BANK OF AFRICA
Groupe BMCE BANK

FINANCIAL STATEMENTS AT 31 DECEMBER 2015

TANZANIA

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TANZANIA

Opening date: October 2007
Created in 1995: EURAFRICAN BANK – TANZANIA Ltd (EBT).
Integrated into BOA network in 2007.

Capital as at 31/12/2015
Tanzanian Shillings (TZS) 26.92 billion

Board of Directors as at 31/12/2015
Ambassador Mwanaidi SINARE MAAJAR, Chairman
Amine BOUABID
Abdelkabir BENNANI
Vincent de BROUWER
Ben CHRISTIAANSE
Henry LALOUX
Emmanuel Ole NAIKO
Ammishaddai OWUSU-AMOAH

Auditor
DELOITTE & TOUCHE

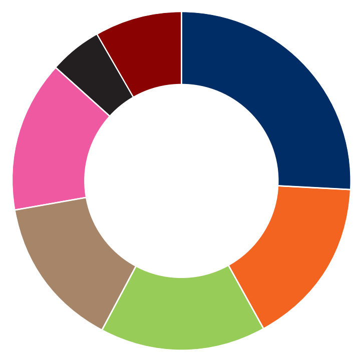
Registered office
NDC Development House
Ohio Street / Kivukoni Front
P.O. Box 3054 - Dar Es Salaam
TANZANIA
Tel.: (255) 22 211 01 04 / 12 90
Fax: (255) 22 211 37 40
SWIFT: EUAFTZTZ

E-mail: <boa@tanzania.com>

Web site: www.boatanzania.com

Principal Shareholders as at 31/12/2015

BOA GROUP S.A.	25.9%
BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES S.A. (BIO)	16.3%
BANK OF AFRICA IN KENYA LIMITED	15.7%
BOA WEST AFRICA	14.5%
AFH - OCEAN INDIEN	14.3%
TANZANIA DEVELOPMENT FINANCE COMPANY LTD	5.2%
OTHERS SHAREHOLDERS	8.1%



Key features of the 2015 (Amount in TZS)

Activity	2015	Yearly* growth %
Deposits	350,714,452	12.20
Loans	307,101,405	12.36
Number of branches at the end of the financial year	23	9.52

Structure		
Total Assets	575,340,447	16.13
Shareholders' equity	68,318,545	28.62
Average number of employees	289	15.14

Capital Adequacy Ratio	
Tier 1	56,924,343
Tier 2	5,823,395
Risk Weighted Asset (RWA)	291,169,760
Tier 1 + Tier 2 / RWA (%)	21.5

(*) Yearly growth 2015-2014

Income

Net operating income	43,348,624	19.5
Operating expenses	(33,660,887)	18.2
Gross operating profit	7,447,076	29.4
Cost of risk (in value) (**)	(2,240,661)	10.5
Net income	5,101,490	28.8
Operating ratio (%)	77.7	-0.80
Cost of risk (%)	-0.8	0
Return on Assets (ROA %)	0.9	0.1
Return on Equity (ROE %)	8.4	0

(**) Including general provision

Financial Analysis

BANK OF AFRICA in Tanzania performance marked improvement over previous year. PBT rose by 29% to TZS 7.4 billion (2014: TZS 5.8 billion).

Net operating income increased by 20% to TZS 43.3 billion, driven by interest income growth, whereby net interest income grew by 33% to TZS 28.3 billion (2014: TZS 21.3). The Bank's net loan book grew by 12% to TZS 307 billion while the total balance sheet grew by 16% to TZS 575 billion. Customers' deposits for the Bank stood at TZS 351 billion as at 31 December 2015, being a growth of 12% over the previous year.

Impairment charge on loans and advances during the year amounted to TZS 2.2 billion being an increase of 11% from the TZS 2.0 billion charged in 2014. Notwithstanding this increase, significant progress was achieved in the recovery of NPLs.

The Bank continued with its strategic branch expansion with an eye on SMEs and the retail market by opening two branches in Dodoma and Zanzibar. This brought the number of branches to 23 and marks its presence in 11 regions of the Tanzania mainland and Zanzibar. In short-term, this program continued to put pressure on OPEX. Despite the increase in expenses, there was slight decline in the Bank's cost to income ratio from 78.5% in 2014 to 77.7% in 2015. The Bank is expected to open 5 new branches in the coming 12 months.

The NPL ratio decreased from 3.3% at the end of prior year to 3.0% at the end of the reporting period. This ratio is lower than the industry average ratio of 8%.

Corporate information

Directors

Directors	Position	Remarks
Ambassador Mwanaidi	**Chairman**	
Sinare Maajar	Member	
Vincent De Brouwer	Member	
Emmanuel Ole Naiko	Member	
Amine Bouabid	Member	App. on 15 Oct. 2014
Henri Laloux	Member	
Abdelkabir Bennani	Member	
Ammishaddai Owusu- Amoah	Director	
Ben Christiaanse	Member	

Company secretary

Patrick Malewo
P.O.Box 3054
Dar es Salaam
Tanzania

Registered office

Development House, Kivukoni Front/Ohio Street
P.O.Box 3054
Dar es Salaam
Tanzania

Auditors

Deloitte & Touche
Certified Public Accountants (Tanzania)
10th Floor, PPF Tower
Cnr Ohio Street & Garden Avenue
P.O.Box 1559
Dar es Salaam
Tanzania

Bankers

Bank of Ghana, Ghana
Ghana International Bank, London
DZ Bank, Germany
Standard Chartered Bank, New York
Ghana Commercial Bank Limited, Ghana
Commerz Bank, Germany
Ecobank Nigeria
Deutsche Bank, New York
FBN UK, London

Standard Chartered Bank Ghana Limited
Bank of Beirut, Lebanon
Access Bank, London, UK
BMCE Bank International, Span
BNP Paribas Fortis
BOA Benin
BOA Cote D'Ivoire
BOA France
BOA Kenya
BOA Mali
BOA Niger
BOA Tanzania

Report of the Directors

To the members of BANK OF AFRICA - TANZANIA Limited

The Directors present their report together with the audited financial statements of BANK OF AFRICA - TANZANIA Limited (the "Bank") for the year ended 31 December 2015, which disclose the state of financial affairs of the Bank.

Incorporation

The Bank is a limited liability company incorporated under the Companies Act, 2002 and is domiciled in the United Republic of Tanzania.

Bank's vision

To be the preferred bank in the Bank's chosen markets.

Bank's mission

To serve customers with efficiency and courtesy, contribute to the development of all the Bank's stakeholders, optimize the growth of the Bank of Africa Group through synergies and common development plans and promote growth and stability of the economies in which the Bank operates.

Principal activities

The Bank's principal activity is the provision of banking and related services. The Bank is licenced under the Banking and Financial Institutions Act, 2006.

Business developments

During the year ended 31 December 2015, BANK OF AFRICA - TANZANIA Limited financial performance marked improvement over previous year. Profit before tax rose by 29% to TZS 7.4 billion (2014: TZS 5.8 billion).

Total operating income increased by 20% to TZS 41.1 billion, driven by interest income growth, whereby net interest income grew by 33% to TZS 28.3 billion (2014: TZS 21.3). The Bank's net loan book grew by 12% to TZS 307 billion while the total balance sheet grew by 16% to TZS 575 billion. Customers' deposits for the Bank stood at TZS 351 billion as at 31 December 2015, being a growth of 12% over the previous year.

Impairment charge on loans and advances during the year amounted to TZS 2.2 billion being an increase of 10% from the TZS 2.0 billion charged in 2014. Notwithstanding this increase, significant progress was achieved in the recovery of non-performing loans.

The following Key Performance Indicators (KPIs) are considered by the Directors as effective in measuring the delivery of the Bank's strategy and managing the business:

PERFORMANCE INDICATOR	DEFINITION AND CALCULATION METHOD	BANK OF AFRICA - TANZANIA LIMITED RATIOS	
		2015	2014
RETURN ON EQUITY	NET PROFIT/TOTAL EQUITY	7.5%	7.5%
RETURN ON ASSETS	NET PROFIT/TOTAL ASSETS	0.9%	0.8%
COST TO INCOME RATIO	TOTAL OPERATING COSTS/(NET INTEREST INCOME + NON-INTEREST INCOME)	77.7%	78.5%
INTEREST MARGIN ON EARNING ASSETS	TOTAL INTEREST INCOME/(INVESTMENT IN GOVERNMENT SECURITIES BALANCES WITH OTHER FINANCIAL INSTITUTIONS + INTERBANK LOAN RECEIVABLES + INVESTMENTS IN OTHER SECURITIES + NET LOANS, ADVANCES AND OVERDRAFT)	8.1%	8.6%
NON - INTEREST INCOME TO GROSS INCOME	NON - INTEREST INCOME/TOTAL INCOME	26.5%	27.2%
NON - PERFORMING LOANS TO GROSS LOANS	NON - PERFORMING LOANS/GROSS LOANS AND ADVANCES/2014 LOANS AND ADVANCES	3.1%	3.3%
EARNING ASSETS TO TOTAL ASSETS	EARNING ASSETS/TOTAL ASSETS		
GROWTH ON TOTAL ASSETS	TREND (2015 TOTAL ASSETS - 2014 TOTAL ASSETS) /2014 TOTAL ASSETS	82.9%	82.7%
GROWTH ON TOTAL ASSETS	TREND (2015 TOTAL ASSETS - 2014 TOTAL ASSETS) /2014 TOTAL ASSETS	16.1%	16.6%
GROWTH ON LOANS AND ADVANCES TO CUSTOMERS	TREND (2015 LOANS AND ADVANCES - 2014 LOANS AND ADVANCES)/2014 LOANS AND ADVANCES	12.4%	17.6%
GROWTH ON CUSTOMER DEPOSITS	TREND (2015 DEPOSITS - 2014 DEPOSITS)/2014 DEPOSIT	12.2%	5.4%
CAPITAL ADEQUACY TIER 1 CAPITAL	RISK WEIGHTED ASSETS INCLUDING OFF BALANCE SHEET ITEMS /CORE CAPITAL	19.5%	16.1%
TIER 1+TIER 2 CAPITAL	RISK WEIGHTED ASSETS INCLUDING OFF-BALANCE SHEET ITEMS /TOTAL CAPITAL	21.5%	18.1%

The Bank continued with its strategic branch expansion with an eye on Small and Medium Enterprises (SMEs) and the retail market by opening two branches in Dodoma and Zanzibar during the year. This brought the number of branches to 23 and marks its presence in 11 regions of the Tanzania mainland and Zanzibar. In short-term, this program continued to put pressure on operating costs. Despite the increase in expenses, there was slight decline in the Bank's cost to income ratio from 78.5% in 2014 to 78.1% in 2015. This is a clear demonstration of the efficient return the Bank is earning from the investments and expenditure made in the business. The Bank will continue with the expansion programme and is expected to open five new branches in the coming 12 months.

The non-performing loans to gross loans decreased from 3.3% at the end of prior year to 3.1% at the end of the reporting period. This ratio is lower than the industry average ratio of 6.7%. The credit selection, appraisal and approval processes, complemented by strong relationships with customers have ensured that potential credit delinquencies are identified and managed at an early stage. This arrangement has proved to be beneficial to the Bank and its customers, especially in light of the challenges that they are facing in the prevailing difficult economic environment.

The Directors extend sincere gratitude to the Bank's customers for their continued support and loyalty, staff for their contribution to the Bank's growth and all stakeholders who acted as catalysts in bringing the Bank this far. The Directors look forward to a year driven by determination of effort to bring the Bank closer to the aspirations that the Directors' strive to achieve in the Bank's three year strategic plan.

Dividend

The Directors do not recommend payment of dividend in current year.

Directors

The Directors of the Bank at the date of this report and who have been in office since 1 January 2015 unless otherwise stated are set out on page 1.

Corporate governance

At the end of the reporting period, the Board of Directors consisted of 8 directors, including the Managing Director. Apart from the Managing Director, no any other director holds an executive position in the Bank. The Board takes overall responsibility for the Bank, including responsibility for 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 for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Managing Director assisted by senior management. Senior management is invited to attend board meetings and facilitates the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the various business units. The Bank is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability. During the year the Board of Directors met four times.

Directors also recognize the importance of integrity, transparency and accountability.

During the year the Board of Directors of the Bank had the following board sub-committees to ensure a high standard of corporate governance throughout the Bank. All these committees report to the main Board of Directors.

i) Board committee

Ben Christaanse	Chairman
Abdelkabir Bennani	Member

Directors also recognize the importance of integrity, transparency and accountability.

During the year the Board of Directors of the Bank had the following board sub-committees to ensure a high standard of corporate governance throughout the Bank. All these committees report to the main Board of Directors.

ii) Board Audit committee

Vincent De Brouwer	Chairman
Emmanuel Ole Naiko	Member
Henry Laloux	Member

The committee met four times during the year.

iii) Board Risk and Compliance Committee

Abdelkabir Bennani	Chairman
Vincent De Brouwer	Member
Henry Laloux	Member
Ben Christiaanse	Member

The committee met four times during the year.

iv) Board Nomination, Remuneration and Human Resources Committee

Ben Christiaanse	Chairman
Abdelkabir Bennani	Member
Vincent De Brouwer	Member
Henri Laloux	Member

Capital structure

The Bank's capital structure as at 31 December 2015 is disclosed in notes 4.5 and 28 of these financial statements.

Shareholders of the bank

The total number of shareholders during the year was 9 (2014: 8 shareholders). None of the Directors of the Bank has an interest in the issued share capital. The shareholding of the Bank during the year is as disclosed in note 28 of these financial statements.

Management

The management of the Bank is under the Managing Director and is organized in the following departments:

- Finance;
- Credit control & Monitoring
- Operations and Support;
- Business Development;
- Audit; and
- Enterprise Risk and Compliance.

Future development plans

Year 2016 is likely to be a challenging year given the uncertainty associated with the increase in competition, continued volatility in international oil prices, volatility in interest rates and exchange rates and increased in regulatory requirements. The Bank will continue to focus on the areas where it believes to have competitive advantages. The Bank will seek new avenues of growth in Dar es Salaam and up-country regions and invest the sustainable future. The Bank is well positioned to take up the opportunities of a growing and transforming Tanzania marketplace. The Bank's strategy is to serve the full value chain of customers in its operation and to maintain high standards of customer service and cost-effective delivery channels. The Directors intend to continuously increase the Bank's delivery channels and embrace technological advancements in banking thereby taking the services closer to public. Management will also continue to focus on cost control and recoveries

Key strengths and resources

In light of key strengths and resources at the disposal of the Bank, the Directors believe that the Bank will achieve its objectives as highlighted above under Future Development Plans. Being affiliated to Bank of Africa Group with presence in 17 countries worldwide, the Bank enjoys considerable technological and intellectual capital. Now ranked among top 10 banks in Tanzania, the Bank will continue to strive to penetrate further into the market. The Bank has well-functioning staff motivational and retention schemes which have resulted in a reliable and committed team of staff.

Solvency

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Board of Directors has reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future.

Risk Management and International Control

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

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank's 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 met accepted criteria.

Employee's Welfare

Management and Employees' Relationship

The Bank's achievements and financial results in such a challenging market are a testimony to good relationship between employees and management. The Bank continued to enjoy good relationship between employees and management for the year ended 31 December 2015. There were no unresolved complaints received by management from the employees during the year.

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

Training Facilities

For the Bank to achieve its business strategy, it needs talented people who deliver superior results. To support and enable our people to give their best, the Bank provides an engaging and fulfilling environment with opportunities for personal and professional growth, maintain a competitive reward strategy and continuously enhance staff practices. In its annual budget for the year 2016, the Bank has allocated a sum of TZS 250 million for staff training in order to improve employee's technical skills hence effectiveness (2015: TZS 219 million was spent). 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 skills and enhance development.

Medical Assistance

All members of staff and a maximum number of four beneficiaries (dependants) for each employee were availed medical insurance guaranteed by the Bank. Currently these services are provided by AAR Insurance Tanzania Limited.

Financial Assistance to Staff

Loans are available to all confirmed employees depending on the assessment and discretion of management as to the need and circumstances.

Persons with Disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and appropriate training is arranged. It is the policy of the Bank that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees Benefit Plan

The Bank pays contributions to publicly administered pension plans on mandatory basis which qualify to be a defined contribution plans. Publicly administered pension plans of which Banks' employees are members are National Social Security Fund (NSSF) and PPF Pensions Fund (PPF).

Gender Parity

As at 31 December 2015, the Bank had 289 employees, out of whom 124 were female and 165 were male. (2014: 251 employees, 105 were female and 146 were male).

Related Party Transactions

Related party transactions and balances are disclosed in note 32 to these financial statements.

Social and Environmental Policy

The Bank recognises that sustainable development is dependent upon a positive interaction between economic growth, social upliftment and environmental protection.

As a responsible corporate citizen, the Bank has a policy framework that is designed to ensure that all projects undertaken adhere to social and environmental regulations of the relevant local, national and international standards.

The policy framework commits the Bank to:

Support business activities that contribute to the protection and improvement of the environment;

Monitor the effects of the Bank's activities on the environment and work towards the improvement and pollution prevention;

Comply with all applicable laws and regulations related to environmental protection and other requirements to which the Bank is subject to and subscribed to; and

Provide financing to projects with minimal adverse impact on the environment while ensuring that those having potentially major adverse environmental and social impact are accompanied by adequate mitigation measures.

Political and Charitable Donations

The Bank did not make any political donations during the year 2015. Donations made to charitable organizations during the year amounted to TZS 249.32 million (2014: TZS 35.3 million).

Corporate Social Responsibility

BANK OF AFRICA - TANZANIA Limited, in its commitment towards supporting its immediate community, engaged in various corporate social responsibility initiatives in the education, health and social sectors:

Education

Contribution to Boabab Secondary School

Continuing its CSR activities, the Bank contributed to Boabab Secondary School TZS 10 million which was used for renovating the halls of residence, this was to ensure that students at Boabab are properly accommodated. By so doing, the Bank invests in the future of the youth who are the work force of tomorrow.

Contribution to Hassan Maajar Trust "Walk for a Desk"

Hassan Maajar Trust conducted a charity walk 'Walk for a Desk' on November 28th 2015. This was to raise funds to produce desks for 5,000 children of Majimatitu Primary School in Mbagala, who are sitting on the floor while others have no classrooms and study under trees. BANK OF AFRICA - TANZANIA Limited donated a total of TZS 4.95 million for the production of 33 desks and the Bank's staff participated in the walk.

Participation in the AIESEC TANZANIA Career Fair

The Bank continued with its community support initiatives by contributing TZS 2.87 million and participating in the AIESEC career fair which is an opportunity for the Bank to acquire potential human resource talents and also invest in the future of the youth. The career fair provides a platform for employers to interact with their potential employees from different higher learning institutions in the country.

Health

Fundraising for treatment of children with clubfoot at CCBRT

BANK OF AFRICA - TANZANIA Limited conducted a fundraising event on 29 August 2015. The fundraising campaign raised a total of USD 100,000 (equivalent to TZS 220 million with the main aim of providing free or low- cost treatment to 400 children with clubfoot from different regions of Tanzania at Comprehensive Community Based Rehabilitation in Tanzania (CCBRT) Hospital. As a climax to the event, the bank hosted a Walking Marathon which was lead by His Excellency former president of Tanzania Ali Hassan Mwinyi

Social

Contribution for building ELCT Kimara Hospital

The ELCT DMP Church Kimara held a fundraising on 27 November 2015. The aim of the event was to raise funds for building church hospital at Kimara. The hospital is built for provision of health services for the whole community regardless of their religious beliefs. BANK OF AFRICA - TANZANIA Limited contributed TZS 1million.

Sponsorship of the TATOA Annual General Meeting

BANK OF AFRICA - TANZANIA Limited sponsored the annual general meeting for the Tanzania Truck Owners Association (TATOA) which brought together Chief Executive Officers (CEOs) and Businessmen from transport industry in the country. An amount of TZS 2.5 million was used for the sponsorship.

Support to Flood victims in Kahama District

BANK OF AFRICA - TANZANIA Limited provided financial support of TZS 3 million for the flood victims in Kahama district who were affected and displaced by heavy rains which hit the area.

Sponsorship of the Francophone Festival

As part of the Bank's annual engagement in supporting cultural integration through maintaining a close relationship with the French community in the country, the Bank sponsored TZS 5 million for this year's event.

Auditors

The auditors, Deloitte & Touche, having expressed their willingness, continue in office in accordance with the section 170 (2) of the Companies Act, 2002.

BY ORDER OF THE BOARD

Ambassador Mwanaidi Sinare Maajar
Board Chairperson

Statement of Directors' Responsibilities

The Companies Act, 2002 requires the Directors to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Bank and of its operating results for that year. It also requires the Directors to ensure that, the Bank keeps proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Bank. The Directors are also responsible for safeguarding the assets of the Bank.

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

The Directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The Directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Ambassador Mwanaidi Sinare Maajar
Board Chairperson

Emmanuel Ole Naiko
Director

Dar es Salaam 17 February 2016

Independent Auditors' report

To the members of the BANK OF AFRICA TANZANIA Limited

Report on the financial statements

We have audited the accompanying financial statements of BANK OF AFRICA - TANZANIA Limited, set out on pages 12 to 64, which comprise the statement of financial position as at 31 December 2015, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

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 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 judgement, 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 considered the internal controls relevant to the Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Bank's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, 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 state of financial affairs of the Bank as at 31December 2015 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

Report on other legal requirements

As required by the Companies Act, 2002 we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and

iii) the Bank's statement of financial position (balance sheet) and statement of profit and loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

Deloitte & Touche
Certified Public Accountants (Tanzania)

Signed by: E A Harunani
Dar es Salaam 17 February 2016

Financial statements

Statement of Profit or Loss and other Comprehensive Income for the year ended 31 december 2015

	NOTES	2015 TZS'000	2014 TZS'000
INTEREST AND SIMILAR INCOME	6	46,713,104	44,023,735
INTEREST AND SIMILAR EXPENSES	7	(18,392,082)	(22,685,606)
NET INTEREST INCOME		28,321,022	21,338,129
IMPAIRMENT CHARGE ON LOANS AND ADVANCES	8	(2,240,661)	(2,028,466)
NET INTEREST INCOME AFTER LOAN IMPAIRMENT		26,080,361	19,309,663
FEES AND COMMISSION INCOME	9	11,322,202	12,112,963
FEES AND COMMISSION EXPENSES		(1,804,274)	(1,558,347)
NET FEE AND COMMISSION INCOME		9,517,928	10,554,616
NET FOREIGN EXCHANGE INCOME		5,509,674	4,370,177
TOTAL OPERATING INCOME		41,107,963	34,234,456
OPERATING EXPENSES	10	(33,660,887)	(28,480,026)
PROFIT BEFORE TAX		7,447,076	5,754,430
INCOME TAX EXPENSE	12(A)	(2,345,586)	(1,794,817)
PROFIT FOR THE YEAR		5,101,490	3,959,613
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,101,490	3,959,613

Statement of Financial Position at 31 December 2015

	NOTES	2015 TZS'000	2014 TZS'000
ASSETS			
CASH AND BALANCES WITH BANK OF TANZANIA	14	78,846,271	68,981,882
BALANCES DUE FROM OTHER BANKS	15	121,595,649	78,789,858
GOVERNMENT SECURITIES HELD TO MATURITY	16	48,153,835	57,607,487
LOANS AND ADVANCES TO CUSTOMERS	17	307,101,405	273,309,102
EQUITY INVESTMENT	18	1,020,000	1,020,000
OTHER ASSETS	19	3,744,084	2,881,509
PROPERTY AND EQUIPMENT	20	11,080,517	10,161,942
INTANGIBLE ASSETS	21	1,585,822	1,221,621
CURRENT TAX ASSET	12(C)	-	240,226
DEFERRED TAX ASSETS	29	2,212,864	1,198,520
TOTAL ASSETS		575,340,447	495,412,147

	NOTES	2015 TZS'000	2014 TZS'000
LIABILITIES AND EQUITY			
LIABILITIES			
BALANCES DUE TO OTHER BANKS	22	103,138,915	103,928,574
DEPOSITS FROM CUSTOMERS	23	350,714,452	312,576,637
DERIVATIVE FINANCIAL INSTRUMENTS	27	-	230,040
SUBORDINATED DEBTS	24	11,398,579	12,050,428
LONG TERM BORROWINGS	25	33,169,337	7,026,583
OTHER LIABILITIES	26	7,818,692	6,482,747
CURRENT TAX LIABILITIES	12 (C)	781,927	-
TOTAL LIABILITIES	507,021,902	575 340 447	442,295,009
EQUITY			
SHARE CAPITAL	28	37,020,550	26,920,633
SHARE PREMIUM		12,780,383	12,780,383
RETAINED EARNINGS		13,108,144	11,739,703
REGULATORY RESERVE – SPECIFIC		2,373,367	1,676,419
REGULATORY RESERVE – GENERAL		3,036,101	-
TOTAL EQUITY		68,318,545	53,117,138
TOTAL LIABILITIES AND EQUITY		575,340,447	495,412,147

The financial statements on pages 12 to 65 were approved and authorised for issue by the Board of Directors on 17 February 2016 and signed on its behalf by:

Ambassador Mwanaidi Sinare Maajar
Board Chairperson

Emmanuel Ole Naiko
Director

Statement of Changes in Equity for the year ended 31 December 2015

	SHARE CAPITAL TZS'000	SHARE PREMIUM TZS'000	RETAINED EARNINGS TZS'000	REGULATORY SPECIFIC* TZS'000	REGULATORY GENERAL** TZS'000	TOTAL EQUITY TZS'000
AT 1 JANUARY 2014	18,981,953	4,519,055	8,352,534	1,103,975	-	32,957,517
ISSUE OF NEW SHARES	7,938,680	8,261,328	-	-	-	16,200,008
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	3,959,613	-	-	3,959,613
AT 31 DECEMBER 2014	26,920,633	12,780,383	11,739,703	1,676,419	-	53,117,138
AT 1 JANUARY 2015	26,920,633	12,780,383	11,739,703	1,676,419	-	53,117,138
ISSUE OF NEW SHARES	10,099,917	-	-	-	-	10,099,917
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	5,101,490	-	-	5,101,490
TRANSFER TO REGULATORY RESERVE*	-	-	(3,733,049)	696,948	3,036,101	-
AT 31 DECEMBER 2015	37,020,550	12,780,383	13,108,144	2,373,367	3,036,101	68,318,545

* Regulatory reserve represents the surplus of loan provision computed as per the Bank of Tanzania regulations over the impairment of loan s and advances calculated in accordance with International Financial Reporting Standards and is not available for distribution.

**Regulatory reserve-general represents 1% of the unclassified loans (current) as per requirement of section 27 of the Banking and Financial Institution (measurement of risk assets) Regulation, 2014.

Statement of Cash Flows for the year ended 31 December 2015

	NOTES	2015	2014
		TZS'000	TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT BEFORE TAX		7,447,076	5,754,430
ADJUSTMENT FOR:			
DEPRECIATION OF PROPERTY AND EQUIPMENT		1,852,601	1,900,012
AMORTISATION OF INTANGIBLE ASSETS		467,916	362,231
PROVISION FOR BAD DEBTS		2,597,671	2,492,953
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT		-	7,235
TOTAL		12,365,264	10,516,861
MOVEMENT IN WORKING CAPITAL: (INCREASE)/DECREASE			
IN STATUTORY MINIMUM RESERVE	31	(7,417,000)	2,920,000
DECREASE IN GOVERNMENT SECURITIES HELD TO MATURITY		9,453,652	20,991,745
INCREASE IN LOANS AND ADVANCES TO CUSTOMERS		(36,389,974)	(43,371,555)
INCREASE IN OTHER ASSETS		(862,575)	(474,462)
(DECREASE)/INCREASE IN BALANCES DUE TO OTHER BANKS		(789,659)	32,350,204
INCREASE IN DEPOSITS FROM CUSTOMERS		38,137,815	15,981,841
DECREASE IN DERIVATIVE FINANCIAL INSTRUMENTS		(230,040)	(735,180)
INCREASE IN OTHER LIABILITIES		1,335,945	71,394
NET CASH FROM OPERATING ACTIVITIES BEFORE INCOME TAX		15,603,428	38,250,848
INCOME TAX PAID	12 (C)	(2,337,777)	(2,414,475)
NET CASH FROM OPERATING ACTIVITIES		13,265,651	35,836,373
CASH FLOW FROM INVESTING ACTIVITIES			
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT		-	1,022
PAYMENTS FOR PROPERTY AND EQUIPMENT	20	(2,771,176)	(4,976,178)
PAYMENTS FOR INTANGIBLE ASSETS	21	(832,117)	(267,751)
NET CASH USED IN INVESTING ACTIVITIES		(3,603,293)	(5,242,907)
CASH FLOWS FROM FINANCING ACTIVITIES			
PROCEEDS FROM ISSUE OF SHARES		10,099,917	16,200,008
NET CHANGE IN SUBORDINATED BORROWINGS		(651,849)	(199,292)
NET CHANGE IN LONG TERM BORROWINGS		26,142,754	3,051,837
NET CASH FROM FINANCING ACTIVITIES		35,590,822	19,052,553
NET INCREASE IN CASH AND CASH EQUIVALENTS		45,253,180	49,646,019
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		123,949,440	74,303,421
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	30	169,202,620	123,949,440

Notes to the Financial Statements

For the year ended 31 December 2015

1. General Information

BANK OF AFRICA - TANZANIA Limited (the “Bank”) is a limited liability company incorporated in the United Republic of Tanzania under the Companies Act, 2002, and regulated by the Bank of Tanzania under the Banking and Financial Institutions Act, 2006. The details of the address of its registered office and principal place of business are disclosed on page 1 whilst its principal activities are described in the Report of the Directors.

2. Adoption of new and revised international financial reporting standards (IFRS)

a. New standards and amendments to published standards effective for the year ended 31 December 2015

The following amendments to IFRSs have been applied in the current year and have had no material impact on the amounts and/or disclosures reported in these financial statements.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Amends IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements to:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39

Financial Instruments: Recognition and Measurement

- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

The application of these amendments did not have any impact on the Bank’s financial statements as the Bank is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.

The application of these amendments to IAS 32 did not have impact on the Bank’s financial statements.

Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)

Amendments IAS 19 Employee Benefits clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contribution, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The application of these amendments to IAS 19 did not have impact on the Bank’s financial statements as the Bank did not have defined benefit plans.

Annual Improvements 2010-2012 Cycle

The annual improvements 2010-2012 cycle make amendments to the following standards:

- IFRS 2 - Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition';
- IFRS 3 - Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date;
- IFRS 8 - Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly;
- IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only);
- IAS 16 and IAS 38 - Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount;
- IAS 24 - Clarify how payments to entities providing management services are to be disclosed.

The application of these improvements to IFRSs did not have a significant impact on the Bank's financial statements.

Annual Improvements 2011-2013 Cycle

The improvements make amendments to the following standards:

- IFRS 1 - Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only);
- IFRS 3 - Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself;
- IFRS 13 - Clarify the scope of the portfolio exception in paragraph 52;
- IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

The application of these improvements to IFRSs did not have impact on the Bank's financial statements.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015

The entity has not applied the following new and revised IFRSs that have been issued but are not yet effective :

IFRS 9, Financial Instruments	Effective for accounting periods beginning on or after 1 January 2018
IFRS 14, Regulatory Deferral Accounts	Effective for accounting periods beginning on or after 1 January 2016
IFRS 15 Revenue from Contracts with customers	Effective for accounting periods beginning on or after 1 January 2017
IFRS 16 Leases	Effective for accounting periods beginning on or after January 2019
Disclosure Initiative (Amendments to IAS 7)	Effective for accounting periods beginning on or after 1 January 2017

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	Effective for accounting periods beginning on or after 1 January 2017
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	Effective for accounting periods beginning on or after 1 January 2016
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	Effective for accounting periods beginning on or after 1 January 2017
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	Effective for accounting periods beginning on or after 1 January 2016
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	Effective for accounting periods beginning on or after 1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	Effective for accounting periods beginning on or after 1 January 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Effective for accounting periods beginning on or after 1 January 2016

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2015

IFRS 9 Financial Instruments (2014)

IFRS 9 Financial Instruments (2014) is the finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 9 is effective for accounting periods beginning on or after 1 January 2018.

The Bank has started the process of evaluating the potential effect of this standard but given the nature of the Bank's operations, this standard may have a pervasive impact on the Bank's financial statements when effective.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 is applicable to entities whose first annual IFRS financial statements are for a period beginning on or after 1 January 2016.

The standard does not have impact to the financial statements of the Bank and the Bank is not the first time IFRS adopter.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

IFRS 15 is effective for accounting periods beginning on or after 1 January 2017 and is not expected to have significant impact on the financial statements.

IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

IFRS 15 is effective for accounting periods beginning on or after 1 January 2019 and is not expected to have significant impact on the financial statements.

Disclosure Initiative (Amendments to IAS 7)

Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments are effective for accounting periods beginning on or after 1 January 2017 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

Amends IAS 12 Income Taxes to clarify the following aspects:

Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. The carrying amount of an asset does not limit the estimation of probable future taxable profits. Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.

An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The amendments are effective for accounting periods beginning on or after 1 January 2017 and the Directors do not anticipate that its adoption will result into material impact on the financial statements.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Amendments to IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

The amendments are effective for accounting periods beginning on or after 1 January 2016.

The directors of the Bank do not anticipate that the application of these amendments to IFRS 11 will have a significant impact on the Bank's financial statements as the Bank does not have interests in joint ventures.

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

These amend IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

The amendments are effective for accounting periods beginning on or after 1 January 2016.

The directors of the Bank do not anticipate that the application of these amendments to IASs 16 and 38 will have a significant impact on the Bank's financial statements as the Bank's selection of depreciation method is not based on its revenues.

Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)

These amend IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to:

- include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16

- introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales
- clarify that produce growing on bearer plants remains within the scope of IAS 41.

The amendments are effective for accounting periods beginning on or after 1 January 2016.

The directors of the Bank do not anticipate that the application of these amendments to IASs 16 and 41 will have a significant impact on the Bank's financial statements as the Bank does not deal in agriculture.

Equity Method in Separate Financial Statements (Amendments to IAS 27)

Amendments to IAS 27 Separate Financial Statements permit investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

The amendments are effective for accounting periods beginning on or after 1 January 2016.

The directors of the Bank do not anticipate that the application of these amendments to IAS 27 will have a significant impact on the Bank's financial statements as the Bank does not have investment in subsidiaries, joint ventures and associates.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:

- require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
- require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in an subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

The amendments are effective for accounting periods beginning on or after 1 January 2016.

The directors of the Bank do not anticipate that the application of these amendments to IAS 27 will have a significant impact on the Bank's financial statements as the Bank does not have investment in joint ventures and associates.

d) Early adoption of standards

The Bank did not early-adopt any new or amended standards in the year ended 31 December 2015.

3. Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 2002 and Banking and Financial Institution Act, 2006. Additional information required by regulatory bodies is included where appropriate.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The significant accounting policies adopted in the preparation of these financial statements are set out below.

(a) Interest income and expense

Interest income and expense for all interest-bearing financial instruments except for those classified as held-for-trading or designated at fair value through profit or loss are recognised within 'interest and similar income' and 'interest and similar expense' in statement of profit or loss and other comprehensive income using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation of the effective interest rate includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. When loans and advances become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(b) Fees and commission income

Fees and commission are generally recognised on an accrual basis when the service has been rendered.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into TZS using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are re-translated at the closing rate as at the reporting date. 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 the profit or loss.

(d) Financial assets (excluding derivatives)

The Bank classifies its financial assets into the following categories: loans and receivables, held-to- maturity investments and available for sale financial assets. Directors determine the appropriate classification of its financial assets at initial recognition.

(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. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value which is the cash consideration to or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest method. Loans and advances to customers and balances due from other banks fall under this classification.

(ii) Held-to maturity investments

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

Held to maturity investments are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less any impairment

Where the Bank has to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available for sale.

(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 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.

The Bank classifies its equity investment held for strategic purpose other than trading as available for sale.

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, except for impairment losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement comprehensive income is recognised in the statement of profit or loss and other comprehensive income.

Recognition and measurement of financial assets

Initial recognition

Purchases and sales of financial assets categorised as loans and receivables and held-to-maturity are recognised on the trade date - the date on which the Bank becomes party to the contractual provision of the instruments. Financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

Subsequent measurement

Loans and receivables and held-to-maturity assets are subsequently measured at amortised cost using the effective interest method.

(e) Impairment of financial assets

Financial assets carried at amortised cost

At each end of the reporting period, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after 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:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three months and twelve 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 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 assets 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 appropriate provision and the amount of the loss is recognised in statement of profit or loss.

When a loan is uncollectible, it is written off against the related provision 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. If, in 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 debtors credit rating), the previously recognised impairment loss is revised by adjusting the provision account. The amount of the reversal is recognised in profit or loss in impairment charge for credit losses.

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.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude).

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

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.

Financial 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.

(f) Financial liabilities

The Bank's holding in financial liabilities is mainly in financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

Financial liabilities measured at amortised cost

Financial liabilities are recognised initially at fair value, generally being their issue proceeds net of transaction costs incurred. Financial liabilities are subsequently carried at amortised cost and interest is recognised over the period of the borrowing using the effective interest method.

(g) 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:

Financial assets	**Category**
Cash and balances with Bank of Tanzania	Loans and receivables
Balances due from other banks	Loans and receivables
Government securities held maturity	Held to maturity
Loans and advances to customers	Loans and receivables
Other assets excluding prepayments	Loans and receivables
Equity investment	Available for sale
Financial liabilities	
Balances due to other banks	Financial liabilities at amortised cost
Deposits from customers	Financial liabilities at amortised cost
Derivative financial instruments	Financial liabilities at fair value
Subordinated debts	Financial liabilities at amortised cost
Long term borrowings	Financial liabilities at amortised cost
Other liabilities	Financial liabilities at amortised cost

(h) Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as for trading unless they are designated as hedging instruments.

All derivatives are initially recognised and subsequently measured at fair value, with all revaluation gains recognised in profit and loss.

Fair values may be obtained from quoted market prices in active markets, recent market transactions, and valuation techniques, including discounted cash flow models. Where the initially recognised fair value of a derivative contract is based on a valuation model that uses inputs that are not observable in the market, it follows the same initial recognition accounting policy as for other financial assets and liabilities. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

(i) Income tax

Income tax expense is the aggregate of the charge to the profit or loss in respect of current tax and deferred tax. Current tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Income Tax Act, 2004 and its regulations.

Deferred tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

(j) Provisions

Provisions 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 embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(k) Property and equipment

Property and equipment are stated at historical cost less depreciation and accumulated impairment loss, if any. 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 annual rates:

	PERCENTAGE
LEASEHOLD PROPERTY	20
MOTOR VEHICLES	20
COMPUTER HARDWARE	20
MACHINERY AND OFFICE EQUIPMENT	20
FURNITURE AND FITTINGS	20
LEASEHOLD LAND	OVER THE LEASE PERIOD

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each end of the reporting period. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 assets 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 recognised in other operating expenses in profit or loss.

(l) Intangible assets

Intangible assets include computer software. Costs associated with maintaining computer software 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;
- the expenditure attributable to the software product during its development can be reliably measured; and

Software costs recognised as intangible assets are amortised on a straight basis over their estimated useful life of five years.

(m) Impairment of non-financial assets

Non-financial assets are reviewed for indications of impairment at the end of each reporting period. If any of such indicators exists the recoverable amount of the asset is estimated in order to determine extent of impairment loss, if any. 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) if it is not possible to as from the recoverable amount of an indicated asset. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets were impaired at the end of the reporting period.

(n) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non- restricted balances with Bank of Tanzania, Government Securities and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the Bank of Tanzania.

(o) Employee benefits

The Bank and its employees contribute to the National Social Security Fund (NSSF) and PPF Pensions Fund (PPF), which are statutory defined contribution schemes. Employees contribute 10% of their monthly emoluments while the Bank contributes 10% to the schemes. The Bank's liability to these funds is limited to 10% of the employees' emoluments.

The Bank also operates defined contribution retirement benefit plans for all qualifying employees of the Bank. The assets of the plans are held separately from those of the Bank in funds under the control of trustees. The legal or constructive obligation for this plan is limited to the contribution.

The Bank's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

(p) Offsetting of financial assets and financial liabilities

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

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains

and losses arising from a group of similar transactions such as in the Bank's trading activity.

(q) Acceptances, guarantees and letters of credit

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

(r) Share capital

Ordinary shares are classified as 'share capital' in equity. New shares are recorded at nominal value and any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(s) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including pre-payments, made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The total payments made under operating leases are charged to 'operating expenses' on a straight- line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

4. Financial risk management objectives

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risk. Taking risk is core to a financial business, and the operational risks are inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors.

Risk management is carried out by a risk management department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, market risk (such as foreign exchange risk and interest rate risk), credit risk, and liquidity risk. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important risks are credit risk, liquidity risk and market risk. The risks arising from financial instruments to which the Bank is exposed are financial risks, which include 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 fulfill 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 Board of Directors and head of each business unit regularly.

4.1.1. Credit risk management

Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given 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. For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all the customers are segmented into five rating classes as shown below:

Bank's internal ratings scale

Rank 's rating	Description of the grade
1	Current
2	Especially mentioned
3	Substandard
4	Doubtful
5	Loss

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 counterparties and groups, and to industries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. 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.

The following are ways the Bank use to mitigate the credit risks.

(i) Collateral

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

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

Long-term finance and lending to corporate entities are generally secured.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(ii) 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 loans.

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 long-term commitments generally have a greater degree of credit risk than short-term commitments.

4.1.3. Impairment and provisioning policies

The internal rating systems described in note 4.1.1 focus more on credit-quality mapping from the inception of the lending. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the end of the reporting period based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

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

The impairment provision is mainly derived from each of the four internal rating grades. However, the majority of the impairment provision comes from the bottom three grades. The table below shows the percentage of the Bank's on-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

		2015		2014
	LOANS AND ADVANCES (%)	IMPAIRMENT PROVISION (%)	LOANS AND ADVANCES (%)	IMPAIRMENT PROVISION (%)
CURRENT	96.96	0.24	96.05	0.22
ESPECIALLY MENTIONED	0.00	0.00	0.67	0.22
SUBSTANDARD	0.31	41.35	1.17	27.86
DOUBTFUL	0.22	20.42	0.34	30.32
LOSS	2.51	60.34	1.76	33.91
	100.00	1.92%	100.00	1.24

In addition, the Bank makes a portfolio impairment provision for credit losses based on the probability of loss using historic default ratios.

63% of the maximum exposure is derived from loans and advances to customers (2014: 62%); 10% represents investments in government securities (2014: 13%). Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and investment securities based on the following:

- 96.96% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2014: 96.7.2%);
- 96.96% of the loans and advances portfolio are considered to be neither past due nor impaired

(2014: 96.05%);

- The Bank is maintaining Risk Prevention Unit under Head of Business Development to monitor credit portfolio on daily basis; and
- No credit risk is considered in investment in Government treasury bills and bonds.

4.1.5. Loans and advances - age analysis

Loans and advances are categorised as follows:

	2015		2014	
	LOAN AND ADVANCES TO CUSTOMERS TZS'000	BALANCE DUE FROM OTHER BANKS TZS'000	LOAN AND ADVANCES TO CUSTOMERS TZS'000	BALANCE DUE FROM OTHER BANKS TZS'000
NEITHER PAST DUE NOR IMPAIRED	303,610,044	121,595,649	265,818,479	78,789,858
PAST DUE BUT NOT IMPAIRED	-	-	1,853,961	-
IMPAIRED	9,507,490	-	9,070,421	-
TOTAL	313,177,534	121,595,649	276,742,861	78,789,858
LESS: ALLOWANCE FOR IMPAIRMENT	(6,016,129)	-	(3,433,759)	-
NET OF IMPAIRMEN	307,101,405	121,595,649	273,309,102	78,789,858
INDIVIDUALLY IMPAIRED	5,281,594	-	2,845,570	-
PORTFOLIO ALLOWANCE	734,535	-	588,189	-
TOTAL	6,016,129	121,595,649	3,433,759	-

At the end of the reporting period, the total impairment provision for loans and advances was TZS 6,016 million (2014: TZS 3,434 million). Further information of the impairment allowance for loans and advances to customers is provided in note 17.

At 31 December 2015, the Bank's total loans and advances to customers, net of provision had increased by 12.4% as a result of the expansion of the lending business. When entering into new markets or new industries, in order to categorise the potential increase of credit risk exposure, the Bank focuses more on the business with corporate clients or banks with good credit rating or retail customers providing sufficient collateral.

(a) Loans and advances neither past due nor impaired

The portfolio of loans and advances that was neither past due nor impaired can be analysed as follows: (Amounts are in TZS'000).

	LOANS AND ADVANCES TO CUSTOMERS					LOANS AND ADVANCES TO BANKS
	INDIVIDUAL RETAIL		CORPORATE ENTITIES			
	OVERDRAFT	TERM LOANS	CUSTOMERS	SME	TOTAL	
31-DEC-15						
CURRENT	1,275,658	48,964,248	227,026,594	26,343,544	303,610,044	121,595,649
31-DEC-14						
CURRENT	1,246,638	24,079,534	198,294,904	42,197,403	265,818,479	78,789,858

(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 that were past due but not impaired were as follows: (Amounts are in TZS'000).

	INDIVIDUAL (RETAIL CUSTOMERS) OVERDRAFT	TERM LOANS	CORPORATE ENTITIES CORPORATE CUSTOMERS	SMES	TOTAL
31 DECEMBER 2015					
LESS THAN 90 DAYS PAST DUE	-	-	-	-	-
31 DECEMBER 2014					
LESS THAN 90 DAYS PAST DUE	-	-	1,791,667	62,294	1,853,961

(c) Loans and advances individually impaired

(i) Loans and advances to customers

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral hel d is TZS 9,507 million (2014: TZS 9,070 million). The breakdown of the gross amount of individually impaired loans and advances by class, are as follows: (Amounts are in TZS'000).

	INDIVIDUAL (RETAIL CUSTOMERS) OVERDRAFT	TERM LOANS	CORPORATE ENTITIES CORPORATE CUSTOMERS	SMES	TOTAL
31 DECEMBER 2015					
INDIVIDUALLY IMPAIRED LOANS	80,644	1,712,048	2,194,559	5,520,239	9,507,490
31 DECEMBER 2014					
INDIVIDUALLY IMPAIRED LOANS	589,418	766,526	2,503,501	5,210,976	9,070,421

As stated in note 3(e) allowance for impairment loss has been recognised for the amount by which the assets carrying amount exceed recoverable amount. Consequently, not all impaired loans and advances have been fully provided for.

(ii) Balance due from other banks

The total gross amount of individually impaired balance due from other banks as at 31 December 2015 was nil (2014: nil). No collateral is held by the Bank against balance due from other banks.

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 Government of the United Republic of Tanzania.

4.1.7 Repossessed collateral

During the year, the Bank obtained assets by taking possession of collateral held as security, as follows:

NATURE OF ASSETS	CARRYING AMOUNTS	
	2015	2014
	TZS'000	TZS'000
RESIDENTIAL PROPERTY	1,098,110	398,000
COMMERCIAL PROPERTY	-	210,000
MOTOR VEHICLE AND INVENTORIES	1,087,482	500,000
TOTAL	2,185,592	1,108,000

Repossessed assets are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

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 (without taking into account any collateral held or other credit support), 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 counterparties. (Amounts are in TZS'000):

2015	TANZANIA	EUROPE	AMERICA	OTHERS	TOTAL
BALANCE DUE FROM OTHER BANKS	63,992,762	12,551,378	15,435,038	29,616,471	121,595,649
GOVERNMENT SECURITIES HELD TO MATURITY	48,153,835	-	-	-	48,153,835
EQUITY INVESTMENT	1,020,000	-	-	-	1,020,000
LOANS AND ADVANCES TO CUSTOMERS					
TO INDIVIDUALS:					
- OVERDRAFT	1,321,334	-	-	-	1,321,334
- TERM LOANS	49,332,504	-	-	-	49,332,504
TO CORPORATE ENTITIES:					
- CORPORATE CUSTOMERS	226,720,518	-	-	-	226,720,518
- SMES	29,727,049	-	-	-	29,727,049
OTHER ASSETS (EXCLUDING PREPAYMENTS & STATIONERIES)	1,392,230	-	-	-	1,392,230
AS 31 DECEMBER 2015	421,660,232	12,551,378	15,435,038	29,616,471	479,263,119

Credit risk exposures relating to off-balance sheet items are as follows:

	TANZANIA	EUROPE	AMERICA	OTHERS	TOTAL
UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	35,090,879	-	-	-	35,090,879
OUTSTANDING GUARANTEES AND INDEMNITIES	6,080,561	-	-	-	6,080,561
LETTERS OF CREDIT	8,170,616	-	-	-	8,170,616
AS 31 DECEMBER 2015	49,342,056	-	-	-	49,342,056

2014	TANZANIA	EUROPE	AMERICA	OTHERS	TOTAL
BALANCE DUE FROM OTHER BANKS	33,356,541	5,065,464	4,632,807	35,735,046	78,789,858
GOVERNMENT SECURITIES HELD TO MATURITY	57,607,487	-	-	-	57,607,487
EQUITY INVESTMENT	1,020,000	-	-	-	1,020,000
LOANS AND ADVANCES TO CUSTOMERS					
TO INDIVIDUALS:					
- OVERDRAFT	1,599,534	-	-	-	1,599,534
- TERM LOANS	24,469,197	-	-	-	24,469,197
TO CORPORATE ENTITIES:					
- CORPORATE CUSTOMERS	201,426,925	-	-	-	201,426,925
- SMES	45,813,446	-	-	-	45,813,446
OTHER ASSETS (EXCLUDING PREPAYMENTS & STATIONERIES)	841,341	-	-	-	841,341
AS 31 DECEMBER 2014	366,134,471	5,065,464	4,632,807	35,735,046	411,567,788

Credit risk exposures relating to off-balance sheet items are as follows:

	TANZANIA	EUROPE	AMERICA	OTHERS	TOTAL
UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	20,159,243	-	-	-	20,159,243
OUTSTANDING GUARANTEES AND INDEMNITIES	16,729,549	-	-	-	16,729,549
LETTERS OF CREDIT	11,610,358	-	-	-	11,610,358
AS 31 DECEMBER 2014	48,499,150	-	-	-	48,499,150

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 counterparties (Amounts are in TZS'000):

31 DECEMBER 2015	FINANCIAL INSTITUTIONS	AGRICULTURE	MANU-FACTURING	BUILDING CONSTRUCTION	GOVERNMENT	TRANS-PORTATION	TRADE	WHOLESALE AND RETAIL INDIVIDUALS	OTHER	TOTAL
BALANCE DUE FROM OTHER BANKS	121,595,649	-	-	-	-	-	-	-	-	121,595,649
GOVERNMENT SECURITIES HELD TO MATURITY	-	-	-	48,153,835	-	-	-	-	-	48,153,835
EQUITY INVESTMENT	1,000,000	-	-	-	-	-	-	-	20,000	1,020,000
LOANS AND ADVANCES TO CUSTOMERS										
TO INDIVIDUAL:										
- OVERDRAFT	-	220	100,269	873	-	153	431,054	788,765	-	1,321,334
- TERM LOANS	-	18,718	28,945	19,365	-	-	224,788	48,620,298	420,390	49,332,504
TO CORPORATE ENTITIES:										
- CORPORATE CUSTOMERS	39,288,795	3,685,549	1,949,190	28,248,944	21,048,393	47,018,220	36,692,694	354,021	48,434,712	226,720,518
- SMES	-	1,186,666	3,052,019	1,662,643	-	801,500	5,384,191	9,512,025	8,128,005	29,727,049
OTHER ASSETS	-	-	-	-	-	-	-	-	1,392,230	1,392,230
AT 31 DECEMBER 2015	161,884,444	4,891,153	5,130,423	29,931,825	69,202,228	47,819,873	42,732,727	59,275,109	58,395,337	479,263,119

Credit risk exposures relating to off-balance sheet items are as follows:

UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	472,513	425,172	6,278,849	836,692	-	9,277,652	8,387,463	242,885	9,169,653	35,090,879
OUTSTANDING GUARANTEES AND INDEMNITIES	-	-	110,926	1,535,229	-	256,524	76,941	-	4,100,941	6,080,561
AT 31 DECEMBER 2015	472,513	425,172	6,405,327	2,371,921	-	11,877,678	8,464,404	242,885	19,082,156	49,342,056

	FINANCIAL INSTITUTIONS	AGRICULTURE	MANU-FACTURING	BUILDING CONSTRUCTION	GOVERNMENT	TRANS-PORTATION	WHOLESALE AND RETAIL TRADE	INDIVIDUALS	OTHER	TOTAL
31 DECEMBER 2014										
BALANCE DUE FROM OTHER BANKS	78,789,858	-	-	-	-	-	-	-	-	78,789,858
GOVERNMENT SECURITIES HELD TO MATURITY	-	-	-	-	57,607,487	-	-	-	-	57,607,487
EQUITY INVESTMENT	1,000,000	-	-	-	-	-	-	-	20,000	1,020,000
LOANS AND ADVANCES TO CUSTOMERS										
TO INDIVIDUAL:										
- OVERDRAFT	-	675	-	-	-	16,641	430,483	1,140,170	11,565	1,599,534
- TERM LOANS	-	103,664	-	52,645	-	1,583,641	326,690	21,632,803	769,754	24,469,197
TO CORPORATE ENTITIES:										
- CORPORATE CUSTOMERS	14,986,780	15,891,610	3,733,960	26,798,928	22,925,364	33,163,213	28,106,360	-	55,820,710	201,426,925
- SMES	-	783,873	-	5,335,219	-	3,327,011	15,539,484	13,445,633	7,382,226	45,813,446
OTHER ASSETS	-	-	-	-	-	-	-	-	979,241	979,241
AT 31 DECEMBER 2014	94,776,638	16,779,822	3,733,960	32,186,792	80,532,851	38,090,506	44,403,017	36,218,606	64,983,496	411,705,688

Credit risk exposures relating to off-balance sheet items are as follows:

	FINANCIAL INSTITUTIONS	AGRICULTURE	MANU-FACTURING	BUILDING CONSTRUCTION	GOVERNMENT	TRANS-PORTATION	WHOLESALE AND RETAIL TRADE	INDIVIDUALS	OTHER	TOTAL
UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	1,202,270	167,752	991,916	940,704	-	2,282,496	4,072,302	1,244,955	9,256,848	20,159,243
OUTSTANDING GUARANTEES AND										
INDEMNITIES	-	-	65,423	1,580,221	-	1,397,018	2,927,128	-	10,759,759	16,729,549
LETTERS OF CREDIT	-	-	12,473	-	-	-	-	-	11,597,885	11,610,358
AT 31 DECEMBER 2014	1,202,270	167,752	1,069,812	2,520,925	-	3,679,514	6,999,430	1,244,955	31,614,492	48,499,150

4.2. Market risk

The Bank takes on exposure to market risks. Market risk 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 rates and foreign currencies, 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. Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and

commercial banking assets and liabilities.

4.2.1. 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.

At 31 December 2015, if the functional currency had strengthened/weakened by 5% against the United States Dollar (USD) with all other variables held constant, post-tax profit for the year would have been TZS 543 million (2014: TZS 348 million) lower/higher mainly as a result of foreign exchange gains/losses on translation of for USD denominated financial assets and liabilities, respectively.

At 31 December 2015, if the functional currency had strengthened/weakened by 5% against the Sterling Pound (GBP) with all other variables held constant, post-tax profit for the year would have been TZS 1.2 million (2014: to 10 million) lower/higher mainly as a result of foreign exchange gains/losses on translation of for Sterling Pound denominated financial assets and liabilities respectively.

At 31 December 2015, if the functional currency had strengthened/weakened by 5% against the Euro with all other variables held constant, post-tax profit for the year would have been TZS 28 million (2014: TZS 248 million) lower/higher mainly as a result of foreign exchange gains/losses on translation of for Euro denominated financial assets and liabilities respectively.

The exposure to foreign currencies other than the USD, Euro and GBP is minimal.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2015 and 2014. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

AT 31 DECEMBER 2015 (AMOUNTS IN TZS'000)	TZS	USD	EURO	GBP	ZAR	KES	UGX	TOTAL
ASSETS								
CASH AND BALANCE WITH BANK OF TANZANIA	57,233,850	16,465,519	4,624,902	516,066	-	3,238	2,696	78,846,271
BALANCE DUE FROM OTHER BANKS	19,115,808	90,118,036	12,131,639	83,105	23,090	119,008	4,963	121,595,649
GOVERNMENT SECURITIES HELD TO MATURITY	48,153,835	-	-	-	-	-	-	48,153,835
EQUITY INVESTMENT	1,020,000	-	-	-	-	-	-	1,020,000
LOANS AND ADVANCES TO CUSTOMERS	138,764,109	168,262,918	74,378	-	-	-	-	307,101,404
OTHER ASSETS (EXCLUDING PREPAYMENT &INVENTORIES)	1,392,230	-	-	-	-	-	-	1,392,230
TOTAL FINANCIAL ASSETS	265,679,832	274,846,473	16,830,919	599,171	23,090	122,246	7,659	558,109,390
LIABILITIES								
BALANCE DUE TO OTHER BANKS	5,539,582	97,599,333	-	-	-	-	-	103,138,915
DEPOSITS FROM CUSTOMERS	197,796,066	137,924,155	14,361,816	632,415	-	-	-	350,714,452
SUBORDINATED DEBTS	-	11,398,579	-	-	-	-	-	11,398,579
LONG TERM BORROWINGS	5,777,406	26,863,036	528,895	-	-	-	-	33,169,337
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	4,388,729	1,076,888	1,136,552	-	-	-	-	6,602,169
TOTAL FINANCIAL LIABILITIES	213,501,783	274,861,991	16,027,263	632,415	-	-	-	505,023,452
NET ON BALANCE SHEET FINANCIAL POSITION	52,178,049	(15,518)	803,656	(33,244)	23,090	122,246	7,659	53,085,938
CREDIT COMMITMENTS	18,595,715	16,495,164	-	-	-	-	-	35,090,879

AT 31 DECEMBER 2014 (AMOUNTS IN TZS'000)	TZS	USD	EURO	GBP	ZAR	KES	UGX	TOTAL
ASSETS								
CASH AND BALANCE WITH BANK OF TANZANIA	57,233,850	16,465,519	4,624,902	516,066	-	3,238	2,696	78,846,271
CASH AND BALANCE WITH BANK OF TANZANIA	49,913,919	16,622,826	2,362,878	109,145	-	(28,224)	1,338	68,981,882
BALANCE DUE FROM OTHER BANKS	31,496,049	36,677,677	10,293,870	271,774	4,218	47,539	(1,269)	78,789,858
GOVERNMENT SECURITIES HELD TO MATURITY	57,607,487	-	-	-	-	-	-	57,607,487
EQUITY INVESTMENT	1,020,000	-	-	-	-	-	-	1,020,000
LOANS AND ADVANCES TO CUSTOMERS	118,703,131	154,605,971	-	-	-	-	-	273,309,102
OTHER ASSETS (EXCLUDING PREPAYMENT &INVENTORIES)	979,241	-	-	-	-	-	-	979,241
TOTAL FINANCIAL ASSETS	259,719,827	207,906,474	12,656,748	380,919	4,218	19,315	69	480,687,570
LIABILITIES								
BALANCE DUE TO OTHER BANKS	953,109	101,503,978	1,471,487	-	-	-	-	103,928,574
DEPOSITS FROM CUSTOMERS	193,611,349	101,731,383	17,137,825	96,080	-	-	-	312,576,637
DERIVATIVE FINANCIAL INSTRUMENTS	-	230,040	-	-	-	-	-	230,040
SUBORDINATED DEBTS	-	12,050,428	-	-	-	-	-	12,050,428
LONG TERM BORROWINGS	5,778,331	1,248,252	-	-	-	-	-	7,026,583
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	1,999,226	1,076,888	1,136,552	-	-	-	-	4,212,666
TOTAL FINANCIAL LIABILITIES	202,342,015	217,840,969	19,745,864	96,080	-	-	-	440,024,928
NET ON BALANCE SHEET FINANCIAL POSITION	57,377,812	(9,934,495)	(7,089,116)	284,839	4,218	19,315	69	40,662,642
CREDIT COMMITMENTS	12,366,552	7,792,692	-	-	-	-	-	20,159,243

4.2.2 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. Interes t margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. The table below summarises the Bank's exposure to interest rate risk. 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 any interest rate risk on off balance sheet items. (Amounts are TZS'000).

AS 31 DECEMBER 2015	UP TO 1 MONTH	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS	NON INTEREST BEARING	TOTAL
ASSETS							
BALANCES DUE FROM OTHER BANKS	12,091,576	38,586,175	32,883,531	-	-	38,034,367	121,595,649
GOVERNMENT SECURITIES HELD TO MATURITY	-	14,674,953	16,438,474	-	17,040,408	-	48,153,835
LOANS AND ADVANCES TO CUSTOMERS	275,274,214	16,706,698	15,120,493	-	-	-	307,101,405
TOTAL FINANCIAL ASSETS	287,365,790	69,967,826	64,442,498	-	17,040,408	38,034,367	476,850,889
LIABILITIES							
BALANCE DUE FROM OTHER BANKS	19,909,996	77,572,350	5,182,104	-	-	474,465	103,138,915
DEPOSITS FROM CUSTOMERS	68,129,221	28,856,779	58,893,755	50,000	-	194,784,697	350,714,452
SUBORDINATED DEBTS	-	-	-	11,227,892	-	170,687	11,398,579
LONG TERM BORROWINGS	-	11,874,729	7,293,835	13,570,441	-	430,332	33,169,337
TOTAL FINANCIAL LIABILITIES	88,039,217	118,303,858	71,369,694	24,848,333	-	195,860,181	498,421,283
TOTAL INTEREST SENSITIVITY GAP	199,326,573	(48,336,032)	(6,927,196)	(24,848,333)	17,040,408	N/A	N/A

AS 31 DECEMBER 2014	UP TO 1 MONTH	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS	NON INTEREST BEARING	TOTAL
ASSETS							
BALANCES DUE FROM OTHER BANKS	28,027,325	24,191,458	5,460,190	6,769,463	-	14,341,422	78,789,858
GOVERNMENT SECURITIES HELD TO MATURITY	3,679,311	5,831,507	21,114,894	19,115,238	7,866,537	-	57,607,487
LOANS AND ADVANCES TO CUSTOMERS	273,309,102	-	-	-	-	-	273,309,102
TOTAL FINANCIAL ASSETS	305,015,738	30,022,965	26,575,084	25,884,701	7,866,537	14,341,422	409,706,447
LIABILITIES							
BALANCE DUE FROM OTHER BANKS	30,303,518	53,859,602	18,357,292	865,910	-	542,252	103,928,574
DEPOSITS FROM CUSTOMERS	94,713,914	20,556,493	48,251,700	5,195,460	-	143,859,070	312,576,637
SUBORDINATED DEBTS	-	-	-	11,949,558	-	100,870	12,050,428
LONG TERM BORROWINGS	-	-	-	6,988,251	-	38,332	7,026,583
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	230,040	-	-	-	230,040
TOTAL FINANCIAL LIABILITIES	125,017,432	74,416,095	66,839,032	24,999,179	-	144,540,524	435,812,262
TOTAL INTEREST SENSITIVITY GAP	179,998,306	(44,393,130)	(40,263,948)	885,522	7,866,537	N/A	N/A

4.2.2 Interest rate risk (continued)

The table below summarises a range of effective interest rates by major currencies for monetary financial instruments for the year ended 31 December 2015 and 2014:

	2015		2014	
	TZS	USD	TZS	USD
ASSETS				
LOANS AND ADVANCES TO CUSTOMERS				
	11.5%-25%	6.0%-12%	12% - 27%	6.5%-13%
BALANCES DUE TO OTHER BANKS	3.5%-21%	2.5%-4.5%	6%-15%	2%-4%
GOVERNMENT SECURITIES HELD TO MATURITY	12%-15%	8%-11%	8%-11%	-
LIABILITIES				
DEPOSITS FROM CUSTOMERS	4%-16.5%	0.8%-3.3%	3.5% - 17%	0.5% - 3.5%
BALANCES DUE FROM OTHER BANKS	6%-15%	2%-4.2%	5%-14%	2% - .4%
SUBORDINATED DEBTS	-	6%-6.5%	-	6% - 6.5%
LONG TERM BORROWINGS	10%	2.5%	11.5%	2.5%
DERIVATIVE FINANCIAL INSTRUMENTS	10.5%-14%	0.5%-1.8%	1.1% - 14.5%	0.6% - 1.5%

At 31 December 2015, if the interest rates on functional currency denominated assets and liabilities had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been TZS 18.8 million (2014: TZS 93 million) lower/higher, mainly as a result of fluctuations in interest income and interest expense.

At 31 December 2015, if the interest rates on USD denominated assets and liabilities had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been TZS 80.2 million (2014: TZS 168 million) lower/higher, mainly as a result of fluctuations in interest income and interest expense. The exposure to interest rates fluctuations on assets and liabilities denominated in foreign currencies other than USD is minimal.

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 fulfill commitments to lend.

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:

- Maintaining a documented liquidity risk/crisis management plans which among other things defines situations which could precipitate liquidity crisis. Examples of such situations are: unusual activities at the branches, default by one or more large borrowers, devaluation of currency in which the Bank has large exposure, large litigation claim on the Bank etc;
- Maintaining adequate liquidity at all times and for all currencies, and hence to be in a position, in the normal course of business to meet all our obligations, to repay depositors, to fulfill commitments to lend and to meet any other commitment made. This takes the form of maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Managing the concentration and profile of debt maturities;
- Presence of Liquidity Crisis Management Team (LCMT) whose purpose is to mitigate adverse effects of liquidity crisis. Among other things, it is tasked with: investigating causes of crisis, assess the timing and duration thereof; decide on preliminary remedial actions to mitigate the effects of the crisis; assessing market sentiments.
- 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 treasury team to maintain a wide diversification by currency, geography, provider, product and term.

4.3.3. Minimum liquidity

Section 7 of the Banking and Financial Institutions (Liquidity Management) Regulations, 2014 requires that a bank or financial institution shall maintain liquid assets amounting to not less than twenty percent (20%) of its demand liabilities. The Bank's liquidity ratio at the end of the period was forty two percent (42%).

4.3.4. Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flows, as the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

AT 31 DECEMBER 2015	UP TO 1 MONTH TZS'000	1 TO 2 MONTHS TZS'000	3 TO 12 MONTHS TZS'000	1 TO 5 YEARS TZS'000	OVER 5 YEARS TZS'000	TOTAL TZS'000
LIABILITIES						
BALANCES DUE TO OTHER BANKS	20,027,520	78,350,774	5,233,403	-	-	103,611,697
DEPOSITS FROM CUSTOMERS	263,050,391	29,374,564	62,381,289	61,231	-	354,867,475
SUBORDINATED DEBTS	-	3,248,086	2,999,108	5,804,688	-	12,051,882
LONG TERM BORROWINGS	429,406	11,959,805	7,877,665	15,767,781	-	36,034,657
OTHER LIABILITIES	7,376,573	-	-	-	-	7,376,573
TOTAL LIABILITIES (CONTRACTUAL MATURITY DATES)	290,883,890	122,933,229	78,491,465	21,633,700	-	513,942,284
TOTAL ASSETS (EXPECTED MATURITY DATES)	405,795,003	71,207,617	69,087,414	77,341,850	26,469,867	649,901,751
AT 31 DECEMBER 2014						
LIABILITIES						
BALANCES DUE TO OTHER BANKS	30,480,770	54,375,737	18,703,223	-	-	103,559,730
DEPOSITS FROM CUSTOMERS	238,703,444	21,005,031	50,937,217	5,331,119	-	315,976,811
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	230,040	-	-	230,040
SUBORDINATED DEBTS	-	100,870	3,501,307	9,376,939	-	12,979,116
LONG TERM BORROWINGS	-	-	661,250	9,102,174	-	9,763,424
OTHER LIABILITIES	4,212,666	-	-	-	-	4,212,666
TOTAL LIABILITIES (CONTRACTUAL MATURITY DATES)	273,396,880	75,481,638	74,033,037	23,810,232	-	446,721,787
TOTAL ASSETS (EXPECTED MATURITY DATES)	346,216,928	43,529,403	50,352,472	82,042,820	28,326,783	550,468,406

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, balances with Bank of Tanzania, items in the course of collection and treasury bill, balance due from other banks and loans and advances to customers.

4.4. Fair values measurement of financial assets and liabilities

Fair value hierarchy

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges and exchanges traded derivatives like futures.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The sources of input parameters like LIBOR yield curve or counterparty credit risk like Bloomberg and Reuters.
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial assets and liabilities measured at fair value on recurring basis

At the end of the reporting period, the company did not have financial asset or liability measured at fair value on recurring basis. At the end of prior year, the Company had only derivative financial instrument as a financial liability measured at fair value. As provided in in note 27, these are level one financial instruments.

Fair value of the Bank's financial assets and liabilities that are measured at fair value as non- recovering basis

(a) Government securities held to maturity.

The fair value of government securities held-to-maturity at 31 December 2015 is estimated at TZS

52,725 million (2014: TZS 51,870 million) compared to their carrying values of TZS 48,153 million (2014: 57,607 million). These are level 1 fair values which are determined based on the last auction for treasury bills and bonds that was held at 31 December 2015.

(b) Others:

The fair values of the Bank's other financial assets and financial liabilities approximate their respective carrying amounts.

4.5 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face

of statement of financial position, are:

- To comply with the capital requirements set by the regulator;
- 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 provided by the Bank of Tanzania (BoT), for supervisory purposes. The required information is filed with the BoT on a monthly and daily basis.

The Bank of Tanzania (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 at or above the minimum of 14.5%. The Bank's regulatory capital as managed by its Treasury Department and Finance Department is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Prepaid expenses, deferred charges and intangible assets 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 counterparty, 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.

	2015	2014
TIER 1 CAPITAL	TZS'000	TZS'000
SHARE CAPITAL	37,020,550	26,920,633
RETAINED EARNINGS	13,108,144	11,739,703
SHARE PREMIUM	12,780,383	12,780,383
LESS: DEFERRED TAX ASSET	(2,212,864)	(1,198,520)
LESS: INTANGIBLE ASSETS	(1,585,822)	(1,221,621)
LESS: PREPAID EXPENSES	(2,186,048)	(1,792,940)
TOTAL QUALIFYING TIER 1 CAPITAL	56,924,343	47,227,638
TIER 2 CAPITAL		
TIER 1 CAPITAL	56,924,343	47,227,638
SUBORDINATED DEBTS*	2,787,294	5,854,348
REGULATORY RESERVE - GENERAL**	3,036,101	-
TOTAL REGULATORY CAPITAL	62,747,738	53,081,986
RISK-WEIGHTED ASSETS		
ON-BALANCE SHEET	285,907,473	257,121,048
OFF-BALANCE SHEET	5,254,065	35,584,366
MARKET RISK	8,222	12,006
TOTAL RISK-WEIGHTED ASSETS	291,169,760	292,717,420

	REQUIRED RATIO 2015 (%)	BANK'S RATIO 2015 (%)	BANK'S RATIO 2014 (%)
TIER 1 CAPITAL	12.5	19.5	16.1
TIER 1 + TIER 2 CAPITAL	14.5	21.5	18.1

* Circular no 7 of of reporting regulation allows a maximum of 2% of the risk weighted to be considered as supplementary capital in the computation of total regulatory capital.

** Management of risk assets regulation requires that 1% of risk assets classified as current to be provided in general reserve. The amount of provision is taken out from retained earning balance.

5. Critical Accounting Judgment and Sources of Estimation Uncertainty

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 judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment losses on loans and advances

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognized in profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with 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.

b) Held to maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, 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 class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. If all held to maturity investments were to be reclassified as at 31 December 2015 the carrying value would increase by TZS 4,571 million in the fair value reserve account in shareholders' equity.

c) Taxes

The Bank is subjected to numerous taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Bank recognises liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes/levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

d) Property and equipment

Management reviews the useful lives and residual values of the items of property equipment on a regular basis. During the year, the Directors determined no significant changes in the useful lives and residual values.

6. Interest and similar income

	2015 TZS'000	2014 TZS'000
LOANS AND ADVANCES TO CUSTOMERS	34,282,093	31,484,099
GOVERNMENT SECURITIES HELD TO MATURITY	6,843,190	10,177,311
BALANCES DUE FROM OTHER BANKS	5,587,821	2,362,325
TOTAL	46,713,104	44,023,735

7. Interest and similar expenses

DEPOSITS FROM OTHER BANKS	3,426,940	3,216,399
DEPOSITS FROM CUSTOMERS	11,484,465	12,327,709
BORROWINGS (LONG TERM AND SUBORDINATED DEBTS)	695,366	646,235
LONG TERM BORROWINGS	1,349,742	455,905
DISCOUNT ON DERIVATIVES	1,435,569	6,039,358
TOTAL	18,392,082	22,685,606

8. Impairment charge on loans and advances

IMPAIRMENT CHARGE FOR THE YEAR	2,597,671	2,492,953
BAD DEBT RECOVERIES	(357,010)	(464,487)
TOTAL	2,240,661	2,028,466

9. Fees and commission income

COMMISSION AND FEES FROM BANKING OPERATIONS	4,929,835	957,210
COMMISSION ON TELEGRAPHIC TRANSFERS AND INTERNATIONAL TRADE FINANCE ACTIVITIES	4,760,143	1,073,851
FACILITY FEES FROM LOANS AND ADVANCES	2,076,380	2,585,322
COMMISSION ON LETTERS OF CREDIT AND GUARANTEES	1,125,630	1,937,418
OTHER FEES AND COMMISSIONS	2,233,147	1,756,229
TOTAL	11,322,202	12,112,963

10. Operating expenses

	2015 TZS'000	2014 TZS'000
EMPLOYEE BENEFITS (NOTE 11)	14,765,525	13,310,941
OCCUPANCY EXPENSES	3,138,346	2,268,945
REPAIRS AND MAINTENANCE	1,393,047	1,254,624
ADVERTISING AND BUSINESS PROMOTION	1,316,637	825,847
LEGAL AND PROFESSIONAL FEES	2,095,659	1,536,424
TRAVELLING EXPENSES	999,294	849,396
DEPRECIATION OF PROPERTY AND EQUIPMENT	1,852,601	1,900,013
AMORTISATION OF INTANGIBLE ASSETS	467,916	362,231
DIRECTORS' EMOLUMENTS - FEES	188,068	155,453
DIRECTORS' EMOLUMENTS - OTHER	451,629	448,085
AUDITORS' REMUNERATION	127,393	123,635
GAIN FROM ON DISPOSAL OF PROPERTY AND EQUIPMENT	-	(1,022)
OTHERS OPERATING EXPENSES	6,864,772	5,445,454
TOTAL	33,660,887	28,480,026

11. Employee benefits

	2015 TZS'000	2014 TZS'000
WAGES AND SALARIES	9,903,704	8,981,011
DEFINED BENEFIT CONTRIBUTIONS	915,207	880,913
OTHER EMPLOYMENT COSTS AND BENEFITS	3,946,614	3,449,017
TOTAL	14,765,525	13,310,941

12. Income tax

(a) Income tax expense

	2015 TZS'000	2014 TZS'000
CURRENT TAX - CURRENT YEAR	3,338,517	1,857,055
- PRIOR YEARS UNDER/(OVER) PROVISION	21,413	(428)
TOTAL	3,359,930	1,856,627
DEFERRED TAX - CURRENT YEAR (NOTE 29)	(1,022,258)	(95,640)
- PRIOR YEARS OVER PROVISION (NOTE 29)	7,914	33,830
TOTAL	(1,014,344)	(61,810)
TOTAL	2,345,586	1,794,817

(b) Reconciliation of income tax expense to the expected tax based on accounting profit

	2015 TZS'000	2014 TZS'000
PROFIT BEFORE TAX	7,447,076	5,754,430
TAX CALCULATED AT A TAX RATE OF 30%	2,234,123	1,726,329
TAX EFFECT OF EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES	82,336	35,086
UNDER PROVISION OF TAX IN PRIOR YEARS	29,127	33,402
TOTAL	2,345,586	1,794,817

(c) Current tax

	2015 TZS'000	2014 TZS'000
AT 1 JANUARY	240,226	(317,622)
PAYMENT DURING THE YEAR	2,337,777	2,414,475
CURRENT TAX CHARGE	(3,359,930)	(1,856,627)
AT 31 DECEMBER	(781,927)	240,226

13. Financial instruments by category

AT 31 DECEMBER 2015

	LOANS AND RECEIVABLES TZS'000	HELD TO MATURITY TZS'000	AVAILABLE FOR SALE TZS'000	TOTAL TZS'000
FINANCIAL ASSETS				
CASH AND BALANCES WITH BANK OF TANZANIA	78,846,271	-	-	78,846,271
LOANS AND ADVANCES TO BANKS	121,595,649	-	-	121,595,649
GOVERNMENT SECURITIES HELD TO MATURITY	-	48,153,835	-	48,153,835
LOANS AND ADVANCES TO CUSTOMERS	307,101,405	-	-	307,101,405
EQUITY INVESTMENT	-	-	1,020'000	1,020,000
OTHER ASSETS	1,392,230	-	-	1,392,230
TOTAL	508,935,555	48,153,835	1,020,000	558,109,390

FINANCIAL LIABILITIES	
BALANCES DUE TO OTHER BANKS	103,138,915
DEPOSITS FROM CUSTOMERS	350,714,452
DERIVATIVE FINANCIAL INSTRUMENTS	-
SUBORDINATED DEBTS	11,398,579
LONG TERM BORROWINGS	33,169,337
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	6,602,169
TOTAL	505,023,452

AT 31 DECEMBER 2014

	LOANS AND RECEIVABLES TZS'000	HELD TO MATURITY TZS'000	AVAILABLE FOR SALE TZS'000	TOTAL TZS'000
FINANCIAL ASSETS				
CASH AND BALANCES WITH BANK OF TANZANIA	68,981,882	-	-	68,981,882
LOANS AND ADVANCES TO BANKS	78,789,858	-	-	78,789,858
GOVERNMENT SECURITIES HELD TO MATURITY	-	57,607,487	-	57,607,487
EQUITY INVESTMENT	273,309,102	-	-	273,309,102
LOANS AND ADVANCES TO CUSTOMERS	-	-	1,020,000	1,020,000
OTHER ASSETS (EXCLUDING PREPAYMENT & INVENTORIES)	979,241	-	-	979,241
TOTAL	422,060,083	57,607,487	1,020,000	480,687,570

	AT FAIR VALUE TZS'000	AT AMORTISED COST TZS'000	TOTAL TZS'000
FINANCIAL LIABILITIES			
DEPOSITS FROM OTHER BANKS	-	103,928,574	103,928,574
DEPOSITS FROM CUSTOMERS	-	312,576,637	312,576,637
DERIVATIVE FINANCIAL INSTRUMENTS	230,040	-	230,040
SUBORDINATED DEBTS	-	12,050,428	12,050,428
LONG TERM BORROWINGS	-	7,026,583	7,026,583
OTHER LIABILITIES (EXCLUDING OBLIGATIONS)STATUTORY	-	4,212,666	4,212,666
TOTAL	230,040	439,794,888	440,024,928

14. Cash and balances with BANK OF TANZANIA

	2015 TZS'000	2014 TZS'000
CASH ON HAND	37,061,096	39,693,156
BALANCES WITH THE BANK OF TANZANIA:		
- STATUTORY MINIMUM RESERVE (SMR)	31,239,300	23,822,300
- CLEARING ACCOUNT	10,545,875	5,466,426
TOTAL	78,846,271	68,981,882

The SMR deposit is not available to finance the Bank's day-to-day operations and is hence excluded from cash and cash equivalents for the purpose of the statement of cash flows. Cash in hand and balances with Bank of Tanzania are non-interest bearing.

15. Balances due from other banks

	2015 TZS'000	2014 TZS'000
BALANCES WITH BANKS	28,021,188	8,917,882
ITEMS IN THE COURSE OF COLLECTION	6,859,323	5,423,540
PLACEMENTS WITH LOCAL BANKS	23,354,438	33,408,074
PLACEMENTS WITH FOREIGN BANKS	63,360,700	31,040,362
TOTAL	121,595,649	78,789,858

16. Government securities held to maturity

TREASURY BILLS MATURING WITHIN 90 DAYS FROM THE PERIOD END	4,880,051	17,913,320
TREASURY BILLS MATURING AFTER 90 DAYS FROM THE PERIOD END	15,524,146	9,033,082
TREASURY BONDS MATURING WITHIN 5 YEARS	10,709,231	30,661,085
TREASURY BONDS MATURING AFTER 5 YEARS	17,040,407	-
TOTAL GOVERNMENT SECURITIES HELD-TO-MATURITY	48,153,835	57,607,487

Treasury bills and bonds are debt securities issued by the Government of the United Republic of Tanzania.

17. Loans and advances to customers

LOANS AND ADVANCES TO CORPORATE CUSTOMERS	261,084,936	250,054,348
LOANS AND ADVANCES TO INDIVIDUAL CUSTOMERS	52,032,598	26,688,513
GROSS LOANS AND ADVANCES	313,117,534	276,742,861
LESS: IMPAIRMENT PROVISION	(6,016,129)	(3,433,759)
NET LOANS AND ADVANCES	307,101,405	273,309,102

Movement in provision for impairment of loans and advances by class is as follows:

	RETAIL CUSTOMERS TZS'000	CORPORATE CUSTOMERS & SMES TZS'000	TOTAL TZS'000
AT 1 JANUARY 2015	613,849	2,819,910	3,433,759
INCREASE IN IMPAIRMENT	780,211	1,817,460	2,597,671
WRITE OFFS	(15,301)	-	(15,301)
AT 31 DECEMBER 2015	1,378,759	4,637,370	6,016,129
AT 1 JANUARY 2014	645,979	2,919,697	3,565,676
INCREASE IN IMPAIRMENT	55,936	2,437,017	2,492,953
WRITE OFFS	(88,066)	(2,536,804)	(2,624,870)
AT 31 DECEMBER 2014	613,849	2,819,910	3,433,759

18. Equity investment

	2015 TZS'000	2014 TZS'000
UMOJA SWITCH COMPANY LIMITED - UNLISTED	20,000	20,000
TANZANIA MORTGAGE REFINANCE COMPANY LIMITED - UNLISTED	1,000,000	1,000,000
TOTAL	1,020,000	1,020,000

BANK OF AFRICA - TANZANIA Limited owns 9% and 10% of the share capital on UmojaSwitch Company Limited and Tanzania Mortgage Refinance Company Limited respectively. These are available for sale equity investments are held by the Bank for strategic purpose and not for trading. They do not have a quoted market price in an active market and their fair value cannot be reliably measured. Consequently, they are measured at cost less any identified impairment losses at the end of each reporting period.

19. Other assets

	2015 TZS'000	2014 TZS'000
PREPAID EXPENSES	2,186,048	1,792,940
OTHER DEBTORS	1,392,230	979,241
INVENTORIES	165,806	109,328
TOTAL	3,744,084	2,881,509

20. property and equipment

	LEASEHOLD PREMISES	MOTOR VEHICLES	COMPUTER HARDWARE	MACHINERY AND OFFICE EQUIPEMENT	FURNITURE & FITTING TRADE	LEASEHOLD LAND INDIVIDUALS	WORK IN PROGRESS OTHER	TOTAL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
COST								
AT 1 JANUARY 2015	6,256,639	433,238	1,515,500	5,877,896	760,742	5,781,500	446,159	21,071,674
ADDITIONS	1,366,568	93,386	354,537	646,490	108,259	-	201,936	2,771,176
AT 31 DECEMBER 2015	7,623,207	526,624	1,870,037	6,524,386	869,001	5,781,500	648,095	23,842,850
DEPREDICATION								
AT 1 JANUARY 2014	4,905,521	189,603	898,653	4,298,699	543,095	74,161	-	10,909,732
CHARGE FOR THE YEAR	638,546	87,139	239,131	688,456	88,484	110,845	-	1,852,601
AT 31 DECEMBER 2015	5,544,067	276,742	1,137,784	4,987,155	631,579	185,006	-	12,762,333
NET BOOK VALUE								
AT 31 DECEMBER 2015	2,079,140	249,882	732,253	1,537,231	237,422	5,596,494	648,095	11,080,517

No item of property and equipment has been pledged as collateral at the end of the reporting period

20. property and equipment (Continued)

	LEASEHOLD PREMISES	MOTOR VEHICLES	COMPUTER HARDWARE	MACHINERY AND OFFICE EQUIPEMENT	FURNITURE & FITTING TRADE	LEASEHOLD LAND INDIVIDUALS	WORK IN PROGRESS OTHER	TOTAL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
COST								
AT 1 JANUARY 2014	5,827,002	227,832	978,936	5,245,881	655,950	-	3,174,902	16,110,503
ADDITIONS	429,637	212,156	404,495	605,700	104,792	2,946,500	272,898	4,976,178
DISPOSALS	-	(6,750)	-	-	-	-	-	(6,750)
TRANSFER	-	-	132,069	26,315	-	2,835,000	(2,993,384)	-
WRITE OFF	-	-	-	-	-	-	(8,257)	(8,257)
AT 31 DECEMBER 2014	6,256,639	433,238	1,515,500	5,877,896	760,742	5,781,500	446,159	21,071,674
DEPRECATION								
AT 1 JANUARY 2014	4,168,693	112,901	711,789	3,566,599	456,487	-	-	9,016,469
CHARGE FOR THE YEAR	736,828	83,452	186,864	732,100	86,608	74,161	-	1,900,013
DISPOSALS	-	(6,750)	-	-	-	-	-	(6,750)
AT 31 DECEMBER 2014	4,905,521	189,603	898,653	4,298,699	74,161	-	-	10,909,732
NET BOOK VALUE								
AT 31 DECEMBER 2014	1,351,118	243,635	616,847	1,579,197	217,647	5,707,339	446,159	10,161,942

21. Intangible assets

	2015 TZS'000	2014 TZS'000
COMPUTER SOFTWARE		
AT 1 JANUARY	1,221,621	1,316,101
ADDITIONS	832,117	267,751
AMORTISATION CHARGE	(467,916)	(362,231)
AT 31 DECEMBER	1,585,822	1,221,621
COST	4,651,191	3,819,074
ACCUMULATED AMORTISATION	(3,065,369)	(2,597,453)
NET BOOK VALUE	1,585,822	1,221,621

No intangible asset has been pledged as collateral.

22. Balances due to other banks

FOREIGN BANKS	94,709,444	84,912,965
LOCAL BANKS	8,429,471	19,015,609
TOTAL	103,138,915	103,928,574

23. Deposits from customers

CURRENT ACCOUNTS	186,683,905	139,676,184
TIME DEPOSITS	120,021,814	132,970,359
SAVINGS DEPOSITS	40,033,321	35,083,771
OTHERS	3,975,412	4,846,323
TOTAL	350,714,452	312,576,637

24. Subordinated debts

INTERNATIONAL FINANCE CORPORATION (IFC)	7,773,156	7,793,190
PROMOTION PARTICIPATION COOPERATION (PROPARCO)	3,454,736	4,156,368
INTEREST ACCRUED	170,687	100,870
TOTAL	11,398,579	12,050,428

International Finance Corporation (IFC) and Promotion Participation Cooperation (PROPARCO)

issued USD 4,500,000 and USD 4,000,000 facilities respectively. Both facilities were obtained in 2011 bearing interest at a rate of 6 months LIBOR + 4.5% and have a tenor of seven years including two years grace period on principal repayment. The facilities have been issued on the goodwill of BANK OF AFRICA Group and therefore the Bank has not pledged any tangible securities in respect of this loan. Applicable interest rate for IFC loan and PROPARCO loan were 5.0% and 5.3% respectively.

25. Long term borrowings

	2015 TZS'000	2014 TZS'000
TANZANIA MORTGAGE REFINANCE COMPANY LIMITED	5,750,000	5,750,000
EFC TANZANIA MFC LIMITED	1,543,835	1,238,251
ADVANS BANK LIMITED	1,079,605	-
BOA – DJIBOUTI*	10,796,050	-
EUROPEAN INVESTMENT BANK	13,506,945	-
INTEREST ACCRUED	492,902	38,332
TOTAL	33,169,337	7,026,583

During the Bank secured a term loan of USD 5 million from a related entity, Bank of Africa Djibouti. The borrowing has a tenure of 1 year from inception and carries an annual interest rate of 2.9%. Both interest and principal are payable on maturity. No collateral was placed to secure the borrowing.

26. Other liabilities

	2015 TZS'000	2014 TZS'000
BANK DRAFTS PAYABLE	177,390	473,988
ACCRUALS AND OTHER PAYABLES	7,641,302	6,008,759
TOTAL	7,818,692	6,482,747

27. Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. The types of derivatives used by the Bank are set out below.

All derivatives are recognised and subsequently measured at fair value, with all revaluation gains and losses recognised in profit or loss.

These tables analyse the notional principal amounts and the positive (assets) fair values of the Bank's derivative financial instruments.

At the end of the reporting period, the Bank only has forward exchange contracts.

Notional principal amounts are the amount of principal underlying the contract at the reporting date.

	2015			2014		
	NOTIONAL PRINCIPAL AMOUNTS TZS'000	FAIR VALUE TZS'000	LIABILITY TZS'000	NOTIONAL PRINCIPAL AMOUNTS TZS'000	FAIR VALUE TZS'000	LIABILITY TZS'000
FORWARD EXCHANGE CONTRACTS	-	-	-	23,392,732	23,622,772	230,040

28. Share capital

	2015 TZS'000	2014 TZS'000
AUTHORISED		
2,000 CLASS "A" ORDINARY SHARES OF TZS 1 MILLION EACH	2,000,000	2,000,000
4,100 CLASS "B" ORDINARY SHARES OF TZS 375,000 EACH	1,537,500	1,537,500
185,352 CLASS "C" ORDINARY SHARES OF TZS 115,792 EACH	46,462,279	46,462,279
1 CLASS "D" ORDINARY SHARE OF TZS 32,688	33	33
1 CLASS "E" ORDINARY SHARE OF TZS 101,440	101	101
1 CLASS "F" ORDINARY SHARE OF TZS 87,088	87	87
76,628 CLASS "H" ORDINARY SHARES OF TZS 261,000 EACH	20,000,000	-
TOTAL	70,000,000	50,000,000
ISSUED, CALLED UP AND FULLY PAID		
2,000 CLASS "A" ORDINARY SHARES OF TZS 1 MILLION EACH	2,000,000	2,000,000
4,100 CLASS "B" ORDINARY SHARES OF TZS 375,000 EACH	1,537,500	1,537,500
201,941 CLASS "C" ORDINARY SHARES OF TZS 115,792 EACH	23,383,133	23,383,133
38,697 CLASS "H" ORDINARY SHARES OF TZS 261,000 EACH	10,099,917	-
TOTAL	37,020,550	26,920,633

All classes of shares rank pari-pasu in voting rights and dividend payments.

At the end of the reporting period, the shareholding of the Bank was as follows:

	2015 %	2014 %
BOA GROUP S.A	25.93	-
BIO-BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES	16.27	22.40
BANK OF AFRICA - KENYA	15.70	21.60
BOA – WEST AFRICA	14.54	20.00
AFH-OCEAN INDIEN	14.35	19.70
TANZANIA DEVELOPMENT FINANCE LIMITED (TDFL)	5.22	7.20
FMO-NETHERLANDS DEVELOPMENT FINANCE CORPORATION	4.56	4.50
AGORA	3.25	4.50
BANQUE DE CREDIT DE BUJUMBURA	0.18	0.20
	100	100

29. Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using enacted tax rate of 30%. The movement on the deferred tax account is as follows:

	2015 TZS'000	2014 TZS'000
AT 1 JANUARY	(1,198,520)	(1,136,710)
(CREDITED)/CHARGE TO PROFIT OR LOSS IN RESPECT OF:		
- CURRENT YEAR(NOTE 12)	(1,022,258)	(95,640)
- PRIOR YEARS UNDER PROVISION (NOTE 12)	7,914	33,830
AT 31 DECEMBER	(2,212,864)	(1,198,520)

Deferred tax assets and liabilities and net deferred tax charge to profit or loss are attributed to the following items:

	1 JANUARY 2015 TZS'000	CREDITTO PROFIT OR LOSS TZS'000	31 DECEMBER 2015 TZS'000
DIFFERED TAX ASSETS			
ACCELERATED TAX ALLOWANCES	(147,167)	(54,053)	(201,220)
OTHER TIMING DIFFERENCES	(1,051,353)	(960,291)	(2,011,644)
TOTAL	(1,198,520)	(1,014,344)	(2,212,864)

30. Cash and cash equivalents

CASH AND BALANCES WITH BANK OF TANZANIA (NOTE 14)	78,846,271	68,981,882
LESS: STATUTORY MINIMUM RESERVE (SMR)	(31,239,300)	(23,822,300)
TOTAL	47,606,971	45,159,582
BALANCES DUE FROM OTHER BANKS (EXCLUDING ACCRUED INTEREST)	121,595,649	77,689,322
TOTAL	169,202,620	122,848,904

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with Bank of Tanzania, treasury bills and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Tanzania.

31. Contingent liabilities and commitments

In common with other banks, the Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2015 TZS'000	2014 TZS'000
CONTINGENT LIABILITIES		
OUTSTANDING LETTERS OF CREDIT (FOREIGN CURRENCY)	8,170,616	11,610,358
OUTSTANDING GUARANTEES AND INDEMNITIES:		
- FOREIGN CURRENCY	2,221,108	10,616,016
- LOCAL CURRENCY	3,859,453	6,113,533
TOTAL	14,251,177	28,339,907

Nature of contingent liabilities

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers. Guarantees are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customers' default.

Other contingent liabilities

In the ordinary course of business, the Bank is a defendant in various litigations and claims. Although there can be no assurances, based on the information currently available and legal advice, the Directors do not expect the outcome of the actions to have material effect on the Bank's financial position.

Other commitments

Undrawn formal stand-by facilities, credit lines and other

	2015 TZS'000	2014 TZS'000
COMMITMENTS TO LEND	35,090,879	20,159,243

Nature of commitments

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

Capital commitments

At 31 December 2015, the Bank had capital commitments of TZS 1,189 million (2014: TZS 510 million) in respect of leasehold improvements and equipment purchases. The Bank's management is confident that future net revenues and funding will be sufficient to cover this commitment.

Operating lease commitments

The Bank did not have any commitments in respect of non-cancellable operating lease.

32. Related party transactions and balances

The shareholders of the Bank are disclosed in note 28. The parent company of the Bank is Bank of Africa Group and the ultimate holding company of the Bank is Banque Marocaine due Commerce Exterieur (BMCE Bank).

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. Related companies are those which are owned by directors and shareholders of the Bank or key management personnel or those within its scope of IAS 24. The volumes of related party transactions, outstanding balances at the year end and the related expenses and income for the year are as follows:

Deposits and loans and advances to directors and key management personnel

	2015 TZS'000	2014 TZS'000
(a) Loans and advances		
AT 1 JANUARY	1,652,834	1,209,232
LOANS ISSUED DURING THE YEAR	762,547	559,760
LOAN REPAYMENTS DURING THE YEAR	(504,413)	(116,158)
AT 31 DECEMBER	1,910,968	1,652,834
INTEREST INCOME EARNED	386,808	114,483
(b) Deposits		
AT 1 JANUARY	41,801	397,780
DEPOSITS RECEIVED DURING THE YEAR	3,255,808	3,584,833
DEPOSITS WITHDRAWN DURING THE YEAR	(3,250,264)	(3,940,812)
AT 31 DECEMBER	47,345	41,801
INTEREST EXPENSE	(14,885)	(7,693)
(c) Balances/transactions with Group banks		
BALANCES DUE FROM GROUP BANKS	32,921,030	31,607,071
DEPOSITS FROM GROUP BANKS	106,518,434	91,145,333
INTEREST INCOME RECEIVED	614,765	425,882
INTEREST EXPENSE INCURRED	(3,048,409)	(681,267)
OPERATING EXPENSES PAID TO GROUP BANKS	(950,663)	(552,756)
GUARANTEE FEES EXPENSE PAID TO GROUP BANKS	(394,039)	(292,058)
(d) Key management compensation		
SALARIES AND OTHER SHORT TERM EMPLOYEE BENEFITS	1,657,295	1,899,180

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 of the Bank.

(e) Directors' emoluments

Fees and other emoluments paid to directors of the Bank during the year are as follows:

	2015 TZS'000	2014 TZS'000
EMOLUMENTS OF DIRECTORS IN RESPECTS OF SERVICES RENDERED (EXECUTIVE)	520,610	188,068
EMOLUMENTS OF DIRECTORS IN RESPECTS OF SERVICES RENDERED (NON- EXECUTIVE)	458,793	166,417
TOTAL	708,678	625,210

33. Event after period end

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 affect the financial position of the Bank and results of its operations.

34. Currency

Except where indicated otherwise, these financial statements are presented in Tanzania Shillings,

rounded to the nearest thousand (TZS'000), which is also the functional currency.

35. Comparatives

Where necessary, comparative amounts have been adjusted to conform with changes in presentation in the current year.