

Taarifa ya Mwaka
2011
Annual Report



The bank that listens

Contents

Yaliyomo

	PAGE		UKURASA
Financial Highlights	4	Vielelezo Muhimu vya Kifedha	4
Chairman's Statement	7	Taarifa ya Mwenyekiti	7
Managing Director's Statement	12	Taarifa ya Mkurugenzi Mtendaji	12
Report of the Directors	20	Taarifa ya Wakurugenzi	20
Statement of Directors' Responsibilities	35	Taarifa Juu ya Wajibu wa Wakurugenzi	35
Independent Auditors' Report	36		
Corporate Information.....	95	Taarifa za Kampuni	95

Financial Statements:

Consolidated and Bank Statement of Comprehensive Income	37
Consolidated and Bank Statement of Financial Position	38
Consolidated and Bank Statement of Changes in Equity.....	40
Consolidated and Bank Statement of Cash Flows	42
Notes to the Financial Statements	43





Tunaendelea na dhamira ya kutoa huduma bora na kwa gharama nafuu, ikizingatia wateja wadogo na wa kati, na huduma mahususi kwa makampuni makubwa huku tukidumisha imani ya wadau wetu.

We remain committed to providing quality and competitive financial services with a strong focus on retail banking and customized corporate and institutional services while ensuring confidence and trust from stakeholders.

Board of Directors



Standing (Left to right)

Boniface C. Muhegi, Joseph C. Machange, Ally H. Laay, Esther Kitoka , Juma A. Abdulrahman, Kai Kristofersen, Charles S. Kimei and Bede P. Lyimo

Seated (Left to right)

Hon. Frederick Sumaye, Joyce W. Luhanga, Martin J. Mmari and Joyce Nyanza

Bodi ya Wakurugenzi



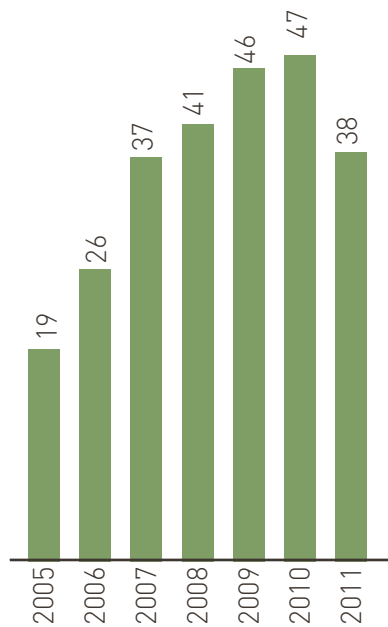
Waliosimama (Kushoto Kwenda Kulia)

Boniface C. Muhegi, Joseph C. Machange, Ally H. Laay, Esther Kitoka , Juma A. Abdulrahman, Kai Kristofersen, Charles S. Kimei na Bede P. Lyimo

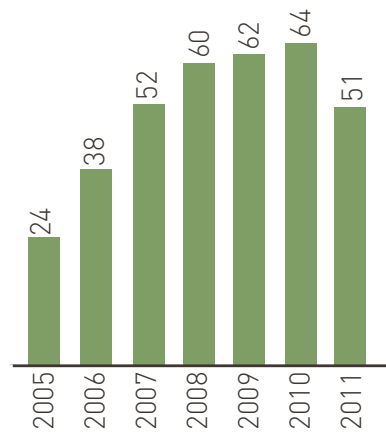
Waliokaa (Kushoto Kwenda Kulia)

Mh. Frederick Sumaye, Joyce W. Luhanga, Martin J. Mmari na Joyce Nyanza

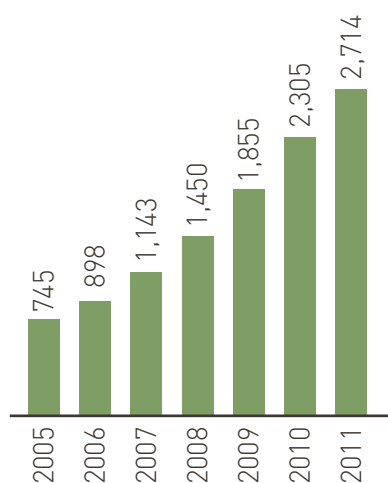
Vielelezo Muhimu vya Kifedha



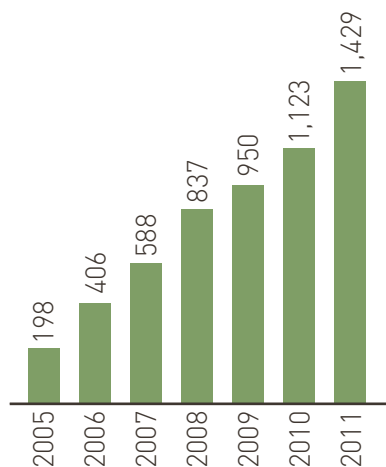
FAIDA HALISI | NET PROFIT



FAIDA KABLA YA KODI | PROFIT BEFORE TAX



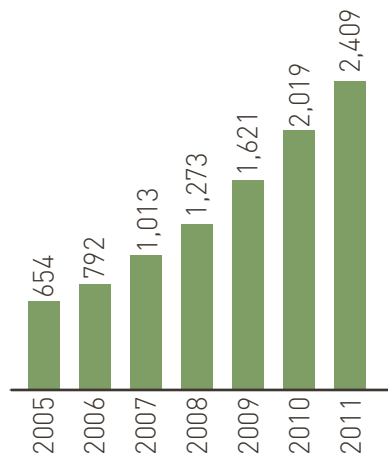
RASILIMALI | TOTAL ASSETS



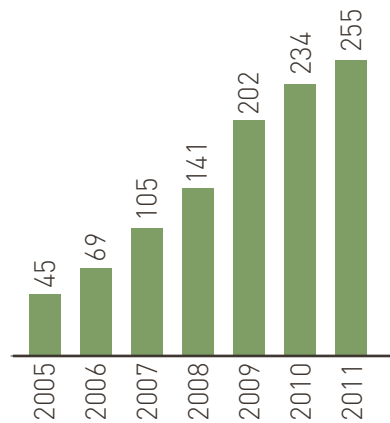
MIKOPO | TOTAL LOAN

Tarakimu/Figure TZS. 000,000,000

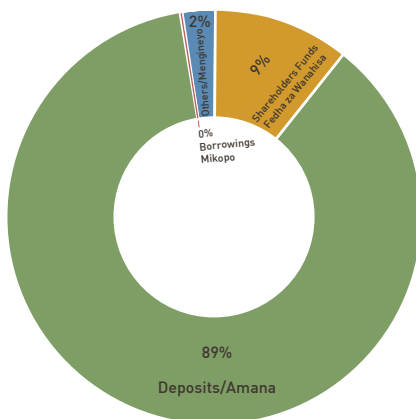
Financial Highlights



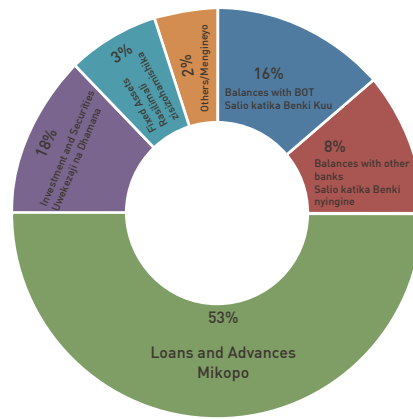
AMANA | DEPOSITS



MTAJI WA WANAHISA | SHAREHOLDERS' EQUITY



MGAWANYIKO WA DHIMA | LIABILITIES DISTRIBUTION



MGAWANYIKO WA RASILIMALI | ASSETS DISTRIBUTIONS

Tarakimu/Figure TZS. 000,000,000

Financial Highlights

Vielelezo Muhimu vya Kifedha

Net Profit

Faida Halisi

TZS 38 billion

Shareholders' Equity

Mtaji wa Wanahisa

Total Assets

Rasilimali

TZS 255 billion

TZS 2,714 billion

Net Fees and Commissions

Ada Halisi

Net Interest Income

Pato Halisi la Riba

TZS 58 billion

TZS 157.4 billion

Loans

Mikopo

Customer Deposits

Amana

TZS 1,429 billion

TZS 2,409 billion

Taarifa ya Mwenyekiti

Chairman's statement



On behalf of the Board of Directors of CRDB Bank, it gives me a great pleasure to present CRDB Bank's Annual Report for the year ended 31 December, 2011.

Operating Environment

Global economic activity growth, which was relatively strong in 2010 (at 5.2%), decelerated to 3.8% in 2011. The weakening of the global activity was attributed to financial turbulence in the Eurozone, concerns over debt sustainability in developed countries and swelling of unrest in several oil producing countries. The recovery of the world economy remained subdued in most advanced economies, influenced largely by stronger than expected performance in the emerging economies led by China which recorded double digit growth.

GDP growth for Tanzania declined from 7.0% in 2010 to 6.0% in 2011. Inflation increased substantially to 19.8% in the year to December 2011 compared to 9.0% recorded in the preceding year. This was largely driven by increased food and oil prices, and depreciation of the shilling vis a vis major currencies. Declines in donor budgetary support triggered an increase in government's borrowing from the banking system causing a sharp rise in interest rates during the second half of 2011. These circumstances, among others, had a direct bearing on the Bank's performance through the effects of these events on savers, borrowers and operations.

In the light of difficult economic and financial market conditions prevailing in 2011, the Board strived to implement strategies and policies to ensure that CRDB Bank's operations remained profitable and the Bank retained its position as the leading bank in Tanzania in terms of its balance sheet and shareholder returns. The Board had to navigate through the difficult environment of a deteriorating global economy with its adverse impact on demand for Tanzanian products, as well as creeping macroeconomic imbalances and declining growth of the economy.

Key Decisions

Among the key decisions made by the Board were the following: first, it was observed that despite a lot of effort to turn around the loan portfolio which had deteriorated consistently following the global financial crisis, the core problem remained to be the restructured cotton facilities some of which were supported by the government's rescue package. The restructuring solution was based on the assumption that the cotton sector was going to rebound and become as profitable as in the pre-crisis years. However, the real trend over the past two years has proven this assumption to be wrong: Government intervention in producer price setting eroded buyers' margins, and the resulting problems in marketing

Kwa niaba ya Bodi ya Wakurugenzi wa Benki ya CRDB, ninayofuraha kutoa taarifa ya Benki ya mwaka ulioishia tarehe 31 Desemba 2011.

Mazingira ya Kiuchumi

Kiwango cha ukuaji wa uchumi duniani ambacho kilikuwa imara katika mwaka 2010 (asilimia 5.2), kilishuka mpaka asilimia 3.8 katika mwaka 2011. Kushuka kwa kiwango hiki kulichangiwa na matatizo ya kiuchumi katika ukanda wa Umoja wa nchi za Ulaya, mwelekeo wa kujitokeza madeni sugu katika nchi zilizoendelea pamoja na kuongezeka kwa hali ya machafuko katika nchi kadhaa zinazozalisha mafuta. Hali ya uchumi wa dunia imeendelea kuwa ya kutatanisha katika nchi zilizoendelea huku ukuaji ukichangiwa na matokeo bora ya ukuaji kuliko matarajio katika nchi zinazoendelea kiuchumi zikiongozwa na China ambayo imeweka rekodi ya ukuaji wa uchumi kwa zaidi ya asilimia 10.

Ukuaji wa pato la nchi ya Tanzania ulipungua kutoka asilimia 7 katika mwaka 2010 hadi asilimia 6 katika mwaka 2011. Mfumko wa bei uliongezeka kufikia asilimia 19.8 Desemba 2011 ukilinganisha na asilimia 9 katika mwaka uliopita. Hii ilichangiwa zaidi na kuongezeka kwa bei ya vyakula, mafuta na pia kushuka kwa thamani ya shilingi dhidi ya sarafu kuu za kigeni. Kupungua kwa mchango wa nchi wahisani katika bajeti kulipelekea serikali kuzidi kukopa kutoka kwenye mabanki kulikosababisha kupanda kwa riba katika kipindi cha pili cha mwaka 2011. Mazingira haya, ni mojawapo ya mambo ambayo yalikuwa na athari za moja kwa moja katika utendaji wa Benki kutokana na athari hizi kwa wateja, wakopaji na shughuli za Benki kwa jumla.

Licha ya hali ngumu ya uchumi na mazingira magumu yaliyojitokeza katika soko la fedha mwaka 2011, Bodi ilijitahidi kutekeleza mikakati na sera ili kuhakikisha uendeshaji wa Benki unaendelea kuwa wa faida na kuiwezesha Benki kuendelea kushikilia nafasi yake kama Benki inayoongoza nchini kwa vigezo vya mizania (balance sheet) na pato kwa wanahisa. Bodi iliweza kuyakabili mazingira magumu yaliyoendana na kudorora kwa uchumi wa dunia na athari zake kwa mauzo ya bidhaa nje ya Tanzania, pamoja na kuyumba kwa urari wa malipo katika uchumi na kushuka kwa ukuaji wa uchumi.

Maamuzi Muhimu

Miongoni mwa maamuzi makubwa yaliyofanywa na Bodi ni pamoja na: kwanza, ilikuwa bayana kwamba pamoja na juhudi kubwa zilizokwishaanyika ikiwa ni pamoja na kuweka masharti nafuu ya marejesho na riba ya mikopo iliyodorora kufuatia mtikisiko wa uchumi duniani, tatizo kubwa lilibaki kwenye mikopo iliyohusisha sekta ya pamba ambayo baadhi yake ilipata msaada kutoka Serikalini kupitia mfuko wa kufufua uchumi. Suluhisho la kurekebisha masharti ya urejeshaji mikopo na riba

triggered diversification by farmers leading to a substantial drop in output. Consequently the restructured loans had remained non-performing, and the Board had to make a bold decision to enhance loss provisioning for the accounts that failed to honour their installments. The Bank also disposed some of the non-performing loans to other financial institutions at a discount.

The Board also decided to reorganize the management structure of the Bank in order to cope with the rapid growth and expansion, address the wide span of control of the Managing Director in the hitherto structure, and enhance operational efficiency. Following this decision, the Board implemented a new organization structure with the following major changes: two directorates each headed by a Deputy Managing Director-one for operations and customer services and the other for shared (support) services-a new Department of Strategy and Innovation, and a split of the Department of Finance and Administration into two, namely Department of Finance and Department of Administration. The Board appointed Mrs Esther Kitoka and Mr. Saugata Bandyopadhyay to the position of Deputy Managing Director for Shared Services and Operations and Customer Services respectively. I take this opportunity to congratulate the two for the appointments and wish them a prosperous and successful career in the Bank. We expect them to re-ignite the Bank's growth momentum and enhance value addition to our shareholders.

The Bank also continued with the process of upgrading its core banking systems to match with expanding operations and anticipated increase in the number of customers.

Key Results

Our stakeholders will note that the Bank's financial performance in the year under review was largely influenced by two major occasions. First, as alluded to above, is the dramatic increase in our loan impairment charges - from TZS 20.4 billion in 2010 to TZS 31.2 billion in 2011. With these provisions and major steps taken to strengthen the credit risk management process in the Bank we can assure our customers and shareholders that corrective measures have been taken to ensure that loan impairment will be contained within our normal historical levels.

The second major influence on our 2011 financials derives from a fall in foreign exchange related income from TZS 22.1 billion in 2010 to TZS 1.54 billion. The decline was a result of malfunctioning of the foreign exchange trading computer system. The anomaly was realized only after year-end processes and has been rectified.

lilitokana na imani kwamba sekta ya pamba itafufuka na kuwa na faida kama ilivyokuwa kabla ya kipindi cha mtikisiko wa uchumi. Hata hivyo mwelekeo ulionyesha kwamba hali iliendelea kubaki vile vile katika kipindi cha miaka miwili iliyopita: Serikali kujiingiza katika upangaji bei za mazao kumepunguza faida kwa wanunuzi, na matokeo yake yakawa ni kupungua kwa kiasi kikubwa cha uzalishaji wa zao la pamba. Hivyo basi, mikopo iliyofanyiwa marekebisho ya masharti ya urejeshaji na riba, iliendelea kutofanya vizuri, na Bodi ilibidi kufanya maamuzi magumu ya kuweka teng'o la hasara kwa mikopo iliyoshindwa kurejeshwa. Benki pia iliiza baadhi ya mikopo ambayo haikufanya vizuri kwa taasisi nyingine za fedha kwa bei nafuu.

Bodi pia iliamua kubadilisha muundo wa utawala katika Benki ili kuendana na ukuaji wa haraka wa Benki ili kuboresha zaidi ufanisi kiutendaji. Kufuatia maamuzi haya, Bodi iliweka mfumo mpya wa utawala ukiwa na kurugenzi kuu mbili kila moja ikiongozwa na Naibu Mkurugenzi Mtendaji, moja kwa ajili ya uendeshaji na huduma kwa wateja na nyingine kwa ajili ya Huduma Shirikishi, kuwa na idara mpya ya Mipango na Ubunifu, kuigawa idara ya Fedha na Utawala: Idara ya Fedha na Idara ya Utawala na Ugavi. Bodi ilimteua Bi. Esther Kitoka kuwa Naibu Mkurugenzi Mtendaji Huduma Shirikishi na Bw. Saugata Bandyopadhyay kuwa Naibu Mkurugenzi Mtendaji wa Uendeshaji na Huduma za Wateja. Nachukua nafasi hii kuwapongeza wote wawili kwa kuteuliwa kwao na nawatakia kila la heri na mafanikio mema katika majukumu yao ndani ya Benki. Tunawategemea kuwa chachu ya kasi ya ukuaji wa Benki na kuongeza thamani kwa wanahisa wetu.

Benki pia imeendelea na mchakato wa kuboresha mfumo yake mikuu ya kibenki ili kuendana na uendeshaji na ongezeko la idadi ya wateja linalotarajiwa.

Matokeo Muhimu

Wadau wetu watatambua kuwa utendaji wa kifedha wa Benki katika mwaka 2011 uliathiriwa kwa kiasi kikubwa na mambo mawili. Kwanza, kama ilivyoelezwa mwanzo ni kukua kusiko kwa kawaida kwa teng'o la hasara kwa mikopo iliyoharibika kutoka kiasi cha shilingi bilioni 20.4 katika mwaka 2010 kwenda shilingi bilioni 31.2 katika mwaka 2011. Pamoja na teng'o hili, hatua kubwa zilichukuliwa katika kuimarisha usimamizi wa mikopo katika Benki, na tunawahakikishia wateja wetu na wanahisa kuwa hatua madhubuti zimechukuliwa kuhakikisha kuwa ubora wa mikopo unarejea katika viwango vyetu vya kawaida.

Jambo la pili lililoathiri taarifa za fedha katika mwaka 2011 ni kupungua kwa shilingi bilioni 20.6 katika pato la biashara za fedha za kigeni kufikia shilingi bilioni 1.54. Kupungua huku kulitokana na hitilafu katika mfumo wetu

In spite of the considerable challenges in the operating environment, CRDB Bank was successful in delivering reasonable financial results due to strong connection with our customers, innovations and efficient execution. CRDB Bank continued to consolidate its position as a leading Bank in Tanzania. The Bank continued to command the largest balance sheet in the banking industry. Total assets grew by 18% from TZS 2,305 billion at the end of December, 2010 to TZS 2,714 billion in 2011 with loans and advances portfolio registering an increase of 27% to TZS 1,429 billion up from TZS 1,123 billion at 31 December 2010. The credit growth was funded by a 19% increase in customer deposits which rose to TZS 2,409 billion from TZS 2,019 billion at the end of December, 2010.

The Bank achieved a pre tax profit of TZS 51.01 billion down from TZS 64 billion realized in 2010. After tax profit was TZS 37.71 billion from TZS 47 billion in 2010. The Bank remains strongly capitalized.

Business Development

In 2011, CRDB Bank celebrated its 15th anniversary and a full period of extraordinary growth and expansion. Over these years, CRDB Bank has grown significantly into a leading bank in Tanzania.

During the year, the Bank continued to pursue strategies aimed at ensuring growth in retail and corporate banking business envisaged in the Bank's Business Strategy. Key milestones include launch of a new debit card – TemboCardMasterCard that was launched in February 2011; expansion of service delivery channels by opening new branches, recruitment of new microfinance partners and Small and Medium Enterprises; installation of new ATMs and Point of Sales machines.

Recognition as the "SuperBrand" by SuperBrand International for the second year was worthy tribute to the efforts by all our staff towards achieving excellence and meeting customers' need.

Dividend

Reflecting our strong confidence in the future growth of the Bank, the Board is recommending a dividend of TZS 9 per share. Total amount of dividend to be paid out is TZS 19.6 billion, higher than TZS 17.4 billion paid in 2010.

According to the Dividend Policy annual dividend payment will be at least 35 percent of net profit earned, provided that the business and regulatory requirements are met.

Prospects for 2012

In 2012, CRDB Bank will remain focused on maintaining its core business model and developing opportunities for

wa kompyuta unaoshughulika na miamala ya biashara za kigeni. Hali hii isiyotarajiwa iligundulika baada ya mwaka kuisha na hatua sahihi zimechukuliwa kurekebisha.

Pamoja na uwepo wa changamoto kubwa katika mazingira ya uendeshaji, Benki ilifanikiwa kupata matokeo mazuri ya kifedha kutokana na mahusiano mazuri na wateja, ubunifu na ufanisi katika kutekeleza mikakati ya Benki. Benki imeendelea kujiimarisha katika nafasi yake kama Benki inayoongoza Tanzania.

Benki imeendelea kujizatiti kwa ukubwa wa mizania (balance sheet) na kuongoza katika soko la mabanki. Rasilimali za Benki zilikua kwa asilimia 18 kutoka shilingi bilioni 2,305 mwishoni wa mwezi Desemba mwaka 2010 kufikia shilingi bilioni 2,714 mwaka 2011. Mikopo iliongezeka kwa asilimia 27 hadi kufikia shilingi bilioni 1,429 juu kutoka shilingi bilioni 1,123 kwa hesabu za tarehe 31 Desemba 2010. Kuongezeka kwa mikopo kumechangiwa na ongezeko la asilimia 19 katika amana za wateja ambazo zimefikia shilingi bilioni 2,409 kutoka shilingi bilioni 2,019 katika mwisho wa mwezi Desemba 2010.

Benki ilifanikiwa kupata faida ya shilingi bilioni 51.01 kabla ya kodi ikiwa ni pungufu kutoka shilingi bilioni 64 zilizopatikana mwaka 2010. Faida baada ya makato ya kodi ilikuwa shilingi bilioni 37.71 kutoka shilingi bilioni 47 katika mwaka 2010. Benki imeendelea kuwa na mtaji imara.

Maendeleo ya Biashara

Mwaka 2011, Benki imesheherekea miaka 15 ya uwepo wake. Katika kipindi hiki, Benki imekua kwa kiwango kikubwa kufikia kuwa Benki inayoongoza nchini.

Katika mwaka huu, Benki imeendelea kutekeleza mikakati yenye lengo la kukuza biashara ya wateja wenye biashara ndogo na za kati kama ilivyoainishwa katika mkakati wa biashara wa Benki. Mafanikio muhimu yaliyofikiwa ni pamoja na kuzinduliwa kwa kadi mpya za TemboCardMasterCard ambayo ilizinduliwa mwezi wa Februari mwaka 2011, kusambaza vituo vya utoaji huduma kwa kufungua matawi mapya, kuongeza idadi ya asasi washirika na biashara ndogo na kati, uwekaji wa mashine mpya za kutolea fedha na pia mashine mpya za malipo kwenye vituo vya mauzo.

Kutambulika kama "SuperBrand" na Kampuni ya Kimataifa ya SuperBrand tena kwa mwaka wa pili kumechangiwa na jitihada za wafanyakazi wote katika kufikia mafanikio na kukidhi mahitaji ya wateja.

Gawio

Kwa kuakisi imani yetu thabiti juu ya kukua kwa Benki mbeleni, Bodi imependekeza gawio la shilingi 9 kwa hisa.

growth on a conservative and sustainable manner. This will be undertaken within the overall risk management framework of the Bank and product risk management to ensure adequacy of capital and liquidity by protection and value creation for all our customers and shareholders. The Bank will also look into cross boarder business. In particular, the Board is proposing to the Annual General Meeting to pass a resolution to operationalize a subsidiary in Burundi.

Changes in the Board

I would like to report changes in the Board during the year. At the Annual General Meeting held on 25th June 2011, Mrs. Lydia M. Joachim representing the group of shareholders with shareholding less than 1% of the Bank's share capital retired. Mrs. Lydia M. Joachim served the Board for a period of 10 years. We will miss valuable contributions of Mrs. Lydia M. Joachim at the Board. I wish her good health and success in her future endeavours. As a new board member representing the shareholder group, Hon. Frederick T. Sumaye was elected. Hon. Sumaye brings to the Board vast experience and expertise in leadership in public sector having excelled to serve in the Government of the United Republic of Tanzania to the level of Prime Minister, I welcome him to the Board.

Acknowledgement

I am most thankful to the members of the Board of Directors for the strong support they have continued to extend to me. I would like to extend my appreciation to our shareholders, customers, all regulatory authorities and the Government of Tanzania for continuing to trust and support the Bank.

I thank the management and staff whose professionalism, dedication and commitment have been fundamental to our success and performance this year.



Martin Mmari

Chairman

CRDB Bank Board of Directors

Gawio linalotegemewa kulipwa ni shilingi bilioni 19.6, ikiwa ni kiwango cha juu zaidi kulinganisha na shilingi bilioni 17.4 zilizolipwa mwaka 2010.

Kwa mujibu wa sera ya gawio, malipo ya gawio kwa mwaka yanatakiwa kuwa angalau asilimia 35 ya faida halisi, ikiwa matakwa ya kisheria na kibiashara yatakuwa yamezingatiwa.

Matarajio ya Mwaka 2012

Katika mwaka 2012, Benki itaendelea kujizatiti katika kusimamia mfumo wake mkuu wa kibiashara huku ikitengeneza fursa kwa ajili ya ukuaji endelevu wa Benki. Shughuli zitafanyika ndani ya mfumo wa usimamizi wa hatari za kibiashara kuhakikisha kuna mtaji na ukwasi wa kutosha ili kulinda na kutengeneza thamani kwa wateja na wanahisa wote. Benki pia itaangalia uwezekano wa fursa za biashara nje ya mipaka ya Tanzania. Kwa kusema hivyo, Bodi inapendekeza katika Mkutano Mkuu wa Mwaka kupitishwa kwa azimio la kufungua kampuni tanzu ya huduma za kibenki nchini Burundi.

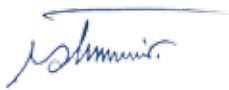
Mabadiliko kwenye Bodi

Napenda kutoa taarifa ya mabadiliko katika Bodi katika mwaka 2011. Katika Mkutano Mkuu wa Mwaka uliofanyika tarehe 25 Juni 2011, Bi Lydia M. Joachim anayewakilisha kundi la wanahisa wanaomiliki hisa chini ya asilimia moja katika mtaji wa hisa wa Benki alistaafu. Bi Lydia M. Joachim ameitumikia Bodi kwa kipindi cha miaka 10. Tutaukumbuka mchango muhimu wa Bi Lydia M. Joachim katika Bodi. Napenda kumtakia afya njema na mafanikio kwenye shughuli zake katika siku za mbeleni. Mhe. Frederick T. Sumaye alichaguliwa. Mhe. Sumaye amelea uzoefu wa kutosha na ujuzi mkubwa katika uongozi wa sekta ya umma katika Bodi kutokana na kuitumikia Serikali ya Jamuhuri ya Muungano wa Tanzania katika nafasi ya Waziri Mkuu, namkaribisha katika Bodi.

Shukrani

Napenda kuwashukuru sana wajumbe wa Bodi ya Wakurugenzi kwa kuendelea kunipa ushirikiano wa dhati. Napenda pia kutoa shukrani zangu kwa wanahisa, wateja wetu, taasisi za udhibiti na serikali ya Tanzania kwa kuendelea kutuamini na kuisaidia Benki.

Nashukuru menejimenti ya Benki na wafanyakazi kwa weledi wao, kujituma na kujitoa kwao katika kazi ni msingi wa mafanikio yetu katika mwaka huu.



Martin Mmari

Mwenyekiti

Bodi ya Wakurugenzi Benki ya CRDB

Taarifa ya Mkurugenzi Mtendaji

Managing Director's statement



Business Environment

Contrary to earlier positive expectations, the economic slowdown that engulfed Tanzania, from 2009 continued to persist aggravated by prolonged shedding of electric power due to reduced hydro and limited capacity for thermal generation; coupled with poor weather conditions leading to food supply shortfall in the East African region as a whole. Thus, the growth of Tanzania's Gross Domestic Product declined to 6.0% in 2011 compared with 7.0% attained in the previous year. This slackened growth was reported mostly in the following sectors: Agriculture (especially cotton, coffee, maize, beans, and paddy), Hotels and Tourism, Manufacturing, and Construction. These are the same sectors in which CRDB Bank happens to have large exposures.

Performance of the global economy had a negative impact on Tanzania. Global GDP growth declined from 5.2% in 2010 to 3.8% in 2011; inflation in the Eurozone and USA picked up to about 3.0% from 2.3% in 2010. Notwithstanding, central banks in Europe and USA continued with loose monetary policy stance which kept interest rates very low. Placements of our foreign currency denominated deposits earned low rates, in the range of 0.5-1.0%

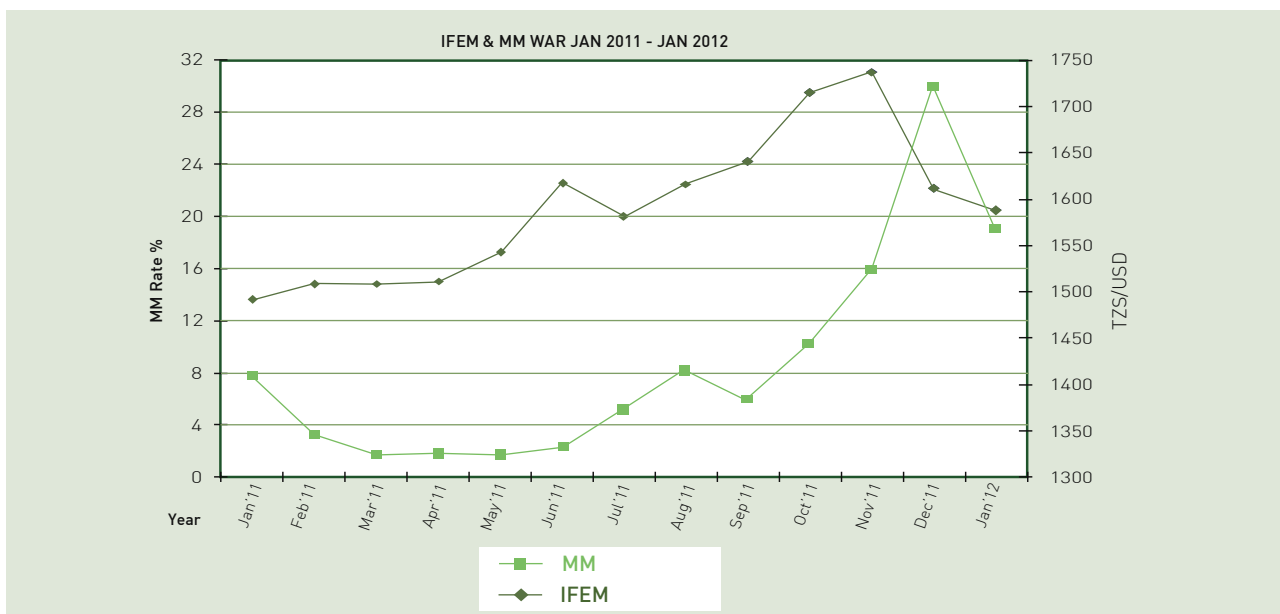
The Bank of Tanzania pursued an extremely tight monetary policy orientation with a view to contain a wave of sharp exchange rate depreciation and inflationary pressures that emerged in the second half of 2011. Among other things, the Central Bank increased the Statutory Minimum Requirement on government deposits from 20% to 30% and imposed a limit of 10% on net open foreign exchange positions maintained by banks. Thus, growth of money supply broadly defined as M3 was contained at 18.2% against a rate of 25.4% registered in 2010 and a target of 21.3%. In this context, interest rates saw a sharp up-turn in the second half of 2011. The exchange rate and interest rate movements are depicted in the following chart to partly evidence the type of macroeconomic environment the Bank operated in.

Mazingira ya Biashara

Kinyume na matarajio, mdororo wa uchumi ambao uliikumba Tanzania kutokea mwaka 2009 uliendelea ukichangiwa na tatizo sugu la upungufu wa umeme hususani upungufu wa umeme wa maji na uwezo mdogo wa kuzalisha umeme kwa vyanzo vya gesi na mafuta; ikiambatana na hali mbaya ya tabia nchi iliyosababisha upungufu wa chakula katika eneo lote la ukanda wa Afrika Mashariki. Hivyo ukuaji wa pato la nchi (GDP) ukapungua kufikia asilimia 6 katika mwaka 2011 ukilinganisha na asilimia 7 iliyofikiwa mwaka uliopita. Kupungua huku kulionekana zaidi katika sekta zifuatazo, Kilimo (hasa cha pamba, kahawa, mahindi, maharage na mpunga), Hoteli na Utalii, Viwanda na Ujenzi. Hizi ni sekta mojawapo ambazo Benki ya CRDB ina mikopo mingi.

Hali ya uchumi wa dunia ilikuwa na athari kwa Tanzania. Ukuaji wa pato la dunia ulishuka kutoka asilimia 5.2 katika mwaka 2010 kufikia 3.8 katika mwaka 2011, mfumuko wa bei katika ukanda wa umoja wa nchi za Ulaya na Marekani ulipanda kufikia asilimia 3 kutoka asilimia 2.3 mwaka 2010. Mbali na hilo, Benki kuu za Ulaya na Marekani ziliendelea kulegeza sera zao za kifedha na hivyo kusababisha riba kuendelea kuwa chini sana. Uwekezaji wetu wa fedha za kigeni kwenye amana ulipata riba kidogo kati ya asilimia 0.5 -1.0.

Benki Kuu ya Tanzania iliendelea kuweka sera ngumu za kifedha ikiwa na lengo la kurekebisha wimbi la kushuka kwa thamani ya sarafu na kukabiliana na mfumuko wa bei ulioibuka kipindi cha nusu ya pili ya mwaka 2011. Pamoja na mambo mengine, Benki Kuu iliongeza kiasi cha kiwango cha chini cha amana za serikali ambazo benki kisheria zinabidi ziache Benki Kuu kutoka asilimia 20 kwenda asilimia 30 na kuweka ukomo wa asilimia 10 ya mtaji kama kiwango cha juu kabisa cha Benki kuwa nacho kama fedha za kigeni toka asilimia 20. Hivyo, ukuaji wa kiwango cha fedha kwenye mzunguko kinachotambulika kama M3 kilifika asilimia 18.2 kinyume na kiwango cha asilimia 25.4 kilichofikiwa mwaka 2010 na pia lengo la asilimia 21.3. Katika hali hii, kiwango cha riba kilipanda haraka katika nusu ya pili ya mwaka 2011. Mwelekeo wa thamani ya sarafu na viwango vya riba umeainishwa katika jedwali lifuatalo kama uthibitisho wa aina ya uchumi ambamo Benki iliendesha shuguli zake.



As I had mentioned in last year's report that, though the economy, especially the global one is beyond our control, the Bank through its realigned strategies and tactics was resilient to the economic shocks and managed to maintain its growth trajectory. Given the size of the Bank's balance sheet and our strategic plans, I am confident that we will continue to remain the leading bank in Tanzania.

Strategy

2011 was the fourth year of implementing the Bank's business strategy that was crafted in 2008. The key strategies that were pursued included the following: taking measures to strengthen our asset and liability management; expanding our delivery channels (normal branches, mobile branches, ATMs, Point of Sale devices, Internet Banking, and Simbanking); entrenching enterprise wide risk management culture; enhancing performance of our information technology and communications infrastructure; improving customer service; developing our human capital to achieve operational excellence; as well as enhancing the bank's funding and capital management. Pursuit of these strategies has proven to be productive in terms of positioning the Bank as a market leader.

Performance Results

In 2011, despite the economic challenges faced by businesses and the Bank, performance in most areas was satisfactory. With increased lending, the Bank was able to raise its interest income while reducing interest expenses, producing a net interest income of TZS 157.4bn compared to TZS 125bn last year. Net fees and commissions also grew by TZS 11.3bn, during the year to TZS 58bn. Those increases show that the core businesses

Kama nilivyoieleza katika ripoti ya mwaka uliopita kwamba, ingawa uchumi, hasa uchumi wa dunia uko nje ya uwezo wetu wa udhibiti, Benki kupitia mbinu na mikakati yake iliweza kuhimili mishtuko ya kiuchumi na kuweza kuendelea na njia yake ya ukuaji. Kwa kuzingatia kiwango cha hesabu za urari wa mizania (balance sheet) za Benki na mipango mkakati tuliojiwekea, nina hakika kwamba tutaendelea kubaki kuwa Benki inayoongoza katika Tanzania.

Mkakati

Mwaka 2011 ulikua ni mwaka wa nne katika utekelezaji wa mkakati wa kibiashara wa Benki uliotengenezwa mwaka 2008. Mikakati muhimu ambayo ilitekelezwa ni pamoja na kuchukua hatua ya kuimarisha utawala wa rasilimali na dhima, kupanua wigo wetu wa kutoa huduma (kwa matawi ya kawaida, matawi yanayotembea, mashine za kutolea fedha, mashine za vituo vya mauzo, Benki kwa njia ya mtandao, na SimBanking); kuanzisha utamaduni wa usimamizi wa hatari ya hasara kwa taasisi nzima, kuimarisha utendaji wa miundombinu yetu ya teknolojia, kuboresha huduma kwa wateja, kuendeleza rasilimali watu ili kufanikisha utendaji mahiri, pamoja na kuimarisha usimamizi wa fedha na mtaji. Utekelezaji wa mikakati hii umethibitisha kuwa na matokeo mazuri katika kuifanya Benki kuwa kinara katika soko.

Matokeo ya Utendaji

Katika mwaka 2011 pamoja na changamoto za uchumi zilizoikumba biashara na Benki, utendaji katika maeneo mengi umekuwa wa kuridhisha. Kwa kuongeza ukopeshaji, Benki iliweza kuongeza pato lake la riba huku ikipunguza gharama za riba, kiasi cha kuzalisha pato halisi la riba la shilingi bilioni 157.4 ikilinganishwa na shilingi bilioni 125 kwa mwaka uliopita. Pato halisi kutoka

of the Bank are solid and profitable. The biggest challenge that the Bank faced in 2011 was on unprecedented volatility and uncertainty of the foreign exchange market as well as the reduced foreign exchange trading activities which reduced the Bank's income derived from foreign exchange. At the year end, the Bank's profit was TZS 51.01bn (before tax), a reduction of 20% compared to the preceding year.

Operations Review for 2011

CRDB Bank was created with a vision to meet the financial needs of individuals, businesses of all sizes as well as institutions; to attract and maintain the best employees to serve its clients; as a good corporate citizen supporting communities it serves while creating long term value for shareholders. The Bank currently offers a full range of commercial banking services as well as share registration, custody services for securities and unit trust and insurance agency services. The Bank operates through a network of 82 branches (including mobile branches) with over 190 ATMs and in partnership with 490 Microfinance Institutions located throughout the country.

Deposits

In 2011, customer deposits grew by 19% to TZS.2,409 billion from TZS.2,019 billion in 2010. The growth was attributed mainly to the Bank's brand, which continued to be strengthened by marketing campaigns, introduction of new and innovative products, growth in terms of breadth and spread of delivery channels, improved customer service and branch refurbishment.

Lending

The net loan portfolio increased by 27% to TZS.1,429 billion from TZS.1,123 billion in 2010. The agricultural sector continued to dominate, accounting for 30% of the portfolio, followed by trade and commerce 14%, personal loans 12%, tourism, hotels and restaurants 8%, financial intermediaries 7%, real estate, building & construction 6%, transport and communication each 7%, utilities and public services (including electricity, schools, hospitals and water) 6%, manufacturing and processing 3%, and mining & quarrying 1%. Interest income on overdrafts and term loans was TZS.148 billion, up from TZS.137 billion in year 2010 representing 58% of the total operating income.

Treasury

Fixed Income and Money Market activities contributed significantly to the Banks' interest income attributed to strong balance sheet and efficient management of funds. The Bank held sufficient liquidity buffer when interest rates rose sharply in the fourth quarter of 2011 and was able to seize the unfolding opportunity by investing

ada inayotozwa katika huduma pia lilipanda kwa kiasi cha shilingi bilioni 11.3 kufikia shilingi bilioni 58. Mafanikio haya yanaonyesha kuwa biashara kuu za Benki ni imara na zenye faida. Changamoto kuu ya Benki katika mwaka 2011 ilikuwa ni kubadilika kusiko kwa kawaida na kutotabirika kwa soko la fedha za kigeni pamoja na kupungua kwa biashara ya nje kulikosababisha kupungua kwa pato la Benki litokanalo na biashara ya fedha za kigeni. Mwisho wa mwaka faida ya Benki ilikuwa shilingi bilioni 51.01 (kabla ya kodi), ikiwa ni pungufu kwa asilimia 20 ukilinganishwa na mwaka uliopita.

Mapitio ya Utendaji kwa Mwaka 2011

Benki ya CRDB ilianzishwa ikiwa na dira ya kukidhi mahitaji ya kifedha ya mtu mmoja mmoja, biashara za viwango vyote pamoja na taasisi; kuvutia na kuwa na wafanyakazi bora kwa ajili ya kuhudumia wateja wake, kusaidia jamii inayohudumia huku ikitengeneza thamani ya muda mrefu kwa wanahisa. Kwa sasa Benki inatoa huduma zote za kibenki kama Benki ya biashara pamoja na usajili wa hisa, uangalizi wa hisa na vipande na huduma za uwakala wa bima. Benki inaendeshwa kupitia mtandao wa matawi 82 (pamoja na matawi yanayotembea) ikiwa na mashine za kutolea fedha zaidi ya 190 na iko kwenye ushirika na taasisi ndogo za kifedha zipatazo 490 nchi nzima.

Amana

Katika mwaka 2011 amana za wateja zilikuwa kwa asilimia 19 kufikia shilingi bilioni 2,409 kutoka shilingi bilioni 2,019 mwaka 2010. Ukuaji umechangiwa sana na chapa ya Benki, ambayo imeendelea kuboreshwa kwa kampeni za Masoko, kuanzishwa na kubuniwa kwa bidhaa na huduma mpya, kukua na kusambaa kwa njia za utoaji huduma, huduma za wateja zilizoboreshwa na uboreshaji katika muonekano mzuri wa matawi.

Ukopeshaji

Jumla halisi ya mikopo iliyotolewa iliongezeka kwa asilimia 27 kufikia shilingi bilioni 1,429 kutoka shilingi bilioni 1,123 mwaka 2010. Sekta ya kilimo imeendelea kuongoza, ikichangia kwa asilimia 30 ya mikopo yote, ikifuatiwa na biashara na viwanda asilimia 14, mikopo binafsi asilimia 12, utalii, hoteli na migahawa asilimia 8, wakala wa masuala ya kifedha asilimia 7, upangishaji majengo na ujenzi asilimia 6, mawasiliano na uchukuzi kila moja asilimia 7, huduma za kijamii (pamoja na umeme, shule, hospitali na maji) asilimia 6, uzalishaji na usindikaji asilimia 3, na uchimbaji wa madini na kokoto asilimia 1. Mapato yote yatokanayo na riba ya mikopo yote yalikuwa shilingi bilioni 148, juu zaidi ya bilioni 137 katika mwaka 2010 ikiwakilisha asilimia 58 ya jumla ya pato la uendeshaji.

strategically in high yielding papers while supporting the local interbank market by providing short-term funds to other banks at competitive rates. This revenue stream contributed to 16% of the Bank's total operating income.

Card Business

A key milestone in the card business for 2011 was the Bank becoming a principal member of MasterCard which enabled the Bank to start issuing and acquiring all MasterCard branded cards at the Bank's POSs and ATMs and at the same time issue MasterCard branded cards. Having both MasterCard and Visa on board has given the Bank an unprecedented selling proposition to merchants in the country and also a platform to earn more with increased transactions.

Microfinance Business

The number of partnering Microfinance institutions (MFIs) under Microfinance programme increased by 18 institutions - mostly savings and credit cooperative societies (SACCOS) - from 472 as at the end of 2010 to 490 at the end of the year. As at 31 December, 2011 the balance on the total loans extended by the Bank to these institutions stood at TZS 147 billion and benefited 408 MFIs. Their total deposits with the Bank were TZS.28 billion as at 31 December, 2011.

Marketing and Customer Service

The Bank applied a combination of marketing, public relations, research and customer service strategies to ensure that it is ahead of competition including enhancing the Bank's products, services and corporate image. A customer service function was introduced to spearhead the systematic improvement of customer experience within the Bank.

In 2011, the newly launched Call Centre experienced significant increase levels of access to service and customer interaction through the Call Centre. The Centre handled instant and escalated customer queries, complaints and feedback from customers and the general public. The Centre utilized new social media like Facebook and Twitter in addition to conventional ones such as telephones, faxes and emails.

Corporate Social Investment

CRDB Bank implemented its Corporate Social Investment (CSI) and Sponsorship focusing on social priorities of education, health and environment the greater emphasis being placed on less fortunate groups in the society. The Bank also contributed funds to the victims of disasters that befell the country in 2011.

Hazina

Pato la uwekezaji fedha na shuguli za soko la fedha vimechangia kwa kiasi kikubwa katika pato litokanalo na riba lililowezesha Benki kuwa na mizania (balance sheet) imara na utawala bora wa fedha. Benki ilikuwa na hali nzuri ya kifedha kutosha kipindi ambacho riba zilipanda haraka na iliweza kutafuta fursa kwa kuwekeza kimkakati na kusaidia Benki nyingine za ndani kwa kuzipa mikopo ya muda mfupi katika riba nzuri. Pato hili limechangia kwa asilimia 16 ya pato lote la Benki lililokusanywa kwenye uendeshaji.

Biashara ya Kadi

Hatua muhimu iliyopigwa katika biashara ya kadi kwa mwaka 2011 ni Benki kuwa mwanachama mkuu wa MasterCard ambayo iliwezesha Benki kutoa na kupokea kadi zote zenye nembo ya MasterCard katika vituo vya mauzo na mashine za kutolea fedha na wakati huo huo kutoa kadi zenye nembo ya MasterCard. Kuwa na MasterCard na Visa pamoja kumeipatia Benki nafasi yakipekee katika kuwahudumia wafanyabiashara na watoa huduma, kwani kwa kutumia vifaa vya malipo (POS) waliongeza mauzo yao maradufu.

Biashara za Wateja Wadogo Wadogo

Idadi ya ushirika chini ya mpango wa Microfinance iliongezeka kwa asasi 18, hasa asasi za kuweka na kukopa (SACCOS) kutoka 472 mwisho wa mwaka 2010 kufikia 490 mwishoni mwa mwaka. Hadi tarehe 31 Desemba, 2011 salio la mikopo iliyotolewa kwa taasisi hizi lilikuwa shilingi za kitanzania bilioni 147 na ikinufaisha asasi 408. Amana zao kwenye Benki ni shilingi bilioni 28 kama ilivyoonyeshwa kwenye hesabu za tarehe 31, Desemba 2011.

Masoko na Huduma kwa Wateja

Benki ilitumia muunganiko wa mikakati ya kimasoko, mahusiano bora na jamii, tafiti na mikakati ya huduma kwa wateja ili kuhakikisha iko mbele daima kwenye ushindani ikijumuisha uboreshaji bidhaa, huduma na chapa ya Benki. Kitengo cha Huduma kwa Wateja kilianzishwa katika Idara ya Masoko, Utafiti na Huduma kwa Wateja ili kuongoza utaratibu wa uboreshaji wa huduma za wateja katika Benki. Katika mwaka 2011, kituo kipya cha Huduma kwa Wateja (Call Centre) kilileta ongezeko kubwa la upatikanaji wa huduma na mawasiliano kwa wateja kupitia kituo hiki. Kituo cha Huduma kwa Wateja kinatatua haraka matatizo ya wateja, malalamiko na pia kinapokea maoni kutoka kwa wateja na jamii kwa ujumla. Kituo kinatumia njia mpya za mawasiliano ya kijamii kama vile Facebook na Twitter pamoja na njia za kawaida ikiwemo simu, nukushi na barua pepe.

Future Prospects

In the past 15 years of the bank's history, focus has been on growth in both geographically and in terms of the balance sheet-assets and liabilities, especially our capital base. We have managed to lay a sound foundation for CRDB Bank to become the preferred choice for Tanzanians looking for diversified financial service. As of today, we have a branch network of 82 branches (including mobile branches), with at least one branch in every regional centre of the entire country! We have internet banking being accessed by about 20,000 customers and fast growing Simbanking (i.e banking services through mobile phones) services (with over 30,000 clients at the end of December 2011). Furthermore our microfinance partners (490 MFIs) offer an additional footprint for access to CRDB Bank's services. Thus with the current outreach capabilities CRDB Bank can confidently compete in the retail banking segment. The challenge is the need to continuously enhance our ICT in order to improve the reliability and accessibility to our delivery systems (especially mobile branches, ATMs and POS). The capabilities we have built in retail banking will, in the coming years, change the structure of our revenues and improve the sustainability of the Bank's profitability.

I am proud to note that we are moving gradually to achieving our mission statement; the Bank's portfolio of customers is quite diversified. We have individuals, and businesses of different sizes and institutions with the contribution of corporate segment being diluted by SMEs and Retail. In the retail area it is noteworthy that we have been able to offer specially tailored products for the various customer groups: we serve parents who want to save for better future of their children, youngsters in high schools, colleges and universities who want stylish means to manage their funds, women who aspire to reach their goals, as well as individuals who want mortgages and loans to better their lives and those of their families.

In the business banking arena, the Bank is proud to have tested and put in place a solution to SME financing challenges. The portfolio of SME loans is now accounting for about 20% of the loan portfolio, and its portfolio at risk has been below 2%. This is very assuring of our future growth in lending.

With the commitment we have to implement our business strategy for 2012, inspired by the organizational restructuring that has been done and professional staff; we can face the future with more optimism. Discounting for any catastrophic change in the economy, year 2012 looks to be a much better year for the Bank.

As always, I would like to close by expressing gratitude to

Uwekezaji kwa Jamii

Benki ya CRDB imetelekeleza uwekezaji katika jamii na udhamini kwa kutazama vipaumbele vya jamii ambavyo ni elimu, afya na mazingira huku nguvu kubwa ikielekezwa katika makundi yaliyosahauliwa katika jamii. Benki pia ilichangia fedha kwa wahanga wa majanga yaliyoikumba nchi ndani ya mwaka 2010.

Matarajio ya Baadae

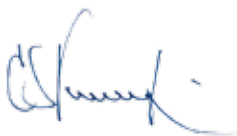
Kwa miaka 15 ya historia ya Benki, kipaumbele kimekua katika kukua kijiografia na pia katika mizania (balance sheet), rasilimali na dhima na hasa katika msingi wa mtaji. Tumefanikiwa kutengeneza msingi imara kwa Benki ya CRDB kuwa chaguo la watanzania wanaohitaji huduma tofauti za kifedha. Kufikia leo tuna mtandao wa matawi 82 (pamoja na matawi yanayotembea), kwa angalau tawi moja katika kila mkoa nchi nzima. Tuna huduma za benki kupitia mtandao (Internet) ambazo zinawafikia karibu wateja 20,000 na huduma inayokua haraka ya SimBanking (huduma ya Benki kupitia simu ya mkononi) ikiwa na zaidi ya wateja 30,000 kufikia mwishoni mwa Desemba 2011.

Zaidi, washirika wetu wa asasi za ushirika wanatupa njia ya ziada ya upatikanaji wa huduma za benki ya CRDB. Hivyo basi, kutokana na uwezo huu, Benki ya CRDB inaweza kushindana kwa uhakika katika sekta ya wateja wadogo kwenye huduma za kibenki, changamoto ni kuendelea kuwa na mfumo bora na imara wa teknohama kwa ajili ya kuboresha upatikanaji wa huduma hususani katika matawi yanayotembea, mashine za kutolea fedha na vifaa vya malipo (POS) kwenye vituo vya mauzo. Uwezo tuliojijengea katika biashara ya benki kwa wateja wadogo, katika kipindi cha miaka ijayo utabadilisha muundo wa mapato yetu na kuongeza mara dufu faida ya Benki.

Najivunia kutambua ya kwamba tunapiga hatua kuelekea azma yetu: wateja wa Benki wako katika makundi tofauti. Tuna wateja binafsi, biashara za ukubwa tofauti na taasisi-huku mchango wa wateja wakubwa ukisaidiwa na wateja wadogo, kati na wateja binafsi. Katika eneo la wateja wadogo tumeweza kutoa huduma zinazokidhi mahitaji ya makundi tofauti ya wateja, tunahudumia wazazi wanaoweka akiba kwa ajili ya maisha ya badaye ya watoto wao, wanafunzi wa sekondari, vyuo vya elimu ya juu ambao wanataka namna ya tofauti ya kusimamia fedha zao, wanawake wenye ndoto za kutimiza malengo yao, pamoja na watu binafsi wanaohitaji mikopo tofauti kwa ajili ya kuboresha maisha yao na familia zao.

Katika nyanja ya huduma za Benki kwa biashara, Benki inajivunia kufanya majaribio na kutoa suluhisho la changamoto za kukopesha wateja wenye biashara ndogo na za kati (SME). Mikopo ya kundi hili la wateja sasa ni karibu asilimia 20 ya mikopo yote. Na mikopo yenye hatari

the Board of Directors for their wisdom, guidance and support. I would like to thank our employees for the tremendous focus, commitment and innovation that they have shown this year. Last, but not least, I would like to appreciate and thank our clients and customers for giving us the opportunity to serve them and their needs and shareholders for your continued faith in the bright future of our Bank.

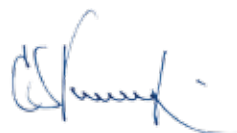


Charles S. Kimei (Dr.)
CEO/MD

ya hasara ni chini ya asilimia 2. Hii inatoa uhakika kwa ukuaji wetu wa ukopeshaji kwa siku za mbeleni.

Kwa jinsi tulivyodhamiria kuutekeleza mkakati wetu wa biashara kwa mwaka 2012, tukichochewa na mabadiliko ya muundo wa Benki ambayo yamefanyika pamoja na wafanyakazi wenye weledi; tutaweza kukabiliana na changamoto zitakazojitokeza siku za mbeleni tukiwa na imani chanya zaidi. Ukiondoa mabadiliko makubwa hasi kwenye uchumi, mwaka 2012 unaonekana kuwa mwaka wenye mafanikio zaidi kwa Benki.

Kama ilivyo ada, namaliza kwa kutoa shukrani za dhati kwa Bodi ya Wakurugenzi kwa hekima, uongozi na msaada wao. Napenda kuwashukuru wafanyakazi wetu kwa umakini uliotukuka, kujitoa na ubunifu ambao wameuonyesha mwaka huu. Mwisho ningependa kuwashukuru wateja wetu kwa kutupa nafasi ya kuwahudumia wao na mahitaji yao na wanahisa wetu kwa kuendelea kuonesha imani yao katika mafanikio ya Benki siku za mbeleni.



Charles S. Kimei (Dk)
Mkurugenzi Mtendaji

Suluhisho bunifu ili kuwapa wateja huduma bora

Innovative solutions to enhance customer experience



Report of the Directors

For the Year Ended 31 December 2011

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2011, which disclose the state of affairs of the Group and the Bank.

1. Incorporation

CRDB Bank Plc was incorporated in the United Republic of Tanzania in 1996 under the Companies Act, (Cap 212) as a Public Company limited by shares with registration number 30227.

2. Vision

The Leading Bank in Tanzania

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

3. Mission

Quality Banking Service

To provide quality and competitive financial services with a strong focus on retail banking and customized corporate and institutional services while ensuring confidence and trust from stakeholders.

4. Corporate Values

Accountability, Commitment, Cost Consciousness, Courtesy, Decisiveness, Knowledge, Promptness, Performance driven, Professional integrity, Responsiveness.

5. Principal Activities

The Company is licensed as a bank under the Banking and Financial Institutions Act (Cap 342) and its principal activity is the provision of banking services. The principal activity of the subsidiary is the provision of microfinance services through the Bank's branch network.

6. Composition of the Board of Directors

The following Directors served during the year:

Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011

Wakurugenzi wanayofuraha kuwasilisha ripoti na taarifa za fedha zilizokaguliwa kwa mwaka ulioishia 31 Desemba 2011 ambayo inaonyesha hali halisi ya Benki pamoja na kampuni yake tanzu.

1. Usajili

Benki ya CRDB ilisajiliwa katika Jamhuri ya Muungano ya Tanzania mwaka 1996 chini ya sheria ya Makampuni (Cap 212).

2. Dira

Benki inayoongoza Tanzania

Kuwa benki inayoongoza, inayozingatia mahitaji ya wateja na kuwapa wanahisa faida nzuri.

3. Azma

Huduma bora za benki

Kutoa huduma bora na kwa gharama nafuu, ikizingatia wateja wadogo na wa kati, na huduma mahususi kwa makampuni makubwa huku tukidumisha imani ya wadau wetu.

4. Misingi ya Kampuni

Uwajibikaji, Kujitoa, Uungwana, Maarifa, Utayari, Weledi, Ubanaji matumizi, Maamuzi sahihi, Uharaka wa kutenda na Utendaji wenye tija.

5. Shughuli za Msingi

Kampuni imesajiliwa kama Benki chini ya Sheria ya benki na taasisi za fedha ya mwaka 2006 na shughuli zake za msingi ni kutoa huduma za kibenki.

6. Mnyumbulisho wa Wakurugenzi wa Bodi

Wafuatao ni Wakurugenzi waliotumikia Bodi katika kipindi hiki.

Bodi ya Wakurugenzi/Board of Directors

Mwenyekiti/Chairman
Martin Mmari

Wajumbe wa Bodi/Board Members

J. A. Abdulrahman J. W. Luhanga L. M. Joachim J. C. Machange K. Kristoffersen B. P. Lyimo B. C. Muhegi A. H. Laay J. N. Nyanza F. T. Sumaye C. S. Kimei

Report of the Directors

For the Year Ended 31 December 2011 (Continued)

Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

Jina Name	Nafasi Position	Umri Age	Wasifu Qualification	Utaifa Nationality	Siku ya kuteuliwa/kustaafu Date of first appointment/resignation
Martin J. Mmari	Mwenyekiti/Chairman	48	Mhasibu/Accountant	Mtanzania/Tanzanian	2001
Juma A. Abdulrahman	Mjumbe/Member	59	Mhasibu/Accountant	Mtanzania/Tanzanian	2009
Joyce W. Luhanga	Mjumbe/Member	56	Mchumi/Economist	Mtanzania/Tanzanian	1996
Lydia M. Joachim	Mjumbe/Member	66	Mchumi/Economist	Mtanzania/Tanzanian	2001 Amestaafu/Retired 06 -2011
Joseph C. Machange	Mjumbe/Member	60	Mhandisi Mifumo/Systems Engineer	Mtanzania/Tanzanian	2006
Kai Kristoffersen	Mjumbe/Member	71	Mwanasheria/Lawyer	Mdenishi/Danish	2004
Bede P. Lyimo	Mjumbe/Member	61	Mchumi/Economist	Mtanzania/Tanzanian	2005
Boniface C. Muhegi	Mjumbe/Member	57	Mhandisi ujenzi/Civil Engineer	Mtanzania/Tanzanian	2004
Ally H. Laay	Mjumbe/Member	55	Mhasibu/Accountant	Mtanzania/Tanzanian	2004
Joyce N. Nyanza	Mjumbe/Member	48	Mhasibu/Accountant	Mtanzania/Tanzanian	2007
Frederick T. Sumaye	Mjumbe/Member	62	Agricultural Specialist	Mtanzania/Tanzanian	25 - 06 - 2011
Charles S. Kimei	Mkurugenzi Mtendaji/Managing Director	58	Mchumi/Economist	Mtanzania/Tanzanian	Amechaguliwa kwa wadhifa/ Ex officio appointed 1998

At the Annual General Meeting held on 25 June 2011, Mrs. Lydia M. Joachim, belonging to the group of shareholders with shareholding of less than 1% of the Bank's Share capital retired. Hon. Frederick T. Sumaye, belonging to the group of shareholders with shareholding of less than 1% of the Bank's share capital was elected as a board member.

7. Company Secretary

The Company Secretary during the year was Mr. John B. Rugambo.

8. Corporate Governance

The Directors consider corporate governance as a key to good performance of the Bank. In view of this, the Directors continued to strengthen good governance systems by reviewing policies, Board and Board committees' activities and general management of the Bank. Board guidelines and committees' charters were reviewed during the year.

8.1 Board Structure

The Board comprises 10 Directors who are non-executive while the Managing Director is an Ex-Officio member. A non-executive Chairman, who is elected by Directors every year, leads the Board. DANIDA Investment Fund appoints two Directors of the 10 non-executive Directors.

8.2 Board Meetings

The Board held nine meetings during the year as planned with one of the meetings devoted to the review and development of the Bank's business strategy.

8.3 Committees

As at 31 December 2011, the Board had three committees namely; the Audit Committee, the Governance and Risk Management Committee and

Katika Mkutano Mkuu wa Mwaka uliofanyika tarehe 25 Juni 2011, Bi. Lydia M. Joachim, kutoka kundi la Wanahisa wenye hisa chini ya 1% ya hisa zote alistaafu. Mhe. Frederick T. Sumaye, kutoka kundi la Wanahisa wenye hisa chini ya 1% ya hisa zote alichaguliwa kuwa Mjumbe wa Bodi.

7. Katibu wa Benki

Katibu Mkuu wa Benki kwa kipindi hiki alikuwa Bw. John B. Rugambo.

8. Utawala Bora

Wakurugenzi wanaridhia kuwa utawala bora ni nguzo muhimu ya utendaji bora wa Benki. Hivyo basi, wakurugenzi wameendelea kuimarisha mifumo ya utawala bora kwa kupitia upya sera, Bodi na kazi za kamati za Bodi na uongozi wa Benki kwa ujumla. Miongozo ya Bodi na hadidu za kamati za Bodi vilirejewa upya mwaka huu.

8.1 Muundo wa Bodi

Bodi inajumuisha wakurugenzi 10 ambao sio watendaji wakati Mkurugenzi Mtendaji ni mjumbe kutokana na wadhifa wake. Mwenyekiti ambaye si mtendaji, huchaguliwa na wakurugenzi kila mwaka, huongoza Bodi ya Benki. Mfuko wa Uwekezaji wa DANIDA huteua wakurugenzi wawili kati ya 10 wasio watendaji.

8.2 Mikutano ya Bodi

Bodi ilifanya mikutano tisa mwaka huu kama ilivyopangwa. Mkutano mmojawapo ulijikita katika kupitia na kutengeneza Mikakati ya biashara wa Benki.

8.3 Kamati

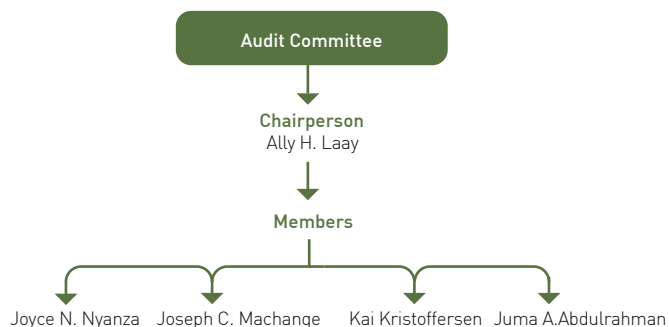
Hadi kufikia 31 Desemba 2011, Bodi ilikuwa na kamati tatu ambazo ni Kamati ya Ukaguzi wa Mahesabu, Kamati ya Utawala Bora na Usimamizi

Report of the Directors

For the Year Ended 31 December 2011 (Continued)

the Credit Committee. The activities of the committees are governed by the Committee Charters approved by the Board. All three committees report to the Board of Directors. Below is the composition of each committee:

8.4 Audit Committee



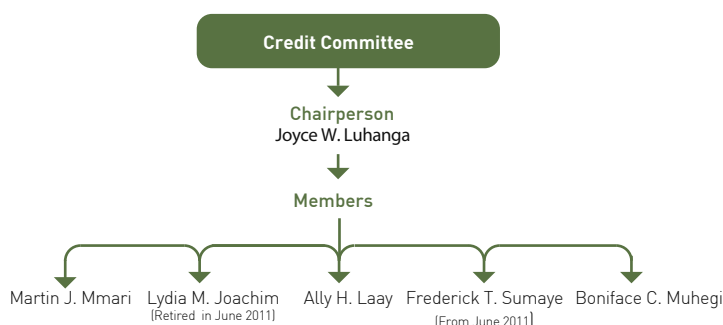
The committee held five meetings as planned during the year. The External Auditor was invited and attended two meetings. The Managing Director, Deputy Managing Director, Director of Finance and Director of Internal Audit participated in the meetings.

8.5 Governance and Risk Management Committee



The Governance and Risk Management Committee met five times during the year as planned. The Managing Director, Deputy Managing Director, Director of Treasury and Director of Risk participated in the meetings.

8.6 Credit Committee

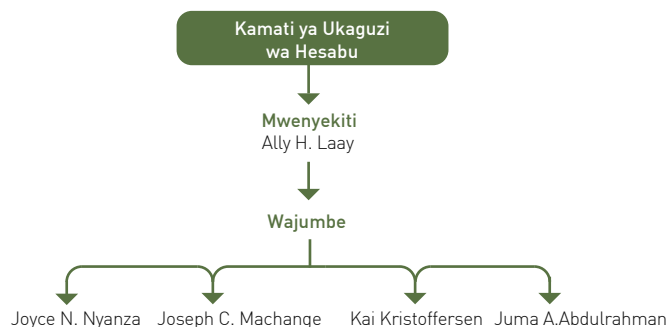


Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

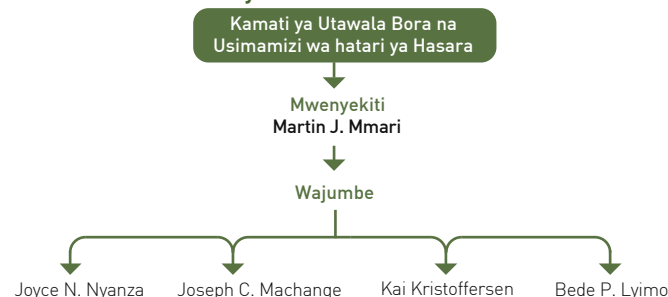
wa Hatari ya Hasara na Kamati ya Mikopo. Shughuli za kamati zinaendeshwa kulingana na hadidu za kamati zinazoidhinishwa na Bodi. Kamati zote tatu zinawajibika kwa Bodi. Ifuatayo ni muundo wa kila kamati:

8.4 Kamati ya Ukaguzi wa Hesabu



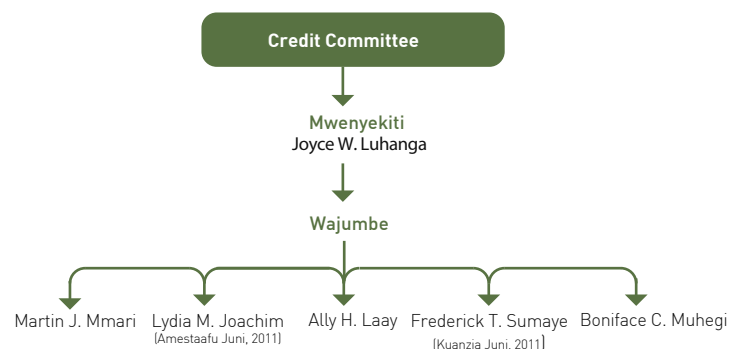
Kamati ilifanya mikutano mitano kama ilivyopangwa katika mwaka. Wakaguzi wa mahesabu wa nje walialikwa na kuhudhuria mikutano miwili. Mkurugenzi Mtendaji, Naibu Mkurugenzi Mtendaji, Mkurugenzi wa Fedha na Mkurugenzi wa Ukaguzi wa Mahesabu ya Ndani walishiriki mikutano hiyo.

8.5 Kamati ya Utawala Bora na Usimamizi wa Hatari ya Hasara



Kamati ya Utawala Bora na Udhhibiti wa Hatari ya Hasara ilikutana mara tano katika mwaka kama ilivyopangwa. Mkurugenzi Mtendaji, Naibu Mkurugenzi Mtendaji, Mkurugenzi wa Hazina na Mkurugenzi wa Udhhibiti Hatari ya Hasara walishiriki kwenye mikutano.

8.6 Kamati ya Mikopo



Report of the Directors

For the Year Ended 31 December 2011 (Continued)

The Credit committee met eleven times during the year as planned. The Managing Director, Deputy Managing Director, Director of Corporate Banking and Director of Credit participated in the meetings.

Below is the summary indicating the number of meetings attended by the Board Members;

Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

Kamati ya Mikopo ilikutana mara kumi na moja katika mwaka kama ilivyopangwa. Mkurugenzi Mtendaji, Naibu Mkurugenzi Mtendaji, Mkurugenzi wa Huduma kwa Wateja Wakubwa na Mkurugenzi wa Mikopo walishiriki katika mikutano hiyo.

Ufuatao ni Muhtasari wa jumla ya mikutano iliyo hudhuriwa na wajumbe wa Bodi;

NUMBER OF MEETINGS ATTENDED/JUMLA YA MIKUTANO ILIYOHUDHURIWA				
Name of Director Jina la Mkurugenzi	Board Bodi	Audit Committee Kamati ya Ukaguzi wa Hesabu	Credit Committee Kamati ya Mikopo	Governance and Risk Management Committee Kamati ya Utawala Bora na Usimamizi wa hatari ya Hasara
Martin J. Mmari	7		5	4
Joyce W. Luhanga	6		9	
Boniface C. Muhegi	6		8	
Ally H. Laay	5	4	8	
Bede P. Lyimo	8			4
Kai Kristoffersen	9	5		4
Joseph C. Machange	8	4		3
Joyce N. Nyanza	9	5		4
Lydia M. Joachim	5		5	
Juma A. Abdulrahman	5	2		
Hon. Fredrick T. Sumaye	4		2	

8.7 Directors' Remuneration

The remuneration of all Directors is subject to annual review to ensure that levels of emoluments and compensation are appropriate. This is after considering industry benchmarks and international practices. Non executive Directors are paid fees as approved at the Annual General Meeting of the shareholders. The Directors are not eligible for pension scheme membership and do not participate in the Bank's remuneration scheme. Information on aggregate amounts of the emoluments and fees paid to Directors are disclosed in note 45 to the financial statements

8.7 Malipo ya Wakurugenzi

Malipo kwa Wakurugenzi wote hurejewa kila mwaka kuhakikisha kuwa kiwango cha malipo na fidia ni sahihi. Hii hufikiwa baada ya kuangalia viwango vya kisekta na taratibu za kimataifa. Wakurugenzi wasio watendaji hulipwa ada kama ilivyopitishwa na Mkutano Mkuu wa Mwaka wa wanahisa. Wakurugenzi hawastahili uanachama wa Mpango wa Pensheni na hawashiriki kwenye mpango wa malipo ya wafanyakazi wa Benki. Taarifa ya majumuisho ya malipo kwa wakurugenzi ni kama yanavyonyeshwa kwenye kiangalizo namba 45.

9. Capital Structure

The capital structure of the Bank is outlined in note 39.

9. Muundo Wa Mtaji

Muundo wa mtaji wa Benki umeainishwa katika kiangalizo namba 39.

10. Management Team

In year 2011, the Bank reviewed and successfully implemented a new organization structure with the objective of having a structure that supports the business processes and aligned to its strategic orientation. Resultant to this review, two Deputy Managing Director positions as well as a Department of Strategy and Innovations were introduced while the Department of Finance and Administration was split into the Department of Finance and Department of Administration and General Services.

10. Timu ya Menejimenti

Katika mwaka 2011, Benki ilirejea na kwa mafanikio ilitekeleza muundo mpya wa Benki ikilenga kuwa na muundo unaoweza kusimamia michakato ya kibiashara huku ikienda sambamba na muelekeo wa kimkakati. Matokeo ya rejea hiyo, nafasi mbili za Manaibu Wakurugenzi Watendaji, pamoja na Idara ya Mikakati na Ubunifu ziliundwa. Kutokana na hiyo pia Idara ya Fedha na Utawala iligawanywa na kuwa Idara mbili, Idara ya Fedha na Idara ya Utawala na Huduma Nyinginezo.

Report of the Directors

For the Year Ended 31 December 2011 (Continued)

Following the new structure, Management of the Bank is under the Managing Director assisted by Deputy Managing Director Shared Service 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 Service oversees the following Departments:

- Finance
- Administration and General Services
- Information and Communication Technology
- Human Resources

The Deputy Managing Director Operations and Customer Service oversees the following Departments:

- Credit
- Retail Banking
- Corporate Banking
- Marketing, Research and Customer Service
- Alternative Banking Channels
- Treasury

Director of Internal Audit continues to report directly to the Board Audit Committee.

11. Shareholders of the Bank

The total number of shareholders as at year end was 28,991 (2010 - 30,570 shareholders), which included 10 Members of the Board as follows:

Shareholding of the Board members

Jina Name	Wadhifa Title	Idadi ya Hisa Number of shares
Martin J. Mmari	Mwenyekiti/Chairman	950,400
Juma A. Abdulrahman	Mjumbe/Member	284,830
Joyce W. Luhanga	Mjumbe/Member	52,800
Joseph C. Machange	Mjumbe/Member	205,125
Bede P. Lyimo	Mjumbe/Member	372,892
Boniface C. Muhegi	Mjumbe/Member	1,867,794
Ally H. Laay	Mjumbe/Member	200,945
Joyce N. Nyanza	Mjumbe/Member	405,025
Frederick T. Sumaye	Mjumbe/Member	6,206,980
Charles S. Kimei	Mkurugenzi Mtendaji/Managing Director	809,582

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

Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

Kutokana na muundo mpya, Menejimenti ya Benki iko chini ya Mkurugenzi Mtendaji akisaidiwa na Naibu Mkurugenzi Mtendaji Huduma Shirikishi na Naibu Mkurugenzi Mtendaji Operesheni na Huduma kwa Wateja.

Naibu Mkurugenzi Mtendaji Huduma Shirikishi anasimamia Idara zifuatazo:

- Fedha
- Utawala na Huduma Nyinginezo
- Teknologia
- Rasilimali Watu

Mkurugenzi Mtendaji Operesheni na Huduma kwa Wateja anasimamia Idara zifuatazo:

- Mikopo
- Huduma kwa Wateja Wadogo
- Huduma kwa Wateja Wakubwa
- Masoko, Utafiti na Huduma kwa Wateja
- Huduma Mbadala za Benki
- Hazina

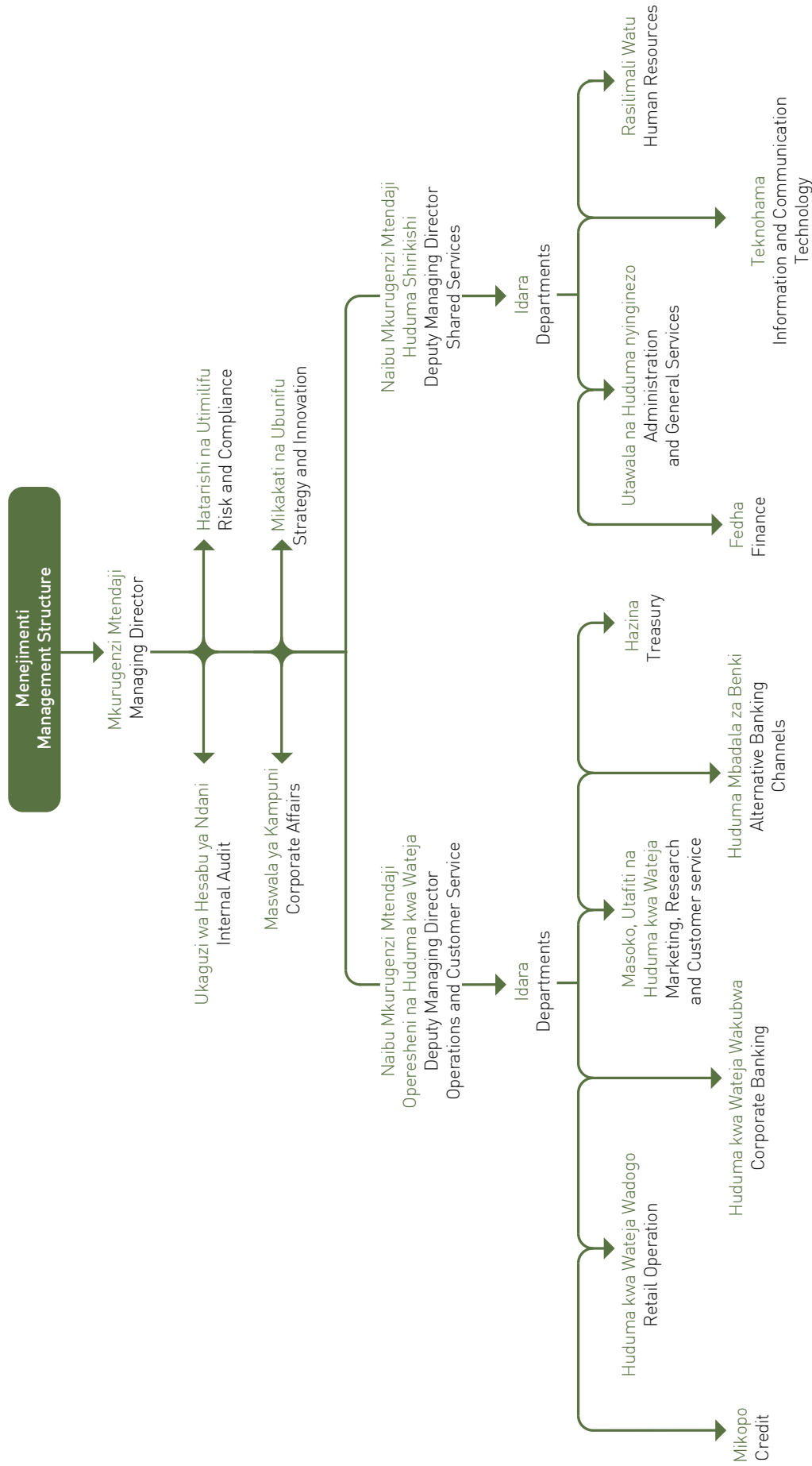
Mkurugenzi wa Ukaguzi wa Hesabu za Ndani anaendelea kuwajibika moja kwa moja kwa Kamati ya Bodi ya Ukaguzi wa Hesabu.

11. Wanahisa wa Benki

Jumla kuu ya wanahisa mpaka mwishoni mwa mwaka walikuwa 28,991(2010-30,570 wanahisa), ambao ni pamoja na wajumbe 10 wa Bodi kama ifuatavyo:

Hisa za wajumbe wa Bodi

Katiba ya Benki inatambua aina tatu za wanahisa, ambao ni wanahisa wenye hisa asilimia 10 au zaidi ya jumla ya hisa zote zilizolipiwa, wanahisa wenye hisa kati ya asilimia 1 na 10 ya hisa zote zilizolipiwa; na wanahisa



Report of the Directors

For the Year Ended 31 December 2011 (Continued)

shareholders holding less than 1%. As at the end of the year, the shareholding of these three groups was as follows:

Kundi la wanahisa Shareholding group	Idadi ya Hisa No. of shares		%	
	2011	2010	2011	2010
Zaidi ya/More than 10%	685,183,680	685,183,680	31.5	31.5
1% hadi 10% /1% to 10%	388,442,165	350,637,399	17.8	16.1
Pungufu ya 1 %/Less than 1 %	1,102,906,315	1,140,711,081	50.7	52.4
Jumla/Total	2,176,532,160	2,176,532,160	100.0	100.0

Shareholders holding 1% or more as at 31 December 2011 are listed here under:

Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

wenye hisa pungufu ya asilimia moja. Hadi kufikia mwisho wa mwaka, hisa zote za makundi haya zilikuwa kama ifuatavyo:

Wanahisa wenye 1% au zaidi hadi kufikia tarehe 31 Desemba 2011 wameorodheshwa hapa chini.

Wanahisa/Shareholders	2011		2010	
	Idadi ya hisa/No. of shares	%	Idadi ya hisa/No. of shares	%
DANIDA Investment Fund	467,781,934	21.5	467,781,934	21.5
Parastatal Pension Fund	217,401,746	10.0	217,401,746	10.0
Public Services Pension Fund	71,531,350	3.3	71,531,350	3.3
The Local Authority Pension Fund	44,372,958	2.0	45,692,958	2.1
Blakeney General Partners III Ltd	50,905,578	2.3	44,700,000	2.0
Western Zone Tobacco Co-operative Union (WETCO)	36,000,000	1.7	36,000,000	1.7
Standard Chartered Bank Mauritius – Atree Custody Services	36,937,300	1.7	29,470,600	1.3
Hans Aingaya Macha	28,082,800	1.3	28,082,800	1.3
CMG Investment Limited	28,879,689	1.3	28,002,128	1.3
Epack Investment Fund	24,790,240	1.1	24,790,240	1.1
SHIRECU	0	0	20,707,323	1.0
Lindi Development Corporation	21,660,000	1.0	21,660,000	1.0
Pictet & CIE A/C General Partners IV Ltd.	24,582,392	1.1	-	-
ACB Ghana A/C Mega Africa Capital Ltd.	20,699,858	1.0	-	-
Total	1,073,625,845	49.3	1,035,821,079	47.6

12. Stock Exchange Information

The Bank is listed on the Dar es Salaam Stock Exchange. The share price as at 31 December 2011 was TZS 172.5 (2010: TZS 115). Market capitalization as at 31 December 2011 was TZS 380.89 billion (2010: TZS 250.30 billion).

13. Future Development Plans

Year 2011 represents the fourth year of implementation of the Bank's 5-year Business Strategy covering 2008 - 2012. Under the plan, the Bank continues to focus on retail banking by offering quality products and services through network expansion, enhanced electronic banking channels and microfinance network. Improvements have been made in the Bank's platform to increase efficiency and operational excellence. The Bank will continue to offer customized banking services to corporate and institutional customers as well as take

12. Taarifa ya Soko la Hisa

Benki imeorodheshwa kwenye Soko la Hisa la Dar es Salaam. Bei ya hisa hadi kufikia tarehe 31 Desemba 2011 ilikuwa shilingi 172.5 (2010: TZS 115). Thamani ya mtaji sokoni hadi kufikia tarehe 31 Desemba 2011 ilikuwa shilingi 380.89 bilioni (2010: TZS 250.30 bilioni).

13. Mipango ya Maendeleo ya Baadaye

Mwaka 2011 unawakilisha mwaka wa nne wa utekelezaji wa Mpango Mkakati wa miaka mitano wa Benki wa kipindi cha mwaka 2008 - 2012. Ndani ya mpango huu, Benki imeendelea kuelekeza huduma za benki kwa wateja wadogo kwa kutoa bidhaa bora na huduma kupitia upanuzi wa mtandao, teknolojia ya kisasa ya kutoa huduma za Benki, na mtandao wa huduma kwa wateja wenye shughuli ndogo ndogo. Benki itaendelea kutoa huduma kwa wateja wakubwa na wale wa makampuni na taasisi na pia

Report of the Directors

For the Year Ended 31 December 2011 (Continued)

measures to improve risk management framework. The challenge ahead is on building capacity and infrastructure for provision of services to customers at the bottom of the pyramid which has been given priority in the 2012 Activity Plan.

14. Performance for the Year

In 2011, the Group recorded a net profit of TZS 37.7 billion (2010: TZS 47.2 billion). The decline in profitability was mainly caused by increase in provision for the impaired loans and decline in foreign revaluation income due to malfunctioning of the foreign exchange trading system. The system problem has now been rectified.

However during the year, the Group recorded following achievements:

- Total assets increased to TZS 2,714 billion, (2010: TZS 2,305 billion).
- Total Deposits increased to TZS 2,409 billion, (2010: TZS 2,019 billion).
- Loans and advances increased to TZS 1,429 billion, (2010: TZS 1,123 billion).

CRDB Microfinance Service Company Limited

The Bank through its subsidiary, increased the number of partnering Microfinance institutions (MFIs) under Microfinance programme, mostly savings and credit cooperative societies (SACCOS), by 18 institutions from 472 institutions as at 31 December 2010 to 490 institutions at the end of the year. As at 31 December 2011, total loans extended by the Bank to these institutions stood at TZS 147 billion and benefited 408 MFIs. Their total deposits with the Bank were TZS 28 billion as at 31 December 2011.

The audited financial statements for the year are set out on pages 37 to 94.

15. Dividends

The Board recommends a dividend of TZS 9 per share in respect of the current year. Total amount of dividend recommended is TZS 19.6 billion, which is 52% of the net profit.

16. Cash Flows

In 2011, the Bank's investment in government securities increased by TZS 117 billion compared to TZS 86 billion in year 2010, lending to customers increased by TZS 306 billion compared to TZS 174 billion in 2010. On the other hand, deposits from customers increased by TZS 389 billion compared to TZS 398 billion in 2010. The above investment activities and customer deposits are the major

Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

kuchukua hatua za kuzuia hatari za hasara. Changamoto iliyo mbele yetu ni kujenga uwezo na miundombinu ya utoaji wa huduma bora kwa wateja, hasa walio chini ya piramidi na hii imepewa kipaumbele katika mipango ya mwaka 2012.

14. Mapitio ya Biashara Kwa Mwaka

Katika mwaka 2011, Benki imepata faida halisi ya shilingi TZS 37.7 bilioni (2010: TZS 47.2 bilioni). Upunguaji wa faida ulisababishwa na ongezeko la tengo la hasara ya mikopo chechefe na upunguaji wa tathmini ya pato la biashara za fedha za kigeni kutokana na matatizo ya mfumo wa kufanyia biashara ya fedha za kigeni. Tatizo la mfumo limeisharekebisha.

Pamoja na hayo mafanikio yafuatayo yalipatikana katika mwaka huu;

- Rasilimali ziliongezeka mpaka TZS 2,714 bilioni (2010: TZS 2,305 bilioni).
- Amana ziliongezeka mpaka TZS 2,409 bilioni, (2010: TZS 2,019 bilioni).
- Mikopo iliongezeka mpaka TZS 1,429 bilioni, (2010: TZS 1,123 bilioni).

CRDB Microfinance Service Company Limited

Benki kupitia kampuni yake tanzu iliongeza idadi ya vyama vya ushirika (MFIs) chini ya mpango wa huduma kwa wateja wenye shughuli ndogo ndogo, hasa vyama vya kuweka na kukopa (SACCOS), kwa kuongeza vyama vipya 18 hivyo kufanya idadi kuongezeka kutoka vyama 472 ilipofika 31, Desemba 2010 mpaka 490 mwishoni mwa mwaka huu. Hadi kufikia 31, Desemba 2011, jumla ya mikopo iliyotolewa na Benki kwa vyama hivyo ilikuwa TZS 147 bilioni na vyama 408 vilifaidika. Jumla ya amana zao katika Benki ilikuwa TZS 28 bilioni ilipofika 31, Desemba 2011.

Taarifa ya hesabu za mwaka zilizokaguliwa zinapatikana ukurasa wa 37 mpaka 94.

15. Gawio

Bodi inapendekeza gawio la TZS 9 kwa hisa katika mwaka huu. Jumla ya Gawio linalopendekezwa ni TZS 19.6 bilioni, ambayo ni asilimia 52 ya faida halisi.

16. Mtiririko wa Fedha

Katika mwaka 2011, uwekezaji wa Benki kwenye dhamana za Serikali uliongezeka kwa TZS 117 bilioni ikilinganishwa na TZS 86 bilioni mwaka 2010, ukopeshaji kwa wateja uliongezeka kwa TZS 306 bilioni ikilinganishwa na TZS 174 bilioni mwaka 2010. Kwa upande mwingine, amana toka kwa wateja ziliongezeka kwa TZS 389 bilioni ikilinganishwa na TZS 398 bilioni mwaka 2010. Shughuli za uwekezaji

Report of the Directors

For the Year Ended 31 December 2011 (Continued)

factors explaining the Bank's movement in net cash flow generated from operations for 2011 compared 2010. From total investments in securities, 47% is expected to mature in 2012. The Bank continues to maintain sound liquidity position to enable it meet its cash flow commitments which fall in first quarter amounting to TZS 8 billion, second quarter amounting to TZS 3.9 billion, third quarter amounting to TZS 3 billion and fourth quarter amounting to TZS 2 billion.

17. Liquidity

The Bank places strong emphasis on managing liquidity risk and there is a daily cash flow projection process handled by Treasury Department to ensure the Bank holds sufficient liquid assets to enable it continue normal operations under the business as usual market conditions. Asset Liability Committee (ALCO) also controls the Bank's exposure to liquidity risk by ensuring that limits are set based on realistic assumptions and tracks compliance on a monthly basis.

The Bank's main sources of liquidity are customers' deposit and shareholders' funds and occasionally interbank borrowings as part of its normal market operations.

18. Resources

The Bank has skilled and experienced employees who are considered as key resources in pursuing its business objectives. The Bank continues to encourage open and honest communication in decision making. Employment issues and financial and economic factors affecting the Bank's performance are regularly shared with the employees.

19. Principal Risks and Uncertainties

The Bank may be exposed to the following principal risks and uncertainties according to the nature of the business:

Financial risks

Financial risks include credit, liquidity and market risks. The Bank's 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. More details of the financial risks facing the Bank are provided in note 5 of the financial statements.

Operational risks

The Bank is exposed to operational risks that may arise from inadequate or failed internal processes,

Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

na amana za wateja zilizoelezewa hapo juu ndizo sababu kubwa zinazoeleza mwenendo wa mtiririko wa fedha wa Benki uliozalishwa kutokana na utendaji wa mwaka 2011 ikilinganisha na 2010. Kutokana na jumla ya uwekezaji kwenye dhamana za Serikali, asilimia 47 zinategemewa kufikia muda wake wa ukomo katika mwaka 2012. Benki inaendelea kuwa na hali nzuri ya kifedha kuiwezesha kutimiza majukumu yake ya mtiririko wa fedha yanayoangukia robo ya kwanza wa mwaka ambayo ni TZS 8 bilioni, robo ya pili ni TZS 3.9 bilioni, robo ya tatu ni TZS bilioni 3 na robo ya nne ni 2 bilioni.

17. Hali ya Fedha

Benki inaweka msisitizo mkubwa kwenye usimamizi wa hali ya hatari ya hali ya fedha na kila siku inafanya matarajio ya hali ya fedha kupitia Idara ya Hazina ili kuwa na uhakika kwamba Benki ina rasilimali za kifedha za kutosha kuiwezesha kuendelea na utendaji wake kama kawaida. Kamati inayoangalia ukwasi wa Benki (ALCO) pia inadhibiti hali ya hatari ya kifedha kwa kuhakikisha kwamba ukomo umewekwa ukizingatia makisio na kufuatilia utimilifu kila mwezi.

Vyanzo vya kifedha vya Benki ni amana za fedha za wateja, fedha za wanahisa na mara chache ukopaji kati ya benki na benki ukiwa kama sehemu ya utendaji wa kawaida wa soko.

18. Rasilimali

Benki inawafanyakazi wenye ujuzi na uzoefu ambao ndiyo rasilimali kuu katika utekelezaji wa malengo yake. Benki inaendelea kuhamasisha uwazi na uaminifu katika utoaji wa maamuzi. Wafanyakazi wanashirikishwa mara kwa mara kuhusu mambo ya ajira na fedha na uchumi yanayoathiri utendaji wa Benki.

19. Maeneo Makuu ya Hatari na Yasiyo Hakika

Kulingana na biashara ambayo Benki inafanya, kuna maeneo makuu ya hatari na yasiyo hakika.

Hatari ya Fedha

Hatari ya fedha ni pamoja na hatari ya mikopo, ukwasi na soko. Sera ya Benki ya usimamizi wa hatari za hasara inatolewa na Bodi kufanyiwa kazi na Menejimenti. Sera hizi zinahusisha utambuaaji, kutathmini na njia za kukabiliana na hatari hizo. Maelezo zaidi ya hatari ya fedha yametolewa katika muhtasari namba 5 wa Taarifa za Hesabu.

Hatari ya Utendaji

Uwezekano wa Benki kupata hatari ya hasara

Report of the Directors

For the Year Ended 31 December 2011 (Continued)

people, systems or external events. The Bank's operational risk policies and framework supports the achievements of its financial and business goals.

Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

unaweza kutokana na mapungufu au kufeli kwa taratibu za ndani, watu, mifumo au matukio ya nje. Sera na muundo wa Benki wa uthibiti wa hatari vinasaidia Benki kufikia malengo yake ya fedha na biashara.

20. Key Performance Indicators (KPIs)

20. Kipimo Cha Utendaji

Key performance indicator Kipimo cha utendaji	Definition and Formula Tafsiri na Fomula	CRDB Bank ratios/Uwiano 2011 2010	
Return on Equity Rejesho kwenye Mtaji	(Net Profit/Total equity)*100% (Faida baada ya kodi/Jumla ya Mtaji)*100%	15%	20%
Return on Assets Rejesho kwenye Rasilimali	(Profit Before Tax/Total assets) *100% (Faida kabla ya kodi/Jumla ya Rasilimali)*100%	2%	3%
Operating expenses to Operating Income Gharama za uendeshaji kwa pato la uendeshaji	(Operating expense/Net interest income + Non Interest income) *100% (Gharama za Uendeshaji/Pato Halisi la Riba + Pato lisito la Riba) *100%	62%	57%
Earnings per share Pato kwa hisa	Profit attributable to equity share holders/ Number of ordinary shares in issue Faida iliyotokana na mtaji wa wanahisa/ Idadi ya hisa za kawaida zilizotolewa	17.32	21.70
Gross loans to customer deposits Jumla ya mikopo kwa amana za wateja	(Total loans to customers/ Total deposits from customers) *100% (Mikopo kwa wateja/amana toka kwa wateja) *100%	59%	56%
Non-performing loans to total loans ** Mikopo isiyofaa kwa jumla ya mikopo**	(Non-performing loans/Gross loans and advances) *100% (Mikopo isiyofaa/Jumla ya mikopo) *100%	11%	11%
Growth on total assets Ukuaji wa Rasilimali	(Trend(Current year total assets-Previous year total asset)/ Previous year total asset)*100% (Mwenendo-Rasilimali za mwaka uliyopita)/ Rasilimali za mwaka uliyopita)*100%	18%	24%
Growth on customer deposits Ukuaji wa amana za wateja	(Trend(Current year deposits-Previous year deposits)/ Previous year deposits)*100% (Mwenendo(Amana za mwaka huu-Amana za mwaka uliyopita)/ Amana za mwaka uliyopita)*100%	19%	25%
Tier 1 Capital ratio Uwiano wa Mtaji wa Tier 1	(Core capital/Risk weighted assets including off balance sheet items)*100% (Mtaji Mkuu/Rasilimali hatarishi pamoja na zilizo nje ya mizania)*100%	15%	18%
Tier 2 Capital ratio Uwiano wa Mtaji wa Tier 2	(Total capital/Risk weighted assets including off balance sheet items) *100% (Jumla ya mtaji/Rasilimali hatarishi pamoja na zilizo nje ya mizania) *100%	15%	18%

** Non performing loans include Government guaranteed loans which amount to TZS 21.3 billion as at 31 December 2011.

** Mikopo isiyofaa ni pamoja na ile yenye udhamini wa Serikali TZS 21.3 bilioni hadi 31 Desemba 2011.

Report of the Directors

For the Year Ended 31 December 2011 (Continued)

21. Critical Accounting Policies

The 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 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 Note 4 to the Financial Statements.

Impairment of loans and advances

Loan impairment allowances represent Management's best estimate of losses incurred on the loan portfolios at the end of the reporting period. Impairment allowances for the year were TZS 46 billion or 3.1% (2010: TZS 30 billion; 2.6%) of the gross loans and advances which stood at TZS 1,475 billion (2010: TZS 1,154 billion).

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 liabilities recognized on the Group's statement of financial position in year 2011 amounted to TZS 252 million (2010: TZS 54).

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.

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 352 million (2010: TZS 250 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 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

Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

21. Sera Muhimu za Kihisibu

Matokeo ya kampuni yanazingatia sera za kihisibu, makisio na makadirio katika kuandaa majumuisho ya Taarifa za Fedha. Wakati wa kuandaa Taarifa za Fedha ni wajibu wa Wakurugenzi chini ya Sheria ya Makampuni ya mwaka 2002 kuchagua sera za kihisibu zinazofaa na kufanya maamuzi na makadirio ambayo ni ya busara. Sera za kihisibu ni muhimu kwa matokeo na taarifa za kifedha, kwa umuhimu wa yaliyomo ambayo sera inatumia pia kiwango cha ufikiri kilichotumika na matumizi ya makisio na makadirio, yameelezwa ndani ya muhtasari namba 4 wa taarifa za fedha.

Kuharibika kwa mikopo

Kuharibika kwa mikopo kunamaanisha, makadirio ya Menejimenti kuhusiana na kiwango cha hasara kilichopatikana kutokana na mikopo kutolipika. Kwa mwaka 2011, kiwango cha hasara kutokana na mikopo isiyolipika ni shilingi 46 bilioni au asilimia 3.1 (2010: shilingi 30 bilioni, asilimia 2.6) jumla ya mikopo iliyotolewa ambayo ulikuwa shilingi 1,475 bilioni (2010: shilingi 1,154 bilioni).

Kodi ya rasilimali ambayo haijalipwa

Kutambua kodi ya rasilimali ambayo haijalipwa kunazingatia tathmini ya uwezekano na utimilifu wa kupatikana kwa faida itakayokatwa kodi siku za usoni, kurejeshwa kwa tofauti ya kodi siku za usoni na kuendelea kwa mpango mkakati wa kodi. Kiasi cha dhima ya kodi kwa mujibu wa taarifa ya fedha ya kampuni ya mwaka 2011 kilifikia shilingi 252 milioni (2010: shilingi 54 milioni).

Maamuzi kuhusiana na makadirio ya kodi itakayolipwa, yamezingatia athari chanya na hasi za ushahidi wa kihistoria wa utendaji kifedha, makisio ya pato litakalo katwa kodi baadaye, na marejesho ya kodi yatakayofanywa siku za baadaye.

Tengo la dhima

Kampuni imetenga dhima kwa ajili ya majukumu ya kimkataba. Akiba ya dhima, mwishoni mwa mwaka kwa ajili ya mambo ya kisheria yalifikia shilingi 352 milioni (2010: shilingi 250). Ushauri wa kitaalam unatumika katika kutenga tengi la dhima ya mambo ya kisheria.

Kutenga dhima kwa ajili ya michakato ya kisheria kunahitaji kiwango cha juu cha umakini katika maamuzi, kuliko katika maeneo mengine. Wakati, masuala ya kesi yapo katika hatua za awali kimchakato, maamuzi ya kihisibu kuhusu kiwango cha tengi la dhima yanakuwa magumu, kutokana na kiwango cha juu cha utata katika kutathimini kama

Report of the Directors

For the Year Ended 31 December 2011 (Continued)

estimates of the amount of any outflows that may arise. As matters progress through various stages of development, 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.

22. Risk Management And Internal Control

The Board accepts ultimate responsibility for the risk management and internal control function of the Bank. 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:

1. Operational efficiency;
2. Safety of the Bank's assets;
3. Compliance with applicable laws and regulations; and
4. 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 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 Bank.

In addition, the Board through its Risk Management and Audit Committee evaluated the internal control systems during the financial year ended 31 December, 2011. It is of the opinion that they adequately and efficiently mitigate risks inherent in the Bank's operations.

23. Solvency

The state of affairs of the Group and the Bank as at 31 December 2011 is set out on pages 38 and 39 of the financial statements respectively. The Directors consider the Group and Bank to be solvent within the meaning ascribed by the Companies Act, 2002.

24. Employees' Welfare

Management and Employees Relationship

There were continued good relations between employees and Management during the year 2011. There were no unresolved complaints received by Management from the employees during the year. The Bank entered into a collective agreement with Tanzania union of industrial and commercial

Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

majukumu ya sasa ya kibenki ni matokeo ya athari za matukio yaliyopita, kukadiria uwezekano wa fedha zitakazotoka na pia kukadiria uwezekano wa kiasi cha fedha kitakachokuja kutoka.

Kwa kadiri mambo yanavyozidi kusonga mbele katika hatua mbalimbali, Menejimenti ya Benki pamoja na washauri wa kisheria hufanya tathmini katika msingi endelevu ili kutambua kama tengo la dhima litambuliwe na kiasi kinacho kadiriwa cha dhima tengwa na kurejea maamuzi ya awali na makadirio kama itakavyoonekana inafaa.

22. Usimamizi wa Hatari za Hasara na Udhibiti wa Ndani

Bodi inakubali jukumu la mwisho la usimamizi wa hatari za hasara na udhibiti wa mfumo ya ndani. Ni jukumu la menejimenti kuhakikisha inajenga mfumo imara ya ndani ya usimamizi na uendashaji masuala ya kifedha na kuiendeleza ili ilete uhakika wa kuwepo kwa:

1. Uendeshaji wenye tija
2. Usalama wa rasilimali za Benki
3. Uzingatiaji wa sheria na taratibu zinazotumika kuendesha biashara ya Benki
4. Biashara endelevu

Uongozi mzuri katika uendeshaji wa biashara ya Benki unategemea kuwepo kwa mfumo makini wa udhibiti na usimamizi wa taratibu zilizowekwa. Ili kuhakikisha kwamba mfumo wa udhibiti na usimamizi wa hatari za hasara unafanya kazi kwa tija na ufanisi, Benki inayo idara kamili ya usimamizi na udhibiti wa hatari za hasara na udhibiti wa ndani. Idara hii inasimamia na kuratibu utekelezaji wa mfumo mzima wa Benki katika kusimamia hatari za hasara na udhibiti ndani ya Benki.

Kwa kuongezea, Bodi kupitia kamati yake ya Usimamizi wa Hatari za Hasara na Ukaguzi walitathmini mfumo wa udhibiti wa ndani kwa kipindi cha mwaka wa fedha ulioishia tarehe 31 Desemba 2011. Ni maoni yetu kuwa udhibiti vinatosheleza kuzuia hatari za hasara zilizomo kwenye biashara ya Benki.

23. Hali ya Fedha

Hali ya fedha ya Benki na kampuni tanzu kama ilivyokuwa mnamo tarehe 31 Desemba 2011 imeainishwa vizuri katika ukurasa wa 38 na 39 wa taarifa ya fedha ya mwaka. Wakurugenzi wanatambua kuwa Benki iko katika hali nzuri ya kifedha kama ilivyoainishwa na Sheria ya Makampuni nchini ya mwaka 2002.

Report of the Directors

For the Year Ended 31 December 2011 (Continued)

workers (TUICO) in May 2011 with the purpose of enhancing employer/employee relations at the work place.

Training Facilities

During the year, the Bank spent TZS 4.30 billion (2010 - TZS 3.6 billion) on staff training in order to improve employees' technical skills and enhance effectiveness. The Bank met another milestone in February 2011 by introducing professional banking programmes on distance learning mode. This will allow all employees across the Bank irrespective of their locations, to have an equal opportunity in pursuing and acquiring the professional qualification.

Medical Assistance

All members of staff and up to a maximum number of four beneficiaries (dependants) for each employee were availed medical services. The current services are managed by AAR Health Services (T) Limited.

Health and Safety

The Bank takes all reasonable and practicable steps to safeguard health, safety and welfare of its employees. A safe working environment is ensured for all employees by providing adequate and proper personal protective equipment, training and supervision as necessary.

Financial Assistance to Staff

Loans are available to all confirmed employees depending on the assessment and the discretion of Management as to the need and circumstances, as long as it is in line with Human Resources and Credit Policies.

Persons with Disabilities

It is the Group's policy to give employment to disabled persons wherever practicable. At present there are 2 members of staff with disabilities.

Employees' Benefit Plan

The Group pays mandatory contributions to a publicly administered pension scheme which qualifies to be a defined contribution plan. The Group also operates a defined benefit plan for qualifying employees through a specially established fund CRDB Bank Group Endowment Scheme which is funded by contributions by the Group.

Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

24. Ustawi wa Wafanyakazi

Mahusiano ya Uongozi na Wafanyakazi

Kumekuwepo na uhusiano mzuri kati ya uongozi na wafanyakazi kwa mwaka 2011. Hapakuwa na tatizo lililoufikia uongozi ambalo halikutatuliwa katika mwaka huu. Benki iliingia kwenye makubaliano ya mkataba wa hiari na Chama cha Wafanyakazi wa Viwanda na Biashara (TUICO) mwezi Mei 2011 kwa madhumuni ya kuboresha mahusiano ya mwajiri na mwajiriwa sehemu ya kazi.

Mafunzo

Katika mwaka Benki ilitumia shilingi 4.30 bilioni (2010- 3.6 bilioni) kwa mafunzo ya wafanyakazi ili kuongeza ujuzi na uwezo katika kazi. Benki ilipata mafanikio mengine mwezi Februari, 2011 kwa kuanzisha programu za mafunzo ya mbali. Hii itawezesha wafanyakazi wote wa Benki bila kujali waliko, kupata fursa sawa za kujiongezea ufundi stadi.

Huduma za Matibabu

Wafanyakazi wote pamoja na wategemezi wao wasiozidi wanne wanapata huduma za matibabu. Kwa sasa huduma za afya zinatolewa na kampuni ya AAR Health Services (T) Limited.

Afya na Usalama

Benki imechukua hatua maalum ili kulinda afya, usalama na ustawi wa wafanyakazi wake. Mazingira salama ya kazi yamewekwa kwa kila mfanyakazi kwa kutoa vifaa vya kutosha vya kujilinda, mafunzo na mwongozo unaohitajika.

Mikopo ya Fedha kwa Wafanyakazi

Mikopo inatolewa kwa wafanyakazi wote waliothibitishwa ajira zao kutegemea na tathmini na maamuzi ya menejimenti kutokana na mahitaji na hali ya mkopaji.

Watu Wenye Ulemavu

Ni sera ya Benki kutoa ajira kwa watu wenye ulemavu pale inapofaa. Kwa sasa kuna wafanyakazi wawili wenye ulemavu.

Mafao kwa Wafanyakazi

Benki inalipia michango ya lazima ya wafanyakazi kwa mashirika ya mifuko ya kijamii inayokubalika kuwa mpango maalumu wa kuchangia. Pia kuna utaratibu maalum wa mafao kwa wafanyakazi wenye sifa (CRDB Bank Group Endowment Scheme) ambao huchangiwa na Benki.

Report of the Directors

For the Year Ended 31 December 2011 (Continued)

Staffing

The average number of employees during the year was 1,658 employees (2010-1,447 employees).

The annual growth in staffing was 15%. This is in line with the business growth and opening of new branches.

25. Gender Parity

Out of the total number of staff in the Group's employment as at 31 December 2011, 986 were male and 672 female. The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion, and disability which does not impair ability to discharge duties.

26. Related Party Transactions

All related party transactions and balances are disclosed in note 45 to the financial statements.

27. Political and Charitable Donations

The Bank did not make any political or charitable donations during the year.

28. Relationship with Stakeholders

The Bank continued to maintain good relations with all stakeholders.

29. Environmental Control Programme

The Bank 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 Bank insists on compliance with statutory environmental impact assessment requirements for projects it supports.

30. Corporate Social Responsibility

The Group implemented its Corporate Social Responsibility (CSR) and Sponsorship focusing on social priorities of education, health and environment greater emphasis being placed on less fortunate groups in the society. The Group also contributed funds to the victims of various disasters that befell the country in 2011. It contributed to the victims of the MV Islander ferry disaster, Gongo la Mboto bomb disaster as well as the disastrous Dar es Salaam floods victims.

Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

Wafanyakazi

Wastani wa idadi ya wafanyakazi katika mwaka huu ni 1,658 (2010- wafanyakazi 1,447). Ukuaji wa idadi ya wafanyakazi kwa mwaka ni asilimia 15. Hii ni sambamba na ukuaji wa biashara na uanzishwaji wa matawi mapya ya Benki.

25. Usawa wa Jinsia

Hadi kufikia Desemba 2011, Benki ilikuwa na wafanyakazi wanaume 986 na wanawake wakiwa 672. Benki ya CRDB ni mwajiri anayetoa fursa sawa kwa jinsia zote. Inatoa nafasi na fursa sawa za ajira na kuhakikisha kuwa wafanyakazi mahali walipo wanajaza nafasi zinazojitokeza za ajira bila upendeleo au ubaguzi wa aina yoyote na bila kujali vigezo kama vile jinsia, ndoa, kabila, dini, na ulemavu usioathiri utendaji wa kazi.

26. Shughuli na Wenye Uhusiano

Miamala yote ya wenye uhusiano na salio imeainishwa katika kifungu cha 45 cha taarifa za hesabu za fedha.

27. Misaada ya Kisiasa

Benki haikutoa misaada ya kisiasa katika mwaka huu.

28. Mahusiano na Wadau

Benki iliendelea kuwa na mahusiano mazuri na wadau wote.

29. Programu za Mazingira

Kampuni inasaidia uwekezaji katika sekta muhimu kama vile kilimo, viwanda na utalii; ambazo utunzaji na uhifadhi wa mazingira ni suala muhimu hasa katika kipindi hiki ambacho mabadiliko ya tabia nchi yamekuwa ni changamoto kwa nchi zote ikiwemo Tanzania.

Katika kuunga mkono jitihada ya kuhifadhi na utunzaji wa mazingira, kampuni inakazia kutimiza mahitaji ya kisheria ya kufanya upembuzi wa athari za mazingira za kila mradi inayounga mkono.

30. Misaada ya Kijamii (CSR)

Benki na kampuni yake tanzu iliendelea kusimamia jukumu lake la kushiriki katika shughuli za kusaidia jamii ikiweka msisitizo zaidi kwenye vipaumbele vya elimu, afya na mazingira mkazo ukiwekwa kwenye makundi yenye fursa finyu katika jamii. Kundi pia lilichangia fedha kwa wahanga wa majanga yaliyoikumba nchi mwaka 2011. Lilichangia wahanga wa majanga ya MV Islander, mabomu ya Gongo la Mboto pamoja na mafuriko ya Dar es Salaam.

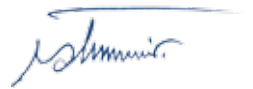
Report of the Directors

For the Year Ended 31 December 2011 (Continued)

31. Auditors

The Annual General Meeting held on 25 June 2011 appointed Deloitte & Touché as auditors of the Bank for the year under review.

By Order of the Board



Signed

23rd March 2012

Date

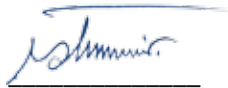
Taarifa ya Wakurugenzi

Kwa Kipindi Kilichoishia 31 Desemba 2011 (Inaendelea)

31. Wakaguzi wa Hesabu

Mkutano Mkuu wa Mwaka wa Wanahisa uliofanyika tarehe 25 Juni 2011 uliteua kampuni ya Deloitte & Touche kuwa mkaguzi wa mahesabu ya Benki kwa mwaka huo.

Kwa Amri ya Bodi



Imesainiwa

23 Machi 2012

Tarehe

Statement of the Directors Responsibilities

For the Year Ended 31 December 2011

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

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

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

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



Chairman



Director

Taarifa Juu ya Wajibu wa Wakurugenzi

Kilichoishia 31 Desemba 2011

Sheria ya Makampuni ya mwaka 2002 inawataka Wakurugenzi kuandaa taarifa za fedha kwa kila mwaka wa fedha inayotoa taswira ya ukweli na uhalisia wa hali ya masuala ya Benki na kampuni tanzu kama ilivyokuwa mwishoni mwa mwaka wa fedha na matokeo yao ya uendeshaji kwa mwaka huo.

Pia inawahitaji Wakurugenzi kuhakikisha kwamba Benki na kampuni tanzu zinatunza kumbukumbu sawa za kihalisi inayoweka wazi na kwa uhalisia kadri inavyoweza wakati wote hali ya kifedha Benki peke yake na nyingine yenye kujumuisha kampuni tanzu. Pamoja na hiyo, Wakurugenzi wanawajibu wa kutunza rasilimali za Benki zikijumuishwa pamoja na zile za Kampuni tanzu.

Wakaguzi wanawajibika kuandaa taarifa ya fedha inayotoa taswira ya ukweli na uhalisi kwa kiwango cha Kimataifa (IFRS) uwasilishaji wa taarifa za kifedha na matakwa ya sheria ya makampuni ya mwaka 2002 na ile ya benki na taasisi za fedha ya mwaka 2006 na vidhibiti vya ndani kadri ya Wakurugenzi wataona inafaa kuwezesha uandaaji wa taarifa za fedha zilizo huru dhidi ya upotoshaji itokanayo na udanganyifu au kwa kukosea.

Wakurugenzi wanakubali jukumu la utoaji taarifa ya mwaka wa mahesabu, ambazo zimeandaliwa kwa kutumia taratibu bora za utunzaji mahesabu zinazosaidiwa na maamuzi na makadirio sahihi kwa kuzingatia viwango vya utoaji taarifa za mahesabu vya kimataifa na kwa maana inavyohitajika na sheria za makampuni ya mwaka, 2002 na taasisi za fedha ya mwaka 2006.

Wakurugenzi wanaridhia kuwa taarifa za fedha za mwaka zinatoa ukweli na uhalisia wa masuala ya kundi kwenye taarifa ya mwaka wa fedha na kwenye taarifa ya utendaji wa kundi. Pia Wakurugenzi wanakubali wajibu wa utunzaji kumbukumbu za mahesabu ambayo yanaweza kutegemewa katika uandaaji wa taarifa za hesabu, pamoja na mifumo inayojitosheleza ya udhibiti wa mahesabu ya ndani.

Hakuna jambo lolote lililoleta hisia kwa wakurugenzi kwamba kundi halitabakia katika biashara hai kwa walau kipindi kingine cha miezi kumi na miwili kuanzia tarehe ya taarifa hii.



Mwenyekiti



Mkurugenzi

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CRDB BANK PLC

Report on the Financial Statements

We have audited the accompanying financial statements of CRDB Bank Plc and its subsidiary set out on pages 37 to 94, which comprise the consolidated and Bank statements of financial position as at 31 December 2011, and the consolidated and Bank statements of comprehensive income, consolidated and bank statements of changes in equity and the consolidated and Bank 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act 2006, and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 financial position of the Bank and its subsidiary as at 31 December 2011, and of their profits and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

Report on Other Legal and Regulatory Requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and
- iii) the Bank's statement of financial position (balance sheet) and statement of comprehensive income (profit and loss account) are in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (T)
Dar es Salaam

Signed by: D.C. Nchimbi

23rd March 2012

CONSOLIDATED AND BANK STATEMENTS OF COMPREHENSIVE INCOME

	Note	GROUP		BANK	
		2011 TZS' Million	2010 TZS' Million (Restated)	2011 TZS' Million	2010 TZS' Million (Restated)
Interest income	7	192,362	160,039	188,357	156,685
Interest expense	8	(34,972)	(35,034)	(34,972)	(35,511)
Net interest income		157,390	125,005	153,385	121,174
Loan impairment charges	9	(31,216)	(20,357)	(31,216)	(20,357)
Net interest income after loan impairment charges		126,174	104,648	122,169	100,817
Fee and commission income	10	58,801	47,062	56,608	46,243
Fee and commission expense		(892)	(471)	(892)	(471)
Net fee and commission income		57,909	46,591	55,716	45,772
Net foreign exchange income	11	1,549	22,081	1,549	22,081
Other operating income	12	1,243	2,060	98	487
General and administrative expenses	13	(76,968)	(63,361)	(75,118)	(61,874)
Staff costs	14	(59,016)	(47,683)	(55,539)	(44,193)
Net gain/(loss) on fair value derivatives	22	122	(202)	122	(202)
Profit before tax		51,013	64,134	48,997	62,888
Tax charge	15(a)	(13,303)	(16,888)	(12,675)	(16,533)
Profit for the year		37,710	47,246	36,322	46,355
Other comprehensive income:					
Net actuarial gain on defined benefit plan	38	1,274	-	1,274	-
Deferred tax on actuarial gains		(319)	-	(319)	-
Other comprehensive income for the year, net of tax		955	-	955	-
Total comprehensive income for the year		38,665	47,246	37,277	46,355
Earnings per share					
Basic and diluted	16	17.32	21.70		

STATEMENT OF FINANCIAL POSITION

As at 31st December 2011

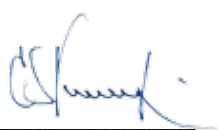
GROUP	Note	2011	2010	2009	2008
		TZS' Million	TZS' Million (Restated)	TZS' Million (Restated)	TZS' Million
ASSETS					
Cash and balances with Bank of Tanzania	17	447,450	348,538	313,645	184,642
Placements and balances with other Banks	18	210,702	295,413	252,605	140,456
Loans and advances to customers	19	1,429,262	1,123,348	949,505	836,803
Government securities	20	493,735	426,546	252,977	205,720
Other securities	21	200	600	1,617	3,703
Derivatives	22	122	-	-	-
Other assets	23	39,442	35,633	31,425	45,370
Current income tax recoverable	15(c)	12,271	6,682	5,280	456
Other Investments	25	1,200	600	-	-
Refurbishment costs	26	12,037	10,311	6,723	3,337
Intangible assets	27	14,062	12,121	3,934	1,184
Property and equipment	28	49,718	42,324	36,025	26,122
Leasehold land	29	3,440	3,286	734	401
Deferred income tax asset	36	-	-	209	1,604
Held for sale assets		-	-	-	3
TOTAL ASSETS		2,713,641	2,305,402	1,854,679	1,449,801
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	30	2,408,676	2,019,394	1,621,019	1,273,082
Deposit due to other banks	31	2,901	16,830	3,776	3,351
Derivatives	22	-	202	-	-
Other liabilities	32	36,834	25,477	19,982	30,005
Subordinated debt	33	1,920	1,920	1,920	1,920
FSDT Grant	34	139	399	300	334
FDCF Grant		-	-	-	60
RFSP Grant		-	-	58	116
CRDB Grant	35	18	27	38	-
Deferred income tax liability	36	252	54	-	-
Defined benefit liability	38	8,137	7,588	6,085	-
TOTAL LIABILITIES		2,458,877	2,071,891	1,653,178	1,308,868
EQUITY CAPITAL AND RESERVES					
Share capital	37	54,413	54,413	54,413	24,733
Share premium		18,765	18,765	18,765	-
Retained earnings		178,821	159,375	126,825	116,174
Statutory reserve		1,154	57	352	26
Defined benefit reserve	38	955	-	-	-
Revaluation reserve		656	901	1,146	-
TOTAL CAPITAL		254,764	233,511	201,501	140,933
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		2,713,641	2,305,402	1,854,679	1,449,801

The financial statements on pages 37 to 94 were approved and authorized for issue by the Board of Directors on

...23rd March... 2012 and signed on its behalf by:



Mr. Martin Mmari
Chairman



Dr. Charles Kimei
Managing Director



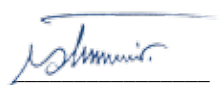
Joyce Luhanga
Director

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2011

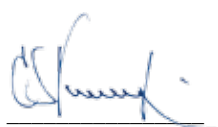
BANK	Note	2011	2010	2009	2008
		TZS' Million (Restated)	TZS' Million	TZS' Million (Restated)	TZS' Million
ASSETS					
Cash and balances with Bank of Tanzania	17	447,450	348,538	313,645	184,642
Placements and balances with other Banks	18	210,702	295,413	252,605	140,456
Loans and advances to customers	19	1,429,262	1,123,348	949,505	836,803
Government securities	20	493,735	426,546	252,977	205,720
Other securities	21	200	600	1,617	3,703
Derivatives	22	122	-	-	-
Other assets	23	39,407	35,590	31,115	44,828
Current income tax recoverable	15(c)	11,816	6,241	5,086	352
Investment in subsidiary	24	728	728	728	728
Other Investments	25	1,200	600	-	-
Refurbishment costs	26	12,037	10,311	6,723	3,337
Intangible assets	27	13,897	11,888	3,633	1,184
Property and equipment	28	49,128	41,661	35,148	25,567
Leasehold land	29	3,440	3,286	734	401
Deferred income tax asset	36	-	-	326	1,592
Held for sale assets		-	-	-	3
TOTAL ASSETS		2,713,124	2,304,750	1,853,842	1,449,316
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	30	2,408,986	2,019,937	1,621,452	1,273,601
Deposit due to other banks	31	2,901	16,830	3,776	3,351
Other liabilities	32	38,567	25,754	19,259	29,704
Subordinated debt	33	1,920	1,920	1,920	1,920
FSDT Grant		-	-	-	60
Derivatives	22	-	202	-	-
Deferred income tax liability	36	280	51	-	-
Defined benefit liability	38	8,137	7,588	6,085	-
TOTAL LIABILITIES		2,460,791	2,072,282	1,652,492	1,308,636
EQUITY CAPITAL AND RESERVES					
Share capital	37	54,413	54,413	54,413	24,733
Share premium		18,765	18,765	18,765	-
Retained earnings		176,410	158,407	126,803	115,921
Statutory reserve		1,154	57	352	26
Defined benefit reserve	38	955	-	-	-
Revaluation reserve		636	826	1,017	-
TOTAL CAPITAL		252,333	232,468	201,350	140,680
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		2,713,124	2,304,750	1,853,842	1,449,316

The financial statements on pages 37 to 94 were approved and authorized for issue by the Board of Directors on

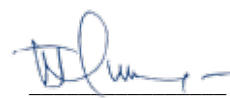
23rd March 2012 and signed on its behalf by:



Mr. Martin Mmari
Chairman



Dr. Charles Kimei
Managing Director



Joyce Luhanga
Director

STATEMENT OF CHANGES IN EQUITY

GROUP	Share capital TZS' Million	Share premium TZS' Million	Retained earnings TZS' Million	Statutory reserve** TZS' Million	Revaluation reserve*** TZS' Million	Defined benefit reserve** TZS' Million	Total TZS' Million
At 31 December 2009 (as previously reported)	54,413	18,765	132,588	352	1,146	510	207,774
Prior year adjustment (note 41)	-	-	(5,763)	-	-	(510)	(6,273)
At 31 December 2009 & 1 January 2010 (restated)	54,413	18,765	126,825	352	1,146	-	201,501
Profit for the year (restated)	-	-	47,246	-	-	-	47,246
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year (restated)	-	-	47,246	-	-	-	47,246
Transfer of excess depreciation	-	-	326	-	(326)	-	-
Deferred tax on excess depreciation	-	-	(81)	-	81	-	-
Transfer to statutory reserve	-	-	295	(295)	-	-	-
Dividends paid	-	-	(15,236)	-	-	-	(15,236)
At 31 December 2010 (restated)	54,413	18,765	159,375	57	901	-	233,511
At 1 January 2011 (as previously reported)	54,413	18,765	166,265	57	901	521	240,922
Prior year adjustment (note 41)	-	-	(6,890)	-	-	(521)	(7,411)
At 1 January 2011 (as restated)	54,413	18,765	159,375	57	901	-	233,511
Profit for the year	-	-	37,710	-	-	-	37,710
Other comprehensive income for the year, net of tax	-	-	-	-	-	955	955
Total comprehensive income for the year, net of tax	-	-	37,710	-	-	955	38,665
Transfer of excess depreciation	-	-	326	-	(326)	-	-
Deferred tax on excess depreciation	-	-	(81)	-	81	-	-
Transfer from statutory reserve	-	-	(1,097)	1,097	-	-	-
Dividends paid	-	-	(17,412)	-	-	-	(17,412)
At 31 December 2011	54,413	18,765	178,821	1,154	656	955	254,764

STATEMENT OF CHANGES IN EQUITY

BANK	Share capital TZS' Million	Share premium TZS' Million	Retained earnings TZS' Million	Statutory reserve** TZS' Million	Revaluation reserve*** TZS' Million	Defined benefit reserve** TZS' Million	Total TZS' Million
At 31 December 2009 (as previously reported)	54,413	18,765	132,566	352	1,017	510	207,623
Prior year adjustment (note 41)	-	-	(5,763)	-	-	(510)	(6,273)
At 31 December 2009 & 1 January 2010 (restated)	54,413	18,765	126,803	352	1,017	-	201,350
Profit for the year (restated)	-	-	46,355	-	-	-	46,355
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive income for the year (restated)	-	-	46,355	-	-	-	46,355
Transfer of excess depreciation	-	-	254	-	(254)	-	-
Deferred tax on excess depreciation	-	-	(64)	-	64	-	-
Transfer to statutory reserve	-	-	295	(295)	-	-	-
Dividend paid	-	-	(15,236)	-	-	-	(15,236)
At 31 December 2010 (restated)	54,413	18,765	158,407	57	826	-	232,468
At 1 January 2011 (as previously reported)	54,413	18,765	165,297	57	826	521	239,879
Prior year adjustment (note 41)	-	-	(6,890)	-	-	(521)	(7,411)
At 1 January 2011 (restated)	54,413	18,765	158,407	57	826	-	232,468
Profit for the year	-	-	36,322	-	-	-	36,322
Other comprehensive income for the year, net of tax	-	-	-	-	-	955	955
Total comprehensive income for the year, net of tax	-	-	36,322	-	-	955	37,277
Transfer of excess depreciation	-	-	254	-	(254)	-	-
Deferred tax on excess depreciation	-	-	(64)	-	64	-	-
Transfer to statutory reserve	-	-	(1,097)	1,097	-	-	-
Dividend paid	-	-	(17,412)	-	-	-	(17,412)
At 31 December 2011	54,413	18,765	176,410	1,154	636	955	252,333

* Statutory reserve represents the surplus of loan provision computed as per the Bank of Tanzania regulations paragraph 26 of the Management of Risk Assets Regulations, 2008 issued by the Bank of Tanzania over the impairment of loans and advances as per International Accounting Standard (IAS) No. 39.

** 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).

*** Revaluation reserve is made of periodic adjustment arising from the fair valuation of motor vehicles, net of related deferred taxation. The reserve is not available for distribution to the shareholders.

**** Defined benefit reserve: Represents accumulated actuarial gains and losses on valuation of the Group's defined benefit plan.

CONSOLIDATED AND BANK STATEMENT OF CASH FLOWS

		GROUP		BANK	
	Note	2011 TZS' Million	2010 TZS' Million (Restated)	2011 TZS' Million	2010 TZS' Million (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	40(a)	(25,931)	142,500	(26,748)	141,652
Taxation paid	15(c)	(20,112)	(18,028)	(19,440)	(17,311)
Tax refund		1,099	-	1,099	-
Net cash (used in)/generated by operating activities		(44,944)	124,472	(45,089)	124,341
CASH FLOWS FROM INVESTING ACTIVITIES					
Other investments	25	(600)	(600)	(600)	(600)
Refurbishment costs	26	(5,321)	(6,007)	(5,321)	(6,007)
Purchase of intangible assets	27	(3,826)	(10,010)	(3,826)	(10,010)
Purchase of property and equipment	28	(16,886)	(14,670)	(16,736)	(14,539)
Acquisition of leasehold land	29	(194)	(2,565)	(194)	(2,565)
Proceeds on disposal of property and equipment		70	397	65	397
Net cash used in investing activities		(26,757)	(33,455)	(26,612)	(33,324)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(16,872)	(14,772)	(16,872)	(14,772)
Net cash used in financing activities		(16,872)	(14,772)	(16,872)	(14,772)
Net (decrease)/increase in cash and cash equivalents		(88,573)	76,245	(88,573)	76,245
Cash and cash equivalents at 1 January		529,344	453,099	529,344	453,099
Cash and cash equivalents at 31 December	40(b)	440,771	529,344	440,771	529,344

Notes to the financial statements

1. Reporting entity

CRDB Bank Plc (the "Bank") and its subsidiary (together, "the Group") provide corporate and retail Banking including microfinance services in Tanzania. The Bank is a public limited company incorporated under the Companies Act 2002 and domiciled in Tanzania.

The Bank and its subsidiary, CRDB Microfinance Services Company Limited operate in Tanzania.

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
P. O Box 268
Dar es Salaam

2. Application of new and revised International Financial Reporting Standards (IFRSs)

(i) New and revised IFRSs affecting amounts reported in the current and/or prior years

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in the financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010).

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. The Group continued to disclose such items in the statement of changes in equity and the amendment had no effect on the Group's financial statements.

IAS 24 Related Party Disclosures (as revised in 2009)

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiary are not government-related entities and have no equity. The application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.

Amendments to IAS 32 Classification of Rights Issues.

The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement

IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendment had no effect on the Group's financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments.

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments

Notes (Continued)

issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years

because the Group has not entered into any transactions of this nature.

Improvements to IFRSs issued in 2010

The application of Improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the Group's financial statements

(ii) New and revised IFRSs in issue but not yet effective in the year ended 31 December 2011

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9, Financial Instruments – Classification and Measurement (2010)	1 January 2015
Amendments to IFRS 7	1 July 2011
IAS 12, Income Taxes – limited scope amendment (recovery of underlying assets)	1 January 2012
IAS 1, Presentation of Financial Statements – presentation of items of other comprehensive income	1 July 2012
IAS 19, Employee Benefits (2011)	1 January 2013
IAS 27, Separate Financial Statements (2011)	1 January 2013
IAS 28, Investments in Associates and Joint Ventures (2011)	1 January 2013
IFRS 10, Consolidated Financial Statements	1 January 2013
IFRS 11, Joint Arrangements	1 January 2013
IFRS 12, Disclosure of Interests in Other Entities	1 January 2013
IFRS 13, Fair Value Measurement	1 January 2013
Amendment to interpretations	
IFRIC 20 – Stripping costs in the production phase of a surface mine	1 January 2013

Notes (Continued)

(iii) Impact of new and revised IFRSs on the financial statements for the year ended 31 December 2011 and future annual periods

• IFRS 9, Financial Instruments

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The Directors anticipate that IFRS 9 will be adopted in the Group's financial statements for the annual period beginning 1 January 2015 and that

application of IFRS 9 may have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed

• Amendments to IFRS 7

These amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The directors do not anticipate that these amendments to IFRS 7 will not have a material impact on the Group's disclosures as the Group has not entered into any such transfers. However, if the Group enters into such transfers of financial assets in the future, disclosures regarding those transfers may be affected.

• IFRS 10: Consolidated Financial Statements

IFRS 10 requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 'Consolidated and Separate Financial Statements' and SIC-12 'Consolidation - Special Purpose Entities'.

The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. The Standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in 'special purpose entities'). Under IFRS 10, control is based on whether an investor has:

- power over the investee
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the returns.

The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

Notes (Continued)

• IFRS 11: Joint Arrangements

IFRS 11 replaces IAS 31 'Interests in Joint Ventures'. It requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:

- A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognise their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly).
- A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 'Investments in Associates and Joint Ventures (2011)'. Unlike IAS 31, the use of 'proportionate consolidation' to account for joint ventures is not permitted.

The standard is effective for annual periods beginning on or after 1 January 2013. The Group will apply this amendment prospectively. The Group is yet to assess the full impact of IFRS 11, however, the Group would have to apply this standard to any such arrangements entered in future.

• IFRS 12: Disclosure of Interests in Other Entities

IFRS 12 requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgements and assumptions - such as how control, joint control, significant influence has been determined
- Interests in subsidiaries - including details of

the structure of the group, risks associated with structured entities, changes in control, and so on

- Interests in joint arrangements and associates
 - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarised financial information).
- Interests in unconsolidated structured entities
 - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities

IFRS 12 lists specific examples and additional disclosures which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

The standard is effective for annual period beginning on or after 1 January 2013. The Group will apply this standard prospectively and the directors anticipate that when adopted, disclosures regarding interests in other entities will be affected.

• IFRS 13 Fair Value Measurements

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements).

With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;

Notes (Continued)

- Level 2 - inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 - unobservable inputs for the asset or liability.

The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that the application of the new standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements, however, the Group is yet to assess IFRS 13's full impact and intends to adopt the standard no later than the accounting period beginning on or after 1 January 2013.

- **IAS 27 Separate Financial Statements (2011)**

Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements.

The Standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments.

The Standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

The standard is effective for annual periods beginning on or after 1 January 2013. The Group will apply this amendment prospectively. The directors anticipate no material impact to the Group's financial statements.

- **IAS 28 Investments in Associates and Joint Ventures (2011)**

This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

The standard is effective for annual periods beginning on or after 1 January 2013. The Group will apply this amendment prospectively. The directors, however, anticipate no material impact to the Group's financial statements.

- **Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)**

These amend IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. As a result of the amendments, SIC-21 Income Taxes - Recovery of Revalued Non-Depreciable Assets would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

The amendments to IAS 12 are effective for annual periods beginning on or after 1 January 2012. The Group will apply this amendment prospectively. The directors anticipate no material impact to the Group's financial statements currently. However, the Group would have to apply this standard to any such arrangements entered into in the future.

- **Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)**

These amend IAS 1 Presentation of Financial Statements to revise the way other comprehensive income is presented.

The amendments:

- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and OCI to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a

Notes (Continued)

separate 'statement of profit or loss' and a 'statement of comprehensive income' – rather than requiring a single continuous statement as was proposed in the exposure draft.

- Require entities to group items presented in OCI based on whether they are potentially reclassifiable to profit or loss subsequently. i.e. those that might be reclassified and those that will not be reclassified.
- Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

(iv) Early adoption of standards

• IAS 19 (as revised in 2011)- Employee Benefits

The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

In 2011, the Group has applied IAS 19 (as revised in 2011) Employee Benefits and the related consequential amendments in advance of its effective date. The Group has chosen 31 December 2011 as its date of initial application. The Group has applied IAS 19 (as revised in 2011) retrospectively and comparative amounts have been restated, where appropriate. The impact of the application of IAS 19 (as revised in 2011) is that the actuarial gains and losses on the defined benefit obligation have been restated. The Group classifies its expenses by the nature of

expense methodology.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in note 5.

The Group and Bank statements of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiary (CRDB Microfinance Services Company Limited) for the year 2011

Subsidiaries are those companies in which the Bank either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power to exercise control over the operations of the entities. Subsidiaries are consolidated from the date on which effective control is transferred to the group. Consolidation ceases from the date of disposal or when the Bank effectively loses control.

Intra-company group transactions, balances, income and expenses are eliminated in full on consolidation.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest

Notes (Continued)

in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Investment in subsidiaries is accounted for at cost in the financial statements of the Bank.

3.3 Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control.

When the Group undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

When the Group transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

3.4 Foreign currencies

(a) Functional and presentation currency

The financial statements of the Group and the Bank are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Tanzania shillings, which is the Group's functional and presentation currency.

Except as indicated, financial information presented in Tanzania Shillings has been rounded to the nearest million.

(b) Transactions and balances

In preparing the consolidated financial statements, transactions in currencies other than the Tanzania Shilling are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

3.5 Interest income and expense

Interest income and expense for all interest bearing financial instruments are recognized in the profit or loss for the year on accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instruments (or, where appropriate, a shorter period) to the carrying amount of the financial instruments. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest that was used to discount the future cash flows for purposes of measuring the allowance for impairment.

3.6 Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized as revenue

Notes (Continued)

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 are recognized on completion of the underlying transaction.

3.7 Net foreign exchange trading income

Net trading income arises from the margins which are achieved through market-making and customer business and from changes in market value caused by movements in exchange rates. Trading positions are held at fair value and the resulting gains and losses are included in profit or loss, together with those arising from the long and short positions and funding costs relating to trading activities.

3.8 Financial instruments

The Group initially recognizes loans and advances, deposits and debt securities issued on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

(i) Financial assets

The Group classifies its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets.

Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial

liabilities are included in 'net income from financial instruments designated at fair value'.

The Group designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. According to IAS 39, the fair value option is only applied when the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis or
- the financial assets consists of debt host and an embedded derivatives that must be separated.

The fair value option is applied to investment funds that are part of a portfolio managed on a fair value basis, and structured instruments that include embedded derivatives. Financial assets for which the fair value option is applied are recognised in the consolidated statement of financial position as 'Financial assets designated at fair value'. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

(b) Loans and receivables

Loans and receivables to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which the Group does not intend to sell immediately or in the near future. Loans and receivables to customers are recognized when cash is advanced to borrowers.

(c) Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

(d) Available-for-sale financial assets (AFS financial assets)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a)

Notes (Continued)

loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed off or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Impairment of financial assets

(a) Assets carried at amortised cost

The Group reviews regularly, on a case-by-case basis, whether any objective evidence exists of impairment, individually for financial assets that are significant and individually or collectively for financial assets that are not individually significant. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Loans and receivables are recognised initially at fair value and subsequently measured at amortised

cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the 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 the profit or loss as 'impairment loss on loans and receivables'. When a loan or receivable is uncollectible, it is written off against the related allowance account. Subsequent recoveries of amounts previously written off are credited through profit or loss.

Objective evidence that loans and receivables are impaired can include significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 60 days overdue), the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Group are considered indicators that the loans or receivable is impaired.

In assessing impairment losses, the Group considers the following factors, in each category:

(i) Individually assessed loans

- The aggregate exposure to the Group.
- The viability of the customer's business model and its capacity to trade successfully out of financial difficulties and generate sufficient cash flows to meet its debt obligations.
- The realisable value of the security (or other mitigants) and likelihood of successful repossession net of any costs involved in recovery of amounts.
- The amount and timing of expected receipts and, in cases of liquidation or bankruptcy, dividend available.
- The extent and complexity of other creditors commitment ranking pari passu with the Group and the likelihood of other creditors continuing to support the customer.

(ii) Collectively assessed

- For loans not subject to individual assessment,

Notes (Continued)

to cover losses which have been incurred but have not yet been identified.

- For homogeneous groups of loans that is not considered individually significant, where there is objective evidence of impairment.

Homogeneous groups of loans

For homogeneous groups of loans that are not considered individually significant, or in other cases, when the portfolio size is small or when information is insufficient or not reliable enough, the Group adopts a formulaic approach which allocates progressively higher percentage loss rates in line with the period of time for which a customer's loan is overdue. Loss rates are calculated from the discounted expected future cash flows from a portfolio. These rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure they remain appropriate.

(b) Amounts classified as available for sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. 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 other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

(c) Loan write – offs

An uncollectible loan is written off against the relevant provision for impairment, either partially or in full, when there is no realistic prospect of recovery and the proceeds from realising the security have been substantially or fully recovered.

(d) Restructured loans

Restructured loans, whose terms have been renegotiated are no longer considered to be past due but are treated as new loans after the minimum required number of payments under the new arrangement have been received.

(ii) Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

(a) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(b) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

(i) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

(ii) Other financial liabilities

Other financial liabilities including deposits, borrowings and trade and other payables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate a shorter period, to the net carrying amount on initial recognition.

Financial guarantee contracts liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent

Notes (Continued)

Liabilities and Contingent Assets; and the amount initially recognised less, where appropriate, cumulative amortisation recognized in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(iii) Repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the consolidated financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other Banks, deposits from Banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other Banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the consolidated financial statements.

(iv) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk under foreign exchange forward contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

(v) Offsetting

Financial instruments are set off and the net amount reported in the statement of financial position when there is a legal right to set off the amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.9 Income taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as

reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or

Notes (Continued)

directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3.10 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 Bank 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.

3.11 Dividends on ordinary shares

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

3.12 Grants

Grants related to assets are treated as deferred income and released to the profit or loss over the expected useful lives of the assets concerned.

Grants towards improvement of Group's processes are recognized to profit or loss over the periods necessary to match them with the related costs.

3.13 Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition. These includes notes and coins on hand, unrestricted balances held with Bank of Tanzania, items in the course of collection from other banks, deposits held at call with banks, net of deposits and balances due to banking institutions and treasury bills with original maturities of less than three months. Such assets are generally subject to insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

3.14 Leases

When the Group is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is classified as a finance lease within loans and receivables. All other

lessees are classified as operating leases.

Minimum lease payments made under finance leases are apportioned between the finance income and the reduction of the outstanding principal. The finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the asset.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Rentals payable under operating leases are charged to profit or loss over the terms of the relevant lease.

3.15 Property and equipment

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 was determined with reference to the market value of the motor vehicles.

Any revaluation increase arising on the revaluation of such motor vehicles is recognized in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in the 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 the 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.

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 for the year operating expenses during the financial period in which they are incurred. Depreciation of other assets is

Notes (Continued)

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	5 years
Office equipment	5 years
Furniture and fittings	5 years
Smart card equipment	8 years
Mobile branch	5 years
Refurbishment costs	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.

3.16 Intangible assets

Acquired computer software and related licenses are stated at cost less accumulated amortization and accumulated impairment losses. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Where software is not an integral part of the related hardware it is recognised as an intangible asset.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is five to ten years.

The estimated useful life and amortisation method of intangible assets are reviewed at the end of each

reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss.

If objective evidence on impairment losses exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss.

In determining the recoverable amount, the Group considers the higher of the fair value of the asset less costs to sell, and value in use. In estimating value in use, the Group is cognisant of the estimated future cash flow discounted to the present value using a pre-tax discount rate that is reflective of the current market assessment of time value of money and the risks specific to the asset itself.

Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, and when there is indication that the asset may be impaired.

Where impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

3.17 Leasehold land

Payments to acquire leasehold interest in land which are under Government ownership are capitalized and amortized on a straight line basis over the period of the lease.

Notes (Continued)

3.18 Employee costs

(a) Retirement benefits obligations

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

In addition, Group operates a defined benefit incentive scheme through an entity specifically established to manage the Fund namely CRDB Bank Group Endowment Scheme Trust. The scheme is generally funded through contributions by the Group.

The Scheme entitles all employees leaving the employment of the Group after service of at least ten years or on attaining the age of 55 years to certain benefits which are based on pre-determined formulae.

The liability recognised in the consolidated statement of financial position in respect of the defined benefit incentive plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated every three years by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using reasonable interest rates. Actuarial gains and losses resulting from increases and decreases in the present value of the defined benefit obligation are recognized in other comprehensive income and accumulated under the heading defined benefit reserve under equity.

Contract staff is entitled to gratuity payment at the completion of the contract. Provision is made for gratuity in line with the contracts.

Entitlements to annual leave are recognized when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued at the end of the reporting period end.

(b) Short-term benefits

Short-term employee benefit obligations (e.g. medical reimbursements and insurance) are measured on an undiscounted basis and are expensed as the related service is provided.

3.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.20 Statutory reserve

IAS 39 requires the Group to recognise an impairment loss when there is objective evidence that loans and receivables are impaired. However, Bank of Tanzania prudential guidelines require the Bank to set aside amounts for impairment losses on loans and advances in addition to those losses that have been recognised under IAS 39. Any such amounts set aside represent appropriations of retained earnings and not expenses in determining profit or loss for the year. These amounts are dealt with in the statutory reserve.

3.21 Provisions for liabilities and other claims

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

3.22 Contingent liabilities

Letters of credits, acceptances and guarantees are generally written by the group to support performance of the customer to third parties. The group will only be required to meet these obligations in the event of the customer's default. These obligations are accounted for as off balance sheet transactions and disclosed as contingent liabilities.

Notes (Continued)**3.23 Fiduciary activities**

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements. Some of these arrangements involve the Bank accepting targets for benchmark levels of returns for the assets under the Bank's care.

3.24 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (Group management). Management then allocates resources to each operating segment of the Group and assesses their performance. The operating segments are based on the Group's management and internal reporting structure. In accordance with IFRS 8, Operating Segments, the Group has the following business segments; corporate banking, retail banking and treasury (see note 6).

3.25 Comparatives

Except otherwise required, all amounts are reported or disclosed with comparative information.

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

4. Critical Accounting Estimates and Key Sources of Uncertainties

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

4.1 Impairment losses on loan and receivables

The group reviews its loan portfolios to assess impairment regularly. In determining whether an impairment loss should be recorded in the profit or loss, the group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable

data indicating that there has been an adverse change in the payment status of borrowers 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 for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

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

4.2 Held to maturity investments

The Group follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investment to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances - for example, selling an insignificant amount close to maturity, it will be required to reclassify the entire class as available for sale. The investments would therefore be measured at fair value not amortized cost.

4.3 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. During the year, the director determined that the useful lives of certain assets should be increased as follows:

Asset category	Useful life 2011	Useful life 2010
Building	40 years	20 years
Motor vehicles	5 years	4 years
Intangible asset-core banking Software	10 years	5 years

This has led to decrease in depreciation and amortisation expense for the year by TZS 1,968 million (2010: TZS nil).

Notes (Continued)

4.4 Fair value of trade receivables and payables

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4.5 Taxes

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

5. Financial Risk Management Objectives

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 financial 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 minimise potential adverse effects on the Group's financial performance. The Group's risk management policies are designed to identify and analyse 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 measuring, monitoring, controlling and mitigation 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 and 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
 - Interest rate risk
 - Foreign exchange 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.

5.1 Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the group. It arises principally from lending, trade finance and treasury activities. The amounts presented in the statements of financial position are net of impairment for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

i) Management of credit risk

- Formulating credit policies, covering risk acceptances criteria in target market, collateral

Notes (Continued)

requirements, credit appraisal, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorization structure for the approval of credit facilities.
- Reviewing and assessing credit risk on all exposures in excess of approval limits of the management prior to facilities being committed to customers.
- Limiting concentrations of exposure to counterparties and industries (for loans and advances).
- Developing and maintaining the group's risk grading system in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of several grades reflecting varying degrees of risk of default and other credit risk mitigation. The responsibility for setting risk grades lies with the Committee and risk grades are subject to regular reviews by the Board.
- Reviewing reports on compliance with agreed exposure limits, including those for selected industries and product types.

Day to day management of the group's credit risk is vested in Director of Credit who reports to the Managing Director. Regular audits of the credit processes and management are undertaken by Internal Audit. Although the Group only lends to counterparties that primarily demonstrate adequate capacity to repay loans, it also employs a range of policies, guidelines and models to mitigate credit risk as follows:

(a) Collateral held

The Group holds collateral against loans and advances to customers in the form of deposit under lien, mortgage interests over property, registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and refreshed after every three years. Security structures and legal covenants are also subjected to regular review to ensure they continue to fulfill their intended purpose.

(b) Credit rating

The Group uses an internal scoring and rating system for its borrowing clients. The system sets maximum exposure limits for individual or groups of clients using a scoring rating attained by the borrowers. The system rating will also inform the basis of determining the value and classes of collateral acceptable to the borrower(s).

(c) Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of counter-party to honor its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions, the Group mitigates this risk by pre-arranging facilities with the customer. Settlement limits form part of the credit approval/limit monitoring process.

ii) Allowances for impairment

The Group establishes 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.

Write-off policy

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.

Notes (Continued)**a) Maximum exposure to credit risk before collateral held**

	2011 TZS' Million	%	2010 TZS' Million	%
Credit Exposures				
On – balance sheet items				
Placements and balances with other banks	210,702	8	295,413	13
Government and other securities - Held to maturity	493,735	19	426,546	20
Loans and advances to customers	1,474,869	56	1,153,527	53
Items in the course of collection	23,514	1	22,442	1
	2,202,820	84	1,897,928	87
Off-balance sheets items				
Letters of credit	328,829	13	192,729	9
Guarantees	90,514	3	83,711	4
	419,343	16	276,440	13
	2,622,163	100	2,174,368	100

The above represents the worst case scenario of credit exposure for both years, without taking account of any collateral held or other credit enhancements attached.

Loans and advances to customers and on-balance sheet items comprise of 84% (2010: 88%) of the total credit exposure. While collateral is an important mitigant to credit risk, the Group's underwriting policy ensures that loans are strictly granted on a going concern basis with adequate demonstration of repayment capacity. Other than exposures amounting to TZS 40,755million (2010 - TZS 6,448million) that are unsecured, all other facilities

are secured by collateral in the form of charges over cash, land and buildings, marketable securities, plant and machinery, amongst others. The fair value of collateral held for impaired loans and advances is TZS 226,804million (2010 - TZS 129,203million). The Group is confident that its credit policies and programs provide sufficient safeguards against the credit risk exposure shown in the table below:

b) Classification of loans and receivables

Loans and advances to customers

	2011 TZS' Million	2010 TZS' Million
Neither past due nor impaired	1,157,828	1,015,320
Past due but not impaired	182,258	16,869
Impaired	134,783	121,338
Gross	1,474,869	1,153,527
Less: allowance for impairment	(45,607)	(30,179)
	1,429,262	1,123,348

Notes (Continued)**Loans and advances that are neither past due nor impaired**

The Group classifies loans and advances under this category for those exposures that are up to date and in line with contractual agreements. Such loans would have demonstrated financial conditions, risk factors and capacity to repay that are acceptable. These exposures will normally be maintained largely within approved product programs and with no signs of impairment or distress. These exposures are categorized as normal accounts in line with the Bank of Tanzania (BOT) regulations.

	2011	2010
	TZS' Million	TZS' Million
Consumer loans	146,521	152,270
Corporate customers	799,974	704,397
SME	86,741	68,455
MFIs	124,592	90,198
	1,157,828	1,015,320

Past due but not impaired

This category includes exposures that are between 31 - 90 days past due, where losses have been incurred but have not been identified.

31 December 2011	Consumer loans TZS' Millions	customers Corporate TZS' Millions	SME TZS' Millions	MFIs TZS' Millions	Total TZS' Millions
Past due up to 30 days	23,363	80,824	12,335	5,444	121,166
Past due 31-90 days	6,259	41,361	6,981	5,691	60,292
Total	29,622	122,185	19,316	11,135	182,258
Fair value of collateral	-	137,174	28,390	-	165,564

31 DECEMBER 2010	Consumer loans TZS' Million	Corporate customers TZS' Million	SME TZS' Million	MFIs TZS' Million	Total TZS' Millions
Past due up to 30 days	4,940	1,330	411	620	7,301
Past due 31-90 days	315	8,640	41	572	9,568
Total	5,255	9,970	452	1,192	16,869
Fair value of collateral	-	16,674	892	-	17,566

Impaired loans

Impaired loans are loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s). These loans are graded into the categories of Especially mentioned, Substandard, Doubtful and Loss using the Group's internal credit rating system. These clients, under guidelines issued by Bank of Tanzania, are termed as non-performing loans. The Group establishes a specific allowance for impairment losses that represents the estimate of losses that will be incurred in its loan portfolio.

Notes (Continued)

	2011		2010	
	Gross amount TZS' Million	FV of collateral TZS' Million	Gross amount TZS' Million	FV of collateral TZS' Million
Consumer loans	7,529	-	6,479	-
Corporate customers	104,951	204,775	97,990	110,511
SME	11,995	22,029	14,348	18,692
MFI's	10,309	-	2,521	-
Total	134,784	226,804	121,338	129,203

ii) Concentrations of risk

The Group monitors concentration of risk by economic sector in line with set limits per sector. An analysis of concentrations within the loan and advances to customers, and off balance sheet items are provided in note 41.

5.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from financial liabilities. Assets and Liabilities Committee (ALCO), a management committee is tasked with the responsibility of ensuring that all foreseeable funding commitments and deposits withdrawals can be met when due, and that the group will not encounter difficulty in meeting obligations from its financial liabilities as they occur. ALCO relies substantially on the group's Treasury Department to coordinate and ensure discipline across the group, certify sufficient liquidity under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

i) Liquidity and funding management

The Group's liquidity and funding policies require the following:

- The Group enters into lending contracts subject to availability of funds.
- Projecting cash flows by major currency and considering the level of liquid assets necessary in relation thereto.
- Monitoring balance sheet liquidity ratios against internal and regulatory requirements,
- Maintaining an array of diverse range of funding sources with back-up facilities,
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory funding mix.
- Investment in short term liquid instruments, which can easily be sold in the market when the need arises.
- Investments in property and equipment are properly budgeted are subjected to prudential limits to minimize the Group's exposure.
- Maintaining liquidity contingency plans. These plans must identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimizing adverse long-term implications.

ii) Source of funding

The Group's major source of funding is customer deposits. To this end, the group maintains 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.

iii) Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of liquid assets to demand liabilities. For this purpose, liquid assets considered are cash and interbank deposits, investment in securities maturing within one year, clearing and Statutory Minimum Reserve (SMR) deposits. The Bank of Tanzania (BOT) requires that the Bank maintains Statutory Minimum Reserve (SMR) ratio of 10% of customers' total deposits and borrowings from the general public and 30% of government's deposits held at the Bank of Tanzania. The Bank's maturing liabilities comprises

Notes (Continued)

all deposits, liabilities and off –balance sheet items with maturity period of less than one year. The Group has a limit of loan to total deposit of 70% and liquidity trigger of 20% of top 10 deposits to total deposits and 70% of core deposit to total deposits.

The average liquidity ratio for the year was 34.74 % (2010 – 37.06 %). The minimum liquidity ratio required by BOT is 20%.

The Group uses the maturity mismatch ladders to compare cash inflows and outflows each month and over a series of time-bands. The maturity mismatch ladder shows the net cash flows of the Group in various time bands. The Group net funding requirements are determined by analysing present and future cash flows of the entire statement of financial position at selected maturity dates, based on assumptions of the behaviour of assets, liabilities and off-balance sheet items. Calculations will include the cumulative net excess or shortfall over the time frame of the liquidity assessment. The Group's exposure to liquidity risk at the end of the reporting period is summarized in note 46.

5.3 Market risk

Market risk is the risk that the values of assets and liabilities or revenues will be adversely affected by changes in market conditions or market movements. Market risks in the Group arise from movements in market prices particularly changes in interest rates, foreign currency exchange rates and fixed rate securities which the Group is exposed to. It is often propagated by other forms of financial risks such as credit and market liquidity risk events. The objective of market risk management programs is to manage and control market risk exposures in order to optimise return on risk taken while maintaining a good market profile as a provider of financial products and services.

Overall responsibility for management of market risk rests with ALCO. Market Risk Management Policies are in place to guide management of this risk and are subject to review and approval by the Board annually.

The distinct market risk exposures faced by the Group include interest rate risk and foreign exchange risk.

i) Interest rate risk

The Group is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The maturities of asset and

liabilities and the ability to replace at an acceptable cost as they mature are important factors in assessing the group's exposure to changes in interest rates.

In addition to maintaining an appropriate mix between fixed and floating rates deposit base, interest rates on advances to customers are either pegged to the Bank's base lending rate or Treasury bill rate. The base lending rate is adjusted from time to time to reflect the cost of deposits.

Interest rates on customer deposits are negotiated between the Group and its customers, with the Group retaining the discretion to re-negotiate the rates at maturity in line with changes in market trends. The interest rates given or charged to clients therefore fluctuate depending on the movement in the market interest rates. The Group also invests in fixed interest rate instruments issued by the Government of Tanzania. The Group's exposure to interest rate risk at end of the reporting period is summarized in note 47.

The Group has set a trigger on earnings at risk to net interest income at different maturity bands based on assumptions developed from the past deposit trends and monitoring is done on monthly basis by ALCO.

Interest rate risk – stress tests

The Bank monitors the impact of risks associated with the effects of fluctuations in prevailing interest rates. At 31 December 2011, the estimated impact of an immediate hypothetical increase or decrease in interest rates by 10% on profit before tax, and current interest rate risk profile is as shown:

	2011	2010
	TZS' Million	TZS' Million
10% increase in interest rates	22,071	21,495
10% decrease in interest rates	(22,071)	(21,495)

The model does not take into account any corrective action in response to interest rate movements, particularly in adverse situations.

ii. Foreign exchange risk

The Group is exposed to the risk on earnings and capital arising from adverse movement of foreign exchange rates. The Group participates in the

Notes (Continued)

foreign currency market as a market maker and a market user. The Board of Directors through the Risk Management Committee sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions. In addition to these, limits are also set for forward positions and stop loss limits. Treasury department is responsible for the management of foreign exchange risk including trading within limits and monitoring the exchange rates.

The Group's exposure to foreign currency exchange rate risk at the end of the reporting period is summarized in note 48.

Foreign exchange risk - stress test

At 31 December 2011, if the functional currencies in the economic environment in which the Group operates in i.e. the Tanzania Shilling had weakened or strengthened by 10% against the world's major currencies, with all other variables held constant, consolidated profit before tax would have been higher or lower as depicted in below table:

	2011	2010
	TZS' Million	TZS' Million
10% depreciation/ (appreciation)	3,448	638

Capital management

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

- To comply with the capital requirements as set out under the Banking and Financial Institutions Act, 2006, this is monitored by the Bank of Tanzania, the regulator of the banking sector in Tanzania. The Act requires that:
 - (a) Every bank commences operations with and maintain at all times a minimum of core capital of not less than five billion Tanzania shillings or such higher amount as the Group may prescribe by order published in the Gazette;
 - (b) Every bank maintains core capital of not less than ten per cent of its total risk-weighted assets and off balance sheet exposure at all times; and
 - (c) Every bank maintains total capital of not less than twelve per cent of its total risk weighted assets and off balance sheet exposure at all times.

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
- To maintain a strong capital base to support the development of the group's business.

Capital adequacy and regulatory capital are monitored daily by the Group'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 Bank of Tanzania on a monthly basis.

The Bank's regulatory capital falls into two tiers:

- (a) Tier 1 capital: Share capital, retained earnings and reserves created by appropriations of retained earnings.
- (b) Tier 2 capital: Qualifying subordinated loan capital

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of assets 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 composition and the ratios of the Bank's regulatory capital and the details of the risk weighted assets for the year 2011 are summarized in note 39. During the years ended 31 December 2010 and 31 December 2011, the Bank complied with all capital requirements to which it was supposed to.

The increase of the regulatory capital in the year of 2011 is mainly due to the contribution of the current-year profit. The increase in risk weighted assets reflects the expansion of business in general.

6. Segmental Reporting

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

Notes (Continued)

components of the entity which are regularly reviewed by the Chief Operating Decision – Maker in order to allocate resources to a segment in order to assess its performance.

Reportable operating segments

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:

a) Corporate banking

Includes services and products to corporate and high net worth individuals including deposits,

letters of credit letters of guarantee, lending and other products and dealing with financial institutions.

b) Retail banking

Includes services and products to individuals including deposits and lending.

c) 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, currency exchange.

Notes (Continued)

The following table represents income, expenses and certain assets and liability information regarding the Group's reportable segments for the year ended 31 December 2011:

	Corporate banking TZS' Million	Retail Banking & Microfinance TZS' Million	Treasury TZS' Million	Total TZS' Million
External operating income				
Interest income	92,036	55,866	44,460	192,362
Interest expenses	(20,062)	(14,770)	(140)	(34,972)
Net interest income/(expenses)	(6,127)	27,152	(21,025)	-
Net interest income	65,847	68,248	23,295	157,390
Fees and commission income	20,594	38,207	-	58,801
Fees and commission expenses	(314)	(578)	-	(892)
Net fees and commission income	20,280	37,629	-	57,909
Net foreign exchange income	467	695	387	1,549
Other operating income	48	1,195	122	1,365
Total operating income	86,642	107,767	23,804	218,213
General and administration expenses	(29,706)	(41,930)	(5,332)	(76,968)
Staff costs	(21,386)	(33,300)	(4,330)	(59,016)
Net loss on fair value hedges				
Impairment losses	(25,021)	(6,195)	-	(31,216)
Net operating income	10,529	26,342	14,142	51,013
Results				
Segment results				
Profit before income tax				51,013
Tax charge				(13,303)
Profit for the year				37,710
Assets and Liabilities				
Segment assets	(1,100,316)	(330,145)	(1,151,078)	(2,581,539)
Unallocated assets	-	-	-	(132,102)
Total assets				(2,713,641)
Segment liabilities	757,651	1,651,182	2,901	2,411,734
Unallocated liabilities	-	-	-	47,143
Total liabilities				2,458,877

Notes (Continued)

The following table represents income, expenses and certain assets and liability information regarding the Group's business segments for the year ended 31 December 2010:

	Corporate banking TZS' Million	Retail Banking & Microfinance TZS' Million	Treasury TZS' Million	Total TZS' Million
External operating income				
Interest income	80,802	55,755	23,482	160,039
Interest expense	(22,673)	(12,224)	(137)	(35,034)
Net interest income/(expense)	3,932	18,744	(22,676)	-
Net interest income	62,061	62,275	669	125,005
Fees and commission income	17,913	29,149	-	47,062
Fees and commission expenses	(169)	(302)	-	(471)
Net fees and commission income	17,744	28,847	-	46,591
Net foreign exchange income	8,607	7,953	5,521	22,081
Other operating income	175	1,885	-	2,060
Total Operating income	88,587	100,960	6,190	195,737
General and administration Expenses	(25,395)	(36,206)	(1,760)	(63,361)
Staff costs	(19,513)	(26,072)	(2,098)	(47,683)
Net loss on fair value hedges	-	-	(202)	(202)
Impairment losses	(16,367)	(3,990)	-	(20,357)
Net operating income	27,312	34,692	2,130	64,134
Results				
Segment results				
Profit before income tax				64,134
Income tax expenses				(16,888)
Profit for the year				47,246
Assets and Liabilities				
Segment assets	(746,787)	(376,561)	(1,071,097)	(2,194,445)
Unallocated assets	-	-	-	(110,957)
Total assets				(2,305,402)
Segment liabilities	870,325	1,149,494	16,830	2,036,649
Unallocated liabilities	-	-	-	35,242
Total liabilities				2,071,891

Notes (Continued)**7. Interest Income**

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Loans and advances to customers - term loans	103,141	94,786	99,136	91,432
Loans and advances to customers – overdrafts	44,669	41,685	44,669	41,685
Nostro accounts	92	87	92	87
Placements and balances with other banks	3,168	1,984	3,168	1,984
Government securities - held to maturity				
-Treasury bills	19,000	12,903	19,000	12,903
-Treasury bonds	19,174	5,310	19,174	5,310
-Government bonds	3,057	3,062	3,057	3,062
Other securities - held-to-maturity	61	222	61	222
	192,362	160,039	188,357	156,685

Interest income is net of TZS 27,775 million (2010 – TZS 11,336 million) of interest income accrued on impaired financial assets. This represents the unwinding of discounting in accordance with IAS 39.

8. Interest Expense

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Deposits from customers - current	1,879	1,195	1,879	1,672
Deposits from customers - savings	8,469	6,677	8,469	6,677
Deposits from customers – fixed	24,484	27,025	24,484	27,025
Subordinated debt and other facilities	140	137	140	137
	34,972	35,034	34,972	35,511

9. Loan Impairment Charges

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
Increase in provision for impairment (note 19)	15,428	3,333
Bad debts written off	16,498	17,541
Recoveries on loans and advances previously written off	(710)	(517)
	31,216	20,357

Notes (Continued)**10. Fee and Commission Income**

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Commission income	13,659	8,575	13,500	8,469
Fees and other charges	45,142	38,487	43,108	37,774
	58,801	47,062	56,608	46,243

11. Net Foreign Exchange Income

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
Exchange gain – trading	1,610	20,523
Exchange (loss)/gain - revaluation	(61)	1,558
	1,549	22,081

Net foreign exchange income includes gains from dealings in foreign currency transactions and on translation of foreign currency denominated assets and liabilities.

12. Other Operating Income

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Rental income	101	112	101	112
RFSP grant income	-	58	-	-
FSDT grant income (note 34)	1,131	1,505	-	-
Parent Company grant (note 35)	9	10	-	-
Gain/(loss) on disposal of property and equipment	2	375	(3)	375
	1,243	2,060	98	487

13. General and Administrative Expenses

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Directors' remuneration	304	249	247	231
Auditors' fees	343	280	312	243
Depreciation of property and equipment	9,424	8,349	9,201	8,003
Amortization of intangible assets	1,885	1,823	1,817	1,755
Amortization of prepaid operating leases	40	13	40	13
Amortization of refurbishment costs	3,595	2,419	3,595	2,419
Other expenses	61,377	50,228	59,906	49,210
	76,968	63,361	75,118	61,874

Notes (Continued)**14. Staff Costs**

GROUP	2011	2010
	TZS' Million	TZS' Million (Restated)
Salaries and allowances	33,116	27,085
Staff training	4,304	3,550
Social security contributions	4,411	3,635
Provision for post - employment benefits	2,772	1,343
Defined benefit scheme	1,823	1,503
Leave allowance	2,057	1,739
Medical expenses	1,705	1,413
Others	8,828	7,415
	59,016	47,683
BANK		
Salaries and allowances	31,690	25,842
Staff training	2,990	1,885
Social security contributions	4,206	3,455
Provision for post - employment benefits	2,594	1,261
Defined benefit scheme	1,823	1,503
Leave allowance	1,965	1,657
Medical expenses	1,652	1,363
Others	8,619	7,227
	55,539	44,193

15. Income Tax

	GROUP		BANK	
	2011 TZS' Million	2010 TZS' Million	2011 TZS' Million	2010 TZS' Million
(a) Tax charge				
Income tax based on taxable profit for the year at 25% (subsidiary 30%)	13,424	16,625	12,765	16,156
Deferred taxation (credit)/charge	(121)	263	(90)	377
	13,303	16,888	12,675	16,533
(b) Reconciliation of income tax expense to the expected tax based on accounting profit:				
Profit before tax	51,013	64,134	48,997	62,888
Tax calculated at the applicable rate (Bank 25%), (subsidiary 30%)	12,853	16,095	12,249	15,722
Depreciation on non-qualifying assets	244	303	109	300
Tax effect of expenses not deductible for tax	113	232	224	234
Prior year under provision - deferred tax	93	258	93	277
	13,303	16,888	12,675	16,533

Notes (Continued)**15. Income Tax Expense (Continued)**

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million (Restated)	TZS' Million	TZS' Million (Restated)
(c) Income tax recoverable				
At 1 January	6,682	5,279	6,241	5,086
Payments during the year	19,013	18,028	18,341	17,311
Charge to profit or loss	(13,424)	(16,625)	(12,766)	(16,156)
At 31 December	12,271	6,682	11,816	6,241

16. Earnings Per Share – Group

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 during the year.

	2011	2010
	TZS' Million	TZS' Million (Restated)
Profit for the year	37,710	47,246
Weighted average number of shares	2,177	2,177
Basic and diluted earnings per share (TZS)	17.32	21.70

There were no potentially dilutive ordinary shares outstanding as at 31 December 2011 and 31 December 2010.
Diluted earnings per share are same as basic earnings per share.

17. Cash and Balances with Bank Of Tanzania - Group and Bank

	2011	2010
	TZS' Million	TZS' Million
Cash in hand	100,416	93,010
Balances with Bank of Tanzania:		
- Other (available for use by the Bank)	48,534	41,028
Included in cash and cash equivalents (note 40(b))	148,950	134,038
Statutory minimum reserve	298,500	214,500
	447,450	348,538

The Statutory Minimum Reserve represents regulatory cash ratio requirements based on total deposit liabilities of the Bank. As at 31 December 2011, the Statutory Minimum Reserve was 10% of customers' total deposits and borrowings from the general public and 30% of government's deposits. (2010 – 10% and 20% respectively) These funds are not available for use in the Bank's day-to-day operations and are non-interest-bearing.

Notes (Continued)**18. Placements and Balances with Other Banks**

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
Placement denominated in foreign currencies		
Maturing as follows;		
Within 1 month	102,813	94,917
Within 1 to 3 months	38,582	59,970
Within 6 to 9 months	-	3,015
Within 9 to 12 months	-	3,769
	141,395	161,671
Placements denominated in local currency		
Maturing as follows;		
Within 1 month	4,000	62,000
Within 1 to 3 months	-	11,000
Within 3 to 6 month	-	2,000
Within 6 to 9 months	3,187	3,278
	7,187	78,278
Balances with foreign Banks	62,120	55,464
	210,702	295,413

Placements and balances with other banks amounting to TZS 207,515,000,000 (2010 - TZS 283,350,850,000) mature within three months and form part of cash and cash equivalents for the purpose of statement of cash flows (Note 40 b).

19. Loans and Advances to Customers

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
Loans and advances to customers	1,438,665	1,122,625
Loans and advances to staff	36,204	30,902
Gross loans and advances	1,474,869	1,153,527
Provision for impairment	(45,607)	(30,179)
Net loans and advances	1,429,262	1,123,348

Notes (Continued)

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
Analysis of loans and advances to customers by maturity		
Not later than 1 year	635,636	609,360
Later than 1 year and not later than 3 year	416,486	196,737
Over 3 years	422,747	347,430
	1,474,869	1,153,527
Movement in provision for impairment		
At beginning of the year	30,179	26,846
Increase during the year (note 9)	15,428	3,333
At end of the year	45,607	30,179

The weighted average effective interest rates on loans and advances to customers as at 31 December were as follows:

	GROUP AND BANK	
	2011	2010
	%	%
Loans and advances to customers	14	14
Loans and advances to staff	12	12

20. Government Securities

Treasury bills, treasury bonds and Government bonds are categorized as held to maturity and stated at amortised cost.

	GROUP AND BANK	
	2011	2010
Treasury bills	230,584	280,354
Treasury bonds	235,657	118,272
Government bonds	27,494	27,920
	493,735	426,546

The weighted average effective interest rates for Government Securities were as follows:

	GROUP AND BANK	
	2011	2010
	%	%
Treasury bills	6.08	5.65
Treasury bonds	10.09	9.94
Government bonds	11	11

Notes (Continued)

The maturity profile of Government Securities held-to-maturity is as follows:

Maturity Group and Bank

	Treasury bills TZS' Million	Treasury bonds TZS' Million	Government bonds TZS' Million	Total TZS' Million
2011				
Less than 90 days	87,207	-	-	87,207
Less than 1 year	143,377	-	-	143,377
1 - 5 years	-	173,016	27,494	200,510
Over 5 years	-	62,641	-	62,641
	230,584	235,657	27,494	493,735
2010				
Less than 90 days	128,785	-	-	128,785
Less than 1 year	151,569	-	-	151,569
1 - 5 years	-	74,747	21,148	95,895
Over 5 years	-	43,525	6,772	50,297
	280,354	118,272	27,920	426,546

Treasury bills of TZS 87,206,991,000 (2010 - TZS 128,784,935,000) mature within three months and form part of cash and cash equivalents for the purpose of statement of cash flows (note 40b).

21. Other Securities

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
East African Development Bank bond		
Maturing after 5 years	200	600

These bonds are classified as held-to-maturity and are stated at amortized cost. The weighted average effective interest rate on other securities at 31 December 2011 was 17.56% (2010 - 8.26%).

22. Derivatives

The amount represents the fair value of forward foreign exchange contracts. These derivative assets/liabilities are measured at fair value with gains or losses recognised in profit or loss during the year.

Notes (Continued)**23. Other Assets**

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Cheques and items for clearance	23,520	22,442	23,520	22,442
Sundry receivables	9,418	4,470	9,383	4,427
Prepayments	4,819	3,246	4,819	3,246
Advance payments for capital items and software	1,020	3,683	1,020	3,683
Bills receivable	224	350	224	350
Prepaid card stock allowance	2,077	2,000	2,077	2,000
Less: Provision for impairment on other assets	(1,636)	(558)	(1,636)	(558)
	39,442	35,633	39,407	35,590

Movement in impairment allowance on other assets

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
At 1 January	558	973
Increase/(decrease) during the year	1,078	(415)
At 31 December	1,636	558

24. Investment in Subsidiary

	2011	2010
	TZS' Million	TZS' Million
Investment in CRDB Microfinance Service Company Limited	728	728

CRDB Microfinance Service Company Limited is a Company incorporated and domiciled in Tanzania, with a financial year ending 31 December. The audited financial statements of the Company show that the Company made a profit of TZS 1,396,393,000 (2010 - TZS 890,343,000). The principal activity of the company is offering microfinance services through the parent company's branch networks. CRDB Bank Plc own 100% of the company unquoted shares.

Notes (Continued)**25. Other Investments**

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
Investment in Tanzania Mortgage Refinance Company (TMRC)	1,200	600

Tanzania Mortgage Refinance Company (TMRC) is a joint initiative between the Government of Tanzania and the banking institutions spear headed by the Bank of Tanzania with the objective of bridging the liquidity gap caused by long term lending to housing projects using short term deposits. The percentage shareholding of the Bank in TMRC as at 31 December 2011 was 14.63% (2010 - 19.67%) and is stated at cost. The company had not commenced operations as at 31 December 2011.

26. Refurbishment Costs

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
At 1 January	10,311	6,723
Additions in the year	5,321	6,007
	15,632	12,730
Less: amortization charge for the year	(3,595)	(2,419)
At 31 December	12,037	10,311

27. Intangible Assets

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Cost				
At 1 January	16,334	6,324	15,992	5,982
Additions	3,826	10,010	3,826	10,010
At 31 December	20,160	16,334	19,818	15,992
Amortisation				
At 1 January	4,213	2,389	4,104	2,349
Charge for the year	1,885	1,824	1,817	1,755
At 31 December	6,098	4,213	5,921	4,104
Net book value				
At 31 December	14,062	12,121	13,897	11,888

The intangible assets relate to computer software used by the Group.

Intangible assets with a gross value of TZS 1,753 million (2010 – TZS 844 million) were fully amortised but still in use. The notional amortization charge on these assets would have been TZS 351 million (2010 – TZS 169 million).

Notes (Continued)**28. Property and Equipment**

GROUP	Buildings TZS' Million	Motor Vehicles TZS' Million	Office equipment TZS' Million	Computer equipment TZS' Million	Smart card equipment TZS' Million	Security equipment TZS' Million	Mobile Branch TZS' Million	Work in progress TZS' Million	Total TZS' Million
Cost									
At 1 January 2010	9,467	4,491	15,748	6,385	8,040	1,476	1,863	4,981	52,451
Additions	2,142	1,087	4,217	3,005	2,001	306	487	1,424	14,669
Transfer	5,302	-	-	-	-	-	-	(5,302)	-
Disposals	-	-	(154)	(156)	-	-	-	-	(310)
At 31 December 2010	16,911	5,578	19,811	9,234	10,041	1,782	2,350	1,103	66,810
At 1 January 2011	16,911	5,578	19,811	9,234	10,041	1,782	2,350	1,103	66,810
Additions	752	876	4,464	3,948	2,220	396	2,965	1,265	16,886
Disposals	-	(82)	(189)	(31)	-	-	-	-	(302)
At 31 December 2011	17,663	6,372	24,086	13,151	12,261	2,178	5,315	2,368	83,394
Depreciation									
At 1 January 2010	1,955	459	7,154	3,110	2,819	645	283	-	16,425
Charge for the year	693	1,490	2,997	1,386	959	286	537	-	8,348
Eliminated on disposal	-	-	(136)	(151)	-	-	-	-	(287)
At 31 December 2010	2,648	1,949	10,015	4,345	3,778	931	820	-	24,486
At 1 January 2011	2,648	1,949	10,015	4,345	3,778	931	820	-	24,486
Charge for the year	388	1,114	3,652	1,834	1,332	333	771	-	9,424
Eliminated on disposal	-	(37)	(172)	(25)	-	-	-	-	(234)
At 31 December 2011	3,036	3,026	13,495	6,154	5,110	1,264	1,591	-	33,676
Net book value									
At 31 December 2011	14,627	3,346	10,591	6,997	7,151	914	3,724	2,368	49,718
At 31 December 2010	14,263	3,629	9,796	4,889	6,263	851	1,530	1,103	42,324

Notes (Continued)**28. Property and Equipment (Continued)**

BANK	Buildings TZS' Million	Motor Vehicles TZS' Million	Office equipment TZS' Million	Computer equipment TZS' Million	Smart card equipment TZS' Million	Security equipment TZS' Million	Mobile Branch TZS' Million	Work in progress TZS' Million	Total TZS' Million
Cost									
At 1 January 2010	9,467	3,342	15,511	6,385	8,040	1,476	1,863	4,981	51,065
Additions	2,142	974	4,199	3,005	2,001	306	487	1,424	14,538
Transfers	5,302	-	-	-	-	-	-	(5,302)	-
Disposals	-	-	(154)	(156)	-	-	-	-	(310)
At 31 December 2010	16,911	4,316	19,556	9,234	10,041	1,782	2,350	1,103	65,293
At 1 January 2011	16,911	4,316	19,556	9,234	10,041	1,782	2,350	1,103	65,293
Additions	752	787	4,403	3,948	2,220	396	2,965	1,265	16,736
Disposals	-	(82)	(189)	(31)	-	-	-	-	(302)
At 31 December 2011	17,663	5,021	23,770	13,151	12,261	2,178	5,315	2,368	81,727
Depreciation									
At 1 January 2010	1,955	57	7,047	3,109	2,819	645	283	-	15,915
Charge for the year	693	1,188	2,954	1,387	959	286	537	-	8,004
Eliminated on disposal	-	-	(136)	(151)	-	-	-	-	(287)
At 31 December 2010	2,648	1,245	9,865	4,345	3,778	931	820	-	23,632
At 1 January 2011	2,648	1,245	9,865	4,345	3,778	931	820	-	23,632
Charge for the year	388	934	3,610	1,831	1,332	333	773	-	9,201
Eliminated on disposal	-	(37)	(172)	(25)	-	-	-	-	(234)
At 31 December 2011	3,036	2,142	13,303	6,151	5,110	1,265	1,593	-	32,599
Net book value									
At 31 December 2011	14,627	2,879	10,467	7,000	7,151	914	3,722	2,368	49,128
At 31 December 2010	14,263	3,071	9,691	4,889	6,263	851	1,530	1,103	41,661

Notes (Continued)**28. Property and Equipment (Continued)****Group**

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

Motor vehicles were revalued at TZS 1,146 million as at 31 December 2009 by independent valuer, Toyota Tanzania Limited. The valuer determined the fair value by reference to recent market transactions on an arm's length term. As at 31 December 2011, the net book value of motor vehicles based on original cost was TZS 2,715 million (2010: TZS 2,769 million).

Included in property and equipment are assets with a cost of TZS 6,877 million (2010: TZS 2,870 million) which were fully depreciated but still in use. The notional depreciation charge on these assets would have been TZS 1,188 million (2010: TZS 510 million).

Bank

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

Motor vehicles were revalued at TZS 1,017 million as at 31 December 2009 by independent valuer, Toyota Tanzania Limited. The valuer determined the fair value by reference to recent market transactions on an arm's length term. As at 31 December 2011, the net book value of motor vehicles based on original cost was TZS 2,019 million (2010: TZS 2,308 million).

Included in property and equipment are assets with a cost of TZS 6,645 million (2010: TZS 2,840 million) which were fully depreciated but still in use. The notional depreciation charge on these assets would have been TZS 1,141 million (2010: TZS 504 million).

29. Leasehold Land

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
Leasehold land		
Cost		
At 1 January	3,323	758
Additions	194	2,565
At 31 December	3,517	3,323
Amortisation		
At 1 January	37	24
Charge for the year	40	13
At 31 December	77	37
Net book value	3,440	3,286

Notes (Continued)**30. Deposits from Customers**

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Current and demand accounts	964,586	865,139	964,895	865,682
Savings accounts	726,893	621,357	726,894	621,357
Term deposits	717,197	532,898	717,197	532,898
	2,408,676	2,019,394	2,408,986	2,019,937
Analysis of customer deposits by maturity:				
Repayable:				
Within 90 days	2,098,873	1,768,783	2,099,182	1,769,326
Between 90 days and one year	221,723	249,944	221,724	249,944
After one year	88,080	667	88,080	667
	2,408,676	2,019,394	2,408,986	2,019,937

The weighted average effective interest rates at 31 December 2011 on savings accounts was 3.5% (2010 - 3.5%) and term deposits 7.5% (2010 - 8.1%).

31. Deposits due to Other Banks

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
Deposits maturing within 90 days	2,901	16,830
Weighted average effective interest rate	2.54%	1.5%

Deposits due to banking institutions only include financial instruments classified as liabilities at amortised cost.

32. Other Liabilities

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Bills payable	15,181	9,477	15,181	9,477
Sundry payables	13,903	11,165	15,688	11,475
Dividend payable	1,707	1,166	1,707	1,166
Accrued expenses	5,691	3,419	5,639	3,386
Provision for litigations	352	250	352	250
	36,834	25,477	38,567	25,754

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.

Notes (Continued)**33. Subordinated Debt**

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
At 1 January	1,920	1,920
Accrued interest in the year	96	96
Interest paid in the year	(96)	(96)
At 31 December	<u>1,920</u>	<u>1,920</u>

The subordinated debt from DANIDA Investment Fund (DIF) of TZS 1,920,000,000 is repayable in full 30 December 2013 and is unsecured. Interest of 5% per annum is charged (2010 – 5% per annum).

34. Financial Sector Deepening Trust (FSDT) Grant

	GROUP	
	2011	2010
	TZS' Million	TZS' Million
At 1 January	399	301
Grant received during the year	871	1,603
Credit to profit or loss	(1,131)	(1,505)
At 31 December	<u>139</u>	<u>399</u>

In the 2008, the Group secured a three year grant of USD 3.8 million from the Financial Sector Deepening Trust of Tanzania (FSDT) for strengthening its microfinance partners and expansion outreach. A total of USD 547,338 was received during the year (2010 - USD 1,121,916). The grant contract expires on 31 December 2013,

35. CRDB Grant

	GROUP	
	2011	2010
	TZS' Million	TZS' Million
At 1 January	27	-
Transferred from CRDB Bank Plc	-	37
Credit to profit or loss	(9)	(10)
At 31 December	<u>18</u>	<u>27</u>

The grant relates to taxes incurred by the Bank on the purchase of a motor vehicle for the General Manager of the Bank's subsidiary, CRDB Microfinance Company Limited.

Notes (Continued)**36. Deferred Tax Liability**

The net deferred tax computed at the enacted rate of 25% for the Bank (subsidiary – 30%), is attributable to the following items:

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Accelerated Capital allowances	(1,211)	(819)	(1,186)	(727)
Actuarial gains on defined benefit plan	(319)	-	(319)	-
Gratuity provision	868	575	815	486
Impairment losses on other assets	410	140	410	140
Other provisions	-	50	-	50
	(252)	(54)	(280)	(51)
Movement in deferred tax is as follows:				
As at 1 January	(54)	209	(51)	326
Credit/(charge) to profit or loss (note 15(a))	121	(263)	90	(377)
Actuarial gains on defined benefit plan	(319)	-	(319)	-
As at 31 December	(252)	(54)	(280)	(51)

37. Share Capital

	GROUP AND BANK	
	2011	2010
	TZS' Million	TZS' Million
Authorized		
4,000,000,000 ordinary shares of TZS 25 each	100,000	100,000
Issued and fully paid		
2,176,532,160 ordinary shares of TZS 25 each	54,413	54,413

38. Defined Benefit Liability

The Group operates a funded defined benefit scheme for its employees through an established scheme CRDB Bank Group Endowment Scheme. The most recent actuarial valuation of the Group's defined benefit schemes assets and the present value of the defined benefits obligation were carried out at 31 December 2011 by the Scheme's Actuaries, ARCH Actuarial Consulting CC, registered actuaries with the Actuarial Society of South Africa.

The present value of the defined benefit obligation, and the related current service cost were measured using the Projected Unit Credit Method.

Notes (Continued)

The amounts recognised in the statement of financial position in respect of the group defined benefit scheme are as follows:

	2011	2010	2009
	TZS' Million	TZS' Million	TZS' Million
Present value of funded obligations	12,137	10,137	8,584
Fair value of scheme assets	(4,000)	(2,549)	(2,499)
Net liability arising from defined benefit obligation	8,137	7,588	6,085
Movements in the present value of the defined benefit obligation were as follows:			
Opening obligation	10,137	8,584	7,234
Current service cost	706	614	534
Interest cost	1,459	1,264	1,099
Benefits paid	(860)	(325)	(283)
Actuarial loss*	695	-	-
Closing obligation	12,137	10,137	8,584
Movements in the present value of the plan assets were as follows:			
Opening fair value of plan assets	2,549	2,499	2,437
Expected return on plan assets	342	375	345
Benefits paid	(860)	(325)	(283)
Actuarial gain*	1,969	-	-
Closing fair value of plan assets	4,000	2,549	2,499

* The Actuarial gain on defined benefit plan (TZS 1,274 million) which is shown in the consolidated statement of comprehensive income, represents the surplus of actuarial gain over actuarial loss which is accumulated in the defined benefit reserve.

	2011	2010	2009
	TZS' Million	TZS' Million	TZS' Million
The amounts recognized in the profit or loss in respect of the actuarial valuation were as follows:			
Current service cost	706	614	534
Interest cost	1,459	1,264	1,099
Expected return on plan assets	(342)	(375)	(345)
Total included in staff costs	1,823	1,503	1,288
The principal assumptions used for the purpose of the actuarial valuation were as follows:			
Discount rate	15.00%	15.00%	15.00%
Expected return on plan assets	16.00%	16.00%	16.00%
Expected rate of salary increase	10.50%	10.50%	10.50%

The Group expects to review its contribution to the defined benefit plan during the next financial year. The Group contribution to defined benefit plan in year 2011 was TZS 900 million.

Please refer to note 41 to the consolidated financial statements for the restated balances of the defined benefit liability.

Notes (Continued)**39. Regulatory Capital**

The Bank complied with minimum capital requirements as required by section 16 and 17 of the Banking and Financial Institutions Act, 2006 and the Bank of Tanzania Capital Adequacy Regulations 2008. The Bank's capital is computed in accordance with these regulations as follows:

	BANK	
	2011	2010
	TZS' Million	TZS' Million
Share capital	54,413	54,413
Share premium	18,765	18,765
Revenue reserve	178,821	159,375
	<u>251,999</u>	<u>232,553</u>
Less: prepaid expenses	(4,819)	(3,246)
intangible assets	(14,062)	(12,121)
Core capital (Tier 1)	<u>233,118</u>	<u>217,186</u>
Add: supplementary capital (Tier2)		
subordinated debt*	768	1,152
Total capital (Tier 1 & Tier 2)	<u>233,886</u>	<u>218,338</u>
Risk-weighted assets		
On-balance sheet	1,362,793	1,120,868
Off-balance sheet	246,799	129,386
Total risk-weighted assets	<u>1,609,592</u>	<u>1,250,254</u>
Regulatory ratios		
Tier 1 (BoT minimum – 10%)	<u>15%</u>	<u>17%</u>
Tier 1 + Tier 2 (BoT minimum – 12%)	<u>15%</u>	<u>18%</u>

Risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of asset and reflecting an estimate of the credit risk associated with each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with adjustments to reflect the more contingent nature of the potential losses.

*Subordinated debt is discounted by 20% after 5 years in accordance with the regulations.

Notes (Continued)**40. Cash Flows from Operating Activities****(a) RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH (USED IN)/GENERATED FROM OPERATIONS**

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million (Restated)	TZS' Million	TZS' Million
Profit before income tax	51,013	64,134	48,997	62,888
Adjustment for:				
Depreciation of property and equipment	9,424	8,349	9,201	8,003
Amortization of intangible assets	1,885	1,823	1,817	1,755
Amortization of prepaid operating leases	40	13	40	13
Amortization of refurbishment costs	3,595	2,419	3,595	2,419
(Gain)/loss on disposal of property and equipment	(2)	(374)	3	(375)
Fair value (gain)/loss on derivatives	(122)	202	(122)	202
	65,833	76,566	63,531	74,905
Movement in working capital:				
Increase in statutory minimum reserve	(84,000)	(30,900)	(84,000)	(30,900)
Increase in deposits from and balances due to other banks	8,875	22,491	8,875	22,491
Increase in treasury Bills	8,193	(66,502)	8,193	(66,502)
Increase in treasury bonds, Government bonds and other securities	(116,558)	(86,044)	(116,558)	(86,044)
Increase in loans and advances to customers	(305,914)	(173,843)	(305,914)	(173,843)
(Decrease)/increase in other assets	(3,809)	(4,208)	(3,817)	(4,475)
Increase in deposits from customers	389,281	398,375	389,049	398,485
Increase/ (decrease) in other liabilities	10,614	5,033	12,070	6,032
Increase in FSDT grant	(260)	87	-	-
Decrease in RFSP grant	-	(58)	-	-
Decrease in subordinated loan	(9)	-	-	-
Increase in defined benefit liability	1,823	1,503	1,823	1,503
Net cash (used in)/generated from operations	(25,931)	142,500	(26,748)	141,652

(b) ANALYSIS OF CASH AND CASH EQUIVALENTS

Cash in hand	100,416	93,010	100,416	93,010
Balances with Bank of Tanzania	48,534	41,028	48,534	41,028
Balance with other banks	207,515	283,351	207,515	283,351
Treasury bills	87,207	128,785	87,207	128,785
Deposits due to other banks	(2,901)	(16,830)	(2,901)	(16,830)
	440,771	529,344	440,771	529,344

Notes (Continued)**41. Prior Year Adjustment**

A prior year adjustment has been made in relation to understatement of the fair value of the net defined benefit obligation determined by the Group's actuary in the year ended 31 December 2009 by TZS 6.085 billion. The fair value of the defined benefit scheme was determined by an independent actuary as disclosed in note 38.

The financial statements for the financial year ended 31 December 2009 and 31 December 2010 have been restated to correct this error. The effect of the restatement on those financial statements is summarised below:

Restatement of Audited Statement of Comprehensive income

	As previously reported 2010	Prior year adjustment 2010	Restated 2010
	TZS' Million	TZS' Million	TZS' Million
GROUP			
Staff costs	46,180	1,503	47,683
Profit before tax	65,637	(1,503)	64,134
Income tax expense	17,264	(376)	16,888
Profit for the year	<u>48,373</u>	<u>(1,127)</u>	<u>47,246</u>
BANK			
Staff costs	42,690	1,503	44,193
Profit before tax	64,391	(1,503)	62,888
Income tax expense	16,909	(376)	16,533
Profit for the year	<u>47,482</u>	<u>(1,127)</u>	<u>46,355</u>

Restatement of Audited Statements of Financial Position

	2010 TZS' Million	Prior adjustment TZS' Million	2010 Restated TZS' Million	2009 TZS' Million	Prior adjustment TZS' Million	2009 Restated TZS' Million
GROUP						
Current income tax recoverable	5,984	698	6,682	4,957	322	5,279
Defined benefit asset	521	(521)	-	510	(510)	-
Defined benefit obligation	-	(7,588)	(7,588)	-	(6,085)	(6,085)
Defined benefit reserve	(521)	521	-	(510)	510	-
Retained earnings	<u>(166,265)</u>	<u>6,890</u>	<u>(159,375)</u>	<u>(132,588)</u>	<u>5,763</u>	<u>(126,825)</u>
BANK						
Current income tax recoverable	5,543	698	6,241	4,764	322	5,086
Defined benefit asset	521	(521)	-	510	(510)	-
Defined benefit obligation	-	(7,588)	(7,588)	-	(6,085)	(6,085)
Defined benefit reserve	(521)	521	-	(510)	510	-
Retained earnings	<u>(165,297)</u>	<u>6,890</u>	<u>(158,407)</u>	<u>(132,566)</u>	<u>5,763</u>	<u>(126,803)</u>

Notes (Continued)**42. Contingent Liabilities****GROUP AND BANK**

	2011	2010
	TZS' Million	TZS' Million
Guarantees and indemnities	90,514	83,711
Letters of credit	328,829	192,729
Outward foreign bills for collection	34	580
	419,377	277,020
Litigations against the Group	1,722	1,214

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.

Litigation against the Group

The Group is, in the normal course of business, involved in a number of court cases. The Group has taken appropriate legal steps to defend against the claims on court cases. The Group has provided for the liabilities arising out of contractual obligations. No other provision has been made for other civil suits lodged against the Group by customers in the normal course of business. The likely outcome of these suits cannot be determined as at the date of signing these financial statements. The Directors, do not anticipate that any liability will accrue from the pending suits.

43. COMMITMENTS

	GROUP AND BANK	
	2011 TZS' Million	2010 TZS' Million
Commitments to extend credit	54,249	32,000
Capital commitments		
Authorized and contracted for	13,560	7,593
Authorized not yet contracted for	-	3,214
	13,560	10,807

Capital commitments authorized and contracted for are in respect of construction and establishment costs of Agencies at Mwaloni, Kilosa, Kasumulu, Tunduma, ATMS at Quality centre, Singida branch and Tanga as well as refurbishment of Masasi, Oysterbay, Mandela, CCT House Dodoma, Sumbawanga, Tabata, Tabora, Bugando, Tegeta and Quality plaza branches.

Capital commitments authorized and contracted for also relate to purchase of Generator and various information technology infrastructure such as Antivirus, Back-up servers and application software.

Notes (Continued)**43. Commitments (Continued)****Operating lease commitments**

Non-cancellable operating lease rentals charged during the year.

	GROUP		BANK	
	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Lease rentals	5,046	3,744	4,935	3,681

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

	2011	2010
	TZS' Million	TZS' Million
Less than 1 year	523	756
More than 1 year but less than 5 years	2,648	1,874
More than 5 years	1,204	1,327
Total	4,375	3,957

Operating lease payments represent rental payable by the Group for its branches and office premises. Premises leases are negotiated for an average term of 1 to 7 years with a renewal option.

Group as a lessor	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Rent received in the year	101	112	101	112

Rental income commitments

The Group leases unutilized office space to earn rentals. The leases cover a year with an option to renew after expiry. The future lease rental income with the Group as a lessor as at 31 December 2011 is TZS 107 million.

44. Concentration of Loans and Advances and Off Balance Sheet Items

An analysis of concentrations within loans and advances to customers and off balance sheet items by economic sector are as follows:

(a) Loans and advances to customers (Gross)

	2011		2010	
	TZS' Million	%	TZS' Million	%
Public sector				
Agriculture fishing, forestry & hunting	435,750	30	323,038	28
Finance, insurance & business service	103,265	7	59,996	5
Mining & quarrying	13,060	1	11,130	1
Manufacturing	51,138	3	77,263	7
Real estate & construction	95,608	6	62,928	6
Transport & communication	105,185	7	74,054	6
Trade & commerce	199,489	14	166,077	14
Tourism, hotels & restaurants	114,486	8	93,941	8
Electricity, gas and water	84,660	6	148,770	13
Personal	183,673	12	62,814	6
Other	88,555	6	73,516	6
	1,474,869	100	1,153,527	100

Notes (Continued)

44. Concentration of Loans and Advances and Off Balance Sheet Items (Continued)

(a) Off balance sheet items (Letter of credit, guarantees, travelers cheques and OFBC)

	2011		2010	
	TZS' Million	%	TZS' Million	%
Agriculture fishing, forestry & hunting	52,174	12	46,622	17
Electricity, gas and water	269,041	64	135,365	49
Finance, insurance & business service	295	1	3,368	1
Real estate & construction	22,213	5	19,428	7
Trade & commerce	26,790	6	44,573	16
Transport & Communication	36,569	9	10,020	4
Other services	12,295	3	17,644	6
	419,377	100	277,020	100

45. 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 are as follows:

	COMPANIES ASSOCIATED WITH DIRECTORS		DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL	
	2011 TZS' Million	2010 TZS' Million	2011 TZS' Million	2010 TZS' Million
Loan and advances				
At 1 January	174	59	1,922	3,455
Net movement during the year	(46)	115	38	(1,533)
At 31 December	128	174	1,960	1,922
Interest earned	32	22	144	141

These loans and advances are performing and are adequately secured.

	2011	2010	2011	2010
	TZS' Million	TZS' Million	TZS' Million	TZS' Million
Deposits from customers				
At 1 January	69,031	63,784	291	728
Net movement during the year	(68,225)	5,247	498	(437)
At 31 December	806	69,031	789	291
Interest paid	0.9	7	4	4

Notes (Continued)**45. Related Party Transactions (Continued)****Compensation of Key Management Personnel**

Key management personnel comprise Board of Directors, Managing Director and head of units who are reporting directly to the Managing Director.

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

	GROUP	
	2011	2010
	TZS' Million	TZS' Million
Short term employee benefits	2,162	1,855
Post employment benefits	434	295
	2,596	2,150

Directors' fees, included in the compensation of key Management Personnel, were TZS 248 million (2010 - TZS 230 million).

DIRECTORS' REMUNERATION

Fees paid to Directors of the Bank during the period are as follows:

Name	2011	2010
	TZS' Million	TZS' Million
1. Mr. Martin Mmari	40	37
2. Ms. Joyce Luhanga	26	24
3. Mr. Joseph Machange	28	26
4. Mr. Boniface Muhegi	24	22
5. Mr. Ally Laay	31	29
6. Mrs. Lydia Joachim	12	22
7. Mrs. Joyce Nyanza	28	26
8. Mr. Juma Abdulrahman	24	22
9. Mr. Bede Lyimo	24	22
10. Hon. Frederick Sumaye	11	-
11. Mr. Kai Kristoffersen*	-	-
	248	230

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

Notes (Continued)**46. Liquidity Risk**

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at 31 December 2011 and 31 December 2010 to the contractual maturity date.

	Up to 1 Month TZS' Million	1 – 3 Months TZS' Million	4 – 6 Months TZS' Million	7 – 12 Months TZS' Million	1 – 3 Years TZS' Million	4-5 Years TZS' Million	Over 5 Years TZS' Million	Total TZS' Million
FINANCIAL ASSETS								
Cash and balances with Bank of Tanzania	267,679	146,550	15,851	12,768	3,759	544	299	447,450
Placements and balances with other banks	168,933	38,582	-	3,187	-	-	-	210,702
Loans and advances to customers	255,696	286,093	184,651	215,017	207,239	134,352	146,214	1,429,262
Government securities	49,923	37,285	149	143,248	156,942	39,648	66,540	493,735
Other securities	-	-	-	-	-	-	200	200
Total financial assets	742,231	508,510	200,651	374,220	367,940	174,544	213,253	2,581,349
FINANCIAL LIABILITIES								
Deposits from customers	958,052	1,182,553	127,904	103,025	30,330	4,393	2,419	2,408,676
Deposits due to other banks	2,901	-	-	-	-	-	-	2,901
Subordinated loan capital	-	-	-	-	-	-	1,920	1,920
Total financial liabilities	960,953	1,182,553	127,904	103,025	30,330	4,393	4,339	2,413,497
Net liquidity gap	(218,722)	(674,043)	72,747	271,195	337,610	170,151	208,914	167,852
At 31 December 2010								
Total financial assets	885,553	257,674	203,143	310,935	192,432	192,188	152,427	2,194,352
Total financial liabilities	(1,054,867)	(797,147)	(89,084)	(88,279)	(6,413)	(2,346)	(13)	(2,038,149)
Net liquidity gap	(169,314)	(539,473)	114,059	222,656	186,019	189,842	152,414	156,203

Notes (Continued)

47. Interest Rate Risk

The table below summarizes the exposure to interest rate risk. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of either contractual re-pricing or maturity dates. The Group does not bear interest rate risk on off-balance sheet items.

	Up to 1 Month TZS' Million	1 – 3 Months TZS' Million	4 – 6 Months TZS' Million	7 – 12 Months TZS' Million	1 – 3 Years TZS' Million	Over 3 Years TZS' Million	Non-interest Bearing TZS' Million	Total TZS' Million
FINANCIAL ASSETS								
Cash and balances with Bank of Tanzania	-	-	-	-	-	-	447,450	447,450
Placement and balances with other banks	168,933	38,582	-	3,187	-	-	-	210,702
Loans and advances to customers	255,696	286,093	184,651	215,017	207,239	280,566	-	1,429,262
Government securities	49,923	37,285	149	143,248	156,942	106,188	-	493,735
Other securities	-	-	-	-	-	200	-	200
Total financial assets	474,552	361,960	184,800	361,452	364,181	386,954	447,450	2,581,349
FINANCIAL LIABILITIES								
Deposits from customers	958,052	1,182,553	127,904	103,025	30,330	6,812	-	2,408,676
Deposits due to other banks	2,901	-	-	-	-	-	-	2,901
Subordinated debt								
Total financial liabilities	960,953	1,182,553	127,904	103,025	30,330	6,812	-	2,411,577
Interest rate sensitivity gap	(486,401)	(820,593)	56,896	258,427	333,851	380,142	447,450	169,772
At 31 December 2010								
Total financial assets	537,015	257,674	203,143	310,935	192,432	344,615	348,538	2,194,352
Total financial liabilities	(1,054,867)	(797,141)	(89,084)	(88,279)	(6,413)	(439)	-	(2,036,223)
Interest rate sensitivity gap	(517,852)	(539,467)	114,059	222,656	186,019	344,176	348,538	158,129

Notes (Continued)**48. Foreign Exchange (Currency) Risk**

The Group operates wholly within Tanzania and its assets and liabilities are reported in the local currency. The Group's currency risk is managed within the Bank of Tanzania exposure guideline of 10% core capital. The Group's management monitors foreign currency exposure on a daily basis. The Group's currency position as at 31 December 2011 and 31 December 2010 was as follows:

	TZS	USD	GBP	EURO	OTHERS	TOTAL
	TZS' Million	TZS' Million	TZS' Million	TZS' Million	TZS' Million	TZS' Million
FINANCIAL ASSETS						
Cash and balances with Bank of Tanzania	410,119	34,386	612	2,333	-	447,450
Placement and balances with other banks	7,282	139,066	4,393	46,153	13,808	210,702
Loans and advances to customers	979,351	448,226	-	-	1,685	1,429,262
Government securities	493,735	-	-	-	-	493,735
Other assets	20,615	18,334	145	327	21	39,442
Total financial assets	1,911,102	640,012	5,150	48,813	15,514	2,620,591
FINANCIAL LIABILITIES						
Deposits from customers	1,733,921	605,689	4,861	50,208	13,997	2,408,676
Deposits from and loans due to other banks	2,645	256	-	-	-	2,901
Other liabilities						
Subordinated debt	1,920	-	-	-	-	1,920
Derivatives						
Total financial liabilities	1,738,486	605,945	4,861	50,208	13,997	2,413,497
Net balance sheet position	172,616	34,067	289	(1,395)	1,517	207,094
At 31 December 2010						
Total financial assets	1,652,760	479,271	3,836	44,047	13,930	2,193,844
Total financial liabilities	(1,503,446)	(452,151)	(6,325)	(61,560)	(14,661)	(2,038,143)
Net balance sheet position	149,314	27,120	(2,489)	(17,513)	(731)	155,701
OFF BALANCE SHEET POSITION						
At 31 December 2011	33,872	365,205	656	18,802	841	419,376
At 31 December 2010	23,704	221,828	808	28,110	2,532	276,982

Notes (Continued)

49. Dividends

The Directors propose a dividend of TZS 9 per share amounting to a total of TZS 19,589 million in respect of 2011 (2010 – TZS 8 per share amounting to a total of TZS 17,412 million). The proposed dividend for the year is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

50. Assets Pledged as Security

As at 31 December 2011, there were no assets pledged by the group to secure liabilities and there were no secured Group liabilities (2010: TZS nil).

51. Country Of Incorporation

The Bank is incorporated under the Companies Act, 2002 and domiciled in Tanzania.

52. Currency

These financial statements are presented in million of Tanzania Shillings (TZS' Million).

Taarifa za Kampuni Company Information

Registered Office

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Office Accommodation Scheme – 4th Floor
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Dar es Salaam
Tanzania

Company Secretary

Mr. J. B. Rugambo
Office Accommodation Scheme - 4th Floor
Azikiwe Street
P.O. Box 268
Dar es Salaam
Tanzania

Auditors

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

Main Banker

Bank of Tanzania
10 Mirambo Street
P.O. Box 2939
Dar Es Salaam
Tanzania

Lawyers

ADEPT Chambers
Peugeot House, 1st Floor
Ali Hassan Mwinyi Road
Dar Es Salaam.
Tanzania

Makao Makuu

CRDB Bank Plc
Jengo la Office Accommodation Scheme - Ghorofa ya 4
Mtaa wa Azikiwe
S.L.P. 268
Dar es Salaam
Tanzania

Katibu wa Bodi

Mr. J. B. Rugambo
Jengo la Office Accommodation Scheme - Ghorofa ya 4
Mtaa wa Azikiwe
S.L.P. 268
Dar es Salaam
Tanzania

Wakaguzi

Deloitte & Touche
Certified Public Accountants (Tanzania)
PPF Tower - Ghorofa ya 10
Mtaa wa Ohio/Barabara ya Garden
S.L.P. 1559
Dar es Salaam
Tanzania

Benki Kuu

Benki Kuu ya Tanzania
Mtaa wa Mirambo, Kitalu Na. 10
S.L.P. 2939
Dar es Salaam
Tanzania

Mawakili

ADEPT Chambers
Peugeot House, Ghorofa ya 1
Barabara ya Ali Hassan Mwinyi
Dar es Salaam.
Tanzania

Matawi yetu

Our Branches

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Tel: 0222 137469/2113660

Azikiwe Premier

P.O. Box 9531 Dar es Salaam
Fax: 022 2133715/2200071
Tel: 0222133712/13/14/16

Holland House

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Tel: 2123297/2110690/2112769/2133871

Kariakoo

P.O. Box 15626 Dar es Salaam
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Tel: 0222180051/75/2183138

Kijitonyama

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Lumumba

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Tel: 022 2618063/64/65

Mikocheni

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Tel: 022 2923026-28

Mlimani City

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Tel: 022 2411050/47

Pugu Road

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Tel: 022 2860873-4

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Tel: 022 2129603/2126762/64

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Tel: 022 2410575/2410224/2410225

Ubungu

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Tel: 028 2505006/7/12

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