DCB COMMERCIALBANK PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

DCB COMMERCIAL BANK PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014

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FOR THE YEAR ENDED 31 DECEMBER 2014

BANKINFORMATION

Registered Office:	DCB House Plot No. 182 Block R Magomeni Area PO Box 19798 Dar es Salaam
Main Bankers:	Bank of Tanzania PO Box 2939 Dar es Salaam National Microfinance Bank Plc PO Box 9213 Dar es Salaam CRDB Bank Plc PO Box 268 Dar es Salaam Deutsche Bank Trust Company Americas Church Street Station PO Box 318 New York, NY 10008-0318
Solicitors:	M/S Hallmark Attorneys PO Box 13811 Dar Es Salaam M/S Excellent Attorneys (Advocates) PO Box 19033 Dar es Salaam
Bank's Secretary:	Mrs. Caroline M. Mduma DCB House Plot No. 182 Block R Magomeni Area PO Box 19798 Dar es Salaam
Auditor:	PricewaterhouseCoopers Pemba House 369 Toure Drive Oysterbay PO Box 45 Dar es Salaam

DCB COMMERCIAL BANK PLC

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014

1 INTRODUCTION

The directors submit their report together with the audited financial statements for the year ended 31 December2014, which disclose the state of affairs of DCB Commercial Bank Plc (‘the Bank’).

2 INCORPORATION

The Bank is incorporated in Tanzania under the Companies Act, CAP 212 of 2002 as a public listed company.

3 VISION

The vision of DCB Commercial Bank Plc is to be the leading micro-finance Bank in Tanzania.

4 MISSION

The Mission of DCB Commercial Bank Plc is to contribute to the economic and social development in Tanzania for individual, micro, small and medium enterprises, and corporate customers by developing specialized financial products and services and marketing these through an efficient and sustainable branch network where the customer is treated with promptness and responsiveness.

5 PRINCIPAL ACTIVITIES

i) Mobilizing financial resources from individuals, institutions and development partners for financing the informal sector in order to support the government's endeavors in poverty alleviation.

ii) Providing an enabling environment for self-employment for the unemployed population in Tanzania.

iii) Providing commercial services and support to the target group at truly unsubsidized 'full cost recovery and a profit margin' rates in order to enable the Bank to consolidate itself and maximize returns to its shareholders.

iv) Providing lending services.

6 CAPITAL STRUCTURE

The Bank’s capital structure for the year under review is shown below:-

Authorised
400,000,000 ordinary shares of TZS 250 each

Called up and fully paid
67,827,897ordinary shares of TZS 250 each

7 THE SHAREHOLDERS OF THE BANK

The total number of shareholders at year end 2014 was 4,688 (2013: 4,587 shareholders). The shares of the Bank are held as follows:

Name	No. of shares	Value of shares TZS	% of holdings
Umoja Unit Trust Scheme	8,978,062	2,444,515,500	13.24%
Dar es Salaam City Council	6,832,094	1,708,023,500	10.07%
Ilala Municipal Council	6,357,426	1,589,356,500	9.37%
Kinondoni Municipal Council	6,250,022	1,562,505,500	9.21%
Unit Trust of Tanzania	5,703,754	1,425,938,500	8.41%
Temeke Municipal Council	4,685,892	1,171,473,000	6.91%
National Health Insurance Fund	4,000,000	1,000,000,000	5.90%
Other 4,681 members (2013: 4,580)	25,020,647	6,255,161,750	36.90%
Total share capital	**67,827,897**	**16,956,974,250**	**100%**

The total number of shareholders at year end 2013 was 4,587 held as follows:

Name	No. of shares	Value of shares TZS	% of holdings
Umoja Unit Trust Scheme	8,874,262	2,218,565,500	13.08%
Dar es Salaam City Council	6,832,094	1,708,023,500	10.07%
Ilala Municipal Council	6,357,426	1,589,356,500	9.37%
Kinondoni Municipal Council	6,250,022	1,562,505,500	9.21%
Unit Trust of Tanzania	5,703,754	1,425,938,500	8.41%
Temeke Municipal Council	4,685,892	1,171,473,000	6.91%
National Health Insurance Fund	4,000,000	1,000,000,000	5.90%
Other 4,580 members (2012: 4,617)	25,124,447	6,281,111,750	37.04%
Total share capital	**67,827,897**	**16,956,974,250**	**100%**

8 DIRECTORS

The directors of the Bank who have served in office since 1 January 2014, except where otherwise stated, are:-

Name	Position	Age	Nationality	Qualification/ discipline	Date of appointment/ resignation
Amb. Paul M. Rupia	Chairman	78	Tanzanian	MPA, BA Political Science	Appointed on 24May 2014
Prof. Lucian A. Msambichaka	Vice Chairman	72	Tanzanian	B.Sc. in Agriculture, M.Sc. in Agricultural Economics and Ph.D. in Agricultural Economics.	Appointed on 24May 2014
Mr. Edmund P. Mkwawa	Managing Director	68	Tanzanian	MSc, Community Economic Development , Certificate in Banking , and Certificate in Micro-finance	As per MEMARTS
Mr. Makinya K. Migetto	Member	62	Tanzanian	Advanced Diploma in Regional Planning	Appointed on 26 May 2012
Ms. Sophia M. Emesu	Member	56	Tanzanian	MSc. in Community Economic Development and a B.Com in Accounting (Hons)	Appointed on 26 May 2012
Eng. MussaB.Natty	Member	52	Tanzanian	MBA in Finance, Post Graduate Diploma in Sanitary Engineering, B.Sc.in Mechanical Engineering	Appointed on 26 May 2012
Ms. Flora E.Nyanana	Member	35	Tanzanian	MSC. Urban Management & Development, Post Graduate Diploma in Poverty Analysis, B.Sc. Agricultural Economics & Agribusiness.	Appointed on 25 May 2013
Mr. Mbonea W. Kabwe	Member	60	Tanzanian	LL.B, Advocate of the High Court of Tanzania	Appointed on 25 May 2013
Mr. Leonard K. Chacha	Member	45	Tanzanian	MBA in Finance, Postgraduate Diploma in Poverty Analysis for Social Economic Security and Development and Bachelor of Commerce in Finance, CPA	Retired on 30 March 2014
Mr. Deus N. Manyenye	Member	46	Tanzanian	MBA, BA (Hons.) Economics and Post-graduate Diploma in Business Administration	Retired on 30 May 2014
Mr. Methusela Y. Mbajo	Member	53	Tanzanian	A CPA (T) holder, MSc. In Finance, Postgraduate Diploma in Accountancy, Advanced Diploma in Accountancy (1993).	Appointed on 24May 2014
Mr. Deusdedit G. Rutazaa	Member	47	Tanzanian	Postgraduate Diploma in Financial Management, MBA (Finance), Bachelor of Commerce and a CPA (T).	Appointed on 24May 2014

Note: Two members were replaced upon their resignation hence composition of ten members was maintained.

8 DIRECTORS (CONTINUED)

Director's interest

Name of the Director	**Number of shares held 2014**	Number of shares held 2013
Ambassador Paul Milyango Rupia	88,786	88,786
Prof. Lucian Ambrose Msambichaka	126,449	104,672
Mr. Edmund Pancras Mkwawa	15,474	15,474
Ms. Sophia M. Emesu	2,975	2,975
Mr. Leonard K. Chacha	282,880	282,880
Mr. Deus N. Manyenye	216	216
Mr. Methusela Y. Mbajo	316	-
Total shares held by directors	517,096	495,003

None of the directors own more than 0.42% of total issued share capital.

9 COMPANY SECRETARY

The Bank's Secretary as at 31 December 2014 was Mrs. Caroline Mmasi Mduma.

10 CORPORATE GOVERNANCE

The Bank is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability. The Bank had10 directors including the Managing Director. Apart from the Managing Director no other director holds an executive position in the Bank. The Board takes overall responsibility for the Bank, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Managing Director assisted by the management team. The management team is invited to attend board meetings and facilitate the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the various business units.

The Board of Directors

During the year the Board held six ordinary meetings and four extra ordinary meetings. The attendance is as shown in the table below.

10 CORPORATE GOVERNANCE (CONTINUED)

No	Name	Position	Total Meeting	No. of meetings attended
1	Ambassador Paul M. Rupia	Chairman	10	8
2	Mr. Edmund P.Mkwawa	Member	10	10
3	Mrs. Sophia M. Emesu	Member	10	10
4	Mr. Makinya Migetto	Member	10	10
5	Mr. Leonard K Chacha	Member	6	6
6	Mr. Deus N Manyenye	Member	7	7
7	Prof. Lucian A. Msambichaka	Member	10	9
8	Eng. Mussa B. Natty	Member	10	8
9	Ms. Flora E. Nyanana	Member	10	8
10	Mr. Wilson .M. Kabwe	Member	10	5
11	Mr. Deusdedit G. Rutazaa	Member	5	3
12	Mr. Mr. Methusela Y. Mbajo	Member	4	4

Board Committees

Each Committee has a charter to govern the roles and responsibilities as well as the efficiency and effectiveness of board performance. During the year, the Board had the following Board sub-committees to ensure a high standard of corporate governance.

a. <u>Board Audit, Risk and Compliance Committee</u>

It held five ordinary meeting and four extra ordinary meetings whose attendance is as shown in the table below.

No	Name	Position	Total Meetings	No. of meetings attended
1	Mr. Deusdedit G. Rutazaa	Chairman	4	4
2	Prof. Lucian A. Msambichaka	Member	9	8
3	Mr. Leonard K. Chacha	Member	4	4
4	Mr. Deus N. Manyenye	Member	5	5
5	Mr. Wilson .M.Kabwe	Member	9	4
6	Mr. Mr. Methusela Y. Mbajo	Member	3	3

b. <u>Board Nomination & Human Resources Committee</u>

The Committee held five ordinary meetings and six extra ordinary meetings including one in accordance with article 50(3) of the Bank's Memorandum and Articles of Association whose attendance is as shown in the table below.

Board Nomination and Human Capital Committee

No	Name	Position	Total Meetings	No. of meetings attended
1	Amb. Paul M. Rupia	Chairman	1	1
2	Mrs. Sophia M. Emesu	Chairperson	11	11
3	Prof. Lucian A. Msambichaka	Member	11`	6
4	Mr. Makinya K. Migetto	Member	11	11
5	Ms. Flora E. Nyanana	Member	11	9

10 CORPORATE GOVERNANCE (CONTINUED)

c. Board Strategic and Investment Committee

The Committee held five ordinary and three extra ordinary meetings. The attendance is as shown below.

No	Name	Position	Total Meetings	No. of meetings attended
1	Prof. Lucian A. Msambichaka	Chairman	8	8
2	Mr. Deusdedit G. Rutazaa	Member	4	2
3	Methusela Y. Mbajo	Member	3	3
4	Eng. Mussa B. Natty	Member	8	6
5	Mr. Deus N Manyenye	Member	4	4
6	Mr. Leonard K Chacha	Member	2	2

11 MANAGEMENT TEAM

During the period under review, the management of the Bank was under the Managing Director, assisted by the following:-

Chief Manager –Banking Operations	Mr. Grey Ndandika
Chief Manager – Finance & Planning	Ms. Consolata C. Lalika
Chief Manager – Credit	Mr. Stephen S. Dede
Chief Manager – Treasury	Mr. Samwel E. Dyamo
Chief Manager – Risk & Compliance	Mr. Fares E. Muganda
Chief Manager – Retail Banking	Mrs. Haika M. Machaku
Chief Internal Auditor	Ms. Christine V. Mbonya
Chief Manager – Information Communication & Technology	Mr. Mohamed M. Mtulia
Chief Manager – Human Resources and Administration	Mr. Bugingo H.Masana
Company Secretary	Mrs. Caroline M. Mduma

12 STOCK EXCHANGE INFORMATION

The Bank's shares are listed at the Dar es Salaam Stock Exchange and during the year, they were continuously traded. In the year 2014, the performance of the Bank's share in the secondary market was as follows: Market capitalization as at 31 December 2014 was TZS 48.84billion (31 December 2013: TZS 33.24 billion); total turnover of Bank's share at DSE was TZS 607.56million (2013: TZS 1.507 billion). Average price per Bank's share was TZS 720 (2013: TZS 490) and the closing share price was TZS 720 (2013: TZS 490) per share. Initial Public Offer price in 2008 was TZS 275 per share; Rights issue offer price in 2013 was TZS 380 per share.

13 PERFORMANCE FOR THE YEAR

The Bank posted profit before tax of TZS 5.2billion for the year ended 31 December 2014 (2013: TZS 5.2billion). Profit after tax for the year was TZS 3.8 billion (2013: TZS 3.7 billion). In addition, the following achievements were recorded:-

- Lending position stood at TZS 85.42billion (2013: TZS 78.43billion);
- Total deposits stood at TZS 120.67billion (2013: TZS 108.18billion); and
- Total assets stood at TZS 157.51billion (2013: TZS 143.9 billion).

13 PERFORMANCE FOR THE YEAR (CONTINUED)

Branch network and outreach

The Bank had eight branches as at 31 December 2014, all located in Dar es Salaam. As at year end, the Bank's total number of depositors and borrowers were as follows:

	2014	2013
Account type		
Current accounts	**1,618**	1,167
Savings accounts	**133,114**	111,087
Time deposits	**466**	340
Total number of deposit accounts	**135,198**	112,594
Loan accounts	**101,734**	94,860

14 DIVIDEND

The directors propose payment of a dividend of TZS 1.9 billion, equivalent to TZS 27 per share (2013: TZS 1.8 billion, equivalent to TZS 27 per share as per policy).The number of issued shares as at 31 December 2014 are 67,827,897 (2013: 67,827,897)

15 FUTURE DEVELOPMENT

The Bank will continue to focus on business opportunities arising in the economy especially in lending and trade finance. There will be more focus on retail based lending and lending to Small and Medium Enterprises (SMEs), trading and commercial sectors and other growing sectors.

The Bank will implement specific measures that are suitable to the prevailing environment. The Bank'soverallobjectivesincludethestrengtheningofthedepositsbasebyhavingmorestable and low cost deposits, and ensuring the growth of quality loans, fees based income while focusing on risk management.

The Bank has strategic plan 2014-2016 that address the strategic critical issues experienced during the operation since the Bank's inception, enhance the outreach and remain competitive in the market with a focus on sustaining the Bank's growth and performance and shareholders' value that has been depicted in the 13 years of operation.

The Bank was licensed to operate as a full-fledged commercial bank and agency banking on 25 July 2012 and 2 May 2013 respectively.

16 HUMAN RESOURCES

The Bank has adequate 216 employees with pre-requisite competency and experience in key positions to manage the Banking operations as well as pursuing the business objectives.

17 PRINCIPAL RISKS AND UNCERTAINTIES

As the Bank continues to scale up its operations, it ensures that the resultant commercial and operational risks are mitigated through enforcement of appropriate policies and procedures. The Bank's activities expose it to a variety of financial risks including credit, liquidity, market and strategic risks. The Bank's overall risk management policies are set out by the Board of directors and implemented by management. These policies involve analysis, evaluation, acceptance and management of some degrees of risks or a combination of risks. More details of the financial risks facing the Bank are provided in Note 3 to these financial statements.

18 KEY PERFORMANCE INDICATORS

The following Key Performance Indicators (KPIs) are effective in measuring the delivery of the Bank's strategy and managing the business.

Performance indicator	Definition and calculation method	2014	2013
Return on equity	Net income/Total equity	11%	12%
Return on assets	Net income/Total assets	2%	3%
Cost to income ratio	Operating costs/Net income	44%	44%
Interest margin on earning assets	Total interest income/(interest in government securities +balances with other financial institutions + inter-Bank loan receivables + investments in other securities + net loans, advances and overdraft	23%	13%
Non - interest income to Gross income	Non - interest income/Total income	12%	11%
Earnings per share	Basic earnings/ Number of ordinary shares in issue	56	55
Gross loans to customers to customer deposits	Total loans to customers/Total deposits	73%	76%
Non - performing loans to gross loans	Non - performing loans/Gross loans and advances	5%	5.4%
Earning assets to total assets	Earning assets/Total assets	80%	81%
Growth on total assets	Trend (2014 total assets – 2013 total assets/2013 total assets)*%	9%	23%
Growth on loans and advances to customers	Trend (2014 loans and advances - 2013/2013)*%	9%	16%
Growth on total deposits	Trend (2014 deposits – 2013 deposits/2013 deposits)*%	10%	13%
Capital adequacy			
Tier 1 Capital	Risk weighted assets including off-statement of financial position items/Core Capital	28%	30%
Tier 1+Tier 2 Capital	Risk Weighted assets including off-statement of financial position items/Total Capital	29%	30%

19 RISK MANAGEMENT AND INTERNAL CONTROL

The Board accepts final responsibility for the risk management and internal control systems of the Bank. It is the task of the directors to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- The effectiveness and efficiency of operations;
- The safeguarding of the Bank's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business sustainability under normal as well as adverse conditions; and
- Responsible behaviour towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against mis-statement or losses, the Bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31 December 2014and is of the opinion that they met accepted criteria.

The Board carries risk and internal control assessment through the Board Audit, Risk and Compliance Committee.

20 SERIOUS PREJUDICIAL MATTERS

In the opinion of the directors, there are no serious prejudicial matters that can affect the Bank.

21 SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future.

22 EMPLOYEES' WELFARE

Management and employees' relationship

The relationship between employees and management continued to be good. Complaints are resolved through meetings and discussions. Work morale is good and there were no unresolved complaints from employees. There was good teamwork between management and staff.

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.

22 EMPLOYEES' WELFARE (CONTINUED)

Training

During the year the Bank spent TZS 631.25 million for training of its staff (2013 – TZS 231.17 million). Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees received training to upgrade skills and enhance productivity.

Staff loans and advances

The Bank provides housing, home appliances, and education loans to staff as well as salary advances to enable them overcome financial needs and promote their economic development. Staff loans and advances are based on specific terms and conditions approved by the Board of directors. During the year the Bank issued staff loans of TZS3.45 billion to176 employees (2013: TZS1.86 billion to 150 employees) and the outstanding staff loan at year end was TZS3.10 billion.

Medical facilities

The Bank covers medical insurance for all of its employees and their immediate family dependants and Board of directors.

Retirement benefits

The Bank makes contributions in respect of staff retirement benefits to statutory National Social Security Fund, Parastatal Pension Fund, Public Service Pension Fund and Local Authority Pension Fund. The company's obligations in respect of these contributions are limited to 10% of the employees' gross salary.

23 GENDER PARITY

The Bank is an equal opportunity employer. As at 31 December 2014 the Bank had the following distribution of employees by gender.

Gender	**2014**	**%age**	2013	**%age**
Female	**107**	49.5%	93	48%
Male	**109**	50.5%	100	52%
Total	**216**	**100%**	193	100%

24 RELATED PARTY TRANSACTIONS

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

25 POLITICAL DONATIONS

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

26 RELATIONSHIP WITH STAKEHOLDERS

The Bank continued to maintain a good relationship with all stakeholders including the regulators.

27 CORPORATE SOCIAL RESPONSIBILITY (CSR) AND CHARITABLE DONATIONS

The Bank participates actively in community activities and development programs throughout the country Social responsibility made during the year amounted to TZS 21.25 million (2013: TZS12.8 million).The Bank focused its social responsibility in health services where it contributed oxygen concentrators to Amana, Mwananyamala and Temeke Hospitals in Ilala, Kinondoni,andTemeke Municipal Councils respectively

28 AUDITORS

The auditor, PricewaterhouseCoopers, has expressed their willingness to continue in office and is eligible for re-appointment. A resolution proposing an appointment of the Bank's auditor for the year ended 31 December 2015 will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

Amb. Paul M Rupia -Chairman **Date 28-03-2015**

Prof. Lucian A Msambichaka **Date 28-03-2015**

DCB COMMERCIAL BANK PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2014

The Companies Act, CAP 212 No. 2 of 2002 requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its profit or loss and other comprehensive income. The directors are also obliged to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

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

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

Amb. Paul M. Rupia **Date 28-03-2015**
Chairman

Prof. Lucian A Msambichaka **Date 28-03-2015**
Vice Chairman

REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF DCB COMMERCIAL BANK PLC

Report on the Financial Statements

We have audited the accompanying financial statements of DCB Commercial Bank Plc(“the Bank”), which comprise the statement of financial position at 31 December 2014, the statement of profit or loss and other comprehensive income statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors’ responsibility for the financial statements

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

Auditor’s responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s 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, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the Bank’s financial affairs at 31 December 2014 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, CAP 212 Act No. 12 of 2002.

REPORT OF THE INDEPENDENT AUDITOR
TO THE SHAREHOLDERS OF DCB COMMERCIAL BANK PLC (CONTINUED)

Report on Other Legal and Regulatory Requirements

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

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

Michael M. Sallu, FCPA-PP

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

Date 31-03-2015

DCB COMMERCIAL BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2014** **TZS'000**	2013 TZS'000
Interest income	6	**28,340,390**	24,665,132
Interest expense	7	**(10,281,301)**	(9,206,875)
Net interest income		**18,059,089**	15,458,257
Loan impairment (charge)/credit	20	**(474,218)**	(1,045,741)
Net interest income after loan impairment		**17,584,871**	14,412,516
Fees and commission income	8	**3,404,378**	2,723,679
Foreign exchange income	9	**500,541**	241,625
Other operating income	10	**13,947**	2,451
Total non-interest income		**3,918,866**	2,967,755
Operating expenses			
Personnel expenses	11	**(7,211,842)**	(5,126,910)
General and administrative expenses	12	**(6,944,584)**	(5,346,675)
Depreciation and amortisation	13	**(739,483)**	(592,799)
Other operating expenses	14	**(883,145)**	(990,439)
Finance costs		**(501,800)**	(100,000)
Total operating expenses		**(16,280,854)**	(12,160,137)
Profit before income tax		**5,222,883**	5,220,134
Income tax expense	15	**(1,446,259)**	(1,509,011)
Profit for the year		**3,776,624**	3,711,123
Other comprehensive income		-	-
Total comprehensive income for the year		**3,776, 624**	3,711,123
Earnings per share (basic and diluted)	31	**56**	55

DCB COMMERCIAL BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014

	Notes	2014 TZS'000	2013 TZS'000
Assets			
Cash and balances with Bank of Tanzania	17	**17,500,070**	14,533,603
Loans and advances to Banks	18	**15,191,794**	17,938,032
Government securities held to maturity	19	**28,334,235**	22,732,082
Loans and advances to customers	20	**82,415,522**	75,549,518
Unquoted equity investment	21	**1,120,000**	1,106,734
Other assets	22	**4,027,578**	4,507,055
Intangible Assets	26	**1,847,321**	1,889,878
Income tax recoverable		**198,790**	-
Deferred income tax	24	**-**	277,974
Total assets		**157,512,830**	143,969,471
Liabilities			
Deposits from banks	25.1	**20,188,775**	18,597,762
Deposits from customers	25.2	**92,916,405**	84,132,600
Borrowing	27	**7,560,357**	5,453,812
Income tax payable		**-**	762,975
Deferred income tax	24	**102,489**	-
Other liabilities	28	**2,817,848**	3,040,635
Total liabilities		**123,585,874**	111,987,784
Equity			
Share capital	29	**16,956,974**	16,956,974
Share premium	30	**4,104,046**	4,104,046
Proposed dividend		**1,888,312**	1,855,562
Retained earnings		**10,977,624**	9,065,105
Total equity		**33,926,956**	31,981,687
Total liabilities and equity		**157,512,830**	143,969,471

The financial statements on pages 16 to 74 were approved and authorized for issue by the Board of Directors on 28 March 2015 and signed on its behalf by

Amb. Paul M. Rupia–Chairman **Date 28-03-2015**

Prof. Lucian A.Msambichaka-Vice Chairman **Date 28-03-2015**

DCB COMMERCIAL BANK PLC

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

STATEMENT OF CHANGE IN EQUITY

	Share capital TZS'000	Share premium TZS'000	Advance towards share capital TZS'000	Proposed dividend TZS'000	Retained earnings TZS'000	Total TZS'000
Year ended 31 December 2014						
At 1 January 2014	**16,956,974**	**4,104,046**	**-**	**1,855,562**	**9,065,105**	**31,981,687**
Comprehensive income for the year	**-**	**-**	**-**	**-**	**3,776,624**	**3,776,624**
Transactions with owners:						
Dividend paid	**-**	**-**	**-**	**(1,831,352)**	**-**	**(1,831,352)**
Created during the year	**-**	**-**	**-**	**-**	**-**	**-**
Proposed dividend for 2014	**-**	**-**	**-**	**1,888,312**	**(1,888,312)**	**-**
At 31 December 2014	**16,956,974**	**4,104,046**		**1,912,522**	**10,977,624**	**33,926,959**
Year ended 31 December 2013						
At 1 January 2013	9,636,698	551,684	5,850,338	954,215	7,209,544	24,202,479
Comprehensive income for the year	-	-	-	-	3, 711,123	3, 711,123
Transactions with owners:	-	-	-	-	-	-
Dividend paid	-	-	-	(954,215)	-	(954,215)
Created during the year	7,320,276	3,552,362	(5,850,338)	-	-	5,022,300
Proposed dividend for 2013	-	-	-	1,855,562	(1,855,562)	-
At 31 December 2013	16,956,974	4,104,046	-	1,855,562	9,065,105	31,981,687

STATEMENT OF CASH FLOWS

Cash flows from operating activities	Notes	2014 TZS'000	2013 TZS'000
Profit before income tax		**5,222,883**	5,220,134
Adjustments for:			
Depreciation of property and equipment	22	**606,786**	490,430
Amortisation of intangible assets	23	**132,697**	98,653
Impairment and credit losses on loans and advances		**474,217**	1,045,741
Impairment of available for sale investment		**-**	13,266
Cash flow from operating activities before changes in operating assets		**6,436,583**	6,868,223
Changes in operating assets and liabilities:			
Net change in statutory minimum reserve	17	**1,200,000**	(1,150,000)
Net change in loans and advances to customers		**(6,986,584)**	(10,881,785)
Net change in other assets		**466,212**	(3,053,086)
Net change in deposits from banks		**1,591,012**	(689,676)
Net change in deposits from customers		**8,783,805**	12,486,719
Net change in other liabilities		**(1,069,965)**	1,100,461
Net change in government securities with maturity over three months		**(15,867,202)**	(869,930)
Cash generated from operations		**(5,446,139)**	3,810,926
Income tax paid		**(1,862,938)**	(1,365,904)
Net cash flows from operating activities		**(7,309,077)**	2,445,022
Cash flows from investing activities			
Purchases of property and equipment	22	**(1,291,248)**	(1,173,621)
Purchases of intangible assets	23	**(90,140)**	(1,807,279)
Net cash used in investing activities		**(1,381,388)**	(2,980,900)
Cash flows from financing activities			
Dividend paid		**(1,831,352)**	(954,215)
Proceeds from rights issue exercise		**-**	5,022,300
Proceeds from borrowings	27	**5,000,000**	6,500,000
Repayments of borrowings	27	**(2,893,454)**	1,046,188
Net generated financing activities		**275,194**	9,521,898
(Decrease)/Increase in cash and cash equivalents		**(8,415,271)**	8,986,021
Cash and cash equivalents at the beginning of the year		**32,736,684**	23,596,793
Effects of exchange rate changes on cash and cash equivalents		**(429,549)**	146,436
Cash and cash equivalents at the end of the year	32	**23,891,864**	32,736,684

NOTES

1 GENERAL INFORMATION

The Bank is a Public Listed Company and is incorporated and domiciled in the United Republic of Tanzania. The Bank is listed on the Dar es Salaam stock exchange (DSE).
The address of its registered office is as follows:

DCB House
Plot No. 182 Block R
Magomeni Area
PO Box 19798
DAR ES SALAAM

The financial statements for the year ended 31 December 2014 have been approved for issue by the Board of Directors on 28 March 2015. Neither the entity's owners nor others have the power to amend the financial statements after issue.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Additional information required by the Tanzania Companies Act 2002 is included where appropriate.

The financial statements comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the notes. The measurement basis applied in the preparation of these financial statements is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings (TZS) and amounts are rounded to the nearest thousands unless where otherwise stated.

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

(i) New and amended standards adopted by the Bank

The following new standards, amendments and interpretations are effective for accounting period beginning on 1 January 2014 and are relevant to the Bank:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

(i) New and amended standards adopted by the Bank (continued)

Amendment to IAS 32, ‘Financial instruments: Presentation’ on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the bank financial statements.

Amendments to IAS 36, ‘Impairment of assets’, on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, ‘Financial instruments: Recognition and measurement’ on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to ‘over-the-counter’ derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The bank has applied the amendment and there has been no significant impact on the bank financial statements as a result.

IFRIC 21, ‘Levies’, sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 ‘Provisions’. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Bank is not currently subjected to significant levies so the impact on the Bank is not material.
Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the bank.

There are no other new or revised standards or interpretations issued and effective that would be expected to have a material impact on the Bank.

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

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Bank.

(b) Interest income and expense

For all interest bearing instruments measured at amortised cost, interest income and expenses are recognized in of profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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 recognised using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) Fee and commission income

Fees and commission are generally recognised on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred and recognised as an adjustment to the effective interest rate on the loan. Commissions and fees arising from various services offered by the Bank are recognized upon completion of underlying transaction.

(d) Foreign currency translation

(i) Functional and presentation currency

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Foreign currency translation (Continued)

(ii) Transactions and balances

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

Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date.

Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(e) Financial assets

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

(i) *Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Bank intends to sell immediately or in the short term, which are classified as held for trading, and those that the Bank upon initial recognition designates as at fair value through profit or loss;
- those that the Bank upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest method.

(ii) Held-to-maturity investments

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

- those that the Bank upon initial recognition designates as at fair value through profit or loss;
- those that the Bank designates as available-for-sale; and
- those that meet the definition of loans and receivables.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial assets (continued)

(ii) Held-to-maturity investments (Continued)

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

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

(iii) Available-for-sale financial assets

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

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is recognised in the profit or loss account. The Bank’s available for sale financial assets include investment in the ordinary shares of Tanzania Mortgage Refinancing Company for purpose of accessing mortgage funds for on lending and Umoja Company for Umoja switch operations.

(f) Financial liabilities

The Bank’s holding in financial liabilities represents mainly deposits from Banks and customers and other liabilities. Such financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

(g) Determination of fair value

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Determination of fair value (continued)

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

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

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

(h) Derecognition of financial assets and liabilities

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

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

(i) Reclassification of financial assets

The Bank may choose to reclassify a non-derivative financial asset held for trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Bank may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Bank has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Reclassification of financial assets (continued)

The Bank classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made is as seen here in below:

Financial assets	***Class***
Cash and cash equivalent	Loans and receivables
Loans and advances to Banks	Loans and receivables
Loans and advances to customer	Loans and receivables
Government securities	Held to maturity
Equity investment	Available for sale
Other assets excluding prepayment and stationery stock	Loans and receivables
Financial liabilities	
Deposits from Banks	Financial liabilities at amortised cost
Deposits from customers	Financial liabilities at amortised cost
Other liabilities	Financial liabilities at amortised cost
Borrowing	Financial liabilities at amortised cost

(j) Offsetting financial instruments

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

(k) Impairment of financial assets

(i) Assets carried at amortised cost

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

- Significant financial difficult of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payment;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of Bankruptcy proceedings;and
- Deterioration in the value of collateral.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets (continued)

(ii) Assets carried at amortised cost (continued)

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

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

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

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

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

(iii) Assets classified as available-for-sale

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets (continued)

(iii) Assets classified as available-for-sale (continued)

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(l) Impairment of non-financial assets

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

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

(m) Income tax

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

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

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

(n) Provisions

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and any accumulated impairment in value. Depreciation is calculated on the straight-line basis at annual rates estimated to write down the carrying values of the assets to their residual value over their expected useful lives. The annual rates in use are:

Office equipment	12.5%
Fixtures and fittings	20.0%
Computer hardware	25.0%
Computer software	25.0%
Generator	12.5%
Furniture and fittings	12.5%
Motor vehicles	25.0%
Leasehold building	3.0%
Leasehold improvements	Lease period

The assets residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

(p) Leases

Leases entered into by the Bank are operating leases. The total payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leasehold improvements and buildings are depreciated over the lease term.

When an operating lease is terminated before expiry of the lease period, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which termination takes place.

(q) Intangible assets

Acquired computer software licenses are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic life of four years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Cash and cash equivalents

Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand, deposits held at call with Banks and investments in money market instruments with maturity periods of three months.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand and all cash equivalent items maturing within 90 days from the date of acquisition including non-restricted balances with the Bank of Tanzania, treasury bills, loans and advances to Banks, amounts due from other Banks and short term investment securities. Cash and cash equivalents excludes the cash reserve requirement held with the Bank of Tanzania

(s) Employees' benefits

Short-term employment benefits such as salaries, social security contributions, and leave fare assistance are recognized in profit or loss when they fall due.

(i) Post retirement benefits

The Bank operates a defined contribution plan whereby each of its employees and the Bank contribute 10% and 10%, respectively, of the employees' monthly salaries to the state owned and managed (statutory) Funds, namely the Parastatal Pension Fund (PPF) or the National Social Security Fund (NSSF) or Local Authority Pension Fund. Apart from these monthly contributions, the Bank has no further commitments or obligations to the Funds and it has no other postretirement benefit scheme. The contributions are charged to profit or loss in the year to which they relate.

(ii) Other employee benefits

The Bank provides free medical treatment to staff and their dependants. The cost is charged to profit or loss. The estimated monetary liability for employees' accrued leave entitlement at the statement of financial position date is recognized as an expense accrual.

(t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(u) Share capital

The Bank has only one class of ordinary shares which is classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Share capital (continued)

Dividends on share
Dividend payable is recognized as liability in the period in which it is declared. Proposed dividends are disclosed as a separate component of equity. Before recommending any dividend, the Board of directors may set aside out of the profits of the Bank, such sums as they think proper, to a reserve fund or reserve account, which shall at the discretion of the Board, be applicable for any purpose for which the profits of the Bank may lawfully be applied. Whenever dividend is declared, the amount shall not exceed 50% of the annual profit after tax.

(v) Segment reporting

The Bank has the following operating segments: Treasury, Retail Banking and other. Following the management approach to IFRS 8, operating segments are reported in a manner consistent with the internal reporting to the Bank's Management Team (The Chief Operating Decision-Maker), which is responsible for allocating resources to the reportable segments and assessing their performances. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8.

(w) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

3 FINANCIAL RISK MANAGEMENT

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice.

The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance. The Bank defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board of directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign-exchange risk, interest-rate risk, credit risk, and liquidity risk. Risk management is carried out by the Risk and Compliance Department under policies approved by the Board of Directors. The risk and compliance department evaluates financial risk in close co-operation with the operating units.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from loans and advances to customers and other banks and investments government securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

3.1.1Credit risk measurement

The Bank reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the statement of profit or loss and other comprehensive income, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable loss in the expected future payments in an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

3.1.1 Credit risk measurement

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.

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between clients based on past performance.

The Bank has developed models/ratings to support the quantification of the credit risk and applied to two major categories of identified and unidentified clients besides identified group with collaterals. The models/ ratings are reviewed regularly to monitor their robustness relative to actual performance and amended as necessary to optimise their effectiveness.

For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all the customers are segmented into five rating classes as shown below:

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.2 Risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or Banks of borrowers.

The Board has delegated responsibility for the management of credit risk to the Board Audit and Risk Compliance Committee responsible for overseeing of the Bank's credit risk including:

- Formulating credit policies, covering collateral requirements, credit assessment, risk grading, documentary and legal procedures, and compliance with regulatory and statutory requirements.

- Establishing the authorisation structure of the approval and renewal of the credit facilities. Authorisation limits are allocated to various officers at different levels. Larger facilities require approval by board of directors.

- Reviewing and assessing credit risk. Credit department assesses all credit exposures prior to facilities being committed to customers concerned. Renewals and reviews of facilities are subject to the same review process

- Reviewing compliance of business units with agreed exposure limits. Regular reports are provided to Board through Board Audit and Compliance Committee in respect of the quality of loan portfolio; and

- Providing advice, guidance and specialist skills to business units to promote best practice in the management of credit risk.

Regular audits of credit department processes are undertaken by internal audit department.

The internal rating scale assists directors to determine whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets regularly and monitoring is on weekly basis for solidarity group lending product, while for the remaining portfolio which is largely made up of salaried loans is on monthly basis. The provision on non-performing loans is made based on the guidelines of the Bank of Tanzania. Impairment provision are recognized for financial reporting purposes only for those losses that have been incurred at the statement of financial position date based on objective evidence of impairment.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.2 Risk limit control and mitigation policies (continued)

Write-off policy

The Bank writes off loans as and when the Board of directors approves after accepting the recommendations by the management that the loans are irrecoverable. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure and has remained in loss category for four consecutive quarters.

Collateral on loans and advances

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated when the loan is up for renewal or when the loan is individually assessed as impaired.

Loans and advances to customers

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are as follows:

- For solidarity group lending, the security is group guarantee, cash cover as well as movable assets.
- For micro and small medium enterprises (SME); mortgages over residential properties.
- For salaried loans; employers' guarantees.
- For housing micro finance, mortgages over residential properties.

The Bankdisposes repossessed properties and the proceeds are used to reduce or repay the outstanding loan. In general, the Bank does not occupy repossessed properties for business use.

3.1.3 Impairment and provisioning policies

The impairment provision shown in the statement of financial position at period-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom two grades. Details showing the percentage of the Bank's on-statement of financial position items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories are shown below:

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.3 Impairment and provisioning policies (continued)

Bank's rating	31 December 2014 Credit risk exposure (%)	31 December 2014 Impairment provision (%)	31 December 2013 Credit risk exposure (%)	31 December 2013 Impairment provision (%)
1. Current	**91.24**	0.3	94.10	1
2. Especially mentioned	**2.28**	0.4	1.49	1
3. Substandard	**1.82**	100	1.46	40
4. Doubtful	**1.27**	100	0.82	56
5. Loss	**3.39**	100	2.13	100
	100		100	

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

Financial instruments whose carrying amounts do not represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements includes; guarantees and indemnities, letters of credit and commitments to extend credit are disclosed in Note 34.

77% of the total maximum exposure is derived from loans and advances to Banks and customers (2013: 77%); 22%represents investments in government securities (2013:19%).

The directors are confident in the ability of the bank to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both the loan and advances portfolio and debt securities based on the following:

- 94% of the loans and advances to customers portfolio is categorised in the top two grades of the internal rating system (2013: 95%);

- 91% of the loans and advances portfolio are considered to be neither past due not impaired (2013: 95.5%);

- 22% of the investments are Government Treasury Bills and Treasury Bonds

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.5 Concentration of risks of financial assets with credit risk exposure

Industry distribution

The following table breaks down the Bank's credit exposure at carrying amounts (without taking into account any collateral held or other credit support), as categorised by the industry sectors of the Bank's counterparties

	Financial institution	Wholesale and retail trade	Individual	Other	Total
2014 (TZS thousand)					
Balances with Bank of Tanzania	**12,053,371**	**-**	**-**	**-**	**12,053,371**
Loans and advances to Banks	**15,191,794**	**-**	**-**	**-**	**15,191,794**
Government securities	**28,334,235**	**-**	**-**	**-**	**28,334,235**
Loans and advances to customers	**-**	**23,179,499**	**51,859,678**	**7,376,344**	**82,415,522**
Other assets	**-**	**-**	**-**	**2,938,136**	**2,938,136**
Total	**55,579,400**	**23,179,499**	**51,859,678**	**10,314,480**	**140,933,058**
2013 (TZS thousand)					
Balances with Central Bank	10,670,161	-	-	-	10,670,161
Loans and advances to Banks	17,938,032	-	-	-	17,938,032
Government securities	22,732,082	-	-	-	22,732,082
Loans and advances to customers	-	9,232,056	53,901,837	12,415,625	75,549,518
Other assets	-	-	-	4,105,652	4, 105,652
Total	51,340,275	9,232,056	53,901,837	16,521,277	130,995,445

*All other assets under note 3exclude prepayments and stationary stock as this don't form part of financial assets.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.6 Loans and advances analysis

	Loans and advances to customers	**Loans and advances to Banks**	Loans and advances to customers	Loans and advances to Banks
Neither past due nor impaired	**79,281,294**	**15,191,794**	73,166,365	17,938,032
Past due but not impaired	**1,455,550**	-	978,709	-
Impaired	**4,681,164**	-	4,286,350	-
Gross	**85,418,008**	**15,191,794**	78,431,424	17,938,032
Less provision for impairment	**3,002,486**	**-**	(2,881,905)	-
Net	**82,415,522**	**15,191,794**	75,549,519	17,938,032

The total impairment for loans and advances is TZS3.0 billion (2013: TZS2.9 billion) of which TZS2.77billion (2013: TZS 2.41 billion) represents specific impairment assessed on individually significant loans while the remaining amount of TZS0.31 billion (2013: TZS0.39 billion) represents impairment assessed on a portfolio basis. Further information of the impairment provision for loans and advances to customers is provided in note 20.

(a) <u>Loans and advances neither past due nor impaired</u>

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

2014 (TZS thousand)

	Salaried loans	**Individual commercial**	**Housing loans**	**Solidarity Group**	**Overdraft**	**Total**
Current	**49,184,996**	**9,106,112**	**6,343,611**	**6,986,525**	**7,660,050**	**79,281,294**

2013 (TZS thousand)

Current	49,151,561	6,504,642	4,599,452	6,134,424	6,776,286	73,166,365

(b) Loans and advances past due but not impaired

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 180 and 60 days past due for salaried loans and group lending, respectively, are not usually considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.6Loans and advances age analysis

(b) Loans and advances past due but not impaired (continued)

2014 (TZS thousand)

	Salaried loans	Small &medium enterprise	Housing loans	Solidarity group lending	Total
Past due 15 – 30 days	**-**	**-**	**-**	**109,036**	**109,036**
Past due 31 – 90 days	**604,933**	**3,782,140**	**426,901**	**59,871**	**4,873,845**
Past due 91 – 180 days	**1,346,496**	**364,472**	**99,240**	**154,945**	**1,346,496**
Total	**1,951,429**	**4,146,612**	**526,141**	**323,852**	**6,329,377**

2013 (TZS thousand)

	Salaried loans	Small &medium enterprise	Housing loans	Solidarity group lending	Total
Past due 15 – 30 days	-	-	-	10,733	10,733
Past due 31 – 90days	362,641	60,030	27,621	29,302	479,593
Past due 91 – 180days	426,591	15,871	10,622	35,259	488,343
Total	789,232	75,901	38,243	75,334	978,709

(c) Loans and advances individually impaired

2014 (TZS thousand)	Salaried loans	Small &medium enterprise	Housing loans	Solidarity group lending	Total
Individually impaired	**3,402,134**	**507,240**	**95,746**	**676,044**	**4,681,164**
2013 (TZS thousand)					
Individually impaired	3,906,364	192,974	66,451	120,560	4,286,350

(d) Loans and advances to Banks

The total gross amount of individually impaired amounts due from Banks as at 31 December 2014 was Nil (2013: Nil). No collateral is held by the Bank, and no impairment provision has been made against the gross amount.

(e) Other assets
As at 31 December 2014, TZS 6.78 million of other assets was impaired (2013: TZS 77 million of which TZS 13 million related to equity investment).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Credit risk (continued)

3.1.7 Debt securities

The only Government securities held by the Bank are Treasury bills and bonds issued by Bank of Tanzania. At the statement of financial position date, these investments were not impaired. There are no credit ratings for these investments.

3.1.8 Repossessed collateral

During the year there were no repossessed collaterals (2013Nil) as the Bank's loan portfolio is largely unsecured.

3.2 Market risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates. The Bank separates exposures to market risk into either trading or non-trading portfolios. The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Board of Directors and heads of department.

Market risk measurement techniques

The objective of market risk measurement is to manage and control market risk exposures within acceptable limits while optimising the return on risk. The principal measurement technique used to measure and control market risk is the stress tests as outlined below.

Stress tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank covers: interest rate, credit, foreign exchange and liquidity risks, where stress movements are applied to each risk category to assess the overall impact and the Bank's capital resilience to different market risk factor shocks. The results of the stress tests are reviewed by the Asset and Liability Management Committee (ALCO) and reported to the Board of Directors. Below are the results of stress test in relation to interest rate as at 31 December 2014.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

Stress tests (continued)

Year	Risk category	Impact on statement of profit or loss and other comprehensive income	Impact on core capital
2014	Interest rate risk: stress reduce interest margin by 5%	Reduce profit by TZS 23.0 million.	Reduce equity by TZS 23.0 million.
2013	Interest rate risk: stress reduce interest margin by 5%	Reduce profit by TZS 330 million.	Reduce equity by TZS 330 million.

3.2.1 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency which is monitored daily.

The Bank'snet foreign currency exposure as at 31 December 2014 was TZS 310.7million (2013: TZS2.4 million). The Bank is exposed mainly to USD currency for which as at 31 December 2014 the exposure to the Bank is summarised in the table below (All amounts expressed in equivalent Tanzanian Shillings).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

3.2.1 Foreign exchange risk (continued)

2014	TZS'000	US '000'	GBP '000'	EURO '000'	ZAR '000'	Total '000'
Assets						
Cash and balances with Bank of Tanzania	15,422,383	2,044,077	9,414	20,405	3,791	17,500,070
Loans and advances to Banks	14,187,034	718,614	46,094	228,787	11,215	15,191,794
Loans and advances to customers	80,473,683	1,941,839	-	-	-	82,415,522
Government securities held to maturity	28,334,235	-	-	-	-	28,334,235
Other assets	2,938,136	-	-	-	-	2,938,136
Total financial assets	141,355,471	4,704,580	55,508	249,192	15,006	146,379,758
Liabilities						
Deposits due to Banks	13,479,248	6,709,527	-	-	-	20,188,775
Deposits due to customers	91,941,921	974,484	-	-	-	92,916,905
Borrowings	7,560,357	-	-	-	-	7,560,357
Other liabilities	2,817,708	-	-	-	-	2,817,708
Total financial liabilities	115,799,233	7,684,011	-	-	-	123,483,385
Net on statement of financial position	25,556,097	(2,979,431)	55,508	249,192	15,006	22,896,373

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

3.2.1 Foreign exchange risk (continued)

2013	TZS'000	US '000'	GBP '000'	EURO '000'	ZAR '000'	Total '000'
Assets						
Cash and balances with Bank of Tanzania	13,466,502	1,045,288	12,207	6,597	3,009	14,533,603
Loans and advances to Banks	11,039,751	3,113,561	110,457	3,622,853	51,410	17,938,032
Loans and advances to customers	74,722,082	827,436	-	-	-	75,549,518
Government securities held to maturity	22,732,082	-	-	-	-	22,702,082
Other assets	4,105,652	-	-	-	-	4,102,652
Total financial assets	126,066,069	4,986,285	122,664	3,629,450	54,419	134,858,887
Liabilities						
Deposits due to Banks	12,486,150	6,111,612	-	-	-	18,597,762
Deposits due to customers	83,395,849	736,751	-	-	-	84,132,600
Borrowings	5,453,812	-	-	-	-	5,453,812
Other liabilities	3,040,635	-	-	-	-	3,040,635
Total financial liabilities	104,376,447	6,848,363	-	-	-	111,224,809
Net on statement of financial position	21,689,623	(1,862,078)	122,664	3,629,450	54,419	23,634,078

The Bank monitors foreign exchange exposure on daily basis. As at 31 December 2014, the Bank had significant exposures on United States dollars. If Tanzanian Shillings had weakened/strengthened by 7.5% against United States dollar with all variables held constant, the post tax profit would have been lower/higher by TZS500.5million (2013:TZS171.3 million)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Market risk (continued)

3.2.2 Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Interest margins may increase as a result of changes in the prevailing levels of market rates but may also decrease or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest re-pricing that may be undertaken. Consequently, the interest sensitivity effects on profit or loss would not be significant given the re-pricing frequency.

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market rates on its financial position and cash flows. The table below summarizes the exposure to interest rates risks. Included in the table are the Bank's assets and liabilities at carrying amounts categorized by the earlier of contractual re-pricing or maturity dates. The Bank does not bear an interest rate risk on off statement of financial position items.

The table presented here in below summarises the exposure to interest rate risks.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2.2 Interest rate risk (continued)

	Up to 1 month TZS'000	1 - 3 months TZS'000	3-12 Months TZS'000	Over 1 year TZS'000	Non-interest bearing TZS'000	Total TZS'000
As at 31 December 2014						
Assets						
Cash and Bank balances with BoT	-	-	-	-	17,500,070	17,500,070
Loans and balance to Banks	11,766,626	-	-	-	3,425,168	15,191,794
Government securities held to maturity	-	6,684,647	13,061,980	8,587,608	-	28,334,235
Loans and balance with customers	102,450	337,847	4,067,518	77,907,707	-	82,415,522
Unquoted equity investment	-	-	-	-	1,120,000	1,120,000
Other assets	-	-	-	-	2,938,374	2,938,374
Total assets	11,869,076	7,022,494	17,129,498	86,495,315	24,983,612	147,499,995
Liabilities and equity						
Deposits from Banks	20,188,775	-	-	-	-	20,188,775
Deposit from customers	38,805,177	-	6,182,951	47,928,277	-	92,916,405
Borrowings	-	-	-	7,560,358	-	7,560,358
Other liabilities net of provision	-	-	-	-	2,817,708	2,817,708
Total liabilities and equity	58,993,952	-	6,182,951	55,488,635	2,817,708	123,483,246
Interest sensitivity gap	(47,124,875)	7,022,494	10,946,547	31,006,680		

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2.2 Interest rate risk (continued)

	Up to 1 month TZS'000	1 - 3 months TZS'000	3-12 Months TZS'000	Over 1 year TZS'000	Non-interest Bearing TZS'000	Total TZS'000
As at 31 December 2013						
Assets						
Cash and Bank balances with BoT	-	-	-	-	14,533,603	14,533,603
Loans and balance to Banks	10,123,187	-	-	-	7,814,845	17,938,032
Government securities held to maturity	1,978,496	4,809,392	10,261,223	5,682,971	-	22,732,082
Loans and balance with customers	102,450	337,847	4,067,518	71,041,703	-	75,549,518
Unquoted equity investment	-	-	-	-	1,120,000	1,120,000
Other assets	-	-	-	-	4,105,652	4,105,652
Total assets	12,204,133	5,147,239	14,328,741	76,724,674	27,574,100	135,965,622
Liabilities and equity						
Deposits from Banks	24,051,574	-	-	-	-	24,051,574
Deposit from customers	14,147,787	-	9,332,184	51,096,517	9,556,110	84,132,600
Borrowings	-	-	-	-	-	-
Other liabilities net of provision	-	-	-	-	2,870,419	2,870,419
Total liabilities and equity	47,755,471	-	9,332,184	51,096,517	2,870,419	111,054,593
Interest sensitivity gap	(35,551,338)	5,147,239	4,996,557	25,628,157		

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend. Analysis of the Bank's assets and liabilities into relevant maturity groupings is set out in note 3.3.3.

3.3.1 Liquidity risk management

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institution's reputation.

Treasury department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid Government securities, deposits from institutions and other inter-Bank facilities, to ensure that sufficient liquidity is maintained within the institution as a whole. All liquidity policies and procedures are subject to review by Assets and Liabilities Committee and approval by the Board.

The Bank manages the liquidity structure of assets, liabilities and commitments so that cash flows are appropriately matched to ensure that all funding obligations are met when due. Banking operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, directors ensure that the mismatch is controlled in line with allowable risk levels and includes:

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

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

3.3.2 Funding approach

Sources of liquidity are regularly reviewed by the Bank to maintain a wide diversification by currency, provider, product and term.

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual discounted cash flow discounted to 31 December 2014.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.3 Non-derivative financial liabilities and assets held for managing liquidity risk

At 31 December 2014	Due on Demand TZS '000	Up to 1 month TZS '000	1-3 Months TZS '000	3-6 months TZS '000	6-12 Months TZS '000	1-5 years TZS '000	Total TZS '000
Liabilities							
Deposits from Banks	**-**	**20,188,775**	**-**	**-**	**-**	**-**	**20,188,775**
Deposits from customers	**40,115,672**	**3,954,774**	**9,962,473**	**30,991,219**	**7,892,267**	**-**	**92,916,405**
Borrowings	**-**	**-**	**-**	**-**	**-**	**7,560,358**	**7,560,358**
Other liabilities	**-**	**2,817,708**	**-**	**-**	**-**	**-**	**2,817,708**
Total liabilities	**40,115,672**	**26,961,397**	**9,962,473**	**30,991,219**	**7,892,267**	**7,560,358**	**123,483,386**
Assets held for managing liquidity risk	**8,700,070**	**29,966,930**	**15,590,000**	**-**	**52,673,684**	**50,726,174**	**157,656,858**
Net liquidity gap	**(31,415,602)**	**3,005,534**	**5,627,527**	**(30,991,219)**	**44,781,417**	**43,165,816**	**34,173,672**
At 31 December 2013							
Liabilities							
Deposits from Banks	-	18,597,762	-	-	-	-	18,597,762
Deposits from customers	36,744,875	4,567,782	9,332,184	26,500,394	6,987,365	-	84,132,600
Borrowings	-	-	-	-	-	5,453,812	5,453,812
Other liabilities	-	2,870,419	-	-	-	-	2,870,419
Total liabilities	36,744,875	26,035,963	9,332,184	26,500,394	6,987,365	5,453,812	111,054,593
Assets held for managing liquidity risk	4,533,603	29,516,239	12,826,001	5,629,950	3,060,900	54,457,073	105,490,163
Net liquidity gap	(32,211,272)	(12,294,580)	3,493,817	(20,870,444)	(3,926,465)	49,003,261	(5,564,430)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3.4 Assets held for managing liquidity risk

The Bank holds a diversified portfolio of cash and high-quality liquid securities to support payment obligations and contingent funding in a stressed market environment. The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with the Bank of Tanzania (excluding SMR);
- Items in the course of collection and treasury and other eligible bills;
- Placements with other banks; and
- Loans and advances to customers.

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Bank would also be able to meet unexpected net cash outflows by selling investment securities and accessing additional funding sources such as asset-backed markets.

3.3.5 Off-balance sheet items

(a)Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases, as disclosed in Note 35, are summarised below.

(b) Capital commitments
Capital commitments for the acquisition of buildings and equipment (Note 35) are summarised in the table below.

At 31 December 2014	No later than 1 year TZS 000	1-5 Years TZS 000	Over 5 years TZS 000	Total TZS 000
Operating lease commitments	**174,757**	**828,057**	**1,076,609**	**2,079,423**
Capital commitments	**2,840,448**	**-**	**-**	**2,840,448**
Total	**3,015,205**	**828,057**	**1,076,609**	**4,919,871**
At 31 December 2013				
Operating lease commitments	174,334	765,882	1,122,337	2,062,553
Capital commitments	4,135,612	-	-	4,135,612
Total	**4,309,946**	**765,882**	**1,122,337**	**6,198,165**

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (continued)

3.3.5 Off-balance sheet items (continued)

(c) Commitments to extend credit and other facilities

As at 31 December 2014, commitments to extend credit to customers and other facilities were TZS 41billion (2013:52 billion)

3.4 Fair value of financial assets and liabilities

(a) *Fair value hierarchy*

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The bank considers relevant and observable market prices in its valuations where possible.

The following table represents the Bank's financial assets that are measured at fair value at 31 December 2014.

	TZS Thousands			
31 December 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets:				
Unquoted equity investment	**-**	**1,120,000**	**-**	**1,120,000**

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

The following table represents the Bank's financial assets that are measured at fair value at 31 December 2013.

	TZS Thousands			
31 December 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets:				
Unquoted equity investment	-	1,120,000	-	1,120,000

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities

(a) Fair value hierarchy

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

Specific valuation techniques used to value financial instruments include:

- Quoted prices for identical or similar assets or liabilities in markets that are not active.

b) Financial instruments at amortised costs

As at 31 December 2014 the fair value of government securities held to maturity was TZS 28.0 billion (2013:22.7 billion). The fair values of other financial instruments at amortised cost approximate their carrying values at the statement of financial position date.

The Bank does not have a basis for calculating the fair value of the other financial instruments. However, its overall assessment is that their fair values would not be significantly different from the amortised cost at which they are stated because the majorities are short term.

3.5 Capital management

The primary objectives of the Bank's capital management which is a broader concept than the 'equity' on the face of statement of financial positions are:

- To comply with the capital requirements set by the Bank of Tanzania (BOT);
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.
- To ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and
- To maximize shareholders value.

Regulatory capital

The Bank of Tanzania sets and monitors capital requirements for the Banking industry as a whole. The Bank of Tanzania has set among other measures, the rules and ratios to monitor adequacy of a Bank's capital.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.5 Capital management (continued)

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

In implementing current capital requirements, the Bank of Tanzania requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analyzed in two tiers:

- Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

- Tier 2 capitals, which includes qualifying subordinated liabilities and the element of fair value reserve relating to unrealized gains on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50 percent of tier 1 capital.

Tier 1 capital (Core capital) is also subjected to various limits like limitation in risk weighted assets by 10% and investments in movable and immovable assets not to exceed 70% of core capital.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized in addition to the need to maintain a balance between the higher returns and that may be possible with greater gearing and the advantages and security afforded by sound capital position.

The Bank complied with minimum capital requirements as required by sections 16 and 17 of the Banking and Financial Institutions Act, 2006 and the Bank of Tanzania Capital Adequacy Regulations 2008.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2014 and year ended 31 December 2013. During those two periods, the Bank complied with all of the externally imposed capital requirements to which they are subjected.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

REGULATORY CAPITAL	2014 TZS'000	2013 TZS'000
Tier 1 Capital		
Share capital	**16,956,974**	16,956,974
Share premium	**4,104,046**	4,104,046
Retained earnings	**10,977,624**	9,065,106
Less: Intangible assets	**(1,847,321)**	(1,889,878)
Less: Prepaid expenses	**(765,801)**	(161,640)
Less: Deferred tax assets	**(102,488)**	(277,974)
Total qualifying Tier 1 Capital	**29,323,034**	27,796,635
Tier 2 capital		
General provisions (portfolio impairment)	**230,350**	431,651
Total qualifying Tier 2 capital	**230,350**	431,651
Total regulatory capital	**29,553,385**	28,228,286
Risk - weighted assets		
On balance sheet	**97,554,742**	87,685,968
Off balance sheet	**2,930,892**	5,096,426
Total risk - weighted assets	**100,485,633**	92,782,393
Bank Ratios		
Tier 1 (BoT Minimum 10%)	**0.28%**	30%
Tier 1 + Tier 2 (BoT Minimum 12%)	**0.29%**	30%

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

a) Impairment losses on loans and advances

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

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Were the historical credit loss ratio to differ by 1% impairment loss would have been 2014: TZS 788 million (2013: TZS 69 million) higher or lower.

b) Impairment of available for sale equity investments

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

As at 31 December 2014 there was no indication that the fair value declined below its cost.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

c) Held to maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. If all held to maturity investments were to be reclassified, the carrying value would increase byTZS 46 million(2013:increase by TZS41 million), with corresponding entry being in the other comprehensive income.

d) Property and equipment

Critical estimates are made by the directors in determining depreciation rates for property and equipment and their residual values. The rates are set out in Note 2(O).

5 SEGMENT REPORTING

The segment reporting format is determined by Bank's risks and rates of returns based on products and services offered. The segment information provided to Bank's senior management for the reportable segments for the year ended 31 December 2014 is as follows:

Statement of profit or loss and other comprehensive income	Retail Banking TZS'000	Treasury TZS'000	Other TZS'000	Total TZS'000
Net interest income-external customers	15,311,030	2,748,059	-	18,059,089
Fees, commission and other income	3,404,378	-	-	3,404,378
Foreign exchange income	-	500,541	-	500,541
Other operating income	-	-	13,947	13,947
Total operating income	18,715,408	3,248,600	13,947	21,977,955
Loan impairment charges	(474,218)	-	-	(474,218)
Net operating income	18,241,190	3,248,600	13,947	21,503,737
Personnel expenses	(7,053,429)	(158,413)	-	(7,211,842)
Depreciation and amortization	(711,507)	(27,976)	-	(739,483)
Administrative and other operating expenses	(8,329,529)	-	-	(8,329,529)
Profit before tax	2,146,724	3,062,211	13,847	5,222,883
Income tax expense	(594,445)	(847,952)	(3,862)	(1,446,259)
Profit for the year	1,552,279	2,214,259	9,985	3,776,624

5 SEGMENT REPORTING (CONTINUED)

31 December 2013

Statement of profit or loss and other comprehensive income	Retail Banking TZS'000	Treasury TZS'000	Other TZS'000	Total TZS'000
Net interest income-external customers	13,450,057	2,041,803	-	15,491,860
Fees, commission and other income	2,723,679	-	-	2,723,679
Foreign exchange income	-	241,625	-	241,625
Other operating income			2,451	2,451
Total operating income	**16,173,736**	**2,283,428**	**2,451**	**18,459,615**
Loan impairment charges	(1,045,741)	-	-	(1,045,741)
Net operating income	**15,127,995**	**2,283,428**	**2,451**	**17,413,874**
Personnel expenses	(4,889,452)	(237,458)	-	(5,126,910)
Depreciation and amortization	(564,823)	(27,976)	-	(592,799)
Administrative and other operating expenses	(6,474,030)	-	-	(6,474,030)
Profit before tax	**2,934,255**	**2,283,428**	**2,451**	**5,220,134**
Income tax expense	(848,220)	(660,082)	(709)	(1,509,011)
Profit for the year	**2,086,035**	**1,623,346**	**1,742**	**3,711,123**

5 SEGMENT REPORTING (CONTINUED)

Statement of financial position as at 31 December 2014	Retail Banking	Treasury	Other	Total
Assets				
Cash and balances with Bank of Tanzania	-	17,500,070	-	17,500,070
Loans and balances to Banks	-	15,191,794	-	15,191,794
Government securities	-	28,334,235	-	28,334,235
Unquoted equity investment	-	-	1,120,000	1,120,000
Loans and advances to customers	82,415,522	-	-	82,415,522
Plant and equipment	6,877,520	-	-	6,877,520
Intangible assets	1,847,321	-	-	1,847,321
Deferred income tax asset	-	-	277,974	277,974
Other assets	4,027,577	-	-	4,027,577
Total assets	95,167,940	61,026,099	1,318,790	157,512,829
Equity and liabilities				
Equity				
Share capital	-	-	16,956,974	16,956,974
Share premium	-	-	4,104,046	4,104,046
Proposed dividends	-	-	1,888,312	1,888,312
Retained earnings	10,977,624	-	-	10, 977,624
Total equity	10, 977,624	-	22,949,332	33,926,956
Liabilities				
Deposit from Banks	-	20,188,775	-	20,188,775
Deposits from customers	92,916,405	-	-	92,916,405
Borrowings	7,560,357	-	-	7,560,357
Income tax payable	-	-	102,488	102,488
Other liabilities	2,817,848	-	-	2,817,848
Total liabilities	103,294,610	20,188,775	102,488	123,585,973
Total liabilities and equity	114,272,234	20,188,775	23,051,820	157,512,829

A total of TZS 2.2 billion (2013:TZS 2.7 billion)represents additions to non-current assets other than financial instrument and deferred tax assets.

5 BUSINESS SEGMENT (CONTINUED)

Statement of financial position as at 31 December 2013	Retail Banking	Treasury	Other	Total
Assets				
Cash and balances with Bank of Tanzania	-	14,533,603	-	14,533,603
Loans and balances to Banks	-	17,938,032	-	17,938,032
Government securities	-	22,732,082	-	22,732,082
Unquoted equity investment	-	-	1,106,734	1,106,734
Loans and advances to customers	75,549,518	-	-	75,549,518
Plant and equipment	5,434,597	-	-	5,434,597
Intangible assets	1,889,878	-	-	1,889,878
Deferred income tax asset	-		277,974	277,974
Other assets	4,701,055	-		4,701,055
Total assets	**87,575,155**	**55,203,717**	**1,384,708**	**143,969,471**
Equity and liabilities				
Equity				
Share capital	-	-	16,956,974	16,956,974
Share premium	-	-	4,104,046	4,104,046
Proposed dividends	-	-	1,855,562	1,855,562
Retained earnings		-	9,065,105	9,065,105
Total equity	**-**	**-**	**31,981,687**	**31,981,687**
Liabilities				
Deposit from Banks	-	18,597,762	-	18,597,762
Deposits from customers	84,132,600	-	-	84,132,600
Borrowings	5,453,812	-	-	5,453,812
Income tax payable	-	-	762,975	762,975
Other liabilities	3,040,635	-	-	3,040,635
Total liabilities	**92,627,047**	**18,597,762**	762,975	**11,987,784**
Total liabilities and equity	**101,692,154**	**18,597,762**	**23,679,557**	**143,969,471**

Items reported under others are those which are used by both Retail and Treasury and cannot be specifically allocated to any of the two segments.

6 INTEREST INCOME

	2014 TZS 000	2013 TZS 000
Loans and advances	**22,972,335**	20,439,834
Government securities	**4,324,557**	3,120,954
Placements	**1,043,498**	1,104,344
	28,340,390	24,665,132

Interest income includes TZS 1.4 billion (2013: 1.1 billion) of interest accrued on impaired loans and advance to customers

7 INTEREST EXPENSE

Time deposits	**7,021,084**	6,479,513
Savings deposits	**637,607**	538,362
Current accounts	**2,613**	5,506
Bank borrowing	**2,619,996**	2,183,495
	10,281,301	9,206,875

8 FEES AND COMMISSION INCOME

Tender fees, stationery and telephone	**97,873**	-
Loan commitment fees	**1,365,054**	840,582
Ledger fees	**903,258**	724,634
Drafts and transfers	**4,855**	4,574
Guarantee and indemnities	**17,555**	21,705
Withdrawal fees	**47,640**	51,246
Commission on Western Union Transfers	**29,730**	27,437
Commission on insurance fees	**585,248**	551,366
Commission charged on transfers	**35,126**	20,214
Commission on ATM withdrawal charges	**35,972**	39,860
Group loans registration fees	**21,132**	22,680
Other fees and commissions	**260,935**	419,381
	3,404,378	2,723,679

9 FOREIGN EXCHANGE INCOME

Foreign exchange dealings	**450,949**	206,637
Revaluation gains	**49,593**	34,988
	500,541	241,625

10 OTHER OPERATING INCOME

	2014 TZS'000	2013 TZS'000
Other income	**13,947**	2,451
	13,947	2,451

11 PERSONNEL EXPENSES

	2014 TZS'000	2013 TZS'000
Wages and salaries	**5,279,733**	4,207,878
Pension and retirement benefits	**533,139**	418,514
Staff performance incentive	**678,759**	22,292
Other staff costs	**720,211**	478,226
	7,211,842	5,126,910

12 GENERAL AND ADMINISTRATIVE EXPENSES

	2014 TZS'000	2013 TZS'000
Electricity, water and telephone expenses	**982,318**	902,401
Training	**570,524**	202,641
Medical	**272,499**	244,790
Board committee meetings	**225,197**	261,669
Consultant fees	**216,761**	102,282
Stationery	**228,765**	229,770
Staff welfare	**297,191**	209,881
Travelling expenses	**1,064,416**	418,073
Audit fees	**91,663**	90,050
Maintenance costs	**976,893**	1,051,999
Operating lease rentals	**366,040**	204,471
Marketing and promotion	**643,406**	544,322
Deposit insurance fund	**139,448**	122,783
Cost of meeting with shareholders	**109,827**	130,584
Other administrative expenses	**759,636**	630,959
	6,944,584	5,346,675

13 DEPRECIATION AND AMORTISATION

	2014 TZS'000	2013 TZS'000
Amortisation of leasehold building	**73,032**	73,032
Amortisation of leasehold improvement	**159,586**	91,057
Depreciation of motor vehicles and equipment	**374,168**	326,341
Amortisation of intangible assets	**132,697**	102,370
	739,483	592,799

14 OTHER OPERATING EXPENSES

	2014	2013
	TZS'000	TZS'000
Loan recovering costs	**814,103**	859,518
Bank clearing costs	**4,862**	229
Fraud and other losses	**(10,085)**	55,556
Bank charges	**74,265**	75,136
	883,145	990,439

15 INCOME TAX EXPENSE

The tax charge for the year is arrived at as follows:

	2014	2013
Current income tax – current period	**1,664,148**	1,780,023
- prior period	**(598,352)**	-
Deferred income tax – current period (note 24)	**(82,067)**	(277,974)
- prior period (note 24)	**462,530**	6,961
	1,446,259	1,509,011

The tax on the Bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2014	2013
Profit before income tax	**5,222,883**	5,220,134
Tax calculated at a tax rate of 30% (2013:30%)	**1,566,865**	1,566,041
Tax effect of:		
Expenditure permanently disallowed	**15,216**	51,548
Adjustments prior periods	**(135,822)**	-
Deferred income tax – prior years	**-**	(108,578)
	1,446,259	1,509,011

16 FINANCIAL INSTRUMENTS BY CATEGORY

At 31 December 2014 (TZS '000 TZS)	Loans and receivables	Held to maturity	Available for sale	Total
Financial assets				
Cash and balance with Bank of Tanzania	**17,500,070**	**-**	**-**	**17,500,070**
Loans and advances to Banks	**15,191,794**	**-**	**-**	**15,191,794**
Government securities held to maturity	**-**	**28,334,235**	**-**	**28,334,235**
Unquoted equity investments	**-**	**1,120,000**	**-**	**1,120,000**
Loans and advances to customers	**82,415,522**	**-**	**-**	**82,415,522**
Other assets	**4,059,224**	**-**	**-**	**4,059,224**
Total	**119,166,610**	**29,454,235**	**-**	**148,620,845**

16 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

At 31 December 2014

Financial liabilities (Amounts in TZS thousands)	Financial liabilities at amortised cost
Deposits from Banks	**20,188,775**
Deposits from customers	**92,916,405**
Borrowings	**7,560,357**
Other liabilities	**2,697,134**
Total	**123,362,671**

At 31 December 2013

Financial assets	Loans and receivables	Held to maturity	Available for sale	Total
Cash and balance with Bank of Tanzania	14,533,603	-	-	14,533,603
Loans and advances to Banks	17,938,032	-	-	17,938,032
Government securities held to maturity	-	22,732,082	-	22,732,082
Unquoted equity investments	-	-	1,106,734	1,106,734
Loans and advances to customers	75,549,518	-	-	75,549,518
Other assets	4,105,652	-	-	4,105,652
Total	112,152,573	22,732,082	1,106,734	135,991,389

At 31 December 2013

Financial liabilities (Amounts in TZS thousands)	Financial liabilities at amortised cost
Deposits from Banks	18,597,762
Deposits from customers	84,132,600
Borrowings	5,453,812
Other liabilities	2,870,419
Total	111,054,593

17 CASH AND BALANCES WITH BANK OF TANZANIA

	2014 TZS'000	2013 TZS'000
Cash in hand	**5,446,700**	3,863,442
Clearing account balance with the Bank of Tanzania	**3,253,370**	670,161
Statutory minimum reserve (SMR)	**8,800,000**	10,000,000
	17,500,070	14,533,603

The SMR deposit is not available to finance the Bank's day-to-day operations and is hence excluded from cash and cash equivalents for the purpose of the statement of cash flows (see Note 32).Cash in hand and balances with Bank of Tanzania and SMR are non-interest bearing.

18 LOANS AND ADVANCES TO BANKS

	2014 TZS'000	2013 TZS'000
Balances with other Banks	**2,850,698**	7,172,525
Cheques in the course of collection	**594,470**	642,320
Money market placements	**11,766,627**	10,123,187
	15,191,794	17,938,032
Current	**15,191,794**	17,938,032

19 GOVERNMENT SECURITIES HELD TO MATURITY

Treasury bills and bonds maturing after 3 months	**19,918,968**	12,467,033
Treasury bills and bonds maturing within three months	**6,374,450**	10,265,049
	26,293,418	22,732,082
Current	**19,482,046**	17,382,168
Non-current	**6,811,372**	5,349,914
Total	**26,293,418**	22,732,082

Investment in Government Securities, include TZS 13,092 million pledged as collaterals with CRDB Bank (2013: 8,010 million). These are collateral for borrowings disclosed under note 27.

20 LOANS AND ADVANCES TO CUSTOMERS

Loans to individuals	**75,214,163**	69,933,646
Loans to solidarity groups	**7,662,569**	6,337,793
Staff loan and advances	**2,541,275**	2,159,985
	85,418,007	78,431,423
Allowance for credit losses	**(3,002,486)**	(2,881,905)
At 31 December	**82,415,522**	75,549,518

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	2014 TZS'000	2013 TZS'000
Analysis of loans to individuals		
Commercial	**16,342,179**	13,301,819
Personal / individuals	**7,194,404**	4,965,614
Salaried loans	**51,677,581**	51,666,213
	75,214,163	69,933,646
Maturity analysis		
With maturity of 3 months or less	**12,944,901**	441,233
With maturity of between 3 months and 1 year	**17,162,218**	4,066,581
With maturity of more than 1 year	**52,308,403**	71,041,704
	82,415,522	75,549,518

The movement in allowance for impairment of loans and advances by class is as follows;

	2014 TZS'000			2013 TZS'000		
	Specific	**Portfolio**	**Total**	Specific	Portfolio	Total
At 1 January	**2,450,223**	**431,651**	**2,881,905**	2,084,215	369,123	2,453,338
Impairment charge/ (release)	**437,623**	**36,595**	**474,218**	983,182	62,528	1,045,710
Write offs	**(353,637)**	**-**	**(353,637)**	(617,174)	-	(617,174)
At 31 December	**2,534,209**	**468,246**	**3,002,486**	2,450,223	431,651	2,881,905

21 UNQUOTED EQUITY INVESTMENTS

	Interest held %	2014 TZS'000	2013 TZS'000
Tanzania Mortgage Refinancing Company	**10.53%**	**1,100,000**	1,100,000
Umoja Switch Co. Ltd	**4%**	**20,000**	20,000
Impairment – TMRC		**-**	(13,266)
		1,120,000	1,106,734

The Bank has investments in ordinary shares in Umoja Switch Co. Ltd being founder member of the Switch and Tanzania Mortgage Refinancing Company Limited (TMRC).

22 PROPERTY AND EQUIPMENT

Year ended 31 December 2014	Machinery and equipment TZS'000	Furniture, fixture and fitting TZS'000	Computer and IT equipment TZS'000	Generator TZS'000	Motor vehicle TZS'000	Leasehold improvement TZS'000	Leasehold building TZS'000	WIP TZS'000	Total
Cost									
As at 1 January 2014	668,524	493,562	602,593	332,923	476,954	1,100,365	2,834,052	935,060	7,444,033
Additions	188,262	117,849	97,326	-	-	887,811	-	-	1,291,248
Transfer from WIP	41,420	-	-	58,710	127,679	586,235	-	(814,044)	-
At 31 December 2014	898,206	611,411	699,919	391,633	604,633	2,574,411	2,834,052	121,016	8,614,265
Depreciation									
As at 1 January 2014	309,495	349,491	419,239	127,242	255,379	331,515	217,077	-	2,009,438
Charge for the year	91,731	36,721	102,176	40,935	128,263	174,775	73,032	-	647,633
At 31 December 2014	401,226	386,212	521,415	168,177	383,642	506,290	290,109	-	2,657,071
Net book value at 31 December 2014	496,979	225,199	178,505	223,456	220,991	2,068,121	2,543,943	121,016	5,957,194

22 PROPERTY AND EQUIPMENT (CONTINUED)

Year ended 31 December 2013	Machinery and equipment TZS'000	Furniture, fixture and fitting TZS'000	Computer and IT equipment TZS'000	Generator TZS'000	Motor vehicle TZS'000	Leasehold improvement TZS'000	Leasehold building TZS'000	WIP TZS'000	Total
Cost									
As at 1 January 2013	606,408	469,080	544,791	286,187	476,954	1,052,940	2,834,052	-	6,270,412
Additions	62,116	24,482	57,802	46,736	-	47,425	-	935,060	1,173,621
At 31 December 2013	668,524	493,562	602,593	332,923	476,954	1,100,365	2,834,052	935,060	7,444,033
Depreciation									
As at 1 January 2013	236,042	311,029	348,352	92,728	146,354	240,458	144,045	-	1,519,008
Charge for the year	73,453	38,462	70,887	34,514	109,025	91,057	73,032	-	490,430
At 31 December 2013	309,495	349,491	419,239	127,242	255,379	331,515	217,077	-	2,009,438
Net book value at 31 December 2013	359,029	144,071	183,355	205,763	221,575	768,849	2,616,975	935,060	5,434,595

WIP comprises of motor vehicles, generator and leasehold improvement for new branches.

All property, plant and equipment are non-current.

23 INTANGIBLE ASSETS

	2014	2013
	TZS'000	TZS'000
Cost		
At 1 January	**2,307,225**	499,946
Additions	**90,141**	271,244
Work in progress	**-**	1,536,035
At 31 December	**2,397,366**	2,307,225
Accumulated amortization		
At 1 January	**417,347**	318,694
Charge for the year	**132,697**	98,653
At 31 December	**550,044**	417,347
Net book value	**1,847,321**	1,889,878
Current	**1,847,321**	1,889,878

24 OTHER ASSETS

Prepaid expenses	**765,801**	161,640
Stationery	**323,640**	239,763
Mobile float	**973,103**	282,640
Loans installment receivable	**1,584,315**	1,767,244
Sundry assets	**387,497**	2,119,858
	4,034,356	4,571,145
Allowance for losses	**(6,778)**	(64,190)
Current	**4,027,578**	4,507,055

25 DEPOSITS

25.1 DEPOSITS FROM BANKS

Term deposits	**20,009,631**	18,488,693
Savings	**15,637**	97,375
Call deposits	**163,506**	11,694
	20,188,775	18,597,762
Current	**20,188,775**	18,597,762

25 DEPOSITS (CONTINUED)

25.2 DEPOSITS FROM CUSTOMERS

	2014 TZS'000	2013 TZS'000
Current accounts	**10,875,806**	9,556,110
Savings deposits	**27,564,703**	23,669,355
Time deposits	**54,475,896**	50,907,135
	92,916,405	84,132,600
Current	**65,447,840**	60,557,653
Non current	**27,468,565**	23,574,947
	92,916,405	84,132,600

Deposits amounting to TZS 38 billion (2013: TZS 33 billion) are at fixed interest rates and the remaining deposits are at variable rates.

26 DEFERRED INCOME TAX ASSET

	2014 TZS'000	2013 TZS'000
At beginning of the year	**(277,974)**	(6,961)
Statement of profit or loss-current year (Note 15)	**380,462**	(162,434)
Statement of profit or loss-prior year (Note 15)	**-**	(108,578)
At end of the year	**102,489**	(277,974)

Deferred income tax asset and deferred income tax credit to the statement of profit or loss are attributed to the following items:

	1 January 2014 TZS'000	Credited to profit or loss TZS'000	31 December 2014 TZS'000
Deferred income tax liability			
Property and equipment	(15,430)	260,184	(244,754)
Deferred income tax asset			
Impairment provisions	(262,544)	120,279	142,265
Net deferred income tax asset	**(277,974)**	**(176,080)**	**(102,489)**
Deferred income tax liability			
Property and equipment	79,959	(95,389)	(15,430)
Deferred income tax asset			
Impairment provisions	(86,920)	(175,624)	(262,544)
Net deferred income tax asset	**(6,961)**	**(271,013)**	**(277,974)**

27 BORROWINGS

	2014 TZS'000	2013 TZS'000
CRDB Term loan	**6,060,358**	3,953,812
TMRC Term loan	**1,500,000**	1,500,000
	7,560,358	5,453,812
Non-current	**7,560,358**	5,453,812

a) CRDB Term loan

Opening Balance	**3,953,812**	-
Received during the year	**5,000,000**	5,000,000
Sub total	**8,953,812**	5,000,000
Payment:		
From First Loan	**1,593,641**	1,046,188
From Second Loan	**1,299,813**	-
Sub total	**2,893,454**	1,046,188
Balance 31 December	**6,060,358**	3,953,812

On 11 April 2013 the Bank received a loan of TZS5 billion from CRDB Bank Plc for SME Loans financing. The loan is for 3 years at interest rate of 15% maturing on 11 March 2016.On 20 February 2014 the Bank received a refinancing loan of TZS 5 billion from CRDB Bank Plc. The loan is for 3 years with interest rate of 15% maturing on 20 January 2017.

b) TMRC Term Loan
On 30 August 2013 the Bank received a mortgage refinance loan from TMRC of TZS 1.5 billion. The tenor for the loan is 3 years and bears interest of 11.51% maturing on 28 February 2015.

28 OTHER LIABILITIES

	2014 TZS'000	2013 TZS'000
Accrued expenses	**325,321**	470,034
Withholding tax	**120,714**	102,104
Sundry creditors	**388,501**	322,849
Commitment fees	**1,304,218**	1,376,585
Dividend payable	**290,205**	226,727
Emergency fees	**84,350**	94,973
Accounts payables	**184,860**	342,961
Bankers drafts	**119,678**	104,402
	2,817,847	3,040,635
Current	**1,885,440**	2,238,512
Non-current	**932,407**	802,123
	2,817,847	3,040,635

29 SHARE CAPITAL

	2014 TZS'000	2013 TZS'000
Authorised		
400,000,000 (2013:400,000,000) ordinary shares of TZS 250/= each	**100,000,000**	100,000,000
Issued and fully paid ordinary shares		
67,827,897 (2013:67,827,897) shares of TZS 250/= each	**16,956,974**	16,956,974

30 SHARE PREMIUM

67,827,897shares issued at a premium	**4,104,046**	4,104,046

31 EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year. The calculation is based on:

	2014 TZS'000	2013 TZS'000
Profit attributable to ordinary shareholders	**3,776,624**	3,711,123
Weighted average number of ordinary shares	**67,827,897**	67,827,897
Basic earnings per share – TZS	**56**	55

Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2014 TZS'000	2013 TZS'000
Attributable profit to ordinary shareholders	**3,776,624**	3,711,123
	Number	Number
Weighted average number of ordinary shares	**67,827,897**	67,827,897
Diluted earnings per share – TZS	**56**	55

32 CASH AND CASH EQUIVALENTS

	2014 TZS'000	2013 TZS'000
Cash and balances with Bank of Tanzania (excluding SMR) (Note 17)	**8,700,070**	4,533,603
Balances with other Banks	**2,850,697**	7,172,525
Cheques in the course of collection	**574,470**	642,320
Government securities maturing within 3 months from date of acquisition	**-**	10,265,049
Other money market placements	**11,766,627**	10,123,187
	23,891,864	32,736,684

33 RELATED PARTY DISCLOSURE

The Bank is owned by Umoja Unit Trust Scheme (13.24%), Dar es Salaam City Council (10.07%), Ilala Municipal Council (9.37%), Kinondoni Municipal Council (9.21%), Unit Trust of Tanzania (8.41%), Temeke Municipal Council (6.91%), National Health Insurance Fund (5.90) and the General Public (36.90%).

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. The volumes of related party transactions, outstanding balances at the year end and the related expenses and income for the yearare as follows:

	2014 TZS'000	2013 TZS'000
Loans to key management personnel:		
Loans outstanding at the beginning of the year	**566,247**	637,102
Loan additions during the year	**1,340,804**	259,816
Loan repayments during the year	**(508,041)**	(330,671)
Loans outstanding at the end of the year	**1,399,010**	566,247
Interest income earned	**131,185**	82,245
Loans to shareholders:		
Loans outstanding at the beginning of the year	**2,798,640**	987,701
Loan additions during the year	**668,469**	6,557,157
Loan repayments during the year	**(2,826,946)**	(4,746,218)
Loans outstanding at the end of the year	**640,163**	2,798,640
Interest income earned	**45,809**	184,060

33 RELATED PARTY DISCLOSURE (CONTINUED)

Deposits from directors and key management personnel:

	2014 TZS'000	2013 TZS'000
Deposits at the beginning of the year	**120,904**	151,831
Deposits received during the year	**4,191,224**	1,245,439
Deposits repaid during the year	**(4,117,456)**	(1,276,365)
Deposits as at the end of the year	**194,672**	120,904
Interest expense	**3,204**	784
Deposits from shareholders		
Deposits at the beginning of the year	**11,853,786**	12,082,229
Deposits received during the year	**11,824,338**	9,503,297
Deposits repaid during the year	**(11,264,052)**	(9,731,740)
Deposits as at the end of the year	**12,414,072**	11,853,786
Interest expense	**327,922**	292,154
Key management compensation		
Salaries and other short-term benefits	**1,526,911**	1,205,798
Post employment benefits – Social security costs	**275,101**	230,580
	1,802,012	1,436,378

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

Directors' remuneration	2014 TZS'000	2013 TZS'000
Directors' remuneration- short term benefits	**198,650**	114,193

34 CONTINGENT LIABILITIES AND COMMITMENTS

Capital commitments

	2014	2013
Capital expenditure that has been approved by the Board but not contracted for	**2,840,448**	4,135,612

Capital commitment for the year 2014 comprises capital expenditure for fixtures, equipment and computers for expansion of operations in existing branches, opening one new branch at Sokoine Drive.

34 CONTINGENT LIABILITIES COMMITMENTS (CONTINUED)

Commitments to extend credit and guarantees

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific standards.

Legal claims

Litigation is a common occurrence in banking industry due to the nature of the business. The Bank has established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the Bank had two pending legal claims; one relating to a labour case against a former employee, in respect of which the total loss expected in the worst case scenario is TZS 19 million and has been provided for.

Income tax

During June 2014 the Bank received an assessment from the Tanzanian Revenue Authority (TRA) for the year 2009 amounting to TZS 483 million. This assessment covered corporate tax and the amount consists of additional tax. The Bank itself (based on professional advice) is of the opinion that the TRA’s assessments are unfounded and unreasonable. Management is therefore confident that if any additional tax would eventually become payable, the amount will be significantly less than the sum demanded by the TRA. Management has paid the portion that it is not in dispute with that is TZS 194 million. An objection to the assessment has been submitted before the due date and the Bank currently awaits a response from the TRA. The outcome and amount payable is therefore uncertain and cannot be reliably measured.

Operating lease commitments- Bank as lessee

The Bank has entered into eight lease arrangements on the premises for Tabata, Temeke, Arnautoglu, Ukonga, Chanika, Mabibo External, Kariakoo and Magomeni Offices.

Future minimum rentals payable under non-cancellable leases as at 31 December are as follows:

	2014	2013
	TZS’000	TZS’000
Within one year	**174,757**	174,334
After one year but not more than five years	**828,057**	765,882
More than five years	**1,076,609**	1,122,337
	2,079,423	2,062,553

35 DIVIDEND PER SHARE

Dividends are not recognised as a liability until they have been approved at the Annual General Meeting. The directors propose payment of a dividend of TZS 27 per share, amounting to TZS 1.9 billion out of 2014 profit. In 2013, dividend of TZS27 per share, amounting to TZS1.8 billion was approved and paid.

36 EVENTS AFTER THE REPORTING DATE

There were no conditions after the statement of financial position date that had a material impact to the financial statements