. This is in line with impairment requirements of IFRS 9, which requires the Bank to estimate its losses using expected loss model where a 12 months or lifetime horizon need to be put into consideration (Looking into the future).

##### (i) Probability of default

The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment. Clients of the Bank are segmented into rating classes based on performance. 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. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events.

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## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

##### Credit risk measurement(continued)

##### (i) Probability of default (continued)

##### Bank's internal rating scale

	Corporate		Retail
1	Current	1	Current
2	Early warning list 1 (EWL 1)	2	Bucket 1
3	Early warning list 1 (EWL 2)	3	Bucket 2
4	Early warning list 1 (EWL 3)	4	Bucket 3
5	Early warning list 4 (recovery)	5	Bucket 4

Early warning list - corporate customer accounts in arrears are classified into early warning list based on the number of days in arrears and other qualitative factors.

Early warning List 1 - a temporary classification for customers who exhibit some unsatisfactory features which would affect viability in the medium term.

Early warning List 2 - we have doubts as to the viability of the customer, but believe the customer can meet obligations for the next 6-12 months.

Early warning List 3 - definite concern exists. If the position deteriorates, failure could occur and the bank be at risk including accounts that show one or more signs of basel deterioration.

Bucket – retail customer accounts in arrears are classified into buckets based on the number days in arrears. Bucket 1(1 - 30 days), bucket 2 (31-60), bucket 3 (61 - 90 days) and bucket 4 (above 91 days).

##### (ii) Exposure at default

Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value.

##### (iii) Loss given default

Loss given default represent the Bank's expectation of the extent of the loss on a claim should a default occur.

##### Risk limit control and mitigation policies

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

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

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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

##### Credit risk measurement(continued)

##### Risk limit control and mitigation policies(continued)

##### (a) 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 minimize 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. Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

##### (b) Credit-related commitments

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

##### Gross maximum credit risk exposure stratification and analysis

Financial instruments whose carrying amounts do not represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are disclosed in Note 35.5.

67% of the total maximum exposure is derived from loans and advances to banks and customers including off – statements of financial position amounts; 18% represents investments in government securities and 14% represents cash balances.

The directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both the loan and advances portfolio and debt securities based on the following:

- 94% of the total gross maximum exposure is categorised in the top two stages (1 and 2) of the internal rating system;
- The Bank applies a more stringent approval process upon granting loans and advances; and
- More than 99% of the investments are Government Treasury Bills and Treasury Bonds.

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## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

#### Gross maximum credit risk exposure stratification and analysis (continued)

The below table shows the gross maximum exposure to credit risk for assets on the statement of financial position and off the statement of financial position.

Note reference		Gross Maximum Exposure	12 months expected credit losses - stage 1	Lifetime expected credit losses - stage 2	Credit impaired - stage 3
		TZS Million	TZS Million	TZS Million	TZS Million
<b>2021</b>					
Cash and balances at central banks	14	271 933	-10	-	-
Loans and advances to other banks	18	66 126	-3	-18	-
Loans and advances to customers	19	1 434 777	(22 068)	(5 768)	(16 785)
Trading portfolio	15	40 430	-	-	-
Derivative financial instruments	16	594	-	-	-
Investment securities - OCI	17	322 255	-213	-	-
Other receivables	22	93 263	-	-	-
<b>Total gross maximum exposure to credit risk</b>		<b>2 229 378</b>	<b>(22 294)</b>	<b>(5 786)</b>	<b>(16 785)</b>
Expected credit losses		(44 865)	-	-	-
<b>Total net exposure to credit risk as disclosed on the statement of financial position</b>		<b>2 184 513</b>	<b>-</b>	<b>-</b>	<b>-</b>
Assets not subject to IFRS 9 requirements		88 655	-	-	-
<b>Total financial assets per the statement of financial position</b>		<b>2 273 168</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial guarantees		113 573	-3	-111	-
Letters of credit		126 377	-463	-68	-
Loan commitments		45 696	-592	-82	-
<b>Total off statement of financial position exposure</b>		<b>285 646</b>	<b>(1 058)</b>	<b>-261</b>	<b>-</b>
Expected credit losses		(1 319)	-	-	-
<b>Total net exposure to credit risk as disclosed off the statement of financial position</b>		<b>284 327</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Assets not subject to IFRS 9 requirements include:</b>					
Current tax assets	33	10 662	-	-	-
Property plant and equipment	20	48 660	-	-	-
Intangible assets	21	8 021	-	-	-
Equity securities	17	2 027	-	-	-
Deferred tax assets	24	19 285	-	-	-
<b>Total</b>		<b>88 655</b>	<b>-</b>	<b>-</b>	<b>-</b>



# NATIONAL BANK OF COMMERCE LIMITED

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### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

#### Gross maximum credit risk exposure stratification and analysis (continued)

The below table shows the gross maximum exposure to credit risk for assets on the statement of financial position and off the statement of financial position.

Note reference		Gross Maximum Exposure	12 months expected credit losses - stage 1	Lifetime expected credit losses - stage 2	Credit impaired - stage 3
		TZS Million	TZS Million	TZS Million	TZS Million
<b>2020</b>					
Cash and balances at central banks	14	304 601	-50	-	-
Loans and advances to other banks	18	120 747	-6	-	-
Loans and advances to customers	19	1 105 292	(13 985)	(11 610)	(16 127)
Trading portfolio	15	47 591	-	-	-
Derivative financial instruments	16	2 028	-	-	-
Other receivables	22	99 285	-	-	-
<b>Total gross maximum exposure to credit risk</b>		<b>1 679 544</b>	<b>(14 041)</b>	<b>(11 610)</b>	<b>(16 127)</b>
Expected credit losses		(41 778)	-	-	-
<b>Total net exposure to credit risk as disclosed on the statement of financial position</b>		<b>1 637 766</b>	<b>-</b>	<b>-</b>	<b>-</b>
 Assets not subject to IFRS 9 requirements		 82 340	 -	 -	 -
<b>Total financial assets per the statement of financial position</b>		<b>1 720 106</b>	<b>-</b>	<b>-</b>	<b>-</b>
 Financial guarantees		 132 515	 -	 -	 -
Letters of credit		117 256	-	-	-
Loan commitments		45 903	-	-	-
		-	-	-	-
<b>Total off statement of financial position exposure</b>		<b>295 674</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expected credit losses		(2 422)	-	-	-
<b>Total net exposure to credit risk as disclosed off the statement of financial position</b>		<b>293 252</b>	<b>-</b>	<b>-</b>	<b>-</b>
 <b>Assets not subject to IFRS 9 requirements include:</b>					
Current tax assets	33	9 782	-	-	-
Property plant and equipment	20	48 910	-	-	-
Intangible assets	21	2 765	-	-	-
Equity securities	17	2 028	-	-	-
Deferred tax assets	24	18 855	-	-	-
<b>Total</b>		<b>82 340</b>	<b>-</b>	<b>-</b>	<b>-</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

#### Gross maximum credit risk exposure stratification and analysis (continued)

The below table shows the gross maximum exposure to credit risk for assets on the statement of financial position and off the statement of financial position.

Note reference		Gross Maximum Exposure	12 months expected credit losses - stage 1	Lifetime expected credit losses - stage 2	Credit impaired - stage 3
		TZS Million	TZS Million	TZS Million	TZS Million
<b>2019</b>					
Cash and balances at central banks	14	184,054	24	-	-
Loans and advances to other banks	18	118,687	11	-	-
Loans and advances to customers	19	1,041,339	9,672	7,944	39,674
Cash on hand	14	130,758	-	-	-
Trading portfolio	15	25,815	-	-	-
Derivative financial instruments	16	1,138	-	-	-
Other receivables	22	66,693	-	-	-
Financial Assets at Fair Value through OCI	17	381,126	443	-	-
<b>Total gross maximum exposure to credit risk</b>		<b>1,949,610</b>			
Expected credit losses		-57,768	-10,150	-7,944	-39,674
<b>Total net exposure to credit risk as disclosed on the statement of financial position</b>		<b>1,891,842</b>	<b>681,804</b>		-
Assets not subject to IFRS 9 requirements		324,498	-	-	-
<b>Total financial assets per the statement of financial position</b>		<b>2,216,340</b>	-	-	-
Financial guarantees		211,029	-	-	-
Letters of credit		168,282	-	-	-
Loan commitments		79,674	-	-	-
<b>Total off statement of financial position exposure</b>		<b>458,985</b>	-	-	-
Expected credit losses		-3,282	-	-	-
<b>Total net exposure to credit risk as disclosed off the statement of financial position</b>		<b>455,703</b>	-	-	-
<b>Assets not subject to IFRS 9 requirements include:</b>					
Current tax assets	34	21,606	-	-	-
Property plant and equipment	20	49,005	-	-	-
Intangible assets	21	2,753	-	-	-
Equity securities	17	2,028	-	-	-
Deferred tax assets	24	24,702	-	-	-
<b>TOTAL</b>		<b>100,094</b>	-	-	-

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Credit risk reconciliation - expected credit loss allowance

Cash and cash equivalents

	Stage I 12 - Month ECL TZS'000	Stage II Lifetime ECL TZS'000	Stage III Lifetime ECL TZS'000	Total TZS'000
<b>Balance as at 1 January 2021</b>	<b>55</b>	-	-	<b>55</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	-	-	-	-
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	-	-	-	-
Allowance on new loan and advance	-	-	-	-
Charge during the year (with no stage movement)	(24)	-	-	(24)
Write off	-	-	-	-
<b>Balance as at 31 December 2021</b>	<b>31</b>	-	-	<b>31</b>
<b>Balance as at 1 January 2020</b>	<b>35</b>	-	-	<b>35</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	-	-	-	-
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	-	-	-	-
Allowance on new loan and advance	50	-	-	50
Charge during the year (with no stage movement)	(30)	-	-	(30)
Write off	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>55</b>	-	-	<b>55</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Credit risk reconciliation - expected credit loss allowance (continued)

Cash and cash equivalents (continued)

	Stage I 12 - Month ECL TZS'000	Stage II Lifetime ECL TZS'000	Stage III Lifetime ECL TZS'000	Total TZS'000
<b>Balance as at 1 January 2021</b>	<b>55</b>	-	-	<b>55</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	-	-	-	-
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	-	-	-	-
Allowance on new loan and advance	-	-	-	-
Charge during the year (with no stage movement)	(24)	-	-	(24)
Write off	-	-	-	-
<b>Balance as at 31 December 2021</b>	<b>31</b>	-	-	<b>31</b>
<b>Balance as at 1 January 2020</b>	<b>35</b>	-	-	<b>35</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	-	-	-	-
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	-	-	-	-
Allowance on new loan and advance	50	-	-	50
Charge during the year (with no stage movement)	(30)	-	-	(30)
Write off	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>55</b>	-	-	<b>55</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Credit risk reconciliation - expected credit loss allowance (continued)

Cash and cash equivalents (continued)

	Stage I	Stage II	Stage III	
	12 - Month ECL	Lifetime ECL	Lifetime ECL	Total
	TZS'000	TZS'000	TZS'000	TZS'000
<b>Balance as at 1 January 2021</b>	<b>26</b>	-	-	<b>26</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	-	-	-	-
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	-	-	-	-
Allowance on new loan and advance	-	-	-	-
Charge during the year (with no stage movement)	9	-	-	9
Write off	-	-	-	-
<b>Balance as at 31 December 2021</b>	<b>35</b>	-	-	<b>35</b>

Included in cash and cash equivalent is loans and advances to banks



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## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Credit risk reconciliation - expected credit loss allowance (continued)

Treasury bills and bonds

	Stage I 12 - Month ECL TZS'000	Stage II Lifetime ECL TZS'000	Stage III Lifetime ECL TZS'000	Total TZS'000
<b>Balance as at 1 January 2021</b>	<b>751</b>	-	-	<b>751</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	-	-	-	-
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	-	-	-	-
Allowance on new loan and advance	116	-	-	116
Charge during the year (with no stage movement)	(654)	-	-	(654)
Write off	-	-	-	-
<b>Balance as at 31 December 2021</b>	<b>231</b>	-	-	<b>231</b>
<b>Balance as at 1 January 2020</b>	<b>443</b>	-	-	<b>443</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	-	-	-	-
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	-	-	-	-
Allowance on new loan and advance	730	-	-	730
Charge during the year (with no stage movement)	(422)	-	-	(422)
Write off	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>751</b>	-	-	<b>751</b>

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## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Credit risk reconciliation - expected credit loss allowance (continued)

Treasury bills and bonds (continued)

	Stage I	Stage II	Stage III	
	12 - Month ECL	Lifetime ECL	Lifetime ECL	Total
	TZS'000	TZS'000	TZS'000	TZS'000
<b>Balance as at 1 January 2019</b>	<b>470</b>	-	-	<b>470</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	213	-	-	213
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	-	-	-	-
Allowance on new loan and advance	-	-	-	-
Charge during the year (with no stage movement)	287	-	-	287
Write off	-	-	-	(101)
<b>Balance as at 31 December 2021</b>	<b>443</b>	-	-	<b>443</b>

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## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Credit risk reconciliation - expected credit loss allowance (continued)

Loans and advances (continued)

	Stage I 12 - Month ECL TZS'000	Stage II Lifetime ECL TZS'000	Stage III Lifetime ECL TZS'000	Total TZS'000
<b>Balance as at 1 January 2021</b>	<b>15 496</b>	<b>8 755</b>	<b>17 473</b>	<b>41 724</b>
Stage transfer				
Stage 1 to stage 2	-115	2 384	-	2 269
Stage 1 to stage 3	-152	-	4 999	4 847
Stage 2 to stage 3	-	(2 534)	4 976	2 442
Stage 2 to stage 1	190	(1 376)	-	(1 186)
Stage 3 to stage 1	-	-	-10	-10
Stage 3 to stage 2	-	-	-	-
Allowance on new loan and advance	10 917	2 115	3 127	16 159
Charge during the year ( with no stage movement)	(4 255)	(3 375)	832	(6 798)
Write off	-13	-201	(14 612)	(14 826)
<b>Balance as at 31 December 2021</b>	<b>22 048</b>	<b>5 768</b>	<b>16 785</b>	<b>44 621</b>
<b>Balance as at 1 January 2020</b>	<b>11 969</b>	<b>8 144</b>	<b>31 621</b>	<b>51 734</b>
Stage transfer				
Stage 1 to stage 2	(2 308)	2 352	205	249
Stage 1 to stage 3	1 943	-	8 422	10 365
Stage 2 to stage 3	-	(2 287)	(2 107)	(4 394)
Stage 2 to stage 1	(4 201)	(1 527)	-	(5 728)
Stage 3 to stage 1	6	-	-304	-298
Stage 3 to stage 2	-	41	-68	-27
Allowance on new loan and advance	7 256	3 128	3 531	13 915
Charge during the year ( with no stage movement)	851	(1 025)	1 661	1 487
Write off	-20	-71	(25 488)	(25 579)
<b>Balance as at 31 December 2020</b>	<b>15 496</b>	<b>8 755</b>	<b>17 473</b>	<b>41 724</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Credit risk reconciliation - expected credit loss allowance (continued)

Loans and advances (continued)

	Stage I	Stage II	Stage III	
	12 - Month ECL	Lifetime ECL	Lifetime ECL	Total
	TZS'000	TZS'000	TZS'000	TZS'000
<b>Balance as at 1 January 2019</b>	<b>11 664</b>	<b>6 546</b>	<b>36 644</b>	<b>54 854</b>
Stage transfer				
Stage 1 to stage 2	(775)	2 136	-	1 361
Stage 1 to stage 3	(219)	-	4,867	4,648
Stage 2 to stage 3	-	(1 875)	2 664	789
Stage 2 to stage 1	46	(950)	-	(904)
Stage 3 to stage 1	3	-	(147)	(144)
Stage 3 to stage 2	-	-	-	-
Allowance on new loan and advance	5 710	1 671	6 310	13 691
Charge during the year ( with no stage movement)	(5 916)	444	(6 788)	(12 260)
Write off	(23)	(48)	(11 929)	(12 000)
<b>Balance as at 31 December 2021</b>	<b>10 490</b>	<b>7 924</b>	<b>31 621</b>	<b>50 035</b>

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## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Credit risk reconciliation - expected credit loss allowance (continued)

Letters of credit

	Stage I 12 - Month ECL TZS'000	Stage II Lifetime ECL TZS'000	Stage III Lifetime ECL TZS'000	Total TZS'000
<b>Balance as at 1 January 2021</b>	<b>824</b>	<b>247</b>	<b>-</b>	<b>1071</b>
Stage transfer				
Stage 1 to stage 2	-	-	-	-
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	1	-	-	1
Allowance on new loan and advance	434	69	-	503
Charge during the year ( with no stage movement)	(796)	(247)	-	(1043)
Write off	-	-	-	-
<b>Balance as at 31 December 2021</b>	<b>463</b>	<b>69</b>	<b>-</b>	<b>532</b>
<b>Balance as at 1 January 2020</b>	<b>545</b>	<b>2 086</b>	<b>-</b>	<b>2 631</b>
Stage transfer			-	
Stage 1 to stage 2	-	(2 086)	-	(2 086)
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	(545)	-	-	(545)
Allowance on new loan and advance	752	240	-	992
Charge during the year ( with no stage movement)	72	7	-	79
Write off	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>824</b>	<b>247</b>	<b>-</b>	<b>-</b>



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Credit risk reconciliation - expected credit loss allowance (continued)

Letters of credit (Continued)

	Stage I	Stage II	Stage III	
	12 - Month ECL	Lifetime ECL	Lifetime ECL	Total
	TZS'000	TZS'000	TZS'000	TZS'000
<b>Balance as at 1 January 2019</b>	<b>643</b>	<b>282</b>	<b>-</b>	<b>925</b>
<i>Stage transfer</i>				
Stage 1 to stage 2	(643)	(282)	-	(925)
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	-	-	-	-
Allowance on new loan and advance	545	2086	-	2631
Charge during the year (with no stage movement)	-	-	-	-
Write off	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>545</b>	<b>2086</b>	<b>-</b>	<b>2631</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Credit risk reconciliation - expected credit loss allowance (continued)

Financial guarantee contracts

	Stage I 12 - Month ECL TZS'000	Stage II Lifetime ECL TZS'000	Stage III Lifetime ECL TZS'000	Total TZS'000
<b>Balance as at 1 January 2021</b>	<b>210</b>	<b>663</b>	<b>-</b>	<b>873</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	-	-	-	-
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	27	-	27
Stage 2 to stage 1	35	-	-	35
Allowance on new loan and advance	89	108	-	197
Charge during the year (with no stage movement)	(161)	(664)	-	(825)
Write off	-	-	-	-
<b>Balance as at 31 December 2021</b>	<b>173</b>	<b>134</b>	<b>-</b>	<b>307</b>
<b>Balance as at 1 January 2020</b>	<b>177</b>	<b>927</b>	<b>-</b>	<b>1 104</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	-	(927)	-	(927)
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	(177)	-	-	(177)
Allowance on new loan and advance	144	447	-	591
Charge during the year (with no stage movement)	66	216	-	282
Write off	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>210</b>	<b>663</b>	<b>-</b>	<b>873</b>

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## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Credit risk reconciliation - expected credit loss allowance (continued)

Loan commitments

	Stage I 12 - Month ECL TZS'000	Stage II Lifetime ECL TZS'000	Stage III Lifetime ECL TZS'000	Total TZS'000
<b>Balance as at 1 January 2021</b>	<b>243</b>	<b>235</b>	<b>-</b>	<b>478</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	31	3	-	34
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	(10)	(187)	-	(197)
Allowance on new loan and advance	73	25	-	98
Charge during the year (with no stage movement)	33	2	-	35
Write off	-	-	-	-
<b>Balance as at 31 December 2021</b>	<b>370</b>	<b>78</b>	<b>-</b>	<b>448</b>
<b>Balance as at 1 January 2020</b>	<b>88</b>	<b>61</b>	<b>31</b>	<b>180</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	-	(61)	-	(61)
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	(88)	-	-	(88)
Allowance on new loan and advance	215	225	-	440
Charge during the year (with no stage movement)	28	10	(31)	7
Write off	-	-	-	-
<b>Balance as at 31 December 2020</b>	<b>243</b>	<b>235</b>	<b>-</b>	<b>478</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Credit risk reconciliation - expected credit loss allowance (continued)

Loan commitments (continued)

	Stage I	Stage II	Stage III	
	12 - Month ECL	Lifetime ECL	Lifetime ECL	Total
	TZS'000	TZS'000	TZS'000	TZS'000
<b>Balance as at 1 January 2019</b>	<b>355</b>	<b>1</b>	<b>-</b>	<b>356</b>
Stage transfer	-	-	-	-
Stage 1 to stage 2	(85)	(1)	-	(86)
Stage 1 to stage 3	-	-	-	-
Stage 2 to stage 3	-	-	-	-
Stage 2 to stage 1	5	(5)	-	-
Allowance on new loan and advance	32	40	31	103
Charge during the year (with no stage movement)	(220)	26	-	(194)
Write off	-	-	-	-
<b>Balance as at 31 December 2019</b>	<b>87</b>	<b>61</b>	<b>31</b>	<b>179</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

##### Credit risk reconciliation - expected credit loss allowance (continued)

The following significant changes in the gross carrying amount of loans and advances to customers during the period contributed to changes in the loss allowance.

- The reconciliation above includes the ECL allowance recognized in respect of irrevocable debt facilities, classified as a provision on the face of the statement of financial position. The provision recognized as at 31 December 2021 is TZS 41.73 billion (2020: TZS 38.8 billion, 2019: TZS 57.26 billion). The credit risk inherent in the undrawn component of irrevocable lending facilities is managed and monitored by the bank together with the drawn component as a single exposure. The EAD on the entire facility is therefore used to calculate the ECL on loans and advances. As a result the total credit loss is recognized in the ECL allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognized as a provision on the face of the statement of financial position.
- The current period provision of TZS 3.7 billion (2020: TZS 9.1 billion, 2019: TZS 3.9 billion) excludes the impact that post write-off recoveries and the recovery of previously unrecognized interest on stage 3 assets has on the total impairment loss recognized in profit or loss.
- The Bank neither acquired nor sold any significant asset portfolios or material individual loans during the current reporting period.
- The Bank did not originate any credit impaired assets during the current reporting period.

68% of the total maximum exposure is derived from loans and advances to banks and customers including off-statements of financial position amounts; 19% represents investments in government securities and 9 % represents cash balances.

The directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both the loan and advances portfolio and debt securities based on the following:

- 94% of the total loans and advances portfolio is categorised in the top two grades of the internal rating system;
- 87% of the total loans and advances portfolio are considered to be neither past due nor impaired;
- The Bank has introduced a more stringent approval process upon granting loans and advances; and
- More than 99% of the investments are Government Treasury Bills and Treasury Bonds

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

#### Concentration of risk of financial assets with credit risk exposure

##### Credit exposure by industry

	Loans and advances to customers	Loans and advances to banks	Cash and Balance with Banks of Tanzania	Investment securities	Other assets	Derivative assets	Total
	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million
<b>2021</b>							
Financial institution	19 259	66 127	271 933	364 712	-	-	722 031
Manufacturing and services	360 219	-	-	-	-	-	360 219
Wholesale and retail and trade	248 495	-	-	-	-	-	248 495
Agriculture	107 209	-	-	-	-	-	107 209
Others	693 925	-	-	-	93 263	594	787 782
<b>Gross exposure</b>	<b>1 429 108</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 225 736</b>
Expected credit losses	(44 620)	(21)	(10)	(213)	-	-	(44 864)
<b>Net exposure</b>	<b>1 384 487</b>	<b>66 106</b>	<b>271 923</b>	<b>364 499</b>	<b>93 263</b>	<b>594</b>	<b>2 180 872</b>
<b>2021</b>							
Financial institution	23 013	120 741	304 551	423 866	-	-	872 171
Manufacturing and services	364 041	-	-	-	-	-	364 041
Wholesale and retail and trade	242 665	-	-	-	-	-	242 665
Agriculture	51 226	-	-	-	-	-	51 226
Others	469 346	-	-	-	99 285	2 028	570 659
<b>Gross exposure</b>	<b>1 150 291</b>	<b>120 741</b>	<b>304 551</b>	<b>423 866</b>	<b>99 285</b>	<b>2 028</b>	<b>2 100 762</b>
Expected credit losses	(47 313)	(5)	(51)	(751)	-	-	(45 235)
<b>Net exposure</b>	<b>1 102 978</b>	<b>120 736</b>	<b>304 500</b>	<b>423 115</b>	<b>99 285</b>	<b>2 028</b>	<b>2 052 642</b>



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

Concentration of risk of financial assets with credit risk exposure (Continued)

Credit exposure by industry

	Loans and advances to customers	Loans and advances to banks	Cash and Balance with Banks of Tanzania	Investment securities	Other assets	Derivative assets	Total
<b>2019</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>
Financial institution	40 564	118 688	314 788	407 372	-	-	881 412
Manufacturing and services	388 766	-	-	-	-	-	388 766
Wholesale and retail and trade	227 107	-	-	-	-	-	227 107
Agriculture	63 594	-	-	-	-	-	63 594
Others	321 308	-	-	-	66 693	1 138	389 139
<b>Gross exposure</b>	<b>1 041 339</b>	<b>118 688</b>	<b>314 788</b>	<b>407 372</b>	<b>66 693</b>	<b>1 138</b>	<b>1,950 018</b>
Expected credit losses	(57 290)	(11)	(24)	(443)	-	-	(57 768)
<b>Net exposure</b>	<b>984 049</b>	<b>118 677</b>	<b>314 764</b>	<b>406 929</b>	<b>66 693</b>	<b>1 138</b>	<b>1 892 250</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

##### Credit exposure by area

	Loans and advances to customers	Loans and advances to banks	Cash and Balance with Banks of Tanzania	Investment securities	Other assets	Derivative assets	Total
<b>2021</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>
Tanzania	1 429 108	6 051	271 933	364 712	93 263	594	2 165 661
Outside Tanzania	-	60 076	-	-	-	-	60 076
<b>Gross exposure</b>	<b>1 429 108</b>	<b>66 127</b>	<b>271 933</b>	<b>364 712</b>	<b>93 263</b>	<b>594</b>	<b>2 225 737</b>
Expected credit losses	(44 620)	(21)	(10)	(213)	-	-	(44 864)
<b>Net exposure</b>	<b>1 384 488</b>	<b>66 106</b>	<b>271 923</b>	<b>364 499</b>	<b>93 263</b>	<b>594</b>	<b>2 180 873</b>
<b>2020</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>	<b>TZS Million</b>
Tanzania	1 151 873	27 379	304 551	423 866	99 285	2 028	2 008 982
Outside Tanzania	-	93 362	-	-	-	-	93 362
<b>Gross exposure</b>	<b>1 151 873</b>	<b>120 741</b>	<b>304 551</b>	<b>423 866</b>	<b>99 285</b>	<b>2 028</b>	<b>2 102 344</b>
Expected credit losses	(47 313)	(5)	(51)	(751)	-	-	(48 120)
<b>Net exposure</b>	<b>1 104 560</b>	<b>120 736</b>	<b>304 500</b>	<b>423 115</b>	<b>99 285</b>	<b>2 028</b>	<b>2 054 224</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

#### Credit exposure by area

	Loans and advances to customers	Loans and advances to banks	Cash and Balance with Banks of Tanzania	Investment securities	Other assets	Derivative assets	Total
2019	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million
Tanzania	1 041 339	51 807	314 788	407 372	66 693	1 138	1 883 137
Outside Tanzania	-	66,881	-	-	-	-	66 881
<b>Gross exposure</b>	<b>1,041,339</b>	<b>118,688</b>	<b>314,788</b>	<b>407,372</b>	<b>66,693</b>	<b>1,138</b>	<b>1 950 018</b>
Expected credit losses	-57,290	-11	-24	-443	-	-	(57 768)
<b>Net exposure</b>	<b>984 049</b>	<b>118 677</b>	<b>314 764</b>	<b>406 929</b>	<b>66 693</b>	<b>1 138</b>	<b>1 892 250</b>

With the exception of loans to banks, all other loans and advances were made to local customers. There is credit risk in respect of geographical concentration related to loans to foreign banks. However, these are primarily to global banks and as such related credit risk is managed by reference to the credit rating of individual institutions rather than geographical concentration.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

#### Accounts receivable stratification and analysis

##### (a) Loans and advances neither past due nor impaired

2021 (TZS Million)	Overdrafts	Personal loans	Term loans	Mortgage	Others	Total
Current	145 983	684 190	524 619	8 829	325	1 360 011
2020 (TZS Million)	Overdrafts	Personal loans	Term loans	Mortgage	Others	Total
Current	176 114	454 431	432 137	8 180	365	1 071 227
2019 (TZS Million)	Overdrafts	Personal loans	Term loans	Mortgage	Others	Total
Current	161 210	297 385	427 148	7 605	1 683	895 031

##### (b) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Some of the Corporate loans are above 90 days past due but are not impaired due to different qualitative factors. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

	Overdrafts	Personal loans	Term loans	Mortgage	Others	Total
2021 (TZS Million)	497	-	14 245	-	-	14 742
2020 (TZS Million)	458	-	36 280	-	-	36 739
2019 (TZS Million)	5 369	594	63 190	-	-	69 153

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

#### Accounts receivable stratification and analysis

##### (c) Impaired Loans and advances

	Overdrafts	Personal loans	Term loans	Mortgage	Others	Total
<b>2021 (TZS Million)</b>						
Impaired loans	3 045	14 525	36 294	482	9	54 354
<b>2020 (TZS Million)</b>						
Impaired loans	6 874	19 423	17 546	123	60	44 025
<b>2019 (TZS Million)</b>						
Impaired loans	26 555	12 263	30 365	187	2	69 372

##### (d) Impaired Loans and advances

The tables below present an analysis of placements and Nostro balances by rating agency designation at 31 December 2021, based on Standard & Poor's, Moody's, Fitch's ratings or their equivalent.

RATING	2021 TZS Million	2020 TZS Million	2019 TZS Million
AA-	97	51	58
A+	32 111	62 192	41 406
A	484	228	1 267
A-	-	2,068	2,354
BBB	2,991	-	10
BBB-	-	-	19 408
BB	12 294	16	-
BB+	-	759	8
BB-	11 909	7 193	2 350
Non – Rated	6 047	28	49 398
<b>Total</b>	<b>66 105</b>	<b>72 535</b>	<b>116 259</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

##### Disclosures of credit mitigation

The financial effect and forms of collateral and credit enhancements for each class of financial instrument giving rise to credit risk are disclosed in the table to follow as at 31 December 2021.

	Gross Maximum exposure	Bank Guarantee	Physical Collateral	Cash Collateral	Other collateral	Value of loans not covered by collateral	Unsecured
	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million
Gross loans and advances to customers							
<b>Corporate</b>							
Term loan	583 465	66 080	2 440 023	224 677	597 271	56 454	-
Overdraft	148 847	16 852	622 263	57 298	152 318	1 261	-
<b>Total Corporate</b>	<b>732 312</b>	<b>82 932</b>	<b>3 062 286</b>	<b>281 975</b>	<b>749 589</b>	<b>57 715</b>	<b>-</b>
<b>Retail</b>							
Term loan	685 926	-	219	31 640	-	-	654 505
Personal loan	4 978	-	15 226	-	-	-	-
Overdraft	2 225	-	3 349	1 283	-	-	-
Mortgage	9 333	-	18 100	-	-	-	-
<b>Total Retail</b>	<b>702 462</b>	<b>-</b>	<b>36 893</b>	<b>32 924</b>	<b>-</b>	<b>-</b>	<b>654 505</b>
<b>TOTAL</b>							
Loans and advances to Banks	66 105	-	-	-	-	-	66 105
Derivative assets	594	-	-	-	-	-	594
Investment securities	324 282	-	-	-	-	-	324 282
Other receivables	93 263	-	-	-	-	-	93 263

The value of the collateral shown is the current realisable value of the collateral which can exceed the carrying amount.



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

##### Disclosures of credit mitigation

The financial effect and forms of collateral and credit enhancements for each class of financial instrument giving rise to credit risk are disclosed in the table to follow as at 31 December 2020

	Gross Maximum exposure	Bank Guarantee	Physical Collateral	Cash Collateral	Other collateral	Value of loans not covered by collateral	Unsecured
	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million
Gross loans and advances to customers							
<b>Corporate</b>							
Term loan	172 156	54 433	2 445 083	22 263	382 905	48 529	-
Overdraft	494 787	18 879	848 040	7 722	132 805	1 760	-
Total Corporate	<b>666 943</b>	<b>73 312</b>	<b>3 293 123</b>	<b>29 985</b>	<b>515 710</b>	<b>50 289</b>	<b>-</b>
<b>Retail</b>							
Term loan	4 681	-	24 955	-	-	-	442 675
Personal loan	458 532	-	1 016	16 873	-	-	-
Overdraft	11 832	-	25 552	1 623	-	-	-
Mortgage	8 303	-	16 834	-	-	-	442 675
Total Retail	<b>483 348</b>	<b>-</b>	<b>68 357</b>	<b>18 496</b>	<b>-</b>	<b>-</b>	<b>654 505</b>
<b>TOTAL</b>							
Loans and advances to Banks	120 741	-	-	-	-	-	120 741
Derivative assets	2 028	-	-	-	-	-	2 028
Investment securities	420 602	-	-	-	-	-	420 602
Other receivables	99 285	-	-	-	-	-	99 285

The value of the collateral shown is the current realisable value of the collateral which can exceed the carrying amount.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.4. CREDIT RISK MANAGEMENT (CONTINUED)

##### Disclosures of credit mitigation

The financial effect and forms of collateral and credit enhancements for each class of financial instrument giving rise to credit risk are disclosed in the table to follow as at 31 December 2019

	Gross Maximum exposure	Bank Guarantee	Physical Collateral	Cash Collateral	Other collateral	Value of loans not covered by collateral	Unsecured
	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million	TZS Million
Gross loans and advances to customers							
<b>Corporate</b>							
Term loan	517,586	88,722	3,543,206	233,576	434,948	34,904	-
Overdraft	192,273	32,877	1,312,965	86,554	161,174	638	-
Total Corporate	<b>709,859</b>	<b>121,599</b>	<b>4,856,171</b>	<b>320,130</b>	<b>596,122</b>	<b>35,542</b>	-
<b>Retail</b>							
Term loan	10,011	-	12,514	8,854	-	-	-
Personal loan	308,708	-	-	5,325	-	-	305,900
Overdraft	4,969	-	6,211	5,412	-	-	-
Mortgage	7,792	-	15,636	-	-	-	-
Total Retail	<b>331,480</b>	-	<b>34,361</b>	<b>9,591</b>	-	-	<b>305,900</b>
	<b>1,041,339</b>	<b>121,599</b>	<b>4,890,532</b>	<b>339,721</b>	<b>596,122</b>	<b>35,542</b>	<b>305,900</b>
Loans and advances to Banks	118,688	-	-	-	-	-	118,688
Derivative assets	1,138	-	-	-	-	-	1,138
Investment securities	407,372	-	-	-	-	-	407,372
Other receivables	66,881	-	-	-	-	-	5,246

The value of the collateral shown is the current realisable value of the collateral which can exceed the carrying amount.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.5. LIQUIDITY RISK

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. During the year, the Bank has not experienced cash flow challenges arising from disruptions to its operations, higher operating costs or decrease in demand for its products, which would result in lost revenues. Changes in the liquidity position is a result of growth of customer deposits. The Bank has a strong liquidity position which will assist in mitigating any market volatility.

#### Liquidity and interest risk tables

The following tables detail the Bank's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Bank can be required to pay. The tables include both interest and principle cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Bank may be required to pay.

	Up to 1 month TZS Million	1-3 months TZS Million	3-6 months TZS Million	6-12 months TZS Million	1 - 5 years TZS Million	Total TZS Million
<b>Liabilities</b>						
<b>2021</b>						
Deposits due to banks and customers	1 454 542	50 672	104 109	177 684	137 374	1 924 381
Subordinated loan	817	-	-	817	58 861	60 495
Derivative and other liabilities	117 538	-	-	-	-	117 538
Other financial liabilities - lease liability (contractual amounts)	-	-	-	490	8 756	9 246
	<b>1 572 897</b>	<b>50 672</b>	<b>104 109</b>	<b>178 991</b>	<b>204 991</b>	<b>2 111 660</b>
<b>2020</b>						
Deposits due to banks and customers	1 487 444	47 330	38 166	130 393	48 478	1 751 811
Subordinated loan	747	-	-	747	58 861	60 355
Derivative and other liabilities	144 043	-	-	-	-	144 043
Other financial liabilities - Lease liability (contractual amounts)	-	-	-	1 661	12 181	13 842
	<b>1 632 234</b>	<b>47 330</b>	<b>38 166</b>	<b>132 801</b>	<b>119 520</b>	<b>1 970 051</b>

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## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.5. LIQUIDITY RISK

	Up to 1 month TZS Million	1-3 months TZS Million	3-6 months TZS Million	6-12 months TZS Million	1 - 5 years TZS Million	Total TZS Million
<b>Liabilities (Continued)</b>						
<b>2021</b>						
Deposits due to banks and customers	1 394 068	26 997	28 676	116 580	89 944	1 656 265
Subordinated loan	1 048	-	-	1 048	-	2 096
Derivative and other liabilities	105,660	-	-	-	-	105,660
Other financial liabilities - lease liability (contractual amounts)	-	-	-	2,558	8,377	10,935
	<b>1,500,776</b>	<b>26 997</b>	<b>28 676</b>	<b>120 186</b>	<b>98 321</b>	<b>1 774 956</b>

The amounts disclosed in the table are the contractual undiscounted cash flow.

	Up to 1 month TZS Million	1-3 months TZS Million	3-6 months TZS Million	6-12 months TZS Million	1 - 5 years TZS Million	Total TZS Million
<b>Assets</b>						
<b>2021</b>						
Cash and balances with Bank of Tanzania	274 768	-	-	-	-	274 768
Loans and advances to banks	66 797	-	-	-	-	66 797
Loans and advances to customers	158 523	55 252	41 773	62 089	2 039 878	2 357 515
Financial assets at fair value through OCI	57 474	24 469	30 029	49 871	395 031	556 874
Derivative and other assets	-	-	-	106 527	-	106 527
	<b>557 562</b>	<b>79 721</b>	<b>71 802</b>	<b>218 488</b>	<b>2 434 908</b>	<b>3 362 481</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.5. LIQUIDITY RISK

The amounts disclosed in the table are the contractual undiscounted cash flow.

	Up to 1 month TZS Million	1-3 months TZS Million	3-6 months TZS Million	6-12 months TZS Million	1 - 5 years TZS Million	Total TZS Million
<b>Assets (Continued)</b>						
<b>2020</b>						
Cash and balances with Bank of Tanzania	307 738	-	-	-	-	307 738
Loans and advances to banks	122 004	-	-	-	-	122 004
Loans and advances to customers	204 586	47 644	35 348	55 930	1 554 928	1 898 436
Financial assets at fair value through OCI	17 955	85 233	53 923	62 304	400 522	619 937
Derivative and other assets	-	-	-	114 990	-	114 990
	<b>652 283</b>	<b>132 877</b>	<b>89 271</b>	<b>233 224</b>	<b>1 955 450</b>	<b>3 063 105</b>
<b>2019</b>						
Cash and balances with Bank of Tanzania	318 874	-	-	-	-	318 874
Loans and advances to banks	120 217	-	-	-	-	120 217
Loans and advances to customers	233 883	57 122	38 381	73 619	1	1 841 889
Financial assets at fair value through OCI	8 143	169 340	66 052	97 891	196 941	538 367
Other assets	-	-	-	79 355	-	79 355
	<b>681 117</b>	<b>226 462</b>	<b>104 433</b>	<b>250 865</b>	<b>1 635 825</b>	<b>2 898 702</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.5. LIQUIDITY RISK

The following table details the Bank's liquidity analysis for its derivative instruments. The table has been drawn up based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period.

	Up to 1 month TZS Million	1-3 months TZS Million	3-12 months TZS Million	1 - 5 years TZS Million	Total TZS Million
<b>2021</b>					
<b>Net settled:</b>					
Foreign exchange forward contracts					
- Outflow	85	-			85
- Inflow	-	44	550		594
Interest swap					
- Outflow	-	-	-	-	-
- Inflow	-	-	-	-	-
<b>2020</b>					
<b>Net settled:</b>					
Foreign exchange forward contracts					
- Outflow	-	-	-	-	-
- Inflow	24	266	166		456
Interest swap					
- Outflow	-	-	-	-	-
- Inflow	-	-	-	-	-
<b>2019</b>					
<b>Net settled:</b>					
Foreign exchange forward contracts					
- Outflow		-	-	-	-
- Inflow	110	92	104	-	306
Interest swap					
- Outflow		-	-	-	-
- Inflow		-	3	-	3



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.5. LIQUIDITY RISK

	Up to 1 month TZS Million	1-3 months TZS Million	3-6 months TZS Million	6-12 months TZS Million	1 - 5 years TZS Million	Total TZS Million
<b>2021</b>						
Commitments	111 401	78 678	35 127	39 452	21 134	285 791
<b>2020</b>						
Commitments	114 320	64 259	66 054	27 122	23 919	295 674
<b>2019</b>						
Commitments	171,582	107,704	34,808	80,606	186,298	580,998

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.5. LIQUIDITY RISK

##### Disclosures of credit mitigation

	Up to 1 month TZS Million	1-3 Months TZS Million	3-6 Months TZS Million	6-12 Months TZS Million	1-5 Year TZS Million	Non- interest Bearing TZS Million	Total TZS Million
<b>2021</b>							
Cash and balances with Bank of Tanzania	66 105	-	-	-	-	-	66 105
Loans and advances to banks	156 881	53 553	39 244	54 704	1 082 991	-	1 387 373
Loans and advances to customers	56 879	23 717	28 211	43 939	209 726	-	362 472
Investment securities	-	-	-	-	-	2 028	2 028
Derivative assets	-	-	-	-	-	594	594
Other receivables	-	-	-	-	-	93 263	93 263
<b>Total financial assets</b>	<b>279 866</b>	<b>77 270</b>	<b>67 455</b>	<b>98 643</b>	<b>1 292 716</b>	<b>95 885</b>	<b>1 911 835</b>
<b>LIABILITIES</b>							
Deposits due to banks	38 269	23 072	69 124	79 365	-	9 549	219 379
Deposits due to customers	602 212	26 042	28 682	77 185	72 933	789 451	1 596 505
Other liabilities	-	-	-	-	-	116 321	116 321
Derivative liabilities	-	-	-	-	-	2 163	2 163
Subordinated debt loan	-	-	-	-	32 067	-	32 067
<b>Total financial liabilities</b>	<b>640 481</b>	<b>49 114</b>	<b>97 806</b>	<b>156 550</b>	<b>105 000</b>	<b>917 484</b>	<b>1 966 435</b>
<b>Interest repricing gap</b>	<b>(360 615)</b>	<b>28 156</b>	<b>(30 352)</b>	<b>(57 906)</b>	<b>1 187 716</b>	<b>(549 677)</b>	<b>217 322</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.5. LIQUIDITY RISK

##### Disclosures of credit mitigation

	Up to 1 month TZS Million	1-3 Months TZS Million	3-6 Months TZS Million	6-12 Months TZS Million	1-5 Year TZS Million	Non- interest Bearing TZS Million	Total TZS Million
<b>2020</b>							
Cash and balances with Bank of Tanzania	-	-	-	-	-	304 551	304 551
Loans and advances to banks	120 741	-	-	-	-	-	120 741
Loans and advances to customers	202 468	46 180	33 208	49 278	774 729	-	1 105 863
Investment securities	17 769	82 613	50 659	54 893	217 932	-	423 866
Derivative assets	-	-	-	-	-	2 028	2 028
Other receivables	-	-	-	-	-	99 285	99 285
<b>Total financial assets</b>	<b>340 978</b>	<b>128 793</b>	<b>83 867</b>	<b>104 171</b>	<b>992 661</b>	<b>405 864</b>	<b>2 056 334</b>
<b>LIABILITIES</b>							
Deposits due to banks	60 181	23 626	-	79 756	-	26 351	189 914
Deposits due to customers	450 398	22 249	35 856	35 127	25 737	935 113	1 504 480
Other liabilities	-	-	-	-	-	142 552	142 552
Derivative liabilities	-	-	-	-	-	2 667	2 667
Subordinated debt loan	-	-	-	-	31 997	-	31 997
<b>Total financial liabilities</b>	<b>510 579</b>	<b>45 875</b>	<b>35 856</b>	<b>114 883</b>	<b>57 734</b>	<b>1 106 683</b>	<b>1 871 610</b>
<b>Interest repricing gap</b>	<b>(169 601)</b>	<b>82 918</b>	<b>48 011</b>	<b>(10 712)</b>	<b>984 927</b>	<b>(700 819)</b>	<b>(84 724)</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.5. LIQUIDITY RISK (continued)

##### Interest risk tables (continued)

	Up to 1 month TZS Million	1-3 Months TZS Million	3-6 Months TZS Million	6-12 Months TZS Million	1-5 Year TZS Million	Non- interest Bearing TZS Million	Total TZS Million
<b>2019</b>							
Cash and balances with Bank of Tanzania	-	-	-	-	-	314 788	314 788
Loans and advances to banks	118 676	-	-	-	-	-	118 676
Loans and advances to customers	8 038	162 913	61 133	83 675	89 866	1 316	406 941
Investment securities	230 886	54 954	35 523	62 928	657 048	-	1 041 339
Derivative assets	-	-	-	-	-	1138	1 138
Other receivables	-	-	-	-	-	66 693	66 693
<b>Total financial assets</b>	<b>357 600</b>	<b>217 867</b>	<b>96 656</b>	<b>146 603</b>	<b>746 914</b>	<b>383 935</b>	<b>1 949 575</b>
<b>LIABILITIES</b>							
Deposits due to banks	8 082	-	-	59 244	-	-	67 326
Deposits due to customers	609 293	25 973	26 540	40 988	40 459	758 829	1 502 082
Other liabilities	-	-	-	-	-	103 730	103 730
Derivative liabilities	-	-	-	-	-	576	576
Subordinated debt loan	-	-	-	-	32 298	-	32 298
<b>Total financial liabilities</b>	<b>617 375</b>	<b>25 973</b>	<b>26 540</b>	<b>100 232</b>	<b>72 757</b>	<b>863 135</b>	<b>1 706 012</b>
<b>Interest repricing gap</b>	<b>(259 775)</b>	<b>191 894</b>	<b>70 116</b>	<b>46 371</b>	<b>674 157</b>	<b>(479 200)</b>	<b>243 563</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.5. LIQUIDITY RISK

##### Liquidity risk management process

The Bank's liquidity management process, is carried out by a separate team in the Treasury, and includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that obligations are met. These include replenishment of funds as they mature or are borrowed by customers. The Bank is an active player in the local money markets and plays a significant role in the liquidity of the market;
- Maintaining a portfolio of marketable assets that can easily be liquidated as protection against any
- Unforeseen interruption to cash flow;
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of instrument with maturities.

##### CAPITAL RISK MANAGEMENT

##### Gearing ratio

The gearing ratio at the end of the reporting period was as follows.

	2021 TZS Million	2020 TZS Million	2019 TZS Million
Debt	32,067	31,997	(32,298)
Cash and bank balances	-	-	314,788
<b>Total debt</b>	<b>32,067</b>	<b>31,997</b>	<b>282,490</b>
<b>Equity</b>	<b>301,065</b>	<b>262,131</b>	<b>284,339</b>
<b>Ratio</b>	<b>0.11</b>	<b>0.12</b>	<b>0.99</b>

- The Bank's objectives when managing capital, which is a broader concept than the "equity" on the face of the balance sheets, are:
- To comply with the capital requirements set by the Bank of Tanzania.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 35. RISK MANAGEMENT (CONTINUED)

##### 35.6. CAPITAL RISK MANAGEMENT

##### Liquidity risk management process

The Bank of Tanzania requires each bank or banking group to hold the total minimum level of the regulatory capital of 14.50% of the risk-weighted assets.

The Banks Tier capital is divided into two tiers:

- Tier 1: Share capital, share premium, retained earnings less prepayments, deferred income tax asset and intangible assets.
- Tier 2: Qualifying subordinated loan capital, unrealised gains arising on the fair valuation of equity instrument and general provisions which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialise.

The following table summarises the composition of regulatory capital and the ratio for the Bank for the year ended 31 December 2021 and 31 December 2020. The Bank's capital adequacy as at 31 December 2021 was calculated as set out below:

	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>Tier 1 Capital</b>			
Stated Capital	15 700	15 700	15 700
Retained earnings	209 765	169 714	189 886
Share premium	71 300	71 300	71 300
Deferred tax assets	(19 246)	(18 855)	(24 702)
Prepaid expenses	(7 081)	(1 497)	(5 246)
<b>Total Tier 1 Capital</b>	<b>270 438</b>	<b>236 362</b>	<b>246 938</b>
<b>Tier 2 Capital</b>			
Subordinated debt	32 067	31 997	32,298
Less: accrued interest	(817)	(747)	(1 048)
<b>Total Tier 2 Capital</b>	<b>31 250</b>	<b>31 250</b>	<b>31 250</b>
<b>Qualifying Tier 2 Capital*</b>	<b>29 548</b>	<b>31 250</b>	<b>28 772</b>
<b>Total regulatory capital</b>	<b>299 986</b>	<b>267 612</b>	<b>275 710</b>
<b>Risk weighted assets and off-balance sheet exposure</b>			
On-Statement of financial position	1 146 502	1 250 476	1,049,317
Off-Statement of financial position	167 591	156 634	248,437
Market risk	18 103	22 775	9,029
Operational risk	145 213	140 516	131,860
<b>Total risk weighted assets and off-balance sheet exposure</b>	<b>1 477 409</b>	<b>1 570 401</b>	<b>1 438 643</b>

(\*) The Bank of Tanzania requirement is that Tier 2 Capital should not exceed 2% of the Total risk weighted assets and off-balance sheet exposure.

	2021	2020	2019
Tier 1 Capital (required minimum ratio 12.50%)	18.30%	15.05%	17.20%
Tier 1 + Tier 2 (required minimum ratio 14.50%)	20.30%	17.04%	19.20%



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

##### Liquidity risk management process

a) Fair value of financial instruments not held at fair value

The following table provides an analysis of the Bank's financial assets that are not measured at fair value subsequent to initial recognition, grouped into Levels 1 to 3 based on the degree to which the instrument's fair value is observable. The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined below.

##### Level 1

Items valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis.

An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

##### Level 2

Items valued using inputs other than quoted prices as described above for Level 1 but which are observable for the asset or liability, either directly or indirectly, such as:

- quoted price for similar assets or liabilities in an active market;
- quoted price for identical or similar assets or liabilities in inactive markets;
- valuation model using observable inputs; and
- valuation model using inputs derived from/corroborated by observable market data.

##### Level 3

Items valued using significant inputs that are not only based on observable market data.

These include inputs based on an entity's own assumptions and assumptions applied by other market participants in pricing similar assets.

Determination of fair value

##### Level 2:

The Bank establishes fair value for treasury bonds and bills designated as financial assets at FVOCI using valuation technique of market approach that takes into account any discount on the face value of the bond and interest earned at the reporting date. They are valued by reference to indicative prices on the central bank (Bank of Tanzania) secondary market for government papers.

Derivatives are valued using a valuation technique of market approach that uses interest rate curves and discounted cash flows.

##### Level 3:

Equity investments relates to investment in Tanzania Mortgage Refinancing which is available for all banks in Tanzania only to invest in it. The investee is not listed. Fair value has not been determined as there is no most recent transaction price. Transaction price for the investee has not changed since its inception. The equity investment is carried at cost – TZS 1,316 Million (2020: TZS 1,316 Million, 2019: TZS 1,000 Million). The investment is not impaired. The Bank intends to hold the security long term.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

b) Fair value hierarchy of assets and liabilities held at fair value

Fair value hierarchy

	Level 2 TZS Million	Total TZS Million
<b>2021</b>		
<b>Recurring fair value measurements</b>		
<b>Financial Assets</b>		
<i>Fair value through profit or loss - held for trading</i>		
Trading portfolio	40 430	40 430
	<b>40 430</b>	<b>40 430</b>
<i>Fair value through profit and loss</i>		
Derivative assets	594	594
	<b>594</b>	<b>594</b>
<i>Fair value through other comprehensive income</i>		
Investment securities	324 069	324 069
	<b>324 069</b>	<b>324 069</b>
<b>2020</b>		
<b>Recurring fair value measurements</b>		
<b>Financial Assets</b>		
<i>Fair value through profit or loss - held for trading</i>		
Trading portfolio	47 591	47 591
	<b>47 591</b>	<b>47 591</b>
<i>Fair value through profit and loss</i>		
Derivative assets	2 028	2 028
	<b>2 028</b>	<b>2 028</b>
<i>Fair value through other comprehensive income</i>		
Investment securities	376 275	376 275
	<b>376 275</b>	<b>376 275</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

##### c) Fair value hierarchy of assets and liabilities held at fair value

2019	Level 2 TZS Million	Total TZS Million
<b>Recurring fair value measurements</b>		
<b>Financial Assets</b>		
<i>Fair value through profit or loss - held for trading</i>		
Trading portfolio	25,815	25,815
	<b>25,815</b>	<b>25,815</b>
<i>Fair value through profit and loss</i>		
Derivative assets	1138	1138
	<b>1138</b>	<b>1138</b>
<i>Fair value through other comprehensive income</i>		
Investment securities	381126	381126
	<b>381126</b>	<b>381126</b>

#### 37. RELATED PARTIES

##### Identification of related parties

The parent holding company of the Bank is Absa Group Limited, incorporated in South Africa.

The Bank has no investments in subsidiaries, joint ventures or associates. The names of directors are listed in the directors' report.

##### Transactions with related parties

The Bank expensed the sum of TZS 3,080 million during the year which were accrued but not paid (2020: TZS 3,283 million, 2019: TZS 4,492 million) as fees due to Absa Bank Limited for technical assistance agreement and transaction agreement "Condor".

The Bank earned a net interest income of TZS 321 million (2020: TZS 771 million, 2019: TZS 1,174 million) in respect balances held with related parties mainly from fellow subsidiaries.

The Bank maintains banking facilities with Absa Bank Limited and other subsidiaries of Absa Bank Limited for transactional and trading purposes.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 36. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

##### c) Fair value hierarchy of assets and liabilities held at fair value

2019	Level 2 TZS Million	Total TZS Million
<b>Recurring fair value measurements</b>		
<b>Financial Assets</b>		
<i>Fair value through profit or loss - held for trading</i>		
Trading portfolio	25,815	25,815
	<b>25,815</b>	<b>25,815</b>
 <i>Fair value through profit and loss</i>		
Derivative assets	1138	1138
	<b>1138</b>	<b>1138</b>
 <i>Fair value through other comprehensive income</i>		
Investment securities	381126	381126
	<b>381126</b>	<b>381126</b>

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The Bank maintains banking facilities with Absa Bank Limited and other subsidiaries of Absa Bank Limited for transactional and trading purposes.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 37. RELATED PARTIES

At 31 December the following balances were outstanding:

	Current amount receivable TZS Million	Current amounts payable TZS Million
<b>2021</b>		
Absa Bank Limited (nostro/ vostro)	1 482	74
Absa Bank Kenya Limited (nostro)	-	21
Absa Bank Uganda Limited (nostro)	17	-
Absa Bank Tanzania Limited (placement)	-	-
Absa Bank Limited (placement)	4 338	
Absa Bank Mauritius Onshore (placement)	8 662	
	<b>14 499</b>	<b>95</b>
<b>2020</b>		
Absa Bank Limited (nostro)	2 069	113
Absa Bank Kenya Limited (nostro)	27	-
Absa Bank Uganda Limited (nostro)	1	-
Absa Bank Tanzania Limited (placement)	5 000	-
Absa Bank Limited (placement)	15 829	-
	<b>22 926</b>	<b>113</b>
<b>2019</b>		
Absa Bank Limited (Nostro)	3131	-111
Absa Bank Kenya Limited (Nostro)	17	-
Absa Bank Uganda Limited (Nostro)	1	-
Absa Bank Tanzania Limited (Placement)	20 004	-
Absa Bank Limited (Placement)	16 139	-
	<b>39 292</b>	<b>-111</b>

Nostro bank account refers to a bank account held in a foreign country by National Bank of Commerce Limited. Vostro bank account refers to a bank account of a foreign bank maintained at National Bank of Commerce Limited.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 37. RELATED PARTIES

##### Key management loans and deposits

	Current amounts receivables TZS Million	Current amounts payable TZS Million
<b>2021</b>		
<b>Loans</b>		
Loans outstanding at 1 January	1 849	-
Loans issued during the year	1 749	-
Loan repayments during the year	-406	-
<b>Deposits</b>		
Deposits at 1 January	-	165
Deposits received during the year	-	5 378
Deposits repaid during the year	-	(5 138)
	<b>3 192</b>	<b>405</b>
<b>2020</b>		
<b>Loans</b>		
Loans outstanding at 1 January	1 030	-
Loans issued during the year	1 084	-
Loan repayments during the year	-265	-
<b>Deposits</b>		
Deposits at 1 January	-	110
Deposits received during the year	-	5 609
Deposits repaid during the year	-	(5 554)
	<b>1 849</b>	<b>165</b>
<b>2019</b>		
<b>Loans</b>		
Loans outstanding at 1 January	791	-
Loans issued during the year	1 212	-
Loan repayments during the year	-973	-
<b>Deposits</b>		
Deposits at 1 January	-	161
Deposits received during the year	-	9 335
Deposits repaid during the year	-	(9 386)
	<b>1 030</b>	<b>110</b>



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 37. RELATED PARTIES (CONTINUED)

##### Key management loans and deposits

	Remuneration TZS Million	Pension: paid to funds TZS Million	Total TZS Million
<b>2021</b>			
<i>Directors compensation</i>			
Anthony De La Rue	45	-	45
Daniel Johannes Brits	42	-	42
David Dulal-Whiteway	36	-	36
Dr. Kassim Hussein	47	-	47
Dr Elirehema Joshua Doriye	12	-	12
Felix Mlaki	51	-	51
Godfrey Malekano	72	-	72
	<b>305</b>	<b>-</b>	<b>305</b>
<b>Key management compensation</b>			
Salaries and other short-term benefits	4 049	649	4 698
	<b>4 354</b>	<b>649</b>	<b>5 003</b>
<b>2020</b>			
<i>Directors compensation</i>			
Anthony De La Rue	36	-	36
David Dulal-Whiteway	36	-	36
Daniel Johannes Brits	35	-	35
Dr. Kassim Hussein	51	-	51
Felix Mlaki	8	-	8
Francis Mwakapalila	72	-	72
Godfrey Malekano	34	-	34
	<b>272</b>	<b>-</b>	<b>272</b>
<b>Key management compensation</b>			
Salaries and other short-term benefits	3 747	609	4 356
	<b>4 019</b>	<b>609</b>	<b>4 628</b>
<b>2019</b>			
<i>Directors compensation</i>			
Anthony De La Rue	48	-	48
David Dulal- Whiteway	43	-	43
Daniel Johannes Brits	46	-	46
Dr. Kassim Hussein	71	-	71
Francis Mwakapalila	72	-	72
Shogholo Msangi	21	-	21
Godfrey Malekano	6	-	6
	<b>307</b>	<b>-</b>	<b>307</b>
<b>Key management compensation</b>			
Salaries and other short term benefits	3 186	478	3 664
	<b>3 493</b>	<b>478</b>	<b>3 971</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 37. RELATED PARTIES (CONTINUED)

No provisions have been made in respect of loans given to related parties (2020: Nil, 2019: Nil). The loans issued to directors and key management during the year were unsecured. There were no loans issued to non-executive directors. Loans issued to the executive directors and key management are in line with those provided to other employees in accordance with the Banks policy. The Bank offers ordinary loans and mortgage loans to staff at a rate of 7.5% and 12.5% per annum respectively, in the average period of 5 years. The loans are initially recognised at fair value and the difference is taken to a prepaid employee expense which is included in sundry assets and is expensed over the term of the loan.

None of the non-executive directors had deposits.

#### 38. CAPITAL COMMITMENTS AND CONTINGENCIES

##### Contingent liabilities

	2021 TZS Million	2020 TZS Million	2019 TZS Million
<i>Exposure on guarantee and indemnities</i>	113 573	132 515	211 029
<i>Exposure on letters of credit</i>	126 522	117 256	168 283
<i>Undrawn formal stand by, unutilised overdraft facilities and other commitment to lend</i>	45 696	45 903	79 674
<i>Tax liabilities from open tax positions</i>	-	13 900	19 900
	<b>285 791</b>	<b>309 574</b>	<b>478 886</b>
 <i>Committed capital expenditure</i>	 17 631	 23 925	 29 231
	<b>17 631</b>	<b>23 925</b>	<b>29 231</b>

##### Legal suits

There are pending litigations against the Bank ( other than those relating to tax disputes) with claims totalling of TZS 51.1 billion ( 2020: TZS 55.5 billion, 2019: TZS 18 billion) . A provision of TZS 2.7 billion ( 2020: TZS 2.5 billion, 2019: TZS 2.3 billion) which represent the likely loss has been made.

##### Ring-fenced assets

There are delinquent accounts which were taken over by the Government of Tanzania during the split of the Bank. They are managed by the Bank on behalf of the government and the Bank is paid collection commission to that effect.

#### 39. LEASES

##### a) Leases as lessee

The Bank leases a number of branch and office premises. The leases typically run for a period of 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The Bank also leases IT equipment with contract terms of one to three years. These leases are short-term and/or leases of low-value items. The Bank has elected not to recognise right- of-use assets and lease liabilities for these leases.

Information about leases for which the Bank is a lessee is presented below.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 39. LEASES (CONTINUED)

##### i. Right-of-use assets

Right-of-use assets relate to leased branch and office premises that are presented within property and equipment (see Note 20).

Branches and office premises.

	2021 TZS Million	2020 TZS Million	2019 TZS Million
Balance at 1 January	10 288	11 510	
Depreciation charge for the year	(4 871)	(4 463)	(3,370)
Additions	2 300	4 587	12,071
Disposals	-	(1 346)	-
Balance at 31 December	<b>7 717</b>	<b>10 288</b>	<b>11,510</b>

See Note 35.6 for maturity analysis of lease liabilities as at 31 December 2021.

At 31 December 2021, the future minimum lease payments under non-cancellable operating leases were payable as follows.

	2021 TZS Million	2020 TZS Million	2019 TZS Million
<b>Maturity analysis</b>			
Non-cancellable operating lease commitments			
Less than one year	490	1 661	2 558
Between one and five years	8 756	12 181	8 377
Total undiscounted lease liabilities at 31 December	<b>9 246</b>	<b>13 842</b>	<b>10 935</b>

##### ii. Amounts recognised in profit or loss

	2021 TZS million	2020 TZS million	2019 TZS million
Leases under IFRS 16			
Interest on lease liabilities	835	941	709
Expenses relating to short-term leases	519	2 464	1 681
Expenses relating to leases of low-value assets, excluding short-term leases of low value assets	625	224	215
	<b>1 979</b>	<b>3 629</b>	<b>2 605</b>

##### iii. Amounts recognised in statement of cash flows

	2021 TZS million	2020 TZS million	2019 TZS million
Total cash outflow for leases	4 713	3 328	4 341
	<b>4 713</b>	<b>3 328</b>	<b>4 341</b>

##### iv. Extension options

Some leases of office premises contain extension options exercisable by the Bank up to one year before the end of the non-cancellable contract period. Where practicable, the bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 39. LEASES (CONTINUED)

##### i. Right-of-use assets

Right-of-use assets relate to leased branch and office premises that are presented within property and equipment (see Note 20).

Branches and office premises.

	2021 TZS Million	2020 TZS Million	2019 TZS Million
Balance at 1 January	10 288	11 510	
Depreciation charge for the year	(4 871)	(4 463)	(3,370)
Additions	2 300	4 587	12,071
Disposals	-	(1 346)	-
Balance at 31 December	<b>7 717</b>	<b>10 288</b>	<b>11,510</b>

See Note 35.6 for maturity analysis of lease liabilities as at 31 December 2021.

At 31 December 2021, the future minimum lease payments under non-cancellable operating leases were payable as follows.

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<b>Maturity analysis</b>			
Non-cancellable operating lease commitments			
Less than one year	490	1 661	2 558
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Total undiscounted lease liabilities at 31 December	<b>9 246</b>	<b>13 842</b>	<b>10 935</b>

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##### iii. Amounts recognised in statement of cash flows

	2021 TZS million	2020 TZS million	2019 TZS million
Total cash outflow for leases	4 713	3 328	4 341
	<b>4 713</b>	<b>3 328</b>	<b>4 341</b>

##### iv. Extension options

Some leases of office premises contain extension options exercisable by the Bank up to one year before the end of the non-cancellable contract period. Where practicable, the bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by the lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 39. LEASES (CONTINUED)

##### b) Leases as lessor

The Bank leases out its investment property. The Bank has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

(i) Rental income recognised by the Bank during the year ended 31 December 2021 was TZS 328 million (2020: TZS 987 million, 2019: TZS 951 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

Gross investment in finance leases, receivable

	2021 TZS million	2020 TZS million	2019 TZS million
<i>Less than one year</i>	348	436	-
<i>Between one and two years</i>	343	283	438
<i>Between two and three years</i>	136	376	1,542
<i>Between three and four years</i>	161	148	226
<i>Between four and five years</i>	-	556	436
	<b>988</b>	<b>1 799</b>	<b>2,642</b>
<i>Unearned finance income</i>	(321)	(303)	(295)
<b>Net investment in finance leases</b>	<b>667</b>	<b>1 496</b>	<b>2,347</b>

Gross investment in finance leases, receivable

	2021 TZS Million	2020 TZS Million
<i>Commission income</i>	3 854	2 861
<i>Operating expenses</i>		
<i>Staff cost</i>	529	438
<i>Utilities</i>	10	4
<i>Infrastructure expenses</i>	1	2
<i>Other operating expenses</i>	<b>134</b>	<b>64</b>
	674	508
<b>Net profit</b>	<b>3 180</b>	<b>2 353</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 40. BANCASSURANCE OPERATING SEGMENT

See accounting policy in Note 4.17.

The Bank conducts Bancassurance Business in accordance with the Bancassurance guidelines for Banks and financial institutions, 2019. Through partnership with reliable insurance companies, the Bank enables customers to conveniently access a wide range of insurance products including life, general, and health. Insurance services and products are available across the branch network for both NBC customers and non-customers from ten Insurance Companies which are Jubilee Life, Jubilee General, Sanlam Life, Sanlam General, Alliance General, Britam, Strategies, National Insurance Corporation, ICEA LION and Heritage Insurance Company Limited. The covers are mainly Motor, Health Insurance, Property, Life, Education, Bonds and Agriculture Insurance and other Commercial line products.

In accordance with the Bancassurance guidelines for Banks and financial institutions, 2019 the Bank is required to separately disclose in their notes to annual financial statements the income and expenses associated with the provision of bancassurance services.

During the year ended 31 December 2021 the Bank recognized in the statement of profit or loss and other comprehensive income a profit of TZ 3.9 billion (2020: TZS 2.9 billion, 2019: Nil) being commission from bancassurance business. In generating this income, the Bank incurred a cost amounting to TZS 674 million (2020: 508 million, 2019: Nil) which include staff cost and other operating expenses.

#### 41. EVENTS AFTER THE REPORTING DATE

Russia-Ukraine conflict has significantly increased already high levels of global uncertainty and is expected to impact global markets, outlooks and the expectations of the markets in which the Bank operates. This is expected to materially heighten risks faced by financial market participants and the global and domestic economies. Active monitoring of the events unfolding in Europe and continuous assessments of the entity's exposure and potential risks, both direct and indirect, is ongoing as the impact on various markets will not be uniform. Sensitivity to energy inflation and certain commodity prices will be elevated and are being monitored. The entity has assessed that its direct exposure to Russia is currently negligible. The entity's focus remains on proactive risk and capital management to positively position itself as the spill over impact of the conflict unfolds. Risks are actively identified, and the consolidated response monitored to ensure effective implementation achieving the targeted result. Scenario analyses is used in the early detection of potential areas of weakness and to assess response effectiveness.



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# KEY FINANCIAL RATIOS

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### KEY FINANCIAL RATIOS

	<b>Note</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<i>Earnings before Interest and taxes (EBIT) cover</i>	4.1	31.9:1	2.8:1	8:1
<i>Operating cash flow to debt to total debt cash ratio</i>	4.2	(178%)	39%	(105%)
<i>Free cash flow to total debt percentage</i>	4.3	213%	191%	174%
<i>Total free cash flow to total short term debt obligation</i>	4.4	N/A	N/A	N/A
<i>Net profit margin</i>	4.5	14%	(11%)	9%
<i>Post tax return (before financing cost) on capital employed</i>	4.6	13%	(7%)	9%
<i>Long term debt to capital employed ratio</i>	4.7	10%	11%	11%
<i>Total debt to equity ratio</i>	4.8	11%	12%	12%
<i>Funds from operation to debt percentage</i>	4.9	(178%)	39%	(105%)
<i>Free cash flow to debt repayment cover</i>	4.1	35.1:1	18:01	10.2:1

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### KEY FINANCIAL RATIOS

#### NOTES OF THE KEY FINANCIAL RATIOS

##### 1. SOURCE OF THE FINANCIAL INFORMATION FOR COMPUTATION OF RATIOS

The financial information used for computing the historical ratios has been extracted from the annual audited financial statements of the National Bank of Commerce.

##### 2. FORMULA USED IN COMPUTING RATIOS AS PER CMSA GUIDELINES

(a) Earnings before interest and taxes (EBIT) interest cover  $\text{EBIT interest cover} = \text{EBIT for the period} / (\text{interest payable for the period} + \text{any preference dividend payable for the period})$

(b) Operating cash flow to total debt percentage  $\text{Operating cash flow to total debt ratio} = (\text{funds generated from operations in the period} / \text{average total debt during the period}) \times 100\%$

(c) Free Cash flow to total debt percentage  $\text{Free cash flow to total debt} = (\text{free cash flows for the period} / \text{average total debt during the period}) \times 100\%$

(d) Total free cash flow to total short term debt obligations  $\text{Total free cash flow to total short-term debt obligation} = (\text{total uncommitted cash flows for the period} / \text{total short-term debt obligations at the end of the period}) \times 100\%$

(e) Net profit margin  $\text{Net profit margin} = (\text{net profit for the period} / \text{total sales for the period}) \times 100\%$

(f) Post-tax return (before financing costs) on capital employed  $\text{Post-tax return (before financing costs)} = (\text{profit after tax but before financing costs for the period} / \text{average capital employed for the period}) \times 100\%$

(g) Long-term debt to capital employed ratio  $\text{Long-term debt to capital employed ratio} = (\text{average long-term debt outstanding during the period} / \text{average equity} + \text{average long-term debt for the period})$

(h) Total debt to equity ratio  $\text{Total debt to equity ratio} = (\text{average short-term debt outstanding} + \text{average long term debt outstanding during the period}) / \text{average equity for the period}$

(i) Funds from operations to debt percentage  $\text{Funds from operations to debt} = (\text{funds generated from operations in the period} / \text{average total debt during the period}) \times 100\%$

(j) Free cash flow to debt repayment cover  $\text{Free cash flow to debt repayment cover} = (\text{free cash flow for the period}) / (\text{interest payable} + \text{preference dividend} + \text{principal repaid during the period})$

##### 3. EXPLANATION OF COMPONENTS OF THE RATIOS BASED ON CMSA REQUIREMENTS

(a) Average over the period is defined as the average of the opening and closing balances for that period.

(b) Earnings Before Interest and Tax (EBIT) is after interest earned and income from investments during the period.

(c) Interest payable for the period is defined as interest payable on all long-term and short-term debts for the period (i.e. interest paid and accrued).

(d) Free cash flow is defined as operating cash flow for the period less income tax paid and net capital investment.

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### KEY FINANCIAL RATIOS

#### NOTES OF THE KEY FINANCIAL RATIOS

#### 4. COMPUTATION OF THE KEY FINANCIAL RATIO

##### 4.1. Earnings before Interest and taxes (EBIT) cover

	2021 TZS'Million	2020 TZS'Million	2019 TZS'Million
<b>Earnings before interest and tax:</b>			
Profit before tax	60 056	6 296	38 709
Interest on subordinated loan	1 945	3 423	5 572
	<b>62 001</b>	<b>9 719</b>	<b>44 281</b>
<b>Interest payable for the period:</b>			
Interest expense during the year	1 945	3 423	5,572
Preference dividend	-	-	-
	<b>1 945</b>	<b>3,423</b>	<b>5,572</b>
EBIT cover ratio	<b>31.9:1</b>	<b>2.8:1</b>	<b>8:01</b>

##### 4.2. Operating cash flow to debt to total debt cash ratio

<b>Funds generated from operation in the period:</b>			
Net cash (used in) / generated by operating activities	(56 961)	12 552	(34 344)
<b>Average total debt during the year</b>			
Opening balance of subordinated loan- 1 Jan	31 997	32 298	33 404
Closing balance of subordinated loan- 31 December	32 067	31 997	32 298
	<b>32 032</b>	<b>32 148</b>	<b>32 851</b>
Operating cash flow to debt to total debt cash ratio	<b>(178%)</b>	<b>39%</b>	<b>(105%)</b>

##### 4.3. Free cash flow to total debt percentage

<b>Free cash flow for the period:</b>			
Profit before tax	60 056	6 296	38 709
Total non-cash-items	79 940	54,130	57 700
Change in working capital	(36 004)	26 465	(16 015)
<b>Operating cash flow</b>	<b>103,992</b>	<b>86,891</b>	<b>80 394</b>
Income tax paid	(20 122)	(12 972)	(17 100)
<b>Net Investment:</b>			
Purchase of property and equipment	(9 533)	(10 754)	(4 380)
Purchase of intangible assets	(6 100)	(1 614)	(1 881)
	<b>68 237</b>	<b>61 551</b>	<b>57 033</b>
<b>Average total debt during the year</b>			
Opening balance of subordinated loan- 1 Jan	31 997	32,298	33 404
Closing balance of subordinated loan- 31 December	32 067	31 997	32 298
	<b>32 032</b>	<b>32 148</b>	<b>32 851</b>
Free cash flow to total debt percentage	<b>213%</b>	<b>191%</b>	<b>174%</b>

# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### KEY FINANCIAL RATIOS

#### NOTES OF THE KEY FINANCIAL RATIOS

#### 4. COMPUTATION OF THE KEY FINANCIAL RATIO (CONTINUED)

##### 4.4. Total free cash flow to total short term debt obligation

	2021 TZS'Million	2020 TZS'Million	2019 TZS'Million
<b>Total uncommitted cash flow for the period:</b>			
Free cash flow	68 237	61 551	57 033
Interest on subordinated loan	1,945	3 423	5 572
	<b>70 182</b>	<b>64 974</b>	<b>62 605</b>
Total short term debt obligation at the end of the period	-	-	-
Total free cash flow to total short term debt obligation	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

##### 4.5. Net profit margin

<b>Net profit for the period:</b>			
Total comprehensive income / (loss) for the year, net of tax	40 021	(23 291)	22 652
<b>Total sales:</b>			
Interest income calculated using the effective interest method	184 936	163 616	156 117
Fee and commission income	48 218	43 595	44 011
Net trading income	17 949	21 627	26 141
Dividend income	40	12	17
	<b>291,164</b>	<b>205,559</b>	<b>248,938</b>
<b>Net profit margin</b>	<b>14%</b>	<b>11%</b>	<b>9%</b>

##### 4.6. Post tax return (before financing cost) on capital employed

<b>Profit after tax but before Financing costs for the period:</b>			
Profit after tax	40 021	(23,291)	22,652
Finance cost (Interest expenses)	1,945	3 423	5,572
	<b>41,966</b>	<b>(19,868)</b>	<b>28,224</b>
<b>Average capital employed for the period:</b>			
Average Equity:			
<b>Opening balance of equity- 1 Jan</b>	262 151	283 150	268 083
Closing balance of equity- 31 December	301 085	262 151	283,150
	<b>281,618</b>	<b>272,651</b>	<b>275,617</b>
Average debt:			
<b>Opening balance of subordinated loan- 1 Jan</b>	31 997	32,298	33 404
Closing balance of subordinated loan- 31 December	32 067	31 997	32 298
	<b>32,032</b>	<b>32 148</b>	<b>32 851</b>
Average capital employed for the period	<b>313 650</b>	<b>304 798</b>	<b>308 468</b>
<b>Post tax return (before financing cost) on capital employed</b>	<b>13%</b>	<b>(7%)</b>	<b>(9%)</b>



# NATIONAL BANK OF COMMERCE LIMITED

## HISTORICAL FINANCIAL INFORMATION COMPILATION REPORT

### KEY FINANCIAL RATIOS

#### NOTES OF THE KEY FINANCIAL RATIOS

#### 4. COMPUTATION OF THE KEY FINANCIAL RATIO (CONTINUED)

##### 4.7. Long term debt to capital employed ratio

	2021 TZS'Million	2020 TZS'Million	2019 TZS'Million
Average debt	32 032	32 148	32 851
Average capital employed	313 650	304 798	308 468
<b>Long term debt to capital employed ratio:</b>	<b>10%</b>	<b>11%</b>	<b>11%</b>

##### 4.8. Total debt to equity ratio

	2021 TZS'Million	2020 TZS'Million	2019 TZS'Million
Average debt	32 032	32 148	32 851
Average Equity	281 618	272 651	275 617
<b>Total debt to equity ratio</b>	<b>11%</b>	<b>12%</b>	<b>12%</b>

##### 4.9. Funds from operation to debt percentage

#### Profit after tax but before Financing costs for the period:

Funds from operation activities	(56 961)	12 552	(34 344)
Average debt	32 032	32 148	32 851
<b>Funds from operation to debt percentage</b>	<b>(178%)</b>	<b>39%</b>	<b>(105%)</b>

##### 4.10. 4.10. Free cash flow to debt repayment cover

Free cash flow	68 237	61 551	57 033
<b>Debt repayment:</b>			
Interest expenses	1945	3423	5572
Preference dividend	-	-	-
Principal repayment	-	-	-
	<b>1945</b>	<b>3423</b>	<b>5572</b>
<b>Opening balance of equity- 1 Jan</b>	<b>35.1:1</b>	<b>18:1</b>	<b>10.2:1</b>

**NATIONAL BANK OF COMMERCE LIMITED  
PROJECTED FINANCIAL INFORMATION  
FOR THE FIVE YEARS ENDING 31 DECEMBER  
2022, 2023, 2024, 2025, 2026 AND 2027**

NATIONAL BANK OF COMMERCE LIMITED  
PROJECTED FINANCIAL INFORMATION  
FOR THE FIVE YEARS ENDING 31 DECEMBER 2022, 2023, 2024, 2025, 2026 AND 2027

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Board of Directors  
National Bank of Commerce Limited  
New Bagamoyo Road  
PO Box 2929  
Dar es Salaam  
Tanzania

Dear Sirs,

## **REPORT ON EXAMINATION OF PROJECTED FINANCIAL INFORMATION FOR NATIONAL BANK OF COMMERCE LIMITED FOR THE FIVE YEARS ENDING 31 DECEMBER 2022, 2023, 2024, 2025, 2026 AND 2027**

We have examined the accompanying projected financial information of National Bank of Commerce Limited ("the Bank" or "NBC") for the five years ending 31 December **2022, 2023, 2024, 2025, 2026 and 2027** in accordance with the International Standard on Assurance Engagements applicable to the examination on pages 2 to 6 of prospective financial information - ISAE 3400.


Management is responsible for the preparation and fair presentation of the projected financial information including the accuracy of the assumptions on which they are based. Our responsibility is to issue a report on the financial projections based on our review.

This projection has been prepared for inclusion in the information memorandum for the Medium-Term Note (MTN) issue of the Bank. Consequently, readers are cautioned that this projection may not be appropriate for purposes other than that described above.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the financial projections. Further, in our opinion, the accompanying projections are properly prepared and presented in accordance with the accounting policies normally used by National Bank of Commerce Limited.

Even if the events anticipated under the hypothetical assumptions described above occur, actual results are likely to be different from the financial projections since anticipated events frequently do not occur as expected and the variation may be material.

**Deloitte & Touche**  
Certified Public Accountants (Tanzania)



1 November 2022

Signed by: F.J. Kibiki  
NBAA Registration No. ACPA 3214  
**Dar es Salaam**

**NATIONAL BANK OF COMMERCE LIMITED**  
**PROJECTED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FIVE YEARS ENDING 31 DECEMBER 2022, 2023, 2024, 2025, 2026 AND 2027**

	2027 Projected (full year) TZS Million	2026 Projected (full year) TZS Million	2025 Projected (full year) TZS Million	2024 Projected (full year) TZS Million	2023 Projected (full year) TZS Million	2022 Projected (full year) TZS Million	2022 Actual (6 months un-audited) TZS Million	2021 Actual - audited TZS Million
Interest income	405 008	338 372	294 673	256 343	232 337	212 080	102 210	184 936
Interest expense	(75 082)	(61 924)	(58 127)	(53 033)	(46 778)	(45 585)	(21 526)	(31 731)
<b>Net interest income</b>	<b>329 926</b>	<b>276 448</b>	<b>236 546</b>	<b>203 310</b>	<b>185 559</b>	<b>166 495</b>	<b>80 684</b>	<b>153 205</b>
Fee and commission income	138 130	109 424	85 855	68 634	55 012	45 871	25 083	48 218
Net trading income	49 448	41 443	34 933	29 599	25 227	23 808	13 400	17 949
Dividend income	57	53	45	45	44	44	-	40
<b>Total operating income</b>	<b>517 561</b>	<b>427 368</b>	<b>357 379</b>	<b>301 588</b>	<b>265 842</b>	<b>236 218</b>	<b>119 167</b>	<b>219 412</b>
Expected credit losses	(16 553)	(15 979)	(18 074)	(18 337)	(25 774)	(8 283)	4 804	(7 331)
<b>Net operating income</b>	<b>501 008</b>	<b>411 389</b>	<b>339 305</b>	<b>283 251</b>	<b>240 068</b>	<b>227 935</b>	<b>123 971</b>	<b>212 081</b>
Staff costs	(95 120)	(91 728)	(88 546)	(86 390)	(87 715)	(85 766)	(39 089)	(79 272)
Infrastructure costs	(27 770)	(26 980)	(26 237)	(25 737)	(25 599)	(25 844)	(12 446)	(22 456)
Administration and general expenses	(68 947)	(66 411)	(64 028)	(65 434)	(62 752)	(54 803)	(29 884)	(50 297)
<b>Operating expenses</b>	<b>(191 837)</b>	<b>(185 119)</b>	<b>(178 811)</b>	<b>(177 561)</b>	<b>(176 066)</b>	<b>(166 413)</b>	<b>(81 419)</b>	<b>(152 025)</b>
Profit before tax	309 171	226 270	160 494	105 690	64 002	61 522	42 552	60 056
Income tax charge	(92 751)	(67 881)	(48 149)	(31 707)	(19 201)	(14 247)	(8 407)	(20 035)
<b>Profit for the year</b>	<b>216 420</b>	<b>158 389</b>	<b>112 345</b>	<b>73 983</b>	<b>44 801</b>	<b>47 275</b>	<b>34 145</b>	<b>40 021</b>
<b>Other comprehensive income</b>								
Movement in fair value reserve FVOCI	(1 672)	(1 612)	(1 571)	(1 568)	(1 564)	(1 560)	5 220	(1 553)
Deferred tax	372	382	377	358	466	474	(1 566)	466
<b>Net fair value gain</b>	<b>(1 300)</b>	<b>(1 230)</b>	<b>(1 194)</b>	<b>(1 210)</b>	<b>(1 098)</b>	<b>(1 086)</b>	<b>3 654</b>	<b>(1 087)</b>
<b>Total comprehensive income for the year</b>	<b>215 120</b>	<b>157 159</b>	<b>111 151</b>	<b>72 773</b>	<b>43 703</b>	<b>46 189</b>	<b>37 799</b>	<b>38 934</b>

**NATIONAL BANK OF COMMERCE LIMITED**  
**PROJECTED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2022, 2023, 2024, 2025, 2026 AND 2027**

	31 DEC 2027 Projected TZS Million	31 DEC 2026 Projected TZS Million	31 DEC 2025 Projected TZS Million	31 DEC 2024 Projected TZS Million	31 DEC 2023 Projected TZS Million	31 DEC 2022 Projected TZS Million	30 JUN 2022 Actual TZS Million	31 DEC 2021 Actual TZS Million
<b>Assets</b>								
Cash and balances at central bank	383 480	397 233	354 024	335 990	312 031	354 750	387 809	271 923
Trading portfolio assets	135 617	131 087	108 113	96 530	86 187	67 570	75 970	40 430
Derivative financial instruments	669	668	667	666	611	610	853	594
Loans and advances to banks	80 435	66 792	52 019	48 740	40 491	41 444	157 956	66 105
Loans and advances to customers	3 583 269	3 019 662	2 546 888	2 177 229	1 876 030	1 595 680	1 425 197	1 384 488
Financial assets at fair value through OCI	853 595	692 044	628 980	605 631	473 083	387 683	372 614	324 069
Current tax asset	9 891	9 877	9 862	9 847	9 556	9 542	12 714	10 662
Property and equipment	50 810	51 630	52 816	52 737	52 399	52 321	48 402	48 660
Intangible assets	10 878	11 018	11 191	11 174	11 098	11 081	11 703	8 021
Deferred tax asset	19 324	19 292	19 264	19 236	18 806	18 778	12 914	19 285
Other receivables	115 079	114 907	114 735	114 563	113 993	113 822	113 095	93 263
<b>Total assets</b>	<b>5 243 047</b>	<b>4 514 210</b>	<b>3 898 559</b>	<b>3 472 343</b>	<b>2 994 285</b>	<b>2 653 281</b>	<b>2 619 227</b>	<b>2 267 500</b>
<b>Equity and liabilities</b>								
<b>Liabilities</b>								
Deposits from banks	211 298	181 298	191 298	216 586	186 284	233 352	158 809	219 379
Deposits from customers	3 834 133	3 341 242	2 853 404	2 527 089	2 183 719	1 877 389	1 967 668	1 596 505
Subordinated debt	31 250	31 250	31 250	31 250	31 250	31 250	32 049	32 067
Medium Term Note	270 000	230 000	180 000	130 000	80 000	30 000	-	-
Provisions	7 183	7 173	6 939	6 929	6 877	7 071	4 100	5 463
Trade and other payables	150 692	128 785	146 814	146 548	141 663	139 610	129 716	110 838
<b>Total liabilities</b>	<b>4 505 911</b>	<b>3 921 101</b>	<b>3 411 056</b>	<b>3 059 751</b>	<b>2 631 030</b>	<b>2 319 907</b>	<b>2 293 580</b>	<b>1 966 415</b>
<b>Capital and reserves</b>								
Share capital	15 700	15 700	15 700	15 700	15 700	15 700	15 700	15 700
Share premium	71 300	71 300	71 300	71 300	71 300	71 300	71 300	71 300
Fair value reserves	4 414	4 400	4 386	4 372	4 357	4 344	7 718	4 330
Retained income	645 722	501 709	396 117	321 220	271 898	242 030	230 929	209 755
<b>Total equity</b>	<b>737 136</b>	<b>593 109</b>	<b>487 503</b>	<b>412 592</b>	<b>363 255</b>	<b>333 374</b>	<b>325 647</b>	<b>301 085</b>
<b>Total equity and liabilities</b>	<b>5 243 047</b>	<b>4 514 210</b>	<b>3 898 559</b>	<b>3 472 343</b>	<b>2 994 285</b>	<b>2 653 281</b>	<b>2 619 227</b>	<b>2 267 500</b>



**NATIONAL BANK OF COMMERCE LIMITED**  
**PROJECTED STATEMENT OF CASH FLOWS**  
**FOR THE FIVE YEARS ENDING 31 DECEMBER 2022, 2023, 2024, 2025, 2026 AND 2027**

	2027 Projected (full year) TZS Million	2026 Projected (full year) TZS Million	2025 Projected (full year) TZS Million	2024 Projected (full year) TZS Million	2023 Projected (full year) TZS Million	2022 Projected (full year) TZS Million	2022 Actual (6 months un-audite TZS Million	2021 Actual audited TZS Million
<b>Cash flows from operating activities</b>								
Profit after tax	216 420	158 389	112 345	73 983	44 801	47 275	34 145	40 021
Adjustments for:								
Depreciation of plant property and equipment	9 995	10 156	10 390	10 374	10 308	10 292	5 123	9 572
Amortization of Intangibles	1 428	1 446	1 469	1 467	1 457	1 455	955	1 053
Loss on translation of subordinated debt	(190)	(190)	(190)	(190)	(190)	(190)	-	(190)
Impairment on loans and advances	16 553	15 979	18 074	18 337	25 774	8 284	(4 804)	7 331
Impairment on investments at FVOCI	285	272	259	247	235	224	266	213
Interest cost on subordinated loan	28 855	24 039	19 225	14 413	9 603	2 658	799	1 945
Tax expenses	92 751	67 881	48 148	31 707	19 201	14 247	8 406	20 035
Dividends on equity securities at FVOCI	(57)	(53)	(45)	(45)	(44)	(44)	-	(40)
	<b>366 040</b>	<b>277 919</b>	<b>209 675</b>	<b>150 293</b>	<b>111 145</b>	<b>84 201</b>	<b>44 890</b>	<b>79 940</b>
<b>Changes in:</b>								
Financial assets at FVOCI	(161 552)	(63 063)	(23 349)	(132 547)	(85 400)	(63 614)	(48 545)	373 179
Derivative financial assets	(1)	(1)	(1)	(55)	(1)	(16)	(259)	(322 041)
Loans and advances to banks	(13 643)	(14 773)	(37 650)	(51 782)	(37 167)	24 661		-
Loans and advances to customers	(547 053)	(456 795)	(351 585)	(282 862)	(254 577)	(202 908)	(45 513)	(288 841)
Other receivables	(172)	(172)	(172)	(570)	(171)	(20 559)	1 376	6 022
Deposit from banks	10 000	(10 000)	(25 288)	30 302	(47 067)	13 973	(60 570)	29 466
Deposit from customers	512 391	487 838	326 315	343 370	306 329	280 885	371 163	92 025
Derivative financial liabilities	2	2	2	111	2	(928)	(925)	(504)
Provisions	11	234	10	53	(193)	1 607	(1 363)	804
Trade and other payables	21 907	(18 029)	267	4 885	2 053	18 826	18 878	(21 487)
Statutory minimum reserve	17 119	292	15 009	14 027	13 109	24 427	(31 301)	8 272
Trading portfolio assets	(4 530)	(22 974)	(11 584)	(10 342)	(18 617)	(27 140)	(35 540)	7 161
	<b>200 519</b>	<b>180 478</b>	<b>101 649</b>	<b>64 883</b>	<b>(10 555)</b>	<b>133 415</b>	<b>212 291</b>	<b>(36 004)</b>
Interest paid	(2,328)	(1 528)	(1 330)	(1 157)	(1 049)	(958)	(414)	(835)
Tax paid	(157 159)	(111 152)	(72 773)	(43 703)	(46 189)	(38 934)	(10 458)	(20 122)
<b>Net cash generated by operating activities</b>	<b>41 032</b>	<b>67 798</b>	<b>27 546</b>	<b>20 023</b>	<b>(57 793)</b>	<b>93 523</b>	<b>201 419</b>	<b>(56 961)</b>

**NATIONAL BANK OF COMMERCE LIMITED**  
**PROJECTED STATEMENT OF CASH FLOWS (CONTINUED)**  
**FOR THE FIVE YEARS ENDING 31 DECEMBER 2022, 2023, 2024, 2025, 2026 AND 2027**

	2027 Projected (full year) TZS Million	2026 Projected (full year) TZS Million	2025 Projected (full year) TZS Million	2024 Projected (full year) TZS Million	2023 Projected (full year) TZS Million	2022 Projected (full year) TZS Million	2022 Actual (6 months un-audited TZS Million	2021 Actual - audited TZS Million
<b>Net cash generated by operating activities</b>	<b>41 032</b>	<b>67 798</b>	<b>27 546</b>	<b>20 023</b>	<b>(57 793)</b>	<b>93 523</b>	<b>201 419</b>	<b>(56 961)</b>
<b>Cash flows from investing activities</b>								
Purchase of property and equipment	(9 175)	(8 970)	(10 469)	(10 711)	(10 386)	(13 953)	(4 865)	(9 533)
Purchase of intangible assets	(1 288)	(1 274)	(1 486)	(1 543)	(1 474)	(4 515)	(4 637)	(6 100)
<b>Net cash utilised in investing activities</b>	<b>(10 463)</b>	<b>(10 244)</b>	<b>(11 955)</b>	<b>(12 254)</b>	<b>(11 860)</b>	<b>(18 468)</b>	<b>(9 502)</b>	<b>(15 633)</b>
<b>Cash flows from financing activities</b>								
Proceeds from Medium Term Note	40 000	50 000	50 000	50 000	50 000	30 000	-	-
Interest paid on subordinated debt	(1 685)	(1 685)	(1 685)	(1 685)	(1 685)	(1 685)	(817)	(1 685)
Dividend payment	(72 256)	(52 796)	(37 448)	(24 661)	(14 934)	(15 000)	(12 971)	-
Payment of principal portion of lease liabilities	(11 376)	(9 864)	(8 423)	(7 460)	(6 447)	(5 542)	(1 693)	(4 713)
<b>Net cash utilized in financing activities</b>	<b>(45 317)</b>	<b>(14 345)</b>	<b>2444</b>	<b>16 194</b>	<b>26 934</b>	<b>7 773</b>	<b>(15 481)</b>	<b>(6 398)</b>
<b>Net change in cash and cash equivalents</b>	<b>(13 750)</b>	<b>43 209</b>	<b>18 035</b>	<b>23 963</b>	<b>(42 719)</b>	<b>82 828</b>	<b>176 436</b>	<b>(78 992)</b>
Cash and cash equivalents at beginning of the year	397 233	354 024	335 990	312 031	354 750	271 923	238 184	317 176
<b>Cash and cash equivalents at end of the year</b>	<b>383 483</b>	<b>397 233</b>	<b>354 025</b>	<b>335 994</b>	<b>312 031</b>	<b>354 751</b>	<b>414 620</b>	<b>238 184</b>
Cash and cash equivalents comprise the following:								
Cash balance	521 284	354 024	335 990	312 031	354 750	271 923	387 809	317 176
Statutory Minimum Reserve	(262 655)	(245 475)	(229 415)	(214 404)	(200 381)	(187 271)	(131 145)	(196 584)
Balances with central bank	21 353	19 773	15 143	28 715	29 956	36 480	-	44 535
Balances with other banks	103 501	268 911	232 307	209 652	127 706	233 619	157 956	73 057
<b>Cash and cash equivalents</b>	<b>383 483</b>	<b>397 233</b>	<b>354 025</b>	<b>335 994</b>	<b>312 031</b>	<b>354 751</b>	<b>414 620</b>	<b>238 184</b>

# NATIONAL BANK OF COMMERCE LIMITED

## KEY ASSUMPTIONS USED IN THE PROJECTED FINANCIAL INFORMATION

### FOR THE FIVE YEARS ENDING 31 DECEMBER 2022, 2023, 2024, 2025, 2026 AND 2027

The key assumptions used in the projected financial information for the years ending 31 December 2022, 2023, 2024, 2025, 2026 and 2027 are set out below:

#### Macro and Industry specific assumptions

- The macroeconomic impact has been mostly evidenced by record high inflation and rapidly increasing interest rates. The Country Risk baseline view is that prevailing global conditions (that is: Russia-Ukraine ongoing conflict and resulting global supply chain pressures) are likely to persist over the near term.
- The local market has been facing the foreign exchange liquidity challenge for the best part of financial year 2022, the view is that prevailing global conditions exert pressure on tourism activity (important for foreign currency generation). This coupled with a higher import bill implies that dollar demand will outstrip supply.
- From a monetary policy perspective, Tanzania's monetary policy has remained accommodative. Headline inflation remains broadly contained compared to peers. However, rising food and oil inflationary pressures may lead to higher interest rates – although banks' view is that this is likely to be more gradual compared to other countries that have already started with their hiking cycle, to anchor inflation expectations, the central bank might be forced to increase interest rates, and this is a narrative that has been expressed from the MPC meeting.
- Growth in credit to private sector continues to be strong, at 9.9% in 2021/2022, broadly in line with the target of at least 10.6%; and fiscal operations were on track, with the revenue collections recovering consistent with economic activities and improved tax compliance. The Bank of Tanzania continues to implement accommodative measures for growth in future.

#### Interest Rates assumptions

Short term rates (0-12 months)

- Given the increase in inflationary pressure, the Bank does not foresee a further decline in the short-term rates, but rather a bottom-up view of the rates with marginal increases in financial year 2023. The view is also supported by the June 2022 MPC as the Bank of Tanzania looks to contain rising inflation to safeguard the stability of the financial sector and the recovery of the economy.

Long term rates (2 Years- 20 Years)

- Similar to the short-term rate view, long term rates are expected to gradually increase in cognizant of the looming inflationary pressures arising from external shocks aforementioned. The Bank of Tanzania is expected to reduce monetary policy accommodation as the need arise to ensure price stability over the MTP

<b>Tanzania</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<i>Real Gross Domestic Product</i>	4.90%	5.00%	5.50%	6.00%	6.60%	6.90%
<i>Consumer Price Index (CPI)</i>	3.70%	4.90%	3.50%	3.50%	3.50%	3.50%
<i>Discount Rate</i>	5.00%	5.00%	6.00%	6.00%	6.00%	6.00%
<i>Foreign Exchange Rate (TZS/USD)</i>	2,305	2,345	2,355	2,385	2,415	2,450

# **NATIONAL BANK OF COMMERCE LIMITED**

## **KEY ASSUMPTIONS USED IN THE PROJECTED FINANCIAL INFORMATION (CONTINUED)**

### **FOR THE FIVE YEARS ENDING 31 DECEMBER 2022, 2023, 2024, 2025, 2026 AND 2027**

#### **Bank specific assumptions**

##### **Projected Statement of profit or loss and other comprehensive income**

- Total income - Income will continue to grow with key sources being the interest received from loans and advances to banks' customers, investments in various instruments (government securities, placements etc.) as well as fees and commissions from various transactions as the Bank continues to grow its customer base.
- Operating expenses - The Bank is expected to invest on expanding its reach to customers through opening new branches and investing in improving efficiency on digital banking which will see an increase in the cost base in the medium term. In the outer years the Bank will continue to leverage on investments already made including Agency banking, automated service deliveries. On the same note, the Bank will continue to nourish its brand visibility through NBC Premier League sponsorship.
- Impairment losses on loans and advances - The Bank will continue to book quality asset to contain level of impairment.

##### **Projected Statement of Financial Position**

- Loans and advances to banks - The Bank will continue to place with other banks the excess funds over and above what is issued to customers as loans, invested in government securities.
- Trading portfolio assets - The trading portfolio balances in the outer years are projected to increase as the Bank continues to grow its bond trading book portfolio in line with secondary market activities.
- Financial assets at fair value through OCI - The AFS Bonds/ bills which are used for liquidity management and long-term investments. The balance will continue to grow as the business grow in line with market in order to meet regulatory requirements and making revenues.
- Loans and advances to customers - The Bank will continue to grow its customer asset book on strategic areas in line with the short term and medium-term plan on both Retail, SME, Business Banking and Corporate customers.
- Customer accounts/deposits - The Bank will continue to increase its deposit base through recruiting new customers and improvement of customer experience with existing customers. The Bank has rolled out various capabilities and channels to cater for customer services and improving customer experience.
- Medium Term note - The Bank is planning to issue a TZS 300 Billion five-year medium term note in tranches starting with TZS 30 Billion (with a green shoe option of TZS 20 Billion) by the end of this year and additional TZS 50 Billion in the Year 2023 which will see the balance growing to TZS 300 Billion by 2027.
- Subordinated debt loan - The Bank holds Subordinated debt amount to TZS 31.25Billion with ABSA which acts as supplementary capital.

#### **Risks**

- Raising inflationary pressures, the Bank of Tanzania continues to implement measures to reduce speed of expanding liquidity in the remainder of 2022 in order to tame inflationary pressures from the demand side, while safeguarding the growth of the economy.
- Foreign Exchange liquidity challenge for the best part of 2022, the view is that prevailing global conditions (Russia – Ukraine war), coupled with a higher import bill implies that dollar demand will outstrip supply.
- Pricing competition in both loans and deposits.
- Regulatory directive to reduce Cost to Income ratios to 55%
- Industry wide trend of higher Non-Performing Loans above 5% regulatory requirement.

## APPENDIX I: AUTHORISED COLLECTING AGENTS

No.	Name and Contacts		Name and Contacts
1.	CORE SECURITIES LIMITED 1st Floor, Karimjee Jivanjee Building, 18 Sokoine Drive, PO Box 76800, DAR ES SALAAM. Email: fumbuka@coresecurities.co.tz   Phone: +255 22 2123103 Fax: +255 22 2122562   Mobile: +255 754 303759 & 0622-303759 Website: www.coresecurities.co.tz	2.	TANZANIA SECURITIES LIMITED 2nd Floor, Jangid Plaza, Chaburuma Street, PO Box 9821, DAR ES SALAAM. Tel: +255 22 211 2807   Fax: + 255 22 211 2809 Website: www.tanzaniasecurities.co.tz Email: info@tanzaniasecurities.co.tz
3.	SOLOMON STOCKBROKERS LIMITED Ground Floor, PPF House, Morogoro Rd./Samora Avenue   P.O. Box 77049, DAR ES SALAAM Email: solomonstockbrokers@solomon.co.tz Tel: +255 22 2124495 / +255 764 269090 / 0714 269090 Website: www.solomon.co.tz	4.	TIB RASILIMALI LIMITED Ghana Street, PO Box 9154, DAR ES SALAAM. Dir Tel: +255 22 2162460   Gen Tel: +255 22 2111711 Fax: +255222122883   Email:invest@rasilimali.tib.co.tz Website: www.tib.co.tz/rasilimali
5.	OPTIMA CORPORATE FINANCE LIMITED 1st Floor, Togo Tower Kinondoni Road   PO Box 75886, DAR ES SALAAM. Phone: +255 22 266 6031   Email: info@optimacorporate.co.tz Website: www.optimacorporate.co.tz	6.	ORBIT SECURITIES COMPANY LIMITED 4th Floor, Golden Jubilee. Towers, Ohio Street, PO Box 70254, DAR ES SALAAM. Email: info@orbit.co.tz Tel: +255-22-2111758/2120863 OR +255714785844 / +255784 853 120 Website: www.orbit.co.tz
7.	VERTEX INTERNATIONAL SECURITIES LTD. Annex Bldg. - Zambia High Commission, PO Box 13412, DAR ES SALAAM. Telephone: +255 22 2110387 Fax:   E-mail: vertex@vertex.co.tz E-mail: operations@vertex.co.tz   Website: www.vertex.co.tz	8.	ZAN SECURITIES Head Office 1st Floor, Muzammil Centre, Malawi Road, PO Box 2138, ZANZIBAR. Email: info.znz@zansec.co.tz   Tel: +255 24 223835933 Fax: +255 24 2238358 Branch: 2nd Floor, Viva Towers   Ally Hassan Mwinyi Road, PO Box 5366, DAR ES SALAAM. Email: info.dsm@zansec.co.tz   Tel: +255 22 2103433 Fax: +255 22 2103434   Website: www.zansec.co.tz
9.	.A. CAPITAL LIMITED 6th Floor, I.T. Plaza, Ohio Street, PO Box 20650, DAR ES SALAAM.	10.	ARCHCO LIMITED. 2nd Floor, Wing C, NIC Life House, Sokoine Drive/Ohio Street, PO Box 38024, DAR ES SALAAM.

## APPENDIX I: AUTHORISED COLLECTING AGENTS

No.	Name and Contacts		Name and Contacts
11.	SMART STOCK BROKERS LIMITED 1st Floor, Masdo House, Samora Avenue, PO Box 105678, DAR ES SALAAM, Tanzania Phone: +255 22 2138607, +255 767 983500 Email: info@smartstockbrokers.co.tz Website: www.smartstockbrokers.co.tz	12.	VICTORY FINANCIAL SERVICES LIMITED ATC Building, Ohio Street/Garden Avenue, PO Box 8706, Dar es Salaam, Tanzania Tel: +255 754 283 185
13.	Exodus Advisory Services Limited, House No. 11A75, 11th floor, Plot No. 1000-1005, Block "W", Watumishi House, Morogoro Road, PO Box 80056, Dar es Salaam, Tanzania Telephone: +255 22 2928588 Website: www.easl.co.tz Email: info@easl.co.tz	14.	FIMCO LTD 2nd Floor, Jangid Plaza, Ali Hassan Mwinyi Road, PO Box 70468, Dar es Salaam, Tanzania Tel: +255 22 292 6227
15.	GLOBAL ALPHA CAPITAL LIMITED, PSSSF Millennium Tower 1, Ali Hassan Mwinyi Road, PO Box 70166, Dar es Salaam, Tanzania Tel: +255 762 367 347 Website: www.alphacapital.co.tz email: info@alphacapital.co.tz Instagram: @tzalphacapital Twitter: @Alphacapital_Tz	16.	STANBIC BANK (T) LIMITED Stanbic Centre, 99A Kinondoni Road, PO Box 72647, Dar es Salaam, Tanzania Tel: +255 22 266 6430/480 Fax: +255 22 266 6301 Website: www.stanbicbank.co.tz



## APPENDIX II: LIST OF NATIONAL BANK OF COMMERCE LIMITED BRANCHES

No.	Branch	Location	No.	Branch	Location
1	ARUSHA	Arusha	25	MUHIMBILI	Dar es Salaam
2	BABATI	Manyara	26	MUSOMA	Mara
3	BUKOBA	Kagera	27	MWANZA	Mwanza
4	CHANG'OMBE	Dar es Salaam	28	NJOMBE	Njombe
5	CORPORATE	Dar es Salaam	29	NYANZA	Mwanza
6	DODOMA	Dodoma	30	SAMORA	Dar es Salaam
7	GEITA	Geita	31	SEA CLIFF	Dar es Salaam
8	INDUSTRIAL	Dar es Salaam	32	SHINYANGA	Shinyanga
9	IRINGA	Iringa	33	SINGIDA	Singida
10	KAHAMA	Shinyanga	34	SONGEA	Ruvuma
11	KARATU	Arusha	35	SUMBAWANGA	Rukwa
12	KARIAKOO	Dar es Salaam	36	TABORA	Tabora
13	KIBAHA	Coastal	37	TANGA	Tanga
14	KIGOMA	Kigoma	38	TARIME	Mara
15	LINDI	Lindi	39	TEGETA	Dar es Salaam
16	MAKAMBAKO	Njombe	40	TUKUYU	Mbeya
17	MASASI	Lindi	41	TUNDUMA	Songwe
18	MBAGALA	Dar es Salaam	42	UBUNGO	Dar es Salaam
19	MBEYA	Mbeya	43	UDSM	Dar es Salaam
20	MBEZI BEACH	Dar es Salaam	44	VICTORIA	Dar es Salaam
21	MERU	Arusha	45	ZANZIBAR	Unguja
22	MLIMANI CITY	Dar es Salaam	46	MOSHI	Kilimanjaro
23	MNAZI MMOJA	Dar es Salaam	47	MTWARA	Mtwara
24	MOROGORO	Morogoro			

## APPENDIX III: FORM OF PRICING SUPPLEMENT

NATIONAL BANK OF COMMERCE LIMITED Issues its “NBC Twiga Bond” at Tanzanian Shillings Thirty Billion Fixed Rate Notes (30,000,000,000) due ( 12th December 2027) under its Tanzanian Shillings Three Hundred Billion (TZS. 300,000,000,000) Multicurrency Medium Term Note Program.

This Document constitutes the applicable Pricing Supplement relating to the issue of Notes describe herein. Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions set forth in the Information Memorandum dated 1st November 2022 (as updated and amended from time to time).

This applicable Pricing Supplement must be read in conjunction with the accompanying Information Memorandum. To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Information Memorandum, the provisions of this Pricing Supplement shall prevail.

1. Issuer	National Bank of Commerce Limited
2. Aggregate Nominal Amount	TZS 30,000,000,000
3. Green Shoe Option	TZS 20,000,000,000
4. Tranche Number	1
5. Issue Price	Par
6. Specified Denomination of the Notes	Minimum 500,000 with integral multiples of TZS 100,000
7. Issue Date	12th December 2022
8. Maturity Date	12th December 2027
9. Currency	TZS
10. Status of the Notes	The Notes will constitute direct, general, unconditional, and unsecured obligations of the Issuer.
11. Receiving Bank	National Bank of Commerce Limited
12. Fiscal and Calculating agent, Registrar, Paying Agent, Transfer Agent	CSD & REGISTRY COMPANY LIMITED 2nd Floor, Kambarage House, 6 Ufukoni Street, PO Box 70081, Dar es Salaam, Tanzania.
13. Specified Office – Receiving Bank	NATIONAL BANK OF COMMERCE LIMITED NBC House, Sokoine Drive/Azikiwe Street, PO Box 1863, Dar es Salaam
14. Redemption/Payment Basis	Redemption at Par
15. Change of Interest or Redemption/Payment Basis	Not Applicable
16. Method of Distribution	Public Offering

# NATIONAL BANK OF COMMERCE LIMITED

PROVISIONS RELATING TO INTEREST PAYABLE		
17.	Interest Payment Period	Semi-Annually
18.	Interest Payment Dates	December and June in each year up to Maturity Date
19.	Fixed Rate Note Provisions	Applicable
i.	Rate of Interest	10% per annum
ii.	Day Count Fraction	Actual/365
iii.	Other terms relating to the methods iv. Of calculating interest for Fixed Rate Notes	Not Applicable
iv.	Business Day Convention:	Following Business Day
20.	Zero Coupon Note Provision:	Not Applicable
i.	Implied Yield	
ii.	Any other formula or basis for determining amount payable	
21.	Floating Rate Note Provisions	Not Applicable
i.	Reference Rate	
ii.	Business Day Convention	
iii.	Minimum Rate	
iv.	Maximum Rate	
v.	Margin	
vi.	Day Count Fraction	
vii.	Other terms related to the calculation of interest	
viii.	Default Rate	Rate of Interest + 2%
22.	Interest Commencement Dates	12th December 2022
23.	Interest Termination Dates	12th December 2027
24.	Other Notes (If the Notes are not Fixed Rate Notes, Floating Rate Notes or Zero-Coupon Notes. Or if the Notes are a combination of any of the above stated, forms of Notes	Not Applicable
TERMS RELATING TO REDEMPTION AND MATURITY		
25.	Early Redemption at the option of the issuer	Not Applicable
26.	Final Redemption Amount for each Note	30,000,000,000 (with 20,000,000,000 Green shoe option)
27.	Early Redemption Date	Not Applicable
28.	If redeemable in part;	Not Applicable
A.	Minimum Redemption Amount	
B.	Maximum Redemption Amount	
29.	Other terms applicable to redemption	Not Applicable
GENERAL TERMS		
30.	Form of Notes	Book Entry
31.	Method of Distribution	Public offering
32.	Financial Centre	Dar es Salaam, Tanzania
33.	Minimum Subscription Amount	500,000 followed by Multiples of 100,000
34.	Any other terms or special Conditions	Not Applicable
35.	Selling restrictions	Not Applicable
36.	Governing Laws	laws of Tanzania

37. Rights of Cancellation	<p>The Notes will be delivered to investors on the Settlement Date by registration in the CDS Account as book entry provided that:</p> <ul style="list-style-type: none"> <li>· no event occurs prior to the settlement process being finalized on the Issue Date/Settlement Date which the Issuer (in its sole discretion) consider to be a force majeure event; or</li> <li>· no event occurs which the Issuer (in its sole discretion) considers may prejudice the issue, the Issuer or the Notes, (Each a Withdrawal Event).</li> </ul> <p>If the Issuer decides to terminate this transaction due to the occurrence of a Withdrawal Event, this transaction shall terminate, and no party hereto shall have any claim against any other party as a result of such termination. In such event, the Notes, if listed, will immediately be de-listed.</p>
38. Board Approval Date	17th February 2022 and 12th September 2022
39. Allotment Policy	The Notes will be allotted on a pro rata basis based on the amount applied for with a minimum allotment of TZS. 500,000. If the offer is undersubscribed all applicants will be allotted their application in full.
40. Details of the Bank Account (s) to which payments are to be made in respect of the Notes	<p>Account Name: NBC Twiga Bond</p> <p>Branch Name: Corporate</p> <p>Account Number: 011103040870</p> <p>Swift Code: NLCBTZTX</p>
41. Last day to Register	15 days before the Payment Date
42. Settlement procedures and Settlement Instruction.	Evidence of payment should be submitted to the Authorised Selling Agent, the Issuer together with the duly completed Application Form prior to the date Offer closes
43. Tax	Interest will not be subject to withholding tax
<b>INDICATIVE TIMETABLE</b>	
ACTIVITY	DATE
Approval by CMSA	31/10/2022
Offer open period	07/11/2022
Offer close period	06/12/2022
Announcement of the results and allotment criteria	12/12/2022
Allotments	12/12/2022
Crediting securities to CDS Accounts	13/12/2022
Listing Date and commencement of Trading	15/12/2022

## Material Change

Excluding the Information disclosed in this document, there has been no material adverse change in the Issuer's financial position since the date of the Issuer's last audited financial statements.

## Responsibility Statement

The Issuer certifies that to the best of its knowledge and belief, there are no facts that have been omitted which would make any statement in the Information Memorandum, as read together with this Applicable Pricing Supplement, false or misleading. The Issuer accepts full responsibility for the accuracy of the information contained in the Information Memorandum as read together with this Applicable Pricing Supplement.

**APPENDIX IV: APPLICATION FORM****NATIONAL BANK OF COMMERCE LIMITED TWIGA BOND APPLICATION FORM****FOMU YA MAOMBI YA KUNUNUA NATIONAL BANK OF COMMERCE LIMITED TWIGA BOND**NATIONAL BANK OF COMMERCE LIMITED TWIGA BOND DEPOSIT ACCOUNT NO: **011103040870**

PLEASE COMPLETE IN CAPITAL / BLOCK LETTERS USING BLACK/BLUE INK

JAZA KWA HERUFI KUBWA KWA WINO MWEUSI AU WA BULUU

PLEASE READ THE NATIONAL BANK OF COMMERCE LIMITED MULTI-CURRENCY MEDIUM TERM NOTE INFORMATION MEMORANDUM DATED 01<sup>ST</sup> NOVEMBER 2022 / TAFADHALI SOMA WARAKA WA MATARAJIO WA NATIONAL BANK OF COMMERCE LIMITED WA TAREHE 1 NOVEMBA 2022

**FOR OFFICIAL USE ONLY / KWA MATUMIZI YA OFISI TU**

Branch / Agent Name/ Jina la Tawi / Wakala:	
Branch / Agent Code No & Stamp: Namba ya Tawi / Wakala & Muhuri	
ECASA Reference Number: (For Applicants who Non NBC Customers only)	
Applicant CSD Account No. / Namba ya Akaunti ya CSD (If not available, please fill CSD Account Opening form / Kama huna, tafadhali jaza fomu ya kufungua akaunti ya CSD)	
Batch Header No: /Namba ya bachi:	

**I. APPLICATION DETAILS /TAARIFA ZA MAOMBI**

*Applicant Type: Aina ya Mwekezaji	Individual Mtu Binafsi <input type="checkbox"/>	Joint Pamoja <input type="checkbox"/>	Minor Mtoto <input type="checkbox"/>	Company Taasisi <input type="checkbox"/>
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NBC Twiga Bond Applied: Minimum application amount is TZS 500,000 and thereafter in multiples of TZS 100,000.  
Maombi ya Hati Fungani ya NBC Twiga Bond: Kiasi cha chini ni TShs 500,000 na unaweza kuongeza kwa kiasi kinachogawanyika kwa TShs 100,000

Amount applied for (TZS): Kiasi Cha Maombi (TShs):	
Amount Applied for in Words: Kiasi Kwa Maneno:	

**II. PAYMENT DETAILS AND DISPOSAL INSTRUCTIONS / TAARIFA ZA MALIPO NA MAELEKEZO YA MALIPO**

Mode of Payment Aina ya Malipo:	Direct debit Kutoka Akaunti ya NBC <input type="checkbox"/>	Cash Deposit Pesa Taslimu <input type="checkbox"/>	TISS Transfer Hamisho la Benki kwa Benki <input type="checkbox"/>	Banker's Cheque Hundi ya Benki <input type="checkbox"/>
Banker's cheque details Taarifa za Hundi	Issuer: Mtoaji:	Banker's Cheque Number: Namba ya Hundi:		
*Applicant Bank Details (For Refunds - if any, and / or Coupon and Principal Repayment) Taarifa za Benki za Mteja (Kwa ajili ya kurudishiwa fedha / kupokea malipo ya uwekezaji)				
Bank Name: Jina la Benki:		Branch Name: Jina la Tawi:		
Account Name: Jina la Akaunti:		Account Number: Namba ya Akaunti:		

### III. APPLICANT DETAILS / TAARIFA ZA MUOMBAJI

(i) First Applicants (Primary) / Mwekezaji Binafsi																								
Title: Mr. / Mrs. / Ms / Bw. / Bibi / Bi																								
Surname / Jina la Ukoo																								
First Name / Jina la Kwanza																								
Middle Name / Jina la Kati																								
Date of Birth / Tarehe ya Kuzaliwa																								
Nationality / Uraia																								
ID / Passport Number / Namba ya Kitambulisho / Pasi ya kusafiria																								
Residential Address / Anuani ya makazi																								
Ward / Kata:					District / Wilaya:										Region / Mkoa:									
Contact Details / Taarifa za Mawasiliano										Tel No / Na ya Simu:														
Alt. Tel No / Namba ya simu mbadala																								
Postal address / Sanduku la Posta																								
Email / Barua pepe																								
Do you maintain an Account with NBC? If yes, specify account number Je una akaunti ya NBC? Kama ndiyo, taja namba ya akaunti										Yes / Ndiyo No / Hapana														
(ii) Second Applicant / Mwekezaji wa pili																								
Title: Mr. / Mrs. / Ms / Bw. / Bibi / Bi																								
Surname / Jina la Ukoo																								
First Name / Jina la Kwanza																								
Middle Name / Jina la Kati																								
Date of Birth / Tarehe ya Kuzaliwa																								
Nationality / Uraia																								
ID / Passport Number / Namba ya Kitambulisho / Pasi ya kusafiria																								
Residential Address / Anuani ya makazi																								
Postal address / Sanduku la Posta																								
Contact Details / Taarifa za Mawasiliano:										Tel No / Na ya Simu:														
Postal address / Sanduku la Posta																								
Email / Barua pepe:																								
Do you maintain an Account with NBC? If yes, specify account number Je una akaunti ya NBC? Kama ndiyo, taja namba ya akaunti										Yes / Ndiyo No / Hapana														
*Next of Kin information / Taarifa za Mrithi																								
Full Name / Jina Kamili																								
Contact Details / Taarifa za Mawasiliano										Tel No / Na. ya Simu														
										Email / Barua Pepe														
Parent or Legal Guardian (For applicants below 18 years) / Mzazi au mlezi kisheria (Kwa muombaji aliye chini ya miaka 18)																								
Surname or Name of Entity / Jina la Ukoo au Jina la Kampuni																								
First name (Individuals ONLY) / Jina la kwanza (watu binafsi TU)																								
Middle name (Individuals ONLY) / Jina la kati (watu binafsi TU)																								
ID / Passport Number / Namba ya Kitambulisho / pasi ya kusafiria																								
Do you maintain an Account with NBC? If yes, specify account number Je una akaunti ya NBC? Kama ndiyo, taja namba ya akaunti										Yes / Ndiyo No / Hapana														
(iii) Corporate Applicants / Makampuni / Taasisi																								
Name entity / Jina la Kamapuni au Taasisi																								
Registration Number / Namba ya Usajili																								
Tax Identification Number / Namba ya Mlipa Kodi																								
Entity Physical Address / Anuani ya Ofisi																								
Contact Details / Taarifa za Mawasiliano										Tel No / Na ya Simu:														
Postal address / Sanduku la Posta																								
Email / Barua Pepe																								
Do you maintain an Account with NBC? If yes, specify account number Je una akaunti ya NBC? Kama ndiyo, taja namba ya akaunti										Yes / Ndiyo No / Hapana														



## APPLICANTS' DECLARATION / TAMKO LA MUOMBAJI

By signing and submitting this Application Form, I/We declare that: Kwa kusaini na kutuma fomu hii ya maombi, Mimi / Sisi tunakubali kuwa:

- I/We (or the guardian signing this application on behalf of the minor), being above 18 years of age have read the terms and conditions of application set out in the Information Memorandum dated 1<sup>st</sup> November 2022 and agree to be bound by its contents.  
Mimi / Sisi (au Mlezi anayesaini fomu hii kwa niaba ya mtoto), nina miaka zaidi ya 18, nimesoma vigezo na masharti vya maombi haya vilivyoandikwa kwenye kitabu cha muongozo wa tarehe 1 Novemba 2022 na tunakubaliana na vigezo na masharti yaliyomo.
- I/We are not acquiring the bond as a nominee of any other person other than myself / ourselves.  
Mimi / Sisi hatununui NBC Twiga Bond kwa niaba ya mtu mwingine zaidi yangu mwenyewe / sisi wenyewe
- I/We agree to accept the same or smaller NBC Twiga Bond amount in respect of this application as may be allotted by NBC subject to and in accordance with the terms of this offer;  
Mimi / Sisi tunakubali kiasi tulichoomba au kiasi kidogo ya tulichoomba cha NBC Twiga Bond kulingana na maombi haya kama itakavyotolewa na NBC kutegemeana na kulingana na vigezo vya mauzo haya
- I/We understand that multiple or suspected multiple applications may be aggregated and treated as a single application or rejected in their entirety;  
Mimi / Sisi tunaelewa kuwa maombi zaidi ya moja linaweza kuunganishwa na kuchukuliwa kama ombi moja au yote kukataliwa
- I/We confirm making payment by cash, bank transfer or banker's cheque in favor of "National Bank of Commerce Limited" for the appropriate amount due in terms of this application;  
Mimi / Sisi tunathibitisha kufanya malipo kwa njia ya fedha taslimu, kutuma kwa TISS au kwa hundi kwenda National Bank of Commerce Limited kwa kiasi sahihi kulingana na vigezo vya ombi hili.
- I/We accept that the accuracy of the information provided is my/our sole responsibility and for any essential information that is required for the application process that I/We may not have provided may be incorporated by the selling agent, as may be appropriate.  
Mimi / Sisi tunakubali kuwa usahihi wa maelezo yaliyotolewa ni jukumu langu / letu na kwa taarifa zozote za muhimu zitakazohitajika kwa ajili ya kushughulikia maombi haya kuwa sikuyatoa / hatukuyatoa yanaweze kuingizwa na wakala pale itakapoonekana kuwa sawa
- I/We understand and accept that this Application Form does not constitute an offer but is an invitation to me/us to make an offer to NBC to Purchase NBC Twiga Bond and that NBC has the sole authority of determining whether to accept or reject this offer subject to CMSA approval.  
Mimi / Sisi tunaelewa na kukubali kuwa fomu hii ya haitoi ofa, bali ni mualiko kwangu / kwetu kutoa ofa kwa NBC kununua NBC Twiga Bond na kuwa NBC inayo mamlaka kamili ya kuamua kukubali au kukataa ofa hii kulingana na kibali kutoka kwa CMSA

Signature / Saini: \_\_\_\_\_

Signature/ Saini: \_\_\_\_\_

Company Stamp/Seal / \_\_\_\_\_  
Muhuri / Muhuri wa moto wa Kampuni

Date / Tarehe: \_\_\_\_\_

**IV. ACKNOWLEDGEMENTS SLIP (Retain for your records)**  
**HATI YA UTHIBITISHO (Tunza kwa kumbukumbu zako)**

Serial Number / Na. ya ufuatiliaji: \_\_\_\_\_

Names of applicant or Institution / Jina la muombaji au kampuni	
CSD Account Number / Namba ya Akaunti ya CSD	
Total Investment Amount / Jumla ya kiasi cha uwekezaji	
Amount in words Kiasi kwa maneno	

Mode of Payment / Njia ya Malipo	
Cash / Fedha Taslimu	
TISS Transfer / Nakala ya Swift	
Banker Cheque - No / Namba ya Hundi	
Direct debit - Ref No (From Customer NBC A/C) Namba ya malipo ya moja kwa moja (Kutoka A/C ya Mteja ya NBC)	

Branch / Agent Code / Code ya Tawi au Wakala:	
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This form is not proof of payment. Payments should be made through approved modes of payment as stipulated above. / Fomu hii si uthibitisho wa malipo. Malipo yafanyike kupitia aina za malipo zilizoainishwa hapo juu.

Received by/

Imepokelewa na: \_\_\_\_\_ Signature / Saini: \_\_\_\_\_

Date Received & Stamp/

Tarehe ya kupokelewa & Muhuri: \_\_\_\_\_



# NBC Twiga Bond



Head Office  
Sokoine Drive / Azikiwe Street  
P. O. Box 1863, Dar es Salaam, Tanzania  
+255 768 984 000  
+255 225 522 000  
0800 711 177 (FREE)  
[contactcentre@nbc.co.tz](mailto:contactcentre@nbc.co.tz)  
[NBCTwigaBonds@nbc.co.tz](mailto:NBCTwigaBonds@nbc.co.tz)