BENIN

BURKINA FASO

BURUNDI

CÔTE D'IVOIRE

DJIBOUTI

ETHIOPIA

GHANA

KENYA

MADAGASCAR

MALI

NIGER

RDC

SENEGAL

TANZANIA

TOGO

UGANDA

FRANCE

Annual report

2014

BANK OF AFRICA

Groupe BMCE BANK

Table of contents

Message from the CEO of BOA GROUP

In an economic context which was sometimes difficult, the BANK OF AFRICA Group's 2014 financial year was highlighted mainly by the following four points:

- consolidating its sales & marketing set up,
- improving its operational structure,
- strengthening its risk control,
- and the marked improvement in its financial results.

Our sales & marketing organisation was consolidated through the implementation of our business model, the opening of new Business Centres and around 50 new branches and the revitalisation of the Annual Commercial Action Plan.

The Group's institutionalisation was also maintained, in particular through the creation of the new Risk Control department. 2014 was marked by the deployment of a system aimed at structuring this aspect of the business, under the name of ***"Convergence"***. This vast project, launched in March 2013, was introduced to ***improve the Group's system of risk management.***

In the area of training, most banks in the BANK OF AFRICA network are now equipped with dedicated Training Centres as the management of our human resources remains ***both a transversal and permanent priority.***

The progress in the financial results in 2013 accelerated in 2014, as shown in the following data.

- ***Customer deposits*** reached 4 billion euros, a 16.2% increase vs. 7.2% in 2013;
- Outstanding ***customer loans*** came to 3.1 billion euros, a 23.2% increase;
- ***Total assets*** followed the same trend, rising 26% to 6.1 billion euros vs. a 9.7% increase the previous year;
- ***Net Banking Income*** grew by 21.0% to 388.1 million euros vs. 320.6 million euros in 2013;
- ***Gross Operating Income*** rose by 23.7%;
- ***Consolidated net profit*** surged by 58.5% to 90.0 million euros vs. 56.7 million euros in 2013.

The strategy applied in 2014 was in the continuity of that of previous years, with enhanced governance, better designed risk management, the development of sales and marketing resources and improved synergies with BMCE Bank, ***which held 72.7% of BOA's capital*** at end 2014.

2015 will be the final year of our ***2013-2015 Three-Year Development Plan***, with the twofold objective of reinforcing our participation in financing national economies and strengthening our commitment to citizens, in permanent consultation with the authorities of each country.

I extend my thanks to all our customers for their trust in us, to the almost 6,000 BANK OF AFRICA employees for their steadfast commitment, to our shareholders for their continuous support and particularly to our majority shareholder, BMCE Bank, whose financial and operational support is of capital importance to the BANK OF AFRICA Group.

Mohamed BENNANI
BOA GROUP S.A. Chairman & CEO

Photo © E.Legouhy

The BANK OF AFRICA Group

A strong network*

- 5,800 people at the service of more than one million customers.
- About 500 dedicated operating and service support offices in 17 countries.
- A continuously expanding base of Automated Teller Machines and Electronic Payment Terminals, more than 600 units.
- Close to 2,300,000 bank accounts.

A wide and varied offer

- Full range of banking and financial services.
- An attractive range of bank insurance products.
- Tailored solutions for all financing issues.
- Successful financial engineering.

A leading banking partner, BMCE Bank,

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

Strategic partners, including:

- Proparco
- International Finance Corporation (IFC - World Bank Group)
- West African Development Bank (BOAD)
- Netherlands Development Finance Company (FMO)
- Belgium Investment Company for Developing Countries (BIO).

Unique experience in Africa

- Continuous development for over 30 years.

(*) Figures at 31/03/2015.

Five Economic Zones

- WAEMU
- ECOWAS
- EAC
- COMESA
- SACD

Consolidated accounts of BANK OF AFRICA Group

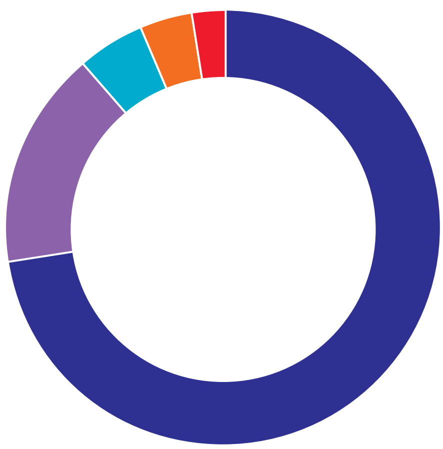
Euro 1 = CFAF 655.957 at 31/12/2014.

- Net Income Group share: EUR 49 million.
- Net Operating Income: EUR 388 million.
- Total Assets: EUR 6,055 million.
- Shareholders' equity Group's share: EUR 364 million.
- Deposits: EUR 4,018 million.
- Loans: EUR 3,128 million.

BANK OF AFRICA Group shareholders

As at 31/12/2014.

BMCE Bank	72.70%
Private African investors	16.09%
FMO	5.02%
PROPARCO	3.84%
BIO	2.35%



Figures at 31/12/2014.

Over 30 years of growth and expansion

Banking Network*

1983 MALI

15 Branches and 1 Business Centre in Bamako.
11 Regional Branches and 24 Local Branches.

1990 BENIN

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

1994 NIGER

Created in 1989: NIGERIAN INTERNATIONAL BANK (NIB). Integrated to BOA Network in 1994.

14 Branches and 1 Business Centre in Niamey.
9 Regional Branches.

1996 CÔTE D'IVOIRE

Created in 1980: BANAFRIQUE.
Integrated to BOA Network in 1996.

18 Branches and 1 Business Centre in Abidjan.
8 Regional Branches and 2 Local Branches.

1998 BURKINA FASO

20 Branches and 1 Business Centre in Ouagadougou.
18 Regional Branches.

1999 MADAGASCAR

Created in 1989: BANKIN'NY TANTSAHA MPAMOKATRA (BTM) / national bank for rural development.
Integrated to BOA Network in 1999.

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

2001 SENEGAL

19 Branches, 1 Business Centre and 1 WU Counter in Dakar.
12 regional Branches and 1 Regional WU Counter.

2004 BANQUE DE L'HABITAT DU BENIN

2 Branches in Cotonou.

2004 KENYA

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

20 Branches and 1 Business Centre in Nairobi.
13 Regional Branches and 1 Business Centre in Mombasa.

2006 UGANDA

Created in 1985: SEMBULE INVESTMENT BANK Ltd. > ALLIED BANK. Integrated to BOA Network in 2006.

20 Branches and 1 Business Centre in Kampala.
14 Regional Branches.

2007 TANZANIA

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

11 Branches and 1 Business Centre in Dar es Salaam.
9 Regional Branches.

2008 BANQUE DE CREDIT DE BUJUMBURA

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

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

2010 RDC

8 Branches à Kinshasa.
2 Regional Branches.

2010 DJIBOUTI

Created in 1908: BANQUE INDOSUEZ MER ROUGE (BIMR). Integrated to BOA Network in 2010.

6 Branches and 1 Counter in Djibouti.

2014 ETHIOPIA

1 Representative Office in Addis Ababa.

2011 GHANA

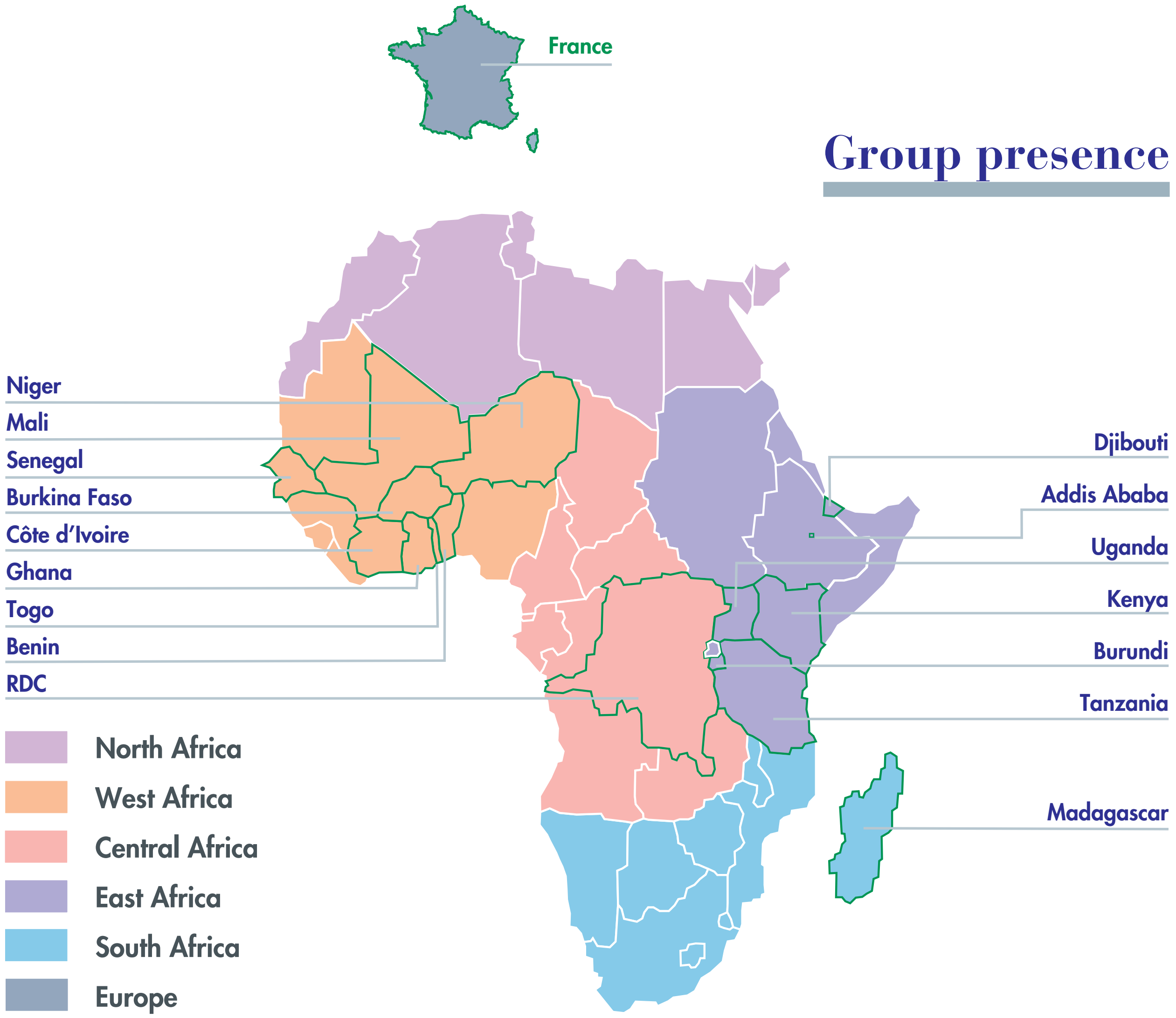
Created in 1999: AMALBANK.
Integrated to BOA Network in 2011.

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

2013 TOGO

8 Branches and 1 Business Centre in Lomé.

Group presence



Subsidiaries*

1997 ACTIBOURSE

Head Office in Abidjan. 1 contact in each BOA company.
Integrated to BOA Capital in 2014.

2002 AÏSSA

Head Office in Cotonou.

2002 AGORA

Head Office in Abidjan.

2004 ATTICA

Head Office in Abidjan.

2009 BOA-ASSET MANAGEMENT

Head Office in Abidjan.
Integrated to BOA Capital in 2014.

2010 BOA-FRANCE

4 Branches in Paris.
1 Regional Branch in Marseille.

Other entities*

1999 BANK OF AFRICA FOUNDATION

Present in many countries where the Group operates.

2000 BANK OF AFRICA GROUP EIG

Representative Office of the Group in Paris, France.

(*) BANK OF AFRICA Network as at 31/03/2015.

The BMCE BANK Group

The most internationally oriented Moroccan banking group

- Presence in 30 countries.
- More than 1,200 branches.
- More than 2.2 million customers.
- More than 12,391 employees.

A universal and multi-brand banking group

BMCE Bank S.A.

- Bank for Individuals and Professionals.
- Business bank.

Investment Banking Activities

- BMCE Capital S.A.
- BMCE Capital Bourse.
- BMCE Capital Gestion.

International activities

African Activity:

- Bank Of Africa: 72.70%.
- Banque de Développement du Mali: 27.38%.
- La Congolaise de Banque: 25%.

European activity:

- BMCE International Holding.

Specialised financial services

- Maroc Factoring: Factoring (100%).
- Salafin: Consumer credit (74.76%).
- Maghrebail: leasing (51%).
- Euler Hermes Acmar: Loans insurance (20%).
- RM Experts: Recovery (100%).

Other activities

- Locasom: Car rental (97.30%).
- Conseil Ingénierie et Développement: Engineering consulting firm (38.9%).
- Eurafric Information: IT Engineering (41%).

Figures at 31/12/2014.

Performance of BMCE Bank Group

Figures at 31/12/2014. Euro 1 = MAD 10.9695 at 31/12/2014.

Consolidated accounts 2014

- Net Income Group share: MAD 1,944 million.
- Net Operating Income: MAD 11,497 million.
- Total Assets: MAD 247 billion.
- Shareholders' equity Group's share: MAD 16 billion.
- Deposits: MAD 161 billion.
- Loans: MAD 155 billion.

Social accounts 2014

- Net Income: MAD 1,203 million.
- Net Operating Income: MAD 5,518 million.
- Gross Operating Income: MAD 2,606 million.

Net Income

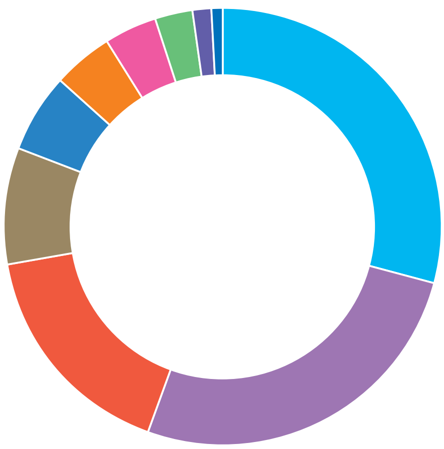
Group shares by geographical zone.

- **Morocco: 67%.**
- **Africa: 27%.**
- **Europe: 6%.**

BMCE Bank Group Shareholders

As at 31/3/2015.

SFCM*	0.51%
BMCE Bank Staff	1.44%
Novo Banco	2.58%
CIMR	4.09%
MAMDA/MCMA	4.27%
FinanceCom*	5.97%
GROUPE CDG	8.46%
Free float	16.54%
BFCM Group CM-CIC	26.21%
RMA Wantanya*	29.93%



(*) Groupe FinanceCom 36.41%

Banking Products & Services in Tanzania

Accounts

Elite Current Account
Executive Current Account
Personal Current Account
Trust Account

Investment Products

Ambitions Savings Plan
Call Deposits Account
Chama Account
Children Savings Account
'Smart Junior'
Family Savings Account
Fixed Deposit Account
Ordinary Savings Account
Premium Plus Account
Term Deposit
Vuna Account

Electronic Banking

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

Mobile Financial Services

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

Packs

EMPLOYEE Pack
MY BUSINESS Pack
PUBLIC SERVICE Pack

Loans

Home Finance
Insurance Premium Finance
Personal Loan
Personal Motor Loan
Schema Loan
School Fees Loan

Transfers & Changes

Foreign Exchange
MoneyGram
Travellers Cheques
Western Union

Complementary Products & Services

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

Company Services

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

2014 Activity Report

Ammishaddai OWUSU-AMOAH
Managing Director

As at 30/06/2015.
Portrait: © BOA - Head office BOA in Tanzania: © BOA

Comments from the Managing Director

Despite the external pressure that affected government revenues and balance of trade, macro-economic developments remained favorable during the year 2014. The Central Bank of Tanzania contained inflation in the year 2014 with December inflation rate reported at 4.8%. The interest rates even though high were stable during the year with 12 months Treasury Bills rate averaging 13.98% during the year. This favorable economic condition is expected to support the GDP growth to 7.2% in 2015 driven by growth in the transport, communication, manufacturing, agriculture and infrastructural sectors.

At the end of the 2014 financial year, the balance sheet size of BOA in Tanzania improved by 17% reaching TZS 495 billion with notable growth in loans and advances. The loans and advances reached TZS 273 billion, up by 17% from TZS 232 billion recorded in 2013. The Non-Performing Loan (NPL) ratio remains at a commendably low rate of 3.3%. We are also encouraged with the reduction in our Cost to Income ratio from 85.6% to 78.5% during the year 2014. The reduction of costs demonstrates that our automation initiatives and cost management strategies are yielding positive results to our business. Customer deposits also went up by 5.4% during the year 2014 enabling the Bank to increase its loan and advances portfolio. Overall pretax profit was TZS 5.7 billion for the year 2014, up from TZS 5.4 billion recorded in 2013.

In the drive to meet increasing needs of our customers, the Bank entered into a partnership to finance long-term investments with European Investment Bank (EIB). The program is planned to support investment by companies active in sectors such as agriculture, fishing, manufacturing, transport, tourism, health and education.

BANK OF AFRICA in Tanzania also expanded its footprint in the city of Dar es Salaam by adding two new delivery channels. The Bank opened the Kurasini Branch to serve customers along and near the sea port as well as a dedicated Business Centre at Oyster Bay. The Business Centre which is aimed at providing a one stop shop for our corporate clients seeks to offer all banking and advisory services to our enterprise clients thereby enhancing efficiency and effectiveness in handling our customers.

"The Bank improves its operational efficiency in serving its customers."

To ensure service excellence is achieved, the Bank upgraded its core banking system to allow configuration of more products and services, and to enhance user friendliness. The upgrade has enabled the Bank to improve speed and increase efficiency.

We extend our gratitude to our customers for their continued support and loyalty, to our staff for their contribution to the Bank's performance and to all our stakeholders. I also would like to thank the Board Members for their direction and guidance that helped the Bank achieve another successful year.

During 2015, the Bank's management shall put emphasis on the execution of scheduled programs so that the Bank moves ahead of its targets as well as improves its operational efficiency in serving its customers.

Ammishaddai OWUSU–AMOAH
Managing Director

Highlights 2014

February

The Bank received EUR 7 million from EUROPEAN INVESTMENT BANK (EIB) to finance small businesses in Tanzania.

Launched "B-Mobile" (a mobile banking solution).

June

Participation in the 2014 BANK OF AFRICA network management meetings, in Casablanca, Morocco.

BOA in Tanzania opened the doors of the Kurasini Branch to serve customers located in the busy Dar es Salaam port area.

July

Reviewed the "Personal Loan" product and increased the unsecured limit.

October

Launch of a Business Centre, in Dar es Salaam.

December

Participation in the 2014 BANK OF AFRICA Directors' meetings, in Dakar, Senegal.

Capital injection of TZS 16 billion, increasing the Bank's single lending capacity to USD 6.7 million.

1

2

3

1 - Agreement signing BOA-EIB

Ammish OWUSU-AMOAH (MD, BOA) shakes hands with Pim VAN BALLEKOM (Vice-President, EIB) after signing the agreement as Wasia MUSHI (General Manager – Business Development, BOA) and Patrick MALEWO (Company Secretary, BOA) look on.

2 - B-Mobile Launch

Eric OUATTARA (Former acting DMD, BOA) shakes hands with John MGODO (Deputy Permanent Secretary, Ministry of Science & Technology) after the B-Mobile press conference launch as Willington MUNYAGA (Head of ICT, BOA) and Maria Consolata WAPALILA (GM-Operations and Support) look on.

3 - Business Centre Launch

Ammish OWUSU-AMOAH (MD, BOA) welcomes and explains the concept of the Business Centre to Hon. Dr. Abdallah O. KIGODA (Minister of Industry and Trade, the United Republic of Tanzania) as Mohamed BENNANI (CEO & Chairman, BOA GROUP S.A.), Ambassador Mwanaidi MAAJAR (Board Chairperson, BOA) and Emmanuel Ole NAIKO (Board member, BOA) look on.

Activity

Deposits*	312,576,637
Loans*	273,309,102

Income

Net interest income*	21,338,129
Operating income*	36,262,922
Operating expense*	28,480,026
Profit before tax*	5,754,430
Profit after tax*	3,959,613

Structure

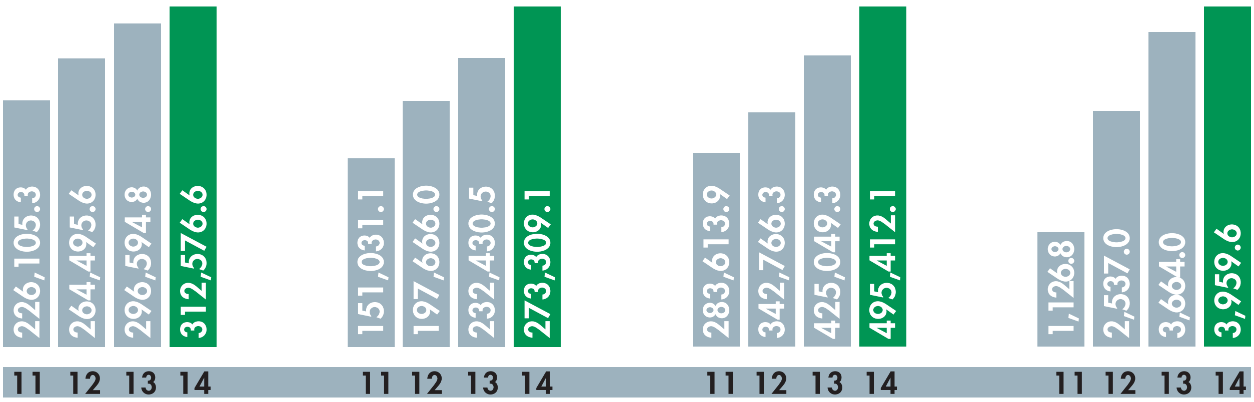
Number of Employees	251

Total Assets

495,412,147

TZS thousand

Total Deposits** Total Loans** Total Assets** Profit after tax**



(*) In TZS thousands - (Euro 1= TZS 2,101.74 as at 31st December 2014).
(**) In TZS millions

B-Mobile Launch

Cyprian (Former Senior Manager – E- Banking, BOA in Tanzania) addresses the press during a press conference to launch B-Mobile as Willington MUNYAGA (Head of ICT – BOA in Tanzania) and Omar MSANGI (Sales Coordinator – BOA in Tanzania) look on.

Corporate Social Responsibility initiatives

BANK OF AFRICA in Tanzania, in its commitment towards supporting its immediate community, engaged in various Corporate Social Responsibility initiatives in the education, health and social sectors.

Education

The Book by Book donation campaign
The Bank donated TZS 15 million to public schools in Tanzania. This support saw 15 public secondary schools receive books to support teachers and pupils in their quest to increase their performance in national examinations and push education levels higher in the country.

Sponsorship of the "Desk for every child" campaign
The Bank participated in the launch of a campaign called: "Desk for every child". Through this campaign BOA in Tanzania provided school desks worth TZS 8,000,000 that will enable hundreds of pupils to sit at desks while at school. The campaign was inaugurated by the Prime Minister of the United Republic of Tanzania.

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

1

2

The Book by Book Donation

1 - Mgina MFAUME (Senior Manager Operations, BOA) hands books to the Head teacher of Mivumoni Secondary school as Solomon HAULE (Senior Manager – Marketing, BOA), Kassanga KAOMBWE (Manager – Credit Administration, BOA) and students look on.

2 - Solomon HAULE (Senior Manager – Marketing, BOA), at a Book donation, addresses the members of the press. Teachers and students at public secondary school in Tandika area, Dar es Salaam where BOA has a branch.

1

2

3

3 - Entertainment for the admitted patients as the Bank staff dances with the clowns during the Easter luncheon that the Bank hosted for the children admitted at the hospital.

Health

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

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

CCBRT Easter Luncheon

1 - Mwanahiba MZEE (Head Enterprise Risk & Compliance, BOA) and the Deputy Director for CCBRT, Brenda MSANGI poses for a photo with an admitted child during the Easter luncheon at the hospital.

2 - BOA and CCBRT staff poses for a picture during the Easter luncheon that the Bank hosted for the admitted patients at the hospital. Solomon HAULE (Senior Manager – Marketing, BOA), Mwanahiba MZEE (Head Enterprise Risk & Compliance), Abdul KAJIMULO (Public relation Manager, CCBRT) among others.

Social

Sponsorship of the Diana Women Empowerment Organization (DIWEO)

The Bank donated TZS 3,800,000 to go to the Diana Women Empowerment Organization. This enabled the NGO to procure mattresses, beds and renovate an orphanage centre in the Tanga region in Tanzania.

Sponsorship of the Francophonie Season in Tanzania

As part of the Bank's annual engagement in supporting cultural integration via maintaining a close relationship with the French community in the country, BOA, once again, sponsored this year's European Film Festival in the amount of TZS 3,520,000.

Donation of USD 2,000 to the Ocean Road Cancer Institute

The Bank donated USD 2,000 to offer treatment to cancer patients in Tanzania. The donation was done during the walkathon organized by Kunduchi Beach Hotel to raise funds to support the increasing number of patients who cannot afford treatments.

Board of Directors & Capital

Board of Directors

The Directors who held office during the year and to the date of 18th February 2015, were:

Ambassador Mwanaidi SINARE MAAJAR, Chairperson

Mohamed BENNANI

Abdelkabir BENNANI

Vincent de BROUWER

Ben CHRISTIAANSE

Henri LALOUX

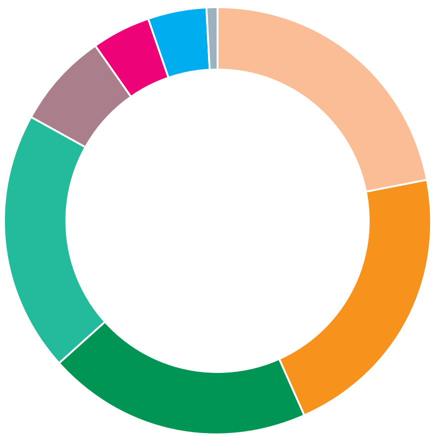
Emmanuel OLE NAIKO

Ammishaddai OWUSU-AMOAH

Capital

The Bank, as at 31st December 2014, had in issue 208,041 shares with a total nominal value of TZS 26.92 billion. The following is the Bank's shareholding structure as at 31st December 2014.

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



- **22.40%** BIO-BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES
- **21.60%** BANK OF AFRICA IN KENYA
- **20.00%** BOA WEST AFRICA
- **19.70%** AFH-OCEAN INDIEN
- **7.20%** TANZANIA DEVELOPMENT FINANCE LIMITED (TDFL)
- **4.50%** AGORA S.A.
- **4.40%** NETHERLANDS DEVELOPMENT FINANCE CORPORATION (FMO)
- **0.20%** OTHER SHAREHOLDERS

Report and Financial Statements

For the year ended 31 December 2014

Ambassador Mwanaidi SINARE MAAJAR
Chairperson of the Board

2014 Tanzania key figures

Area (thousand km^2):	**945.1**
Population (million inhabitants):	**49.63**
GDP (USD billions):	**41.33**
GDP Per capita (USD):	**1 834**
Number of banks:	**53**

Estimations as at 31/12/2014.
Portrait: © BOA - Head Office BOA in Tanzania: © BOA

Comments from the Chairperson of the Board

On behalf of the Board of Directors of BANK OF AFRICA (BOA) in Tanzania, I am pleased to report our financial results for the year 2014. This is the very first time for me to report to the shareholders and other stakeholders on the financial and operational results of the Bank following my appointment early October 2014.

The Tanzanian economy is projected to move closer to lower middle income in the coming year following rapid growth of its GDP to USD 41 billion in year 2014. The hasty growth of the economy during the year resulted from the re-basing of the GDP figure from 2001 to 2007. The growth of the middle class communities shall enhance our opportunities in personal banking portfolio following their increased income to spend and save.

This growth of the economy is driven largely by ongoing investments in infrastructure, communications, transport, financial intermediation, construction, agriculture and manufacturing sectors. As a bank, we are set to harness these opportunities through credit facilities, international trade facilitation, as well as trade finance solutions in construction and infrastructure development sectors. This focus of the business towards the national economy will enable the Bank to grow our total assets, number of customers, profitability and market share of deposits from enterprise customers.

I am happy to announce another successful year for the Bank. The year 2014 was marked with challenges, but the Bank emerged more resilient, more stable and more profitable. Some of the challenges included the relatively low performance of the tourism sector, weak export performance, delays in the development partners funds inflows and the poor performance of gold in the world market. In spite of the challenges, BOA in Tanzania achieved pre-tax profit of TZS 5.75 billion which was 6% higher than TZS 5.42 billion recorded in 2013. The total assets went up to TZS 495 billion which is 17% above the performance recorded in 2013. Profit after tax has also increased from TZS 3.66 billion to TZS 3.96 billion which was 8% above the previous year.

"The Bank confirmed its commitment in the development of the Tanzanian economy..."

The Bank confirmed its commitment in the development of the Tanzanian economy through a capital injection of TZS 16 billion which will go a long way in enabling the Bank to finance large projects and enterprises in the country. The capital injection enabled the Bank to increase its single lending capacity to TZS 11 billion.

As a universal bank, the Bank will continue to focus its strategy towards the retail sector, the small and medium enterprises and the corporate sector. This will be achieved through effective banking penetration through the use of new and existing products and increased network through the opening of new branches as well as the use of alternate electronic banking channels.

Further to the Banks' performance and economic trends, BOA launched support to Education sector through a campaign dubbed "Book donation to public schools". This Corporate Social Responsibility campaign helped 7 schools with text books for teachers and pupils as well as supported the "Desk for every child" campaign in Tanzania.

I would like to thank my colleagues in the Board, the shareholders, the management and the staff as well as all other stakeholders for their contribution and tireless effort in bringing the Bank this far. We look forward to another successful year in 2015.

Ambassador Mwanaidi SINARE MAAJAR
Chairperson of the Board

Corporate Information

Directors

Directors	Nationality	Position	Academic Qualification	Remarks
Ambassador Fulgence KAZAURA	Tanzanian	Chairperson	MA, Economics	Resigned on 22 February
Ambassador Mwanaidi SINARE MAAJAR	Tanzanian	Chairperson	LLB	Appointed on 15 October 2014
Mohamed BENNANI	Moroccan	Member	MA, Economics	
Vincent de BROUWER	Belgian	Member	BSc. Engineering	
Emmanuel Ole NAIKO	Tanzanian	Member	BSc. Engineering	
Shakir MERALI	Kenyan	Member	MA, Economics	Resigned on 23 May 2014
Henri LALOUX	Belgian	Member	Bachelor, Business Engineering	
Abdelkabir BENNANI	Moroccan	Member	BSc. Agriculture	
Ammishaddai OWUSU-AMOAH	Ghanaian	Managing Director	MBA, MA	
Ben CHRISTIAANSE	Dutch	Member	B.Com. Economics	

Registered office and principal place of business

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

Company Secretary

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

Auditors

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

The Directors present their report together with the audited financial statements of BANK OF AFRICA TANZANIA Limited (the "Bank") for the year ended 31 December 2014, which disclose the state of financial affairs of the Bank.

Incorporation

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

Bank's vision and mission

Bank's vision

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

Bank's mission

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

Principal activities and performance for the year

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 2014, BANK OF AFRICA TANZANIA Limited financial performance marked improvement over previous year. Profit before tax rose by 6.1% to TZS 5.8 billion (2013: TZS 5.4 billion).

Total operating income increased by 6.6% to TZS 34.2 billion, driven by balance sheet expansion and growth in non-funded income which contributed 20% of total income. The Bank's net loan book grew by 17.6% to TZS 273 billion while the total balance sheet grew by 16.6% to TZS 495 billion. Customers' deposits for the Bank stood at TZS 313 billion as at 31 December 2014, being a growth of 5.4% over the previous year.

Impairment charge on loans and advances during the year amounted to TZS 2 billion being an increase of 7.9 % from the TZS 1.9 billion charged in 2013. Notwithstanding this increase, significant progress was achieved in the recovery of non-performing loans.

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

Performance indicator	Definition and calculation method	BOA in Tanzania Limited ratios 2014	2013
Return on equity	Net profit/Total equity	**7.5%**	11.1%
Return on assets	Net profit/Total assets	**0.8%**	0.9%
Cost to income ratio	Total costs/Net income	**78.5%**	85.6%
Interest margin on earning assets	Total interest income/(investment in government securities + balances with other financial institutions + interbank loan receivables + investments in other securities + net loans, advances and overdraft)	**10.7%**	10.3%
Non-interest income to gross income	Non-interest income/Total income	**27.2%**	27.2%
Non-performing loans to gross loans	Non-performing loans/Gross loans and advances	**3.3%**	2.7%
Earning assets to total assets	Earning assets/Total assets	**82.7%**	84.1%
Growth on total assets	Trend (2014 total assets - 2013 total assets)/2013 total assets	**16.6%**	24.0%
Growth on loans and advances to customers	Trend (2014 loans and advances - 2013 loans and advances)/ 2013 loans and advances	**17.6%**	17.6%
Growth on customer deposits	Trend (2014 deposits - 2013 deposits)/2013 deposit	**5.4%**	12.1%
Capital adequacy			
Tier 1 Capital	Core capital /Risk weighted assets including off balance sheet items	**16.1%**	12.3%
Tier 1 + Tier 2 Capital	Total capital /Risk weighted assets including off-balance sheet items	**18.1%**	14.3%

The Bank continued with its strategic branch expansion with an eye on Small and Medium Enterprises (SMEs) and the retail market by opening two branches in Dar es Salaam during the year. This brought the number of branches to 21 and marks its presence in 9 regions of the Tanzania mainland. In short-term, this program continued to put pressure on operating costs. Despite the increase in expenses, the Bank's cost to income ratio declined from 85.6% in 2013 to 78.5% in 2014. This is a clear demonstration of the efficient return the Bank is earning from the investments and expenditure made in the business. The Bank will continue with the expansion programme and is expected to open seven new branches in the coming 12 months.

The non-performing loans to gross loans increased from 2.7% at the end of prior year to 3.3% at the end of the reporting period. This ratio is lower than the industry average ratio of 8%. The credit selection, appraisal and approval processes, complemented by strong relationships with customers have ensured that potential credit delinquencies are identified and managed at an early stage. This arrangement has proved to be beneficial to the Bank and its customers, especially in light of the challenges that they are facing in the prevailing difficult economic environment.

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

Outside view of BOA in Tanzania Head Office, in Dar es Salaam.

Dividend

The Directors recommend the payment of dividend amounting to TZS 2.73 billion which is equivalent to 70% of current year profit (2013: Nil).

Directors

The Directors of the Bank at the date of this report and who have been in office since 1 January 2014 unless otherwise stated are set out on page 22.

Corporate governance

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

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

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
Ben CHRISTIAANSE	**Chairman**	Dutch
Emmanuel Ole NAIKO	Member	Tanzanian
Abdelkabir BENNANI	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
Vincent de BROUWER	**Chairman**	Belgian
Emmanuel Ole NAIKO	Member	Tanzanian
Shakir MERALI (resigned 23 May 2014)	Member	Kenyan
Henry LALOUX	Member	Belgian
Abdelkabir BENNANI	Member	Moroccan

The committee met four times during the year.

iii) Board Risk and Compliance Committee

Name	Position	Nationality
Abdelkabir BENNANI	**Chairman**	Moroccan
Vincent de BROUWER	Member	Belgian
Emmanuel Ole NAIKO	Member	Tanzanian
Henry LALOUX	Member	Belgian
Ben CHRISTIAANSE	Member	Dutch

The committee met four times during the year.

Outside view of BOA in Tanzania Business Centre, in Dar es Salaam.

iv) Board Nomination, Remuneration and HR Committee

Name	Position	Nationality
Ben CHRISTIAANSE	**Chairman**	Dutch
Abdelkabir BENNANI	Member	Moroccan
Vincent de BROUWER	Member	Belgian
Henri LALOUX	Member	Belgian

Capital structure

The Bank's capital structure as at 31 December 2014 is disclosed in notes 4.5 and 30 of these financial statements.

Shareholders of the Bank

The total number of shareholders during the year was 8 (2013: 8 shareholders). None of the Directors of the Bank has an interest in the issued share capital. The shareholding of the Bank during the year is as disclosed in Note 30 of these financial statements.

Outside view of Ilala Branch, in Dar es Salaam.

Management

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

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

Future development plans

Year 2015 is likely to be a challenging year given the uncertainty associated with the general elections, increase in competition, continued volatility in international oil prices, volatility in interest rates and exchange rates and increased in regulatory requirements. The Bank will continue to focus on the areas where it believes to have competitive advantages. The Bank will seek new avenues of growth in Dar es Salaam and up-country regions and invest the sustainable future. The Bank is well positioned to take up the opportunities of a growing and transforming Tanzania marketplace. The Bank's strategy is to serve the full value chain of customers in its operation and to maintain high standards of customer service and cost-effective delivery channels. The Directors intend to continuously increase the Bank's delivery channels and embrace technological advancements in banking thereby taking the services closer to public. Management will also continue to focus on cost control and recoveries.

Key strengths and resources

In light of key strengths and resources at the disposal of the Bank, the Directors believe that the Bank will achieve its objectives as highlighted above under Future Development Plans. Being affiliated to

BANK OF AFRICA Group with presence in 17 countries worldwide, the Bank enjoys considerable technological and intellectual capital. Now ranked among top 10 banks in Tanzania, the Bank will continue to strive to penetrate further into the market. The Bank has well-functioning staff motivational and retention schemes which have resulted in a reliable and committed team of staff.

Solvency

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

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

Risk management and 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 2014 and is of the opinion that they met accepted criteria.

Employee's welfare

Management and Employees' Relationship

The Bank's achievements and financial results in such a challenging market are a testimony to good relationship between employees and management. The Bank continued to enjoy good relationship between employees and management for the year ended 31 December 2014. There were no unresolved complaints received by management from the employees during the year.

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

Outside view of Msimbazi Branch, in Dar es Salaam.

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 2015, the Bank has allocated a sum of TZS 232 million for staff training in order to improve employee's technical skills hence effectiveness (2014: TZS 180 million was spent). Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

Medical Assistance

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

Financial Assistance to Staff

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

Persons with Disabilities

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

Employees Benefit Plan

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

Gender parity

As at 31 December 2014, the Bank had 251 employees, out of whom 105 were female and 146 were male. (2013: 226 employees, 94 were female and 132 were male).

Related party transactions

All related party transactions and balances are disclosed in Note 33 to these financial statements.

Social and environmental policy

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

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

The policy framework commits the Bank to:

- Support business activities that contribute to the protection and improvement of the environment;
- Monitor the effects of 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. Donations made to charitable organizations during the year amounted to TZS 35.3 million (2013: TZS 25 million).

Corporate Social Responsibility (CSR)

BANK OF AFRICA TANZANIA Limited, in its commitment towards supporting its immediate community, engaged in various Corporate Social Responsibility initiatives in the education, health and social sectors:

Education

Book by Book donation campaign

The Bank donated TZS 15 million to go to public schools in Tanzania. This support saw 15 public secondary schools receive books to support teachers and pupils in their quest to increase their performance in national examinations and push education levels higher in the country.

Sponsorship of the "Desk for Every Child" campaign

The Bank participated in the launch of campaign dubbed: "Desk for Every Child". Through this campaign, the Bank pledged to support school desks worth TZS 8,000,000 that will enable hundreds of pupils to sit in desks while at school. The campaign was inaugurated by the Prime Minister of the United Republic of Tanzania.

Participation in the AIESEC Tanzania Career Fair

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

Health

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

As is the annual Bank's tradition, staff members once again celebrated Easter festivities with the children admitted at CCBRT Disability Hospital with club feet, bow legs and other congenital deformities. For the 5^{th} year running, staff from the Bank spent time and had lunch with the children and also distributed various gifts amongst the children.

Social

Sponsorship of Diana Women Empowerment Organization (DIWEO)

The Bank donated TZS 3.8 million to Diana Women Empowerment Organization. The support enabled the organisation to procure mattresses, beds and renovate an orphanage centre in the Tanga region in Tanzania.

Sponsorship of the Francophonie Season in Tanzania

As part of the Bank's annual engagement in supporting cultural integration via maintaining a close relationship with the French community in the country, the Bank, once again, sponsored this year's European Film Festival to the tune of TZS 3.5 million.

Outside view of Mtoni Branch, in Dar es Salaam.

Donation of USD 2,000 to The Ocean Road Cancer Institute

The Bank donated USD 2,000 to support free treatment to cancer patients in Tanzania. The support was done during the walkathon organized by Kunduchi Beach Hotel to raise funds to support the increasing number of patients who do not afford treatments for the cancer disease.

BOA International Marathon of Bamako

The Bank sent two athletes to represent the country in the 6th edition of the BOA International Marathon of Bamako in which Mr Nyonyi Samson RAMADHANI claimed the 1st position and Mr Kaharuzi Oswald REVELIAN the 4th position ensuring success for the Bank.

Auditors

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

By order of the Board

Ambassador Mwanaidi SINARE MAAJAR
Board Chairperson

24th February 2015

Statement of Directors' Responsibilities

Outside view of Tandika Branch, in Dar es Salaam.

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

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

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

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

Ambassador Mwanaidi SINARE MAAJAR
Board Chairperson
24th February 2015

Emmanuel Ole NAIKO
Director

Independent Auditors' Report

To the members of BANK OF AFRICA TANZANIA Limited

Report on the Financial Statements

We have audited the accompanying financial statements of BANK OF AFRICA TANZANIA Limited, set out on pages 37 to 88, which comprise the Statement of Financial Position as at 31 December 2014, and the Statement of Profit or Loss and other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the Financial Statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of financial affairs of the Bank as at 31 December 2014 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

Linda MAKANGE (Relationship Officer, BOA TANZANIA) and Patricia NGUMA (Marketing Manager, BOA TANZANIA) explain the Home Finance product to potential customers as they visit the booth.

Report on other legal requirements

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

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

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

iii) the Bank's Statement of Financial Position (balance sheet) and Statement of Profit and Loss and other Comprehensive Income (profit and loss account) are in agreement with the books of account.

Signed by:

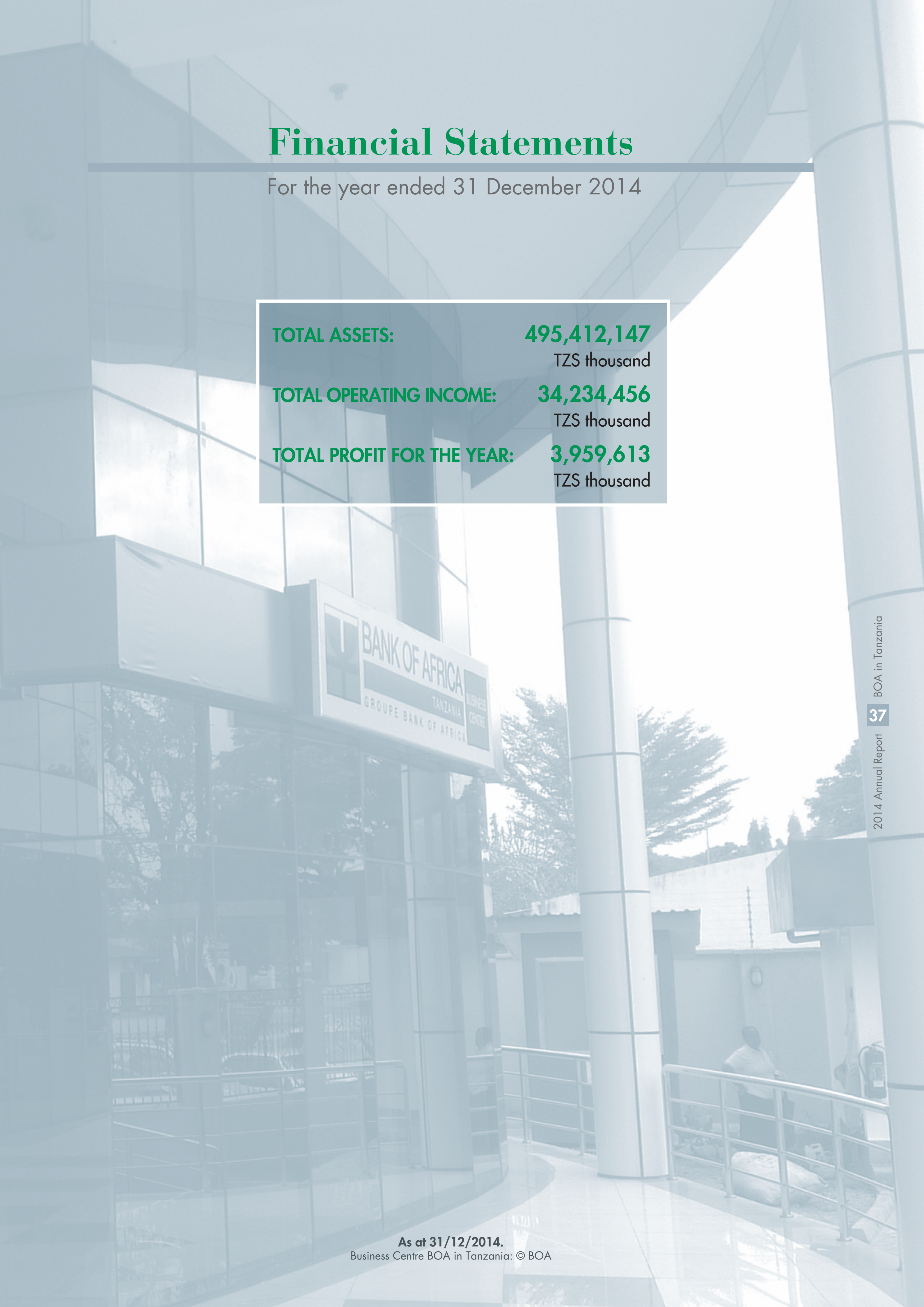
E.A. HARUNANI
Certified Public Accountant (Tanzania)
Dar es Salaam

24th February 2015

Financial Statements

For the year ended 31 December 2014

TOTAL ASSETS:	**495,412,147** TZS thousand
TOTAL OPERATING INCOME:	**34,234,456** TZS thousand
TOTAL PROFIT FOR THE YEAR:	**3,959,613** TZS thousand



As at 31/12/2014.
Business Centre BOA in Tanzania: © BOA

Financial Statements

For the year ended 31 December 2014

Statement of Profit and Loss and other Comprehensive Income

	NOTES	2014	2013
		TZS 000	TZS 000
INTEREST AND SIMILAR INCOME	6	44,023,735	36,772,899
INTEREST AND SIMILAR EXPENSES	7	(22,685,606)	(15,518,821)
NET INTEREST INCOME		**21,338,129**	**21,254,078**
IMPAIRMENT CHARGE ON LOANS AND ADVANCES	8	(2,028,466)	(1,879,573)
NET INTEREST INCOME AFTER LOAN IMPAIRMENT		**19,309,663**	**19,374,505**
FEE AND COMMISSION INCOME	9	12,112,963	10,173,161
FEE AND COMMISSION EXPENSES		(1,558,347)	(1,028,289)
NET FEE AND COMMISSION INCOME		**10,554,616**	**9,144,872**
FOREIGN EXCHANGE INCOME		4,370,177	3,580,095
TOTAL OPERATING INCOME		**34,234,456**	**32,099,472**
OPERATING EXPENSES	10	(28,480,026)	(26,678,009)
PROFIT BEFORE TAX		**5,754,430**	**5,421,463**
INCOME TAX EXPENSE	12 (a)	(1,794,817)	(1,757,498)
PROFIT FOR THE YEAR		**3,959,613**	**3,663,965**
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,959,613**	**3,663,965**

Statement of Financial Position at 31 December 2014

	NOTES	2014	2013
		TZS 000	TZS 000
ASSETS			
CASH AND BALANCES WITH BANK OF TANZANIA	14	68,981,882	54,769,158
BALANCES DUE FROM OTHER BANKS	15	78,789,858	46,276,563
GOVERNMENT SECURITIES HELD-TO-MATURITY	16	57,607,487	78,599,232
LOANS AND ADVANCES TO CUSTOMERS	17	273,309,102	232,430,499
EQUITY INVESTMENT	27	1,020,000	1,020,000
OTHER ASSETS	18	2,881,509	2,407,047
PROPERTY AND EQUIPMENT	19	10,161,942	7,094,034
INTANGIBLE ASSETS	20	1,221,621	1,316,101
CURRENT TAX ASSET	12 (c)	240,226	-
DEFERRED TAX ASSETS	29	1,198,520	1,136,710
TOTAL ASSETS		**495,412,147**	**425,049,344**
LIABILITIES AND EQUITY			
LIABILITIES			
BALANCES DUE TO OTHER BANKS		103,928,574	71,633,734
DEPOSITS FROM CUSTOMERS	21	312,576,637	296,594,796
DERIVATIVE FINANCIAL INSTRUMENTS	28	230,040	965,220
SUBORDINATED DEBTS	22	12,050,428	12,249,720
LONG TERM BORROWINGS	23	7,026,583	3,919,382
OTHER LIABILITIES	24	6,482,747	6,411,353
CURRENT TAX LIABILITIES	12 (c)	-	317,622
TOTAL LIABILITIES		**442,295,009**	**392,091,827**
EQUITY			
SHARE CAPITAL	30	26,920,633	18,981,953
SHARE PREMIUM		12,780,383	4,519,055
RETAINED EARNINGS		11,739,703	8,352,534
REGULATORY RESERVE		1,676,419	1,103,975
TOTAL EQUITY		**53,117,138**	**32,957,517**
TOTAL LIABILITIES AND EQUITY		**495,412,147**	**425,049,344**

The financial statements on pages 37 to 89 were approved and authorised for issue by the Board of Directors on 24th February 2015 and signed on its behalf by:

Ambassador Mwanaidi SINARE MAAJAR
Board Chairperson

Emmanuel Ole NAIKO
Director

Financial Statements

For the year ended 31 December 2014

Statement of Changes in Equity

	SHARE CAPITAL TZS 000	SHARE PREMIUM TZS 000	RETAINED EARNINGS TZS 000	REGULATORY RESERVE TZS 000	TOTAL EQUITY TZS 000
AT 1 JANUARY 2013	**18,981,953**	**4,519,055**	**5,254,097**	**538,447**	**29,293,552**
ISSUE OF NEW SHARES	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	3,663,965	-	3,663,965
TRANSFER TO REGULATORY RESERVE*	-	-	(565,528)	565,528	-
AT 31 DECEMBER 2013	**18,981,953**	**4,519,055**	**8,352,534**	**1,103,975**	**32,957,517**
AT 1 JANUARY 2014	**18,981,953**	**4,519,055**	**8,352,534**	**1,103,975**	**32,957,517**
ISSUE OF NEW SHARES	7,938,680	8,261,328	-	-	16,200,008
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	3,959,613	-	3,959,613
TRANSFER TO REGULATORY RESERVE*	-	-	(572,444)	572,444	-
AT 31 DECEMBER 2014	**26,920,633**	**12,780,383**	**11,739,703**	**1,676,419**	**53,117,138**

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

Statement of Cash Flows

	NOTES	2014	2013
		TZS 000	TZS 000
CASH FLOWS FROM OPERATING ACTIVITIES			
INTEREST RECEIVED	25	42,513,685	36,884,253
INTEREST PAID	26	(23,259,448)	(13,882,120)
FEES AND COMMISSION RECEIVED		12,112,963	10,173,161
FEES AND COMMISSION PAID		(1,558,347)	(1,028,289)
RECOVERY OF LOANS PREVIOUSLY WRITTEN OFF		464,487	63,049
FOREIGN EXCHANGE INCOME RECEIVED		4,370,177	3,580,095
CASH PAYMENT TO EMPLOYEES AND SUPPLIERS		(32,119,613)	(23,770,577)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**2,523,904**	**12,019,572**
(INCREASE)/DECREASE IN OPERATING ASSETS			
GOVERNMENT SECURITIES HELD-TO-MATURITY		20,991,745	(38,323,370)
LOANS AND ADVANCES TO CUSTOMERS		(40,219,837)	(34,181,960)
DERIVATIVE FINANCIAL INSTRUMENTS	28	735,180	965,220
STATUTORY MINIMUM RESERVE		2,920,000	(277,300)
OTHER ASSETS		(474,462)	(105,538)
INCREASE/(DECREASE) IN OPERATING LIABILITIES			
BALANCES DUE TO OTHER BANKS		35,081,725	41,175,098
DEPOSITS FROM CUSTOMERS		16,876,000	27,597,795
OTHER LIABILITIES		71,394	1,304,796
NET CASH FROM OPERATING ACTIVITIES BEFORE INCOME TAX		**38,505,649**	**10,174,313**
INCOME TAX PAID		(2,414,475)	(1,554,758)
NET CASH FROM OPERATING ACTIVITIES		**36,091,174**	**8,619,555**
CASH FLOW FROM INVESTING ACTIVITIES			
INVESTMENT IN EQUITY SECURITIES		-	(20,000)
PAYMENTS FOR PROPERTY AND EQUIPMENT	19	(4,976,178)	(3,945,351)
PAYMENTS FOR INTANGIBLE ASSETS	20	(267,751)	(344,474)
PROCEEDS FROM DISPOSAL OF PROPERTY AND EQUIPMENT		1,022	4,260
NET CASH USED IN INVESTING ACTIVITIES		**(5,242,907)**	**(4,305,565)**
CASH FLOW FROM FINANCING ACTIVITIES			
REPAYMENT OF SUBORDINATED DEBTS		(1,385,456)	(1,265,472)
PROCEEDS FROM ISSUE OF SHARES		16,200,008	-
PROCEEDS FROM LONG TERM BORROWINGS		3,000,000	3,974,746
NET CASH FROM FINANCING ACTIVITIES		**17,814,552**	**2,709,274**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**48,662,819**	**7,023,264**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		74,186,085	67,162,821
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**31**	**122,848,904**	**74,186,085**

Notes to the Financial Statements

For the year ended 31 December 2014

1. General information

BANK OF AFRICA TANZANIA Limited (the "Bank") is a limited liability company incorporated in the United Republic of Tanzania under the Companies Act, 2002, and regulated by the Bank of Tanzania under the Banking and Financial Institutions Act, 2006. The details of the address of its registered office and principal place of business are disclosed on page 22 whilst its principal activities are described in the Report of the Directors.

2. Adoption of new and revised international financial reporting standards

a) New standards and amendments to published standards effective for the year ended 31 December 2014

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

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

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

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement
- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).

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

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

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

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

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

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

The application of these amendments to IAS 36 did not have impact on the Bank's financial statements as the Bank did not have any potentially impaired non-financial assets.

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

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

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

The application of these amendments to IAS 39 did not have impact on the Bank's financial statements as the Bank did not have hedging derivatives.

IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

The application of the interpretation did not have a significant impact on the Bank's financial statements as the Bank was already compliant with the requirements.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2014

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

NEW AND AMENDMENTS TO STANDARDS	EFFECTIVE FOR ACCOUNTING PERIODS BEGINNING ON OR AFTER
IFRS 9, FINANCIAL INSTRUMENTS	1 JANUARY 2018
IFRS 14, REGULATORY DEFERRAL ACCOUNTS	1 JANUARY 2016
IFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS	1 JANUARY 2017
DEFINED BENEFIT PLANS: EMPLOYEE CONTRIBUTIONS (AMENDMENTS TO IAS 19)	1 JULY 2014
ANNUAL IMPROVEMENTS 2010-2012 CYCLE	1 JULY 2014
ANNUAL IMPROVEMENTS 2011-2013 CYCLE	1 JULY 2014
ACCOUNTING FOR ACQUISITIONS OF INTERESTS IN JOINT OPERATIONS (AMENDMENTS TO IFRS 11)	1 JANUARY 2016
CLARIFICATION OF ACCEPTABLE METHODS OF DEPRECIATION AND AMORTISATION (AMENDMENTS TO IAS 16 AND IAS 38)	1 JANUARY 2016
AGRICULTURE: BEARER PLANTS (AMENDMENTS TO IAS 16 AND IAS 41)	1 JANUARY 2016
EQUITY METHOD IN SEPARATE FINANCIAL STATEMENTS (AMENDMENTS TO IAS 27)	1 JANUARY 2016
SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE (AMENDMENTS TO IFRS 10 AND IAS 28)	1 JANUARY 2016

c) Impact of new and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2014

IFRS 9 Financial Instruments (2014)

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

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

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

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

IFRS 14 Regulatory Deferral Accounts

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

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

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

IFRS 15 Revenue from Contracts with Customers

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

The five steps in the model are as follows:
- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

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

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

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

The amendments are effective for accounting periods beginning on or after 1 January 2014.

The Directors of the Bank do not anticipate that the application of these amendments to IAS 39 will have a significant impact on the Bank's financial statements as the Bank does not have any hedges.

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

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

The amendments are effective for accounting periods beginning on or after 1 July 2014.

The Directors of the Bank do not anticipate that the application of these amendments to IAS 19 will have a significant impact on the Bank's financial statements as the Bank does not have defined benefit plans.

Annual Improvements 2010-2012 Cycle

The annual improvements 2010-2012 Cycle makes amendments to the following standards:

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

These IFRS improvements are effective for accounting periods beginning on or after 1 July 2014.

The Directors of the Bank do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Bank's financial statements.

Annual Improvements 2011-2013 Cycle

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

These IFRS improvements are effective for accounting periods beginning on or after 1 July 2014.

The Directors of the Bank do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Bank's financial statements.

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

Amendments to IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:
• apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
• disclose the information required by IFRS 3 and other IFRSs for business combinations.

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

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

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

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

These amend IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:
• clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.
• introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
• add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

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

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

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

These amend IAS 16 Property, Plant and Equipment and IAS 41 Agriculture to:
• include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16
• introduce a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales
• clarify that produce growing on bearer plants remains within the scope of IAS 41.

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

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

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

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

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

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

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

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows:
• require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations)
• require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.

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

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

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

d) Early adoption of standards

The Bank did not early-adopt any new or amended standards in the year ended 31 December 2014.

3. Summary of significant accounting policies

Statement of compliance

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

Basis of preparation

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

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

(a) Interest income and expense

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

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

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

(b) Fees and commission income

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(d) Financial assets (excluding derivatives)

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables are initially recognised at fair value which is the cash consideration to or purchase the loan including any transaction costs and measured subsequently at amortised cost using the effective interest method. Loans and advances to customers and balance due from other banks fall under this classification.

(ii) Held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that Directors have the positive intention and ability to hold to maturity. Where the Bank has to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available-for-sale.

(iii) Available-for-sale

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

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

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income, except for impairment losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement comprehensive income is recognised in the statement of profit or loss and other comprehensive income.

Recognition and measurement of financial assets

Initial recognition

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

Subsequent measurement

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

(e) Impairment of financial assets

Assets carried at amortised cost

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

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

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

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

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

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

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

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

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

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

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

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

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

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

Assets classified as available-for-sale

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

(f) Financial liabilities

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

Liabilities measured at amortised cost

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

(g) Classes of financial instruments

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

FINANCIAL ASSETS	CATEGORY
CASH AND BALANCES WITH BANK OF TANZANIA	LOANS AND RECEIVABLES
BALANCES DUE FROM OTHER BANKS	LOANS AND RECEIVABLES
GOVERNMENT SECURITIES HELD-TO-MATURITY	HELD-TO-MATURITY
LOANS AND ADVANCES TO CUSTOMERS	LOANS AND RECEIVABLES
OTHER ASSETS EXCLUDING PREPAYMENTS	LOANS AND RECEIVABLES
EQUITY INVESTMENT	AVAILABLE-FOR-SALE

FINANCIAL LIABILITIES	
BALANCES DUE TO OTHER BANKS	FINANCIAL LIABILITIES AT AMORTIZED COST
DEPOSITS FROM CUSTOMERS	FINANCIAL LIABILITIES AT AMORTIZED COST
DERIVATIVE FINANCIAL INSTRUMENTS	FINANCIAL LIABILITIES AT FAIR VALUE
SUBORDINATED DEBTS	FINANCIAL LIABILITIES AT AMORTIZED COST
LONG TERM BORROWINGS	FINANCIAL LIABILITIES AT AMORTIZED COST
OTHER LIABILITIES	FINANCIAL LIABILITIES AT AMORTIZED COST

(h) Derivative financial instruments

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

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

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

(i) Income tax

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

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

(j) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(k) Property and equipment

Property and equipment are stated at historical cost less depreciation and accumulated impairment loss, if any. Depreciation is provided on the straight line basis so as to write down the cost of assets to their residual values over their useful economic lives, at the following annual rates:

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

The cost of land 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 other operating expenses in profit or loss.

(l) Intangible assets

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

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

(m) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets were impaired at the end of the reporting period.

(n) Cash and cash equivalents

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

(o) Employee benefits

The Bank and its employees contribute to the National Social Security Fund (NSSF) and PPF Pension Fund (PPF), which are statutory defined contribution schemes. Employees contribute 10% of their monthly emoluments while the Bank contributes 10% to the schemes. A defined contribution scheme is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. The Bank's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

(p) Offsetting of financial assets and financial liabilities

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

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(q) Acceptances and letters of credit

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

(r) Share capital

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

(s) Operating leases

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

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

4. Financial risk management objectives

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

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

4.1. Credit risk

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

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

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

4.1.1. Credit risk management

Loans and advances

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

Bank's internal ratings scale

BANK'S RATING	DESCRIPTION OF THE GRADE
1	CURRENT
2	ESPECIALLY MENTIONED
3	SUBSTANDARD
4	DOUBTFUL
5	LOSS

4.1.2. Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified and in particular, to individual counterparties and groups, and to industries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product and industry sector are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. The following are ways the Bank use to mitigate the credit risks.

(i) Collateral

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

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

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

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

(ii) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loans.

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

4.1.3. Impairment and provisioning policies

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

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

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

	2014		2013	
	LOANS AND ADVANCES (%)	IMPAIRMENT PROVISION (%)	LOANS AND ADVANCES	IMPAIRMENT PROVISION (%)
CURRENT	96.05	0.22	97.31	0.22
ESPECIALLY MENTIONED	0.67	0.22	0.04	0.22
SUBSTANDARD	1.17	27.86	0.24	11.43
DOUBTFUL	0.34	30.32	0.49	66.65
LOSS	1.76	33.91	1.92	49.28
TOTAL	**100.00**	**1.24**	**100.00**	**1.51**

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

62% of the maximum exposure is derived from loans and advances to customers (2013: 56%); 13% represents investments in government securities (2013: 19%). Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and advances portfolio and investment securities based on the following:

- 96.72% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2013: 97.35%);
- 96.05% of the loans and advances portfolio are considered to be neither past due nor impaired (2013: 97.31%);
- The Bank is maintaining Risk Prevention Unit under Head of Business Development to monitor credit portfolio on daily basis; and
- No credit risk is considered on investment in Government Treasury bills and bonds.

4.1.5. Loans and advances – age analysis

Loans and advances are categorised as follows:

	2014		2013	
	LOANS AND ADVANCES TO CUSTOMERS TZS 000	BALANCE DUE FROM OTHER BANKS TZS 000	LOANS AND ADVANCES TO CUSTOMERS TZS 000	BALANCE DUE FROM OTHER BANKS TZS 000
NEITHER PAST DUE NOR IMPAIRED	265,818,479	78,789,858	229,670,459	46,276,563
PAST DUE BUT NOT IMPAIRED	1,853,961	-	84,968	-
IMPAIRED	9,070,421	-	6,240,748	-
GROSS	**276,742,861**	**78,789,858**	**235,996,175**	**46,276,563**
LESS: ALLOWANCE FOR IMPAIRMENT	(3,433,759)	-	(3,565,676)	-
NET OF IMPAIRMENT	**273,309,102**	**78,789,858**	**232,430,499**	**46,276,563**
PORTFOLIO ALLOWANCE	588,189	-	500,935	-
INDIVIDUALLY IMPAIRED	2,845,570	-	3,064,741	-
TOTAL	**3,433,759**	**-**	**3,565,676**	**-**

At the end of the reporting period, the total impairment provision for loans and advances was TZS 3,434 million (2013: TZS 3,566 million). Further information of the impairment allowance for loans and advances to customers is provided in Note 17.

At 31 December 2014, the Bank's total loans and advances to customers had increased by 17.3% as a result of the expansion of the lending business. When entering into new markets or new industries, in order to categorise the potential increase of credit risk exposure, the Bank focuses more on the business with corporate clients or banks with good credit rating or retail customers providing sufficient collateral.

(a) Loans and advances neither past due nor impaired

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

	LOANS AND ADVANCES TO CUSTOMERS					LOANS & ADVANCES TO BANKS
	INDIVIDUAL (RETAIL)		CORPORATE ENTITIES		TOTAL	
	OVERDRAFT	TERM LOANS	CORPORATE CUSTOMERS	SMEs		
31 DECEMBER 2014						
CURRENT	1,246,638	24,079,534	198,294,904	42,197,403	265,818,479	78,789,858
31 DECEMBER 2013						
CURRENT	7,366,685	22,416,114	160,179,124	39,708,536	229,670,459	46,276,563

(b) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class that were past due but not impaired were as follows: (Amounts are in TZS 000).

	INDIVIDUAL (RETAIL CUSTOMERS)		CORPORATE ENTITIES		
	OVERDRAFT	TERM LOANS	CORPORATE CUSTOMERS	SMEs	TOTAL
31 DECEMBER 2014					
LESS THAN 90 DAYS	-	-	1,791,667	62,294	1,853,961
31 DECEMBER 2013					
LESS THAN 90 DAYS	-	84,968	-	-	84,968

(c) Loans and advances individually impaired

(i) Loans and advances to customers

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is TZS 9,070 million (2013: TZS 6,241 million). The breakdown of the gross amount of individually impaired loans and advances by class, are as follows: (Amounts are in TZS 000).

	INDIVIDUAL (RETAIL CUSTOMERS)		CORPORATE ENTITIES		
	OVERDRAFT	TERM LOANS	CORPORATE CUSTOMERS	SMEs	TOTAL
31 DECEMBER 2014					
INDIVIDUALLY IMPAIRED LOANS	589,418	766,526	2,503,501	5,210,976	9,070,421
31 DECEMBER 2013					
INDIVIDUALLY IMPAIRED LOANS	418,773	215,796	2,408,615	3,197,564	6,240,748

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

(ii) Balance due from other banks

The total gross amount of individually impaired balance due from other banks as at 31 December 2014 was nil (2013: nil). No collateral is held by the Bank against balance due from other banks.

4.1.6. Debt securities, Treasury bills and other eligible bills

The only investment securities held by the Bank are Treasury bills and bonds issued by the Government of the United Republic of Tanzania.

4.1.7. Repossessed collateral

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

NATURE OF ASSETS	CARRYING AMOUNTS	
	2014	2013
	TZS 000	TZS 000
RESIDENTIAL PROPERTY	398,000	812,000
COMMERCIAL PROPERTY	210,000	-
MOTOR VEHICLE	500,000	-
TOTAL	**1,108,000**	**812,000**

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

4.1.8. Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts (without taking into account any collateral held or other credit support), as categorised by geographical region as of 31 December 2014.

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

2014

	TANZANIA	EUROPE	AMERICA	OTHERS	TOTAL
BALANCE DUE FROM OTHER BANKS	33,356,541	5,065,464	4,632,807	35,735,046	78,789,858
GOVERNMENT SECURITIES HELD-TO-MATURITY	57,607,487	-	-	-	57,607,487
EQUITY INVESTMENT	1,020,000	-	-	-	1,020,000
LOANS AND ADVANCES TO CUSTOMERS					
TO INDIVIDUALS:					
- OVERDRAFT	1,599,534	-	-	-	1,599,534
- TERM LOANS	24,469,197	-	-	-	24,469,197
TO CORPORATE ENTITIES:					
- CORPORATE CUSTOMERS	201,426,925	-	-	-	201,426,925
- SMEs	45,813,446	-	-	-	45,813,446
OTHER ASSETS: (EXCLUDING PREPAYMENTS AND STATIONERIES)	979,241	-	-	-	979,241
AS AT 31 DECEMBER 2014	**366,272,371**	**5,065,464**	**4,632,807**	**35,735,046**	**411,705,688**

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

2014

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

2013

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

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

2013

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

(b) Industry sectors

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

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

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

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

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

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

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

4.2. Market risk

The Bank takes on exposure to market risks. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rates and foreign currencies, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Board of Directors and Heads of Department. Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities.

4.2.1. Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

At 31 December 2014, 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 348 million (2013: TZS 768 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 2014, 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 10 million (2013: TZS 7 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 2014, 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 248 million (2013: TZS 99 million) lower/higher mainly as a result of foreign exchange gains/losses on translation of for Euro denominated financial assets and liabilities respectively.

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

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2014 and 2013. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

AT 31 DECEMBER 2014 (AMOUNTS IN TZS 000)	TZS	USD	EURO	GBP	ZAR	KES	UGX	TOTAL
ASSETS								
CASH AND BALANCE WITH BANK OF TANZANIA	49,913,919	16,622,826	2,362,878	109,145	-	(28,224)	1,338	68,981,882
BALANCE DUE FROM OTHER BANKS	31,496,049	36,677,677	10,293,870	271,774	4,218	47,539	(1,269)	78,789,858
GOVERNMENT SECURITIES HELD-TO-MATURITY	57,607,487	-	-	-	-	-	-	57,607,487
EQUITY INVESTMENT	1,020,000,	-	-	-	-	-	-	1,020,000
LOANS AND ADVANCES TO CUSTOMERS	118,703,131	154,605,971	-	-	-	-	-	273,309,102
OTHER ASSETS (EXCLUDING PREPAYMENTS & STATIONERIES)	979,241	-	-	-	-	-	-	979,241
TOTAL FINANCIAL ASSETS	**259,719,827**	**207,906,474**	**12,656,748**	**380,919**	**4,218**	**19,315**	**69**	**480,687,570**

AT 31 DECEMBER 2014 (AMOUNTS IN TZS 000)	TZS	USD	EURO	GBP	ZAR	KES	UGX	TOTAL
LIABILITIES								
BALANCE DUE TO OTHER BANKS	953,109	101,503,978	1,471,487	-	-	-	-	103,928,574
DEPOSITS FROM CUSTOMERS	193,611,349	101,731,383	17,137,825	96,080	-	-	-	312,576,637
DERIVATIVE FINANCIAL INSTRUMENTS	-	230,040	-	-	-	-	-	230,040
SUBORDINATED DEBTS	-	12,050,428	-	-	-	-	-	12,050,428
LONG TERM BORROWINGS	5,778,331	1,248,252	-	-	-	-	-	7,026,583
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	1,999,226	1,076,888	1,136,552	-	-	-	-	4,212,666
TOTAL FINANCIAL LIABILITIES	**202,342,015**	**217,840,969**	**19,745,864**	**96,080**	**-**	**-**	**-**	**440,024,928**
NET ON BALANCE SHEET FINANCIAL POSITION	**57,377,812**	**(9,934,495)**	**(7,089,116)**	**284,839**	**4,218**	**19,315**	**69**	**40,662,642**
CREDIT COMMITMENTS	**12,366,552**	**7,792,692**	**-**	**-**	**-**	**-**	**-**	**20,159,243**

AT 31 DECEMBER 2013 (AMOUNTS IN TZS 000)	TZS	USD	EURO	GBP	ZAR	KES	UGX	TOTAL
ASSETS								
CASH AND BALANCE WITH BANK OF TANZANIA	45,725,412	7,796,515	1,153,545	93,686	-	-	-	54,796,158
BALANCES DUE FROM OTHER BANKS	4,254,548	25,111,897	17,035,200	(123,852)	1,741	(2,472)	(499)	46,276,563
GOVERNMENT SECURITIES HELD-TO-MATURITY	78,599,232	-	-	-	-	-	-	78,599,232
EQUITY INVESTMENT	1,020,000,	-	-	-	-	-	-	1,020,000
LOANS AND ADVANCES TO CUSTOMERS	105,647,767	126,770,101	12,506	125	-	-	-	232,430,499
OTHER ASSETS (EXCLUDING PREPAYMENTS AND INVENTORIES)	629,771	-	-	-	-	-	-	629,771
TOTAL FINANCIAL ASSETS	**235,876,730**	**159,678,513**	**18,201,251**	**(30,041)**	**1,741**	**(2,472)**	**(499)**	**413,725,223**
LIABILITIES								
BALANCES DUE TO OTHER BANKS	3,336,567	68,297,167	-	-	-	-	-	71,633,734
DEPOSITS FROM CUSTOMERS	176,343,456	99,813,345	20,279,031	158,964	-	-	-	296,594,796
DERIVATIVE FINANCIAL INSTRUMENTS	-	965,220	-	-	-	-	-	965,220
SUBORDINATED DEBTS	-	12,249,720	-	-	-	-	-	12,249,720
LONG TERM BORROWINGS	3,919,382	-	-	-	-	-	-	3,919,382
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	2,250,636	317,322	776,998	-	-	-	-	3,344,956
TOTAL FINANCIAL LIABILITIES	**185,850,041**	**181,642,774**	**21,056,029**	**158,964**	**-**	**-**	**-**	**388,707,808**
NET ON BALANCE SHEET FINANCIAL POSITION	**50,026,689**	**(21,964,261)**	**(2,854,778)**	**(189,005)**	**1,741**	**(2,472)**	**(499)**	**25,017,415**
CREDIT COMMITMENTS	**10,611,168**	**5,797,866**	**-**	**-**	**-**	**-**	**-**	**16,409,034**

4.2.2. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. The table below summarises the Bank's exposure to interest rate risk. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear any interest rate risk on off balance sheet items. (Amounts are in TZS 000).

AS AT 31 DECEMBER 2014

	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	-	-	-	-	-	68,981,882	68,981,882
BALANCES DUE FROM OTHER BANKS	28,027,325	24,191,458	5,460,190	6,769,463	-	14,341,422	78,789,858
GOVERNMENT SECURITIES HELD-TO-MATURITY	3,679,311	5,831,507	21,114,894	19,115,238	7,866,537	-	57,607,487
EQUITY INVESTMENT	-	-	-	-	-	1,020,000	1,020,000
LOANS AND ADVANCES TO CUSTOMERS	244,205,615	12,721,285	16,382,202	-	-	-	273,309,102
OTHER ASSETS (EXCLUDING PREPAYMENTS & INVENTORIES)	-	-	-	-	-	979,241	979,241
TOTAL FINANCIAL ASSETS	**275,912,251**	**42,744,250**	**42,957,286**	**25,884,701**	**7,866,537**	**85,322,545**	**480,687,570**
LIABILITIES							
BALANCE DUE TO OTHER BANKS	30,303,518	53,859,602	18,357,292	865,910	-	542,252	103,928,574
DEPOSITS FROM CUSTOMERS	94,713,914	20,556,493	48,251,700	5,195,460	-	143,859,070	312,576,637
SUBORDINATED DEBTS	-	-	-	11,949,558	-	100,870	12,050,428
LONG TERM BORROWINGS	-	-	-	6,988,251	-	38,332	7,026,583
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	230,040	-	-	-	230,040
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	-	-	-	-	-	4,212,666	4,212,666
TOTAL FINANCIAL LIABILITIES	**125,017,432**	**74,416,095**	**66,839,032**	**24,999,179**	**-**	**148,753,190**	**440,024,928**
TOTAL INTEREST SENSITIVITY GAP	**150,894,819**	**(31,671,845)**	**(23,881,746)**	**885,522**	**7,866,537**	**-**	**-**

AS AT 31 DECEMBER 2013

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	NON INTEREST BEARING	TOTAL
ASSETS						
CASH AND BALANCES WITH BANK OF TANZANIA	-	-	-	-	54,769,158	54,769,158
BALANCES DUE FROM OTHER BANKS	21,870,818	11,204,051	-	1,158,300	12,043,394	46,276,563
GOVERNMENT SECURITIES HELD-TO-MATURITY	2,893,542	14,590,713	52,325,869	8,789,108	-	78,599,232
EQUITY INVESTMENT	-	-	-		1,020,000	1,020,000
LOANS AND ADVANCES TO CUSTOMERS	210,225,469	10,855,030	11,350,000	-	-	232,430,499
OTHER ASSETS (EXCLUDING PREPAYMENTS & INVENTORIES)	-	-	-	-	629,771	629,771
TOTAL FINANCIAL ASSETS	**234,989,829**	**36,649,794**	**63,675,869**	**9,947,408**	**68,462,323**	**413,725,223**
LIABILITIES						
BALANCES DUE TO OTHER BANKS	18,262,008	29,422,224	23,689,234	-	260,268	71,633,734
DEPOSITS FROM CUSTOMERS	47,708,296	16,430,369	60,996,900	-	171,459,231	296,594,796
SUBORDINATED DEBTS	-	-	-	12,180,168	69,552	12,249,720
LONG TERM BORROWINGS	-	-	-	3,919,382	-	3,919,382
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	965,220	-	-	965,220
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	-	-	-	-	3,344,956	3,344,956
TOTAL FINANCIAL LIABILITIES	**65,970,304**	**45,852,593**	**85,651,354**	**16,099,550**	**175,134,007**	**388,707,808**
TOTAL INTEREST SENSITIVITY GAP	**169,019,525**	**(9,202,799)**	**(21,975,485)**	**(6,152,142)**	**-**	**-**

The table below summarises a range of effective interest rates by major currencies for monetary financial instruments for the year ended 31 December 2014 and 2013:

	2014		2013	
	TZS	USD	TZS	USD
ASSETS				
LOANS AND ADVANCES TO CUSTOMERS	12% - 27%	6.5% - 13%	12% - 27%	6.5% - 13%
LOANS AND ADVANCES TO BANKS	6% - 15%	2% - 4%	6% - 15%	2% - 4%
GOVERMENT SECURITIES	8% - 11%	-	9% - 10%	-
LIABILITIES				
DEPOSITS FROM CUSTOMERS	3.5% - 17%	0.5% - 3.5%	3.5% - 17%	0.5% - 3.5%
BALANCES DUE TO OTHER BANKS	5%-14%	2% - 0.4%	5%-14%	2% - 0.4%
SUBORDINATED DEBTS	-	6% - 6.5%	-	6% - 6.5%
LONG TERM BORROWINGS	11.5%	2.5%	11.5%	2.5%
DERIVATIVE FINANCIAL INSTRUMENTS	11.1% - 14.5%	0.6% - 1.5%	11.1% - 14.5%	0.6% - 1.5%

At 31 December 2014, 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 93 million (2013: TZS 12 million) lower/higher, mainly as a result of fluctuations in interest income and interest expense.

At 31 December 2014, 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 168 million (2013: TZS 176 million) lower/higher, mainly as a result of fluctuations in interest income and interest expense. The exposure to interest rates fluctuations on assets and liabilities denominated in currencies other than USD is minimal.

4.3. Liquidity risk

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

4.3.1. Liquidity risk management process

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

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

4.3.2. Funding approach

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

4.3.3. Non-derivative cash flows

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

	UP TO 1 MONTH	1-3 MONTHS	3-12 MONTHS	1-5 YEARS	OVER 5 YEARS	TOTAL
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
AT 31 DECEMBER 2014						
LIABILITIES						
BALANCES DUE TO OTHER BANKS	30,480,770	54,375,737	18,703,223	-	-	103,559,730
DEPOSITS FROM CUSTOMERS	238,703,444	21,005,031	50,937,217	5,331,119	-	315,976,811
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	230,040	-	-	230,040
SUBORDINATED DEBTS	-	100,870	3,501,307	9,376,939	-	12,979,116
LONG TERM BORROWINGS	-	-	661,250	9,102,174	-	9,763,424
OTHER LIABILITIES	4,212,666	-	-	-	-	4,212,666
TOTAL LIABILITIES (CONTRACTUAL MATURITY DATES)	**273,396,880**	**75,481,638**	**74,033,037**	**23,810,232**	**-**	**446,721,787**
TOTAL ASSETS (EXPECTED MATURITY DATES)	**346,216,928**	**43,529,403**	**50,352,472**	**82,042,820**	**28,326,783**	**550,468,406**
AT 31 DECEMBER 2013						
LIABILITIES						
BALANCES DUE TO OTHER BANKS	18,271,838	29,541,971	24,231,344	-	-	72,045,153
DEPOSITS FROM CUSTOMERS	219,201,432	16,647,951	64,747,125	-	-	300,596,508
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	965,220	-	-	965,220
SUBORDINATED DEBTS	-	-	1,883,181	11,762,958	-	13,646,139
LONG TERM BORROWINGS	-	-	345,910	4,627,569	-	4,973,479
OTHER LIABILITIES	**3,344,956**	-	-	-	-	3,344,956
TOTAL LIABILITIES (CONTRACTUAL MATURITY DATES)	**240,818,226**	**46,189,922**	**92,172,780**	**16,390,527**	**-**	**395,571,455**
TOTAL ASSETS (EXPECTED MATURITY DATES)	**303,700,834**	**38,388,847**	**75,895,849**	**60,460,043**	**8,848,757**	**487,294,330**

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

4.4. Fair values of financial assets and liabilities

The fair value of government securities held-to-maturity at 31 December 2014 is estimated at TZS 51,870 million (2013: TZS 72,657 million) compared to their carrying values of TZS 57,607 million (2013: 78,599 million). Fair values are based on the last auction for Treasury bills and bonds that was held at 31 December 2014. The fair values of the Bank's other financial assets such as loans and advances to customers and financial liabilities such as deposits and interbank borrowings approximate the respective carrying amounts due to the generally short periods to maturity dates.

Deposits from banks and customers

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

Subordinated debts

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

Fair value hierarchy

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

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

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy set out below as at 31 December 2014 and 2013:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	TZS 000	TZS 000	TZS 000	TZS 000
AT 31 DECEMBER 2014				
EQUITY INVESTMENT	-	1,020,000	-	1,020,000
DERIVATIVE FINANCIAL INSTRUMENTS	-	(230,040)	-	(230,040)
AT 31 DECEMBER 2013				
EQUITY INVESTMENT	-	1,020,000	-	1,020,000
DERIVATIVE FINANCIAL INSTRUMENTS	-	(965,220)	-	(965,220)

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

The table below analyses the fair value hierarchy the Bank's financial assets and liabilities (by class) not measured at fair value at 31 December 2014.

		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
		TZS 000	TZS 000	TZS 000	TZS 000
ASSETS					
	CASH AND BALANCE WITH BANK OF TANZANIA	68,981,882	-	-	68,981,882
	BALANCE DUE FROM OTHER BANKS	78,789,858	-	-	78,789,858
	GOVERNMENT SECURITIES HELD-TO-MATURITY	-	57,607,487	-	57,607,487
	LOANS AND ADVANCES TO CUSTOMERS	-	273,309,102	-	273,309,102
	OTHER ASSETS (EXCLUDING PREPAYMENTS & STATIONERIES)	-	979,241	-	979,241
TOTAL		**147,771,740**	**331,895,830**	**-**	**479,667,570**
LIABILITIES					
	BALANCE DUE TO OTHER BANKS	-	103,928,574	-	103,928,574
	DEPOSITS FROM CUSTOMERS	-	312,576,637	-	312,576,637
	SUBORDINATED DEBTS	-	12,050,428	-	12,050,428
	LONG TERM BORROWINGS	-	7,026,583	-	7,026,583
	OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	-	4,212,666	-	4,212,666
TOTAL		**-**	**439,794,888**	**-**	**439,794,888**

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

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

		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
ASSETS					
	CASH AND BALANCE WITH BANK OF TANZANIA	54,796,158	-	-	54,796,158
	BALANCE DUE FROM OTHER BANKS	46,276,563	-	-	46,276,563
	GOVERNMENT SECURITIES HELD-TO-MATURITY	-	78,599,232	-	78,599,232
	LOANS AND ADVANCES TO CUSTOMERS	-	232,430,499	-	232,430,499
	OTHER ASSETS (EXCLUDING PREPAYMENTS & STATIONERIES)	-	629,771	-	629,771
TOTAL		**101,072,721**	**311,659,502**	**-**	**412,732,223**
LIABILITIES					
	BALANCE DUE TO OTHER BANKS	-	71,633,734	-	71,633,734
	DEPOSITS FROM CUSTOMERS	-	296,594,796	-	296,594,796
	SUBORDINATED DEBTS	-	12,249,720	-	12,249,720
	LONG TERM BORROWINGS	-	3,919,382	-	3,919,382
	OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	-	3,344,956	-	3,344,956
TOTAL		**-**	**387,742,588**	**-**	**387,742,588**

4.5. Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of statement of financial position, are:
• To comply with the capital requirements set by the regulator;
• To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
• To maintain a strong capital base to support the development of its business.

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

The Bank of Tanzania (BoT) requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of TZS 15 billion, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 12%. The Bank's regulatory capital as managed by its Treasury Department and Finance Department is divided into two tiers:

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

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

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2014 and year ended 31 December 2013.

	2014	2013
TIER 1 CAPITAL	**TZS 000**	**TZS 000**
SHARE CAPITAL	26,920,633	18,981,953
RETAINED EARNINGS	11,739,703	8,352,534
SHARE PREMIUM	12,780,383	4,519,055
LESS: DEFERRED TAX ASSET	(1,198,520)	(1,136,710)
LESS: INTANGIBLE ASSETS	(1,221,621)	(1,316,101)
LESS: PREPAID EXPENSES	(1,792,940)	(1,542,305)
TOTAL QUALIFYING TIER 1 CAPITAL	**47,227,638**	**27,858,426**
TIER 2 CAPITAL		
SUBORDINATED DEBTS*	5,854,348	4,518,123
TOTAL REGULATORY CAPITAL	**53,081,986**	**32,376,549**

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

	2014	2013
	TZS 000	TZS 000
RISK-WEIGHTED ASSETS		
ON-BALANCE SHEET	257,121,048	201,725,411
OFF-BALANCE SHEET	35,584,366	24,119,765
MARKET RISK	12,006	60,977
TOTAL RISK-WEIGHTED ASSETS	**292,717,420**	**225,906,153**

	REQUIRED RATIO	BANK'S RATIO	BANK'S RATIO
	2014	2014	2013
	%	%	%
TIER 1 CAPITAL	10	16.1	12.3
TIER 1 + TIER 2 CAPITAL	12	18.1	14.3

5. Critical accounting judgment and sources of estimation uncertainty

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

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

a) Impairment losses on loans and advances

The Bank reviews its loan portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recognized in profit or loss, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b) Held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. If all held-to-maturity investments were to be reclassified as at 31 December 2014 the carrying value would increase by TZS billion in the fair value reserve account in shareholders' equity.

c) Taxes

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

d) Property and equipment

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

6. Interest and similar income

	2014	2013
	TZS 000	TZS 000
LOANS AND ADVANCES TO CUSTOMERS	31,484,099	27,894,182
GOVERNMENT SECURITIES HELD-TO-MATURITY	10,177,311	7,457,398
BALANCES DUE FROM OTHER BANKS	2,362,325	1,421,319
TOTAL	**44,023,735**	**36,772,899**

7. Interest and similar expenses

	2014	2013
	TZS 000	TZS 000
DEPOSITS FROM OTHER BANKS	3,672,304	1,737,664
DEPOSITS FROM CUSTOMERS	12,327,709	12,420,782
SUBORDINATED LOANS	646,235	697,494
DISCOUNT ON DERIVATIVES	6,039,358	662,881
TOTAL	**22,685,606**	**15,518,821**

8. Impairment charge on loans and advances

	2014	2013
	TZS 000	TZS 000
IMPAIRMENT CHARGE FOR THE YEAR	2,492,953	1,942,622
BAD DEBT RECOVERIES	(464,487)	(63,049)
TOTAL	**2,028,466**	**1,879,573**

9. Fees and commission income

	2014	2013
	TZS 000	TZS 000
COMMISSION AND FEES FROM BANKING OPERATIONS	4,760,143	3,816,751
COMMISSION ON TELEGRAPHIC TRANSFERS AND INTERNATIONAL TRADE FINANCE ACTIVITIES	1,073,851	1,316,048
FACILITY FEES FROM LOANS AND ADVANCES	2,585,322	1,972,399
COMMISSION ON LETTERS OF CREDIT AND GUARANTEES	1,937,418	2,011,290
OTHER FEES AND COMMISSIONS	1,756,229	1,056,673
TOTAL	**12,112,963**	**10,173,161**

10. Operating expenses

	2014	2013
	TZS 000	TZS 000
EMPLOYEES BENEFITS (NOTE 11)	13,310,941	12,320,871
OCCUPANCY EXPENSES	2,268,945	2,112,378
REPAIRS AND MAINTENANCE	1,254,624	996,786
ADVERTISING AND BUSINESS PROMOTION	825,847	925,293
LEGAL AND PROFESSIONAL FEES	1,536,424	1,130,705
TRAVELLING EXPENSES	849,396	635,523
DEPRECIATION OF PROPERTY AND EQUIPMENT	1,900,013	2,081,790
AMORTIZATION OF INTANGIBLE ASSETS	362,231	606,651
DIRECTORS' EMOLUMENTS - FEES	155,453	182,376
DIRECTORS' EMOLUMENTS - OTHER	448,085	589,692
AUDITORS' REMUNERATION	123,635	119,838
GAIN FROM ON DISPOSAL OF PROPERTY AND EQUIPMENT	(1,022)	(4,195)
OTHER OPERATING EXPENSES	5,445,454	4,980,301
TOTAL	**28,480,026**	**26,678,009**

11. Employees benefits

		2014	2013
		TZS 000	TZS 000
	WAGES AND SALARIES	8,981,011	8,178,881
	DEFINED BENEFIT CONTRIBUTIONS (NSSF AND PPF CONTRIBUTIONS)	880,913	803,205
	OTHER EMPLOYMENT COSTS AND BENEFITS	3,449,017	3,338,785
TOTAL		**13,310,941**	**12,320,871**

12. Income tax

(a) Income tax expense

		2014	2013
		TZS 000	TZS 000
	CURRENT TAX - CURRENT YEAR (OVER)/UNDER PROVISION	1,857,055	2,090,992
	CURRENT TAX - PRIOR YEARS	(428)	33,753
	TOTAL CURRENT TAX	**1,856,627**	**2,124,745**
	DEFERRED TAX - CURRENT YEAR (NOTE 29)	(95,640)	(366,616)
	DEFERRED TAX - PRIOR YEARS UNDER/(OVER) PROVISION (NOTE 29)	33,830	(631)
	TOTAL DEFFERED INCOME TAX	**(61,810)**	**(367,247)**
TOTAL		**1,794,817**	**1,757,498**

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

		2014	2013
		TZS 000	TZS 000
	PROFIT BEFORE TAX	**5,754,429**	**5,421,464**
	TAX CALCULATED AT A TAX RATE OF 30%	1,726,329	1,626,439
	TAX EFFECT OF EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES	35,086	98,553
	UNDER PROVISION OF TAX IN PRIOR YEARS	33,402	32,506
TOTAL		**1,794,817**	**1,757,498**

(c) Current tax

	2014	2013
	TZS 000	TZS 000
AT 1 JANUARY	(317,622)	252,365
PAYMENT DURING THE YEAR	2,414,475	1,554,758
CURRENT TAX CHARGE	(1,856,627)	(2,124,745)
AT 31 DECEMBER	**240,226**	**(317,622)**

13. Financial instruments by category

AT 31 DECEMBER 2014

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

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

AT 31 DECEMBER 2013

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

	AT AMORTISED COST
	TZS 000
FINANCIAL LIABILITIES	
DEPOSITS FROM OTHER BANKS	71,633,734
DEPOSITS FROM CUSTOMERS	296,594,796
DERIVATIVE FINANCIAL INSTRUMENTS	965,220
SUBORDINATED DEBTS	12,249,720
LONG TERM BORROWINGS	3,919,382
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	3,344,956
TOTAL	**388,707,808**

14. Cash and balances with Bank of Tanzania

	2014	2013
	TZS 000	TZS 000
CASH ON HAND	39,693,156	28,091,124
BALANCES WITH THE BANK OF TANZANIA:		
- STATUTORY MINIMUM RESERVE (SMR)	23,822,300	26,742,300
- CLEARING ACCOUNT	5,466,426	(64,266)
TOTAL	**68,981,882**	**54,769,158**

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 cash flows. Cash in hand and balances with Bank of Tanzania are non-interest bearing.

15. Balances due from other banks

	2014	2013
	TZS 000	TZS 000
BALANCES WITH BANKS	8,917,882	9,794,809
ITEMS IN THE COURSE OF COLLECTION	5,423,540	2,404,514
PLACEMENTS WITH LOCAL BANKS	33,408,074	10,183,590
PLACEMENTS WITH FOREIGN BANKS	31,040,362	23,893,650
TOTAL	**78,789,858**	**46,276,563**

16. Government securities held-to-maturity

	2014	2013
	TZS 000	TZS 000
TREASURY BILLS MATURING WITHIN 90 DAYS FROM THE PERIOD END	17,913,320	17,913,320
TREASURY BILLS MATURING AFTER 90 DAYS FROM THE PERIOD END	9,033,082	39,244,935
TREASURY BONDS MATURING WITHIN 5 YEARS	30,661,085	21,440,977
TOTAL	**57,607,487**	**78,599,232**

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

17. Loans and advances to customers

	2014	2013
	TZS 000	TZS 000
LOANS AND ADVANCES TO CORPORATE CUSTOMERS	250,054,348	205,579,629
LOANS AND ADVANCES TO INDIVIDUAL CUSTOMERS	26,688,513	30,416,546
GROSS LOANS AND ADVANCES	276,742,861	235,996,175
LESS: IMPAIRMENT PROVISION	(3,433,759)	(3,565,676)
NET LOANS AND ADVANCES	**273,309,102**	**232,430,499**

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

	RETAIL CUSTOMERS	CORPORATE CUSTOMERS & SMEs	TOTAL
	TZS 000	TZS 000	TZS 000
AT 1 JANUARY 2014	645,979	2,919,697	3,565,676
INCREASE IN IMPAIRMENT	55,936	2,437,017	2,492,953
WRITE OFFS	(88,066)	(2,536,804)	(2,624,870)
AT 31 DECEMBER 2014	**613,849**	**2,819,910**	**3,433,759**
AT 1 JANUARY 2013	867,723	2,019,656	2,887,379
INCREASE IN IMPAIRMENT	6,444	1,936,177	1,942,621
WRITE OFFS	(228,188)	(1,036,136)	(1,264,324)
AT 31 DECEMBER 2013	**645,979**	**2,919,697**	**3,565,676**

18. Other assets

	2014	2013
	TZS 000	TZS 000
PREPAID EXPENSES	1,792,940	1,542,305
OTHER DEBTORS	979,241	757,238
INVENTORIES	109,328	107,504
TOTAL	**2,881,509**	**2,407,047**

19. Property and Equipment

2013	LEASEHOLD PREMISES TZS 000	MOTOR VEHICLES TZS 000	COMPUTER HARDWARE TZS 000	MACHINERY AND OFFICE EQUIPMENT TZS 000	FURNITURE & FITTINGS TZS 000	WORK IN PROGRESS TZS 000	TOTAL TZS 000
COST							
AT 1 JANUARY 2013	5,354,365	336,864	941,431	4,824,852	597,857	282,610	12,337,979
ADDITIONS	190,027	63,795	37,505	421,029	58,093	3,174,902	3,945,351
DISPOSALS	-	(172,827)	-	-	-	-	(172,827)
TRANSFER	282,610	-	-	-	-	(282,610)	-
AT 31 DECEMBER 2013	**5,827,002**	**227,832**	**978,936**	**5,245,881**	**655,950**	**3,174,902**	**16,110,503**
DEPRECIATION							
AT 1 JANUARY 2013	3,187,391	154,852	591,062	2,740,821	368,883	-	7,043,009
CHARGE FOR THE YEAR	981,302	66,379	120,727	825,778	87,604	-	2,081,790
DISPOSALS	-	(108,330)	-	-	-	-	(108,330)
AT 31 DECEMBER 2013	**4,168,693**	**112,901**	**711,789**	**3,566,599**	**456,487**	**-**	**9,016,469**
NET BOOK VALUE							
AT 31 DECEMBER 2013	**1,658,309**	**114,931**	**267,147**	**1,679,282**	**199,463**	**3,174,902**	**7,094,034**

2014	LEASEHOLD PREMISES TZS 000	MOTOR VEHICLES TZS 000	COMPUTER HARDWARE TZS 000	MACHINERY AND OFFICE EQUIPMENT TZS 000	FURNITURE & FITTINGS TZS 000	LAND TZS 000	WORK IN PROGRESS TZS 000	TOTAL TZS 000
COST								
AT 1 JANUARY 2014	5,827,002	227,832	978,936	5,245,881	655,950	-	3,174,902	16,110,503
ADDITIONS	429,637	212,156	404,495	605,700	104,792	2,946,500	272,898	4,976,178
DISPOSALS	-	(6,750)	-	-	-	-	-	(6,750)
TRANSFER	-	-	132,069	26,315	-	2,835,000	(2,993,384)	-
WRITE OFF	-	-	-	-	-	-	(8,257)	(8,257)
AT 31 DECEMBER 2014	**6,256,639**	**433,238**	**1,515,500**	**5,877,896**	**760,742**	**5,781,500**	**446,159**	**21,071,674**
DEPRECIATION								
AT 1 JANUARY 2014	4,168,693	112,901	711,789	3,566,599	456,487	-	-	9,016,469
CHARGE FOR THE YEAR	736,828	83,452	186,864	732,100	86,608	74,161	-	1,900,013
DISPOSALS	-	(6,750)	-	-	-	-	-	(6,750)
AT 31 DECEMBER 2014	**4,905,521**	**189,603**	**898,653**	**4,298,699**	**543,095**	**74,161**	**-**	**10,909,732**
NET BOOK VALUE								
AT 31 DECEMBER 2014	**1,351,118**	**243,635**	**616,847**	**1,579,197**	**217,647**	**5,707,339**	**446,159**	**10,161,942**

No property and equipment has been pledged as collateral.

20. Intangible assets

	2014	2013
	TZS 000	TZS 000
AT 1 JANUARY	1,316,101	1,578,278
ADDITIONS	267,751	344,474
AMORTISATION CHARGE	(362,231)	(606,651)
AT 31 DECEMBER	**1,221,621**	**1,316,101**
COST	3,819,074	3,551,323
ACCUMULATED AMORTISATION	(2,597,453)	(2,235,222)
NET BOOK VALUE	**1,221,621**	**1,316,101**

No intangible asset has been pledged as collateral.

21. Deposits from customers

	2014	2013
	TZS 000	TZS 000
CURRENT ACCOUNTS	139,676,184	159,818,946
TIME DEPOSITS	132,970,359	95,874,431
SAVINGS DEPOSITS	35,083,771	30,884,680
OTHERS	4,846,323	10,016,739
TOTAL	**312,576,637**	**296,594,796**

22. Subordinated debts

	2014	2013
	TZS 000	TZS 000
INTERNATIONAL FINANCE CORPORATION (IFC)	7,793,190	7,118,280
PROMOTION PARTICIPATION COOPERATION (PROPARCO)	4,156,368	5,061,888
INTEREST ACCRUED	100,870	69,552
TOTAL	**12,050,428**	**12,249,720**

INTERNATIONAL FINANCE CORPORATION (IFC) and PROMOTION PARTICIPATION COOPERATION (PROPARCO) issued USD 4,500,000 and USD 4,000,000 facilities respectively. Both facilities bear interest at a rate of 6 months LIBOR + 4.5% and have a tenor of seven years including two years grace period on principal repayment. The facilities have been issued on the goodwill of BANK OF AFRICA Group and therefore the Bank has not pledged any tangible securities in respect of this loan. Effective interest rate for IFC loan and PROPARCO loan were 6.5% and 6% respectively. There is no change in market rates from last year.

23. Long term borrowings

	2014	2013
	TZS 000	TZS 000
TANZANIA MORTGAGE REFINANCE COMPANY LIMITED	5,750,000	2,750,000
EFC TANZANIA MFC LIMITED	1,238,251	1,131,016
INTEREST ACCRUED	38,332	38,366
TOTAL	**7,026,583**	**3,919,382**

During the year, TANZANIA MORTGAGE REFINANCE Company Limited and EFC Tanzania MFC Limited issued TZS 3,000,000 (2013: TZS 2,750,000 and 2013: USD 750,000) facilities at the rate of 11.5% and 2.5% rate respectively and have a tenor of three years. The Bank has not pledged any tangible securities in respect of these loans.

24. Other liabilities

	2014	2013
	TZS 000	TZS 000
BANK DRAFTS PAYABLE	473,988	519,457
ACCRUALS AND OTHER PROVISIONS	4,763,499	4,630,699
DEFERRED COMMITMENT AND FACILITY FEES	1,245,260	1,261,197
TOTAL	**6,482,747**	**6,411,353**

25. Interest received

	2014	2013
	TZS 000	TZS 000
INTEREST RECEIVABLE - AT 1 JANUARY	1,378,147	1,489,501
ADD: INTEREST AND SIMILAR INCOME FOR THE YEAR	44,023,735	36,772,899
LESS: INTEREST RECEIVABLE - AT 31 DECEMBER	(2,888,197)	(1,378,147)
INTEREST RECEIVED	**42,513,685**	**36,884,253**

26. Interest paid

	2014	2013
	TZS 000	TZS 000
INTEREST PAYABLE - AT 1 JANUARY	4,761,653	3,787,833
ADD: INTEREST AND SIMILAR CHARGES FOR THE YEAR	22,685,606	14,855,940
LESS: INTEREST PAYABLE - AT 31 DECEMBER	(4,187,811)	(4,761,653)
INTEREST PAID	**23,259,448**	**13,882,120**

27. Equity investment

	2014	2013
	TZS 000	TZS 000
UMOJASWITCH COMPANY LIMITED - UNLISTED	20,000	20,000
TANZANIA MORTGAGE REFINANCE COMPANY LIMITED - UNLISTED	1,000,000	1,000,000
TOTAL	**1,020,000**	**1,020,000**

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

28. Derivative financial instruments

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. The types of derivatives used by the Bank are set out below.
All derivatives are recognised and subsequently measured at fair value, with all revaluation gains and losses recognised in profit or loss.
These tables analyse the notional principal amounts and the positive (assets) fair values of the Bank's derivative financial instruments.
At the end of the reporting period, the Bank only has forward exchange contracts.
Notional principal amounts are the amount of principal underlying the contract at the reporting date.

	2014			2013		
	NOTIONAL PRINCIPAL AMOUNTS	FAIR VALUE	LIABILITY	NOTIONAL PRINCIPAL AMOUNTS	FAIR VALUE	LIABILITY
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
FORWARD EXCHANGE CONTRACTS	23,392,732	23,622,772	230,040	25,908,008	26,873,228	965,220

29. Deferred tax

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

	2014	2013
	TZS 000	TZS 000
AT 1 JANUARY	**(1,136,710)**	**(769,463)**
(CREDITED)/CHARGE TO PROFIT OR LOSS IN RESPECT OF:		
- CURRENT YEAR (NOTE 12)	(95,640)	(366,616)
- PRIOR YEARS UNDER/(OVER) PROVISION (NOTE 12)	33,830	(631)
AT 31 DECEMBER	**(1,198,520)**	**(1,136,710)**

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

	1 JANUARY 2014	CREDIT TO PROFIT OR LOSS	31 DECEMBER 2014
	TZS 000	TZS 000	TZS 000
DEFERRED TAX LIABILITY			
ACCELERATED TAX ALLOWANCES	(143,196)	(3,971)	(147,167)
OTHER TIMING DIFFERENCES	(993,514)	(57,839)	(1,051,353)
TOTAL	**(1,136,710)**	**(61,810)**	**(1,198,520)**

30. Share capital

	2014	2013
	TZS 000	TZS 000
AUTHORISED		
2,000 CLASS "A" ORDINARY SHARES OF TZS 1 MILLION EACH	2,000,000	2,000,000
4,100 CLASS "B" ORDINARY SHARES OF TZS 375,000 EACH	1,537,500	1,537,500
401,256 (2013:185,352) CLASS "C" ORDINARY SHARES OF TZS 115,792 EACH	46,462,279	21,462,279
1 CLASS "D" ORDINARY SHARE OF TZS 32,688	33	33
1 CLASS "E" ORDINARY SHARE OF TZS 101,440	101	101
1 CLASS "F" ORDINARY SHARE OF TZS 87,088	87	87
TOTAL	**50,000,000**	**25,000,000**

	2014	2013
	TZS 000	TZS 000
ISSUED, CALLED UP AND FULLY PAID		
2,000 CLASS "A" ORDINARY SHARES OF TZS 1 MILLION EACH	2,000,000	2,000,000
4,100 CLASS "B" ORDINARY SHARES OF TZS 375,000 EACH	1,537,500	1,537,500
201,941 (2013: 133,381) CLASS "C" ORDINARY SHARES OF TZS 115,792 EACH	23,383,133	15,444,453
TOTAL	**26,920,633**	**18,981,953**

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

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

	2014	2013
	%	%
BIO-BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES	22.40	22.24
BANK OF AFRICA KENYA LIMITED	21.60	24.05
BOA WEST AFRICA	20.00	-
AFH-OCEAN INDIEN	19.70	25.30
TANZANIA DEVELOPMENT FINANCE LIMITED (TDFL)	7.20	10.19
AGORA S.A.	4.50	-
NETHERLANDS DEVELOPMENT FINANCE CORPORATION (FMO)	4.40	3.70
OTHER SHAREHOLDERS	0.20	0.82
AUREOS EAST AFRICA FUND LLC	-	13.70
TOTAL	**100**	**100**

31. Cash and cash equivalents

		2014	2013
		TZS 000	TZS 000
	CASH AND BALANCES WITH BANK OF TANZANIA (NOTE 14)	68,981,882	54,769,158
	LESS: STATUTORY MINIMUM RESERVE (SMR)	(23,822,300)	(26,742,300)
TOTAL		**45,159,582**	**28,026,858**
	BALANCES DUE FROM OTHER BANKS (EXCLUDING ACCRUED INTEREST)	77,689,322	46,159,227
TOTAL		**122,848,904**	**74,186,085**

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

32. Contingent liabilities and commitments

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

		2014	2013
		TZS 000	TZS 000
CONTINGENT LIABILITIES			
	OUTSTANDING LETTERS OF CREDIT (FOREIGN CURRENCY)	11,610,358	17,377,875
	OUTSTANDING GUARANTEES AND INDEMNITIES:		
	- FOREIGN CURRENCY	10,616,016	12,449,971
	- LOCAL CURRENCY	6,113,533	7,169,448
TOTAL		**28,339,907**	**36,997,294**

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

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

		2014	2013
		TZS 000	TZS 000
OTHER COMMITMENTS			
	UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	20,159,243	16,409,034

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 2014, the Bank had capital commitments of TZS 510 million (2013: TZS 970 million) in respect of leasehold improvements and equipment purchases. The Bank's management is confident that future net revenues and funding will be sufficient to cover this commitment.

Operating lease commitments

The Bank does not have any commitments in respect of non cancellable lease commitments.

33. Related party transactions and balances

The shareholders of the Bank are disclosed in Note 30. The intermediate owner of the Bank is BOA GROUP S.A. 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

	2014	2013
	TZS 000	TZS 000
(A) LOANS AND ADVANCES		
AT 1 JANUARY	1,209,232	723,442
LOANS ISSUED DURING THE YEAR	559,760	605,886
LOAN REPAYMENTS DURING THE YEAR	(116,158)	(120,096)
AT 31 DECEMBER	**1,652,834**	**1,209,232**
INTEREST INCOME EARNED	**114,483**	**61,571**
(B) DEPOSITS		
AT 1 JANUARY	397,780	284,603
DEPOSITS RECEIVED DURING THE YEAR	3,584,833	5,468,237
DEPOSITS WITHDRAWN DURING THE YEAR	(3,940,812)	(5,355,060)
AT 31 DECEMBER	**41,801**	**397,780**
INTEREST EXPENSE	**(7,693)**	**(4,032)**

	2014	2013
	TZS 000	TZS 000
(C) BALANCES/TRANSACTIONS WITH GROUP BANKS		
BALANCES DUE FROM GROUP BANKS	31,607,071	22,659,818
DEPOSITS FROM GROUP BANKS	91,145,333	36,974,680
INTEREST INCOME RECEIVED	425,882	368,856
INTEREST EXPENSE INCURRED	(681,267)	(855,473)
OPERATING EXPENSES PAID TO GROUP BANKS	(552,756)	(721,974)
GUARANTEE FEES EXPENSE PAID TO GROUP BANKS	(292,058)	(347,803)
(D) KEY MANAGEMENT COMPENSATION		
SALARIES AND OTHER SHORT TERM EMPLOYEE BENEFITS	1,899,180	1,852,239

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:

	2014	2013
	TZS 000	TZS 000
EMOLUMENTS OF DIRECTORS IN RESPECT OF SERVICES RENDERED		
EXECUTIVE	448,085	589,692
NON EXECUTIVE	155,453	182,376
TOTAL	**603,538**	**772,068**

34. Events after period end

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affect the financial position of the Bank and results of its operations.

35. Currency

Except where indicated otherwise, these financial statements are presented in Tanzania Shillings, rounded to the nearest thousand (TZS 000), which is also the functional currency.

36. Comparatives

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

BANK OF AFRICA IN TANZANIA*

www.boatanzania.com & www.bank-of-africa.net

BANK OF AFRICA
Groupe BMCE BANK

Head Office

BANK OF AFRICA – NDC Development House – Ohio Street / Kivukoni Front – P.O. Box 3054 – Dar es Salaam – TANZANIA
☎: (255) 22 211 01 04 / 211 12 90 – 🖷: (255) 22 211 37 40 – Mobile: (255) 754 885 538 / 787 933 335 – Swift: EUAFTZTZ – @: <boa@boatanzania.com>

Business Centre

Oyster Plaza, Ground Floor, Haile Selassie Road – Oysterbay – P.O. Box 3054 – Dar es Salaam
☎: (255) 22 292 3315 / 6 / 7 – 🖷: (255) 22 292 3318 – @: <businesscentre@boatanzania.com>

Dar es Salaam Branches

HEAD OFFICE BRANCH
NDC BRANCH

NDC Development House – Ohio Street / Kivukoni Front – P.O. Box 3054 – Dar es Salaam
☎: (255) 22 211 01 04 / 211 12 90
🖷: (255) 22 211 37 40
@: <boa@boatanzania.com>

AGGREY BRANCH

Aggrey Street – P.O. Box 3054 – Dar es Salaam
☎: (255) 22 218 47 91 / 3
🖷: (255) 22 218 47 62
@: <boa@boatanzania.com>

AIRPORT BRANCH

Safasha Plaza – Nyerere Road – P.O. Box 3054
Dar es Salaam
☎: (255) 22 286 44 81 / 2
🖷: (255) 22 286 04 81
@: <boa@boatanzania.com>

ILALA BRANCH

Ilala Amana / Uhuru Road – P.O. Box 3054
Dar es Salaam
☎: (255) 22 286 31 92 / 3
🖷: (255) 22 286 31 94
@: <boa@boatanzania.com>

KIJITONYAMA BRANCH

Leticia Towers – Kijitonyama, Bagamoyo Road
P.O. Box 3054 – Dar es Salaam
☎: (255) 22 277 13 57 / 14 38
🖷: (255) 22 270 01 48
@: <boa@boatanzania.com>

KURASINI BRANCH

Tanzania Road Haulage (TRH) / Muungano Road
P.O. Box 3054 – Dar es Salaam
☎: (255) 22 285 0291 / 285 032
🖷: (255) 22 285 02776
@: <boa@boatanzania.com>

MBEZI BEACH BRANCH

Mbezi Beach, Africana Junction – P.O. Box 3054
Dar es Salaam
☎: (255) 22 262 75 73 / 4
🖷: (255) 22 262 75 75
@: <boa@boatanzania.com>

MSIMBAZI BRANCH

Big Bon Building, Msimbazi Street – P.O. Box 3054
Dar es Salaam
☎: (255) 22 218 01 37 / 8
🖷: (255) 22 218 01 68
@: <boa@boatanzania.com>

MTONI BRANCH

Kilwa Road – P.O. Box 3054 – Dar es Salaam
☎: (255) 22 285 68 37 / 8
🖷: (255) 22 285 68 39
@: <boa@boatanzania.com>

SINZA BRANCH

Maembe Commercial Centre – Shekilango Road
P.O. Box 3054 – Dar es Salaam
☎: (255) 22 246 13 58 / 9
🖷: (255) 22 246 13 60
@: <boa@boatanzania.com>

TANDIKA BRANCH

Tandika Police Post – Ugweno / Chihota Street
P.O. Box 3054 – Dar es Salaam
☎: (255) 22 285 64 17 / 21
🖷: (255) 22 285 64 19
@: <boa@boatanzania.com>

Regional Branches

ARUSHA BRANCH

ACU Building – Sokoine Road – P.O. Box 1591
Arusha
☎: (255) 27 254 51 28 / 9
🖷: (255) 27 254 51 30
@: <boa@boatanzania.com>

KAHAMA BRANCH

Isaka Road – P.O. Box 1134 – Kahama, Shinyanga
☎: (255) 28 271 11 39 / 40
🖷: (255) 28 271 11 41
@: <boa@boatanzania.com>

MBEYA BRANCH

Century Plaza, Mafiat / Mwanjelwa Street
P.O. Box 6414 – Mbeya
☎: (255) 25 250 31 70 / 26 84
🖷: (255) 25 250 26 27
@: <boa@boatanzania.com>

MOROGORO BRANCH

Madaraka Street – Plot No. 23 / 24 – P.O. Box 2100
Morogoro
☎: (255) 23 261 36 81 / 2
🖷: (255) 23 261 36 83
@: <boa@boatanzania.com>

MOSHI BRANCH

Market Street – P.O. Box 8156 – Moshi
☎: (255) 27 275 02 72 / 3
🖷: (255) 27 275 02 98
@: <boa@boatanzania.com>

MTIBWA BRANCH

Mtibwa Sugar Estates Ltd – P.O. Box 2100 – Morogoro
☎: (255) 23 262 00 25 / 2
🖷: (255) 23 262 00 26
@: <boa@boatanzania.com>

MTWARA BRANCH

TANECU Building, Aga Khan Road / Madukani Street
P.O. Box 1395 – Mtwara
☎: (255) 23 233 46 51 / 2
🖷: (255) 23 233 46 50
@: <boa@boatanzania.com>

MWANZA BRANCH

Kaluta / Lumumba Streets – P.O. Box 381 – Mwanza
☎: (255) 28 254 22 99 / 8
🖷: (255) 28 254 22 94
@: <boa@boatanzania.com>

TUNDUMA BRANCH

Mwaka Street – P.O. Box 74 – Tunduma
☎: (255) 25 253 04 32
🖷: (255) 25 253 04 35
@: <boa@boatanzania.com>

(*) Contact details at 31/03/2015.