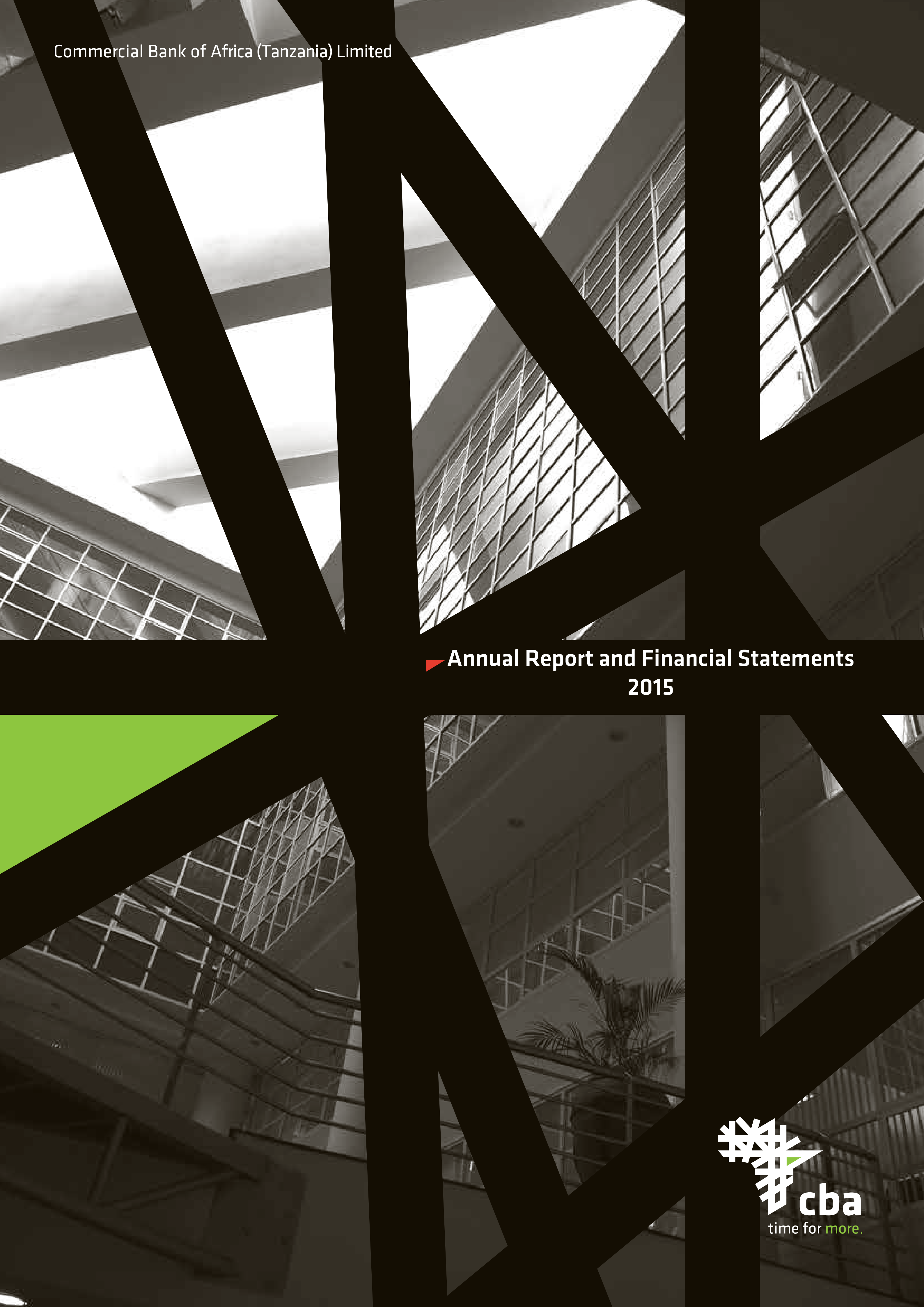
Commercial Bank of Africa (Tanzania) Limited



Annual Report and Financial Statements 2015

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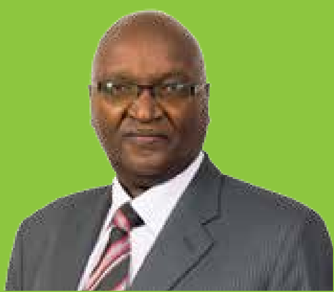
Content

Board of Directors

N. Kitomari

M Kenyatta



N Mainnah

I Awuondo

J S Armitage

P Kisumo

Report Of The Directors

1. The directors present their report and audited financial statements for year ended 31 December 2015, which disclose the state of affairs of Commercial Bank of Africa (Tanzania) Limited ("the Bank").

2. INCORPORATION

The Bank is incorporated in Tanzania under the Companies Act. CAP 212 No 12 of 2002 as a limited liability Company.

3. VISION

To Be "A Respected And Significant Financial Services Business Partner In Africa."

4. MISSION

To "Enhance The Wealth And Fulfilment Of Life To Our Customers."

5. PRINCIPAL ACTIVITIES

The Bank is engaged in taking deposits, providing short and medium term credit facilities and other banking services and is licensed under the Banking and Financial Institutions Act, 2006.

6. BOARD OF DIRECTORS

The directors of the Bank, who have served in office since 1 January 2015 and to the date of this report, are as follows:

Name	Nationality	Position	Occupation/profession
Mr. Ndewirwa Kitomari	Tanzanian	Chairman	Businessman
Mr. Peter Kisumo	Tanzanian	Director	Businessman (Deceased)
Mr. Isaac Awuondo	Kenyan	Director	Banker
Mr. Muhoho Kenyatta	Kenyan	Director	Businessman
Mr. John Armitage	British	Director	Chartered Accountant
Mr. Nelson Mainnah	Kenyan	Director	Banker (Alternate to Muhoho Kenyatta)

The Company secretary as at the date of this report and who served throughout the year was Mrs Rosemin K. Bhanji (Kenyan).

7. CORPORATE GOVERNANCE

The Board of Directors of the Bank comprises of five individuals, none of whom hold executive positions in the Bank. The Board takes overall responsibility for the Bank, including responsibility of identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management, business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and are in compliance with sound corporate governance principles.

The Board meets at least four times a year. The Board delegates the day-to-day management of the business to the Chief Executive Officer assisted by other members of senior management. Senior management facilitates the effective control of all Bank's operational activities, acting as a medium of communication between different business units.

The Bank is committed to the principles of effective corporate governance. The directors also recognise the importance of integrity, transparency and accountability. The Board has two sub- committees which ensure high standards of corporate governance throughout the Bank.

Board Audit Committee

The Committee meets on quarterly basis. The main responsibilities of the Committee are to review financial information and monitor the effectiveness of management information and internal control systems. In addition, the Committee deliberates on the significant findings arising from internal and external audit exercises by various teams, including the Banking Supervision Directorate of the Bank of Tanzania.

Members of the Committee as at the date of this report, all of whom served throughout the year (except as indicated), were as follows:

Name	Position	Nationality
Mr. Peter Kisumo	Chairman (Deceased)	Tanzanian
Mr. Nelson Mainnah	Chairman (Effective 14 Dec 2015)	Kenyan
Mr. Isaac Awuondo	Member	Kenyan
Mr. Muhoho Kenyatta	Member	Kenyan
Mr. John Armitage	Member	British

Executive Committee (EXCO)

The Committee meets on monthly basis and has the overall responsibility for implementation of the Bank's strategy. This includes annual strategy review and budgeting, capital adequacy assessment and planning, Assets and Liabilities Committee (ALCO) strategies, periodic reviews of the group's key performance measures as defined in the strategic and operational plans as well as the management of key risks and opportunities. EXCO also handles credit matters through the Group Board Credit Committee.

The members of EXCO as at the date of this report, all of whom have served throughout the year, were as follows:

Name	Position	Nationality
Mr. Muhoho Kenyatta	Chairman	Kenyan
Mr. John Armitage	Member	British
Mr. Isaac Awuondo	Member	Kenyan

Report Of The Directors (continued)

8. MANAGEMENT

The management of the Bank is under the Chief Executive Officer and is organised along the following departments;

- Corporate & Investment Banking;
- Personal Banking;
- Treasury;
- Marketing & Product Development;
- Credit Risk Management;
- Internal Audit;
- Human Resource Management;
- Risk Management & Compliance;
- Operations and Information Technology;
- Finance and Strategy;
- Legal & Recovery; and
- Customer Experience.

9. CAPITAL STRUCTURE AND SHAREHOLDING

Commercial Bank of Africa Limited, a company registered in Kenya, is one of the shareholders and holds a total of 8,366,509 shares while CBA Capital Limited is the second shareholder with 5,897,691 shares.

During the year ended 31 December 2015, the shareholders made a capital injection amounting to TZS 32.2 billion (USD 15.8 million).

10. FUTURE DEVELOPMENT PLANS

The Bank has pursued a robust growth and expansion strategy that ensures an increased customer base and diversified products and services. The Bank has eleven branches countrywide; Five branches in Dar es Salaam, two in Mbeya, and one branch in each of the following regions; Arusha, Mwanza, Kilimanjaro and Mtwara.

The Bank continued to launch new products and improved service offering to its customers. New products launched during 2015 included iTax and Private Banking. MPAWA which was launched in 2014 has witnessed phenomenal growth especially in the retails segment of the market, as at today the product is generating positive cashflows on a month on month basis.

The focus in 2016 will be on strengthening relationships with existing customers and ensuring products & services offered by the bank will attract not only a larger wallet share of existing customers but also a larger segment of retail borrowers and depositors who will be offered ore technology based services.

11. RESULTS AND DIVIDENDS

The results of financial performance for the year ended 31 December 2015 are presented on page 10. During the year the Bank reported a net loss before tax of TZS 21,966 million (2014: Restated TZS 19,303 million loss). The directors do not recommend the payment of a dividend for the year.

12. RESULTS FOR THE YEAR

The Bank's financial results declined in 2015 to a loss before tax of TZS 21,966 million (2014 Restated loss TZS 19,303 million). The adverse outcome was mainly attributable to large Foreign Exchange Losses. Net interest income for the year increased to TZS 23,826 million (2014 (Restated TZS 7,312 million – restated to include a one-off write off on un-collectable interest income of TZS 6,669 million). Fees and commission increased by 11% to TZS 9,204 million (2014 Restated: TZS 8,682 million) whilst foreign exchange income decreased to a loss of TZS 15,885 million (2014 Restated gain of TZS 4,202 million) mainly on account of foreign exchange adverse movements on the forward book.

Gains from disposal of financial instruments dropped to TZS 535 million compared to TZS 896 million recorded last year, due to reduced market activity in the bond market.

Operating expenses increased to TZS 28,959 million (2014 (Restated TZS 26,239 million) mainly due to; 10% increase in Personnel expenses; 14% increase in General and Administrative expenses; and 60% on other operating expenses.

Net worth

As at 31 December 2015 total assets amounted to TZS 462 billion (2014 Restated TZS 475 billion). The 2% decline was mainly attributed to the accumulated losses after tax for two years of TZS 30 billion that has resulted in retained earnings decreasing significantly to a loss of TZS 33 billion. Total liabilities declined by 5% due to a significant decline on borrowings from banks and other financial institutions due to steady growth in customer deposits. Customer deposits increased by 2% with the biggest gain being from non-interest bearing deposits.

Report of The Directors (continued)

13. KEY PERFORMANCE INDICATORS

	2015	2014 (Restated)
Return on equity	-32.4%	-51.7%
Return on average assets	-2.97%	-3.5%
Yield on earning assets	13.6%	9.9%
Cost of funds	7.1%	7.3%
Interest margin on earning assets	6.5%	2.6%
Non-interest income to gross income	-26.2%	65.6%
Cost / income ratio	-153.4%	123.4%
Gross loans to customer deposits	72.8%	70.4%
Gross loans to customers to total assets	51.2%	46.4%
Earning assets to total assets	83.6%	85.8%
Non-performing loans to gross loans to customers	23.2%	20.8%
Shareholders' funds to total assets	9.2%	7.3%
Growth on total assets	-2.4%	20.2%
Growth on gross loans to customers	5.8%	1.1%
Growth on customer deposits	2.3%	23.5%
Capital adequacy:		
Tier 1 Capital to Total risk weighted assets	7.0%	5.3%
Tier 1 and 2 capital to Total risk weighted assets	7.5%	5.3%

14. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

The Board assessed the internal control systems throughout the financial year ended 31 December 2015 and is of the opinion that they meet accepted criteria. However, the board is aware of both internal and external activities, such as staff collusion and cyber related fraud that requires the bank's internal control system to be continuously strengthened.

The Board carries risk and internal control assessment through the Executive and Board Audit committees.

15. SOLVENCY

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on going concern basis. The Board has reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future.

16. PRIOR PERIOD ADJUSTMENTS

The Board of Directors confirm that management brought to its attention an amount of TZS 6,669 million that appeared to be an incorrect overstatement of income. This has necessitated the restatement of the financial results for the year ended 31 December 2014.

Report Of The Directors (continued)

17. EMPLOYEE WELFARE

Management and Employee Relationships

There were continued good relations between employees and management for year ended 31 December 2015. There were no unresolved complaints received by the management from employees during the year.

The Bank is an equal opportunity employer. It gives equal access to employment and ensures that the best available person is appointed to any given position, free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

Staff training

During the year ended 31 December 2015, the Bank spent TZS 433 million (2014 TZS 445 million) on staff training and has budgeted a sum of TZS 542 million for year 2016 in order to improve on employees' competencies and technical skills. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade and enhance their personal development and productivity.

Medical assistance

All members of staff and up to maximum number of four beneficiaries (dependants) for each employee have medical insurance paid for by the Bank. Currently, these services continue to be provided by Jubilee Insurance Company of Tanzania Limited.

Financial assistance to staff

Loans are available to all confirmed employees depending on the assessment and discretion of management with regard to the need and circumstances. Loans provided to staff include mortgage finance, plot loans, vehicle loans, "shamba" loans, personal loans and education loans. These loans are currently availed at a concessionary rate of 7%.

Employees benefit plan

The Bank pays contributions to publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan. The Bank obligations in respect of these contributions are limited to 10% of the employees' monthly gross salaries.

Gender parity

The Bank had 171 employees during the year, down from 178 employees in 2014. Of these, 72 were female and 99 were male (2014: 84 female and 94 male).

18. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 36 to the financial statements.

19. POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any political donations during the year.

20. CORPORATE SOCIAL RESPONSIBILITY

One of the Bank's core values is responsible corporate citizenship in all its engagements with shareholders, employees, customers, suppliers, the community, environment and government. Initiatives and endeavours that the Bank included support of charities, non-governmental organisations, schools and trusts. During the year, the Bank donated a total of TZS 38.7 million (2014: TZS 67.9 million) to various charitable institutions for the betterment of the welfare of the many people that they support.

21. AUDITORS

The first three years audit cycle for KPMG elapsed on 21 December 2015. According to Central Bank regulations KPMG still stand a chance to provide audit services for the next three years. The Bank will invite proposals from auditing firms for proposals from auditing firms for provision of audit services.

KPMG has expressed their willingness to continue in office and are eligible for reappointment. If successful a resolution proposing their re-appointment as auditor of the bank for the year 2016 will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

Ndewirwa Kitomari
Chairman
12 April 2016

Statement of Directors' Responsibilities

The directors are responsible for the preparation of financial statements that give a true and fair view of Commercial Bank of Africa (Tanzania) Limited comprising the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2002 as well as the Banking and Financial Institutions Act, 2006.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the bank to continue as going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditors are responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework.

Approval of financial statements

The financial statements of Commercial Bank of Africa (Tanzania) Limited, as identified in the first paragraph, were approved by the board of directors on 12 day of April 2016 and signed by:

Ndewirwa Kitomari
Chairman

Independent Auditors' Report to The Members of Commercial Bank Of Africa (Tanzania) Limited

KPMG

Report on the financial statements

We have audited the financial statements of Commercial Bank of Africa (Tanzania) Limited, which comprise of the statement of financial position at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information as set out on pages 10 to 64.

Directors' responsibility for the financial statements

The Bank's Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2002 and Banking and Financial Institutions Act, 2006, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Commercial Bank of Africa (Tanzania) Limited at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

As required by the Companies Act, 2002 we report that:

- in our opinion, proper accounting records have been kept by Commercial Bank of Africa (Tanzania) Limited;
- the individual accounts are in agreement with the accounting records of the Bank; and
- we obtained all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

As required by Banking and Financial Institutions Act, 2006 and its regulations we report that:

- Except for the non-compliance with capital requirements disclosed in note 38 to the financial statements, nothing has come to our attention that causes us to believe that the Bank has not complied with the Banking and Financial Institutions Act, 2006 and its regulations as at 31 December 2015.

KPMG
Certified Public Accountants (T)

KPMG

Signed by:
Ketanbabu Shah
Dar es Salaam
12 April 2016

Financial Statements (continued)

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2015

	Notes	2015 TZS' 000	2014 TZS' 000
Interest income	6	53,686,269	36,646,751
Interest expense	7	(29,860,163)	(29,335,206)
Net interest income		**23,826,106**	**7,311,545**
Impairment charges on loans and advances to customers	8	(11,882,733)	(14,328,277)
Net interest income after impairment charges on loans and advances		**11,943,373**	**(7,016,732)**
Fee and commission income	9	9,204,004	8,681,577
Foreign exchange (loss) / income	10	(15,885,094)	4,202,300
Gain on disposal of financial assets		535,117	896,269
Other income	11	1,195,363	172,503
Total non-interest income		**(4,950,610)**	**13,952,649**
Personnel expenses	12	(10,917,861)	(9,916,287)
General and administrative expenses	13	(15,129,749)	(13,310,082)
Depreciation and amortisation	14	(2,297,181)	(2,628,508)
Other operating expenses	15	(614,599)	(384,445)
Total Operating Expenses		**(28,959,390)**	**(26,239,322)**
Loss before income tax		**(21,966,627)**	**(19,303,405)**
Income tax credit	16	7,018,641	4,690,863
Net loss for year		**(14,947,986)**	**(14,612,542)**
Net (loss)/ gain on available-for-sale (AFS) financial assets	32	(11,840,150)	8,884,933
Transfer to profit and loss account of fair value loss/(gain) on disposal of AFS	32	-	467,051
Deferred income tax thereon	32	3,552,045	(2,805,595)
Total other comprehensive (loss)/ Income for the year, net of tax		**(8,288,105)**	**6,546,389**
Total comprehensive loss for the year		**(23,236,091)**	**(8,066,153)**

The Notes on pages 13 to 41 form an integral part of these financial statements Auditors' report on page 8.

Financial Statements (continued)

Statement of Financial Position
As at 31 December 2015

	Notes	2015 TZS' 000	2014 TZS' 000
Assets			
Cash and balances with Bank of Tanzania	17	49,088,450	41,861,805
Balances with Financial Institutions	19.1	22,438,511	16,633,949
Loans and advances to banks	19.2	65,208,000	57,813,757
Loans and advances to customers (Net)	20	195,022,679	194,247,487
Investment in government securities:	-		
- Available for sale	21.1	37,487,595	40,682,946
- Held to maturity	21.2	65,827,302	96,522,643
Intangible assets	22	614,800	3,389,631
Property and equipment	23	7,378,619	8,908,579
Income tax recoverable	24	482,798	459,292
Deferred tax asset	25	15,392,415	4,821,729
Other assets	26	3,355,440	9,608,203
Total assets		**462,296,609**	**474,950,021**
Liabilities			
Deposits from banks	27	86,259,809	121,657,392
Deposits from customers	28	318,607,703	311,486,111
Other liabilities	29	14,379,930	7,674,760
Total liabilities		**419,247,442**	**440,818,263**
Equity			
Ordinary share capital	30	14,264,200	14,264,200
Advance towards share capital	30	49,740,085	17,586,585
Share premium	31	3,420,000	3,420,000
Retained earnings		(32,744,656)	(13,604,486)
Revaluation reserve	32	(1,540,780)	6,747,325
Regulatory reserve	33	9,910,318	5,718,134
Total equity		**43,049,167**	**34,131,758**
Total equity and liabilities		**462,296,609**	**474,950,021**

The financial statements on pages 13 to 41 were approved by the Board of Directors on 12 April 2016 and signed on its behalf by:

Ndewirwa Kitomari
Chairman

Isaac Awuondo
Director

The Notes on pages 13 to 41 form an integral part of these financial statements Auditors' report on page 8.

Financial Statements (continued)

Statement of Changes in Equity
For the Year ended 31 December 2015

	Ordinary share capital	Share Premium	Advance toward share capital	Retained earnings	Revaluation reserve	Regulatory reserve	Total
At 1 January 2014	14,264,200	3,420,000	-	4,751,446	200,936	1,974,744	24,611,326
Loss for the year – Restated	-	-	-	(14,612,542)	-	-	(14,612,542)
Capital injection	-	-	17,586,585	-	-	-	17,586,585
Transfer to regulatory reserve	-		-	(3,743,390)	-	3,743,390	-
	14,264,200	3,420,000	17,586,585	(13,604,486)	200,936	5,718,134	27,585,369
Other comprehensive income							
Fair value gain on AFS investments net of tax	-	-	-	-	6,219,453	-	6,219,453
Transfer to profit or loss of fair value gain on disposed AFS investment	-	-	-	-	326,936	-	326,936
Total comprehensive	-	-	-	-	6,546,389	-	6,546,389
At 31 December 2014 (Restated)	**14,264,200**	**3,420,000**	**17,586,585**	**(13,604,486)**	**6,747,325**	**5,718,134**	**34,131,758**
At 1 January 2015	14,264,200	3,420,000	17,586,585	(13,604,486)	6,747,325	5,718,134	34,131,758
Loss for the year	-	-		(14,947,986)	-	-	(14,947,986)
Capital injection	-	-	32,153,500	-	-	-	32,153,500
Transfer to regulatory reserve	-	-	-	(4,192,184)	-	4,192,184	-
	14,264,200	3,420,000	49,740,085	(32,744.656)	6,747,325	9,910,318	51,337,272
Other comprehensive income							
Fair value gain on AFS investments net of tax	-	-	-	-	(8,288,105)	-	(8,288,105)
Transfer to profit or loss of fair value gain on disposed AFS investment	-	-	-	-	-	-	-
Total comprehensive		-	-	-	(8,288,105)	-	(8,288,105)
At 31 December 2015	**14,264,200**	**3,420,000**	**49,740,085**	**(32,744,656)**	**(1,540,780)**	**9,910,318**	**43,049,167**

The Notes on pages 13 to 41 form an integral part of these financial statements. Auditors' report on page 8.

Financial Statements (continued)

Statement of Cash Flow
For the Year Ended 31 December 2015

	Notes	2015 TZS' 000	2014 TZS' 000
Cash flows from operating activities			
(Loss)/ before income tax		(21,966,627)	(19,303,405)
Adjustments for non-cash items:			
Impairment on loans and advances to customers	20	11,882,733	14,328,277
Amortisation of intangible assets	22	333,514	553,126
Depreciation of property and equipment	23	1,963,666	2,075,382
Changes in :			
- Loans and advances to banks maturing after 3 months.		2,581,500	11,585,548
- Loans and advances to customers		(12,657,925)	2,027,049
- Investments securities available for sale after 3 months		(8,644,799)	(13,669,786)
- Investment securities held to maturity maturing after 3 months		18,039,611	(41,402,242)
- Statutory Minimum Reserve (SMR)		(7,146,216)	3,350,000
- Other assets		6.252,763	(2,885,594)
-Deposits from banks after 3 months		(35,397,583)	7,387,071
- Deposits from customers		7,121,592	59,302,551
- Other liabilities		9,732,063	5,221,611
Tax paid		(23,506)	(988,559)
Net cash (used in)/ generated from operating activities		**(27,929,214)**	**27,581,029**
Cash flows from investment activities			
Purchase of property and equipment	23	(1,019,282)	(1,459,169)
Purchase of intangible assets	22	-	(2,828,512)
Net cash used in investing activities		**(1,019,282)**	**(4,287,681)**
Cash flows from financing activities			
Capital injection		**32,153,500**	**17,586,585**
Cash and cash equivalent at the beginning of the year		107,070,741	66,190,808
Increase /(decrease) in cash and cash equivalent during the year			
Net cash flows (used in)/ generated from operating activities		(27,929,214)	27,581,029
Net cash flows used in investing activities		(1,019,282)	(4,287,681)
Net cash flows from financing activities		32,153,500	17,586,585
Cash and cash equivalent at the end of the year	**34**	**110,275,745**	**107,070,741**

The Notes on pages 13 to 41 form an integral part of these financial statements. Auditors' report on page 8.

Financial Statements (continued)

Notes

GENERAL INFORMATION

Commercial Bank of Africa (Tanzania) Limited is a limited liability Company incorporated under the Companies Act,2002 and is domiciled in the United Republic of Tanzania. It is licensed to operate as a Bank under the Banking and Financial Institutions Act, 2006. The address of its registered office is:

Commercial Bank of Africa (Tanzania) Limited
2nd Floor, Amani Place Building, P.O. Box 9640
Dar es Salaam
Tanzania

The financial statements for the year ended 31 December 2015 have been approved for issue by the Board of Directors on 29 March 2016. Neither the entity's owners nor others have the power to amend the financial statements after issue.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for Available-for-sale financial assets are measured at fair value.

(c) Functional and presentation currency

These financial statements are presented in Tanzanian shillings, which is the Bank's functional currency and presentation currency. All amounts have been rounded to the nearest thousands ('000'), except when otherwise indicated.

(d) Use of judgements and estimates

In preparing these financial statements, management has made judgements, 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. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are explained in Note 5.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Interest income and expenses

Interest income and expenses for all interest-bearing financial instruments are recognised in profit or loss on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of the financial instrument and allocating the interest income or expense over the relevant period. In terms of the effective interest rate, is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or where appropriate a shorter period to net carrying amount of the financial asset or financial liability.

Direct incremental transaction costs incurred and origination fees received as a result of bringing margin-yielding assets in the statement of Financial Position, are capitalised to the carrying amount of financial instruments and amortised as interest income over the life of the asset.

(b) Interest income and expenses

When loans and advances have been written down as a result of an impairment loss interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

(d) Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in statement of profit or loss.

Financial Statements (continued)

Notes (continued)

(e) Leases

The bank as a lessee

Leases of assets are classified as operating leases if the lessor effectively retains all the risks and benefits. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease, unless another systematic basis is more representative of the time pattern in which the benefit is derived from the leased asset.

(f) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Bank can no longer withdraw the offer of those benefits and when the Bank recognises costs for a restructuring. If benefits are not expected to be wholly settled within 12 months of the reporting date, then they are discounted.

(iii) Short-term 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.

(g) Financial assets

The Bank classifies its financial assets in the following categories: loans and receivables, held-to- maturity and available-for-sale financial assets. The directors determine the classification of its financial assets at initial recognition. The Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

(a) those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss;

(b) those that the Bank upon initial recognition designates as available-for-sale; or

(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognized at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortized cost using the effective interest method. Loans and receivables that are included in the statement of financial position are loans and advances to banks and loans and advances to customers.

(ii) Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the directors have the positive intention and ability to hold to maturity, other than:

(a) those that the Bank upon initial recognition designates as at fair value through profit or loss;

(b) those that the Bank designates as available-for-sale; and

(c) those that meet the definition of loans and receivables.

Held-to-maturity investments are initially recognized at fair value including direct and incremental transaction costs and measured subsequently at amortized cost, using the effective interest method.

(iii) Available-for-sale

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income and cumulated in a separate reserve in equity, revaluation reserve, until the financial asset is derecognised. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in profit or loss.

The Bank's holding in financial liabilities represents mainly deposits from banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(h) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial instruments is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges and broker quotes from Bloomberg and Reuters.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indicators that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid- offer spread or there are few recent transactions.

Financial Statements (continued)

Notes (continued)

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs (for example, LIBOR yield curve, FX rates, volatilities and counterparty spreads) existing at the reporting dates.

For unlisted debt instruments other debt instruments the bank uses international developed models for valuation purposes. Some of the inputs to these models may not be market observable and before estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Bank holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk. Based on the established fair value model governance policies, related controls and procedures applied, the directors believe that these valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

(i) Derecognition

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

(j) Reclassification of financial assets

The Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(k) Classes of financial instruments

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

<table>
<tr><th colspan="2">Category (as defined by IAS 39)</th><th colspan="2">Class (as determined by the group)</th><th></th></tr>
<tr><td rowspan="18">Financial Assets</td><td rowspan="10">Loans and receivables</td><td colspan="2">Loans and advances to banks</td><td></td></tr>
<tr><td rowspan="7">Loans and advances to customers</td><td rowspan="4">Loans to individuals (retail)</td><td>Overdrafts</td></tr>
<tr><td>Credit cards</td></tr>
<tr><td>Term loans</td></tr>
<tr><td>Mortgages</td></tr>
<tr><td rowspan="3">Loans to corporate entities</td><td>Large corporate Customers</td></tr>
<tr><td>SMEs</td></tr>
<tr><td>Others</td></tr>
<tr><td colspan="2" rowspan="2">Investment securities - debt instruments</td><td>Listed</td></tr>
<tr><td>Unlisted</td></tr>
<tr><td rowspan="2">Held-to-maturity Investments</td><td colspan="2" rowspan="2">Investment securities - debt securities</td><td>Listed</td></tr>
<tr><td>Unlisted</td></tr>
<tr><td rowspan="2">Available-for-sale financial assets</td><td colspan="2">Investment securities - debt securities</td><td>Listed</td></tr>
<tr><td colspan="2">Investment securities - equity securities</td><td>Listed</td></tr>
<tr><td rowspan="4">Financial liabilities at armortised cost</td><td colspan="2">Deposits from banks</td><td></td></tr>
<tr><td rowspan="3">Deposits from customers</td><td>Retail customers</td><td></td></tr>
<tr><td>Corporate customers</td><td rowspan="2"></td></tr>
<tr><td>SMEs</td></tr>
<tr><td rowspan="2">Off-balance sheet financial Instruments</td><td colspan="3">Loan commitments</td><td></td></tr>
<tr><td>Guarantees, acceptances and other financial facilities</td><td colspan="3"></td></tr>
</table>

Financial Statements (continued)

Notes (continued)

(l) Impairment of financial assets

(i) Assets carried at amortised cost

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:
(a) significant financial difficulty of the issuer or obligor;
(b) a breach of contract, such as a default or delinquency in interest or principal payments;
(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
(e) the disappearance of an active market for that financial asset because of financial difficulties; or
(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) adverse changes in the payment status of borrowers in the portfolio; and
  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The estimated period between a loss occurring and its identification is determined by the directors for each identified portfolio. In general, the periods used vary between 3 and 12 months; in exceptional cases, longer periods are warranted.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.
The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Impairment charges relating to loans and advances to banks and customers are classified in loan impairment charges whilst impairment charges relating to investment securities (held-to-maturity and loans and receivables categories) are classified in 'Net gains/(losses) on investment securities'.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

(ii) Assets classified as available-for-sale

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(m) Offsetting financial instruments

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

Financial Statements (continued)

Notes (continued)

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short- term highly liquid investments with original maturities of three months or less.

(o) Property and equipment

Property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial year in which they are incurred.

Depreciation is provided on the straight line basis so as to write down the cost of assets to their residual values over their useful economic lives, at the following rates: -

	%
Leasehold improvements	10
Motor vehicles	25
Office furniture and equipment	20
Office computers	33

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss accounts.

(p) Intangible assets

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

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

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed five years.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives. Software has a maximum expected useful life of 5 years.

(q) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash- generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation and amortization, if no impairment loss had been recognized.

(r) Provisions

Provisions for restructuring costs and legal claims are recognised when: the Bank has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Financial Statements (continued)

Notes (continued)

(s) Income tax

Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of Tanzania Income Tax Act, The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. They establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same entity or different taxable entities where there is an intention to settle the balances on a net basis.

(t) Dividend

Dividends on ordinary shares are charged to equity in the period in which they are declared.

(u) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(v) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given.

Subsequent to initial recognition, the Bank's liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the balance sheet date, and the unamortised premium.

(w) Dividend income

Dividends are recognised in profit or loss when the Bank's right to receive payment is established.

(x) Acceptances and letters of credit

Acceptances and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

(y) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

(z) New standards and interpretations in issue but not yet effective

At the date of authorisation of the financial statements for the year ended 31 December 2015, the following relevant Standards were in issue but not yet effective:

Effective for the financial year commencing 1 January 2016

- Disclosure Initiative (Amendments to IAS 1)

Effective for the financial year commencing 1 January 2018

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial Instruments

Financial Statements (continued)

Notes (continued)

Effective for the financial year commencing 1 January 2019
•IFRS 16 Leases

All Standards and Interpretations will be adopted at their effective date except for those Standards and Interpretations that are not applicable to the entity. The directors are in the process of assessing the impact of these new standards some of which may have significant impact on the Bank.

Disclosure Initiative (Amendments to IAS 1)
The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to of the order of notes, OCI of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted.

IFRS 15 Revenue from contracts with customers
This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five- step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the bank, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised. The Bank is currently in the process of performing a more detailed assessment of the impact of this standard on the bank and will provide more information in the year ending 31 December 2016 financial statements.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 9 Financial Instruments
On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

This standard will have a significant impact on the Bank, which will include changes in the measurement bases of the Bank's financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model, which is expected to increase the provision for bad debts recognised in the Bank. The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

IFRS 16 Leases
IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 has one model for lessees which will result in almost all leases being included on the Statement of Financial position. No significant changes have been included for lessors.

The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted only if the entity also adopts IFRS 15. The transitional requirements are different for lessees and lessors. The Bank is assessing the potential impact on the financial statements resulting from the application of IFRS 16.

4 FINANCIAL RISK MANAGEMENT

Risk management is carried out by a central treasury department under policies approved by the Board of Directors. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, internal audit is responsible for the independent review of risk management and the control environment.

The risks arising from financial instruments to which the Bank is exposed are financial risks; which includes credit risk, liquidity risk and market risk.

4.1 Credit risk

Credit risk is the risk of suffering financial loss, should any of the Bank's customers, clients or market counterparties fail to fulfil their contractual obligations to the Bank. Credit risk arises mainly from commercial and consumer loans and advances, credit cards, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, financial guarantees, letters of credit, endorsements and acceptances.

The Bank is also exposed to other credit risks arising from investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including non-equity trading portfolio assets, derivatives and settlement balances with market counterparties and reverse repurchase loans.

Credit risk is the single largest risk for the Bank's business; the directors therefore carefully manage the exposure to credit risk. The credit risk management and control are centralised in a credit risk management team, which reports to the Managing Director and the Board of Directors.

Financial Statements (continued)

Notes (continued)

4.1.1 Credit risk measurement

The Bank uses models that have been developed to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. In measuring credit risk of loan and advances at a counterparty level, the Bank considers three components: (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and (iii) 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. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the reporting date (the 'incurred loss model') rather than expected losses.

(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. They are validated, where appropriate, by comparison with externally available data. The Bank's rating method comprises 5 rating levels for loans. The rating methods are subject to an annual validation and recalibration so that they reflect the latest projection in the light of all actually observed defaults.

The Bank's internal ratings scale and mapping of external ratings as supplemented by Bank of Tanzania's guidelines are as follows:

Bank's internal ratings scale

Bank's rating	Description of the grade
1	Standard current
2	Special monitoring
3	Sub-standard
4	Doubtful
5	Loss

(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. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

(iii) The likely recovery ratio

The likely recovery ratio on the defaulted obligations (the "loss given default") represents the Bank's expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure. It typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support.

4.1.2 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified and in particular, to individual counter parties 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. Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors.

The exposure to any one borrower including Banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. 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.

(a) Collateral

The Bank holds collateral against loans and advances to customers in the form of mortgage interest over property, other registered securities over assets and guarantees. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral are as follows:

- mortgages over properties;
- charges over business assets such as premises inventory and accounts receivables; and
- guarantees by directors and related companies.

(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 authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Financial Statements (continued)

Notes (continued)

4.1.3 Impairment and provisioning policies

The internal and external rating systems described in Note 3.1.1 focus on expected credit losses – that is, taking into account the risk of future events giving rise to losses. In contrast, impairment allowances are recognized for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

The impairment allowance shown in the statement of financial position at year-end is derived from each of the four internal rating grades. However, the largest component of the impairment allowance comes from the default grade. The table below shows the percentage of the Bank's on- and off- balance sheet items, like financial guarantees, loan commitments and other credit related obligations, relating to loans and advances and the associated impairment allowance for each of the Bank's internal rating categories.

			31 December 2015	31 December 2014 Restated
Bank's rating	**Credit risk exposure**	**Impairment allowance**	**Credit risk exposure**	**Impairment allowance**
1. Current	57.8	7.5	76.45	0.56
2. Special monitoring	18.7	3.4	2.56	0.56
3. Sub-standard	5.6	9.1	8.82	26.49
4. Doubtful	2.2	7.2	2.09	15.94
5. Loss	15.7	72.9	10.08	56.45
Total	**100.00**	**100.00**	**100.00**	**100.00**

4.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

Financial instruments whose carrying amounts do not represent maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are disclosed in Note 4.1.5.

22% of the total maximum exposure is derived from loans and advances to banks (2014(Restated): 18.5%), 51.4% loans to customers (2014(Restated):49.9%); and investments in government securities represents 26.3% (2014(Restated): 31.6%).

The directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities based on the following:

- 76.3% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2014(Restated): 79%); and
- 57.4% of the loans and advances to customers is considered to be neither past due nor impaired (2014(Restated): 77%).

4.1.5 Loans and advances

Loans and advances are summarised as follows:

	Loans and advances to customers 2015 TZS'000	Loans and advances to Banks 2015 TZS'000	Loans and advances to customers 2014 (Restated) TZS'000	Loans and advances to Banks 2014 (Restated) TZS' 000
Neither past due nor impaired	125,828,899	65,208,000	167,249,294	57,813,757
Past due but not impaired	52,306,979	-	5,675,227	-
Impaired	53,919,531	-	46,472,963	-
Gross	232,055,409	65,208,000	219,397,484	57,813,757
Less: allowance for impairment	(29,886,524)	-	(20,675,907)	-
Suspended Interest	(7,146,206)	-	(4,474,090)	-
Net loans and advances	**195,022,679**	**65,208,000**	**194,247,487**	**57,813,757**
Portfolio allowance	1,631,896	-	996,940	-
Individually impaired	35,400,834	-	24,153,057	-
Total	**37,032,730**	**-**	**25,149,997**	**-**

Financial Statements (continued)

Notes (continued)

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

Loans and advances to customers (TZS'000)

	Individual (retail) customers		Coporate entities			
31 December 2015	**Overdraft**	**Term loans**	**Overdraft**	**Term loans**	**Total loans and advances to customers**	**Total loans and advances to Bank**
Grades						
Standard (current)	2,710,575	37,802,635	38,212,100	47,103,589	125,828,899	65,208,000
Total	**2,710,575**	**37,802,635**	**38,212,100**	**47,103,589**	**125,828,899**	**65,208,000**
31 December 2014 (Restated)						
Grades						
Standard (current)	158,937	31,408,616	46,139,669	89,542,072	167,249,294	57,813,757
Total	**158,937**	**31,408,616**	**46,139,669**	**89,542,072**	**167,249,294**	**57,813,757**

(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. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows: (Amounts are in TZS'000).

	Individual /retails		Corporate entities		
	Overdraft	**Term loans**	**Overdraft**	**Term loans**	**Total**
Past due up to 30 days	-	760,451	-	12,363,330	13,123,781
Past due 30 - 60 days	-	1,035,295	-	19,901,067	20,936,362
Past due 60 - 90 days	-	335,169	-	17,911,667	18,246,836
Total	**-**	**2,130,915**	**-**	**50,176,064**	**52,306,979**
Past due up to 30 days	-	351,566	-	3,373,551	3,725,117
Past due 30 - 60 days	-	111,021	-	887,777	998,798
Past due 60 - 90 days	-	35,532	-	915,780	951,312
Total	**-**	**498,119**	**-**	**5,177,108**	**5,675,227**

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used f or the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or indexes of similar assets.

(b) Loans and advances individually impared

i) Loans and advances to customers

advances to customers

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is TZS 53,919 million (2014: TZS 46,472 million). The breakdown of the gross amount of individually impaired loans and advances by class, are as follows: (Amounts are in TZS'000).

Financial Statements (continued)

Notes (continued)

	Individual (retail) customers		Corporate entities		
31 December 2015	**Overdrafts**	**Term loans**	**Overdrafts**	**Term loans**	**Total**
Individually impaired loans	**3,180,215**	**6,242,899**	**10,499,439**	**33,996,978**	**53,919,531**
31 December 2014 (Restated)					
Individually impaired loans	**1,263,780**	**3,202,551**	**11,852,471**	**30,154,161**	**46,472,963**

(ii) Loans and advances to Banks
The total gross amount of individually impaired loans and advances to Banks as at 31 December 2015 was nil. (2014: nil).

4.1.6 Debt securities, treasury bills and other eligible bills
The only investment securities held by the Bank are treasury bills and bonds issued by the Bank of Tanzania.

4.1.7 Repossessed collateral
The Bank obtained assets by taking possession of collateral held as security. The nature and carrying amounts of such assets at the reporting date are as follows:

Collateral type	2015 TZS'000	2014 TZS'000
Legal mortgages	870,371	870,371

Repossessed properties are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. Repossessed property is classified within 'other assets'.

4.1.8 Concentration of risks of financial assets with credit risk exposure
(a) Geographical sectors
The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2015. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counter parties (Amounts are in TZS'000).

	Tanzania	North America	Others	Total
Cash in Hand	16,723,764	-	-	16,723,764
Balance with Bank of Tanzania	32,364,686	-	-	32,364,686
Cash and Balance with Bank of Tanzania	49,088,450		-	49,088,450
Balances with Financial Institutions	836,097	19,887,025	1,715,389	22,438,511
Amounts due from Banks	65,208,000			65,208,000
Investment securities	103,314,897	-	-	103,314,897
Loans and advances to customers:				
Loans to individuals:(gross)				
- Overdrafts	6,276,858	-	-	6,276,858
- Term loans	45,961,310	-	-	45,961,310
Loans to corporate entities:				
- Overdrafts	59,740,418	-	-	59,740,418
- Term loans	120,076,822	-	-	120,076,822
As at 31 December 2015	**450,502,852**	**19,887,025**	**1,715,389**	**472,105,266**
As at 31 December 2014 (Restated)	**461,698,956**	**19,108,007**	**1,713,824**	**482,520,787**

Financial Statements (continued)

Notes (continued)

(b) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of its counter parties. (Amounts are in TZS'000);

	Financial institutions	Manufa-cturing	Trading and commercial	Transport and comm-unication	Agriculture	Individuals	Others	Total
Cash in Hand	16,723,764	-	-	-	-	-	-	16,723,764
Balance with Bank of Tanzania	32,364,686	-	-	-	-	-	-	32,364,686
Balances with Financial Institutions	22,438,511	-	-	-	-	-	-	22,438,511
Loans and advances to Banks	65,208,000	-	-	-	-	-	-	65,208,000
Investment securities	103,314,897	-	-	-	-	-	-	103,314,897
Loans and advances to customers (Gross)								
Loans to Individuals								
-Overdrafts	-	-	-	-	-	6,276,858	-	6,276,858
-Term loans	-	-	-	-	-	45,961,311	-	45,961,311
Loans to Corporate entities								
-Overdrafts	-	-	59,740,418	-	-	-	-	59,740,418
-Term loans	7,210,703	10,226,079	82,862,919	8,068,663	4,479,209	-	7,229,249	120,076,822
As at 31 December 2015	**247,260,561**	**10,226,079**	**142,603,337**	**8,068,663**	**4,479,209**	**52,238,169**	**7,229,249**	**472,105,267**
Cash in Hand	13,153,113	-	-	-	-	-	-	13,153,113
Balance with Bank of Tanzania	28,708,692	-	-	-	-	-	-	28,708,692
Balances with Financial Institutions	16,633,949	-	-	-	-	-	-	16,633,949
Loans and advances to Banks	57,813,757	-	-	-	-	-	-	57,813,757
Investment securities	137,205,589	-	-	-	-	-	-	137,205,589
Loans and advances to customers	-	-	-	-	-	-	-	-
Loans to Individuals								
-Overdrafts	-	-	-	-	-	1,655,124	-	1,655,124
-Term loans	-	-	-	-	-	44,793,101	-	44,793,101
Loans to Corporate entities								
-Overdrafts	-	-	57,567,906	-	-	-	-	57,567,906
-Term loans	3,249,312	6,717,903	80,275,464	10,452,037	4,456,986	-	10,229,651	115,381,353
Other assets	-	-	-	-	-	-	9,608,203	9,608,203
As at 31 December 2014 (Restated)	**256,764,412**	**6,717,903**	**137,843,370**	**10,452,037**	**4,456,986**	**46,448,225**	**19,837,854**	**482,520,787**

4.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates. The Bank separates exposures to market risk into either trading or non-trading portfolios. The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Board of Directors and heads of department.

Financial Statements (continued)

Notes (continued)

4.2.1 Sensitivity analysis

a) Foreign exchange risk

The Bank monitors foreign exchange exposure on daily basis. As at 31 December 2015, the Bank had significant exposures on United States dollars and Euros. If Tanzanian Shillings had weakened/strengthened by 10% against United States dollar with all variables held constant, the post-tax profit would have been lower/higher by TZS 142 million (2014(Restated): TZS 5,288 million). If Tanzanian Shillings had weakened/strengthened by 10% against Euro, with all variables held constant, the post-tax profit would have been lower/higher by TZS 492 million (2014(Restated): TZS 366 million).

b) Interest rate risk

The interest rates for most of the financial assets and liabilities bearing interest are fixed therefore the impact of the market changes will not be significant to the bank.

4.2.2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. 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 summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2015. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency. (All amounts expressed in thousands of Tanzania Shillings).

At 31 December 2015	TZS	USD	GBP	EURO	Others	Total
Assets						
Cash in Hand	16,723,764	-	-	-	-	16,723,764
Balances with Bank of Tanzania	22,898,255	5,547,416	334,853	823,193	2,760,969	32,364,686
Balances with Financial Institutions	1,601,079	19,082,578	477,629	1,101,735	175,490	22,438,511
Loans and advances to banks	1,930,602	63,053,154	224,244	-	-	65,208,000
Investment securities	103,314,897	-	-	-	-	103,314,897
Loans and advances to customers (Net Loans)	129,439,706	65,314,567	13	268,393	-	195,022,679
Total assets	**275,908,303**	**152,997,715**	**1,036,739**	**2,193,321**	**2,936,459**	**435,072,537**
Liabilities						
Deposits from banks	(28,925,343)	(57,334,466)	-	-	-	(86,259,809)
Deposits from customers	(212,176,169)	(103,230,859)	(1,099,804)	(2,077,823)	(23,048)	(318,607,703)
Other liabilities	(8,109,584)	(5,774,779)	(13,728)	(427,190)	(54,649)	(14,379,930)
Total liabilities	(249,211,096)	(166,340,104)	(1,113,532)	(2,505,013)	(77,697)	(419,247,442)
Net balance sheet position	**26,697,207**	**(13,342,389)**	**(76,793)**	**(311,692)**	**2,858,762**	**15,825,095**

At 31 December 2014 (Restated)	TZS	USD	GBP	EURO	Others	Total
Assets						
Cash in Hand	13,153,113					13,153,113
Balances with Bank of Tanzania	20,308,260	8,054,454	78,141	103,105	164,732	28,708,692
Balances with Financial Institutions	46,000,000	9,542,500				55,542,500
Loans and advances to banks	7,565,951	9,429,333	1,062,564	333,764	513,594	18,905,206
Investment securities	137,205,589	-	-	-	-	137,205,589
Loans and advances to customers (Restated)	108,243,723	84,939,148	392	1,064,224	-	194,247,487
Other assets	8,877,737	730,466	-	-	-	9,608,203
Total assets	**341,354,373**	**112,695,901**	**1,141,097**	**1,501,093**	**678,326**	**457,370,790**
Liabilities						
Deposits from banks	(21,813,189)	(95,425,000)	-	(4,419,203)	-	(121,657,392)
Deposits from customers	(238,672,636)	(70,146,930)	(1,151,287)	(1,515,248)	(10)	(311,486,111)
Other liabilities	(6,940,832)	-	-	(715,510)	(18,418)	(7,674,760)
Total liabilities	(267,426,657)	(165,571,930)	(1,151,287)	(6,649,961)	(18,428)	(440,818,263)
Net balance sheet position	**73,927,716**	**(52,876,029)**	**(10,190)**	**(5,148,868)**	**659,898**	**16,552,527**

Financial Statements (continued)

Notes (continued)

4.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily by Bank.

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

	Up to 1 month TZS'000	1 –3 month TZS'000	3– 12 month TZS'000	Above month TZS'000	Non-interest bearing month TZS'000	Total month TZS'000
At 31 December 2015						
Assets						
Cash in Hand	-	-	-	-	16,723,764	16,723,764
Balances with Bank of Tanzania	-	-	-	-	32,364,686	32,364,686
Balances with Financial Institutions	-	-	-	-	22,438,511	22,438,511
Loans and advances to banks	48,432,000	10,800,000	5,976,000	-	-	65,208,000
Investment securities	837,784	12,532,464	33,197,746	56,746,903	-	103,314,897
Loans and advances to customers	195,022,679	-	-	-	-	195,022,679
Total assets	**244,292,463**	**23,332,464**	**39,173,746**	**56,746,903**	**71,526,961**	**435,072,537**
Liabilities						
Deposits from banks	(64,043,662)	(18,141,147)	(4,075,000)	-	-	(86,259,809)
Deposits from customers	(38,100,411)	(53,230,594)	(60,676,648)	(52,311,041)	(114,289,008)	(318,607,703)
Other liabilities	-	-	-	-	(14,379,929)	(14,379,929)
Total liabilities	(102,144,073)	(71,371,741)	(64,751,648)	(52,311,041)	(128,668,937)	(419,247,441)
Interest repricing gap	**142,148,390**	**(48,039,277)**	**(25,577,902)**	**4,435,862**	**(57,141,976)**	**15,825,096**
At 31 December 2014						
Assets						
Cash in Hand	-	-	-	-	13,153,113	13,153,113
Balances with Bank of Tanzania	-	-	-	-	28,708,692	28,708,692
Balances with Financial Institutions	-	-	-	-	18,905,206	18,905,206
Loans and advances to banks	46,130,500	787,500	4,287,000	4,337,500	-	55,542,500
Investment securities	17,023,709	4,893,907	67,147,533	48,140,440	-	137,205,589
Loans and advances to customers (Restated)	9,590,000	16,976,000	131,195,939	36,485,548	-	194,247,487
Total assets	**72,744,209**	**22,657,407**	**202,630,472**	**88,963,488**	**60,767,011**	**447,762,587**
Liabilities						
Deposits from banks	(115,847,392)	(1,735,000)	-	(4,075,000)	-	(121,657,392)
Deposits from customers	(108,497,468)	(52,065,784)	(72,403,113)	(2,067,162)	(76,452,584)	(311,486,111)
Other liabilities	-	-	-	-	(7,674,760)	(7,674,760)
Total liabilities	(224,344,860)	(53,800,784)	(72,403,113)	(6,142,162)	(84,127,344)	(440,818,263)
Interest repricing gap	**(151,600,651)**	**(31,143,377)**	**(130,227,359)**	**82,821,326**	**(23,360,333)**	**6,944,324**

4.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

Financial Statements (continued)

Notes (continued)

4.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate Treasury team, includes:

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

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (Note 4.3.2).

The Bank also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

4.3.2 Funding approach

Sources of liquidity are regularly reviewed by a separate Bank Treasury team to maintain a wide diversification by currency, geography, provider, product and term.

At 31 December 2015	1 - 3 months TZS'000	6 months TZS'000	12 months TZS'000	1 - 5 years TZS'000	More than 5 years TZS'000	Total
Assets						
Cash in Hand	16,723,764	-	-	-	-	16,723,764
Cash and balances with Bank of Tanzania	32,364,686	-	-	-	-	32,364,686
Balances with Financial Institutions	22,438,511	-	-	-	-	22,438,511
Loans and advances to banks	59,232,000	5,976,000	-	-	-	65,208,000
Loans and advances to customers	69,560,492	9,887,389	56,848,035	40,101,987	18,624,776	195,022,679
Investment securities	13,380,000	66,531,797	-	22,677,100	726,000	103,314,897
Total financial assets	213,699,453	82,395,186	56,848,035	62,779,087	19,350,776	435,072,537
Deposits from banks	82,184,809	4,075,000	-	-	-	86,259,809
Deposits from customers	151,485,435	52,326,610	59,772,664	51,407,057	3,615,937	318,607,703
Other liabilities	14,379,929	-	-	-	-	14,379,929
Total financial liabilities	248,050,173	56,401,610	59,772,664	51,407,057	3,615,937	419,247,441
Net liquidity gap	**(34,350,720)**	**(25,993,576)**	**(2,924,629)**	**11,372,030**	**15,734,839**	**15,825,096**

At 31 December 2014 (Restated)	1 - 3 months TZS'000	6 months TZS'000	12 months TZS'000	1 - 5 years TZS'000	More than 5 years TZS'000	Total
Assets						
Cash in Hand	13,153,113	-	-	-	-	13,153,113
Cash and balances with Bank of Tanzania	3,831,693	10,202,613	11,566,237	3,108,149	-	28,708,692
Balances with Financial Institutions	18,905,206	-	-	-	-	18,905,206
Loans and advances to banks	46,985,000	787,500	3,432,500	4,337,500	-	55,542,500
Loans and advances to customers (Restated)	9,590,000	16,976,000	65,242,457	77,412,880	25,026,150	194,247,487
Investment securities	21,845,730	21,219,419	46,000,000	48,140,440	-	137,205,589
Total financial assets	114,310,742	49,185,532	126,241,194	132,998,969	25,026,150	447,762,587
Deposits from banks	(115,847,392)	(1,735,000)		(4,075,000)		(121,657,392)
Deposits from customers	(184,950,052)	(52,065,784)	(72,403,113)	(2,067,162)		(311,486,111)
Other liabilities	(7,674,760)	-				(7,674,760)
Total financial liabilities	(308,472,204)	(53,800,784)	(72,403,113)	(6,142,162)	-	(440,818,263)
Net liquidity gap	**(194,161,462)**	**(4,615,252)**	**53,838,081**	**126,856,807**	**25,026,150**	**6,944,324**

Financial Statements (continued)

Notes (continued)

4.3.3 Off-balance sheet items

(a) Loan commitments

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities [Note 34(a)], are summarised in the table below:

(b) Other financial facilities

Other financial facilities (Note 35) are also included below, based on the earliest contractual maturity date. (c) Operating lease commitments Where the Bank, is the lessee, the future minimum lease payments under non-cancellable operating leases, as disclosed in the table below;

(d) Commitments

Commitments for the acquisition of equipment are summarized in the table below:

As at 31 December 2015	No later than 1 year TZS'000	1 – 5 years TZS'000	Over 5 TZS'000	Total TZS'000
Loan commitments	15,352,160	-	-	15,352,160
Letters of credit and guarantees	27,071,472	-	-	27,071,472
Operating lease commitments	2,569,716	5,447,450	1,592,948	9,610,114
Purchase of Plant & Equipment	2,800,130	-	-	2,800,130
Total	**47,793,478**	**5,447,450**	**1,592,948**	**54,833,876**
As at 31 December 2014				
Loan commitments	8,400,437	-	-	8,400,437
Letters of credit and guarantees	27,305,931	-	-	27,305,931
Operating lease commitments	3,522,500	12,088,170	5,539,500	21,150,170
Purchase of Plant & Equipment	4,000,000	-	-	4,000,000
Total	**43,228,868**	**12,088,170**	**5,539,500**	**60,856,538**

4.4 Fair value of financial assets and liabilities

4.4.1 Fair value estimation

Financial instruments at amortised costs

The Bank does not have a very accurate basis for calculating the fair value of the other financial instruments at amortised cost. However, its overall assessment is that their fair values would not be significantly different from the amortised cost at which they are stated because the majority are short term or repeat in the short term.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

i) Fair value of the Bank financial assets and financial liabilities that are measured at fair value on recurring basis.

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

Type	Fair value at 2015 TZS000	Fair value at 2014 TZS000	Hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable input to fair value
Investment securities available for sale	37,487,595	40,682,946	Level 2	Discounted cash flows, Yield Curves, Adjusted risk free rate	Discounted Cash Flows	N/A

The Bank does not have a very accurate basis for calculating the fair value of the other financial instruments at amortised cost. However, its overall assessment is that their fair values would not be significantly different from the amortised cost at which they are stated because the majority are short term or reprice in the short term.

Financial Statements (continued)

Notes (continued)

4.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- to comply with the capital requirements set by the regulator of the banking markets where the entity operate;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania (BoT), for supervisory purposes. The required information is filed with the BoT on a quarterly basis.

The BoT requires each Bank or Banking group to: (a) hold the minimum level of the regulatory capital of TZS 15 billion, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above 10%.

4.6 Capital management

The Bank's regulatory capital as managed by its Treasury department is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Prepaid expenses, intangible assets and deferred charges are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with each asset and counterpart, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2015 and year ended 31 December 2014. During those two years, the Bank complied with all of the externally imposed capital requirements to which they are subject.

	2015 Restated TZS'000	2014 TZS'000
Tier 1 Capital		
Ordinary shares	14,264,200	14,264,200
Advance towards share capital	49,740,085	17,586,585
Share premium	3,420,000	3,420,000
Retained profit	(32,744,656)	(13,604,486)
Less:		
Prepaid expenses	(1,063,924)	(1,150,874)
Intangible assets	(614,800)	(3,389,631)
Deferred tax asset	(15,392,414)	(4,821,729)
Total qualifying Tier 1 capital	**17,608,491**	**12,304,065**
Tier 2 Capital		
General provisions	1,317,973	-
Total regulatory capital (Tier 1 capital + Tier 2 capital)	**18,926,464**	**12,304,065**
Risk-weighted assets		
On-balance sheet	214,287,928	212,259,510
Off-balance sheet	34,297,038	18,237,080
Adjusted market risk	4,107,937	1,956,376
Total risk-weighted assets	**252,692,903**	**232,452,966**
	Bank's	**Ratio 2015**
Tire 1 capital (minimum requirment is 10%)	**7.%**	**5.3%**
Tire 1 + Tire 2 capital (minimun requirement is 12%)	**7.5%**	**5.3%**

Refer to Note 37 on the subsequent recapitalisation of the Bank.

Financial Statements (continued)

Notes (continued)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies.

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit and loss account, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows in an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. If the net present value of estimated cash flows changes by +/-1%, the impairment loss is to be estimated TZS 174 million higher or lower (2014(Restated): TZS 544 million).

b) Property and equipment

Critical estimates are made by the directors in determining depreciation rates for premises and equipment and their residual values. The rates are set out in note 3(o) above.

c) Held to maturity investments

The Bank follows the IAS 39 guidance on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. The classification requires significant judgment. In making this judgement, the bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances- for example, selling an insignificant amount close to maturity- it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value and not amortised cost. If all held-to-maturity investments were to be so reclassified, the carrying value would decrease by TZS 9,353,661 (2014: TZS 1,342,887), with a corresponding entry in the fair value reserve in shareholders' equity.

d) Impairment of available-for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Had all the declines in fair value below cost been considered significant or prolonged, the Bank would have recognised an additional TZS 9,353 million loss in its 2015 financial statements.

e) Fair value of financial instruments

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

Changes in assumptions about these factors could affect the reported fair value of financial instruments. For example, to the extent that the directors used a tightening of 20 basis points in the credit spread, the fair values would be estimated at TZS 38,361,070 as compared to their reported fair value of TZS

6 INTEREST INCOME

	2015 TZS '000	2014 Restated TZS '000
Loans and advances to customers	32,406,047	25,797,234
Loans and advances to banks	4,499,991	1,384,189
Investment in government securities	16,780,231	9,465,328
	53,686,269	36,646,751

7 INTEREST EXPENSE

	2015 TZS '000	2014 Restated TZS '000
Deposit from banks	6,897,077	7,252,321
Deposits from customers	22,963,086	22,082,885
	29,860,163	29,335,206

Financial Statements (continued)

Notes (continued)

8 IMPAIRMENT CHARGES ON LOANS AND ADVANCES TO CUSTOMERS

	2015 TZS '000	2014 Restated TZS '000
-Individually impairment	11,247,777	13,997,313
-Group impairment	634,956	330,964
	11,882,733	14,328,277

9 FEE AND COMMISSION INCOME

	2015 TZS '000	2014 Restated TZS '000
Loan facility fees	3,770,736	2,685,220
Letters of credit	886,210	1,185,506
Commission on guarantees	2,235,097	1,934,646
Funds transfer	825,220	763,075
Ledger fees	1,185,802	899,955
Cash withdrawal fees	67,295	606,441
Others	233,643	606,734
	9,204,004	**8,681,577**

10 FOREIGN EXCHANGE INCOME

	2015 TZS '000	2014 Restated TZS '000
Foreign exchange commission	651,799	373,450
Foreign Exchange (losses)/ gains on currency dealing	(16,536,893)	3,828,850
	(15,885,094)	**4,202,300**

11 OTHER INCOME

	2015 TZS '000	2014 Restated TZS '000
Rental income	137,166	172,503
Insurance Recovery (2014 Claims)	436,626	-
Bill & Melinda Gates risk share facility (M-PAWA)	621,571	-
	1,195,363	**172,503**

12 PERSONNEL EXPENSES

	2015 TZS '000	2014 Restated TZS '000
Wages and salaries	6,880,641	6,970,347
Social security contributions	605,956	635,188
Medical benefits	336,927	338,921
Life insurance costs	-	46,499
Skills and development levy	330,617	352,813
Training expenses	433,979	445,552
Other staff costs	1,141,800	1,126,967
Amortisation of staff loans benefit	1,187,941	-
	10,917,861	**9,916,287**

Financial Statements (continued)

Notes (continued)

13 GENERAL AND ADMINISTRATIVE EXPENSES

	2015 TZS '000	2014 Restated TZS '000
Information Technology (IT) and software costs	1,090,059	1,210,527
Occupancy, furniture and equipment	3,275,588	3,093,342
Marketing and public relations	1,032,188	1,222,098
Travel and lodging costs	1,286,572	1,248,576
Telecommunications and postage	1,247,083	825,958
Stationary and printing	535,623	584,858
Deposit protection insurance	490,247	437,899
Insurance costs	255,208	228,402
Reuters	463,003	340,798
Security costs	1,348,018	1,165,140
Frauds and shortages	172,097	829,123
Other administrative costs	1,281,283	1,374,561
Group Recharge	2,652,780	748,800
	15,129,749	13,310,082

14 DEPRECIATION AND AMORTISATION

	2015 TZS '000	2014 Restated TZS '000
Depreciation of leasehold improvement	911,699	897,824
Depreciation of property and equipment	1,051,967	1,177,558
Amortisation of intangible assets	333,514	553,126
	2,297,180	2,628,508

15 OTHER OPERATING EXPENSES

	2015 TZS '000	2014 Restated TZS '000
Audit fees	171,944	96,695
Legal fees	232,810	155,501
Consultancy and other professional fees	209,845	132,249
	614,599	384,445

Financial Statements (continued)

Notes (continued)

16 INCOME TAX EXPENSE

The tax charge for the year is arrived at as follows:

	2015 TZS '000	2014 Restated TZS '000
Current income tax – charge for the year	-	1,002,929
charge relating to prior years	-	1,092,026
Deferred income tax – credit for the year	(6,400,856)	(6,459,056)
Under provisions in prior year	(617,785)	(326,762)
	(7,018,641)	(4,690,863)
Operating profit before taxation	(21,966,627)	(19,303,405)
Tax calculated at a tax rate of 30%	(6,589,988)	(5,791,022)
Tax effect of:		
Depreciation on non- qualifying assets	136,354	53,717
Expenditure permanently disallowed	52,778	281,178
Current income tax – prior years	-	1,092,026
Deferred income tax prior years	(617,785)	(326,762)
	(7,018,641)	(4,690,863)

17 CASH AND BALANCES WITH BANK OF TANZANIA

	2015 TZS '000	2014 Restated TZS '000
Cash in hand	16,723,764	13,153,113
Balances with the Bank of Tanzania:		
- Statutory Minimum Reserve (SMR)	28,673,216	21,527,000
- Clearing account	3,691,470	7,181,692
	49,088,450	41,861,805

The SMR deposit is not available to finance the Bank's day-to-day operations, thus excluded from cash and cash equivalents for the purpose of the cash flow statement (see Note 34).

18 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets

At 31 December 2015	Loans and receivables TZS'000	Held-to- maturity TZS'000	Available- for-sale TZS'000	Total TZS'000
Cash and balances with Bank of Tanzania	49,088,450	-	-	49,088,450
Balances with Financial Institutions	22,438,511	-	-	22,438,511
Loans and advances to banks	65,208,000	-	-	65,208,000
Loans and advances to customers	195,022,679	-	-	195,022,679
Investment securities	-	65,827,302	37,487,595	103,314,897
	331,757,640	65,827,302	37,487,595	435,072,537
At 31 December 2014 (Restated)				
Cash and bank balances with Bank of Tanzania	41,861,805	-	-	41,861,805
Balances with Financial Institutions	18,905,206	-	-	18,905,206
Loans and advances to banks	57,813,757	-	-	57,813,757
Loans and advances to customers	194,247,482	-	-	194,247,482
Investment securities	-	96,522,643	40,682,946	137,205,589
	312,828,250	96,522,643	40,682,946	450,033,839

Financial Statements (continued)

Notes (continued)

Financial liabilities – at amortised costs

	2015 TZS '000	2014 TZS '000
Deposits from banks	86,259,809	121,657,392
Deposits from customers	318,607,703	311,486,111
Other liabilities	14,379,930	7,674,760
	419,247,442	440,818,263

19 BALANCES WITH OTHER BANKS

19.1 BALANCES WITH FINANCIAL INSTITUTIONS

	2015 TZS '000	2014 TZS '000
Balances with financial institutions - Maturities within 3 months	22,438,511	16,633,949

19.2 LOANS AND ADVANCES TO BANKS

	2015 TZS '000	2014 TZS '000
Maturities within 3 months	59,232,000	49,256,257
Maturities after 3 months	5,976,000	8,557,500
	65,208,000	57,813,757

20 LOANS AND ADVANCES TO CUSTOMERS

Individual loans:

	2015 TZS '000	2014 TZS '000
-Overdrafts	6,276,858	1,655,124
-Personal loans	12,290,175	15,324,280
-Insurance premium	4,126,960	2,604,815
-Mortgage	25,568,606	24,778,211
	48,262,599	44,362,430
Corporate loans:		
-Overdrafts	59,740,419	57,645,982
-Term loans	110,703,286	108,379,180
-Vehicle financing	9,373,536	6,924,097
	179,817,241	172,949,259
Staff loans	3,975,569	2,085,795
Advances to customers (gross)	232,055,409	219,397,484
Less: Allowances for impairment on loans and advances year	(37,032,730)	(25,149,997)
Net loans and advances	195,022,679	194,247,487

Movements in impairment for loans and advances during the year is as follows:

	Individually assessed TZS'000	Collectively assessed TZS'000	Total TZS'000
Year ended 31 December 2015			
At 1 January 2015	24,153,057	996,940	25,149,997
Increase in provision for loan impairment	11,247,777	634,956	11,882,733
At 31 December 2015	35,400,834	1,631,896	37,032,730
Year ended 31 December 2014 (Restated)			
At 1 January 2014	10,175,744	665,976	10,841,720
Increase in provision for loan impairment	13,977,313	330,964	14,308,277
At 31 December 2014	24,153,057	996,940	25,149,997

Financial Statements (continued)

Notes (continued)

Economic sector risk concentrations within the customer loan portfolios were as follows:

	2015 TZS '000	2014 TZS '000
Manufacturing	8,566,065	7,425,184
Wholesale and retail	59,042,307	58,052,247
Transport and communication	9,089,210	11,482,075
Agriculture	5,198,381	4,803,686
Business services	75,696,084	68,296,746
Mortgage	27,671,548	25,531,443
Others	46,791,814	43,806,103
	232,055,409	219,397,484
Gross loans	232,055,409	219,397,484
Impairment allowance	(37,032,730)	(25,149,997)
Total	**195,022,679**	**194,247,487**

21 INVESTMENTS IN GOVERNMENT SECURITIES

	2015 TZS '000	2014 TZS '000
21.1 Government securities –available for sale		
Maturing within 3 months	5,190,000	1,000,000
Maturing after 3 months	34,498,709	30,043,911
Fair value adjustment	(2,201,114)	9,639,035
	37,487,595	40,682,946
21. 2 Government securities – held to maturity		
Treasury bills and bonds maturing within 3 months	8,190,000	20,845,730
Treasury bills and bonds maturing after 3 months	57,637,302	75,676,913
	65,827,302	96,522,643
	103,314,897	137,205,589

22 INTANGIBLE ASSETS

	2015 TZS '000	2014 TZS '000
Computer software		
Net book amount at 1 January	3,389,631	1,114,245
Additions	-	2,828,512
Transfers	(2,441,317)	-
- Amortisation for the year	(333,514)	(553,126)
Net book amount at 31 December	**614,800**	**3,389,631**

Financial Statements (continued)

Notes (continued)

23 PROPERTY AND EQUIPMENT

	Leasehold Improvements TZS'000	Motor vehicles TZS'000	Office furniture & equipment TZS'000	Office computers TZS'000	Total TZS'000
Cost					
At 1 January 2014	9,018,635	201,845	2,491,632	1,672,022	13,384,134
Additions during the year	83,473	4,180	1,260,873	110,643	1,459,169
Transfers	(22,001)	-	-	-	(22,001)
At 31 December 2014	**9,080,107**	**206,025**	**3,752,505**	**1,782,665**	**14,821,302**
At 1 January 2015	9,080,107	206,025	3,752,505	1,782,665	14,821,302
Additions during the year	367,960	-	543,481	107,841	1,019,282
Transfers	(1,689)	-	(748,835)	-	(750,524)
At 31 December 2015	**9,446,378**	**206,025**	**3,547,151**	**1,890,506**	**15,090,060**
Accumulated depreciation					
At 1 January 2014	2,084,708	122,909	905,044	724,680	3,837,341
Charge for the year	897,824	51,336	637,632	488,590	2,075,382
At 31 December 2014	**2,982,532**	**174,245**	**1,542,676**	**1,213,270**	**5,912,723**
At 1 January 2015	2,982,532	174,245	1,542,676	1,213,270	5,912,723
Charge for the year	911,699	29,437	526,124	496,405	1,963,666
Transfers	(116)	-	(164,831)	-	(164,947)
At 31 December 2015	**3,894,116**	**203,682**	**1,903,968**	**1,709,675**	**7,711,441**
Net Book Value					
At 31 December 2015	**5,552,262**	**2,343**	**1,643,183**	**180,831**	**7,378,619**
At 31 December 2014	**6,097,575**	**31,780**	**2,209,829**	**569,395**	**8,908,579**

24 INCOME TAX RECOVERABLE/ (LIABILITY)

	2015 TZS '000	2014 TZS '000
At 1 January	459,292	1,565,688
Current tax charge –current year	-	(1,002,929)
Current tax credit/(charges)	-	(1,092,026)
Tax paid during the year	23,506	988,559
At 31 December	**482,798**	**459,292**

25 DEFERRED TAX ASSET / (LIABILITY)

	2015 TZS '000	2014 TZS '000
At 1 January	4,821,729	841,505
Accelerated depreciation recognised in profit or loss	179,938	40,098
Other timing differences recognised in profit or loss	6,838,703	6,745,721
Gain/(loss) on fair value of AFS – recognised in equity	3,552,045	(2,805,595)
At 31 December	**15,392,415**	**4,821,729**

Financial Statements (continued)

Notes (continued)

26 OTHER ASSETS

	2015 TZS '000	2014 TZS '000
Deferred staff expense	-	3,163,864
Prepaid expenses	1,063,924	1,150,874
Intercompany balances	-	1,016,313
Others	2,291,516	4,277,152
	3,355,440	9,608,203
- Current	3,355,440	5,293,465
- Non-current	-	4,314,738
	3,355,440	9,608,203

27 DEPOSITS FROM BANKS

	2015 TZS '000	2014 TZS '000
Deposits from local banks	39,326,493	21,813,189
Deposits from foreign banks	46,933,316	99,844,203
	86,259,809	121,657,392
Current	86,259,809	121,657,392
Maturities within 3 months	5,003,88	-
Maturities after 3 months	81,255,92	121,657,39
	86,259,809	121,657,392

28 DEPOSITS FROM CUSTOMERS

	2015 TZS '000	2014 TZS '000
Current accounts	98,336,854	72,299,515
Savings accounts	22,185,801	25,378,034
Term deposits	170,080,739	181,358,822
Call deposits	23,898,549	28,296,614
Other deposits	4,105,760	4,153,126
	318,607,703	311,486,111

29 OTHER LIABILITIES

	2015 TZS '000	2014 TZS '000
Bills payable	483,090	969,001
Due to related parties	10,231,495	5,297,615
Other creditors	3,665,344	1,408,144
	14,379,929	7,674,760

Financial Statements (continued)

Notes (continued)

30 SHARE CAPITAL

	2015 TZS '000	2014 TZS '000
Authorised:		
50,000,000 ordinary shares of TZS 1, 000 each	50,000,000	50,000,000
Issued:		
Ordinary shares-		
14,264,200 ordinary shares of TZS 1,000 each	14,264,200	14,264,200
Advance towards share capital	49,740,085	17,586,585
	64,004,285	31,850,785

Commercial Bank of Africa Limited, a bank registered in Kenya is one of the shareholders and holds a total of 8,366,509 shares while CBA Capital Limited is the second shareholder with 5,897,691 shares.

31 SHARE PREMIUM

	2015 TZS '000	2014 TZS '000
2,280,000 shares issued at TZS 1,500 per issue	3,420,000	3,420,000

32 REVALUATION RESERVE

	2015 TZS '000	2014 TZS '000
At 1 January	6,747,325	200,936
Net gains(Loss) from changes in fair value	(11,840,150)	8,884,933
Transfer to profit or loss account on disposal of AFS investments	-	467,051
Deferred tax thereon (profit on disposal of AFS investments)	3,552,045	(2,805,595)
At 31 December	(1,540,780)	6,747,325

The fair value reserve shows the effects from the fair value measurement of available-for-sale financial assets after deduction of deferred income taxes. Any gains or losses are not recognized in profit and loss account until the asset has been sold or impaired.

33 REGULATORY RESERVE

	2015 TZS '000	2014 TZS '000
At 1 January	5,718,134	1,974,744
Transfer from retained earnings	4,192,184	3,743,390
At 31 December	9,910,318	5,718,134

Regulatory reserve represents an appropriation from retained earnings to comply with the Bank of Tanzania prudential regulations. The balance in the reserve represents the excess of impairment provisions determined in accordance with the prudential regulations over the impairment provisions recognized in accordance with the Bank's accounting policy. The reserve is not distributable.

	General Provision TZS' 000	Excess of BOT over IFRS TZS' 000	Total TZS' 000
2015 Regulatory Reserve	1,317,973	8,592,345	9,910,318
2014 Regulatory Reserve	-	5,718,134	5,718,134

Financial Statements (continued)

Notes (continued)

34 CASH AND CASH EQUIVALENTS

	2015 TZS '000	2014 TZS '000
Cash and balance with Bank of Tanzania	20,415,234	20,334,805
Balances with financial institutions	22,438,511	16,633,949
Balances with other banks (with maturities of 3 months or less)	59,232,000	49,256,257
Treasury bills maturing within 3 months	8,190,000	20,845,730
	110,275,745	107,070,741

35 CONTINGENT LIABILITIES AND COMMITMENTS

a) Loan commitment, guarantees and other facilities

At 31 December 2015, the Bank had the contractual amount of the Bank's off balance sheet financial instruments that commit it to extend credit to customers, guarantees and letters of credit as follows:

	2015 TZS '000	2014 TZS '000
Unutilised facilities and other commitments	11,505,557	8,400,437
Guarantees	23,280,627	27,305,931
Letters of credit	3,790,846	2,522,030
	38,577,030	38,228,398

b) Legal claims contingency

As at 31 December 2015, the Bank was a defendant in several law suits. The plaintiffs are claiming damages and interest thereon for the alleged loss caused by the Bank due to breach of contracts and loss of business. The Bank has filed counter – claims against the plaintiffs. The total principal amount claimed in the various lawsuits approximates to TZS 846 million (2014: 705million). The directors are of the opinion that no significant liabilities will arise from these claims.

c) Capital commitments

At 31 December 2015, the Bank had capital commitments of TZS 2,800 million (2014: TZS 4,000 million) in respect of buildings and equipment purchases in 2014 budget. The Bank's management is confident that future net revenues and funding will be sufficient to cover this commitment.

d) Operating lease commitments

The Bank is the lessee, the future minimum lease payments under non-cancellable operating leases

	2015 TZS '000	2014 TZS '000
No later than one year	2,569,715	3,522,530
Later than one year and no later than five years	5,447,450	12,088,170
Later than five years	1,592,948	5,539,800
	9,610,113	21,150,500

36 RELATED PARTY TRANSACTIONS

The Bank is a subsidiary of Commercial Bank of Africa Limited, a company incorporated in Kenya and licenced as a commercial bank by the Central Bank of Kenya.

A number of Banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. Key related parties during the year included the holding company and Brookside Dairy Limited (through common shareholding). The volumes of related party transactions and outstanding balances at the year-end are as follows:

	2015 TZS '000	2014 TZS '000
Expenses paid on behalf by Parent Company, Kenya (recharges)	2,652,804	807,559
Expenses incurred on behalf of Parent Company, Kenya (cross board transactions)	96,000	(10,739)
	2,748,804	796,820

Financial Statements (continued)

Notes (continued)

Deposit transactions with related entities

The movement in deposits from related entities during the year was as follows:

	2015 TZS '000	2014 TZS '000
Expense		
Balance at 1 January	254,204	66,341
Deposits received during the year	1,564,764	456,402
Deposits withdrawn/matured during the year	(1,145,294)	(268,539)
Balance at 31 December	673,674	254,204
Interest expense	-	-

Loan transactions with key management personnel

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director.

The movement in outstanding loans with key management personnel during the year is as follows:

	2015 TZS '000	2014 TZS '000
Balance at 1 January	1,994,857	1,724,184
Loans issued during the year	561,369	755,131
Loan repayments during the year	(1,180,733)	(484,458)
Balance at 31 December	1,375,494	1,994,857
Interest income earned	155,758	184,215

The bank issues both secured and unsecured loans to staff with mortgage, car loans and loans exceeding six years. These loans carry an interest rates of 7% (2014: 7%).

a) Transactions with a related parties.
Deposit transactions with key management personnel

The movement in deposits from key management personnel during the year is as follows:

	2015 TZS '000	2014 TZS '000
Balance at 1 January	12,012	93,088
Deposits received during the year	118,660	375,380
Deposits withdrawn/matured during the year	(15,775)	(456,456)
Balance at 31 December (Restated)	114,897	12,012
Interest expense	-	-

Remuneration of key management personnel

	2015 TZS '000	2014 TZS '000
Salaries and other short-term benefits	2,965,316	3,154,054
Directors' fees and allowances	27,220	89,169
	2,992,536	3,243,223

Balances due from/ (to) related parties at year-end

Cash and short term funds with a related party

	2015 TZS '000	2014 TZS '000
Parent Company, Kenya	747,696	254,204

Financial Statements (continued)

Notes (continued)

Loans receivable from a related party

	2015 TZS '000	2014 TZS '000
Related Companies, Kenya	673,675	527,116

No provisions have been recognised in respect of loans given to related parties (2014: Nil).

Balance receivable (cross board transactions)

	2015 TZS '000	2014 TZS '000
Parent Company, Kenya (cross board transactions)	11,223	2,110

Balance payable (trading transactions)

	2015 TZS '000	2014 TZS '000
Parent Company, Kenya (recharges)	(4,344,895)	(1,178,599)

37 SUBSEQUENT EVENTS

The shareholders have injected a further capital amounting to TZS 12.4 billion (USD 5.7 million) as at 31 March 2016. This injection has enabled the bank to comply with the capital adequacy ratios.

Except for the above, at the date of signing the financial statements the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affected the financial position of the bank and results of its operations.

38 CAPITAL ADEQUACY

In the year to 31 December 2015, the shareholders have injected TZS 32.1 billion to ensure that the bank continues to meet all statutory requirements. Due to impairment of the banks loans, additional capital as noted in Note 36 above will be injected to ensure that this statutory ratio is maintained at well above the statutory rates.

The current ratios stand at;

Tier 1 Capital to Total risk weighted assets (Min 10%)	7.0%
Tier 1 and 2 capital to Total risk weighted assets (Min 12%)	7.5%

39 PRIOR PERIOD ADJUSTMENTS

During the year the Bank corrected an error related to overstatement of income in the prior period. The restatement affected the following accounts

	Before restatement 2014 TZS'000	Restatement TZS'000	After restatement 2014 TZS'000
Income statement			
Interest income	43,316,204	(6,669,453)	36,646,751
Income tax credit	2,690,027	2,000,836	4,690,863
	46,006,231	(4,668,617)	41,337,614
Statement of financial position			
Loan and advance to customers (Net)	200,916,941	(6,669,453)	194,247,487
Deferred tax asset	2,820,893	2,000,836	4,821,729
	203,737,834	(4,668,617)	199,069,216

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