

CRDB BANK PLC

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

CRDB BANK PLC

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CRDB BANK PLC

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors have the pleasure to submit their report and the audited financial statements for the year ended 31 December 2015, which disclose the state of affairs of CRDB Bank Plc (“the Bank”) and its subsidiaries, CRDB Microfinance Services Company Limited and CRDB Bank Burundi S.A. (together “the Group”).

1 INCORPORATION

The Bank was incorporated in the United Republic of Tanzania in 1996 under the Companies Act, CAP 212 act no.12 of 2002 as a Public Company limited by shares with registration number 30227. The Bank was listed on the Dar es Salaam Stock Exchange on 17 June 2009 and has established two wholly owned subsidiaries namely CRDB Microfinance Services Company Limited incorporated in the United Republic of Tanzania in 2007 and CRDB Bank Burundi S.A. incorporated in the Republic of Burundi in 2012.

2 VISION

To be the leading bank, which is customer need driven with competitive returns to shareholders.

3 MISSION

To provide competitive and innovative financial products and services leveraging technology to achieve distinctive customer experience. We strive to create value for all stakeholders and the society.

4 CORPORATE VALUES

We perform our duties in line with our corporate values which are:-

Professionalism, Responsiveness, Accountability, Commitment, Teamwork, Innovation, Courtesy and Efficiency (PRACTICE).

5 PRINCIPAL ACTIVITIES

The Bank is licensed in Tanzania under the Banking and Financial Institutions Act, 2006. The Bank’s subsidiary, CRDB Bank Burundi S.A is a licensed bank in Burundi under the Banks and Financial Institutions Act, 2003 of Burundi. Principal activity of the Bank and its subsidiary CRDB Bank Burundi S.A is the provision of banking services while CRDB Microfinance Services Company subsidiary is mainly engaged in provision of micro-finance services through the Bank’s branches.

The Group offers a comprehensive range of corporate and retail banking services as well as microfinance services through a network of 199 branches including mobile branches, 432 ATMs inclusive of 18 depository ATMs, 778 Point of Sales (POS) terminals, 1,746 Agents (Fahari-Huduma), 441 Microfinance partner institutions and 222 E-commerce merchants.

This was the third year of implementing the five-year Business Strategy of the Group for the period 2013-2017. The main focus was to grow business through expanding retail and SME business while ensuring quality customer experience and value creation to shareholders and other stakeholders. The Bank introduced a number of new products and systems focusing on addressing customer needs.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

6 COMPOSITION OF THE BOARD OF DIRECTORS

In accordance with the Bank's Articles of Association, the directors are required to retire by rotation. The Articles allow re-election of the members after expiry of three year period as long as the candidate meets required criteria. In view of this, at the Annual General Meeting (AGM) held on 09 May 2015, Mr. Juma A. Abdulrahman and Ms. Selina A. Mkony, belonging to the group of shareholders with shareholding of less than 1% of the Bank's share capital retired. Mr. Juma A. Abdulrahman was re-elected to represent the same group of shareholders. In addition, Ms. Devotha N. Minzi was elected to represent a group of shareholders with shareholding of less than 1% of the Bank's share capital.

Also, Ms. Rose Metta belonging to the group of shareholders with shareholding between 1% and 10% of the Bank's share capital retired and was re-elected to represent the same group of shareholders.

The following Directors served during the year:

Name	Position	Age	Qualification/ Discipline	Nationality	Date of first appointment
Mr. Martin J. Mmari	Chairman	52	Accountant	Tanzanian	2001
Mr Juma A. Abdulrahman	Member	63	Accountant	Tanzanian	2009
Mr. Adam H. Mayingu	Member	52	Systems Engineer	Tanzanian	2013
Ms. Rose F. Metta	Member	47	Economist	Tanzanian	2012
Mr. Kai Kristoffersen	Member	75	Banker and Lawyer	Danish	2004
Mr. Bede P. Lyimo	Member	65	Economist	Tanzanian	2005
Mr. Boniface C. Muhegi	Member	61	Civil Engineer	Tanzanian	2004
Mr. Ally H. Laay	Member	59	Accountant	Tanzanian	2004
Ms. Selina A. Mkony	Member	59	Accountant	Tanzanian	2012(retired in May, 2015)
Hon. Frederick T. Sumaye	Member	65	Agricultural Specialist	Tanzanian	2011
Mr. Lawrence N. Mafuru	Member	43	Banker	Tanzanian	2014
Ms. Devotha N. Minzi	Member	56	Economist	Tanzanian	Elected in May, 2015
Dr. Charles S. Kimei	Managing Director, Ex Officio	62	Economist	Tanzanian	1998

The Company Secretary at the date of this report, who served throughout the year, was Mr. John B. Rugambo. Mr. Rugambo also heads the Bank's Corporate Affairs Department.

7 CORPORATE GOVERNANCE

The Board operates on the understanding that sound governance practices are fundamental to gaining trust of stakeholders which is critical to sustaining performance and preserving shareholders' value. Its collective experience and expertise provide a balanced mix of attributes/ skills that enable it to fulfil its duties and responsibilities. The Board is the Group's highest decision-making body and is ultimately responsible for governance matters for the Group. It is accountable to shareholders and sets the direction through the business strategy and policies. It monitors implementation thereof through structured reporting systems including its various committees.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

7 CORPORATE GOVERNANCE (CONTINUED)

The Board considers diversity of views and experiences as essential for ensuring that all aspects of strategies and plans are fully considered. The composition of the Board ensures that there is a balance of power that stimulates robust challenge and debate such that no individual or group can dominate board processes or decision-making. The non-executive directors bring different perspectives to Board deliberations and constructive views are always encouraged.

7.1 Chairman and Chief Executive

The Chairman is a non-executive director, and the roles of Chairman and Chief Executive are separate, with their responsibilities clearly defined. The Chairman is responsible for leading the Board and ensuring its effectiveness. The Chief Executive is responsible for the execution of the group's strategy, policies and the day-to-day business of the group, supported by the management and executive committees which he chairs.

7.2 Board Structure

The Board comprises eleven directors who are non-executive including an independent director and the Managing Director who is an Ex-Officio member. Non-executive Chairman, who is elected by directors every year, leads the Board. Every shareholder is entitled to appoint a Director for every ten percent (10%) of the fully paid up share capital of the Bank held. Shareholders owning between 1% and 10% of the paid up share capital of the Bank are jointly entitled to elect a Director for every block of 10% of shares held. However, in the AGM held on May 9, 2015, exception was granted to the Strategic Investors (consortium of IFC/ AFCap and CDC) to jointly appoint one Director if they jointly acquire a minimum shareholding of five percent. Shareholders owning less than 1% of the issued and fully paid-up share capital of the Bank jointly elect one (1) Director for every 10% of shares held. All Shareholders elect one Independent Director.

7.3 Board Meetings

The Board held seven meetings during the year as planned. The attendance of the Board meetings during the year was as follows:-

Name of Director	Position	Number of Board meetings attended
Mr. Martin J. Mmari	Chairman	6
Mr. Boniface C. Muhegi	Member	6
Mr. Ally H. Laay	Member	7
Mr. Bede P. Lyimo	Member	7
Mr. Kai Kristoffersen	Member	7
Mr. Juma A. Abdulrahman	Member	7
Hon. Fredrick T. Sumaye	Member	4
Ms. Rose F. Metta	Member	5
Ms. Selina A. Mkony (up to may 2015)	Member	3
Mr. Adam H. Mayingu	Member	3
Mr. Lawrence N. Mafuru	Member	3
Ms. Devotha N. Minzi (approved July, 2015)	Member	3

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REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

7 CORPORATE GOVERNANCE (CONTINUED)

7.4 Board Committees

As at 31st December 2015, the Board had four committees namely: Audit Committee, Credit Committee, Governance and Human Resources Committee, and Risk Committee.

The activities of the committees are governed by the respective Committee Charters which are approved by the Board. All four committees report to the Board of Directors. The composition of each committee is shown below:-

Current membership of the Board Committees

Name	Board Audit Committee	Board Credit Committee	Board Governance and Human Resource Committee	Board Risk Committee
1.Mr. Martin J. Mmari				
2.Mr.Juma A. Abdulrahman	✓			✓
3.Mr. Adam A. Mayingu	✓			✓
4.Ms. Rose F. Metta		✓		✓
5.Mr. Kai Kristoffersen	✓			❖
6.Mr. Bede P. Lyimo		❖	✓	
7.Mr. Boniface C. Muhegi		✓	❖	
8.Mr. Ally H. Laay	❖	✓		
9.Hon.Frederick T. Sumaye		✓	✓	
10.Mr. Lawrence N. Mafuru			✓	✓
11.Ms. Devotha N. Minzi	✓			✓

Key:

- ❖ Chairperson
- ✓ Member

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

7 CORPORATE GOVERNANCE (CONTINUED)

7.4.1 Audit Committee

The Committee held five meetings as planned during the year. The external auditors were invited and attended two meetings to present audit findings and opinion on audited annual financial statements. The Managing Director, Deputy Managing Directors, Director of Finance and Director of Internal Audit also attended the meetings as invitees.

Members of the committee and their attendance were as follows:

Name	Position	Number of meetings attended
Mr. Ally H. Laay	Chairperson	5
Mr. Juma A. Abdulrahman	Member	5
Mr. Kai Kristoffersen	Member	5
Ms. Selina A. Mkony	Member	2 (retired May, 2015)
Mr. Adam H. Mayingu	Member	3
Ms. Devotha N. Minzi	Member	1 (appointed June, 2015)

The Board Audit Committee reviews significant accounting policies and financial reporting systems to ensure that they are adequate and are complied with at all times. It reviews adequacy of internal control systems and monitors implementation of actions to address issues raised by internal auditors, external auditors and regulators.

The Committee assists the Board in evaluation and selection of external auditors at least annually. It can also recommend termination of existing auditors whenever it is found that the performance is not in line with the assigned duties and responsibilities and/or there is no independence for the auditors to discharge their duties in a professional manner.

The Director of Internal Audit reports directly to the Committee. On annual basis, the Committee reviews and approves the internal auditors work plan and budget for the year while ensuring that it covers all high risk areas in the Group's operations. The Committee also receives reports of findings observed by internal auditors on quarterly basis for review and recommendation to the Board.

7.4.2 Credit Committee

The Credit Committee held six meetings during the year as planned. The Managing Director, Deputy Managing Directors, Director of Corporate Banking and Director of Credit participated in the meetings as invitees.

Members of the Credit Committee and their attendance were as follows:-

Name	Position	Number of meetings attended
Mr. Bede P. Lyimo	Chairperson	4
Mr. Ally H. Laay	Member	6
Mr. Boniface C. Muhegi	Member	6
Hon. Frederick T. Sumaye	Member	1
Ms. Rose F. Metta	Member	4

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REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

7 CORPORATE GOVERNANCE (CONTINUED)

7.4 Board Committees (continued)

7.4.2 Credit Committee (continued)

The main function of the Credit Committee is to monitor performance and quality of the credit portfolio, appraise and approve loans within its credit approval limit and recommend to the Board for approval facilities beyond its limit. The Committee reviews Credit Policy at least once a year and ensures that it contains sound fundamental principles that facilitate the identification, measurement, monitoring and control of credit risk as well as having appropriate plans and strategies for credit risk management.

7.4.3 Governance and Human Resources Committee

Governance and Human Resources Committee held five meetings during the year as planned. The Managing Director, Deputy Managing Directors and Director of Human Resources participated in the meetings as invitees.

Members of this Committee and their attendance were as follows:-

Name	Position	Meetings attended
Mr. Boniface C. Muhegi	Chairperson	5
Mr. Bede P. Lyimo	Member	5
Hon. Frederick T. Sumaye	Member	0
Ms. Selina A. Mkony	Member	2 (retired May, 2015)
Mr. Lawrence N. Mafuru	Member (Appointed in May 2015)	1
Mr. Juma A. Abdulrahman	Member	3

The main function of this Committee is to develop, review and enhance the Group's approach to corporate governance and human resources management practices. The Committee ensures that there is a succession plan for executives and other key positions within the group. It is also responsible for reviewing and recommending reward strategy and annual compensation for the Board, senior management and other employees of the Group.

The committee makes general recommendations to the Board on corporate governance, including directorship practices, recruitment and retirement policies for Executives of the group, issues arising from AGM, the functions and duties of the Committees of the Board, and any changes/issues that the Committee believes to be desirable in the matters to be covered by the Board or any of its Committees.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

7 CORPORATE GOVERNANCE (CONTINUED)

7.4 Board Committees (continued)

7.4.4 Risk Committee

The Risk Committee held four meetings during the year as planned. The Managing Director, Deputy Managing Directors and Director of Risk and Compliance participated in the meetings as invitees.

Members of this committee and their attendance were as follows:-

Name	Position	Meetings attended
Mr. Kai Kristoffersen	Chairperson	4
Ms. Rose F. Metta	Member	2
Mr. Adam H. Mayingu	Member	1
Mr. Lawrence N. Mafuru	Member	2
Ms. Devotha N. Minzi	Member	1 (appointed in June, 2015)

The main function of the Risk Committee is to assist the Board in reviewing risk management strategies and policies and recommend them for approval. It provides the Board with regular assessments of the group risk profile and monitors implementation of risk management action plans. The Committee also reviews adequacy and effectiveness of balance sheet management and its related risks through Asset Liability Management Committee (ALCO) reports presented by Management to the Committee every quarter.

7.5 Appointment of Directors

Directors of the Board are appointed in accordance with the Bank's Articles of Association and as per requirements of regulatory bodies. The Directors are elected by Shareholders at the Annual General Meetings (AGMs) in which shareholders are provided with information on the potential directors' education, qualifications, experience and other key directorship requirements before election. When filling the vacancies, the board and shareholders take cognizance of the knowledge, skills, experience and other commitments of the candidates, as well as other attributes considered necessary for directorship.

7.6 Induction and Ongoing Education

On appointment, Directors receive the group's governance pack containing all relevant governance information such as governance structures, relevant legislation and policies. Ongoing director education remains a focus, whereby the Directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the group and its operations.

Directors' education programme focuses on business issues and additional time is scheduled outside the board meetings for sessions on pertinent issues. Topics covered in 2015 include use of alternative banking delivery channels and how they have assisted banks and other financial institutions to increase their customer base and sales; understanding the synergies and organization structures; understanding how to manage business growth through subsidiaries and critical factors for the development of subsidiaries. Other areas included governance structures and management systems within a group; understanding the design of product and services targeting the low-income and un-banked population; and the new delivery channels in widening the access points to reach more remote and rural areas.

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REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

7 CORPORATE GOVERNANCE (CONTINUED)

7.7 Succession Planning

The Board of Directors reviews at least annually the composition of the Board and its committees. This review, based on the Bank's strategic objectives, is aimed at ensuring that the Board is able to meet the current and future needs of the Group.

Retaining Board members with considerable experience is seen as imperative in ensuring continuity and maintaining appropriate levels of oversight. The Board's future needs are considered on an ongoing basis to ensure adequate succession planning.

7.8 Directors' Conflicts of Interest

It is the duty of a Director of the Board to disclose whether he/she or any connected person, is in any way, directly or indirectly engaged in any business that competes or conflicts with the Bank's business. The Bank has a process in place that requires all directors to disclose outside business interests before they are appointed to the Board.

A person will not serve as a director if his business or permanent occupation creates permanent conflict of interest between him and the Bank, or if it is reasonable to assume that such conflict may exist permanently as outlined in the Bank of Tanzania Guidelines for Boards of Directors of Banks and Financial Institutions, 2008. In situations of conflict of interest, the Bank is required to make public disclosures on shareholding and business agreement.

7.9 Board of Directors Performance Evaluation

During the year, the Board conducted an evaluation of its own performance and that of its principal committees. Directors completed a questionnaire prepared by the Chairman and the Company Secretary to rate the collective performance of the Board and its Committees. The Company Secretary collated the results, and report of findings was presented to Board for discussion. The gap identified from evaluation was addressed by capacity building on risk management and corporate governance. The Chairman confirmed that each Director continues to make valuable contribution to the Board and, where relevant, to its Committees, and devotes sufficient time to the role.

7.10 Directors' Remuneration

Remuneration of all directors is subject to annual review to ensure that levels of emoluments and compensation are appropriate. This is after considering volume of work, industry benchmarks and international practices. Non-executive directors are paid fees as approved by AGM.

The non-executive directors are not eligible for pension scheme membership and are not part of Bank's remuneration scheme. Information on aggregate amounts of the emoluments and fees paid during the year to directors in comparison to 2014 is disclosed as follows:-

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**REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015**

7 CORPORATE GOVERNANCE (CONTINUED)

7.10 Directors' Remuneration (continued)

Name	2015 TZS' Million	2014 TZS' Million
1.Mr. Martin J. Mmari	62	57
2.Mr. Boniface C. Muhegi	58	48
3.Mr. Ally H. Laay	58	50
4.Mrs. Devotha N. Minzi	26	-
5.Mr. Juma A. Abdulrahman	53	45
6.Mr. Bede P. Lyimo	58	50
7.Ms. Rose F. Metta	53	45
8.Ms. Selina A. Mkony	26	45
9.Hon. Frederick T. Sumaye	53	45
10. Mr. Adam H. Mayingu	53	45
11. Mr. Lawrence Mafuru	53	23
12. Mr. Kai Kristoffersen*	-	-
13. Dr. Charles S. Kimei **	-	-
TOTAL	553	453

* Mr. Kai Kristoffersen is not paid Board fees by the Bank but receives remuneration from DANIDA.

** Dr. Charles S. Kimei is an ex-officio member, who is paid a monthly salary by the Bank which is part of key management remuneration disclosed under section 7.16. He is not paid Board fee.

7.11 Directors' Shareholding

Name	Status	Shareholding (No. of shares)
Martin J.Mmari	Chairman - Non- Executive Director	756,333
Boniface C. Muhegi	Non-Executive Director	2,241,352
Bede P.Lyimo	Non- Executive Director	190,416
Ally H.Laay	Non- Executive Director	28,812
Kai Kristoffersen	Non- Executive Director	-
Juma A. Abdulrahman	Non-Executive Director	341,796
Hon. Frederick T.Sumaye	Non- Executive Director	7,448,376
Ms. Devotha N. Minzi	Non Executive Director	47,484
Ms. Rose F. Metta	Non -Executive Director	16,216
Mr. Adam H. Mayingu	Non- Executive Director	95,040
Mr. Lawrence Mafuru	Non- Executive Director	-
Dr. Charles S. Kimei	Managing Director, Ex-officio	1,191,746

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

7 CORPORATE GOVERNANCE (CONTINUED)

7.12 Management Team

Management of the Bank is under the Managing Director who is assisted by Deputy Managing Director Shared Services and Deputy Managing Director Operations and Customer Service. Director of Risk and Compliance, Director of Strategy and Innovations and Director of Corporate Affairs also report directly to the Managing Director.

The Deputy Managing Director Shared Services oversees the Finance, Administration and General Services, Information and Communication Technology, Human Resources, Centralized Operations departments and Stressed Assets Management Unit (SAMU). All the departments with the exception of (SAMU) are headed by Directors.

The Deputy Managing Director Operations and Customer Service oversees the Credit, Retail Banking, Corporate Banking, Marketing, Research and Customer Service, Alternative Banking Channels and Treasury departments. All the departments are headed by Directors.

The Director of Internal Audit reports directly to the Board through the Board Audit Committee.

7.13 Management Committees

Management of CRDB Bank has five committees playing various roles in overseeing operations of the Bank and implementation of strategies and policies.

7.13.1 Executive Committee

The committee is composed of Managing Director who is the Chairman, Deputy Managing Directors, all Directors reporting directly to him and General Managers for CRDB Burundi and CRDB Microfinance. The Executive Committee meets at least once per quarter to discuss and review the effectiveness of the Group strategies and policies. The main objective of the Committee is to provide leadership to the Group and ensure efficient deployment and management of the Group's resources. Other functions of the Committee include:

- a) Develop and periodically review policies for Board approval;
- b) Oversee implementation and monitor the Group's corporate vision, strategies, and business plans;
- c) Formulate the Group's overall strategy and financial targets that are to be agreed with the Board, as well as individual business, functional strategies and financial targets;
- d) Monitor performance against strategic plan of the Group and taking appropriate actions to improve performance;
- e) Review viability of any acquisition or establishment of any new business or disposal of any business within its mandate or for board approval;
- f) Review and recommend annual budget to the Board for approval.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

7 CORPORATE GOVERNANCE (CONTINUED)

7.13 Management Committees (continued)

7.13.2 Management Committee

The committee chaired by the Managing Director is composed of Deputy Managing Directors, All Directors and General Managers. The Committee is responsible for reviewing and monitoring implementation of operational plans to ensure timely identification of challenges and issues that might affect the achievement of targets for remedial action. It meets at least once in a month.

7.13.3 Asset Liability Management Committee

The committee is composed of Managing Director, Deputy Managing Directors, and Directors under Operations and Customer Service, Director of Finance, Director of Risk and Compliance and Director of Strategy and Innovation. The Committee meets at least monthly and may hold extra-ordinary meetings on the occasion of exceptional events requiring immediate decision making. The Committee is responsible for:-

- a) Managing the balance sheet to ensure proper allocation of resources to achieve performance targets;
- b) Reviewing the current and prospective liquidity positions and monitoring alternative funding sources to ensure adequate liquidity is maintained at all times;
- c) Reviewing the current and prospective capital levels (risk based) to determine its adequacy in relation to expected growth and asset quality;
- d) Reviewing the actual performance against established targets/projections and budgets and analyzing the reasons for any variances for timely actions;
- e) Measuring and monitoring investment risk of the Group on an ongoing basis and ensuring quality portfolio of assets is maintained within the limits set by the Board and Bank of Tanzania regulations.

7.13.4 Credit Committee

The Committee meets at least once in a week. The Committee has the following duties:-

- a) Review and recommend for approval credit applications that are above the approving authority of the Deputy Managing Director;
- b) Monitor and evaluate weekly turnaround and recovery reports and provide guidance on the actions to be taken to maintain quality loan portfolio;
- c) Review at least quarterly loan portfolio trend, exposure against limits and compliance to Bank policies and Bank of Tanzania regulations.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

7 CORPORATE GOVERNANCE (CONTINUED)

7.13 Management Committees (continued)

7.13.5 Risk Committee

Management Risk Committee oversees risk management practices in the Group. The Committee meets monthly under the Chairmanship of the Managing Director and is attended by all Heads of Departments. The main responsibilities of the Committee are:-

- a) Implementing strategies and policies of the Board on risk management;
- b) Monitoring risk exposures through key risk indicators and deliberate on the actions to mitigate them;
- c) Implementing systems to measure, monitor and control risk together with regular reporting to the Board and its risk Committee on the level of exposure to various risks and implemented/proposed mitigation strategies.

7.13.6 Tender Committee

The Committee is responsible for oversight of the tender process in the Bank as delegated by the Managing Director. The main duties of the Committee includes identification of competent suppliers, contractors and consultants as required, oversight of procurement processes from the tender up to evaluation stage and recommend the tender results to the Managing Director for final award.

7.14 Relationship with Stakeholders

In fulfilling their responsibilities, the Directors believe that they govern the Group in the best interests of shareholders, whilst having due regard to the interests of other stakeholders in the Group including customers, employees, regulators and suppliers. The Management communicates regularly with major shareholders and potential investors throughout the year by participating in investor presentations and shareholders' meetings. Feedback from these meetings is reported to the Board.

Generally, the Bank continues to maintain good relationship with all Stakeholders. Shareholders are encouraged to attend the AGM, or appoint proxies to represent them in case they fail to attend. The Bank has a standing agenda in the AGM which allows the shareholders to contribute their ideas on issues to be discussed during the meetings. Shareholders are encouraged to direct questions to management and the Board and give comments through the Bank's website: www.crdbbank.com.

There is a dedicated Registrar Office under Corporate Affairs Department to handle shareholders' issues immediately as they arise such as payment of dividends, transfer of shares and shareholding matters in general. In addition, there is an Investor Relations Unit which is responsible for providing information to both existing and prospective investors.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

7 CORPORATE GOVERNANCE (CONTINUED)

7.15 Insider Trading

The Bank has an Insider Trading policy providing guidance on the conduct of insiders in the trading of its shares. Insiders are allowed to trade three days after disclosure of quarterly, annual financial results and any other material information for a period of three weeks. Risk and Compliance Department is responsible for monitoring Compliance to this Policy.

7.16 Compensation of Key Management Personnel

The key management of the Bank is comprised of the Managing Director, Deputy Managing Directors, Director of Internal Audit and all Directors reporting to the Managing Director and Deputy Managing Directors. The remuneration of key management personnel during the year was TZS 8,616 million (2014: TZS 6,813 million).

7.17 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the normal course of business, a number of banking relationships are entered into with related parties i.e. key management staff, Directors, their associates and companies associated with Directors. Such relationships are guided by policies approved by the Board to ensure the same are done at arm's length.

Loans and advances to companies associated with Directors amounted to TZS 122 million (2014: TZS 27 million), while loans and advances to Directors and other key management personnel amounted to TZS 4.1 billion (2014: TZS 4.6 billion). The volume of related party transactions for the year and the outstanding amounts at the year-end are provided under note 39 of the financial statements.

7.18 Ethical Behaviour and Organization Integrity

The Group's corporate governance structure involves managing and controlling relationships amongst different stakeholders including shareholders, Board of Directors, employees, customers, suppliers and the community at large. The Board and all employees observe values and ethical business practices as enshrined in the CRDB Code of Ethics which governs all its business interactions and relationships to stakeholders.

8 REMUNERATION POLICIES

In determining the remuneration to be paid to the non-executive directors, the Bank uses its remuneration policies. Management usually send a proposal of the fees to be paid to the non-executive directors by showing the percentage increase and reasons for the increase and forward the proposal to the Board before final approval to the Annual General Meeting.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

9 CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank continued to give back to the community in support of various developmental courses in areas of education, health and environmental conservation. The CSR initiatives are guided by the Bank's Policy that requires the Bank to spend 1% of its profit into community support in social activities.

To CRDB, CSR is no longer an obligation that we need to take on, but it has become central to our operations. As a corporate citizen, CRDB believes that by giving back to our communities, we get a chance to get closer to our customers and create a lasting bond.

In year 2015, the following CSR programmes were implemented:-

9.1 Health

The Bank continued to give back to community by supporting various health programmes as follows:-

- a) Donation of TZS. 16 million in support of the rehabilitation of the Bugando referral Hospital located in Mwanza. This hospital serves patients from all regions of the lake zone i.e Mwanza, Geita, Kagera, Mara, Shinyanga, Simiyu and Kigoma.
- b) The Bank also donated medical supplies worth TZS. 15 million to Kinondoni Municipal Dar, for combating the deadly Cholera disease.
- c) Supported the rehabilitation of Litembo Hospital in Mbinga-Songea/Ruvuma, the Bank donated TZS. 10 million.
- d) Supported the Rehabilitation of Namanyere Hospital –Nkasi District in Rukwa region, the Bank donated TZS. 10 million.

9.2 Education

The Bank supported development of education in various spheres of the society including the following:

- a) The Bank donated 200 Desks worth TZS. 20m to Buyuni Primary school at Chanika Dar, and also
- b) Donation of 150 desks worth TZS.15 million to Muleba district council Primary Schools in Kagera.
- c) TZS. 50 million was donated to BOT-Mwalimu Nyerere Sponsorship Fund for Business Studies.

Tumaini University was availed TZS. 10 million for the purpose of developing and qualifying the Mbeya campus. CRDB donated 40 modern Toilets to Mbata Primary School in Mbeya and Makuru Primary school in Dodoma, each school got 20 toilets, all the toilets worth TZS 40 million. The Bank donated TZS. 5 million to support the development of education at Kikatiti Primary School in Arusha.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

9 CORPORATE SOCIAL RESPONSIBILITY (CONTINUED)

9.3 Environment

The Bank donated TZS 10 million to the Ministry of Lands, Housing and Human Settlement in order to support the conservation of the Mbwani JKT Sea Shore Beaches in Kinondoni district Dar.

9.4 Social Justice and Peace

The Bank fosters social initiatives, in support of peaceful co-existence of all stakeholders. In light of this, in year 2015, the Bank constructed a Police Station at Marangu Township in Moshi-Kilimanjaro. TZS 125 million was donated to Tanzania Police Force. The Bank donated TZS. 12 million to “Tanzania Interfaith Association” which involves itself in fostering peace in Tanzania.

10 PERFORMANCE FOR THE YEAR

10.1 Group

In year 2015, favourable economic environment continued to support the banking business. Tanzanian economy continued to strengthen amid the recovering global economy with its Gross Domestic Product (GDP) growth accelerating to 7.4% p.a and annual headline inflation rate closing at 6.8%.The foreign exchange market during the year was highly restrictive following interventions from Bank of Tanzania (BOT) impacting both volume and spread.

The banking industry continued to be competitive with banks introducing innovative products and services such as internet banking, mobile banking, agency banking and cards which enhance accessibility and convenience of banking services to their customers. CRDB continued to focus on its market niche commanding about 20% of market customer base served in its 218 branch networks, agent networks and electronic channels. The total commercial banks operating in the market as at 31 December 2015 were 56 with a total of 728 branches.

In 2015, the Group recorded a profit before tax of TZS 187.7 billion (2014: TZS 132.2 billion), an increase of 42% from previous year. The increase is attributed to the improvement in revenue from lending; fee based income as well as foreign exchange income. The group recorded the profit after tax of TZS 128.9 billion (2014: 95.6 billion), an increase of 35%.

During the year, foreign exchange income grew to TZS 34.8 billion from TZS 29.3 billion recorded in 2014. Combined with commissions and fees, total non-interest income increased from TZS 151.1 billion to TZS 192.7 billion, reflecting a growth of 28%.

Interest income increased from TZS 371.7 billion in the prior year to TZS 497.4 billion, an increase of 34%. The increase was due to increased volumes on term loans and favourable interest rates on the government securities during the year.

Interest expenses increased from TZS 95.5 billion in the prior year to TZS 106.8 billion, representing an increase of 12%.The unfavourable variance is a result of market deposit competition where banks reacted by increasing interest rates particularly on fixed/term deposits.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

10 PERFORMANCE FOR THE YEAR (CONTINUED)

10.1 Group (continued)

Operating cost increased by 26% from TZS 255.3 billion in 2014 to TZS 321.5 billion in 2015 as a result of expansion initiatives under which more than 50 new branches were opened in 2015.

Non-performing loans grew to TZS 270,862 million (2014: TZS 129,247 million causing Loan impairment provision of TZS 66,725 million (2014: TZS 36,761 million). This significant increase was mainly due to restructured tobacco loans of TZS 44,166 million granted to 78 Agricultural Marketing Cooperative Societies (AMCOS) which failed to repay. This is a result of political interference within the tobacco marketing arrangement that occurred in Tabora region during 2013/2014 seasons which allowed farmers to sell outside their respective AMCOS causing non-servicing of loans.

The impairment amount was exacerbated by the depreciation of the shilling from TZS 1,730 in 2014 to TZS 2,159 in 2015 as the loans were denominated in USD.

Immediate measures taken by the Bank are suspension of further disbursement of funds and engaged with the Government to see how best the Bank can continue supporting farmers. One approach is the adoption of similar model of managing tobacco AMCOS in other regions where the performance has been good.

Between 2014 and 2015, the Group's total assets grew from TZS 4.2 trillion to TZS 5.4 trillion an increase of 29% while total deposits recorded a growth of 25% to TZS 4.2 trillion from TZS 3.4 trillion, which is above the annual growth of Money Supply (M3) of 16.6%. When looking at industry growth from the data published by all banks pursuant to Section 32 (3) of the Banking and Financial Institutions Act, total assets and deposits as at 31st December 2015 recorded annual growth of 20% to TZS 26.9 trillion and 7% to TZS 19.4 trillion respectively.

The Bank also increased midterm to long term funding from various institutions to boost liquidity. Total funds raised are senior debt and subordinated debt amounting to TZS 113.3 billion. Shareholders' funds also grew by 56% from TZS 441.1 billion to TZS 687.3 billion mainly due to additional capital of TZS 150.4 billion raised through a successful rights issue. Return on Equity decreased from 21.7% in 2014 to 18.8% as a result of additional capital raised during the year.

The financial performance of the Group is summarised in key performance indicators outlined below:-

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

10 PERFORMANCE FOR THE YEAR (CONTINUED)

Key Performance Indicators (KPIs)

Key Performance Indicator	Definition and Formula	CRDB Bank ratios	
		2015	2014
Return on Equity	(Net profit/Total equity)*100%	18.8%	21.7%
Return on Assets	(Profit Before Tax/Total assets) *100%	3.4%	3.1%
Operating expenses to Operating Income	(Operating expense/Net interest income + Non Interest income) *100%	55.8%	60.4%
Earnings per share	Profit attributable to equity share holders/ Number of ordinary shares in issue (TZS)	54.3	43.9
Gross loans to customer deposits	(Gross loans to customers/Total deposits from customers) *100%	79.6%	76.0%
Non-performing loans to total loans **	(Non-performing loans/Gross loans and advances)*100%	8.4%	5.0%
Growth in total assets	(Trend(Current year total assets-Previous year total asset)/Previous year total asset)*100%	29.3%	18.3%
Growth in customer deposits	(Trend(Current year deposits-Previous year deposits)/ Previous year deposits)*100%	25.2%	12.1%
Tier 1 Capital ratio	(Core capital/Risk weighted assets including off balance sheet items)*100%	14.1%	13.1%
Total Capital ratio	(Total capital/Risk weighted assets including off balance sheet items) *100%	19.4%	14.3%

** Non performing loans include Government guaranteed loans which amount to TZS 43.2 billion (2014: TZS 19.9 billion).

10.2 CRDB Microfinance Services Company Limited

During the year, the number of partner MFIs increased by 6.35% from 441 in 2014 to 469. As at 31 December 2015, total loans extended by the Bank to these institutions stood at TZS 220 billion from TZS 158.0 billion in 2014 while total deposits mobilised by the subsidiary on behalf of the Bank grew to TZS 123.0 billion from TZS 67.7 billion in 2014. The subsidiary made a profit of TZS 5.9 billion from TZS 4.2 billion in 2014, which is a growth of 40%.

10.3 CRDB Bank Burundi S.A.

CRDB Bank Burundi S.A performance during the year was good recording its first year of break-even despite of security instability in the country. The subsidiary recorded a profit of TZS 656.7 million compared to 3,578 million loss recorded in 2014. The subsidiary total assets as at 31st December 2015 grew to TZS 153 billion from TZS 104 billion in 2014. Total deposits was TZS 65,778 million compared to TZS 28,894 million in 2014.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

11 DIVIDENDS

The Board recommends a dividend of TZS 17 per share from year 2015 profit after Tax (2014: TZS 15 per share). Total amount of dividend recommended is TZS 45.3 billion (2014: TZS 32.7 billion), which is 35% of the net profit, an increase of 39% from 2014.

12 CASH FLOWS

In 2015, the Bank's investment in government securities increased by TZS177.2 billion (2014: TZS 26.1 billion) and lending to customers increased by TZS 761.4 billion (2014: TZS 599.7 billion). On the other hand, deposits from customers increased by TZS 854.2 billion (2014: TZS 362.3 billion). Such investment activities and customer deposits are the major factors explaining the Bank's movement in cash flow generated from operations. From total investments in securities, 59% is expected to mature in 2016. The Bank continues to maintain sound liquidity position to enable it meet its cash flow commitments

13 LIQUIDITY AND FUNDING

The Bank places strong emphasis on managing liquidity risk and daily cash flow management which is handled by the Treasury Department to ensure the Bank holds sufficient liquid assets to enable it continue with its normal operations. Asset Liability Committee (ALCO) also manages the Bank's exposure to liquidity risk by ensuring that limits are in line with realistic assumptions and tracks compliance on a monthly basis. Stress test to ascertain the Bank's resilience to market shocks is done by Risk and Compliance Department.

The Bank's main sources of funding are customers' deposits and shareholders' funds and occasionally interbank borrowings as part of its normal market operations. In 2015, the Bank received the second and last tranche of US\$ 20 Million long term SME facility from IFC. The Bank also received USD 25 million from Deutsche investitionsund entwicklungsgesellschaft mbh (DEG) subsidiary of KFW in the form of 7 years subordinated debt. All these initiatives aimed at reducing dependency on interbank borrowing and provide financing of midterm to long term projects.

14 TREASURY POLICIES

The Group operates a centralized treasury department for managing treasury activities in accordance with the framework of treasury policies and guidelines approved by the Board. The treasury department transacts with a number of counterparty banks and financial institutions, and adopts a systematic approach to the control and monitoring of counterparty credit risk. The Group, through its Risk and compliance department, monitors compliance against the principal policies and guidelines.

The key treasury policies are:

14.1 Market Risk Policy

The policy provides guidance/ framework for managing exchange rate and interest risks, also protect the value of the bank assets from adverse effects of market rate movements.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

14 TREASURY POLICIES (CONTINUED)

14.2 Liquidity Policy

Provide guidance for on management of the liquidity risk under normal and crisis situation. This set out a liquidity management decision making structure in the bank, approaches to funding and planning for liquidity planning and management, regulatory compliance and contingency funding. Strong cash generation in recent years and a prudent financing strategy have resulted in the Group currently being adequately positioned to withstand the credit crisis in the bank and capital markets.

14.3 Contingency Funding Policy

Manages stressed liquidity situation created by a problem or market wider crisis and ensure that the bank is able all the time to meet its matured obligations as they fall due and remain as good as going concern.

14.4 Limit Policy

Provide guidance/framework for managing market and liquidity risks for the counterparties at domestic and international level. It also provides guidance for investment and credit exposures limit.

14.5 Current liquidity including the level of borrowing

The Bank ensures that liquidity is monitored and adequately to manage its liquidity gap by determining the excess or shortage of funds at selected maturity dates by tracing cash inflows and outflows over a series of specified time buckets. The aim is to trace and reflect the maturity periods for the Bank's assets and liabilities.

14.6 Maturity profile and un-drawn of committed borrowing.

The Bank is sound and will remain to be sound in liquidity position as it has adopted a more conservative approach to the investment of its surplus cash, with money market deposits being placed with relatively stronger financial institutions for shorter periods. Bank counterparty credit risk has been, and continues to be, monitored closely on a systematic and ongoing basis, taking account of the size of the institution.

15 SOLVENCY

The state of affairs of the Group and the Bank as at 31 December 2015 are set out on page 29 of the financial statements. The Directors consider the Group and Bank to be solvent within the meaning ascribed by the Tanzania Companies Act, 2002.

16 FUTURE DEVELOPMENT PLANS

In 2016, the Bank will continue implementing the 5-year strategy focusing mainly on optimizing investments made for the past three years in the areas of network expansion, systems and products while also improving quality of service. The Bank will also continue with aggressive recovery of bad loans and enhancement of credit risk management.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

17 CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS

Results of the Group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. When preparing the financial statements, it is the Directors' responsibility under the Tanzania Companies Act 2002 to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent. The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgment involved, including the use of assumptions and estimation, are described in notes 2 and 4 to the Financial Statements.

18 CAPITAL STRUCTURE

The Bank's capital structure for the year under review is as follows:

Authorized

4,000,000,000 ordinary shares of TZS 25 each

Issued and fully paid

2,611,838,584 ordinary shares of TZS 25 each

The Annual General Meeting held on 9th May, 2015 approved a recommendation by the Board of Directors to raise additional capital of TZS 150 billion through a Rights Issue. The process started on 18th June, 2015 and was concluded on 14th August, 2015, whereby 435,306,424 new shares, were issued to shareholders of the Bank who were in the Bank's share register as at 18th June, 2015, in the ratio of 1 new share for every 5 Ordinary Shares held.

Through this process, the new strategic investors (consortium of IFC/AfCap and CDC) underwrote all shares which were not exercised by shareholders at a premium of TZS 32.00 over the rights issue price of TZS 350.00.

19 SHAREHOLDERS OF THE BANK

The Bank's Articles of Association recognize three categories of shareholders, namely shareholders holding 10% or more of the total paid up shares, shareholders holding between 1% and 10% of the total paid up shares and shareholders holding less than 1%. As at the end of the year, the shareholding of these three groups was as follows:

CRDB BANK PLC**REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015****19 SHAREHOLDERS OF THE BANK (CONTINUED)**

Shareholding group	2015		2014	
	No. of shares	%	No. of shares	%
10% and more	808,949,743	31.0	685,183,680	31.5
1% to less than 10%	681,507,131	25.9	485,695,315	22.4
Less than 1%	1,121,381,710	43.1	1,005,653,165	46.1
Total	2,611,838,584	100	2,176,532,160	100.0

Shareholders holding 1% or more of the total paid up capital as at 31 December 2015 are listed here under:

Shareholders	2015		2014	
	No. of shares	%	No. of shares	%
DANIDA Investment Fund	548,067,648	21.0	467,781,934	21.5
PPF Pension Fund	260,882,095	10.0	217,401,746	10.0
CDC Group Plc/ IFC/AfCap	130,692,741	5.0	-	-
Aunali F. Rajabali and Sajjad F. Rajabali	105,506,395	4.0	-	-
Pinebridge	78,878,880	3.0	65,732,400	3.0
General Partners IV Ltd	64,704,702	2.5	55,082,392	2.5
LAPF Pension Fund	58,077,549	2.2	48,397,958	2.2
Blakeney General Partners III Ltd	52,953,203	2.0	80,105,578	3.7
PSPF Pension Fund	37,837,620	1.4	31,531,350	1.4
Hans Aingaya Macha	32,764,200	1.3	27,303,500	1.3
National Health Insurance Fund	32,040,040	1.2	26,700,034	1.2
Western Zone Tobacco Co operative Union (WETCU)	30,000,000	1.1	36,000,000	1.7
CMG Investment Limited	29,330,971	1.1	20,703,680	1.0
Kimberlite Frontier Master Africa Fund Lp RCKM	28,720,830	1.1	-	-
Altree Custody Services Ltd 008 Tanzania	-	-	30,127,409	1.4
Lindi Development Fund	-	-	21,660,000	1.0
Patrick Schegg	-	-	21,230,300	1.0
BLAKENEY INVESTORS	-	-	21,120,714	1.0
Total	1,490,456,874	56.9	1,170,878,995	53.9

The total number of shareholders by end of 2015 was 29,756 (2014: 29,132 shareholders), which included nine members of the Board as outlined under section 7.11 of the report of directors.

20 STOCK EXCHANGE INFORMATION

The Bank is listed on the Dar es Salaam Stock Exchange. The share price as at 31 December 2015 was TZS 405.00 (2014: TZS 430.00). Market capitalization as at 31 December 2015 was TZS 1,057.79 billion (2014: TZS 935.91billion).

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

21 PRINCIPAL RISKS AND UNCERTAINTIES

CRDB is exposed to the following principal risks and uncertainties according to the nature of the business:

Financial risks

Financial risk includes credit, liquidity and market risks. CRDB overall risk management policies are set out by the Board and implemented by the Management. These policies involve identification, evaluation and mitigation of such risks. The additional details of the financial risks facing the Bank are provided in note 3 to the financial statements.

Operational risks

The Bank is exposed to operational risks that may arise from inadequate or failed internal processes, people, systems or external events. However the Group has adequate operational risk policies and framework that cater for mitigation of these risks.

22 RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts ultimate responsibility for the risk management and internal control function of the Group. It is the responsibility of the Management to ensure that adequate internal control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- Operational efficiency;
- Safety of the Bank's assets;
- Compliance with applicable laws and regulations; and
- Business continuity.

Good governance is dependent on adequate and effective Governance Framework which is in line with best international practices. In order to ensure the internal controls remain adequate, the Bank has a fully-fledged Risk and Compliance function that coordinates and oversees the implementation of enterprise wide risk management framework within the Group.

In addition, the Board through its Risk Committees evaluated the internal control systems during the financial year ended 31 December 2015. It is of the opinion that they adequately and efficiently mitigate risks inherent in the Group's operations.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

23 KEY STRENGTH AND RESOURCES

The Group continues to give its top priority to key resources which are people and technology which gives us strength in service delivery, productivity and financial strength. Customer satisfaction depends first and foremost on people and hence employees continue to be the most important asset as demonstrated by this year's result which is a tribute to their commitment and hard work.

The group has skilled and experienced employees who are considered as key resources in pursuing its business objectives. The group continues to encourage open and honest communication in decision making.

ICT is also an important enabler in service delivery. This is the reason why the Group has continuously invested in the state of art technology to realise operational excellence and better service delivery to our customers.

Productivity has been the key focus for the group and thus the initiatives we embarked on during the year have made us achieve significant progress in embedding productivity culture throughout the Group.

Our aspiration is to continuously make the Bank more customers focused and efficient in the long term, while managing short term expenses within appropriate level. Given the strength of the Group we have ample capacity to support our customers.

24 EMPLOYEES' WELFARE

24.1 Management and Employees' Relationship

The Group continues to maintain good relationship between employees and management as one of its top agenda. This has been achieved through observing the 3 year collective bargaining agreement with TUICO (Tanzania Union of Industrial and Commercial Workers) which was renewed in 2014. In addition, the Group conducted Employees Satisfaction Survey (ESS) through KPMG with the intention of obtaining feedback from employees on key areas of work environment, training and development, compensation and career progression. Through such initiatives, the Group has been able to maintain trust and good working relationship with employees.

24.2 Training Facilities

The Group spent TZS 5.51 billion in the period under review from TZS 4.71 billion incurred in 2014 on staff training in order to improve employees' technical skills and performance. In year 2015, the Group continued to provide e-learning training courses covering soft skills and specialised courses for ICT, risk management, relationship management and credit management which enabled employees to acquire relevant skills for better understanding of their work. Staff pursued Distance Learning Programme on banking certificate and diploma courses that can be easily accessed countrywide. In house training programmes and structured programmes offered locally and internationally were also part of the training programmes for 2015 to enable experience sharing and exposure.

CRDB BANK PLC

REPORT OF THE DIRECTORS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

24 EMPLOYEES' WELFARE (CONTINUED)

24.3 Medical Assistance

The Group continues to provide medical services to its employees, their spouses and up to four children. In addition, the Bank runs Employee Wellness Programme (EWP) through external service provider to assist employees in work-life balance and ensure better productivity.

24.4 Health and Safety

The Group takes all reasonable and practicable steps to safeguard health, safety and welfare of its employees. A safe working environment is maintained for all employees by providing adequate and proper personal protective equipment, training and supervision as necessary. The Group observes Occupational Safety and Health Administration (OSHA) requirements and ensures full compliance.

24.5 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, as long as it is in line with the Human Resources and Credit Policies.

24.6 Persons with Disabilities

It is the Group's policy to provide employment to disabled persons wherever practicable. The Group has always considered this policy whenever it recruits.

24.7 Staffing

As at 31 December, 2015 the Group's number of employees were 2,651 employees from 2,387 in 2014. The annual growth in staffing was 11% which is in line with the business growth. Out of the total number of staff in the Group as at 31 December 2015; 1,502 were male and 1,149 females. The Group 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 such as gender, marital status, tribe, religion, and disability which does not impair ability to discharge duties.

24.8 Disabled persons

The Bank believes in providing equal opportunities for all employees. We encourage and give full and fair consideration to job applications from people with disability and are unbiased in the way we assess, select, appoint, train and promote people.

Recruitment, training, career development and promotion of disabled persons are based on the aptitudes and abilities of the individual. Should employees become disabled during their employment with the bank, efforts are made to continue their employment and, if necessary, appropriate training and reasonable equipment and facilities are provided.

CRDB BANK PLC

**REPORT OF THE DIRECTORS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2015**

25 POLITICAL AND CHARITABLE DONATIONS

The Group did not make any political donations during the year. Charitable donations/or CSR made amounted to TZS 322 Million (2014: TZS 465 million).

26 ENVIRONMENTAL CONTROL PROGRAMME

The Group supports investment in sectors such as agriculture, industry and tourism, in which environmental protection and conservation are a major issue at a time when climate change poses a serious challenge for all countries, including Tanzania. In supporting conservation and environmental protection efforts, the Group insists on compliance with statutory environmental impact assessment requirements for projects it supports.

27 EVENTS AFTER REPORTING PERIOD

There are no material events, adjusting or non adjusting, which have occurred between the reporting date and the date when financial statements are authorized for issue.

28 AUDITORS

The auditors, PricewaterhouseCoopers have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing their reappointment as the Bank's auditors for the subsequent year will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

Martin J. Mmari
Chairman

23 March 2016

CRDB BANK PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2015

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

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, CAP 212 Act No.12 of 2002. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of the Bank and of the Group's and Bank's profit in accordance with International Financial Reporting Standards (IFRS). The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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

Signed on behalf of the Board of Directors by:

Martin J. Mmari
Chairman

23 March 2016

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF CRDB BANK PLC

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of CRDB Bank Plc (the Bank) and its subsidiaries (together, the Group), which comprise the statements of financial position as at 31 December 2015 of the Group and Bank, their statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on the 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 our audit to obtain reasonable assurance that 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 accompanying financial statements give a true and fair view of the state of the Group's and of the Bank's financial affairs at 31 December 2015 and of their profits and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, CAP 212 Act No. 12 of 2002.

**REPORT OF THE INDEPENDENT AUDITOR (CONTINUED)
TO THE MEMBERS OF CRDB BANK PLC**

Report on Other Legal and Regulatory Requirements

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

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

Patrick M Kiambi – TACPA

For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam

Date.....

CRDB BANK PLC

FINANCIAL STATEMENTS

CONSOLIDATED AND BANK STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	<u>Note</u>	GROUP		BANK	
		<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Interest and similar income	5	497,471	371,699	487,202	368,372
Interest expense	6	(106,822)	(95,512)	(103,176)	(93,938)
Net interest income		390,649	276,187	384,026	274,434
Loan impairment charges	19	(66,877)	(36,886)	(66,725)	(36,761)
Net interest income after loan impairment charges		323,772	239,301	317,301	237,673
Fee and commission income	7	156,432	121,498	148,601	115,661
Fee and commission expense	7	(7,476)	(2,894)	(24,477)	(13,109)
Net fee and commission income		148,956	118,604	124,124	102,552
Net foreign exchange income	8	34,860	29,334	32,602	27,211
Other operating income	9	1,280	262	578	22
Other operating expenses	10	(134,570)	(106,445)	(125,137)	(99,428)
Depreciation and amortization	11	(33,812)	(27,863)	(31,779)	(26,470)
Employee benefit expenses	12	(152,796)	(120,949)	(139,526)	(111,552)
		(321,178)	(255,257)	(296,442)	(237,450)
Profit before income tax		187,690	132,244	178,163	130,008
Income tax expense	13	(58,712)	(36,599)	(55,790)	(34,704)
Profit for the year		128,978	95,645	122,373	95,304
Profit for the year attributable to owners of the parent		128,978	95,645	122,373	95,304

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED AND BANK STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015
(CONTINUED)

	<u>Note</u>	GROUP		BANK	
		<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
Other comprehensive income:					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Translation reserve	34	3,434	1,340	-	-
Revaluation loss on available-for-sale Government securities	34	(3,956)	(880)	(2,844)	(880)
Other comprehensive (loss)/income for the year net of tax		(522)	460	(2,844)	(880)
Total comprehensive income for the year		128,456	96,105	119,529	94,424
Basic and diluted earnings per share (TZS)	14	54.28	36.39		

CRDB BANK PLC

FINANCIAL STATEMENTS

**CONSOLIDATED AND BANK STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	<u>Note</u>	GROUP		BANK	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
		<u>TZS'</u>	<u>TZS'</u>	<u>TZS'</u>	<u>TZS'</u>
		Million	Million	Million	Million
ASSETS					
Cash and balances with Central Banks	16	783,670	549,570	769,824	538,357
Government securities	17	773,161	594,585	728,309	566,918
Loans and advances to banks	18	291,007	294,626	305,218	289,125
Loans and advances to customers	19	3,260,587	2,545,296	3,226,708	2,494,931
Equity investments	20	2,280	2,280	2,280	2,280
Other assets	21	86,330	62,485	82,106	58,071
Investment in subsidiaries	22	-	-	22,311	22,311
Current income tax	13	2,840	19,375	2,089	18,562
Property and equipment	23A	134,617	106,803	127,413	102,064
Motor vehicles	23B	13,928	8,323	12,233	6,951
Prepaid operating lease	24	10,767	6,029	10,767	6,029
Intangible assets	25	31,144	17,230	29,269	15,833
Deferred income tax	26	17,486	3,495	17,178	3,297
TOTAL ASSETS		5,407,817	4,210,097	5,335,705	4,124,729
LIABILITIES					
Deposits from customers	27	4,246,168	3,390,921	4,180,390	3,361,995
Deposits from banks	28	72,527	94,594	70,314	36,068
Other liabilities	29	83,774	95,740	96,995	106,632
Provisions	30	1,872	1,084	1,872	1,084
Grants	31	19,561	15,436	18,069	13,543
Short term borrowings	32.1	-	43,249	-	43,249
Subordinated debts	32.2	87,300	31,333	87,300	31,333
Long term borrowings	32.3	209,217	96,589	209,217	96,589
TOTAL LIABILITIES		4,720,419	3,768,946	4,664,157	3,690,493
EQUITY					
Share capital	33	65,296	54,413	65,296	54,413
Share premium	34	158,314	18,765	158,314	18,765
Retained earnings	34	355,487	346,614	342,708	340,698
Regulatory banking risk reserve	34	79,221	19,633	79,020	19,440
Legal provision reserve	34	33	-	-	-
Translation reserve	34	3,635	201	-	-
General banking reserve	34	28,707	-	28,707	-
Revaluation reserve	34	(3,295)	1,525	(2,497)	920
TOTAL EQUITY		687,398	441,151	671,548	434,236
TOTAL LIABILITIES AND EQUITY		5,407,817	4,210,097	5,335,705	4,124,729

The financial statements on pages 29 to 138 were approved and authorised for issue by the Board of Directors on 23th March 2016 and signed on its behalf by:

Mr. Martin J. Mmari
Chairman

Dr. Charles S. Kimei
Managing Director

Mr. Ally H. Laay
Director

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

STATEMENTS OF CHANGES IN EQUITY

GROUP

Year ended 31 December 2015	Note	Share capital TZS' Million	Share premium TZS' Million	Retained earnings TZS' Million	Regulatory banking risk reserve TZS' Million	General banking reserve TZS' Million	Legal provision reserve TZS' Million	Revaluation reserve TZS' Million	Translation reserve TZS' Million	Total TZS' Million
At 1 January 2015		54,413	18,765	346,614	19,633	-	-	1,525	201	441,151
Profit for the year		-	-	128,978	-	-	-	-	-	128,978
Comprehensive income										
Loss on available-for-sale revaluation	34	-	-	244	-	-	-	(4,200)	-	(3,956)
Translation reserve		-	-	-	-	-	-	-	3,434	3,434
Transfer of excess depreciation	34	-	-	641	-	-	-	(641)	-	-
Deferred tax on excess depreciation	34	-	-	(21)	-	-	-	21	-	-
Total comprehensive income		-	-	129,842	-	-	-	(4,820)	3,434	128,456
Transfer to general banking reserve and regulatory banking risk reserve		-	-	(88,287)	59,588	28,707	-	-	-	8
Transfer to legal provision reserve		-	-	(33)	-	-	33	-	-	-
Transactions with shareholders										
Dividends declared	15	-	-	(32,649)	-	-	-	-	-	(32,649)
Rights issue		10,883	139,549	-	-	-	-	-	-	150,432
At 31 December 2015		65,296	158,314	355,487	79,221	28,707	33	(3,295)	3,635	687,398

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

GROUP

Year ended 31 December 2014	Note	Share capital TZS' Million	Share premium TZS' Million	Retained earnings TZS' Million	Regulatory banking risk reserve TZS' Million	Revaluation reserve TZS' Million	Translation reserve TZS' Million	Total TZS' Million
At 1 January 2014		54,413	18,765	298,753	2,007	2,951	(1,139)	375,750
Profit for the year		-	-	95,645	-	-	-	95,645
Comprehensive income								
Loss on available-for-sale Government securities fair valuation	34	-	-	-	-	(880)	-	(880)
Translation reserve		-	-	-	-	-	1,340	1,340
Transfer of excess depreciation	34	-	-	546	-	(546)	-	-
Total comprehensive income		-	-	96,191	-	(1,426)	1,340	96,105
Transfer to the regulatory banking risk reserve		-	-	(17,626)	17,626	-	-	-
Burundi Adjustment		-	-	(233)	-	-	-	(233)
Transactions with shareholders								
Dividends declared	15	-	-	(30,471)	-	-	-	(30,471)
At 31 December 2014		54,413	18,765	346,614	19,633	1,525	201	441,151

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

BANK

Year ended 31 December 2015	<u>Note</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Regulatory banking risk reserve</u>	<u>General banking reserve</u>	<u>Revaluation reserve</u>	<u>Total</u>
		TZS' Million	TZS Million	TZS' Million	TZS' Million	TZS' Million	TZS' Million	TZS' Million
At 1 January 2015		54,413	18,765	340,698	19,440	-	920	434,236
Profit for the year		-	-	122,373	-	-	-	122,373
<i>Comprehensive income</i>								
Loss on available-for-sale Government securities fair valuation	34	-	-	-	-	-	(2,844)	(2,844)
Transfer of excess depreciation	34	-	-	573	-	-	(573)	-
Total comprehensive income				122,946			(3,417)	119,529
Transfer to general banking reserve and regulatory banking risk reserve		-	-	(88,287)	59,580	28,707	-	-
<i>Transactions with shareholders</i>								
Dividend declared	15	-	-	(32,649)	-	-	-	(32,649)
Rights issue		10,883	139,549	-	-	-	-	150,432
At 31 December 2015		65,296	158,314	342,708	79,020	28,707	(2,497)	671,548

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

BANK

Year ended 31 December 2014	<u>Note</u>	<u>Share capital</u> TZS' Million	<u>Share premium</u> TZS Million	<u>Retained earnings</u> TZS' Million	<u>Regulatory banking risk reserve</u> TZS' Million	<u>Revaluation reserve</u> TZS' Million	<u>Total</u> TZS' Million
At 1 January 2014		54,413	18,765	292,870	1,955	2,280	370,283
Profit for the year		-	-	95,304	-	-	95,304
Comprehensive income							
Loss on available-for-sale Government securities fair valuation		-	-	-	-	(880)	(880)
Transfer of excess depreciation	34	-	-	480	-	(480)	-
Total comprehensive income		-	-	95,784	-	(1,360)	94,424
Transfer to regulatory banking risk reserve		-	-	(17,485)	17,485	-	-
Transactions with shareholders							
Dividend declared	15	-	-	(30,471)	-	-	(30,471)
At 31 December 2014		54,413	18,765	340,698	19,440	920	434,236

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS

	<u>Note</u>	GROUP		BANK	
		<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Cash flow from operating activities					
Profit before income tax		187,690	132,244	178,163	130,008
<i>Adjustment for:</i>					
Depreciation of property and equipment	23A	26,226	22,101	25,151	21,385
Amortization of intangible assets	25B	5,205	4,248	4,590	3,888
Depreciation of motor vehicle	23B	2,080	1,453	1,737	1,144
Amortization of prepaid operating leases	24	301	53	301	53
Loss on disposal of property and equipment	9	63	91	65	87
Loan impairment charges	19	66,877	36,886	66,725	36,761
Other assets impairment charges		1,827		1,826	
Changes in provisions		1,000		1,000	
Net interest income		(390,649)	(276,187)	(384,026)	(274,434)
Net fee and commission income		(148,956)	(118,604)	(124,124)	(102,552)
		(248,336)	(197,715)	(228,592)	(183,660)
<i>Changes in operating assets and liabilities:</i>					
Statutory minimum reserve		(107,251)	11,241	(107,251)	11,241
Government securities		(82,768)	(26,088)	(69,907)	(10,430)
Loans and advances to banks		(26,239)	(19,038)	(51,306)	(19,038)
Loans and advances to customers		(732,264)	(599,713)	(748,919)	(553,630)
Other assets		(23,372)	(22,270)	(23,561)	(18,855)
Deposits from banks		(31,047)	40,653	26,868	(17,787)
Deposits from customers		854,165	362,310	819,939	349,521
Other liabilities		(13,210)	48,100	(10,879)	50,548
Provisions		(212)		(212)	
Grants		4,125	7,653	4,526	6,123
Interest received(Loans and Advance)		366,014	382,496	360,414	378,771
Interest paid(Excluding deposits from bank)		(94,683)	(88,298)	(95,265)	(86,884)
Fee and commission income	7	156,432	121,498	148,601	115,661
Fee and commission expense		(7,476)	(2,894)	(24,477)	(13,109)
Income tax paid		(56,228)	(44,658)	(53,199)	(42,357)
Net cash(used in)/from operating activities		(42,350)	(26,723)	(53,220)	(33,885)
Cash flows from investing activities					
Investment in subsidiary	22	-	-	-	(2,290)
Purchase of property and equipment		(48,586)	(36,230)	(47,191)	(33,775)
Purchase of motor vehicle		(7,784)	(2,519)	(7,254)	(2,339)
Purchase of P&E financed by Grants		(4,532)	(2,640)	(3,289)	(2,640)
Acquisition of leasehold land	24	(5,039)	(5,567)	(5,039)	(5,567)
Purchase of intangible assets	25B	(18,650)	(4,492)	(17,908)	(4,219)
Proceeds from disposal of property and equipment and motor vehicles		199	900	199	900
Net cash used in investing activities		(84,392)	(50,548)	(80,482)	(49,930)

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS (CONTINUED)

	<u>Note</u>	GROUP		BANK	
		<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Cash flows from financing activities					
Rights issue		150,432		150,432	
Dividends paid		(31,407)	(29,048)	(31,407)	(29,048)
Repayment of borrowings	32	(44,104)	-	(44,104)	-
Proceeds from borrowings and subordinated debt	32	145,422	119,406	145,422	119,406
Net cash from financing activities		220,343	90,358	220,343	90,358
Cash and cash equivalents at 1 January		487,365	475,697	470,652	465,400
Net cash from /(used in) operating activities		(42,350)	(26,723)	(53,220)	(33,885)
Net cash used in investing activities		(84,392)	(50,548)	(80,482)	(49,930)
Net cash from financing activities		220,343	90,358	220,343	90,358
Effect of exchange rate change on cash and cash equivalent		1,687	(1,419)	693	(1,291)
Cash and cash equivalents at 31 December	35	582,653	487,365	557,986	470,652

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES

1 GENERAL INFORMATION

CRDB Bank Plc (the “Bank”) and its subsidiaries CRDB Microfinance Company Services Limited and CRDB Bank Burundi S.A (together, “the Group”) provide corporate and retail Banking services including microfinance services in Tanzania as well as in Burundi. The Bank is a public limited company incorporated under the Companies Act 2002 and is domiciled in Tanzania.

The Bank and CRDB Microfinance Services Company Limited operate in Tanzania. CRDB Bank Burundi S.A. operates in Burundi.

The Bank’s shares are listed on the Dar es Salaam Stock Exchange (DSE).
The address of its registered office is as follows:

4th Floor
Office Accommodation Scheme Building
Azikiwe Street
PO Box 268
Dar es Salaam

The consolidated and Bank’s financial statements for the year ended 31 December 2015 have been approved for the issue by the Board of Directors on 23 March 2016. Neither the entity’s owners nor others have the power to amend the financial statements after issue.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The financial statements are presented in Tanzania shillings (TZS) and the amounts are rounded to the nearest million, except where otherwise indicated.

(i) Compliance with IFRS

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the group’s accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The directors believe that the underlying assumptions are appropriate and that the group’s financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Available-for-sale financial assets and motor vehicles-measured at fair value
- Other financial assets and liabilities measured at amortised cost as explained in the accounting policies below.

(iii) New and amended standards adopted by the Group and Bank

The following standards have been adopted by the Group and Bank for the first time for the financial year beginning on or after 1 January 2015:

- Annual improvements to IFRSs, 2010 – 2012 cycle and 2011- 2013 cycle

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

(iv) New standards and interpretations not yet adopted by the Group and Bank

A number of new standards and amendments to standards and interpretations have been published but are not yet effective for annual periods beginning after 1 January 2015, and have not been early adopted. None of these is expected to have a significant effect on the financial statements except the following set out below:

IFRS 9, 'Financial instruments' – The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit loss model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests.

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted by the Group and Bank (continued)

It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' – The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual period beginning on or after 1 January 2017 and earlier application is permitted. The Group is still assessing the impact of IFRS 15.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group and the Bank in the current or future reporting periods and on foreseeable future transactions.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries CRDB Microfinance Services Company Limited and CRDB Bank Burundi S.A. for the year ended 31 December 2015. The reporting date for both subsidiaries is 31 December.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Separate financial statements

In the separate financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. Dividend income is recognised when the right to receive payment is established.

(c) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the statement of profit or loss using the effective interest method.

The effective interest 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 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.

Interest income on non-performing loans for which no impairment provision has been recorded is recognised using the effective interest method. Interest income is not recognised for non-performing loans for which an impairment provision has been recorded.

(d) Fees and commission income

Fees and commission are generally recognised on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and amortised over the loan tenure

Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction.

(e) Dividend income

Dividend income is recognized in profit or loss when the right to receive payment is established.

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Tanzanian Shillings (TZS), which is the Group's presentation and functional currency.

(ii) Transactions and balances

Transactions in foreign currencies during the year are converted into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. 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 profit or loss.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:-

- a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- c) All resulting exchange differences are recognised in other comprehensive income and accumulated in 'translation reserve' in equity.

(g) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. Management determines 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, other than:

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

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

(i) Loans and receivables (continued)

- (b) those that the Group upon initial recognition designates as available for sale; or
- (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognized at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the balance sheet as loans and advances to other banks or customers, cash and balances with central bank, some government securities or other assets. Interest on loans is included in the statement of profit or loss and is reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the statement of profit or loss as 'loan impairment charges'.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, other than:

- (a) those that the Group upon initial recognition designates as at fair value through profit or loss;
- (b) those that the Group designates as available for sale; and
- (c) those that meet the definition of loans and receivables.

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

Interest on held-to-maturity investments is included in the statement of profit or loss and reported as 'Interest and similar income'. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the statement of profit or loss as 'net gains/(losses) on investment securities'.

(iii) Available for sale

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

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income and accumulated in a separate reserve in equity, revaluation reserve, until the financial asset is derecognised.

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Recognition of financial assets

The Bank uses trade date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the balance sheet as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

(i) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments.

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

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

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

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

(j) Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when extinguished. Such financial liabilities include deposits from banks or customers, other liabilities and borrowings.

(k) Derecognition of financial assets and liabilities

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

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Classes of financial instruments

The Group 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 below:

Category (as defined by IAS 39)		Class (as determined by the Bank)		Subclasses
Financial assets	Loans and receivables	Loans and advances to banks		
		Loans and advances to customers	Loans to individuals (retail)	Personal loans
				SMEs
			MFIs	
	Loans to corporate entities	Corporate customers		
		Others		
	Available-for-sale financial assets	Investment securities - debt securities		Unlisted
Investment securities - debt securities		Unlisted		
Investment securities - equity securities		Unlisted		
Financial assets at amortised cost	Cash and balances with central banks		Unlisted	
Financial liabilities	Financial liabilities at amortised cost	Deposits from banks		
		Borrowings and subordinated debts		
		Deposits from customers	Retail customers	
		Corporate customers		

(m) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at each balance sheet date 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 and impairment losses are incurred 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 Group uses to determine that there is objective evidence of impairment include:

- Significant financial difficult of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payment;
- Cash flow difficulties experienced by the borrower;

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

- 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 Group 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 Group 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 allowance account and the amount of the loss is recognised in 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 debtor's credit rating), the previously recognised impairment loss is revised by adjusting the allowance account. The amount of the reversal is recognised in profit or loss in impairment charge for credit losses.

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of financial assets (continued)

(ii) Assets classified as available-for-sale

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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 account. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss account.

(iii) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans.

An impairment assessment is performed in a similar manner as explained in Note 2(m)(i) for loans whose terms are renegotiated as a result of financial difficulty of the borrower in the year the terms were renegotiated even if the loan is classified as performing.

(n) Impairment of non-financial assets

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(o) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax

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

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit/loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

(q) Provisions

Provisions are recognised when the Group 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.

(r) Property and equipment and motor vehicles

Upon initial recognition motor vehicles are recorded at cost which includes expenditure that is directly attributable to the acquisition of the items. Subsequently, motor vehicles are stated in the statement of financial position at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The valuation is determined by independent valuers with reference to the market value of the motor vehicles. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increase arising on the revaluation of such motor vehicles is recognized in other comprehensive income and cumulated in revaluation reserve in equity except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such motor vehicles is recognized in profit or loss to the extent that it exceeds the balance, if any, held in revaluation reserve relating to a previous revaluation of that asset. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost is transferred from 'revaluation surplus' to retained earnings.

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Property and equipment and motor vehicles (continued)

Land and buildings comprise mainly branches and offices. All property and equipment except motor vehicles are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred. Depreciation of assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Bank buildings	40 years
Computer equipment	5 years
Motor vehicles	7 years
Office equipment	5 years
Furniture and fittings	5 years
Smart card equipment	8 years
Mobile branch	7 years
Security equipment	5 years
Leasehold improvement	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When revalued assets are sold, the amounts included in revaluation surplus relating to those assets are transferred to retained earnings.

(s) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (ten years for the core banking system, and three to five years for other systems).

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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, Investment securities and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with Central Banks.

(u) Employee benefits

(i) Retirement benefit obligations

The Group's contributions in respect of retirement benefit costs are charged to profit or loss in the year to which they relate. The Group makes contributions to various Social Security Pension Funds, which are statutory defined contribution pension schemes. The Group's obligations under the schemes are limited to specific contributions legislated from time to time.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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 periods.

(ii) Other entitlements

Contract staffs are entitled to gratuity payment at the completion of the contract. Provision is made for gratuity in line with the contracts. The gratuity is not a defined benefit arrangement.

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(v) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(w) Dividend distribution

Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued until declared at the Annual General Meeting. Payment of dividends is subjected to withholding tax at the enacted rate of 5%.

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Earnings per share

The Group presents basic and diluted earnings per share (EPS) in the consolidated financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(y) Grants

Grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate. Grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(z) 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.

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.

(aa) Contingencies and commitments

Transactions are classified as contingencies where the Group's obligations depend on uncertain future events. Items are classified as commitments where the Group commits itself to future transactions if the items will result in the acquisition of assets.

Financial guarantees

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. The financial guarantees are subsequently measured at the greater of the amortised cost or the obligation.

Acceptances and letters of credit

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

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Segment reporting

In accordance with IFRS 8, the Group has the following business segments: Treasury, Retail banking and Microfinance services and Corporate banking.

The following segment information has been prepared in accordance with the “management approach” which requires presentation of segments on the basis of the internal reports about components of the entity which are regularly reviewed by the executive committee who are the chief operating decision makers in order to allocate resources to segments and to assess their performance. The agreed allocation basis between segments was not changed during the year.

The following business segments represent the Group’s organization structure as reflected in the internal management reporting system. For management purposes, the Group is divided into the following three segments:

i) Corporate banking

Includes services and products to corporate and high net worth individuals including deposits, letters of credit, guarantee, lending and other products and dealing with financial institutions.

ii) Retail banking and microfinance

Includes services and products to individuals and small and medium enterprises, including deposits and lending.

iii) Treasury

Includes treasury services, investment management services and asset management activities related to dealing, managing and custody of securities. This segment also includes all other cost centers and profit centers in the head office in areas of technology services and support and currency exchange.

The following tables represent income, expenses and certain assets and liability information regarding the Group’s reportable segments for the year ended 31 December 2015 and 31 December 2014.

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Segment reporting (continued)

Primary segment information - Business Segments

The following table presents profit and loss and assets and liability information regarding the Bank's business segments for the year ended 31 December 2015.

GROUP

Year ended 31 December 2015	Corporate Banking TZS' Million	Retail Banking Microfinance Services & Burundi TZS' Million	Treasury TZS' Million	Total TZS' Million
External Operating income				
Interest Income	206,041	194,161	97,269	497,471
Interest Expense	(43,278)	(44,099)	(19,445)	(106,822)
Internal net interest income/ (expense)	3,049	5,866	(8,915)	-
Net interest income	165,812	155,928	68,909	390,649
Loan Impairment charges	(36,523)	(30,354)	-	(66,877)
Net Interest income after loan impairment charges	129,289	125,574	68,909	323,772
Fee and Commission income	25,249	130,771	412	156,432
Fee and Commission expense	(1,207)	(6,269)	-	(7,476)
Net Fee and Commission income	24,042	124,502	412	148,956
Net foreign exchange Income	-	2,258	32,602	34,860
Other operating income	-	1,280	-	1,280
Other operating expense	(41,133)	(92,011)	(1,426)	(134,570)
Employee benefit expenses	(28,716)	(115,296)	(8,784)	(152,796)
Depreciation and amortisation	(740)	(32,904)	(168)	(33,812)
Profit Before Tax	82,742	13,403	91,545	187,690
Income Tax Expense	(25,887)	(4,182)	(28,643)	(58,712)
Profit for the year	56,855	9,221	62,902	128,978
Asset and Liability				
Segment assets	2,055,383	2,099,944	978,942	5,134,269
PPE Additions	24,223	24,749	11,537	60,509
Unallocated Asset	-	-	-	213,039
Total Assets	2,079,606	2,124,693	990,479	5,407,817
Segment liabilities	(2,143,579)	(2,490,315)	(5,667)	(4,639,562)
Unallocated liabilities	-	-	-	(80,857)
Total Liabilities	(2,143,579)	(2,490,315)	(5,667)	(4,720,419)

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Segment reporting (continued)

GROUP

Year ended 31 December 2014

	Corporate <u>Banking</u> TZS' Million	Retail Banking, Microfinance & <u>Burundi</u> TZS' Million	<u>(Treasury)</u> TZS' Million	<u>Total</u> TZS' Million
Interest income	182,752	103,194	85,753	371,699
Interest expense	(57,961)	(30,614)	(6,937)	(95,512)
Internal interest income/(expense)	17,603	14,224	(31,827)	-
Net interest income	142,394	86,804	46,989	276,187
Loan impairment charges	(30,506)	(6,380)	-	(36,886)
Net interest income after loan impairment charges	111,888	80,424	46,989	239,301
Fees and commission income	43,746	76,601	1,151	121,498
Fees and commission expenses	(857)	(2,037)	-	(2,894)
Net fees and commission income	42,889	74,564	1,151	118,604
Net foreign exchange income	-	2,123	27,211	29,334
Other operating income	47	224	(9)	262
Other operating expenses	(40,914)	(57,973)	(7,558)	(106,445)
Employee benefit expenses	(53,518)	(58,849)	(8,582)	(120,949)
Depreciation and amortisation	(11,117)	(16,687)	(59)	(27,863)
Profit before tax	49,275	23,826	59,143	132,244
Income tax expense	(13,152)	(7,646)	(15,801)	(36,599)
Profit for the year	36,123	16,180	43,342	95,645
Assets and liabilities				
Segment assets	1,730,077	1,471,433	746,387	3,947,897
PPE additions	18,138	15,426	7,825	41,389
Unallocated assets	-	-	-	220,811
Total assets	1,748,215	1,486,859	754,212	4,210,097
Segment liabilities	(2,122,851)	(1,217,734)	(307,353)	(3,647,938)
Unallocated liabilities	-	-	-	(121,008)
Total liabilities	(2,122,851)	(1,217,734)	(307,353)	(3,768,946)

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Primary segment information - Business Segments

The following table presents profit and loss and assets and liability information regarding the Bank's business segments for the year ended 31 December 2015.

BANK Year ended 31 December 2015	Corporate <u>Banking</u> TZS' Million	Retail Banking, Microfinance Services & <u>Burundi</u> TZS' Million	<u>Treasury</u> TZS' Million	<u>Total</u> TZS' Million
External Operating income				
Interest income	209,164	180,769	97,269	487,202
Interest expense	(43,428)	(38,093)	(21,655)	(103,176)
Internal net interest income/(expense)	1,890	3,249	(5,139)	-
Net interest income	167,626	145,925	70,475	384,026
Loan impairment charges	(36,523)	(30,202)	-	(66,725)
Net interest income after loan impairment charges	131,103	115,723	70,475	317,301
Fee and commission income	25,225	122,960	416	148,601
Fee and commission expense	(998)	(23,479)	-	(24,477)
Net fee and commission income	24,227	99,481	416	124,124
Net foreign exchange Income	-	-	32,602	32,602
Other operating income	-	578	-	578
General and administrative Expense	(42,217)	(81,524)	(1,396)	(125,137)
Employee benefit expenses	(29,286)	(101,466)	(8,775)	(139,527)
Depreciation and amortisation	(740)	(30,870)	(168)	(31,778)
Profit before tax	83,087	1,922	93,154	178,163
Income tax expense	(26,094)	(734)	(28,962)	(55,790)
Profit for the year	56,993	1,188	64,192	122,373
Asset and liability				
Segment assets	1,958,799	2,080,763	1,026,958	5,066,521
PPE additions	22,315	23,705	11,699	57,719
Unallocated asset	-	-	-	211,465
Total assets	1,981,114	2,104,468	1,038,657	5,335,705
Segment liabilities	(2,143,579)	(2,353,270)	(70,314)	(4,567,163)
Unallocated liabilities	-	-	-	(96,994)
Total liabilities	(2,143,579)	(2,353,270)	(70,314)	(4,664,157)

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BANK

Year ended 31 December 2014	Corporate Banking	Retail Banking & Microfinance services & Burundi		
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Interest income	181,116	102,270	84,985	368,372
Interest expense	(57,006)	(30,109)	(6,823)	(93,938)
Internal interest income/(expense)	17,603	14,224	(31,827)	-
Net interest income	124,110	72,161	78,163	274,434
Loan impairment charges	(30,403)	(6,358)	-	(36,761)
Net interest income after loan impairment charges	93,708	65,802	78,163	237,673
Fees and commission income	41,644	72,921	1,096	115,661
Fees and commission expenses	(3,882)	(9,227)	-	(13,109)
Net fees and commission income	37,762	63,694	1,096	102,552
Net foreign exchange income	-	1,969	25,242	27,211
Other operating income	4	19	-1	22
Other operating expenses	(38,217)	(54,151)	(7,060)	(99,428)
Employee benefit expenses	(49,360)	(54,277)	(7,915)	(111,552)
Depreciation and amortisation	(10,561)	(15,853)	(56)	(26,470)
Profit before tax	33,336	7,204	89,468	130,008
Income tax expense	(8,899)	(1,923)	(23,882)	(34,704)
Profit for the year	24,437	5,281	65,586	95,304
Assets and liabilities				
Segment assets	1,694,996	1,441,597	731,253	3,867,846
PPE additions	16,983	14,444	7,327	38,754
Unallocated assets	-	-	-	218,129
Total assets	1,711,979	1,456,041	738,580	4,124,729
Segment liabilities	(2,013,863)	(1,155,216)	(291,574)	(3,460,653)
Unallocated liabilities	-	-	-	(229,840)
Total liabilities	(2,013,863)	(1,155,216)	(291,574)	(3,690,493)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

(ac) Segment reporting (continued)

Geographically, the Group operates in the United Republic of Tanzania and in the Republic of Burundi. The financial performance and financial position of the Group by the geographic segments is as follows:

Year ended 31 December 2015	<u>Tanzania</u> TZS' Million	<u>Burundi</u> TZS' Million	<u>Total</u> TZS' Million
External operating income			
Interest income	484,992	12,479	497,471
Interest expense	(100,966)	(5,856)	(106,822)
Internal net interest income/(expense)	-	-	-
Net interest income	384,026	6,623	390,649
Loan impairment charges	(66,725)	(152)	(66,877)
Net interest income after loan impairment charges	317,301	6,471	323,772
Fee and commission income	152,941	3,491	156,432
Fee and commission expense	(6,855)	(621)	(7,476)
Net Fee and commission income	146,086	2,870	148,956
Net foreign exchange Income	32,602	2,257	34,860
Other operating income	1,103	178	1,280
General and administrative expense	(129,777)	(4,792)	(134,569)
Employee benefit expenses	(148,424)	(4,373)	(152,796)
Depreciation and amortisation	(32,139)	(1,673)	(33,812)
Profit before tax	186,752	938	187,690
Income tax expense	(58,431)	(281)	(58,712)
Profit for the year	128,321	657	128,978
Asset and liability			
Segment assets	4,967,930	166,339	5,134,269
PPE additions	58,549	1,960	60,509
Unallocated asset	-	-	213,039
Total assets	5,026,479	168,299	5,407,817
Segment liabilities	(4,504,006)	(135,556)	(4,639,562)
Unallocated liabilities	-	-	(80,857)
Total liabilities	(4,504,006)	(135,556)	(4,720,419)

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Segment reporting (continued)

Geographically, the Group operates in the United Republic of Tanzania and in the Republic of Burundi. The financial performance and financial position of the Group by the geographic segments is as follows:

Year ended 31 December 2014	<u>Tanzania</u> TZS' Million	<u>Burundi</u> TZS' Million	<u>Total</u> TZS' Million
External operating income			
Interest income	369,365	2,334	371,699
Interest expense	(93,938)	(1,574)	(95,512)
Net interest income	275,427	760	276,187
Loan impairment charges	(36,760)	(126)	(36,886)
Net interest income after loan impairment charges	<u>238,667</u>	<u>634</u>	<u>239,301</u>
Fees and commission income	121,090	408	121,498
Fees and commission expenses	(2,677)	(217)	(2,894)
Net fees and commission income	<u>118,413</u>	<u>191</u>	<u>118,604</u>
Net foreign exchange income	27,211	2,123	29,334
Other operating income	93	169	262
Other operating expenses	(102,756)	(3,689)	(106,445)
Employee benefit expenses	(117,671)	(3,278)	(120,949)
Depreciation and amortisation	(26,825)	(1,038)	(27,863)
Profit/(loss) before Tax	<u>137,132</u>	<u>(4,888)</u>	<u>132,244</u>
Income Tax Expense	(36,599)	-	(36,599)
Profit/(loss) for the year	<u>100,533</u>	<u>(4,888)</u>	<u>95,645</u>
Assets and liabilities			
Segment assets	3,846,503	101,394	3,947,897
PPE Additions	40,326	1,063	41,389
Unallocated Asset	-	-	220,811
Segment assets	<u>4,108,703</u>	<u>101,394</u>	<u>4,210,097</u>
Segment liabilities	(3,558,555)	(89,383)	(3,647,938)
Unallocated liabilities	-	-	(121,008)
Segment liabilities	<u>3,679,563</u>	<u>89,383</u>	<u>3,768,946</u>

CRDB BANK PLC**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015****NOTES (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(ac) Segment reporting (continued)**

Cash flows from operating, investing and financing activities for the geographical segments are as follows:

Year ended 31 December 2015	<u>Tanzania</u> TZS' Million	<u>Burundi</u> TZS' Million	<u>Total</u> TZS' Million
Net cash from operating activities	(26,886)	10,957	(15,932)
Net cash used in investing activities	(83,255)	(1,137)	(84,392)
Net cash generated from financing activities	200,267	-	200,267
Net increase in cash and cash equivalents	90,123	9,820	99,943
Cash and cash equivalents at 1 January	469,304	18,061	487,365
Effect of exchange rate change in cash and cash equivalent	(779)	(3,876)	(4,655)
Cash and cash equivalent at 31 December	<u>558,648</u>	<u>24,005</u>	<u>582,653</u>
Year ended 31 December 2014			
Net cash from/(used in) operating activities	24,155	(50,878)	(26,723)
Net cash used in investing activities	(47,525)	(3,023)	(50,548)
Net cash generated from financing activities	29,855	60,503	90,358
Net increase in cash and cash equivalents	6,485	6,602	13,087
Cash and cash equivalents at 1 January	465,027	10,670	475,697
Effect of exchange rate change in cash and cash equivalent	(2,208)	789	(1,419)
Cash and cash equivalent at 31 December	<u>469,304</u>	<u>18,061</u>	<u>487,365</u>

In computing the above segment information;

- Income, expenses, assets and liabilities have been either specifically identified with individual segment or allocated to segment on a systematic basis using an agreed internal allocation basis or classified as unallocated.
- Unallocated assets includes, Sundry debtors, bills receivables, bank card stock, advance payment for capital expenditures, prepayments, receivables from mobile phone companies, tax related accounts and due from related party. Unallocated liabilities includes; bills payables, dividends payable, accrued expenses, deferred income, sundry creditors, credit outstanding, unclaimed customers balances and due to related party.
- Inter-segment transactions have been generally based on transfer pricing measures as determined by the Management

There were no revenues from transactions with a single external customer that amounted to 10% or more of the Group's revenues

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT

The Group'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 risks. Taking risk is core to the business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. As part of its governance structure, the Board of Directors has embedded a comprehensive risk management framework for identifying, measuring, controlling (setting risk mitigations) and monitoring of the Group's risks. The policies are integrated in the overall management information systems of the group and supplemented by a management reporting structure.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered, and emerging best practice.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees / stakeholders understand their roles and obligations. The Board's Credit Committee, Governance, Human Resource, Risk Management Committee, and Audit Committee are responsible for monitoring compliance with the Group's risk management policies and procedures, and review of the adequacy of risk management framework in relation to the risks faced by the group. These committees are assisted in these functions by various management committees which undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

The most important type of risks are:

- Credit risk
- Liquidity risk
- Market risk

The notes below provide detailed information on each of the above risks and the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk

The Group and the Bank take on exposure to credit risk, which is the risk that a counterparty will cause a financial loss to the Group and the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Group's and the Bank's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending activities that lead to loans and advances, investment activities that bring debt securities and other bills in the Group's and Bank's asset portfolio. There is also credit risk in the off-balance sheet financial instruments, such as loan commitments, letters of credit and guarantees. The credit risk management and control are centralised under the credit risk management team of the Bank and reported to the Board of Directors and management regularly.

3.1.1 Credit risk measurement

(a) Loans and advances

In measuring credit risk of loans and advances to customers and to banks at a counterparty level, the Group and Bank reflect two components (i) the 'probability of default' by the client or counterparty on its contractual obligations and (ii) current exposures to the counterparty and its likely future development, from which the Group derives the 'exposure at default'.

These credit risk measurements, which reflect expected loss (the 'expected loss model'), are embedded in the daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the statement of financial position date (the 'incurred loss model') rather than expected losses.

(i) The Group and Bank assess the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty in line with the Bank of Tanzania (BoT) guidelines. Customers of the Banks' are segmented into five rating classes. The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes.

Group's internal ratings scale

Group's rating	Description of the grade	Number of days outstanding
1	Current	0-30
2	Especially Mentioned	31-90
3	Sub-standard	91-180
4	Doubtful	181-360
5	Loss	361-Above

(ii) Exposure at default is based on the amounts the Group or Bank expects to be owed at the time of default. For example, for a loan this is the face value. For a commitment, the Group and Bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, should it occur.

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.2 Risk limit control and mitigation policies

The Group and Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries. The Group and Bank structure the levels of credit risk they undertake 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.

The exposure to any one borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through weekly analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits, where appropriate.

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Group and Bank employ 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 Group and Bank implement 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.

In order to minimise the credit loss, the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

(b) Credit-related commitments

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

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group and Bank are potentially exposed to loss in amounts 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 Group and 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.

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.2 Risk limit control and mitigation policies (continued)

(b) Credit-related commitments (continued)

(c) Lending limits (for derivatives and settlement risk)

The Group and Bank maintain strict control limits on net derivative positions (i.e difference between purchases and sales contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the Group and Bank (i.e assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Group requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits have been established for each counterparty to cover the aggregate of all settlement risk arising from the Group's market transactions on any single day.

3.1.3 Impairment and provisioning policies

The Group and the Bank establish an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. These allowances are a specific loss component that relates to individual exposures and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

The Group writes off loans and advances net of any related allowances for impairment losses, when the Board's Credit Committee determines that the loans and advances are uncollectible and securities unrealizable. This determination is reached after considering information such as the occurrence of significant changes in the borrower or issuer's financial position such that the borrower or issuer can no longer pay the obligation, or that proceeds from sale of collateral will not be sufficient to pay back the entire exposure and after exhausting all other means including litigation. For smaller balance standardized loans, charge off decisions are generally based on a product specific past due status.

Financial instruments whose carrying amounts represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are shown below:-

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

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

**Amounts are in TZS' Million
Group**

Group Credit exposures	<u>2015</u>	%	<u>2014</u>	%
On Balance sheet item:				
Balances and Central Bank	562,919	10	386,237	9
Loans and advances to banks	291,007	5	294,626	7
Government securities	773,161	14	594,585	13
Loans and advances to customers	3,260,587	58	2,545,296	57
Other assets	55,899	1	37,831	1
	4,943,573	89	3,858,575	87
Off balance sheet items:				
Guarantees and indemnities	101,808	2	168,327	4
Letters of credit	535,701	10	413,677	9
	637,509	11	582,004	13
	5,581,082	100	4,440,579	100
Bank				
Bank Credit exposures				
On Balance sheet item:				
Balances and Central Bank	551,804	10	378,808	9
Loans and advances to banks	305,218	6	289,125	7
Government securities	728,309	13	566,918	13
Loans and advances to customers	3,226,708	59	2,494,931	57
Other assets	55,629	1	35,558	1
	4,867,668	88	3,765,340	87
Off balance sheet items:				
Guarantees and indemnities	101,808	2	168,327	4
Letters of credit	535,701	10	413,677	10
	637,509	12	582,004	13
	5,505,177	100	4,347,344	100

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**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

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

*Other assets (excludes prepayments, stock and advance capital as they are not financial assets)

The directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Group and Bank.

Loans and advances to banks are to reputable banks operating internationally or in Tanzania and East Africa.

3.1.5 Loans and advances

Loans and advances are summarised as follows:

Group

Amounts are in TZS' Million	31 December 2015		31 December 2014	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	2,905,015	291,007	2,392,578	294,626
Past due but not impaired	166,475	-	54,317	-
Non performing loans	270,862	-	129,247	-
Gross	3,342,352	291,007	2,576,142	294,626
Less: Allowances for impairment	(81,765)	-	(30,846)	-
Net	3,260,587	291,007	2,545,296	294,626

Bank

Amounts are in TZS' Million	31 December 2015		31 December 2014	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	2,870,992	305,218	2,342,209	289,125
Past due but not impaired	166,475	-	54,316	-
Non performing loans	270,862	-	129,247	-
Gross	3,308,329	305,218	2,525,772	289,125
Less: Allowances for impairment	(81,621)	-	(30,841)	-
Net	3,226,708	305,218	2,494,931	289,125

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.5 Loans and advances (continued)

The total impairment provision for loans and advances represents both individually impaired loans and loans assessed on a portfolio basis. Further information of the impairment allowance for loans and advances to customers is provided in Note 19.

When entering into new markets or new industries, in order to minimise the potential increase of credit risk exposure, the Group focused more on the business with large corporate enterprises 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 were neither past due nor impaired are classified as current. These fall into the following categories: (Amounts in TZS' Millions).

	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
Microfinance institutions (MFI's)	176,145	150,878	176,145	147,702
Consumer	886,305	521,237	886,305	510,264
Small and Medium enterprises (SMEs)	339,754	263,448	339,754	257,902
Corporate enterprises(Corporate)	1,502,811	1,457,015	1,468,788	1,426,341
Total	<u>2,905,015</u>	<u>2,392,578</u>	<u>2,870,992</u>	<u>2,342,209</u>
Loans and advance to banks	<u>291,007</u>	<u>294,626</u>	<u>305,218</u>	<u>289,125</u>

b) Loans and advances past due but not impaired

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

Group and Bank	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
Microfinance institutions (MFI's)	9,600	4,763
Consumer	10,888	16,978
Small and Medium enterprises (SMEs)	7,202	6,545
Corporate enterprises(Corporate)	<u>138,785</u>	<u>26,031</u>
Total	<u>166,475</u>	<u>54,317</u>

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.5 Loans and advances (continued)

Group and Bank (Amounts are in TZS' Million)

31 December 2015	Past due up to 30 days	Past due 31 - 60 days	Past due 61-90 days	Grand Total
Microfinance institutions (MFI's)	598	1,564	7,438	9,600
Consumer	58	6,740	4,090	10,888
Small and Medium enterprises (SMEs)	330	4,100	2,772	7,202
Corporate enterprises (Corporate)	3,121	6,413	129,251	138,785
Total	4,107	18,817	143,551	166,475
31 December 2014				
Microfinance institutions (MFI's)	1,305	2,545	913	4,763
Consumer	754	12,947	3,277	16,978
Small and Medium enterprises (SMEs)	370	4,153	2,021	6,544
Corporate enterprises (Corporate)	7,000	3,058	15,973	26,031
Total	9,429	22,703	22,184	54,316

c) Non performing loans and advances

The breakdown of the gross amount of non-performing loans and advances by class is shown below. These loans and advances were individually as assessed for impairment.

Group and Bank	2015 TZS' Million	2014 TZS' Million
Microfinance institutions (MFI's)	35,928	5,723
Consumer	15,260	11,035
Small and Medium enterprises (SMEs)	17,480	9,362
Corporate enterprises (Corporate)	202,194	103,127
Total	270,862	129,247
Specific impairment allowance	69,750	27,546

During the year total of TZS 216,448 million (2014: TZS 37,690 million) Loans and advances were renegotiated and restructured.

3.1.6 Investment securities

The investment securities held by the Group and Bank comprise treasury bills and bonds issued by the Governments of Burundi and Tanzania. All these investments were considered to be neither past due nor impaired. These investment securities are held with the Governments or institutions with good financial standing and no history of default.

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.7 Concentration of risks of financial assets with credit risk exposure

The following tables break down the Group's and Bank's main credit exposure at their carrying amounts, as categorised by industry sector and geographical sectors as of 31 December 2015.

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.7 Concentration of risks of financial assets with credit risk exposure (continued)

Industry sectors

Group

(Amounts are in TZS' Million)

Credit exposures as at 31 December 2015	Financial institutions	Manufacturing	Local and Central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
On Balance sheet items										
Balances with Central Banks	562,919	-	-	-	-	-	-	-	-	562,919
Loans and advances to banks	291,007	-	-	-	-	-	-	-	-	291,007
Government securities	-	-	773,161	-	-	-	-	-	-	773,161
Loans and advances to customers	142,486	150,924	77,462	488,103	228,185	129,948	567,549	910,245	565,685	3,260,587
Other assets*	-	-	-	-	-	-	-	-	55,899	55,899
	<u>996,412</u>	<u>150,924</u>	<u>850,623</u>	<u>488,103</u>	<u>228,185</u>	<u>129,948</u>	<u>567,549</u>	<u>910,245</u>	<u>621,584</u>	<u>4,943,573</u>
Off-Balance sheet items										
Guarantees and indemnities	-	-	-	-	-	-	-	-	101,808	101,808
Letters of credit	-	-	-	-	-	-	-	-	535,701	535,701
Commitment to extend credit	-	-	-	-	-	-	-	-	251,022	251,022
	-	-	-	-	-	-	-	-	888,531	888,531

For the purpose of financial instruments disclosure:

* Other assets (excludes prepayments, stock and advance capital as they are not financial assets)

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.7 Concentration of risks of financial assets with credit risk exposure (continued)

Group

(Amounts are in TZS' Million)

Credit exposures as at
31 December 2014

	Financial institutions	Manufacturing	Local and central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
On Balance sheet items										
Balances with Central Banks	386,237	-	-	-	-	-	-	-	-	386,237
Loans and advances to banks	294,626	-	-	-	-	-	-	-	-	294,626
Government securities	-	-	594,585	-	-	-	-	-	-	594,585
Loans and advances to customers	96,000	205,092	144,788	399,064	206,162	119,464	462,070	536,928	471,728	2,545,296
Other assets*	12,238	-	-	-	25,419	-	-	173	-	37,830
	<u>789,101</u>	<u>205,092</u>	<u>739,373</u>	<u>399,064</u>	<u>231,581</u>	<u>119,464</u>	<u>462,070</u>	<u>537,101</u>	<u>375,728</u>	<u>3,858,574</u>
Off-Balance sheet items										
Guarantees and indemnities	-	-	-	-	-	-	-	-	168,327	168,327
Letters of credit	-	-	-	-	-	-	-	-	413,677	413,677
Commitment to extend credit	-	-	-	-	-	-	-	-	159,777	159,777
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>741,781</u>	<u>741,781</u>

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.7 Concentration of risks of financial assets with credit risk exposure (continued)

Bank

(Amounts are in TZS' Million)

Credit exposures as at
31 December 2015

	Financial institutions	Manufacturing	Local and central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
On Balance sheet items										
Balances with Central Banks	551,804	-	-	-	-	-	-	-	-	551,804
Loans and advances to banks	305,218	-	-	-	-	-	-	-	-	305,218
Government securities	-	-	728,309	-	-	-	-	-	-	728,309
Loans and advances to customers	180,487	147,633	62,300	477,728	223,279	127,034	553,596	890,186	564,465	3,226,708
Other assets*	-	-	-	-	-	-	-	-	55,629	55,629
	1,037,509	147,633	790,609	477,728	223,279	127,034	553,596	890,186	620,094	4,867,668
Off-Balance sheet items										
Guarantees and indemnities	-	-	-	-	-	-	-	-	101,808	101,808
Letters of credit	-	-	-	-	-	-	-	-	535,701	535,701
Commitment to extend credit	-	-	-	-	-	-	-	-	251,022	251,022
	-	-	-	-	-	-	-	-	888,531	888,531

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.7 Concentration of risks of financial assets with credit risk exposure (continued)

Bank

(Amounts are in TZS' Million)

**Credit exposures as at
31 December 2014**

	Financial institutions	Manufacturing	Local and central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
On Balance sheet items										
Balances with Central Banks	378,808	-	-	-	-	-	-	-	-	378,808
Loans and advances to banks	289,125	-	-	-	-	-	-	-	-	289,125
Government securities	-	-	566,918	-	-	-	-	-	-	566,918
Loans and advances to customers	95,644	201,076	56,308	391,213	202,060	117,105	433,831	526,216	471,478	2,494,931
Other assets*	9,965	-	-	-	25,421	-	-	173	-	35,559
	<u>773,542</u>	<u>201,076</u>	<u>623,226</u>	<u>391,213</u>	<u>227,481</u>	<u>117,105</u>	<u>433,831</u>	<u>526,389</u>	<u>471,478</u>	<u>3,765,341</u>
Off-Balance sheet items										
Guarantees and indemnities	-	-	-	-	-	-	-	-	168,327	168,327
Letters of credit	-	-	-	-	-	-	-	-	413,677	413,677
Commitment to extend credit	-	-	-	-	-	-	-	-	159,777	159,777
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>741,781</u>	<u>741,781</u>

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.7 Concentration of risks of financial assets with credit risk exposure (continued)

For these tables, the Group and Bank have allocated exposures to regions based on the country of domicile of its counterparties.

(b) *Geographical sectors*

Group

(Amounts are in TZS' Million)

Year ended 31 December 2015

On Balance sheet items

	<u>Tanzania</u>	<u>Europe</u>	<u>America</u>	<u>Burundi</u>	<u>Others</u>	<u>Total</u>
Balances with Central Banks	551,804	-	-	11,115	-	562,919
Loans and advances to banks	59,821	68,988	131,367	16,249	14,582	291,007
Government securities	728,309	-	-	44,852	-	773,161
Loans and advances to customers	3,226,708	-	-	33,879	-	3,260,587
Other assets	54,078	-	-	1,821	-	55,899
	<u>4,620,720</u>	<u>68,988</u>	<u>131,367</u>	<u>107,916</u>	<u>14,582</u>	<u>4,943,573</u>

Off balance sheet items

Guarantees and indemnities	101,808	-	-	-	-	101,808
Letters of credit	535,701	-	-	-	-	535,701
Commitment to extend credit	251,022	-	-	-	-	251,022
	<u>888,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>888,531</u>

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

CRDB BANK PLC**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015****NOTES (CONTINUED)****3.1 Credit risk (continued)****3.1.7 Concentration of risks of financial assets with credit risk exposure (continued)**

For these tables, the Group and Bank have allocated exposures to regions based on the country of domicile of its counterparties.

Geographical sectors (continued)

Group

(Amounts are in TZS' Million)

Year ended 31 December 2014	<u>Tanzania</u>	<u>Europe</u>	<u>America</u>	<u>Burundi</u>	<u>Others</u>	<u>Total</u>
On Balance sheet items						
Balances with Central Banks	378,808	-	-	7,429	-	386,237
Loans and advances to banks	86,027	100,563	93,916	5,501	8,619	294,626
Government securities	566,918	-	-	27,667	-	594,585
Loans and advances to customers	2,494,931	-	-	50,365	-	2,545,296
Other assets	37,830	-	-	-	-	37,830
	<u>3,564,514</u>	<u>100,563</u>	<u>93,916</u>	<u>90,962</u>	<u>8,619</u>	<u>3,858,574</u>
Off balance sheet items						
Guarantees and indemnities	168,327	-	-	-	-	168,327
Letters of credit	413,677	-	-	-	-	413,677
Commitment to extend credit	159,777	-	-	-	-	159,777
	<u>741,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>741,781</u>

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3.1 Credit risk (continued)

3.1.7 Concentration of risks of financial assets with credit risk exposure (continued)

Bank

(Amounts are in TZS' Million)

Year ended 31 December 2015

On Balance sheet items

	<u>Tanzania</u>	<u>Europe</u>	<u>America</u>	<u>Burundi</u>	<u>Others</u>	<u>Total</u>
Balances with Central Bank	551,804	-	-	-	-	551,804
Loans and advances to banks	76,070	68,988	131,367	25,706	3,087	305,218
Government securities	728,309	-	-	-	-	728,309
Loans and advances to customers	3,187,717	-	-	38,991	-	3,226,708
Other assets	55,629	-	-	-	-	55,629
	<u>4,599,529</u>	<u>68,988</u>	<u>131,367</u>	<u>64,697</u>	<u>3,087</u>	<u>4,867,668</u>
Off balance sheet items						
Guarantees and indemnities	101,808	-	-	-	-	101,808
Letters of credit	535,701	-	-	-	-	535,701
Commitment to extend credit	251,022	-	-	-	-	251,022
	<u>888,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>888,531</u>

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.7 Concentration of risks of financial assets with credit risk exposure (continued)

Bank

(Amounts are in TZS' Million)

Year ended 31 December 2014	<u>Tanzania</u>	<u>Europe</u>	<u>America</u>	<u>Burundi</u>	<u>Others</u>	<u>Total</u>
On Balance sheet items						
Balances with Central Bank	378,808	-	-	-	-	378,808
Loans and advances to banks	74,973	100,563	93,916	-	19,673	289,125
Government securities	566,918	-	-	-	-	566,918
Loans and advances to customers	2,456,872	-	-	38,059	-	2,494,931
Other assets	35,559	-	-	-	-	35,559
	<u>3,513,130</u>	<u>100,563</u>	<u>93,916</u>	<u>38,059</u>	<u>19,673</u>	<u>3,765,341</u>
Off balance sheet items						
Guarantees and indemnities	168,327	-	-	-	-	168,327
Letters of credit	413,677	-	-	-	-	413,677
Commitment to extend credit	159,777	-	-	-	-	159,777
	<u>741,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>741,781</u>

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk

The Group and the Bank take on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, 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, foreign exchange rates and equity prices. The Group separates exposures to market risk into either trading or non-trading portfolios.

The market risks are concentrated in Bank Treasury and monitored by the Risk and Compliance department separately. Regular reports are submitted to the Board of Directors and Management. Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market. Non-trading portfolios primarily arise from the interest rate management of the Group's retail and commercial banking assets and liabilities, and available-for-sale financial assets.

(a) Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The Bank Risk and Compliance department is responsible for the development of detailed risk management policies while Treasury is responsible for day-to-day implementation of those policies.

The Bank applies interest rate gap coupled with Earning at Risk and stress testing analysis in measuring exposure to market risk for the purpose of managing and controlling market risk exposures within acceptable limits while optimising the return on investment.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme or worst case conditions. The Bank applies risk factor stress testing, where stress movements are applied to each risk category.

The Bank carries out stress testing semi-annually to determine whether it has enough capital to withstand adverse developments. This is for the purpose of alerting the Bank's Management to unfavorable unexpected outcomes related to various risks and provides an indication of how much capital might be needed to absorb losses should large shocks occur. The results are meant to indicate weak spots in the risks tested at an early stage and to guide preventative actions by the Bank. Stress testing is done to supplement the Bank's other risk management approaches and measures.

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

(a) Market risk measurement techniques (continued)

The stress tests summary using financial data as at 31 December 2015 is summarised below:

Risk type	Type of shock	Shock rate	Impact on profit or loss TZS'million
Credit risk	Increase in NPL (based on equal migration)	30%	(64,296)
Interest rate risk	Change in interest rate	5%	2,121
Liquidity risk	Run off of deposits	15%	1,002
Operational risk	Fraud and other losses	3%	(5,549)

The results of the stress test showed that the Bank would be in compliance with current regulatory minimum core and total capital requirements should the stressed scenarios/shocks occur at the same time

3.2.1 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. With all other variables held constant, a shift in foreign exchange rate by 4% on foreign denominated assets and liabilities would have resulted in lower or higher profit after tax as follows:

	GROUP		BANK	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
USD	4,125	353	2,157	383
EURO	(1,826)	3	474	(5)
GBP	(189)	24	25	23
BIF	1	6	1	6
Others	(317)	40	18	39

If the exchange rate for the BIF were to shift by 4%, then the impact on the translation reserve in relation to the translation of CRDB Bank Burundi SA for consolidation purposes would be TZS 145.4 million (2014: TZS 8.04 million).

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

3.2.1 Foreign exchange risk (continued)

Group

Concentrations of foreign currency risk – on- and off-balance sheet financial instruments.

(Amounts are in TZS' Million)

As at 31 December 2015	<u>TZS</u>	<u>USD</u>	<u>EURO</u>	<u>GBP</u>	<u>BIF</u>	<u>Others</u>	<u>Total</u>
Assets							
Cash and balances with Central Banks	682,992	93,251	5,630	1,797	-	-	783,670
Loans and advances to banks	32,864	246,290	11,826	2	25	-	291,007
Loans and advances to customers	2,307,939	951,426	1,222	-	-	-	3,260,587
Government securities	773,161	-	-	-	-	-	773,161
Other assets*	44,439	9,126	256	78	-	-	55,899
	<u>3,841,395</u>	<u>1,300,093</u>	<u>18,934</u>	<u>1,877</u>	<u>25</u>	<u>-</u>	<u>5,162,324</u>
Liabilities							
Deposits from customers	3,145,218	1,022,122	64,391	6,592	-	7,845	4,246,168
Deposits from banks	69,713	2,814	-	-	-	-	72,527
Other liabilities**	67,710	5,475	205	(3)	-	80	73,467
Borrowings and subordinated debt	129,955	166,562	-	-	-	-	296,517
	<u>3,412,596</u>	<u>1,196,973</u>	<u>64,596</u>	<u>6,589</u>	<u>-</u>	<u>7,925</u>	<u>4,688,679</u>
Net on-balance sheet financial position	<u>428,799</u>	<u>103,120</u>	<u>(45,662)</u>	<u>(4,712)</u>	<u>25</u>	<u>(7,925)</u>	<u>473,645</u>
Off balance sheet commitments	<u>363,091</u>	<u>483,100</u>	<u>30,096</u>	<u>1,682</u>	<u>-</u>	<u>10,562</u>	<u>888,531</u>

* Other assets (excludes prepayments, stock and advance capital as they are not financial assets)

**Other liabilities (excludes deferred income and statutory liabilities)

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

3.2.1 Foreign exchange risk (continued)

Group

Concentrations of foreign currency risk – on- and off-balance sheet financial instruments.

(Amounts are in TZS' Million)

As at 31 December 2014	TZS	USD	EURO	GBP	BIF	Others	Total
Assets							
Cash and balances with Central Banks	503,253	41,567	2,929	1,669	152	-	549,570
Loans and advances to banks	58,558	181,836	40,284	6,166	-	7,782	294,626
Loans and advances to customers	1,794,996	749,084	1,216	-	-	-	2,545,296
Government securities	594,585	-	-	-	-	-	594,585
Other assets*	37,359	471	-	-	-	-	37,830
	<u>2,988,751</u>	<u>972,958</u>	<u>44,429</u>	<u>7,835</u>	<u>152</u>	<u>7,782</u>	<u>4,021,907</u>
Liabilities							
Deposits from customers	2,494,130	838,578	44,209	7,234	-	6,770	3,390,921
Deposits from banks	92,386	2,200	-	-	-	8	94,594
Other liabilities**	86,122	1,563	156	(3)	-	16	87,854
Borrowings and subordinated debt	49,370	121,801	-	-	-	-	171,171
	<u>2,722,008</u>	<u>964,142</u>	<u>44,365</u>	<u>7,231</u>	<u>-</u>	<u>6,794</u>	<u>3,744,540</u>
Net on-balance sheet financial position	<u>266,743</u>	<u>8,816</u>	<u>64</u>	<u>604</u>	<u>152</u>	<u>988</u>	<u>277,367</u>
Off balance sheet commitments	<u>125,486</u>	<u>438,602</u>	<u>15,782</u>	<u>2,097</u>	<u>-</u>	<u>37</u>	<u>582,004</u>

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

3.2.1 Foreign exchange risk (continued)

Bank

Concentrations of currency risk – on- and off-balance sheet financial instruments.
(Amounts are in TZS' Million)

As at 31 December 2015	<u>TZS</u>	<u>USD</u>	<u>EURO</u>	<u>GBP</u>	<u>BIF</u>	<u>Others</u>	<u>Total</u>
Assets							
Cash and balances with Central Banks	673,415	89,175	5,445	1,789	-	-	769,824
Loans and advances to banks	31,167	204,241	57,881	3,522	25	8,382	305,218
Loans and advances to customers	2,274,059	951,427	1,222	-	-	-	3,226,708
Government securities	728,309	-	-	-	-	-	728,309
Other assets	46,047	9,248	256	78	-	-	55,629
Total financial assets	3,752,997	1,254,091	64,804	5,389	25	8,382	5,085,688
Liabilities							
Due to customers	3,089,740	1,025,310	52,737	4,761	-	7,842	4,180,390
Deposits from banks	67,508	2,806	-	-	-	-	70,314
Other liabilities	81,104	5,475	205	-3	-	80	86,861
Borrowings and subordinated debt	129,955	166,562	-	-	-	-	296,517
Total financial liabilities	3,368,307	1,200,153	52,942	4,758	-	7,922	4,634,082
Net on-balance sheet financial position	384,690	53,938	11,862	631	25	460	451,606
Off balance sheet commitments	363,091	483,100	30,096	1,682	-	10,562	888,531

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

3.2.1 Foreign exchange risk (continued)

Bank

Concentrations of currency risk – on- and off-balance sheet financial instruments.

(Amounts are in TZS' Million)

As at 31 December 2014	<u>TZS</u>	<u>USD</u>	<u>EURO</u>	<u>GBP</u>	<u>BIF</u>	<u>Others</u>	<u>Total</u>
Assets							
Cash and balances with Central Banks	495,259	38,374	2,929	1,643	152	-	538,357
Loans and advances to banks	55,905	178,980	40,291	6,166	-	7,783	289,125
Loans and advances to customers	1,752,801	741,099	1,031	-	-	-	2,494,931
Government securities	566,918	-	-	-	-	-	566,918
Other assets	34,938	621	-	-	-	-	35,559
Total financial assets	<u>2,905,821</u>	<u>959,074</u>	<u>44,251</u>	<u>7,809</u>	<u>152</u>	<u>7,783</u>	<u>3,924,890</u>
Liabilities							
Due to customers	2,479,310	824,472	44,209	7,234	-	6,770	3,361,995
Deposits from banks	34,701	1,359	-	-	-	8	36,068
Other liabilities	96,819	1,797	179	(3)	-	19	98,811
Borrowings and subordinated debt	49,370	121,801	-	-	-	-	171,171
Total financial liabilities	<u>2,660,200</u>	<u>949,429</u>	<u>44,388</u>	<u>7,231</u>	<u>-</u>	<u>6,797</u>	<u>3,668,045</u>
Net on-balance sheet financial position	<u>245,621</u>	<u>9,645</u>	<u>(137)</u>	<u>578</u>	<u>152</u>	<u>986</u>	<u>256,845</u>
Off balance sheet commitments	<u>125,486</u>	<u>438,602</u>	<u>15,782</u>	<u>2,097</u>	<u>-</u>	<u>36</u>	<u>582,004</u>

CRDB BANK PLC

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

3.2.2 Price risk

The Group and the Bank are not exposed to equity securities price risk as it currently has no investment in listed shares and the investment in the shares of Tanzania Mortgage Refinance company (TMRC) are carried at cost. They are exposed to debt securities price risk classified on the balance sheet as available for sale. If the market price of debt had increased/decreased by 5% with all other variables held constant, the fair value reserve in debt securities would have increased/decreased as a result of gains or losses on debt securities classified as available for sale by TZS 4,432 million as at 31 December 2015 (2014: TZS 2,705 million) for the group and TZS 4,432 million (2014: TZS 2,722 million) for the bank.

3.2.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Group and the Bank take 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 produce losses in the event that unexpected movements arise. The Bank's Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is regularly monitored by an independent Risk and Compliance department and reported regularly to ALCO and the Board.

With all other variables held constant, a shift in interest rate by 500 basis points on all interest bearing assets and liabilities would have resulted in lower or higher profit after tax of TZS 2,121 million as at 31 December 2015 (2014: TZS 405 million).

CRDB BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

3.2.3 Interest rate risk (continued)

Group

(Amounts are in TZS Million)

As at 31 December 2015	Up to1 month	1-3 months	3-12 months	1-5 years	Over 5	Non- interest bearing	Total
Assets							
Cash and balances with Central banks	-	-	-	-	-	783,670	783,670
Government securities	5,172	2,198	34,172	154,555	162,313	414,751	773,161
Loans and advances to banks	15,059	21,906	22,668	6,533	-	224,841	291,007
Loans and advances to customers	257,838	172,495	535,031	1,632,133	663,090	-	3,260,587
Total financial assets	278,069	196,599	591,871	1,793,221	825,403	1,423,262	5,108,425
Liabilities							
Deposits from Banks	72,527	-	-	-	-	-	72,527
Deposits from customers	3,554,148	185,001	431,366	38,423	16	37,214	4,246,168
Borrowings and Subordinated debt	-	5,588	-	10,000	280,929	-	296,517
Total financial liabilities	3,626,675	190,589	431,366	48,423	280,945	37,214	4,615,212
Total interest maturity gap	(3,348,606)	6,010	160,505	1,744,798	544,458		

CRDB BANK PLC

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

3.2.3 Interest rate risk (continued)

Group

(Amounts are in TZS Million)

	Up to1 month	1-3 months	3-12 months	1-5 years	Over 5	Non- interest bearing	Total
As at 31 December 2014							
Assets							
Cash and balances with Central banks	-	-	-	-	-	549,570	549,570
Government securities	-	39,658	25,118	112,686	126,781	290,342	594,585
Loans and advances to banks	49,726	27,763		22,980	-	194,157	294,626
Loans and advances to customers	882,452	41,502	373,626	920,430	327,286	-	2,545,296
Total financial assets	932,178	108,923	398,744	1,056,096	454,067	1,034,069	3,984,077
Liabilities							
Deposits from Banks	94,594	-	-	-	-	-	94,594
Deposits from customers	2,848,298	351,072	175,243	527	-	15,781	3,390,921
Borrowings and Subordinated debt	1,332	742	43,249	53,249	72,598	-	171,171
Total financial liabilities	2,944,224	351,814	218,492	53,776	72,598	15,781	3,656,685
Total interest maturity gap	(2,012,046)	(242,891)	180,252	1,002,320	381,469		

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NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

3.2.3 Interest rate risk (continued)

Bank

(Amounts are in TZS Million)

As at 31 December 2015	Up to1 month	1-3 months	3-12 months	1-5 years	Over 5	Non- interest bearing	Total
Assets							
Cash and balances with Central banks	-	-	-	-	-	769,824	769,824
Government securities	5,034	1,788	20,455	123,968	162,313	414,751	728,309
Loans and advances to banks	12,094	21,906	22,667	32,239	-	216,312	305,218
Loans and advances to customers	255,987	169,762	532,344	1,613,479	655,136	-	3,226,708
Total financial assets	273,115	193,456	575,466	1,769,686	817,449	1,400,887	5,030,059
Liabilities							
Deposits from banks	70,314	-	-	-	-	-	70,314
Deposits from customers	3,511,968	179,670	424,989	26,533	16	37,214	4,180,390
Borrowings and Subordinated debt	-	5,588	-	10,000	280,929	-	296,517
Total financial liabilities	3,582,282	185,258	424,989	36,533	280,945	37,214	4,547,221
Total interest maturity gap	(3,309,167)	8,198	150,477	1,733,153	536,520		

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NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

3.2.3 Interest rate risk (continued)

Bank

(Amounts are in TZS Million)

As at 31 December 2014	Up to1 month	1-3 months	3-12 months	1-5 years	Over 5	Non- interest bearing	Total
Assets							
Cash and balances with Central banks	-	-	-	-	-	538,357	538,357
Government securities	-	37,565	21,459	90,771	126,781	290,342	566,918
Loans and advances to banks	49,726	25,787	-	22,980	-	190,632	289,125
Loans and advances to customers	881,952	41,489	371,639	872,671	327,180	-	2,494,931
Total financial assets	931,678	104,841	393,098	986,422	453,961	1,019,331	3,889,331
Liabilities							
Deposits from banks	36,068	-	-	-	-	-	36,068
Deposits from customers	2,827,929	345,401	172,425	459	-	15,781	3,361,995
Borrowings and Subordinated debt	1,333	742	43,249	53,249	72,598	-	171,171
Total financial liabilities	2,865,329	346,143	215,674	53,708	72,598	15,781	3,569,233
Total interest maturity gap	(1,933,651)	(241,302)	177,424	933,173	381,363		

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk

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

3.3.1 Liquidity risk management process

The Group's and Bank's liquidity management process, as carried out within the Group and Bank and monitored by the Asset and Liability Committee (ALCO) of the individual banks include:

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

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (Note 3.3.3).

3.3.2 Funding approach

The Group's and Bank's major source of funding is customer deposits. To this end, the Group and the Bank maintain a diversified and stable funding base comprising current/demand, savings and time deposits. The Group places considerable importance on the stability of these deposits, which is achieved through the Group's retail banking activities and by maintaining depositor confidence in the Group's business strategies and financial strength.

The group borrows from the interbank market through transactions with other Banks for short term liquidity requirements. As part of the contingency funding plan, the Group has funding lines with both local and foreign banks for short term funding requirements.

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NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk (continued)

3.3.3 Non-derivative cash flows

The tables below present the cash flows payable by the Group and Bank under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows (exclusive of contractual interest), as the Group and Bank manage the inherent liquidity risk based on expected undiscounted cash flows.

Group

Amounts are in TZS Million

As at 31 December 2015	Up to1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Deposits from customers	3,591,362	185,001	431,366	38,423	16	4,246,168
Deposits from banks	72,527	-	-	-	-	72,527
Borrowings and subordinated debt	-	5,588	-	10,000	280,929	296,517
Other liabilities**	73,467	-	-	-	-	73,467
Total financial liabilities (contractual maturity dates)	3,737,356	190,589	431,366	48,423	280,945	4,688,679
Total financial assets (expected maturity dates)	1,367,944	196,599	981,156	1,793,221	825,403	5,164,323
As at 31 December 2014						
Liabilities						
Deposits from customers	2,864,079	351,072	175,243	527	-	3,390,921
Deposits from banks	94,594	-	-	-	-	94,594
Borrowings and subordinated debt	1,333	742	43,249	53,249	72,598	171,171
Other liabilities**	87,854	-	-	-	-	87,854
Total financial liabilities (contractual maturity dates)	3,047,860	351,814	218,492	53,776	72,598	3,744,540
Total financial assets (expected maturity dates)	1,714,074	221,429	576,571	1,056,096	454,067	4,022,237

** Other liabilities (excludes differed income and statutory liabilities).

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**FINANCIAL STATEMENTS
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NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk (continued)

3.3.3 Non-derivative cash flows (continued)

Bank

(Amounts are in TZS Million)

As at 31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities						
Deposits from customers	3,549,182	179,670	424,989	26,533	16	4,180,390
Deposits from banks	70,314	-	-	-	-	70,314
Other liabilities**	-	5,588	-	10,000	280,929	296,517
Borrowings and subordinated debt	86,862	-	-	-	-	86,862
Total financial liabilities (contractual maturity dates)	3,706,358	185,258	424,989	36,533	280,945	4,634,083
Total financial assets (expected maturity dates)	1,340,345	193,456	964,752	1,769,686	817,449	5,085,688
As at 31 December 2014						
Liabilities						
Deposits from customers	2,843,709	345,401	172,425	459	-	3,361,994
Deposits from banks	36,068	-	-	-	-	36,068
Other liabilities**	1,333	742	43,249	53,249	72,598	171,171
Borrowings and subordinated debt	98,811	-	-	-	-	98,811
Total financial liabilities (contractual maturity dates)	2,979,921	346,143	215,674	53,708	72,598	3,668,044
Total financial assets (expected maturity dates)	1,696,234	217,348	570,926	986,422	453,961	3,924,891

** Other liabilities (excludes differed income and statutory liabilities).

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection and treasury and other eligible bills; loans and advances to banks; and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Group would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

3.3.4 Collateral

The Group has pledged part of its Treasury bills and bonds in order to fulfil the collateral requirements of various short term borrowings from other banks. At 31 December 2015 and 2014, the fair values of the Treasury bills and bonds pledged were TZS.140, 650 million and TZS 27,500 million respectively. The counterparties have an obligation to return the securities to the Group. The Group also holds Treasury Bills and Bonds amounting TZS 67,855 million as at 31 December 2015 (2014: TZS14,650 million) in respects of Short term borrowings extended to banks. The Group has an obligation to return the Securities to the counterparties upon settlement of the loans. There are no other significant terms and conditions associated with the use of collateral.

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk (continued)

3.3.5 Off-balance sheet items

(a) Loan commitments

The dates of the contractual amounts of the Group's and Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 38), are summarised in the table below.

(b) Financial guarantees and other financial facilities

Financial guarantees are included below based on the earliest period required to pay.

(c) Operating lease commitments

Where the Group and the Bank, are the lessee, the future minimum lease payments under non-cancellable operating leases, are summarised below.

(d) Investment commitments

Investment commitment is with respect to additional equity investment in the subsidiary.

(e) Capital commitments

These relate to the acquisition of property and equipment.

Summary of off-balance sheet items(Group and Bank): (Amounts are in TZS Million)

As at 31 December 2015	No later than 1 year	1 – 5 years	Over 5 years	Total
Outstanding letters of credit	486,680	49,021	-	535,701
Guarantees and indemnities	69,138	32,660	10	101,808
Commitments to extend credit	251,022	-	-	251,022
Operating lease commitments	6,946	18,370	4,280	29,596
Capital commitments	10,235	-	-	10,235
As at 31 December 2014				
Outstanding letters of credit	379,361	34,316	-	413,677
Guarantees and indemnities	105,911	62,416	-	168,327
Commitments to extend credit	159,777	-	-	159,777
Operating lease commitments	5,880	13,850	2,001	21,731
Capital commitments	13,577	-	-	13,577

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**FINANCIAL STATEMENTS
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NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

The fair value of financial assets and liabilities not measured at fair value approximate carrying amounts for both Group and Bank.

(i) Loans and advances to banks

Loans and advances to banks include inter-bank placements and items in the course of collection. The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value.

The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and advances to customers

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Investment securities

The fair value for loans and receivables assets is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. The carrying amount is a reasonable approximation of fair value.

(iv) Deposits from banks and due to customers

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

The estimated fair value of interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The carrying amount is a reasonable approximation of fair value.

(v) Off-balance sheet financial instruments

The estimated fair values of the off-balance sheet financial instruments are based on market prices for similar facilities. When this information is not available, fair value is estimated using discounted cash flow analysis.

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NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities (continued)

(a) Financial instruments not measured at fair value (continued)

Group

The table below summarises the carrying amounts and fair values of financial assets and liabilities.

	Available for sale	Loans and receivables	Other amortised cost	Total carrying amount	Fair value
	TZS'Million	TZS'Million	TZS'Million	TZS'Million	TZS'Million
31 December 2015					
Financial assets					
Cash and balances with Central Banks	-	-	783,670	783,670	783,670
Loans and advances to banks	-	291,007	-	291,007	291,007
Loans and advances to customers	-	3,260,587	-	3,260,587	3,260,587
Government securities	88,648	684,513	-	773,161	773,161
Other assets	-	55,899	-	55,899	55,899
	88,648	4,292,006	783,670	5,164,324	5,164,324
Financial liabilities					
Deposits from banks	-	-	72,527	72,527	72,527
Deposits from customers	-	-	4,246,168	4,246,168	4,246,168
Borrowings	-	-	296,517	296,517	296,517
Other liabilities	-	-	73,467	73,467	73,467
	-	-	4,688,679	4,688,679	4,688,679

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**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities (continued)

(a) Financial instruments not measured at fair value (continued)

Group

The table below summarises the carrying amounts and fair values of financial assets and liabilities.

	<u>Available for sale</u> TZS'Million	<u>Loans and receivables</u> TZS'Million	<u>Other amortised cost</u> TZS'Million	<u>Total carrying amount</u> TZS'Million	<u>Fair value</u> TZS'Million
31 December 2014					
Financial assets					
Cash and balances with Central Banks	-	-	549,570	549,570	549,570
Loans and advances to banks	-	294,626	-	294,626	294,626
Loans and advances to customers	-	2,545,296	-	2,545,296	2,545,296
Government securities	54,092	540,493	-	594,585	594,585
Other assets	-	37,830	-	37,830	37,830
	<u>54,092</u>	<u>3,418,245</u>	<u>549,570</u>	<u>4,021,907</u>	<u>4,021,907</u>
Financial liabilities					
Deposits from banks	-	-	94,594	94,594	94,594
Deposits from customers	-	-	3,390,921	3,390,921	3,390,921
Borrowings	-	-	171,171	171,171	171,171
Other liabilities	-	-	87,854	87,854	87,854
	<u>-</u>	<u>-</u>	<u>3,744,540</u>	<u>3,744,540</u>	<u>3,744,540</u>

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**FINANCIAL STATEMENTS
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NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities (continued)

(a) Financial instruments not measured at fair value (continued)

Bank

The table below summarises the carrying amounts and fair values of financial assets and liabilities.

	<u>Available for sale</u> TZS'Million	<u>Loans and receivables</u> TZS'Million	<u>Other amortised cost</u> TZS'Million	<u>Total carrying amount</u> TZS'Million	<u>Fair value</u> TZS'Million
31 December 2015					
Financial assets					
Cash and balances with Central Banks	-	-	769,824	769,824	769,824
Loans and advances to banks	-	305,218	-	305,218	305,218
Loans and advances to customers	-	3,226,708	-	3,226,708	3,226,708
Government securities	88,648	639,661	-	728,309	728,309
Other assets	-	55,629	-	55,629	55,629
	88,648	4,227,216	769,824	5,085,688	5,085,688
Financial liabilities					
Deposits from banks	-	-	70,314	70,314	70,314
Deposits from customers	-	-	4,180,390	4,180,390	4,180,390
Borrowings	-	-	296,517	296,517	296,517
Other liabilities	-	-	86,861	86,861	86,861
	-	-	4,634,082	4,634,082	4,634,082

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**FINANCIAL STATEMENTS
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NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities (continued)

(a) Financial instruments not measured at fair value (continued)

Bank

The table below summarises the carrying amounts and fair values of financial assets and liabilities.

	<u>Available for sale</u> TZS'Million	<u>Loans and receivables</u> TZS'Million	<u>Other amortised cost</u> TZS'Million	<u>Total carrying amount</u> TZS'Million	<u>Fair value</u> TZS'Million
31 December 2014					
Financial assets					
Cash and balances with Central Banks	-	-	538,357	538,357	538,357
Loans and advances to banks	-	289,125	-	289,125	289,125
Loans and advances to customers	-	2,494,931	-	2,494,931	2,494,931
Government securities	54,432	512,486	-	566,918	566,918
Other assets	-	35,559	-	35,559	35,559
	<u>54,432</u>	<u>3,332,101</u>	<u>538,357</u>	<u>3,924,890</u>	<u>3,924,890</u>
Financial liabilities					
Deposits from banks	-	-	36,068	36,068	36,068
Deposits from customers	-	-	3,361,995	3,361,995	3,361,995
Borrowings	-	-	171,171	171,171	171,171
Other liabilities	-	-	98,811	98,811	98,811
	<u>-</u>	<u>-</u>	<u>3,668,045</u>	<u>3,668,045</u>	<u>3,668,045</u>

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities (continued)

(b) 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 Group's and 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.
- 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).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Group and Bank

The following table represents the Group's and Bank's financial assets that are measured at fair value at 31 December 2015. Motor vehicles that are measure at fair value are disclosed under note 23.

31 December 2015	TZS Million			Total
	Level 1	Level 2	Level 3	
Available-for-sale financial assets:				
- Treasury Bonds	-	88,648	-	88,648
- Equity Investment (at cost)	-	-	2,280	2,280
Total assets	-	88,648	2,280	90,928

There were no transfers between levels 1 and 2 during the year.

Group

The following table represents the Group's financial assets that are measured at fair value at 31 December 2014. Motor vehicles that are measure at fair value are disclosed under note 23A.

31 December 2014	TZS Million			Total
	Level 1	Level 2	Level 3	
Available-for-sale financial assets:				
- Treasury Bonds	-	54,092	-	54,092
- Equity Investment (at cost)	-	-	2,280	2,280
Total assets	-	54,092	2,280	56,372

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities (continued)

(b) Fair value hierarchy (continued)

Bank

The following table represents the Bank's financial assets that are measured at fair value at 31 December 2014. Motor vehicles that are measure at fair value are disclosed under note 23A.

31 December 2014	TZS Million			Total
	Level 1	Level 2	Level 3	
Available-for-sale financial assets:				
- Treasury Bonds	-	54,432	-	54,432
- Equity Investment (at cost)	-	-	2,280	2,280
Total assets	-	54,432	2,280	56,712

There were no transfers between levels 1 and 2 during the year

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The quoted market price used for financial assets held by the Group is the current bid price of debt securities from the most current Bank of Tanzania auction results. Instruments included in Level 1 comprise primarily available-for-sale Treasury Bonds.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer/Bank of Tanzania quotes for similar instruments;
- Quoted prices for identical or similar assets or liabilities in markets that are not active.

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Capital management

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

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

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

The Central Bank requires the Banking group to:

- (a) hold the minimum level of core capital of TZS15 billion;
- (b) maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 12.5%; and
- (c) Maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.

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

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Intangible assets and prepaid expenses are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, revaluation reserve and loan portfolio general provision

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

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

CRDB BANK PLC

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NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Capital management (continued)

	GROUP		BANK	
	2015 TZS' Million	2014 TZS' Million	2015 TZS' Million	2014 TZS' Million
Tier 1 capital				
Share capital	65,296	54,413	65,296	54,413
Share Premium	158,314	18,765	158,314	18,765
Retained earnings	355,488	346,614	342,708	340,698
Prepaid expenses	(27,866)	22,882	(16,527)	(17,024)
Deferred tax asset	(17,486)	3,495	(17,178)	(3,297)
Intangible assets	(20,408)	17,230	(18,533)	(15,833)
Total qualifying Tier 1 capital	513,338	463,399	514,080	377,722
Tier 2 capital				
General banking reserve	28,740	3,300	28,707	3,300
Regulatory banking risk reserve	79,221	19,633	79,020	19,440
Subordinated debt	87,300	31,333	87,300	31,333
Revaluation reserve	(3,295)	1,525	(2,497)	920
Total qualifying Tier 2 capital	191,966	55,791	192,530	54,993
Total regulatory capital	705,304	519,190	706,610	432,715
Risk-weighted assets				
On-balance sheet	3,277,202	2,585,412	3,291,008	2,543,913
Off-balance sheet	347,227	340,187	347,227	340,187
Total risk-weighted assets	3,624,429	2,925,599	3,638,235	2,884,100
	Required ratio	Group's ratio	Group's ratio	Bank's Ratio
		2015	2014	2015
	%	%	%	%
Tier 1 capital	12.5	14.1%	15.8%	14.1%
Tier 1 + Tier 2 capital (Total capital)	14.5	19.4%	17.7%	19.4%

CRDB BANK PLC

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Capital management (continued)

In August 2014, the Central Bank of Tanzania issued a regulation, effective from August 2015 that introduced a requirement to set aside capital charges for operational risks faced by banks. Banks was granted a moratorium of two years regarding capital charges for operational risks. The minimum capital ratio of 10% and 12% has increased to 12.5% and 14.5% for core and total capital respectively. Also the Bank of Tanzania introduced a General provision of 1% on unclassified loans which is part of the total capital (Tier 2 Capital).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next period. All estimates and assumptions required are in conformity with IFRS are best estimates undertaken in accordance with the relevant standard.

(i) Fair value of financial instruments

The fair value of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of those that sourced them.

Critical judgements in applying the Group's and Bank's accounting policies

a) Impairment losses on loans and advances

The group reviews its loan portfolios to assess impairment regularly. Loans and advances that are past due for more than 90 days are assessed individually for impairment. The remaining loans and advances, together with those individually assessed for impairment but for which no specific impairment provision is recorded, are collectively assessed for impairment.

In determining whether an impairment loss should be recorded in the profit or loss for loans and advances individually assessed for impairment, management makes judgment on the recoverable amounts, recovery costs associated with realisation of collateral and the recovery period. Recoverable amounts are based on estimated cash flows from debt servicing, estimated cash flows from realisation of collateral or a combination of debt servicing and collateral realisation cash flows. For facilities related to project financing, the impairment assessment includes a consideration of the cash generating ability of the completed projects.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

NOTES (CONTINUED)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

In determining whether an impairment loss should be recorded in the profit or loss for loans and advances collectively assessed for impairment, management makes judgments in determining the grouping of loans and advances with similar credit risk characteristics and 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 a decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience and emergence period for assets with similar credit risk characteristics.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. If the historical loss experiences used to estimate the collective impairment allowances for the groups of loans and advances with similar credit characteristics is varied by 5%, the collective impairment allowance would increase by TZS 4,130 million. For loans and advances individually assessed for impairment, if the recovery period is increased by 1 year, and the collateral recovery costs increased by 5%, the specific allowance for impairment would increase by TZS 7,986 million.

b) Impairment of available-for-sale equity investments

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

c) Provisions for legal liabilities

The Group has provided for the liabilities arising out of contractual obligations. The closing balance of provisions on litigations amounted to TZS 1,872 million (2014: TZS 1,084 million). Professional expert advice is taken on establishing litigation provisions. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgements than other

c) Provisions for legal liabilities (continued)

types of provisions. When cases are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists as a result of a past event, estimating the probability of outflows and making estimates of the amount of any outflows that may arise. As matters progress through various stages of the cases, Management together with legal advisers evaluate on an ongoing basis whether provisions should be recognized, and the estimated amounts of any such provisions, revising previous judgements and estimates as appropriate.

d) Deferred tax assets

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning and strategies. The deferred tax asset recognized on the Group's statement of financial

CRDB BANK PLC

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NOTES (CONTINUED)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Critical judgements in applying the Group's and Bank's accounting policies (continued)

position in year 2015 amounted to TZS 17,486 million (2014: TZS 3,495 million) and TZS 17,178 million (2014: TZS 3297 million) for the bank.

The judgments take into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income, and future reversals of existing taxable temporary differences.

e) Property, equipment and intangible assets

Critical estimates are made by the directors in determining the useful lives of property, equipment and intangible assets as well as their residual values.

The Group reviews the estimated useful lives of property, equipment and useful lives at the end of each reporting period.

f) Assessment by the Tanzanian Revenue Authority

The Bank has tax assessments for the 2005 to 2012 years of income amount to Shs 31 billion. The 2005 assessment of Shs 3 billion is at the Court of Appeal while the assessments for the remaining years are at the Tanzania Revenue Appeal Board. This is a banking industry issue. On objection of the above assessment, the Bank has already paid TZS 10 billion (included in other assets for both 2015 and 2014) as one third of the tax liability. The appeals remain pending for determination and no provision for the additional taxes has been recorded.

The assessments substantially relate to the treatment of the impairment provision for loans and advances. CRDB treated impairment provisions as deductible for corporation tax purposes while TRA's position is that such impairment provisions are not deductible until the bank demonstrates that all possible debt recovery measures have been exhausted.

5 INTEREST AND SIMILAR INCOME

	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
Loans and advances to customers				
- Term loans	297,984	210,018	293,087	209,032
- Overdrafts	97,771	74,724	96,846	74,580
Placements and balances with other banks	5,908	4,399	5,785	4,290
Discount earned and interest on Government securities	-	-	-	-
- Treasury bills	49,782	39,332	49,063	38,236
- Treasury bonds	46,026	43,226	42,421	42,234
	<u>497,471</u>	<u>371,699</u>	<u>487,202</u>	<u>368,372</u>
Interest income on non-performing loans	<u>11,266</u>	<u>1,693</u>	<u>11,266</u>	<u>1,693</u>

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NOTES (CONTINUED)

6 INTEREST EXPENSE	GROUP		BANK	
	<u>2015</u> TZS'	<u>2014</u> TZS'	<u>2015</u> TZS'	<u>2014</u> TZS'
	Million	Million	Million	Million
Deposits from customers				
– current accounts	14,712	8,519	14,700	8,362
– savings accounts	24,349	19,907	24,169	19,830
– fixed deposits	44,504	59,629	42,652	58,782
Commission on nostro transactions	79	-	79	-
Inter-bank borrowing	19,417	6,124	17,815	5,631
Subordinated debt	3,761	1,333	3,761	1,333
	<u>106,822</u>	<u>95,512</u>	<u>103,176</u>	<u>93,938</u>

7 NET FEE AND COMMISSION INCOME

A Fee and Commission Income

Service charge on customer accounts	42,458	31,144	42,237	31,007
Loan application fees	29,003	21,253	27,711	20,458
ATM withdrawal charges	10,668	9,754	10,668	9,723
VISA and master card fees	3,878	3,377	3,721	3,322
Commission on letters of credit	8,168	8,606	7,877	8,606
Fee on issue of bank cards	7,521	7,059	7,500	7,040
Fee on local transfers and drafts	7,593	5,197	7,466	5,137
Point of sale fees	3,851	3,098	3,851	3,098
Fee on international telegraphic transfers	6,179	2,784	3,461	2,784
Commission on guarantees and indemnities	2,030	1,807	2,028	1,806
Commission on mobile phone services	13,615	9,174	13,611	9,173
Salary processing fees	5,810	5,552	5,807	5,551
Bills discounted	479	422	479	422
Penalties *	2,209	1,468	2,209	1,467
Other fees and commissions	12,970	10,803	9,975	6,067
	<u>156,432</u>	<u>121,498</u>	<u>148,601</u>	<u>115,661</u>

*Penalties are charged on customer accounts that are below the minimum required balance, Significant cash withdrawal without prior notice and closing bank accounts less than one year old.

B FEE AND COMMISSION EXPENSE

	GROUP		BANK	
	<u>2015</u> TZS'	<u>2014</u> TZS'	<u>2015</u> TZS'	<u>2014</u> TZS'
	Million	Million	Million	Million
Loan comm./Government borrowers	2,169	795	2,169	795
Commission paid Agency banking	1,884	675	1,850	675
Bank loan processing commission	1,117	257	1,117	257
Commission paid Nostro transactions	2,306	1,167	1,684	951
Commission paid to MFSC (subsidiary)	-	-	17,657	10,431
	<u>7,476</u>	<u>2,894</u>	<u>24,477</u>	<u>13,109</u>

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**FINANCIAL STATEMENTS
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NOTES (CONTINUED)

8 NET FOREIGN EXCHANGE INCOME

	GROUP		BANK	
	<u>2015</u> <u>TZS'</u>	<u>2014</u> <u>TZS'</u>	<u>2015</u> <u>TZS'</u>	<u>2014</u> <u>TZS'</u>
	Million	Million	Million	Million
Exchange gain on trading	30,741	27,603	28,483	26,870
Exchange gain on revaluation	4,119	1,731	4,119	341
	<u>34,860</u>	<u>29,334</u>	<u>32,602</u>	<u>27,211</u>

9 OTHER OPERATING INCOME

Rental income	22	110	22	110
FSDT grant income (note 31)	86	21	43	-
FSDT Assets grant income	557	180	557	-
UNCDF grant income	177	-	-	-
DANIDA grant income	21	-	21	-
Other grant (MIVARF)	480	42	-	-
Loss on disposal of property and equipment	(63)	(91)	(65)	(88)
	<u>1,280</u>	<u>262</u>	<u>578</u>	<u>22</u>

10 OTHER OPERATING EXPENSES

Directors' fees	892	710	553	453
Auditors' fees	641	408	531	311
Provision for impairment of other assets	1,827	1,678	1,826	1,676
Hired services costs	13,042	11,076	12,520	10,743
Insurance costs	1,487	8,017	1,038	7,788
Software license	9,099	3,932	8,751	3,621
Marketing costs	10,920	8,529	10,491	8,071
Travelling expenses	9,712	8,903	8,447	7,687
Rent	10,102	8,812	9,199	8,210
Training	5,515	4,706	4,673	4,345
Information system maintenance	3,614	2,403	3,534	2,398
Printer tonner and computer sheets	1,759	1,596	1,728	1,555
Printing and stationery	2,582	2,101	2,411	1,988
VSAT-Communication costs	5,183	3,321	5,151	3,302
Legal fees	2,401	1,670	2,377	1,664
Visa card expenses	7,961	5,564	7,461	5,375
Tembo cards costs	1,960	2,100	1,944	2,092
Telephone and fax	1,746	1,554	1,531	1,369
Motor vehicles repairs and maintenance	2,114	1,860	1,699	1,608
Fuel costs	3,452	3,258	2,979	2,816
Postage	1,621	1,629	1,598	1,620
Electricity	3,400	3,098	3,236	2,993
Board meetings expenses	1,524	1,690	1,159	1,281
Shareholders meeting expense	933	1,671	932	1,670
Excise duty on Bank fees and commissions	13,125	6,013	13,115	5,630
Other expenses	17,958	10,146	16,253	9,162
	<u>134,570</u>	<u>106,445</u>	<u>125,137</u>	<u>99,428</u>

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NOTES (CONTINUED)

11	DEPRECIATION AND AMORTISATION	GROUP		BANK	
		<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
	Depreciation of property and equipment	26,226	22,109	25,151	21,385
	Amortisation of intangible assets	5,205	4,248	4,590	3,888
	Amortisation of prepaid lease	301	53	301	53
	Depreciation of Motor vehicles	2,080	1,453	1,737	1,144
		<u>33,812</u>	<u>27,863</u>	<u>31,779</u>	<u>26,470</u>
12	EMPLOYEE BENEFIT EXPENSES				
	Salaries and wages	96,237	80,527	87,623	74,332
	Bonus	8,667	6,058	8,282	5,827
	Social security contributions	11,346	9,562	10,416	8,862
	Gratuity	8,589	6,846	7,607	6,127
	Leave allowance	4,740	3,643	4,368	3,404
	Medical expenses	3,655	2,634	3,525	2,513
	Other staff costs	19,562	11,679	17,705	10,487
		<u>152,796</u>	<u>120,949</u>	<u>139,526</u>	<u>111,552</u>
13	INCOME TAX				
A	INCOME TAX EXPENSE				
	Current income tax – current year	72,763	36,319	69,737	34,319
	Current income tax – prior years	(60)	(170)	(66)	(172)
	Deferred tax – current year	(14,106)	(201)	(13,992)	(93)
	Deferred tax – prior years	115	651	111	650
		<u>58,712</u>	<u>36,599</u>	<u>55,790</u>	<u>34,704</u>
B	INCOME TAX RECOVERABLE				
	At 1 January	19,375	6,543	18,562	6,295
	Payments made during the year	56,228	48,981	53,199	46,414
	Charge to profit or loss	<u>(72,763)</u>	<u>(36,149)</u>	<u>(69,672)</u>	<u>(34,147)</u>
	Closing balance	<u>2,840</u>	<u>19,375</u>	<u>2,089</u>	<u>18,562</u>

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NOTES (CONTINUED)

13 INCOME TAX (CONTINUED)

The tax on the Group and Bank profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	GROUP		BANK	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Profit before income tax	<u>187,690</u>	132,244	<u>178,163</u>	130,008
Tax calculated at the statutory income tax rate at 30%	<u>56,307</u>	39,673	<u>53,449</u>	39,002
Tax effect of:				
Changes in tax rate for the Bank				
Non-taxable income				
Depreciation on non-qualifying assets	<u>2,106</u>	-	<u>2,062</u>	251
Expenses not deductible for tax purposes	<u>244</u>	316	<u>234</u>	190
Tax credits for expenses not charged to profits or loss	-	(5,248)	-	(5,248)
Under provisions of current tax in previous years	<u>(60)</u>	(170)	<u>(66)</u>	(172)
(Over)/under provision of deferred tax in previous years	<u>115</u>	777	<u>111</u>	650
Deferred tax of subsidiary not recognized	-	1,217	-	
Other	-	34	-	31
Income tax expense	<u>58,712</u>	36,599	<u>55,790</u>	34,704
Effective tax rate	<u>31%</u>	28%	<u>31%</u>	27%

There is no change in tax rate from the previous year and no amount of temporary differences associated with investments in subsidiaries which can be found in the balance sheet mainly because of inexistence of temporary difference and the fact that it is unlikely that the difference will be reversed in future

14 EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributed to the shareholders of the Group by the weighted average number of ordinary shares outstanding as at close of the year.

	<u>2015</u>	<u>2014</u>
Profit for the year (TZS'Million)	<u>128,978</u>	95,645
Weighted average number of shares ('Million)	<u>2,376</u>	2,628
Basic and diluted earnings per share (TZS)	<u>54.28</u>	36.39

There were no potentially dilutive ordinary shares outstanding as at 31 December 2015(2014: Nil) Diluted earnings per share is the same as basic earnings per share. The 2014 numbers have been recalculated to take into effect the additional shares on the rights issue as disclosed in Note 33.

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NOTES (CONTINUED)

15 DISTRIBUTION MADE AND PROPOSED

Amount in TZS Million	<u>2015</u>	2014
Cash dividends on ordinary shares declared:		
Dividend declared 2014 TZS.15 per share(2013:TZS 14 per share)	<u>32,649</u>	<u>30,471</u>
Proposed dividends on ordinary shares:		
Cash dividend for 2015:TZS 17 per share(2014:TZS 15 per share)	<u>44,401</u>	<u>32,648</u>

Non-cash distribution

There was no non-cash distribution during the year (2014:NIL)

The Directors propose payment of a dividend of TZS17 per share, amounting to TZS 44.4 billion out of 2015 profit to be ratified at the Annual General Meeting to be held in May 2016. In 2015, dividend of TZS15 per share, amounting to TZS 32.7 billion was approved by shareholders and paid.

Proposed dividend on ordinary shares are subject to approval at the Annual General Meeting and are not recognised as a liability as at 31 December.

**16 CASH AND BALANCES WITH
CENTRAL BANKS**

	GROUP		BANK	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Cash in hand	220,751	163,333	218,020	159,549
Clearing accounts with Central Banks	122,675	53,244	111,560	45,815
Statutory Minimum Reserves (SMR) *	<u>440,244</u>	<u>332,993</u>	<u>440,244</u>	<u>332,993</u>
	<u>783,670</u>	<u>549,570</u>	<u>769,824</u>	<u>538,357</u>

*In accordance with Section 44 of the Bank of Tanzania Act, 2006 and Sections 4 and 71 of the Banking and Financial Institutions Act, 2006; the Bank is required to maintain Statutory Minimum Reserves (SMR) on its total deposit liabilities and funds borrowed from the general public. The SMR deposit should be at least 10% of customers' total deposits and borrowings from the general public and 40% of government's deposits.

The SMR deposit is not available to finance the Bank's day-to-day operations and is therefore excluded from cash and cash equivalents for the purpose of the statement of cash flows (Note 35).

Cash in hand and balances with Central Banks are non-interest bearing assets. All amounts are current.

CRDB BANK PLC

**FINANCIAL STATEMENTS
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NOTES (CONTINUED)

17 GOVERNMENT SECURITIES	GROUP		BANK	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Loans and receivables				
Treasury bills	426,953	295,260	414,752	290,343
Treasury bonds	252,526	233,549	219,875	210,459
Government bonds	5,034	11,684	5,034	11,684
	<u>684,513</u>	<u>540,493</u>	<u>639,661</u>	<u>512,486</u>
Available for sale				
Treasury Bonds	88,648	54,092	88,648	54,432
	<u>773,161</u>	<u>594,585</u>	<u>728,309</u>	<u>566,918</u>

Treasury bills and bonds are debt securities issued by the Government. As at 31 December 2015, treasury bonds amounting to TZS 140,650 million had been pledged as collateral for various short term borrowings from other banks.

The maturity analysis of Government securities is as follows:

	GROUP		BANK	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Maturing within 3 months from date of acquisition				
Treasury bills	-	-	-	-
Maturing after 3 months from date of acquisition but within 12 months				
Treasury bills	426,953	295,260	414,752	290,343
Treasury bonds	14,478	287,641	12,414	264,891
Government bonds	5,034	11,684	5,034	11,684
Maturing after 12 months				
Treasury bonds	326,696	-	296,109	-
	<u>773,161</u>	<u>594,585</u>	<u>728,309</u>	<u>566,918</u>

There were no Government securities maturing within 3 months from date of acquisition for the Group and none for the Bank, which form part of cash and cash equivalents for the purpose of statement of cash flows (Note 35)

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NOTES (CONTINUED)

18 LOANS AND ADVANCES TO BANKS	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
Cheques and items for clearing	31,294	11,274	31,160	10,851
Nostro accounts balances	193,547	182,882	185,152	179,780
Placements with other banks	66,166	100,470	88,906	98,494
	<u>291,007</u>	<u>294,626</u>	<u>305,218</u>	<u>289,125</u>

Maturity analysis

Redeemable on demand				
- Cheques and items for clearing	31,294	11,274	31,160	10,851
- Nostro accounts balances	193,547	182,882	185,152	179,780
Placements with other banks				
- Maturing within 1 months	14,386	49,727	12,094	49,727
- Maturing after 1 month but within 3 months	22,580	27,763	21,906	25,787
- Maturing after 3 months but within 12 months	22,667	-	22,667	-
- Maturity after 1 year but within 5 years	6,533	22,980	32,239	22,980
- Maturity over 5 years	-	-	-	-
	<u>291,007</u>	<u>294,626</u>	<u>305,218</u>	<u>289,125</u>

The maturity analysis is based on the remaining periods to contractual maturity from year end.

19 LOANS AND ADVANCES TO CUSTOMERS	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
Term loans	2,343,081	1,746,374	2,317,160	1,698,853
Overdrafts	812,938	704,728	806,374	702,334
Staff loans	121,015	93,668	119,959	93,387
Interest receivable	65,318	31,372	64,836	31,198
Gross loans and advances to customers	3,342,352	2,576,142	3,308,329	2,525,772
Less:				
Provision for impairment	(81,765)	(30,846)	(81,621)	(30,841)
Net loans and advances to customers	<u>3,260,587</u>	<u>2,545,296</u>	<u>3,226,708</u>	<u>2,494,931</u>

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NOTES (CONTINUED)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Maturity analysis

The maturity analysis is based on the remaining periods to contractual maturity from year end.

	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
- Maturing within 1 months	257,838	882,452	255,988	881,952
- Maturing after 1 month but within 3 months	172,495	41,502	169,761	41,489
- Maturing after 3 months but within 12 months	535,031	373,626	532,344	371,639
- Maturity after 1 year but within 5 years	1,632,133	920,430	1,613,479	872,671
- Maturity over 5 years	663,090	327,286	655,136	327,180
Net loans and advances to customers	<u>3,260,587</u>	<u>2,545,296</u>	<u>3,226,708</u>	<u>2,494,931</u>

Analysis by geographical location

The Bank categorises loans and advances to customers into 5 regions for the purpose of regulatory reporting to the Bank of Tanzania.

	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
Dar es Salaam zone	1,275,376	1,114,889	1,314,317	1,114,889
Mbeya zone	621,327	394,385	621,327	394,385
Lake zone	611,328	461,785	611,328	461,785
Zanzibar zone	364,641	280,252	364,641	280,252
Arusha zone	396,716	274,461	396,716	274,461
Burundi	72,964	50,370	-	-
Gross loans and advances to customers	<u>3,342,352</u>	<u>2,576,142</u>	<u>3,308,329</u>	<u>2,525,772</u>

The composition of the zones is as follows:

Zone	Component regions
Dar es Salaam zone	Dar es Salaam and coastal region
Lake zone	Kagera, Kigoma, Tabora, Mara, Mwanza, Rukwa and Shinyanga
Mbeya zone	Dodoma, Iringa, Mbeya, Sumbawanga and Ruvuma
Zanzibar zone	Unguja, Lindi, Morogoro and Mtwara
Arusha zone	Arusha, Kilimanjaro, Singida, Manyara, Mara and Tanga

CRDB BANK PLC

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NOTES (CONTINUED)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Credit impairment for loans and advances to customers

The movements in provision for impairment losses on loans and advances are as follows:

	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
At start of year	30,846	35,284	30,841	35,284
<i>Movement during the year:</i>				
Impairment charges for credit losses	70,887	44,276	70,735	44,151
Amounts written off during year	(19,968)	(48,714)	(19,955)	(48,594)
At end of year	<u>81,765</u>	<u>30,846</u>	<u>81,621</u>	<u>30,841</u>
The provision as at year end is made up of the following:				
Specific allowance for impairment	69,750	27,546	69,750	27,541
Collective allowance for impairment	12,015	3,300	11,871	3,300
	<u>81,765</u>	<u>30,846</u>	<u>81,621</u>	<u>30,841</u>
Specific allowance for impairment				
At start of year	27,546	32,827	27,541	32,827
<i>Movement during the year</i>				
Impairment charges for credit losses	62,172	43,433	62,164	43,308
Amounts written off during year	(19,968)	(48,714)	(19,955)	(48,594)
At end of year	<u>69,750</u>	<u>27,546</u>	<u>69,750</u>	<u>27,541</u>
Collective allowance for impairment				
At start of year	3,300	2,457	3,300	2,457
Charge/(release) during the year	8,715	843	8,571	843
At end of year	<u>12,015</u>	<u>3,300</u>	<u>11,871</u>	<u>3,300</u>
Impairment charge to profit or loss is broken down as follows:				
Impairment charges for credit losses	70,887	44,276	70,735	44,151
Amounts recovered during year	(4,010)	(7,390)	(4,010)	(7,390)
Charge to profit or loss	<u>66,877</u>	<u>36,886</u>	<u>66,725</u>	<u>36,761</u>

CRDB BANK PLC

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NOTES (CONTINUED)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Analysis of impairment by industry	GROUP		BANK	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	TZS'	TZS'	TZS'	TZS'
	Million	Million	Million	Million
Agriculture	47,030	8,565	47,520	8,564
Financial Intermediaries	6,023	2,832	6,122	2,832
Personal	18,040	11,188	17,523	11,187
Trade	3,307	1,774	4,679	1,773
Building and construction	1,240	544	988	543
Education	632	469	367	469
Hotels and restaurants	2,662	1,107	1,759	1,107
Transport	936	3,488	1,176	3,487
Manufacturing	608	183	492	183
Real Estate	538	100	249	100
Tourism	582	490	650	490
Others	167	106	96	106
	<u>81,765</u>	<u>30,846</u>	<u>81,621</u>	<u>30,841</u>

20 EQUITY INVESTMENTS

Investment in Tanzania Mortgage Refinance Company (TMRC)	<u>2,280</u>	<u>2,280</u>	<u>2,280</u>	<u>2,280</u>
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Tanzania Mortgage Refinance Company (TMRC) is a private sector institution owned by banks with the sole purpose of supporting banks to do mortgage lending by refinancing banks' mortgage portfolios. The percentage shareholding of the Bank in TMRC as at 31 December 2015 was 17.14% (2014: 17.14%).

21 OTHER ASSETS

	GROUP		BANK	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	TZS'	TZS'	TZS'	TZS'
	Million	Million	Million	Million
Advance payment for capital expenditure	7,390	3,753	7,390	3,753
Prepaid expenses	20,476	19,128	16,527	17,024
Bank card stock	2,565	1,773	2,560	1,736
Due from a related party (Note 39)	-	-	869	155
Receivable from mobile phone companies	35,683	27,725	35,683	27,725
Bills receivable	46	47	46	47
Other receivables	22,966	13,328	21,825	10,899
Less: Provision for impairment	<u>(2,796)</u>	<u>(3,269)</u>	<u>(2,794)</u>	<u>(3,268)</u>
	<u>86,330</u>	<u>62,485</u>	<u>82,106</u>	<u>58,071</u>

Provision for impairment is made for assets whose recoverability is considered doubtful. All other assets are current.

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NOTES (CONTINUED)

21 OTHER ASSETS (CONTINUED)

Maturity analysis	GROUP		BANK	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Maturing within one month	38,293	29,545	38,289	29,506
Maturing after one month but within 3 months	43,863	23,599	39,643	19,224
Maturing after 3 months but within 12 months	2,537	3,567	2,537	3,567
Maturing after 12 months	1,637	2,210	1,637	2,210
	<u>86,330</u>	<u>58,921</u>	<u>82,106</u>	<u>54,507</u>

Movement in provision for impairment on other assets is as shown below:

	GROUP		BANK	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
At 1 January	3,269	2,519	3,268	2,519
Increase during the year	1,827	1,449	1,826	1,448
Write offs	(2,300)	(699)	(2,300)	(699)
At 31 December	<u>2,796</u>	<u>3,269</u>	<u>2,794</u>	<u>3,268</u>

22 INVESTMENT IN SUBSIDIARIES	Country of Incorporation	Interest Held %	BANK	
			<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
CRDB Microfinance Service Company Limited	Tanzania	100%	728	728
CRDB Bank Burundi S.A	Burundi	100%	21,583	21,583
			<u>22,311</u>	<u>22,311</u>

All subsidiaries are unlisted and have the same year end as the Bank. The investment in the subsidiaries includes the cost of shares and other initial payments made for the subsidiaries.

CRDB BANK PLC

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NOTES (CONTINUED)

23 A PROPERTY AND EQUIPMENT

Amounts are in TZS' Million

GROUP	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Mobile branch	Work in progress	Total
Year 2015									
Cost/Revaluation									
At 1 January	34,427	45,989	51,654	27,032	23,737	3,560	7,195	910	194,504
Exchange differences	-	851	220	72	(192)	-	-	(4)	947
Additions	11,240	14,801	12,291	9,263	2,254	983	1,156	737	52,725
Adjustment	1,138	-	(31)	-	172	-	-	(886)	393
Disposals	-	-	(264)	(18)	(35)	(6)	-	-	(323)
At 31 December	46,805	61,641	63,870	36,349	25,936	4,537	8,351	757	248,246
Depreciation									
At 1 January	(4,725)	(22,633)	(27,866)	(14,112)	(11,209)	(2,415)	(4,739)	-	(87,699)
Adjustment	(55)	76	8	(5)	(21)	(3)	-	-	-
Charge for the year	(918)	(8,069)	(8,215)	(4,829)	(2,591)	(497)	(1,107)	-	(26,226)
Disposal	-	-	263	18	7	8	-	-	296
At 31 December	(5,698)	(30,626)	(35,810)	(18,928)	(13,814)	(2,907)	(5,846)	-	(113,629)
Net book value	41,107	31,015	28,060	17,421	12,122	1,630	2,505	757	134,617

Work in progress relates to the Bank's buildings under construction.

CRDB BANK PLC

FINANCIAL STATEMENTS
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NOTES (CONTINUED)

23A PROPERTY AND EQUIPMENT (CONTINUED)

Amounts are in TZS' Million

GROUP	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Mobile branch	Work in progress	Total
Year 2014									
Cost/Revaluation									
At 1 January	27,107	36,435	40,762	20,619	20,130	3,054	7,195	1,034	156,336
Exchange differences	-	143	52	48	-	-	-	-	243
Additions	7,320	4,262	11,188	7,863	2,702	511	-	5,024	38,870
WIP capitalization	-	5,148	-	-	-	-	-	(5,148)	-
Adjustment	-	-	-	(1,496)	1,496	-	-	-	-
Disposals	-	-	(346)	(2)	(591)	(7)	-	-	(946)
At 31 December	34,427	45,988	51,656	27,032	23,737	3,558	7,195	910	194,503
Depreciation									
At 1 January	(4,063)	(15,322)	(21,431)	(11,401)	(8,468)	(2,015)	(3,747)	-	(66,447)
Adjustment	-	-	-	802	(802)	-	-	-	-
Charge for the year	(662)	(7,311)	(6,692)	(3,515)	(2,529)	(400)	(992)	-	(22,101)
Disposal	-	-	256	2	590	-	-	-	848
At 31 December	(4,725)	(22,633)	(27,867)	(14,112)	(11,209)	(2,415)	(4,739)	-	(87,700)
Net book value	29,702	23,355	23,789	12,920	12,528	1,143	2,456	910	106,803

Work in progress relates to the Bank's buildings under construction.

CRDB BANK PLC

FINANCIAL STATEMENTS
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NOTES (CONTINUED)

23A PROPERTY AND EQUIPMENT (CONTINUED)

Amounts are in TZS'Million

BANK Year 2015	<u>Land & buildings</u>	<u>Leasehold improvement</u>	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Smart card equipment</u>	<u>Security equipment</u>	<u>Mobile branch</u>	<u>Work in progress</u>	<u>Total</u>
Cost/ Revaluation									
At 1 January	34,427	42,085	49,843	26,581	23,737	3,560	7,195	906	188,334
Additions	11,240	13,822	11,116	9,226	2,255	983	1,156	667	50,465
Adjustment	1,138	-	-	-	(238)	-	-	(886)	14
Disposals	-	-	(264)	(18)	(35)	(6)	-	-	(323)
At 31 December	46,805	55,907	60,695	35,789	25,719	4,537	8,351	687	238,490
Depreciation									
At 1 January	(4,724)	(22,108)	(27,115)	(13,959)	(11,208)	(2,415)	(4,739)	-	(86,268)
Adjustment	(55)	76	(5)	(5)	40	(3)	-	-	48
Charge for the year	(918)	(7,560)	(7,777)	(4,721)	(2,570)	(497)	(1,108)	-	(25,151)
Disposals	-	-	263	18	6	7	-	-	294
At 31 December	(5,697)	(29,592)	(34,634)	(18,667)	(13,732)	(2,908)	(5,847)	-	(111,077)
Net book value	41,108	26,315	26,061	17,122	11,987	1,629	2,504	687	127,413

Work in progress relates to the Bank's buildings under construction.

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NOTES (CONTINUED)

23A PROPERTY AND EQUIPMENT (CONTINUED)

Amounts are in TZS'Million

BANK Year 2014	<u>Land & buildings</u>	<u>Leasehold improvement</u>	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Smart card equipment</u>	<u>Security equipment</u>	<u>Mobile branch</u>	<u>Work in progress</u>	<u>Total</u>
Cost/ Revaluation									
At 1 January	27,107	34,418	39,478	20,447	20,130	3,054	7,195	1,034	152,863
Additions	7,320	2,520	10,711	7,632	2,702	511	-	5,019	36,415
WIP capitalization	-	5,147	-	-	-	-	-	(5,147)	-
Revaluation	-	-	-	(1,496)	1,496	-	-	-	-
Disposals	-	-	(346)	(2)	(591)	(5)	-	-	(944)
At 31 December	34,427	42,085	49,843	26,581	23,737	3,560	7,195	906	188,334
Depreciation									
At 1 January	(4,063)	(15,118)	(20,956)	(11,368)	(8,468)	(2,015)	(3,746)	-	(65,734)
Adjustment	-	-	-	802	(802)	-	-	-	-
Charge for the year	(662)	(6,990)	(6,415)	(3,395)	(2,529)	(400)	(994)	-	(21,385)
Disposals	-	-	256	2	590	-	-	-	848
At 31 December	(4,725)	(22,108)	(27,115)	(13,959)	(11,209)	(2,415)	(4,739)	-	(86,270)
Net book value	29,702	19,977	22,728	12,622	12,528	1,145	2,456	906	102,064

Work in progress relates to the Bank's buildings under construction.

CRDB BANK PLC

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NOTES (CONTINUED)

23B MOTOR VEHICLES	GROUP		BANK	
	<u>2015</u> TZS'	<u>2014</u> TZS'	<u>2015</u> TZS'	<u>2014</u> TZS'
	Million	Million	Million	Million
At 1 January	10,739	9,134	8,823	7,435
Additions	7,784	2,519	7,254	2,339
Disposals	(371)	(951)	(371)	(951)
Reclassification	-	86	-	-
Exchange rate difference	136	(49)	-	-
At 31 December	18,288	10,739	15,706	8,823
Depreciation				
At 1 January	(2,416)	(1,216)	(1,872)	(962)
Charge for the year	(2,080)	(1,453)	(1,737)	(1,144)
Disposals	136	234	136	234
Reclassification	-	19	-	-
At 31 December	(4,360)	(2,416)	(3,473)	(1,872)
Net book value	13,928	8,323	12,233	6,951

The Company's Motor vehicles were revalued on 31 December 2012, by Mechmaster (T) Limited and Toyota Tanzania limited, registered vehicle dealers. Valuations were made on the basis of recent open market value. The revaluation surplus net of applicable deferred income taxes was credited to other comprehensive income and is shown in "revaluation reserve" in shareholders' equity. None of the property and equipment is pledged as security for liabilities. The valuation has been reviewed and the management is of the view that the current book value is in line with the market value.

There were no capitalized borrowing costs related to the acquisition of property and equipment during the year ended 31 December 2015(2014 – Nil).

If motor vehicles were measured using cost model, the carrying amounts would be as follows;

	GROUP		BANK	
	<u>2015</u> TZS'	<u>2014</u> TZS'	<u>2015</u> TZS'	<u>2014</u> TZS'
	Million	Million	Million	Million
COST	19,639	12,522	17,192	10,605
Accumulated depreciation	(9,710)	(7,572)	(7,942)	(6,153)
Net book value				
At 31 December	9,929	4,950	9,250	4,452

Included in property and equipment are assets with a cost of TZS 45,130 million (2014: TZS 30,466 million) which were fully depreciated but still in use. The notional depreciation charge on these assets would have been TZS 8,996 million (2014: TZS 6,863 million).

CRDB BANK PLC

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NOTES (CONTINUED)

24 PREPAID OPERATING LEASE	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
Cost prepaid				
At 1 January	6,102	535	6,102	535
Additions	5,039	5,567	5,039	5,567
At 31 December	11,141	6,102	11,141	6,102
Amortization				
At 1 January	(73)	(20)	(73)	(20)
Charge for the year	(301)	(53)	(301)	(53)
At 31 December	(374)	(73)	(374)	(73)
Net book value				
At 31 December	10,767	6,029	10,767	6,029

Prepaid operating lease relates to advance payments made for the right of occupancy of various portions of leasehold land where the Bank has its business premises.

25 INTANGIBLES ASSETS	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
Intangible assets in use	20,408	17,230	18,533	15,833
Work in progress	10,736	-	10,736	-
Total	31,144	17,230	29,269	15,833
A WORK IN PROGRESS				
At 1 January	-	-	-	-
Additions during the year	7,172	-	7,172	-
Transfer in from other assets	3,564	-	3,564	-
At 31 December	10,736	-	10,736	-
B INTANGIBLE ASSETS IN USE				
Cost				
At 1 January	34,024	29,384	31,567	27,348
Exchange differences	351	148	-	-
Additions	7,914	4,492	7,172	4,219
At 31 December	42,289	34,024	38,739	31,567
Amortization				
At 1 January	(16,794)	(12,546)	(15,734)	(11,846)
Charge for the year	(5,205)	(4,248)	(4,590)	(3,888)
Adjustment	118	-	118	-
At 31 December	(21,881)	(16,794)	(20,206)	(15,734)
Net book value At 31 December	20,408	17,230	18,533	15,833

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FOR THE YEAR ENDED 31 DECEMBER 2015****NOTES (CONTINUED)****25 INTANGIBLE ASSETS (CONTINUED)**

Intangible assets relate to computer software used by the Group. Fully depreciated intangible assets amounting to TZS 4,690 million (2014: TZS 3,849 million) are still in use. The notional depreciation charge would have been TZS 938 million (2014: TZS 770 million). Some fully depreciated software's are; Kindle software (branch power), Signature capture software, VISA solution software, Card-world producer software, Smart POS module.

No intangible asset was pledged as security for liabilities as at 31 December 2015. There also no restrictions other than those outlined in the software license.

As at 31 December 2015, there were no significant intangible assets controlled by the entity which have not been recognized as assets.

26 DEFERRED INCOME TAX

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

	GROUP		BANK	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	TZS'	TZS'	TZS'	TZS'
	Million	Million	Million	Million
At 1 January	3,495	4,014	3,297	3,854
Credit to profit and loss	14,106	38	13,992	93
Under provision in prior year	(115)	(557)	(111)	(650)
At 31 December	<u>17,486</u>	<u>3,495</u>	<u>17,178</u>	<u>3,297</u>

Deferred income tax asset/(liability) is attributed to the following items:

	GROUP		BANK	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	TZS'	TZS'	TZS'	TZS'
	Million	Million	Million	Million
Accelerated capital allowance	(2,658)	557	(2,526)	557
Provisions	20,144	2,938	19,704	2,740
	<u>17,486</u>	<u>3,495</u>	<u>17,178</u>	<u>3,297</u>

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NOTES (CONTINUED)

27 DEPOSITS FROM CUSTOMERS	GROUP		BANK	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Current and demand accounts	2,027,625	1,470,908	1,998,086	1,455,965
Savings accounts	1,457,595	1,164,140	1,451,386	1,161,250
Term deposits	760,948	755,873	730,918	744,780
	<u>4,246,168</u>	<u>3,390,921</u>	<u>4,180,390</u>	<u>3,361,995</u>
Current deposits	4,202,569	3,280,132	4,136,885	3,251,273
Non-current deposits	43,599	110,789	43,505	110,722
	<u>4,246,168</u>	<u>3,390,921</u>	<u>4,180,390</u>	<u>3,361,995</u>

Savings accounts, term deposits and some current and demand deposits are interest bearing accounts. These interest bearing customer deposit accounts carry variable interest rates.

Maturity analysis	GROUP		BANK	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Repayable on demand	3,591,362	2,748,466	3,549,182	2,728,061
Maturing within 3 months	185,001	308,458	179,670	302,823
After 3 months but within 1 year	431,366	223,208	424,989	220,389
Maturing after 1 year	38,439	110,789	26,549	110,722
	<u>4,246,168</u>	<u>3,390,921</u>	<u>4,180,390</u>	<u>3,361,995</u>

28 DEPOSITS FROM BANKS

Deposits from banks	<u>72,527</u>	<u>94,594</u>	<u>70,314</u>	<u>36,068</u>
All deposits from banks are current.				

29 OTHER LIABILITIES

Bills payable	2,781	3,080	2,546	2,416
Dividend payable	6,084	4,842	6,084	4,842
Accrued expenses	15,192	13,956	14,202	13,098
Due to related parties (Note 39)	-	-	16,710	13,318
Deferred income	10,305	7,886	10,133	7,821
Outstanding credits	8,535	5,245	7,025	4,845
Unclaimed customer balances	5,563	6,488	5,532	6,464
Other payables	35,314	54,243	34,763	53,828
	<u>83,774</u>	<u>95,740</u>	<u>96,995</u>	<u>106,632</u>

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NOTES (CONTINUED)

29 OTHER LIABILITIES (CONTINUED)

- Bills payable represents Bankers cheques issued to customers that have not yet been presented for payment.
- Dividend payable represents uncollected dividends by the Bank's shareholders.
- Outstanding credits represent suspended customer balances while their bank accounts are in the process of being opened.
- Other liabilities are expected to be settled within no more than 12 months after the reporting date.

30 PROVISIONS

	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
Provision for litigation				
At 1 January	1,084	667	1,084	667
Additional provisions	1,000	492	1,000	492
Amount paid in the year	<u>(212)</u>	<u>(75)</u>	<u>(212)</u>	<u>(75)</u>
At 31 December	<u>1,872</u>	<u>1,084</u>	<u>1,872</u>	<u>1,084</u>

As at year end, there were several pending legal cases where the Bank was a defendant. Provision has been made for legal cases where professional advice indicates that it is probable that loss will arise. The directors have considered it probable that the unfavourable outcome of these cases to the Bank could result into an estimated loss of TZS.1,872 million (2014:TZS 1,084 million). For cases whose outcomes are uncertain, contingent liabilities have been considered as disclosed in note 37. According to the nature of such disputes the outcome and timing of settlement of these cases is uncertain.

31 GRANTS

	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
At 1 January	15,437	7,784	13,543	7,421
Grant received during the year	4,049	7,889	3,801	6,140
Grant amount utilised	(1,321)	(373)	(621)	(154)
Foreign exchange	<u>1,396</u>	<u>137</u>	<u>1,346</u>	<u>138</u>
At 31 December	<u>19,561</u>	<u>15,437</u>	<u>18,069</u>	<u>13,543</u>
31.1 FSDT GRANT				
At 1 January	11,231	7,102	11,231	7,069
Grant received during the year	3,758	4,025	3,758	4,025
Grant amount utilised	(557)	(33)	(557)	-
Foreign exchange	<u>771</u>	<u>137</u>	<u>771</u>	<u>137</u>
At 31 December	<u>15,203</u>	<u>11,231</u>	<u>15,203</u>	<u>11,231</u>

The group is recipient of two grants from Financial Sector Deepening Trust of Tanzania (FSDT) as disclosed below:

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NOTES (CONTINUED)

31 GRANTS (CONTINUED)

FSDT GRANT I

On 26 May 2008, CRDB Bank Plc signed a four year funding agreement with Financial Sector Deepening Trust of Tanzania (FSDT) amounting to USD 3,806,500 as a grant for strengthening of the Bank's microfinance partner institutions and increase outreach. In 2013 the amount of USD 415,560 was received by CRDB Bank Plc which was transferred to the CRDB Microfinance Services Company Limited. Total cumulative drawdown of the Grant to 31 December 2015 amounts to USD 3,806,500.

FSDT GRANT II

In 2015 the grant amount of USD 1,740,956 was received by CRDB Bank Plc, (2014: 2,326,533). The conditions of the grant are subject to the achievement of performance targets relating to the number of constructed service centres, purchase of mobile branches as well as target number of clients and borrowers served among other conditions. The drawdown of the grant as at 31 December 2015 was USD 5,798,389.

31.2 DANIDA WOMEN GRANT

	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
At 1 January	2,313	352	2,313	352
Grant and guarantee received during the year	-	2,115	-	2,115
Grant amount utilised	(21)	(154)	(21)	(154)
Foreign exchange	574	-	574	-
At 31 December	2,866	2,313	2,866	2,313

On 10 December 2011, CRDB Bank Plc signed funding agreement with DANIDA amounting to DKK 8,850,000 of which DKK 5,000,000 being guarantee and DKK 3,850,000 as a grant for operation on project named "Women Access to Finance Initiative" aimed at enabling women to contribute to economic growth through SME loans. The drawdown of operational grant up to December 2015 was DKK 3,762,575 equivalent to USD 681,532 and guarantee of DKK 5,000,000 equivalent to USD 905,672. During the year TZS 20,655,278 of operational grant was utilised on supervision (TZS 2,130,271); customer training (TZS 8,157,107) and technical assistance (TZS 10,367,901).

31.3 UNCDF GRANT

	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
At 1 January	186	330	-	-
Grant received during the year	-	-	-	-
Grant amount utilised	(177)	(144)	-	-
Exchange difference	51	-	-	-
At 31 December	60	186	-	-

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NOTES (CONTINUED)

31 GRANTS (CONTINUED)

31.4 MIVARF ASSET GRANT

	GROUP		BANK	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	TZS'	TZS'	TZS'	TZS'
	Million	Million	Million	Million
At 1 January	1,683	-	-	-
Grant received during the year	198	1,725	-	-
Grant amortised	(480)	(42)	-	-
At 31 December	<u>1,401</u>	<u>1,683</u>	<u>-</u>	<u>-</u>

On 2 January 2015, CRDB MFSCCL signed a six year funding agreement with Marketing Infrastructure, Value Addition and Rural Finance Support Programme (MIVARF) amounting to USD 4,000,008 as a grant for improving/ strengthening and developing access to financial services on a sustainable basis to rural micro and small scale entrepreneurship activities that will lead to increased productivities in rural areas. In 2015 the amount of USD 995,909 was received by CRDB MFSCCL.

31.5 RUDI GRANT

	GROUP		BANK	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	TZS'	TZS'	TZS'	TZS'
	Million	Million	Million	Million
At 1 January	24	-	-	-
Grant received during the year	50	24	-	-
Grant amount utilised	(43)	-	-	-
At 31 December	<u>31</u>	<u>24</u>	<u>-</u>	<u>-</u>

31.6 FSDT SME GRANT

	GROUP		BANK	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	TZS'	TZS'	TZS'	TZS'
	Million	Million	Million	Million
At 1 January	-	-	-	-
Grant received during the year	43	-	43	-
Grant amount utilised	(43)	-	(43)	-
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

On 25 June 2015, CRDB MFSCCL signed a three year funding agreement with Rural Urban Development Initiatives (RUDI) amounting to USD 97,748 as a grant aiming to improve food security and incomes of household in the Southern Highlands of Tanzania through value chain. In 2015 the amount of USD 25,061 was received by CRDB MFSCCL.

32 BORROWINGS

32.1 SHORT TERM BORROWING

	GROUP		BANK	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>

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NOTES (CONTINUED)

	TZS' Million	TZS' Million	TZS' Million	TZS' Million
At 1 January	43,249	39,689	43,249	39,689
Loan received during the year	-	43,249	-	43,249
Interest charge for the year	219	-	219	-
Interest paid in the year	(219)	-	(219)	-
Principal repayment during the year	(43,249)	(39,689)	(43,249)	(39,689)
At 31 December	<u>-</u>	<u>43,249</u>	<u>-</u>	<u>43,249</u>

On 14th October 2013, CRDB Bank Plc signed a one year loan agreement with Standard Chartered Bank London amounting USD 25 Million secured by Treasury bonds. The loan's interest is the floating three month libor plus two hundred basis points, with interest being paid on a quarterly basis. The whole amount was received in 2013 and the contract renewed again in 2014 for the same terms and conditions. In 2015 the loan plus interest was fully repaid.

32.2 SUBORDINATED DEBT

	GROUP 2015 TZS' Million	2014 TZS' Million	BANK 2015 TZS' Million	2014 TZS' Million
At 1 January	31,333	10,267	31,333	10,267
Loan received during the year	52,253	20,000	52,253	20,000
Interest charge for the year	3,761	1,333	3,761	1,333
Interest paid in the year	(1,764)	(267)	(1,764)	(267)
Unrealised foreign exchange loss	1,717	-	1,717	-
At 31 December	<u>87,300</u>	<u>31,333</u>	<u>87,300</u>	<u>31,333</u>
Non-current	83,970	30,000	83,970	30,000
Current	3,330	1,333	3,330	1,333
	<u>87,300</u>	<u>31,333</u>	<u>87,300</u>	<u>31,333</u>

The loans include the subordinated debt by DANIDA Investment Fund amounting to TZS 30 billion at an interest rate of 8% that is to be paid annually for a period of eight (8) years, and USD 25 million received from Deutsche investitionsund entwicklungsgesellschaft mbh (DEG), a subsidiary of KFW in the form of 7 years subordinated debt in 2015. The loan is charged interest at six months Libor rate plus margin advised by DEG on each interest determination date. There is no collateral pledged to secure these loans.

32 BORROWINGS (CONTINUED)

32.3 LONG TERM BORROWING

GROUP

BANK

CRDB BANK PLC

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NOTES (CONTINUED)

	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
IFC long term borrowing	141,562	78,552	141,562	78,552
TMRC borrowing	17,022	10,022	17,022	10,022
TIB borrowing	7,606	8,015	7,606	8,015
EIB borrowing	43,027	-	43,027	-
	<u>209,217</u>	<u>96,589</u>	<u>209,217</u>	<u>96,589</u>
Non-current	206,959	95,847	206,959	95,847
Current	2,258	742	2,258	742
	<u>209,217</u>	<u>96,589</u>	<u>209,217</u>	<u>96,589</u>

32.3.1 IFC LONG TERM LOAN

At 1 January	78,333	-	78,333	-
Loan received during the year	43,176	77,847	43,176	77,847
Interest charge for the year	4,277	705	4,277	705
Interest paid in the year	(3,038)	-	(3,038)	-
Foreign Exchange	18,814	-	18,814	-
Principal repayment during the year	-	-	-	-
At 31 December	<u>141,562</u>	<u>78,552</u>	<u>141,562</u>	<u>78,552</u>

The bank secured a Senior debt facility from International Financial Corporation (IFC) amounting to US\$ 75 Million. The long term facility for SME segment of US\$ 40 Million disbursed in two equal tranches, the first tranche disbursed in June 2014 and the second tranche in May 2015, the short term facility for agriculture financing of US\$ 25 Million received by the bank in June 2014 was for a one year period with the option to renew upon demand by the bank, and LC credit line of US\$ 10 Million which was made available in June 2014. Both facilities are charged interest computed as a summation of relevant spread (basis spread for six months LIBOR over three months LIBOR obtained from Reuters, Bloomberg Financial Market Services or other electronic sources as IFC deems appropriate) and base fixed rate (weighted average of the swap rates for all maturities in that fixed rate disbursement) on the interest rate setting date. The interest is paid on quarterly and semi-annually basis in relation with facility tenures. The long term debt is for a period of seven (7) years with the two years grace period. In 2015 the bank secured full amount of the facility from IFC, after the second drawdown of US\$ 20 Million long term SME facility. The bank has also started to enjoy the rate-rebate from IFC for the first impressive one year contribution for support of Women SME's in the country in addition to the Technical assistance secured from IFC in Agricultural Ware-Housing Finance. There is no collateral pledged to secure these loans.

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NOTES (CONTINUED)

32 BORROWINGS (CONTINUED)

32.3.2 E.I.B LONG TERM LOAN	GROUP		BANK	
	<u>2015</u> TZS'	<u>2014</u> TZS'	<u>2015</u> TZS'	<u>2014</u> TZS'
	Million	Million	Million	Million
At 1 January	-	-	-	-
Loan received during the year	42,219	-	42,219	-
Interest charge for the year	3,851	-	3,851	-
Interest paid in the year	(3,043)	-	(3,043)	-
Principal repayment during the year	-	-	-	-
At 31 December	<u>43,027</u>	<u>-</u>	<u>43,027</u>	<u>-</u>

In January 2015 the bank secured Euro 20 Million Long term loan facility from European Investment Bank (EIB) equivalent to TZS 42,219 million. The facility is for the period of 5 years with the one year grace period allocated to Microfinance entrepreneurs in the country. There is no collateral pledged to secure these loans.

32.3.3 TMRC LONG TERM LOAN	GROUP		BANK	
	<u>2015</u> TZS'	<u>2014</u> TZS'	<u>2015</u> TZS'	<u>2014</u> TZS'
	Million	Million	Million	Million
At 1 January	10,022	-	10,022	-
Loan received during the year	7,000	10,000	7,000	10,000
Interest charge for the year	1,553	22	1,553	22
Interest paid in the year	(1,553)	-	(1,553)	-
At 31 December	<u>17,022</u>	<u>10,022</u>	<u>17,022</u>	<u>10,022</u>

In May 2015 the bank received a mortgage refinance loan from TMRC for TZS 7 billion with loan tenor of 3 years and interest of 11.5%. There is no collateral pledged to secure these loans.

32.3.4 TIB LONG TERM LOANS	GROUP		BANK	
	<u>2015</u> TZS'	<u>2014</u> TZS'	<u>2015</u> TZS'	<u>2014</u> TZS'
	Million	Million	Million	Million
At 1 January	8,015	8,063	8,015	8,063
Loan received during the year	774	-	774	-
Interest charge for the year	537	575	537	575
Interest paid in the year	(865)	(623)	(865)	(623)
Principal repayment during the year	(855)	-	(855)	-
At 31 December	<u>7,606</u>	<u>8,015</u>	<u>7,606</u>	<u>8,015</u>

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NOTES (CONTINUED)

32 BORROWINGS (CONTINUED)

On 27 May 2013 the bank received a refinancing loan of approximately TZS 2,694 million from TIB Investment bank for loan issued to Andoya Hydro power. The loan is for 10 years at interest rate of 8.37% maturing on 27 May 2023. On 15 August 2013 the bank received a refinancing loan of TZS 4,804 million from TIB Investment bank for loan issued to Mwenga Hydro power. The loan is for 10 years with initial interest rate of 6.48% maturing on 15 August 2021. The interest rate was revised from 15 August 2014 to 8.62%. On 15 March 2015, the bank received a refinancing loan of TZS 374 million from TIB Investment bank for loan issued to Darakuta. The loan is for 108 months with initial interest rate of 8.62% which is to be revised after every six months. On 15 March 2015 the banks received additional instalment of TZS 399.5 million in favour of Andoya Hydro power. There is no collateral pledged to secure these loans.

The bank complied with all terms and conditions of each of the agreements during the year and there were no any defaults on either principal or interest of loan payable.

33 SHARE CAPITAL

	GROUP		BANK	
	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
Authorized				
4,000,000,000 ordinary shares of TZS 25 each	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Issued and fully paid				
2,611,838,584 (2014: 2,176,532,160) ordinary shares of TZS 25 each	<u>65,296</u>	<u>54,413</u>	<u>65,296</u>	<u>54,413</u>

During the year under review, the company raised additional capital through rights issue of 435,306,424 shares at TZS 350 per share. The premiums from the issue of shares are reported as share premiums less expenses (TZS 1,944 million) utilised to cater for the rights issue and related rights issue expenses.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Annual General Meetings of the Company. For the time being, there is no any restriction which has been attached to the ordinary shares of the company.

34 RESERVES

Share premium

Share premium represents the surplus of market price over the nominal value of the shares issued, comprising the rights issue and Initial Public offering (IPO).

Retained earnings

Retained earnings consist of profits generated by a company that was not distributed to shareholders as dividend but reinvested in business.

CRDB BANK PLC**FINANCIAL STATEMENTS
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General banking risk reserve represents the surplus of loan provision computed as per the Bank of Tanzania regulations over the impairment of loans and advances determined for IFRS purposes. This is a non-distributable reserve.

General banking reserve

This represents one percent general provision on unclassified loans following an amendment of the Banking and Financial Institutions,(Management of risk assets) regulation in 2014.

Translation reserve

Translation reserve represents exchange differences arising from translation of the financial performance and position of a subsidiary company that has a functional currency different from the Group's presentation currency. This is a non-distributable reserve.

Legal provision reserve

This represents five percent of net profit which is set aside in compliance with the Burundi company law for CRDB Bank Burundi SA.

Revaluation Reserve

Revaluation reserve is made up of periodic adjustment arising from the fair valuation of motor vehicles, net of related deferred taxation and fair valuation of available for sale financial assets and liabilities. The reserve is not available for distribution to the shareholders.

The revaluations reserve movements are as shown below:

GROUP	2015			2014		
	Motor vehicles TZS' Million	Available for sale TZS' Million	Total TZS' Million	Motor vehicles TZS' Million	Available for sale TZS' Million	Total TZS' Million
At 1 January	2,488	(963)	1,525	3,034	(83)	2,951
Decrease during the year	-	(4,200)	(4,200)	-	(880)	(880)
Release to retained earnings	(641)	-	(641)	(546)	-	(546)
Deferred tax on excess depreciation	21	-	21	-	-	-
At 31 December	1,868	(5,163)	(3,295)	2,488	(963)	1,525
BANK						
At 1 January	1,883	(963)	920	2,363	(83)	2,280
Decrease during the year	-	(2,844)	(2,844)	-	(880)	(880)
Release to retained earnings	(573)	-	(573)	(480)	-	(480)
At 31 December	1,310	(3,807)	(2,497)	1,883	(963)	920

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NOTES (CONTINUED)

35 ANALYSIS OF CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following balances with less than three months maturity from the date of acquisition.

	GROUP		BANK	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>TZS'</u>	<u>TZS'</u>	<u>TZS'</u>	<u>TZS'</u>
	Million	Million	Million	Million
Cash in hand (Note 16)	220,751	163,333	218,020	159,549
Balances with Central Banks (Note 16)	122,675	53,244	111,560	45,817
Loans and advances to banks (Note 18)	239,227	270,788	228,406	265,286
	<u>582,653</u>	<u>487,365</u>	<u>557,986</u>	<u>470,652</u>

36 FINANCIAL INSTRUMENTS BY CATEGORY (All amounts in TZS' Millions)

GROUP	Loans and receivables	Available- for- sale	Total
At 31 December 2015			
Financial assets			
Cash and balances with Central Banks	783,670	-	783,670
Loans and advances to banks	291,007	-	291,007
Loans and advances to customers	3,260,587	-	3,260,587
Government securities	684,513	88,648	773,161
Equity investment	-	2,280	2,280
Other assets	55,899	-	55,899
	<u>5,075,676</u>	<u>90,928</u>	<u>5,166,604</u>
GROUP			
At 31 December 2015			
Financial liabilities			
Deposits from banks	-	72,527	72,527
Deposits customers	-	4,246,168	4,246,168
Other liabilities	-	73,469	73,469
Subordinated debt	-	87,300	87,300
Senior debts	-	209,217	209,217
	<u>-</u>	<u>4,688,681</u>	<u>4,688,681</u>

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NOTES (CONTINUED)

36 FINANCIAL INSTRUMENTS BY CATEGORY (All amounts in TZS' Millions) (CONTINUED)

GROUP	<u>Loans and receivables</u>	<u>Available- for- sale</u>	<u>Total</u>
At 31 December 2014			
Financial assets			
Cash and balances with Central Banks	549,570	-	549,570
Loans and advances to banks	294,626	-	294,626
Loans and advances to customers	2,545,296	-	2,545,296
Government securities	540,493	54,092	594,585
Equity investment	-	2,280	2,280
Other assets	37,830	-	37,830
	3,967,815	56,372	4,024,187

GROUP	<u>Financial liabilities at fair value through profit or loss</u>	<u>Other liabilities at amortised cost</u>	<u>Total</u>
At 31 December 2014			
Financial liabilities			
Deposits from banks	-	94,594	94,594
Deposits customers	-	3,390,921	3,390,921
Other liabilities	-	87,854	87,854
Short term borrowings	-	43,249	43,249
Subordinated debt	-	31,333	31,333
Senior debts		96,589	96,589
		3,744,540	3,744,540

BANK	<u>Loans and receivables</u>	<u>Available- for- sale</u>	<u>Total</u>
At 31 December 2015			
Financial assets			
Cash and balances with Central Banks	769,824	-	769,824
Loans and advances to banks	305,218	-	305,218
Loans and advances to customers	3,226,708	-	3,226,708
Government securities	639,661	88,648	728,309
Equity investment	-	2,280	2,280
Other assets	55,629	-	55,629
	4,997,040	90,928	5,087,968

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NOTES (CONTINUED)

36 FINANCIAL INSTRUMENTS BY CATEGORY (All amounts in TZS' Millions) (CONTINUED)

BANK	Financial liabilities at fair value through profit or loss	Other liabilities at amortised cost	Total
At 31 December 2015			
Financial liabilities			
Deposits from banks	-	70,314	70,314
Deposits customers	-	4,180,390	4,180,390
Other liabilities	-	86,862	86,862
Subordinated debts	-	87,300	87,300
Long term borrowing	-	209,217	209,217
	-	4,634,083	4,634,083

BANK	Loans and receivables	Available-for-sale	Total
At 31 December 2014			
Financial assets			
Cash and balances with Central Banks	538,357	-	538,357
Loans and advances to banks	289,125	-	289,125
Loans and advances to customers	2,494,931	-	2,494,931
Government securities	512,486	54,432	566,918
Equity investment	-	2,280	2,280
Other assets	35,559	-	35,559
	3,870,458	56,712	3,927,170

BANK	Financial liabilities at fair value through profit or loss	Other liabilities at amortised cost	Total
At 31 December 2014			
Financial liabilities			
Deposits from banks	-	36,068	36,068
Deposits customers	-	3,361,995	3,361,995
Other liabilities	-	98,811	98,811
Short term borrowings	-	43,249	43,249
Subordinated debts	-	31,333	31,333
Senior debt	-	96,589	96,589
	-	3,668,045	3,668,045

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NOTES (CONTINUED)

37 CONTINGENT LIABILITY	GROUP		BANK	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Guarantees and indemnities	101,808	168,327	101,808	168,327
Letters of credit	535,701	413,677	535,701	413,677
	<u>637,509</u>	<u>582,004</u>	<u>637,509</u>	<u>582,004</u>

Letters of credit are commitments by the Bank to make payments to third parties, on production of agreed documents on behalf of customers and are reimbursed by the customers.

Guarantees and indemnities are generally issued by the Bank, on behalf of customers, to guarantee performance by customers to third parties. The Bank will only be required to meet these obligations in the event of default by the customer.

The Group and Bank is, in the normal course of business involved in a number of court cases. The Group has taken appropriate legal measures to defend its position. Appropriate provisions have been made by the Group for the liabilities arising as disclosed in note 30. Contingent liabilities arise for cases for which the outcome cannot be reliably determined as at the date of signing these financial statements.

The Bank has tax assessments for the 2005 to 2012 years of income amount to Shs 31 billion. The 2005 assessment of Shs 3 billion is at the Court of Appeal while the assessments for the remaining years are at the Tanzania Revenue Appeal Board. This is a banking industry issue. On objection of the above assessment, the Bank has already paid TZS 10 billion (included in other assets for both 2015 and 2014) as one third of the tax liability. The appeals remain pending for determination and no provision for the additional taxes has been recorded.

38 COMMITMENTS	GROUP		BANK	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Commitments to extend credit	251,022	159,777	251,022	159,777
Capital commitments				
Authorised and contracted for	10,235	13,577	10,235	13,577
Authorised and not yet contracted for	8,213	5,246	8,213	5,246
	<u>18,448</u>	<u>18,823</u>	<u>18,448</u>	<u>18,823</u>

Capital commitments authorised and contracted for are in respect of (i) construction/refurbishment cost for branches/service centres; TPA, LAPF Mwanza, Kasulu, Tunduma, Dangote, Muheza, Handeni, KKKT Magomeni and Mwaloni.

(ii) Purchase of various equipment: Spire POS, Smart POS, Generator set 65 KVA, AVAYA IP office conference, ATM machines, VIVA Tower furnitures, Biometric project and various office equipments for branches/service centres.

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The future minimum lease payments of the Group (lessee) under operating leases are as follows:

	GROUP		BANK	
	<u>2015</u> <u>TZS'</u>	<u>2014</u> <u>TZS'</u>	<u>2015</u> <u>TZS'</u>	<u>2014</u> <u>TZS'</u>
	Million	Million	Million	Million
Less than 1 year	6,946	5,880	6,946	5,880
More than 1 year but less than 5 years	18,370	13,850	18,370	13,850
More than 5 years	4,280	2,001	3,961	2,001
Total	<u>29,596</u>	<u>21,731</u>	<u>29,277</u>	<u>21,731</u>

The Group leases various branch premises and offices under non-cancellable operating lease agreements. The lease terms are between 1 and 7 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

Group as a lessor	<u>2015</u> <u>TZS'</u>	<u>2014</u> <u>TZS'</u>	<u>2015</u> <u>TZS'</u>	<u>2014</u> <u>TZS'</u>
	Million	Million	Million	Million
Rent received in the year	<u>22</u>	<u>110</u>	<u>22</u>	<u>110</u>

Rental income commitments

The Group sublets unutilized office space to earn rental income. The leases cover a period of one year with an option to renew after expiry. As at 31 December 2015 there was no unexpired lease for existing contracts (2014: Nil).

39 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

In the normal course of business, a number of banking transactions are entered into with related parties' i.e. key management staff, Directors, their associates and companies associated with Directors. These include loans and deposits. Loans and advances to customers as at 31 December include loans and advances to Directors, other key management personnel and companies associated with Directors.

The volume of related party transactions for the year and the outstanding amounts at the year-end is as follows:

CRDB BANK PLC

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NOTES (CONTINUED)

**39 RELATED PARTY TRANSACTIONS
(CONTINUED)**

	Companies associated with Directors		Directors and other key management personnel	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Loans and advances to related parties				
At 1 January	27	8	4,583	4,249
Net movement during the year	95	19	(514)	334
At 31 December	<u>122</u>	<u>27</u>	<u>4,069</u>	<u>4,583</u>
Interest earned	<u>14</u>	<u>5</u>	<u>217</u>	<u>244</u>

These loans and advances are performing and therefore no provisions have been made during the year (2014: Nil).

	Group		Bank	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Deposits from related parties				
At 1 January	1,228	1,922	2,698	1,048
Net movement during the year	496	(694)	(213)	1,650
At 31 December	<u>1,724</u>	<u>1,228</u>	<u>2,485</u>	<u>2,698</u>
Interest paid	<u>4</u>	<u>3</u>	<u>32</u>	<u>30</u>

Balances outstanding with related companies were as follows:

	Group		Bank	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
Due from related parties				
CRDB Burundi S.A	-	-	869	155
Due to related parties				
CRDB Microfinance Company Services	-	-	16,710	13,318
Loan advanced to subsidiary				
CRDB Burundi S.A	-	-	38,991	38,059
Placement to subsidiary				
CRDB Burundi S.A	-	-	25,706	-

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FOR THE YEAR ENDED 31 DECEMBER 2015****NOTES (CONTINUED)****39 RELATED PARTY TRANSACTIONS (CONTINUED)**

Transactions with related companies were as follows:

Payments made on behalf of subsidiaries	GROUP		BANK	
	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million	<u>2015</u> TZS' Million	<u>2014</u> TZS' Million
CRDB Microfinance Company Services Ltd	<u>884</u>	<u>570</u>	<u>1,093</u>	<u>570</u>
	<u>1,902</u>	<u>570</u>	<u>1,093</u>	<u>570</u>
Rent paid to the parent				
CRDB Burundi S.A	-	-	-	-
CRDB Microfinance Company Services Ltd	<u>-</u>	<u>-</u>	<u>60</u>	<u>141</u>
	<u>-</u>	<u>-</u>	<u>60</u>	<u>141</u>
Commission paid for loans and deposit mobilisation				
CRDB Microfinance Company Services Ltd	<u>-</u>	<u>-</u>	<u>18,811</u>	<u>10,431</u>

Purchase/ sale of properties on behalf of subsidiaries

In the year ending 31 December 2015, the company did not sale or purchase properties to/from any related party (2014: NIL).

Transfer of research & development

In the year ending 31 December 2015, the company did not transfer any cost of research & development to/from any related party (2014: NIL).

Settlement of liabilities on behalf of another party

In the year ending 31 December 2015, the company did not settle any liability on behalf of related party (2014: NIL).

Guarantee

In the year ending 31 December 2015, there was no guarantee given or received to/from any related party (2014: NIL).

Compensation of Key Management Personnel

Key management personnel comprise Board of directors, Managing Director, Deputy Managing Directors, and heads of departments who are reporting directly to the Managing Director and Deputy Managing Directors.

CRDB BANK PLC

**FINANCIAL STATEMENTS
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NOTES (CONTINUED)

39 RELATED PARTY TRANSACTIONS (CONTINUED)

The remuneration of key management personnel during the year was as follows:

	<u>2015</u> <u>TZS'</u> Million	<u>2014</u> <u>TZS'</u> Million
Short term employee benefits	6,503	5,093
Post-employment benefits	1,587	1,267
Directors' fees	553	453
Termination benefits	-	-
	<u>8,643</u>	<u>6,813</u>

The above compensation is a total salary package including all employment benefits and pension. Details of payment of directors' fees to individual directors are included in the Directors' report on page 9.

Share option schemes

The Group has no share option schemes to either executives or senior employees.

Interests in subsidiaries

Currently there are no restrictions of a parent or its subsidiaries to transfer cash or other assets to or from other entities within a group. Also there are no rights of the non-controlling interest which can significantly restrict the parent from settling its liabilities before settling the liabilities of the subsidiaries.

40 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no events after the statement of financial position date which requires any adjustment and disclosures in the financial statements.