TANZANIA

ANNUAL REPORT

2013

BANK OF AFRICA
Groupe BMCE BANK

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MESSAGE FROM THE CEO OF BOA GROUP

The BANK OF AFRICA Group's 2013 financial year was highlighted mainly by the following five objectives:

- continue its external growth,
- improve its operating structure,
- launch a vast plan to strengthen its risk control,
- expand its sales & marketing set up,
- continue to enhance its financial results.

The BANK OF AFRICA Group's development was reflected in 2013 by the opening of a subsidiary in Togo.

Meanwhile, the Group's institutionalisation continued with an expansion in its Central Departments at head office.

With the same determination of more precision-based management, a major project for redefining risk management was launched in synergy with the BMCE Bank Group, our majority shareholder. In the same light, a system of environmental and social management was set up in this same area.

The restructuring of our sales & marketing organisation and the implementation of our business model were maintained and extended to our corporate clients and English-speaking subsidiaries.

As for financial results, the progress made in 2012 continued in 2013, as seen in the following data.

Customer deposits reached 3.4 billion euros, a 7.2% increase driven mainly by an increase in the number of accounts, which exceeded the 2 million mark in May 2014.

Outstanding customer loans came to 2.5 billion euros, a 13.4% increase.

Total assets rose by 9.7% to 4.8 billion euros at end-2013.

Net Banking Income (NBI) improved by 10.2% to 320.6 million euros.

Consolidated net profit rose slightly, by 1% from 56.2 million euros in 2012 to 56.7 million euros, due to a large provision made on a file in a WAEMU BOA. Without this provision, net income rose by about 16%, thus reflecting the Group's dynamism.

In 2014, we will maintain and strengthen our policy, which reconciles commercial development and structural reinforcement within the framework of our 2013-2015 Three-Year Development Plan. The final objective is to reinforce our participation in financing national economies and to increase the involvement of African citizens in the economic and social life of their countries.

I thank all our customers for their trust in us, the BANK OF AFRICA staff for their unfailing commitment, and our shareholders for their steadfast support, particularly our majority shareholder, BMCE Bank.

Mohamed BENNANI
BOA GROUP S.A. Chairman and CEO

Photo © E.Legouhy

OVER 30 YEARS OF GROWTH AND EXPANSION

BANKING NETWORK*

1983 BANK OF AFRICA – MALI

15 Branches and 1 Business Centre in Bamako.
10 Regional Branches and 20 Local Branches.

1990 BANK OF AFRICA – BÉNIN

22 Branches, 1 Business Centre and 2 Port Branches in Cotonou.
21 Regional Branches.

1994 BANK OF AFRICA – NIGER

Created in 1989: NIGERIAN INTERNATIONAL BANK (NIB). Integrated into BOA network in 1994.

11 Branches in Niamey.
8 Regional Branches.

1996 BANK OF AFRICA – CÔTE D'IVOIRE

Created in 1980: BANAFRIQUE.
Integrated into BOA network in 1996.

14 Branches and 1 Business Centre in Abidjan.
8 Regional Branches and 1 Local Branch.

1998 BANK OF AFRICA – BURKINA FASO

17 Branches and 1 Business Centre in Ouagadougou.
14 Regional Branches.

1999 BANK OF AFRICA – MADAGASCAR

Created in 1989: BANKIN'NY TANTSAHA MPAMOKATRA (BTM) / National Bank for Rural Development.
Integrated into BOA network in 1999.

21 Branches and 1 Business Centre in Antananarivo.
59 Regional Branches.

2001 BANK OF AFRICA – SÉNÉGAL

18 Branches and 1 Business Centre and 1 WU Counter in Dakar.
10 Regional Branches and 1 regional WU Counter.

2004 BANQUE DE L'HABITAT DU BÉNIN

2 Branches in Cotonou.

2004 BANK OF AFRICA – KENYA

Created in 1981: BANQUE INDOSUEZ Kenyan Branch > CREDIT AGRICOLE–INDOSUEZ > CALYON.
Incorporated under Kenyan law, integrated as a subsidiary into BOA network in 2004.

15 Branches and 1 Business Centre in Nairobi.
15 Regional Branches, 1 Business Centre in Mombasa.

2006 BANK OF AFRICA – UGANDA

Created in 1985: SEMBULE INVESTMENT BANK Ltd > ALLIED BANK. Integrated into BOA network in 2006.

20 Branches in Kampala.
13 Regional Branches.

2007 BANK OF AFRICA – TANZANIA

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

10 Branches in Dar es Salaam.
9 Regional Branches.

2008 BANQUE DE CRÉDIT DE BUJUMBURA

Created in 1909 in Brussels: BANQUE DU CONGO BELGE (BCB). 1922: BCB Branch in Usumbura, Burundi. 25 July 1964: BANQUE DE CREDIT DE BUJUMBURA (BCB). Integrated into BOA network in 2008.

8 Branches, 1 Business Centre and 5 Counters, in Bujumbura.
12 Branches and 1 Counter in Provinces.

2010 BANK OF AFRICA – RDC

7 Branches in Kinshasa.
1 Regional Branch.

2010 BANK OF AFRICA – MER ROUGE

Created in 1908: BANQUE INDOSUEZ MER ROUGE (BIRM). Integrated into BOA network in 2011.

4 Branches and 1 Counter in Djibouti.
1 Representive Office in Addis Abeba in Ethiopia.

2011 BANK OF AFRICA – GHANA

Created in 1999: AMALBANK.
Integrated into BOA network in 2011.

14 Branches and 1 Business Centre in Accra.
5 Regional Branches.

2013 BANK OF AFRICA – TOGO

3 Branches in Lomé.

SUBSIDIARIES*

1997 ACTIBOURSE

Head Office in Cotonou.
1 Liaison Office in Abidjan.
1 contact in each BOA company.

2002 AÏSSA

Head Office in Cotonou.

2002 AGORA

Head Office in Abidjan.

2004 ATTICA

Head Office in Abidjan.

2009 BOA-ASSET MANAGEMENT

Head Office in Abidjan.

2010 BOA-FRANCE

4 Branches in Paris.
1 Branch in Marseille.

OTHER ENTITIES*

1999 BANK OF AFRICA FOUNDATION

Head Office in Bamako.
Presence in 11 countries
where the Group operates.

2000 BOA GROUP EIG

Head Offfice in Paris.

(*) BANK OF AFRICA Network at 31/03/2014.

OVER 30 YEARS OF EXPERIENCE SERVING CUSTOMERS

A STRONG NETWORK*

5,000 people at the service of more than one million customers.

About 430 dedicated operating and service support offices in 17 countries.

A continuously expanding base of Automated Teller Machines and Electronic Payment Terminals, numbering around 600.

Close to 1,800,000 bank accounts.

A WIDE AND VARIED OFFER

Full range of banking and financial services.

An attractive range of bank insurance products.

Tailored solutions for all financing issues.

Successful financial engineering.

A LEADING BANKING PARTNER, BMCE BANK,

which is part of FinanceCom, a major Moroccan financial group.

STRATEGIC PARTNERS, INCLUDING:

PROPARCO,

INTERNATIONAL FINANCE CORPORATION (IFC - WORLD BANK GROUP),

WEST AFRICAN DEVELOPMENT BANK (BOAD),

NETHERLANDS DEVELOPMENT FINANCE COMPANY (FMO),

BELGIUM INVESTMENT COMPANY FOR DEVELOPING COUNTRIES (BIO),
and investment fund AUREOS.

UNIQUE EXPERIENCE IN AFRICA

Continuous development for over 30 years.

THE COMMITMENTS OF THE GROUP

- **QUALITY** of customer service
- **DYNAMIC,** accessible staff
- **FINANCIAL SOLIDITY**
- **COHESIVE** network
- **DIVERSITY:** wide range of financing solutions
- **EXPERTISE** in financial engineering
- **STRONG** partners

GROUP TURNOVER 2013:

493.7

MILLION EUROS

(*) Figures at 30/04/2014.

BANKING PRODUCTS & SERVICES OF BOA-TANZANIA

ACCOUNTS

Elite Current Account
Personal Current Account
Executive Current Account

INVESTMENT PRODUCTS

Ambitions Savings Plan
Call Deposits Account
Children Savings Account
Family Savings Account
Vuna Account
Ordinary Savings Account
Fixed Deposit Account
Premium Plus Account
Term Deposit

ELECTRONIC BANKING

B-Web
SESAME ATM Card (Umoja Switch Network)
VISA Prepaid TOUCAN Card
VISA PROXIMA Card

MOBILE FINANCIAL SERVICES

Airtel Money
B-Mobile
B-Web Smart
M-Pesa
Tigo Pesa

PACKS

EMPLOYEE Pack
MY BUSINESS Pack
PUBLIC SERVICE Pack

LOANS

Personal Loan
Personal Motor Loan
Scheme Loan
Home Finance
Insurance Premium Finance
School Fees Loan
Warehouse Receipt Financing

TRANSFERS & CHANGES

Foreign Exchange
Moneygram
Travellers Cheques
Western Union

COMPLEMENTARY PRODUCTS & SERVICES

Banker's Cheques
Tax Payments (T-Pay)
Utility Bill Payments 'DAWASCO Payments'

COMPANY SERVICES

BOA-TANZANIA offers a wide range of products and services to the attention of Corporates and SMEs, organizations, institutions and professionals.

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ACTIVITY REPORT

Ammishaddai OWUSU-AMOAH
Managing Director

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COMMENTS
FROM THE MANAGING DIRECTOR

In 2013, the economic and monetary policies of the Government of Tanzania continued to focus on sustaining macroeconomic stability and growth through implementation of the Five-Year Development Plan. Inflationary pressure eased progressively to single digit in March 2013 after staying in double digits for 21 months and reached 5.6% in December 2013. This development was a result of improved food supply, fiscal consolidation and tight monetary policy engineered by Bank of Tanzania. There are more opportunities for growth currently in Tanzania with the licensing of 7 blocks for oil and gas exploration currently underway. These favorable economic conditions often translate into attractive market growth for deposits and loans.

In the midst of these developments, BANK OF AFRICA – TANZANIA achieved a pre-tax profit of TZS 5.4 billion, an increase of 63% from TZS 3.3 billion realized in the previous year. The increase in profitability in the year 2013 was due to higher earnings from net interest income, fees and commissions coupled with improved yields from treasury products.

During 2013, we have continued to support Corporate, SME and individual customers across our 19 branches. The Bank also increased its presence in the retail segment of the market where a myriad of initiatives and products were launched to cater for personal and consumer banking.

This saw the introduction of tailor-made products for Public and Private sector employees, school fees loans, and special package for unbanked business communities. Further to these products, we enhanced our services by offering mobile banking that sought to increase our delivery channels as well as offer convenience to the customer. Our Ambitions Savings Plan package seeks to enable customers develop a savings culture that will enable them meet their ambitions or dreams. These initiatives were fully geared at offering a wide array of financial services and solutions to our retail banking customers.

Other initiatives of the Bank during the period include an adjustment of the top level management structure to better leverage its core competencies and align them with that of the BANK OF AFRICA Group's strategic focus. With the new structure and new products, we are confident of providing more solutions to serve the needs of our Retail and Enterprise customers as well as increasing operational efficiency.

The Branch expansion program saw the Bank add two delivery channels in Kahama and Mtwara, thereby increasing our branch footprint to 19 branches in Tanzania.

The Bank's future remains favorable, backed by Tanzania's strong domestic economic growth of around 7%. The management theme for the year 2014 is to deliver robust growth for the Bank's performance, capacity building for the staff and offer quality service to the customers.

I wish to thank the Bank's staff, customers and Board of Directors for their cooperation during the year 2013.

Thank you.

Ammishaddai OWUSU-AMOAH

Managing Director

HIGHLIGHTS 2013

FEBRUARY

The Bank launched its 18th branch, Kahama Branch, located in Shinyanga region which is almost 300 km from Mwanza City.

APRIL

The Bank launched a deposit campaign "Chomoka na Toyota Brevis". The campaign was aimed to promote the increase on the Bank's deposits through Current & Savings accounts and also to increase the fixed deposits.

The Bank opened doors to its 19th branch in Mtwara region. The new location is an upcoming region with Gas discoveries as well as on going Oil explorations.

MAY

The Bank launched "B-Web Smart" service. The new Internet banking through smart phones technology was aimed at improving the Internet Banking Services already being provided by the online platform B-Web.

Participation in the 2013 BANK OF AFRICA network management meetings, in Dakar, Senegal.

JUNE

The Bank launched new products called "Packs". These packs include a range of bank products and services for a single price. The event brought together stakeholders from private and public sector organizations and was graced by the Minister of State in the President's office, Public service Management, Celina KOMBANI.

JULY

The Bank participated in the biggest Tanzania annual trade fair "Saba Saba" in the country by showcasing various products and services. The exhibition provided BOA-TANZANIA an opportunity to market our products and services as well as to increase banks awareness to hundreds of thousands of people attending the exhibitions.

OCTOBER

The Bank launched the "School Fees Loan" campaign with an internal activation whereby staffs of the Bank were engaged to increase awareness of the new product.

Participation in the 2013 BANK OF AFRICA Directors meetings, in Fes, Morocco.

DECEMBER

The Bank carried out a deposit campaign "Kamata Fursa". The campaign key focus was on account opening and mobilization of deposits across both retail and enterprise teams.

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KEY FIGURES ON 31/12/2013

ACTIVITY	
Deposits*	296,594,796
Loans*	232,430,499
INCOME	
Net interest income*	21,916,959
Operating income*	34,646,122
Operating expense*	27,345,085
Profit before tax*	5,421,464
Profit after tax*	3,663,965
STRUCTURE	
Number of Employees	226

(*) In TZS thousands

(**) In TZS millions

(Euro 1 = TZS 2,180 as at 31st December 2013).

Total Assets*

425,049,344

EVOLUTION FROM 2010 TO 2013

Total Deposits**

Total Loans**

Total Assets**

Profit after tax**

Cyprian ISAAC (Senior Manager – E-Banking, BOA-TANZANIA) demonstrates how the barcode works to the press during a press conference launch for B-Web Smart as Solomon HAULE (Senior Manager – Marketing), Beryl OLUGA (Manager – Marketing) and Kaisha BOGE (Officer – Marketing) look on.

Minister of State in the President's office, Public service Management, Celina KOMBANI, congratulates a winner of a draw held at the Group "Packs" launch as Ammish OWUSU-AMOAH (MD, BOA-TANZANIA), Mwanahiba MZEE (Head – Retail Banking, BOA-TANZANIA) look on.

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

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

SOCIAL

BOA International Marathon of Bamako

BOA–TANZANIA sponsored 2 athletes to attend the 6th edition of BOA International Marathon of Bamako, Mali. Samson Ramadhani NYONYI and Oswald Revelian KAHURUZI, Tanzania, emerged 1st and 4th winners of the marathon (42,195 km).

EDUCATION

Sponsorship of Mwalimu Nyerere Memorial Scholarship Fund

The Bank contributed a sum of TZS 3,000,000 to the scholarship fund established by the Bank of Tanzania known as the "Mwalimu Nyerere Memorial Scholarship Fund" in commemorating the achievements of the Father of our nation. The fund is primarily dedicated towards sponsoring undergraduate female students to pursue Mathematics and Science related studies in Tanzanian Universities.

Sponsorship of Tanzania International Model United Nations

The Bank contributed a sum of TZS 495,000 to the Tanzania International Model United Nations to continue its custom of supporting youth development as part of its CSR focus.

Participation in the AIESEC TANZANIA Career Fair

In the spirit of supporting youth development as part of its CSR focus, BOA-TANZANIA once again participated in a career fair organized by AIESEC Tanzania at the University of Dar es Salaam. AIESEC is the world's largest student-run organization and has a global network of over 50,000 members across more than 110 countries and territories in 1,000 universities worldwide. The career fair provides a platform for employers to interact with their potential employees from different higher learning institutions in the country.

Sponsorship of TAMONGSCO Annual General Meeting

The Bank contributed a sum of TZS 10,000,000 in the education sector by supporting the Tanzania Managers and Owners of Non-Governmental Schools General Meeting. The meeting was held to discuss on modalities on how to improve the access and quality of education in Tanzania and has also helped the Bank to secure more educational institutions as their preferred banking partners.

The Marathon winner and recordman, Samson R. NYONYI, Tanzania, receiving his award from the Mali Minister of Youth and Sport.

Mwanahiba MZEE (then Head – Retail Banking, BOA-TANZANIA) addresses the Meeting of all owners of private schools in Tanzania, in Mbeya 2013.

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HEALTH

Support for the disability community through the Handbike Challenge jointly organized by CCBRT and Less is More campaign.

In the spirit of supporting the health sector as part of its our CSR focus, the Bank donated USD 5,000 for the Less is More Campaign run by CCBRT. The aim of the challenge was to raise awareness and funds around disability, and to empower people with disabilities to become full and active members of our society through a 750 km Handbike journey by Norberto de ANGELIS who got paralyzed in a car accident in Tanzania.

Easter luncheon with the admitted children at the Comprehensive Community Based Rehabilitation in Tanzania (CCBRT)

As is the annual Bank's tradition, staff members once again celebrated Easter festivities with the children admitted at CCBRT Disability Hospital with club feet, bow legs and other congenital deformities. For the 4th year running, staff from the Bank spent time and had lunch with the children and also distributed various gifts amongst the children.

Norbeto de ANGELIS, *Less is More* Foundation (in the foreground); Henry BAGHAYO, Marketing Officer; Solomon HAULE, Marketing Senior Manager; Mgina MFAUME, Operations Manager; Peter CHIA Administration Driver; Boniface VENANCE, Relationaship Officer; Eric OUATTARA, BOA-TANZANIA Deputy MD; Michael JOHN, Swift Officer; Ally MWEMA, Sales Cordinator, pose after donating TZS 8,000,000 (USD 5,000) at the Handbike Challenge event in Kijitonyama TTCL grounds.

ECONOMIC & CULTURAL

Sponsorship of the European Film Festival and Francophone cultural events 2013

As part of the Bank's annual engagement in supporting cultural integration via maintaining a close relationship with the French community in the country, BOA-TANZANIA, once again, sponsored this year's European Film Festival Francophone Week to the tune of TZS 4.4 Million.

Sponsorship for the Tanzania Truck Owners Association Annual Meeting

The Bank supported the AGM for the association of truck owners in bid to bring closer the business community. Transport sub sector is among the good growing sector in Tanzania.

Beryl OLUGA, Manager – Marketing, and Wasia MUSHI, Head – Commercial Banking, with the children admitted at the hospital, during the Easter luncheon that the BOA-TANZANIA hosted.

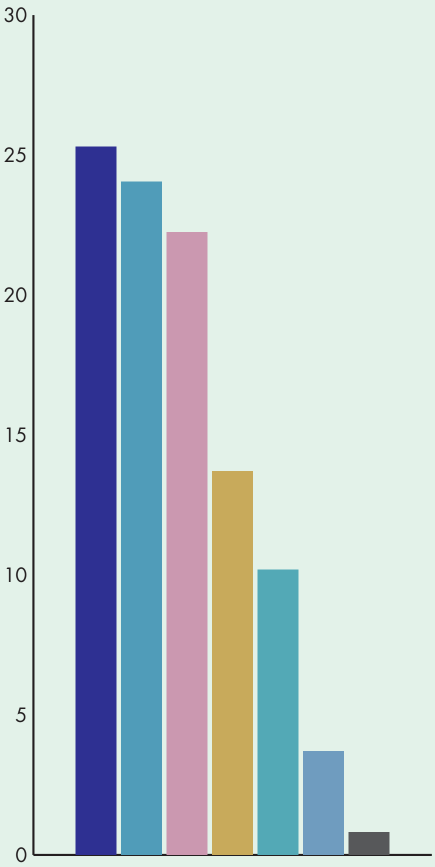
BOARD OF DIRECTORS & CAPITAL

BOARD OF DIRECTORS

The Directors who held office during the year and to the date of 20th February 2014, were:

Ambassador Fulgence KAZAURA*, Chairman
Mohamed BENNANI
Abdelkabir BENNANI
Vincent de BROUWER
Ben CHRISTIAANSE
Henri LALOUX
Peter LOCK
Emmanuel Ole NAIKO
Ammishaddai OWUSU-AMOAH

*D.O.D. 22 February 2014



CAPITAL

The Bank, as at 31st December 2013, had in issue 139,481 shares with a total nominal value of TZS 18.98 billion. The following is the Bank's shareholding structure as at 31st December 2013.

Shareholding Position (%): The shareholding of the Bank was as follows.

25.30%	AFH-OCEAN INDIEN
24.05%	BANK OF AFRICA – KENYA LIMITED
22.24%	BIO-BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES
13.70%	AUREOS EAST AFRICA FUND LLC
10.19%	TANZANIA DEVELOPMENT FINANCE LIMITED (TDFL)
3.70%	NETHERLANDS DEVELOPMENT FINANCE CORPORATION (FMO)
0.82%	OTHERS

2013 TANZANIA KEY FIGURES

Area (thousand Km^2): 945.1

Population[1] (million inhabitants): 49.25

GDP[1] (USD billions): 33.23

GDP Per capita[2] (USD): 674.72

Number of banks: 31

Estimations as at 31/12/2013

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1 Reference: http://donnees.banquemondiale.org/pays/tanzanie
2 Reference: By making the report between the GDP and the population

CORPORATE INFORMATION

DIRECTORS

DIRECTORS

DIRECTORS	NATIONALITY	POSITION	ACADEMIC QUALIFICATION	REMARKS
Ambassador Fulgence KAZAURA*	Tanzanian	Chairman	MA, Economics	
Mohamed BENNANI	Moroccan	Member	MA, Economics	
Vincent de BROUWER	Belgian	Member	BSc. Engineering	
Emmanuel Ole NAIKO	Tanzanian	Member	BSc. Engineering	
Peter LOCK	Dutch	Member	Bachelor, Economics & Law	Resigned on 24 May 2013
Henri LALOUX	Belgian	Member	Bachelor, Business Engineering	
Abdelkabir BENNANI	Moroccan	Member	BSc. Agriculture	
Ammishaddai OWUSU-AMOAH	Ghanaian	Managing Director	MBA - Banking & Finance	
Ben CHRISTIAANSE	Dutch	Member	B. Com. Economics	Appointed on 24 May 2013

*D.O.D. 22 February 2014

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

COMPANY SECRETARY

Patrick Malewo
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 3054
Dar es Salaam
Tanzania

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013, which disclose the state of financial affairs.

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 AND MISSION

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 AND PERFORMANCE FOR THE YEAR

The results of operations for the year ended 31 December 2013 are set out in the statement of comprehensive income and statement of financial position together with notes to the financial statements.

Principal activities

The Bank's principal activity is the provision of banking and related services and the Bank is licensed under the Banking and financial Institution Act of 2006.

Business developments

During the year ended 31 December 2013, BANK OF AFRICA – TANZANIA Limited financial the previous year. Profit before tax rose by 63% to TZS 5.4 billion (2012: TZS 3.3 billion).

Total operating income increased by 23% to TZS 32.8 billion, driven by balance sheet expansion and growth in non-funded income which contributed 27% of total income. The Bank's net loan book grew by 18% to TZS 232 billion while the total balance sheet grew by 24% to TZS 425 billion. Customers' deposits for the Bank stood at TZS 297 billion as at 31 December 2013, being a growth of 12% over the previous year.

Impairment charge on loans and advances during the year amounted to TZS 1.9 billion being a decrease of 18% from the TZS 2.3 billion reported at 31 December 2012. 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	
		2013	**2012**
Return on equity	Net profit/Total equity	**11.1%**	8.7%
Return on assets	Net profit/Total assets	**0.9%**	0.7%
Cost to income ratio	Total costs/Net income	**85.6%**	86.3%
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)	**10.3%**	10.6%
Non-interest income to gross income	Non-interest income/Total income	**27.2%**	27.7%
Gross loans to customers to customer deposits	Total loans to customers/Total deposits from customers	**78.4%**	74.7%
Non-performing loans to gross loans	Non-performing loans/Gross loans and advances	**2.7%**	3.0%
Earning assets to total assets	Earning assets/Total assets	**84.1%**	82.3%
Growth on total assets	Trend (2013 total assets - 2012 total assets)/2012 total assets	**24.0%**	20.9%
Growth on loans and advances to customers	Trend (2013 loans and advances - 2012 loans and advances)/ 2012 loans and advances	**17.6%**	30.9%
Growth on customer deposits	Trend (2013 deposits - 2012 deposits)/2012 deposits	**12.1%**	17.0%
CAPITAL ADEQUACY			
Tier 1 Capital	Core capital/risk weighted assets including off-balance sheet items	**12.3%**	13.0%
Tier 1 + Tier 2 Capital	Total capital/Risk weighted assets including off-balance sheet items	**14.3%**	15.0%

The Bank continued with its strategic branch expansion with an eye on Small and Medium Enterprises (SMEs) by opening one branch in Mtwara during the year. This brought the number of branches to 19 and marks its presence in 9 regions of the Tanzania mainland. In short-term, this program continued to put pressure on operating costs. Despite the increase in expenses, the Bank's cost to income ratio declined from 86.3% in 2012 to 85.6% in 2013. 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 three new branches in the coming 12 months.

Outside view of BOA-TANZANIA Head Office.

The non-performing loans to gross loans decreased from 3% at the end of prior year to 2.7% at the end of the reporting period. This ratio is lower than the industry average ratio of 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 the payment of dividend for the year 2013 (2012: Nil).

DIRECTORS

The Directors of the Bank at the date of this report and who have served in since 1 January 2013 unless otherwise stated are set out on page 16.

CORPORATE GOVERNANCE

The Board of Directors consists of 10 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 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 Credit Approval Committee

NAME	POSITION	NATIONALITY
Vincent de BROUWER	Chairman	Belgian
Emmanuel Ole NAIKO	Member	Tanzanian
Ben CHRISTIAANSE	Member	Dutch

The committee conducts its business by circulation and the decisions are discussed and ratified in the Board Risk Committee.

ii) Board Audit Committee

NAME	POSITION	NATIONALITY
Vincent de BROUWER	Chairman	Belgian
Emmanuel Ole NAIKO	Member	Tanzanian
Shakir MERALI	Member	Kenyan
Henry LALOUX	Member	Belgian
Peter LOCK	Member	Dutch
Abdelkabir BENNANI	Member	Moroccan

The committee met four times during the year.


Personalized Customer service at BOA-TANZANIA.

iii) Board Risk Committee

NAME	POSITION	NATIONALITY
Shakir MERALI	Chairman	Kenyan
Vincent de BROUWER	Member	Belgian
Emmanuel Ole NAIKO	Member	Tanzanian
Henry LALOUX	Member	Belgian
Peter LOCK	Member	Dutch
Ben CHRISTIAANSE	Member	Dutch
Abdelkabir BENNANI	Member	Moroccan

The committee met four times during the year.

CAPITAL STRUCTURE

The Bank's capital structure as at 31 December 2013 is disclosed in Note 4.5 of these financial statements.

SHAREHOLDERS OF THE BANK

The total number of shareholders during the year was 8 (2012: 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 30 of these financial statements.

Outside view of Airport Branch.

MANAGEMENT

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

- Treasury
- Finance
- Operations
- Marketing
- Information Technology
- Human Resources and Administration
- Risk Management
- Legal and Compliance.

FUTURE DEVELOPMENT PLANS

Year 2014 is likely to be a challenging year given the uncertainty associated with the Local Government elections, 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 of the Bank. 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. The Bank expects to issue 68,500 class C ordinary shares to the existing shareholders (right issue) in year 2014 in order to support the targeted growth.

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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 on 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 INTERNAL CONTROL

The Board 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 2013 and is of the opinion that they met the 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 relations between employees and management. There were continued good relations between employees

Outside view of Sinza Branch, in Dar es Salaam.

and management for the year ended 31 December 2013. 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, we provide an engaging and fulfilling environment with opportunities for personal and professional growth, maintain a competitive reward strategy and continuously enhance our people practices. In its annual budget for the year 2014, the Bank has allocated a sum of TZS 200 million for staff training in order to improve employee's technical skills hence effectiveness (2012: TZS 231 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 with 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 of and the discretion of management as to the need and circumstances.

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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 a publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan. Public administered pension plans to which Bank's employees are members, are National Social Security Fund and PPF Pension Fund.

GENDER PARITY

As at 31 December 2013, the Bank had 226 employees, out of whom 94 were female and 132 were male. (2012: 223 employees, 97 were female and 126 were male).

RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 33 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 our 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. Donations made to charitable organizations during the year amounted to TZS 25 million (2012: TZS 25 million).

CORPORATE SOCIAL RESPONSIBILITY (CSR)

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

Sponsorship of TAMONGSCO Annual General Meeting

The Bank contributed a sum of TZS 10 million in the education sector by supporting the Tanzania Managers and Owners of Non-Governmental Schools (TAMONGSCO) General Meeting. The meeting was held to discuss modalities on how to improve the access and quality of education in Tanzania and has also helped the Bank to secure more educational institutions as their preferred banking partners.

Sponsorship of Mwalimu Nyerere Memorial Scholarship Fund

The Bank's contributed a sum of TZS 3 million to the scholarship fund established by the Bank of Tanzania known as the "Mwalimu Nyerere Memorial Scholarship Fund" in commemorating the achievements of the Father of the Nation. The fund is primarily dedicated towards sponsoring undergraduate female students to pursue Mathematics and Science related studies in Tanzania Universities.

Participation in the AIESEC TANZANIA Career Fair

In the spirit of supporting youth development as part of its CSR focus, BANK OF AFRICA – TANZANIA Limited once again participated in a career fair organized by AIESEC TANZANIA at the University of Dar es Salaam. AIESEC is the world's largest student-run organization and has a global network of over 50,000 members across more than 110 countries and territories in 1,000 universities worldwide. The career fair provides a platform for employers to interact with their potential employees from different higher learning institutions in the country.

HEALTH

Easter luncheon with the children as inpatient at the Comprehensive Community Based Rehabilitation in Tanzania (CCBRT).

As is the annual Bank's tradition, staff members once again celebrated Easter festivities with the children admitted at CCBRT Disability Hospital with club feet, bow legs and other congenital deformities. For the 4th year running, staff from the Bank spent time and had lunch with the children and also distributed various gifts amongst the children.

Support for the disable community through the Handbike Challenge jointly organized by CCBRT and "Less is More" campaign.

In the spirit of supporting the health sector as part of its CSR focus, the Bank donated USD 5,000 for the Less is More Campaign run by CCBRT. The aim of the challenge was to raise awareness around disability, and to empower people with disabilities to become full and active members of our society through a 750 km Handbike journey by Norberto de ANGELIS who got paralyzed in a car accident in Tanzania.

Outside view of Kahama Branch.

SOCIAL

Sponsorship of the European Film Festival and Francophone cultural events 2013

As part of the Bank's annual engagement in supporting cultural integration via maintaining a close relationship with the French community in the country, BANK OF AFRICA – TANZANIA Limited, once again, sponsored this year's European Film Festival Francophone Week to the tune of TZS 4.4 million.

Sponsorship for the Tanzania Truck Owners Association Annual Meeting

The Bank supported the Annual General Meeting (AGM) for the Association of Truck Owners in a bid to bring closer the business community. Transport sub sector is among the good growing sector in Tanzania.

AUDITORS

DELOITTE & TOUCHE, who were appointed as auditors during the year and, having expressed their willingness, continue in office in accordance to the section 170 (2) of the Companies Act, 2002.

BY ORDER OF THE BOARD

Emmanuel Ole NAIKO
Director
20th February 2014

A tent for the public to look on as the Kahama Branch launch goes on.

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.

Emmanuel Ole NAIKO

Director
20th February 2014

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF 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 32 to 82, which comprise the Statement of Financial Position as at 31 December 2013, and the Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we 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 31 December 2013 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.

Adrian Ndege (Relationship Officer BOA-TANZANIA) speaking to customers at the Saba Saba Trade Fair.

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.

Signed by:
E.A. HARUNANI

Certified Public Accountants (Tanzania)
Dar es Salaam
20^{th} February 2014

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

BOA GROUP IN 2014

Over 30 years of growth

A presence in 17 countries

430 Branches and 600 ATMs

5,000 Employees of 25 nationalities

5 Economic zones:
WAEMU, ECOWAS, EAC, COMESA, SACD

A leading banking partner,
BMCE Bank, which is part of FinanceCom,
a major Moroccan financial group.

As at 31/03/2014

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2013	2012
		TZS 000	TZS 000
INTEREST AND SIMILAR INCOME	6	36,772,899	29,815,411
INTEREST AND SIMILAR EXPENSES	7	(14,855,940)	(12,004,182)
NET INTEREST INCOME		**21,916,959**	**17,811,229**
IMPAIRMENT CHARGE ON LOANS AND ADVANCES		(1,879,573)	(2,300,978)
NET INTEREST INCOME AFTER LOAN IMPAIRMENT		**20,037,386**	**15,510,251**
FEE AND COMMISSION INCOME	9	10,173,161	8,192,128
FEE AND COMMISSION EXPENSE		(1,028,289)	(366,100)
NET FEE AND COMMISSION INCOME		**9,144,872**	**7,826,028**
FOREIGN EXCHANGE INCOME		3,580,095	3,212,911
TOTAL OPERATING INCOME		**32,762,353**	**26,549,190**
OPERATING EXPENSES	10	(27,340,890)	(23,215,939)
PROFIT BEFORE TAX		**5,421,463**	**3,333,251**
INCOME TAX EXPENSE	12(A)	(1,757,498)	(796,297)
PROFIT FOR THE YEAR		**3,663,965**	**2,536,954**
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,663,965**	**2,536,954**

STATEMENT OF FINANCIAL POSITION

	NOTES	2013 TZS 000	2012 TZS 000
ASSETS			
CASH AND BALANCES WITH BANK OF TANZANIA	14	54,769,158	49,605,392
BALANCES DUE TO OTHER BANKS	15	46,276,563	44,022,429
GOVERNMENT SECURITIES HELD-TO-MATURITY	16	78,599,232	40,275,862
LOANS AND ADVANCES TO CUSTOMERS	17	232,430,499	197,666,022
EQUITY INVESTMENT	27	1,020,000	1,000,000
OTHER ASSETS	18	2,407,047	2,301,509
PROPERTY AND EQUIPMENT	19	7,094,034	5,294,970
INTANGIBLE ASSETS	20	1,316,101	1,578,278
INCOME TAX RECOVERABLE	12(C)	-	252,365
DEFERRED TAX ASSETS	29	1,136,710	769,463
TOTAL ASSETS		**425,049,344**	**342,766,290**
LIABILITIES AND EQUITY LIABILITIES			
LIABILITIES			
BALANCES DUE FROM OTHER BANKS		71,578,370	30,170,075
DEPOSITS FROM CUSTOMERS	21	296,594,796	264,495,616
DERIVATIVE FINANCIAL INSTRUMENTS	28	965,220	-
SUBORDINATED DEBTS	22	12,249,720	13,700,490
LONG TERM BORROWINGS	23	3,974,746	-
OTHER LIABILITIES	24	6,411,353	5,106,557
INCOME TAX PAYABLE	12(C)	317,622	-
TOTAL LIABILITIES		**392,091,827**	**313,472,738**
EQUITY			
SHARE CAPITAL	30	18,981,953	18,981,953
SHARE PREMIUM		4,519,055	4,519,055
RETAINED EARNINGS		8,352,534	5,254,097
REGULATORY RESERVE		1,103,975	538,447
TOTAL EQUITY		**32,957,517**	**29,293,552**
TOTAL LIABILITIES AND EQUITY		**425,049,344**	**342,766,290**

The financial statements on pages 32 to 82 were approved and authorised for issue by the Board of Directors on 20th February 2014 and signed on its behalf by:

Emmanuel Ole NAIKO
Director

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	REGULATORY RESERVE	TOTAL EQUITY
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
YEAR ENDED 31 DECEMBER 2013					
AT 1 JANUARY 2013	18,981,953	4,519,055	5,254,097	538,447	29,293,552
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	3,663,965	-	3,663,965
TRANSFER TO REGULATORY RESERVE*	-	-	(565,528)	565,528	-
AT 31 DECEMBER 2013	**18,981,953**	**4,519,055**	**8,352,534**	**1,103,975**	**32,957,517**
YEAR ENDED 31 DECEMBER 2012					
AT 1 JANUARY 2012	18,794,138	4,396,565	2,774,690	480,900	26,446,293
ISSUE OF NEW SHARES	187,815	122,490	-	-	310,305
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	2,536,954	-	2,536,954
TRANSFER TO REGULATORY RESERVE*	-	-	(57,547)	57,547	-
AT 31 DECEMBER 2012	**18,981,953**	**4,519,055**	**5,254,097**	**538,447**	**29,293,552**

*Statutory reserve represents the surplus of loan provision computed as per the Bank of Tanzania regulations over the impairment of loans and advances calculated in accordance with International Financial Reporting Standards.

STATEMENT OF CASH FLOWS

	NOTES	2013	2012
		TZS 000	TZS 000
CASH FLOWS FROM OPERATING ACTIVITIES			
INTEREST RECEIPTS	25	36,884,253	29,007,954
INTEREST PAYMENT	26	(13,882,120)	(10,768,066)
FEES AND COMMISSION RECEIVED		10,173,161	8,192,128
FEES AND COMMISSION PAID		(1,028,289)	(366,100)
RECOVERY OF LOANS PREVIOUSLY WRITTEN OFF		63,049	336,600
FOREIGN EXCHANGE INCOME RECEIVED		3,580,095	3,212,911
CASH PAYMENT TO EMPLOYEES AND SUPPLIERS		(23,770,577)	(20,462,260)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**12,019,572**	**9,153,167**
(INCREASE)/DECREASE IN OPERATING ASSETS			
GOVERNMENT SECURITIES HELD-TO-MATURITY		(38,323,370)	3,594,615
LOANS AND ADVANCES TO CUSTOMERS		(34,181,960)	(45,991,917)
DERIVATIVE FINANCIAL INSTRUMENTS	28	965,220	-
STATUTORY MINIMUM RESERVE		(277,300)	(4,825,000)
OTHER ASSETS		(105,538)	(488,615)
INCREASE/(DECREASE) IN OPERATING LIABILITIES			
BALANCES DUE TO OTHER BANKS		41,175,098	16,161,058
DEPOSITS FROM CUSTOMERS		27,597,795	34,432,021
OTHER LIABILITIES		1,304,796	1,982,806
NET CASH FROM OPERATING ACTIVITIES BEFORE INCOME TAX		**10,174,313**	**14,018,135**
INCOME TAX PAID		(1,554,758)	(1,230,000)
NET CASH FROM OPERATING ACTIVITIES		**8,619,555**	**12,788,135**
CASH FLOW FROM INVESTING ACTIVITIES			
INVESTMENT IN EQUITY SECURITIES		(20,000)	(1,000,000)
PURCHASE OF PROPERTY AND EQUIPMENT	19	(3,945,351)	(1,233,644)
PURCHASE OF INTANGIBLE ASSETS	20	(344,474)	(1,180,911)
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT		4,260	-
NET CASH FROM INVESTING ACTIVITIES		**(4,305,565)**	**(3,414,555)**
CASH FLOW FROM FINANCING ACTIVITIES			
REPAYMENT OF SUBORDINATED DEBTS		(1,265,472)	-
PROCEEDS FROM ISSUE OF SHARES		-	310,305
RECEIPT OF LONG TERM BORROWINGS		3,974,746	-
NET CASH FROM FINANCING ACTIVITIES		**2,709,274**	**310,305**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7,023,264**	**9,683,885**
CASH AND CASH EQUIVALENT AT THE BEGINNING OF PERIOD		67,162,821	57,478,936
CASH AND CASH EQUIVALENT AT THE END OF PERIOD	**31**	**74,186,085**	**67,162,821**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

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 16 whilst its principal activities are described in the Report of the Directors.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

i) New standards and amendments to published standards effective for the year ended 31 December 2013

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

- Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities: The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

As a result of the amendments to IFRS 7, the Bank has expanded disclosures about offsetting financial assets and financial liabilities (see Note 3(p)).

- New and revised standards on consolidation joint arrangements, associates and disclosures: In May 2011, a package of five standards in consolidation joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IASs 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain guidance on first application of the standards.

Application of these standards has not had any impact on the disclosures or the amounts recognised in these financial statements as the Bank does not have subsidiaries, joint arrangements and associates.

- IFRS 13 Fair Value Measurement: The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Bank has not made any new disclosures required by IFRS 13 for the 2012 comparative period.

Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income: The Bank has applied the amendments to IAS 1, Presentation of Items of Other Comprehensive Income, for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The new terminologies have been adopted in these financial statements. In other respects the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

- IAS 19 Employee Benefits (as revised in 2011): IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The application of the amendment had no effect on the Bank's financial statements as the Bank does not have defined benefit obligations and plan assets.

- Amendments to IAS 12: Deferred Tax - Recovery of Underlying Assets: Following the application of amendments, entities holding investment property accounted for using the fair value model in accordance with IAS 40 in jurisdictions where tax is not imposed on sale of the investment property will no longer recognise tax on any temporary differences arising from fair value gains or losses (unless the presumption is rebutted). This is because there would be no tax consequences expected to arise from recovering the carrying amount entirely through sale, regardless of whether the entity intends to use the property to generate rental income for a period of time prior to sale.

For depreciable investment property, the application of the amendments will result in accounting policy. When the deferred tax associated with an investment property was previously determined based on expectations that the property would be recovered through use, the measurement basis will need to be changed unless the 'sale' presumption is rebutted. When amendments result in a change to the basis of measurement and the effect is material, prior year amounts are required to be restated as amendments require full retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Bank has not entered into any transaction of this nature.

ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2013

NEW AND AMENDMENTS TO STANDARDS	EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON OR AFTER
IFRS 9, FINANCIAL INSTRUMENTS - CLASSIFICATION AND MEASUREMENT (2010)	1 JANUARY 2018
IAS 32, OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES	1 JANUARY 2014
IFRS 14, REGULATORY DEFERRAL ACCOUNTS	1 JANUARY 2016
IFRS 10, IFRS 12 AND IAS 27, INVESTMENT ENTITIES	1 JANUARY 2014
IAS 36, RECOVERABLE AMOUNT DISCLOSURES FOR NON-FINANCIAL ASSETS	1 JANUARY 2014
AMENDMENT TO INTERPRETATIONS	
IFRIC 21, LEVIES	1 JANUARY 2014

iii) Impact of new and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2013

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additions relating to financial liabilities. IFRS 9 (2013) introduces new requirements for hedge accounting. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets.

Key requirements of IFRS 9:

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. For an investment in an equity instrument that is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income (OCI). No amount recognised in OCI would ever be reclassified to profit or loss at a later date. However, dividends on such investments would be recognised in profit or loss, rather than OCI, unless they clearly represent a partial recovery of the cost of the investment. Investments in equity instruments in respect of which an entity does not elect to present fair value changes in OCI would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires derivatives embedded in contracts with a host that is a financial asset in the scope of the standard not to be separated; instead, the hybrid financial instrument is assessed in its entirety for whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in OCI rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirements also establish a more principles-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39.

The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, application of IFRS 9 is permitted.

The Bank has started the process of evaluating the potential effect of this standard but is awaiting finalisation of the limited amendments before the evaluation can be completed. Given the nature of the Bank's operations, this standard may have a pervasive impact on the Bank's financial statements when effective.

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

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The adoption of the amendments will not have a material impact on the Bank's financial statements.

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 adoption of the amendments will not have a material impact on the Bank's financial statements.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The adoption of the amendments will not have a material impact on the Bank's financial statements.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

The adoption of the amendments will not have a material impact on the Bank's financial statements.

Annual Improvements 2010-2012 Cycle

The annual improvements 2010-2012 cycle makes 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.

Annual Improvements 2011-2013 Cycle

Makes 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.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The Directors of the Bank do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Bank’s financial statements.

iv) Early adoption of standards

The Bank did not early-adopt any new or amended standards in 2013.

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 assets.

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) Fee and commission income

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

(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 rounded to the nearest thousand, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are 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 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 balance due from other banks fall under this classification.

(ii) Held-to-maturity

Held-to-maturity assets 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. 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 categorized 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

Assets carried at amortised cost

The Bank assesses at end of the reporting period 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.

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.

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 stated 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
BALANCE DUE FROM ADVANCES TO OTHER BANKS	LOANS AND RECEIVABLES
GOVERNMENT SECURITIES HELD-TO-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	
DEPOSITS FROM OTHER BANKS	FINANCIAL LIABILITIES AT AMORTIZED COST
DEPOSITS FROM CUSTOMERS	FINANCIAL LIABILITIES AT AMORTIZED COST
DERIVATIVE FINANCIAL INSTRUMENTS	FINANCIAL LIABILITIES AT FAIR VALUE
SUBORDINATED DEBTS	FINANCIAL LIABILITIES AT AMORTIZED COST
LONG TERM BORROWINGS	FINANCIAL LIABILITIES AT AMORTIZED COST
OTHER LIABILITIES	FINANCIAL LIABILITIES AT AMORTIZED 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 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 income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Tanzanian Income Tax Act, 2004 and its regulations.

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

(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 rates:

	%
LEASEHOLD PROPERTY	20
MOTOR VEHICLES	20
FURNITURE AND FITTINGS	20
OFFICE EQUIPMENT & MACHINERY	20
COMPUTER HARDWARE	20

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 and loss.

(l) Intangible assets

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available;
- 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 impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. 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 Pension Fund (PPF), which are statutory defined contribution schemes. Employees contribute 10% of their monthly emoluments while the Bank contributes 10% to the schemes. A defined contribution scheme is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. 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 and letters of credit

Acceptances 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 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, 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 loans 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

BANK'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;
- Charges over financial instruments such as debt securities and equities.

Longer-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 longer-term commitments generally have a greater degree of credit risk than shorter-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:

		2013		2012	
		LOANS AND ADVANCES (%)	IMPAIRMENT PROVISION (%)	LOANS AND ADVANCES (%)	IMPAIRMENT PROVISION (%)
	CURRENT	97.31	0.22	96.10	0.17
	ESPECIALLY MENTIONED	0.04	0.22	0.95	0.17
	SUBSTANDARD	0.24	11.43	1.32	39.74
	DOUBTFUL	0.49	66.65	0.23	83.46
	LOSS	1.92	49.28	1.40	39.66
TOTAL		**100.00**	**1.51**	**100.00**	**1.44**

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

56% of the maximum exposure is derived from loans and advances to customers (2012: 64%); 19% represents investments in government securities (2012: 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:

- 97.3% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2012: 97.0%);
- 97% of the loans and advances portfolio are considered to be neither past due nor impaired (2012: 96%);
- The Bank has introduced 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:

	2013		2012	
	LOAN AND ADVANCES TO CUSTOMERS	LOAN AND ADVANCES TO BANKS	LOAN AND ADVANCES TO CUSTOMERS	LOAN AND ADVANCES TO BANKS
	TZS 000	TZS 000	TZS 000	TZS 000
NEITHER PAST DUE NOR IMPAIRED	229,670,459	46,276,563	192,737,246	44,022,429
PAST DUE BUT NOT IMPAIRED	84,968	-	1,891,818	-
IMPAIRED	6,240,748	-	5,924,337	-
GROSS	**235,996,175**	**46,276,563**	**200,553,401**	**44,022,429**
LESS: ALLOWANCE FOR IMPAIRMENT	(3,565,676)	-	(2,887,379)	-
NET OF IMPAIRMENT	**232,430,499**	**46,276,563**	**197,666,022**	**44,022,429**
PORTFOLIO ALLOWANCE	500,935	-	332,400	-
INDIVIDUALLY IMPAIRED	3,064,741	-	2,554,979	-
TOTAL	**3,565,676**	**-**	**2,887,379**	**-**

At the end of the reporting period, the total impairment provision for loans and advances was TZS 3,566 million (2012: TZS 2,887 million). Further information of the impairment allowance for loans and advances to customers is provided in Note 17.

At 31 December 2013, the Bank's total loans and advances had increased by 18% 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 & ADVANCES TO BANKS
	INDIVIDUAL (RETAIL)		CORPORATE ENTITIES		TOTAL	
	OVERDRAFT	TERM LOANS	CORPORATE CUSTOMERS	SMEs		
31 DECEMBER 2013						
CURRENT	7,366,685	22,416,114	160,179,124	39,708,536	229,670,459	46,276,563
31 DECEMBER 2012						
CURRENT	718,963	8,642,675	146,437,959	36,937,649	192,737,246	44,022,429

(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)		CORPORATE ENTITIES		
	OVERDRAFT	TERM LOANS	CORPORATE CUSTOMERS	SMEs	TOTAL
31 DECEMBER 2013					
PAST DUE 60-90 DAYS	-	84,968	-	-	84,968
31 DECEMBER 2012					
PAST DUE UP TO 60-90 DAYS	-	1,644	1,146,204	743,970	1,891,818

(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 held is TZS 6,241 million (2012: TZS 5,924 million). The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows: (Amounts are in TZS 000).

	INDIVIDUAL (RETAIL CUSTOMERS)		CORPORATE ENTITIES		
	OVERDRAFT	TERM LOANS	CORPORATE CUSTOMERS	SMEs	TOTAL
31 DECEMBER 2013					
INDIVIDUALLY IMPAIRED LOANS	418,773	215,796	2,408,615	3,197,564	6,240,748
31 DECEMBER 2012					
INDIVIDUALLY IMPAIRED LOANS	-	600,580	2,095,904	3,227,853	5,924,337

(ii) Balance with other banks

The total gross amount of individually impaired balance due from other banks as at 31 December 2013 was nil (2012: 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	
	2013	2012
	TZS 000	TZS 000
RESIDENTIAL PROPERTY	812,000	30,000
COMMERCIAL PROPERTY	-	-
MOTOR VEHICLE	-	-

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 2013.

For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties (Amounts are in TZS 000):

2013	TANZANIA	EUROPE	OTHERS	TOTAL
BALANCE DUE FROM OTHER BANKS	12,857,020	17,812,823	15,606,720	46,276,563
GOVERNMENT SECURITIES HELD-TO-MATURITY	78,599,232	-	-	78,599,232
EQUITY INVESTMENT	1,020,000	-	-	1,020,000
LOANS AND ADVANCES TO CUSTOMERS				
TO INDIVIDUALS:				
- OVERDRAFT	6,965,248	-	-	6,965,248
- TERM LOANS	22,805,318	-	-	22,805,318
TO CORPORATE ENTITIES:				
- CORPORATE CUSTOMERS	161,104,114	-	-	161,104,114
- SMEs	41,555,819	-	-	41,555,819
OTHER ASSETS (EXCLUDING PREPAYMENTS AND STATIONERIES)	629,771	-	-	629,771
AS AT 31 DECEMBER 2013	**325,536,522**	**17,812,823**	**15,606,720**	**358,956,065**

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

2013	TANZANIA	EUROPE	OTHERS	TOTAL
UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	16,409,034	-	-	16,409,034
OUTSTANDING GUARANTEES AND INDEMNITIES	19,619,419	-	-	19,619,419
LETTERS OF CREDIT	17,377,875	-	-	17,377,875
AS AT 31 DECEMBER 2013	**53,406,328**	**-**	**-**	**53,406,328**

2012	TANZANIA	EUROPE	OTHERS	TOTAL
BALANCE DUE FROM OTHER BANKS	34,407,717	4,663,814	4,950,898	44,022,429
INVESTMENT SECURITIES HELD-TO-MATURITY	40,275,862	-	-	40,275,862
EQUITY INVESTMENT	1,000,000	-	-	1,000,000
LOANS AND ADVANCES TO CUSTOMERS				
TO INDIVIDUALS:				
- OVERDRAFT	717,724	-	-	717,724
- TERM LOANS	8,882,625	-	-	8,882,625
TO CORPORATE ENTITIES:				
- CORPORATE CUSTOMERS	148,575,105	-	-	148,575,105
- SMEs	39,490,568	-	-	39,490,568
OTHER ASSETS (EXCLUDING PREPAYMENTS AND STATIONERIES)	870,352	-	-	870,352
AS AT 31 DECEMBER 2012	**274,219,953**	**4,663,814**	**4,950,898**	**283,834,665**

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

2012	TANZANIA	EUROPE	OTHERS	TOTAL
UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	16,764,059	-	-	16,764,059
OUTSTANDING GUARANTEES AND INDEMNITIES	12,730,038	-	-	12,730,038
LETTERS OF CREDIT	13,029,562	-	-	13,029,562
AS AT 31 DECEMBER 2012	**42,523,659**	**-**	**-**	**42,523,659**

(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):

	FINANCIAL INSTITUTIONS	AGRICULTURE	MANUFACTURING	BUILDING & CONSTRUCTION	GOVERNMENT	TRANSPORTATION	WHOLESALE AND RETAIL TRADE	INDIVIDUALS	OTHER	TOTAL
31 DECEMBER 2013										
BALANCE DUE FROM OTHER BANKS	46,276,563	-	-	-	-	-	-	-	-	46,276,563
GOVERNMENT SECURITIES HELD-TO-MATURITY	-	-	-	-	78,599,232	-	-	-	-	78,599,232
EQUITY INVESTMENT	1,000,000	-	-	-	-	-	-	-	20,000	1,020,000
LOANS AND ADVANCES TO CUSTOMERS										
TO INDIVIDUAL:										
- OVERDRAFT	-	-	-	-	-	-	-	-	6,965,248	6,965,248
- TERM LOANS	-	35,504	68,194	6,688,277	-	3,696,398	438,553	11,059,201	819,191	22,805,318
TO CORPORATE ENTITIES:										
- CORPORATE CUSTOMERS	10,514,973	12,500,155	7,489,829	14,299,252	26,087,611	14,686,178	5,870,876	-	69,655,240	161,104,114
- SMEs	-	552,252	175,974	2,783,686	-	806,584	11,317,673	7,304,905	18,614,745	41,555,819
OTHER ASSETS (EXCLUDING PREPAYMENTS AND STATIONERIES)	-	-	-	-	-	-	-	-	629,771	629,771
AS AT 31 DECEMBER 2013	**57,791,536**	**13,087,911**	**7,733,997**	**23,771,215**	**104,686,843**	**19,189,160**	**17,627,102**	**18,364,106**	**96,704,195**	**358,956,065**

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

	FINANCIAL INSTITUTIONS	AGRICULTURE	MANUFACTURING	BUILDING & CONSTRUCTION	GOVERNMENT	TRANSPORTATION	WHOLESALE AND RETAIL TRADE	INDIVIDUALS	OTHER	TOTAL
UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	921,634	63,259	670,648	912,064	-	1,537,507	5,358,987	594,341	6,350,594	16,409,034
OUTSTANDING GUARANTEES AND INDEMNITIES	-	-	33,030	7,530,717	-	1,400,840	3,426,023	127,695	7,101,114	19,619,419
LETTERS OF CREDIT	-	-	528,849	1,072,040	-	557,836	1,511,904	261,515	13,445,731	17,377,875
AS AT 31 DECEMBER 2013	**921,634**	**63,259**	**1,232,527**	**9,514,821**	**-**	**3,496,183**	**10,296,914**	**983,551**	**26,897,439**	**53,406,328**

	FINANCIAL INSTITUTIONS	AGRICULTURE	MANUFACTURING	BUILDING & CONSTRUCTION	GOVERNMENT	TRANSPORTATION	WHOLESALE AND RETAIL TRADE	INDIVIDUALS	OTHER	TOTAL
31 DECEMBER 2012										
BALANCE DUE FROM OTHER BANKS	44,022,429	-	-	-	-	-	-	-	-	44,022,429
GOVERNMENT SECURITIES HELD-TO-MATURITY	-	-	-	-	40,275,862	-	-	-	-	40,275,862
EQUITY INVESTMENT	1,000,000	-	-	-	-	-	-	-	-	1,000,000
LOANS AND ADVANCES TO CUSTOMERS										
TO INDIVIDUAL:										
- OVERDRAFT	-	151	-	-	-	663	-	399,355	317,555	717,724
- TERM LOANS	-	-	42,967	3,371,692	-	17,650	243,224	5,043,845	163,247	8,882,625
TO CORPORATE ENTITIES:										
- CORPORATE CUSTOMERS	15,362,815	10,641,389	7,969,963	17,210,806	14,568,485	31,659,119	14,869,907	-	36,292,621	148,575,105
- SMEs	-	624,329	237,515	4,318,266	-	2,344,658	16,396,640	7,889,108	7,680,052	39,490,568
OTHER ASSETS (EXCLUDING PREPAYMENTS AND STATIONERIES)	-	-	-	-	-	-	-	-	629,771	629,771
AS AT 31 DECEMBER 2012	**60,385,244**	**11,265,869**	**8,250,445**	**24,900,764**	**54,844,347**	**34,022,090**	**31,509,771**	**13,332,308**	**45,083,246**	**283,594,084**

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

	FINANCIAL INSTITUTIONS	AGRICULTURE	MANUFACTURING	BUILDING & CONSTRUCTION	GOVERNMENT	TRANSPORTATION	WHOLESALE AND RETAIL TRADE	INDIVIDUALS	OTHER	TOTAL
UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	734,627	201,726	1,246,892	762,889	-	2,657,712	4,272,747	1,020,317	5,867,149	16,764,059
OUTSTANDING GUARANTEES AND INDEMNITIES	-		201,221	5,616,200	-	568,398	862,468	-	5,481,751	12,730,038
LETTERS OF CREDIT	-	-	144,896	531,212	-	-	4,737,216	-	7,616,238	13,029,562
AS AT 31 DECEMBER 2012	**734,627**	**201,726**	**1,593,009**	**6,910,301**	**-**	**3,226,110**	**9,872,431**	**1,020,317**	**18,965,138**	**42,523,659**

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 2013, 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 768 million (2012: TZS 24 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 2013, 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 7 million (2012: 30 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 2013, 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 99 million (2012: 47 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 2013. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

AT 31 DECEMBER 2013 (AMOUNTS IN TZS 000)	TZS	USD	EURO	GBP	ZAR	KES	UGX	TOTAL
ASSETS								
CASH AND BALANCE WITH BANK OF TANZANIA	45,725,412	7,796,515	1,153,545	93,686	-	-	-	54,796,158
BALANCE DUE FROM OTHER BANKS	4,254,548	25,111,897	17,035,200	(123,852)	1,741	(2,472)	(499)	46,276,563
GOVERNMENT SECURITIES HELD-TO-MATURITY	78,599,232	-	-	-	-	-	-	78,599,232
EQUITY INVESTMENT	1,020,000	-	-	-	-	-	-	1,020,000
LOANS AND ADVANCES TO CUSTOMERS	105,647,767	126,770,101	12,506	125	-	-	-	232,430,499
OTHER ASSETS (EXCLUDING PREPAYMENT AND STATIONERIES)	629,771	-	-	-	-	-	-	629,771
TOTAL FINANCIAL ASSETS	**235,876,730**	**159,678,513**	**18,201,251**	**(30,041)**	**1,741**	**(2,472)**	**(499)**	**413,725,223**
LIABILITIES								
BALANCE DUE TO OTHER BANKS	3,281, 203	68,297,167	-	-	-	-	-	71,578,370
DEPOSITS FROM CUSTOMERS	176,343,456	99,813,345	20,279,031	158,964	-	-	-	296,594,796
DERIVATIVE FINANCIAL INSTRUMENTS	-	965,220	-	-	-	-	-	965,220
SUBORDINATED DEBTS	-	12,249,720	-	-	-	-	-	12,249,720
LONG TERM BORROWINGS	3,974,746	-	-	-	-	-	-	3,974,746
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	2,250,636	317,322	776,998	-	-	-	-	3,344,956
TOTAL FINANCIAL LIABILITIES	**185,850,041**	**181,642,774**	**21,056,029**	**158,964**	**-**	**-**	**-**	**388,707,808**
NET ON BALANCE SHEET FINANCIAL POSITION	**50,026,689**	**(21,964,261)**	**(2,854,778)**	**(189,005)**	**1,741**	**(2,472)**	**(499)**	**25,017,415**
CREDIT COMMITMENTS	**10,611,168**	**5,797,866**	**-**	**-**	**-**	**-**	**-**	**16,409,034**

AT 31 DECEMBER 2012 (AMOUNTS IN TZS 000)	TZS	USD	EURO	GBP	ZAR	KES	UGX	TOTAL
ASSETS								
CASH AND BALANCE WITH BANK OF TANZANIA	38,837,192	9,812,353	57,314	898,533	-	-	-	49,605,392
BALANCES DUE FROM OTHER BANKS	11,610,416	23,550,189	8,778,601	79,259	1,464	1,474	1,026	44,022,429
GOVERNMENT SECURITIES HELD-TO-MATURITY	40,275,862	-	-	-	-	-	-	40,275,862
EQUITY INVESTMENT	1,000,000	-	-	-	-	-	-	1,000,000
LOANS AND ADVANCES TO CUSTOMERS	97,678,375	99,959,307	28,340	-	-	-	-	197,666,022
OTHER ASSETS (EXCLUDING PREPAYMENTS AND INVENTORIES)	681,208	117,141	72,003	-	-	-	-	870,352
TOTAL FINANCIAL ASSETS	**190,083,053**	**133,438,990**	**8,936,258**	**977,792**	**1,464**	**1,474**	**1,026**	**333,440,057**
LIABILITIES								
BALANCES DUE TO OTHER BANKS	1,950,411	28,219,664	-	-	-	-	-	30,170,075
DEPOSITS FROM CUSTOMERS	164,775,983	89,842,932	9,784,024	92,677	-	-	-	264,495,616
SUBORDINATED DEBTS	-	13,700,490	-	-	-	-	-	13,700,490
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	2,728,834	989,469	501,481	158	-	-	-	4,219,942
TOTAL FINANCIAL LIABILITIES	**169,455,228**	**132,752,555**	**10,285,505**	**92,835**	**-**	**-**	**-**	**312,586,123**
NET ON BALANCE SHEET FINANCIAL POSITION	**20,627,825**	**686,435**	**(1,349,247)**	**884,957**	**1,464**	**1,474**	**1,026**	**20,853,934**
CREDIT COMMITMENTS	**10,720,833**	**6,043,226**	**-**	**-**	**-**	**-**	**-**	**16,764,059**

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. Interest 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 AT 31 DECEMBER 2013	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	NON INTEREST BEARING	TOTAL
ASSETS						
CASH AND BALANCES WITH BANK OF TANZANIA	-	-	-	-	54,769,158	54,769,158
BALANCES DUE FROM OTHER BANKS	21,870,818	11,204,051	-	1,158,300	12,043,394	46,276,563
GOVERNMENT SECURITIES HELD-TO-MATURITY	2,893,542	14,590,713	52,325,869	8,789,108	-	78,599,232
EQUITY INVESTMENT	-	-	-	-	1,020,000	1,020,000
LOANS AND ADVANCES TO CUSTOMERS	210,225,469	10,855,030	11,350,000	-	-	232,430,499
OTHER ASSETS (EXCLUDING PREPAYMENTS & INVENTORIES)	-	-	-	-	629,771	629,771
TOTAL FINANCIAL ASSETS	**234,989,829**	**36,649,794**	**63,675,869**	**9,947,408**	**68,462,323**	**413,725,223**
LIABILITIES						
BALANCE DUE TO OTHER BANKS	18,262,008	29,422,224	23,633,870	-	260,268	71,578,370
DEPOSITS FROM CUSTOMERS	47,708,296	16,430,369	60,996,900	-	171,459,231	296,594,796
SUBORDINATED DEBTS	-	-	-	12,180,168	69,552	12,249,720
LONG TERM BORROWINGS	-	-	-	3,974,746	-	3,974,746
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	965,220	-	-	965,220
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	-	-	-	-	3,344,956	3,344,956
TOTAL FINANCIAL LIABILITIES	**65,970,304**	**45,852,593**	**85,595,990**	**16,154,914**	**175,134,007**	**388,707,808**
TOTAL INTEREST SENSITIVITY GAP	**169,019,525**	**(9,202,799)**	**(21,920,121)**	**(6,207,506)**	**-**	**-**

AS AT 31 DECEMBER 2012	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	NON INTEREST BEARING	TOTAL
ASSETS						
CASH AND BALANCES WITH BANK OF TANZANIA	-	-	-	-	49,605,392	49,605,392
BALANCES DUE FROM OTHER BANKS	30,480,657	10,906,055	-	-	2,635,717	44,022,429
GOVERNMENT SECURITIES HELD-TO-MATURITY	-	16,091,963	4,778,498	19,405,401	-	40,275,862
EQUITY INVESTMENT	-	-	-	-	1,000,000	1,000,000
LOANS AND ADVANCES TO CUSTOMERS	179,943,281	8,972,220	8,750,521	-	-	197,666,022
OTHER ASSETS (EXCLUDING PREPAYMENT & INVENTORIES)	-	-	-	-	927,018	927,018
TOTAL FINANCIAL ASSETS	**210,423,938**	**35,970,238**	**13,529,019**	**19,405,401**	**54,168,127**	**333,496,723**
LIABILITIES						
BALANCES DUE TO OTHER BANKS	21,822,875	8,347,200	-	-	-	30,170,075
DEPOSITS FROM CUSTOMERS	23,285,504	50,366,712	52,007,148	8,033	138,828,219	264,495,616
SUBORDINATED LOAN	-	-	-	13,424,970	275,520	13,700,490
LONG TERM BORROWINGS	-	-	-	-	-	-
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	-	-	-	-
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	-	-	-	-	4,219,942	4,219,942
TOTAL FINANCIAL LIABILITIES	**45,108,379**	**58,713,912**	**52,007,148**	**13,433,003**	**143,323,681**	**312,586,123**
TOTAL INTEREST SENSITIVITY GAP	**165,315,559**	**(22,743,674)**	**(38,478,129)**	**5,972,398**	**-**	**-**

The table below summarises a range of effective interest rates by major currencies for monetary financial instruments for the year ended 31 December 2013:

		TZS	USD
ASSETS			
	LOANS AND ADVANCES TO CUSTOMERS	12% - 27%	6.5% - 13%
	LOANS AND ADVANCES TO BANKS	6% - 15%	2% - 4%
LIABILITIES			
	DEPOSITS FROM CUSTOMERS	3.5% - 17%	0.5% - 3.5%
	BALANCES DUE TO OTHER BANKS	5% - 14%	2% - 4%
	SUBORDINATED LOAN	-	6% - 6.5%
	LONG TERM BORROWINGS	11.5%	2.5%
	DERIVATIVE FINANCIAL INSTRUMENTS	11.1% - 14.5%	0.6% - 1.5%

At 31 December 2013, 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 12 million (2012: TZS 120 million) lower/higher, mainly as a result of fluctuations in interest income and interest expense.

At 31 December 2013, 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 176 million (2012: TZS 59 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 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 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.

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
AT 31 DECEMBER 2013	**TZS 000**	**TZS 000**	**TZS 000**	**TZS 000**	**TZS 000**	**TZS 000**
LIABILITIES						
BALANCES DUE TO OTHER BANKS	18,271,838	29,541,971	24,231,344	-	-	72,045,153
DEPOSITS FROM CUSTOMERS	219,201,432	16,647,951	64,747,125	-	-	300,596,508
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	965,220	-	-	965,220
SUBORDINATED DEBTS	-	-	1,883,181	11,762,958	-	13,646,139
LONG TERM BORROWINGS	-	-	345,910	4,627,569	-	4,973,479
OTHER LIABILITIES	3,344,956	-	-	-	-	3,344,956
TOTAL LIABILITIES (CONTRACTUAL MATURITY DATES)	**240,818,226**	**46,189,922**	**92,172,780**	**16,390,527**	**-**	**395,571,455**
TOTAL ASSETS (EXPECTED MATURITY DATES)	**303,700,834**	**38,388,847**	**75,895,849**	**60,460,043**	**8,848,757**	**487,294,330**
AT 31 DECEMBER 2012						
LIABILITIES						
BALANCE DUE TO OTHER BANKS	23,297,613	12,871,345	-	-	-	36,168,958
DEPOSITS FROM CUSTOMERS	162,178,074	50,991,993	55,209,791	8,187	-	268,388,045
SUBORDINATED DEBTS	61,652	184,952	739,809	16,845,499	-	17,831,912
OTHER LIABILITIES	4,219,942	-	-	-	-	4,219,942
TOTAL LIABILITIES (CONTRACTUAL MATURITY DATES)	**189,757,281**	**64,048,290**	**55,949,600**	**16,853,686**	**-**	**326,608,857**
TOTAL ASSETS (EXPECTED MATURITY DATES)	**263,734,367**	**36,825,439**	**15,853,581**	**57,566,945**	**6,167,752**	**380,148,084**

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

4.4 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of government securities held-to-maturity at 31 December 2013 is estimated at TZS 72,657 million (2012: TZS 44,943 million) compared to their carrying values of TZS 78,599 million (2012: 40,275 million). Fair values are based on the last auction for treasury bills and bonds that was held at 31 December 2013. The fair values of the Bank's other financial assets such as loans and advances to customers and financial liabilities such as deposits and interbank borrowings approximate the respective carrying amounts due to the generally short periods to maturity dates.

Deposits from banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

Subordinated debts

Subordinated debts bear interest rate of 6 months LIBOR +4.5% and have a tenor of seven (7) years including two years grace period on principal repayment. Effective interest rate for IFC loan and PROPARCO loan were 6.5% and 6% respectively. There is no change in market rates from last year.

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).

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2013 and 2012:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	TZS 000	TZS 000	TZS 000	TZS 000
31 DECEMBER 2013				
EQUITY INVESTMENT	-	1,020,000	-	1,020,000
DERIVATIVE FINANCIAL INSTRUMENTS	-	(965,220)	-	(965,220)
AT 31 DECEMBER 2012				
EQUITY INVESTMENT	-	1,000,000	-	1,000,000

During the current year, there were no intra level transfers and there was sufficient information available to measure fair value of financial instruments based on observable market inputs.

The table below analyses the fair value hierarchy the Bank's financial assets and liabilities (by class) not measured at fair value at 31 December 2013.

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL BALANCE
	TZS 000	TZS 000	TZS 000	TZS 000
ASSETS				
CASH AND BALANCE WITH BANK OF TANZANIA	54,796,158	-	-	54,796,158
BALANCE DUE FROM OTHER BANKS	46,276,563	-	-	46,276,563
GOVERNMENT SECURITIES HELD-TO-MATURITY	-	78,599,232	-	78,599,232
LOANS AND ADVANCES TO CUSTOMERS	-	232,430,499	-	232,430,499
OTHER ASSETS (EXCLUDING PREPAYMENT & STATIONERIES)	-	629,771	-	629,771
TOTAL	**101,072,721**	**311,659,502**	**-**	**412,732,223**
LIABILITIES				
BALANCE DUE TO OTHER BANKS	-	71,578,370	-	71,578,370
DEPOSITS FROM CUSTOMERS	-	296,594,796	-	296,594,796
SUBORDINATED DEBTS	-	12,249,720	-	12,249,720
LONG TERM BORROWINGS	-	3,974,746	-	3,974,746
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	-	3,344,956	-	3,344,956
TOTAL	**-**	**387,742,588**	**-**	**387,742,588**

The assets and liabilities included in the above table are carried at amortised cost.

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 12%. 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 2013 and year ended 31 December 2012.

	2013	2012
TIER 1 CAPITAL	**TZS 000**	**TZS 000**
SHARE CAPITAL	18,981,953	18,981,953
RETAINED EARNINGS	8,352,534	5,254,097
SHARE PREMIUM	4,519,055	4,519,055
LESS: DEFERRED TAX ASSET	(1,136,709)	(769,463)
LESS: INTANGIBLE ASSETS	(1,316,101)	(1,578,278)
LESS: PREPAID EXPENSES	(1,542,305)	(1,374,491)
TOTAL QUALIFYING TIER 1 CAPITAL	**27,858,427**	**25,032,873**
TIER 2 CAPITAL		
SUBORDINATED DEBTS*	4,518,123	3,841,893
TOTAL REGULATORY CAPITAL	**32,376,550**	**28,874,766**
RISK-WEIGHTED ASSETS		
ON-BALANCE SHEET	201,725,411	167,433,086
OFF-BALANCE SHEET	24,119,765	24,317,141
MARKET RISK	60,977	344,413
TOTAL RISK-WEIGHTED ASSETS	**225,906,153**	**192,094,640**

	REQUIRED RATIO	BANK'S RATIO	BANK'S RATIO
	2013	2013	2012
	%	%	%
TIER 1 CAPITAL	10	12.3	13.0
TIER 1 + TIER 2 CAPITAL	12	14.3	15.0

*Circular no 7 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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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. Where the actual net present values of estimated cash flow different by +/-10%, the impairment loss would have been TZS 204 million lower or TZS 234 million higher.

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 2013 the carrying value would increase by TZS 6 billion 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 taxes/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 financial period, the Directors determined no significant changes in the useful lives and residual values.

6. INTEREST AND SIMILAR INCOME

		2013	2012
		TZS 000	TZS 000
	LOANS AND ADVANCES TO CUSTOMERS	27,894,182	24,382,934
	GOVERNMENT SECURITIES HELD-TO-MATURITY	7,457,398	4,209,339
	BALANCES DUE FROM OTHER BANKS	1,421,319	1,223,138
TOTAL		**36,772,899**	**29,815,411**

7. INTEREST AND SIMILAR EXPENSES

		2013	2012
		TZS 000	TZS 000
	DEPOSITS FROM OTHER BANKS	1,737,664	1,088,132
	DEPOSITS FROM CUSTOMERS	12,420,782	10,187,331
	INTEREST ON SUBORDINATED LOANS	697,494	728,719
TOTAL		**14,855,940**	**12,004,182**

8. IMPAIRMENT CHARGE ON LOANS AND ADVANCES

		2013	2012
		TZS 000	TZS 000
	IMPAIRMENT CHARGE FOR THE YEAR	1,942,622	2,637,578
	BAD DEBT RECOVERIES	(63,049)	(336,600)
TOTAL		**1,879,573**	**2,300,978**

9. FEES AND COMMISSION INCOME

	2013	2012
	TZS 000	TZS 000
COMMISSION AND FEES FROM BANKING OPERATIONS	3,816,751	3,320,087
COMMISSION ON TELEGRAPHIC TRANSFERS AND INTERNATIONAL TRADE FINANCE ACTIVITIES	1,316,048	1,436,909
FACILITY FEES FROM LOANS AND ADVANCES	1,972,399	1,719,020
COMMISSION ON LETTERS OF CREDIT AND GUARANTEES	2,011,290	1,089,688
OTHER FEES	1,056,673	626,424
TOTAL	**10,173,161**	**8,192,128**

10. OPERATING EXPENSES

	2013	2012
	TZS 000	TZS 000
EMPLOYEES BENEFITS (NOTE 11)	12,320,871	10,288,287
OCCUPANCY EXPENSES	2,112,378	1,986,368
REPAIRS AND MAINTENANCE	996,786	780,974
ADVERTISING AND BUSINESS PROMOTION	925,293	614,478
LEGAL AND PROFESSIONAL FEES	1,130,705	820,195
TRAVELLING EXPENSES	635,523	606,250
DEPRECIATION OF PROPERTY AND EQUIPMENT	2,081,790	1,932,275
AMORTIZATION OF INTANGIBLE ASSETS	606,651	426,336
DIRECTORS' EMOLUMENTS - FEES	182,376	182,235
DIRECTORS' EMOLUMENTS - OTHER	589,692	585,493
AUDITORS' REMUNERATION	119,838	125,262
GAIN FROM THE SALE OF ASSETS	(4,195)	-
OTHERS OPERATING EXPENSES	5,643,182	4,867,786
TOTAL	**27,340,890**	**23,215,939**

11. EMPLOYEES BENEFITS

		2013	2012
		TZS 000	TZS 000
	WAGES AND SALARIES	8,178,881	6,621,038
	DEFINED BENEFIT CONTRIBUTIONS (NSSF AND PPF CONTRIBUTIONS)	803,205	652,292
	OTHER EMPLOYMENT COSTS AND BENEFITS	3,338,785	3,014,957
TOTAL		**12,320,871**	**10,288,287**

12. INCOME TAX

(a) Income tax expense

		2013	2012
		TZS 000	TZS 000
	CURRENT TAX - CURRENT YEAR	2,090,992	1,410,698
	CURRENT TAX - PRIOR YEARS	33,753	528,705
	TOTAL CURRENT TAX	**2,124,745**	**1,939,403**
	DEFERRED INCOME TAX - CURRENT YEAR (NOTE 28)	(366,616)	(387,488)
	DEFERRED INCOME TAX - PRIOR YEARS (NOTE 28)	(631)	(755,618)
	TOTAL DEFFERED INCOME TAX	**(367,247)**	**(1,143,106)**
TOTAL		**1,757,498**	**796,297**

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

		2013	2012
		TZS 000	TZS 000
	PROFIT BEFORE TAX	5,421,464	3,333,251
	TAX CALCULATED AT A TAX RATE OF 30%	1,626,439	999,975
TAX EFFECT OF:			
	EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES	98,553	23,234
	UNDER/(OVER) PROVISION OF TAX IN PRIOR YEARS	32,506	(226,912)
TOTAL		**1,757,498**	**796,297**

(c) Income tax (payable)/recoverable

	2013	2012
	TZS 000	TZS 000
AT 1 JANUARY	252,365	961,768
PAYMENT DURING THE YEAR	1,554,758	1,230,000
CURRENT TAX CHARGE	(2,124,745)	(1,939,403)
AT 31 DECEMBER	**(317,622)**	**252,365**

13. FINANCIAL INSTRUMENTS BY CATEGORY

AT 31 DECEMBER 2013

	LOANS AND RECEIVABLES	HELD-TO-MATURITY	AVAILABLE FOR SALE	TOTAL
	TZS 000	TZS 000	TZS 000	TZS 000
FINANCIAL ASSETS				
CASH AND BALANCES WITH BANK OF TANZANIA	54,769,158	-	-	54,769,158
LOANS AND ADVANCES TO BANKS	46,276,563	-	-	46,276,563
GOVERNMENT SECURITIES HELD-TO-MATURITY	-	78,599,232	-	78,599,232
EQUITY INVESTMENT	-	-	1,020,000	1,020,000
LOANS AND ADVANCES TO CUSTOMERS	232,430,499	-	-	232,430,499
OTHER ASSETS	629,771	-	-	629,771
TOTAL	**334,105,991**	**78,599,232**	**1,020,000**	**413,725,223**

	AT AMORTISED COST
	TZS 000
FINANCIAL LIABILITIES	
DEPOSITS FROM OTHER BANKS	71,578,370
DEPOSITS FROM CUSTOMERS	296,594,796
DERIVATIVE FINANCIAL INSTRUMENTS	965,220
SUBORDINATED DEBTS	12,249,720
LONG TERM BORROWINGS	3,974,746
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	3,344,956
TOTAL	**388,707,808**

13. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

AT 31 DECEMBER 2012

	LOANS AND RECEIVABLES	HELD-TO-MATURITY	AVAILABLE FOR SALE	TOTAL
	TZS 000	TZS 000	TZS 000	TZS 000
FINANCIAL ASSETS				
CASH AND BALANCES WITH BANK OF TANZANIA	49,605,392	-	-	49,605,392
LOANS AND ADVANCES TO BANKS	44,022,429	-	-	44,022,429
GOVERNMENT SECURITIES HELD-TO-MATURITY	-	40,275,862	-	40,275,862
EQUITY INVESTMENT	-	-	1,000,000	1,000,000
LOANS AND ADVANCES TO CUSTOMERS	197,666,022	-	-	197,666,022
OTHER ASSETS (EXCLUDING PREPAYMENT & INVENTORIES)	927,018	-	-	927,018
TOTAL	**292,220,861**	**40,275,862**	**1,000,000**	**333,496,723**

	AT AMORTISED COST
	TZS 000
FINANCIAL LIABILITIES	
DEPOSITS FROM OTHER BANKS	30,170,075
DEPOSITS FROM CUSTOMERS	264,495,616
SUBORDINATED DEBTS	13,700,490
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	4,219,942
TOTAL	**312,586,123**

14. CASH AND BALANCES WITH BANK OF TANZANIA

	2013	2012
	TZS 000	TZS 000
CASH ON HAND	28,091,124	22,515,845
BALANCES WITH THE BANK OF TANZANIA:		
- STATUTORY MINIMUM RESERVE (SMR)	26,742,300	26,465,000
- CLEARING ACCOUNT	(64,266)	624,547
TOTAL	**54,769,158**	**49,605,392**

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 cash flows statement (See Note 28). Cash in hand and balances with Bank of Tanzania are non-interest bearing.

15. BALANCES DUE FROM OTHER BANKS

	2013	2012
	TZS 000	TZS 000
BALANCES WITH BANKS	9,794,809	138,093
ITEMS IN THE COURSE OF COLLECTION	2,404,514	2,385,525
PLACEMENTS WITH LOCAL BANKS	10,183,590	32,079,117
PLACEMENTS WITH FOREIGN BANKS	23,893,650	9,419,694
INCLUDED IN CASH AND CASH EQUIVALENTS (NOTE 31)	**46,276,563**	**44,022,429**

16. GOVERNMENT SECURITIES HELD-TO-MATURITY

	2013	2012
	TZS 000	TZS 000
TREASURY BILLS MATURING WITHIN 90 DAYS FROM THE PERIOD END	17,913,320	16,091,963
TREASURY BILLS MATURING AFTER 90 DAYS FROM THE PERIOD END	39,244,935	4,778,498
TREASURY BONDS MATURING WITHIN 5 YEARS	21,440,977	19,405,401
TREASURY BONDS MATURING AFTER 5 YEARS	-	-
TOTAL GOVERNMENT SECURITIES HELD-TO-MATURITY	**78,599,232**	**40,275,862**

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

17. LOANS AND ADVANCES TO CUSTOMERS

	2013	2012
	TZS 000	TZS 000
LOANS AND ADVANCES TO CORPORATE CUSTOMERS	205,579,629	190,589,538
LOANS AND ADVANCES TO INDIVIDUAL CUSTOMERS	30,416,546	9,963,863
GROSS LOANS AND ADVANCES	235,996,175	200,553,401
LESS: IMPAIRMENT PROVISION	(3,565,676)	(2,887,379)
NET LOANS AND ADVANCES	**232,430,499**	**197,666,022**

17. LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	RETAIL CUSTOMERS	CORPORATE CUSTOMERS & SMEs	TOTAL
	TZS 000	TZS 000	TZS 000
AT 1 JANUARY 2013	867,723	2,019,656	2,887,379
INCREASE IN IMPAIRMENT	6,444	1,936,177	1,942,621
WRITE OFFS	(228,188)	(1,036,136)	(1,264,324)
AT 31 DECEMBER 2013	**645,979**	**2,919,697**	**3,565,676**
AT 1 JANUARY 2012	602,637	1,438,275	2,040,912
INCREASE IN IMPAIRMENT	1,405,648	1,231,930	2,637,578
WRITE OFFS	(1,140,562)	(650,549)	(1,791,111)
AT 31 DECEMBER 2012	**867,723**	**2,019,656**	**2,887,379**

18. OTHER ASSETS

	2013	2012
	TZS 000	TZS 000
PREPAID EXPENSES	1,542,305	1,374,491
SUNDRY DEBTORS AND STOCKS OF STATIONARIES	864,742	927,018
TOTAL	**2,407,047**	**2,301,509**

19. PROPERTY AND EQUIPMENT

	LEASEHOLD PREMISES	MOTOR VEHICLES	COMPUTER HARDWARE	MACHINERY AND OFFICE EQUIPMENT	FURNITURE & FITTINGS	WORK IN PROGRESS	TOTAL
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
2012							
COST							
AT 1 JANUARY 2012	4,968,332	336,864	857,957	4,041,567	520,286	383,380	11,108,386
ADDITIONS	285,263	-	83,474	783,285	81,622	-	1,233,644
DISPOSALS	-	-	-	-	(4,051)	-	(4,051)
TRANSFER	100,770	-	-	-	-	(100,770)	-
AT 31 DECEMBER 2012	**5,354,365**	**336,864**	**941,431**	**4,824,852**	**597,857**	**282,610**	**12,337,979**
DEPRECIATION							
AT 1 JANUARY 2012	2,292,538	88,829	471,036	1,965,777	293,567	-	5,111,747
CHARGE FOR THE YEAR	894,853	66,023	120,026	775,044	76,329	-	1,932,275
DISPOSALS	-	-	-	-	(1,013)	-	(1,013)
AT 31 DECEMBER 2012	**3,187,391**	**154,852**	**591,062**	**2,740,821**	**368,883**	**-**	**7,043,009**
NET BOOK VALUE							
AT 31 DECEMBER 2012	**2,166,974**	**182,012**	**350,369**	**2,084,031**	**228,974**	**282,610**	**5,294,970**
2013							
COST							
AT 1 JANUARY 2013	5,354,365	336,864	941,431	4,824,852	597,857	282,610	12,337,979
ADDITIONS	190,027	63,795	37,505	421,029	58,093	3,174,902	3,945,351
DISPOSALS	-	(172,827)	-	-	-	-	(172,827)
TRANSFER	282,610	-	-	-	-	(282,610)	-
AT 31 DECEMBER 2013	**5,827,002**	**227,832**	**978,936**	**5,245,881**	**655,950**	**3,174,902**	**16,110,503**
DEPRECIATION							
AT 1 JANUARY 2013	3,187,391	154,852	591,062	2,740,821	368,883	-	7,043,009
CHARGE FOR THE YEAR	981,302	66,379	120,727	825,778	87,604	-	2,081,790
DISPOSALS	-	(108,330)	-	-	-	-	(108,330)
AT 31 DECEMBER 2013	**4,168,693**	**112,901**	**711,789**	**3,566,599**	**456,487**	**-**	**9,016,469**
NET BOOK VALUE							
AT 31 DECEMBER 2013	**1,658,309**	**114,931**	**267,147**	**1,679,282**	**199,463**	**3,174,902**	**7,094,034**

No property and equipment has been pledged as collateral.

20. INTANGIBLE ASSETS

	2013	2012
	TZS 000	TZS 000
AT 1 JANUARY	1,578,278	823,703
ADDITIONS	344,474	1,180,911
AMORTISATION CHARGE	(606,651)	(426,336)
AT 31 DECEMBER	**1,316,101**	**1,578,278**
COST	3,551,323	3,206,848
ACCUMULATED AMORTISATION	(2,235,222)	(1,628,570)
NET BOOK VALUE	**1,316,101**	**1,578,278**

No intangible asset has been pledged as collateral.

21. DEPOSITS FROM CUSTOMERS

	2013	2012
	TZS 000	TZS 000
CURRENT ACCOUNTS	159,818,946	137,164,510
TIME DEPOSITS	95,874,431	106,107,421
SAVINGS DEPOSITS	30,884,680	21,035,485
OTHERS	10,016,739	188,200
TOTAL	**296,594,796**	**264,495,616**

22. SUBORDINATED DEBTS

	2013	2012
	TZS 000	TZS 000
INTERNATIONAL FINANCE CORPORATION (IFC)	7,118,280	7,107,480
PROMOTION PARTICIPATION COOPERATION (PROPARCO)	5,061,888	6,317,760
INTEREST ACCRUED	69,552	275,250
TOTAL	**12,249,720**	**13,700,490**

INTERNATIONAL FINANCE CORPORATION (IFC) and PROMOTION PARTICIPATION COOPERATION (PROPARCO) issued USD 4,500,000 and USD 4,000,000 facilities respectively. Both facilities bear 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. Effective interest rate for IFC loan and PROPARCO loan were 6.5% and 6% respectively. There is no change in market rates from last year.

23. LONG TERM BORROWINGS

	2013	2012
	TZS 000	TZS 000
TANZANIA MORTGAGE REFINANCE COMPANY (TMRC)	2,750,000	-
EFC TANZANIA MFC LIMITED	1,186,380	-
INTEREST ACCRUED	38,366	-
TOTAL	**3,974,746**	**-**

Tanzania Mortgage Refinance Company (TMRC) and EFC Tanzania MFC Limited issued TZS 2,750,000 and USD 750,000 facilities at the rate of 11.5% and 2.5% rate respectively and have a tenor of three years both maturing in 2016. Bank has not pledged any tangible securities in respect of these loans.

24. OTHER LIABILITIES

	2013	2012
	TZS 000	TZS 000
BANK DRAFTS PAYABLE	519,457	453,984
ACCRUALS AND OTHER PROVISIONS	4,630,699	3,398,220
DEFERRED COMMITMENT AND FACILITY FEES	1,261,197	1,254,353
TOTAL	**6,411,353**	**5,106,557**

25. INTEREST RECEIPTS

	2013	2012
	TZS 000	TZS 000
INTEREST RECEIVABLE - AT 1 JANUARY	1,489,501	682,044
ADD: INTEREST AND SIMILAR INCOME FOR THE YEAR	36,772,899	29,815,411
LESS: INTEREST RECEIVABLE - AT 31 DECEMBER	(1,378,147)	(1,489,501)
INTEREST RECEIPTS	**36,884,253**	**29,007,954**

26. INTEREST PAYMENT

	2013	2012
	TZS 000	TZS 000
INTEREST PAYABLE - AT 1 JANUARY	3,787,833	2,551,717
ADD: INTEREST AND SIMILAR CHARGES FOR THE YEAR	14,855,940	12,004,182
LESS: INTEREST PAYABLE - AT 31 DECEMBER	(4,761,653)	(3,787,833)
INTEREST PAYMENT	**13,882,120**	**10,768,066**

27. EQUITY INVESTMENT

	2013	2012
	TZS 000	TZS 000
UMOJA SWITCH COMPANY LIMITED	20,000	-
TANZANIA MORTGAGE REFINANCE COMPANY (TMRC) - UNLISTED	1,000,000	1,000,000
TOTAL	**1,020,000**	**1,000,000**

BANK OF AFRICA – TANZANIA Limited owns 9% and 10% of the share capital on UMOJA SWITCH COMPANY Limited and TANZANIA MORTGAGE REFINANCE COMPANY respectively. These equity investments are held by the Bank for strategic purpose and are not for trading and are measured at fair value through equity method.

28. 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.

	2013			2012	
	NOTIONAL PRINCIPAL AMOUNTS	FAIR VALUE	LIABILITY	NOTIONAL PRINCIPAL AMOUNTS	LIABILITY
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
FORWARD EXCHANGE CONTRACTS	25,908,008	26,873,228	965,220	-	-

29. DEFERRED TAX

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

	2013	2012
	TZS 000	TZS 000
AT 1 JANUARY	**(769,463)**	**373,644**
CREDITED TO PROFIT OR LOSS:		
- CURRENT YEAR (NOTE 12)	(366,616)	(387,488)
- PRIOR YEARS (NOTE 12)	(631)	(755,619)
AT 31 DECEMBER	**(1,136,710)**	**(769,463)**

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

	1 JANUARY 2013	CREDIT TO PROFIT OR LOSS	31 DECEMBER 2013
	TZS 000	TZS 000	TZS 000
DEFERRED TAX LIABILITY			
ACCELERATED TAX ALLOWANCES	223,420	(366,616)	(143,196)
OTHER TIMING DIFFERENCES	(992,883)	(631)	(993,514)
TOTAL	**(769,463)**	**(367,247)**	**(1,136,710)**

30. SHARE CAPITAL

	2013	2012
	TZS 000	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	21,462,279	21,462,279
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
TOTAL	**25,000,000**	**25,000,000**

	2013	2012
	TZS 000	TZS 000
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
133,381(2011: 131,759) CLASS "C" ORDINARY SHARES OF TZS 115,792 EACH	15,444,453	15,444,453
TOTAL	**18,981,953**	**18,981,953**

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

The shareholding of the Bank was as follows:

	2013	2012
	%	%
BANK OF AFRICA – KENYA LIMITED	24.05	24.05
AUREOS EAST AFRICA FUND LLC	13.70	13.70
BIO-BELGIAN INVESTMENT COMPANY FOR DEVELOPPING COUNTRIES	22.24	22.24
AFH-OCEAN INDIEN	25.30	25.30
TANZANIA DEVELOPMENT FINANCE LIMITED (TDFL)	10.19	10.19
FMO-NETHERLANDS DEVELOPMENT FINANCE CORPORATION	3.70	3.70
OTHERS	0.82	0.82
TOTAL	**100**	**100**

31. CASH AND CASH EQUIVALENTS

		2013	2012
		TZS 000	TZS 000
	CASH AND BALANCES WITH BANK OF TANZANIA (NOTE 14)	54,769,158	49,605,392
	LESS: STATUTORY MINIMUM RESERVE (SMR)	(26,742,300)	(26,465,000)
TOTAL		**28,026,858**	**23,140,392**
	BALANCES DUE FROM OTHER BANKS	46,159,227	44,022,429
TOTAL		**74,186,085**	**67,162,821**

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 Central Bank, treasury bills and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Tanzania.

32. 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.

		2013	2012
		TZS 000	TZS 000
CONTINGENT LIABILITIES			
	OUTSTANDING LETTERS OF CREDIT (FOREIGN CURRENCY)	17,377,875	13,029,562
	OUTSTANDING GUARANTEES AND INDEMNITIES:		
	- FOREIGN CURRENCY	12,449,971	7,524,211
	- LOCAL CURRENCY	7,169,448	5,205,827
TOTAL		**36,997,294**	**25,759,600**

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.

	2013	2012
	TZS 000	TZS 000
OTHER COMMITMENTS		
UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	16,409,034	16,764,059

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 2013, the Bank had capital commitments of TZS 3,312 million (2012: 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 does not have any commitments in respect of non cancellable lease commitments.

33. RELATED PARTY TRANSACTIONS

The shareholders of the Bank are disclosed in Note 30. The ultimate holding company of the Bank is BOA GROUP S.A..

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. 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

	2013	2012
	TZS 000	TZS 000
(A) LOANS AND ADVANCES		
AT 1 JANUARY	723,442	157,520
LOANS ISSUED DURING THE YEAR	605,886	671,340
LOAN REPAYMENTS DURING THE YEAR	(120,096)	(105,418)
AT 31 DECEMBER	**1,209,232**	**723,442**
INTEREST INCOME EARNED	**61,571**	**49,785**
(B) DEPOSITS		
AT 1 JANUARY	284,603	257,490
DEPOSITS RECEIVED DURING THE YEAR	5,468,237	4,831,769
DEPOSITS WITHDRAWN DURING THE YEAR	(5,355,060)	(4,804,657)
AT 31 DECEMBER	**397,780**	**284,602**
INTEREST EXPENSE	**(4,032)**	**(10,507)**
(C) CASH AND SHORT TERM FUNDS WITH GROUP BANKS		
BALANCES DUE FROM GROUP BANKS	22,659,818	11,845,800
DEPOSITS FROM GROUP BANKS	36,974,680	19,874,561
INTEREST INCOME RECEIVED	368,856	308,353
INTEREST EXPENSE INCURRED	(855,473)	(268,221)
FOREIGN EXCHANGE INCOME RECEIVED	-	175,386
OPERATING EXPENSES PAID TO GROUP BANKS	(721,974)	(803,958)
GUARANTEE FEES EXPENSE PAID TO GROUP BANKS	(347,803)	(123,077)
(D) KEY MANAGEMENT COMPENSATION		
SALARIES AND OTHER SHORT TERM EMPLOYEE BENEFITS	1,852,239	1,587,232
TOTAL	**1,852,239**	**1,587,232**

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.

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

	2013	2012
	TZS 000	TZS 000
(E) DIRECTORS' REMUNERATION		
EMOLUMENTS OF DIRECTORS IN RESPECTS OF SERVICES RENDERED:		
EXECUTIVE	589,692	585,493
NON EXECUTIVE	182,376	182,235
TOTAL	**772,068**	**767,728**

34. EVENTS 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.

35. 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.

36. COMPARATIVES

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

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