
Annual Report
2017
Financial Fitness Matters
CRDB
BANK
The bank that listens

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Vision

CRDB Bank vision is to be a leading Bank in the market in which it operates. As a Bank that listens; We work hard every day to earn the trust and confidence of our customers, as well as that of many stakeholders we serve. Our breadth of products and services combined with our financial strength and innovative culture, allows us to offer our customers the best financial services to meet their needs whenever and wherever they are.

Caution Regarding Forward-looking Statements

CRDB Bank Plc has made various forward-looking statements with respect to its financial position, business strategy, plans and objectives of management. Such forward-looking statements are identified by use of the forward-looking words or phrases such as 'expects', 'estimates', 'anticipates', 'believes', 'intends', 'plans' or words or phrases of similar nature.

By their nature, forward-looking statements require the Bank to make assumptions which are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this report not to place undue reliance on our forward-looking statements as a number of factors could cause future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to interest rate and currency value fluctuations, industry and worldwide economic and political conditions, regulatory and statutory developments, the effects of competition in the geographic and business areas in which we operate, management actions and technological changes.

We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to CRDB Bank PLC, investors and other stakeholders should carefully consider these factors, as well as other uncertainties and potential events and the inherent uncertainty of forward-looking statements. The Bank does not undertake to update any forward-looking statement that may be made, from time to time, by the Bank or on its behalf.

Company Profile

About the Bank

CRDB Bank Plc is the largest, wholly-owned private universal bank in Tanzania. The Bank was established in 1996 as a result of the Tanzanian Government's privatization of state owned firms. The major shareholders of the Bank are Danish Government sponsored fund, leading Tanzania pension funds, International Finance Corporation (IFC), CDC Group Limited and Africa Capitalization Fund (AfCap). CRDB Bank has over the years grown and prospered to become the most innovative, first choice, and trusted bank in the country. CRDB Bank offers a comprehensive range of financial services to Corporate, Small and Medium Enterprises (SMEs), Business, Treasury, Capital Markets, Private, Agriculture, Microfinance and Insurance services.

CRDB Bank structure and foot print

CRDB Group is made up of CRDB Bank and its three subsidiaries namely CRDB Microfinance Ltd that deals with Microfinance business, CRDB Insurance Brokers Ltd. that offers a range of insurance brokerage services and/or products and CRDB Bank Burundi S.A. which is the first overseas subsidiary in the neighboring country of Burundi as part of the regional expansion plan in East Africa.

CRDB Bank has a large footprint with 255 branches, 551 ATMs (spread across the country), 302 E-commerce merchants ,398 Microfinance partners' institutions, 3,286 'FahariHuduma' agents, 1,184 merchants with sales terminals (PoS), internet and mobile banking facilities.

Driven by the corporate motto: 'The Bank that listens", which puts emphasis on customer centric business model, CRDB Bank has defied all odds to become the most preferred bank in Tanzania and is amongst the first local banks to be listed on the Dar es Salaam Stock Exchange in June, 2009. CRDB Bank is the first and only bank in the zone to co-brand its debit card known as "TemboCard" with major renowned international cards platforms Visa, MasterCard and China Union Pay.

Financial strength

CRDB Bank has been selected a friendly partner by all major International financial institutions such as International Finance Corporation (IFC), KFW-DBG, Germany, CDC-UK and African Development Bank. In 2016, it became the first bank in Tanzania to be rated amongst the top ten stable and safer to invest African banks by the world's most respected rating agency, Moody`s Investors Services. Moody`s rated CRDB Bank with a "B1 stable outlook" which is the highest rating to have been acquired by banks or financial institutions in Sub Saharan Africa.

CRDB Bank also possesses a healthy balance sheet with Total assets of TZS 5.8 trillion (Group has Total assets of TZS 5.9 trillion) and Total customer deposits of TZS 4.2 trillion (Group has Total deposits of TZS 4.3 trillion) as at 31st December 2017. CRDB Bank offers its customers a reliable and trusted partner for major financial investment dealings in Tanzania and Burundi owing to its robust strategy, technology and committed team of board members, management and staff.

Company Profile

Products and Services

CRDB Bank provides a wide range of products which suit the needs of different segments in the market namely individuals, small and medium enterprises, large corporations, Government and Non- governmental institutions. Those products includes Savings products, Loan products, Trade Finance products, Treasury products, Premier Banking services, Agency Banking services, E-banking products, SME products, Microfinance products and Insurance services.

CRDB Group Notable Milestones

- Largest Tanzania universal Bank.
- Market leader in Corporate banking with exposure in all 14 economic sectors.
- Major contributor in terms of supporting growth of the economy in various sectors such as Agriculture, Education, Tourism, Energy, Infrastructure and Services.
- Large network of 255 branches, 551 ATMs, 1,184 Point of Sales (POS) terminals, 302 E-commerce merchants.
- Leader in execution of financial inclusion strategy by having a Microfinance network of 398 micro co-operations with loans starting from TZS 200,000 and over 3,286 agent networks.
- 24 hours world class tri-lingual (English, Swahili and French) Call Centre.
- Subsidiary company in Burundi, East Africa.
- Insurance brokerage subsidiary.
- #1 Tanzanian bank in terms of total assets, deposits and loan and advances.
- Super Brand status since 2009.
- Pioneer in alternative Banking channels namely EMV Cards, Depository ATMs, Branch on wheels, Mobile banking, Internet banking, E-commerce, Prepaid cards.
- Winner of "Best Local Trade Finance in Tanzania 2017" by Global Trade Review (GTR)
- Winner of "Most Innovative Bank in East Africa 2017" by Business Year Magazine
- Winner of "Best SME Bank in Tanzania 2017" by East African Bankers Awards
- Winner of "Most Social Responsible Bank in Tanzania 2017" by East African Bankers Awards
- Winner of "Best Presented Financial Statements in Banking Category in 2017" by the National Board of Accountants and Auditors (NBAA)
- Winner of "Best Presented Financial Statements in Banking Category – Tanzania in 2017" by the Financial Reporting (FiRe) Awards
- Recipient of Certificate of Appreciation on Financial Contribution – Women's Economic Empowerment Forum, Vice President's Office – United Republic of Tanzania

HELPING COMMUNITIES

1% Annual Profit

The Bank gives back 1% of it's annual profit after tax to society as donations to support community development initiatives

Corporate Information

INCORPORATION

CRDB Bank Plc (The Bank) is a Public Company limited by shares which was incorporated in the United Republic of Tanzania in 1996 under the Companies Act, CAP 212 Act No.12 and was listed on the Dar es Salaam Stock Exchange on 17th June 2009. It has established three wholly owned subsidiaries namely CRDB Microfinance Services Company Limited incorporated in the United Republic of Tanzania in 2007, CRDB Bank Burundi S.A. incorporated in the Republic of Burundi in 2012 and CRDB Insurance Brokers Ltd incorporated in the United Republic of Tanzania in 2016.

REGISTERED OFFICE

The Bank's Head Office is situated at Office Accommodation Building, located along Azikiwe Street, 4th floor, P.O Box 268, Dar es Salaam. Tanzania.

THE BOARD

The Bank adheres to corporate governance standards and its supreme governing body is the Board of Directors. The Board is composed of twelve non-executives and one Ex-officio. The names of the Board members who served during the year and their nationality have been shown below:

No.	DIRECTOR'S NAME	DESIGNATION	NATIONALITY
1	Mr. Ally H. Laay	Chairman	Tanzanian
2	Mr. Charles E. Kichere	Member	Tanzanian
3	Mr. Boniface C. Muhegi	Member	Tanzanian
4	Mr. Jes Klausby	Member	Danish
5	Mr. Ebenezer N. Essoka	Member	Cameroonian
6	Ms. Rose F. Metta	Member	Tanzanian
7	Mrs. Devotha N. Minzi	Member	Tanzanian
8	Mr. Juma A. Abdulrahman	Member	Tanzanian
9	Dr. Neema M. Mori	Member	Tanzanian
10	Mr. Hosea E. Kashimba	Member	Tanzanian
11	Mrs. Madren N. Oluoch-Olunya	Member	Kenyan
12	Prof. Mohamed H. Warsame	Member	Tanzanian
13	Dr. Charles S. Kimei	Ex-officio	Tanzanian

COMPANY SECRETARY

The Company Secretary is Mr. John B. Rugambo who served during the year.

Corporate Information

EXECUTIVE MANAGEMENT

The Executive Management of the Bank is made up of the Managing Director and two Deputies whose names and nationalities are as shown below:

No.	DIRECTOR'S NAME	DESIGNATION	NATIONALITY
1	Dr. Charles S. Kimei	Managing Director	Tanzanian
2	Mrs. Esther K. Kitoka	Deputy Managing Director Shared Services	Tanzanian
3	Mr. Saugata Bandyopadhyay	Deputy Managing Director Operations & Customer Service	Indian

AUDITORS

PricewaterhouseCoopers, Certified Public Accountants (Tanzania)
Pemba House, 369 ToureDrive, Oyster Bay
P.O. Box 45,
Dar es Salaam. TANZANIA

MAIN BANKERS

Bank of Tanzania
10 Mirambo Street
P.O. Box 2939,
Dar es Salaam. TANZANIA

MAIN LAWYERS

Abenry & Company
Ohio Street, PSPF Building, 3rd floor
P.O. Box 3167,
Dar es Salaam, TANZANIA

Financial Highlights

Five Years Financial highlights

Amount in TZS' Million	2013	2014	2015	2016	2017
Net interest income	235,601	276,187	390,649	433,145	409,716
Impairment losses on loans & advances	31,519	36,886	66,877	123,383	153,374
Net fees and Commissions	92,759	118,604	148,956	152,416	164,225
Net Foreign exchange income	28,528	29,334	34,860	34,842	37,351
Operating income	325,421	387,501	508,868	501,488	467,969
Operating expenses	203,400	255,257	321,178	389,690	414,391
Net income	84,378	95,645	128,978	69,577	36,212
Loans and Advances	1,993,106	2,545,296	3,251,953	3,247,257	2,893,838
Total assets	3,558,668	4,210,097	5,401,772	5,405,159	5,901,608
Total deposits	3,024,429	3,390,921	4,246,168	4,109,974	4,325,871
Shareholders' funds	375,750	441,151	681,353	707,626	733,460
Non-performing loans and advances	126,307	129,247	270,862	474,905	393,295

Key ratios

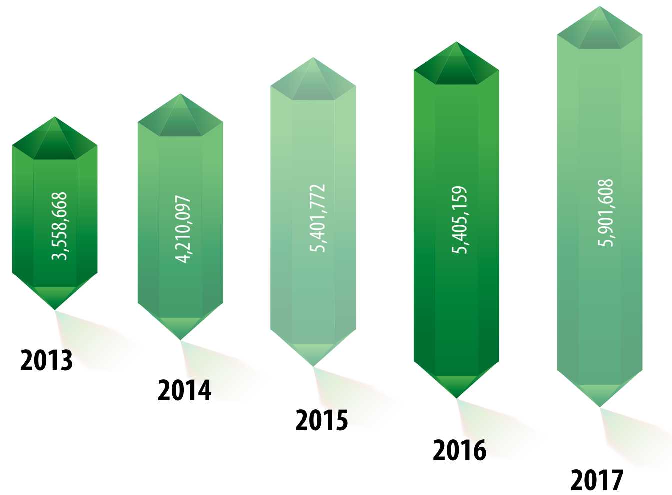
Earnings per share (TZS)	38.8	36.4	54.3	26.6	13.9
ROAA	3.7%	3.6%	4.2%	2.1%	0.9%
ROAE	24.4%	25.2%	24.3%	9.8%	4.9%
Cost to Income ratio	62.6%	65.9%	55.8%	62.4%	66.7%
Non-funded income/ Total income	34.0%	34.9%	32.2%	30.7%	33.9%
Net profit margin	23.6%	22.5%	22.4%	11.0%	5.8%
Capital/assets	10.6%	10.5%	12.6%	13.1%	12.4%
Capital/ Deposits	12.4%	13.0%	16.0%	17.2%	17.0%
Loans/ Total Deposits	67.1%	76.0%	78.7%	79.0%	66.9%
NPL/ Total Loans	6.2%	5.0%	8.4%	13.9%	12.6%

Financial Highlights

Total Assets
(TZS Millions)

+9.2%

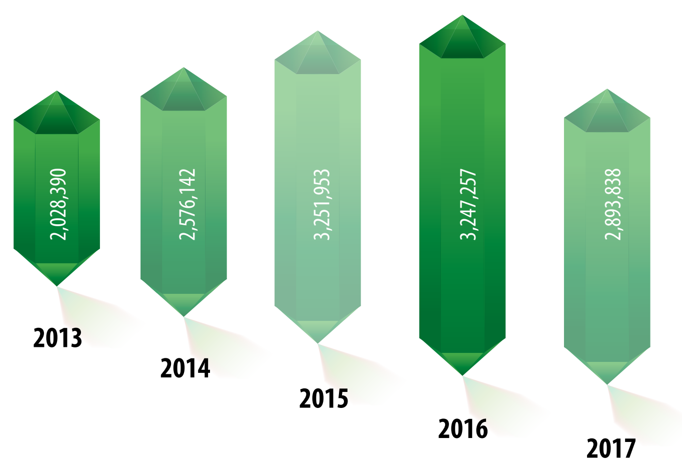
TZS 5,902 Billion
2016: TZS 5,405 Billion



Loans, Advances & Overdrafts
(TZS Millions)

-10.9%

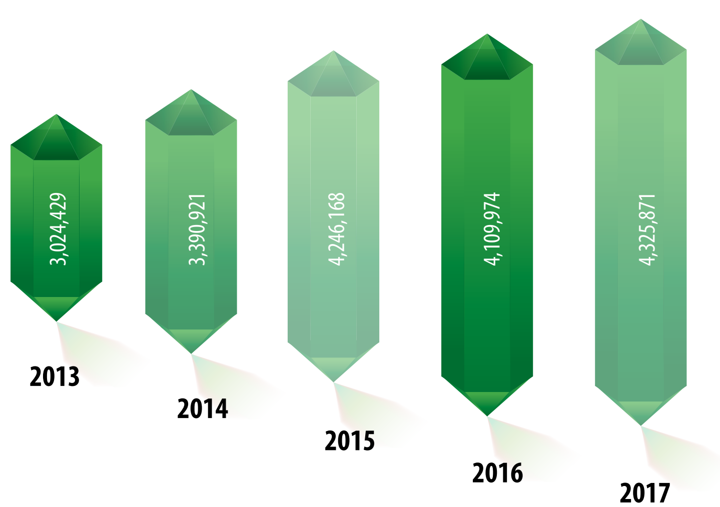
TZS 2,894 Billion
2016: TZS 3,247 Billion



Deposits
(TZS Millions)

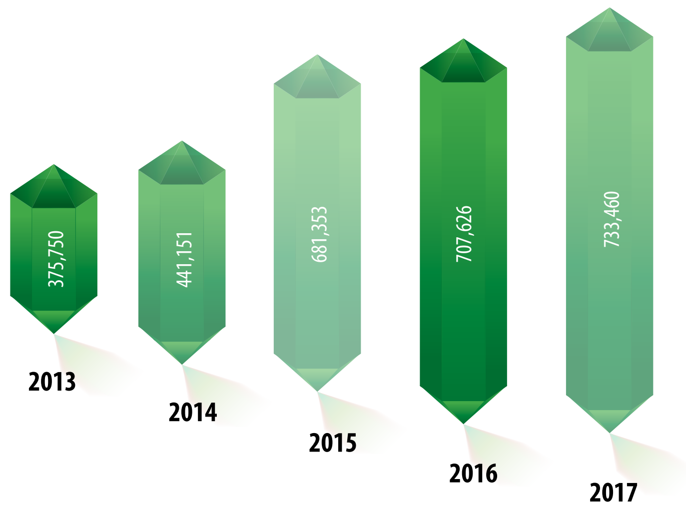
+5.3%

TZS 4,326 Billion
2016: TZS 4,110 Billion

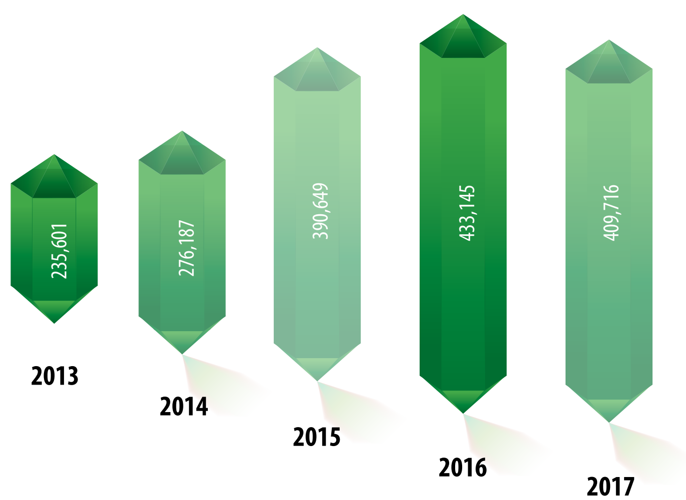


Financial Highlights

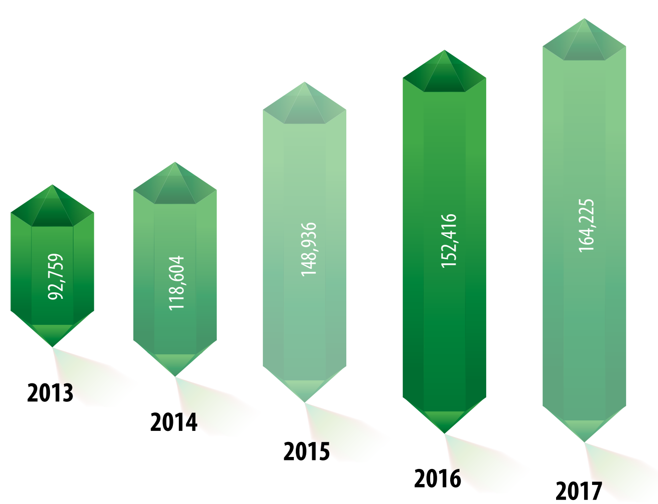
Capital
(TZS Millions)
+3.7%
TZS 733 Billion
2016: TZS 707 Billion



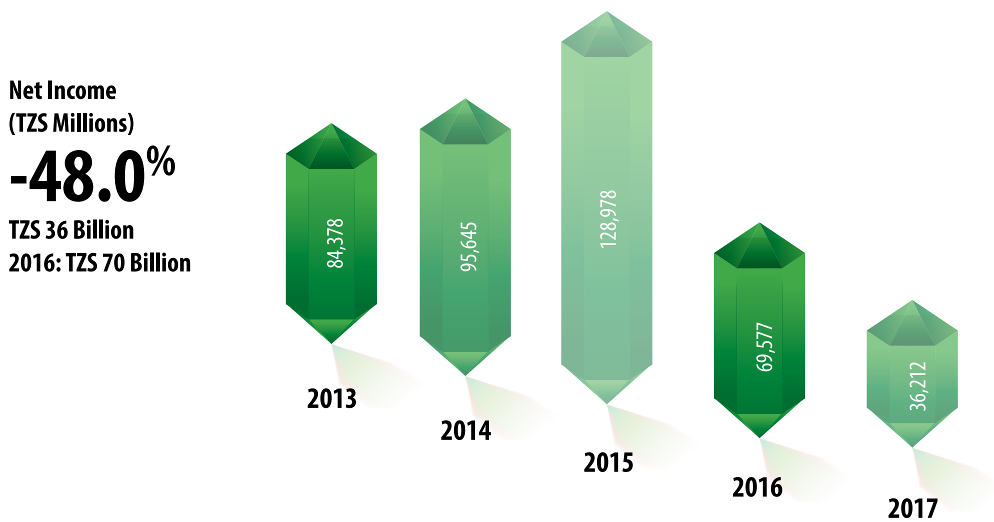
Net Interest Income
(TZS Millions)
-5.4%
TZS 410 Billion
2016: TZS 433 Billion



Net Fees & Commissions
(TZS Millions)
+7.7%
TZS 164 Billion
2016: TZS 152 Billion



Financial Highlights



Value Added Statement

Amount in TZS' Million	2016	2017
Income earned from financial services	569,273	560,344
Cost incurred in provision of services	(136,128)	(150,628)
Value added from financial services	433,145	409,716
Non-operating income	203,130	225,624
Non-operating expenditure	(297,995)	(337,617)
Value - Added	338,280	297,723
Distribution of Value Added:		
Employees and management	155,115	131,033
To Government	96,444	81,726
To Shareholders	26,118	13,059
Reinvestment	67,055	71,905
Value Distributed	344,732	297,723

Lifting weights...

Like any exercise, advancement is achieved by making the seemingly impossible the norm. This is why we're always pioneering new products and services.

Chairman's Statement

Ally Hussein Laay
Board Chairman

"2017 was indeed a very challenging year for the Bank. Our financial results are a replication of a volatile macro-economic environment as well as the effects of deliberate management actions. The Board is confident in the company's appealing opportunities and the various initiatives we have made will transpose the Company for the future."

On behalf of the Board of Directors of CRDB Bank Plc Group, I present the Annual Report and audited financial performance for the year ended 31st December 2017, which marked the last year of the five-year strategic plan covering 2013 to 2017.

Operating context

During the year 2017, the business environment continued to pose challenges to the banking sector as a whole. In facing these challenges, measures were taken by the Bank of Tanzania (BOT) in the second half of the year aimed at stimulating banks' lending to the private sector. The benefits of the BOT initiatives are expected to be seen in the next year. In particular with a view to ease liquidity tightness, BOT reduced the Statutory Minimum Reserve Requirement and the discount rate from 10% to 8% and 12% to 9% respectively in the month of August 2017.

Despite these actions, consumption and investment spending remained sluggish thereby negatively impacting sales, profitability and loan repayment capacity of borrowers in the business sector.

The performance of the sector was dominated by increased loan loss provisions and reduced demand for loans. The average Non-Performing Loan (NPL) ratio of the banking sector increased from 9.1% in 2016 to 12.5% in 2017. However, economic growth remained robust at about 6.3%, and inflation at a low 4% level.

Financial Performance

The Group made a net profit of TZS 36 billion compared to TZS 70 billion registered in 2016. The sharp decrease in profitability was caused mainly by decline in interest income as a result of the slowdown in lending and increased loan provisions.

Chairman's Statement

The Return on Assets (ROA) dropped from 2.1% in 2016 to 0.9% and Return on Equity decreased from 9.8% the previous year to 4.9% during the year under review. Earnings per share declined from TZS 26.6 in 2016 to TZS 13.9 in the year under review.

On the balance sheet, total assets grew by 9.2% to reach TZS 5,902 billion, deposits grew by 5.3% to TZS 4,326 billion and lending fell by 7.6% to TZS 3,124 billion. The Bank's total shareholders' equity increased by 3.7% from TZS 707.6 billion in 2016 to TZS 733.5 billion.

Notable strategic achievements

On behalf of the Board, I am glad to report that we have reviewed the implementation of the previous five-year business strategy (2013-2017) and a new business strategy has been adopted with the strategic theme -'Digital Transformation Journey. 'The new strategy aims at transforming our branch operations to improve efficiency and productivity conducive to enhancing sales. The strategy also seeks to improve our credit risk management processes and fully digitalize customer's service processes.

In taking stock of the Strategic plan that ended in 2017, two key achievements amongst many stand out for recognition. First is the growth in network expansion.

Our delivery system currently includes 255 branches, which have increased from 93 branches in 2012; 551 ATMs (245 ATMS in 2012); over 3,286 Agents (FahariHuduma Agents/Wakalas); mobile banking services through Simbanking and SimAccount; as well as internet banking platforms. I must admit that the large expansion of the network has increased our operating expenses- before these outlets break even and positively enhance the revenue base of the Group. The second is the construction of the Bank's new Head Office Building in Dar es Salaam, which started in 2017 and is scheduled to be completed in 2019. The new building will enhance CRDB Bank brand.

Changes in the Board

During the year under review, three Board Members namely Hon. Fredrick Sumaye, Mr. Kai Kristoffersen and Mr. Bede Lyimo retired. The contributions from these Board Members were precious to the Bank's performance and we will earnestly miss them. May I take this opportunity to wish them good health, prosperity and success in their life endeavors.

Dr. Neema Munisi Mori was elected Board Member to represent shareholders owning less than 1 percent of the Bank's shares while Mr. Charles Edward Kichere and Mr. Jes Klausby were appointed by the Governments of Tanzania and Denmark respectively to represent DANIDA Investment Fund (DIF) which commands 21% of the Bank's shares.

We feel privileged indeed to have Dr. Mori, Mr. Kichere and Mr. Klausby as new Board Members and look forward to harnessing their vast knowledge and experiences for the prosperity of CRDB Bank Plc.

I would also like to express my sincere gratitude to Board Members for re-electing me the Board Chairman of CRDB Bank Plc from July 2017. It is a great honor that has been bestowed on me and I would like to reassure shareholders and all other stakeholders of my commitment and determination to push CRDB Bank Plc to even greater heights.

Changes in Management

Our Managing Director, Dr. Charles S. Kimei will retire in 2019 and the contract for Deputy Managing Director – Operations and Customer Service, Mr. Saugata Bandyopadhyay ended February 2018. The Board has formed a special Committee – Nomination Committee to foresee recruitment of Managing Director and Deputy Managing Director and final interviews will be done by the full Board. The recruitment of the Managing Director and Deputy Managing Director – Operations and Customer Service (DMD – OCS) has started and is being done by a competent international recruitment consultant.

The Bank has a sound succession planning for senior management and a competent team of senior management is present to oversee Bank's operations and Managing Director, Dr. Charles S. Kimei will oversee smooth hand over to his successor and ensure a competent DMD – OCS is recruited.

The outgoing Deputy Managing Director – Operations and Customer Service Mr. Saugata Bandyopadhyay deserves special mention for his devotion, hard work and dedication throughout his tenure. His service has been exemplary and a great inspiration to the entire CRDB family. We thank him and wish him good luck in his future endeavors.

Dividend recommendations

I take this opportunity to thank staff and Management, whose hard work and efforts have enabled the Bank to continuously pay dividend since 1996. I would like to appeal to shareholders who have not collected their past dividends to do so.

On behalf of the Board, I have the honor to present the recommended dividend of TZS 5 per share for the year ended 31st December, 2017 payable to shareholders on the register as of 15th May 2018. A resolution to this effect will be presented to the 23rd Annual General Meeting on 19th May, 2018 for adoption by shareholders.

Future Prospects

The measures taken by Bank of Tanzania and the fiscal authorities give confidence to our belief that the business environment will be more conducive to the banking sector performance and profitability despite any changes in the regulatory regime and implementation of the new accounting standards, namely International Financial Reporting Standard (IFRS) 9 that will change how Banks account for loan loss provisions.

The Board expects the Group will register stronger results in 2018 in line with the key performance indicators contained in the current annual plan.

The Board is in the process of recruiting a Managing Director and Deputy Managing Director (Operations and Customer Service) to maintain a dedicated competent top management. The process will be completed this year.

Appreciation

I would like to thank members of the Board for their unwavering loyalty and support. I acknowledge with gratitude the support extended to the Bank by regulatory bodies, shareholders and customers throughout the year.

The Management and staff deserve special recognition for their commitment, hard work, innovation and teamwork that have enabled the Group to navigate safely through turbulent economic waves experienced during the year. We are proud to have such a strong team of Management and staff and look forward to their continued passion in 2018.

The Governments of the United Republic of Tanzania and Burundi also merit our special commendations for their massive support and collaboration extended to us during the year.

Once again may I take this opportunity to wish our customers, shareholders, management, staff and other stakeholders a very successful 2018.

Ally Hussein Laay
Board Chairman

Board of Directors

Ally Hussein Laay
Board Chair man

Ally Hussein Laay was the Director of Finance and Administration (DFA) of the National Economic Empowerment Council (NEEC). He also worked as DFA with the International Care for Aids Programs, Mailman's School of Public Health of Columbia University of USA (ICAP), Tanzania Social Action Fund (TASAF) and Medical Stores Department (MSD). He was a Management Consultant with Coopers and Lybrand (C & L) (Now PWC) and Principle Managememt Accountant (PMA) with Tanzania Electric Supply Co. Limited (TANESCO). Mr. Laay is currently a member in the following boards: Tanzania Tourist Board (TTB), Areal Glacier Pediatric Aids Health Care Initiative (AGPAHI), Independent Audit Committee member of Southern Agricultural Growth Corridor of TANZANIA (SAGCOT). He also served as a Board Member of the Institute of Accountancy, Arusha (IAA), and UMATI.

Ally holds an MBA from Cardiff Business School, University of Wales (UK), Post Graduate Diploma in Accountancy and Advanced Diploma in Accountancy from the Institute of Finance Management (IFM), Fellow Certified Public Accountant FCPA (T) from the National Board of Accountants and Auditors Tanzania. He also holds a certification in Company Direction from the Institute of Directors Tanzania (IODT) and Institute of Directors (IOD) in UK.

Rose Felix Metta is the Director of Planning and Investments at LAPF Pensions Fund. She served as Compliance Manager of LAPF Pensions Fund, Principal Finance Officer – Budget, Principal Officer Investment, Head of Division Capital Markets, Senior Planning Officer and Planning Officer at the National Social Security Fund.

Rose holds a post Graduate Diploma in Social Security Financing from Maastricht University, Master of Business Administration in Finance and Bachelor of Arts in Economics from the University of Dar es Salaam. She also holds a Certification in Company Direction from Institute of Directors – UK. She is a member of the Board Audit and Risk Committees.

Rose F. Metta
Board Member

Eng. Boniface C. Muhegi
Board Member

Eng. Boniface Charles Muhegi is the Managing Director of JMK International Consultants Ltd (Engineering and Project Management). He is a former Registrar and Chief Executive Officer of Contractors Registration Board. He is a Board Member of the Public Procurement Regulatory Authority (PPRA).

Boniface holds MSc. in Engineering from University of Melbourne, Australia and BSc. (Hons) in Engineering from University of Dar es Salaam. He also holds a certification in Company Direction from I nstitute of Directors Tanzania. He is the Chairman of the Board Governance and Human Resources Committee and a member of the Board Credit Committee.

Board of Directors

Madren N. Oluoch-Olunya
Board Member

Madren N. Oluoch-Olunya is a Management Consultant and Partner with Azali CPS – Nairobi, Kenya. She has worked in various roles within Board, Legal and HR practice with East African Breweries Limited, TPS Eastern Africa (Serena Hotels) and Agricultural Finance Corporation.

Madren holds a Master of Laws Degree from The London School of Economics and Political Science in UK, Bachelor of Laws (Honors) Degree - The University of Hull, UK, ACCA Diploma in Accounting and Finance – Kenya College of Accountancy, Certified Public Secretary – Institute of Certified Public Secretaries of Kenya, Advocate of the High Court of Kenya – Kenya School of Law and Certificate in Human Resource Practice – Chartered Institute of Personnel and Development (CIPD), UK. She also holds a Certification in Company Direction from Commonwealth Association for Corporate Governance (CACG) and is a Founder Director and member of the Institute of Directors (Kenya). She is an Independent Director and a member of the Board Audit and Governance and Human Resources Committees.

Juma Abdallah Abdulrahman is a retired Director of Human Resource and Administration and Assistant Port Manager (Finance and Administration) at Tanzania Ports Authority. Previously he worked as Director of Internal Audit and Chief Management Accountant with the same Authority. Before then he worked for 4 years as Audit Manager at Tanzania Audit Corporation. He also served as a Board Member of Lindi Farmers Company Limited.

Juma holds a Master of Science in Finance from Strathclyde University in Glasgow (UK) and is a Fellow Certified Fellow Public Accountant FCPA (T) and Certified Information Systems Auditor (CISA) of ISACA - United States. He also holds a Certification in Company Directorship by the Institute of Directors – London UK. He is the Chairman of the Board Audit Committee and a member of the Board Governance and Human Resource Committee.

Juma A. Abdulrahman
Board Member

Devotha N. Minzi
Board Member

Devotha Ntuke Minzi is an entrepreneur, founder and Chief Executive Officer of K-Finance Limited. She worked at the Bank of Tanzania as a Statistician and Principal Economist where she headed the Division of Balance of Payments of the Policy Directorate of Bank of Tanzania. She is a member of the Board of Habitat for Humanity Tanzania (HFHT) an affiliate organization of the Habitat for Humanity International (HFHI).

Devotha holds a Master degree of Arts in Economics from the Youngstown State University (USA), Bachelor of Science in Statistics from the University of Dar es Salaam and Postgraduate Diploma in Poverty Analysis from the Institute of Social Studies, the Hague Netherlands. She also holds a diploma in Strategic Business Management from SIPU-Sweden; a Certificate of Directorship – Institute of Directors UK. She is a Member of the Board Risk and Credit Committees.

Board of Directors

Ebenezer N. Essoka
Board Member

Ebenezer Ngea Essoka is the Executive Chairman of IBURU. He retired from The Standard Chartered Bank (SCB) Group as Vice Chairman, Africa in November 2015 after over 30 years of banking experience. Prior to becoming Vice Chairman, Africa he was CEO South Africa and Southern Africa and CEO Central and West Africa. He is currently the Chairman of SCB Cameroon, Chairman of SCB Côte D'Ivoire, Executive Director and Chairman of the Audit Committee of SCB Mauritius and Senior Advisor Financial institutions Unit, CDC Group Plc London United Kingdom. In addition, he serves on the Global Advisory Council of the London Business School and is a founding member and Trustee of the Global Reach Network Foundation – an organization focused on bridging opportunity gaps for individuals and communities worldwide.

Ebenezer holds an MBA in Finance as well as a Diploma in International Business from Seton Hall University South Orange, New Jersey, USA and has also attended senior executive development programmes at INSEAD, London Business School, Templeton College, Oxford University. He is a member of the Board Audit and Governance and Human Resources Committees.

Prof. Mohamed Hersi Warsame is the Chief Executive Officer of Dhow Financial Ltd. Previously he worked as a Professor at Howard University Business School. He also worked as Managing Director/Chief Executive Officer at Onpoint Africa LLC. Before that, he served as a Board Member of the People's Bank of Zanzibar, Adjunct Professor and Doctoral Research Assistant/Lecturer at Morgan State University Department of Accounting and Finance.

Prof. Warsame holds PhD in Business Administration – Morgan State University, Baltimore Maryland and MSc in Finance of University of Strathclyde, Glasgow United Kingdom and BSc. (Hons) in Business Administration – Stuart School of Business, Illinois Institute of Technology Chicago, United States of America. He is Chairman of the Board Credit Committee and member of the Risk Committee.

Prof. Mohamed H. Warsame
Board Member

Hosea E. Kashimba
Board Member

Hosea Ezekiel Kashimba is a Director of Internal Audit at PPF Pensions Fund (PPF). He also worked as an Accountant, Internal Auditor and then Chief Internal Auditor at PPF Pensions Fund.

Hosea holds Masters of Business Administration (Corporate Management) – Mzumbe University, Advanced Diploma in Certified Accountancy – IDM Mzumbe. He is a Certified Public Accountant (CPA) T. He also holds a Certificate of Directorship – Institute of Directors Tanzania. He is a member of the Board Audit and Risk Committees.

Dr. Neema M. Mori
Board Member

Dr. Neema Munisi Mori is a Senior Lecturer Department of Finance at University of Dar es Salaam, Tanzania, Director and Co-founder at MTI Investment Company in Tanzania and Norway, Associate Coordinator at UDSM Business School, Postgraduate Studies also a Director and Co-founder at Institute of Management and Entrepreneurship management (IMED), a Consultancy firm in Tanzania. She also worked as Lecturer at Department of Finance, University of Dar es Salaam, Doctoral Research Fellow at University of Agder, Norway, Assistant Lecturer at University of Dar es Salaam, Tutorial Assistant at Department of Finance, University of Dar es Salaam and as Audit Trainee one at KPMG Tanzania. Dr. Neema holds PhD in International Business majoring Corporate Governance and Boards of Financial Institutions from University of Agder Norway, Masters of Business Administration (MBA) majoring in Finance from University of Dar es Salaam. She also holds Bachelor of Commerce (B.Com) majoring in Finance from University of Dar es Salaam. She is a member of the Board Credit and Governance and Human Resource Committees.

Charles Edward Kichere is a Commissioner General at Tanzania Revenue Authority (TRA). He worked as Deputy Commissioner General at Tanzania Revenue Authority (TRA), Head of Finance and Chief Accountant at Tanzania National Roads Agency (TANROADS), Principal Internal Auditor at Tanzania National Roads Agency (TANROADS), Internal Auditor at Tanzania National Roads Agency (TANROADS), Internal Auditor at Unilever Tea Tanzania Limited, and Internal Auditor/Treasurer at Unilever Tea Kenya Limited. Charles E. Kichere holds Bachelor of Laws (LL.B) from Tumaini University College, Dar es Salaam Tanzania, and Masters of Business Administration (MBA) in Finance at University of Dar es Salaam, Diploma in Financial Management of Donor Funded Projects at Africa Renaissance Centre, Mbabane Swaziland, and Bachelor of Commerce in Accounting (B.Com Accounting) from the University of Dar es Salaam. He is a member of the Board Credit and Audit Committees.

Charles E. Kichere
Board Member

Jes Klausby
Board Member

Jes Klausby is Senior Bank Analyst at the Danish Central Bank and a Board Member of Nykredits Afviklingspensionskasse – Pension Fund for Nykredits employees. He worked as Executive Vice President, Head of Group Finance of Nykredits Group, Chairman/Board Member of Dansk Pantebrevsbors a subsidiary of Nykredits Realkredit, Managing Director at Nykredits Bank a subsidiary of Nykredits Realkredit, Executive Vice President, Head of Central retail units in Nykredits Realkredit. He was Head of Pricing and Product development at Nykredits Realkredit, External examiner in France at Danish Universities, Bond Analyst in Privatbanken / Unibank major Danish Bank, Teacher in Finance at Copenhagen Business School and Stock analyst in Privatbanken. He attended a change management programme at INSEAD. He holds MSc in Mathematics and Economy at Aarhus University Denmark. He is a member of the Board Risk and Governance and Human Resource Committees.

an apple a day...

In the same way that there might be a significant distinction between eating well and eating healthy, there is a difference between running a successful bank and running a bank successfully.

Managing Director's Statement

Charles Stephen Kimei
Managing Director

"I look at 2018 with confidence and optimism. Given the initiatives being taken to accelerate digital transformation into the Bank of the future, I am certain that will lead to improved efficiency, productivity and cost effectiveness"

To the extended CRDB Bank family, I have the honor of presenting the CRDB Bank Group results for the year 2017. Despite 2017 being a year full of headwinds, the Bank managed to maintain its market share in the banking sector as it completed the last year of the 5 year planning cycle (2013-2017). We are proud of the key achievements made in the last five years because they provide a solid foundation for the Bank to cope with the challenges of deposit mobilization and lending diversification.

Amongst the major milestones are the expansion of the Bank's physical and virtual networks; launch of innovative customer need oriented products such as Salary Advance loans, credit cards, and special customer desks (China and India Desks); improved risk management systems as well as enhanced operational and credit management processes; enhancement of corporate governance framework and ICT systems (including upgrade of the core banking system).

It is worthy to note that the Bank's physical and virtual networks expanded considerably during the five years ending 2017. The number of traditional outlets including service centers, mini-service centers and mobile branches increased from 93 in 2012 to 255 in 2017. Moreover, Agent Banking, which was introduced in 2013 had registered 3,286 Agents by end of 2017. The number of ATMs was increased from 245 in 2012 to 551 ATMs in 2017, while the number of fully registered Simbanking and Internet banking customers rose manifold to 933,190 and 34,688 respectively. The expansion of our footprint is the major factor underlying the acceleration of operational cost growth from an average of 22% during 2012-2014 to 24% in 2014-2016.

During the five year period deposits and total assets of the Bank Group grew at an average rate of 7%, which was lower than expectations due to tight monetary policy and fiscal policy actions that were taken in 2016-2017. Nevertheless, the Bank maintained its market share and position in the sector by assets and customer deposits.

Managing Director's Statement

Operating environment

During 2017 the banking sector remained sound with levels of capital and liquidity within regulatory requirements.

The sector encountered several challenges that negatively impacted profitability and hindered achievement of some key performance indicators. The challenges included deterioration of assets quality from 9.1 percent in 2016 to 12.5 percent in 2017 caused by borrowers' failure to honor their loan repayment obligations due to tight liquidity conditions reflected in relatively low expansion of money supply of 8% in the year. Overall lending to the private sector by the banking system grew sluggishly by only 1.7 %.

With competition from non-financial institutions (mostly Mobile Network Operators, [MNOs]) and other challenges many small banks struggled to remain afloat with at least five banks being closed by Bank of Tanzania and another five are under watch list.

In its effort to address the liquidity challenges and give a boost to growth of credit to the private sector, the Bank of Tanzania reduced the Statutory Minimum Reserve to 8% and reduced its discount rate for lending to commercial banks from 12% to 9%.

Financial performance

CRDB Bank Group demonstrated resilience to the challenging operating environment but recorded results below expectations.

The group made a net profit of TZS 36 billion compared to TZS 70 billion in 2016. The result is unsatisfactory. The decrease in profitability was mainly attributed to a drop in interest income as a result of the slowdown in lending coupled with sharp increase in loan loss provisions which reached TZS 153.4 billion compared with TZS 123.4 billion booked in 2016. The increase in provisions was occasioned by financial distress amongst a few large corporate borrowers as well as the cleanup of the Government payroll by eliminating ghost workers and those with fake certificates, some of whom had taken personal loans from the Bank.

Total assets grew by 9 percent from TZS 5.4 trillion recorded in the previous year to TZS 5.9 trillion while total deposits increased from TZS 4.1 trillion in 2016 to TZS 4.3 trillion in 2017.

Interest income for the period was TZS 560 billion marking a decreased of 2 percent from TZS 569 billion recorded in year 2016. Interest expense increased from TZS 136 billion in 2016 to TZS 151 billion in 2017. The 11% increase was due to liquidity squeeze and competition for deposits in the market.

The tight market liquidity situation necessitated the Bank to seek access to international borrowing which increased from TZS 382 billion recorded in the previous year to TZS 655 billion. The increase was mainly contributed by borrowings from International Finance Corporation (IFC) and the African Development Bank (AfDB). Operating expenditure increased by 6.3 % amid the massive network expansion in 2015/16.

The CRDB Bank Group subsidiaries made a positive contribution to the group's overall performance. The business environment in Burundi continued to improve due to ongoing political dialogue to find a lasting solution for peace. The CRDB Burundi S.A made a net profit of TZS 3.2 billion and registered an increase in Return on Equity (ROE) from 13.2% in 2016 to 16.4% in 2017. CRDB Microfinance Services Company Limited made a profit of TZS 0.8 billion but saw Return on Equity drop from 12% in 2016 to 3% in 2017 due to drop in revenue. The CRDB Insurance Brokers Limited registered a profit of TZS 1.04 billion and a Return on Equity of 66%, which is below Return on Equity of 81% recorded the previous year.

Managing Director's Statement

Key Initiatives Implemented during 2017

During the year the Bank Group took drastic measures to stabilize operations of its core banking systems, including automation of the entire loan management system, upgrade of the ATM/POS Switch, implementation of an OMNI-channel manager, MVISA and MPASS that will allow Visa and MasterCard services respectively through mobile phones.

The Bank also made preparations towards implementation of IFRS9 which becomes mandatory from the first Quarter of 2018; and completed a framework for ICAAP (Internal Capital Adequacy Assessment Process).

Strategic focus for 2018

As the Bank braces itself for the next five years, the operating environment is expected to continue to be turbulent and challenging for financial sector growth especially as a result of tightened regulatory requirements, as well as shrinking product margins and stiff competition from both banks and non- banks. The Bank shall anchor itself on a strong track record of growth with an integrated network of both physical and digital platforms, leadership in innovation, loyal client base, committed workforce, experienced Management and Board oversight.

The new five year strategy (2018-2022) seeks to have CRDB Bank Group achieve leadership in profitability by growing quality assets with a focus on retail and SME customers while leveraging on superior digital banking and customer experience. We will, in 2018, strive to transform our branches with a view to improve efficiency, productivity and cost effectiveness.

The main focus for 2018 will be acceleration of the digital transformation journey into the bank of the future, reducing NPL to at most 8%, improvement of the cost to income ratio to 58 percent and transformation of processes and operations in branches to improve productivity and efficiency.

Appreciation

I wish to acknowledge the Board of Directors of CRDB Bank Group, CRDB Microfinance Services Company Ltd, CRDB Bank Burundi S.A. and CRDB Insurance Brokers Limited for their tireless efforts and strategic guidance that steered the Management in the right course and helped shape the performance of the Bank and its subsidiaries. It is indeed a privilege for the group to have on board such a strong team of highly committed and professional Board Members.

I would like to commend the Management team, staff of our subsidiaries in Tanzania and Burundi for their commitment, drive and passion demonstrated throughout the year. Indeed they live our corporate values. I would also like to take this opportunity to thank our distinguished shareholders, valued customers, the Government, regulatory authorities and all other stakeholders for their support throughout 2017. I wish to reiterate to our stakeholders the Bank's commitment to continue consolidation of its relationship with the public as a responsible corporate citizen through participation in corporate social responsibility targeting education, environment and health sectors.

God bless Tanzania
God bless CRDB Bank

Dr. Charles Stephen Kimei
Managing Director

Bank's Management

Executive Management

Dr. Charles S. Kimei
Managing Director

Dr. Charles Stephen Kimei is a Group Managing Director and a Member of the Board of Directors. He joined CRDB Bank in June 1998. His portfolio includes CRDB Bank, CRDB Microfinance, CRDB Burundi S.A and CRDB Insurance Brokers Ltd.

Dr. Charles has an enormous working experience in the banking sector which he gained from various positions he held in the Bank of Tanzania. During his service at the Bank of Tanzania, Dr. Kimei served as the Director, Banking supervision, Director of Economic Research and Policy and Manager, Economic Research and Statistics.

Dr. Charles holds a PhD in Economics and Master of Arts in Economics from Uppsala University in Sweden and a BSc. in Economics from the Moscow State University.

His vast technical experience and intellectual capability has certainly enabled the Group to manage its growth strategy successfully and thrive amidst a number of financial services providers in the region.

Esther Kileo Kitoka is the Deputy Managing Director Shared Services. Joining the Bank in 2006 as the Risk Manager, she has quickly transformed into a strong strategic leader owing to her exemplary performance. She has proved to be a competent strategic leader whose contribution helps the Group to achieve great results. Her work experience includes the nine years she served in various positions at the Bank of Tanzania.

Esther is a Certified Public Accountant - CPA (T). She holds a Masters degree of Commerce in Banking and Business Information System of the University of Sydney, Australia and a Bachelor of Commerce degree in Accounting of the University of Dar es Salaam.

Esther K. Kitoka
Deputy Managing Director (SS)

Saugata Bandyopadhyay
Deputy Managing Director (OCS)

Saugata Bandyopadhyay is the Deputy Managing Director Operations and Customer Service since 2012. He is a highly experienced banker the trait he acquired by working with some leading banks for over 19 years. Previously he worked as Senior Vice President at Asset Reconstruction Company of India and Deutsche Post Bank HFL; General Manager of Bhutan National Bank, Chief Credit Manager of State Bank of India HFL.

Saugata is a Fellow member and a certified practitioner in/by a number of credible professional associations. He is a Fellow in International Business of Indian Institute of Management Calcutta, Chartered Accountant of India and Fellow Cost and Management Accountant of India. He is also a Certified Management Accountant, USA; Certified in Governance of Enterprise IT (CGEIT) and Certified Information System Auditor (CISA) of ISACA – USA.

Saugata also holds Master degree of Business Administration in Finance of the Indira Gandhi National University, Master of Commerce of University of Calcutta and a Bachelor degree of Commerce of St. Xavier College, Calcutta.

Management Team

Goodluck Lema Nkini
Director of Corporate Banking
Tanzanian

Tully Esther Mwambapa
Director of Marketing, Research and Customer Service
Tanzanian

John B. Rugambo
Director of Corporate Affairs
Tanzanian

Alexander Ngusaru
Director of Treasury and Capital Markets
Tanzanian

Anderson Yohana Mlabwa
Director of Risk and Compliance
Tanzanian

Philip S. Alfred
Director of Alternative Business Channels
Tanzanian

Frederick Bayona Nshekanabo
Director of Finance
Tanzanian

Elyas Bartholomew Mtenga
Director of Information & Communication Technology
Tanzanian

Joseph Ochien'g Witts
Director of Strategy & Innovations
Tanzanian

Management Team

Dorah Hilda Ngaliga
Director of Human Resources
Tanzanian

James Isaack Mabula
Director of Credit
Tanzanian

Leslie Mwaikambo
Director of Centralised Operations
Tanzanian

Izengo Daudi Soka
Director of Internal Audit
Tanzanian

Beatus Peter Segeja
Director of Administration and General Services
Tanzanian

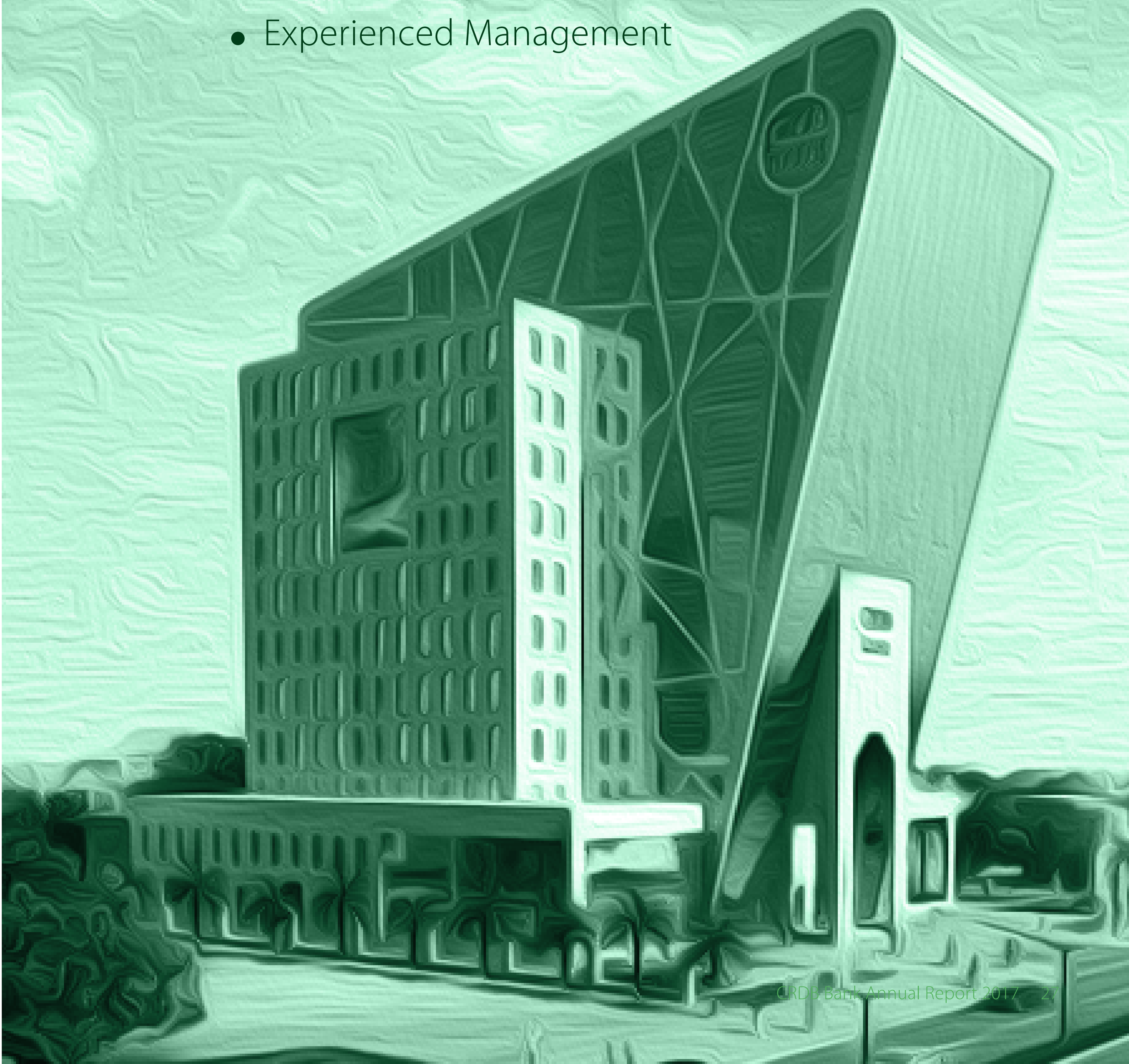
Charles Lawuo
Security Co-ordinator
Tanzanian

Hamisi Saleh
Director of Stressed Assets Managment Unit
Tanzanian

Nellie Mathayo Ndossa
Director of Retail Banking
Tanzanian

A Clear Vision for the future

- Largest Network
- Leadership in Innovation
- Digital Transformed
- Experienced Management

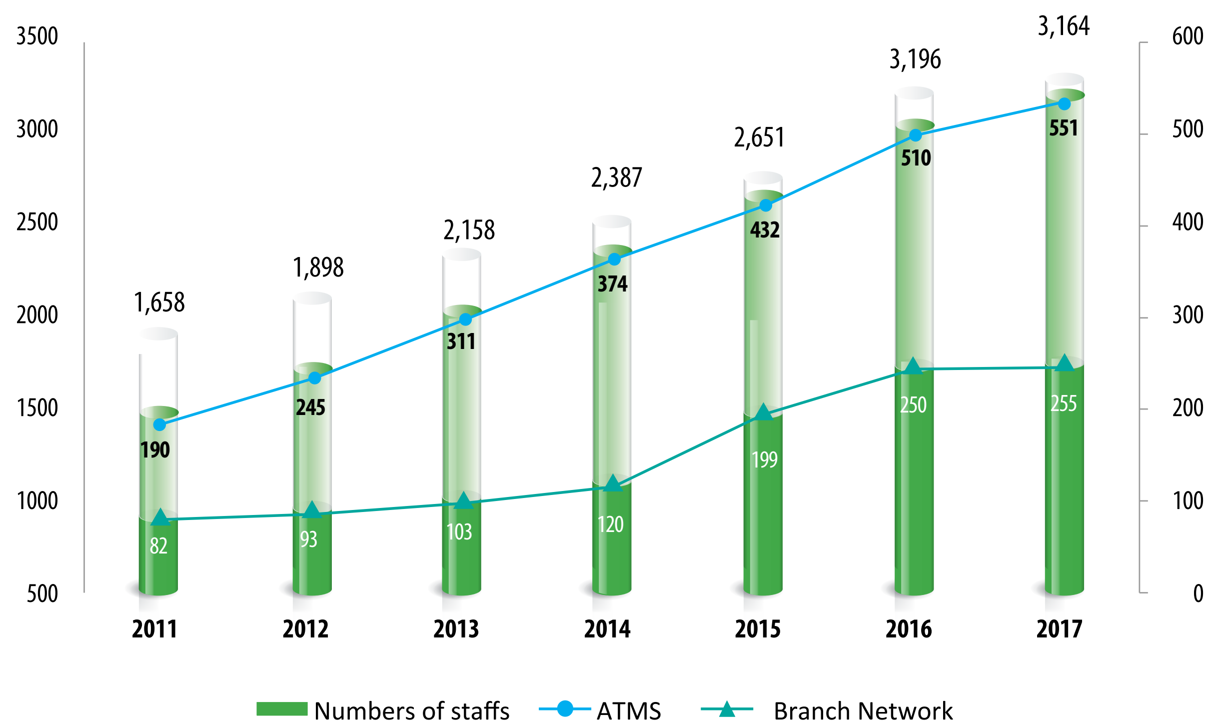


Management Discussion Analysis

Operational Review

Year 2017 was the last year of implementation of the Bank's five year business strategy for the period 2013 -2017. During this five-year strategy implementation period, the main focus was to build a strong network within Tanzania and across the border starting with Burundi. This has to a large extent been achieved with support from the development partners – Financial Sector Deepening Trust (FSDT) and Market Infrastructure, Value Rural Addition and Rural Finance (MIVARF) whereby the Bank increased its brick and mortar footprint up to the district level from 93 Branch outlets in 2012 to 255 at the end of 2017.

During the year the Bank invested in its customer outreach through opening of 5 new outlets (with mini service and service centres) and forty one (41) ATMs. By end of the year, the Group had a network 255 physical outlets, 551 Automated Teller Machines (ATMs) including 18 Depository ATMs, 1,184 Point of Sales (POS) terminals, 3,286 FahariHuduma agents, 302 e-commerce merchants and 398 Microfinance partner institutions. The graphs below shows Bank's staff compliment, number of ATMs and Branch Network.



Management Discussion Analysis

Financial Review

Operating environment

Year 2017 started with continued liquidity challenges within the Banking sector partly as a result of a decision by the Government in 2016 to transfer deposits of public corporations to the Bank of Tanzania (BOT) into what is known as a Treasury Single Account (TSA). The industry also experienced increasing levels of non-performing loans reflecting the economic challenges that were experienced by borrowers that ultimately impacted their ability to honour their loan obligations. This prompted banks to curtail lending, leading to slowdown in growth of credit to private sector. To contain the situation, subsequent to year end, the Bank of Tanzania has intervened and issued regulatory measures and reliefs in form of amendments to existing regulations to provide the banking sector with space to advance more credits while prudently managing credit risks.

Consequent to the above, the Bank's financial performance for 2017 was adversely affected as the level of non-performing loans grew, leading to increased provisions. To counter the liquidity challenges, the Bank sourced funds through borrowings from Development Financial Institutions (DFIs) namely International Finance Corporation (IFC), African Development Bank (AfDB) and European Investment Bank (EIB) with a combined receipts of equivalent to TZS 432 billion for 2017. This led to increase in interest expenses by 10.65% compared to 2016.

The Group recorded a profit before tax of TZS 53.6 billion (2016: TZS 111.8 billion), a decrease of 52.1% from previous year. The decrease is attributed to slowdown in lending and accelerated provisioning to enhance coverage of impaired loans above 50% as part of the initiative to clean up the portfolio and transform the credit management practices as well as increased costs of funds arising from additional borrowings made during the year and rise in interest rates on deposits. The Group recorded the profit after tax of TZS 36.2 billion (2016: TZS 69.6 billion), a decrease of 47.9%.

The Group's total assets grew by 9% from TZS 5.4 trillion in 2016 to TZS 5.9 trillion in 2017 while total deposits recorded an increase of 5% from TZS 4.1 trillion to TZS 4.3 trillion during the same period.

Revenue

Total income decreased marginally by 0.56% in 2017. Strong growth in non-interest revenue was a major factor that supported Bank's revenue notwithstanding decline in lending activities. Non-interest revenue (NIR) grew by 10%, supported by net fees and commission income that increased by 7.7% on the back of strong performance on key lines such as Simbanking business and service charges. Net foreign exchange income increased by 7.2%. Income from security trading grew by 112% as the group offloaded a sizeable portfolio of available for sale Government securities to take advantage of falling yields. Other operating income increased 136.6% when compared to 2016.

Net interest income (NII) decreased by 5.5% as a result of rising interest expenses which grew by 10.65%. Growth in interest expenses is attributed to liquidity squeeze in the market resulting from Government policy to transfer public fund to Bank of Tanzania and interest rates on deposit increased mainly on time deposits. In reaction to this, the Bank borrowed additional funds from Development Finance Institutions (DFI) which contributed to increase in the interest expense.

Management Discussion Analysis

Credit impairment

Credit impairment charges (net of recoveries from charged off accounts) increased by 24.3% year on year. The increase is as a result of additional impairment recognised mainly on corporate loans and on personal loans arising from Government ghost workers who were eliminated from the payroll. During the year some corporate loans had their original loan terms rescheduled including reduction of interest rate in an initiative to turn them around resulting in additional impairment being recorded.

Operating expenses

Operating costs increased by 6.3% year on year. Staff costs increased by 6% while other operating expenses increased by 6.7%. The increase in the operating expenses was mainly on account of network expansion. The Group Cost to income ratio was 66.7% in 2017 compared to 62.4% registered in 2016 due to network expansion leading to increased operating costs. Going forward, the Group will continue to focus on cost management initiatives and more revenue generation particularly from new outlets to ensure they attain break even. The Group target cost income ratio is set at 58% in the mid-term.

Loans and advances

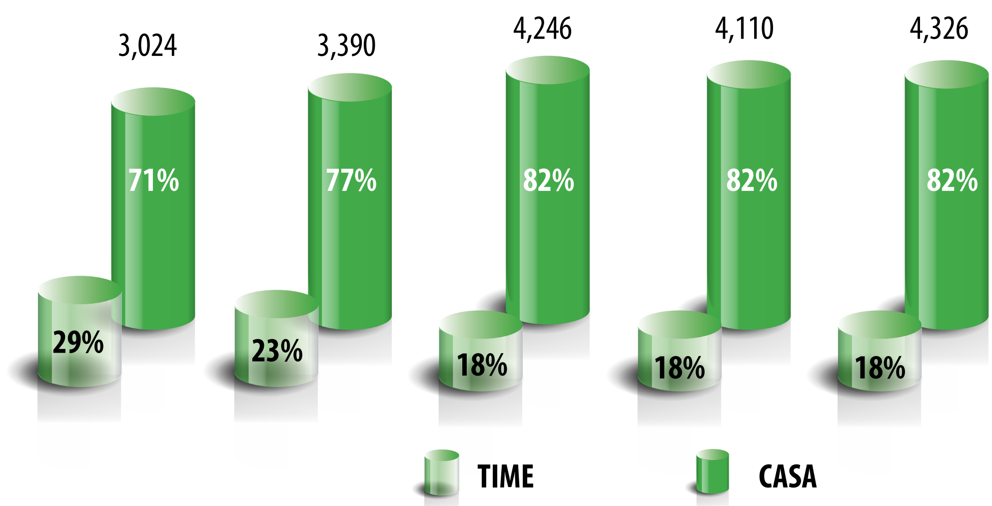
Year 2017 was challenged by market deterioration of assets quality from 9.1 percent in 2016 to 12.5 percent in 2017 caused by borrowers' failure to honour their loan repayment obligations due to tight liquidity conditions reflected in relatively low expansion of money supply of 8% in the year. Overall lending to the private sector by the banking system grew sluggishly by only 1.7 %. Likewise, the Group slowed down lending whereby; in 2017 the Group's Gross loans and advances to customers was TZS 3,124 billion, 7.6% below TZS 3,382 billion recorded in 2016. The decrease was notable on corporate segment which decreased by 11.4% to TZS 1,572 billion in 2017, Small and Medium Enterprises (SMEs) decreased by 14.4% to TZS 378 billion in 2017, and Microfinance Institutions segment (MFI) decreased by 22.3% to TZS 106 billion. On the other hand, consumer segment recorded a growth of 3.7% to TZS 1,068 billion in 2017.

Deposits

Deposits from customers grew by 5.3% to TZS 4,325.9 billion amid liquidity challenges experienced in first half of the year. The extended broad money supply (M3) grew at an annual rate of 8%. In line with the Bank's strategy to grow cheap deposits, the composition of Current account and savings account (CASA) to total deposits was 82% mainly emanating from the Bank's network expansion initiatives that took place between 2015 and 2017. During the year, Fahari Huduma agents network contributed to Bank's gross deposits of TZS 2,508 billion compared to TZS 1,593 billion made through the agents in 2016.

Management Discussion Analysis

Gross Deposits (Billions TZS)



Capital

The group remained well capitalised at the end of 2017 with core capital at 14% (2016: 13.5%) and total capital at 17% (2016: 16.3%). These ratios are well in excess of capital requirements as prescribed by the Bank of Tanzania (BOT). A 3 years moratorium that was issued by Bank of Tanzania with respect to adoption of Operational risk capital charge expired during the year. As a result, the Bank incorporated the operational risk charge in its capital computation. Nonetheless, the Banks capital ratios remained well above the required buffer of 12.5% and 14.5% for tier 1 and Total capital respectively.

Strategic Focus

The Bank has just successfully concluded the implementation of the five year strategic plan that spanned the 2013-2017 period. The implementation of this strategy has informed a strong base for the next five year strategy covering 2018-2022.

The 2018-2022 strategic theme will be **"DIGITAL TRANSFORMATION JOURNEY"**. The bank shall adopt a three-stage roadmap for digital transformation as it embarks on the transformation journey in building the bank of the future. The Bank will also continue to optimize investments made in the last 5 - year strategy, aggressive recovery of bad loans and further enhancement of credit risk management.

Management Discussion Analysis

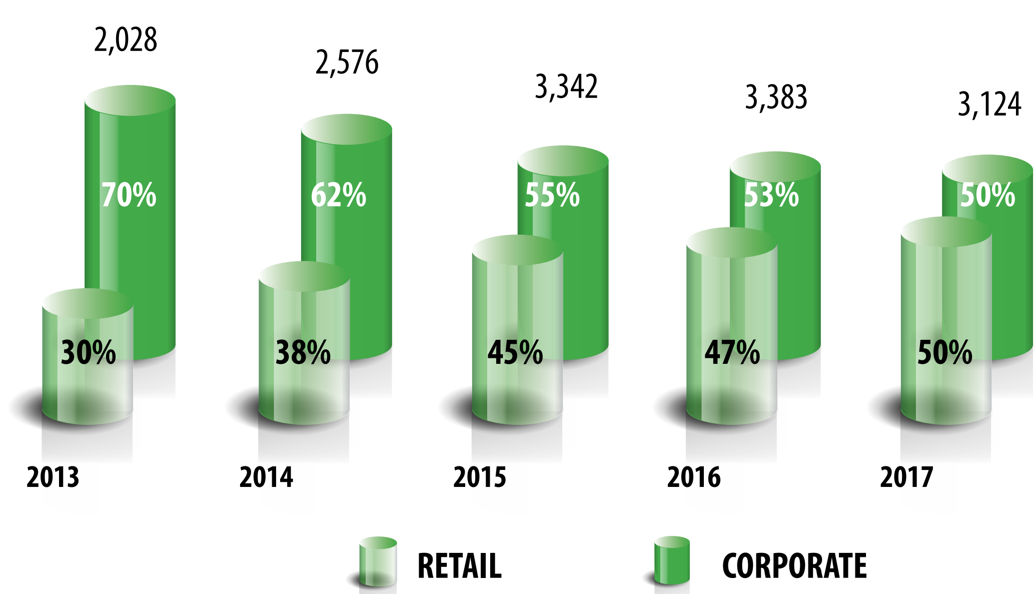
Lending Business

During the year the Banking industry experienced a general deterioration in the quality of the loan portfolio reflecting the economic challenges that were experienced by borrowers and ultimately impacted their ability to honour their loan obligations. This prompted banks to restrain lending, leading to slowdown in growth of credit to private sector. The Group recorded a slowdown growth of 11% in the net loan portfolio from TZS 3,247 million in 2016 to TZS 2,894 million in 2017. This was largely contributed by the Bank's cautious lending strategy in most affected segments. Despite the decelerated portfolio growth, the Group contained the level of non-performing loans to TZS 393 billion from TZS 474.9 billion reported in 2016, with more accelerated loan loss provisions in preparation for the implementation of the new accounting standard i.e. IFRS 9 that comes into effect in 2018.

In line with its strategy that ended 31st December 2017, the Group remained focused on growing the retail portfolio with target of achieving at least 50% in retail - to diversify credit risk. As at December 2017, lending to retail segments accounted for 50% of the total loan portfolio with all key sectors of the economy being covered.

Charts below provides a highlight of the Loan portfolio by segments in percentage for five years to 31st December 2017:

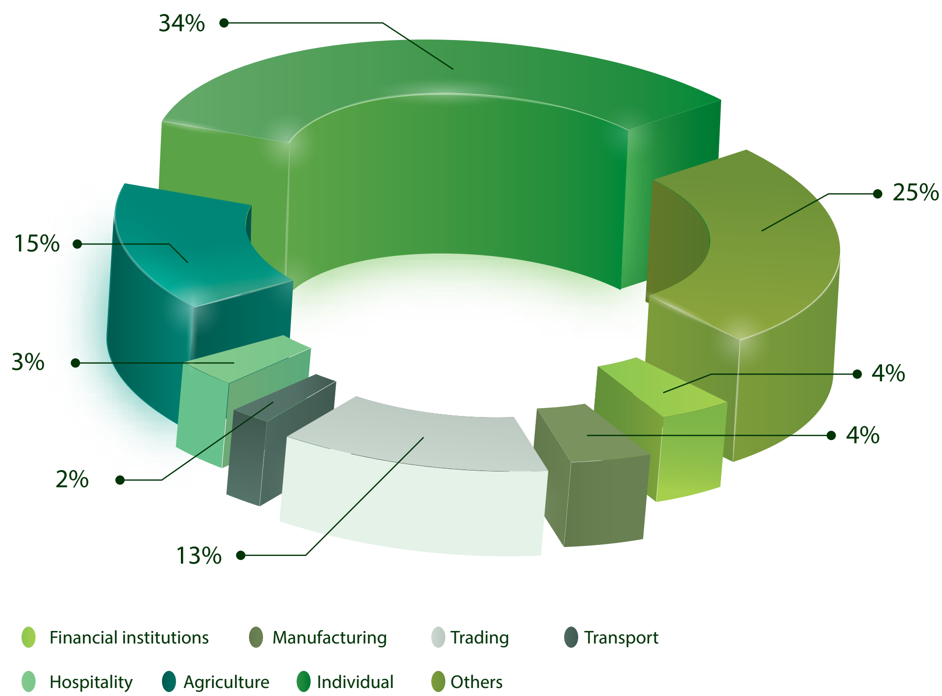
Gross loans and advances (Billion TZS)



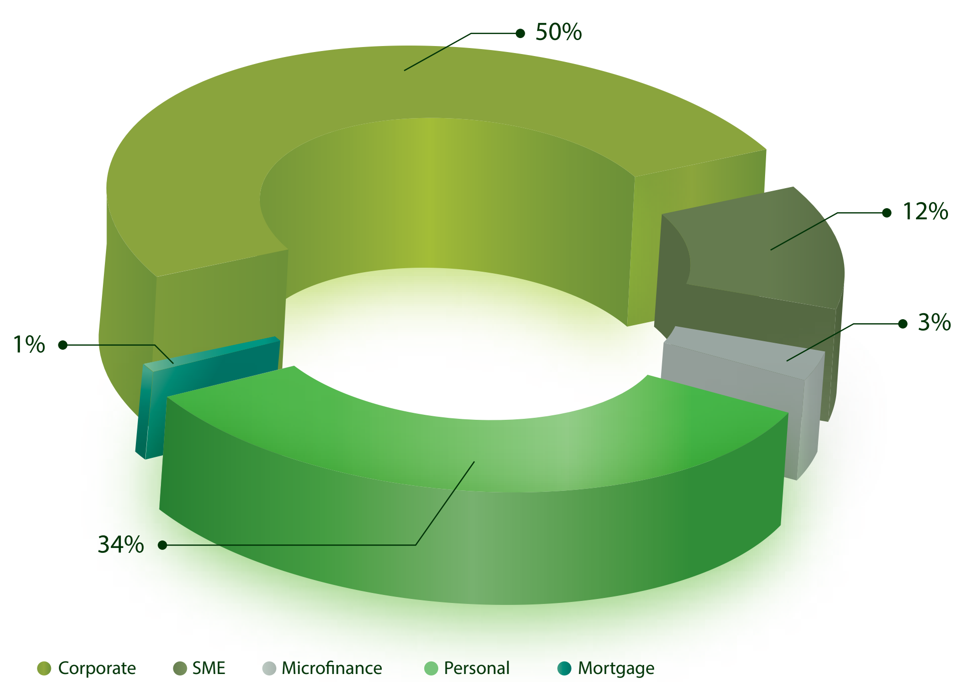
Management Discussion Analysis

Charts below provides a highlight of the Loan portfolio by sectors in percentages as at 31stDecember 2017:

Loans and advances to customers 2017



Diversified portfolio among key segments 2017



Management Discussion Analysis

Initiatives undertaken by the Bank in 2017 to enhance Credit Risk Management

In preparation for the new Accounting Standard 'IFRS 9 – Financial Instruments' which became effective on 1 January 2018, the Bank implemented an automated system to be used in assessing impairment for financial instruments. The Bank engaged a Project Consultant, Deloitte Tanzania to provide advice on the gap analysis, developing an impairment model and roadmap to the implementation of IFRS 9. The Consultant's report was shared with the Bank of Tanzania. The implementation of this system will enhance the Bank's ability to assess the expected credit losses (ECLs) on its credit portfolio, thereby enabling informed lending decisions based on accurate data.

During the year under review, the Bank also engaged McKinsey a global consulting company to review its end to end credit processes, whereby the consultant noted areas of improvement on Credit underwriting, collection, monitoring and automation of collection processes.

Implementation of the Consultant's recommendations started immediately whereby the Bank acquired a revenue collection software (Fin One collection) that went together with implementation of a call center for retail collection. The adopted collection software has an inbuilt engine for analytics and predictive capability to identify default signals (Early Warning Signals) which enables the Bank to instantly identify in advance borrowers who are likely to default in the near future, hence take precautions to ensure they do not fall into delinquency. Roll out of the new underwriting credit processes that goes with specialization on sectors by Credit Analysts will continue in 2018. The Bank is confident that with these initiatives, the Bank will go a long way to reducing the number of non-performing loans (NPLs) and significantly improve the quality of the loan portfolio.

SALARY ADVANCE

A DIGITAL BORROWING EXPERIENCE

NO PAPERWORKS | NO BRANCH VISITS

Employees whose salaries are channeled through CRDB Bank can now access salary advance through SimBanking

***150*03#**

Management Discussion Analysis

Corporate Banking Operations

In 2017, the Department of Corporate Banking focused on five key areas namely; Strengthening management of corporate loan portfolio to enable the Bank to attain a single digit Non-Performing Loan (NPL) and Portfolio at Risk (PAR) ratios; Enhance deposits mobilization by involving all staff in the Department; Strengthen relationship with the Government in order to increase the Bank's share from this segment; Enhance performance of existing special desks (China and India) and process establishment of the new East and Central Africa (ECA) Desk for expansion of cross border businesses. The fifth focus area was capacity building in order to enhance the knowledge, skills and support infrastructure for Relationship Managers to enable them deliver superior customer experience.

By the end of 2017 the corporate segment dominated a notable contribution in the Bank's key performance indicators namely loan portfolio, core deposits mobilization and revenues generation. The corporate loan portfolio was maintained at 50% of the Bank's loan portfolio in line with the Bank's strategy target to reduce it to 50% by 2017.

During the year Department of Corporate Banking (DCB) continued to maintain business relationship for corporate and institional customers. The corporate loan portifolio was TZS 1,571.9 billion in 2017, compared to TZS 1,774.3 billion recorded in 2016, equivalent to 11% decrease. Corporate Non-Performing Loan (NPL) as at December 2017 was 19.6% out of total corporate loan portfolio on account of business challenges in the sector. During the year the Bank focused on review and improving underwriting, loan monitoring and collection processes in efforts to bring down the NPL and Portfolio at Risk (PAR) ratios to single digits and loan portfolio growth. DCB contributed to the growth of core deposits by 5% during the year and trade finance activities made a commendable result by achieving a growth of 45% in the volume of letters of credit and bank guarantees issued.

Strategic focus

DCB team is prepared to ensure the Bank's targets for the year are met as planned. The Department strategies have been reviewed in line with recommendations from a diagnostic study conducted by the external consultant - Mckinsey's. The strategic objectives include: Re-energizing credit management best practices to contain PAR and NPL ratios at single digit; pursuing a deposit led growth by mainstreaming deposit mobilization in every lending opportunity and enhancing cross sales efforts to grow profitability and maintain market share.

The Department will also focus on; expanding structured trade finance business through risks sharing; maintaining positive outlook and continuous engagement with the Government for business growth and brand loyalty; digitalization of most processes (paperless) and products/services delivery to customers; and continue to enhance the knowledge, skills and supportive working environment for Relationship Managers.

Management Discussion Analysis

Retail Banking Operations

Retail Banking Department oversees Business development and growth, focusing on improvement of market share of the Bank's Personal Loan, Small and Medium Enterprise (SME), Mortgage portfolio and Liability products through developing and implementation of respective retail strategies which are in line with the Bank's strategy.

The Department is also charged with the task of supervising Agency Banking business sustainability and growth as well as providing support to branches to ensure achievement of their targets.

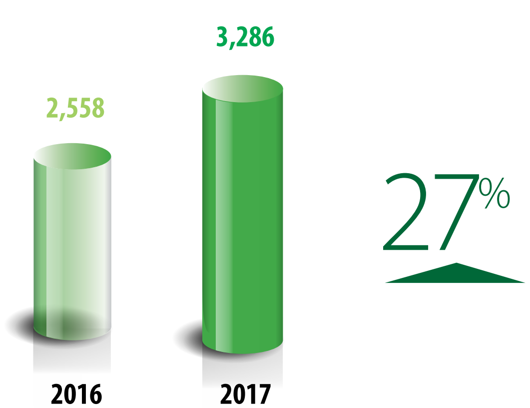
The strategic initiatives for 2017 focused on quality growth of loan portfolio, increase the number of the Bank's High Net Worth clients, maintain bank's Current Account, Saving Account (CASA) ratio at above 80% by growing the savings accounts and mobilization of cheap retail deposits. In addition the department focused on expanding the bank's agency banking footprint as well as ensuring growth of bank's deposits through joint sales initiatives such as Managing Director's (MD's) sales campaign and increasing fees and commissions.

The Department realized a growth in personal loan clients from 99,178 in 2016 to 104,444 clients as at 31st December 2017, with loan value growing from TZS 799.8 billion to TZS 818.0 billion. For the period ended 31st December 2017, mortgage loans were extended to 301 customers amounting to TZS 43.9 billion with outstanding portfolio balance of TZS 38.5 billion and interest income earned thereon amounted to TZS 5.4 billion.

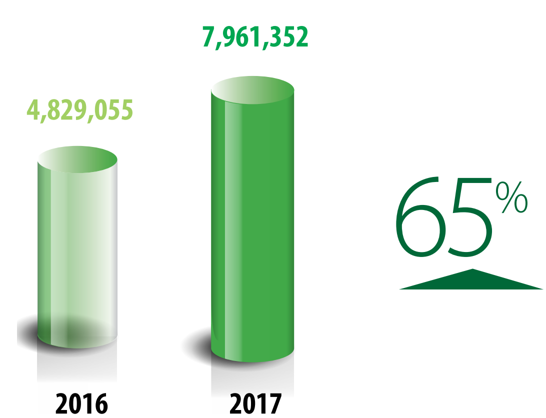
The Portfolio at Risk (PAR) ratio for Small and Medium Enterprises (SMEs) was 11.6% at the end of year. SME Outstanding balance stood at TZS 382.3 billion which was 96% achievement. Total income earned was TZS 75.8 billion, which was 84% of the target. Fees and commission for Premier Centre realized was TZS 2.1 billion representing an achievement of 95% of the target for 2017. A total of 448,310 accounts were opened in 2017 and saving deposits realized amounted to TZS 2,483.9 billion.

Account opening through Agent network increased from 141,640 accounts in 2016 to 209,808 accounts as at 31st December 2017 driven by the use of FAO Mobile Application. Deposits mobilised from the network of agents increased from TZS 1.6 trillion in 2016 to TZS 1.9 trillion as at 31st December 2017 while the income generated increased from TZS 1.3 billion in 2016 to TZS 3.5 billion as at 31st December 2017. Active agents increased from 1,302 in 2016 to 1,871 as at 31st December 2017.

Number of FahariHuduma Agents



Number of FahariHuduma Transactions



Management Discussion Analysis

Retail Banking Operations (Continued)

Main achievements for the year include introduction of Salary Advance Product which has been well received in the market. The Bank has also introduced Public Service Pension Fund (PSPF) and LAPF Pension Fund. Product (Start up, member's loan, retirees/pensioners and Maishapopote loan) and opened 1 branch, 12 mini-branches and 6 premier lounges. SME product review by Capital Plus Exchange led to introduction of new SME Products such as purchase order finance, inventory order finance, restructured overdraft and revolving line of credit.

The achievements attained by the Bank also include the signing of Memorandum of Understanding (MOU) with UBER, for financing drivers who operate under UBER network. Appraisal of the first batch with 43 customers was concluded and a total loan amount of TZS 459.0 million has since been disbursed.

Furthermore, the Bank has enhanced African Guarantee Fund portfolio from USD 10 million to USD 20 million to support SME lending. Additional services were added to FahariHuduma bouquet and they included payment of fines for traffic offence and integration to Government electronic Payment Gateway which links all Government and institution payments System, integration with Halotel (initially only Vodacom and Airtel Simcards were available for use by Agents).

The Bank also registered success by launching of Fahari account (a Know Your Customer "KYC" account for the under banked and unbanked with minimum charges). Implementation of Agent Banking business in Burundi and Roll out FAO Version II to all agents and branches across the country were executed in 2017.

Strategic Focus

The Retail Strategy is in line with the Bank's 5 year strategy which is governed by three pillars namely; Transforming existing machine where branches will be changed to achieve productivity and sales effectiveness, credit management by ensuring quality loan portfolio growth (SME, Personal and Mortgage), creating value proposition for customers in order to increase the bank's share of wallet and winning the war on deposits by mobilising cheap retail deposits. Build the bank of the future through use of agile teams and making available products that are customer centric and address the enablers by up-skilling and retooling staff and improving the Performance Management System.

Management Discussion Analysis

Alternative Banking Operations

In 2017 the Bank maintained its commitment to enhance alternative business channels with a view to improve service delivery and meet customer expectations.

Year 2017 was marked with greater improvement in most of alternative channels. The number of Simbanking users increased to 933,190 with 21 million transactions volume while Internet users increased to 34,688 with 424,117 transactions volume. The number of cardholders with VISA/Mastercard and China-Union Pay increased to 3,967,895 cardholders with 20.6 million transaction volume while the number of ATMs increased to 551 ATMs with 20 million transactions volume. Point of Sales (POS) transactions increased to 2.9 million with number of POS terminals increasing to 1,184.

The number of Hospitals using CRDB POS electronic payment grew to 101. The Hospital POS accepts CRDB cards, VISA/Mastercard and China - Union pay branded cards.

Among the notable achievements in 2017 were; issuance of China Union Pay branded cards to account holders who are mostly visiting China and Asian countries, issuance of credit cards for our esteemed customers, enrollment of all CRDB cardholders in a 3D secured environment, and upgrading of Card Management System to give CRDB cardholders ability to receive money from VISA directly and instantly.

Strategic focus

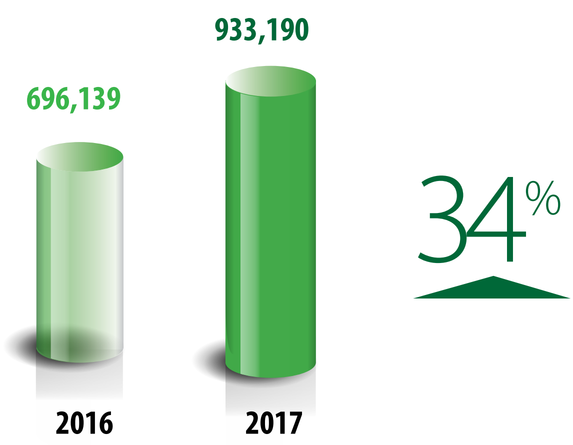
The key focus in 2018 will be digitization of the existing products and introduction of new alternative delivery channels with main focus on increasing the number of users for Simbanking, Internet Banking, e-commerce, POS and ATMs/Cards to decongest banking halls while targeting to increase alternative channels income.

Management Discussion Analysis

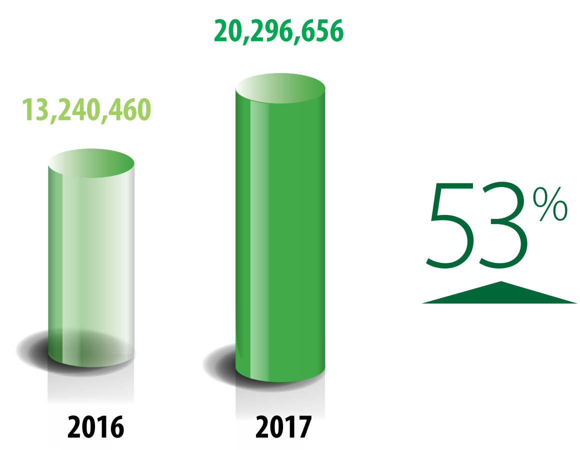
Alternative Banking Operations (Continued)

The charts below indicate the performance of alternative banking channels;

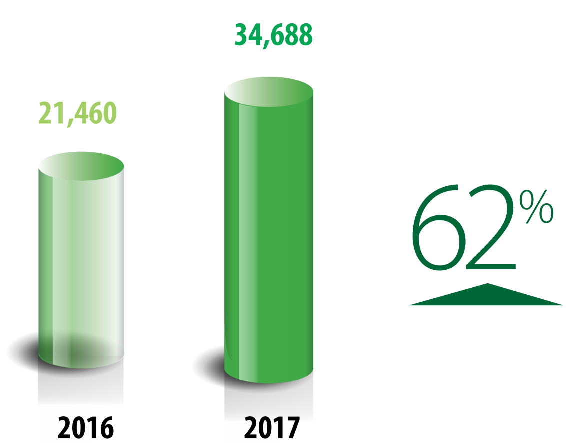
Number of Simbanking Customers



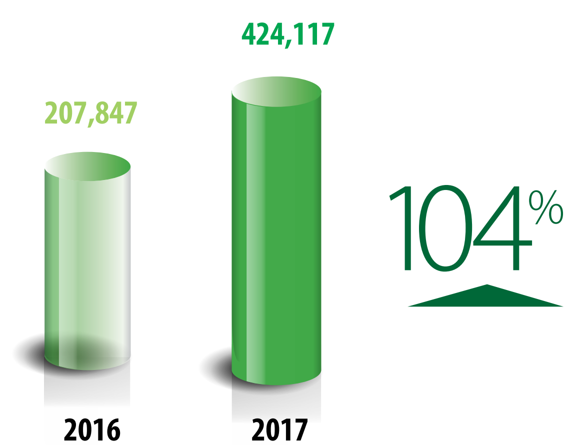
Number of Simbanking Transactions



Number of Internet Banking Customers

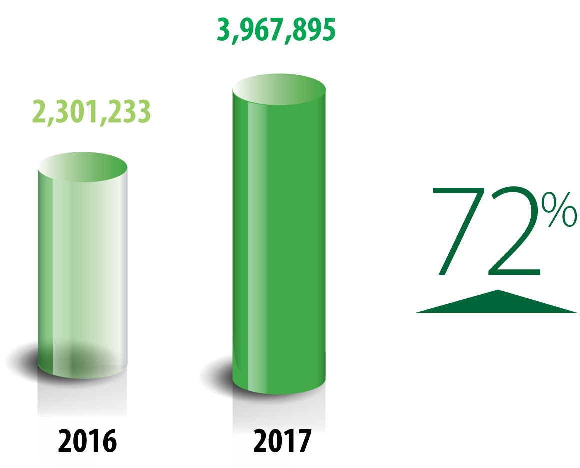


Number of Internet Banking Transactions

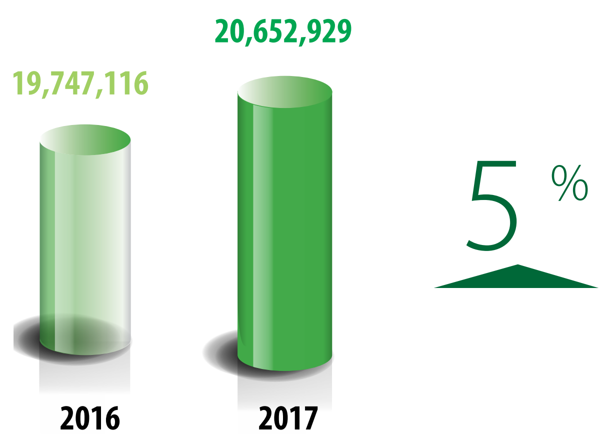


Management Discussion Analysis

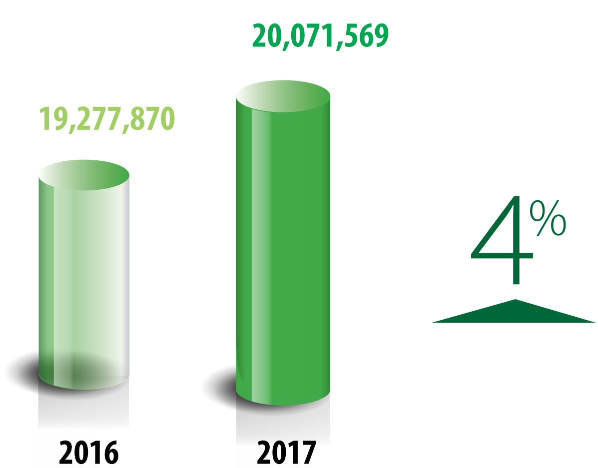
Number of Cards



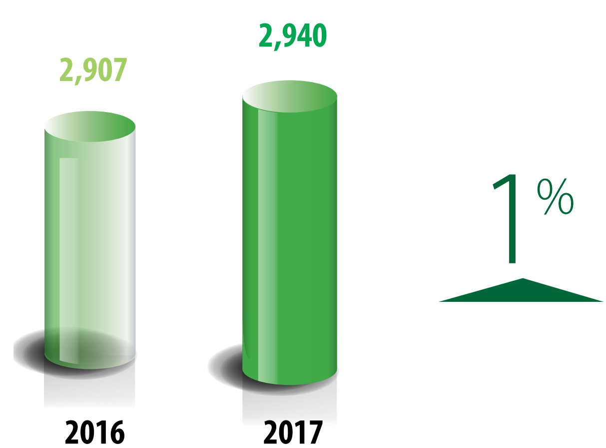
Number of Cards Transactions



Number of ATM Transactions



Value of ATM Transactions (Billions TZS)



Department of Centralised Operations

The key role of the Department of Centralized Operations (DCO) is to assist the Bank in achieving operational excellence and delivery of superior services to customers through efficient and effective processes and a streamlined organization structure.

The role entails enabling business units which are constantly in touch with customers to have sufficient time to spend in sale activities as well as achieve end-to-end productivity by improving the speed and quality of customer services. Furthermore, DCO serves as high point from where support services to these business units are discharged. The bottom line is to enhance efficiency and effectiveness of client interactions across the Bank.

For 2017, DCO key strategic initiatives and targets focused on centralizing transactions processing to increase labor productivity as well as enhancing and aligning core and peripheral systems to deliver services as per service level targets and automation of manual processes through in-house system development.

Notable achievements for year 2017 included; streamlining automation of delivery of outward SWIFT advises to customers which enables customers to obtain their swift advices instantly through email addresses and automation of Cheque Book Personalization. The bank also implemented an intelligent fund transfer system of its own kind in the market which will allow corporate clients to perform their banking transactions from their own premises through internet.

The Department of Centralized Operations will continue to enhance efforts in automation of all manual processes as well as development of Smart Stream reconciliation software in 2018.

Management Discussion Analysis

Department of Treasury and Capital Markets

During the year, the Department of Treasury and Capital Markets (TCMD) continued to be resilient across its major business lines, namely; Global Markets which deals with trading in Foreign Exchange, Fixed Income securities and Derivatives. TCMD performed their role in Assets and Liabilities Management which oversees effective bank's balance sheet management and correspondent banking relationships and funding Bank operations. Treasury Sales unit focused its operations on Complete Market intervention through handling bank's customers (both corporate and retail) in need of Foreign exchange services across all categories, Custodial and Capital Markets unit focused on assisting the diverse customer needs in the capital markets space as well as improving bank's liquidity pool.

For 2017, the Department focused on ensuring that through her trading and capital market activities, contribution to the Bank's total non-interest income is improved, as well as the improvement of interest income contribution to the bank total income through investment and funding activities. During the year, TCMD focused on improving utilization of bank's strong balance sheet through diversification of funding sources, deposit mix as well as improving liquidity pool from capital market activities.

The department realised total income of TZS 169 billion for the year (up from TZS 146.5 billion in 2016) , which accounts for the growth of about 16% from previous year and about 19% contribution to the entire bank total realised income for 2017.

Following a friendly monetary policy environment during the year, Government securities yields traded lower during the second half of the year. However, the TCMD managed to contribute relatively higher interest income of TZS 129 billion from Government securities yield and interbank activities, up by 14% from the previous year.

Trading activities performed during the year realised the foreign exchange trading gain of TZS 37.4 billion (up by 16% from previous year), maintaining the market leadership in foreign exchange market trading. Trading in Fixed Income Securities (Treasury Bonds) also contributed a total of TZS 4.5 billion to the non-interest income (about 112% growth from previous year).Throughout the year the Bank remained a notable and active player in the secondary market activities in the country.

In 2017 the Bank continued making great strides in building long-term and sustainable business relationships with both local and International Development Financial Institutions (DFIs). The Bank secured another long term funding of TZS 38.6 billion from European Investment Bank (EIB) during the year, in addition to the USD 15 million received from International Finance Corporation (IFC) for the short term funding needs in agri-business (An improved facility to USD 40 million from earlier USD 25 million).

The Bank participated as a joint receiving agent with Solomon Stockbrokers Ltd in the Vodacom Plc Initial Public Offer (IPO), the first ever listing of a telecom company and the largest IPO on the Dar es Salaam Stock Exchange Plc (DSE). In addition, the Bank was a lead receiving bank in the Tanzania Chamber of Commerce, Industries and Agriculture Investment Company Plc (TCCIA) IPO.

In addition, the TCMD facilitated the Bank in maintaining good and strong credit rating of B1 with stable outlook issued by Moody's, one of the internationally recognised credit rating agencies. The rating was reviewed and published in December 2017, following a successful initial publication in 2016 whereby it became the first bank in the country to receive published credit ratings.

Management Discussion Analysis

Strategic Focus

The Strategic Focus for 2018 will be to continue to offer improved customer service, maintaining a resilient bank balance sheet and liquidity management to support Bank's Strategic objectives while achieving maximized profitability through building up of a strong, able, committed and professional team supported by superior market products and services and leveraging on bank's improved technological platforms.

Department of Human Resources

CRDB Bank Plc believes in creating an environment where high performing individuals care about each other and work towards achieving success of the organization. The Board and Management passionately drive clarity and directions allowing employees to connect to each other as they are bound by the Bank's mission and vision and understand what is required from their roles.

Through this approach, Management maintains harmonious working environment with both employees and the Trade Union. In 2017, the Bank held negotiation with the Trade Union to renew the 3- year Collective Bargaining Agreement that had expired. The agreement was signed and became effective on 15th February, 2018.

Another significant development during the year was Bank's score of 83% in an Organization Health Index survey that was conducted by McKinsey. The Bank is proud of this achievement as it reflects on its teams ability to achieve strategic goals and sustain long term perfomance. We are committed to ensuring that we maintain this achievement and even achieve a higher score in the future.

Enhance learning

The Bank believes that continuous learning and development are vital to ensure all staff have the right skills, knowledge and ability to increase their efficiency and excellence. Employees are more familiar now and engaged with alternative channels for learning that complements the existing ones. The varied learning platforms and opportunities are designed to encourage employees to take personal ownership of their career growth. The Bank continued investing in its people through various blended learning intervention that included web based learning programmes, face to face classroom programmes, active learning programmes and Management Development Programme. In 2017, the Bank embarked on Bank-wide Customer Service Training Programme aimed at empowering its employees with techniques and methods to meet and exceed customers' expectations. This is 3 years modular programme.

Other key areas of focus included Performance Management, Basic Banking Skills, Supervisory Skills, Credit Management Skills, and Management and Leadership Development Programme. 98% of all employees were availed with some form of learning intervention during the year. Another key development was the certification of Bank's Training Centre to become an ISO 9001 Certified in 2017. This is a clear testimony of the belief that CRDB has in investing in human capital that will deliver services meeting international standards. For the year 2017, the Bank invested a total of TZS 6.80 billion in Learning and Development.

Management Discussion Analysis

Employee wellbeing initiatives

The Bank went far beyond standard policies in catering for the wellbeing of its employees and their immediate family members. The flexible work arrangements that mainly focused on flex time was a great relief to the young breastfeeding mothers. Implementation of programmes dedicated to teenaged children on life skills and house helpers on how to effectively handle their duties is a clear testimony to the fact the Bank is a caring and family friendly organization. The bottom line is to make CRDB as an organization a great place to work, with employees' health and wellbeing taken as top priorities.

In 2017 the focus was on health education and preventive care through regular physical exercises and promotion of healthy eating habits. Employees were encouraged to participate in various sports activities and work in partnership with external leading health specialists to ensure that health and fitness are on top of their minds.

Occupational safety and health

The Bank places top priority on Occupational Safety and Health (OSH) matters. Various initiatives are organized annually to increase the awareness of OSH and compliance with the requirements. Key among them was an organizational Health check whereby medical health examination was conducted to all employees in year 2017.

Gender

As at 31st December 2017, the biggest age group of the workforce was between the age of 25 – 39 years' range. This provides a health pipeline and succession pool within the group that will enable the Bank to deliver over the long term. The male and female ratio is within the acceptable parameters with the former constituting 55% of the total workforce.

In 2017, the Bank focused on proposing women agenda that aimed to inspire and empower them to draw on their own unique leadership qualities that would enable them to rise to the highest levels of leadership within CRDB. Among the key developments that took place was running a series of inspirational presentations from women role models who had excelled in various professional areas. Another initiative was a specially tailored Women Management Development Programme that targeted young female supervisors. The programme covered a total of 100 female employees.

Management Discussion Analysis

Staffing

As at 31st December 2017 the Group's number of employees was 3,164 compared to 3, 196 employees in 2016. The number of male employees as at 31st December 2017 was 1,797 and females were 1,367. The group gives equal access to employment and advancement opportunities to all individuals. Employment decision is based on merit, qualifications and abilities. The Group does not discriminate in employment opportunities or practices on account of race, color, religion, sex, nationality, tribe, age or disability, social origin, political opinion, gender, pregnancy, marital status, HIV/AIDS and station of life.

The Group's gender inclusion and diversity data

CATEGORY		
Board Members	Male	8
	Female	4
Senior Management	Male	33
	Female	10
Middle Management	Male	151
	Female	47
Other staff	Male	1,614
	Female	1,309

Subsidiaries Management

Sebastian Masaki joined the Bank on 1st June 1996. Before the current position he worked as Manager Business Banking, Manager Microfinance, Bank Officer Marketing and Bank Officer Research & Planning.

Sebastian holds a Bachelor of Science in Statistics from the University of Dar Es Salaam and a Masters of Science in Marketing from Mzumbe University.

Sebastian Masaki
General Manager
CRDB Micronance Services Company Limited.
Tanzanian

Bruce Mwile joined the Bank on 13th February 2001. Prior to appointment as General Manager for CRDB Bank Burundi, he worked as Manager Corporate Banking and Senior Relationship Manager Corporate Banking. Before joining CRDB, he worked as Assistant Supervisor at Citibank Tanzania Limited.

Bruce holds Masters degree in Business Administration and Bachelor of Commerce both in Finance from the University of Dar es Salaam.

Bruce Mwile
General Manager
CRDB Bank Burundi S.A.
Tanzanian

Arthur A. Mosha joined the Bank in September 2011. His experience in Insurance business includes Relationship Manager - Insurance and Manager Insurance and Principal Officer at CRDB Microfinance Services Company Ltd.
Before joining the Bank, he worked at Alexander Forbes as Assistant Account Executive and Account Executive.

Arthur holds a Masters Degree in Business Administration in Corporate Management from Mzumbe University and Bachelor of Arts Degree in Political Science and Public Administration from the University of Dar es Salaam. He is a Certified Chartered Insurance Broker by London Chartered Insurance Institute

Arthur A. Mosha
General Manager
CRDB Insurance Brokers Limited
Tanzanian

Management Discussion Analysis

SUBSIDIARIES

CRDB Microfinance Services Company Limited

The Company is engaged in the provision of microfinance services in Tanzania through leveraging on CRDB Bank branch network. Likewise, the Company provides advisory services and capacity building to its partner microfinance institutions (MFIs). On behalf of its Parent Company, CRDB Bank Plc, the Company provides financial products and services including originating and managing loans, and mobilization of deposits from its partner MFIs. Furthermore, it offers information and communication technology solutions and support to its customers.

In year 2017, the company focused mainly on building and implementing platforms for providing digital financial services, particularly through the SIMAccount innovation. Similarly, the Company focused on reviewing its processes, products, and delivery channels, for the purpose of enhancing its value proposition to its customers – and improving efficiency. All these efforts were geared at enriching value contribution to its Parent Company. Nevertheless, due to regulatory requirements, the Company had to transfer Service Centers, Mini- Services Centers and Digital Outlets to the parent Company, expanding access points for CRDB Bank Plc

The Company has managed to mobilize a customer base of 1.2 million for both retail and wholesale businesses, and a total of 449 partner microfinance institutions (MFIs) (in comparison with 455 partner MFIs as at 31st December 2016). The drop in number of partner MFIs was a result of the Company's 'consolidation' in strategic decision, aiming at building strong MFIs, for the purpose of strengthening their sustainability and service provisions to their target communities.

On the same note, the Company mobilized deposits for the Bank (CRDB Bank Plc) to the tune of TZS 120 billion, a 20% decrease in comparison with the 31st December 2016 performance. The decline was mostly contributed by the strategic decision of transferring the 'retail outlets' to the parent Company CRDB Bank Plc. Furthermore, the Company managed to strike a portfolio size of TZS 95 billion as at 31st December 2017, a 27% decrease in comparison to portfolio size of TZS 130.4 billion on 31st December 2016. The drop in portfolio size was mainly contributed by the Company's strategy of exerting more focus on the portfolio quality, in relation to the volume/size of the portfolio, aiming at enhancing sustainability of the portfolio, and hence bring forth more value to the parent Company. Ultimately, the Company generated a Profit before Tax of TZS 1.2 billion as at 31st December 2017, in comparison with TZS 4.8 billion on 31st December 2016.

Strategic Focus

Through its new five year (2018 - 2022) strategic plan, the Company is looking ahead at enhancing its digital footprint in the market, by stepping into the Fintech space, playing a vital role in strengthening financial access and digital inclusion in the market enabled by the spectrum that was acquired recently. This strategic direction will create unparralled value to the CRDB Bank Family and to other stakeholders.

Management Discussion Analysis

CRDB Bank Burundi Subsidiary

CRDB Bank Burundi S.A. was incorporated in Burundi in 2012 under the Company's Act and is domiciled in Burundi. It offers a comprehensive range of Corporate, Retail, Business, Treasury and other banking services to the general public. CRDB Bank Burundi S.A. is a wholly owned subsidiary of CRDB Bank Plc. The subsidiary Bank has three branches and 8 ATMs all located in Bujumbura, the capital of Burundi.

The political and economic unrest experienced from April 2015 slowed down economic activities and support from donors. In recent years improvements have been observed in the level of security and economic activities are gradually gaining momentum. Year 2017 was also marked by scarcity of foreign exchange due to sanctions and low exports.

2017 marked the last year of the subsidiary five year strategic plan implementation. During the five years the Bank recorded a remarkable achievement in realising strategic goals such as market acquisition, growth in customer base, building strong brand and growth of the balance sheet.

During the year, the Bank recorded profit befor Tax of TZS 3.2 billion compared to TZS 2.3 billion in 2016. The good performance was contributed mainly by increase in interest income from TZS 13.7 billion in 2016 to TZS 14.8 billion as at 31st December 2017, while fee and commission income increased from TZS 4.1 billion recorded in 2016 to TZS 5.1 billion as at 31st December 2017 - on account of increase in foreign exchange income and commission. Total operating expense was TZS 10.9 billion.

Total assets grew from TZS 137.8 billion in 2016 to TZS 149.4 billion in 2017. Total deposits grew by 35% to TZS 84.2 billion as at 31st December 2017, while total loans grew by 1% to TZS 63.5 billion. The overall Non-Performing Loan (NPL) ratio improved to 0.22% from 3 %, mainly due to write off of non-performing loans. The loan management process review undertaken during the year resulted into improved overall Portfolio at Risk (PAR) from 5% to 0.81%, which is the lowest in the Burundi market. In 2017, micro group loans product - branded Birashoboka ("It can be done") was rolled out in many areas of Bujumbura and is expected to be launched in other rural areas in 2018. The roll out was a huge success, which was in line with the subsidiary's financial inclusion agenda.

Strategic Focus

In 2018, the bank shall anchor itself on a strong brand and clientele base created and maintained in the past five years to expand its network using cost effective delivery channels – mainly agent banking and Simbanking, supported by small mini-service centres and branch on wheels to drive financial inclusion. This will enable the subsidiary to achieve operational excellence while at the same time ensuring that it remains sustainable throughout the five coming years.

Management Discussion Analysis

CRDB Insurance Broker Limited

CRDB Insurance Broker Ltd was incorporated in the year 2016 to capture insurance brokerage business including insurance opportunities within CRDB Bank Group. The entity positions itself as the preferred risk management services provider in the market with specific focus to CRDB Bank Group customers. Factoring in the delivery outlets of CRDB Bank Plc and its subsidiaries across the country, the business has assumed a unique advantage to tap businesses from the general public. The company offers all lines of insurance products and services classified under general, medical and life insurance in partnership with prominent insurers in the Tanzanian market and also develops unique value adding products in collaboration with overseas companies and associations.

In 2017, insurance business faced challenges mainly attributed to the regulatory reforms which aim to ensure streamlined operations of insurance businesses within the country. Some major impacting challenges were the restriction on premium collection by broker, upfront premium payment for insurance cover and stoppage of credit facilities by the insurance companies including installment facility and premium warranty.

Year 2017 was the first full year operation of CRDB Insurance Broker Limited for which the company continued on its journey to achieve its strategic focus of increasing market share within the broking fraternity, achieving operational excellence by adoption of technology, providing market driven products and services, and maintaining a highly motivated work force.

The company managed to make inroads into the top 5 insurance brokerage firms in the country being ranked the 4th in the overall business as per the latest report (2016) from the regulator. For the year ended 31st December 2017 the company recorded Gross Premium Underwritten to the tune of TZS 32.5 billion. The profit after tax for the year was TZS 1.05 billion.

In realizing the importance of technology, the Company acquired a Core Insurance System, Smart Policy, not only for enhancing its efficiency and effectiveness in delivery of its services, but also needed in facilitating compliance reporting to the regulator. Furthermore, the Smart Policy system was fully integrated with the Core Banking System (FBE) of the Bank – for automated accounting functions of the Company.

During the year, CRDB Insurance Broker Ltd managed to develop and bring into Tanzanian market, unique, innovative and relevant products in collaboration with overseas insurance experts and companies. Among the products developed include a Long-Term Mortgage Protection Plan specifically for the Banking industry to take care of the collateral Insurance. The Broker has designed a Medical Plan for CRDB Bank Staff Medical Policy which is being widely adopted by other corporate entities in the market. The company has also developed a Embedded Life Assurance Product. During the year, the company in collaboration with Imperial College London, Munich Re, Jubilee Insurance Tanzania and World Food Program developed a Weather Index based Agriculture Insurance Product which went live in the last season of 2017.

Strategic Focus

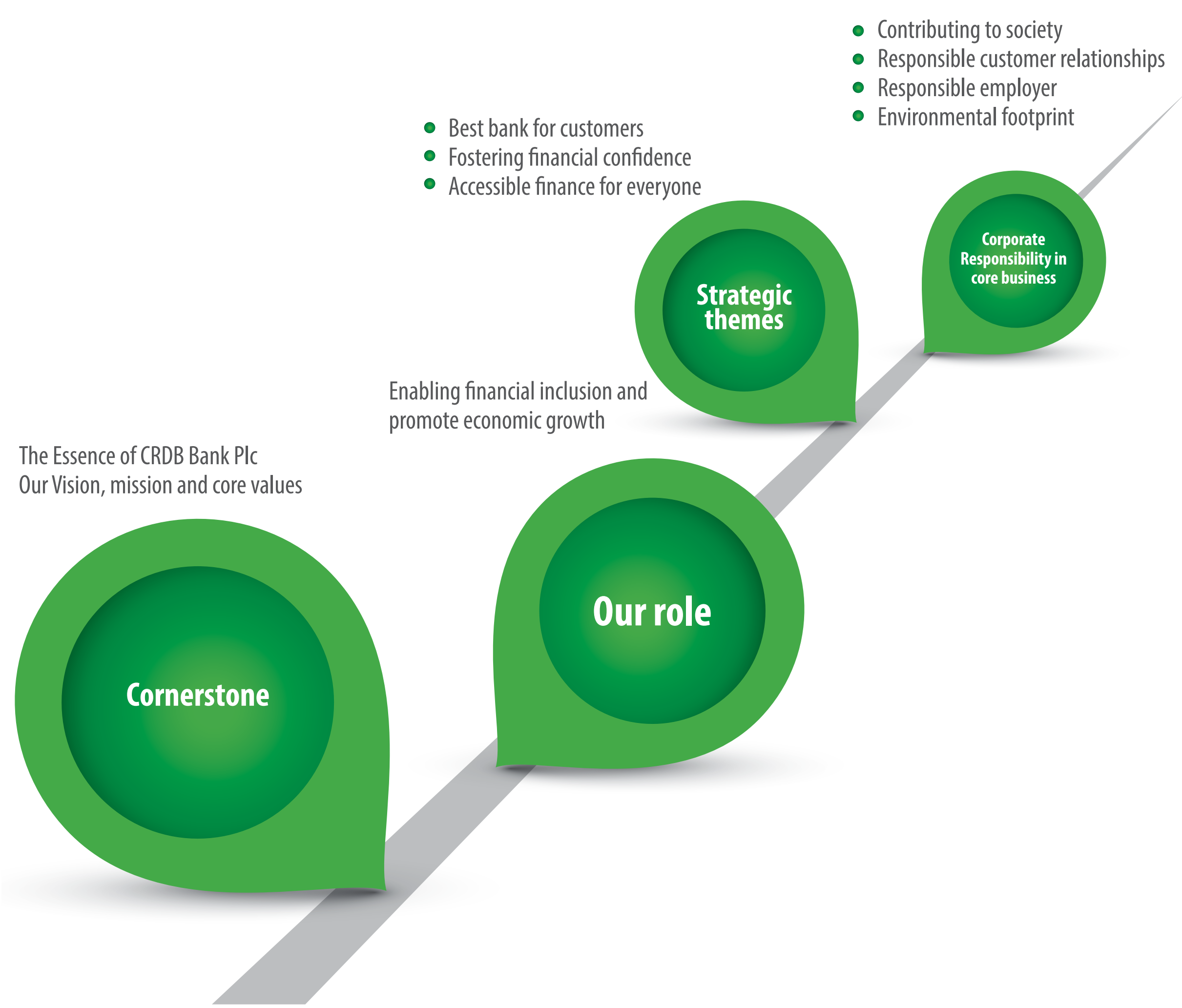
CRDB Insurance Broker Ltd will continue to build internal capacity and exploring the emerging opportunities in oil and gas, mining, micro-insurance in life and health. Furthermore, the company will continue to identify and create key partnerships with local and international institutions in the insurance industry, which will allow for the development of market and innovative products.

Corporate Responsibility Report

CRDB Bank has an important role in contributing to financial stability and economic growth. Our Corporate Responsibility Structure sets forth three strategic themes and four areas of focus to integrate responsibility in our core business. With the three strategic themes, we aim to become the best bank for customers, foster financial confidence and provide accessible finance for everyone by enabling people to make sound financial decisions and ensuring a responsible transition to future financial services. Furthermore, we work to integrate corporate responsibility in our core business by contributing to society, fostering responsible customer relationships, being a responsible employer, and reducing our environmental footprint.

Corporate Social Responsibility (CSR) has been a long-standing commitment at CRDB Bank and forms an integral part of the Bank's activities. The Bank's contribution to social sector development includes several pioneering interventions, and is implemented through the involvement of stakeholders within the Bank and the broader community. This is based on Bank's belief that growth and development are effective only when they result in wider access to opportunities and benefit a broader section of society.

Corporate Responsibility Structure



Corporate Responsibility Report

Operating responsibly

This requires running a business in ways that meet all relevant legal and regulatory requirements. CRDB Bank has a number of internal policies and procedures related to doing business responsibly. We assess and manage social, ethical and environmental risks in our lending activity. The Bank recognizes the need to address climate change, protect biodiversity, support local communities and ensure human rights are protected.

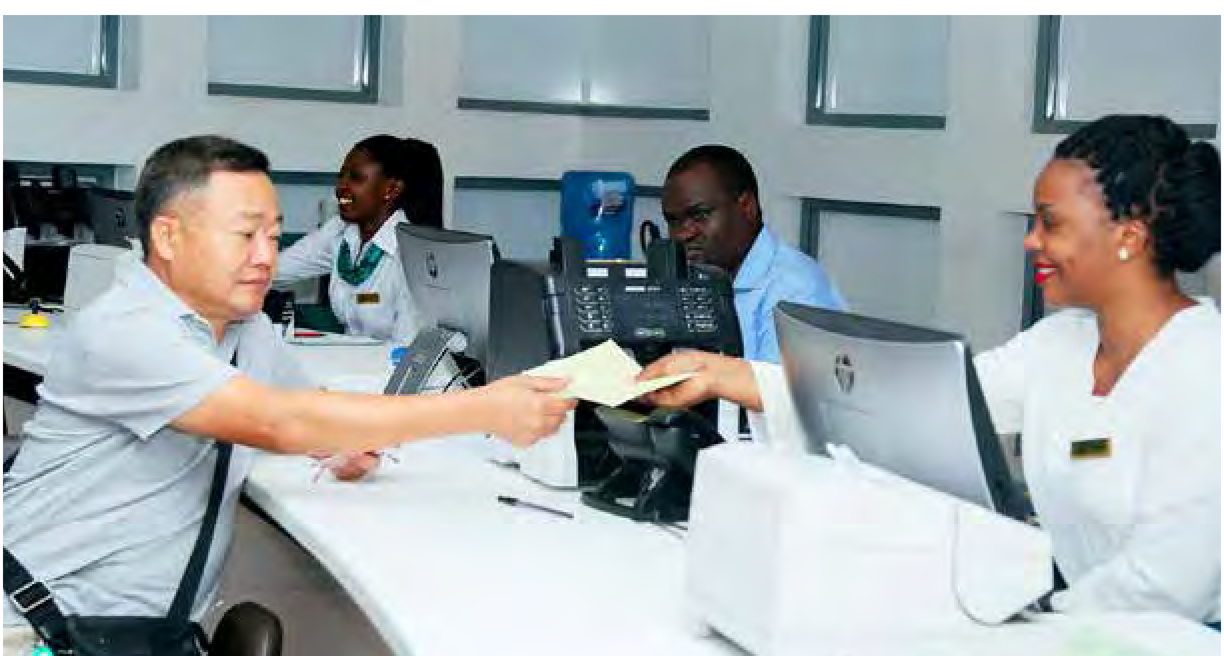
> *"Doing business responsibly, sustainably and ethically is the way to rebuild trust with people, businesses and the community as a whole"*

Building trust in our business

By earning and retaining the trust of our customers and other stakeholders, it then becomes easier to achieve sustainable growth. Trust is not a choice, it is mandatory in operating our business.

Greater transparency

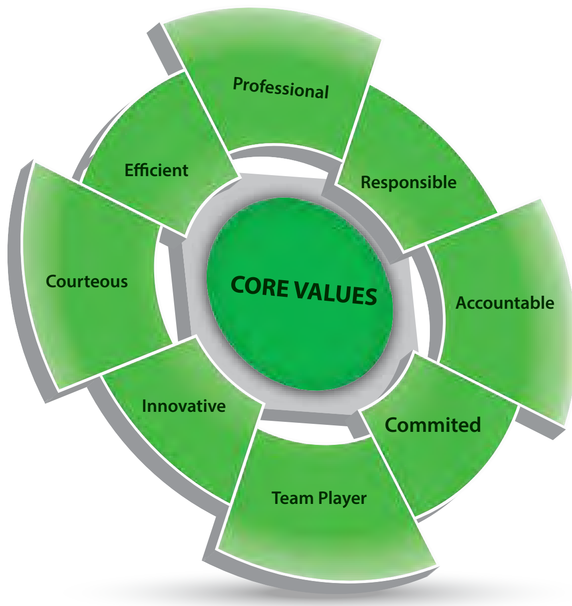
Acting in a transparent manner and with integrity is a fundamental principle in our engagement with society. We are committed to conducting business in a transparent and responsible manner, dealing with queries or concerns in a timely and fairly manner. The secret behind being the best bank for customers is clarity, openness and visibility. Additionally, we commit to being transparent, to seek a pro-active, open and cooperative relationship with the tax authorities and to disclose our tax payments in accordance with national and international requirements.



Corporate Responsibility Report

A clear purpose and strong values

We have a clear set of corporate values "PRACTICE" that are embedded across the business, from recruitment through to performance management and training and development. Results from our employees' surveys indicate that staff are increasingly guided and inspired by the Banks values.



Widening financial inclusion

We aim to do more to help customers who are excluded financially or are at a risk of becoming so. Digital technology offers an important opportunity to make financial services more accessible. Increasing our digital capability is one of the most important factors that will drive financial inclusion over the coming years, so we aim to use our expertise and reach to promote wider understanding and access to our products and services.

By leveraging on our Microfinance subsidiary, our financial inclusion strategy is based on these themes:

- Providing accessible products and services that meet customers' needs
- Improving awareness and understanding of the impacts of financial inclusion across the Bank
- Continuing to invest in financial education

CRDB Bank has a vision to provide essential banking services across Tanzania and extend to other neighboring countries at an affordable price. Banking has been made more accessible to communities, in both urban and rural areas. The Bank has already introduced SIMBanking and FarahiHuduma so as to alleviate the frustration of full-time workers who cannot do their banking during normal business hours. These services also assist clients who are unable to visit a branch for banking services. They offer revolutionized banking for the benefit of customers. In 2017, through CRDB Microfinance Services Company Ltd, we launched SimAccount, as a special mobile account for financially excluded segments.

Corporate Responsibility Report

Digital transformation

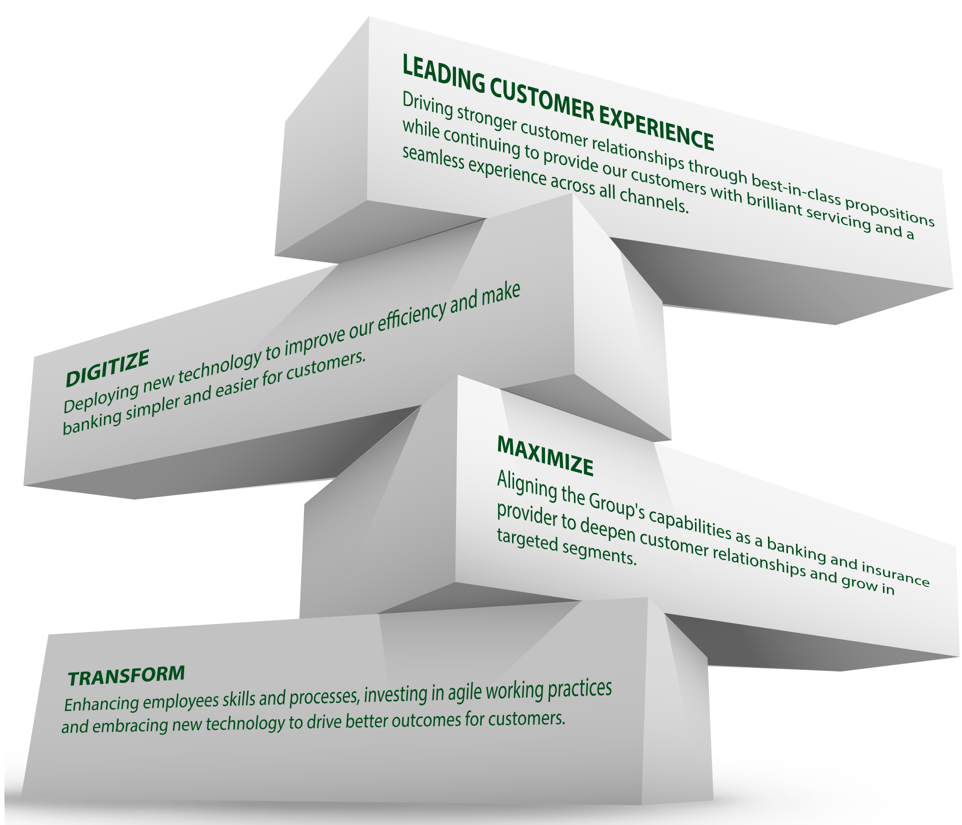
Over the past year, the Bank has been focusing on transforming a number of key customer journeys on an end-to-end basis. This has led to significant improvements in the experience of our customers, as well as delivering significant operational efficiencies.

The Bank's new five year strategy 2018 – 2022 strategic theme is Digital transformation. The Bank will materially scale-up its transformation by going deeper in the transformation of the customer journeys. This will include bringing a number of new customer journeys into scope for transformation as well as a number of our internal processes within our central operations. Overall, we expect the next phase of digital transformation to lead to a better experience for our customers and employees as well as improvement to risk management and the resilience of our business. Additionally, we expect to achieve further structural efficiency gains, which will enable us to improve our competitive advantage and compete with emerging new competitors, including digital disruptors.

Transforming the Group for Success in a digital world

The Group's new strategy of Building the Bank of the Future will enable the bank to seize new opportunities by building its existing competitive advantages. The transformation planned will ensure we become a digitised, customer focused financial service provider.

OUR AIM: *Building the Bank of the Future*
OUR BUSINESS MODEL: *Digitised, customer-focused financial service provider*



Levering new technologies

To support digital transformation and deliver further efficiency savings, we will simplify and modernize our IT architecture while deploying new technologies to enhance our capabilities and increase resilience. We will invest to create a scalable and modern data platform through which customer data can be accessed more easily which will enable the Bank to provide personalized experiences based on deeper insight and analysis, greater security and resilience as well as enabling further innovation to our platforms. Investing in new technologies will enable the Bank to offer enhanced products, services, communications and programmers that achieve the ultimate in customer behavior. Digital banking will enhance our interaction with customers ensuring that they are able to get easier access to financial services and relevant information and therefore improve the overall customer experience.

Improving customer experience

We want to be the best bank for customers, doing the right thing for them by providing products and services that they require and at an affordable rate. This is for ensuring we achieve the outcome they want. Over the past five years, we have made significant improvements designed to enhance outcomes for customers. They include improvement to our digital banking technology, financial inclusion, and redesigning the way we support customers. We aim to lead our industry in the way we treat customers in vulnerable circumstance.

Independent surveys are used to measure our customers' experience and satisfaction as well as to track our progress towards our goal in the banking industry. We measure customer satisfaction using the standard Net Promoter Score. We also use questionnaires which provide information about customers' experience and views relating to our products and services. We engage our customers in product design to ensure that we deliver solutions that meet customers' needs.

Dealing with customer complaints

We continue to take all complaints seriously by finding out the root causes for our customers' dissatisfaction so as to find a solution to reduce these complaints. In times where things go wrong; our team work together to put them right as quickly as possible, operating a 24/7 service delivery. In our drive to continuously improve the complaints handling service, the Bank encourages and support employees to attend courses on professionalism on customer services. This type of commitment and investment aims to help us resolve at least 80% of general complaints on a timely manner without delay.

Protecting customers privacy and data

The Bank has over 3 million customers who trust us with their money and personal details. To ensure privacy and protection of customers' assets and data, we invest in security technologies, processes and training for colleagues. Moreover, we provide our customers with useful information on how they can improve their money and data security behavior by creating strong passwords and avoid sharing the passwords to anyone.

With the use of state-of-the-art technology; the Bank monitor unusual activity on customer accounts and upon suspecting anything that is unusual, then appropriate action is taken.

Corporate Responsibility Report

Customer trends and competition

In the competitive open markets in which we operate, customers are benefiting from an increasing range of products and services from a growing choice of financial service providers and via a range of channels. There has been a significant increase in accessibility through digital platforms including mobile devices which has changed customer behaviors and these trends are expected to accelerate which challenges us to become more creative in the way we offer our products and service. Therefore, as one of the leading commercial bank in Tanzania, we strive to cope up with changing customer needs and market trend so as to meet and surpass our customers' expectations.

Tackling money laundering

The Bank takes necessary steps to ensure that its products and services are not used for criminal purposes such as money laundering by working closely with regulators and legislators to combat money laundering. Customer due diligence is competed throughout the duration of customer relationship. Our employees are given special training on how to detect and report money laundering without tipping off the criminal.

Responsible employer

We see employee engagement as a cornerstone for delivering the best customer experience. Having open and honest conversations about how things are going and giving feedback to both our team and top management are essential in making CRDB Bank an even better place to work. At the same time, we seek to shape an environment where different kinds of people feel welcomed, integrated and valued.

Our work environment builds on our core values, but we also take specific working preferences, lifestyles and life stages into account when we define cultural initiatives. Such initiatives include flexible working conditions, mentoring programmes and the promotion of role models as well as seminars and networking opportunities. We believe that by maintaining a balance between a shared foundation and the opportunity for employees to express their individuality at work, we will be able to attract and retain the diverse people we need for the future.

We seek to foster a diverse workforce that reflects the preferences and tastes of our customer base. We promote diversity, including a balanced gender composition in managerial positions at all levels and in the recruitment, search and selection of new employees. For example, candidate pools for senior positions always include at least one candidate from the underrepresented gender.

Moving forward, we want to broaden our diversity efforts to encompass not only inherent diversity such as gender, age and nationality but also acquired diversity in terms of opinions, ways of thinking, personalities and educational backgrounds. We will also continue to develop our employees' competencies and to adjust our organization to changing market requirements.

Corporate Responsibility Report

Gender ratio (%)		
CATEGORY	**M**	**F**
Board	67%	33%
Senior Management	77%	23%
Middle Management	76%	24%
Other Staff	55%	45%

Responsible lending

The Bank grant loans and other credit facilities on the basis of a professional credit assessment of the customer's needs and financial situation. It is in both our and the customer's interest that credit facilities are granted only when the customer understands the associated obligations and risks. For business customers, in addition to assessing the customer's needs and repayment ability, we consider the purpose for which the funds will be used and assess possible conflicts with our corporate responsibility principles. If we assess a customer relationship to be contrary to our principles, we seek a solution in collaboration with the customer. If the only option available is terminating the credit relationship, we do so in a controlled process.

Responsible marketing and communications

As a responsible business, we must ensure that the way we market our brand, products and services is fair, accurate and not misleading by ensuring that it is easy for customer to understand. The Bank researches on the market so as to understand customer behavior and use behavioral economic techniques so as to assess customer preferences and improve our marketing techniques. This has made our marketing more precise and clear.

Contributing to the society

The Bank has developed a CSI Policy that acts as a strategic roadmap towards accomplishment of Bank's Corporate Social Investment activities. CRDB Bank's CSI policy requires that at least 1% of Bank's profit after tax invested in community support especially in the areas of health, education and the environment.

Corporate Responsibility Report

Health

The healthcare challenge in Tanzania spans a number of dimensions, including access to affordable healthcare, availability of medical facilities in hospitals and health centers and awareness of health issues. To help communities in addressing these challenges, CRDB Bank trusts that it is essential to contribute in improving the health sector.

On 8th March 2017 when the world was commemorating International Women's Day, the Bank donated medical facilities including bed lockers, diapers and bed sheets to Ocean Road Cancer Institute in Dar es Salaam. The donation aimed at supporting the community in helping cancer victims. The donation was worth TZS 10 Million. Also, the Bank donated TZS 100 Million for the construction of a ward at Dodoma Regional Hospital during the launch of LAPF branch in Dodoma. The event was graced by the President of United Republic of Tanzania Dr. John Pombe Magufuli.

Corporate Responsibility Report

Education

The Government declared to offer free education from primary to secondary schools a move which has increased enrolments of children as it has allowed the economically challenged families to send their children to school. The Bank supports the move and took actions to help meet the objective. In 2017, the Bank donated TZS 500 million for construction of modern classrooms and purchase of desks for various schools in the country.

In the year 2017, the Bank had a campaign of building classrooms as well as teachers' offices to selected schools which had the insufficiency. Under the special project, classrooms were constructed in various regions of Tanzania. On the same year, the Bank donated TZS 60 million to Madungu Primary School in Chake-Chake Pemba for purchase of 150 desks, academic books and construction of modern toilets. The school is one of the biggest and oldest schools in Pemba that was in dire need for desks and urgent repair or construction of a new students' latrine. CRDB Bank is proud to offer a helping hand that has improved the studying environment for these students to help them get good education and achieve their lifelong dreams.

Humanitarian assistance

In support of peaceful co-existence of all stakeholders, the Bank donated two Cars to Police Force to assist in efforts to increase their operational efficiency and efficacy, henceforth ensuring low rate of crime in the society. The two cars were donated to Kawe Police Centre and Dar es Salaam Special Zone.

Corporate Responsibility Report

Environmental sustainability

CRDB Bank recognizes that business growth implicitly depends on the society to achieve our goals so we support any effort that protects and conserves the environment for a better living. In the year 2017, the Bank donated TZS 50 million to fund the annual Tulia Ackson Marathon which aimed at raising funds to support the underprivileged groups and encourage environmental conservation. Apart from the donation, employees from some of our branches participated in the marathon.

Supporting art and culture

CRDB Bank is committed to promoting culture sustainability in Tanzania and the entire East African region at large. We strongly believe that arts and culture are fundamental in developing any society. During the year 2017, the Bank supported various projects and institutions that promote culture. In Tanzania, there is usually an annual festival which constitutes dancing competition for cultural groups also known as "ngoma za asili" in Swahili. This festival aims at promoting the riches of traditions and cultures of more than 120 ethnicities found in the Country. This event took place in September, 2017 at Rungwe District, Mbeya, attracting hundreds of dancing groups and thousands of viewers. CRDB Bank donated TZS 50 million for the event.

The Bank also facilitated the organisation of 'The 36th Bagamoyo International Festival of Arts and Culture' under Bagamoyo College of Arts also known as Tasuba. A week-long cultural festival that gathers local and international artists as well as audiences with a primary objective of providing youths' talents and promoting tourism of the historical town of Bagamoyo which was is recognized as a world heritage site by UNESCO.

Environmental footprint

Decreasing our emissions and consumption of natural resources reduces our environmental footprint, improves our efficiency and delivers value for our bank and shareholders. As well as helping to build the future of the societies in which we operate by applying our expertise to relevant challenges, we must also manage our operations responsibly and run our business in a way that promotes the long term health of the environment.

We concentrate primarily on reducing emissions from energy as electricity remains to be the largest contributor to the carbon footprint with secondary focus on paper, waste, and communication.

Initiatives aimed at reducing our environmental impact in 2017 include digitization of customer communications, which also aligns with our customers' evolving needs. Investing in energy-efficient technology in our buildings which is also a key to our strategy.

Energy use

In efforts to reduce energy consumption, we continued to use after-hours central control to turn off all computers and also, a smaller branch footprint was created for new branches opened in 2017. We invest in energy-efficient technology in our buildings and our new head office building will have energy efficiency as a priority from the outset.

Paper consumption

Our Paperless processes initiatives to preserve the environment constituted reducing paperwork by introduction of e-statements for monthly customer statements. E-statement is an electronic way of sending monthly statements to customers via emails. The Bank continued to insist customers to use SimBanking and Electronic banking services that requires no paper hence protecting forestry harvesting.

The Bank also instituted and communicated a paper usage policy which discourages printing materials. However, if necessary, management advices printing to be on both sides of a paper to minimize the number of papers to be used for same document. Where applicable, papers can be re-used. This has helped to reduce paper usage across the Bank's network.

Furthermore, the installation of a biometric attendance system that has replaced the traditional attendance books in our offices has to a great extent, reduced paper usage.

Communication

We continued to use Video Conferencing as a means of communication for internal directives across the Head Office units and branches. This has reduced unnecessary travel and printing activities therefore reducing the carbon footprint. We aim to maintain a strong focus on reducing business travel and will further develop travel reports that are distributed to departmental heads in order for them to be better able to monitor travel in their departments and set their reduction targets.

Corporate Responsibility Report

Sustainable Loans

The Bank has continued to take a leading role to ensure that all projects it finances are operated in responsible manner in order to minimize or eliminate environmental pollution. In a bid to ensure environmentally sustainable financing, the Bank has established a unit designated for assessment and management of Environmental and Social Risks associated with financed projects. An Environmental and Social Risk policy providing guidelines in project financing has also been developed. The policy has adopted both local and internationally acceptable guidelines in assessment and management of projects in order to eliminate or mitigate such environmental and social risks associated with different projects.

Corporate Governance Report

Our Corporate Governance Structure For CRDB Group

The corporate governance report sets out the Group's approach to governance in practice, how the Board works, how it has spent its time during the year, how it evaluated its performance, and includes reports from each of the Board Committees. Good governance is vitally important as it underpins the delivery of Bank's strategy to help become the best bank for customers, employees and shareholders. It is essential to ensure good corporate governance and the associated values are embedded into the thinking and processes of the business, and driven by the Board. As a key player in the financial industry, the Group feels obliged to uphold high standards in corporate governance and to promote the enabling environment where such standards are maintained.

The supreme governing body which oversees corporate governance within the group is the Board of Directors for CRDB Bank PLC and Board of Directors for subsidiaries. Our governance structure is also made up of a number of Board and Management Committees to manage risk, credit, audit, governance and human resources and to ensure effective control of the business and finance matters.

The Board

The Group is led by an effective, committed and unitary Board, which is collectively responsible for the long-term success of the Company. It comprises of the Chairman, one independent non-executive director and non-executive directors with interest in CRDB through shareholding.

There is a clear division of responsibility and separation of duties which are well documented in our Corporate Governance Framework. The Chairman has the overall responsibility of leading the Board and ensuring its effectiveness while the Group's Managing Director manages and leads the business.

The Board operates on the understanding that sound governance practices are fundamental to gaining trust of stakeholders which is critical to sustaining performance and preserving shareholders' value. The Board ensures that the Group manages risk effectively, monitors financial performance and ensures that effective succession planning arrangements and remuneration policies are in place. It is accountable to shareholders and sets the direction through the business strategy and policies. It monitors implementation thereof through structured reporting systems including its various Committees. The Board is required to meet at least eight (8) times a year.

Key activities of the Board during the year included:-

- Approve the approach and oversee the implementation of key policies pertaining to the Bank's capital adequacy assessment process, capital and liquidity plans.
- Oversee implementation of the Bank's governance framework and periodically review it to ensure that it remains appropriate in the light of material changes to the Bank's size, complexity, geographical footprint, business strategy, markets and regulatory requirements.
- Establish, along with senior management the Bank's risk appetite, taking into account the competitive and regulatory landscape and the Bank's long-term interests, risk exposure and ability to manage risk effectively.

Corporate Governance Report

The Board remains ultimately responsible for ensuring that risks are adequately identified, measured, managed and monitored and that god governance is maintained.

Board focus in 2017

Financial

- Budget for 2018
- Group operating plan
- Approval of dividends
- Funding and Liquidity plan

Strategy

- Review of progress in implementing the Group's 2013 - 2017 strategy
- Review of future environment and business model
- Formulate the Group's 2018 - 2022 strategy
- Approval of large transactions

Regular agenda items

- Group performance report from the Group Managing Director
- Report on financial performance, including budgets, forecasts and capital position from the Director of Finance
- Report on Loans and Advances from the Director of Credit
- Risk report from the Director of Risk and Compliance
- Chairman's activities report Reports from Chairmen of Board Committees

Governance and shareholders

- Review of Corporate Governance framework
- Investor relations updates
- Board effectiveness review
- Annual General Meeting briefing

Risk management

- Approval of Risk Management Framework
- Review of internal control system
- IT resilience and cyber security

Diversity Policy

The Board considers diversity of views and experiences as essential for ensuring that all aspects of strategies and plans are fully considered. The combination of personalities and experience on the Board ensures that there is a balance of power that stimulates robust challenge and debate such that no individual or group can dominate board processes or decision-making.

Chairman and Managing Director

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

Company Secretary

The Company Secretary plays a leading role in good governance by helping the Board and its Committees function effectively and in accordance with their terms of reference and best practice. Providing support goes beyond scheduling meetings to proactively managing the agenda and ensuring the presentation of high quality and up-to-date information in advance of meetings. The Company Secretary assists the Chairman with all development processes including board evaluation, induction and training. All Directors have access to the advice and services of the Company Secretary. Both the appointment and removal of the Company Secretary is matter for the Board as a whole.

Corporate Governance Report

Board Structure and Composition

A board-approved policy specifies the governance principles that ensure a balance of power and authority at board level. Board composition is driven by the following principles:-

- The Board will be of an appropriate size to allow efficient decision making
- The Chairman of the Board must be a non-executive director
- The Chairman must not have been an executive officer of the Bank in the last three years
- The Board must comprise non-executive directors and at least one independent director
- The Board should consist of directors with a broad range of expertise, skills and experiences appropriate to the Group's business from a diverse range of backgrounds

As at the date of this Statement, the Board consisted of thirteen directors, comprising twelve non-executive directors and the Managing Director who is an Ex-Officio member. Non-executive Chairman, who is elected by directors every year leads the Board. Every shareholder with ten percent (10%) of the issued and fully paid up share capital of the Bank is entitled to appoint a Director. Shareholders owning between 1% and 10% of the issued and fully paid up share capital of the Bank are jointly entitled to elect a Director for every 10% of shares held, provided that any part of 10% which does not, by itself add up to a whole 10% is not entitled to elect a Director. The strategic investors (consortium of IFC/AFCAP and CDC) owning 5% jointly appoints one director while shareholders owning less than 1% jointly elect one (1) Director and additionally one (1) Director for every 10% of shares held. All Shareholders elect one Independent Director. The Board consists of sufficient members with the right mix of skills, experiences and knowledge to perform their role.

In accordance with the Bank's Articles of Association, the directors are required to retire by rotation. The Articles allow re-election of the members after expiry of three year period as long as the candidate meets required criteria. In view of this, at the Annual General Meeting (AGM) held on 20th May 2017, Hon. Fredrick Sumaye belonging to the group of shareholders with less than 1% of the Bank's share capital retired and Dr. Neema Munisi Mori was elected to represent the same group of shareholders. Mr. Kai Kristoffersen and Mr. Bede Lyimo who were representatives of DANIDA Investment Fund belonging to the group of shareholders with shareholding above 10% of the Bank's share capital retired. On 03rd August, 2017 Mr. Jes Klausby was appointed to represent DANIDA Investment Fund and on 24th July, 2017, Mr. Charles Edward Kichere was appointed to represent DANIDA Investment Fund (Government side).

Corporate Governance Report

The following Directors served during the year:

S/N	Name	Position	Age	Qualification/ Discipline	Nationality	Date of appointment	Date of Retirement
1	Ally H. Laay	Chairman	61	Accountant	Tanzanian	2004	-
2	Juma A. Abdulrahman	Member	65	Accountant	Tanzanian	2009	-
3	Dr. Neema Munisi Mori	Member	39	Academician	Tanzanian	2017	-
4	Rose F. Metta	Member	48	Economist	Tanzanian	2015	-
5	Jes Klausby	Member	62	Banker	Danish	2017	-
6	Charles Edward Kichere	Member	47	Accountant	Tanzanian	2017	-
7	Kai Kristoffersen	Member	77	Banker	Danish	2004	2017
8	Bede P. Lyimo	Member	67	Economist	Tanzanian	2012	2017
9	Boniface C. Muhegi	Member	63	Civil Engineer	Tanzanian	2004	-
10	Hon. Frederick T. Sumaye	Member	67	Agricultural Specialist	Tanzanian	2014	2017
11	Devotha N. Minzi	Member	57	Economist	Tanzanian	2015	-
12	Ebenezer N. Essoka	Member	62	Banker	Cameroonian	2015	-
13	Madren N. Oluoch-Olunya	Member	45	Lawyer	Kenyan	2016	-
14	Dr. Mohammed H. Warsame	Member	44	Financial Analyst	Tanzanian	2016	-
15	Hosea E. Kashimba	Member	47	Accountant	Tanzanian	2016	-
16	Dr. Charles S. Kimei	Managing Director, Ex Officio	64	Economist	Tanzanian	1998	-

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

Corporate Governance Report

Board Attendance

The Board held eight meetings during the year as planned. Directors who served during the year and their attendance at Board meetings are set out in the table below. The attendance of Directors at Committee meetings is displayed within the individual committee reports.

S/N	Name of Director	Position	Number of Board meetings attended	Date of appointment/ retirement
1	Ally H. Laay	Chairman	8	-
2	Boniface C. Muhegi	Member	8	-
3	Bede P. Lyimo	Member	3	Retired May, 2017
4	Kai Kristoffersen	Member	4	Retired July, 2017
5	Juma A. Abdulrahman	Member	8	-
6	Frederick T. Sumaye	Member	1	Retired May, 2017
7	Rose F. Metta	Member	8	-
8	Devotha N. Minzi	Member	6	-
9	Hosea E. Kashimba	Member	6	-
10	Dr. Mohamed H. Warsame	Member	8	-
11	Ebenezer N. Essoka	Member	6	-
12	Madren N. Oluoch-Olunya	Member	8	-
13	Dr. Neema M. Mori	Member	3	Appointed May, 2017
14	Charles E. Kichere	Member	2	Appointed July, 2017
15	Jes Klausby	Member	2	Appointed August,2017

Corporate Governance Report

Board Committees

As at 31st December 2017, the Board had four committees namely: Audit Committee, Credit Committee, Governance and Human Resources Committee, and Risk Committee. The activities of the Committees are governed by the respective Committee Charters which are approved by the Board. All four committees report to the Board of Directors.

The composition of each Committee is shown below:-

Name	Board Audit Committee	Board Credit Committee	Board Governance and Human Resource Committee	Board Risk Committee
1. Ally H. Laay				
2. Juma A. Abdulrahman	★		-	
3. Rose F. Metta	-			-
4. Jes Klausby			-	-
5. Charles E. Kichere	-	-		
6. Boniface C. Muhegi		-	★	
7. Ebenezer N. Essoka	-		-	
8. Hosea E. Kashimba	-			-
9. Dr. Neema M. Mori		-	-	
10. Dr. Mohamed H. Warsame		★		-
11. Devotha N. Minzi		-		★
12. Madren N. Oluoch-Olunya	-		-	

Current membership of the Board Committees

Key:

★ Chairperson

- Member

Audit Committee

Committee purpose and responsibilities

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

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

The Director of Internal Audit reports directly to the Committee.

Committee composition and activities

The membership of the Committee comprises six (6) Non-Executive Directors.
The Committee members have considerable financial and business experience and the Board considers that the membership as a whole has sufficient and relevant financial experience to discharge its responsibilities.
Key activities undertaken by the Audit Committee during the year include:-

- Review of the scope of the annual audit plans for 2017 of the external and internal auditors, and oversight of the work performed by auditors throughout the year
- Review of significant accounting, financial reporting and other issues raised by management, and the internal and external auditors
- Review and approval of the internal auditors work plan and budget for 2017 while ensuring that it covers all high risk areas in the Group's operations
- Review and provide recommendation on findings observed by internal and external auditors and BOT examiners to the Board
- Monitor implementation of actions that address areas of weakness observed by auditors and BOT examiners

The Committee held five (5) meetings as planned during the year. The external auditors were invited and attended two meetings to present audit findings and opinion on audited annual financial statements. The Managing Director, Deputy Managing Directors, Director of Finance and Director of Internal Audit also attended the meetings as invitees.

Members of the Audit Committee and their attendance were as follows:

Name	Position	Number of meetings attended	Date of appointment/ retirement
Juma A. Abdulrahman	Chairperson	5	-
Ebenezer N. Essoka	Member	5	-
Kai Kristoffersen	Member	3	Retired July, 2017
Hosea E. Kashimba	Member	5	-
Madren N. Oluoch-Olunya	Member	4	-
Devotha N. Minzi	Member	2[1]	-
Charles E. Kichere	Member	1	-
Rose Metta	Member	1[2]	-

Credit Committee

Committee purpose and responsibilities

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

Committee composition and activities

The Board Credit Committee comprises six (6) Non-Executive Directors. The Committee members provide core banking and risk knowledge, together with breadth of experience which bring knowledge from other sectors.
Key activities undertaken by the Credit Committee during the year include:-

- Review of management's strategies and activities for managing credit risk, including stress test results and compliance with underwriting standards
- Review and assess the process for establishing the Group's allowance for credit losses
- Ongoing critical review of the credit portfolio; asset quality and provisioning
- Review credit applications above management approval limit and recommend to the Board for those above their limits.

[1] Moved to Credit Committee from July 2017

[2] Appointed member of the Audit Committee from July 2017

The Credit Committee held ten (10) meetings during the year as planned. The Managing Director, Deputy Managing Directors, Director of Corporate Banking and Director of Credit participated in the meetings as invitees. Members of the Credit Committee and their attendance were as follows:-

Name	Position	Number of meetings attended	Date of appointment/ retirement
Dr. Mohamed H. Warsame	Chairperson	10	-
Bede P. Lyimo	Member	5	Retired May, 2017
Boniface C. Muhegi	Member	10	-
Rose F. Metta	Member	3[1]	-
Devotha N. Minzi	Member	7	-
Dr. Neema M. Mori	Member	4	Appointed May, 2017
Charles E. Kichere	Member	2	Appointed July, 2017

Governance and Human Resources Committee

Committee purpose and responsibilities

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

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

[1] Moved to Audit and Risk Committee from July 2017

Committee composition and activities

The Board Governance and Human Resource Committee comprises six (6) experienced and non-executive independent Directors.

Key Activities undertaken by the Governance and Human Resource Committee during the year include:-

- Review of and recommendation to the Board on the remuneration package for the Group CEO and other senior executives;
- Review of succession planning for management and key positions in the Group to ensure there is bench strength and plan to develop those in the talent pool;
- Assessment of the appropriate size and composition of the Board and its Committees;
- Review of and recommendation to the Board on the incentives payable to senior executives based on performance and risk criteria structured to increase shareholder value;
- Review human resource practices focusing on the areas of human capital development plans, recruitments, staff welfare, and performance management to enhance productivity.

Governance and Human Resource Committee held six (6) meetings during the year as planned. Members of the Governance and Human Resource committee and their attendance were as follows:-

Name	Position	Meetings attended	Date of appointment/ retirement
Boniface C. Muhegi	Chairperson	6	-
Bede P. Lyimo	Member	3	Retired May, 2017
Frederick T. Sumaye	Member	1	Retired May, 2017
Madren N. Olunya	Member	4	-
Juma A. Abdulrahman	Member	6	-
Jes Klausby	Member	1	Appointed August, 2017
Dr. Neema M. Mori	Member	2	Elected May, 2017
Kai Kristoffersen	Member	2	Retired July, 2017
Ebenezer N. Essoka	Member	6	-

Risk Committee

Committee purpose and responsibilities

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

Committee composition and activities

The Board Risk Committee comprises five (5) independent Non-Executive Directors.

At each scheduled meeting; the Risk Committee received a report from the Group Chief Risk Officer which includes updates on risk categories identified by the Group. The Group's capital and liquidity position are also reviewed on a regular basis.

Key activities undertaken by the Risk Committee during the year include:-

- Review of the Group's capital adequacy in line with the Group's strategic plan and regulatory requirements
- Review of the Group's key risks and risk management framework and strategy as developed by management
- Regular review of minutes and updates of ALCO and risk committee of management to determine their effectiveness

The Risk Committee held four (4) meetings during the year as planned. The Managing Director, Deputy Managing Directors and Director of Risk and Compliance participated in the meetings as invitees.

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

Name	Position	Meetings attended	Date of appointment/ retirement
Devotha N. Minzi	Chairperson	4	-
Rose F. Metta	Member	2	-
Hosea E. Kashimba	Member	4	-
Dr. Mohamed H. Warsame	Member	3	-
Jes Klausby	Member	1	Appointed August, 2017
Kai Kristoffersen	Member	2	Retired July, 2017

Corporate Governance Report

Appointment of Directors

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

Independence of Directors

Directors are expected to bring independent views and judgment to Board deliberations. An independent director must be independent of management and able to exercise unfettered judgment, free of any business or other association that could materially interfere with the exercise of the director's ability to act in the best interest of the Group. In assessing whether a director is independent, the Board has regard to the standards it has adopted that reflect the independence requirements of applicable laws, rules and regulations. The Board has undertaken an assessment in 2017 and determined that all non-executive directors of the Bank are independent.

Induction and Ongoing Education

The Group appreciates the importance of a well-focused induction plan to bring business and its issues alive for the New Director, taking into account the specific role they have been appointed to fulfill. The Chairman personally ensures that an appointed Director receives a formal and tailored induction. On appointment, Directors receive the group's governance pack containing all relevant governance information such as governance structures, relevant legislation and policies.

Continuous professional development is an important aspect of every professional's working life, including Directors. Skills and knowledge need to be kept up-to-date to ensure the efficiency of the Board as a whole and the ability of every single Director to contribute to the highest standards. Ongoing director education remains a focus, whereby the Directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the group and its operations.

The Chairman leads the learning and development of Directors and the Board generally and regularly reviews and agrees with each Director their training and development needs. Directors have access to a wide range of briefing and training sessions and other professional development opportunities. They undertake the training they consider necessary to assist them in carrying out their duties and responsibilities as Directors.

Topics covered in 2017 include Benefits of Rating, Review of correspondent relationship, and Introduction to Digital Banking, Credit Management, Corporate Governance and Role of the Board of Directors.

Corporate Governance Report

Access to Independent Professional Advice

Written guidelines entitle each director to seek independent professional advice at the Bank's expense, with the prior approval of the Chairman. The Board can conduct or direct any investigations to fulfill its responsibilities and can retain, at any legal, accounting or other services that it considers necessary from time-to-time to perform its duties, all at the expense of the Bank.

Succession Planning

The Board of Directors reviews at least annually composition of the Board and its Committees. This review, based on the Bank's strategic objectives, is aimed at ensuring that the Board is able to meet the current and future needs of the Group. Retaining Board members with considerable experience is seen as imperative in ensuring continuity and maintaining appropriate levels of oversight. The Board's future needs are considered on an ongoing basis to ensure adequate succession planning.

Director Resignation Policy

A director must submit a letter of resignation to the Board Chairman on a change in employment and upon accepting a directorship with another public company or any other organization that would require a significant time commitment. Notice must be given to the Chairman of the Governance and Human Resources Committee, the Managing Director and the Company Secretary. The letter of resignation will be discussed by the Governance and Human Resources Committee for further action.

A director resigning at a board meeting should make clear whether the resignation is with immediate effect or from the end of the meeting, as he or she is a party to the decision of the Board up until resignation.

Conflicts of Interest

The Board has a comprehensive procedure for reviewing and approving actual and potential conflicts of interests. Directors have a continuing duty to notify the Chairman and Company Secretary as soon as they become aware of actual or potential conflict situations. Changes to the commitments of all Directors are reported to the Governance and Human Resource Committee and the Board and a register of potential conflicts and time commitments is regularly reviewed and authorized by the Board to ensure the authorization status remains appropriate. As of 2017, the Board had not recognized any potential conflicts.

If significant conflict of interest with director exists and cannot be resolved, the director is expected to tender his or her resignation.

The provision of financial services to directors by the Bank is subject to any applicable legal or regulatory restrictions. Financials services are provided to directors on arm's length terms and conditions. Refer to Note 42 – Related party transactions in the Financial Statement for further information, including details of related party dealings and transactions.

Board Effectiveness Review

The Chairman of the Board leads the annual review of the Board's effectiveness and that of its Committees and Individual Directors with the support of the Human Resource and Governance Committee. The board performance evaluations are facilitated annually to ensure effectiveness of the Board. The 2017 review sought the Directors' view on range of topics including; strategy, planning and performance, risk and control; Board composition and size; the Board's calendar and agenda; the quality and timeliness of information; and support for Directors and Committees.
The reviews concluded that the performance of the Board, its Committees, the Chairman and each Directors continues to be effective. All Directors have demonstrated commitment to their roles. Most Directors commented favorably on the performance of the Board as a whole, describing it as hardworking, collegiate, questioning and highly engaged. Directors also spoke highly of the work done by the Chairman and the Chairs of Committees in structuring agendas and ensuring that all matters relating to the business are covered at the meetings.

Directors' Remuneration

Non-executive directors are paid fees as approved by Annual General Meeting of the shareholders. The non-executive directors are not eligible for pension scheme membership and are not part of Bank's remuneration scheme.

Remuneration of all directors is subject to annual review to ensure that levels of emoluments and compensation are appropriate. This is after considering volume of work, industry benchmarks and international practices.

The Managing Director who is the ex-officio is paid a monthly salary plus other benefits as set out in the staff remuneration policies.

Directors' Remuneration (Continued)

Information on aggregate amounts of the emoluments and fees paid during the year to directors in comparison to 2016 is disclosed below:-

Name	2017 TZS' Million	2016 TZS' Million
1. Ally H. Laay	69	66
2. Boniface C. Muhegi	65	65
3. Devotha N. Minzi	65	58
4. Juma A. Abdulrahman	61	65
5. Bede P. Lyimo	29	61
6. Rose F. Metta	59	58
7. Madren N. Oluoch-Olunya	59	29
8. Frederick T. Sumaye	12	58
9. Hosea E. Kashimba	59	29
10. Ebenezer N. Essoka	59	38
11. Dr. Mohamed H. Warsame	65	32
12. Dr. Neema M. Mori	29	-
13. Charles E. Kichere	29	-
14. Kai Kristoffersen*	-	-
15. Jes Klausby	15	-
16. Dr. Charles S. Kimei **	-	-
17. Martin J. Mmari	-	34
18. Adam H. Mayingu	-	27
TOTAL	**680**	**616**

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

** Dr. Charles S. Kimei is an ex-officio member, who is paid a monthly salary by the Bank. This is part of key management remuneration disclosed on page 79.

Remuneration Policies

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

Compensation of Key Management Personnel

Management of the Bank is comprised of the Managing Director, Deputy Managing Directors, Director of Internal Audit and all Directors reporting to the Managing Director and Deputy Managing Directors. 19% of the key management positions are held by women. The Group remains committed to increasing the proportion of women in senior roles and building a diverse senior management team.

The department of Human Resources regularly reviews pay levels to ensure that men and women are paid equally for doing equivalent roles across the Group. The remuneration of key management personnel during the year was TZS 8,514 million (2016: TZS 9,434 million).

Management Team

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

Shared Services is composed of the Finance, Administration and General Services, Information and Communication Technology, Human Resources, Centralized Operations departments and Special Assets Management, all of which are headed by Directors.

Operations and Customer Service is composed of Credit, Retail Banking, Corporate Banking; Marketing, Research and Customer Service; Alternative Banking Channels and Treasury departments; which are also headed by Directors. The Director of Internal Audit reports directly to the Board through the Board Audit Committee.

Management Committees

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

Executive Committee

The Committee is composed of Managing Director who is the Chairman, Deputy Managing Directors, all Directors reporting directly to him and General Managers for CRDB Bank Burundi, CRDB Microfinance Services Company Ltd., and CRDB Insurance Brokers Ltd. The Executive Committee meets at least once per quarter to discuss and review the effectiveness of the Bank's strategies and policies.

The main objective of the Executive Committee is to provide leadership to the Group and ensure efficient deployment and management of the Bank's resources. Other functions of the Committee include:

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

Management Committee (MCM)

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

Asset Liability Management Committee

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

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

Credit Committee

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

a) Review and recommend for approval credit applications that are above the approving authority of the Deputy Managing Director;

b) Monitor and evaluate weekly turnaround and recovery reports and provide guidance on the actions to be taken to maintain quality loan portfolio;

c) Review at least quarterly loan portfolio performance trend, exposure against limits and compliance to Bank policies and Bank of Tanzania regulations.

Risk Committee

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

a) Implementing strategies and policies of the Board on risk management;

b) Monitoring risk exposures through key risk indicators and deliberate on the actions to mitigate them;

c) Implementing systems to measure, monitor and control risk together with regular reporting to the Board and its Risk Committee on the level of exposure to various risks and implemented/proposed mitigation strategies.

Tender Committee

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

Insider Trading

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

Corporate Governance Report

Whistle Blower Protection

The Group has a Whistle blower Protection Program for confidential reporting of unacceptable or undesirable conduct. The system enables disclosures to be made to a protected disclosure officer by the Group's employees. The Group does not tolerate incidents of fraud, corrupt conduct, bribery and adverse behavior, and legal or regulatory non-compliance. Employees are encouraged to raise any issue involving illegal, unacceptable or inappropriate behavior or any issue they believe could have material impact on the Group's profitability, reputation, governance or regulatory compliance.

Relationship with Stakeholders

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

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

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

Ethical Behavior and Organization Integrity

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

BY ORDER OF THE BOARD

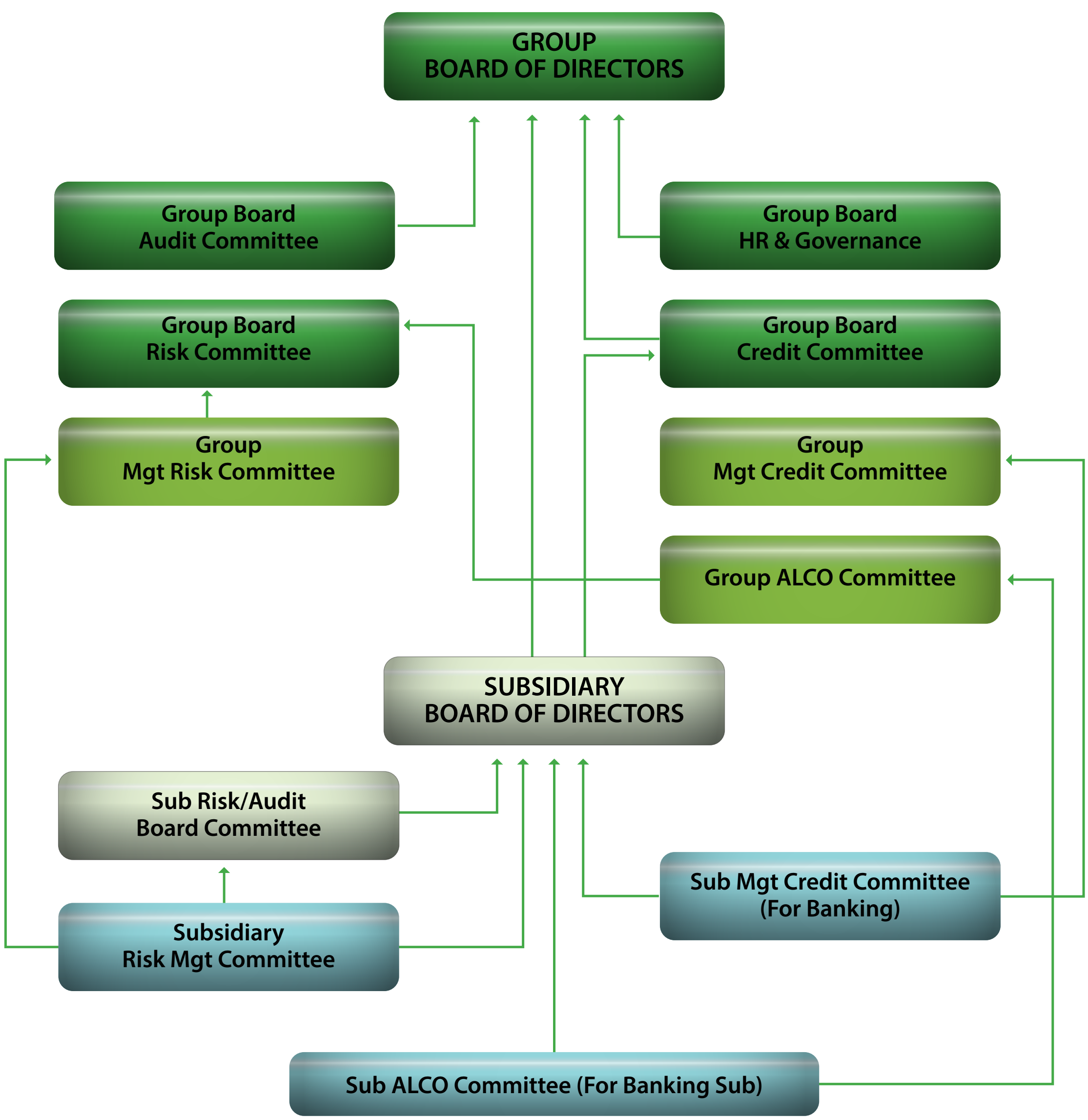
	29 March 2018
Ally H. Laay Board Chairman	**Date**

Risk Management Report

Risk Management Governance

Managing risk is an integral part of CRDB Bank Group's business strategy. The Group's risk management approach focuses on ensuring continued financial soundness and safeguarding the interests of our stakeholders, while maintaining high standards of corporate governance and upholding sound risk management principles and business practices. The core risk management responsibility lies with the Group Board of Directors which is responsible for approving the Group Risk Management Framework which provides the overall risk management governance, philosophy, risk strategy and appetite. The Board is also responsible to review and approve all risk control and management policies and oversees the Group's overall risk and governance process with the assistance of various Management and Board Committees as summarized in the chart below:

CRDB Bank Group Risk Governance Structure



The ALCO and Risk Committees meet on monthly basis to review the risk profile and performance against set targets, internal and regulatory limits and report to their respective Risk Committees of the Board on quarterly basis.

The Board ensures that policies are integrated in the overall management information systems of the group and are supplemented by effective and adequate management reporting structure. The senior management translates the policies into working procedures that ensure adequate internal control systems are developed and maintained on an on-going basis in order to provide reasonable assurance regarding all aspects related to risk management.

Model of Responsibilities in the Risk Function

The CRDB Bank Group has managed to develop a strong and disciplined risk management culture where managing risk is a responsibility shared by all of the employees and control model is based on three lines of defense.

The first line of defense is constituted by the business units which as part of their activity giving rise to the Group's risk exposure. These units are responsible for managing, monitoring and reporting adequately the risk generated, in line with the risk appetite and various limits of risk management. All business units have adequate resources to identify, measure, manage and report the risks assumed.

The second line of defense, which is headed by the Group Director of Risk and Compliance, is made up of teams of control and supervision of risks including the compliance function. This line vouches for effective control of the risks and ensures that they are managed in accordance with the level of risk appetite defined. The Group Director of Risk and Compliance has an overall responsibility for the risk function and reports to the Group's Managing Director/Executive Office and independently reports the risk profile to Management and Board.

Internal audit is the third line of defense and as the last layer of control in the Group, it provides enterprise-wide independent assurance over the design and operation of the internal control, risk management and governance processes throughout the first and second lines of defense and assesses the adequacy of policies, methods and procedures and their implementation. The internal audit function is independent and the Group Director of Internal Audit reports directly to the Board Audit Committee.

The three lines of defense have a sufficient level of separation and independence to not compromise the effectiveness of the general framework. They operate in coordination with one another in order to maximise their efficiency and strengthen their effectiveness. Over and above of the three defense lines, the Board's Committees and the Executive Risk Committee at both corporate level and in the units are responsible for adequate management and control of risks from the highest level of the organization.

In addition to the above three lines of defense, the Bank of Tanzania (regulator) conducts regular on-site examinations to assess the Group's capacity to assume risks, External auditors provide feedback to the Management and Board on the effectiveness of internal controls as found during their annual audits. Also at least every three years, a review of risk management practices is carried out by an independent party to assess quality assurance and gap analysis of the Group's risk management framework, policies, programs and practices.

Risk Management Report

Policy and Procedures Reviews

During the year under review, the Board reviewed all existing policies, charters and authority limits governing operations of the Group. All procedures due for review were reviewed by the management.

Risk Management Framework

Risks are inherent in every aspect of the Group's activities and operations and hence an inevitable consequence of being in business. It is therefore important that the Group exercises effective risk management. In order to maximize shareholders value, the Group ensures that risk taking activities are consistent with its objectives and risk tolerance levels as set by the Board, and there is an appropriate balance between risk and reward at all times.

The Group has in place a sound risk management framework to identify, evaluate/assess, monitor and manage the principal risks taken when conducting its business activities. The risk management framework is continuously evaluated and upgraded to the requirements of the markets in which the Group operates in order to remain in line with the regulatory standards and industry best practices.

Principal Risks

The Group faces a variety of risks as a result of its business activities; these risks include credit risk, liquidity risk, market risk (interest rate and foreign exchange risks), compliance risk, operational risk and strategic risk.

Credit Risk

The Group is exposed to Credit risk that emanate from its lending activities. Credit exposures arise principally from lending activities that lead to loans and advances, investment activities that bring debt securities and other bills in the Group's and Bank's asset portfolio. There is also credit risk in the off-balance sheet financial instruments, such as loan commitments, letters of credit and guarantees. The Group manages its credit risk through its Credit Policy, underwriting, independent loan review and quality control procedures, specialized turnaround and recovery function for non-performing loans and established management committees. The credit risk management and control is centralised under the credit risk management team of the Bank and it is reported to the Board of Directors and management regularly.

Risk Management Report

Credit Risk Measurement

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

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

Group's Internal Ratings Scale

In addition to impairment assessment under IAS 39, the Group assesses and makes provision on its loan portfolio using the following internal rating criteria which are in line with the Bank of Tanzania loan classification regulations:

Group's rating	Description of the grade	Number of days outstanding	Provision Rate
1	Current	0-30	1%
2	Especially Mentioned	31-90	3%
3	Sub-standard	91-180	20%
4	Doubtful	181-360	50%
5	Loss	361-Above	100%

Collateral

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

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

In order to minimise credit losses, where feasible the Group seeks additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.
Group Loans and advances are as summarised below:

Amounts are in TZS' Million	2017 Loans and advances to customers	2016 Loans and advances to customers
Group		
Neither past due nor impaired	**2,583,438**	2,666,573
Past due but not impaired	**45,063**	157,163
Facilities individually assessed for impairment		
-Non-performing loans	**393,434**	474,905
-Others qualitatively assessed	**102,561**	83,999
Gross	**3,124,496**	3,382,640
Less: Allowances for impairment	**(230,658)**	(135,383)
Net	**2,893,838**	3,247,257

The total impairment provision for loans and advances represents both individually impaired loans and loans assessed on a portfolio basis. Further information of the impairment allowance for loans and advances to customers is provided in Note 3.

Market Risk

The nature of Group's businesses expose it to market risk, which is the risk of financial loss on earnings or capital arising from adverse movement in market rates or prices such as interest rates, foreign exchange rates and equity prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices. The Group and the Bank separate exposures to market risk into either trading or non-trading portfolios. The Market risks are managed by the Bank's Treasury Department and monitored by an independent Risk and Compliance team separately. Regular reports are submitted to the Board of Directors and Management.

Market Risk Measurement Techniques

The Department of Risk and Compliance is responsible for coordinating the development and review of risk management policies while Department of Treasury is responsible for day-to-day implementation of those policies. The Bank applies interest rate gap analysis coupled with Earning at Risk and stress testing analysis in measuring exposure to market risk for the purpose of managing and controlling market risk exposures within acceptable limits while optimising return on investments.

Price Risk

The Group and the Bank are exposed to equity securities price risk as it currently holds 327,632 shares in DSE (cost value of TZS 164 million) with mark to market value of TZS 367 million as at 31/12/2017 which is not significant. Investment in the shares of Tanzania Mortgage Refinance Company (TMRC) is carried at cost hence no price risk exposure. They are exposed to debt securities price risk classified on the balance sheet as available for sale. If the market price of debt had increased/decreased by 5% with all other variables held constant, the fair value reserve in debt securities would have increased/decreased as a result of gains or losses on debt securities classified as available for sale by TZS 14,219 million as at 31 December 2017 (2016: TZS 3,146 million) for the group and TZS 14,219 million (2016: TZS 3,146 million) for the bank.

Interest Rate Risk

The Group take on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its fair value and cash flow risks. The Board sets limits on the level of mismatch of interest rate re-pricing that may be undertaken, which is regularly monitored by an independent Risk and Compliance Department and reported monthly and quarterly to ALCO and the Board respectively.

Interest rate risks are managed through gap analysis and stress testing and mitigated through portfolio diversification.

Gap analysis

The Bank uses the Gap analysis to assess the interest rate sensitivity of re-pricing mismatches in its non-trading operations. The Bank's interest rate risk exposure calculations are generally based on the earlier of contractual re-pricing or maturity of assets and liabilities, although certain assets and liabilities such as deposits without a fixed maturity are assigned a maturity profile based on observed historical consumer behavior. The Board reviews gap results quarterly.

The Assets and Liabilities Committee of the Bank assesses and monitors on monthly basis the impact on net income (upwards or downwards) in case of interest rates movement over time buckets of (0-90 days, 91-180 days and 181-365 days).

Stress Testing

Stress testing is carried out semi-annually and it assesses the impact on profitability and capital if all other variables were held constant but interest rates prevailing during the year shifted by 500 basis points on all Bank's interest bearing assets and liabilities.

Liquidity Risk

Liquidity risk is the possibility of having a shortfall to earnings or capital arising from the likelihood that the Group will not have sufficient cash to meet liquidity demands or situations on which it cannot raise enough liquidity in a cost effective manner.

Liquidity Risk Management Process

The liquidity management process that is carried out within the Group and monitored by the Asset and Liability Committee (ALCO) of the individual bank includes:

- Day-to-day funding which is managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Group 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 balance sheet liquidity ratios against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities; and
- Monitoring maturity gaps to ensure that the 0-90 day (short-term) gaps remains positive at all times.

The Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management.

Our Funding Approach

The Group's major source of funding comes from customers core deposits. To this end, the Group maintains a diversified and stable funding base comprising of current/demand, savings and time deposits. A considerable importance is placed on the stability of these deposits, which is achieved through the retail banking activities, and by maintaining depositors' confidence in the business strategies and financial strength.

The Group borrows from the local interbank market through transactions with other banks for short term liquidity requirements and in order to diversify the funding mix and reduce mismatch in its balance sheet. The medium and long term funds are borrowed from foreign banks and financial institutions from the international market. The Group has established funding lines with local and foreign banks for short term funding requirements as part of its Contingency Funding Plan (CFP).

Risk Management Report

Foreign Exchange Risk

The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day trading positions, which are monitored daily. On semi-annual basis the foreign exchange risk is stressed tested to determine the impact on profitability and capital by assuming a shift in foreign exchange rate by 5% on the dollar denominated assets and liabilities with all other variables held constant.

Operational Risk

Activities related to delivery of banking and financial products as well as external influences expose the Group to process delivery or failure risks as well as regulatory pressures. The Group continued to develop new, and/or enhance existing internal policies, procedures and controls to manage operational risks. Risk management policies and systems are reviewed regularly to ensure all controls remain adequate in minimizing inherent operational risk. These initiatives aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Compliance Risk

Noncompliance with applicable legal and regulatory requirements, internal policies and procedures, or ethical standards may expose the Group to compliance risk which may result in fines, civil money penalties, payment of damages, and the voiding of contracts. In order to ensure regulatory compliance, the Group continued to review its policies and procedures in order to ensure they remain adequate in mitigating risks inherent in business operations.

Strategic Risk

This refers to unexpected event or set of conditions that may significantly reduce the ability of Management to implement the Business strategy. The Group has established two separate functions for Strategy management and risk management each with its clear focus area in order to mitigate the impact of this risk.

Developments in Risk Management

The Group Risk Management framework and Risk Management Policies communicates the Board objectives to employees. The Risk function has ensured that all policies are reviewed annually and new policies are developed when required. Towards the end of 2017, Business Continuity Management Project was transformed into a Unit in Department of Risk and Compliance and the former Project Manager was appointed as a Manager of the Unit.

The Parent continued to provide support to its subsidiaries through development and implementation of key governing policies, as well as alignment of their risk management methodology to the parent requirements.

Stress Tests

Stress tests assists the Group to assess potential vulnerabilities in businesses or portfolios, enabling to understand the sensitivity of core assumptions in plans and improving decision-making by balancing risk and return. The Bank applies risk factor stress testing where stress movements are applied to each risk category. The results of the stress tests are reviewed by the Assets Liability Committee, and upon request, by the regulator. The stress testing is tailored to the business and uses scenario analysis.

The Bank's assessment of past movements is based on the data for the past five years and adjusted for expected future worst case scenarios in line with existing economic situation. It assumes the market developments over the period will assume a similar pattern. The Bank applies the worst case scenario of historical changes in rates and prices to its current positions.

The Bank carries out stress testing semi-annually to determine whether it has enough capital to withstand adverse internal and/or market shocks. The purpose is to alert Management on unfavourable and unexpected outcomes and forecasts capital requirements to absorb losses should large shocks occur. The results are meant to indicate weak spots in the risks tested at an early stage and to guide preventative actions by the Bank. Stress testing is done to supplement the Bank's other risk management approaches and measures.

Capital Management

The Bank's capital management objectives are:

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

Capital adequacy and use of regulatory capital are monitored monthly by the Management, by employing techniques based on the guidelines developed by the Basel Committee for supervisory purposes. The required information is filed with Bank of Tanzania on monthly basis. The Bank of Tanzania requires the Bank to:

(a) Hold a minimum level of Core Capital of TZS 15 billion;

(b) Maintain a ratio of core capital to risk- weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 12.5%; and

(c) Maintain total capital of not less than 14.5% of risk weighted assets plus risk-weighted off-balance sheet items.

Risk Management Report

Capital Management	Group	
	2017 TZS' Million	2016 TZS' Million
Total qualifying Tier 1 capital	557,297	538,391
Total qualifying Tier 2 capital	118,540	112,467
Total regulatory capital	675,837	650,858
Risk-weighted assets		
On-balance sheet	3,575,426	3,626,345
Off-balance sheet	397,949	362,259
Total risk-weighted assets	3,973,375	3,988,604

The Bank's regulatory capital is divided into two tiers:

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

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to their nature, reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses. The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December 2017 and 31 December 2016. During these two years, the Bank complied with all of the regulatory minimum capital requirements.

	Required ratio %	Bank's ratio 2017 %	Bank's ratio 2016 %
Tier 1 capital	12.5	14.0	13.5
Tier 1 + Tier 2 capital (Total capital)	14.5	17.0	16.3

Directors' Report

The directors have the pleasure to present their annual report to shareholders for the year ended 31st December 2017 which discloses the operating results and the state of affairs of the Group which includes CRDB Bank Plc. ("the Bank"), its subsidiaries, CRDB Microfinance Service Company Limited, CRDB Insurance Broker Limited and CRDB Bank Burundi S.A.

PERFORMANCE FOR THE YEAR

Business Environment

In year 2017, Tanzania's economic performance continued to record a strong growth with the real Gross Domestic Product (GDP) expected at 6.3% p.a and annual headline inflation rate closing at 4.0% compared to 5.0% recorded in 2016. The banking industry continued to be competitive with innovative products and services to enhance accessibility and convenience of banking services to their customers. CRDB Group continued to command 20% of industry deposits having 255 branch networks, agent networks and digital channels. The total commercial banks operating in the market as at 31 December 2017 were 58 with a total of 745 branches.

During the year, the banking sector was challenged with tightening liquidity and high non-performing loans prompting them to curtail lending which resulted to low private sector credit growth. The level of non-performing loans decreased to 13.1% in December, 2017 from 13.9% the same period in 2016. To address these challenges, Bank of Tanzania intervened by reducing discount rate from 16% to 9% and statutory minimum reserve (SMR) from 10% to 8%.

The banking system as a whole remains sound and stable maintaining adequate levels of capital and liquidity within regulatory thresholds to mitigate systemic risk. The utilization of mobile money services, agent banking and cross-border mobile money services make significant contributions to enhancing financial inclusion. This necessitates substantial investment in digital banking as strategic positioning for sustainability and competitiveness.

Future economic prospects on industrialization and various infrastructure development projects including rail, roads and airlines are expected to stimulate economic activities and create more opportunities to the Bank. The Group remains well positioned in a regulatory environment that continues to evolve and will continue to create value while limiting risks in the fiscal year 2018.

Group Performance

In 2017, there was a slowdown in profitability arising from various reasons within the Bank and those related to the business environment. The Group recorded a profit before tax of TZS 53.6 billion (2016: TZS 111.8 billion), a decrease of 52.1% from previous year. The decrease is attributed to slowdown in lending and accelerated provisioning to enhance coverage of impaired loans above 50% as part of the initiative to clean up the portfolio and transform the credit management practises.

During the year, interest income decreased from TZS 569.3 billion in the prior year to TZS 560.3 billion, a decrease of 1.6%. The interest expenses increased from TZS 136.1 billion in the prior year to TZS 150.6 billion, an increase of 10.7%. Foreign exchange income increased to TZS 37.4 billion from TZS 34.8 billion recorded in the previous year. Combined with commissions and fees, total non-interest income increased from TZS 191.7 billion to TZS 211.6 billion, reflecting a growth of 10%. The decrease was due to slow down lending and continuous fall in yields from Government securities during the year.

Directors' Report

The unfavourable variance is a result of Government policy to transfer public entities funds to Bank of Tanzania which caused liquidity squeeze up to the first half of the year before easing of SMR Policy. As a result, there was high competition where banks reacted by increasing interest rates particularly on fixed/term deposits.

Operating cost increased slightly by 6% from TZS 389.7 billion in 2016 to TZS 414.4 billion in 2017 mainly as a result of expansion strategy to increase outreach. However, the group took deliberate cost cutting measures to contain high growth of costs through digital transformation journey and optimisation of the investments made during this 5-year strategy.

Between 2016 and 2017, the Group's total assets grew from TZS 5.4 trillion to TZS 5.90 trillion, an increase of 9% while total deposits recorded an increase of 5% to TZS 4.3 trillion from TZS 4.1 trillion.

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

KEY PERFORMANCE INDICATORS (KPIs)

Indicator	Definition and Formula	CRDB Group ratios	
		2017	2016
Return on Equity	(Net profit/Total equity)*100%	4.9%	9.8%
Return on Assets	(Profit Before Tax/Total assets) *100%	0.9%	2.1%
Operating expenses to Operating Income	(Operating expense/Net interest income + Non Interest income) *100%	66.7%	62.4%
Earnings per share	Profit attributable to equity shareholders/ Number of ordinary shares in issue (TZS)	13.9	26.6
Gross loans to customer deposits	(Gross loans to customers/Total deposits from customers) *100%	72.4%	82.7%
Non-performing loans to total loans **	(Non-performing loans/Gross loans and advances)*100%	12.6%	13.9%
Growth in total assets	(Trend(Current year total assets-Previous year total asset)/ Previous year total asset)*100%	9.2%	0.1%
Growth in customer deposits	(Trend(Current year deposits-Previous year deposits)/ Previous year deposits)*100%	5.3%	-3.2%
Tier 1 Capital ratio	(Core capital/Risk weighted assets including off balance sheet items)*100%	14.0%	13.5%
Total Capital ratio	(Total capital/Risk weighted assets including off balance sheet items) *100%	17.0%	16.3%

** Non performing loans include Government guaranteed loans which amounts to TZS 36.2 billion (2016: TZS 43.2 billion

CRDB Microfinance Services Company Limited

During the year, the number of partner MFIs decreased by 3% from 455 in 2016 to 449 in 2017. The decrease resulted from dropping of non-operational MFIs. As at 31 December 2017, total loans extended by the Bank to this segment stood at TZS 106 billion from TZS 140 billion in 2016 while total deposits mobilised by the subsidiary on behalf of the Bank decrease to TZS 120 billion from TZS 150 billion in 2016. The decrease of loans resulted from the lending cap to MFIs introduced by Tanzania Cooperative Development Commission (TCDC), the Regulator of Cooperative societies and SACCOS. The subsidiary made a net profit of TZS 0.8 billion in 2017 from TZS 2.98 billion in 2016, which is a decrease of 273%. The new outlets opened in 2015-16 from the grants extended to this subsidiary were transferred to the parent company in order to comply with regulatory requirements. This significantly contributed to the fall in profitability of the subsidiary.

CRDB Bank Burundi S. A.

CRDB Bank Burundi S.A performance during the year was good recording its best results for the first five years of operations despite the economic challenges in that country. The subsidiary recorded a profit before tax of TZS 3.2 billion compared to TZS 2.3 billion recorded in 2016. The subsidiary total assets as at 31st December 2017 increased to TZS 149 billion from TZS 141 billion in 2016.Total deposits were TZS 84 billion compared to TZS 62.4 billion in 2016. Burundi has been affected by slowdown in business growth due to challenges in the business environment.

CRDB Insurance Broker Company Limited

During the year ended 31 December 2017 the Company made profit after tax of TZS 1 billion compared to TZS 0.4 billion recorded in 2016 which is 149% increase. The comparison is against 7 months in 2016.

Commission income earned was TZS 4.6 billion against TZS 1.9 billion recorded in 2016 which is 142% growth in the business in terms of acquisition of new clients and retention of existing portfolio. Operating costs amounted to TZS 3.1 billion in 2017 against the TZS 1.3 billion recorded in 2016, a growth of 138.5%. This includes staff, administration, and commission expenses. This has grown significantly due to new initiatives of business expansion and positioning of the company in the market. Total assets of the Company remained at TZS 2.2 billion in 2017 the same as that recorded in 2016. The subsidiary uses the parent branch network to expand its insurance brokerage service.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Financial risks

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

Operational risks

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

Good governance is dependent on adequate and effective Governance Framework which is in line with best international practices. In order to ensure the internal controls remain adequate, the Bank has a fully-fledged Risk and Compliance function that coordinates and oversees the implementation of enterprise wide risk management framework within the Group. In addition, the Board through its Risk Committees evaluated the internal control systems during the financial year ended 31 December 2017. It is of the opinion that they adequately and efficiently mitigate risks inherent in the Group's operations.

Directors' Report

KEY STRENGTH AND RESOURCES

The Group continues to give its top priority to key resources which are people and technology which gives the Bank strength in service delivery, productivity and financial strength. Customer satisfaction depends first and foremost on people and hence employees continue to be the most important asset in improving customer experience.

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

ICT is also an important enabler in service delivery. This is the reason why the Group has continuously invested in the state of art technology to realise operational excellence and better service delivery to our customers. In 2017, the Bank continued with fine-tuning of core banking system to support business growth and innovation. The Group continues to focus on enhancing productivity culture throughout the Group. Our aspiration is to continuously make our business more customer friendly and efficient in the long term, while managing short term expenses to an appropriate level. Given the strength of the Group we have ample capacity to support our customers.

SOLVENCY

The state of affairs of the Group and the Bank as at 31st December 2017 are set out on page 118 of the financial statements. The Directors consider the Group and Bank to be solvent within the meaning ascribed by the Tanzania Companies Act No.12 of 2002.

CASH FLOWS

In 2017, the Group's investment in Government securities increased by TZS 376.2 billion (2016: decrease of TZS 307.2 billion) and lending to customers decreased by TZS 163.4 billion (2016: increase of TZS 108.3 billion). On the other hand, deposits from customers increased by TZS 210.1 billion (2016: decrease of TZS 135.4 billion). Such investment activities and customer deposits are the major factors explaining the Bank's movement in cash flow generated from operations. From total investments in securities, 29% is expected to mature in 2018. The Bank continues to maintain sound liquidity position to meet its cash flow commitments.

LIQUIDITY AND FUNDING

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

The Bank's main sources of funding are customers' deposits, shareholders' funds, facilities from Development Finance Institutions (DFI's), and occasionally interbank borrowings as part of its normal market operations. In April 2017 the Bank received the first disbursement of USD 90 Million Long term loan facility from African Development Bank (AfDB), which is part of USD 120 Million facility signed with AfDB in November 2016. The facility is for the period of up to 8 years with two years grace period. The fund is provided for financing infrastructure projects and also utilise at least 25% of proceeds of the facility on lending activities to Small and Medium-sized Enterprises (SME) in key economic sectors of the Tanzanian economy including agriculture, construction, transport and services. The Bank has been performing well by meeting all her obligations with the lender, inclusive of timely interest settlement.

CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS

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

CAPITAL STRUCTURE

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

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

Issued and fully paid
2,611,838,584 ordinary shares of TZS 25 each

Directors' Report

SHAREHOLDERS OF THE BANK

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

The total number of shareholders by end of 2017 was 30,048 (2016: 29,756 shareholders), which included ten members of the Board as outlined under section 6 of the report of directors.

Directors Shareholding

Name	Status	Nationality	Shareholding (No. of shares)
Ally H. Laay	Chairman - Non- Executive Director	Tanzanian	28,812
Boniface C. Muhegi	Non-Executive Director	Tanzanian	2,241,352
Jes Klausby	Non-Executive Director	Danish	-
Bede P. Lyimo	Non- Executive Director	Tanzanian	190,416
Charles E. Kichere	Non- Executive Director	Tanzanian	-
Dr. Neema M. Mori	Non- Executive Director	Tanzanian	24,444
Juma A. Abdulrahman	Non-Executive Director	Tanzanian	341,796
Frederick T. Sumaye	Non- Executive Director	Tanzanian	7,448,376
Devotha N. Minzi	Non-Executive Director	Tanzanian	47,484
Rose F.Metta	Non -Executive Director	Tanzanian	16,216
Dr. Mohamed H. Warsame	Non -Executive Director	Tanzanian	1,350,000
Hosea E. Kashimba	Non -Executive Director	Tanzanian	64,875
Madren N. Oluoch-Olunya	Independent Director	Kenyan	-
Ebenezer N. Essoka	Non – Executive Director	Cameroonian	-
Dr. Charles S. Kimei	Managing Director, Ex-officio	Tanzanian	1,191,746

Directors' Report

Companies Shareholding

Shareholding group	2017		2016	
	No. of shares	%	No. of shares	%
10% and more	808,949,743	31.0	808,949,743	31.0
1% to less than 10%	683,950,144	26.2	632,920,396	24.2
Less than 1%	1,118,938,697	42.8	1,169,968,445	44.8
Total	**2,611,838,584**	**100.0**	**2,611,838,584**	**100.0**

Shareholders holding 1% or more of the total paid up capital as at 31 December 2017 are listed here under:

Shareholding group	2017		2016	
	No. of shares	%	No. of shares	%
DANIDA Investment Fund	548,067,648	21.0	548,067,648	21.0
PPF Pension Fund	260,882,095	10.0	260,882,095	10.0
CDC Group Plc/Re: IFC/AfCap	130,692,741	5.0	130,692,741	5.0
Aunali F. Rajabali and Sajjad F. Rajabali	107,655,562	4.1	106,706,104	4.1
General Partners IV Ltd	-	-	63,957,790	2.4
LAPF Pension Fund	58,077,549	2.2	58,077,549	2.2
Blakeney General Partners III Ltd	-	-	56,614,203	2.2
Kimberlite Frontier Master Africa Fund LP RCKM	100,641,213	3.9	55,152,958	2.1
National Social Security Fund-Uganda	100,000,000	3.8	-	-
Duet Africa Opportunities Master Fund IC	37,583,840	1.4	37,583,840	1.4
Hans Aingaya Macha	32,764,200	1.3	32,764,200	1.3
National Health Insurance Fund	32,040,040	1.2	32,040,040	1.2
Western Zone Tobacco Cooperative Union (WETCU)	30,000,000	1.1	30,000,000	1.1
CMG Investment Limited	29,330,971	1.1	29,330,971	1.1
Mehar Singh Virdi	25,164,028	1.0	-	-
Total	**1,492,899,887**	**57.1**	**1,441,870,139**	**55.1**

STOCK EXCHANGE INFORMATION

The Bank is listed on the Dar es Salaam Stock Exchange Plc. The share price as at 31st December 2017 was TZS 160 (2016: TZS 250). Market capitalization as at 31st December 2017 was TZS 417.89 billion (2016: TZS 652.96 billion).

FUTURE DEVELOPMENT PLANS

The strategic theme for the next five years, 2018-2022 shall be "Fostering digitalization towards building the bank of the future". CRDB Bank has adopted a three-phase digital transformation roadmap that will culminate in a fully digitalized bank by the end of 2022. Phase one of the transformation journey is complete, and implementation of phase two is on track. The digital transformation shall enhance the bank's ability to deliver products and services in an agile manner, improve efficiency and customer experience.

RESULTS AND DIVIDENDS

The Board recommends a dividend of TZS 5 per share from year 2017 Profit after Tax (2016: TZS 10 per share). Total amount of dividend recommended is TZS 13.1 billion (2016: TZS 26.1 billion), which is 36% of the net profit.

TREASURY POLICIES

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

The key treasury policies are:

Market Risk Policy

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

Liquidity Policy

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

Contingency Funding Policy

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

Limit Policy

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

Current liquidity including the level of borrowing

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

Maturity profile and un-drawn of committed borrowing.

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

EMPLOYEES' WELFARE

Management and Employees Relationship

Our leadership believes in creating an environment where high performing individuals care about each other and work towards achieving success of the organization. Our leaders passionately drive clarity and directions allowing our employees to connect to each other as they are bound by a common mission and vision and understand what is required from their roles. Through this approach, the Management maintains a harmonious working environment with both the employees and the Trade Union. In the year 2017, the Bank held negotiation with the Trade Union to renew a 3 years Collective Bargaining Agreement that had expired.

Another significant development during the year is that the Bank scored 83% in an Organization Health Index survey that was conducted by McKinsey Consulting. This score implies that CRDB has a strong organizational health management compared to global benchmarks and that the Bank has strong capacity to continuously improve its performance in future.

Training Facilities

The Bank strongly believe that continuous learning and development is vital to ensuring our people have the right skills, knowledge and ability to increase their efficiency and excellence. Employees are more familiar and engaged with our new alternative learning channels which complement our existing ones. The varied learning platforms and opportunities are designed to encourage our employees to take personal ownership of their growth. The Bank continued investing in its people through various blended learning intervention that included web based learning programmes, face to face classroom programmes, active learning programmes, and Management Development Programme.

Every employee will be given a fair opportunity for training including those who became disabled while in Bank's employment unless such disability impairs one's abilities to discharge his/her duties.

In year 2017, the Bank embarked on Bankwide Customer Service Training Programme that aimed at empowering its employees with techniques and methods to meet and exceed customers' expectations. This is 3 years modular programme. Other key areas of focus included Performance Management, Basic Banking Skills, Supervisory Skills, Credit Management Skills, and Management and Leadership Development Programme. 98% of all employees were availed with some form of learning intervention during the year. Another key development in year 2017, the Bank's Training Centre became ISO 9001 Certified. All in all, the Bank spent TZS 6.7 billion in Learning and Development.

Employee Wellbeing Initiatives

The Bank went far beyond standard policies in our offerings to our employees and their family members. Our flexible work arrangements that mainly focused on flex time was a great relief to our young breastfeeding mothers, our programmes dedicated to teenaged children on life skills and our programmes dedicated to house helpers on how to effectively handle their duties are all testimony that we are a caring and family friendly organization. The Bank aimed at making the organization a great place to work with our employees' health and wellbeing as top priorities. In 2017, the Bank focused on health education and preventive care through regular physical exercise and promoted healthy eating habits. We encouraged our employees to participate in various sports activities and working in partnership with external leading health specialists to ensure that health and fitness are on top of their minds.

Health and Safety

CRDB Bank places top priority on Occupational Safety and Health matters. Various initiatives are organized annually to increase the awareness of OSHA and compliance with the requirements. Key among them was an organizational Health check whereby all employees conducted medical health examination in year 2017.

Financial Assistance to staff

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

Staffing

The Bank has a clear hiring policy which is built on the provision of equal employment opportunities to all genders. It provides equal access to employment and ensures the best person is competitively appointed to any given position free from discrimination of any kind and without regard to factors like race, colour religion, sex, nationality, national origin, tribe, age or disability, social origin, political opinion, gender, pregnancy, marital status, HIV/AIDS, station of life which does not impair someone's abilities to carry out his duties. Employees are valued for their unique potential and talent as they represent the face of the business. The Bank's identity is that of a diverse family that finds relevance in serving its diverse client base.

The hiring policy is annually reviewed and through the process views and recommendations from key stakeholders such as "Trade Union" representing staff views are considered. All issues which are agreed through "Corrective Bargaining Agreement" are considered during the review process.

Persons with Disabilities

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

Every employee is given a fair opportunity for training including those who became disabled while in Bank's employment unless such disability impairs one's abilities to discharge his or her duties. The basis of development and promotion is based on the ability of an employee to perform at a higher position to which he or she is promoted. The performance management system results of an employee forms a very important part in assessing the candidate's potentiality for promotion. Training, development and promotions are free from discrimination of any kind.

Employee Benefit Plan

The Group makes contributions to various Social Security Pension Funds, which are statutory defined contribution pension schemes. The Group's obligations under the schemes are limited to specific contributions legislated from time to time.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

GENDER PARITY

As at 31st December 2017, the biggest age group in our workforce is between the ages of 25 –39 years' range. This provides a health pipeline and succession pool within the group that will enable us to deliver over the long term. Our male and female ratio is within acceptable parameters with the former constituting 57% of the total population. Moreover, as at 31st December 2017, the parent company has employed 3 Non-Tanzanian staff. In 2017, the Bank focused on proposing women agenda that aimed to inspire and empower them to draw on their own unique leadership qualities that would enable them to rise to the highest levels of leadership.

Among the key developments that took place was using of a series of inspirational presentations from women role models who had excelled in various areas. Another initiative was a specially tailored Women Management Development Programme that targeted young female supervisors and was conducted to a total of 100 female employees.

As at 31st December 2017 the Group's number of employees were 3,164 compared to 3,196 employees in 2016. The number of male employees as at 31st December 2017 was 1,797 and females were 1,367.

RELATED PARTY TRANSACTIONS

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

Loans and advances to companies associated with Directors amounted to TZS 200 million (2016: TZS 450 million), while loans and advances to Directors and other key management personnel amounted to TZS 5.2 billion (2016: 4.9 TZS billion).The volumes of related party transactions for the year and the outstanding amounts at the year-end are provided under note 42 of the financial statements.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations and/or Corporate Social Responsibility (CSR) activities amounted to a total of TZS 865.1 million (refer to page 69 on Corporate Social Responsibility).

The Group did not make any political contributions during the year as the Bank's CSR Policy does not allow such donations.

ENVIRONMENTAL FOOTPRINT

CRDB Bank is committed to reducing its direct environmental impact in serving its customers. Man-made climate change and global trends, such as resource scarcity, extreme weather and rising energy and commodity prices, have an impact on our stakeholders and our own operations. Decreasing our emission and consumption of natural resources reduces our environmental footprint, improve our efficiency and delivers value for our Bank and shareholders.

The Bank has continued to take a leading role to ensure that all projects it finances are operated in environmentally responsible manner in order to minimize or eliminate environmental pollution. In a bid to ensure environmentally sustainable financing, the Bank has established a unit designated for assessment and management of Environmental and Social Risks associated with financed projects. An Environmental and Social Risk policy providing guidelines in project financing has also been developed. The policy has adopted both local and internationally acceptable guidelines in assessment and management of projects in order to eliminate or mitigate such environmental and social risks associated with different projects.

According to the nature of our operations and services, electricity usage remains the largest contributor to the carbon footprint. Therefore, we have adopted different strategies in reducing pollution such use of energy-saving bulbs, eco-friendly generators, solar energy in some branches and ATMs to ensure efficient use of electricity and combat greenhouse gas emissions.

Initiatives aimed at reducing our operational impact on the environment include digitalisation of customer communications which also aligns with our customers' evolving needs. The Bank continues to promote receipt-less option by focusing on automating its processes such as the use of E-statement, SimBanking and Internet banking which allows customers to perform transactions online hence minimizing the number of printed receipt.

With over 250 branches in Tanzania and Burundi, the Group has invested in video conferences as a means of communication to train and conduct presentations across banks branches and the head office. This does not only cut travel costs but also reduces carbon emission.

The Bank had no environmental-related incidents in 2017 nor was it subjected to any fines or legal action for environmental issues.

CORPORATE SOCIAL RESPONSIBILITY

As an integral part of the communities surrounding us, CRDB is in a unique position to help them prosper through various donations, community programs and investments. The Bank always strive to position itself as a responsible citizen by ensuring that on daily basis, its promises to distinguished shareholders, customers, staff and the communities where it operates are kept.

While the Group remains committed to continuously bring positive impact to the community, customers and shareholders, it is also flexible in addressing emerging societal challenges. The giving back culture is guided by the Bank's CSI policy that requires that at least 1% of its profit is invested in community support initiatives on an annual basis.

In 2017, the Group has successfully contributed to, as well as participated in a number of matters related to health, education and the environment. A total of TZS 865.1 million was used by the Group for CSR activities during the period.

Our Main Pillars

The Bank's corporate citizenship strategy seeks to implement various initiatives in the areas of Education, Health, Environment, and Humanitarian assistance. Our focus on these four areas is due to the fact that they are the main recurring challenges facing our communities in urban and rural areas and is the main causes of poverty. With these four main pillars the Group seeks to be involved in transforming lives of the community by effective use of our competitive edge and synergies with partners.

Directors' Report

Health

As a developing nation, there is a still a big challenge on health care sector and as a company we aim to boost and support not only the Government but also other non-governmental organisations in improving the health sector. Over the course of this year, the Bank donated a total of TZS 120 million for the improvement of health services across the country. In December 2017, the Bank donated TZS 100 million for the construction of a modern hospital ward a move aiming at reducing patient congestion at the regional health facility in Dodoma. Moreover, the Bank donated a total of TZS 20 million to Ocean Road Cancer Institute in Dar es Salaam and Medical Women Association of Tanzania (MEWATA).

Financial Education and Literacy

The Bank believes that education is a critical life skill which creates knowledge, skills and attitudes that allows individuals to make informed and effective decisions. The Bank donated a total of TZS 500 million to support education sector. The funds were directed to purchase of books, renovation and/or construction of modern classrooms and offices for primary and secondary school teachers. These donations were made to ensure that there is a conducive learning environment for students across schools in Tanzania.

Furthermore, in order to support the National Financial Inclusion Plan (2018 – 2022) by the Government of Tanzania, the Bank launched a SIM Account product via a mobile banking platform to open special accounts targeting micro and small enterprises who are financially excluded.

Support to Other Institutions

In 2017, the Bank donated TZS 100 million to facilitate the launch of "Jukwaa la Kuwezesha Wanawake Kiuchumi", a special forum designated to empower women and support them to engage in various economic activities to increase their contribution to household's basket and national economic growth.The Bank also donated TZS 50 million to fund the annual Tulia Ackson marathon which was aimed at raising funds to support underprivileged groups in the society.

Directors' Report

EVENTS AFTER REPORTING PERIOD

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

AUDITORS

The auditors, PricewaterhouseCoopers have completed their two term regulatory tenure as Bank auditors. Ernst and Young are recommended for appointment as Bank Auditors. A resolution proposing their appointment as the Bank's auditors for the subsequent year will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

29 March 2018	
Ally H. Laay Chairman	**Date**
	29 March 2018
Juma A. Abdulrahman Director	**Date**


Furaha ya Mafanikio
SME
MKOPO WA BIASHARA
Nimeupata ndani ya
SIKU 7

Statement of Directors' Responsiblilities
For the Year Ended 31st December 2017

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

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

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

Signed on behalf of the Board of Directors by:

Ally H. Laay
Chairman

Declaration of the Director of Finance

For the Year Ended 31st December 2017

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Director of Finance responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility of the preparation of financial statements rests with the Board of Directors has declared under the Directors' Responsibility statement on page 108.

I Frederick Bayona Nshekanabo, being the Director of Finance of CRDB Bank Plc, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2017 have been prepared in compliance with applicable accounting standards and Companies Act No.12 of 2002.

I, thus confirm that the financial statements give a true and fair view position of CRDB Bank Plc. as on that date and that it has been prepared based on properly maintained financial records.

Signed By:

29 March 2018

Frederick B. Nshekanabo
Director of Finance
ACPA 1388

Date

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INDEPENDENT AUDITOR'S REPORT
To the Members of CRDB Bank PLC

Report On The Audit Of The Group And Bank Financial Statements

Our Opinion

In our opinion, the group and bank financial statements give a true and fair view of the group and bank financial position of CRDB Bank Plc (the bank or company) and its subsidiaries (together the group) as at 31 December 2017, and its group and bank financial performance and its group and bank cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, CAP 212 Act No. 12 of 2002.

What We Have Audited

CRDB Bank Plc's group and bank financial statements as set out on pages 117 to 247 comprise:

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

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment provision for loans and advances to customers Management exercises judgement when determining both when and how much to record as impairment provisions. Judgement is applied to determine the appropriate parameters and assumptions used to estimate the provision. These judgements, together with the yearend carrying value of loans and advances to customers (group: TZS 2,894 billion; bank: TZS 2,845 billion) make this a key audit matter. Specific impairment assessment is conducted for the following categories of loans and advances to customers: • Term loans – when past due for more than 90 days or when qualitative factors (for example renegotiated facilities) indicate the need for assessment of facilities that are neither past due or past due for up to 90 days • Overdraft facilities – if the facility has expired but remains outstanding, if the outstanding balance exceeds the approved facility limit or if the facility is not performing (for example it appears to develop a hard core balance even if below the approved facility limit).	**Identification of facilities subject to specific impairment** • As the identification of facilities subjected to specific impairment assessment is reliant on information systems, we understood and tested key information technology general and application controls. • We tested that the system appropriately identifies past due loans and overdrafts that are above the approved limits or those that have expired. • We tested that the system accurately calculates the number of days past due. • We performed audit procedures regarding the appropriateness of the criteria used by management to identify facilities that should be assessed individually for impairment. **Identification of facilities subject to collective impairment** • We tested that all facilities not individually assessed for impairment were included in the collective impairment assessment. • We tested for the inclusion in the collective impairment assessment, of loans and advances for which no impairment provision was required to be recorded following individual impairment assessment.

Key audit matter	How our audit addressed the key audit matter
Impairment provision for loans and advances to customers (continued) For these individually assessed loans and advances, judgements are applied in estimating the recoverable amounts of contractual cash flows from debt servicing and/or cash flows from the realisation of collateral, in estimating the recovery period and in estimating the recovery costs. When estimating the impairment provision for collectively assessed loans and advances, judgements are applied in grouping of loans and advances with similar credit characteristics and determining the historical loss ratios for these groupings. Further details on loans and advances have been disclosed in the Note 2 (m), Note 4.1, Note 5 (a) and Note 21 of the financial statements.	**Impairment assessment for individually assessed loans and advances** Where impairment assessment was based on debt servicing cash flows, we challenged management's assumptions underlying the pattern of expected cash flows to establish their reasonableness and recomputed the discounted cash flows using the applicable original effective interest rate. Where impairment assessment was based on recovery of securities held as collateral: • For physical assets related collateral, we agreed their forced sale values to collateral valuation reports. • For guarantees related collateral, we agreed the guaranteed amounts to guarantee agreements. • For cash cover related securities, we agreed the cash cover to restricted cash deposits included in deposits from customers. • We challenged management's assumptions regarding the recoverable forced sale values, recovery costs and recovery period used in determining the recoverable amount of collateral. **Impairment assessment for collectively assessed loans and advances** We checked that the loans and advances with similar credit characteristics have been grouped appropriately. We tested for the appropriateness of the historical loss ratios and emergence periods used to estimate the collective impairment assessment.

Other information

The directors are responsible for the other information. The other information comprises the report of the directors, statement of directors' responsibilities and the declaration of the director of finance which we obtained prior to the date of this auditor's report, and the Annual Report which is expected to be made available to us after the date of this auditor's report. Other information received prior to or after the date of this auditor's report does not include the group and bank financial statements and our auditor's report thereon.

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

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

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

When we read the other information which was not obtained prior to the date of this auditor's report and which will be included in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and request them to take appropriate corrective measures.

Responsibilities of the directors for the group and bank financial statements

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

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

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

Auditor's responsibilities for the audit of the group and bank financial statements

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

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

- Identify and assess the risks of material misstatement of the group and bank financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the group and bank financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and / or bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the group and bank financial statements, including the disclosures, and whether the group and bank financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT
To the Members of CRDB Bank PLC

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

As required by the Companies Act, No. 12 of 2002, we are also required to report to you if, in our opinion, the report of the directors is not consistent with the financial statements, if the company (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 company (bank) is not disclosed. In respect of the foregoing requirements, we have no matter to report.

Patrick M Kiambi – TACPA-PP

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

16 April 2018

Date

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		GROUP		BANK	
	Note	2017 TZS' Million	2016 TZS' Million (Restated)	2017 TZS' Million	2016 TZS' Million (Restated)
Interest and similar income	6	560,344	569,273	547,754	558,349
Interest expense	7	(150,628)	(136,128)	(146,982)	(133,420)
Net interest income		**409,716**	**433,145**	**400,772**	**424,929**
Loan impairment charges	22	(153,374)	(123,383)	(152,327)	(122,076)
Net interest income after loan impairment charges		**256,342**	**309,762**	**248,445**	**302,853**
Fee and commission income	8	178,222	163,821	169,755	157,325
Fee and commission expense	8	(13,997)	(11,405)	(33,723)	(36,092)
Net fee and commission income		**164,225**	**152,416**	**136,032**	**121,233**
Net foreign exchange income	9	37,351	34,842	36,033	31,353
Income from security trading	10	4,490	2,118	4,490	2,118
Other operating income	11	5,561	2,350	3,300	1,196
Other operating expenses	12	(170,246)	(163,207)	(159,406)	(149,657)
Depreciation and amortization	13	(48,752)	(42,113)	(45,636)	(38,869)
Employee benefit expenses	14	(195,393)	(184,370)	(176,311)	(164,819)
		(414,391)	**(389,690)**	**(381,353)**	**(353,345)**
Profit before income tax		**53,578**	**111,798**	**46,947**	**105,408**
Income tax expense	15	(17,366)	(42,221)	(16,138)	(41,638)
Profit for the year		**36,212**	**69,577**	**30,809**	**63,770**
Attributable to;					
Owners of the parent company*		36,212	69,577	30,809	63,770
Non-controlling interests		-	-	-	-
Profit for the year		**36,212**	**69,577**	**30,809**	**63,770**
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Translation reserve		(580)	215	-	-
Revaluation gain/(loss) on available-for-sale Government securities		21,913	1,825	21,874	2,844
Deferred tax		(6,285)	-	(6,285)	-
Revaluation gain/(loss) on available-for-sale Government securities net of tax		**15,628**	**1,825**	**15,589**	**2,844**
Other movements		526	-	39	-
Total comprehensive income for the year		**51,786**	**71,617**	**46,437**	**66,614**
Basic and diluted earnings per share (TZS)	16	13.86	26.64		

*The Group's subsidiaries are 100% owned by the parent company

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER

GROUP

		2017 TZS Million'	2016 TZS' Million (Restated)	2015 TZS' Million (Restated)
ASSETS				
Cash and balances with Central Banks	18	1,146,841	903,182	783,670
Government securities	19	1,104,547	580,787	773,161
Non-current assets held for sale	20	16,600	-	-
Loans and advances to banks	21	265,142	264,069	291,007
Loans and advances to customers	22	2,893,838	3,247,257	3,251,953
Equity investments	23	2,747	2,608	2,280
Other assets	24	102,066	106,802	86,330
Investment in subsidiaries	25	-	-	-
Current income tax	15	12,646	15,010	2,595
Property and equipment	26A	219,984	180,643	134,617
Motor vehicles	26B	13,081	16,140	13,928
Prepaid operating lease	27	10,752	11,164	10,767
Intangible assets	28	37,737	35,146	31,144
Deferred income tax	29	75,627	42,351	20,320
TOTAL ASSETS		**5,901,608**	**5,405,159**	**5,401,772**
LIABILITIES				
Deposits from customers	30	4,325,871	4,109,974	4,246,168
Deposits from banks	31	79,722	121,596	72,527
Other liabilities	32	91,039	54,966	83,774
Provisions	33	3,231	1,715	1,872
Grants	34	13,406	27,013	19,561
Short term borrowings	35.1	89,733	-	-
Subordinated debts	35.2	89,583	87,961	87,300
Long term borrowings	35.3	475,563	294,308	209,217
TOTAL LIABILITIES		**5,168,148**	**4,697,533**	**4,720,419**
EQUITY				
Share capital	36	65,296	65,296	65,296
Share premium		158,314	158,314	158,314
Retained earnings		463,424	406,670	349,442
Regulatory banking risk reserve		-	48,843	79,221
Legal provision reserve		317	147	33
Translation reserve		3,270	3,850	3,635
General banking reserve		27,217	26,537	28,707
Revaluation reserve	37	15,622	(2,031)	(3,295)
TOTAL EQUITY		**733,460**	**707,626**	**681,353**
TOTAL LIABILITIES AND EQUITY		**5,901,608**	**5,405,159**	**5,401,772**

The financial statements on pages 117 to 247 were approved and authorised for issue by the Board of Directors on 29th March 2018 and signed on its behalf by:

Ally H. Laay
Chairman

Dr. Charles S. Kimei
Managing Director

Mr. Juma A. Abdulrahman
Director

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER (Continued)

BANK

		2017 TZS Million'	2016 TZS' Million (Restated)	2015 TZS' Million (Restated)
ASSETS				
Cash and balances with Central Banks	18	1,126,272	891,100	769,824
Government securities	19	1,057,862	532,138	728,309
Non-current assets held for sale	20	16,600	-	-
Loans and advances to banks	21	284,961	290,933	305,218
Loans and advances to customers	22	2,844,786	3,208,333	3,218,074
Equity investments	23	2,747	2,608	2,280
Other assets	24	98,910	96,234	82,106
Investment in subsidiaries	25	22,411	22,411	22,311
Current income tax	15	9,688	12,870	1,844
Property and equipment	26A	208,816	165,707	127,413
Motor vehicles	26B	11,472	14,091	12,233
Prepaid operating lease	27	10,752	11,164	10,767
Intangible assets	28	36,616	33,978	29,269
Deferred income tax	29	74,214	41,027	20,012
TOTAL ASSETS		**5,806,107**	**5,322,594**	**5,329,660**
LIABILITIES				
Deposits from customers	30	4,238,104	4,046,333	4,180,390
Deposits from banks	31	80,679	124,116	70,314
Other liabilities	32	107,773	63,577	96,995
Provisions	33	3,231	1,715	1,872
Grants	34	13,406	16,868	18,069
Short term borrowings	35.1	89,733	-	-
Subordinated debts	35.2	89,583	87,961	87,300
Long term borrowings	35.3	475,563	294,308	209,217
TOTAL LIABILITIES		**5,098,072**	4,634,878	4,664,157
EQUITY				
Share capital	36	65,296	65,296	65,296
Share premium		158,314	158,314	158,314
Retained earnings		442,494	389,223	336,663
Regulatory banking risk reserve		-	48,533	79,020
Legal provision reserve		-	-	-
Translation reserve		-	-	-
General banking reserve		26,796	26,537	28,707
Revaluation reserve	37	15,135	(187)	(2,497)
TOTAL EQUITY		**708,035**	**687,716**	**665,503**
TOTAL LIABILITIES AND EQUITY		**5,806,107**	**5,322,594**	**5,329,660**

The financial statements on pages 117 to 247 were approved and authorised for issue by the Board of Directors on 29th March 2018 and signed on its behalf by:

Ally H. Laay
Chairman

Dr. Charles S. Kimei
Managing Director

Mr. Juma A. Abdulrahman
Director

STATEMENT OF CHANGES IN EQUITY

GROUP

Year ended 31 December 2017	Note	Share capital TZS' Million	Share premium TZS' Million	Retained earnings TZS' Million	Regulatory banking risk reserve TZS' Million	General banking reserve TZS' Million	Legal provision reserve TZS' Million	Revaluation reserve TZS' Million	Translation reserve TZS' Million	Total TZS' Million
At 1 January 2017										
- As previously reported		65,296	158,314	417,231	48,843	26,537	147	(2,031)	3,850	**718,187**
- Prior year adjustment	44	-	-	(10,561)	-	-	-	-	-	**(10,561)**
At 1 January 2017 (Restated)		**65,296**	**158,314**	**406,670**	**48,843**	**26,537**	**147**	**(2,031)**	**3,850**	**707,626**
Profit for the year		-	-	36,212	-	-	-	-	-	**36,212**
Comprehensive income										
Gain/Loss on available-for-sale revaluation	37	-	-	-	-	-	-	15,628	-	**15,628**
Transfer of excess depreciation	37	-	-	367	-	-	-	(367)	-	**-**
Deferred tax on excess depreciation	37		-	(18)	-	-	-	18	-	**-**
Translation reserve		-	-	-	-	-	-	-	(580)	**(580)**
Other movements		-	-	(1,848)	-	-	-	2,374	-	**526**
Total comprehensive income		-	-	34,713	-	-	-	17,653	(580)	**51,786**
Transfer to general banking reserve and regulatory banking risk reserve		-	-	48,159	(48,843)	680	170	-	-	**166**
Transactions with shareholders										
Dividends declared	17	-	-	(26,118)	-	-	-	-	-	**(26,118)**
At 31 December 2017		**65,296**	**158,314**	**463,424**	**-**	**27,217**	**317**	**15,622**	**3,270**	**733,460**

STATEMENT OF CHANGES IN EQUITY (Continued)

GROUP

Year ended 31 December 2016	Note	Share capital TZS' Million	Share premium TZS' Million	Retained earnings TZS' Million	Regulatory banking risk reserve TZS' Million	General banking reserve TZS' Million	Legal provision reserve TZS' Million	Revaluation reserve TZS' Million	Translation reserve TZS' Million	Total TZS' Million
At 1 January 2016										
- As previous reported		65,296	158,314	355,487	79,221	28,707	33	(3,295)	3,635	687,398
- Prior year adjustment	44	-	-	(6,045)	-	-	-	-	-	(6,045)
At 1 January 2016 (restated)		65,296	158,314	349,442	79,221	28,707	33	(3,295)	3,635	681,353
Profit for the year (previous)		-	-	74,093	-	-	-	-	-	74,093
Prior year adjustment	44	-	-	(4,516)	-	-	-	-	-	(4,516)
Profit for the year (restated)		-	-	69,577	-	-	-	-	-	69,577
Comprehensive Income										
Gain/Loss on available-for-sale revaluation	37	-	-	-	-	-	-	1,825	-	1,825
Translation reserve		-	-	-	-	-	-	-	215	215
Transfer of excess depreciation	37	-	-	573	-	-	-	(573)	-	-
Deferred tax on excess depreciation	37	-	-	(12)	-	-	-	12	-	-
Total comprehensive income		-	-	70,138	-	-	-	1,264	215	71,617
Transfer to general banking reserve and regulatory banking risk reserve		-	-	31,491	(30,378)	(2,170)	114	-	-	(943)
Transaction with shareholders										
Dividends declared	17	-	-	(44,401)	-	-	-	-	-	(44,401)
At 31 December 2016 (Restated)		65,296	158,314	406,670	48,843	26,537	147	(2,031)	3,850	707,626

STATEMENT OF CHANGES IN EQUITY (Continued)

BANK

Year ended 31 December 2017	Note	Share capital TZS' Million	Share premium TZS' Million	Retained earnings TZS' Million	Regulatory banking risk reserve TZS' Million	General banking reserve TZS' Million	Revaluation reserve TZS' Million	Total TZS' Million
At 1 January 2017								
- As previously reported		65,296	158,314	399,784	48,533	26,537	(187)	**698,277**
- Prior year adjustment	44	-	-	(10,561)	-	-	-	**(10,561)**
At 1 January 2017 (restated)		**65,296**	**158,314**	**389,223**	**48,533**	**26,537**	**(187)**	**687,716**
Profit for the year		-	-	30,809	-	-	-	**30,809**
Comprehensive income								
Loss on available-for-sale Government securities fair valuation	37	-	-	-	-	-	15,589	**15,589**
Transfer of excess depreciation	37	-	-	306	-	-	(306)	**-**
Other movements		-	-	-	-	-	39	**39**
Total comprehensive income		**-**	**-**	**31,115**	**-**	**-**	**15,322**	**46,437**
Transfer to general banking reserve and regulatory banking risk reserve		-	-	48,274	(48,533)	259	-	**-**
Transactions with shareholders								
Dividend declared	17	-	-	(26,118)	-	-	-	**(26,118)**
At 31 December 2017		**65,296**	**158,314**	**442,494**	**-**	**26,796**	**15,135**	**708,035**

BANK

Year ended 31 December 2016	Note	Share capital TZS' Million	Share premium TZS' Million	Retained earnings TZS' Million	Regulatory banking risk reserve TZS' Million	General banking reserve TZS' Million	Revaluation reserve TZS' Million	Total TZS' Million
At 1 January 2016								
- As previously reported		65,296	158,314	342,708	79,020	28,707	(2,497)	671,548
- Prior year adjustment	44	-	-	(6,045)	-	-	-	(6,045)
At 1 January 2016 (restated)		65,296	158,314	336,663	79,020	28,707	(2,497)	665,503
Profit for the year (previous)		-	-	68,286	-	-	-	68,286
Prior year adjustment	44	-	-	(4,516)	-	-	-	(4,516)
Profit for the year (restated)		-	-	63,770	-	-	-	63,770
Comprehensive income								
Gain/Loss on available-for-sale revaluation	37	-	-	-	-	-	2,844	2,844
Transfer of excess depreciation	37	-	-	534	-	-	(534)	-
Total comprehensive income		-	-	64,304	-	-	2,310	66,614
Transfer to general banking reserve and regulatory banking risk reserve		-	-	32,657	(30,487)	(2,170)	-	-
Transactions with shareholders								
Dividend declared	17	-	-	(44,401)	-	-	-	(44,401)
At 31 December 2016		65,296	158,314	389,223	48,533	26,537	(187)	687,716

STATEMENT OF CASH FLOWS

	Notes	GROUP 2017 TZS' Million	GROUP 2016 TZS' Million Restated	BANK 2017 TZS' Million	BANK 2016 TZS' Million Restated
Cash flow from operating activities					
Profit before income tax		53,578	111,798	46,947	105,408
Adjustment for:					
Depreciation of property and equipment	26A	36,607	31,485	34,193	29,276
Amortization of intangible assets	28B	8,472	7,154	8,217	6,521
Depreciation of motor vehicle	26B	3,351	3,170	2,903	2,768
Amortization of prepaid operating leases	27	322	304	322	304
(Gain)/Loss on disposal of property and equipment	11	452	157	480	62
Other adjustments to property and equipment		470	(440)	1,607	(816)
Loan impairment charges and non-cash recoveries	22	160,417	128,865	159,370	127,558
Other assets impairment charges	24	3,544	2,078	3,314	2,063
Grant utilization	34	(5,927)	(2,477)	(3,165)	(1,228)
Foreign currency exchange (gain)/loss on grants	34	296	24	283	28
Foreign currency exchange (gain)/loss on borrowings	35	(3,398)	1,899	(3,398)	1,899
Foreign currency exchange (gain)/loss on cash and cash equivalents		(17,475)	(2,201)	(17,398)	47
Net interest income		(409,716)	(433,145)	(400,772)	(424,929)
		(169,007)	**(151,329)**	**(167,097)**	**(151,039)**
Changes in operating assets and liabilities:					
Statutory minimum reserve		95,636	101	96,276	1,987
Government securities		(376,218)	307,170	(384,377)	305,056
Loans and advances to banks		3,156	26,044	7,892	25,299
Loans and advances to customers		163,431	(108,314)	178,522	(105,222)
Other assets		5,994	(20,250)	(1,190)	(13,891)
Deposits from banks		(41,874)	49,069	(43,437)	53,802
Deposits from customers		210,106	(135,383)	188,738	(135,337)
Other liabilities		35,537	(30,001)	33,465	(32,611)
Provisions		1,516	(157)	1,516	(157)
Interest received (loans and advances to customers and banks)		435,724	462,145	429,237	457,069
Interest paid		(109,346)	(115,104)	(108,458)	(110,305)
Income tax paid	15B	(53,556)	(76,269)	(51,790)	(73,419)
Net cash(used in)/from operating activities		**201,099**	**207,722**	**179,297**	**221,232**

STATEMENT OF CASH FLOWS (Continued)

	Notes	GROUP 2017 TZS' Million	GROUP 2016 TZS' Million Restated	BANK 2017 TZS' Million	BANK 2016 TZS' Million Restated
Cash flows from investing activities					
Investment in subsidiary		-	-	-	(100)
Purchase of property and equipment	26A	(75,764)	(73,145)	(61,504)	(62,950)
Purchase of motor vehicle	26A	(437)	(5,788)	(385)	(5,100)
Purchase of property and equipment financed by grants	26A	-	(4,154)	-	(4,154)
Acquisition of leasehold land	27	(231)	(361)	(231)	(361)
Purchase of intangible assets	28B	(11,940)	(11,291)	(11,666)	(11,242)
Investment in shares	23	(139)	(328)	(139)	(328)
Proceeds from disposal of property and equipment		237	371	-	433
Net cash used in investing activities		**(88,274)**	**(94,696)**	**(73,925)**	**(83,802)**
Cash flows from financing activities					
Dividends paid		(25,582)	(43,208)	(25,582)	(43,208)
Repayment of borrowings	35	(81,380)	(15,939)	(81,380)	(15,939)
Interest paid on borrowings	35	(30,964)	(19,607)	(30,964)	(19,607)
Grants received	34	1,010	9,935	-	-
Refund of grants	34	-	(30)	-	-
Proceeds from borrowings and subordinated debt	35	348,524	97,554	348,524	97,554
Net cash from financing activities		**211,608**	**28,705**	**210,598**	**18,800**
Cash and cash equivalents at 1 January		726,584	582,652	714,169	557,986
Net cash from /(used in) operating activities		201,099	207,722	179,297	221,232
Net cash used in investing activities		(88,274)	(94,696)	(73,925)	(83,802)
Net cash from financing activities		211,608	28,705	210,598	18,800
Effect of exchange rate change on cash and cash equivalent		17,475	2,201	17,398	(47)
Cash and cash equivalents at 31 December	**38**	**1,068,492**	**726,584**	**1,047,537**	**714,169**

NOTES

1 GENERAL INFORMATION

CRDB Bank Plc (the "Bank") and its subsidiaries CRDB Microfinance Company Services Limited, CRDB Insurance Broker Limited, and CRDB Bank Burundi S.A (together, "the Group") provide corporate and retail banking services including microfinance and insurance services. The Bank is a public limited company incorporated under the Companies Act No.12 of 2002 and is domiciled in Tanzania.

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

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

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

The consolidated and Bank's financial statements for the year ended 31 December 2017 were approved for issue by the Board of Directors on 29 March 2018. Neither the entity's owners nor others have the power to amend the financial statements after issue.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of

NOTES *(Continued)*

applying the group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. The directors believe that the underlying assumptions are appropriate and that the group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(ii) Historical cost convention

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

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

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

The following standards have been adopted by the Group and Bank for the first time for the financial year beginning in 1 January 2017:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 - Amendments made to IAS 12 in January 2017 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:
    - A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
    - An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
    - Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
    - Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

- Amendments to IAS 7 – Disclosure Initiative. Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.

NOTES *(Continued)*

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

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods. However, the amendments to IAS 7 require disclosure of changes in liabilities arising from financing activities.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group and Bank.

IFRS 9, 'Financial instruments' – IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

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

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

The changes introduce:

- a third measurement category (FVOCI) for certain financial assets that are debt instruments
- a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component

NOTES *(Continued)*

(eg trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The standard is effective for accounting periods beginning on or after 1 January 2018. The Group will adopt the standard beginning 1st January 2018. The Group is still assessing the impact of IFRS 9.

IFRS 15, 'Revenue from contracts with customers' – The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

- Identify contracts with customers
- Identify the separate performance obligation
- Determine the transaction price of the contract
- Allocate the transaction price to each of the separate performance obligations, and
- Recognise the revenue as each performance obligation is satisfied.

Key changes to current practice are:

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

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

The standard is effective for annual period beginning on or after 1 January 2018 and earlier application is permitted. The Group will adopt the standard beginning 1st January 2018. The Group is still assessing the impact of IFRS 15.

NOTES *(Continued)*

FRS 16, 'Leases' – IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

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

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual period beginning on or after 1 January 2019 and earlier application is permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

The Group expects to adopt the standard beginning 1st January 2019. The Group is still assessing the impact of IFRS 16.

Annual improvements 2014 - 2016 cycle – The following improvements were finalized in December 2016:

- IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10 which are no longer relevant.
- IAS 28 - clarifies that the election by venture capital organizations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.

The improvements are effective for annual period beginning on or after 1 January 2018 and earlier application is permitted. The Group is still assessing the impact of improvements made.

Transfers of Investment Property-Amendments to IAS 40 – The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was re-characterised as a non-exhaustive list of examples to help illustrate the principle.

NOTES *(Continued)*

The Board provided two options for transition:

- prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition, or
- Retrospectively - only permitted without the use of hindsight.

Additional disclosures are required if an entity adopts the requirements prospectively.

The amendments is effective for annual period beginning on or after 1 January 2018 and earlier application is permitted. The Group is still assessing the impact of amendments to IAS 40.

IFRS 4 - Insurance contracts. Amendments to IFRS 9 Financial instruments allow an entity that issues insurance contracts the opportunity to utilize two options - where IFRS 9 is applied prior to the forthcoming insurance contracts standard. These are;

- Overlay approach - which permits an insurer to reclassify certain income/expenditure, arising from designated financial instruments, from profit or loss to OCI, and
- Deferral approach - temporary exemption from IFRS 9 for insurers whose predominant activity is issuing insurance contracts.

IFRS 17 - Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 - Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The amendments are effective for annual period beginning on or after 1 January 2021. The Group expects to adopt the standard beginning 1st January 2021. The Group is still assessing the impact of amendments to IFRS 17.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration - Amendments clarifying the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The amendments are effective for annual period beginning on or after 1 January 2018. The Group will adopt the standard beginning 1st January 2018.

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

NOTES *(Continued)*

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries CRDB Microfinance Services Company Limited, CRDB Insurance Broker Limited and CRDB Bank Burundi S.A. for the year ended 31 December 2017. The reporting date for all subsidiaries is 31 December.

Subsidiaries

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

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

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

Separate financial statements

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

(c) Interest income and expense

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

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

NOTES *(Continued)*

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

(d) Fees and commission income

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

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

(e) Dividend income

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

(f) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Transactions in foreign currencies during the year are converted into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Group companies

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

a) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

NOTES *(Continued)*

b) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

c) All resulting exchange differences are recognised in other comprehensive income and accumulated in 'translation reserve' in equity.

(g) Financial assets

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

(i) Loans and receivables

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

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

(b) those that the Group upon initial recognition designates as available for sale; or

(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

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

(ii) Held-to-maturity investments

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

NOTES *(Continued)*

(a) those that the Group upon initial recognition designates as at fair value through profit or loss;

(b) those that the Group designates as available for sale; and

(c) those that meet the definition of loans and receivables.

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

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

(iii) Available for sale

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

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income and accumulated in a separate reserve in equity, revaluation reserve, until the financial asset is derecognised. Interest income is calculated using the effective interest method, and recognized in the profit and loss under interest and similar income.

(h) Recognition of financial assets

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

(i) Determination of fair value

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

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

NOTES *(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, FX rates, volatilities and counterparty spreads) existing at the balance sheet date.

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

(j) Financial liabilities

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

(k) Derecognition of financial assets and liabilities

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

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

NOTES (Continued)

(l) Classes of financial instruments

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

<table>
<tr><th colspan="2">Category
(as defined by IAS 39)</th><th colspan="2">Class (as determined by the Bank)</th><th>Subclasses</th></tr>
<tr><td rowspan="12">Financial assets</td><td rowspan="9">Loans and receivables</td><td colspan="2">Loans and advances to banks</td><td></td></tr>
<tr><td rowspan="6">Loans and advances to customers</td><td rowspan="4">Loans to individuals (retail)</td><td>Personal loans</td></tr>
<tr><td>SMEs</td></tr>
<tr><td>MFIs</td></tr>
<tr><td>Mortgages</td></tr>
<tr><td rowspan="2">Loans to corporate entities</td><td>Corporate customers</td></tr>
<tr><td>Others</td></tr>
<tr><td>Investment securities - debt securities</td><td></td><td>Unlisted</td></tr>
<tr><td>Other assets</td><td></td><td>Unlisted</td></tr>
<tr><td rowspan="2">Available-for-sale financial assets</td><td>Investment securities - debt securities</td><td></td><td>Unlisted</td></tr>
<tr><td>Investment securities - equity securities</td><td></td><td>Unlisted</td></tr>
<tr><td>Financial assets at amortised cost</td><td>Cash and balances with central banks</td><td></td><td>Unlisted</td></tr>
<tr><td rowspan="4">Financial liabilities</td><td rowspan="4">Financial liabilities at amortised cost</td><td colspan="2">Deposits from banks</td><td></td></tr>
<tr><td colspan="2">Borrowings, subordinated debts and other liabilities</td><td></td></tr>
<tr><td rowspan="2">Deposits from customers</td><td>Retail customers</td><td></td></tr>
<tr><td>Corporate customers</td><td></td></tr>
</table>

NOTES *(Continued)*

(m) Impairment of financial assets

(i) Assets carried at amortised cost

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

- Significant financial difficulty 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;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

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

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

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

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

NOTES *(Continued)*

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

(ii) Assets classified as available-for-sale

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss account. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss account.

(iii) Renegotiated loans

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

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

(n) Impairment of non-financial assets

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

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

NOTES *(Continued)*

(o) Offsetting financial instruments

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

(p) Income tax

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

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

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

(q) Provisions

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

(r) Property and equipment and motor vehicles

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

Any revaluation increase arising on the revaluation of such motor vehicles is recognized in other comprehensive income and cumulated in revaluation reserve in equity except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to

NOTES *(Continued)*

profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such motor vehicles is recognized in profit or loss to the extent that it exceeds the balance, if any, held in revaluation reserve relating to a previous revaluation of that asset. The revaluation was last done in the year 2012.Excess depreciation arising on the revaluation is amortized over the remaining useful life of the revalued assets through a transfer from revaluation reserve to retain earnings.

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

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

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

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

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.
When revalued assets are sold, the amounts included in revaluation surplus relating to those assets are transferred to retained earnings.

NOTES *(Continued)*

(s) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. Amortization methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate

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

(t) Cash and cash equivalents

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

(u) Employee benefits

(i) Retirement benefit obligations

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

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(ii) Other entitlements

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

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

NOTES (Continued)

(v) Share capital

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

(w) Dividend distribution

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

(x) Earnings per share

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

(y) Legal and other claims

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(z) Grants

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

NOTES *(Continued)*

(aa) Leases

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

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

Determination

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(ab) Contingencies and commitments

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

Financial guarantees

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

Acceptances and letters of credit

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

NOTES (Continued)

3 SEGMENT REPORTING

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

Operating segments are reported in a manner consistent with the internal reporting. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs eliminated in head office. Income and expenses directly associated with each segment are included in determining business segment performance.

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

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

i) Corporate banking

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

ii) Retail banking and microfinance

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

iii Treasury

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

Primary segment information - Business Segments

The following tables presents profit and loss and assets and liability information regarding the Group's and Bank's business segments for the years ended 31 December 2017 and 31 December 2016.

NOTES *(Continued)*

3 SEGMENT REPORTING (Continued)

GROUP

Year ended 31 December 2017	Corporate Banking TZS' Million	Retail Banking Microfinance Services, Insurance Broker & Burundi TZS' Million	Treasury TZS' Million	Total TZS' Million
External Operating income				
Interest Income	193,297	233,348	133,699	**560,344**
Interest Expense	(58,575)	(52,860)	(39,193)	**(150,628)**
Internal net interest income/ (expense)	16,252	10,284	(26,536)	**-**
Net interest income	**150,974**	**190,772**	**67,970**	**409,716**
Loan Impairment charges	(120,754)	(32,620)	-	**(153,374)**
Net Interest income after loan impairment charges	**30,220**	**158,152**	**67,970**	**256,342**
Fee and Commission income	61,542	116,680	-	**178,222**
Fee and Commission expense	(2,880)	(11,117)	-	**(13,997)**
Net Fee and Commission income	**58,662**	**105,563**	**-**	**164,225**
Net foreign exchange Income	263	166	36,922	**37,351**
Other operating income	-	5,561	-	**5,561**
Income from security trading	-	-	4,490	**4,490**
Other operating expense	(51,236)	(97,148)	(21,862)	**(170,246)**
Employee benefit expenses	(57,299)	(112,508)	(25,586)	**(195,393)**
Depreciation and amortisation	(54)	(48,530)	(168)	**(48,752)**
Profit Before Tax	**(19,444)**	**11,256**	**61,766**	**53,578**
Income Tax Expense	6,665	(4,562)	(19,469)	**(17,366)**
Profit for the year	**(12,779)**	**6,694**	**42,297**	**36,212**
Asset and Liability				
Segment assets	1,669,376	1,224,462	1,369,689	**4,263,527**
Long-term Assets Additions	-	-	-	**88,372**
Unallocated Asset	-	-	-	**1,549,709**
Total Assets	**1,669,376**	**1,224,462**	**1,369,689**	**5,901,608**
Segment liabilities	**(2,452,505)**	**(1,886,772)**	**(734,601)**	**(5,073,878)**
Unallocated liabilities	**-**	**-**	**-**	**(94,270)**
Total Liabilities	**(2,452,505)**	**(1,886,772)**	**(734,601)**	**(5,168,148)**

NOTES (Continued)

3 SEGMENT REPORTING (Continued)

GROUP

Year ended 31 December 2016	Corporate Banking TZS' Million	Retail Banking Microfinance Services, Insurance Broker & Burundi TZS' Million	Treasury TZS' Million	Total TZS' Million
External Operating income				
Interest Income	203,831	253,867	111,575	**569,273**
Interest Expense	(54,575)	(42,515)	(39,038)	**(136,128)**
Internal net interest income/ (expense)	26,180	19,608	(45,788)	**-**
Net interest income	**175,436**	**230,960**	**26,749**	**433,145**
Loan Impairment charges	(85,942)	(37,441)	-	**(123,383)**
Net Interest income after loan impairment charges	**89,494**	**193,519**	**26,749**	**309,762**
Fee and Commission income	61,224	102,597	-	**163,821**
Fee and Commission expense	(2,987)	(8,418)	-	**(11,405)**
Net Fee and Commission income	**58,237**	**94,179**	**-**	**152,416**
Net foreign exchange Income	44	3,524	31,273	**34,842**
Income from security trading	-	-	2,118	**2,118**
Other operating income	-	2,350	-	**2,350**
Other operating expense	(53,581)	(97,210)	(12,416)	**(163,207)**
Employee benefit expenses	(66,468)	(104,276)	(13,626)	**(184,370)**
Depreciation and amortisation	(121)	(41,925)	(67)	**(42,113)**
Profit Before Tax	**27,605**	**50,161**	**34,032**	**111,798**
Income Tax Expense	(10,871)	(17,946)	(13,404)	**(42,221)**
Profit for the year	**16,734**	**32,215**	**20,628**	**69,577**
Asset and Liability				
Segment assets	1,975,002	1,272,254	844,856	**4,092,112**
Long-term Assets Additions	-	-	-	**95,674**
Unallocated Asset	-	-	-	**1,217,373**
Total Assets	**1,975,002**	**1,272,254**	**844,856**	**5,405,159**
Segment liabilities	**(2,497,059)**	**(1,639,928)**	**(503,865)**	**(4,640,852)**
Unallocated liabilities	-	-	-	**(56,681)**
Total Liabilities	**(2,497,059)**	**(1,639,928)**	**(503,865)**	**(4,697,533)**

NOTES (Continued)

3 SEGMENT REPORTING (Continued)

BANK

Year ended 31 December 2017	Corporate Banking TZS' Million	Retail Banking TZS' Million	Treasury TZS' Million	Total TZS' Million
External Operating income				
Interest income	172,850	245,969	128,935	**547,754**
Interest expense	(58,631)	(49,270)	(39,081)	**(146,982)**
Internal net interest income/ (expense)	17,299	14,997	(32,296)	**-**
Net interest income	**131,518**	**211,696**	**57,558**	**400,772**
Loan impairment charges	**(120,355)**	**(31,972)**	**-**	**(152,327)**
Net interest income after loan				
impairment charges	11,163	179,724	57,558	**248,445**
Fee and commission income	63,329	106,426	-	**169,755**
Fee and commission expense	(2,945)	(30,778)	-	**(33,723)**
Net fee and commission income	**60,384**	**75,648**	**-**	**136,032**
Net foreign exchange Income	231	201	35,601	**36,033**
Other operating income	-	3,300	-	**3,300**
Income from security trading	-	-	4,490	**4,490**
General and administrative Expense	(51,980)	(86,320)	(21,106)	**(159,406)**
Employee benefit expenses	(58,359)	(94,112)	(23,840)	**(176,311)**
Depreciation and amortisation	(55)	(45,412)	(169)	**(45,636)**
Profit before tax	**(38,616)**	**33,029**	**52,534**	**46,947**
Income tax expense	13,275	(11,354)	(18,059)	**(16,138)**
Profit for the year	**(25,341)**	**21,675**	**34,476**	**30,809**
Asset and liability				
Segment assets	1,720,675	1,124,111	1,342,822	**4,187,608**
Long-term assets additions	-	-	-	**73,786**
Unallocated asset	-	-	-	**1,544,713**
Total assets	**1,720,675**	**1,124,111**	**1,342,822**	**5,806,107**
Segment liabilities	**(2,452,505)**	**(1,799,005)**	**(735,558)**	**(4,987,068)**
Unallocated liabilities	-	-	-	**(111,004)**
Total liabilities	**(2,452,505)**	**(1,799,005)**	**(735,558)**	**(5,098,072)**

NOTES *(Continued)*

3 SEGMENT REPORTING (Continued)

BANK

Year ended 31 December 2016	Corporate Banking TZS' Million	Retail Banking TZS' Million	Treasury TZS' Million	Total TZS' Million
External Operating income				
Interest income	203,831	241,394	113,124	**558,349**
Interest expense	(56,035)	(38,347)	(39,038)	**(133,420)**
Internal net interest income/ (expense)	26,360	19,743	(46,103)	**-**
Net interest income	**174,156**	**222,790**	**27,983**	**424,929**
Loan impairment charges	**(85,942)**	**(36,134)**	**-**	**(122,076)**
Net interest income after loan				
impairment charges	88,214	186,656	27,983	**302,853**
Fee and commission income	61,266	96,059	-	**157,325**
Fee and commission expense	(2,864)	(33,228)	-	**(36,092)**
Net fee and commission income	**58,402**	**62,831**	**-**	**121,233**
Net foreign exchange Income	46	34	31,273	**31,353**
Income from security trading	-	-	2,118	**2,118**
Other operating income	-	1,196	-	**1,196**
General and administrative Expense	(53,462)	(84,699)	(11,496)	**(149,657)**
Employee benefit expenses	(67,128)	(85,633)	(12,059)	**(164,819)**
Depreciation and amortisation	(122)	(38,681)	(66)	**(38,869)**
Profit before tax	**25,950**	**41,704**	**37,754**	**105,408**
Income tax expense	(10,250)	(16,474)	(14,914)	**(41,638)**
Profit for the year	**15,700**	**25,230**	**22,840**	**63,770**
Asset and liability				
Segment assets	2,034,995	1,173,337	823,072	**4,031,404**
Long-term assets additions	-	-	-	**83,807**
Unallocated asset	-	-	-	**1,207,383**
Total assets	**2,034,995**	**1,173,337**	**823,072**	**5,322,594**
Segment liabilities	**(2,488,935)**	**(1,574,266)**	**(506,385)**	**(4,569,586)**
Unallocated liabilities	-	-	-	**(65,292)**
Total liabilities	**(2,488,935)**	**(1,574,266)**	**(506,385)**	**(4,634,878)**

NOTES *(Continued)*

3 SEGMENT REPORTING (Continued)

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

Year ended 31 December 2017	Tanzania TZS' Million	Burundi TZS' Million	Consolidation TZS' Million	Total TZS' Million
External operating income				
Interest income	547,754	15,063	(2,473)	**560,344**
Interest expense	(146,982)	(6,119)	2,473	**(150,628)**
Net interest income	**400,772**	**8,944**	**-**	**409,716**
Loan impairment charges	**(152,327)**	**(1,047)**	**-**	**(153,374)**
Net interest income after loan impairment charges	248,445	7,897	-	256,342
Fee and commission income	174,748	3,474	-	**178,222**
Fee and commission expense	(13,887)	(110)	-	**(13,997)**
Net Fee and commission income	**160,861**	**3,364**	**-**	**164,225**
Net foreign exchange Income	36,033	1,318	-	**37,351**
Income from security trading	4,490	-	-	**4,490**
Other operating income	4,494	1,067	-	**5,561**
General and administrative expense	(165,959)	(4,287)	-	**(170,246)**
Employee benefit expenses	(190,861)	(4,532)	-	**(195,393)**
Depreciation and amortisation	(47,801)	(951)	-	**(48,752)**
Profit before tax	**49,702**	**3,876**	**-**	**53,578**
Income tax expense	(17,036)	(330)	-	**(17,366)**
Profit for the year	**32,666**	**3,546**	**-**	**36,212**
Asset and liability				
Segment assets	**5,754,339**	**139,872**	**(80,975)**	**5,813,236**
Long-term assets additions	78,867	9,505	-	**88,372**
Total assets	**5,833,206**	**149,377**	**(80,975)**	**5,901,608**
Segment liabilities	(5,101,428)	(125,284)	58,564	**(5,168,148)**
Total liabilities	**(5,101,428)**	**(125,284)**	**58,564**	**(5,168,148)**

NOTES *(Continued)*

3 SEGMENT REPORTING (Continued)

Year ended 31 December 2016	Tanzania TZS' Million	Burundi TZS' Million	Consolidation TZS' Million	Total TZS' Million
External operating income				
Interest income	558,349	14,485	(3,561)	569,273
Interest expense	(133,420)	(6,269)	3,561	(136,128)
Net interest income	424,929	8,216	-	433,145
Loan impairment charges	**(122,076)**	**(1,307)**	**-**	**(123,383)**
Net interest income after loan impairment charges	302,853	6,909	-	309,762
Fee and commission income	162,995	826	-	163,821
Fee and commission expense	(11,326)	(79)	-	(11,405)
Net Fee and commission income	151,669	747	-	152,416
Net foreign exchange Income	31,354	3,489	-	34,842
Other operating income	2,336	14	-	2,350
Income from security trading	2,118	-	-	2,118
General and administrative expense	(159,237)	(3,970)	-	(163,207)
Employee benefit expenses	(179,838)	(4,532)	-	(184,370)
Depreciation and amortisation	(40,426)	(1,687)	-	(42,113)
Profit before tax	110,828	970	-	111,798
Income tax expense	(43,648)	1,427	-	(42,221)
Profit for the year	**67,180**	**2,397**	**-**	**69,577**
Asset and liability				
Segment assets	5,266,282	139,490	(96,287)	5,309,485
Long-term assets additions	95,517	157	-	95,674
Total assets	**5,361,799**	**139,647**	**(96,287)**	**5,405,159**
Segment liabilities	**(4,649,469)**	**(121,940)**	**73,876**	**(4,697,533)**
Total liabilities	**(4, 649,469)**	**(121,940)**	**73,876**	**(4,697,533)**

NOTES (Continued)

3 SEGMENT REPORTING (Continued)

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

	Tanzania TZS' Million	Burundi TZS' Million	Total TZS' Million
Year ended 31 December 2017			
Net cash from operating activities	174,223	26,776	**201,099**
Net cash used in investing activities	(78,769)	(9,505)	**(88,274)**
Net cash generated from financing activities	224,936	(13,328)	**211,608**
Net increase in cash and cash equivalents	**320,490**	**3,943**	**324,433**
Cash and cash equivalents at 1 January	706,638	19,946	**726,584**
Effect of exchange rate change in cash and cash equivalent	17,935	(460)	**17,475**
Cash and cash equivalent at 31 December	**1,045,063**	**23,429**	**1,068,492**
Year ended 31 December 2016			
Net cash from operating activities	199,708	8,014	207,722
Net cash used in investing activities	(94,539)	(157)	(94,696)
Net cash generated from financing activities	38,131	(9,426)	28,705
Net increase in cash and cash equivalents	143,300	(1,569)	141,731
Cash and cash equivalents at 1 January	558,647	24,005	582,652
Effect of exchange rate change in cash and cash equivalent	4,692	(2,491)	2,201
Cash and cash equivalent at 31 December	706,639	19,945	726,584

In computing the above segment information;

- Interest Income, Interest Expense and Loan Impairment charges segmentation computation has been changed from systematic allocation basis using agreed internal allocation basis to specific identification from individual segment;
- Expenses have been specifically identified with individual segment or using agreed internal allocation. Retail (branch) overhead cost has been transferred to Corporate and Treasury due to Retail segment support to corporate and treasury business through branch network whose costs are assumed to be shared at 5 and 10 percent of retail (Administrative and staff overhead) between treasury and corporate segment respectively.
- Assets and liabilities have been either specifically identified with individual segment or allocated to segment on a systematic basis using an agreed internal allocation basis. Cash, Bank Balances, Government Securities and amounts due to other banks have been allocated to Treasury; Loans and advances and Deposits have been allocated to Corporate and Retail Segments.

NOTES *(Continued)*

3 SEGMENT REPORTING (Continued)

- Unallocated assets includes, Sundry debtors, bills receivables, bank card stock, advance payment for capital expenditures, prepayments, receivables from mobile phone companies, tax related accounts and due from related party. Unallocated liabilities includes; bills payables, dividends payable, accrued expenses, deferred income, sundry creditors, credit outstanding, unclaimed customers balances and due to related party.
- Inter-segment transactions have been generally based on transfer pricing measures as determined by the Management.

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

Currently it is not possible to segregate revenues from external customers for each product and service as the information is not available.

NOTES *(Continued)*

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Group's financial performance.

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

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

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

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

The most important type of risks are:

- Credit risk
- Liquidity risk
- Market risk

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

NOTES (Continued)

4.1 Credit risk

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

4.1.1 Credit risk measurement

Loans and advances

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

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

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

Group's internal ratings scale

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

Qualitative criteria is also considered over and above the quantitative criteria.

NOTES *(Continued)*

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

4.1.2 Risk limit control and mitigation policies

The Group and Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries. The Group and Bank structure the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

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

Some other specific control and mitigation measures are outlined below.

(a) Collateral

The Group and Bank employ a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group and Bank implement guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for loans and advances are:

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

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

NOTES *(Continued)*

(b) Credit-related commitments

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

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

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

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

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

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

NOTES *(Continued)*

4.1.3 Impairment and provisioning policies

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

The loans and advances to customer's impairment provisions are segmented into five rating classes as shown below;

GROUP

Amounts are in TZS' Million	2017		2016	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
Current				
- Not specifically assessed for IFRS Impairment	2,583,438	12,821	2,666,573	10,420
-Specifically assessed for IFRS impairment	102,561	20,260	83,999	328
Subtotal - Current	**2,685,999**	**33,081**	**2,750,572**	**10,748**
Especially mentioned	45,063	273	157,163	3,388
Sub-standard	154,291	104,350	276,518	54,958
Doubtful	89,287	36,008	82,323	33,274
Loss	149,856	56,946	116,064	33,015
	3,124,496	**230,658**	**3,382,640**	**135,383**

BANK

Amounts are in TZS' Million	2017		2016	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
Current				
- Not specifically assessed for IFRS Impairment	2,534,675	12,721	2,638,194	10,409
- Specifically assessed for IFRS impairment	102,561	20,260	83,996	331
Subtotal - Current	**2,637,236**	**32,981**	**2,722,190**	**10,740**
Especially mentioned	44,681	197	147,403	3,388
Sub-standard	154,226	104,337	275,941	54,958
Doubtful	89,236	35,989	80,990	31,971
Loss	149,833	56,922	115,872	33,006
	3,075,212	**230,426**	**3,342,396**	**134,063**

NOTES (Continued)

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

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

GROUP

	Amounts are in TZS' Million			
	2017	%	2016	%
Group Credit exposures				
On Balance sheet item:				
Cash and balances with Central Bank	843,234	15	676,245	12
Loans and advances to banks	265,142	5	264,069	5
Government securities	1,104,547	18	580,787	11
Loans and advances to customers	2,893,838	50	3,247,257	59
Other assets*	74,383	1	74,609	1
	5,181,144	**89**	**4,842,967**	**88**
Off balance sheet items:				
Guarantees and indemnities	**281,679**	**5**	**199,671**	**4**
Letters of credit	**178,882**	**3**	**236,957**	**4**
Commitments to extend credit	**172,762**	**3**	**239,822**	**4**
	633,323	**11**	**676,450**	**12**
	5,814,467	**100**	**5,519,417**	**100**

BANK

Bank Credit exposures				
On Balance sheet item:				
Cash and balances with Central Bank	826,356	15	665,426	12
Loans and advances to banks	284,961	5	290,933	5
Government securities	1,057,862	18	532,138	10
Loans and advances to customers	2,844,786	50	3,208,333	59
Other assets*	72,320	1	67,829	1
	5,086,285	**89**	**4,764,659**	**88**
Off balance sheet items:				
Guarantees and indemnities	281,436	5	199,474	4
Letters of credit	178,882	3	236,957	4
Commitments to extend credit	166,614	3	238,768	4
	626,932	**11**	**675,199**	**12**
	5,713,217	**100**	**5,441,109**	**100**

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

NOTES *(Continued)*

The Group loans and advances to customers and off balance sheet items comprise of 60% (2016: 71%) of the total credit exposure. The directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Group and Bank.

Loans and advances to banks are to reputable banks operating internationally or in Tanzania and East Africa, and generally no securities held. The list of these banks and their nostro and placement accounts balances are shown below;

List of loans and advances to banks 2017

	Name of Bank	Country	Balance TZS' Million
1	Citibank NY	USA	80,815
2	DZ Bank	Germany	42,724
3	Lloyds Bank Plc	United Kingdom	36,024
4	TIB Bank	Tanzania	30,612
5	Commerzbank	Germany	16,132
6	Others		78,654
			284,961

List of loans and advances to banks 2016

	Name of Bank	Country	Balance TZS' Million
1	Citibank NY	USA	54,543
2	DZ Bank	Germany	38,365
3	TIB Bank	Tanzania	35,975
4	Lloyds Bank Plc	United Kingdom	30,034
5	Deutsche Bank	USA	20,028
6	Others		111,988
			290,933

While collateral is an important mitigant to credit risk, the Group's underwriting policy ensures that loans are strictly granted on a going concern basis with adequate demonstration of repayment capacity. Other than exposures that are unsecured, all other facilities are secured by collateral in the form of charges over cash, land and buildings, marketable securities, plant and machinery, amongst other.

NOTES *(Continued)*

Collateral repossessed

It is the group's policy to dispose off repossessed properties on the open market, at fair market value. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy or foreclose repossessed properties for its own business use. As at the year end, the Bank had repossessed collateral with fair value amounting TZS 16.6 billion with intention to sell within a year.

4.1.5 Loans and advances

Loans and advances are summarised as follows:

GROUP

Amounts are in TZS' Million	31 December 2017		31 December 2016	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither past due nor impaired	2,583,438	265,142	2,666,573	264,069
Past due but not impaired	45,063	-	157,163	-
Facilities individually assessed for impairment				
- Non-performing loans -quantitatively	393,434	-	474,905	-
- Others qualitatively assessed	102,561	-	83,999	-
Gross	**3,124,496**	**265,142**	**3,382,640**	**264,069**
Less: Allowances for impairment	(230,658)	-	(135,383)	-
Net	**2,893,838**	**265,142**	**3,247,257**	**264,069**

BANK

Neither past due nor impaired	2,534,675	284,961	2,638,194	290,933
Past due but not impaired	44,681	-	147,403	-
Facilities individually assessed for impairment				
- Non-performing loans - quantitatively	393,295	-	472,803	-
- Others qualitatively assessed	102,561	-	83,996	-
Gross	**3,075,212**	**284,961**	**3,342,396**	**290,933**
Less: Allowances for impairment	(230,426)	-	(134,063)	-
Net	**2,844,786**	**284,961**	**3,208,333**	**290,933**

NOTES *(Continued)*

4.1.5 Loans and advances (Continued)

The total impairment provision for loans and advances represents both individually impaired loans and loans assessed on a portfolio basis. Further information of the impairment allowance for loans and advances to customers is provided in Note 22.

When entering into new markets or new industries, in order to minimise the potential increase of credit risk exposure, the Group focused more on the business with large corporate enterprises or banks with good credit rating or retail customers providing sufficient collateral.

(a) Loans and advances neither past due nor impaired

The portfolio of loans and advances that were neither past due nor impaired are classified as current. These fall into the following categories: (Amounts in TZS' Millions).

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Microfinance institutions (MFI's)	99,142	123,086	97,843	121,538
Consumer	1,011,373	978,647	973,522	958,656
Small and Medium enterprises (SMEs)	327,842	383,086	325,926	380,508
Corporate enterprises (Corporate)	1,145,081	1,181,754	1,137,384	1,177,492
Total	**2,583,438**	**2,666,573**	**2,534,675**	**2,638,194**

b) Loans and advances past due but not impaired

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

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Microfinance institutions (MFI's)	2,791	2,762	2,783	2,353
Consumer	16,798	22,912	16,446	16,444
Small and Medium enterprises (SMEs)	7,767	13,376	7,745	12,259
Corporate enterprises (Corporate)	17,707	118,113	17,707	116,347
Total	**45,063**	**157,163**	**44,681**	**147,403**

NOTES *(Continued)*

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

GROUP

Amounts are in TZS' Million	Past due up to 30 days	Past due 31 - 60 days	Past due 61-90 days	Grand Total
31 December 2017				
Microfinance institutions (MFI's)	513	1,171	1,107	2,791
Consumer	-	9,929	6,869	16,798
Small and Medium enterprises (SMEs)	148	4,278	3,341	7,767
Corporate enterprises (Corporate)	9,741	7,730	236	17,707
Total	**10,402**	**23,108**	**11,553**	**45,063**
31 December 2016				
Microfinance institutions (MFI's)	456	1,898	408	2,762
Consumer	6,613	10,785	5,514	22,912
Small and Medium enterprises (SMEs)	2,049	4,946	6,381	13,376
Corporate enterprises (Corporate)	17,797	14,596	85,720	118,113
Total	**26,915**	**32,225**	**98,023**	**157,163**

BANK

Amounts are in TZS' Million	Past due up to 30 days	Past due 31 - 60 days	Past due 61-90 days	Grand Total
31 December 2017				
Microfinance institutions (MFI's)	513	1,173	1,097	2,783
Consumer	-	9,661	6,785	16,446
Small and Medium enterprises (SMEs)	148	4,256	3,341	7,745
Corporate enterprises (Corporate)	9,741	7,730	236	17,707
Total	**10,402**	**22,820**	**11,459**	**44,681**
31 December 2016				
Microfinance institutions (MFI's)	456	1,898	-	2,354
Consumer	320	10,622	5,502	16,444
Small and Medium enterprises (SMEs)	1,196	4,946	6,117	12,259
Corporate enterprises (Corporate)	16,033	14,596	85,717	116,346
Total	**18,005**	**32,062**	**97,336**	**147,403**

NOTES *(Continued)*

c) Facilities individually assessed for impairment

The breakdown of the gross amount of facilities specifically assessed by segment is shown below. These loans and advances were individually assessed for impairment.

Amounts are in TZS' Million	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Microfinance institutions (MFI's)	4,299	10,800	4,286	10,799
Consumer	39,875	27,948	39,821	27,915
Small and Medium enterprises (SMEs)	42,681	45,708	42,608	43,637
Corporate enterprises (Corporate)	409,140	474,448	409,140	474,448
Total	**495,995**	**558,904**	**495,855**	**556,799**
Specific impairment allowance	**217,052**	**135,383**	**217,052**	**134,063**
Value of collateral held	**500,824**	**804,381**	**500,486**	**801,937**

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is tested after every three years.

d) Restructured Loans

During the year total of TZS 375,587 million (2016: TZS 147,954 million) Loans and advances were renegotiated and restructured. There were no loans and advances that were either renegotiated or restructured by the Banks subsidiaries.

Below is the classification of restructured facilities as at 31 December

	2017 TZS' Million	2016 TZS' Million
Neither past due nor impaired	96,750	46,177
Past due but not impaired	3,311	39,189
Facilities individually assessed for impairment		
- Non-performing loans - quantitatively	204,853	13,103
- Others qualitatively assessed	70,673	49,485
Total	**375,587**	**147,954**
Impairment charge on restructured facilities	**122,736**	**13,672**

NOTES *(Continued)*

e) Analysis of financial assets

The tables below shows a breakdown of the credit risk exposure for on-balance sheet assets.

GROUP

	Amounts are in TZS' Million			
	Neither Past due nor impaired		Past due	
	Gross maximum exposure	Current (0 to 30 days)	Past due (31 to 90 days)	Impaired
As at 31 December 2017				
Cash and balances with Central Bank	843,234	843,234	-	-
Loans and advances to banks	265,142	265,142	-	-
Government securities	1,104,547	1,104,547	-	-
Loans and advances to customers (Gross)	3,124,496	2,583,438	45,063	495,995
Other assets	74,383	69,470	-	4,913
Total credit exposure	**5,411,802**	**4,865,831**	**45,063**	**500,908**
As at 31 December 2016				
Cash and balances with Central Bank	676,245	676,245	-	-
Loans and advances to banks	264,069	264,069	-	-
Government securities	580,787	580,787	-	-
Loans and advances to customers (Gross)	3,382,640	2,666,573	157,163	558,904
Other assets	74,609	71,087	-	3,522
Total credit exposure	**4,978,350**	**4,258,761**	**157,163**	**562,426**

BANK

	Gross maximum exposure	Current (0 to 30 days)	Past due (31 to 90 days)	Impaired
As at 31 December 2017				
Cash and balances with Central Bank	826,356	826,356	-	-
Loans and advances to banks	284,961	284,961	-	-
Government securities	1,057,862	1,057,862	-	-
Loans and advances to customers (Gross)	3,075,212	2,534,675	44,681	495,856
Other assets	72,320	67,606	-	4,714
Total credit exposure	**5,316,711**	**4,771,460**	**44,681**	**500,570**
As at 31 December 2016				
Cash and balances with Central Bank	665,426	665,426	-	-
Loans and advances to banks	290,933	290,933	-	-
Government securities	532,138	532,138	-	-
Loans and advances to customers (Gross)	3,342,396	2,638,194	147,403	556,799
Other assets	67,829	64,322	-	3,507
Total credit exposure	**4,898,722**	**4,191,013**	**147,403**	**560,306**

NOTES *(Continued)*

4.1.6 Investment securities

The investment securities held by the Group and Bank comprise treasury bills and bonds issued by the Governments of Burundi and Tanzania. All these investments were considered to be neither past due nor impaired. These investment securities are held with the Governments or institutions with good financial standing and no history of default. They are not rated.

4.1.7 Concentration of risks of financial assets with credit risk exposure

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

NOTES (Continued)

(a) Industry sectors

GROUP

Amounts are in TZS' Million	Financial institutions	Manufacturing	Local and Central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Credit exposures as at 31st December 2017										
On Balance sheet items										
Cash and balances with Central Banks	843,234	-	-	-	-	-	-	-	-	**843,234**
Loans and advances to banks	265,142	-	-	-	-	-	-	-	-	**265,142**
Government securities	-	-	1,104,547	-	-	-	-	-	-	**1,104,547**
Loans and advances to customers (Gross)	108,785	135,523	187,229	413,149	51,808	105,675	474,365	1,065,655	582,307	**3,124,496**
Other assets*	-	-	-	-	46,771	-	-	-	27,612	**74,383**
	1,217,161	**135,523**	**1,291,776**	**413,149**	**98,579**	**105,675**	**474,365**	**1,065,655**	**609,919**	**5,411,803**
Off-Balance sheet items										
Guarantees and indemnities	4,065	-	-	34,523	3,120	-	596	1,567	237,808	**281,679**
Letters of credit	2,261	-	112,734	8,942	-	-	41,015	-	13,930	**178,882**
Commitment to extend credit	1,557	12,834	-	43,473	8,032	1,098	64,738	4,914	36,116	**172,762**
	7,883	**12,834**	**112,734**	**86,938**	**11,152**	**1,098**	**106,349**	**6,481**	**287,854**	**633,323**

NOTES (Continued)

4.1.7 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Industry sectors (Continued)

GROUP

Amounts are in TZS' Million	Financial institutions	Manufacturing	Local and Central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Credit exposures as at 31st December 2016										
On Balance sheet items										
Cash and balances with Central Banks	676,245	-	-	-	-	-	-	-	-	**676,245**
Loans and advances to banks	264,069	-	-	-	-	-	-	-	-	**264,069**
Government securities	-	-	580,787	-	--	--	--	--	--	**580,787**
Loans and advances to customers (Gross)	144,309	149,398	73,867	482,387	193,537	125,828	546,593	1,024,907	641,814	**3,382,640**
Other assets*	-	-	-	-	42,686	-	-	-	31,923	**74,609**
	1,084,623	**149,398**	**654,654**	**482,387**	**236,223**	**125,828**	**546,593**	**1,024,907**	**673,737**	**4,978,350**
Off-Balance sheet items										
Guarantees and indemnities	24,700	6,717	1,163	24,694	139,103	-	382	-	2,912	**199,671**
Letters of credit	-	14,207	173,707	8,159	1,275	-	39,609	-	-	**236,957**
Commitment to extend credit	5,126	21,323	-	57,484	31,843	13,644	74,246	1,670	34,486	**239,822**
	29,826	**42,247**	**174,870**	**90,337**	**172,221**	**13,644**	**114,237**	**1,670**	**37,398**	**676,450**

NOTES (Continued)

4.1.7 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Industry sectors (Continued)

BANK

(Amounts are in TZS' Million)	Financial institutions	Manufacturing	Local and central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Credit exposures as at 31 December 2017										
On Balance sheet items										
Cash and balances with Central Banks	826,356	-	-	-	-	-	-	-	-	**826,356**
Loans and advances to banks	284,961	-	-	-	-	-	-	-	-	**284,961**
Government securities	-	-	1,057,862	-	--	--	--	--	-	**1,057,862**
Loans and advances to customers (Gross)	122,003	133,024	172,650	409,649	51,356	105,675	472,573	1,027,397	580,885	**3,075,212**
Other assets*	-	-	-	-	46,771	-	-	-	25,549	**72,320**
	1,233,320	**133,024**	**1,230,512**	**409,649**	**98,127**	**105,675**	**472,573**	**1,027,397**	**606,434**	**5,316,711**
Off-Balance sheet items										
Guarantees and indemnities	4,065	-	-	34,523	3,120	-	596	1,567	237,565	**281,436**
Letters of credit	2,261	-	112,734	8,942	-	-	41,015	-	13,930	**178,882**
Commitment to extend credit	1,557	12,834	-	43,473	8,032	1,098	64,738	4,914	29,968	**166,614**
	7,883	**12,834**	**112,734**	**86,938**	**11,152**	**1,098**	**106,349**	**6,481**	**281,463**	**626,932**

NOTES (Continued)

4.1.7 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Industry sectors (Continued)

BANK

(Amounts are in TZS' Million)	Financial institutions	Manufacturing	Local and central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
Credit exposures as at 31 December 2016										
On Balance sheet items										
Cash and balances with Central Banks	665,426	-	-	-	-	-	-	-	-	**665,426**
Loans and advances to banks	290,933	-	-	-	-	-	-	-	-	**290,933**
Government securities	-	-	532,138	-	--	--	--	-	-	**532,138**
Loans and advances to customers (Gross)	168,772	146,983	73,867	476,161	192,879	125,827	545,259	998,690	613,958	**3,342,396**
Other assets*	-	-	-	-	42,686	-	-	-	25,143	**67,829**
	1,125,131	**146,983**	**606,005**	**476,161**	**235,565**	**125,827**	**545,259**	**998,690**	**639,101**	**4,898,722**
Off-Balance sheet items										
Guarantees and indemnities	24,700	6,717	1,163	24,694	139,103	-	382	-	2,715	**199,474**
Letters of credit	-	14,207	173,707	8,159	1,275	-	39,609	-	-	**236,957**
Commitment to extend credit	5,126	21,323	-	57,484	31,843	13,644	74,246	1,670	33,432	**238,768**
	29,826	**42,247**	**174,870**	**90,337**	**172,221**	**13,644**	**114,237**	**1,670**	**36,147**	**675,199**

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

NOTES (Continued)

4.1.7 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Geographical sectors

GROUP

(Amounts are in TZS' Million)	Tanzania	Europe	America	Burundi	Others	Total
Year ended 31 December 2017						
On Balance sheet items						
Cash and balances with Central Banks	826,356	-		16,878	-	**843,234**
Loans and advances to banks	80,265	100,836	81,008	-	3,033	**265,142**
Government securities	1,057,862	-	-	46,685	-	**1,104,547**
Loans and advances to customers (Gross)	3,060,674	-	-	63,822	-	**3,124,496**
Other assets	74,383	-	-	-	-	**74,383**
	5,099,540	**100,836**	**81,008**	**127,385**	**3,033**	**5,411,802**
Off balance sheet items						
Guarantees and indemnities	236,111	5,267	-	243	40,058	**281,679**
Letters of credit	-	28,851	-	-	150,031	**178,882**
Commitment to extend credit	166,614	-	-	6,148	-	**172,762**
	402,725	**34,118**	**-**	**6,391**	**190,089**	**633,323**

GROUP

(Amounts are in TZS' Million)	Tanzania	Europe	America	Burundi	Others	Total
Year ended 31 December 2016						
Balances with Central Banks	665,426	-	-	10,819	-	**676,245**
Loans and advances to banks	136,609	74,362	37,387	-	15,711	**264,069**
Government securities	532,138	-	-	48,649	-	**580,787**
Loans and advances to customers (Gross)	3,317,933	-	-	64,707	-	**3,382,640**
Other assets	74,284	-	-	325	-	**74,609**
	4,726,390	**74,362**	**37,387**	**124,500**	**15,711**	**4,978,350**
Off balance sheet items						
Guarantees and indemnities	199,474	-	-	197	-	**199,671**
Letters of credit	-	37,913-	-	199,044	236,957	
Commitment to extend credit	238,768	-	-	1,054	-	**239,822**
	438,242	**37,913**	**-**	**1,251**	**199,044**	**676,450**

NOTES *(Continued)*

4.1.7 Concentration of risks of financial assets with credit risk exposure (Continued)

(b) Geographical sectors (continued)

BANK

(Amounts are in TZS' Million)	Tanzania	Europe	America	Burundi	Others	Total
Year ended 31 December 2017						
On Balance sheet items						
Balances with Central Bank	826,356	-	-	-	-	**826,356**
Loans and advances to banks	76,176	100,836	81,009	23,907	3,033	**284,961**
Government securities	1,057,862	-	-	-	-	**1,057,862**
Loans and advances to customers (Gross)	3,060,674	-	-	14,538	-	**3,075,212**
Other assets	72,102	-	-	218	-	**72,320**
	5,093,170	**100,836**	**81,009**	**38,663**	**3,033**	**5,316,711**
Off balance sheet items						
Guarantees and indemnities	236,111	5,267	-	-	40,058	**281,436**
Letters of credit	-	28,851	-	-	150,031	**178,882**
Commitment to extend credit	166,614	-	-	-	-	**166,614**
	402,725	**34,118**	**-**	**-**	**190,089**	**626,932**

BANK

(Amounts are in TZS' Million)	Tanzania	Europe	America	Burundi	Others	Total
Year ended 31 December 2016						
On Balance sheet items						
Balances with Central Bank	665,426	-	-	-	-	**665,426**
Loans and advances to banks	131,312	74,334	37,387	32,189	15,711	**290,933**
Government securities	532,138	-	-	-	-	**532,138**
Loans and advances to customers (Gross)	3,317,933	-	-	24,463	-	**3,342,396**
Other assets	67,144	-	-	685	-	**67,829**
	4,713,953	**74,334**	**37,387**	**57,337**	**15,711**	**4,898,722**
Off balance sheet items						
Guarantees and indemnities	199,474	-	-	-	-	199,474
Letters of credit	-	37,913	-	-	199,044	236,957
Commitment to extend credit	238,768	-	-	-	-	238,768
	438,242	**37,913**	**-**	**-**	**199,044**	**675,199**

NOTES *(Continued)*

4.2 Market risk

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

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

(a) Market risk measurement techniques

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

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

4.2.1 Foreign Exchange Risk

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

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
USD	(1,102)	(3,286)	(325)	(1,863)
EURO	760	17	751	17
GBP	(22)	1	(22)	1
BIF	(108)	97	-	97
Others	162	(109)	162	(109)

If the exchange rate for the BIF were to shift by 4%, then the impact on the translation reserve in relation to the translation of CRDB Bank Burundi SA for consolidation purposes would be TZS 1,105 million (2016: TZS 154 million).

NOTES (Continued)

4.2.1 Foreign exchange risk (continued)

GROUP

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

As at 31 December 2017	TZS	USD	EURO	GBP	BIF	Others	Total
Assets							
Cash and balances with Central Banks	601,004	539,414	4,983	1,440	-	-	**1,146,841**
Loans and advances to banks	27,112	131,869	95,185	3,369	15	7,592	**265,142**
Loans and advances to customers (Gross)	2,367,925	755,560	1,010	-	-	1	**3,124,496**
Government securities	1,104,547	-	-	-	-	-	**1,104,547**
Other assets*	73,660	760	1	-	(38)	-	**74,383**
	4,174,248	**1,427,603**	**101,179**	**4,809**	**(23)**	**7,593**	**5,715,409**
Liabilities							
Deposits from customers	3,272,487	971,780	74,244	5,547	-	1,813	4,325,871
Deposits from banks	1,012	78,567	107	33	3	-	79,722
Other liabilities**	63,808	2,452	(13)	1	282	1	66,531
Short term borrowings	-	89,733	-	-	-	-	89,733
Long term borrowings	196,513	279,050	-	-	-	-	475,563
Subordinated debt	32,413	57,170	-	-	-	-	89,583
	3,574,750	1,466,972	74,041	5,581	3,845	1,814	5,127,003
Net on-balance sheet financial position	599,498	(39,369)	27,138	(772)	(3,868)	5,779	588,406
Off balance sheet commitments	306,132	278,201	39,172	725	-	9,093	633,323

NOTES (Continued)

4.2.1 Foreign exchange risk (continued)

GROUP

Concentrations of foreign currency risk – on- and off-balance sheet financial instruments. (Amounts are in TZS' Million)							
As at 31 December 2016	**TZS**	**USD**	**EURO**	**GBP**	**BIF**	**Others**	**Total**
Assets							
Cash and balances with Central Banks	858,753	39,307	4,025	1,097	-	-	903,182
Loans and advances to banks	40,110	149,136	67,572	2,884	3,530	837	264,069
Loans and advances to customers (Gross)	2,526,304	855,390	925	21	-	-	3,382,640
Government securities	580,787	-	-	-	-	-	580,787
Other assets*	74,587	22	-	-	-	-	74,609
	4,080,541	**1,043,855**	**72,522**	**4,002**	**3,530**	**837**	**5,205,287**
Liabilities							
Deposits from customers	3,139,962	888,050	73,163	4,564	-	4,235	4,109,974
Deposits from banks	51,399	70,185	-	4	4	4	121,596
Other liabilities**	23,184	9,790	(1,264)	(599)	71	496	31,678
Borrowings	155,636	138,672 -	-	- -	294,308		
Subordinated debt	33,454	54,507	-	-	-	-	87,961
	3,403,635	1,161,204	71,899	3,969	75	4,735	4,645,517
Net on-balance sheet financial position	**676,906**	**(117,349)**	**623**	**33**	**3,455**	**(3,898)**	**559,770**
Off balance sheet commitments	**160,557**	**427,746**	**10,237**	**307**	**64,706**	**12,897**	**676,450**

NOTES (Continued)

4.2.1 Foreign exchange risk (continued)

BANK

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

As at 31 December 2017	TZS	USD	EURO	GBP	BIF	Others	Total
Assets							
Cash and balances with Central Banks	586,889	533,386	4,589	1,408	-	-	1,126,272
Loans and advances to banks	25,498	153,322	95,167	3,367	15	7,592	284,961
Loans and advances to customers (Gross)	2,304,102	770,098	1,010	-	-	2	3,075,212
Government securities	1,057,862	-	-	-	-	-	1,057,862
Other assets	71,559	760	1	-	-	-	72,320
Total financial assets	**4,045,910**	**1,457,566**	**100,767**	**4,775**	**15**	**7,594**	**5,616,627**
Liabilities							
Deposits from customers	3,196,796	960,001	73,947	5,547	-	1,813	4,238,104
Deposits from banks	12	80,664	-	-	3	-	80,679
Other liabilities	81,227	2,452	(13)	1	-	1	83,668
Short term borrowings	-	89,733	-	-	-	-	89,733
Long term borrowings	196,513	279,050	-	-	-	-	475,564
Subordinated debt	32,413	57,170	-	-	-	-	89,583
Total financial liabilities	**3,506,961**	**1,469,170**	**73,934**	**5,548**	**3**	**1,814**	**5,057,430**
Net on-balance sheet financial position	**538,949**	**(11,604)**	**26,833**	**(773)**	**12**	**5,780**	**559,197**
Off balance sheet commitments	**299,741**	**278,201**	**39,172**	**725**	**-**	**9,093**	**626,932**

NOTES (Continued)

4.2.1 Foreign exchange risk (continued)

BANK

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

As at 31 December 2016	TZS	USD	EURO	GBP	BIF	Others	Total
Assets							
Cash and balances with Central Banks	849,000	37,161	3,845	1,094	-	-	**891,100**
Loans and advances to banks	39,677	176,511	67,494	2,884	3,530	837	**290,933**
Loans and advances to customers (Gross)	2,461,445	880,004	925	22	-	-	**3,342,396**
Government securities	532,138		- -	-	-	-	**532,138**
Other assets	67,807	22	-	-	-	-	**67,829**
Total financial assets	**3,950,067**	**1,093,698**	**72,264**	**4,000**	**3,530**	**837**	**5,124,396**
Liabilities							
Due to customers	3,081,423	883,186	72,924	4,564	-	4,236	**4,046,333**
Deposits from banks	50,029	74,083	-	-	4 -	124,116	
Other liabilities	32,134	9,790	(1,264)	(599)	71	496	**40,628**
Subordinated debt	33,454	54,507	-	-	-	-	**87,961**
Borrowings	155,636	138,672	-	-	-	-	
Total financial liabilities	**3,352,676**	**1,160,238**	**71,660**	**3,965**	**75**	**4,732**	**4,593,346**
Net on-balance sheet financial position	**597,391**	**(66,540)**	**604**	**35**	**3,455**	**(3,895)**	**531,050**
Off balance sheet commitments	**224,011**	**427,746**	**10,237**	**307**	**-**	**12,898**	**675,199**

NOTES *(Continued)*

4.2.2 Price risk

The Group and the Bank is exposed to equity securities price risk as it currently holds 327,632 shares invested in DSE (TZS 367 million) which is not significant. Investment in the shares of Tanzania Mortgage Refinance company (TMRC) are carried at cost hence no price risk exposure. The value of invested shares are exposed to debt securities price risk classified on the balance sheet as available for sale. If the market price of debt had increased/decreased by 5% with all other variables held constant, the fair value reserve in debt securities would have increased/ decreased as a result of gains or losses on debt securities classified as available for sale by TZS 14,219 million as at 31 December 2017 (2016: TZS 3,146 million) for the group and TZS 14,219 million (2016: TZS 3,146 million) for the Bank.

4.2.3 Interest rate risk

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

With all other variables held constant, if the interest rates prevailing during the year shifted by 500 basis points on all Bank's interest bearing assets and liabilities, profit before tax would be lower or higher by TZS 20,486 million (2016: TZS 21,657 million) for Group and TZS 20,039 million (2016: TZS 21,246 million) for Bank.

NOTES *(Continued)*

4.2.3 Interest rate risk (continued)

GROUP

	(Amounts are in TZS Million)		
	Interest bearing	Non-interest bearing	Total
As at 31 December 2017			
Assets			
Cash and balances with Central banks	-	1,146,841	**1,146,841**
Government securities	1,104,547	-	**1,104,547**
Loans and advances to banks	131,474	133,668	**265,142**
Loans and advances to customers (Gross)	3,124,496	-	**3,124,496**
Other assets	-	74,383	**74,383**
Total financial assets	**4,360,517**	**1,354,892**	**5,715,409**
Liabilities			
Deposits from Banks	79,722	-	**79,722**
Deposits from customers	4,282,498	43,373	**4,325,871**
Short term borrowings	89,733	-	**89,733**
Long term borrowings	475,563	-	**475,563**
Subordinated debt	89,583	-	**89,583**
Other liabilities	-	66,531	**66,531**
Total financial liabilities	**5,017,099**	**109,904**	**5,127,003**
Total interest gap	**(656,582)**		
As at 31 December 2016			
Assets			
Cash and balances with Central banks	-	903,182	**903,182**
Government securities	580,787	-	**580,787**
Loans and advances to banks	127,352	136,717	**264,069**
Loans and advances to customers (Gross)	3,382,640	-	**3,382,640**
Other assets	-	74,609	**74,609**
Total financial assets	**4,090,779**	**1,114,508**	**5,205,287**
Liabilities			
Deposits from Banks	121,596	-	**121,596**
Deposits from customers	4,068,232	41,742	**4,109,974**
Borrowings	294,308	-	**294,308**
Subordinated debt	87,961	-	**87,961**
Other liabilities	-	31,678	**31,678**
Total financial liabilities	**4,572,097**	**73,420**	**4,645,517**
Total interest gap	**(481,298)**		

NOTES *(Continued)*

4.2.3 Interest rate risk (continued)

BANK

	(Amounts are in TZS Million)		
	Interest bearing	Non-interest bearing	Total
As at 31 December 2017			
Assets			
Cash and balances with Central banks	-	1,126,272	**1,126,272**
Government securities	1,057,862	-	**1,057,862**
Loans and advances to banks	153,330	131,631	**284,961**
Loans and advances to customers (Gross)	3,075,212	-	**3,075,212**
Other assets	-	72,320	**72,320**
Total financial assets	**4,286,404**	**1,330,223**	**5,616,627**
Liabilities			
Deposits from banks	80,679	-	**80,679**
Deposits from customers	4,194,731	43,373	**4,238,104**
Short term borrowings	89,733	-	**89,733**
Long term borrowings	475,563	-	**475,563**
Subordinated debt	89,583	-	**89,583**
Other liabilities	-	83,668	**83,668**
Total financial liabilities	**4,930,289**	**127,041**	**5,057,330**
Total interest gap	**(636,428)**		
As at 31 December 2016			
Assets			
Cash and balances with Central banks	-	891,100	**891,100**
Government securities	532,138	-	**532,138**
Loans and advances to banks	156,844	134,089	**290,933**
Loans and advances to customers (Gross)	3,342,396	-	**3,342,396**
Other assets	-	67,829	**67,829**
Total financial assets	**4,031,378**	**1,093,018**	**5,124,396**
Liabilities			
Deposits from banks	124,116	-	**124,116**
Deposits from customers	4,004,590	41,743	**4,046,333**
Borrowings	294,308	-	**294,308**
Subordinated debt	87,961	-	**87,961**
Other liabilities	-	40,628	**40,628**
Total financial liabilities	**4,510,975**	**82,371**	**4,593,346**
Total interest gap	**(479,597)**		

NOTES (Continued)

4.3 Liquidity risk

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

4.3.1 Liquidity risk management process

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

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

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (Note 4.4.4).

4.3.2 Funding approach

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

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

NOTES (Continued)

4.3.3 Non-derivative cash flows

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

GROUP

	Amounts are in TZS Million			
	Up to 3 months	3-12 months	Over 1 year	Total
As at 31 December 2017				
Liabilities				
Deposits from customers	3,850,593	343,855	131,423	**4,325,871**
Deposits from banks	45,865	33,857	-	**79,722**
Subordinated debt	59,583	-	30,000	**89,583**
Short term borrowings	89,733	-	-	**89,733**
Long term borrowings	79,965	65,876	329,722	**475,563**
Other liabilities**	66,531	-	-	**66,531**
Total financial liabilities (contractual maturity dates)	4,192,270	443,588	491,145	**5,127,003**
Total financial assets (expected maturity dates)	1,924,048	650,641	2,910,061	**5,484,751**
As at 31 December 2016				
Liabilities				
Deposits from customers	3,731,954	326,505	51,515	**4,109,974**
Deposits from banks	103,999	17,597	-	**121,596**
Subordinated debt	55,554	-	32,407	**87,961**
Borrowings	141,695	-	152,613	**294,308**
Other liabilities**	31,678	-	-	**31,678**
Total financial liabilities (contractual maturity dates)	4,064,880	344,102	236,535	**4,645,517**
Total financial assets (expected maturity dates)	1,764,678	793,719	2,661,976	**5,220,373**

** Other liabilities (excludes deferred income, dividend payable and statutory liabilities).

NOTES (Continued)

4.3.3 Non-derivative cash flows (continued)

BANK

	(Amounts are in TZS Million)			
	Up to 3 months	3-12 months	Over 1 year	Total
As at 31 December 2017				
Liabilities				
Deposits from customers	3,781,517	325,164	131,423	**4,238,104**
Deposits from banks	46,822	33,857	-	**80,679**
Subordinated debt	59,583	-	30,000	**89,583**
Short term borrowings	89,733	-	-	**89,733**
Long term borrowings	79,965	65,876	329,722	**475,563**
Other liabilities**	83,668	-	-	**83,668**
Total financial liabilities (contractual maturity dates)	4,141,288	424,897	491,145	**5,057,330**
Total financial assets (expected maturity dates)	1,896,796	639,619	2,849,785	**5,386,200**
As at 31 December 2016				
Liabilities				
Deposits from customers	3,683,287	311,635	51,411	**4,046,333**
Deposits from banks	102,313	21,803	-	**124,116**
Subordinated debt	55,554	-	32,407	**87,961**
Borrowings	141,695	-	152,613	**294,308**
Other liabilities**	40,628	-	-	**40,628**
Total financial liabilities (contractual maturity dates)	4,023,477	333,438	236,431	**4,593,346**
Total financial assets (expected maturity dates)	1,741,697	789,156	2,608,628	**5,139,481**

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

NOTES *(Continued)*

4.3.4 Collateral

The Group has pledged part of its Treasury bills and bonds in order to fulfil the collateral requirements of various short term borrowings from other banks. At 31 December 2017 and 2016, the fair values of the Treasury bills and bonds pledged were TZS 163,909 million and TZS 48,500 million respectively. The counterparties have an obligation to return the securities to the Group. The Group also holds Treasury Bills and Bonds amounting TZS 85,750 million as at 31 December 2017 (2016: TZS 133,323 million) in respects of Short term borrowings extended to banks. The Group has an obligation to return the securities to the counterparties upon settlement of the loans, and it's not permitted to sell or repledge the collateral in the absence of default by the owner of the collateral. There are no other significant terms and conditions associated with the use of collateral.

4.3.5 Off-balance sheet items

(a) Loan commitments

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

(b) Financial guarantees and other financial facilities

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

(c) Operating lease commitments

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

(d) Capital commitments

These relate to the acquisition of property and equipment.

NOTES *(Continued)*

(d) Capital commitments (continued)

Summary of off-balance sheet items (Group):

(Amounts are in TZS Million)	No later than 1 year	1 – 5 years	Over 5 years	Total
As at 31 December 2017				
Outstanding letters of credit	178,882	-	-	**178,882**
Guarantees and indemnities	177,913	103,706	60	**281,679**
Commitments to extend credit	172,762	-	-	**172,762**
Operating lease commitments	286	10,905	53,594	**64,785**
Capital commitments	6,670	-	-	**6,670**
As at 31 December 2016				
Outstanding letters of credit	219,938	17,019	-	**236,957**
Guarantees and indemnities	141,970	57,691	10	**199,671**
Commitments to extend credit	239,822	-	-	**239,822**
Operating lease commitments	7,239	15,644	3,481	**26,364**
Capital commitments	9,766	-	-	**9,766**

Summary of off-balance sheet items (Bank):

(Amounts are in TZS Million)	No later than 1 year	1 – 5 years	Over 5 years	Total
As at 31 December 2017				
Outstanding letters of credit	178,882	-	-	178,882
Guarantees and indemnities	177,670	103,706	60	281,436
Commitments to extend credit	166,614	-	-	166,614
Operating lease commitments	286	10,905	52,743	63,934
Capital commitments	6,670	-	-	6,670
As at 31 December 2016				
Outstanding letters of credit	219,938	17,019	-	236,957
Guarantees and indemnities	141,773	57,691	10	199,474
Commitments to extend credit	238,768	-	-	238,768
Operating lease commitments	7,239	15,644	3,226	26,109
Capital commitments	9,766	-	-	9,766

NOTES *(Continued)*

(a) Financial instruments not measured at fair value

The fair value of financial assets and liabilities not measured at fair value do not approximate carrying amounts. Accordingly, respective fair values have been computed and disclosed in this note below for both Group and Bank

(i) Loans and advances to banks

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

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

(ii) Loans and advances to customers

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

(iii) Investment securities

The fair value for loans and receivables assets is based on market prices. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics. The fair value estimates for these securities has been disclosed in this note below.

(iv) Deposits from banks and due to customers

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

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

(v) Off-balance sheet financial instruments

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

NOTES *(Continued)*

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

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

GROUP

As at 31 December 2017	Loans and receivables TZS'Million	Other amortised cost TZS'Million	Total carrying amount TZS'Million	Fair value TZS'Million
Financial assets				
Cash and balances with Central Banks	-	1,146,841	1,146,841	1,146,841
Loans and advances to banks	265,142	-	265,142	265,142
Loans and advances to customers (Gross)	3,124,496	-	3,124,496	3,085,128
Government securities	698,291	-	698,291	711,216
Other assets	74,383	-	74,383	74,383
	4,162,312	**1,146,841**	**5,309,153**	**5,362,381**
Financial liabilities				
Deposits from banks	-	79,722	79,722	79,722
Deposits from customers	-	4,325,871	4,325,871	4,325,871
Short term borrowings	-	89,733	89,733	89,733
Long term borrowings	-	475,563	475,563	475,563
Subordinated debts	-	89,583	89,583	89,583
Other liabilities	-	66,531	66,531	66,531
	-	**5,127,003**	**5,127,003**	**5,127,003**

NOTES *(Continued)*

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

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

GROUP

As at 31 December 2016	Loans and receivables TZS'Million	Other amortised cost TZS'Million	Total carrying amount TZS'Million	Fair value TZS'Million
Financial assets				
Cash and balances with Central Banks	-	903,182	903,182	903,182
Loans and advances to banks	264,069	-	264,069	264,069
Loans and advances to customers (Gross)	3,382,640	-	3,382,640	3,348,130
Government securities	490,913	-	490,913	580,787
Other assets	74,609	-	74,609	74,609
	4,212,231	**903,182**	**5,115,413**	**5,170,777**
Financial liabilities				
Deposits from banks	-	121,596	121,596	121,596
Deposits from customers	-	4,109,974	4,109,974	4,109,974
Borrowings	-	294,308	294,308	294,308
Subordinated debts	-	87,961	87,961	87,961
Other liabilities	-	31,678	31,678	31,678
	-	**4,645,517**	**4,645,517**	**4,645,517**

NOTES *(Continued)*

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

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

BANK

As at 31 December 2017	Loans and receivables TZS'Million	Other amortised cost TZS'Million	Total carrying amount TZS'Million	Fair value TZS'Million
Financial assets				
Cash and balances with Central Banks	-	1,126,272	1,126,272	1,126,272
Loans and advances to banks	284,961	-	284,961	284,961
Loans and advances to customers (Gross)	3,075,212	-	3,075,212	3,035,844
Government securities	651,606	-	651,606	667,194
Other assets	72,320	-	72,320	72,320
	4,084,009	**1,126,272**	**5,210,371**	**5,186,591**
Financial liabilities				
Deposits from banks	-	80,679	80,679	80,679
Deposits from customers	-	4,238,104	4,238,104	4,238,104
Short term borrowings	-	89,733	89,733	89,733
Long term borrowings	-	475,563	475,563	475,563
Subordinated debts	-	89,583	89,583	89,583
Other liabilities	-	83,668	83,668	83,668
	-	**5,057,330**	**5,057,330**	**5,057,330**

NOTES *(Continued)*

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

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

BANK

As at 31 December 2016	Loans and receivables TZS'Million	Other amortised cost TZS'Million	Total carrying amount TZS'Million	Fair value TZS'Million
Financial assets				
Cash and balances with Central Banks	-	891,100	891,100	891,100
Loans and advances to banks	290,933	-	290,933	290,933
Loans and advances to customers (Gross)	3,342,396	-	3,342,396	3,307,886
Government securities	442,264	-	442,264	532,138
Other assets	67,829	-	67,829	67,829
	4,143,422	**891,100**	**5,034,522**	**5,089,886**
Financial liabilities				
Deposits from banks	-	124,116	124,116	124,116
Deposits from customers	-	4,046,333	4,046,333	4,046,333
Borrowings	-	294,308	294,308	294,308
Subordinated debts		87,961	87,961	87,961
Other liabilities	-	40,628	40,628	40,628
	-	**4,593,346**	**4,593,346**	**4,593,346**

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

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

NOTES (Continued)

(b) Fair value hierarchy

Transfers between the levels of the fair value hierarchy are recognized by the Bank at the end of the reporting period during which the change occurred.

Group and Bank

The following table represents the Group's and Bank's financial assets that are measured at fair value at 31 December 2017. Motor vehicles that are measured at fair value are disclosed under note 26B.

	TZS' Million			
31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets:				
- Treasury Bonds	-	406,256	-	**406,256**
- Equity Investment (at cost)	367	-	2,380	**2,747**
Total assets	**367**	**406,256**	**2,380**	**409,003**

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

	TZS' Million			
31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale financial assets:				
- Treasury Bonds	-	89,874	-	**89,874**
- Equity Investment (at cost)	328	-	2,280	**2,608**
Total assets	**328**	**89,874**	**2,280**	**92,482**

Reconciliation of Level 3	**2017**	**2016**
Equity Investments		
At 1 January (TZS' Million)	2,280	2,280
Purchases (TZS' Million)	100	-
Sales	-	-
At 31 December	**2,380**	**2,280**

NOTES *(Continued)*

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

Financial instruments in level 1

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

Financial instruments in level 2

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

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

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

Specific valuation techniques used to value financial instruments include:

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

Financial instruments in level 3

Investment securities are fair valued based on observable market information, including market prices for debt and equity securities. Where observable market inputs are unavailable, the Group uses valuation techniques to arrive to the fair value, including the use of transaction prices obtained at recent arm's length transactions and discounted cash flow analysis, based on market conditions and risks at the reporting date.

NOTES (Continued)

4.5 Capital management

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

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

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

The Central Bank requires the Banking group to:

(a) hold the minimum level of core capital of TZS15 billion;

(b) maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 12.5%; and

(c) Maintain total capital of not less than 14.5% of risk-weighted assets plus risk-weighted off-balance sheet items.

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

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

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

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2017 and year ended 31 December 2016. During those two periods, the Bank complied with all of the externally imposed capital requirements to which they are subject.

NOTES *(Continued)*

4.5 Capital management (continued)

Amount in TZS' Million	GROUP		BANK	
	2017	2016	2017	2016
Tier 1 capital				
Share capital	65,296	65,296	65,296	65,296
Share Premium	158,314	158,314	158,314	158,314
Retained earnings	463,424	406,670	442,494	389,223
Prepaid expenses	(16,373)	(14,392)	(15,278)	(12,477)
Deferred tax asset	(75,627)	(42,351)	(74,214)	(41,027)
Intangible assets	(37,737)	(35,146)	(36,616)	(33,978)
Total qualifying Tier 1 capital	**557,297**	**538,391**	**539,996**	**525,351**
Tier 2 capital				
General banking reserve	27,217	26,537	26,796	26,537
Subordinated debt	75,701	87,961	75,701	87,961
Revaluation reserve	15,622	(2,031)	15,135	(187)
Total qualifying Tier 2 capital	118,540	112,467	117,632	114,311
Total regulatory capital	**675,837**	**650,858**	**657,628**	**639,662**
Risk-weighted assets				
On-balance sheet	3,189,252	3,619,770	3,148,235	3,542,362
Off-balance sheet	397,949	362,259	396,514	362,062
Market risk	19,136	6,575	19,136	6,575
Operational risk	367,038	-	352,729	-
Total risk-weighted assets	**3,973,375**	**3,988,604**	**3,916,614**	**3,910,999**

	Required Ratio %	Group's Ratio 2017 %	Group's Ratio 2016 %	Bank's Ratio 2017 %	Bank's Ratio 2016 %
Tier 1 capital	12.5	14.0%	13.5%	13.8%	13.4%
Tier 1 + Tier 2 capital (Total capital)	14.5	17.0%	16.3%	16.8%	16.4%

NOTES *(Continued)*

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Critical accounting estimates and assumptions

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

(i) Fair value of financial instruments

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

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

a) Impairment losses on loans and advances

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

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

In determining whether an impairment loss should be recorded in the profit or loss for loans and advances collectively assessed for impairment, management makes judgments in determining the grouping of loans and advances with similar credit risk characteristics and whether there is any observable data indicating that

NOTES *(Continued)*

a) Impairment losses on loans and advances (Continued)

there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before a decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience and emergence period for assets with similar credit risk characteristics.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. If the historical loss experiences used to estimate the collective impairment allowances for the groups of loans and advances with similar credit characteristics is increased by 100 basis points as well as increasing emergency period by 1 month, the collective impairment allowance would increase by TZS 13,658 million (2016: TZS 11,064 million). For loans and advances individually assessed for impairment, if the recovery period is increased by 1 year, collateral value and the collateral recovery costs increased by 5%, the specific allowance for impairment would increase by TZS 32,862 million (2016: TZS 22,530 million)

b) Impairment of available-for-sale equity investments

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

c) Provisions for legal liabilities

The Group has provided for the liabilities arising out of contractual obligations. The closing balance of provisions on litigations amounted to TZS 3,231 million (2016: TZS 1,715 million). Professional expert advice is taken on establishing litigation provisions. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgements than other types of provisions. When cases are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists as a result of a past event, estimating the probability of outflows and making estimates of the amount of any outflows that may arise. As matters progress through various stages of the cases, Management together with legal advisers evaluate on an ongoing basis whether provisions should be recognized, and the estimated amounts of any such provisions, revising previous judgements and estimates as appropriate.

NOTES *(Continued)*

d) Deferred tax assets

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning and strategies. The deferred tax asset recognized on the Group's statement of financial position in year 2017 amounted to TZS 75,627 million (2016: TZS 42,351 million) and TZS 74,214 million (2016: TZS 41,027 million) for the bank. The judgments take into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income, and future reversals of existing taxable temporary differences.

e) Property, equipment and intangible assets

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

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

6 INTEREST AND SIMILAR INCOME

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Loans and advances to customers				
- Term loans	333,455	341,849	326,371	336,484
- Overdrafts	93,190	109,670	92,448	108,742
Placements and balances with other banks	8,070	5,802	9,462	7,082
Discount earned and interest on Government securities				
-Treasury bills	41,099	57,071	40,870	55,820
-Treasury bonds	84,530	54,881	78,603	50,221
	560,344	**569,273**	**547,754**	**558,349**
Interest income on non-performing loans during non-performing period	**3,664**	**9,218**	**3,664**	**9,218**

NOTES *(Continued)*

7 INTEREST EXPENSE

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Deposits from customers				
– current accounts	16,047	15,766	15,392	15,655
– savings accounts	28,428	26,939	28,195	26,780
– fixed deposits	56,046	48,419	53,401	45,981
Short-term Borrowing	934	-	934	-
Long-term borrowing	28,202	15,869	28,202	15,869
Inter-bank borrowing	14,616	23,169	14,503	23,169
Subordinated debt	6,355	5,966	6,355	5,966
	150,628	**136,128**	**146,982**	**133,420**

NOTES *(Continued)*

8 NET FEE AND COMMISSION INCOME

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
(a) Fee and Commission Income				
Service charge on customer accounts	47,306	42,741	46,889	42,314
Loan application fees	17,243	22,869	16,690	22,173
ATM withdrawal charges	13,467	13,011	13,148	12,964
VISA and master card fees	6,634	7,644	6,610	7,447
Commission on letters of credit	3,450	5,374	3,437	5,307
Fee on issue of bank cards	12,599	12,623	12,552	12,532
Fee on local transfers and drafts	5,925	6,041	5,839	5,955
Point of sale fees	7,001	6,231	6,712	5,756
Fee on international telegraphic transfers	5,266	3,250	3,008	3,241
Commission on guarantees and indemnities	3,136	2,321	3,121	2,312
Commission on mobile phone services	31,517	18,775	30,977	18,716
Salary processing fees	6,102	6,535	6,077	6,515
Bills discounted	849	462	846	460
Penalties *	2,177	1,392	2,169	1,389
Insurance Commission	3,935	4,852	447	558
Sale of Cheque books	832	1,025	759	947
Statement Charges	1,333	1,644	1,328	1,656
Custodianship Commission	592	730	590	736
Agency Banking	3,030	1,677	2,994	1,673
TRA collections	1,472	1,694	1,465	1,690
Other fees and commissions	4,356	2,930	4,097	2,984
	178,222	**163,821**	**169,755**	**157,325**

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

NOTES *(Continued)*

8 NET FEE AND COMMISSION INCOME (Continued)

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
(b) Fee and Commission Expense				
Loan commission/Government borrowers	3,942	4,297	3,942	4,297
Commission paid Agency banking	6,333	4,021	6,333	4,013
Bank loan processing commission	1,142	1,132	1,142	1,132
Commission paid Nostro transactions	2,580	1,955	2,391	1,582
Commission payable to MFSC (subsidiary)	-	-	19,915	25,068
	13,997	**11,405**	**33,723**	**36,092**

9 NET FOREIGN EXCHANGE INCOME

Net Foreign Exchange Income	**37,351**	**34,842**	**36,033**	**31,353**

10 INCOME FROM SECURITY TRADING

Income from Security Trading	**4,490**	**2,118**	**4,490**	**2,118**

11 OTHER OPERATING INCOME

Rental income	86	30	615	30
FSDT Assets grant income	2,630	1,221	2,083	1,021
UNCDF grant income	1,068	12	-	-
DANIDA grant income	617	207	617	207
Other grant (MIVARF)	1,612	1,036	465	-
Rudi Grant	-	1	-	-
(Loss)/Profit on disposal of fixed assets	(452)	(157)	(480)	(62)
	5,561	**2,350**	**3,300**	**1,196**

NOTES (Continued)

12 OTHER OPERATING EXPENSES

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Directors' fees	1,048	971	680	616
Auditors' fees	786	766	637	629
Provision for impairment of other assets	3,544	2,078	3,314	2,063
Hired services costs	20,058	16,446	17,642	14,040
Insurance costs	8,170	6,497	7,885	5,839
Software license	11,067	7,598	10,980	7,437
Marketing costs	10,468	13,079	9,287	12,506
Travelling expenses	12,201	12,556	10,715	10,877
Rent	15,517	15,595	14,938	14,106
Training	6,714	6,244	6,477	5,815
Information system maintenance	3,885	4,318	3,877	4,315
Printer tonner and computer sheets	1,375	1,685	1,339	1,633
Printing and stationery	4,111	3,977	3,777	3,577
VSAT-Communication costs	5,649	4,961	5,468	4,838
Legal fees	3,720	1,845	3,691	1,841
Visa card expenses	9,770	7,939	9,308	7,393
Tembo cards costs	1,490	1,902	1,490	1,902
Telephone and fax	2,328	2,168	2,029	1,873
Motor vehicles repairs and maintenance	1,548	1,668	1,266	1,208
Fuel costs	3,419	3,307	2,866	2,681
Postage	1,454	1,723	1,413	1,670
Electricity	4,134	3,896	3,796	3,653
Board meetings expenses	1,999	1,991	1,499	1,478
Shareholders meeting expense	1,255	1,653	1,255	1,653
Excise duty on Bank fees and commissions	14,927	12,764	14,927	12,764
Maintenance - Office Equipment	1,411	1,425	1,246	1,346
Offsite expenses	2,892	3,166	2,892	3,166
Customer service expenses	728	1,136	728	1,136
Deposit Insurance Fund	5,957	5,669	5,911	5,669
Subscriptions	692	489	635	427
Consultancy Fees	2,928	2,363	2,511	1,980
Service Levy/Excise/Taxes	1,647	1,429	1,641	1,424
Internet fees and Simbanking expenses	1,090	907	1,023	860
Consumables	1,183	1,697	1,086	1,525
Other expenses	1,081	7,299	1,177	5,717
	170,246	**163,207**	**159,406**	**149,657**

NOTES *(Continued)*

13 DEPRECIATION AND AMORTISATION

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Depreciation of property and equipment	36,607	31,485	34,194	29,276
Amortization of intangible assets	8,472	7,154	8,217	6,521
Amortization of prepaid lease	322	304	322	304
Depreciation of Motor vehicles	3,351	3,170	2,903	2,768
	48,752	**42,113**	**45,636**	**38,869**

14 EMPLOYEE BENEFIT EXPENSES

Salaries and wages	131,097	119,274	118,409	106,827
Bonus	5,854	11,260	5,668	10,445
Social security contributions	16,047	14,120	14,602	12,748
Gratuity	12,536	10,821	11,159	9,566
Leave allowance	6,605	5,769	5,971	5,166
Medical expenses	5,946	4,854	5,542	4,406
Staff Welfare	2,609	3,040	2,405	2,842
Skills & Dev. Levy	6,748	6,686	6,207	6,100
Group Personal Accident	1,343	1,393	1,278	1,231
Staff Transfers	959	1,292	937	1,067
Staff award	2,008	1,773	1,880	1,773
Other staff costs	3,641	4,088	2,253	2,648
	195,393	**184,370**	**176,311**	**164,819**

NOTES (Continued)

15 INCOME TAX

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
(a) Income tax expense				
Current income tax – current year	55,372	50,750	54,045	47,910
Current income tax – prior years	1,389	14,484	1,396	14,482
Deferred tax – current year	(38,749)	(19,913)	(38,637)	(17,647)
Deferred tax – prior years	(646)	(3,100)	(666)	(3,107)
	17,366	**42,221**	**16,138**	**41,638**
(b) Income tax recoverable				
At 1 January	15,010	2,595	12,870	1,844
Payments made during the year	53,556	76,269	51,790	73,419
Charge to profit or loss	(56,761)	(65,234)	(55,441)	(62,393)
Adjustment prior years	841	-	469	-
Reclassified from deferred tax	-	1,380	-	-
Closing balance	**12,646**	**15,010**	**9,688**	**12,870**

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

Profit before income tax	53,578	111,798	46,947	105,408
Tax calculated at the statutory income tax rate at 30%	**16,073**	**33,539**	**14,084**	**31,622**
Tax effect of:				
Depreciation on non-qualifying assets	784	712	730	705
Expenses not deductible for tax purposes	681	1,991	671	1,652
Bad debts written off in previous years	-	(3,587)	-	(3,587)
Reclassification/reversal 2016 Opening balance	-	(128)	-	(128)
Under provisions of current tax in previous years	1,389	14,484	1,396	14,482
(Over)/under provision of deferred tax in previous years	(646)	(3,100)	(666)	(3,107)
Other	(915)	(1,690)	(77)	(1)
Income tax expense	**17,366**	**42,221**	**16,138**	**41,638**
Effective tax rate	**32%**	**38%**	**34%**	**40%**

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

NOTES *(Continued)*

16 EARNINGS PER SHARE

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

	2017	2016
Profit for the year (TZS'Million)	36,212	69,577
Weighted average number of shares ('Million)	2,612	2,612
Basic and diluted earnings per share (TZS)	13.86	26.64

There were no potentially dilutive ordinary shares outstanding as at 31st December 2017 (2016: Nil) Diluted earnings per share is the same as basic earnings per share.

17 DISTRIBUTION MADE AND PROPOSED

Amount in TZS Million	2017	2016
Cash dividends on ordinary shares declared:		
Dividend declared 2016 TZS 10 per share (2015:TZS 17 per share)	**26,118**	**44,401**
Proposed dividends on ordinary shares:		
Cash dividend for 2017:TZS 5 per share (2016:TZS 10 per share)	**13,059**	**26,118**

Non-cash distribution
There was no non-cash distribution during the year (2016:NIL)

The Directors propose payment of a dividend of TZS 5 per share, amounting to TZS 13.1 billion out of 2017 profit to be ratified at the Annual General Meeting to be held in May 2018. In 2017, dividend of TZS 10 per share, amounting to TZS 26.1 billion was approved by shareholders and paid.

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

NOTES *(Continued)*

18 CASH AND BALANCES WITH CENTRAL BANKS

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Cash in hand	303,607	228,823	299,916	225,674
Clearing accounts with Central Banks	498,727	234,216	484,375	227,169
Statutory Minimum Reserves (SMR) *	344,507	440,143	341,981	438,257
	1,146,841	**903,182**	**1,126,272**	**891,100**

*In accordance with Section 44 of the Bank of Tanzania Act, 2006 and Sections 4 and 71 of the Banking and Financial Institutions Act, 2006; the Bank was previously required to maintain Statutory Minimum Reserves (SMR) on its total deposit liabilities and funds borrowed from the general public. In 2017, the SMR deposit was required to be at least 8% of customers' total deposits and borrowings from the general public and 40% of government's deposits.

The required reserve ratio determined by the Bank of the Republic of Burundi is set at 3% of the total deposit liabilities.

Effective from 20th June 2017, the Bank of Tanzania unified the Statutory Minimum Reserves (SMR) account with the Clearing accounts so as to increase flexibility in liquidity management by banks and promote sustainability and short-term interest rates.

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

19 GOVERNMENT SECURITIES

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Treasury bills	316,672	207,972	315,031	200,816
Treasury bonds	381,619	282,941	336,575	241,448
	698,291	**490,913**	**651,606**	**442,264**
Available for sale				
Treasury Bonds	406,256	89,874	406,256	89,874
	1,104,547	**580,787**	**1,057,862**	**532,138**

Treasury bills and bonds are debt securities issued by the Government. As at 31 December 2017, treasury bonds amounting to TZS 163,909 million had been pledged as collateral for various short term borrowings from other banks.

NOTES *(Continued)*

19 GOVERNMENT SECURITIES (Continued)

The maturity analysis of Government securities is as follows:

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Maturing within 3 months from date of acquisition				
Treasury bills	1,016	2,632	-	-
Maturing after 3 months from date of acquisition but within 12 months				
Treasury bills	315,656	205,340	315,031	200,816
Maturing after 12 months				
Treasury bonds	787,875	372,815	742,831	331,322
	1,104,547	**580,787**	**1,057,862**	**532,138**
Current	316,672	207,972	315,031	200,816
Non-current	787,875	372,815	742,831	331,322
	1,104,547	**580,787**	**1,057,862**	**532,138**

20 NON CURRENT ASSETS HELD FOR SALE

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Land and Equipment				
Carrying value	16,600	-	16,600	-
	16,600	-	16,600	-

On 28/02/2017 the High court of Tanzania issued a consent judgment whereby CRDB Bank Plc was permitted to sell a property located at Kihonda – Morogoro which was pledged as a collateral for a loan that was given to one of its customers, as a full and final settlement of the loan.

There are several interested parties and the sale is expected to be completed before the end of December 2018. The carrying value is based on the price offered by a counterparty for which the transaction has significantly progressed.

NOTES *(Continued)*

21 LOANS AND ADVANCES TO BANKS

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Cheques and items for clearing	12,224	15,688	10,839	15,338
Nostro accounts balances	121,443	121,029	120,792	118,751
Placements with other banks	131,475	127,352	153,330	156,844
	265,142	**264,069**	**284,961**	**290,933**
Maturity analysis				
Redeemable on demand				
- Cheques and items for clearing	12,224	15,688	10,839	15,338
- Nostro accounts balances	121,443	121,029	120,792	118,751
Placements with other banks				
- Maturing within 3 months	131,475	124,196	131,615	127,237
- Maturing after 3 months but within 12 months	-	2,088	-	16,815
- Maturity after 1 year	-	1,068	21,715	12,792
	265,142	**264,069**	**284,961**	**290,933**

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

NOTES *(Continued)*

22 LOANS AND ADVANCES TO CUSTOMERS

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Term loans	2,266,510	2,322,806	2,223,917	2,289,139
Overdrafts	597,998	824,989	594,229	821,147
Staff loans	174,218	155,861	171,623	153,734
Interest receivable	85,770	78,984	85,443	78,376
Gross loans and advances to customers	**3,124,496**	**3,382,640**	**3,075,212**	**3,342,396**
Less:				
Provision for impairment	**(230,658)**	(135,383)	**(230,426)**	(134,063)
Net loans and advances to customers	**2,893,838**	3,247,257	**2,844,786**	3,208,333

Maturity analysis

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

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
- Maturing within 3 months	**259,897**	510,092	**257,805**	508,907
- Maturing after 3 months but within 12 months	**505,347**	483,102	**501,756**	483,102
- Maturity after 1 year	**2,128,594**	2,254,063	**2,085,225**	2,216,324
Net loans and advances to customers	**2,893,838**	3,247,257	**2,844,786**	3,208,333

NOTES (Continued)

Analysis by geographical location

The Bank categorises loans and advances to customers into 6 regions of loan origination for the purpose of regulatory reporting to the Bank of Tanzania. The gross loans and advances below has not taken into account interest in suspense.

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Dar es Salaam zone	1,232,478	1,404,414	1,232,478	1,428,877
Mbeya zone	441,258	636,211	441,258	636,211
Lake zone	610,013	630,138	610,013	599,848
Zanzibar zone	291,112	344,138	291,112	344,138
Arusha zone	500,351	333,322	500,351	333,322
Burundi	49,284	34,417	-	-
Gross loans and advances to customers	**3,124,496**	**3,382,640**	**3,075,212**	**3,342,396**

The composition of the zones is as follows:

Zone	Component regions
Dar es Salaam zone	All Dar es Salaam branches
Lake zone	Kagera, Kigoma, Mara, Mwanza, Simiyu, Geita, Shinyanga,Tabora and Singida
Mbeya zone	Mbeya, Sumbawanga Njombe, Katavi, Rukwa, Ruvuma and Mbeya
Zanzibar zone	Coast, Unguja, Lindi, Morogoro and Mtwara
Arusha zone	Arusha, Kilimanjaro, Manyara,Tanga and Dodoma
Burundi zone	Bunjumbura

Credit impairment for loans and advances to customers

NOTES *(Continued)*

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At start of year	135,383	81,765	134,063	81,621
Movement during the year:				
Impairment charges for credit losses	137,696	121,384	136,649	120,077
Amounts written off during year	(42,421)	(67,766)	(40,286)	(67,635)
At end of year	**230,658**	**135,383**	**230,426**	**134,063**
The provision as at year end is made up of the following:				
Specific allowance for impairment	217,052	124,643	217,052	123,323
Collective allowance for impairment	13,606	10,740	13,374	10,740
	230,658	**135,383**	**230,426**	**134,063**
Specific allowance for impairment				
At start of year	124,643	69,750	123,323	69,750
Movement during the year Impairment charges for credit losses	134,830	122,659	134,015	121,208
Amounts written off during year	(42,421)	(67,766)	(40,286)	(67,635)
At end of year	**217,052**	**124,643**	**217,052**	**123,323**
Collective allowance for impairment				
At start of year	10,740	12,015	10,740	11,871
(Release)/Charge during the year	2,866	(1,275)	2,634	(1,131)
At end of year	**13,606**	**10,740**	**13,374**	**10,740**
Impairment charge to profit or loss is broken down as follows:				
Impairment charges for credit losses	137,696	121,384	136,649	120,077
Loan terms modification	31,171	7,481	31,171	7,481
Amounts recovered during year	(15,493)	(5,482)	(15,493)	(5,482)
Charge to profit or loss	**153,374**	**123,383**	**152,327**	**122,076**

NOTES *(Continued)*

22 LOANS AND ADVANCES TO CUSTOMERS (Continued)

Analysis of impairment by industry

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Agriculture	42,612	42,592	42,612	41,581
Financial Intermediaries	5,599	11,798	5,594	11,501
Individual	42,583	20,831	42,424	20,831
Trade	75,887	13,502	75,854	13,489
Hotels and restaurants	3,973	5,783	3,973	5,783
Transport	1,625	2,057	1,751	2,057
Manufacturing	1,764	7,010	1,611	7,010
Others	56,615	31,810	56,607	31,811
	230,658	135,383	**230,426**	134,063

23 EQUITY INVESTMENTS

Investment in Tanzania Mortgage Refinance Company (TMRC)	2,280	2,280	2,280	2,280
Investment in Dar es Salaam Stock Exchange (DSE)	367	328	367	328
Investment in Tandahimba Community Bank (TACOBA)	100	-	100	-
	2,747	2,608	**2,747**	2,608

Tanzania Mortgage Refinance Company (TMRC) is a private sector institution owned by banks with the sole purpose of supporting banks to do mortgage lending by refinancing banks' mortgage portfolios. The percentage shareholding of the Bank in TMRC as at 31 December 2017 was 17.14% (2016: 17.14%).

Dar es Salaam Stock Exchange (DSE) is a stock exchange located in Dar es Salaam, incorporated in September 1996 and trading started in April 1998. The activities of the exchange are monitored and supervised by the Capital Market and Securities Authority (CMSA). The percentage shareholding of the Bank in DSE as at 31 December was 1.6%.

TACOBA is the community bank limited by shares operating in Tandahimba District Council, Mtwara region since 2008. The Bank has more than 5,800 customers as at 31st December 2017, mainly being savings and time deposits. The percentage shareholding of the Bank in TACOBA as at 31 December was 8.84%.

NOTES *(Continued)*

24 OTHER ASSETS

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Advance payment for capital expenditure	7,411	13,837	7,411	11,964
Prepaid expenses	16,371	14,392	15,278	12,477
Bank card stock	3,901	3,964	3,901	3,964
Due from a related party (Note 42)	-	-	218	685
Receivable from mobile phone companies	46,771	42,686	46,771	42,686
Bills receivable	46	46	46	46
Other receivables	32,479	35,399	29,999	27,919
Less: Provision for impairment	(4,913)	(3,522)	(4,714)	(3,507)
	102,066	**106,802**	**98,910**	**96,234**

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

Maturity analysis

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Maturing after one month but within 3 months	94,655	102,628	91,499	92,060
Maturing after 3 months but within 12 months	7,411	2,537	7,411	2,537
Maturing after 1 year	-	1,637	-	1,637
	102,066	**106,802**	**98,910**	**96,234**

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

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	3,522	2,796	3,507	2,794
Increase during the year	3,544	2,078	3,314	2,063
Write offs	(2,153)	(1,352)	(2,107)	(1,350)
At 31 December	**4,913**	**3,522**	**4,714**	**3,507**

NOTES *(Continued)*

25 INVESTMENT IN SUBSIDIARIES

	Country of Incorporation	Interest Held %	BANK	
			2017 TZS' Million	2016 TZS' Million
CRDB Microfinance Service Company Limited	Tanzania	100%	728	728
CRDB Insurance broker	Tanzania	100%	100	100
CRDB Bank Burundi S.A	Burundi	100%	21,583	21,583
			22,411	**22,411**

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

The CRDB Insurance Broker Ltd was incorporated in the United Republic of Tanzania on 12th April 2016 under the Companies Act No.12 of 2002 as a private company limited by shares and it is wholly owned by CRDB Bank Plc.

NOTES (Continued)

26A PROPERTY AND EQUIPMENT

GROUP

Amounts are in TZS'Million	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Mobile branch	Work in progress	Total
Year 2017									
Cost									
At 1 January	53,903	72,742	76,041	43,990	34,516	5,824	10,245	28,423	325,684
Additions	11,513	9,637	10,816	7,278	5,520	1,116	29	29,855	75,764
Reclassification/Reversal	4,956	781	23	49	(7)	-	-	(6,238)	(436)
Disposals	-	(559)	(10,206)	(4,285)	(1,975)	(1,203)	-	-	(18,228)
At 31 December	**70,372**	**82,601**	**76,674**	**47,032**	**38,054**	**5,737**	**10,274**	**52,040**	**382,784**
Depreciation									
At 1 January	(10,072)	(36,506)	(46,163)	(24,938)	(17,040)	(3,565)	(6,757)	-	(145,041)
Reclassification/Reversal	542	594	1	(1)	-	(13)	-	-	1,123
Charge for the year	(1,507)	(12,012)	(10,789)	(6,706)	(3,767)	(890)	(936)	-	(36,607)
Disposal	-	-	10,394	4,239	1,891	1,201	-	-	17,725
At 31 December	**(11,037)**	**(47,924)**	**(46,557)**	**(27,406)**	**(18,916)**	**(3,267)**	**(7,693)**	**-**	**(162,800)**
Net book value	**59,335**	**34,677**	**30,117**	**19,626**	**19,138**	**2,470**	**2,581**	**52,040**	**219,984**

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

NOTES (Continued)

26A PROPERTY AND EQUIPMENT (CONTINUED)

GROUP

Amounts are in TZS'Million	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Mobile branch	Work in progress	Total
GROUP									
Year 2016									
Cost									
At 1 January	46,805	61,641	63,870	36,349	25,936	4,537	8,351	757	248,246
Additions	3,270	16,049	11,859	6,717	8,620	1,269	1,894	27,621	77,299
WIP capitalization	310	-	-	934	-	-	-	(310)	934
Reclassification/Reversal	3,518	(4,948)	337	(5)	(9)	18	-	355	(734)
Disposals			(25)	(5)	(31)	-	-	-	(61)
At 31 December	53,903	72,742	76,041	43,990	34,516	5,824	10,245	28,423	325,684
Depreciation									
At 1 January	(5,698)	(30,626)	(35,810)	(18,928)	(13,814)	(2,907)	(5,846)	-	(113,629)
Reclassification/Reversal	(3,177)	3,439	(236)	6	8	(5)	-	-	35
Charge for the year	(1,197)	(9,319)	(10,138)	(6,019)	(3,248)	(653)	(911)	-	(31,485)
Disposal	-	-	21	3	14	-	-	-	38
At 31 December	(10,072)	(36,506)	(46,163)	(24,938)	(17,040)	(3,565)	(6,757)	-	(145,041)
Net book value	43,831	36,236	29,878	19,052	17,476	2,259	3,488	28,423	180,643

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

NOTES (Continued)

26A PROPERTY AND EQUIPMENT (CONTINUED)

BANK

Amounts are in TZS'Million	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Mobile branch	Work in progress	Total
Year 2017									
Cost									
At 1 January	53,904	59,217	70,675	43,427	34,308	5,823	10,245	28,334	305,933
Additions	2,539	5,553	9,615	7,252	5,520	1,116	29	29,880	61,504
Transfer from MFCL to Parent	-	12,867	3,781	-	-	-	-	-	16,648
Reclassification/Reversal	4,949	794	8	55	-	-	-	(6,238)	(432)
Disposals	-	-	(10,206)	(4,286)	(1,981)	(1,203)	-	-	(17,676)
At 31 December	**61,392**	**78,431**	**73,873**	**46,448**	**37,847**	**5,736**	**10,274**	**51,976**	**365,977**
Depreciation									
At 1 January	(10,070)	(34,157)	(44,166)	(24,571)	(16,938)	(3,566)	(6,758)	-	(140,226)
Charge for the year	(1,395)	(10,413)	(10,146)	(6,666)	(3,747)	(890)	(936)	-	(34,193)
Reclassification/Reversal	547	(576)	1	(1)	-	(12)	-	-	(41)
Disposals	-	-	9,967	4,240	1,891	1,201	-	-	17,299
At 31 December	(10,918)	(45,146)	(44,344)	(26,998)	(18,794)	(3,267)	(7,694)	-	(157,161)
Net book value	50,474	33,285	29,529	19,450	19,053	2,469	2,580	51,976	208,816

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

NOTES (Continued)

26A PROPERTY AND EQUIPMENT (CONTINUED)

BANK

Amounts are in TZS'Million	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Mobile branch	Work in progress	Total
Year 2016									
Cost									
At 1 January	46,805	55,907	60,695	35,789	25,719	4,537	8,351	687	238,490
Additions	3,270	8,105	9,635	6,709	8,620	1,269	1,894	27,602	67,104
WIP Capitalization	310	-	-	934	-	-	-	(310)	934
Reclassification/Reversal	3,519	(4,795)	370	-	-	17	-	355	(534)
Disposals	-	-	(25)	(5)	(31)	-	-	-	(61)
At 31 December	53,904	59,217	70,675	43,427	34,308	5,823	10,245	28,334	305,933
Depreciation									
At 1 January	(5,697)	(29,592)	(34,634)	(18,667)	(13,732)	(2,908)	(5,847)	-	(111,077)
Charge for the year	(1,197)	(8,048)	(9,326)	(5,913)	(3,228)	(653)	(911)	-	(29,276)
Reclassification/Reversal	(3,176)	3,483	(227)	5	8	(5)	-	-	88
Disposals	-	-	21	4	14	-	-	-	39
At 31 December	(10,070)	(34,157)	(44,166)	(24,571)	(16,938)	(3,566)	(6,758)	-	(140,226)
Net book value	43,834	25,060	26,509	18,856	17,370	2,257	3,487	28,334	165,707

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

NOTES *(Continued)*

26B MOTOR VEHICLES

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Cost				
At 1 January	22,874	18,288	19,839	15,706
Additions	437	5,788	385	5,100
Disposals	(387)	(1,301)	(285)	(967)
Exchange rate difference	-	99	-	-
At 31 December	**22,924**	**22,874**	**19,939**	**19,839**
Depreciation				
At 1 January	(6,734)	(4,360)	(5,748)	(3,474)
Charge for the year	(3,351)	(3,170)	(2,903)	(2,768)
Disposals	242	796	184	494
At 31 December	**(9,843)**	**(6,734)**	**(8,467)**	**(5,748)**
Net book value	**13,081**	**16,140**	**11,472**	**14,091**

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

There were no capitalized borrowing costs related to the acquisition of property and equipment during the year ended 31 December 2017(2016 – Nil).

Included in property and equipment are assets with a gross value of TZS 47,262 million (2016: TZS 66,347 million) which were fully depreciated but still in use. The notional depreciation charge on these assets would have been TZS 9,452 million (2016: TZS 12,043 million).

There were no idle assets as at 31 December 2017 (2016: NIL).

NOTES (Continued)

27 PREPAID OPERATING LEASE

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Cost prepaid				
At 1 January	11,885	11,141	11,885	11,141
Additions	231	361	231	361
Transfer	41	-	41	-
Adjustment	(391)	383	(391)	383
At 31 December	**11,766**	**11,885**	**11,766**	**11,885**
Amortization				
At 1 January	(721)	(374)	(721)	(374)
Charge for the year	(322)	(304)	(322)	(304)
Adjustment	29	(43)	29	(43)
At 31 December	**(1,014)**	**(721)**	**(1,014)**	**(721)**
Net book value				
At 31 December	**10,752**	**11,164**	**10,752**	**11,164**

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

NOTES *(Continued)*

28 INTANGIBLES ASSETS

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Intangible assets in use	37,737	35,146	36,616	33,978
Total	**37,737**	**35,146**	**36,616**	**33,978**
A WORK IN PROGRESS				
At 1 January	-	10,736	-	10,736
Capitalization during the year	-	(10,736)	-	(10,736)
At 31 December	-	-	-	-
B INTANGIBLE ASSETS IN USE				
Cost				
At 1 January	64,194	42,289	60,717	38,739
Adjustment	(3,563)	(122)	(3,538)	-
Capitalization	-	10,736	-	10,736
Additions	11,940	11,291	11,666	11,242
Disposals	(49)	-	-	-
At 31 December	**72,522**	**64,194**	**68,845**	**60,717**
Amortization				
At 1 January	(29,048)	(21,881)	(26,739)	(20,206)
Charge for the year	(8,472)	(7,154)	(8,217)	(6,521)
Adjustment	2,727	(13)	2,727	(12)
Disposals	8	-	-	-
At 31 December	**(34,785)**	**(29,048)**	**(32,229)**	**(26,739)**
Net book value At 31 December	**37,737**	**35,146**	**36,616**	**33,978**

Intangible assets relate to computer software used by the Group. Fully depreciated intangible assets with gross value TZS 10,899 million (2016: TZS 9,347 million) are still in use. The notional depreciation charge would have been TZS 2,180 million (2016: TZS 2,543 million). Some fully depreciated software's are; internet banking suit, financial crimes software, Net recovery system,

No intangible asset was pledged as security for liabilities as at 31 December 2017. There also no restrictions other than those outlined in the software license. As at 31 December 2017, there were no significant intangible assets controlled by the entity which have not been recognized as assets

NOTES *(Continued)*

29 DEFERRED INCOME TAX

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

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	42,351	20,718	41,027	20,273
(Charge)/Credit to profit and loss	38,749	19,913	38,637	17,647
(Charge)/Credit to other comprehensive income	(6,285)	-	(6,285)	-
Under provision in prior year	646	3,100	666	3,107
Opening balance adjustment	166	-	169	-
Reclassified to tax recoverable (Burundi)	-	(1,380)	-	-
At 31 December	**75,627**	**42,351**	**74,214**	**41,027**

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

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Accelerated capital allowance	(5,127)	(4,751)	(5,067)	(4,253)
Provisions	87,039	47,102	85,566	45,280
Unrealised gain/(loss) on available for sale government securities	(6,285)	-	(6,285)	-
	75,627	42,351	**74,214**	41,027

NOTES *(Continued)*

30 DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Current and demand accounts	1,933,924	1,895,107	1,895,488	1,865,680
Savings accounts	1,594,030	1,445,464	1,582,361	1,437,907
Term deposits	797,917	769,403	760,255	742,746
	4,325,871	4,109,974	**4,238,104**	4,046,333
Current deposits	4,194,448	4,058,459	4,106,681	3,994,922
Non-current deposits	131,423	51,515	131,423	51,411
	4,325,871	4,109,974	**4,238,104**	4,046,333

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

Maturity analysis

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Repayable on demand	3,617,578	3,591,298	3,563,914	3,551,270
Maturing within 3 months	233,015	140,656	217,603	132,017
After 3 months but within 1 year	343,855	326,505	325,164	311,635
Maturing after 1 year	131,423	51,515	131,423	51,411
	4,325,871	**4,109,974**	**4,238,104**	**4,046,333**

31 DEPOSITS FROM BANKS

Deposits from banks	**79,722**	**121,596**	**80,679**	**124,116**

All deposits from banks are current.

NOTES (Continued)

32 OTHER LIABILITIES

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Bills payable	1,431	1,790	948	1,605
Dividend payable	7,813	7,277	7,813	7,277
Accrued expenses	27,357	24,315	26,773	23,358
Due to related parties (Note 42)	-	-	19,879	11,960
Deferred income	10,041	11,150	9,638	10,811
Outstanding credits	6,124	5,647	5,389	4,203
Unclaimed customer balances	4,795	2,292	4,788	2,291
Other payables	33,478	2,495	32,545	4,072
	91,039	**54,966**	**107,773**	**63,577**

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

33 PROVISIONS

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Provision for litigation				
At 1 January	1,715	1,872	1,715	1,872
Additional provisions	2,074	-	2,074	-
Amount paid in the year	(558)	(157)	(558)	(157)
At 31 December	**3,231**	**1,715**	**3,231**	**1,715**

As at year end, there were several pending legal cases where the Bank was a defendant. Provision has been made for legal cases where professional advice indicates that it is probable that loss will arise. The directors have considered it probable that the unfavourable outcome of these cases to the Bank could result into an estimated loss of TZS 3,231 million (2016:TZS 1,715 million). For cases whose outcomes are uncertain, contingent liabilities have been considered as disclosed in note 39. According to the nature of such disputes the outcome and timing of settlement of these cases is uncertain.

NOTES *(Continued)*

34 GRANTS

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	27,013	19,561	16,868	18,069
Grant amount received/receivable	1,010	9,935	-	-
Grant amount utilised	(5,927)	(2,477)	(3,165)	(1,228)
Grant amount claimed	(4,649)	-	(4,649)	-
Grant refunded during the year	-	(30)	-	-
Transfer from MFSCL to parent	-	-	8,405	-
Reclassification to Borrowing	(4,337)	-	(4,337)	-
Foreign exchange difference	296	24	284	27
At 31 December	**13,406**	**27,013**	**13,406**	**16,868**

34.1 FSDT GRANTS

At 1 January	17,164	15,203	14,181	15,203
Reclassification to Borrowing	(4,337)	-	(4,337)	-
Transfer from MFSCL to parent	-	-	2,436	-
Grant amount receivable	-	3,184	-	-
Grant amount claimed	(3,311)	-	(3,311)	-
Grant amount utilised	(2,630)	(1,221)	(2,083)	(1,021)
Foreign exchange difference	209	(2)	209	(1)
At 31 December	**7,095**	**17,164**	**7,095**	**14,181**

FSDT GRANT I

On 26 May 2008, CRDB Bank Plc signed a four year funding agreement with Financial Sector Deepening Trust of Tanzania (FSDT) amounting to USD 3,806,500 as a grant for strengthening of the Bank's microfinance partner institutions and increase outreach.

FSDT GRANT II

The conditions of the grant are subject to the achievement of performance targets relating to the number of constructed service centres, purchase of mobile branches as well as target number of clients and borrowers served among other conditions.

NOTES *(Continued)*

34.2 RUDI GRANT

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	-	31	-	-
Grant amount refunded	-	(30)	-	-
Grant amount utilised	-	(1)	-	-
At 31 December	-	-	-	-

34.3 DANIDA WOMEN GRANT

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	2,688	2,866	2,688	2,866
Grant amount utilised	(617)	(207)	(617)	(207)
Grant amount claimed	(1,338)	-	(1,338)	-
Foreign exchange difference	74	29	74	29
At 31 December	**807**	**2,688**	**807**	**2,688**

On 10 December 2011, CRDB Bank Plc signed funding agreement with DANIDA amounting to DKK 8,850,000 of which DKK 5,000,000 being guarantee and DKK 3,850,000 as a grant for operation on project named "Women Access to Finance Initiative" aimed at enabling women to contribute to economic growth through SME loans.

Utilization amount includes; Loan supervision (3.1 million), preparation of WAFI operating guidelines (TZS 9.9 million), Mentorship (TZS 101.3 million), Training to the customers and exposure visit to Malaysia (TZS 66.9 million), Audit fee IFO PWC which was done in June 2017 as requested by DANIDA (TZS 49.4 million), WAFI customer forum (TZS 5.8 million), Amount which was returned to DANIDA after audit (TZS 372.9 million), audit fee (TZS 7.9 million) and claimed guarantee of TZS 1,338.1 million.

NOTES (Continued)

34.4 UNCDF GRANT

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	45	60	-	-
Grant amount received	1,010	-	-	-
Grant amount utilised	(1,068)	(12)	-	-
Foreign exchange difference	13	(3)	-	-
At 31 December	**-**	**45**	**-**	**-**

34.5 MIVARF ASSET GRANT

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	7,116	1,401	-	-
Grant receivable	-	6,751	-	-
Grant amount utilised	(1,612)	(1,036)	(465)	-
Transfer from MFSCL to parent	-	-	5,969	-
At 31 December	**5,504**	**7,116**	**5,504**	**-**

On 2 January 2016, CRDB MFSCL signed a six year funding agreement with Marketing Infrastructure, Value Addition and Rural Finance Support Programme (MIVARF) amounting to USD 4,000,008 as a grant for improving/ strengthening and developing access to financial services on a sustainable basis to rural micro and small scale entrepreneurship activities that will lead to increased productivities in rural areas.

NOTES *(Continued)*

35 BORROWINGS

35.1 IFC SHORT TERM BORROWING

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	-	-	-	-
Loan received during the year	89,780	-	89,780	-
Interest charge for the year	934	-	934	-
Interest paid in the year	(803)	-	(803)	-
Forex difference	(178)	-	(178)	-
At 31 December	**89,733**	**-**	**89,733**	**-**

35.2 SUBORDINATED DEBT

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	87,961	87,300	87,961	87,300
Loan received during the year	-	-	-	-
Interest charge for the year	6,355	5,964	6,355	5,964
Interest paid in the year	(6,313)	(5,849)	(6,313)	(5,849)
Foreign exchange difference	1,580	546	1,580	546
At 31 December	**89,583**	**87,961**	**89,583**	**87,961**
Non-current	30,000	32,407	30,000	32,407
Current	59,583	55,554	59,583	55,554
	89,583	**87,961**	**89,583**	**87,961**

The bank received subordinated loans from DANIDA Investment Fund (DIF) and Deutsche investitionsund entwicklungsgesellschaft mbh a subsidiary of KFW (DEG) in 2015. These facilities are coming with the five years grace period to qualify for the subordination to capital as per regulatory requirement. Out of the total amount booked as subordinated loan by the bank as at 31 December 2017, TZS 30 billion is coming from DIF at a fixed rate terms while USD 25 million received from DEG at a floating rate terms. Both loans are still under grace period with annual and quarterly interest rates payments.

NOTES *(Continued)*

35.2 SUBORDINATED DEBT (Continued)

The bank has not complied with the debt covenant for DEG which gives the lender the right to recall the loan as indicated above.

35.3 LONG TERM BORROWING

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
IFC long term borrowing	72,922	138,672	72,922	138,672
TMRC borrowing	27,105	17,022	27,105	17,022
AfDB borrowing	206,128	-	206,128	-
TIB borrowing	5,410	6,584	5,410	6,584
EIB borrowing	159,956	132,030	159,956	132,030
FSDT borrowing	4,042	-	4,042	-
	475,563	**294,308**	**475,563**	**294,308**
Non-current	329,722	152,613	329,722	152,613
Current	145,841	141,695	145,841	141,695
	475,563	**294,308**	**475,563**	**294,308**

35.3.1 IFC LONG TERM BORROWING

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	138,672	141,562	138,672	141,562
Interest charge for the year	5,142	5,753	5,142	5,753
Interest paid in the year	(5,217)	(5,635)	(5,217)	(5,635)
Principal repayment during the year	(69,442)	(4,361)	(69,442)	(4,361)
Foreign Exchange difference	3,767	1,353	3,767	1,353
At 31 December	**72,922**	**138,672**	**72,922**	**138,672**

NOTES *(Continued)*

35.3 LONG TERM BORROWING (Continued)

The bank secured a Senior debt facility from International Financial Corporation (IFC) amounting to US$ 75 Million in 2014 composing of the Long term portion of USD 40 Million for SME support, a short term portion of USD 25 Million for Agri-business support and a trade line of USD 10 million. The SME facility part of US$ 40 Million, which was disbursed in two equal tranches, the first tranche disbursed in June 2014 and the second tranche in May 2015. The short term facility for agriculture financing of US$ 25 Million received by the bank in June 2014 was rolled over for three consecutive years, before it was further enhanced to USD 40 Million post impressive performance and a market need (Refer to Note 34.1 – IFC Short Term Borrowing).

The bank has not complied with the debt covenant for IFC which gives the lender the right to recall the loan as indicated above.

The facility has a rolling over option depending on the utilization and business need. The Line of Credit (LC) of up to US$ 10 Million, which was made available in June 2014 also still available to the bank to meet her trade business activities. The interest is paid on quarterly and semi-annually based on the original tenor of the facility. The long term debt is based on the semi-annual basis while the short term debt is based on quarterly basis.

The bank has enjoyed the rate-rebate from IFC Long Term SME- facility for her impressive contribution on the support of Women SME's in the country, in addition to the Technical assistance secured from IFC in Agricultural Ware-Housing Finance. There is no collateral pledged to secure these loans.

35.3.2 AFDB LONG TERM BORROWING

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Loan received during the year	210,172	-	210,172	-
Interest charge for the year	7,557	-	7,557	-
Interest paid in the year	(3,034)	-	(3,034)	-
Foreign exchange difference	(8,567)	-	(8,567)	-
At 31 December	**206,128**	**-**	**206,128**	**-**

In April 2017 the bank received the first disbursement of USD 90 Million Long term loan facility from African Development Bank (AfDB), which is part of USD 120 Million facility signed with bank in November 2016. The facility is for the period of up to 8 years with two years grace period. The fund is provided for financing infrastructure projects and also utilise at least 25% of the proceeds on lending activities to Small and Medium-sized Enterprises (SME) in key economic sectors of the Tanzanian economy including agriculture, construction, transport and services. The bank has been performing well by meeting all her obligations with the lender, inclusive of timely interest settlement.

NOTES *(Continued)*

35.3.3 EIB LONG TERM BORROWING

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	132,030	43,028	132,030	43,028
Loan received during the year	38,572	97,554	38,572	97,554
Interest charge for the year	12,678	7,649	12,678	7,649
Interest paid in the year	(12,769)	(5,646)	(12,769)	(5,646)
Principal repayment during the year	(10,555)	(10,555)	(10,555)	(10,555)
At 31 December	**159,956**	**132,030**	**159,956**	**132,030**

The bank entered into a facility agreement with European Investment Bank (EIB) for a credit line of about Euro 55 Million (To be availed in TZS) in 2015. The full disbursement of the facility have ready been made by the lender by December 2017, upon satisfactory performance of the first disbursement a year after. The disbursement happened into two tranches Euro 40.2 Million (TZS 97.5 Billion) and Euro14.8 Million (TZS 38 Billion) received on August 2016 and December 2017 respectively. These funds were earmarked for Mid-caps and SMEs in the country.

The facility is for the period of up to 8 years with the one year grace period. There is no collateral pledged to secure these loans. In addition to the 2015 signed facility, the bank had another facility of EUR 20 Million (equivalent to TZS 42.22 Billion) signed in 2014 to support Microfinance business. The Microfinance facility grace period had expired, thus principal repayment of TZS 21.1 Billion had been made by the end of 31 December 2017 with the outstanding balance of TZS 21.1 Billion. All other contractual obligations, inclusive of interest payments due for the facility have been met by the bank.

35.3.4 TMRC LONG TERM BORROWING

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	17,022	17,022	17,022	17,022
Loan received during the year	10,000	-	10,000	-
Interest charge for the year	2,320	1,964	2,320	1,964
Interest paid in the year	(2,237)	(1,964)	(2,237)	(1,964)
At 31 December	**27,105**	**17,022**	**27,105**	**17,022**

NOTES (Continued)

35.3.5 FSDT LONG TERM BORROWING

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	-	-	-	-
Transfer from grant	4,337	-	4,337	-
Interest charge for the year	41	-	41	-
Interest paid during the year	(28)	-	(28)	-
Principal repayment during the year	(308)	-	(308)	-
At 31 December	**4,042**	**-**	**4,042**	**-**

On 27th August 2012, The Bank received loan facility of USD 2.8 million from the Financial Sector Deepening Trust (FSDT).The loan is for a period of seven (7) years with a four (4) year grace period from the drawdown date in the payment of the principal and interest rate. The loan is to be utilized to increase services outreach through a blend of retail microfinance and wholesale methodologies and build sustainable partnerships with service delivery partners in furthering services to more remote rural areas.

35.3.6 TIB LONG TERM BORROWING

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
At 1 January	6,584	7,606	6,584	7,606
Interest charge for the year	464	514	464	514
Interest paid in the year	(563)	(513)	(563)	(513)
Principal repayment during the year	(1,075)	(1,023)	(1,075)	(1,023)
At 31 December	**5,410**	**6,584**	**5,410**	**6,584**

On 27 May 2013 the bank received a refinancing loan of approximately TZS 2,694 million from TIB Investment bank for loan issued to Andoya Hydro power. The loan is for 10 years at interest rate of 8.37% maturing on 27 May 2023. On 15 August 2013 the bank received a refinancing loan of TZS 4,804 million from TIB Investment bank for loan issued to Mwenga Hydro power. The loan is for 10 years with initial interest rate of 6.48% maturing on 15 August 2021.

NOTES *(Continued)*

35.3.6 TIB LONG TERM BORROWING (Continued)

The interest rate was revised from 15 August 2014 to 8.62%. On 15 March 2016, the bank received a refinancing loan of TZS 374 million from TIB Investment bank for loan issued to Darakuta. The loan is for 108 months with initial interest rate of 8.62% which is to be revised after every six months. On 15 March 2016 the banks received additional instalment of TZS 399.5 million in favour of Andoya Hydro power. There is no collateral pledged to secure these loans.The bank complied with all terms and conditions of each of the agreements during the year and there were no any defaults on either principal or interest of loan payable.

36 SHARE CAPITAL

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Authorized				
4,000,000,000 ordinary shares of TZS 25 each	**100,000**	**100,000**	**100,000**	**100,000**
Issued and fully paid				
2,611,838,584 (2016: 2,611,838,584) ordinary shares of TZS 25 each	**65,296**	**65,296**	**65,296**	**65,296**

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

37 RESERVES

Share premium

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

Retained earnings

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

NOTES *(Continued)*

Regulatory banking risk reserve

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

General banking reserve

This represents one percent general provision on unclassified loans following an amendment of the Banking and Financial Institutions (Management of risk assets) regulation in 2014. The reserve is not available for distribution to the shareholders.

Translation reserve

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

Legal provision reserve

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

Revaluation Reserve

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

NOTES *(Continued)*

37 RESERVES (Continued)

The revaluations reserve movements are as shown below:

	2017			2016		
	Motor vehicles TZS' Million	Available for sale TZS' Million	Total TZS' Million	Motor vehicles TZS' Million	Available for sale TZS' Million	Total TZS' Million
GROUP						
At 1 January	1,307	(3,338)	(2,031)	1,868	(5,163)	(3,295)
Increase/(decrease) during the year	-	15,628	15,628	-	1,825	1,825
Release to retained earnings	(367)	-	(367)	(573)	-	(573)
Deferred tax on excess depreciation	18	-	18	12	-	12
Other movements	-	2,374	2,374		-	-
At 31 December	**958**	**14,664**	**15,622**	**1,307**	**(3,338)**	**(2,031)**
BANK						
At 1 January	776	(963)	(187)	1,310	(3,807)	(2,497)
Increase/(decrease) during the year	-	15,628	15,628	-	2,844	2,844
Release to retained earnings	(306)	-	(306)	(534)	-	(534)
At 31 December	**470**	**14,665**	**15,135**	**776**	**(963)**	**(187)**

38 ANALYSIS OF CASH AND CASH EQUIVALENTS

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

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Cash in hand (Note 18)	303,607	228,823	299,916	225,674
Balances with Central Banks (Note 18)	498,727	234,216	484,375	227,169
Loans and advances to banks (Note 21)	265,142	260,913	263,246	261,326
Government securities (Note 19)	1,016	2,632	-	-
	1,068,492	**726,584**	**1,047,537**	**714,169**

NOTES (Continued)

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

GROUP

At 31 December 2017	Loans and receivables	Available for sale	Total
Financial assets			
Cash and balances with Central Banks	1,146,841	-	1,146,841
Loans and advances to banks	265,142	-	265,142
Loans and advances to customers	2,893,838	-	2,893,838
Government securities	698,291	406,256	1,104,547
Equity investment	-	2,747	2,747
Other assets	74,383	-	74,383
	5,078,495	**409,003**	**5,487,498**

At 31 December 2017	Financial liabilities at fair value through profit or loss	Other liabilities at amortised cost	Total
Financial liabilities			
Deposits from banks	-	79,722	79,722
Deposits customers	-	4,325,871	4,325,871
Other liabilities	-	66,531	66,531
Subordinated debt	-	89,583	89,583
Short term borrowings	-	89,733	89,733
Long term borrowings	-	475,563	475,563
	-	**5,127,003**	**5,127,003**

NOTES *(Continued)*

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

GROUP

At 31 December 2016	Loans and receivables	Available for sale	Total
Financial assets			
Cash and balances with Central Banks	903,182	-	**903,182**
Loans and advances to banks	264,069	-	**264,069**
Loans and advances to customers	3,247,257	-	**3,247,257**
Government securities	490,913	89,874	**580,787**
Equity investment	-	2,608	**2,608**
Other assets	74,609	-	**74,609**
	4,980,030	**92,482**	**5,072,512**

GROUP

At 31 December 2016	Financial liabilities at fair value through profit or loss	Other liabilities at amortised cost	Total
Financial liabilities			
Deposits from banks	-	121,596	**121,596**
Deposits customers	-	4,109,974	**4,109,974**
Other liabilities	-	31,678	**31,678**
Subordinated debt	-	87,961	**87,961**
Long term borrowing	-	294,308	**294,308**
	-	**4,645,517**	**4,645,517**

NOTES *(Continued)*

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

BANK

At 31 December 2017	Loans and receivables	Available for sale	Total
Financial assets			
Cash and balances with Central Banks	1,126,272	-	**1,126,272**
Loans and advances to banks	284,961	-	**284,961**
Loans and advances to customers	2,844,786	-	**2,844,786**
Government securities	651,606	406,256	**1,057,862**
Equity investment	-	2,747	**2,747**
Other assets	72,320	-	**72,320**
	4,979,945	**409,003**	**5,388,948**

BANK

At 31 December 2017	Financial liabilities at fair value through profit or loss	Other liabilities at amortised cost	Total
Financial liabilities			
Deposits from banks	-	80,679	**80,679**
Deposits customers	-	4,238,104	**4,238,104**
Other liabilities	-	83,668	**83,668**
Subordinated debts	-	89,583	**89,583**
Short term borrowing	-	89,733	**89,733**
Long term borrowing	-	475,563	**475,563**
	-	**5,057,330**	**5,057,330**

NOTES *(Continued)*

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

BANK

At 31 December 2016	Loans and receivables	Available for sale	Total
Financial assets			
Cash and balances with Central Banks	891,100	-	**891,100**
Loans and advances to banks	290,933	-	**290,933**
Loans and advances to customers	3,208,333	-	**3,208,333**
Government securities	442,264	89,874	**532,138**
Equity investment	-	2,608	**2,608**
Other assets	67,829	-	**67,829**
	4,900,459	**92,482**	**4,992,941**

BANK

At 31 December 2016	Financial liabilities at fair value through profit or loss	Other liabilities at amortised cost	Total
Financial liabilities			
Deposits from banks	-	124,116	**124,116**
Deposits customers	-	4,046,333	**4,046,333**
Other liabilities	-	40,628	**40,628**
Subordinated debts	-	87,961	**87,961**
Long term borrowing	-	294,308	**294,308**
	-	**4,593,346**	**4,593,346**

NOTES *(Continued)*

40 CONTINGENT LIABILITY

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Guarantees and indemnities	281,679	199,671	281,436	199,474
Letters of credit	178,882	236,957	178,882	236,957
	460,561	**436,628**	**460,318**	**436,431**

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

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

The Group and Bank is, in the normal course of business involved in a number of court cases and tax disputes with the revenue authorities. The Group has taken appropriate legal measures to defend its position. Appropriate provisions have been made by the Group for the liabilities arising as disclosed in note 33. Contingent liabilities arise for cases for which the outcome cannot be reliably determined as at the date of signing these financial statements.

In the Civil Case No. 79 of 2012 (Issack Mwamasika and 2 others Vs CRDB Bank PLC), the plaintiff instituted a case against the Bank claiming USD 205 million for the loss of profits. On 19 January 2017, the High Court ruled the case in favor of the plaintiff by awarding the plaintiff USD 30 million plus 7% interest (from the date the matter was instituted in court to the date of final settlement) for the lost business opportunity, plus USD 186,244 being costs for the feasibility study on the lost business opportunity and USD 500,000 being general damages. The Bank has filed notice of appeal together with an application for stay of execution pending appeal. The Bank and Bank's external Counsel strongly believes that all the Bank's defenses, factual and legal, were raised in time and according to the law, and considers chances to succeed on appeal as almost certain.

NOTES *(Continued)*

41 COMMITMENTS

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Commitments to extend credit	172,762	239,822	166,614	238,768
Capital commitments				
Authorised and contracted for	6,670	9,766	6,670	9,766
Authorised and not yet contracted for	2,530	7,925	2,530	7,925
	9,200	**17,691**	**9,200**	**17,691**

Capital commitments authorised and contracted for are in respect of;

Construction/refurbishment cost for branches/service centres; Nzega, Kasulu, Kondoa, Ngara, Chato, Muleba, Sengerema, Katoro, Nguruka, Manyoni, Nyerere,Urambo, Kyela, Babati, Sikonge, Sanya juu, Bunda, Gairo, Mkwawa LAPF Dodoma, Ruangwa, Mabwepande storage and face lifting of the current HQ at Azikiwe.

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

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Less than 1 year	286	7,239	286	7,239
More than 1 year but less than 5 years	10,905	15,644	10,905	15,644
More than 5 years	53,594	3,481	52,743	3,226
Total	**64,785**	**26,364**	**63,934**	**26,109**

The Group leases various branch premises and offices under non-cancellable operating lease agreements. The lease terms are between 1 and 7 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. No arrangements have been entered into for contingent rental payments, and also no restrictions have been imposed by these lease arrangements.

	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Group as a lessor				
Rent received in the year	**86**	**30**	**615**	**30**

NOTES (Continued)

41 COMMITMENTS (Continued)

Rental income commitments

The Group sublets unutilized office space to earn rental income. The leases cover a period of one year with an option to renew after expiry. As at 31 December 2017 there was no unexpired lease for existing contracts (2016: Nil).

42 RELATED PARTY TRANSACTIONS

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

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

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

	Companies associated with Directors		Directors and other key management personnel	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Loans and advances to related parties				
At 1 January	450	122	4,897	4,069
Net movement during the year	(250)	329	305	828
At 31 December	**200**	**451**	**5,202**	**4,897**
Interest earned	**15**	**19**	**40**	**299**

These loans and advances are performing and therefore no provisions have been made during the year (2016: Nil).

NOTES *(Continued)*

42 RELATED PARTY TRANSACTIONS (Continued)

	Companies associated with Directors		Directors and other key management personnel	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Deposits from related parties				
At 1 January	140	1,724	3,515	2,485
Net movement during the year	(125)	(1,584)	(333)	1,030
At 31 December	15	140	3,182	3,515
Interest paid	1	4	34	28

Balances outstanding with related companies were as follows;

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Due from related parties				
CRDB Burundi S.A	-	-	**218**	**685**
Due to related parties				
CRDB Microfinance Company Services	-	-	**19,363**	**10,458**
Due to related parties				
CRDB Insurance Broker	-	-	**536**	**1,502**
Loan advanced to subsidiary				
CRDB Burundi S.A	-	-	**14,538**	**24,463**
Nostro to subsidiary				
CRDB Burundi S.A	-	-	**2,052**	**2,582**
Placement to subsidiary				
CRDB Burundi S.A	-	-	**21,855**	**29,607**
Borrowing from subsidiary				
CRDB Burundi S.A	-	-	-	**4,579**
Interest Income received from subsidiary				
CRDB Burundi S.A	-	-	**2,473**	**3,561**
Interest Income paid to subsidiary				
CRDB Burundi S.A	-	-	-	**28**

NOTES (Continued)

42 RELATED PARTY TRANSACTIONS (Continued)

Interest received and paid from and to related parties respectively were as follows;

	GROUP		BANK	
	2017 TZS' Million	2016 TZS' Million	2017 TZS' Million	2016 TZS' Million
Transactions with related companies were as follows;				
Payments made on behalf of subsidiaries				
CRDB Microfinance Company Services Ltd	**-**	**-**	**3,368**	**8,270**
	-	-	3,368	8,270
CRDB Insurance Broker Company Ltd	**-**	**-**	**4**	**281**
	-	-	4	281
Rent paid to the parent				
CRDB Burundi S.A	-	-	-	-
CRDB Microfinance Company Services Ltd	-	-	509	102
CRDB Insurance Broker Company Ltd	-	-	20	-
	-	-	529	102
Commission payable for loans and deposit mobilisation				
CRDB Microfinance Company Services Ltd	**-**	**-**	**19,915**	**25,068**

Purchase/ sale of properties on behalf of subsidiaries

In the year ending 31 December 2017, the company did not sale or purchase properties to/from any related party (2016: NIL).

Transfer of research & development

In the year ending 31 December 2017, the company did not transfer any cost of research & development to/from any related party (2016: NIL).

Guarantee

In the year ending 31 December 2017, there was no guarantee given or received to/from any related party (2016: NIL).

NOTES (Continued)

42 RELATED PARTY TRANSACTIONS (Continued)

Compensation of Key Management Personnel

Non-executive director's remuneration has been disclosed under section 8.17 of the director's report.

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

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

	2017	2016
	TZS' Million	TZS' Million
Short term employee benefits (salary)	6,629	7,508
Post-employment benefits (gratuity)	1,885	1,926
Termination benefits	-	-
Share based payment benefits	-	-
	8,514	**9,434**

The above compensation is a total salary package including all employment benefits and pension.

During the year ended 31st December 2017, there were no pension contributions paid on behalf of Directors to defined contribution schemes. There were no accruing benefits for Directors under a defined benefit scheme (2016: Nil).

The amounts disclosed above are the amounts recognised as an expense during the reporting period related to key management personnel. Generally, the non-executive directors do not receive pension entitlements from the group.

During the financial year; loans made to Key Management Personnel and other related parties of CRDB Group were TZS 668 million. Such loans are made in the ordinary course of business on terms equivalent to those that prevail in arm's length transactions. Loans may be secured or unsecured depending on the nature of lending product advanced. As at 31st December 2017, the total loan balances outstanding were TZS 5,401 Million (2016: TZS 5,347).

Interests in subsidiaries

Currently there are no restrictions of a parent or its subsidiaries to transfer cash or other assets to or from other entities within a group. Also there are no protective rights of the subsidiaries which can significantly restrict the parent from accessing or using the assets and settling the liabilities of the Group.

43 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There were no events after the statement of financial position date which require adjustment and/or disclosures in the financial statements.

NOTES (Continued)

44 PRIOR YEAR RESTATEMENTS

During the years ended 31 December 2016 and 31 December 2015, the group restructured some loans and advances to customers but did not account for the effect of the significant modifications to the terms of the facilities. The impact of the restatement on the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows is shown below. The current and deferred income tax adjustments include a reclassification of TZS 1,380 million from deferred income tax (Note 29) to current income tax (Note 15) being current income tax for CRDB Bank Burundi S.A. previously erroneously included within current income tax.

The restatements included the correction for errors on the prior year statement of cash flows.

Statement of profit or loss and other comprehensive income	After restatement	Before restatement	Restatement
Group – 2016			
Interest income	569,273	568,244	1,029
Loan impairment charges	(123,383)	(115,902)	(7,481)
Income tax expense	(42,221)	(44,156)	1,935
Profit after tax	69,577	74,093	(4,516)
Statement of financial position			
Loan and advances to customers	3,247,257	3,262,343	(15,086)
Deferred income tax	42,351	38,652	3,699
Current income tax	15,010	14,184	826
Equity			
Retained earnings	406,670	417,231	(10,561)
Basic and diluted earnings per share	26.64	28.37	(1.73)
Group – 2015			
Interest income	498,289	497,471	818
Loan impairment charges	(76,329)	(66,877)	(9,452)
Income tax expense	(56,123)	(58,712)	2,589
Profit after tax	122,933	128,978	(6,045)
Statement of financial position			
Loan and advances to customers	3,251,953	3,260,587	(8,634)
Deferred income tax	20,320	17,486	2,834
Current income tax	2,595	2,840	(245)
Equity			
Retained earnings	349,442	355,487	(6,045)
Basic and diluted earnings per share	51.74	54.28	(2.54)

NOTES (Continued)

44 PRIOR YEAR RESTATEMENTS (Continued)

Statement of profit or loss and other comprehensive income	After restatement 2016	Before restatement 2016	Restatement 2016
BANK – 2016			
Interest income	558,349	557,320	1,029
Loan impairment charges	(122,076)	(114,595)	(7,481)
Income tax expense	(41,638)	(43,574)	1,936
Profit after tax	63,770	68,286	4,516
Statement of financial position			
Loan and advances to customers	3,208,333	3,223,418	(15,085)
Deferred income tax	41,027	35,949	5,078
Current income tax	12,870	13,424	(554)
Equity			
Retained earnings	389,223	399,784	(10,561)
Bank – 2015			
Interest income	488,020	487,202	818
Loan impairment charges	(76,177)	(66,725)	(9,452)
Income tax expense	(53,201)	(55,790)	2,589
Profit after tax	116,329	122,373	(6,045)
Statement of financial position			
Loan and advances to customers	3,218,074	3,226,708	(8,634)
Deferred income tax	20,012	17,178	2,834
Current income tax	1,844	2,089	(245)
Equity			
Retained earnings	336,663	342,708	(6,045)

NOTES (Continued)

44 PRIOR YEAR RESTATEMENTS (Continued)

Statement of cash flows for the year ended 31 December 2016	GROUP – TZS' MILLION			BANK – TZS' MILLION		
	Before	Adjustment	Restated	Before	Adjustment	Restated
Cash flow from operating activities						
Profit before income tax	118,249	(6,451)	111,798	111,860	(6,452)	105,408
Adjustment for:						
(Gain)/Loss on disposal of property and equipment	(43)	200	157	62	-	62
Other adjustments to property and equipment	-	(440)	(440)	-	(816)	(816)
Loan impairment charges and non-cash recoveries	115,902	12,963	128,865	114,595	12,963	127,558
Grant utilization	-	(2,477)	(2,477)	-	(1,228)	(1,228)
Foreign currency exchange (gain)/loss on grants	-	24	24	-	28	28
Foreign currency exchange (gain)/loss on borrowings	-	1,899	1,899	-	1,899	1,899
Foreign currency exchange (gain)/loss on cash and cash equivalents	-	(2,201)	(2,201)	-	47	47
Net interest income	(432,116)	(1,029)	(433,145)	(423,900)	(1,029)	(424,929)
Net fee and commission income	**(154,534)**	**154,534**	**-**	**(123,351)**	**123,351**	**-**

NOTES (Continued)

44 PRIOR YEAR RESTATEMENTS (Continued)

Statement of cash flows for the year ended 31 December 2016	GROUP – TZS' MILLION			BANK – TZS' MILLION		
	Before	Adjustment	Restated	Before	Adjustment	Restated
Changes in operating assets and liabilities:						
Statutory minimum reserve	1,987	(1,886)	101	1,987	-	1,987
Government securities	304,326	2,844	307,170	302,212	2,844	305,056
Loans and advances to customers	(61,308)	(47,006)	(108,314)	(55,023)	(50,199)	(105,222)
Other assets	(21,198)	948	(20,250)	(14,840)	949	(13,891)
Deposits from banks	46,223	2,846	49,069	50,956	2,846	53,802
Other liabilities	(30,001)	-	(30,001)	(34,589)	1,978	(32,611)
Grants	7,428	(7,428)	-	(1,228)	1,228	-
Interest received (loans and advances to customers and banks)	444,392	17,753	462,145	439,505	17,564	457,069
Interest paid	(127,814)	12,710	(115,104)	(126,661)	16,356	(110,305)
Fee and commission income	165,939	(165,939)	-	159,443	(159,443)	-
Fee and commission expense	(11,405)	11,405	-	(36,092)	36,092	-
Total adjustment on operating activities		**(16,731)**			**(1,022)**	

NOTES (Continued)

44 PRIOR YEAR RESTATEMENTS (Continued)

Statement of cash flows for the year ended 31 December 2016	GROUP – TZS' MILLION			BANK – TZS' MILLION		
	Before	Adjustment	Restated	Before	Adjustment	Restated
Cash flows from financing activities						
Grants received	-	9,935	9,935	-	-	-
Refund of grants	-	(30)	(30)	-	-	-
Total adjustment on financing activities		**9,905**			**-**	
Effect of exchange rate change on cash and cash equivalent	**278**	**1,923**	**2,201**	**(1,069)**	**1,022**	**(47)**

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