TANZANIA

FINANCIAL STATEMENTS 2017

BANK OF AFRICA

Groupe BMCE BANK

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Opening date: octobre 2007

Created in 1995: EURAFRICAN BANK - TANZANIA Ltd (EBT).

Integrated into BOA network in 2007.

Capital as at 31/12/2017

Tanzanian Shillings (TZS) 37.021 billion

Board of Directors as at 31/12/2017

Mwanaidi SINARE MAAJAR, Chairman

Ammishaddai Owusu Amoah

Amine BOUABID

Abdelkabir BENNANI

Vincent de BROUWER

Henri LALOUX

Moremi MARWA

Emmanuel OLE NAIKO

Auditors

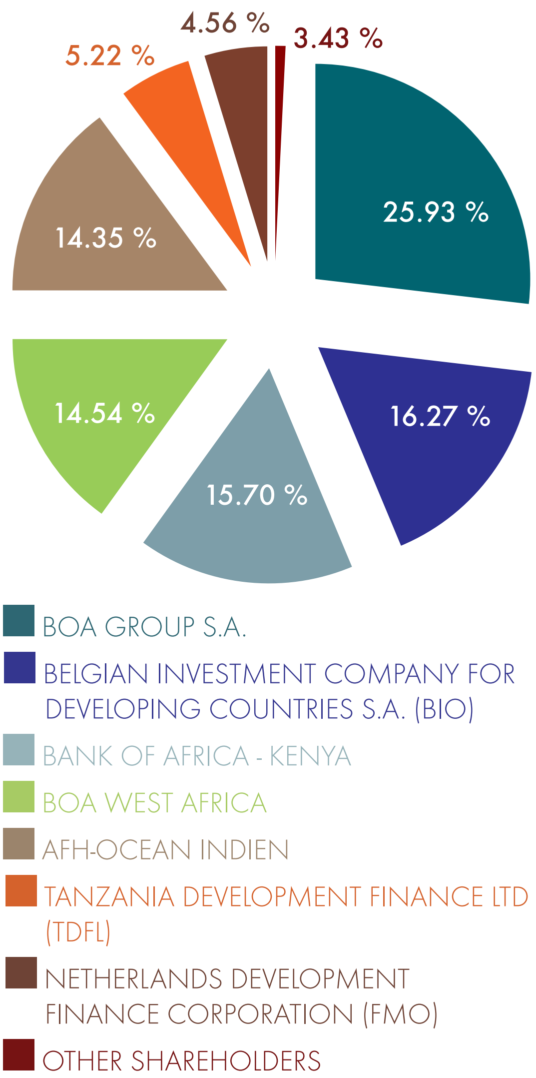
PRICE WATERHOUSE COOPERS

Registered office

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

boa@boatanzania.com
www.boatanzania.com

Principal shareholders as at 31/12/2017



Financial analysis

BANK OF AFRICA - TANZANIA (BOA-TANZANIA) performance for 2017 showed mixed results in different aspects. During the year ended 31 December 2017, BANK OF AFRICA - TANZANIA Limited recorded a pre-tax profit of TZS 4.9 billion (2016: TZS 5.6 billion) Profit after tax (PAT) decreased by 28% from TZS 3.7 billion to TZS 3.1 billion. The decline was attributed to the challenging business environment across the Tanzania banking industry which notably affected our foreign exchange trading income and increased our cost of risk by almost twofold.

Key figures 2017 (in TZS million)

Activity	2016	2017	Variation
Deposits	393,635	369,368	-6.2 %
Loans	324,870	300,713	-7.4 %
Number of branches	27	26	-3.7 %
Structure			
Total assets	628,877	557,683	-11.3 %
Shareholders' equity	72,006	72,622	0.9 %
Number of employees	351	342	-2.6 %
Income			
Net operating income	46,484	51,076	9.9 %
Operating expenses (includind depreciation and amortization)	-36,252	-37,966	4.7 %
Gross operating profit	10,232	13,110	28.1 %
Cost of risk in value (*)	-4,616	-8,258	78.9 %
Net Income	3,688	3,197	-13.3 %
Operating ratio	-78.0 %	-74.3 %	
Cost of risk	-1.5 %	-2.6 %	
Return on Assets (ROA)	0.6 %	0.6 %	
Return on Equity (ROE)	5.1 %	4.4 %	
Capital adequacy ratio			
Tier 1	60,668	54,881	
Tier 2	4,306	2,808	
Risk Weighted Asset (RWA)	400,612	365,257	
Tier 1 + Tier 2 / RWA	16.2 %	15.8 %	

(*) Including general provision

-11.3 %
Total assets

Deposits
393,635 TZS million
2016
369,368 TZS million
2017

Loans
- 7.4 %

Net operating income
+ 9.9 %

The ratio of non-performing loans to gross loans increased from 4.96% at the end of prior year to 11.0% at the end of the reporting period. This ratio is lower than the industry average ratio of 12.5%. 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.

Net interest income grew by 7% YoY 2017 as compared to 17% YoY due to overall decrease of loan book resulted from increase in Non-performing loans (NPL) that lead to suspended interest as regulatory requirement.

The Bank's net loan book decreased by 7.4% to TZS 301 billion (2016: TZS 325 billion) while the **total balance sheet shrunk by 9%** to TZS 558 billion (2016: TZS 629 billion). The decrease in loan book is due to liquidation of some customer facilities.

Customers' deposits for the Bank stood at TZS 369 billion (2016: TZ6 394 billion) as at 31 December 2017, being a decrease of 6.2% over the previous year. The decrease is due to management which decided to release expensive deposit. Strategically management continued focus on cheap deposits which would ensure low cost of funds in the coming year.

The Bank closed one branch in Morogoro to remain with a total of 26 branches countrywide. This was done with a view minimizing operational costs and strengthening the Uluguru branch. Kijitonyama Branch was re-allocated to Victoria and named as Victoria Branch. Above measures and other cost saving initiatives enabled to reduce the cost to income ratio from 78% in 2016 to 74.3% in 2017.

Directors

Directors	Position	Remarks
Ambassador Mwanaidi	**Chairperson**	
Sinare Maajar	Member	
Vincent De Brouwer	Member	
Emmanuel Ole Naiko	Member	Resigned on 17th Oct. 2017
Amine Bouabid	Member	
Henri Laloux	Member	
Abdelkabir Bennani	Member	
Ammishaddai Owusu- Amoah	Director	
Moremi Marwa	Member	

Registered office and principal place of business

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

Bank Secretary

Elizabeth Muro
P.O.Box 3054
Dar es Salaam
Tanzania

Auditors

PricewaterhouseCoopers
Certified Public Accountants (Tanzania)
369 Toure Drive, Oyster bay
Pemba House
P.O.Box 45
Dar es Salaam
Tanzania

Reports of the Directors

For the year ended 31 December 2017

1. The Directors present their report together with the audited financial statements of BANK OF AFRICA - TANZANIA (BOA-TANZANIA) Limited for the year ended 31 December 2017, which disclose the state of financial affairs of the Bank.

2. Incorporation

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

3. 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 BOA Group through synergies and common development plans and promote growth and stability of the economies in which the Bank operates.

4. Principal activities and performance for the year

Principal activities

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

Business developments

During the year ended 31 December 2017, BANK OF AFRICA - TANZANIA Limited recorded a pre-tax profit of TZS 4.9 billion (2016: TZS 5.6 billion).

Total operating income increased by 2% to TZS 42.8 billion (2016: TZS 41.8 billion), driven by good performance in foreign exchange income which grew by 30%, while at the same time, the impairment charges on loans and advances grew from TZS 4.6 billion to TZS 8.3 billion. The Bank's net loan book declined by 7.4% to TZS 301 billion (2016: TZS 325 billion) while the total balance sheet size declined by 11.3% to TZS 558 billion (2016: TZS 629 billion). Customers' deposits for the Bank stood at TZS 369 billion as at 31 December 2017 (2016: TZS 394 billion), being a decline of 6.2% over the previous year.

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/CALCULATION METHOD	2017	2016
RETURN ON EQUITY	NET PROFIT/TOTAL EQUITY	4.4%	5.1%
RETURN ON ASSETS	NET PROFIT/TOTAL ASSETS	0.6%	0.6%
COST TO INCOME RATIO	OPERATING COSTS/OPERATING INCOME	74.3%	78.0%
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	12.5%	10.5%
NON - INTEREST INCOME TO GROSS INCOME	NON - INTEREST INCOME/TOTAL INCOME	30.3%	22.9%
GROSS LOANS TO CUSTOMERS TO CUSTOMER DEPOSITS	TOTAL LOANS TO CUSTOMERS/ TOTAL DEPOSITS FROM CUSTOMERS	85.0%	82.5%
NON - PERFORMING LOANS TO GROSS LOANS	NON - PERFORMING LOANS/GROSS LOANS AND ADVANCES	11.0%	5.0%
EARNING ASSETS TO TOTAL ASSETS	EARNING ASSETS/TOTAL ASSETS	78.6%	82.1%
GROWTH ON TOTAL ASSETS	TREND (2017 TOTAL ASSETS – 2016 TOTAL ASSETS/2016 TOTAL ASSETS)*%	-11.3%	9.3%
GROWTH ON LOANS AND ADVANCES TO CUSTOMERS	TREND (2017 LOANS AND ADVANCES – 2016)/2016 LOANS AND ADVANCES)*%	-7.4%	5.8%
GROWTH ON CUSTOMER DEPOSITS	TREND (2017 DEPOSITS – 2016 DEPOSITS/2016 DEPOSITS)*%	-6.2%	12.2%
CAPITAL ADEQUACY			
TIER 1 CAPITAL	CORE CAPITAL/RISK WEIGHTED ASSETS INCLUDING OFF BALANCE SHEET ITEMS	16.0%	15.1%
TIER 1+TIER 2 CAPITAL	TOTAL CAPITAL/RISK WEIGHTED ASSETS INCLUDING OFF-BALANCE SHEET	16.9%	16.2%

The Bank closed one branch in Morogoro to remain with a total of 26 branches countrywide. The closure of the branch was done with a view minimizing operational costs and strengthening our Uluguru branch which is ideally located to better serve our customers. Kijitonyama Branch was re-allocated to Victoria and as a result it was named as Victoria Branch.

Above measures and other cost saving initiatives enabled to reduce our cost to income ratio from 78% in 2016 to 74.3% in 2017.

The ratio of non-performing loans to gross loans increased from 4.96% at the end of prior year to 11.0% at the end of the reporting period. This ratio is lower than the industry average ratio of 12.5%. 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.

5. Dividend

During the year the company paid a dividend of TZS 2.582 billion to its shareholders. The directors do not recommend payment of dividend for the current year.

6. Directors

The Directors of the Bank at the date of this report and who have been in office since 1 January 2017 unless otherwise stated are set out on page 5.

7. Corporate Governance

At the end of the reporting period, the Board of Directors consisted of 8 directors, including the Managing Director. Apart from the Managing Director, no any other director holds an executive position in the Bank. The Board takes overall responsibility for the Bank, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control, policies and procedures is operative, and for compliance with sound corporate governance principles.

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

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 Committee

Name	Position	Nationality
Abdelkabir Bennani	Chairman	Moroccan
Henri Laloux	Member	Belgian
Amine Bouabid	Member	Moroccan

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
Moremi Marwa	Chairman	Tanzanian
Vincent De Brouwer	Member	Belgian
Emmanuel Ole Naiko	Member	Tanzanian
Henri Laloux	Member	Belgian

The committee met four times during the year.

iii) Board Risk and Compliance Committee

Name	Position	Nationality
Vincent De Brouwer	Chairman	Belgian
Abdelkabir Bennani	Member	Moroccan
Henri Laloux	Member	Belgian
Moremi Marwa	Member	Tanzanian

The committee met four times during the year.

iv) Board Nomination, Remuneration and HR Committee

Name	Position	Nationality
Henri Laloux	Chairman	Belgian
Abdelkabir Bennani	Member	Moroccan
Vincent De Brouwer	Member	Belgian
Moremi Marwa	Member	Tanzanian

8. Capital Structure

The Bank's capital structure as at 31 December 2017 is disclosed in notes 3.5 and 31 of these financial statements.

9. Shareholders of the bank

The total number of shareholders during the year was 8 (2016: 9 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 31 of these financial statements.

10. Management

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

- Credit & Control
- Finance
- Operations and Support
- Business Development
- Audit
- Enterprise Risk and Compliance

11. Future development plans

Despite the macro-economic headwinds in 2017, the Bank delivered a strong performance, demonstrating our resilience and ability to continue growing our business. 2018 is our last year of the three-year development plan (TDP 2016-2018), The technological advancement being the key strategic objective, the Bank intends to introduce an innovative platform which will be used to deliver services closer to customers in a very efficient and friendly manner. The new platform will simplify the usage of mobile banking, agency banking and internet banking. The key issue being to improve the financial inclusion in the Tanzania market. The Bank will also continue to implement innovative cost control measures in an effort to improve profitability.

12. Key strengths and resources

In light of key strengths and resources at the disposal of the Bank, the Directors believe that the Bank will achieve its objectives as highlighted above under Future Development Plans. Being affiliated to BOA Group with presence in 18 countries worldwide, the Bank enjoys considerable technological and intellectual capital. 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.

13. 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.

14. Risk management and internal control

The Board accepts final responsibility for the risk management and internal control systems of the Bank. It is the task of 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 2017 and is of the opinion that they met accepted criteria.

15. Employee's welfare

Management and Employees' Relationship

The Bank's achievements and financial results in such a challenging market are a testimony to good relationship between employees and management. The Bank continued to enjoy good relationship between employees and management for the year ended 31 December 2017.

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 2018, the Bank has allocated a sum of TZS 515 million for staff training in order to improve employee's technical skills hence effectiveness (2017: TZS 326 million was spent). Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

Medical Assistance

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

Financial Assistance to Staff

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

Persons with Disabilities

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

Employees Benefit Plan

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

16. Gender Parity

As at 31 December 2017, the Bank had 321 employees, out of whom 134 were female and 187 were male. (2016: 307 employees, 131 were female and 176 were male).

17. Related Party Transactions

All related party transactions and balances are disclosed in note 34 to these financial statements.

18. Social and Environmental Policy

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

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

The policy framework commits the Bank to:

- Support business activities that contribute to the protection and improvement of the environment;
- Monitor the effects of the Bank's activities on the environment and work towards the improvement and pollution prevention;
- Comply with all applicable laws and regulations related to environmental protection and other requirements to which the Bank is subject to and subscribed to; and
- Provide financing to projects with minimal adverse impact on the environment while ensuring that those having potentially major adverse environmental and social impact are accompanied by adequate mitigation measures.

Political and charitable donations

The Bank did not make any political donations during the year 2017. Donations made to charitable organizations during the year amounted to TZS 3.2 million (2016: TZS 10 million).

Corporate and social responsibility

The Bank is committed towards giving back to the communities in which it is present by engaging in various corporate social responsibility activities that have a positive impact on the social, economic and cultural lives of the beneficiaries. The bank focuses in helping both education and health sectors.

Education

Participation in the AIESEC TANZANIA Career Fair

The Bank continued with its community support initiatives by contributing TZS 2.2 million (2016: TZS 3.29 million) and participating in the AIESEC career fair which is an opportunity for the Bank to acquire potential human resource talents and also invest in the future of the youth. The career fair provides a platform for employers to interact with their potential employees from different higher learning institutions in the country. During the event, the Bank's HR team presented to the college students the various employment opportunities such as the graduate trainee program that are offered by the Bank.

Contribution to St. Peters Church Vocational Training Centre

The Bank contributed TZS 1 million to St. Peters Church Vocational Training Centre, for the purchasing of 5 sewing machines, to facilitate training process in tailoring skills especially to those within the low-income bracket of the community irrespective of race, sex, or creed. Priority is given to women, widows, youths and the disabled.

21. Auditors

The Bank's auditor, PricewaterhouseCoopers, was appointed to serve as external auditors for the year 2017. The auditors have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of PricewaterhouseCoopers as auditors of the Bank for the year ending 31 December 2018 will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

Ambassador Mwanaidi Sinare Maajar
Board Chairperson

March 13th, 2018

Declaration of the Head of Finance

For the year ended 31 December 2017

The National Board of Accountants and Auditors (NBAA) according to the power conferred to it under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned. It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as mentioned under the statement of Directors' Responsibilities on the next page.

I, Mussa Shaban Mwachaga, being the General Manager – Finance of BANK OF AFRICA - TANZANIA Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2017 have been prepared in compliance with applicable accounting standards and statutory requirements. I thus confirm that the financial statements give a true and fair view position of BANK OF AFRICA - TANZANIA Limited as on that date and that they have been prepared based on properly maintained financial records.

Signed by: Mussa Shaban Mwachaga

Position: General Manager – Finance

NBAA Membership No.: ACPA 2113

Date: February 14th,, 2018

Statement of Directors' Responsibilities

For the year ended 31 December 2017

The Companies Act, CAP 212 Act No.12 of 2002 requires directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its profit for the year. It also requires the directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.-

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 (IFRS) and the requirements of the Companies Act, CAP 212 Act No.12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit in accordance with International Financial Reporting Standards (IFRS). The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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

Signed on behalf of the Board of Directors by:

Ambassador Mwanaidi Sinare Maajar
Board Chairperson

March 13th,2018

Moremi Marwa
Director

March 13th, 2018

Statement of Directors' Responsibilities

For the year ended 31 December 2017

The Companies Act, CAP 212 Act No.12 of 2002 requires directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its profit for the year. It also requires the directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.-

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 (IFRS) and the requirements of the Companies Act, CAP 212 Act No.12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit in accordance with International Financial Reporting Standards (IFRS). The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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

Signed on behalf of the Board of Directors by:

Ambassador Mwanaidi Sinare Maajar **Board Chairperson**	**Moremi Marwa** **Director**
March 13th,2018	March 13th, 2018

Independent Auditors' Report

To the members of the BANK OF AFRICA - TANZANIA

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of BANK OF AFRICA - TANZANIA Limited as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act No. 12 of 2002.

What we have audited

The financial statements of BANK OF AFRICA - TANZANIA Limited as set out on pages 18 to 85 comprise:

- the statement of financial position as at 31 December 2017;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code the ethical requirements of the NBAA.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter

Key audit matter

Impairment of loans and advances to customers

Management exercises judgement when determining both when and how much to record as loan impairment provisions. Judgement is applied to determine the appropriate parameters and assumptions used to estimate the provisions. These judgements together with the value of loans and advances to customers (TZS 300,712 million) make this a key audit matter.

The Bank assesses individual impairment for the following categories:

- Term loans past due for more than 90 days.
- Overdraft facilities that have expired but remain outstanding, overdraft facilities where the outstanding balance exceeds the approved facility limit or where the overdraft facility is not performing (for example if appears to develop a hardcore balance even if below the approved limit).

For these individually assessed loans and advances, judgements are applied on the recoverable amounts of the contractual cash flows from debt servicing and/or cash flows from the realisation of collateral. Where collateral is realised, judgement is required for the collateral realisation recovery costs and the recovery period.

When estimating the impairment provision for collectively assessed loans and advances, judgements are applied in determining historical loss ratios and grouping of loans and advances into groups of similar credit risk characteristics.

Further details on loans and advances have been disclosed in the Note 3.1, Note 4 (a) and Note 18 of the financial statements.

How our audit addressed the Key audit matter

Identification of loans subject to specific impairment provision

- As the identification of loans subjected to specific impairment testing is reliant on information systems, we understood and tested key information technology general controls, controls over access to data, controls over creation of data and controls over changes to data.
- We tested that the system appropriately identifies past due loans facilities.
- We tested that the system accurately calculates the number of days past due.
- We performed audit procedures regarding the appropriateness of the criteria used by management to identify facilities that should be assessed individually for impairment.
- We tested that all facilities not individually assessed for impairment were included in the collective impairment assessment.
- We tested for the inclusion in the collective impairment assessment, of loans and advances for which no impairment provision was required to be recorded following individual impairment assessment

Specific impairment assessment

Where impairment assessment was driven by cash flows, we challenged management on the assumptions underlying the expected cash flows to establish their reasonableness and recomputed the discounted cash flows using the original effective interest rates.

Where impairment assessment was driven by recovery of collateral:

- For physical assets related collateral, we agreed their forced sale values to collateral valuation reports.
- We challenged management assumptions regarding the recovery costs and recovery period used in determining the recoverable amount of collaterals.

Collective impairment assessment

We tested the reasonableness of the historical loss ratio and emergence period.

We tested for the appropriateness of grouping loans and advances into groups of similar credit characteristics.

We recomputed the collective impairment provision.

Other information

The directors are responsible for the other information. The other information comprises corporate information, report of the directors', declaration of the head of finance and statement of directors' responsibilities but does not include the Bank financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, CAP 212 Act No. 12 of 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the Bank's members as a body in accordance with the Companies Act, CAP 212 Act No. 12 of 2002 and for no other purposes.

As required by the Companies Act, CAP 212 Act No. 12 of 2002, we are also required to report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Bank has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Bank is not disclosed. In respect of the foregoing requirements, we report the matter as below.

Patrick Kiambi, TACPA – PP
For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

March 28th, 2018

Financial Statements

For the year ended 31 december 2017

Statement of profit or loss and other comprehensive income

	NOTE	2017 TZS'000	2016 TZS 000
INTEREST AND SIMILAR INCOME	5	54,766,073	53,999,031
INTEREST EXPENSE AND SIMILAR CHARGES	6	(19,173,659)	(20,852,228)
NET INTEREST INCOME		35,592,414	33,146,803
IMPAIRMENT CHARGE ON LOANS AND ADVANCES	7	(8,258,449)	(4,615,945)
NET INTEREST INCOME AFTER LOAN IMPAIRMENT		27,333,965	28,530,858
FEES, COMMISSIONS AND OTHER INCOME	8	14,479,757	13,444,849
FEES AND COMMISSION EXPENSE	9	(2,317,643)	(2,725,144)
NET FEE AND COMMISSION INCOME		12,162,114	10,719,705
FOREIGN EXCHANGE INCOME	10	3,361,411	2,592,933
OTHER OPERATING INCOME		(39,889)	24,513
TOTAL OPERATING INCOME		42,817,601	41,868,009
OPERATING EXPENSES	11	(37,966,385)	(36,251,527)
PROFIT BEFORE INCOME TAX		4,851,216	5,616,482
INCOME TAX EXPENSE	13(A)	(1,654,289)	(1,928,549)
PROFIT FOR THE YEAR		3,196,927	3,687,933
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,196,927	3,687,933

Statement of financial position as at 31 December 2017

	NOTE	2017 TZS 000	2016 TZS 000
ASSETS			
CASH AND BALANCES WITH BANK OF TANZANIA	15	81,609,476	86,404,506
BALANCES DUE FROM OTHER BANKS	16	105,367,043	158,823,815
GOVERNMENT SECURITIES HELD AT AMORTIZED COST	17	32,509,442	32,483,276
LOANS AND ADVANCES TO CUSTOMERS	18	300,712,936	324,870,221
DERIVATIVE FINANCIAL INSTRUMENTS	29	6,123	3,572
EQUITY INVESTMENT	20	1,020,000	1,020,000
OTHER ASSETS	19	8,040,881	3,644,730
PROPERTY AND EQUIPMENT	21	18,431,860	12,715,533
INVESTMENT PROPERTY	22	4,407,178	4,407,178
INTANGIBLE ASSETS	23	542,669	1,047,919
CURRENT TAX ASSET	13(C)	761,585	278,605
DEFERRED TAX ASSETS	30	4,273,943	3,177,308
TOTAL ASSETS		557,683,136	628,876,663
LIABILITIES AND EQUITY			
LIABILITIES			
DBALANCES DUE TO OTHER BANKS	24	79,787,484	124,161,063
DEPOSITS FROM CUSTOMERS	25	369,367,921	393,635,021
SUBORDINATED DEBTS	26	-	5,814,031
LONG TERM BORROWINGS	27	24,636,340	23,390,688
OTHER LIABILITIES	28	11,269,539	9,869,382
TOTAL LIABILITIES		485,061,284	556,870,185
EQUITY			
SHARE CAPITAL	31	37,021,000	37,020,550
SHARE PREMIUM		12,780,383	12,780,383
RETAINED EARNINGS		12,686,032	17,772,731
REGULATORY RESERVE - SPECIFIC		7,326,709	1,289,542
REGULATORY RESERVE - GENERAL		2,807,728	3,143,272
TOTAL EQUITY		72,621,852	72,006,478
TOTAL LIABILITIES AND EQUITY		557,683,136	628,876,663

The financial statements on pages 20 to 70 were approved and authorised for issue by the Board of Directors on March 13th, 2018 and signed on its behalf by:

Ambassador Mwanaidi Sinare Maajar
Board Chairperson

Moremi Marwa
Director

Statement of changes in equity

	CAPITAL TZS'000	SHARE PREMIUM TZS'000	RETAINED EARNINGS TZS'000	REGULATORY RESERVE SPECIFIC TZS'000	REGULATORY RESERVE GENERAL TZS'000	TOTAL EQUITY TZS'000
AT 1 JANUARY 2016	37,020,550	12,780,383	13,108,144	2,373,367	3,036,101	68,318,545
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	3,687,933	-	-	3,687,933
TRANSFER FROM REGULATORY RESERVE - SPECIFIC	-	-	1,083,825	(1,083,825)	-	-
TRANSFER TO REGULATORY RESERVE - GENERAL	-	-	(107,171)	-	107,171	-
AT 31 DECEMBER 2016	37,020,550	12,780,383	17,772,731	1,289,542	3,143,272	72,006,478
AT 1 JANUARY 2017	37,020,550	12,780,383	17,772,731	1,289,542	3,143,272	72,006,478
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	3,196,927	-	-	3,196,927
CHANGES IN SHARE CAPITAL	450	-	(450)	-	-	-
DIVIDEND PAID DURING THE YEAR	-	-	(2,581,553)	-	-	(2,581,553)
TRANSFER TO REGULATORY RESERVE - SPECIFIC	-	-	(6,037,167)	6,037,167	-	-
TRANSFER FROM REGULATORY RESERVE - GENERAL	-	-	335,544	-	(335,544)	-
AT 31 DECEMBER 2017	37,021,000	12,780,383	12,686,032	7,326,709	2,807,728	72,621,852

Regulatory reserve - specific 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 and is not available for distribution.

Regulatory reserve – general represents 1% of the unclassified loans (current) as per requirement of section 27 of the Banking and Financial Institution (Management of Risk Assets) Regulation, 2014.

Statement of cash flows

	NOTE	2017 TZS'000	2016 TZS'000
CASH FLOWS FROM OPERATING ACTIVITIES			
CASH FLOW FROM OPERATING ACTIVITIES			
PROFIT BEFORE TAX		4,851,216	5,616,482
ADJUSTMENT FOR:			
DEPRECIATION OF TANGIBLE ASSETS	11	2,424,435	2,066,726
AMORTIZATION OF INTANGIBLE ASSETS	11	500,409	537,903
PROVISION FOR BAD DEBTS		8,529,793	4,751,655
TRANSLATION FOREIGN EXCHANGE LOSSES ON SUBORDINATED DEBTS	26	119,023	125,597
TRANSLATION FOREIGN EXCHANGE LOSSES ON LONG-TERM BORROWINGS	27	150,177	206,879
INTEREST EXPENSE ON LONG-TERM BORROWINGS	6	696,361	719,608
INTEREST EXPENSE ON SUBORDINATED BORROWINGS	6	127,271	496,908
DERIVATIVE FINANCIAL INSTRUMENTS		(2,551)	(3,572)
WRITE OFF OF INTANGIBLE ASSET		4,841	-
LOSS/(GAIN) ON DISPOSAL OF PROPERTY AND EQUIPMENT		43,571	(24,513)
TOTAL		17,444,546	14,493,673
CHANGES IN OPERATING ASSETS			
STATUTORY MINIMUM RESERVE	15	6,352,642	(1,475,649)
GOVERNMENT SECURITIES		(26,166)	15,670,559
LOANS AND ADVANCES TO CUSTOMERS		15,627,491	(26,927,650)
OTHER ASSETS		(4,396,151)	99,353
CHANGES IN OPERATING LIABILITIES			
BALANCES DUE TO OTHER BANKS		(44,373,579)	21,022,150
DEPOSIT FROM CUSTOMERS		(24,267,100)	42,920,570
OTHER LIABILITIES		1,400,157	2,050,689
NET CASH FROM OPERATING ACTIVITIES BEFORE INCOME TAX		(32,238,160)	67,853,695
INCOME TAX PAID	13(C)	(3,233,904)	(3,953,525)
NET CASH FROM OPERATING ACTIVITIES		(35,472,064)	63,900,170
CASH FLOW FROM INVESTING ACTIVITIES			
PROCEEDS ON SALE OF ASSETS		-	24,513
PURCHASE OF TANGIBLE ASSETS	21	(8,184,332)	(3,701,742)
NET CASH USED IN INVESTING ACTIVITIES		(8,184,332)	(3,677,229)
CASH FLOW FROM FINANCING ACTIVITIES			
DIVIDEND PAID DURING THE YEAR		(2,581,553)	-
PROCEEDS FROM LONG-TERM BORROWINGS	27	4,482,320	6,199,122
REPAYMENT ON SUBORDINATED BORROWINGS	26	(6,060,325)	(6,207,053)
REPAYMENT ON LONG TERM BORROWINGS	27	(4,083,206)	(16,904,258)
NET CASH FROM FINANCING ACTIVITIES		(8,242,764)	(16,912,189)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(51,899,160)	43,310,752
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		212,513,372	169,202,620
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	32	160,614,212	212,513,372

The notes on pages 20 to 70 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2017

1. General information

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

2. Summary of significant accounting policies

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

a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania Shillings (TZS), rounded to the nearest thousand.

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.

New and amended standards adopted by the Bank

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2017:

- **Amendment to IAS 7 – Cash flow statements**

In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendment responds to requests from investors for information that helps them better understand changes in an entity's debt. The amendment will affect every entity preparing IFRS financial statements. However, the information required should be readily available. Preparers should consider how best to present the additional information to explain the changes in liabilities arising from financing activities.

- **Amendment to IAS 12 – Income taxes**

The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.

The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.

• **Annual improvements 2014-2016**

These amendments impact 3 standards:

IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.

New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Bank

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Bank. The Bank's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 Financial Instruments

The standard is effective on 1 January 2018. IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments
- a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

IFRS 15 Revenue from contracts with customers

The standard is effective on 1 January 2018. The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised:

- identify contracts with customers
- identify the separate performance obligation
- determine the transaction price of the contract
- allocate the transaction price to each of the separate performance obligations, and recognise the revenue as each performance obligation is satisfied.

Key changes to current practice are:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

IFRS 16 Leases

The standard is effective on 1 January 2019 but early adoption is permitted only if IFRS 15 is adopted at the same time. IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

The amendments are effective on 1 January 2017. Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

Disclosure Initiative – Amendments to IAS 7

This is effective on 1 January 2017. Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.

The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated.

The IASB issued the final version of IFRS 9 Financial Instruments in July 2014, which replaces earlier versions of IFRS 9 issued in 2009 and 2010 (classification and measurement requirements) and 2013 (a new hedge accounting model). It also includes a forward looking expected loss impairment model.

The mandatory date of application is annual reporting periods beginning on or after 1 January 2018. The standard can be applied early.

(b) 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.

Interest accruing from non-performing credit accommodations is suspended from being recognized in the statement of profit or loss and other comprehensive income. When a credit accommodation is upgraded to a current status, the suspended interest is released to the statement of profit or loss and other comprehensive income.

(c) Fees and commission income

Fees and commission are generally recognised on an accrual basis when the service has been rendered except those fees that form part of the effective interest rate.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into 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.

(e) 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) 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.

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 of 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 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. Available for sale financial assets are subsequently measured at fair value.

(f) Impairment of financial assets

Assets carried at amortised cost

At each end of the reporting period, the Bank assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

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

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

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an appropriate provision and the amount of the loss is recognised in statement of profit or loss.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the previously recognised impairment loss is reversed 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.

Impairment charges relating to loans and advances to banks and customers are classified in loan impairment.

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.

(g) 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.

(h) Classes of financial instruments

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

Financial assets	Category
Cash and balances with Bank of Tanzania	Loans and receivables
Balances due from other banks	Loans and receivables
Government securities	Loans and receivables
Loans and advances to customers	Loans and receivables
Other assets excluding prepayments	Loans and receivables
Equity investment	Available for sale
Derivatives	Held for trading

Financial liabilities	
Balances due to other banks	Financial liabilities at amortized cost
Deposits from customers	Financial liabilities at amortized cost
Subordinated debts	Financial liabilities at amortized cost
Long term borrowings	Financial liabilities at amortized cost
Other liabilities	Financial liabilities at amortized cost

(i) Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorised as for held for trading unless they are designated as hedging instruments. All derivatives are initially recognised and subsequently measured at fair value, with all fair value gains and losses 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.

(j) Income tax

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

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

(k) 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.

(l) 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 allocate the cost of assets to their residual values over their useful economic lives, at the following annual rates:

	Percentage
Leasehold property	20
Motor vehicles	20
Furniture and fittings	20
Office equipment & machinery	20
Computer hardware	20

The cost of land and building is amortized over the period of remaining long term lease. 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 profit or loss.

(m) Investment property

Investment properties include buildings that are held for long term rental yields and/or for capital appreciation and land under operating leases that is held for capital appreciation, or for a currently indeterminate use. Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers. Changes in fair values are recognised in profit or loss. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

(n) Intangible assets

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.
- Software costs recognised as intangible assets are amortised on a straight basis over their estimated useful life of five years

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) Acceptances and letters of credit

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

(t) 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.

(u) 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.

(v) Operating leases

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.

3. Financial Risk Management Objectives

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

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

3.1 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.

3.1.1. Credit risk management

Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default'). Exposure at default is based on the amounts the Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur. For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all the customers are segmented into five rating classes as shown below:

Bank's internal ratings scale

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

3.1.2 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 uses 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.

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

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured. The outstanding balances and collaterals held by the Bank as at 31 December 2017 and 31 December 2016 against non-performing loans and advances to customers is as below:

RISK CLASS	OUTSTANDING BALANCE TZS'000	MARKET VALUE TZS'000	FORCED SALE VALUE TZS'000	PRESENT VALUE TZS'000
31 DECEMBER 2017:				
SUBSTANDARD	8,797,180	16,889,671	12,742,253	9,274,273
DOUBTFUL	15,233,980	27,097,250	20,447,938	15,104,033
LOSS	10,425,436	7,139,345	5,601,509	3,485,445
TOTAL	34,456,596	51,226,266	38,791,700	27,863,751
31 DECEMBER 2016:				
SUBSTANDARD	8,238,082	15,259,000	11,652,797	7,890,420
DOUBTFUL	1,095,963	1,138,000	835,500	609,266
LOSS	6,396,630	5,185,000	3,888,750	2,575,337
TOTAL	15,730,675	21,582,000	16,377,047	11,075,023

(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 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.

3.1.3. Impairment and provisioning policies

The internal rating system described in note 3.1.1 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 differ from the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes.

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

The maximum on balance sheet exposure to credit risk is as shown below:

	2017		2016	
	TZS'000	%	TZS'000	%
CASH AND BALANCES WITH BANK OF TANZANIA	43,014,682	8.8%	50,370,435	8.8%
BALANCES DUE FROM OTHER BANKS	105,367,043	21.6%	158,823,815	28.0%
GOVERNMENT SECURITIES	32,509,442	6.7%	32,483,276	5.7%
LOANS AND ADVANCES TO CUSTOMERS	300,712,936	61.8%	324,870,221	57.3%
OTHER ASSETS	5,217,487	1.1%	906,310	0.2%
TOTAL	486,821,590	100.0%	567,454,057	100%

The Bank makes a portfolio impairment provision for credit losses based on the probability of loss using historic default ratios. The impairment provision for loans and advances is mainly derived from internal ratings grades (note 3.1.1) but the majority of the provision comes from the bottom three grades. The tables below show the profile of the loans and advances to customers analysed according to the internal ratings grading system.

	2017 (TZS'000)		2016 (TZS'000)	
	ADVANCES	PROVISIONS	ADVANCES	PROVISIONS
CURRENT	233,643,664	681,579	317,274,343	683,513
ESPECIALLY MENTIONED	45,730,444	-	-	-
SUBSTANDARD	8,797,180	2,102,479	8,238,082	2,268,566
DOUBTFUL	15,233,980	2,531,142	1,095,963	1,257,418
LOSS	10,425,436	7,802,568	6,396,630	3,925,301
TOTAL	313,830,704	13,117,768	333,005,018	8,134,798

	2017 (%)		2016 (%)	
	GROSS LOAN & ADVANCES	IMPAIRMENT PROVISIONS	GROSS LOAN & ADVANCES	IMPAIRMENT PROVISIONS
CURRENT	74.4%	5.1%	95%	8%
ESPECIALLY MENTIONED	14.6%	-	-	-
SUBSTANDARD	2.8%	15.8%	2%	28%
DOUBTFUL	4.9%	19.0%	1%	15%
LOSS	3.3%	60.2%	2%	49%
TOTAL	100.0%	100.0%	100%	100%

3.1.5. Profile of financial assets subject to credit risk

	2017 (TZS'000)		2016 (TZS'000)	
	LOANS AND ADVANCES TO CUSTOMERS	ALL OTHER ASSETS SUBJECT TO CREDIT RISK	LOANS AND ADVANCES TO CUSTOMERS	ALL OTHER ASSETS SUBJECT TO CREDIT RISK
NEITHER PAST DUE NOR IMPAIRED	233,643,664	186,108,654	317,274,343	242,583,836
PAST DUE BUT NOT IMPAIRED	45,730,444	-	-	-
SPECIFICALLY ASSESSED FOR IMPAIRMENT	34,456,596	-	15,730,675	
GROSS	313,830,704	186,108,654	333,005,018	242,583,836
LESS IMPAIRMENT ALLOWANCES:				
-SPECIFIC	(12,436,189)	-	(7,451,284)	-
-PORTFOLIO	(681,579)	-	(683,513)	-
	(13,117,768)	-	(8,134,797)	-
TOTAL	300,712,936	186,108,654	324,870,221	242,583,836

Analysis of all other financial assets subject to credit risk:

	NEITHER PAST DUE NOR IMPAIRED	PAST DUE BUT NOT IMPAIRED	SPECIFICALLY ASSESSED FOR IMPAIRMENT	SPECIFIC IMPAIRMENT ALLOWANCE	PORTFOLIO IMPAIRMENT ALLOWANCE	NET
2017 (TZS'000)						
CASH AND BALANCES WITH BANK OF TANZANIA	43,014,682	-	-	-	-	43,014,682
BALANCES DUE FROM OTHER BANKS	105,367,043	-	-	-	-	105,367,043
GOVERNMENT SECURITIES HELD AT AMORTIZED COST	32,509,442	-	-	-	-	32,509,442
OTHER ASSETS (EXCLUDING PREPAYMENTS & STATIONERIES)	5,217,487	-	-	-	-	5,217,487
TOTAL	186,108,654	-	-	-	-	186,108,654
2016 (TZS'000)						
CASH AND BALANCES WITH BANK OF TANZANIA	50,370,435	-	-	-	-	50,370,435
BALANCES DUE FROM OTHER BANKS	158,823,815	-	-	-	-	158,823,815
GOVERNMENT SECURITIES HELD AT AMORTIZED COST	32,483,276	-	-	-	-	32,483,276
OTHER ASSETS (EXCLUDING PREPAYMENTS & STATIONERIES)	906,310	-	-	-	-	906,310
TOTAL	242,583,836	-	-	-	-	242,583,836

At the end of the reporting period, the total impairment provision for loans and advances was TZS 13,118 million (2016: TZS 8,135 million). Further information of the impairment allowance for loans and advances to customers is provided in note 18.

At 31 December 2017, the Bank's total loans and advances to customers declined by 7.4% as a result decision to curtail lending to public sector employees in the aftermath of government verification of civil servants' certificates and the general deterioration of credit quality across the banking industry. When entering into new markets or new industries, in order to minimize 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).

	INDIVIDUAL (RETAIL)		CORPORATE ENTITIES		TOTAL	LOANS & ADVANCES TO BANKS
	OVERDRAFT	TERM LOANS	CORPORATE CUSTOMERS	SME		
31-DEC-17						
CURRENT	1,288,464	74,420,870	134,729,416	23,221,700	233,643,664	105,367,043
31-DEC-16						
CURRENT	1,703,833	74,277,457	206,832,249	34,460,804	317,274,343	158,823,815

(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. The portfolio of loans and advances that was past due but not impaired is analyzed as follows:

	INDIVIDUAL (RETAIL)		CORPORATE ENTITIES		TOTAL	LOANS & ADVANCES TO BANKS
	OVERDRAFT	TERM LOANS	CORPORATE CUSTOMERS	SME		
31-DEC-17						
LESS THAN 90 DAYS PAST DUE	11,163	2,837,135	41,689,270	1,192,876	45,730,444	-
31-DEC-16						
LESS THAN 90 DAYS PAST DUE	-	-	-	-	-	-

(c) Other financial assets neither past due nor impaired

	2017 TZS'000	2016 TZS'000
GOVERNMENT SECURITIES HELD AT AMORTIZED COST	32,509,442	32,483,276
CASH AND BALANCES WITH BANK OF TANZANIA	43,014,682	50,370,435
OTHER ASSETS (EXCLUDING PREPAYMENTS & STATIONERIES)	5,217,487	906,310
TOTAL	80,741,611	83,760,021

(d) Loans and advances specifically assessed for impairment

(i) Loans and advances to customers

The individually assessed loans and advances to customers before taking into consideration the cash flows from collateral held is TZS 34,457 million (2016: TZS 15,731 million). The breakdown of the gross amount of loans and advances by class specifically assessed for impairment are as follows: (Amounts are in TZS'000).

	INDIVIDUAL (RETAIL CUSTOMER)		CORPORATE ENTITIES		TOTAL
	OVERDRAFT	TERM LOANS	CORPORATE CUSTOMERS	SMES	
31 DECEMBER 2017					
SPECIFICALLY ASSESSED FOR IMPAIRMENT	1,277,301	8,865,108	19,737,028	4,577,159	34,456,596
31 DECEMBER 2016					
SPECIFICALLY ASSESSED FOR IMPAIRMENT	1,458,631	2,512,175	6,898,609	4,861,260	15,730,675

As stated in note 2(f) allowance for impairment loss has been recognised for the amount by which the assets carrying amount exceed recoverable amount. Consequently, not all individually assessed loans and advances have been fully provided for.

(ii) Balance due from other banks

The total gross amount of individually impaired balance due from other banks as at 31 December 2017 was nil (2016: Nil).

3.1.6 Repossessed collateral

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

NATURE OF ASSETS	CARRYING AMOUNTS	
	2017	2016
	TZS'000	TZS'000
RESIDENTIAL PROPERTY	1,149,000	713,000

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

3.1.7 Restructured facilities

At end of the reporting period, the Bank had restructured facilities amounting to TZS 20,996 million (2016: TZS 9,116 million).

	2017	2016
	TZS'000	TZS'000
NEITHER PAST DUE NOR IMPAIRED	5,769,399	4,646,352
PAST DUE BUT NOT IMPAIRED	4,193,821	-
SPECIFICALLY ASSESSED FOR IMPAIRMENT	11,033,089	4,469,792
TOTAL	20,996,309	9,116,144

3.1.8 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 2017. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties. (amounts are in TZS'000):

	TANZANIA	EUROPE	AMERICA	OTHERS	TOTAL
CASH AND BALANCES WITH BANK OF TANZANIA	43,014,682	-	-	-	43,014,682
BALANCE DUE FROM OTHER BANKS	79,973,728	805,849	24,580,008	7,458	105,367,043
GOVERNMENT SECURITIES HELD AT AMORTIZED COST	32,509,442	-	-	-	32,509,442
LOANS AND ADVANCES TO CUSTOMERS					
TO INDIVIDUALS:					
- OVERDRAFT	2,319,016	-	-	-	2,319,016
- TERM LOANS	78,910,457	-	-	-	78,910,457
TO CORPORATE ENTITIES:					
- CORPORATE CUSTOMERS	192,827,610	-	-	-	192,827,610
- SMES	26,655,853	-	-	-	26,655,853
OTHER ASSETS (EXCLUDING PREPAYMENTS & INVENTORIES)	5,217,487	-	-	-	5,217,487
AS 31 DECEMBER 2017	461,428,275	805,849	24,580,008	7,458	486,821,590
CREDIT RISK EXPOSURES RELATING TO OFF-BALANCE SHEET ITEMS ARE AS FOLLOWS:					
UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	10,873,312	-	-	-	10,873,312
OUTSTANDING GUARANTEES AND INDEMNITIES	59,233,214	-	-	-	59,233,214
LETTERS OF CREDIT	15,033,329	-	-	-	15,033,329
AS 31 DECEMBER 2017	85,139,855				85,139,855

	TANZANIA	EUROPE	AMERICA	OTHERS	TOTAL
CASH AND BALANCES WITH BANK OF TANZANIA	50,370,435	-	-	-	50,370,435
BALANCE DUE FROM OTHER BANKS	150,058,339	4,576,349	4,141,635	47,492	158,823,815
GOVERNMENT SECURITIES HELD AT AMORTIZED COST	32,483,276	-	-	-	32,483,276
LOANS AND ADVANCES TO CUSTOMERS					
TO INDIVIDUALS:					
- OVERDRAFT	725,928	-	-	-	725,928
- TERM LOANS	76,784,780	-	-	-	76,784,780
TO CORPORATE ENTITIES:					
- CORPORATE CUSTOMERS	210,581,033	-	-	-	210,581,033
- SMES	36,778,480	-	-	-	36,778,480
OTHER ASSETS (EXCLUDING PREPAYMENTS & INVENTORIES)	906,310	-	-	-	906,310
AS 31 DECEMBER 2017	558,688,580	4,576,349	4,141,635	47,492	567,454,057
CREDIT RISK EXPOSURES RELATING TO OFF-BALANCE SHEET ITEMS ARE AS FOLLOWS:	27,480,175	-	-	-	27,480,175
UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	64,256,818	-	-	-	64,256,818
OUTSTANDING GUARANTEES AND INDEMNITIES	30,148,117	-	-	-	30,148,117
LETTERS OF CREDIT					
AS 31 DECEMBER 2016	121,885,110	-	-	-	121,885,110

b) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts as categorised by industry sector of its counterparties. (amounts are in TZS'000):

	FINANCIAL INSTITUTIONS	AGRICULTURE	MANU-FACTURING	BUILDING CONSTRUCTION	GOVERNMENT	TRANS-PORTATION	TRADE	WHOLESALE AND RETAIL INDIVIDUALS	OTHER	TOTAL
CASH AND BALANCES WITH BOT	43,014,682	-	-	-	-	-	-	-	-	43,014,682
BALANCE DUE FROM OTHER BANKS	105,367,043									105,367,043
GOVERNMENT SECURITIES	-	-	-	-	32,509,442	-	-	-	-	32,509,442
LOANS AND ADVANCES TO CUSTOMERS										
TO INDIVIDUAL:										
- OVERDRAFT	-	5,871	440,521	-	-	-	232,752	1,270,770	369,102	2,319,016
- TERM LOANS	-	421,831	1,142,656	193,380	-	721,905	1,018,369	66,822,078	8,590,237	78,910,456
TO CORPORATE ENTITIES:										
- CORPORATE CUSTOMERS	21,377,120	11,527,431	7,035,744	4,562,781	10,336,340	33,463,194	9,565,305	8,818,082	86,141,613	192,827,610
- SMES	1,250,835	1,868,075	2,280,837	1,480,430	-	740,173	1,185,010	8,941,669	8,908,825	26,655,854
OTHER ASSETS	-	-	-	-	-	-	-	-	5,217,487	5,217,487
AT 31 DECEMBER 2017	171,009,680	13,823,208	10,899,758	6,236,591	42,845,782	34,925,272	12,001,436	85,852,599	109,227,264	486,821,590

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

UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	1,984,019	379,435	3,469,083	152,816	-	1,299,069	85,271	1,850,464	1,653,155	10,873,312
OUTSTANDING GUARANTEES AND INDEMNITIES	-	154,304	231,956	43,846,731	-	-	2,301,619	1,402,387	11,296,217	59,233,214
AT 31 DECEMBER 2017	1,984,019	533,739	5,600,784	43,999,547	-	1,299,069	6,541,920	3,252,851	21,927,926	85,139,855

	FINANCIAL INSTITUTIONS	AGRICULTURE	MANU-FACTURING	BUILDING CONSTRUCTION	GOVERNMENT	TRANS-PORTATION	TRADE	WHOLESALE AND RETAIL INDIVIDUALS	OTHER	TOTAL
CASH AND BALANCES WITH BOT	50,370,435	-	-	-	-	-	-	-	-	50,370,435
BALANCE DUE FROM OTHER BANKS	158,823,815	-	-	-	-	-	-	-	-	158,823,815
GOVERNMENT SECURITIES	-	-	-	-	32,483,276	-	-	-	-	32,483,276
LOANS AND ADVANCES TO CUSTOMERS										
TO INDIVIDUAL:										
- OVERDRAFT	-	-	254,538	99,169	-	76,371	258,181	18,708	18,960	725,927
- TERM LOANS	-	261,972	1,733,374	93,658	-	1,646,901	7,717,747	57,210,796	8,120,332	76,784,780
TO CORPORATE ENTITIES:										
- CORPORATE CUSTOMERS	23,718,846	4,212,671	6,889,222	7,348,132	16,063,039	45,078,201	33,787,329	11,042,258	62,441,335	210,581,033
- SMES	39	1,154,447	2,497,096	1,517,487	-	2,077,301	12,622,539	9,068,952	7,840,620	36,778,481
OTHER ASSETS	-	-	-	-	-	-	-	-	906,310	906,310
AT 31 DECEMBER 2016	232,913,135	5,629,090	11,374,230	9,058,446	48,546,315	48,878,774	54,385,796	77,340,714	79,327,557	567,454,057

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

UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	1,673,904	531,832	1,541,947	387,409	-	8,291,528	2,580,697	1,007,858	11,465,000	27,480,175
OUTSTANDING GUARANTEES AND INDEMNITIES	-	-	-	47,521,485	-	502,978	6,361,679	-	9,870,676	64,256,818
AT 31 DECEMBER 2016	1,673,904	531,832	2,402,272	47,908,894	-	8,794,506	15,987,197	1,007,858	43,578,647	121,885,110

3.2. 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.

3.2.1. 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 2017, 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 472 million (2016: TZS 113 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 2017, 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 16 million (2016: 10 million) lower/higher mainly as a result of foreign exchange gains/losses on translation of for Sterling Pound denominated financial assets and liabilities respectively.

At 31 December 2017, 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 2 million (2016: 16 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 a range of effective interest rates by major currencies for monetary financial instruments for the year ended 31 December 2017 and 2016:

	2017		2016	
ASSETS	TZS	USD	TZS	USD
LOANS AND ADVANCES TO CUSTOMERS	11.5%-28%	6.0%-13%	11.5%-28%	6.0%-13%
LOANS AND ADVANCES TO BANKS	3.5%-11%	2.5%-4.5%	3.5%-21%	2.5%-4.5%
LIABILITIES				
DEPOSITS FROM CUSTOMERS	4%-14%	0.8%-3.3%	4%-16.5%	0.8%-3.3%
BALANCES DUE FROM OTHER BANKS	6%-13%	2%-4.2%	6%-15%	2%-4.2%
SUBORDINATED DEBTS	-	6%-6.5%		6%-6.5%
LONG TERM BORROWINGS	10%	2.5%	10%	2.5%

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2017 and 2016. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

AT 31 DECEMBER 2017 (AMOUNTS IN TZS'000)	TZS	USD	EURO	GBP	ZAR	KES	UGX	TOTAL
ASSETS								
CASH AND BALANCE WITH BANK OF TANZANIA	58,177,745	21,942,202	1,056,641	429,837	-	2,742	309	81,609,476
BALANCE DUE FROM OTHER BANKS	19,982,975	51,003,572	34,171,855	201,183	3,646	1,056	2,756	105,367,043
GOVERNMENT SECURITIES HELD AT AMORTIZED COST	32,509,442	-	-	-	-	-	-	32,509,442
EQUITY INVESTMENT	1,020,000	-	-	-	-	-	-	1,020,000
DERIVATIVE FINANCIAL INSTRUMENTS	-	6,123	-	-	-	-	-	6,123
LOANS AND ADVANCES TO CUSTOMERS	167,896,806	132,666,796	149,334	-	-	-	-	300,712,936
OTHER ASSETS (EXCLUDING PREPAYMENT & INVENTORIES)	5,217,487	-	-	-	-	-	-	5,217,487
TOTAL FINANCIAL ASSETS	284,804,455	205,618,693	35,377,830	631,020	3,646	3,798	3,065	526,442,507
LIABILITIES								
BALANCE DUE TO OTHER BANKS	-	79,733,889	53,595	-	-	-	-	79,787,484
DEPOSITS FROM CUSTOMERS	237,956,919	99,048,871	32,186,532	175,599	-	-	-	369,367,921
SUBORDINATED DEBTS	-	-	-	-		-	-	-
LONG TERM BORROWINGS	10,921,211	12,772,278	942,851	-	-	-	-	24,636,340
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	4,637,618	559,242	2,125,924	-	-	-	-	7,322,784
TOTAL FINANCIAL LIABILITIES	253,515,748	192,114,280	35,308,902	175,599	-	-	-	481,114,529
NET ON BALANCE SHEET FINANCIAL POSITION	31,288,707	13,504,413	68,928	455,421	3,646	3,798	3,065	45,327,978
CREDIT COMMITMENTS	5,411,523	5,460,284	1,505					10,873,312

AT 31 DECEMBER 2016 (AMOUNTS IN TZS'000)	TZS	USD	EURO	GBP	ZAR	KES	UGX	TOTAL
ASSETS								
CASH AND BALANCE WITH BANK OF TANZANIA	67,518,859	16,647,963	1,883,346	348,406	-	5,629	303	86,404,506
BALANCE DUE FROM OTHER BANKS	21,084,343	105,840,587	31,727,488	123,906	31,821	13,874	1,796	158,823,815
GOVERNMENT SECURITIES HELD AT AMORTIZED COST	32,483,276	-	-	-	-	-	-	32,483,276
EQUITY INVESTMENT	1,020,000	-	-	-	-	-	-	1,020,000
DERIVATIVE FINANCIAL INSTRUMENTS	-	3,572	-	-	-	-	-	3,572
LOANS AND ADVANCES TO CUSTOMERS	173,173,610	151,517,624	178,987	-	-	-	-	324,870,221
OTHER ASSETS (EXCLUDING PREPAYMENT & INVENTORIES)	906,310	-	-	-	-	-	-	906,310
TOTAL FINANCIAL ASSETS	296,186,398	274,009,746	33,789,821	472,312	31,821	19,503	2,099	604,511,700
LIABILITIES								
BALANCE DUE TO OTHER BANKS	10,817,743	110,074,103	3,269,217	-	-	-	-	124,161,063
DEPOSITS FROM CUSTOMERS	217,353,264	148,308,520	27,789,066	184,171	-	-	-	393,635,021
SUBORDINATED DEBTS	-	5,814,031	-	-	-	-	-	5,814,031
LONG TERM BORROWINGS	10,921,822	11,375,885	1,092,981	-	-	-	-	23,390,688
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	2,757,053	1,675,688	2,100,183	-	-	-	-	6,532,924
TOTAL FINANCIAL LIABILITIES	241,849,882	277,248,227	34,251,447	184,171	-	-	-	553,533,727
NET ON BALANCE SHEET FINANCIAL POSITION	54,336,516	(3,238,481)	(461,626)	288,141	31,821	19,503	2,098	50,977,973
CREDIT COMMITMENTS	8,878,893	18,601,282	-	-	-	-	-	27,480,175

3.2.2 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 maturity dates. The Bank does not bear any interest rate risk on off balance sheet items. (amounts are TZS'000).

AS 31 DECEMBER 2015	UP TO 1 MONTH	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS	NON INTEREST BEARING	TOTAL
ASSETS							
CASH AND BALANCES WITH BANK OF TANZANIA	-	-	-	-	-	81,609,476	81,609,476
BALANCES DUE FROM OTHER BANKS	53,630,132	17,929,280	448,232	-	-	33,359,399	105,367,043
GOVERNMENT SECURITIES HELD AT AMORTIZED COST	-	-	21,946,828	10,562,614	-	-	32,509,442
EQUITY INVESTMENT	-	-	-	-	-	1,020,000	1,020,000
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	-	-	-	6,123	6,123
LOANS AND ADVANCES TO CUSTOMERS	56,184,738	24,181,407	42,854,069	144,535,071	32,957,651	-	300,712,936
OTHER ASSETS (EXCLUDING PREPAYMENTS & INVENTORIES)	-	-	-	-	-	5,217,487	5,217,487
TOTAL FINANCIAL ASSETS	109,814,870	42,110,687	65,249,129	155,097,685	32,957,651	121,212,485	526,442,507
LIABILITIES							
BALANCE DUE TO OTHER BANKS	40,446,354	22,411,600	16,808,700	-	-	120,830	79,787,484
DEPOSITS FROM CUSTOMERS	51,435,724	10,957,765	85,511,820	16,513,082	-	204,949,530	369,367,921
SUBORDINATED DEBTS	-	-	-	-	-	-	-
LONG TERM BORROWINGS	-	-	-	20,154,020	4,482,320	-	24,636,340
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	-	-	-	-	-	7,322,784	7,322,784
TOTAL FINANCIAL LIABILITIES	91,882,078	33,369,365	102,320,520	36,667,102	4,482,320	212,393,144	81,114,529
TOTAL INTEREST SENSITIVITY GAP	17,932,792	8,714,322	(37,071,391)	118,430,583	28,475,331	(91,180,659)	45,327,978

AS 31 DECEMBER 2016	UP TO 1 MONTH	1 - 3 MONTHS	3 - 12 MONTHS	1 - 5 YEARS	OVER 5 YEARS	NON INTEREST BEARING	TOTAL
ASSETS							
CASH AND BALANCES WITH BANK OF TANZANIA	-	-	-	-	-	86,404,506	86,404,506
BALANCES DUE FROM OTHER BANKS	25,202,190	35,959,543	80,519,662	-	-	17,142,420	158,823,815
GOVERNMENT SECURITIES HELD AT AMORTIZED COST	-	-	15,043,696	17,439,580	-		32,483,276
EQUITY INVESTMENT	-	-	-	-	-	1,020,000	1,020,000
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	-	-	-	3,572	3,572
LOANS AND ADVANCES TO CUSTOMERS	71,014,240	15,189,431	39,986,398	159,696,621	38,983,531	-	324,870,221
OTHER ASSETS (EXCLUDING PREPAYMENTS & INVENTORIES)	-	-	-	-	-	906,310	906,310
TOTAL FINANCIAL ASSETS	96,216,430	51,148,974	135,549,756	177,136,201	38,983,531	105,476,808	604,511,700
LIABILITIES							
BALANCE DUE TO OTHER BANKS	49,140,243	49,023,215	20,543,608	5,407,972	-	46,025	124,161,063
DEPOSITS FROM CUSTOMERS	98,387,390	7,664,966	84,121,340	8,592,347	-	194,868,978	393,635,021
SUBORDINATED DEBTS	-	-	5,814,031	-	-	-	5,814,031
LONG TERM BORROWINGS	-	-	7,253,607	16,137,081	-	-	23,390,688
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	-	-	-	-	-	6,532,924	6,532,924
TOTAL FINANCIAL LIABILITIES	147,527,633	56,688,181	117,732,586	30,137,400	-	201,447,927	553,533,727
TOTAL INTEREST SENSITIVITY GAP	51,311,203)	(5,539,207)	17,817,170	146,998,801	38,983,531	-	-

At 31 December 2017, 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 219 million (2016: TZS 381 million) lower/higher, mainly as a result of fluctuations in interest income and interest expense.

At 31 December 2017, 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 94 million (2016: TZS 22 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.

3.2.3 Price risk

The Bank does not hold any financial instruments that is subject to price risk (2016: None).

3.3 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.

3.3.1 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 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.

3.3.2 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.

3.3.3 Minimum liquidity

Section 7 of the Banking and Financial Institutions (Liquidity Management) Regulations, 2014 requires that a Bank or financial institution shall maintain liquid assets amounting to not less than twenty percent (20%) of its demand liabilities. The Bank's liquidity ratio at the end of the period was 35% (2016: 30%).

3.3.4 Non-derivative cash flows

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

AT 31 DECEMBER 2017	UP TO 1 MONTH TZS'000	1-3 MONTHS TZS'000	3-12 MONTHS TZS'000	1-5 YEARS TZS'000	OVER 5 YEARS TZS'000	TOTAL TZS'000
LIABILITIES						
BALANCES DUE TO OTHER BANKS	40,772,576	22,568,201	17,103,179	-	-	80,443,956
DEPOSITS FROM CUSTOMERS	212,794,235	48,213,907	94,256,329	17,939,979		373,204,450
SUBORDINATED DEBTS	-	-	-	-	-	-
LONG TERM BORROWINGS		1,387,560	4,171,046	21,259,190	3,329,799	30,147,595
OTHER LIABILITIES	7,322,784	-	-	-	-	7,322,784
TOTAL LIABILITIES (CONTRACTUAL MATURITY DATES)	260,889,595	72,169,668	115,530,554	39,199,169	3,329,799	491,118,785
TOTAL ASSETS (EXPECTED MATURITY DATES)	184,013,624	49,294,892	63,523,991	228,033,285	65,299,777	590,165,570
LIQUIDITY GAP	76,875,971	22,874,776	52,006,563	(188,834,116)	(61,969,978)	(99,046,785)

AT 31 DECEMBER 2016	UP TO 1 MONTH TZS'000	1-3 MONTHS TZS'000	3-12 MONTHS TZS'000	1-5 YEARS TZS'000	OVER 5 YEARS TZS'000	TOTAL TZS'000
LIABILITIES						
BALANCES DUE TO OTHER BANKS	49,313,849	49,275,148	28,068,218	7,672,579	-	134,329,794
DEPOSITS FROM CUSTOMERS	293,397,894	8,125,233	88,379,681	8,592,347	-	398,495,155
SUBORDINATED DEBTS	-	-	6,008,205	-	-	6,008,205
LONG TERM BORROWINGS	-	-	7,253,711	17,353,598	-	24,607,309
OTHER LIABILITIES	6,532,924	-	-	-	-	6,532,924
TOTAL LIABILITIES (CONTRACTUAL MATURITY DATES)	349,244,667	57,400,381	129,709,815	33,618,524	-	569,973,387
TOTAL ASSETS (EXPECTED MATURITY DATES)	236,355,538	51,359,968	138,932,046	228,303,858	81,230,232	736,181,642
LIQUIDITY GAP	(112,889,129)	(6,040,413)	9,222,231	194,685,334	81,230,232	166,208,255

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

3.3.5 Fair values of financial assets and liabilities

The fair value of government securities held-to-maturity at 31 December 2017 approximated the carrying amounts. Fair values are based on the last auction for treasury bills and bonds that was held at 31 December 2017. 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 had a tenor of seven (7) years including two-year grace period on principal repayment. Effective interest rate for IFC loan and PROPARCO loan were 6.5% and 6% respectively. The Bank completed the repayment of both loans in the fourth quarter of the year 2017.

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 are: LIBOR yield curve, 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 2017 and 2016:

31 DECEMBER 2017	LEVEL 1 TZS'000	LEVEL 2 TZS'000	LEVEL 3 TZS'000	TOTAL TZS'000
DERIVATIVE FINANCIAL INSTRUMENTS	-	6,123	-	6,123
AT 31 DECEMBER 2016				
TOTAL	-	3,572	-	3,572
DERIVATIVE FINANCIAL INSTRUMENTS				

During the current year, there were no intra level transfers.

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 2017.

ASSETS	LEVEL 1 TZS'000	LEVEL 2 TZS'000	LEVEL 3 TZS'000	TOTAL FAIR VALUE TZS'000	CARRYING VALUE TZS'000
CASH AND BALANCE WITH BANK OF TANZANIA	-	81,609,476	-	81,609,476	81,609,476
BALANCE DUE FROM OTHER BANKS	-	105,367,043	-	105,367,043	105,367,043
GOVERNMENT SECURITIES HELDLOAN AT AMORTIZED COST	-	32,009,442	-	32,009,442	32,509,442
LOANS AND ADVANCES TO CUSTOMERS	-	300,712,936	-	300,712,936	300,712,936
EQUITY INVESTMENTS	-	-	1,020,000	1,020,000	1,020,000
OTHER ASSETS (EXCLUDING PREPAYMENT & INVENTORIES)	-	5,217,487	-	5,217,487	5,217,487
TOTAL	-	525,416,384	1,020,000	525,936,384	526,436,384
LIABILITIES					
BALANCE DUE TO OTHER BANKS	-	79,787,484	-	79,787,484	87,484
DEPOSITS FROM CUSTOMERS	-	369,367,921	-	369,367,921	369,367,921
SUBORDINATED DEBTS	-	-	-	-	
LONG TERM BORROWINGS	-	24,636,340	-	24,636,340	24,636,340
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	-	7,322,784	-	7,322,784	7,322,784
TOTAL	-	481,114,529	-	481,114,529	481,114,529

If the market rate for interest rate changed by 500 basis points, the present value for cashflows would be xx

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 2016.

ASSETS	LEVEL 1 TZS'000	LEVEL 2 TZS'000	LEVEL 3 TZS'000	TOTAL FAIR VALUE TZS'000	CARRYING VALUE TZS'000
CASH AND BALANCE WITH BANK OF TANZANIA	-	86,404,506	-	86,404,506	86,404,506
BALANCE DUE FROM OTHER BANKS	-	158,823,815	-	158,823,815	158,823,815
GOVERNMENT SECURITIES HELD AT AMORTIZED COST	-	32,483,276	-	32,483,276	32,483,276
EQUITY INVESTMENT	-	324,870,221	-	324,870,221	324,870,221
LOANS AND ADVANCES TO CUSTOMERS	-	-	1,020,000	1,020,000	1,020,000
OTHER ASSETS (EXCLUDING PREPAYMENT & INVENTORIES)	-	906,310	-	906,310	906,310
TOTAL	-	603,488,128	1,020,000	604,508,128	604,508,128
LIABILITIES					
BALANCE DUE TO OTHER BANKS	-	124,161,063	-	124,161,063	124,161,063
DEPOSITS FROM CUSTOMERS 393,635,021	-	393,635,021	-	393,635,021	
SUBORDINATED DEBTS	-	5,814,031	-	5,814,031	5,814,031
LONG TERM BORROWINGS	-	23,390,688	-	23,390,688	23,390,688
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	-	6,532,924	-	6,532,924	6,532,924
TOTAL	-	553,533,727	-	553,533,727	553,533,727

3.5. Capital management

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

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

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

The Bank of Tanzania (BoT) requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of TZS 15 billion, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 14.5%. The Bank's regulatory capital as managed by its Treasury Department and Finance Department is divided into two tiers:

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

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

The table below summarises the composition of regulatory capital of the Bank for the year ended 31 December 2017 and year ended 31 December 2016.

TIER 1 CAPITAL	2017 TZS'000	2016 TZS'000
SHARE CAPITAL	37,021,000	37,020,550
RETAINED EARNINGS	12,686,032	17,772,731
SHARE PREMIUM	12,780,383	12,780,383
LESS: DEFERRED TAX ASSET	(4,273,943)	(3,177,308)
LESS: INTANGIBLE ASSETS	(542,669)	(1,047,919)
LESS: PREPAID EXPENSES	(2,789,536)	(2,680,845)
TOTAL QUALIFYING TIER 1 CAPITAL	54,881,267	60,667,592
TIER 2 CAPITAL		
SUBORDINATED DEBTS*	-	1,162,806
GENERAL PROVISION**	2,807,728	3,143,272
TOTAL REGULATORY CAPITAL	57,688,995	64,973,670
RISK-WEIGHTED ASSETS		
ON-BALANCE SHEET	321,611,762	327,833,958
OFF-BALANCE SHEET	19,541,212	72,725,698
MARKET RISK	263,160	52,067
TOTAL RISK-WEIGHTED ASSETS	341,416,134	400,611,723

The table below summarises the composition of regulatory ratios of the Bank for the year ended 31 December 2017 and year ended 31 December 2016.

	REQUIRED RATIO 2017 %	BANK'S RATIO 2017 %	BANK'S RATIO 2016 %
TIER 1 CAPITAL	12.5	16.0	15.1
TIER 1 + TIER 2 CAPITAL	14.5	16.9	16.2

4. Critial accounting judgements and sources of estimation uncertainty

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

a) Impairment losses on loans and advances

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

* Capital adequacy regulation requires subordinated debts to be discounted by a cumulative factor of twenty percent per year during the last five years to maturity

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

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. Were the forced sales values and realization costs differing by +/- 10%, the impairment loss would have been TZS 48 million (2016: TZS 538 million) and TZS 317 million (2016: TZS 41 million) lower or higher respectively. A difference in recovery period of 6 months would result in a TZS 301 million (2016: TZS 410 million) lower or higher impairment loss.

b) Taxes

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

c) Property and equipment

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

d) Intangible assets

Management makes critical estimates in determining the amortization rates and carrying amounts for intangible assets.

5. Interest and similar income

	2017 TZS'000	2016 TZS'000
LOANS AND ADVANCES TO CUSTOMERS	43,861,984	42,509,333
GOVERNMENT SECURITIES HELD TO MATURITY	5,004,230	6,294,173
BALANCES DUE FROM OTHER BANKS	5,899,859	5,195,525
TOTAL	54,766,073	53,999,031

6. Interest and similar expenses

	2017 TZS'000	2016 TZS'000
DEPOSITS FROM OTHER BANKS	6,563,108	6,261,011
DEPOSITS FROM CUSTOMERS	11,658,602	12,850,015
SUBORDINATED LOANS (NOTE 26)	127,271	496,908
LONG-TERM BORROWINGS (NOTE 27)	696,361	719,608
DISCOUNT ON DERIVATIVES	128,317	524,686
TOTAL	19,173,659	20,852,228

7. Impairment charge on loans and advances

	2017 TZS'000	2016 TZS'000
IMPAIRMENT CHARGE FOR THE YEAR	8,529,793	4,751,655
BAD DEBT RECOVERIES	(271,344)	(135,710)
TOTAL	8,258,449	4,615,945

8. Fees and commission income

	2017 TZS'000	2016 TZS'000
COMMISSION AND FEES FROM BANKING OPERATIONS	4,679,289	4,991,357
COMMISSION ON TELEGRAPHIC TRANSFERS AND INTERNATIONAL TRADE		
FINANCE ACTIVITIES	1,252,043	1,256,607
FACILITY FEES FROM LOANS AND ADVANCES	2,710,831	2,148,658
COMMISSION ON LETTERS OF CREDIT AND GUARANTEES	2,156,037	2,071,784
OTHER FEES AND COMMISSIONS	3,681,557	2,976,443
TOTAL	14,479,757	13,444,849

9. Fees and commission expenses

	2017 TZS'000	2016 TZS'000
GUARANTEE EXPENSES	231,008	1,073,798
BANK CHARGES	566,592	393,071
OTHER FEES AND COMMISSION EXPENSES	1,520,043	1,258,275
TOTAL	2,317,643	2,725,144

10. Foreign exchange income

	2017 TZS'000	2016 TZS'000
TRADING INCOME	3,355,655	2,571,569
REVALUATION GAIN/(LOSS)	5,756	21,364
TOTAL	3,361,411	2,592,933

The Bank operates a defined contribution retirement scheme, the assets of which are held in a separate

11. Operating expenses

	2017 TZS'000	2016 TZS'000
EMPLOYEE BENEFITS (NOTE 12)	15,836,878	15,947,560
OCCUPANCY EXPENSES	4,038,857	3,449,883
REPAIRS AND MAINTENANCE	2,296,759	1,502,528
ADVERTISING AND BUSINESS PROMOTION	1,094,282	755,251
LEGAL AND PROFESSIONAL FEES	2,201,850	2,333,821
TRAVELLING EXPENSES	1,242,334	1,314,303
DEPRECIATION OF PROPERTY AND EQUIPMENT (NOTE 21)	2,424,435	2,066,726
AMORTIZATION OF INTANGIBLE ASSETS (NOTE 23)	500,409	537,903
DIRECTORS EMOLUMENTS - FEES	169,789	177,110
DIRECTORS EMOLUMENTS - OTHERS	317,477	115,319
AUDITORS' REMUNERATION	191,029	109,150
SECURITY EXPENSES	2,065,003	1,877,741
INSURANCE EXPENSES	981,065	946,382
PRINTING AND OFFICE SUPPLIES	1,603,792	1,358,012
CONNECTIVITY EXPENSES	850,097	1,309,460
TELEPHONE AND ELECTRICITY	638,619	719,537
LICENSES AND FEES	244,326	253,108
COURIER EXPENSES	199,464	156,362
OTHERS	1,069,920	1,321,371
TOTAL	37,966,385	36,251,527

12. Employee benefit

	2017 TZS'000	2016 TZS'000
WAGES AND SALARIES	10,924,971	10,613,502
DEFINED BENEFIT CONTRIBUTIONS (NSSF AND PPF CONTRIBUTIONS)	1,096,841	1,071,994
SKILLS AND DEVELOPMENT LEVY	558,858	576,651
MEDICAL INSURANCE	498,734	430,134
TRAVEL ALLOWANCES	817,811	898,616
BONUSES AND AWARDS	290,623	751,306
STAFF TRAINING	326,305	168,338
OTHER EMPLOYMENT COSTS AND BENEFITS	1,322,735	1,437,019
TOTAL	15,836,878	15,947,560

13. Income tax

(a) Income tax expense

	2017 TZS'000	2016 TZS'000
CURRENT TAX - CURRENT YEAR	3,042,985	2,919,962
- PRIOR YEARS (OVER)/UNDER PROVISION	(292,061)	(26,969)
TOTAL	2,750,924	2,892,993
DEFERRED TAX - CURRENT YEAR (NOTE 30)	(1,388,698)	(1,038,340)
- PRIOR YEARS UNDER/(OVER) PROVISION (NOTE 30)	292,063	73,896
TOTAL	1,654,289	1,928,549

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

	2017 TZS'000	2016 TZS'000
PROFIT BEFORE TAX	4,851,216	5,616,482
TAX CALCULATED AT A TAX RATE OF 30%	1,455,365	1,684,945
TAX EFFECT OF EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES	198,922	196,677
UNDER PROVISION OF CURRENT AND DEFERRED TAX IN PRIOR YEARS	2	46,927
TOTAL	1,654,289	1,928,549

(c) Current tax asset/(liability)

	2017 TZS'000	2016 TZS'000
AT 1 JANUARY	278,605	(781,927)
PAYMENT DURING THE YEAR	3,233,904	3,953,525
CURRENT TAX CHARGE	(2,750,924)	(2,892,993)
AT 31 DECEMBER	761,585	278,605

14. Financial instruments by category

AT 31 DECEMBER 2017	LOANS AND RECEIVABLES TZS'000	HELD-TO-MATURITY TZS'000	AVAILABLE FOR SALE TZS'000	AT FAIR VALUE TZS'000	TOTAL TZS'000
FINANCIAL ASSETS:					
CASH AND BALANCES WITH BOT	81,609,476	-	-	-	81,609,476
LOANS AND ADVANCES TO BANKS	105,367,043	-	-	-	105,367,043
GOVERNMENT SECURITIES	32,509,442	-	-	-	32,509,442
DERIVATIVE FINANCIAL INSTRUMENTS	-	-		6,123	6,123
LOANS AND ADVANCES TO CUSTOMERS	300,712,936	-	-	-	300,712,936
EQUITY INVESTMENT		-	1,020,000	-	1,020,000
OTHER ASSETS	5,217,487	-	-	-	5,217,487
	525,416,384	-	1,020,000	6,123	526,442,507
TOTAL	525,416,384	-	1,020,000	6,123	526,442,507

	LOANS AND RECEIVABLES TZS'000	HELD-TO-MATURITY TZS'000	AVAILABLE FOR SALE TZS'000	AT FAIR VALUE TZS'000	TOTAL TZS'000
					AT AMORTISED COST TZS'000
FINANCIAL LIABILITIES:					
BALANCES DUE TO OTHER BANKS					79,787,484
DEPOSITS FROM CUSTOMERS					369,367,921
SUBORDINATED DEBTS					-
LONG TERM BORROWINGS					24,636,340
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)					7,322,784
TOTAL					481,114,529

AT 31 DECEMBER 2016	LOANS AND RECEIVABLES TZS'000	HELD-TO-MATURITY TZS'000	AVAILABLE FOR SALE TZS'000	AT FAIR VALUE TZS'000	TOTAL TZS'000
FINANCIAL ASSETS:					
CASH AND BALANCES WITH BOT	86,404,506	-	-	-	86,404,506
LOANS AND ADVANCES TO BANKS	158,823,815	-	-	-	158,823,815
GOVERNMENT SECURITIES	32,483,276	-	-	-	32,483,276
LOANS AND ADVANCES TO CUSTOMERS	-			3,572	3,572
EQUITY INVESTMENT	324,870,221	-	-	-	324,870,221
OTHER ASSETS	-	-	1,020,000	-	1,020,000
	906,310	-	-	-	906,310
	603,488,128	-	1,020,000	3,572	604,511,700
					AT AMORTISED COST TZS'000
FINANCIAL LIABILITIES:					
BALANCES DUE TO OTHER BANKS					124,161,063
DEPOSITS FROM CUSTOMERS					393,635,021
SUBORDINATED DEBTS					5,814,031
LONG TERM BORROWINGS					23,390,688
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)					6,532,924
TOTAL					553,533,727

15. Cash and advances with Bank of Tanzania

	2017 TZS'000	2016 TZS'000
CASH ON HAND	38,594,794	36,034,071
BALANCES WITH THE BANK OF TANZANIA:		
STATUTORY MINIMUM RESERVE (SMR)	26,362,307	32,714,949
CLEARING ACCOUNT	16,652,375	17,655,486
TOTAL	81,609,476	86,404,506

The SMR deposit is not available to finance the Bank's day-to-day operations and is hence excluded from cash and cash equivalents for the purpose of the statement of cash flows.

16. Balances due from other banks

	2017 TZS'000	2016 TZS'000
BALANCES WITH BANKS	25,393,315	8,765,476
ITEMS IN THE COURSE OF COLLECTION	7,966,085	8,376,945
PLACEMENTS WITH LOCAL BANKS	72,007,643	92,982,384
PLACEMENTS WITH FOREIGN BANKS	-	48,699,010
CURRENT	105,367,043	158,823,815

17. Government securities at amortized cost

	2017 TZS'000	2016 TZS'000
TREASURY BILLS MATURING WITHIN 90 DAYS FROM THE PERIOD END		-
TREASURY BILLS MATURING AFTER 90 DAYS FROM THE PERIOD END	21,946,828	15,043,695
TREASURY BONDS MATURING WITHIN 5 YEARS	10,562,614	17,439,581
TREASURY BONDS MATURING AFTER 5 YEARS	-	-
TOTAL GOVERNMENT SECURITIES	32,509,442	32,483,276

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

18. Loans and advances to customers

	2017 TZS'000	2016 TZS'000
LOANS AND ADVANCES TO CORPORATE CUSTOMERS	225,147,450	252,625,405
LOANS AND ADVANCES TO INDIVIDUAL CUSTOMERS	88,683,254	80,379,614
GROSS LOANS AND ADVANCES	313,830,704	333,005,019
LESS: IMPAIRMENT PROVISION	(13,117,768)	(8,134,798)
NET LOANS AND ADVANCES	300,712,936	324,870,221

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

	RETAIL CUSTOMERS TZS'000	CORPORATE CUSTOMERS & SMES TZS'000	TOTAL TZS'000
AT 1 JANUARY 2017	2,868,906	5,265,892	8,134,798
INCREASE IN IMPAIRMENT	5,532,747	2,997,046	8,529,793
WRITE OFFS	(947,871)	(2,598,952)	(3,546,823)
AT 31 DECEMBER 2017	7,453,782	5,663,986	13,117,768
AT 1 JANUARY 2016	1,378,759	4,637,370	6,016,129
INCREASE IN IMPAIRMENT	2,630,730	2,120,925	4,751,655
WRITE OFFS	(1,140,583)	(1,492,403)	(2,632,986)
AT 31 DECEMBER 2016	2,868,906	5,265,892	8,134,798

19. Other assets

	2017 TZS'000	2016 TZS'000
PREPAID EXPENSES	2,789,536	2,680,845
OTHER DEBTORS	5,217,487	906,310
INVENTORIES	33,858	57,575
TOTAL	8,040,881	3,644,730

20. Equity investments

	2017 TZS'000	2016 TZS'000
UMOJA SWITCH COMPANY LIMITED - UNLISTED	20,000	20,000
TANZANIA MORTGAGE REFINANCE COMPANY LIMITED - UNLISTED	1,000,000	1,000,000
TOTAL	1,020,000	1,020,000

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

21. Property and equipment

	LEASEHOLD PREMISES	MOTOR VEHICLES	COMPUTER HARDWARE	MACHINERY AND OFFICE EQUIPEMENT	FURNITURE & FITTING TRADE	LEASEHOLD LAND INDIVIDUALS	WORK IN PROGRESS OTHER	TOTAL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
COST								
AT 1 JANUARY 2017	9,287,089	559,617	2,445,467	7,267,219	969,592	5,781,500	1,176,890	27,487,374
ADDITIONS	4,448,663	-	214,245	1,802,765	64,995	-	1,653,664	8,184,332
DISPOSALS	(1,203,407)	-	(135,183)	(368,868)	(46,807)	-	(8,121)	(1,762,386)
TRANSFER	371,391	-	-	-	-	-	(371,391)	-
AT 31 DECEMBER 2017	12,903,736	559,617	2,524,529	8,701,116	987,780	5,781,500	2,451,042	33,909,320
DEPREDICATION								
AT 1 JANUARY 2017	6,401,234	300,909	1,401,919	5,651,521	720,245	296,013	-	14,771,841
CHARGE FOR THE YEAR	1,098,142	91,910	341,397	691,792	90,189	111,005	-	2,424,435
DISPOSALS	(1,180,849)	-	(134,702)	(356,771)	(46,494)	-	-	(1,718,816)
AT 31 DECEMBER 2017	6,318,527	392,819	1,608,614	5,986,542	763,940	407,018	-	15,477,460
NET BOOK VALUE								
AT 31 DECEMBER 2017	6,585,209	166,798	915,915	2,714,574	223,840	5,374,482	2,451,042	18,431,860

	LEASEHOLD PREMISES	MOTOR VEHICLES	COMPUTER HARDWARE	MACHINERY AND OFFICE EQUIPEMENT	FURNITURE & FITTING TRADE	LEASEHOLD LAND INDIVIDUALS	WORK IN PROGRESS OTHER	TOTAL
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
COST								
AT 1 JANUARY 2016	7,623,207	526,624	1,870,037	6,524,386	869,001	5,781,500	648,095	23,842,850
ADDITIONS	1,579,009	90,212	543,214	742,833	100,591		645,883	3,701,742
DISPOSALS	-	(57,219)	-	-	-	-	-	(57,219)
TRANSFER	84,872	-	32,216	-	-	-	(117,088)	-
AT 31 DECEMBER 2016	9,287,088	559,617	2,445,467	7,267,219	969,592	5,781,500	1,176,890	27,487,373
DEPRECATION								
AT 1 JANUARY 2016	5,544,067	276,742	1,137,784	4,987,155	631,579	185,006	-	12,762,333
CHARGE FOR THE YEAR	857,167	81,384	264,135	664,367	88,666	111,007	-	2,066,726
DISPOSALS	-	(57,219)	-	-	-	-	-	(57,219)
AT 31 DECEMBER 2016	6,401,234	300,907	1,401,919	5,651,522	720,245	296,013	-	14,771,840
NET BOOK VALUE								
AT 31 DECEMBER 2016	2,885,854	258,710	1,043,548	1,615,697	249,347	5,485,487	1,176,890	12,715,533

22. Investment property

	2017 TZS'000	2016 TZS'000
AT 31 DECEMBER	4,407,178	4,407,178

The Bank holds properties worth TZS 4,407 million which were acquired as a settlement of debt obligations of customers who defaulted on their obligations. Management intends to sale the properties as soon as practicable when a suitable buyer is identified. As a consequence, the properties are held as investment properties measured at fair value. The fair value of the investment property is determined regularly by independent suitably qualified valuers using current market prices for comparable real estate, adjusted for any differences in nature, location and condition of the property and any changes in market conditions since the transactions took place.

23. Intangible Assets

	2017 TZS'000	2016 TZS'000
AT 1 JANUARY	1,047,919	1,585,822
ADDITIONS	-	-
WRITE-OFFS	(4,841)	-
AMORTISATION CHARGE	(500,409)	(537,903)
AT 31 DECEMBER	542,669	1,047,919
COST	4,644,877	4,651,191
ACCUMULATED AMORTISATION	(4,102,208)	(3,603,272)
NET BOOK VALUE	542,669	1,047,919

No intangible asset has been pledged as collateral.

24. Balances due to other banks

	2017 TZS'000	2016 TZS'000
BORROWINGS FROM LOCAL BANKS	13,230,501	39,988,508
BORROWINGS FROM FOREIGN BANKS	66,556,983	84,172,555
TOTAL	79,787,484	124,161,063
CURRENT	79,787,484	118,753,091
NON-CURRENT	-	5,407,972
TOTAL	79,787,484	124,161,063

25. Deposits from customers

	2017 TZS'000	2016 TZS'000
CURRENT ACCOUNTS	179,542,157	198,142,285
TIME DEPOSITS	115,372,543	126,721,160
SAVINGS DEPOSITS	49,018,448	38,271,983
OTHERS	25,434,773	30,499,593
	369,367,921	393,635,021
CURRENT	369,143,315	385,042,674
NON-CURRENT	224,606	8,592,3477
TOTAL	369,367,921	393,635,021

26. Subordinated debts

	2017 TZS'000	2016 TZS'000
INTERNATIONAL FINANCE CORPORATION (IFC)	-	3,930,174
PROMOTION PARTICIPATION COOPERATION (PROPARCO)	-	1,746,744
INTEREST ACCRUED	-	137,113
	-	5,814,031
AT 1 JANUARY	5,814,031	11,398,579
ADDITIONS	-	-
INTEREST EXPENSE	127,271	496,908
TRANSLATION LOSSES	119,023	125,597
REPAYMENTS	(6,060,325)	(6,207,053)
AT 31 DECEMBER	-	5,814,031

International Finance Corporation (IFC) and Promotion Participation Cooperation (PROPARCO) issued USD 4,500,000 and USD 4,000,000 facilities respectively. Both facilities carried interest rate of 6 months LIBOR + 4.5% and had a tenor of seven years including two-year grace period on principal repayment. The facilities were issued on the goodwill of Bank of Africa Group and therefore the Bank did not pledge any tangible securities in respect of this loan. Applicable interest rate for IFC loan and PROPARCO loan were 5.0% and 5.3% respectively. During the year, the Bank completely paid off both facilities.

27. Long term borrowings

	2017 TZS'000	2016 TZS'000
TANZANIA MORTGAGE REFINANCE COMPANY LIMITED (I)	10,750,000	10,750,000
EUROPEAN INVESTMENT BANK (II)	9,257,898	12,432,498
AGENCE FRANCAIS DE DEVELOPMENT (III)	4,482,320	-
INTEREST ACCRUED	146,122	208,190
TOTAL	24,636,340	23,390,688
CURRENT	3,877,217	7,253,607
NON-CURRENT	20,759,123	16,137,081
TOTAL	24,636,340	23,390,688

The movement in long-term borrowings during the year is as below:

	2017 TZS'000	2016 TZS'000
AT 1 JANUARY	23,390,688	33,169,337
ADDITIONS	4,482,320	6,199,122
INTEREST EXPENSE	696,361	719,608
FOREIGN EXCHANGE TRANSLATION LOSSES	150,177	206,879
REPAYMENTS	(4,083,206)	(16,904,258)
AT 31 DECEMBER	24,636,340	23,390,688

(i) Tanzania Mortgage Refinance Company Limited

Mortgage pre-financing comprising of three loans of TZS 2.75 billion, TZS 3 billion and TZS 5.0 billion with original maturity of 1,095 days, 911 days and 1,005 days respectively and annual interest rates of 11.5% and 11.73% and 11.67% respectively.

(ii) European Investment Bank

European Investment Bank issued a loan of EUR 7 million with an average tenure of 5 years from 16 march 2016. The loan bears a weighted average annual interest rate of 3.66%.

(iii) Agence Française de Developpement (AFD)

The Bank entered into a contract with AFD to obtain a loan facility of USD 12 million. During the year the Bank made the first draw down of USD 2 million with a tenure of 10 years from 11 November 2017. The loan bears a weighted average annual interest rate of 3.487%.

28. Other liabilities

	2017 TZS'000	2016 TZS'000
BANK DRAFTS PAYABLE	164,782	186,470
STATUTORY LIABILITIES	848,788	1,050,414
DEFERRED FEES	3,097,967	2,286,044
ACCRUALS AND OTHER PROVISIONS	7,158,002	6,346,454
TOTAL	11,269,539	9,869,382

29. 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 fair value gains and losses recognised in profit or loss.

The following 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.

	2017			2016		
	NOTIONAL PRINCIPAL AMOUNTS	FAIR VALUE	ASSET	NOTIONAL PRINCIPAL AMOUNTS	FAIR VALUE	ASSET
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
FORWARD EXCHANGE CONTRACTS	453,623	447,500	6,123	276,297	272,725	3,572

30. Defered 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:

	2017 TZS'000	2016 TZS'000
AT 1 JANUARY	(3,177,308)	(2,212,864)
CREDITED/(CHARGED) TO PROFIT OR LOSS IN RESPECT OF:		
- CURRENT YEAR(NOTE 13)	(1,388,698)	(1,038,340)
- PRIOR YEARS OVER PROVISION (NOTE 13)	292,063	73,896
AT 31 DECEMBER	(4,273,943)	(3,177,308)

31 DECEMBER 2017	1 JANUARY 2017 TZS'000	CREDIT TO PROFIT OR LOSS TZS'000	31 DECEMBER 2017 TZS'000
DEFERRED TAX LIABILITY			
ACCELERATED TAX ALLOWANCES	(430,052)	494,291	64,239
OTHER TIMING DIFFERENCES	(2,747,256)	(1,590,926)	(4,338,182)
TOTAL	(3,177,308)	(1,096,635)	(4,273,943)
31 DECEMBER 2016			
DEFERRED TAX LIABILITY			
ACCELERATED TAX ALLOWANCES	(201,220)	(228,832)	(430,052)
OTHER TIMING DIFFERENCES	(2,011,644)	(735,612)	(2,747,256)
TOTAL	(2,212,864)	(964,444)	(3,177,308)

31. Share capital

Authorised

During the year, the Bank consolidated the different classes of shares (Class A to H) into a single class of shares divided into 70,000 shares of TZS 1,000,000 par value each.

AS AT 31 DECEMBER 2017	AUTHORIZED NUMBER OF SHARES	NOMINAL VALUE PER SHARE TZS'000	TOTAL TZS'000
ORDINARY SHARE CAPITAL	70,000	1,000	70,000,000
AS AT 31 DECEMBER 2016			
ORDINARY SHARES - CLASS A	2,000	1,000	2,000,000
ORDINARY SHARES - CLASS B	4,100	375	1,537,500
ORDINARY SHARES - CLASS C	401,256	116	46,462,279
ORDINARY SHARES - CLASS D	1	33	33
ORDINARY SHARES - CLASS E	1	101	101
ORDINARY SHARES - CLASS F	1	87	87
ORDINARY SHARES - CLASS H	76,628	261	20,000,000
TOTAL			70,000,000

	2017 TZS'000	2016 TZS'000
ISSUED, CALLED UP AND FULLY PAID		
37,021 ORDINARY SHARES	37,021,000	37,020,550

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

	2017 %	2016 %
AT THE END OF THE REPORTING PERIOD, THE SHAREHOLDING OF THE BANK WAS AS FOLLOWS:		
BOA GROUP S.A	25.93	25.93
BIO-BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES	16.27	16.27
BANK OF AFRICA - KENYA	15.70	15.70
BOA WEST AFRICA	14.54	14.54
AFH-OCEAN INDIEN	14.35	14.35
TANZANIA DEVELOPMENT FINANCE LIMITED (TDFL)	5.22	5.22
FMO (NETHERLANDS DEVELOPMENT FINANCE CORPORATION)	4.56	4.56
AGORA	3.25	3.25
BANQUE DE CREDIT DE BUJUMBURA	0.18	0.18
TOTAL	100	100

32. Cash and cash equivalents

	2017 TZS'000	2016 TZS'000
CASH AND BALANCES WITH BANK OF TANZANIA (NOTE 15)	81,609,476	86,404,506
LESS: STATUTORY MINIMUM RESERVE (SMR)	(26,362,307)	(32,714,949)
	55,247,169	53,689,557
BALANCES DUE FROM OTHER BANKS	105,367,043	158,823,815
TOTAL	160,614,212	212,513,372

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

33. 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.

	2017 TZS'000	2016 TZS'000
CONTINGENT LIABILITIES		
OUTSTANDING LETTERS OF CREDIT (FOREIGN CURRENCY)	15,033,329	30,148,117
OUTSTANDING GUARANTEES AND INDEMNITIES:		
- FOREIGN CURRENCY	46,736,329	20,406,883
- LOCAL CURRENCY	12,496,885	43,849,935
TOTAL	74,266,543	94,404,935

Nature of contingent liabilities

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

OTHER COMMITMENTS	2017 TZS'000	2016 TZS'000
UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	10,873,312	27,480,175

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 2017, the Bank had capital commitments of TZS 3,608 million (2016: TZS 451 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.

Other contingent liabilities

In the ordinary course of business, the Bank is a defendant in various litigations and claims. Although there can be no assurances, based on the information currently available and legal advice, the Directors do not expect the outcome of the actions to have material effect on the Bank's financial position. As at 31 December 2017, the aggregate exposure of the Bank to the significant legal matters amounted to TZS 3.6 billion.

In 2016, Tanzania Revenue Authority conducted an audit for the period 2012 to 2015 and communicated their findings to management. Susequently management filed an appeal with the high court, the total exposure to the bank is TZS 9 billion.

34. Related party transactions and balances

The shareholders of the Bank are disclosed in note 30. The intermediate owner of the Bank is BOA Group and the ultimate holding company of the Bank is Banque Marocaine du Commerce Exterieur (BMCE Bank).

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. Related companies are those which are owned by directors and shareholders of the Bank. 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

	2017 TZS'000	2016 TZS'000
(a) Loans and advances		
AT 1 JANUARY	2,193,105	1,910,969
LOANS ISSUED DURING THE YEAR	333,179	769,717
LOAN REPAYMENTS DURING THE YEAR	(828,888)	(487,581)
AT 31 DECEMBER	1,697,396	2,193,105
INTEREST INCOME EARNED	136,168	328,326
(b) Deposits		
DEPOSITS HELD AT 31 DECEMBER	166,828	213,121
INTEREST EXPENSE	(6,649)	(7,459)
(c) Balances due from group banks		
BALANCES DUE FROM GROUP BANKS	-	28,381,873
DEPOSITS FROM GROUP BANKS	66,436,153	50,357,265
INTEREST INCOME RECEIVED	-	65,471
INTEREST EXPENSE INCURRED	(3,643,549)	(2,692,202)
OPERATING EXPENSES PAID TO GROUP BANKS	(1,418,843)	(1,289,348)
GUARANTEE FEES EXPENSE PAID TO GROUP BANKS	(596,346)	(380,774)
(d) Key management compensation		
SALARIES AND OTHER SHORT TERM EMPLOYEE BENEFITS	1,991,496	1,890,743

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

(e) Directors' emoluments

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

	2017 TZS'000	2016 TZS'000
EMOLUMENTS OF DIRECTORS IN RESPECTS OF SERVICES RENDERED (EXECUTIVE)	601,173	556,543
EMOLUMENTS OF DIRECTORS IN RESPECTS OF SERVICES RENDERED (NON-EXECUTIVE)	169,789	177,110
TOTAL	770,962	733,653

35. 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.

36. 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.

37. Comparatives

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