PASSION TO SERVE

CRDB Banking Group
Annual Report
2016

CRDB BANK
The bank that listens

PASSION TO SERVE

Contents

Financial Statements

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 Corporate, Small and Medium Enterprises (SMEs), Business, Treasury, 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 a part of the regional expansion plan in East Africa.

CRDB Bank has a large footprint with 250 branches, 510 ATMs (spread across the country), 15 Mobile branches, 455 Microfinance partners' institutions, 2,558 'FahariHuduma' agents, 1,526 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 Financial Corporation (IFC), KFW-DBG, Germany,

Company Profile

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 5.3 trillion (Group has Total assets of TZS 5.4 trillion) and Total customer deposits of TZS 4.05 trillion (Group has Total deposits of TZS 4.11 trillion) as at 31st December 2016. 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.

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 250 branches, 510 ATMs and 1,526 merchants.
- Leader in execution of financial inclusion strategy by having a Microfinance network of 455 micro co-operations with loans starting from TZS 200,000 and over 2,558 agent networks.
- 24 hours world class tri-lingual (English, Swahili and French) Call Centre.
- Subsidiary company in Burundi, East Africa.
- Insurance brokerage subsidiary.

Company Profile

- No. #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.
- Recipient of Best Corporate Consumer Award in Tanzania.
- Winner of 2004 "Best Bank in Tanzania award" and received Euro Money Award, by Euro money Magazine.
- Winner of Best Regional Bank East Africa in 2016 by African Banker Awards.
- Winner Best Retail Bank Tanzania in 2016 by East Africa Banker Awards
  Winner "Best Trade Finance Bank Tanzania" "Commercial Bank of the Year Tanzania" "Best Innovation Bank in Retail Banking" in 2016 by International Banker Awards.
- Winner "Best Presented Financial Statements in the Banking Category" in 2015 by the National Board of Accountants and Auditors (NBAA).
- Winner "Best Presented Financial Statements in Banking Category - Tanzania" in 2015 by the Financial Reporting (FiRe) Awards.

HELPING COMMUNITIES

1% Annual Profit

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

CRDB BANK PLC

Azikiwe Street,
Office Accomodation Scheme Building,
Box 268, Dar es Salaam

+255 22 211 7442-7
customer_hotline@crdbbank.com
www.crdbbank.com

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 at 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 incorporated in the United Republic of Tanzania in 2016.

Registered Office

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

Corporate Information

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 are as shown below:

Board of Directors

NAME	DESIGNATION	NATIONALITY
Ally H. Laay	Chairman	Tanzanian
Bede P. Lyimo	Member	Tanzanian
Boniface C. Muhegi	Member	Tanzanian
Kai Kristoffersen	Member	Danish
Ebenezer N. Essoka	Member	Cameroonian
Rose F. Metta	Member	Tanzanian
Devotha N. Minzi	Member	Tanzanian
Juma A. Abdulrahman	Member	Tanzanian
Frederick T. Sumaye	Member	Tanzanian
Hosea E. Kashimba	Member	Tanzanian
Madren N. Oluoch-Olunya	Member	Tanzanian
Mohamed H. Warsame	Member	Tanzanian
Charles S. Kimei	Ex-officio	Tanzanian

Company Secretary

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

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:

NAME	DESIGNATION	NATIONALITY
Charles S. Kimei	Managing Director	Tanzanian
Esther K. Kitoka	Deputy Managing Director (Shared Services)	Tanzanian
Saugata Bandyopadhyay	Deputy Managing Director (Operations & Customer Services)	Indian

MAIN BANKER

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

LAWYERS

Abenry & Company,
NIC Life House, 2nd Floor,
Ohio Street/Sokoine Drive,
P.O. Box 3167, Dar es Salaam,
TANZANIA

AUDITORS

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

Financial Highlights

Financial Highlights

	2012	2013	2014	2015	2016
Net Interest Income	206,276	235,601	276,187	390,649	432,116
Impairment losses on loans & advances	26,403	31,519	36,886	66,877	115,902
Net Fees & Commissions	74,605	92,759	118,604	148,956	154,434
Net Foreign Exchange Income	22,782	28,528	29,334	34,860	34,842
Operating Income	278,342	325,421	387,501	508,868	507,839
Operating Expenses	170,640	203,400	255,257	321,178	389,690
Net Income	80,543	84,378	95,645	128,978	74,093
Loans, Advances and Overdrafts	1,806,865	1,993,106	2,545,296	3,342,352	3,397,726
Total Assets	3,074,816	3,558,668	4,210,097	5,407,817	5,415,720
Total Deposits	2,591,033	3,024,429	3,390,921	4,246,168	4,109,974
Shareholders' Funds	317,432	375,750	441,151	687,398	718,187
Non-performing loans & advances	124,586	126,307	129,247	270,862	474,905

Key Ratios

	2012	2013	2014	2015	2016
Earning per Share (TZS shilling)	37.0	38.8	36.4	54.3	28.4
ROAA (%)	3.8%	3.7%	3.6%	4.2%	2.2%
ROAE (%)	28.2%	24.4%	25.2%	24.3%	10.5%
Cost to Income Ratio	61.5%	62.6%	65.9%	55.8%	63.1%
Non-Funded Income/ Total Income	32.3%	34.0%	34.9%	32.2%	30.7%
Net Profit Margin (%)	26.4%	23.6%	22.5%	22.4%	11.9%
Capital/Assets	9.4%	10.6%	10.5%	12.7%	13.3%
Capital/Deposits	12.3%	12.4%	13.0%	16.2%	17.5%
Loans/Total Deposits	71.0%	67.1%	76.0%	78.7%	82.6%
NPL/Total Loans	6.8%	6.2%	5.0%	8.4%	14.0%

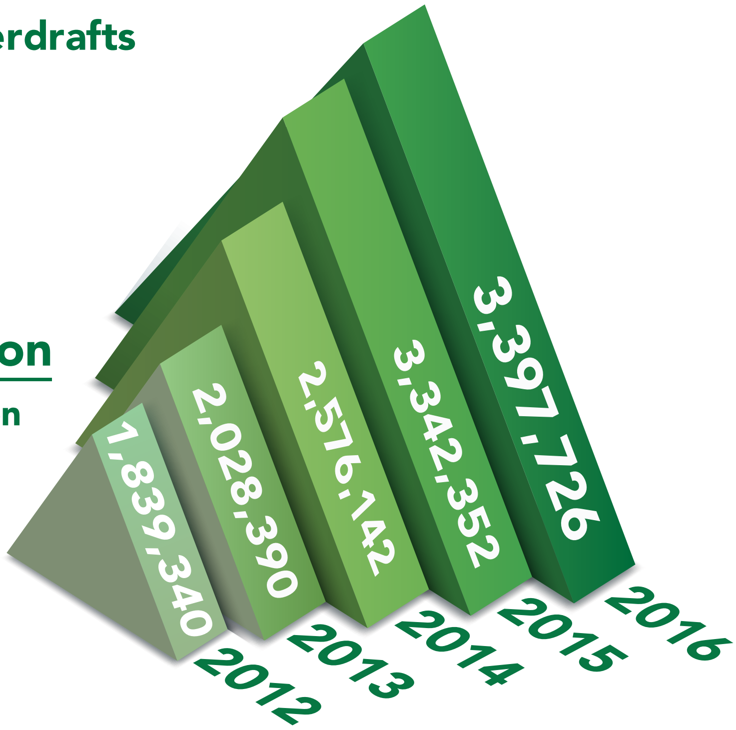
Financial Charts

Loans, Advances & Overdrafts (TZS Millions)

+1.7%

TZS 3,397,726 Million

2015: TZS 3,342,352 Million



Total Assets (TZS Millions)

+0.1%

TZS 5,415,720 Million

2015: TZS 5,407,817 Million

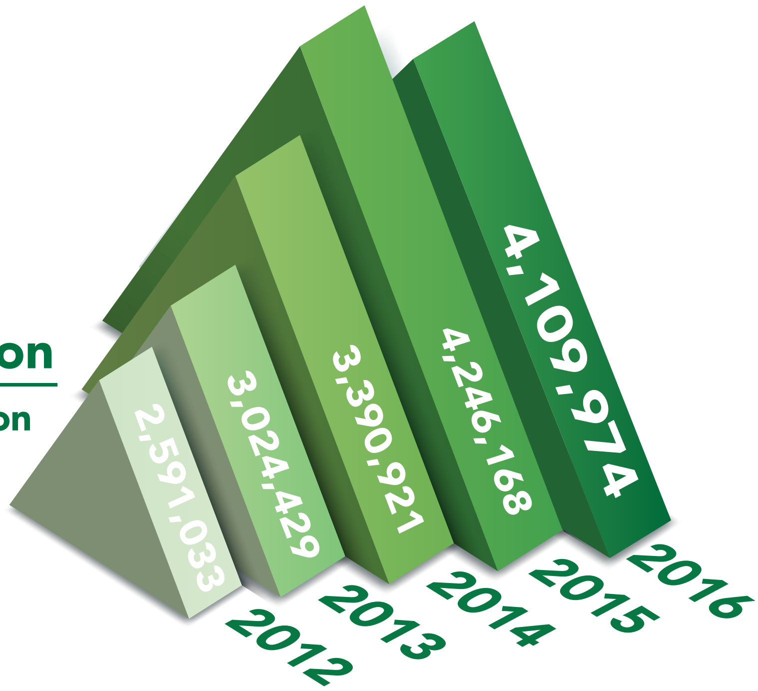
Financial Charts

Deposits
(TZS Millions)

-3.2%

TZS 4,109,974 Million

2015: TZS 4,246,168 Million

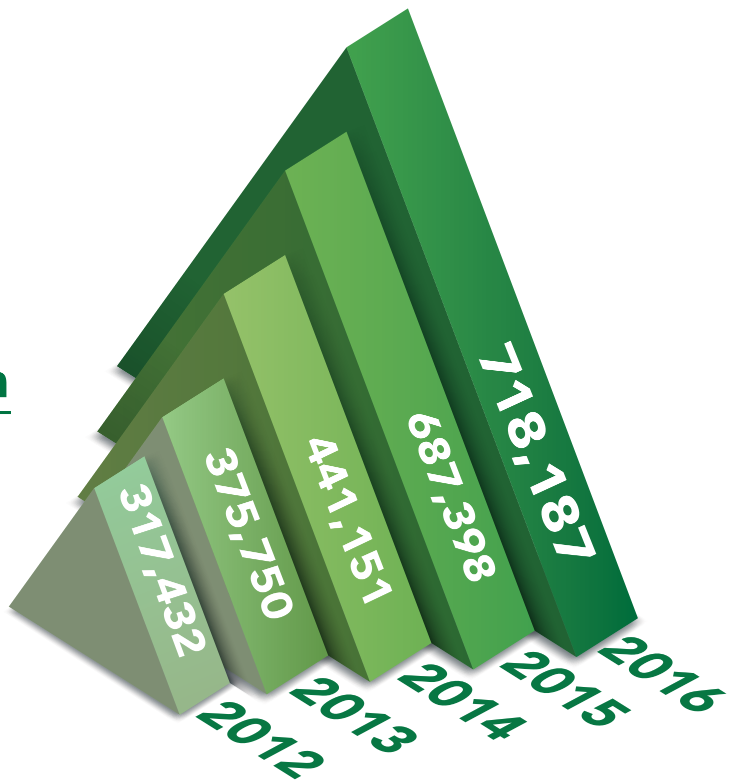


Capital
(TZS Millions)

+4.5%

TZS 718,187 Million

2015: TZS 687,398 Million



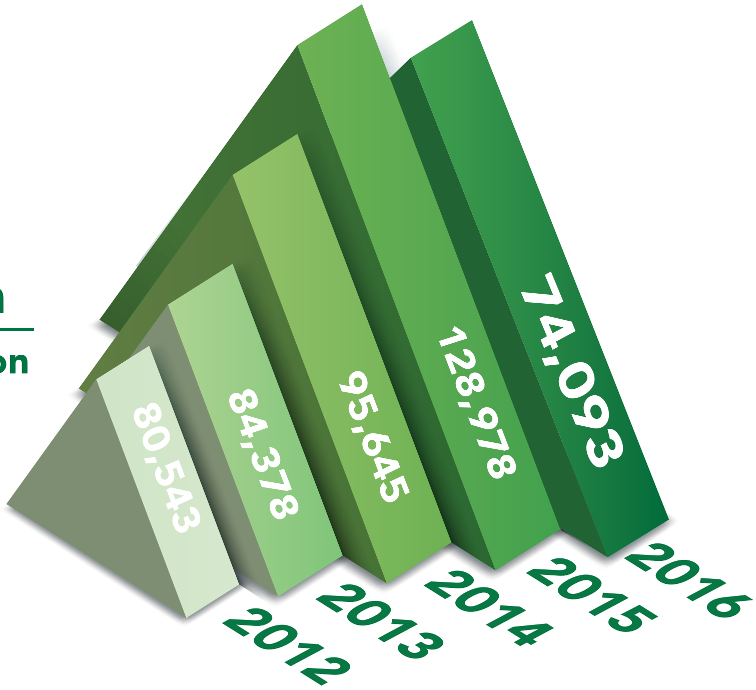
Financial Charts

Net Income
(TZS Millions)

-42.6%

TZS 74,093 Million

2015: TZS 128,978 Million

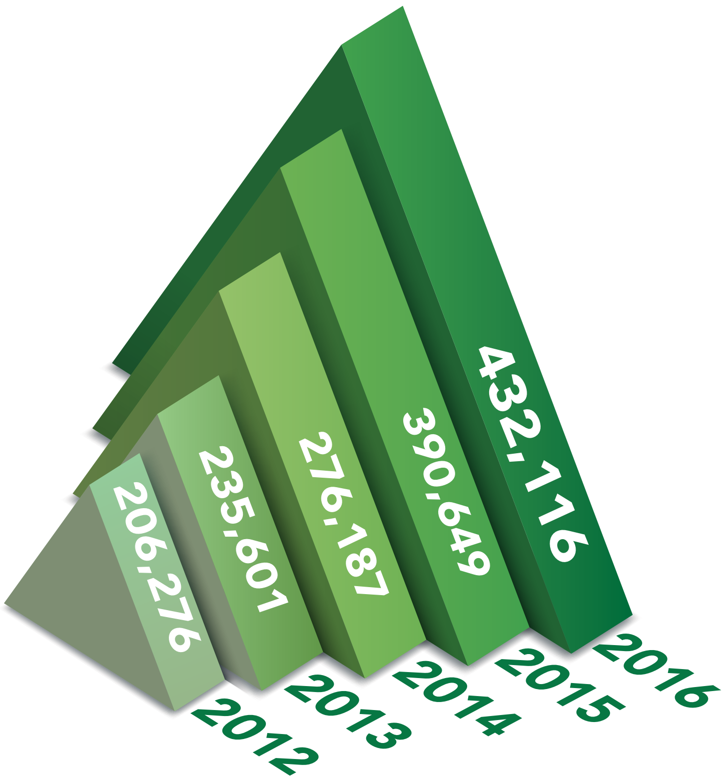


Net Interest Income
(TZS Millions)

+10.6%

TZS 432,116 Million

2015: TZS 390,649 Million



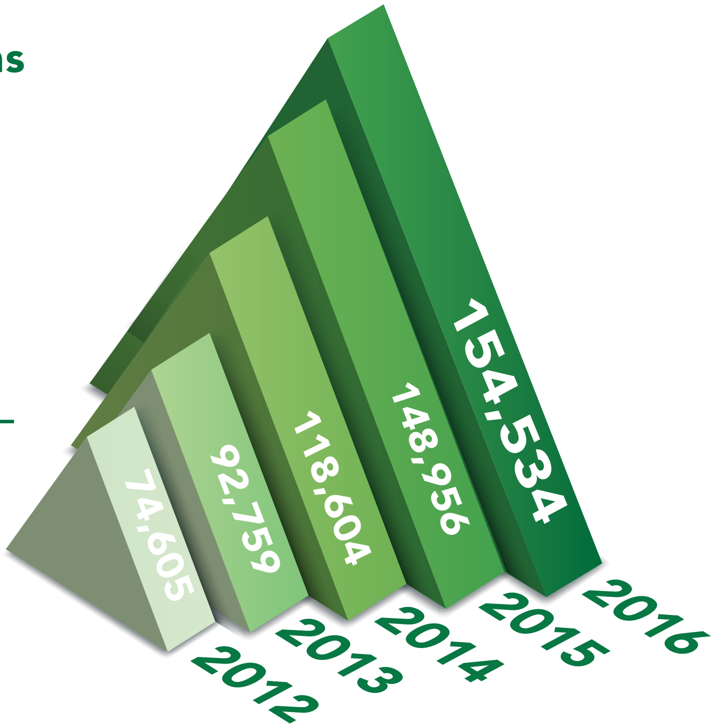
Financial Charts

Net Fees & Commissions (TZS Millions)

+3.8%

TZS 154,534 Million

2015: TZS 148,956 Million



Value Added Statement for the Year ending December 2016

	GROUP 2016		GROUP 2015	
Income earned from financial services	568,244		497,471	
Cost incurred in provision of services	(136,128)		(106,822)	
Value added from financial services	**432,116**		**390,649**	
Non-operating income	203,130		192,572	
Non-operating expenditure	(290,514)		(208,922)	
Value-added	**344,732**		**374,299**	
Distribution of value added				
Employees and Management	155,115	45%	123,542	33%
To Government	96,444	28%	87,967	24%
To Shareholders	26,118	8%	44,401	12%
Reinvestment	67,055	19%	118,389	32%
Value distributed	**344,732**	**100%**	**374,299**	**100%**

Ally Hussein Laay
Board Chairman

Chairman's Statement

It gives me great pleasure to present the CRDB Bank Group's Annual Report and financial statements for the year ended 31st December, 2016.

The year 2016 was an important year to the Group as we celebrated our 20th Anniversary of the Bank which was marked by recognizing the valued support of our shareholders, customers and other stakeholders and renewed our commitment to deliver distinctive services in years ahead. From a business perspective the year was full of challenges, especially from the funding side following the decision by the Government of Tanzania to transfer deposits of public corporations to the Bank of Tanzania into what is now known as Treasury Single Account (TSA). The operationalization of TSA led to deposit base decline arising from the transfer to Bank of Tanzania (BOT) an estimated amount of TZS 700 billion which were in the banking sector, implying liquidity challenges among banks in their lending operations. In response to the above challenges, the Board reviewed the Group's policies and strategies in order to cope with the evolving market conditions. In particular, the Bank reduced its appetite for asset/loan growth and approved additional borrowings from European Investment Bank and ICICI Bank to fill a funding and liquidity gap.

Financial Performance

CRDB Bank continued to command a market share of above 20% in total deposits and assets respectively of the banking sector, putting it in the first position by balance sheet size in Tanzania. We continued to hold the number two position in profitability, notwithstanding reduced net profit of TZS 74.1 billion compared to TZS 129.0 billion realized in previous year. Total assets of the Group increased marginally by 0.1% to TZS 5.42 trillion (against TZS 5.41 trillion in 2015) and deposits declined slightly by 3.2% to TZS 4.1 trillion at 31st December 2016.

Notable Strategic Achievements

The positive results of our subsidiary companies are a strategic milestone for the diversification from the range of our banking services and future potential growth of the revenues for the Group. During the year, one additional subsidiary - CRDB Insurance Brokers Limited was launched and all subsidiary companies contributed positively to the Group's financial performance in 2016.

Chairman's Statement

The Bank continued to strengthen operational efficiency capabilities by upgrading its core banking system to increase through-put and automate loan origination and lending processes. The communication network was also enhanced to provide improved availability and reliability of services, particularly on its digital banking platforms.

In 2016, the Bank received a first time credit rating of B1 with stable outlook by Moody's--an internationally recognized rating agency. The rating was the first credit rating for banks in Tanzania. This was an outstanding accomplishment for the Bank as it reassures investors, shareholders and our customers of the creditworthiness of the Group. The rating is also a strategic response to the changing local business environment from the funding side to ensure that the Bank remains in control of its sources of funding with the shrinking public sector deposits as well as other strategic alliances to be forged by the Bank in the near future.

During the year under review the Bank received a number of prestigious awards namely; *Africa Business Leadership Excellency Awards - African Leadership Awards, New York 2016. (Courtesy: African Leadership Magazine), Best Retail Bank Tanzania – Banker Africa – East Africa Awards 2016, The Best East African Bank of the year – African Banker Awards (AfDB Awards 2016), Best Commercial Bank Tanzania – International Banker Awards 2016, Best Innovation in Retail Banking Tanzania – International Banker Awards 2016, Best Local Trade Finance in Tanzania – Global Trade Review (GTR) and Certificate of Appreciation on financial contribution – Women's Economic Empowerment Forum (WEEF) – The United Republic of Tanzania, Vice President's Office.*

The awards reassure our shareholders, customers and other stakeholders of the credibility of the Bank's services and products and motivate the management team and staff.

Chairman’s Statement

Changes in the Board

At the 21st Annual General Meeting held on 21st May 2016, three Board members namely Mr. Boniface Charles Muhegi, Mr. Adam H. Mayingu and I retired. Mr. Adam H. Mayingu did not stand for re-election. We will miss his valuable contributions. I take this opportunity to wish him good health and prosperity in his other undertakings. Mr. Boniface Charles Muhegi and I were re-elected. I congratulate Mr. Muhegi and thank shareholders for re-electing us.

Prof. Mohamed Hersi Warsame was elected as the Board Member to represent the group of shareholders holding between 1% and 10% of the Bank’s shares. Mrs. Madren N. Oluoch-Olunya was elected as an Independent Board Member replacing Mr. Lawrence Mafuru. We are privileged to have Prof. Warsame and Mrs. Oluoch-Olunya join the Board due to their vast experience in finance, law, corporate governance and human resources management.

During the year, the term of former Chairman of the Board Mr. Martin Jonas Mmari, who was an appointee of PPF Pension Fund (PPF), came to an end in July 2016. Mr. Mmari was a long serving Chairman of the Board and we will miss his experience. I take this opportunity to thank him for his dedication for the period he served the Board and wish him every success in his life endeavors.

Mr. Mmari was replaced by Mr. Hosea Ezekiel Kashimba also an appointee of PPF Pensions Fund. Mr. Kashimba brings to the Board his vast experience and expertise in audit and finance. Following the retirement of Mr. Mmari, the Board had to elect a new chairman, and I was privileged to be appointed the new chairman.

I would like to thank Board Members for electing me to serve the Board of CRDB Bank Plc as the Chairperson from July 2016. I feel privileged for the opportunity given to me as I assure shareholders and stakeholders of my full commitment to the prosperity of the Group.

Chairman's Statement

Once again I am delighted to welcome Mr. Hosea Ezekiel Kashimba, Prof. Mohammed Hersi Warsame and Mrs. Madren N. Oluoch-Olunya to the Board.

Dividend Recommendation

On behalf of the Board, I am pleased to present the Board recommendation of a dividend of TZS 10 per share for the year ending 31st December 2016 payable to shareholders on the register as on 9th May 2017. A resolution to this effect will be presented in the 22nd Annual General Meeting on 20th May, 2017 for adoption by shareholders.

Future Prospects

Year 2017 is expected to be challenging as a result of national policy changes, increased competition and growth perspectives in both domestic and global economy. The ongoing policy orientation, including macroeconomic and structural policies, as well as changes in regulatory framework in Tanzania will pose challenges in banking environment in the country including affecting our customers' ability to service their obligations.

It is against this context that the Board will exercise a cautious approach in implementing the Bank's strategy for 2017. The Bank will focus on consolidation and effective cost management - implying taking a low gear in network expansion and improving asset utilization to generate quality income and improve returns to shareholders. The Board will continue to focus on risk and regulatory compliance to optimize the business and improve beyond financial performance.

The Board is optimistic that the Group will achieve strong positive results in 2017 and the years ahead given the adopted strategy and remit competitive returns to our shareholders.

Appreciation

I would like to thank members of the Board for their continued loyalty to the Board and support to the Chair. I extend my sincere appreciation to regulatory bodies, shareholders and customers for continuing to trust and support the Bank throughout the year.

Chairman's Statement

I thank Management and staff for their hard work, innovation and teamwork that have been fundamental to the Bank's good performance in 2016 amidst significant business turbulence experienced during the year. We feel privileged to have such a committed team of management and staff and look forward to strongly upholding that drive in year 2017.

We are really grateful for the collaboration extended to us by the Governments of the United Republic of Tanzania and Burundi during the year.

I once again, take this opportunity to wish our customers, shareholders, management, staff and other stakeholders all the best in the year 2017.

Mr. Ally Hussein Laay
Board Chairman

Board of Directors

Ally Hussein Laay
Board Chairman

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 holds a certification in Company Director from the Institute of Directors Tanzania (IODT) and Institute of Directors (IOD) in UK.

Rose Felix Metta
Board Member

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 Security Social 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 holds a Certification in Company Directon by Institute of Directors – UK. She is a member of the Board Credit and Risk Committees.

Kai Kristoffersen
Board Member

The career of Kai Kristoffersen has included top level management positions in various Danish commercial banks. He has been working as a consultant in banking, financing and public finance in emerging countries Tanzania, Uganda and Ghana as well some assignments in Bosnia-Herzegovina, Bulgaria, China and Romania. He has served as a Resident Advisor and EU Project Manager to the Lithuanian Ministry of Finance and Lithuanian Central Bank with assignments in Bulgaria, Romania, Croatia and Bosnia-Herzegovina.

Kai holds a Master of Law degree from the Aarhus University in Denmark and a Bachelor of Business Administration from the Business School of Aalborg in Denmark. He holds a Certification in Company Directon by Institute of Directors in UK. He is Chairman of the Board Risk Committee and a member of the Audit Committee.

Board of Directors

Boniface Charles 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 holds a certification in Company Director by Institute of Directors Tanzania. He is Chairman of the Board Governance and Human Resources Committee and a member of the Board Credit Committee

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.

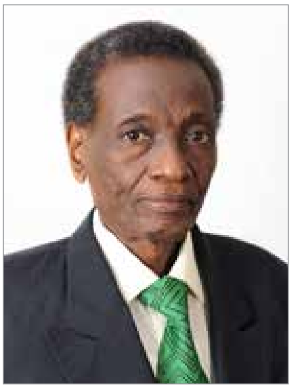
Madren holds a Master of Laws Degree – The London School of Economics and Political Science in UK, Bachelor of Laws (Honors) Degree - The University of Hull, UK, ACCA Diploma in Accounting and Finance – Kenya College of Accountancy, Certified Public Secretary – Institute of Certified Public Secretaries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

Juma Abdallah Abdulrahman
Board Member

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 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.

Board of Directors



Bede Philip Lyimo
Board Member

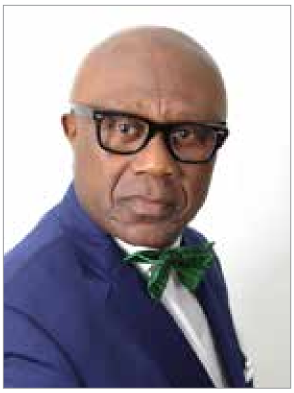
Bede Philip Lyimo is the Managing Director for PPP Solutions Co. Limited. He also served as the Chief Executive Officer for Better Regulations Unit in the President's Office, Planning Commissioner and Policy Advisor in the Prime Minister's Office. Mr. Lyimo worked as Assistant Director, Multilateral Trade Programmes Section in Ministry of Industry and Trade. He also worked for the Ministry of Foreign Affairs as a Senior Economist and an Administrative attaché in the Tanzania High Commission in Lagos.

Bede holds a Master of Business Administration from the Catholic University of Leuven and a bachelor of Business Administration from the University of Dar es Salaam. He holds a Certification in Company Director by Institute of Directors – UK and Institute of Directors in Tanzania. He is a member of the Governance and Human Resources and Credit Committees.

Devotha Ntuke 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 holds a diploma in Strategic Business Management by SIPU-Sweden. She holds a Certificate of Directorship – Institute of Directors UK. Mrs. Minzi is a Member of the Board Risk and Audit Committees.



Ebenezer Ngea Essoka
Board Member

Ebenezer Essoka is the Executive Chairman 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.

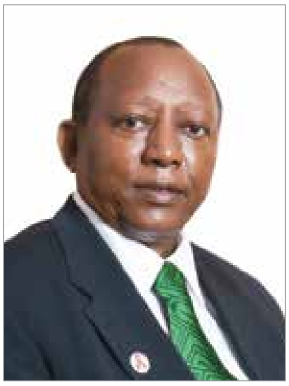
Ebenezer holds an MBA in Finance as well as a Diploma in International Business from Seton Hall University South Orange, New Jersey, USA and has also attended senior executive development programmes at INSEAD, London Business School, Templeton College, Oxford University. He is a member of the Board Audit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

Board of Directors

Mohamed Hersi Warsame
Board Member

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

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.



Frederick Tluway Sumaye
Board Member

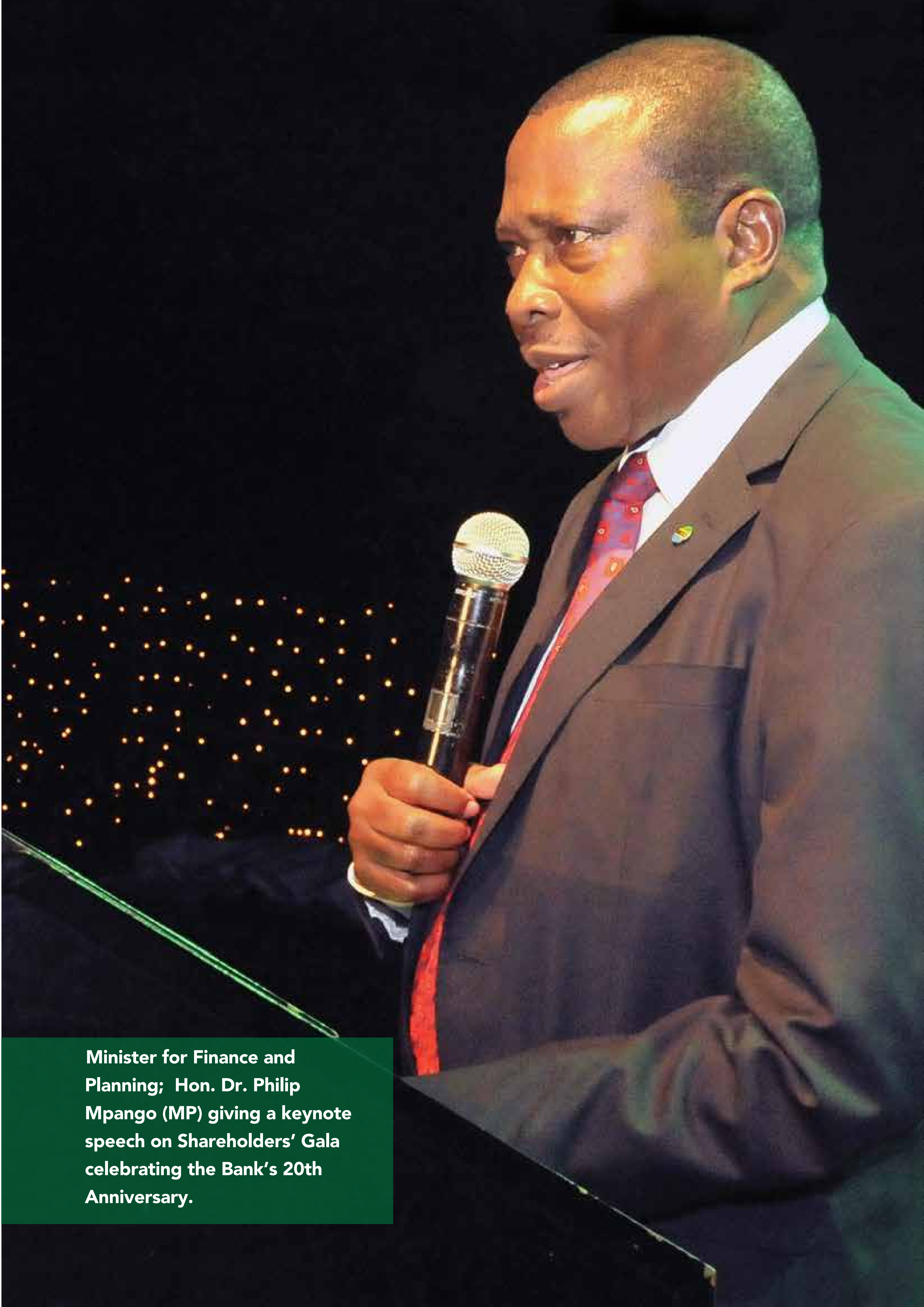
Hon. Frederick Tluway Sumaye is a former Prime Minister of United Republic of Tanzania. Hon. Sumaye served as a Minister of Agriculture, Livestock and Cooperatives, Deputy Minister of Agriculture and Livestock, Head of Research and Development at the Center for Agricultural Mechanization and Rural Technology (CAMARTEC) and tutor for Agro-mechanization.

Hon. Sumaye holds a Master of Public Administration from John F. Kennedy School of Government at Harvard University, USA. He was a member of Governance and Human Resources Committee and Credit Committee.

Hosea Ezekiel 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 holds a Certificate of Directorship – Institute of Directors Tanzania. He is a member of the Board Audit and Risk Committees.



Minister for Finance and Planning; Hon. Dr. Philip Mpango (MP) giving a keynote speech on Shareholders' Gala celebrating the Bank's 20th Anniversary.

Charles Stephen Kimei
Managing Director

Managing Director's Statement

I am pleased to present the performance results for CRDB Bank Plc and its subsidiaries for 2016, a year during which the banking sector as a whole experienced severe headwinds generally resulting from changes in structural and macroeconomic environment leading to tightening of liquidity in the economy. I would rush to say that despite the tough business environment that ensued, the Bank was able to navigate tactfully by engaging a low gear in its growth strategy with a focus on consolidation.

Year 2016 was special for the Bank as we celebrated our 20th Anniversary. The theme for year 2016 was "Consolidation and Operational Excellence". The thrust of activities was on resource optimization to achieve improved capacity utilization of our alternative banking channels mainly card business, Simbanking and agent banking; without compromising sales focus to grow business volumes in new outlets especially mini service centers, Government service centers and hospital card business. The upgrade of the core banking system – Fusion Banking Essence (FBE) aimed at enhancing system capability and efficiency as core prerequisite for operational efficiency. In line with the objective of attaining operational excellence and sales optimization, the Bank established 51 Mini-Service Centers with financial support from the Financial Sector Deepening Trust (FSDT) and Marketing Infrastructure Value Addition and Rural Finance (MIVARF). These initiatives will definitely add to our ability to mobilize retail savings from clusters of micro-entrepreneurs.

During the year, the Bank witnessed slow down in business activity in key segments of its operations, mainly in corporate and SME segments, especially those dealing in trade and commerce, agriculture, mining, transportation (other than gas), tourism (hotels) and real estate sectors. The stagnation in business activity translated into financial distress to a number of players, particularly those who had large credit exposures with the banking system. This situation was partly attributed to tight monetary conditions characterized by high real interest rates, among other features.

In Burundi, political and economic uncertainty continued to prevail, with withdrawal of donor support weighing heavily on economic performance and especially on supply of foreign exchange. Business environment of the subsidiary have been somehow affected by these uncertainties, however the subsidiary managed to break even in 2015 and it is continuing to perform positively. The subsidiary will continue to increase its business volumes while at the same time managing costs so as to grow profitability in 2017. This is expected to be achieved through introduction of innovative products to the market, focusing on value added customer services and selective expansion of business while carefully managing both costs and risks.

The performance of the Group in 2016 was mainly impacted by a dramatic shift in the operating environment with devastating impact on funding, liquidity and credit risk management. Amongst the most factors that weighted on the business environment were the following policy measures:

- Tightening of fiscal policy, including measures to reduce public spending and enhancement of tax administration. Included in the package of managing government spending were steps taken by the Authorities to identify and remove from Government payroll ghost workers and students (of whom some had fraudulently accessed loans from the Higher Education Students Board and from banks);
- Transfer of deposits of public corporations (amounting to over TZS 700 billion) to the Central Bank under the Treasury Single Account operation; and
- Additional taxes on financial services (VAT of 18% on top of the Excise duty of 10% introduced in previous years) and capital gain tax of financial instruments.

These unexpected measures impacted negatively on the balance sheets of business entities, especially banks, which were tasked to rebalance assets to liabilities by taking appropriate adjustment measures - including recourse to short term Central Bank accommodation, borrowing from international capital markets, and deceleration in growth of assets/lending. As market liquidity became tight, interest rates went up, but not to expected levels thanks to accommodative policies implemented by the Central Bank. The emerging business conditions manifested in reduced aggregate demand, among other features, implied a reduced ability of bank borrowers to repay their loans, with attendant increase in nonperforming loans and loan loss provisions. Indeed, due to financial distress, a number of businesses had to close down; and personal loans repayments were negatively affected by ghost workers. In summary, 2016 was not business as usual for most businesses and the banking sector in particular.

The macroeconomic environment remained stable with inflation at about 5% (year on year), broad money supply (M3) growing by 2.9% - lowest record in the post independence history of the country and growth of the Gross Domestic Product (GDP) leveling at 7%. As aforesaid, these developments took place within a backdrop of tight fiscal policy and dramatic fall (close to 80%) in foreign Government budget support.

The changes in regulatory environment that were effected in 2015, together with steps taken by the Bank to prepare for implementation of IFRS 9 (to start in 2018) implied the need for accelerating loan loss provisioning with a view to reduce the impact of applying the new accounting standard when it becomes effective in January 2018. In short, IFRS requires that provisions are made on basis of expected, rather than realized loan losses. Regulations relating to minimum capital (core and total) against Risk Weighted Assets; Statutory Minimum Reserves (SMR) impacted on growth of the loan portfolio; while the statutory reduction of the number of times a facility can be restructured to a maximum of 2 times are few cases in point and the requirement that classification of restructured loans can only be upgraded after repayment of four consecutive installments contributed to the increase in nonperforming loans and loan loss provisions.

Key Strategic Milestones

In the wake of the challenges experienced in 2016, the Bank had to realign its business strategy to focus on consolidation, operational efficiency and enhancement of growth of the retail segment in terms of deposits, loans and transactions income. In this regard, the expansion of the network of branches, service centers, mini-service centers, Agents (FahariHuduma Wakalas) and alternative banking channels (Simbanking, Internet Banking and PoS) that was undertaken in 2014-2015 provided an indispensable opportunity for the reorientation of the strategy.

Managing Director's Statement

In line with the policy drive, the Bank implemented marketing and sales promotion strategy targeting our alternative banking channels particularly Simbanking, agent banking and card business. 'Shinda na Tembocard' (Win with Tembocard) was one of the most spectacular campaigns. The Bank completed the upgrade of the Core Banking System from Universal Banking (UB) to Fusion Banking Essence (FBE) with a view to increase its efficiency and capability in light of rapidly increasing business volumes. To further drive sales volumes, the Bank implemented various initiatives to promote amongst staff the culture of cross selling and sales optimization, customer engagement, change management, aggressive collection and recovery of delinquent loans and cost management.

Achievements that are noteworthy in 2016 include the launching of a third subsidiary company the CRDB Insurance Brokers Ltd and new deposit products targeting 2-3 year term savings under the brand names of Thamani and Dhahabu Savings Accounts. The Bank launched Visa Premium and Visa Infinity cards specifically for Premier Club members.

Key Results

In pursuit of the Bank's strategic focus for 2016, three pillars were identified and utilized, namely:

- Improvement of the credit portfolio whereby the thrust was to complete implementation of automation of credit origination, establishment, monitoring, collateral management and collection processes; enhancement of stressed asset management and recovery; and improvements in corporate and SME credit rating models;
- Securing improvement in customer service whereby the Bank achieved rollout of the Mobile (Simbanking) App to users of iPhones following implementation on Android based phones in 2015; rollout of account opening authentication by National ID through integration with NIDA; and implementation of Western Union Services in 52 branches;

- Cost management through, among other measures, outsourcing of major printing services; continued automation of back office processes and rollout of integration of Ministry of Local Government accounting systems with Dar es Salaam based Municipal and Council accounts through the Bank's Core Banking System.

The financial results of the Bank and the Group were fairly good given the operating context. The Group recorded a pre-tax profit of TZS 118.2 billion as compared to TZS 187.7 billion realized the previous year. Pre-tax profit for the Bank alone stood at TZS 111.9 billion as compared to TZS 178.2 billion recorded last year. Interest income was on track, registering an annual increase of 14% from TZS 497.5 billion on 2015 to TZS 568.2 billion in 2016. However, interest expense grew by 27% from TZS 106.8 billion in 2015 to TZS 136.1 billion translating into a financial spread growth of 11% in the year. The increase in interest expense was attributed to tight market liquidity partly as a result of the transfer of deposits of public corporations to the Bank of Tanzania.

Non-interest income mostly driven by service charges, forex income and income from digital channels amounted to TZS 192.6 billion compared to TZS 185.0 billion in 2015, recording an increase of 4%.

For the first time in the 20 years of the Bank's operation the Bank's balance sheet grew marginally by 0.1%, bringing total assets to TZS 5,415.7 billion at end December 2016 (TZS 5,407.3 billion: 2015). The net loan portfolio also grew slightly by 0.1% in 2016 to TZS 3,262.3 billion (against TZS 3,260.6 in 2015).

It is worth noting that the bottom line profit after tax of the Group was highly impacted by performance of the loan portfolio. Despite the growth in interest income presented above, loan impairment charges increased substantially to TZS 115.9 billion in 2016 against TZS 66.9 billion charged in 2015 indeed both years characterized by very high loan provisions. For 2015 the provisions were heightened by changes in the prudential regulations especially the article prohibiting restructuring of NPLs more than twice, and non up-gradation of restructured facilities until repayment of four consecutive instalments. This led to an increase of the ratio of nonperforming loans from about 8.4% to 14.0 % in 2016. The increase in amount of provisions booked in 2016 resulted partly from financial distress experienced by borrowers in micro, SME and corporate segments which compounded the effects of the new regulations; together with deliberate move to accelerate provisioning in the context of the expected loan losses in line with IFRS 9 mentioned earlier. The Bank's deposits declined by 3% from TZS 4,246.7 billion in 2015 to TZS 4,110.0 billion at end December 2016. The structure of our deposits continued to reflect high quality: 82% of the deposits were contributed by current account and savings accounts (CASA).

The Group recorded a positive contribution from each of its subsidiaries. CRDB Burundi S.A. made a pre-tax profit of TZS 2.4 billion in 2016 compared to TZS 656.7 million realized in year 2015. CRDB Microfinance Services Company Limited (MFSCL) recorded a pre-tax profit of TZS 2.9 billion compared to TZS 5.9 billion made in year 2015. The decrease in profit was contributed by the costs related to expansion of network. These new outlets are expected to provide more services to the underserved community and become profitable within 1 to 2 years period. The CRDB Insurance Brokers Limited established in April 2016 contributed a pre-tax profit of TZS 421 million to the Group.

Strategic Focus for year 2017

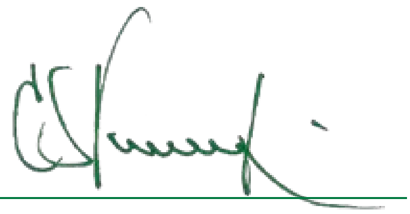
Year 2017 is the final year of implementing the current 5 year Business strategy (2013 - 2017). During this cycle of strategy implementation the overriding theme was to double our assets in the five year period while maintaining Return On assets (ROA) at a minimum of 3% leveraging on technology and integrated delivery channels. Indeed, this strategy was being achieved step by step until 2016 when the operating environment got disrupted by changes in the operating environment.

The challenges faced in 2016 are not expected to ease in 2017; however, most of the required adjustments to cope with new macroeconomic conditions have been made and the Bank is in good shape to implement a strategy of 'Consolidation and Operational Efficiency' in 2017. This strategy seeks to drive transaction volumes within the Bank's expanded network of 250 branches, service centers and mini-service centers; 2,558 FahariHuduma Wakalas all supported by effective Digital Channels with a view of increasing our non funded income substantially. Moreover, the 2017 strategies aim at consolidating Bank's credit risk management processes with a view to reducing the NPL ratio to 9% by end of 2017; and achieving a cost to income ratio of just about 55% through quality revenue growth and sustained cost management initiatives. All these measures, among others, will be pursued to assure our shareholders sustainable competitive returns and maintenance of the Bank's market share.

Appreciation

I would like to express my sincere appreciation to the members of the Boards of Directors of CRDB Bank Plc, CRDB Microfinance Services Company, CRDB Burundi S.A. and CRDB Insurance Brokers Limited for their constructive strategic guidance and direction that helped management to shape the performance of the Bank and its subsidiaries. We feel privileged to have such highly committed and professional Board members for our Group of companies.

I would like to thank our staff in Tanzania and Burundi for the commitment, innovation and hard work they extended throughout the year. Last but not least, I would like to appreciate the support from our distinguished shareholders, valued customers and all other stakeholders the Government, Regulatory Authorities and our suppliers for giving us the opportunity to engage together for the prosperity of the CRDB Bank Group and of our beloved country.



Dr. Charles S. Kimei
Managing Director

Executive Management

Charles Stephen 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, Mr. 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
Deputy Managing Director (SS)

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.

Saugata Bandoyopadhyay
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 as 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

Nellie Mathayo Ndossa
Director of Retail Banking
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

Economic Overview

7% projected growth

Tanzania's macroeconomic performance remains strong as inflation is under control while the external current account deficit was revised down on account of lower imports of capital goods. Growth is projected to close at 7 percent in 2016 and 7.4 percent in 2017. The GDP growth is mainly driven by improved performance in communication, financial intermediation, construction, transportation and manufacturing activities.

BUSINESS ENVIRONMENT

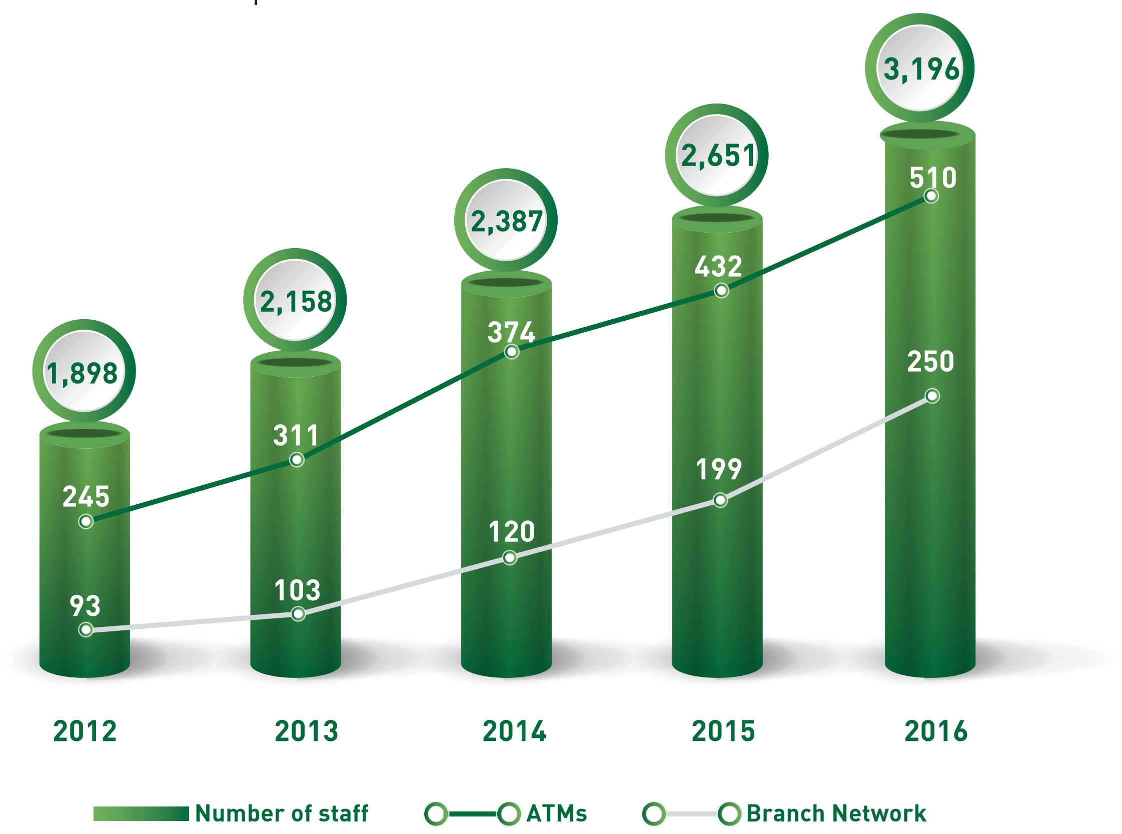
The business environment continues to witness significant changes which have had an impact on the performance of borrowers not only those trading with the Government, but virtually most of them due to reduced Government spending and fall in aggregate demand. The Tanzanian banking sector remains sound and stable with levels of capital and liquidity within regulatory thresholds. The utilization of mobile money services, agent banking and cross-border mobile money services is making significant contributions to enhancing financial inclusion. This may necessitate substantial investment in digital banking as a strategic positioning for sustainability and competitiveness.

Management Discussion Analysis

Operational Review

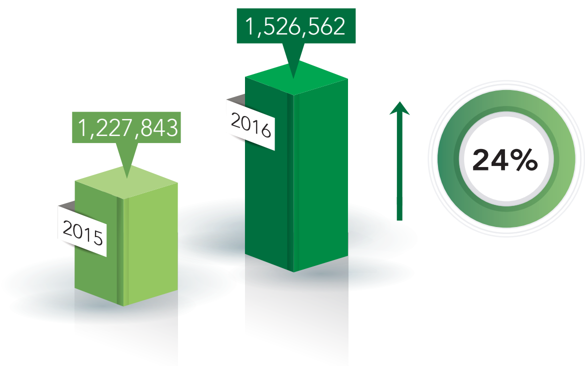
2016 was a special year as the Bank celebrated its 20th anniversary. The theme for year 2016 was "OPERATIONAL EXCELLENCE", where the Bank focused on optimization of alternative channels mainly card business, Simbanking and agent banking network; grow business through new outlets (Mini Service Centers, Government service centers and hospital collection business and upgrade of the core banking system (FBE) to enhance system capability and efficiency; preparation for transformation of Microfinance Service Company whereby the Group established an independent Insurance brokerage subsidiary; and achieved the first ever corporate rating by Moody's Rating Agency, among Tanzanian banks.

During the year the Bank invested in its customer outreach through opening of 51 new outlets (with mini service centres and service centres) and 78 ATMs. By end of the year, the Group had a network of 250 physical outlets, 510 ATMs including 18 Depository ATMs, 1,526 Point of Sales (POS) terminals, 2,558 FahariHuduma agents and 455 Microfinance partners' institutions.

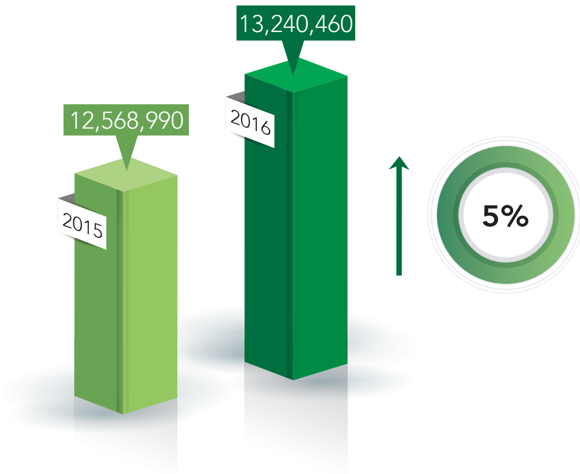


Management Discussion Analysis

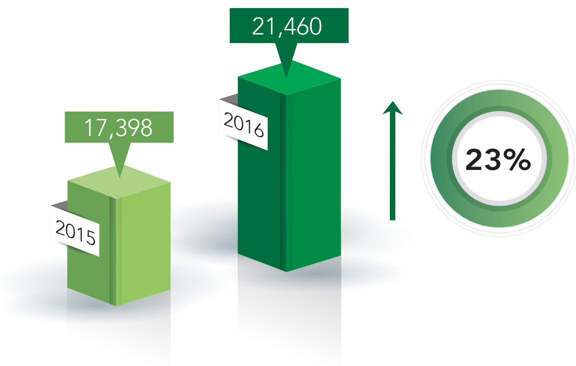
Number of SimBanking Customers



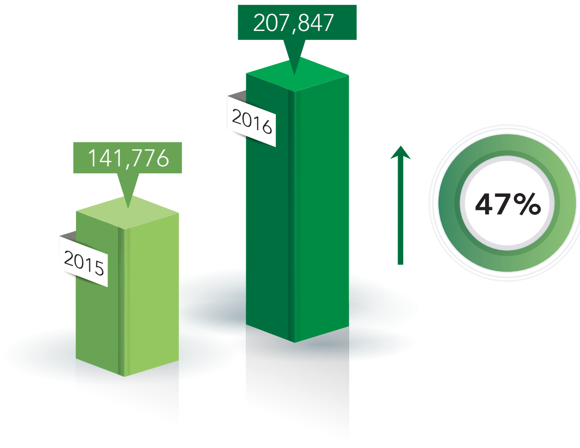
Number of SimBanking Transactions



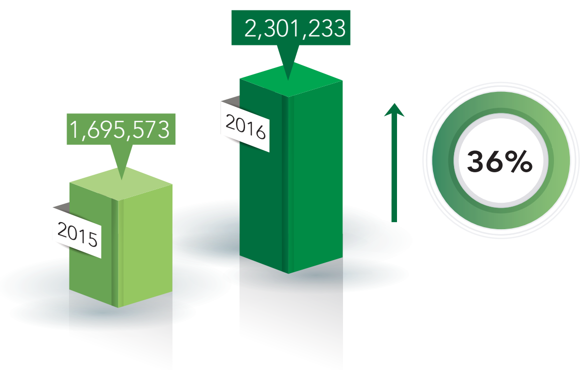
Number of Internet Banking Customers



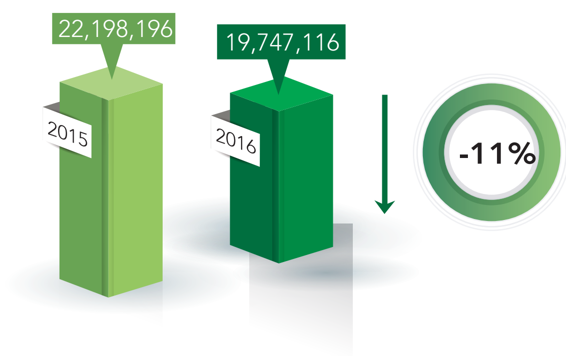
Number of Internet Banking Transactions



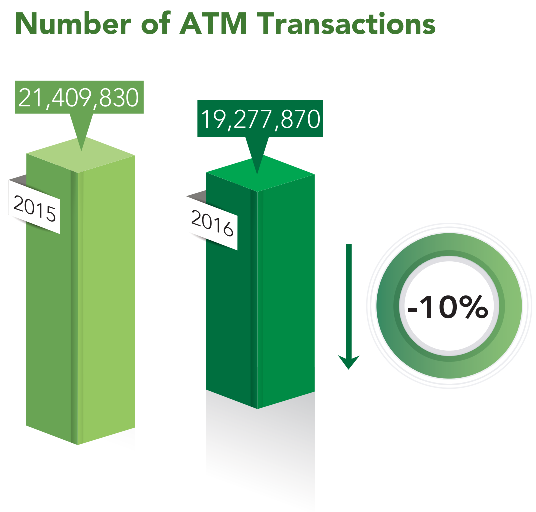
Number of Cards

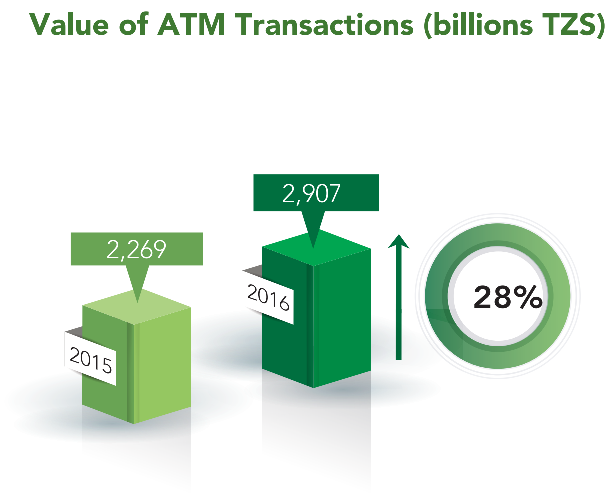


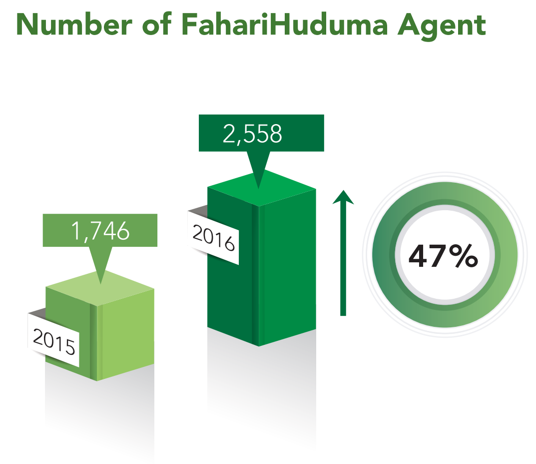
Number of Card Transactions

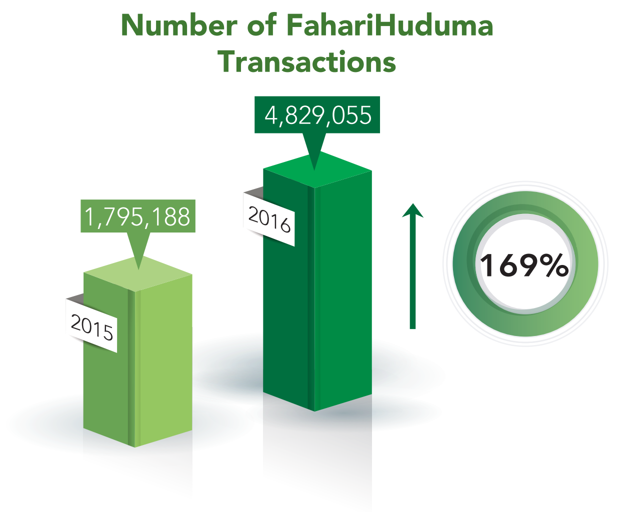


Management Discussion Analysis









Financial Review

During the year, the market experienced tight liquidity following government implementation of Treasury Single Account (TSA) and slowdown in government spending which affected market deposits and lending growth. Foreign exchange market during the year was highly restrictive following interventions from Bank of Tanzania (BOT) impacting both volume and spread but the value of Tanzanian shilling remains range bound.

As a result, the Bank's financial performance was negatively affected as non-performing loans surged giving rise to provisions, interest expenses increased, and net profit registered a decline.

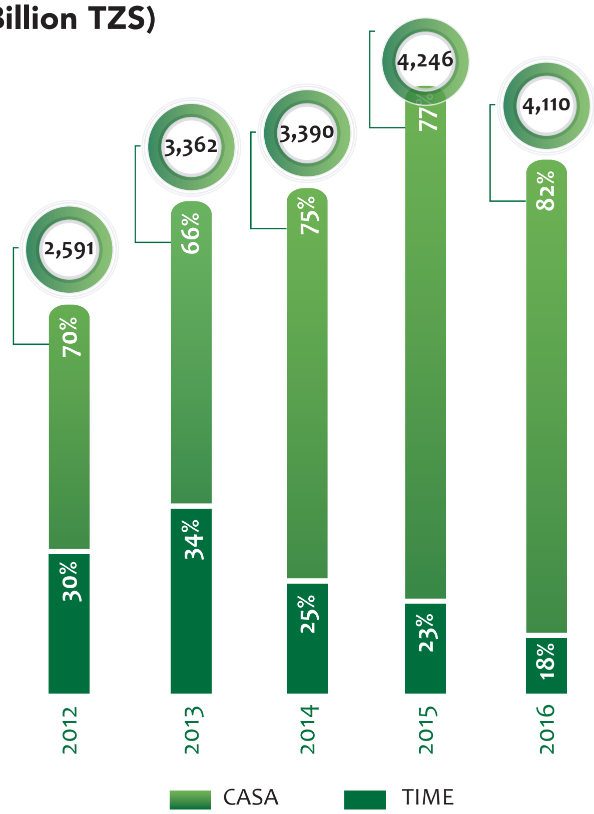
Management Discussion Analysis

The Group recorded a profit before tax of TZS 118.2 billion (2015: TZS 187.7 billion), a decrease of 37% from previous year. The decrease is attributed to the increase in interest expense, high provision for loan losses and operational expenses due to network growth initiated since 2015. The Group recorded the profit after tax of TZS 74.1 billion (2015: TZS 128.9 billion), a decrease of 43% which has been affected by additional tax paid as a result of out of court settlement with TRA on treatment of provision for loan losses for 8 years from 2005 to 2012.

The Group's total assets grew marginally from TZS 5.41 trillion to TZS 5.42 trillion while total deposits recorded a decline of 3.2% to TZS 4.11 trillion from TZS 4.24 trillion. The industry trend shows that the total assets grew by 4% to TZS 27.9 trillion and deposits declined by 3% to TZS 18.9 trillion.

Strong growth in Customer Deposit Composition

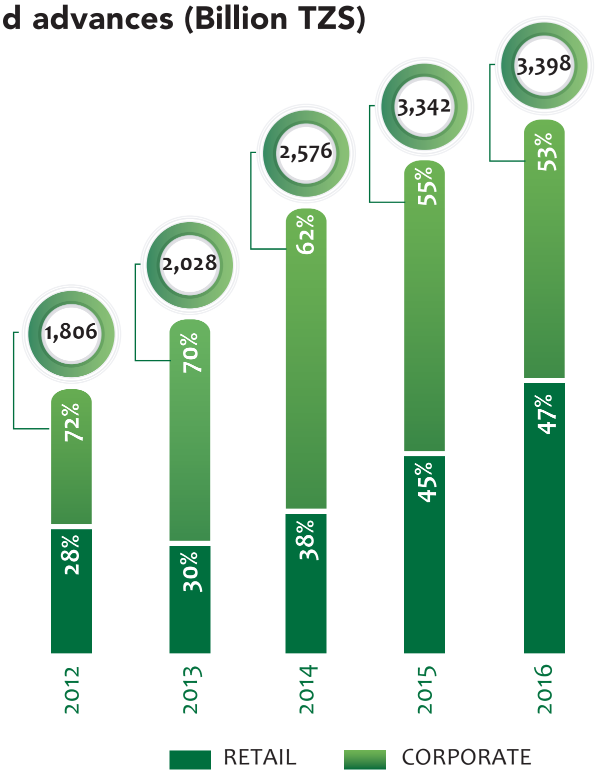
Gross Deposits (Billion TZS)



Management Discussion Analysis

Notable growth in Retail lending: Loans and advances

Gross Loans and advances (Billion TZS)



Future Plans

The Bank in the last year of its 5 years strategic period (2013 – 2017) will continue to focus mainly on optimizing investments made during the past four years in the areas of network expansion, systems, products and digital banking. The Bank will also continue with aggressive recovery of bad loans, enhancement of credit risk management and streamlining processes and system to support business, improve efficiency and service delivery.

Lending Business

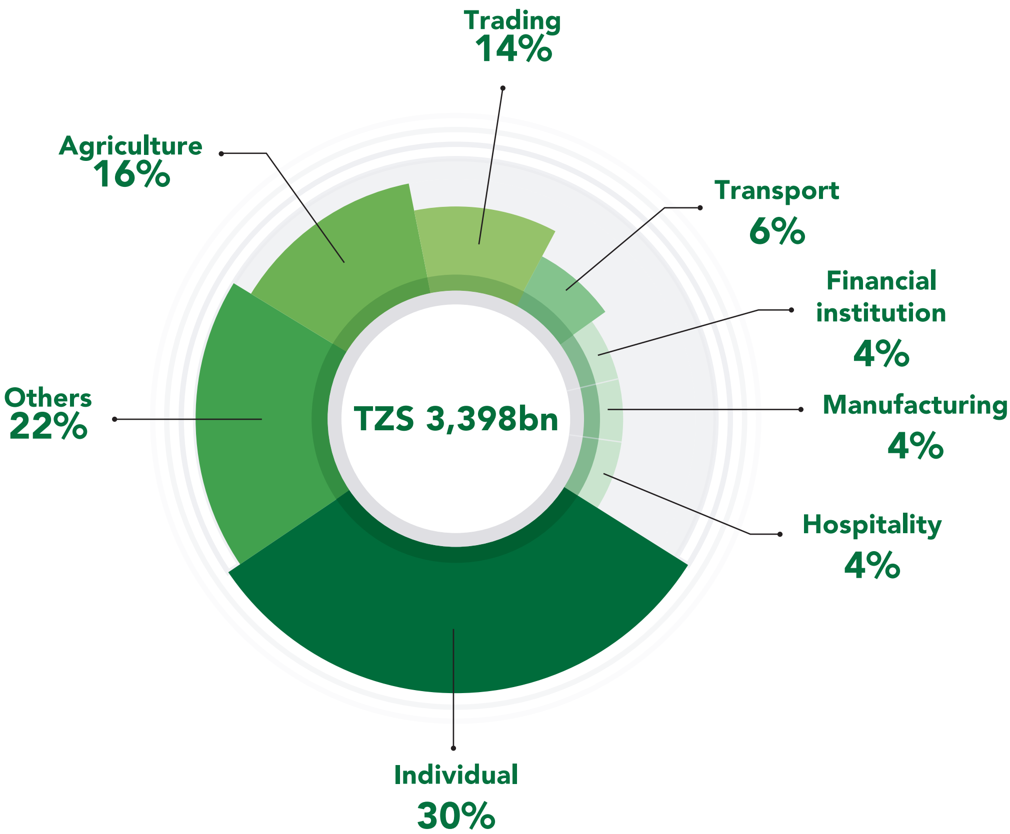
During the period under review, the Group focused on consolidation given the current market movement and as a result the gross credit portfolio of the Group showed a marginal growth of 1.7 percent from TZS 3,342.4 billion in 2015 to TZS 3,397.7 billion in 2016. The Bank's strategic decision to slow down lending in order to consolidate the credit portfolio in line with the micro and macroeconomic policy measures being undertaken by the Government which include, among others, the following:

a) Implementation of a single Treasury Account (TSA) by the Government which caused liquidity stress in the industry as public institutions deposits were transferred from banks to Bank of Tanzania thus reducing ability of not only the Bank but almost all banks to lend.

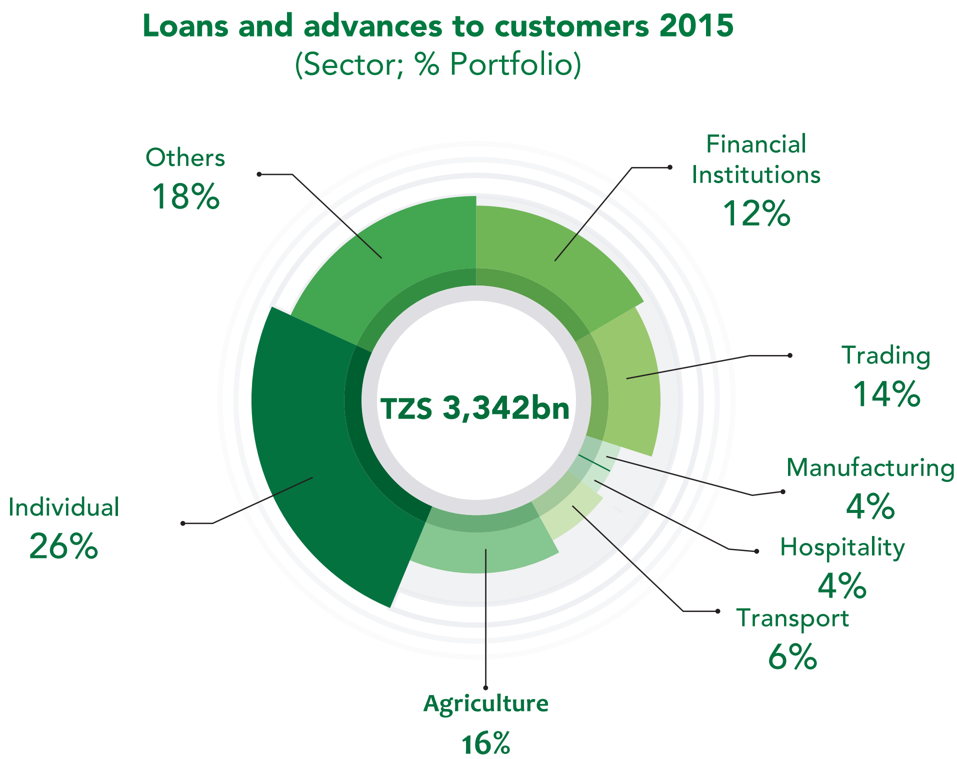
b) Reduced Government spending and internalization of most of the services affected some customers in SME and Corporate segments causing an increase in the level of non-performing loans and hence reduction in lending appetite by Banks.

The chart below provides the Loan portfolio distribution by sectors in percentages as at 31 December 2016.

Loans and advances to customers 2016
(Sector; % Portfolio)



Management Discussion Analysis



Composition of individual (personal loans to salaried workers) increased from 26% in 2015 to 30% in 2016 because, apart from some incidences of ghost workers, the segment was considered safer to lend compared to the private sector lending which was highly affected by reasons given above. The focus going forward will be on retail loans.

Credit facilities post assessment for impairment as a percentage of gross loans and advances increased from 8.4 percent at the end of 2015 to 14.0 percent in 2016 which reflects the deterioration in the quality of the loans. Provision increased from TZS 67 billion in 2015 to TZS 116 billion in year 2016 due to increase in non-performing loans from corporate and SME customers arising from change in microenomic policies as mentioned herein before.

The deterioration in credit quality has been addressed by putting more focus on credit risk management whereby the focus will be on tightening its lending processes and practices, aggressive collection, turn around strategies with customers and taking appropriate recovery measures, and also portfolio diversification with sectors and segment with high risk, while the key focus will be growth of personal loans and SME ranked in the order of importance.

* JKNIA Terminal III, Dar es Salaam

* Aiyana Hotel, Zanzibar

SUPPORTING TANZANIA PROSPER

CRDB Bank continued to play a pivotal role in contributing and supporting Government's initiatives towards economic growth and prosperity of Tanzanians.

CONTRIBUTING TO ECONOMIC GROWTH

Industrialization and prosperity of Tanzanians is at the heart of 5th Phase Government. CRDB Bank's contribution to this vision is both direct and indirect through financing businesses to grow and Corporate Social Responsibility programs.

* Mwanjelwa Market, Mbeya

* Jambo Foods and Beverages, Shinyanga

Corporate Banking Operations

Corporate Banking Department continued to play a leading role by contributing a large portion of the Bank's Income and accounting for about 53% of the total earning asset. The department was transformed during the year into key strategic focus areas including; building on relationship based banking with strong cross sales among corporate customers, consolidating institutional and government business and building on China and India Desks.

As at 31 December 2016 the NPL Ratio for Corporate portfolio was 19% and in the same period the Portfolio at Risk (PAR) Ratio for the segment stood at 29%. The banking market also reflected similar Corporate NPL trend. This situation was largely associated with performance deterioration of few large exposures which are mostly in the sectors of agriculture, real estates, education and hotels.

Despite the socio-economic challenges experienced during the year, this segment has continued to be innovative by engaging closely with customers to address specific customer needs. The Bank continued with diversification programme through China and India desks whose performance has been commendable.

Trade Finance Unit recorded an increase of 38% on guarantee business and total income of TZS 11.7 billion which is equivalent to 93% of the income achieved in year 2015.

Other achievements include, facilitating an increase in the Government Revenue collections by integrating its core banking system with some of the District and Municipal Councils revenue collection systems, reinforcing a fully-fledged Syndication unit capable of leading syndication for projects of large size and arranging funding from local and international market.

As part of 2017 strategies, the corporate department will focus on improving 'Know Your Customer' process (KYC) and being more proactive while exercising timely turnaround actions.

Management Discussion Analysis

During 2016, there has been a sound refocusing in the Corporate Banking business and the same will help the Bank to increase its Corporate Banking market share in terms of quality corporate business.

*** Kijenge Animal Products (KAP) Ltd**

Management Discussion Analysis

Retail Banking Operations

Retail Banking Department oversees the operation of bank branches/outlets to ensure compliance and efficient delivery of customer service as well as profitability for each outlet. The Department has a wide range of personal loans, business loans to SME segment and Mortgage loans to customers in need of residential properties for development or renovation. During the year, the key strategic focus areas included; launching a Salary Loan Product for Government employees, increasing Forex Remittance Platform (Western Union) from abroad in Diaspora Business, and overhauling Premier Banking services, by launching the first Premier Club for the country. The general performance of Retail Banking was satisfactory during the year with an increase in its activities, income and portfolio.

SME Banking

The SME Banking business in 2016 continued to record good performance despite challenging business environment arising from the second quarter of the year. The Bank SME segment recorded an increase of 22% in loan portfolio from TZS 359.90 billion in 2015 to TZS 439.75 billion in 2016 while gross income grew by 52% from TZS 46.25 billion in 2015 to TZS 70.45 billion in 2016. The Portfolio at Risk (PAR) position doubled to 12.04% at the end of year compared to 6.24% for the year 2015. Over 500 SME customers attended toolkit training and 6,749 women SMEs entrepreneurs attended Women Access to Finance Initiative (WAFI) forums. The Bank recorded above achievements despite challenges that limited attainment of a lower non-performing loans including lack of a standardized procedure for disposing off properties which delayed the auction for closure decision; unfavourable judiciary system that delayed filed court cases; slow improvement on quality of portfolio due to changed market conditions and economic environment which have affected the SMEs cash flow and finally due to the Bank's decision to limit lending to consolidate the position.

Agent Banking

The performance of Agent Banking Unit in 2016 continued with a higher growth trend whereby its portfolio grew by 46% compared to year 2015. Agents increased to 2,558 in 2016 from 1,746 in 2015 and deposits valued at TZS 1.5 trillion were mobilized by this segment. The Bank will be reenergising the entire agent banking network for maintaining its market leadership position.

Diaspora Banking

The Diaspora Banking Unit continued to promote, manage and monitor transactions by non-resident Tanzanians living abroad through the Tanzanite savings account. There were notable achievements for year 2016 including partnership with Western Union Money Remittance Platform for growth of deposit and network visibility in and out of Tanzania and roll out of Western Union Money Remittance Platform to 52 branches with a total of 4,300 transactions by end of 2016.

Premier Banking

Premier Banking Unit is designed to serve High Network Individuals (HNI). The tough socio-economic environment experienced during the year led to lower business growth than expected. The Bank opened 4 new Premier lounges and launched a state of the art Premier Club at Viva Tower. Income from this segment grew by 23% and TZS 1.6 billion was realized in 2016 compared to TZS 1.3 billion in year 2015. The Bank will continue to focus on this segment to provide high level of customer experience.

Personal Banking

Personal Banking unit had registered a good performance during the year despite a number of hurdles experienced. Among the limiting factors were; delayed collection by some institutions and verification of Government employees certificates and ghost workers. The Unit realised 11,600 new borrowers achieving a growth of 7% in total personal loans from TZS 745.88 billion in year 2015 to TZS 799.82 billion in 2016 with a NPL ratio of 3% in comparison to 2% in 2015.

Management Discussion Analysis

Mortgage Finance

During the period ending 31st December 2016 mortgage business grew significantly whereby the loan portfolio grew to TZS 35.2 billion from TZS 25.66 billion in 2015 an increase of 37.2% and number of mortgage customers increased to 285 from 228 in year 2015. The Portfolio at Risk (PAR) stood at 4.6% in 2016 from 3.03% in year 2015 and NPL was 0%. Moreover, Collateral Replacement Indemnity (CRI) Agreement made it possible to offer CRI insurance product to CRDB mortgage loan borrowers.

The Bank's initiatives to grow its mortgage portfolio was limited due to delay in obtaining title deeds for the residential units from the developer and lower liquidity in respect of the margin money contributions.

The Bank is committed to continue this segment and plans are in place to make it a future growth area. The main focus for 2017 is to enhance assets and liability management and focusing on cross sell in the retail segment and improving service delivery. In terms of lending, the Bank will focus on robust growth in personal loan portfolio so as to achieve higher yields.

MORTGAGE FINANCE

TZS 35.2 Billion;

The Bank issued a total of TZS 35.2 Billion to 285 customers.

Move into your new home!

Owning your own home is perfect for a lifetime of peace of mind and happiness!

Centralized Operations Department

The Department of Centralized Operations (DCO) was established in 2015 with a key objective of assisting the Bank to achieve operational excellence and delivery of superior customer service through efficient and effective processes and a streamlined organization structure. The main focus for year 2016 was to centralize transactions processing in order to increase labor productivity, enhance and align core and peripheral systems to deliver as per Service Level targets, in-house development of support systems to automate manual processes and implement products delivery standards.

The notable accomplishments for year 2016 included;

- Automation of delivery of outward SWIFT advises to customers which enables a customer to obtain advises right away (after processing of a fund transfer)
- Automation of cheque book personalization orders.
- Streamlined and shortened steps for TEMBO card ordering
- Instant issuance of account numbers to customers after meeting KYC requirements

In 2017, DCO will continue to streamline processes and automation of all remaining manual processes in order to ensure that the Bank provides reliable banking services 24/7/365.

Treasury Operations

Treasury and Capital Markets department was transformed during the year into key strategic focus areas namely; global markets focus to play an active role in both international and local markets; assets liabilities management focus to ensure effective balance sheet management; complete sales focus to handle all customers across all categories with the view of improving operational efficiency and value propositions. The Bank has realigned its focus on capital market side as well with its custodian business, registership and banker to the issue of shares.

Structural adjustments of Government operations such as the implementation of Single Treasury Account (TSA) was viewed as part of the biggest challenge for 2016. This led to deposit mop-up in the market resulting into liquidity tightness hence reduction in business volume. Additionally, reduction in Government payments through commercial banks led to the decrease in foreign exchange income for the Bank.

Through a well-coordinated and managed team, all business units recorded great value addition and overall revenue contribution to the Bank. The department recorded a notable and impressive performance for the year driven by the strong, competent, dedicated and innovative team which strived to improve on every area. Total income contribution increased by 12.7% to TZS 146.5 billion in 2016 from TZS 130 billion recorded in 2015.

The Bank purchased the Dar es Salaam Stock Exchange shares worth 1.6% of total shares held and became among the top 10 shareholders. The Bank was also nominated and awarded the best listed company in the DSE in 2016.

In 2016, the Bank obtained the first time credit rating of B1 with stable outlook by internationally recognised rating agency - Moody's. The rating was the first credit ratings for banks in Tanzania.

The strategic focus for 2017 is to expand treasury operations to deepen services under capital markets including investments and advisory.

PASSION TO SERVE

CRDB Bank's culture places customers' needs at the centre of everything we do. Our 3,196 employees share a single goal to be a trusted partner for our customers.

Our People

The success of the Group today is attributed to its diverse team of committed, competent, and dedicated employees who are focusing on delivering value to shareholders and other stakeholders with a common goal of performance excellence. It is a reflection of our 3,196 strong and focused employees who work seamlessly with the Group's key stakeholders. Building on its high performance culture, the Bank has proactively nurtured an effective integrated and focused workforce which collectively represents the most valuable asset of the Group.

Management Discussion Analysis

Enhancing Leadership

In the year 2016, leadership teams attended different development programmes to energize the teams to perform even better. These programmes included best in class leadership development, team and individual coaching sessions and management development programmes. Senior Executives went through Executive coaching and leadership programmes.

Enabling Learning

CRDB Bank Plc recognizes the importance of human capital development to sustain the Group's long term business success. In 2016, a budget of TZS 5.35 billion was utilized to train employees and all staff benefited from that budget through various training and development programmes. The Bank constantly refines the skills of its staff to enable a culture that is based on innovation, high customer engagement and fast problem resolving. Training and development opportunities cater for the diverse needs and aspirations of all employees. In 2016, the Bank sponsored more than 20 internal training facilitators to acquire Certification as Training Professionals with the main focus of making sure that the Training Centre has professional facilitators and that the programmes offered are of good quality and meet international standards.

Developing Talent

The Group continued to aggressively deploy the talent review platform to identify highly talented employees who are ready for accelerated development. CRDB Bank recognizes that its success is closely tied to the quality of its talented workforce. The Bank conducted several programmes geared towards enhancing the capabilities of its succession pipeline.

In the year 2016, 98% of all vacancies in the managerial and supervisory roles were filled from within the Bank. The Bank offered internship programmes to 228 students from various universities and higher learning institution within the country as a way of identifying and acquiring talent.

Responsible employer

CRDB Bank recognizes the fact that its dedicated employees are the key factor behind the success of the CRDB brand. To sustain such dedication, the Bank continued to invest substantial resources that enhance its employees's value proposition. Amongst the initiatives undertaken include various benefits and programmes to ensure that the employees's well-being is well taken care of by providing a safe, secure and healthy environment, enhancing the quality of life of its employees, providing competitive remuneration to its employees, and fair and equitable employment terms to its diverse workforce.

Fostering Health

Health and safety measures are in place to ensure that our people have optimum work environment. The group has taken several initiatives to provide for safe and healthy working environment for its employees in line with the provisions of the Occupational Safety and Health Act No. 5 of 2003, (OSHA). The initiatives undertaken by the Group includes formulation and operationalization of OSHA committees at work place. An annual medical examination was conducted to all employees to identify and address occupational diseases. The Group continued to offer comprehensive medical benefits scheme for all staff and their immediate families.

Enhancing Quality life to all employees

CRDB Bank Plc as a caring employer is committed to provide its employees with sustainable quality of life with a wide range of benefits programmes such as employees' wellness programmes that provides psychological assistance and tools for healthy life styles. Flexible working hours has been incorporated in the human resource policy and implemented to promote a work life balance to all employees. The Group continued to organize social and recreational programs such as sports and exercises in order to promote team cohesiveness and a healthy living to employees and their immediate families.

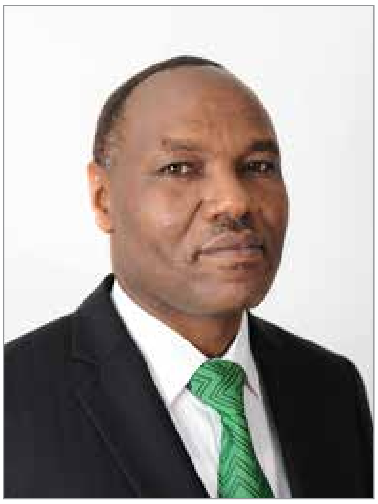
Management Discussion Analysis

Harmonious Working Environment

CRDB Bank is committed to the creation of working environment that is conducive in order to reap the benefits of its diverse workforce. As part of this commitment, the Group has undertaken to provide fair and equitable terms of employment, accord equal opportunity for career advancement based on merit, increase the representation of women in management as well as on top management by creating a workplace that attracts, retains and develops women, extend employment opportunity to people with disability and involve all level employees in organizing events in order to inculcate culture of inclusiveness. CRDB Bank continued to observe mutual respect and maintain cordial relationship with the Tanzania Union of Industrial and Commercial Workers (TUICO).

Management Discussion Analysis

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 Microfinance 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 Service Company Limited

In 2016, Microfinance service Company focused on enhancing deployment of its ecosystem of service delivery outlets, charting out its transforming journey and developing the SIMA account platform for digital financial services. This included realignment of strategies and review of business systems and processes, through development of the Strategic Business Plan of the envisaged form of an organisation; and subsequently hiving-off insurance business into an autonomous subsidiary now called CRDB Insurance Brokers Limited. The envisaged transformed institution will optimally explore the market for opportunities, particularly by leveraging on technology, to maintain its leading role as a microfinance institution in the market.

Through 2016 distribution network strategy, the subsidiary outreach footprint has covered almost the whole strategic geographical area of Tanzania. We are proud of having a network of 503 partnering Microfinance Institutions (MFIs) – 455 Savings and Credit Societies (SACCOS), 23 Agricultural and Marketing Co-operative Societies (AMCOS) and 35 Microcredit Companies. The network is complemented with innovative outlets – 17 'Service Centres and 63 'Mini-Services Centres', 8 mobile branches (Branch-on-Wheels – BoWs) and 14 'Microfinance Windows' (provide specified microfinance services through the existing CRDB Bank Branches).

During the year, the company recorded a profit before tax of TZS 4,816 million (2015: TZS 8,589 million, a decrease of 44% from previous year. The decrease was a result of business expansion through an increase in the number of service centers from 18 to 62 by end of the year.

Total assets increased from TZS 24,190 million in 2015 to TZS 34,612 million in 2016, representing an increase of 45.4%. The growth was mainly driven by the increase of the capitalized mini service centers refurbishment costs. Total deposits mobilized from partner MFIs increased by 22% from TZS 123 billion in 2015 to TZS 150 in 2016. This is attributed to the increase in the number of partner institutions, their members, and the mini-service centers' operations. Partner MFIs membership grew by 42%

from 809,255 in 2015 to 1,151,699 in 2016 and partner MFIs increased to 455 in 2016 from 441 in year 2015. This is due to business consolidation aimed at building strong and sustainable institutions capable of increasing their products, services and membership.

The company will continue focusing on effective delivery of financial services to the microfinance segment, ensuring efficiency and convenience, especially through digital financial services. The company will also continue to focus on its transformation agenda, reviewing its systems and processes for an organization that suits best the ever evolving customers' needs in the microfinance market.

Management Discussion Analysis

CRDB Bank Burundi Subsidiary

Year 2016 was the fourth year of implementing a five-year business strategy of the Bank where the focus was to set a base for long term business in Burundi. The political unrest in the country continued to affect the operating environment.

Business environment in Burundi for year 2016

The operating environment has not fully normalized from the effects of political unrests. However, initiatives to achieve a peace accord are underway. The economy was characterised by slow economic growth that lead to slow down of economic activities, increase in non-performing loans for the banking industry and control of forex to finance importation of goods and services. The Bank continued to implement various initiatives to mitigate the impact of these challenges on bank's business and profitably. Some initiatives include pursuing agent banking in order to reach more clients. Management decided to limit its appetite in lending to non-performing sectors and continued to monitor closely the performance of existing loan portfolio.

Financial Review

The Bank continued to record positive results; recording a profit before tax of TZS 2,397 million in 2016 compared to TZS 656.7 million recorded in 2015. Total assets decreased from TZS 153 billion in 2015 to TZS 141 billion in 2016. The Bank closed the year with adequate capital, liquidity and risk foundations to meet the opportunities and challenges associated with year 2017. Total deposits increased from TZS 65,778 million as at 31 December 2015 to TZS 67,274 million as at 31st December 2016 while loan portfolio decreased from TZS 68.3 billion as at 31 December 2015 to TZS 64.9 billion as at 31st December 2016.

The Bank plans to continue focusing on growing its business volumes with improving its alternative banking delivery channels through agent banking. This will ensure that the Bank's services are brought closer to customers who need banking services in Burundi.

Despite the economic slow down, our Burundi subsidiary is still profitable and continues to provide excellent customer service to our valued customers.

Management Discussion Analysis

CRDB Insurance Brokers Limited

CRDB Insurance Brokers Limited provides insurance brokerage services to individuals, small to medium sized corporate and large corporations. The company serves its market through Group outlets and channels as sales points and direct marketing by its own staff.

Non - Life Assurance Business

The company provides major classes of general insurance portfolio namely motor vehicle, health, fire, accident, engineering, marine, aviation, oil and gas and other general insurance services.

Life Assurance Business

The CRDB Insurance Brokers Ltd provides a range of group covers like Group Life Assurance, Group Credit Life Assurance, and Group Credit Life for SME and Corporates with individual stakes and Individual Life assurance plans. The company provides additional benefits such as permanent and temporary total disability, critical illness, terminal illness and retrenchment.

Financial Review

Year 2016 was the first year of implementing a 5-year strategic plan of the company. The main focus was growth of its businesses: increase its products and their consumption, developing efficient and effective service delivery methodologies; improving outreach, especially into new and emerging business opportunities and rural areas; enhancing its relationship with its stakeholders and strategic partners; and improving quality of its financial and human assets.

The company recorded a profit before tax of TZS 604 million and commission income of TZS 1,885 million. The general insurance business recorded TZS 1,389 million gross premium while life insurance recorded TZS 330 million. Total assets of the company amounted to TZS 2,114 million at the end of financial year.

The Company will continue to improve its system and profitability through the introduction of innovative products and focusing on value-added customer services while carefully managing costs and risks.

Sustainability Review

The Group aims at promoting sustainable economic and social development focusing on the broader solution to triple-bottom-line matters of People, Customers, Community and the Environment.

Our Customers

We aim to make sure our customers get their fundamental rights and get the best service. Each year the Bank celebrates customer service week which is used by the Bank to appreciate the support from our customers and to recognize their patronage, and to acknowledge that without them banking halls, staff and everything in the Bank will be valueless. High value customers are recognized and awarded accordingly. The week is also used to get feedback from our customers apart from daily feedback from suggestion boxes in all banking halls. The Bank is continuously investing in electronic banking to facilitate easy access to Bank services by our customers by using the ICT facilities coming with automation with the view to obtain our services 24/7. The Bank has launched its own mobile banking application "SimBanking", internet banking so as to provide our banking customers with Android software an access to a secure and easy-to-use account management platform. The Bank's motto "The Bank that listens", implies we carefully listen to our customers and serve them to meet their service expectations. We aim to listen to them more and exceed their service expectation as we continue modernising and automating our operations.

Sustainability Review

Our People uphold our Group

The team of 3,196 employees is vital to ensuring sustainable growth of CRDB Bank in a highly competitive financial service industry in Tanzania. One of the key agenda at CRDB includes driving performance which is achieved through removing any obstacles preventing people from performing. We encourage employee engagement by implementing a decentralised system. Outstanding performance by employees are recognised and rewarded appropriately.

The Group continues to invest in skills and capabilities of employees through e-learning and training programs. In order to foster a performance culture and enhance the quality of work, managers and staff get the opportunity to be coached by corporate professionals. Moreover, we prioritize the wellbeing of our employees. All our staff have a medical insurance cover for them and their immediate dependants and there is a dedicated emergency numbers for staff who need urgent medical attention. This is to ensure that our staff are physically and mentally fit when performing their duties. We continue to embrace diversity in the workplace by hiring people from different races, gender, age, and ethnicity.

Community and the Environment

Corporate entities are the biggest contributors in the emission of greenhouse gases which are harmful to the society and its environment. As a corporate body, CRDB Bank recognizes the need to incorporate best practices and innovative solutions in all our projects so as to minimize environmental pollution. Despite having a relatively low direct impact on the environment, the Bank continues to identify opportunities to create a positive impact on the environment.

The Group works independently and in collaboration with stakeholders on a broad range of initiatives aimed at reducing environmental impacts and promoting responsible actions. The Bank is committed to recycling, reusing and reducing waste. Employees are educated and motivated to become more involved in resource conservation at work and in environmental practices at home so as to promote environmental responsibility.

Sustainability Review

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

Some of the ways the Bank reduced its energy consumption and Green House Gas emission in 2016 were as follows:-

- The Bank used after-hours central control to turn off computers in its branch network.
- A smaller branch footprint was created for new branches and office standards were "densified" (less office space per employee) to reduce absolute emissions for all new and renovated premises.
- Receipt-less option; whereby the bank focuses on automating its processes such as the use of E-statement, SimBanking and Internet banking which allows customers to view their balances online hence minimizing the number of printed receipts.
- 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 as the 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.
- Paperless initiatives; the Bank has invested in double-sided printer systems so as to avoid paper wastage. Furthermore, the Bank is implementing paperless workflow system which has reduced paper usage with target to automate all processes that are automatable. Staff are sensitized to store or transfer their data/information in electronic way so as to reduce paper wastage and print only when necessary.
- Video conferencing; the Group has more than 200 branches all over the country and outside the country (in Burundi), whenever the CEO of the Group wants to communicate to all staff or a group of staff, video conferencing is used as a means of communication which does not only cut travel costs but also reduces carbon emission.

Giving back to community is ingrained in CRDB Bank culture and strategy. We ensure our sponsorship programs have a lasting impact on communities. Our commitment is evident in Education, Health and Environment.

Corporate Social Responsibility

CRDB Bank believes that in order to have sustainable results, the Bank should 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. The Bank creates a lasting bond by giving back to communities.

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 strategic roadmap towards Corporate Social Investment (CSI) is spelt out in the 5-year strategy and relevant policies. The giving back culture is guided by the Bank's CSI policy that requires that at least 1% of its profit after tax is invested in community support initiatives on annual basis.

Sustainability Review

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.

Health

Strengthening of the health sector is a core target of the Government's development agenda. It is also a fact that stable and well-functioning health system is a prerequisite to the health of our communities. Besides this, the Bank organizes customer service week on annual basis. During this week, Bank staff and management meet customers and the community where support in terms of hospital equipment and facilities are donated.

In making sure that our communities get vital health services, the Bank supported the improvement of health services and the bank made the following courteous donations to hospitals:

- TZS 10 million was provided to Tanzania Breast Cancer Foundation during the charity walk organized by the Foundation in association with Agakhan Hospital. In doing so, the Bank has positively assisted the victims of breast cancer in all regions.
- Hospital equipment worth TZS 5 million was contributed to Kasulu Hospital in Kigoma Region.
- TZS 5 million was provided to Mwanjelwa Health Centre in Mbeya region.

Similarly, the Bank participated in sanitation programmes during Customer Service Week in 2016 in a bid to support the Government's initiative to improve environmental hygiene in the country.

Sustainability Review

Financial Education and Literacy

Education is essential as it creates knowledge, skills and attitudes that allow individuals to make informed and effective decisions. Studies show that lack of financial education is a barrier to career progress. In year 2016 the Bank donated TZS 39.4 Million to Dar es Salaam Stock Exchange (DSE) to support Scholar Investment Challenge an edutainment initiative that aims at developing and encouraging the culture of saving and capital markets investment among youth. The Bank also sponsored three journalists to attend training on financial and business news reporting in Nairobi, Kenya. The sponsorship was worth TZS 25 million.

The Bank continued with FahariHuduma agents training that were designed to ensure that majority of our communities are reached out with quality and reliable financial services. During this period, a total of 1,100 FahariHuduma agents were trained on their legal responsibilities, business ethics and code of conduct. These trainings have helped to improve customer service and the Bank's relationship with shareholders, customers and overall community.

The Group continued to publish TemboNews on quarterly basis which is used to communicate information on Bank's products and services as well as activities that were undertaken by the Bank in a particular quarter.

Support to Education Institutions

In 2016, the Bank donated TZS 100 million to Dar es Salaam Region for purchasing of school desks for Primary and Secondary schools in the region. Support for the purchase of school desks was also extended to Kilombero and Kasulu Districts where the Bank donated TZS 5 million to each district. The Bank donated TZS 70 million to University of Dar es Salaam to support construction of Mlimani Primary School and purchase of school desks and other items.

In a bid to improve learning environment for female students, the Bank donated TZS 20 million to Tanzania Education Authority (TEA) to support its ongoing nationwide campaign to build dormitories to accommodate girl students in remote areas in the country.

Besides that, the Bank also donated TZS 2 million to Kibasila Secondary School in Dar es Salaam for renovation of classes and TZS 5 million to Jitegemee Secondary School for improving water supply at the school. Through these contributions, the Bank has enabled more students eligible for University and primary education to acquire relevant education in a more conducive schooling environment.

Environment

The Group supports investment in sectors such as agriculture, industry and tourism in which environmental protection and conservation are major issues at a time when climate change poses a serious challenge for all countries, including Tanzania. Being residents in the environment, we feel obliged in ensuring that a healthier environment for communities and ourselves is maintained. During this period, the Group donated TZS 5 million to Rungwe District, Mbeya region to support afforestation and reforestation programs to ensure sustainable environmental conservation.

OUR ENVIRONMENT OUR LIFE

Being inhabitants of our environment, we feel obliged in ensuring that a healthier environment for communities and ourselves is maintained.

Sustainability Review

Humanitarian Assistance

The Bank fosters all social initiatives, in support of peaceful coexistence of all stakeholders. In light of this, the Bank constructed a state of the art Police Call Centre worth TZS 440 million for Dar es Salaam region. The Call Centre is equipped with modern communication gadgets that enable people to communicate with police force 24 hours henceforth ensuring low rate of crime in the society. The Bank gave TZS 20 million to "Tanzania Interfaith Association" which involves itself in fostering peace in Tanzania.

Besides that, the Bank donated food supplies and solar panels worth TZS 55 million to disabled and elderly people at Bukumbi Elderly Centre, Mwanza region. The donation is the continuous initiative for the Bank to support needy people in society, including the elderly and vulnerable.


* Members of Bukumbi Elderly Centre, Mwanza

Support to Other Institutions

The Bank donated TZS 92 million to support the surrounding community. Among the supported institutions are Dar es Salaam Stock Exchange (DSE), TaranginiTelegu Cultural Association, Irish Society Tanzania, Bango Sango, Tanzania Private Sector Foundation (TPSF), University of Dar es Salaam (UDSM) and National Economic Empowerment Council.

Statement on Corporate Governance

Our Corporate Governance Structure for CRDB Group

CRDB Group believes that strong corporate governance is imperative for establishing trust, promoting engagement with shareholders, stakeholders and is also crucial to deliver sustainable shareholder value. As a key player in the financial industry, the Group feels obliged to uphold high standards on corporate governance and to promote the enabling environment where such standards are maintained. In doing so, the Board has continued to adopt structures, processes, policies, culture, values and behaviour with appropriate checks and balances that enable directors, management and staff to discharge their responsibilities and oversee compliance with legislations.

The supreme governing body which oversees corporate governance within the Group is the Board of Directors for CRDB Bank Plc and Boards 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.

Board Composition and Independence

The Group is led by an effective, committed and unitary Board, which is collectively responsible for the long-term success of the Company. It is made up of thirteen Directors, twelve are non-executives (including Chairman) and one Ex-officio. Among the non-executive Directors, one is Independent (a member of the Board who is not a shareholder, not employed by a shareholder of the Bank and has no relationship to Management and the Board). In 2016 one additional non-executive Director was appointed to the Board to represent a consortium of CDC Group Plc, International Finance Corporation (IFC) and Africa Capitalization Fund Ltd (AfCap).

The Board Directors are individuals whose joint experience and proficiency provide a balanced mix of skills and capacity that enable it to fulfil its duties and responsibilities effectively. The non-executive directors bring different perspectives to Board deliberations and constructive views are always encouraged. The composition of the Board is set to ensure that there is a balance of power that inspires robust challenge and debate such that no individual or group can dominate board processes or decision-making.

Statement on Corporate Governance

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 Board places great emphasis on ensuring that its membership reflects diversity in the broadest sense. The combination of personalities and experiences on the Board provides a comprehensive range of perspectives and improves quality of decision making.

Chairperson and Managing Director

The Chairperson is a non-executive director and the roles of Chairperson and Managing Director are distinct, with clearly defined responsibilities. The Chairperson 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 managing the day - to - day business of the group, supported by Management and the executive committees which he chairs. There is no Vice Board Chair as the Board Charter allows election of the Chair among the Board members whenever a serving Chair is absent.

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 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.

Board Responsibilities

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:-

- Oversee and approve the Bank's business objectives and strategy and monitor their implementation;
- Oversee implementation of the Bank's governance framework and periodically review 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; and
- Approve the approach and oversee the implementation of key policies pertaining to the Bank's capital adequacy assessment process, capital and liquidity plans.

Appointment of Board Directors

Directors of the Board are appointed in accordance with the Bank's Articles of Association and as per requirements of regulatory bodies. 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. However, in the Annual General Meeting held on May 9, 2015, exception was granted to the Strategic Investors (consortium of IFC/ AfCap and CDC) to jointly appoint one Director if they jointly acquire a minimum shareholding of five percent. Shareholders owning less than 1% of the issued and fully paid-up share capital of the Bank jointly elect one (1) Director and additionally one (1) Director for every 10% of shares held. All Shareholders elect one Independent Director together.

Statement on Corporate Governance

In accordance with the Bank's Articles of Association, directors are required to retire by rotation and the Articles allow re-election of directors after expiry of three year terms as long as the director meets the eligibility criteria. A notice is published in the media to invite applications for the post of Board Directorship. Thereafter, the list of candidates is reviewed by the Board Governance and Human Resources Committee and Board and then presented to the AGM for voting by Shareholders. During the AGM, 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.

Mr. Boniface C. Muhegi and Mr. Ally H. Laay belonging to the group of shareholders with shareholding of less than 1% of the Bank's share capital retired at the Annual General Meeting (AGM) held on 21st May 2016 to allow for election. Mr. Adam H. Mayingu belonging to the group of shareholders with shareholding of above 1% and less than 10% retired at the same AGM. Mr. Boniface C. Muhegi and Mr. Ally H. Laay were re-elected to represent the same group of shareholders. Prof. Mohamed H. Warsame was elected to represent the group of shareholders with shareholding of above 1% and less than 10% and Mrs. Madren N. Oluoch-Olunya was elected as an Independent non executive Director. Mr. Martin Mmari (who was representing the group of shareholders with shareholding of above 10% and Chairman) retired in July 2016 and was replaced by Mr. Hosea E. Kashimba. Mr. Ally H. Laay was elected the new Chairman of the Board. Prof. Mohamed H. Warsame, Mrs. Madren N. Oluoch-Olunya and Mr. Hosea E. Kashimba were approved by the Bank of Tanzania.

Statement on Corporate Governance

The following Directors served during the year:

NAME	POSITION	AGE	QUALIFICATION/DISCIPLINE	NATIONALITY	DATE OF APPOINTMENT
Ally H. Laay	Chairman*	60	Accountant	Tanzanian	2016
Martin J. Mmari	Ex-Chairman	53	Accountant	Tanzanian	2014
Juma A. Abdulrahman	Member	64	Accountant	Tanzanian	2009
Adam H. Mayingu	Member	53	Systems Engineer	Tanzanian	2016
Rose F. Metta	Member	48	Economist	Tanzanian	2012
Kai Kristoffersen	Member	76	Banker and Lawyer	Danish	2004
Bede P. Lyimo	Member	66	Economist	Tanzanian	2005
Boniface C. Muhegi	Member	62	Civil Engineer	Tanzanian	2004
Hosea E. Kashimba	Member	46	Accountant	Tanzanian	2016
Frederick T. Sumaye	Member	66	Agricultural Specialist	Tanzanian	2011
Devotha N. Minzi	Member	57	Economist	Tanzanian	2015
Mohamed H. Warsame	Member	43	Financial analyst	Tanzanian	2016
Madren N. Oluoch-Olunya	Member	44	Lawyer	Kenyan	2016
Ebenezer N. Essoka	Member	61	Banker	Cameroonian	2016
Charles S. Kimei	Managing Director,Ex Officio	63	Economist	Tanzanian	1998

1. The Company Secretary is John B. Rugambo. He also heads the Bank's Department of Corporate Affairs.
2. The appointment of Board members depends on the approval by the Bank of Tanzania
3. *Elected Chairman in 2016

Board Structure

The Board operates under an inclusive structure made up of Committees established to assist it in discharging its responsibilities and obligations. The Board establishes Committees when issues become too complex and/or numerous to be handled by the entire Board and ensures that the Committees have a specific charge or set of tasks to address.

The Committees members may include non-Board members. The Managing Director and Deputy Managing Directors attend Committee meetings as ex-officio members. The members and Chairs of Committees are appointed by the Board and serve for a period of one year and can be re-appointed. These Committees have been established with sets of specific terms of reference, which are reviewed on annual basis. The Board Committees are: Audit, Credit, Human Resources and Governance and Risk. There are five key Management Committees namely: Executive Management (EXCO), Management (MCM), Assets and Liabilities Management (ALCO), Management Credit and Management Risk Committees. All the Board Committees must have at least three non-executive directors as members.

Statement on Corporate Governance

Board Meetings

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

NAME OF DIRECTOR	POSITION	NUMBER OF BOARD MEETINGS ATTENDED
Ally H. Laay	Chairman	6
Martin J. Mmari (Retired in July, 2016)	Ex- Chairman	4*
Boniface C. Muhegi	Member	8
Bede P. Lyimo	Member	7
Kai Kristoffersen	Member	8
Juma A. Abdulrahman	Member	7
Fredrick T. Sumaye	Member	7
Rose F. Metta	Member	8
Adam H. Mayingu	Member	2*
Devotha N. Minzi	Member	8
Hosea E. Kashimba	Member	4*
Mohamed H. Warsame	Member	4*
Ebenezer N. Essoka	Member	7
Madren N. Oluoch-Olunya	Member	3*

* Meetings attended depend on the Member's date of appointment/retirement. Refer the section on Composition of Board Directors for their dates of appointment.

Board Committees

As at 31st December 2016, 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 current membership of each committee is shown below:-

NAME	BOARD AUDIT COMMITTEE	BOARD CREDIT COMMITTEE	BOARD GOVERNANCE AND HUMAN RESOURCE COMMITTEE	BOARD RISK COMMITTEE
Ally H. Laay	❖			✓
Juma A. Abdulrahman	❖		✓	
Hosea E. Kashimba	✓			✓
Rose F. Metta		✓		✓
Kai Kristoffersen	✓			❖
Bede P. Lyimo		❖	✓	
Boniface C. Muhegi		✓	❖	
Ebenezer N. Essoka		✓	✓	
Frederick T. Sumaye		✓	✓	
Madren N. Oluoch-Olunya	✓		✓	
Devotha N. Minzi	✓			✓
Mohamed H. Warsame		❖		✓

Key: ❖ Chairman ✓ Member

Committee purpose and responsibilities

The Audit Committee reviews significant accounting policies and financial reporting systems to ensure that they are adequate and are complied with at all times. It reviews adequacy of internal control systems and monitors implementation of actions to address issues raised by internal auditors, external auditors and regulators. It 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 2016 of the external auditor and internal auditor, 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 Auditors, external auditors and BOT examiners to the Board; and
- Monitors implementation of actions that address areas of weakness observed by auditors and BOT examiners.

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

Members of the committee and their attendance were as follows:

NAME	POSITION	MEETINGS ATTENDED
Juma A. Abdulrahman	Chairman	4
Ebenezer N. Essoka	Member	2*
Kai Kristoffersen	Member	5
Hosea E. Kashimba	Member	2*
Madren N. Oluoch-Olunya	Member	1*
Devotha N. Minzi	Member	5

* Meetings attended depend on the Member's date of appointment. Refer the section on Composition of Board Directors for their dates of appointment.

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 five (5) 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; and
- Review credit applications above management approval limit and recommend to the board for those above their limits.

The Credit Committee held eight meetings during the year, six as planned and two extra emergency meetings. The Managing Director, Deputy Managing Directors, Director of Credit and Director of Corporate Banking participated in the meetings as invitees. Members of the Credit Committee and their attendance were as follows:-

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NAME	POSITION	MEETINGS ATTENDED
Prof. Mohamed H. Warsame	Chairman	5*
Bede P. Lyimo	Member	7
Boniface C. Muhegi	Member	8
Hon. Frederick T. Sumaye	Member	7
Rose F. Metta	Member	5

*Meetings attended depend on the Member's date of appointment. Refer the section on Composition of Board Directors for their dates of appointment.

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 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.

Committee composition and activities

The Governance and Human Resource Committee comprise five (5) 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 of and recommendation to the Board on award values for the long-term incentive plan for 2016; and
- Review human resource practices focusing on the areas of human capital development plans, recruitments, staff welfare, and performance management to enhance productivity.

The Governance and Human Resources Committee held five meetings during the year as planned. The Managing Director, Deputy Managing Directors and Director of Human Resources participated in the meetings as invitees. Members of this Committee and their attendance were as shown in the table below:

NAME	POSITION	MEETINGS ATTENDED
Boniface C. Muhegi	Chairman	4
Bede P. Lyimo	Member	4
Frederick T. Sumaye	Member	5
Madren N. Oluoch-Olunya	Member	4
Ebenezer N. Essoka	Member	1*
Juma A. Abdulrahman	Member	2*

* Meetings attended depend on the Member's date of appointment. Refer the section on Composition of Board Directors for their dates of appointment.

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 Director of Risk and Compliance 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; and
- Regular review of minutes and updates of ALCO and Risk Committee of management to determine their effectiveness.

The Risk Committee held four meetings during the year as planned. The Managing Director, Deputy Managing Directors and Director of Risk and Compliance participated in the meetings as invitees. Members of this committee and their attendance were as shown in the table below:-

NAME	POSITION	MEETINGS ATTENDED
Kai Kristoffersen	Chairman	4
Rose F. Metta	Member	2
Hosea E. Kashimba	Member	4
Prof. Mohamed H. Warsame	Member	2*
Devotha N. Minzi	Member	1

* Meetings attended depend on the Member's date of appointment. Refer the section on Composition of Board Directors for their dates of appointment.

Director's Remuneration

Non executive Directors are paid fees as approved by the Annual General Meeting of the shareholders and transport allowance for every meeting attended. They are not entitled to pension scheme membership and do not participate in any Bank's compensation schemes. The Managing Director who is the ex-officio is paid a monthly salary plus other benefits as set out in the staff remuneration policies. 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. Information on aggregate amounts of the emoluments and fees paid during the year to directors in comparison to 2015 is disclosed below:

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NAME	2016 TZS' Million	2015 TZS' Million
Martin J. Mmari	34	62
Boniface C. Muhegi	65	58
Ally H. Laay	66	58
Devotha N. Minzi	58	26
Juma A. Abdulrahman	61	53
Bede P. Lyimo	61	58
Rose F. Metta	58	53
Madren N. Oluoch-Olunya	29	-
Frederick T. Sumaye	58	53
Hosea E. Kashimba	29	-
Ebenezer N. Essoka	38	-
Mohamed H. Warsame	32	-
Adam H. Mayingu	27	53
Lawrence Mafuru	-	53
Kai Kristoffersen*	-	-
Charles S. Kimei **	-	-
TOTAL	616	553

* Mr. Kai Kristoffersen is not paid Board fees by the Bank as he 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 on page 89.

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.

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Directors Shareholding

The Shareholding pattern for Board Members as at 31st December, 2016 is as shown in the table below:-

NAME	STATUS	SHAREHOLDING
Ally H. Laay	Chairman/Non- Executive Director	28,812
Martin J. Mmari	Ex-Chairman/Non-Executive Director	764,173
Boniface C. Muhegi	Non-Executive Director	2,241,352
Bede P. Lyimo	Non- Executive Director	190,416
Kai Kristoffersen	Non- Executive Director	-
Juma A. Abdulrahman	Non-Executive Director	246,756
Frederick T. Sumaye	Non- Executive Director	7,448,376
Devotha N. Minzi	Non Executive Director	47,484
Rose F. Metta	Non -Executive Director	16,216
Mohamed H. Warsame	Non -Executive Director	1,350,000
Hosea E. Kashimba	Non -Executive Director	4,875
Madren N. Oluoch-Olunya	Independent Director	-
Ebenezer N. Essoka	Non- Executive Director	-
Charles S. Kimei	Managing Director, Ex-officio	1,191,746

Induction and Ongoing Education

On appointment, Directors receive the group's governance pack containing all relevant governance information such as governance structures, relevant legislation and policies. Ongoing director education remains a focus, whereby the Directors are kept abreast of all applicable legislation and regulations, changes to rules, standards and codes, as well as relevant sector developments that could affect the group and its operations. Directors' education programme focuses on business issues and additional time is scheduled outside the board meetings for sessions on pertinent issues.

In 2016, an induction programme was conducted to new board members where the topics covered: Overview of the Banking Sector and Regulatory Framework, Organization Chart and Directorates Overview, Role of the Board of Directors, Chairman, Board Members, Board Committees, Management committees and Overview of operations of all subsidiaries.

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All Group Directors attended an Annual Board and Management Study tour where site visits to the Malaysian financial sector and commercials banks were covered. Directors also gain further knowledge about the Group through site visits, informal interaction with management and staff, regular in-depth reports and presentations. During this period, the Board visited the Bank's Government and service centres in Dar es Salaam and attended workshops on Implementation of IFRS 9 and its implication and 2017 Business strategy.

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.

Directors' Conflicts of Interest

It is the duty of a Director of the Board to disclose whether he/she or any connected person, is in any way, directly or indirectly engaged in any business that competes or conflicts with the Bank's business. The Bank has a process in place that requires all directors to disclose outside business interests before they are appointed to the Board. A person should not serve as a director if his business or permanent occupation creates permanent conflict of interest between him and the Bank, or if it is reasonable to assume that such conflict may exist permanently as outlined in the Bank of Tanzania Guidelines for Boards of Directors of Banks and Financial Institutions, 2008. In situation of conflict of interest the bank is required to make public disclosures on shareholding and business agreement.

Board of Directors Performance Evaluation

During the year, the Board conducted an evaluation of its own performance and that of its Committees. Directors completed a questionnaire to rate the collective performance of the Board and its Committees. The Company Secretary collated the results, and report of findings was presented to the Board for discussion. Capacity building on risk management and corporate governance was undertaken to address the identified gaps.

Statement on Corporate Governance

Management Team

Management of the Group is under the Managing Director who is assisted by Deputy Managing Director Shared Services and Deputy Managing Director Operations and Customer Service. The Director of Risk and Compliance, Director of Strategy and Innovation and Director of Corporate Affairs report directly to the Managing Director. Shared Services is composed of Finance, Administration and General Services, Information and Communication Technology, Human Resources and Centralized Operations departments and the Stressed Assets Management Unit (SAMU). All of which are headed by Directors.

Operations and Customer Service is composed of Credit, Retail Banking, and Corporate Banking, Marketing, Research and Customer Service; Alternative Banking Channels and Treasury departments; which are 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 six committees playing various roles in overseeing operations of the Bank and implementation of strategies and policies.

Executive Committee

The Committee is composed of the Group Managing Director who is the Chairperson, Deputy Managing Directors, all Directors reporting directly to him and General Managers for CRDB Burundi and CRDB Microfinance. The Executive Committee meets at least once per quarter to discuss and review the effectiveness of the Bank’s strategies and policies. The main objective of the 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 the Board, as well as individual business, functional strategies and financial targets;

d) Monitor performance against strategic plan of the Bank and taking appropriate actions to improve performance;
e) Review viability of any acquisition or establishment of any new business or disposal of any business within its mandate or for Board approval; and
f) Review and recommend annual budget to the Board for approval.

Management Committee (MCM)

The Committee is chaired by the Managing Director and 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 (ALCO)

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

a) Managing the balance sheet to ensure proper allocation of resources to achieve performance targets;
b) Reviewing the current and prospective liquidity positions and monitoring alternative funding sources to ensure adequate liquidity is maintained at all times;
c) Reviewing the current and prospective capital levels (risk based) to determine its adequacy in relation to expected growth and asset quality;
d) Reviewing the actual performance against established targets/projections and budgets and analyzing the reasons for any variances for timely actions; and
e) Measuring and monitoring investment risk of the Bank 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. It 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; and
c) Review at least quarterly loan portfolio 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; and
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.

Relationship with Stakeholders

In fullfiling 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.

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The Bank continues to maintain good relationship with all Stakeholders. Shareholders are encouraged to attend the AGM, or appoint proxies to represent them in case they fail to attend. The Bank has a standing agenda in the AGM which allows 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.**

The Shares Registration Unit under the Department of Corporate Affairs handles shareholders issues such as payment of dividends, transfer of shares and shareholding matters in general. In addition, the Investor Relations Unit is responsible for providing investor's information to both existing and prospective institutional investors.

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.

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 behaviour, and legal or regulatory non-compliance. Employees are encouraged to raise any issue involving illegal, unacceptable or inappropriate behaviour or any issue they believe could have a material impact on the Group's profitability, reputation, governance or regulatory compliance.

Compensation of Key Management Personnel

The key management of the Bank is comprised of the Managing Director, Deputy Managing Directors, Director of Internal Audit and all Directors reporting to the Managing Director and Deputy Managing Directors. The remuneration of key management personnel during the year was TZS 9,379 million (2015: TZS 8,090 million).

Statement on Corporate Governance

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 450 million (2015: TZS122 million), while loans and advances to Directors and other key management personnel amounted to TZS 4.4 billion (2015: TZS 4.1 billion).The volumes of related party transactions for the year and the outstanding amounts at the year-end are provided under note 40 of the financial statements.

Ethical Behaviour and Organization Integrity

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

BY ORDER OF THE BOARD

Mr. Ally Hussein Laay
Board Chairman

Risk Management Report

The Group's business diversity as well as its geographical scope makes it imperative to have effective risk management framework, in order to achieve its business strategy, to protect and enable the running of the business. The core risk management responsibility lies with the Group Board of Directors. The Board is responsible for approving the risk strategy and appetite, risk control and management policies, and oversees the Group's overall risk and governance process with the assistance of various Board Committees including the Risk Committee, Credit Committee, Governance and Human Resources Committee and Audit Committee.

The Board ensures that the risk management framework policies are developed and they remain adequate to guide the risk management process across the Group. It also ensures that policies are integrated in the overall management information systems of the group and are supplemented by an effective management reporting structure. The Bank of Tanzania (the regulator) conducts regular examinations to assess the Group's capacity to assume risks.

The Board has delegated the day to day risk management function to the Management team for execution and oversight. The senior management team oversees risk management through risk management committees that are jointly responsible to ensure that there is adequate risk management process in their respective areas of authority.

The Management committees include the Management Risk Committee, which is in charge of the entire scope of risks, the Assets Liabilities Committee (ALCO) that is in charge of financial risks impacting the balance sheet, and the Management Credit Committee that oversees and establishes standards for the credit risk management process.

The ALCO and Risk Committees meet on monthly basis to review the Bank's risk profile and performance against set targets, internal and regulatory limits and report on quarterly basis to the Risk Committee of the Board. The Enterprise Risk Management (ERM) is a centralized function, but risk management is a shared responsibility by all Bank employees.

Risk Management Report

The Group Director of Risk and Compliance is an executive director and is independent from the sales and trading functions of the Group's businesses. While the functional business line staff and management incur and own risks, the Group Risk Management function performs independent review of processes to assess adequacy and effectiveness of controls in mitigating business and process inherent risks, monitors the risk correction action plan and independently reports the risk profile to the Management and Board.

The Board communicates its objectives to employees through the Group Risk Management Framework and Risk Management Policies. Our risk management framework ensures that risks are managed in a consistent way across the Group, and it is applicable to all levels of the organization and across all risk types. The policies clearly set out risk appetite, and define the risk targets and tolerance levels that the Group is willing to take. Risk limits and triggers alert the Bank of potential losses from undertaken risks for timely remedial action. The senior management translates the policies into working procedures that ensures that adequate internal control systems are developed and maintained on an ongoing basis in order to provide for reasonable assurance regarding all aspects related to risk management.

An independent risk and compliance function that reports directly to the Managing Director is in place through the Department of Risk and Compliance which coordinates and oversees the implementation of the enterprise wide risk management framework. Additionally, the Bank's Internal Auditors review functioning of the risk management function periodically, and report directly to the Board's Audit Committee.

External auditors and the Regulator provide feedback to the Management and Board on the effectiveness of internal controls as found during the annual audit and regulatory reviews respectively. At least every three years, a review of risk management practices is carried out by an independent party to carry out quality assurance and gap analysis of the Bank's risk management framework, policies, programs and practices with a view to assess the adequacy and effectiveness of risk management practices in the Bank.

Risk Management Report

Policy and Procedures Reviews

During the year under review, the Board reviewed all existing policies 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 monitor, evaluate 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 Bank operates in order to remain in line with the regulatory standards and industry's best practices.

Principal Risks

The Group is subject to six broad categories of risks namely:

- 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 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.

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

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

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; and
- Charges over financial instruments such as debt securities and equities.

In order to minimise credit losses the Group may seek 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)

Loans and advances to customers	**2016**	**2015**
Neither past due nor impaired	2,765,658	2,673,336
Past due but not impaired	73,164	233,505
Facilities individually assessed for impairment		
-Non-performing loans	474,905	351,555
-Others qualitatively assessed	83,999	83,956
Gross	3,397,726	3,342,352
Less: Allowances for impairment	(135,383)	(81,765)
Net	3,262,343	3,260,587

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 Bank separates 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 is exposed to equity securities price risk as it currently holds 327,632 shares invested in DSE (TZS 164 million) which is not significant. Investment in the shares of Tanzania Mortgage Refinance company (TMRC) are 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 3,595 million as at 31 December 2016 (2015: TZS 4,432 million) for the group and TZS 3,595 million (2015: TZS 4,432 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 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. 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 21,606 million (2015: TZS 19,532 million) for Group and TZS 21,195 million (2015: TZS19,201 million) for Bank.

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).

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. With all other variables held constant, a shift in foreign exchange rate by 5% on the dollar denominated assets and liabilities would have resulted in lower or higher profit after tax by TZS 3,323 million as at 31 December 2016 (2015: TZS 4,125 million).

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. In 2016, the Internal Control Unit was moved to Risk and Compliance department to coordinate the review of procedures. The Bank implemented a Control Issues Management Framework for effective risk management framework. The Bank implemented an operational risk management system in order to comply with Basel II/III requirements on additional reporting.

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. In 2017, the Bank will focus on alignment of subsidiaries risk management methodology for each risk type/area to the parent practice. The alignment will include assisting CRDB Insurance Brokers Limited to have well documented control framework covering policies and procedures in line with the institution's product range and risk profile.

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 filled with Bank of Tanzania on monthly basis. The Central Bank 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.

Bank

Capital Management	**2016 TZS'Million**	**2015 TZS'Million**
Total qualifying Tier 1 capital	538,814	502,601
Total qualifying Tier 2 capital	161,310	191,966
Total regulatory capital	700,124	694,567
Risk-weighted assets		
On-balance sheet	3,626,345	3,277,202
Off-balance sheet	362,259	347,227
Total risk-weighted assets	3,988,604	3,624,429

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 2016 and 2015. During these two years, the Bank complied with all of the regulatory minimum capital requirements.

	Required ratio	**Bank's ratio 2016**	**Bank's ratio 2015**
	%	**%**	**%**
Tier 1 capital	**12.5**	**13.5**	**16.2**
Tier 1 + Tier 2 capital (Total capital)	**14.5**	**17.6**	**18.9**

Directors' Report

The Directors have the pleasure to submit their report and the audited financial statements for the year ended 31 December 2016, which discloses the state of affairs of CRDB Bank Plc. ("the Bank") and its subsidiaries, CRDB Microfinance Services Company Limited, CRDB Insurance Broker Ltd and CRDB Bank Burundi S.A (together "the Group").

PERFORMANCE FOR THE YEAR

Business Environment

In year 2016, Tanzanian economy continued to strengthen amid the recovering global economy with its Gross Domestic Product (GDP) growth accelerating to 7% p.a and annual headline inflation rate closing at 5%. 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 21% of industry deposits having 250 branch networks, agent networks and digital channels. The total commercial banks operating in the market as at 31 December 2016 were 60 with a total of 732 branches.

During the year, the market experienced tight liquidity following Government implementation of Treasury Single Account (TSA) and slowdown in Government spending which affected market deposits and lending growth. Foreign exchange market during the year was highly restrictive following interventions from Bank of Tanzania (BOT) impacting both volume and spread. As a result, the Bank's financial performance was negatively affected as profits fell and non-performing loans surged.

Going forward, there are risks arising from tight stance of macroeconomic policies and slow pace of credit growth which could adversely affect the economic growth and banking sector. However, future economic prospects on various infrastructure 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 2017.

Directors' Report

Group Performance

In 2016, there was a slowdown in profitability arising from various reasons within the Group and those related to the business environment. The Group recorded a profit before tax of TZS 118.2 billion (2015: TZS 187.7 billion), a decrease of 37% from previous year. The decrease is attributed to the increase in interest expense arising from tight liquidity following implementation of TSA as well as relatively high yields experienced in Government securities market throughout the year, high provision for loan losses and operational expenses. The Group recorded the profit after tax of TZS 74.1 billion (2015: TZS 128.9 billion), a decrease of 43% which has been affected by additional tax paid as a result of out of court settlement with TRA on treatment of provision for loan losses.

During the year, Interest income increased from TZS 497.5 billion in the prior year to TZS 568.2 billion, an increase of 14%. The increase was due to increased personal and SME loans and favourable interest rates on the Government securities during the year.

Provision increased from TZS 67 billion in 2015 to TZS 116 billion in year 2016 due to increase in nonperforming loans on corporate and SME customers affected by delayed repayment following drop in Government spending and slowdown of some economic activities.

The Group total non-interest income increased from TZS 185.1 billion in 2015 to TZS 191.6 billion 2016, reflecting a growth of 4%, foreign exchange income decreased slightly to TZS 34.8 billion compared to TZS 34.9 billion from previous year.

Interest expenses increased from TZS 106.8 billion in the prior year to TZS 136.1 billion, an increase of 27.4%.The unfavourable variance is a result of liquidity squeeze in the market as a result of Government policy to transfer public entities funds to the Central Bank. Due to this, there was high competition where banks reacted by increasing interest rates particularly on fixed/term deposits to fund their operations.

Operating cost increased by 21.3% from TZS 321.2 billion in 2015 to TZS 389.7 billion in 2016 as a result of expansion strategy to increase outreach. More than 51 new branches were opened in 2016; supported by grants from Financial Sector

Deepening Trust (FSDT) and Marketing Infrastructure Value Addition and Rural Finance Support Programme (MIVARF) with focus to assist in financial inclusion targeting the underserved community.

Between 2015 and 2016, the Group's total assets grew from TZS 5.41 trillion to TZS 5.42 trillion, an increase of 0.2% while total deposits recorded a decline of 2% to TZS 4.1 trillion from TZS 4.2 trillion. The industry trend shows that the total assets grew by 4% to TZS 27.9 trillion and deposits declined by 3% to TZS 18.9 trillion.

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

Key Performance Indicators (KPIs)

Key Performance Indicator	Definition and Formula	CRDB Group ratios	
		2016	2015
Return on Equity	(Net profit/Total equity)*100%	10.3%	18.8%
Return on Assets	(Profit Before Tax/Total assets) *100%	2.2%	3.4%
Operating Expenses to Operating Income	(Operating expense/Net interest income + Non Interest income) *100%	63.1%	55.8%
Earnings per share	Profit attributable to equity share holders/ Number of ordinary shares in issue	28.4	54.3
Gross loans to customer deposits	(Gross loans to customers/ Total deposits from customers) *100%	82.6%	79.6%
Non-performing loans to total loans **	(Non-performing loans/Gross loans and advances)*100%	14.0%	8.4%
Growth in total assets	(Trend(Current year total assets-Previous year total asset)/Previous year total asset)*100%	0.3%	29.3%
Growth in customer deposits	(Trend(Current year deposits-Previous year deposits)/ Previous year deposits)*100%	-2.4%	25.2%
Tier 1 Capital ratio	(Core capital/Risk weighted assets including off balance sheet items)*100%	13.5%	14.1%
Total Capital Ratio	(Total capital/Risk weighted assets including off balance sheet items) *100%	17.6%	19.4%

CRDB Microfinance Services Company Limited

During the year, the number of partner MFIs increased by 3.2% from 441 in 2015 to 455 in 2016. As at 31 December 2016, total loans extended by the Bank to this segment stood at TZS 140 billion from TZS 220.0 billion in 2015 while total deposits mobilised by the subsidiary on behalf of the Bank decreased to TZS 108.0 billion from TZS 123 billion in 2015. The subsidiary made a profit of TZS 2.9 billion in 2016 from TZS 5.9 billion in 2015, which is a decrease of 58%. The decrease is contributed by the costs related to expansion of network. These new outlets are expected to provide more service to the underserved community and become profitable within 1-2 years period.

CRDB Bank Burundi S.A.

CRDB Bank Burundi S.A performance during the year was good recording its second year of breakeven despite security instability in the country. The subsidiary recorded a profit of TZS 2,397 million compared to TZS 656.7 million profit recorded in 2015.The subsidiary total assets as at 31st December 2016 decreased to TZS 141 billion from TZS 153 billion in 2015.Total deposits were TZS 67,274 million 2016 compared to TZS 65,778 million in 2015. Burundi has been affected by slowdown in business growth due to challenges in the business environment and unstable political environment.

CRDB Insurance Brokers Company Limited

The CRDB Insurance Brokers Ltd was incorporated in the United Republic of Tanzania on 12th April 2016 under the Companies Act No.12 as a private company limited by shares and it is wholly owned by CRDB Bank Plc. The company is licensed by Tanzania Insurance Regulatory Authority (TIRA) under the Insurance Act 2009. The Company is engaged in provision of insurance brokerage services including underwriting all types of insurance namely life and general insurance business. The subsidiary started operations in July 2016 and recorded a profit of TZS 421 million end of December 2016.

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 note 4 to the financial statements.

Operational risks

The Bank is exposed to operational risks that may arise from inadequate or failed internal processes, people, IT and 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 ongoing basis in order to provide reasonable assurance regarding:

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

Good governance is dependent on adequate and effective Governance Framework which is in line with best international practices. In order to ensure that 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 Committee evaluated the internal control systems during the financial year ended 31 December 2016. It is of the opinion that they adequately and efficiently mitigate risks inherent in the Group's operations.

Key Strength And Resources

The Group continues to give its top priority to key resources which are people and technology which play greater role 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 contributing to the continuous success of the Group.

The Group continues to encourage open and honest communication in decision making. It also focuses on productivity initiatives to build productivity culture throughout the Group.

The Group has continuously invested in the state of art technology to realise operational excellence and better service delivery to our customers. In 2016, the Bank upgraded its core banking system to support business growth and innovation.

Solvency

The state of affairs of the Group and the Bank as at 31 December 2016 are set out on page 49 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.

Cash Flows

In 2016, the Group's investment in Government securities increased by TZS 304.3 billion (2015: TZS 82.8 billion) and lending to customers declined by TZS 61.3 billion (2015: TZS 732.2 billion). On the other hand, deposits from customers declined by TZS 135.4 billion (2015: TZS 854.2 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, 58% is expected to mature in 2017. The Bank continues to maintain sound liquidity position to enable it 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 and shareholders' funds and occasionally interbank borrowings as part of its normal market operations. In August 2016 the Bank received a second disbursement of Euro 40.1 Million Long term loan facility from European Investment Bank (EIB) equivalent to TZS 97.55 Billion, which is part of the total signed facility with the bank of EUR 55 Million (Available in Local currency). All these initiatives aimed at reducing dependency on interbank borrowing and provide financing of midterm to long term projects.

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 No.12 of 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 5 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

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 at end of 2016 were 30,048 (2015: 29,756 shareholders), which included ten members of the Board as outlined under section 6 of the report of Directors.

NAME	STATUS	SHAREHOLDING
Martin J. Mmari	Former Chairman/Non-Executive Director	764,173
Boniface C. Muhegi	Non-Executive Director	2,241,352
Bede P. Lyimo	Non- Executive Director	190,416
Ally H. Laay	Chairman/Non- Executive Director	28,812
Kai Kristoffersen	Non- Executive Director	-
Juma A. Abdulrahman	Non-Executive Director	246,756
Hon. Frederick T. Sumaye	Non- Executive Director	7,448,376
Devotha N. Minzi	Non Executive Director	47,484
Rose F. Metta	Non -Executive Director	16,216
Prof. Mohamed H. Warsame	Non -Executive Director	1,350,000
Hosea E. Kashimba	Non -Executive Director	4,875
Madren N. Oluoch-Olunya	Independent Director	-
Ebenezer N. Essoka	Non- Executive Director	-
Dr. Charles S. Kimei	Managing Director, Ex-officio	1,191,746

Companies Shareholding

Shareholding group	2016		2015	
	No. of shares	%	No. of shares	%
10% and more	808,949,743	31.0	808,949,743	31.0
1% to less than 10%	632,920,396	24.2	709,258,191	27.0
Less than 1%	1,169,968,445	44.8	1,093,630,650	42.0
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 2016 are listed here under:

Shareholders	2016 No. of shares	2016 %	2015 No. of shares	2015 %
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	106,706,104	4.1	105,506,395	4.0
Pinebridge	-	-	78,878,880	3.0
General Partners IV Ltd	63,957,790	2.4	64,704,702	2.5
LAPF Pension Fund	58,077,549	2.2	58,077,549	2.2
Blakeney General Partners III Ltd	56,614,203	2.2	52,953,203	2.2
Kimberlite Frontier Master Africa Fund LP RCKM	55,152,958	2.1	28,720,830	1.1
Duet Africa Opportunities Master Fund IC	37,583,840	1.4	27,751,060	1.1
PSPF Pension Fund	-	-	37,837,620	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	30,00,000	1.1
CMG Investment Limited	29,330,971	1.1	29,330,971	1.1
Total	1,441,870,139	55.1	1,488,207,934	58.2

Stock Exchange Information

The Bank is listed on the Dar es Salaam Stock Exchange. The share price as at 31 December 2016 was TZS 250.00 (2015: TZS 405.00). Market capitalization as at 31 December 2016 was TZS 652.96 billion (2015: TZS 1,057.79 billion).

Future Development Plans

In 2017, the Bank will continue implementing the 5-year strategy focusing mainly on optimizing investments made for the past four years in the areas of network expansion, systems and products. The Bank will also continue with aggressive recovery of bad loans, enhancement of credit risk management and streamlining its processes and systems to support business and improvement in service delivery.

Results and Dividends

The Board recommends a dividend of TZS 10 per share from year 2016. Profit after Tax (2015: TZS 17 per share). Total amount of dividend recommended is TZS 26.1 billion (2015: TZS 44.4 billion), which is 35.3% 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 treasury department transacts with a number of counterparty banks and financial institutions, and adopts a systematic approach to the control and monitoring of counterparty credit risk. The Group, through its Risk and Compliance department, monitors compliance against the principal policies and guidelines.

The key treasury policies are:

Market Risk Policy

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

Liquidity Policy

The provides guidance on the management of liquidity risk under normal and crisis situation. This sets 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 credit crisis in the banking and capital markets.

Contingency Funding Policy

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

Limit Policy

This policy provides guidance/framework for managing market and liquidity risks for the counterparties at domestic and international levels. It also provides guidance for investment and credit exposure limits.

Current Liquidity Including the Level of Borrowing

The Bank ensures that liquidity is monitored 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 ongoing basis, taking account of the size of the institution.

Employees' Welfare

Management and Employees Relationship

CRDB Group has a revolutionary plan targeting to ensure that we bring out the best in our employees by keeping them engaged and motivating them to optimize business opportunities. The team of 3,196 employees is vital to ensuring sustainable growth of CRDB as a leading bank in the highly competitive financial service industry in Tanzania. One of the key agendas at CRDB includes driving performance which is achieved through removing any obstacles preventing people from performing. We encourage employee engagement by implementing a decentralized system. Outstanding performance by employees are recognized and rewarded appropriately. Maintaining good relationship between employees and management during the year continued to be one of the main agenda. The 3 year collective bargaining agreement with TUICO (Tanzania Union of Industrial and Commercial Workers) renewed in 2014 for another 3 years will be subject for renewal in 2017. Through this agreement, the Group has been able to maintain trust and good working relationship with employees. We continue to embrace diversity in the workplace by hiring people with different races, gender, age, and ethnicity.

Training Facilities

The Bank continues to invest in skills and capabilities of employees through e-learning and classroom training programs. In order to foster a performance culture and enhance the quality of work, managers and staff get the opportunity to be coached by corporate professionals.

The Group spent TZS 6.80 billion in the period under review compared to TZS 5.51 billion incurred in 2015 on staff training in order to improve employees' technical skills and performance. In year 2016, the Group continued to provide e–learning training courses covering soft skills whereby all staff were assigned to complete Customer focus curriculum and specialised courses in areas of estate management, marketing and Customer Services, Human Resources, New Managers Courses, Managers, Branch staff courses, and Credit Management courses were conducted through classrooms and video conferences which enabled employees to acquire relevant skills for better understanding of their work. The Group continued with Distance Learning Programme on banking certificate and diploma courses that can be easily accessed by all staff countrywide. International trainings were also part of the training programmes for 2016 to enable experience sharing and exposure in areas like leadership, IT, credit management and customer services.

Medical Assistance

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

Health and Safety

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

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.

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.

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 31 December, 2016 the Group's number of employees was 3,196 compared to from 2,651 in 2015. Out of the total number of staff in the Group as at 31 December 2016; 1,811 were male and 1,385 females. The Group gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors such as gender, marital status, tribe, religion, and disability which does not impair ability to discharge duties.

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 party's 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 450 million (2015: TZS 122 million), while loans and advances to Directors and other key management personnel amounted to TZS 4.4 billion (2015: 4.1 TZS billion).The volumes of related party transactions for the year and the outstanding amounts at the year-end are provided under note 40 of the financial statements.

Political and Charitable Donations

On 10th September 2016, there was an earthquake which caused massive distraction in the Kagera region. The earthquake caused a number of deaths, destroyed hundreds of houses rendering thousands of people homeless. As a socially responsible company, CRDB contributed funds amounting to TZS 50 million in order to help victims in the Region to restore back their communities. Moreover, our employees participated in the charity walk organized by the Ministry of Home Affairs on 17th September 2016 for the purpose of raising funds to assist the victims of the earthquake.

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

Environmental Control Programme

Corporate entities are the biggest contributors in the emission of greenhouse gases which are harmful to the society and its environment. As a corporate body, CRDB Bank recognize the need to incorporate best practices and innovative solutions in all our projects so as minimize environmental pollution. Despite having a relatively low direct impact on the environment, the Bank continues to identify opportunities to create a positive impact on the environment.

CRDB Bank works independently and in collaboration with stakeholders on a broad range of initiatives aimed at reducing environmental impacts and promoting responsible actions. The Bank is committed to recycling, reusing and reducing waste.

Employees are educated and motivated to become more involved in resource conservation at work in environmental practices at home so as to promote environmental responsibility.

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

Some of the ways the Bank reduced its energy consumption and Green House Gas emission in 2016 were as follows:-

- The Bank used after-hours central control to turn off computers in its branch network.

- A smaller branch footprint was created for new branches and office standards were "densified" (less office space per employee) to reduce absolute emissions for all new and renovated premises.

- Receipt-less option; whereby the bank focuses on automating its processes such as the use of E-statement, SimBanking and Internet banking which allows customers to view their balances online hence minimizing the number of printed receipts.

- 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.
- Paperless initiatives; the Bank has invested in double-sided printer systems so as to avoid paper wastage. Further to this, the Bank is implementing paperless workflow system which has reduced paper usage with target to automate all

processes that are automatable. Staff are sensitized to store or transfer their data/information in electronic way so as to reduce paper wastage and print only when necessary.

- Video conferencing; the Group has more than 200 branches all over the country and outside the country (in Burundi), whenever the CEO of the Group wants to communicate to all staff or a group of staff, video conferencing is used as a means of communication which does not only cut travel costs but also reduces carbon emission.

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

Approved by the board of directors on 24 March 2017 and signed on its behalf by:

Ally Hussein Laay	**Juma A. Abdulrahman**
Chairman	Director
24th March 2017	24th March 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES
For The Year Ended 31 December 2016

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 Company. 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 Hussein Laay
Chairman of the Board
Mwenyekiti wa Bodi

24 March 2017

DECLARATION OF THE DIRECTOR OF FINANCE
For The Year Ended 31 December 2016

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.

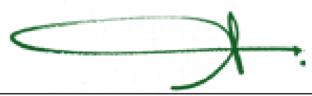
It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's position and performance in accordance with applicable International Accounting Standards and statutory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

Full legal responsibility of the preparation of financial statements rests with the Board of Directors as declared under the Directors' Responsibility statement on page 119.

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 2016 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:



Frederick B. Nshekanabo
Director of Finance
ACPA 1388

24 March 2017

REPORT OF THE INDEPENDENT AUDITOR
To The Members of CRDB Bank Plc

Report on the Financial Statements

In our opinion, the group and company financial statements give a true and fair view of the group and company financial position of CRDB Bank Plc (the Company) and its subsidiaries (together the Group) as at 31 December 2016, and its group and company financial performance and its group and company 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 company financial statements set out on pages 47 to 167 comprise:

- the group and company statements of financial position as at 31 December 2016;
- the group and company statements of profit or loss and other comprehensive income for the year then ended;
- the group and company statements of changes in equity for the year then ended;
- the group and company 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 company 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.

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 company financial statements of the current period. These matters were addressed in the context of our audit of the group and company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate company opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
i. Major upgrade to the core banking system We focused on this area because the core banking system is critical to financial reporting including the interest income, interest expense, loans and advances, and customer deposits financial statements line items.	We tested the design and operating effectiveness of management's controls over: Our audit procedures included use of our information technology (IT) specialists to assess and test the general IT control environment, including logical access and segregation of duties, as well as IT dependent controls within critical business processes. In relation to the system migration, our IT specialists assessed and tested the controls specifically established over the implementation process and migration of key financial data from the legacy to the new core banking system, and reviewed the work of Internal Audit over the core banking system upgrade.

Key Audit Matter	How our audit addressed the key audit matter
ii. 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 value of loans and advances to customers (TZS 3.26 trillion) make this a key audit matter. The Company assesses individual impairment for the following categories: • 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). 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.	**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 controls, controls over access to data, controls over creation of data and controls over changes to data. • 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; and - the identification and inclusion of restructured facilities in the specific impairment assessment. • For borrowers with both term loans and overdraft facilities, we tested that overdraft limits were not utilised to fund term loan repayments to make the term loans appear to be performing. **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. **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 expected cash flows to establish their reasonableness and recomputed the discounted cash flows using the applicable original effective interest rate.

Key Audit Matter	How our audit addressed the key audit matter
ii. Impairment provision for loans and advances to customers When estimating the impairment provision for collectively assessed loans and advances, judgements are applied in determining the historical loss ratio, the emergence period and grouping of loans and advances with similar credit characteristics. Further details on loans and advances have been disclosed in the Note 2(m), Note 4.1, Note 5(a) and Note 20 of the financial statement.	**Impairment assessment for individually assessed loans and advances** Where impairment assessment was based on recovery of securities held as collateral: • We tested management's process for selecting the panel of valuers used to value 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. We also assessed the ability of the guarantor (Government of Tanzania) to honor the guarantees. • 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 recovery costs and recovery period used in determining the recoverable amount of collateral by reference to historical experience. **Impairment assessment for collectively assessed loans and advances** We tested for the appropriateness of grouping loans and advances into groups of similar credit characteristics. We tested for the appropriateness of the adjusted historical loss ratios and emergence period used to estimate the collective impairment assessment.

Key Audit Matter	How our audit addressed the key audit matter
iii. Contingent liabilities from pending legal matters As at 31 December 2016, there was a pending legal matter regarding a claim of USD 205 million by a third party against the Company. The third party instituted a case against the Company on the grounds that the Company refused to release security documents despite the full repayment of the loans for which these title documents had been pledged as security. The claim is for the loss of profits that would	We obtained and read the High Court ruling. We challenged management's basis for concluding that a provision is not required for the exposure by comparing management's rationale to the documented High Court ruling. We obtained a confirmation from the Company's external legal counsel handling the matter. The confirmation addressed the planned basis for appeal and the Company's chances of success.

Key Audit Matter	How our audit addressed the key audit matter
iii. Contingent liabilities from pending legal matters (continued) have accrued on a lost business opportunity had the Company released the security documents on time to allow the third party borrow from another bank to finance the lost business opportunity. The High Court, through one of its Honourable Judge, ruled in favour of the third party on 19 January 2017, awarding the third party USD 30 million plus 7% interest (from the date the matter was instituted in court in 2012 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 Company intends to appeal the ruling. The Bank, through its lawyer is in the process of preparing an appeal to be filed with the Court of Appeal. The lawyer strongly believes that the Bank's chances to succeed on appeal is very big. The Bank's main points of arguments on appeal will be inter alia be as set out hereunder: That the High Court Judge erred in law in refusing to agree with the Bank's Counsel that the Bank had a lien over the disputed Title Deeds. The High Court Judge's assertion that the Bank raised the defence of lien out of time because the defence was allegedly initially not pleaded was wrong because the position of the law is that "lien" being a matter of law did not require pleading and the defence could be raised at any point in time before judgement. Management has applied judgement in based on advice from external legal counsel as outlined in the basis for appeal above in	

Key Audit Matter	How our audit addressed the key audit matter
iii. Contingent liabilities from pending legal matters (continued) concluding that no provision is required for the exposure. These judgements, the High Court ruling, and the value of the exposure make this a key audit matter. Furrther details on contingent liabilities have been disclosed in the Note 38 of the financial statements.	

Other information

The directors are responsible for the other information. The other information comprises report of directors but does not include the group financial statements and our auditor's report thereon.
Our opinion on the group and company financial statements does not cover the other information and we do not provide any form of assurance conclusion thereon.

In connection with our audit of the group and company 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 company financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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.

Responsibilities of the directors for the group and company financial statements

The directors are responsible for the preparation and fair presentation of the group and company 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 company financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the group and company financial statements, the directors are responsible for assessing the Group and the Company'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 Company 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 company financial statements

Our objectives are to obtain reasonable assurance about whether the group and company 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 company 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 company 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 Company'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 Company'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 company 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the group and company financial statements, including the disclosures, and whether the group and company 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 company 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.

Report on other legal and regulatory requirements

This report, including the opinion, has been prepared for, and only for, the company's members as a body in accordance with the Companies Act, 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 Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if the financial statements are not in agreement with the accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed. In respect of the foregoing requirements, we have no matter to report.

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Patrick M Kiambi – TACPA-PP

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

Date 31 March 2017

Financial Statements for the Year Ended 31 December 2016

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		GROUP		BANK	
	Note	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Interest and similar income	6	568,244	497,471	557,320	487,202
Interest expense	7	(136,128)	(106,822)	(133,420)	(103,176)
Net interest income		432,116	390,649	423,900	384,026
Loan impairment charges	20	(115,902)	(66,877)	(114,595)	(66,725)
Net interest income after loan impairment charges		316,214	323,772	309,305	317,301
Fee and commission income	8	165,939	156,432	159,443	148,601
Fee and commission expense	8	(11,405)	(7,476)	(36,092)	(24,477)
Net fee and commission income		154,534	148,956	123,351	124,124
Net foreign exchange income	9	34,842	34,860	31,353	32,602
Other operating income	10	2,349	1,280	1,196	578
Other operating expenses	11	(163,207)	(134,570)	(149,657)	(125,137)
Depreciation and amortization	12	(42,113)	(33,812)	(38,869)	(31,779)
Employee benefit expenses	13	(184,370)	(152,796)	(164,819)	(139,526)
		(389,690)	(321,178)	(353,345)	(296,442)
Profit before income tax		118,249	187,690	111,860	178,163
Income tax expense	14	(44,156)	(58,712)	(43,574)	(55,790)
Profit for the year		74,093	128,978	68,286	122,373
Profit for the year attributable to owners of the parent		74,093	128,978	68,286	122,373
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Translation reserve		3,850	3,635	-	-
Revaluation gain/(loss) on available-for-sale Government securities		1,825	(4,200)	2,844	(2,844)
Other comprehensive gain/(loss) income for the year net of tax		5,675	(565)	2,844	(2,844)
Total comprehensive income for the year		79,768	128,413	71,130	119,529
Basic and diluted earnings per share (TZS)	15	28.37	54.28		

Financial Statements for the Year Ended 31 December 2016

STATEMENT OF FINANCIAL POSITION

		GROUP		BANK	
	Note	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
ASSETS					
Cash and balances with Central Banks	17	903,182	783,670	891,100	769,824
Government securities	18	580,787	773,161	532,138	728,309
Loans and advances to banks	19	264,069	291,007	290,933	305,218
Loans and advances to customers	20	3,262,343	3,260,587	3,223,418	3,226,708
Equity investments	21	2,608	2,280	2,608	2,280
Other assets	22	106,802	86,330	96,234	82,106
Investment in subsidiaries	23	-	-	22,411	22,311
Current income tax	14	14,184	2,840	13,424	2,089
Property and equipment	24A	180,643	134,617	165,707	127,413
Motor vehicles	24B	16,140	13,928	14,091	12,233
Prepaid operating lease	25	11,164	10,767	11,164	10,767
Intangible assets	26	35,146	31,144	33,978	29,269
Deferred income tax	27	38,652	17,486	35,949	17,178
TOTAL ASSETS		5,415,720	5,407,817	5,333,155	5,335,705
LIABILITIES					
Deposits from customers	28	4,109,974	4,246,168	4,046,333	4,180,390
Deposits from banks	29	121,596	72,527	124,116	70,314
Other liabilities	30	54,966	83,774	63,577	96,995
Provisions	31	1,715	1,872	1,715	1,872
Grants	32	27,013	19,561	16,868	18,069
Subordinated debts	33.1	87,961	87,300	87,961	87,300
Long term borrowings	33.2	294,308	209,217	294,308	209,217
TOTAL LIABILITIES		4,697,533	4,720,419	4,634,878	4,664,157
EQUITY					
Share capital	34	65,296	65,296	65,296	65,296
Share premium	35	158,314	158,314	158,314	158,314
Retained earnings	35	417,231	355,487	399,784	342,708
Regulatory banking risk reserve	35	48,843	79,221	48,533	79,020
Legal provision reserve	35	147	33	-	-
Translation reserve	35	3,850	3,635	-	-
General banking reserve	35	26,537	28,707	26,537	28,707
Revaluation reserve	35	(2,031)	(3,295)	(187)	(2,497)
TOTAL EQUITY		718,187	687,398	698,277	671,548
TOTAL LIABILITIES AND EQUITY		5,415,720	5,407,817	5,333,155	5,335,705

The financial statements on pages 129 to 229 were approved and authorised for issue by the Board of Directors on 24 March 2017 and signed on its behalf by:

Ally H. Laay	Dr. Charles S. Kimei	Mr. Juma A. Abdulrahman
Chairman	Managing Director	Director

Statements of Changes in Equity

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		65,296	158,314	355,487	79,221	28,707	33	(3,295)	3,635	687,398
Profit for the year		-	-	74,093	-	-	-	-	-	74,093
Comprehensive income										
Gain/Loss on available-for-sale revaluation		-	-	(1,292)	-	-	-	1,825	-	533
Revaluation Surplus Motor Vehicle				-			-	-		
Translation reserve		-	-	-	-	-	-	-	215	215
Transfer of excess depreciation		-	-	573	-	-	-	(573)	-	-
Deferred tax on excess depreciation		-	-	(12)	-	-	-	12	-	-
2015 Burundi adjustment on overcharged expenses		-	-	239	-	-	-	-	-	239
Total comprehensive income		-	-	73,601	-	-	-	1,264	215	75,080
Transfer to general banking reserve and regulatory banking risk reserve		-	-	(32,658)	(30,378)	(2,170)	-	-	-	110
Transfer to legal provision reserve		-	-	(114)	-	-	114	-	-	-
Transactions with shareholders										
Dividends declared	16	-	-	(44,401)	-	-	-	-	-	(44,401)
At 31 December 2016		65,296	158,314	417,231	48,843	26,537	147	(2,031)	3,850	718,187

Statements of Changes in Equity (Continued)

GROUP

Year ended 31 December 2015	Note	Share capital TZS' Million	Share premium TZS' Million	Retained earnings TZS' Million	Regulatory banking risk reserve TZS' Million	General banking reserve TZS' Million	Legal provision reserve TZS' Million	Revaluation reserve TZS' Million	Translation reserve TZS' Million	Total TZS' Million
At 1 January 2015		54,413	18,765	346,614	19,633	-	-	1,525	201	441,151
Profit for the year		-	-	128,978	-	-	-	-	-	128,978
Comprehensive income										
Loss on available-for-sale revaluation		-	-	244	-	-	-	(4,200)	-	(3,956)
Translation reserve		-	-	-	-	-	-	-	3,434	3,434
Transfer of excess depreciation		-	-	641	-	-	-	(641)	-	-
Deferred tax on excess depreciation		-	-	(21)	-	-	-	21	-	-
Total comprehensive income		-	-	129,842	-	-	-	(4,820)	3,434	128,456
Transfer to general banking reserve and regulatory banking risk reserve		-	-	(88,287)	59,588	28,707	-	-	-	8
Transfer to legal provision reserve		-	-	(33)	-	-	33	-	-	-
Transactions with shareholders										
Dividends declared	16	-	-	(32,649)	-	-	-	-	-	(32,649)
Rights issue		10,883	139,549	-	-	-	-	-	-	150,432
At 31 December 2015		65,296	158,314	355,487	79,221	28,707	33	(3,295)	3,635	687,398

Statements of Changes in Equity (Continued)

BANK

Year ended 31 December 2016	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	65,296	158,314	342,708	79,020	28,707	(2,497)	671,548
Profit for the year	-	-	68,286	-	-	-	68,286
Comprehensive income							
Revaluation surplus Motor Vehicle	-	-	-	-	-	-	-
Loss on available-for-sale Government securities fair valuation	-	-	-	-	-	2,844	2,844
Transfer of excess depreciation	-	-	534	-	-	(534)	-
Total comprehensive income	-	-	68,820	-	-	2,310	71,130
Transfer to general banking reserve and regulatory banking risk reserve	-	-	32,657	(30,487)	(2,170)	-	-
Transactions with shareholders							
Dividend declared	-	-	(44,401)	-	-	-	(44,401)
At 31 December 2016	65,296	158,314	399,784	48,533	26,537	(187)	698,277

Statements of Changes in Equity (Continued)

BANK

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

STATEMENT OF CASH FLOWS

	Note	GROUP 2016 TZS' Million	GROUP 2015 TZS' Million	BANK 2016 TZS' Million	BANK 2015 TZS' Million
Cash flow from operating activities					
Profit before income tax		118,249	187,690	111,860	178,163
Adjustment for:					
Depreciation of property and equipment	24A	31,485	26,226	29,276	25,151
Amortization of intangible assets	26B	7,154	5,205	6,521	4,590
Depreciation of motor vehicle	24B	3,169	2,080	2,768	1,737
Amortization of prepaid operating leases	25	304	301	304	301
Gain/(Loss) on disposal of property and equipment	10	(43)	63	62	65
Loan impairment charges	20	115,902	66,877	114,595	66,725
Other assets impairment charges	22	2,078	1,827	2,063	1,826
Changes in provisions		-	1,000	-	1,000
Net interest income		(432,116)	(390,649)	(423,900)	(384,026)
Net fee and commission income		(154,534)	(148,956)	(123,351)	(124,124)
		(308,352)	(248,336)	(279,802)	(228,592)
Changes in operating assets and liabilities:					
Statutory minimum reserve		1,987	(107,251)	1,987	(107,251)
Government securities		304,326	(82,768)	302,212	(69,907)
Loans and advances to banks		26,044	(26,239)	25,298	(51,306)
Loans and advances to customers		(61,308)	(732,264)	(55,023)	(748,919)
Other assets		(21,198)	(23,372)	(14,840)	(23,561)
Deposits from banks		46,223	(31,047)	50,956	26,868
Deposits from customers		(135,383)	854,165	(135,336)	819,939
Other liabilities		(29,997)	(13,210)	(34,612)	(10,879)
Provisions		(156)	(212)	(156)	(212)
Grants	32	7,428	4,125	(1,228)	4,526
Interest received(Loans and Advance)		444,392	366,014	439,505	360,414
Interest paid (Excluding deposits from bank)		(131,460)	(84,421)	(126,661)	(85,002)
Fee and commission income	8A	165,939	156,432	159,443	148,601
Fee and commission expense	8B	(11,405)	(7,476)	(36,092)	(24,477)
Income tax paid	14B	(76,269)	(56,228)	(73,419)	(53,199)
Net cash(used in)/from operating activities		220,811	(32,088)	222,232	(42,957)
Cash flows from investing activities					
Investment in subsidiary	23	-	-	(100)	-
Purchase of property and equipment	24A	(73,145)	(48,586)	(62,949)	(47,191)
Purchase of motor vehicle	24B	(5,788)	(7,784)	(5,100)	(7,254)
Purchase of P&E financed by Grants	24A	(4,154)	(4,532)	(4,154)	(3,289)
Acquisition of leasehold land	25	(361)	(5,039)	(361)	(5,039)
Purchase of intangible assets	26B	(11,291)	(18,650)	(11,242)	(17,908)
Investment in shares	21	(328)	-	(328)	-
Proceeds from disposal of property and equipment and motor vehicles		434	199	433	199
Net cash used in investing activities		(94,633)	(84,392)	(83,801)	(80,482)

STATEMENT OF CASH FLOWS (Continued)

		GROUP		BANK	
	Note	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Cash flows from financing activities					
Rights issue		-	150,432	-	150,432
Dividends paid		(43,208)	(31,407)	(43,208)	(31,407)
Repayment of borrowings	33	(15,939)	(44,104)	(15,939)	(44,104)
Interest paid on borrowings		(19,585)	(10,263)	(19,585)	(10,263)
Proceeds from borrowings and Subordinated debt	33	97,553	145,422	97,553	145,422
Net cash from financing activities		18,821	210,080	18,821	210,080
Cash and cash equivalents at 1 January		582,652	487,365	557,986	470,652
Net cash from /(used in) operating activities		220,811	(32,088)	222,232	(42,957)
Net cash used in investing activities		(94,633)	(84,392)	(83,801)	(80,482)
Net cash from financing activities		18,821	210,080	18,821	210,080
Effect of exchange rate change on cash and cash equivalent		278	1,687	(1,069)	693
Cash and cash equivalents at 31 December	36	727,929	582,652	714,169	557,986

Unpaid Capital expenditure balances in investing activities as at 31 December 2016 were TZS 9,766 million (2015: TZS 10,235 million).

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 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 2016 were approved for issue by the Board of Directors on 24 March 2017. 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 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 on or after 1 January 2016:

- Clarification for acceptable methods of depreciation and amortization-Amendments to IAS 16 and IAS 38. The amendments clarify that a revenue –based method of depreciation or amortisation is generally not appropriate. The IASB has amended IAS 16-Property, Plant and Equipment to clarify that a revenue based method should not be used to calculate the depreciation of items of property, plant and equipment. IAS 38-Intangible Assets now includes a rebuttable presumption that the amortisation of intangible assets based on revenue is inappropriate. This presumption can be overcome if either;

- The intangible asset is expressed as a measure of revenue (i.e where a measure of revenue is the limiting factor on the value that can be derived from the asset), or
- It can be shown that revenue and the consumption of economic benefits generated by the asset are highly correlated.

- Annual improvements to IFRSs 2012 – 2014 cycle
- Disclosure initiative - amendments to IAS 1. The amendments provide clarifications on a number of issues, including;

- Materiality - an entity should not aggregate or disaggregate information in a manner that obscures useful information. Where items are material, sufficient information must be provided to explain the impact on the financial position or performance
- Disaggregation and subtotals - the items specified in IAS 1 may need to be disaggregated where this is relevant to an understanding of the entity's financial position or performance. There is also new guidance on the use of subtotals
- Notes - confirmation that the notes do not need to be presented in a particular order
- OCI arising from investments accounted for under the equity method - the share of OCI arising from equity accounted investments is grouped based on whether the items will or will not subsequently be reclassified to profit or loss. Each group should then be presented as a single line item in the statement of other comprehensive income

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

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

A number of new standards and amendments to standards and interpretations have been published but are not yet effective for annual periods beginning after 1 January 2016, and have not been early adopted. None of these is expected to have a significant effect on the financial statements except the following set out below:

IFRS 9, 'Financial instruments' – 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 (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. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

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 is still assessing the impact of IFRS 15.

IFRS 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 EBITDA 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. The Group is still assessing the impact of IFRS 16.

Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 - Amendments made to IAS 12 in January 2016 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.

The amendments are effective for annual period beginning on or after 1 January 2017 and earlier application is permitted. The Group is still assessing the impact of amendments to IAS 12.

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. The information may be disclosed in tabular format as a reconciliation from opening and closing balances, but a specific format is not mandated. The amendments are effective for annual period beginning on or after 1 January 2017 and earlier application is permitted. The Group is still assessing the impact of amendments to IAS 7.

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

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries CRDB Microfinance Services Company Limited, CRDB Insurance Broker Limited and CRDB Bank Burundi S.A. for the year ended 31 December 2016. 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.

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;
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:

(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.

(h) Recognition of financial assets

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

(i) Determination of fair value

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

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

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

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

(j) Financial liabilities

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

l) Classes of financial instruments

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

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

(m) Impairment of financial assets

(i) Assets carried at amortised cost

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

- Significant financial 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 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.

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

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

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

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

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

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

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

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

(s) Intangible assets

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.

(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.

(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.

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.

The following tables represent income, expenses and certain assets and liability information regarding the Group's reportable segments for the year ended 31 December 2016 and 31 December 2015.

3 SEGMENT REPORTING (CONTINUED)

Primary segment information - Business Segments

The following table presents profit and loss and assets and liability information regarding the Bank's business segments for the year ended 31 December 2016.

GROUP

Year ended 31 December 2016	Corporate Banking TZS' Million	Retail Banking Microfinance Services Insurance Brokers & Burundi TZS' Million	Treasury TZS' Million	Total TZS' Million
External Operating income				
Interest Income	209,690	240,799	117,755	568,244
Interest Expense	(51,931)	(41,602)	(42,595)	(136,128)
Internal net interest income/ (expense)	16,670	29,118	(45,788)	-
Net interest income	**174,429**	**228,315**	**29,372**	**432,116**
Loan Impairment charges	(80,164)	(35,739)	-	(115,902)
Net Interest income after loan impairment charges	**94,265**	**192,576**	**29,372**	**316,214**
Fee and Commission income	52,582	111,239	2,118	165,939
Fee and Commission expense	(2,901)	(8,504)	-	(11,405)
Net Fee and Commission income	**49,681**	**102,735**	**2,118**	**154,534**
Net foreign exchange Income	28	3,540	31,273	34,842
Other operating income	-	2,349	-	2,349
Other operating expense	(52,322)	(98,345)	(12,540)	(163,207)
Employee benefit expenses	(64,848)	(105,734)	(13,788)	(184,370)
Depreciation and amortisation	(121)	(41,925)	(66)	(42,113)
Profit Before Tax	**26,683**	**55,196**	**36,369**	**118,249**
Income Tax Expense	(9,852)	(20,876)	(13,428)	(44,156)
Profit for the year	**16,831**	**34,320**	**22,941**	**74,093**
Asset and Liability				
Segment assets	2,014,654	1,476,287	1,636,636	5,127,578
Long-term Assets Additions	299	95,212	163	95,674
Unallocated Asset	-	-	-	192,468
Total Assets	**2,014,955**	**1,571,499**	**1,636,799**	**5,415,720**
Segment liabilities	(2,352,513)	(1,852,295)	(363,421)	(4,568,229)
Unallocated liabilities	-	-	-	(132,950)
Total Liabilities	**(2,352,513)**	**(1,852,295)**	**(363,421)**	**(4,701,179)**

3 SEGMENT REPORTING (CONTINUED)

GROUP

Year ended 31 December 2015	Corporate Banking TZS' Million	Retail Banking Microfinance Services Insurance Brokers & Burundi TZS' Million	Treasury TZS' Million	Total TZS' Million
External Operating income				
Interest Income	206,041	194,161	97,269	497,471
Interest Expense	(43,278)	(44,099)	(19,445)	(106,822)
Internal net interest income/ (expense)	3,049	5,866	(8,915)	-
Net interest income	**165,812**	**155,928**	**68,909**	**390,649**
Loan Impairment charges	(36,523)	(30,354)	-	(66,877)
Net Interest income after loan impairment charges	**129,289**	**125,574**	**68,909**	**323,772**
Fee and Commission income	25,249	130,771	412	156,432
Fee and Commission expense	(1,207)	(6,269)	-	(7,476)
Net Fee and Commission income	**24,042**	**124,502**	**412**	**148,956**
Net foreign exchange Income	-	2,258	32,602	34,860
Other operating income	-	1,280	-	1,280
Other operating expense	(41,133)	(92,011)	(1,426)	(134,570)
Employee benefit expenses	(28,716)	(115,296)	(8,784)	(152,796)
Depreciation and amortisation	(740)	(32,904)	(168)	(33,812)
Profit Before Tax	82,742	13,403	91,545	187,690
Income Tax Expense	(25,887)	(4,182)	(28,643)	(58,712)
Profit for the year	**56,855**	**9,221**	**62,902**	**128,978**
Asset and Liability				
Segment assets	2,058,240	2,194,823	979,589	5,232,652
PPE Additions	2,456	81,578	557	84,591
Unallocated Asset	-	-	-	90,574
Total Assets	**2,060,696**	**2,276,401**	**980,146**	**5,407,817**
Segment liabilities	(2,143,579)	(2,490,315)	(5,667)	(4,639,562)
Unallocated liabilities	-	-	-	(80,857)
Total Liabilities	**(2,143,579)**	**(2,490,315)**	**(5,667)**	**(4,720,419)**

3 SEGMENT REPORTING (CONTINUED)

Primary segment information - Business Segments

The following table presents profit and loss and assets and liability information regarding the Bank's business segments for the year ended 31 December 2016.

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	209,690	234,506	113,124	557,320
Interest expense	(53,349)	(37,476)	(42,595)	(133,420)
Internal net interest income/(expense)	16,785	29,318	(46,103)	-
Net interest income	**173,126**	**226,348**	**24,426**	**423,900**
Loan impairment charges	(80,164)	(34,431)	-	(114,595)
Net interest income after loan impairment charges	**92,962**	**191,917**	**24,426**	**309,305**
Fee and commission income	60,016	97,309	2,118	159,443
Fee and commission expense	(2,781)	(33,311)	-	(36,092)
Net fee and commission income	**57,235**	**63,998**	**2,118**	**123,351**
Net foreign exchange Income	29	51	31,273	31,353
Other operating income	-	1,196	-	1,196
General and administrative Expense	(51,954)	(86,058)	(11,645)	(149,657)
Employee benefit expenses	(66,433)	(86,258)	(12,128)	(164,819)
Depreciation and amortisation	(122)	(38,681)	(66)	(38,869)
Profit before tax	**31,717**	**46,165**	**33,978**	**111,860**
Income tax expense	(12,355)	(17,983)	(13,236)	(43,574)
Profit for the year	**19,362**	**28,182**	**20,742**	**68,286**
Asset and liability				
Segment assets	2,038,911	1,361,840	1,699,074	5,099,824
Long-term assets additions	262	83,403	142	83,807
Unallocated asset	-	-	-	149,616
Total assets	**2,039,173**	**1,445,242**	**1,699,217**	**5,333,248**
Segment liabilities	(2,352,513)	(1,718,812)	(418,424)	(4,489,749)
Unallocated liabilities	-	-	-	(145,129)
Total liabilities	**(2,352,513)**	**(1,718,812)**	**(418,424)**	**(4,634,878)**

3 SEGMENT REPORTING (CONTINUED)

BANK

Year ended 31 December 2015	Corporate Banking TZS' Million	Retail Banking TZS' Million	Treasury TZS' Million	Total TZS' Million
External Operating income				
Interest income	209,164	180,769	97,269	487,202
Interest expense	(43,428)	(38,093)	(21,655)	(103,176)
Internal net interest income/(expense)	1,890	3,249	(5,139)	-
Net interest income	**167,626**	**145,925**	**70,475**	**384,026**
Loan impairment charges	(36,523)	(30,202)	-	(66,725)
Net interest income after loan impairment charges	**131,103**	**115,723**	**70,475**	**317,301**
Fee and commission income	25,225	122,960	416	148,601
Fee and commission expense	(998)	(23,479)	-	(24,477)
Net fee and commission income	**24,227**	**99,481**	**416**	**124,124**
Net foreign exchange Income	-	-	32,602	32,602
Other operating income	-	578	-	578
General and administrative Expense	(42,217)	(81,524)	(1,396)	(125,137)
Employee benefit expenses	(29,286)	(101,466)	(8,775)	(139,527)
Depreciation and amortisation	(740)	(30,870)	(168)	(31,778)
Profit before tax	**83,087**	**1,922**	**93,154**	**178,163**
Income tax expense	(26,094)	(734)	(28,962)	(55,790)
Profit for the year	**56,993**	**1,188**	**64,192**	**122,373**
Asset and liability				
Segment assets	1,961,674	2,176,238	1,027,610	5,165,522
Long-term assets additions	2,343	77,807	531	80,681
Unallocated asset	-	-	-	89,502
Total assets	**1,964,017**	**2,254,046**	**1,028,141**	**5,335,705**
Segment liabilities	(2,143,579)	(2,353,270)	(70,314)	(4,567,163)
Unallocated liabilities	-	-	-	(96,994)
Total liabilities	**(2,143,579)**	**(2,353,270)**	**(70,314)**	**(4,664,157)**

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 2016	Tanzania TZS' Million	Burundi TZS' Million	Consolidation TZS' Million	Total TZS' Million
External operating income				
Interest income	557,320	14,485	(3,561)	568,244
Interest expense	(133,420)	(6,269)	3,561	(136,128)
Net interest income	**423,900**	**8,216**	**-**	**432,116**
Loan impairment charges	(114,595)	(1,307)	-	(115,902)
Net interest income after loan impairment charges	**309,305**	**6,909**	**-**	**316,214**
Fee and commission income	165,113	826	-	165,939
Fee and commission expense	(11,326)	(79)	-	(11,405)
Net Fee and commission income	**153,787**	**747**	**-**	**154,534**
Net foreign exchange Income	31,454	3,488	-	34,842
Other operating income	2,335	14	-	2,349
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	**117,280**	**969**	**-**	**118,249**
Income tax expense	(45,583)	1,427	-	(44,156)
Profit for the year	**71,697**	**2,396**		**74,093**
Asset and liability				
Segment assets	5,260,787	139,490	(80,231)	5,320,046
Long-term assets additions	95,517	157	-	95,674
Total assets	**5,356,304**	**139,647**	**(80,231)**	**5,415,720**
Segment liabilities	(4,637,887)	(121,940)	58,648	(4,701,179)
Total liabilities	**(4,637,887)**	**(121,940)**	**58,648**	**(4,701,179)**

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 2015	Tanzania TZS' Million	Burundi TZS' Million	Consolidation TZS' Million	Total TZS' Million
External operating income				
Interest income	484,992	12,479	-	497,471
Interest expense	(100,966)	(5,856)	-	(106,822)
Internal net interest income/(expense)	-	-		-
Net interest income	**384,026**	**6,623**	**-**	**390,649**
Loan impairment charges	(66,725)	(152)	-	(66,877)
Net interest income after loan impairment charges	**317,301**	**6,471**		**323,772**
Fee and commission income	152,941	3,491	-	156,432
Fee and commission expense	(6,855)	(621)	-	(7,476)
Net Fee and commission income	**146,086**	**2,870**	**-**	**148,956**
Net foreign exchange Income	32,602	2,257	-	34,860
Other operating income	1,103	178	-	1,280
General and administrative expense	(129,777)	(4,792)	-	(134,569)
Employee benefit expenses	(148,424)	(4,373)	-	(152,796)
Depreciation and amortisation	(32,139)	(1,673)	-	(33,812)
Profit before tax	**186,752**	**938**	**-**	**187,690**
Income tax expense	(58,431)	(281)	-	(58,712)
Profit for the year	**128,321**	**657**	**-**	**128,978**
Asset and liability				
Segment assets	5,243,117	166,339	(86,229)	5,323,226
Long-term assets additions	83,318	2,643	-	84,591
Total assets	**5,326,435**	**168,982**	**(86,229)**	**5,407,817**
Segment liabilities	(4,649,510)	(135,556)	64,647	(4,720,419)
Total liabilities	**(4,649,510)**	**(135,556)**	**64,647**	**(4,720,419)**

3 SEGMENT REPORTING (CONTINUED)

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

Year ended 31 December 2016	Tanzania TZS' Million	Burundi TZS' Million	Total TZS' Million
Net cash from operating activities	212,797	8,014	220,811
Net cash used in investing activities	(94,476)	(157)	(94,633)
Net cash generated from financing activities	28,247	(9,426)	18,821
Net increase in cash and cash equivalents	146,568	(1,569)	144,999
Cash and cash equivalents at 1 January	558,647	24,005	582,652
Effect of exchange rate change in cash and cash equivalent	2,769	(2,491)	278
Cash and cash equivalent at 31 December	**707,984**	**19,945**	**727,929**

Year ended 31 December 2015	Tanzania TZS' Million	Burundi TZS' Million	Total TZS' Million
Net cash from operating activities	(43,045)	10,957	(32,088)
Net cash used in investing activities	(83,255)	(1,137)	(84,392)
Net cash generated from financing activities	210,080	-	210,080
Net increase in cash and cash equivalents	**83,780**	**9,820**	**93,600**
Cash and cash equivalents at 1 January	469,304	18,061	487,365
Effect of exchange rate change in cash and cash equivalent	5,563	(3,876)	1,687
Cash and cash equivalent at 31 December	**558,647**	**24,005**	**582,652**

In computing the above segment information;

- Interest Income., Interest Expense and Loan Impairment charges segmantation computation has been changed from systematic allocation basis using agreed internal allocation basis to specific identification from individual segment;
- 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.

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.

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

(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.

(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.

4.1.3 Impairment and provisioning policies

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

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

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

GROUP

	2016		2015	
Amounts are in TZS' Million	**Loans and advances**	**Impairment provision**	**Loans and advances**	**Impairment provision**
Current	2,765,658	10,748	2,740,367	11,871
Especially mentioned	157,163	3,388	166,475	9,477
Sub-standard	276,518	54,958	174,193	23,074
Doubtful	82,323	33,274	52,856	9,659
Loss	116,064	33,015	208,461	27,684
Total	**3,397,726**	**135,383**	**3,342,352**	**81,765**

4.1.3 Impairment and provisioning policies (continued)

BANK

	2016		2015	
Amounts are in TZS' Million	Loans and advances	Impairment provision	Loans and advances	Impairment provision
Current	2,737,275	10,740	2,712,472	11,851
Especially mentioned	147,403	3,388	164,780	9,460
Sub-standard	275,941	54,958	172,420	23,033
Doubtful	80,990	31,971	52,318	9,642
Loss	115,872	33,006	206,339	27,635
Total	**3,357,481**	**134,063**	**3,308,329**	**81,621**

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

	2016	%	2015	%
Group Credit exposures on Balance sheet item:				
Balances and Central Bank	674,359	12	562,919	12
Loans and advances to banks	264,069	5	291,007	5
Government securities	580,787	10	773,161	10
Loans and advances to customers	3,262,343	59	3,260,587	59
Other assets*	74,609	1	55,899	1
	4,856,167	**88**	**4,943,573**	**88**
Off balance sheet items:				
Guarantees and indemnities	199,671	4	101,808	4
Letters of credit	236,957	4	535,701	4
Commitments to extend credit	239,822	4	251,022	4
	676,450	12	888,531	12
	5,532,617	**100**	**5,832,104**	**100**

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

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:-

BANK

	2016	%	2015	%
Bank Credit exposures on Balance sheet item:				
Balances and Central Bank	665,426	12	551,804	12
Loans and advances to banks	290,933	5	305,218	5
Government securities	532,138	10	728,309	10
Loans and advances to customers	3,223,418	59	3,226,708	59
Other assets*	67,829	1	55,629	1
	4,779,744	**88**	**4,867,668**	**88**
Off balance sheet items:				
Guarantees and indemnities	199,474	4	101,808	4
Letters of credit	236,957	4	535,701	4
Commitments to extend credit	238,768	4	251,022	4
	675,199	12	888,531	12
	5,454,943	**100**	**5,756,199**	**100**

*Other assets (excludes prepayments, stock and advance capital as they are not financial assets).
East Africa, and generally no securities held.

The Group loans and advances to customers and off balance sheet items comprise of 71% (2015: 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.

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.

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. There were no any collaterals that were repossessed as at the year end.

4.1.5 Loans and advances

Loans and advances are summarised as follows:

GROUP

	31 December 2016		31 December 2015	
Amounts are in TZS' Million	**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	2,765,658	264,069	2,673,336	291,007
Past due but not impaired	73,164	-	233,505	-
Facilities individually assessed for impairment				
- Non-performing loans	474,905	-	351,555	-
- Others qualitatively assessed	83,999	-	83,956	-
Gross	**3,397,726**	**264,069**	**3,342,352**	**291,007**
Less: Allowances for impairment	(135,383)	-	(81,765)	-
Net	**3,262,343**	**264,069**	**3,260,587**	**291,007**

BANK

	31 December 2016		31 December 2015	
Amounts are in TZS' Million	**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	2,737,275	290,933	2,640,770	305,218
Past due but not impaired	63,407	-	232,475	-
		-	-	-
Facilities individually assessed for impairment				
- Non-performing loans	472,803	-	351,555	-
- Others qualitatively assessed	83,996	-	83,529	-
Gross	**3,357,481**	**290,933**	**3,308,329**	**305,218**
Less: Allowances for impairment	(134,063)	-	(81,621)	-
Net	**3,223,418**	**290,933**	**3,226,708**	**305,218**

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 20.

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.

4.1.5 Loans and advances (Continued)

(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	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Microfinance institutions (MFI's)	123,086	176,145	121,538	171,380
Consumer	978,647	654,626	958,656	806,614
Small and Medium enterprises (SMEs)	383,086	339,754	380,508	320,047
Corporate enterprises(Corporate)	1,280,839	1,502,811	1,276,573	1,342,729
Total	**2,765,658**	**2,673,336**	**2,737,275**	**2,640,770**

(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	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Microfinance institutions (MFI's)	2,762	8,581	2,353	8,543
Consumer	22,912	91,166	16,444	90,764
Small and Medium enterprises (SMEs)	13,376	27,026	12,259	26,907
Corporate enterprises(Corporate)	34,114	106,732	32,351	106,261
Total	**73,164**	**233,505**	**63,407**	**232,475**

Group (Amounts are in TZS' Million)

31 December 2016	Past due up to 30 days	Past due 31 - 60 days	Past due 61-90 days	Grand Total
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	1,721	34,114
Total	**26,915**	**32,225**	**14,024**	**73,164**

Group (Amounts are in TZS' Million)

31 December 2015	Past due up to 30 days	Past due 31 - 60 days	Past due 61-90 days	Grand Total
Microfinance institutions (MFI's)	5,350	2,410	822	8,581
Consumer	81,391	6,985	2,790	91,166
Small and Medium enterprises (SMEs)	19,799	5,189	2,038	27,026
Corporate enterprises(Corporate)	97,714	7,124	1,893	106,732
Total	**204,255**	**21,707**	**7,543**	**233,505**

4.1.5 Loans and advances (Continued)

(b) Loans and advances past due but not impaired

Bank (Amounts are in TZS' Million)

31 December 2016	Past due up to 30 days	Past due 31 - 60 days	Past due 61-90 days	Grand Total
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	1,721	32,350
Total	**18,005**	**32,062**	**13,340**	**63,407**

Bank (Amounts are in TZS' Million)

31 December 2015	Past due up to 30 days	Past due 31 - 60 days	Past due 61-90 days	Grand Total
Microfinance institutions (MFI's)	5,326	2,399	818	8,543
Consumer	81,032	6,954	2,778	90,764
Small and Medium enterprises (SMEs)	19,712	5,166	2,029	26,907
Corporate enterprises(Corporate)	97,283	7,093	1,885	106,261
Total	**203,353**	**21,612**	**7,510**	**232,475**

(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.

	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Microfinance institutions (MFI's)	10,800	43,057	10,799	41,732
Consumer	27,948	15,917	27,915	15,294
Small and Medium enterprises (SMEs)	45,708	16,465	43,637	17,486
Corporate enterprises(Corporate)	474,448	360,072	474,448	360,572
Total	**558,904**	**435,511**	**556,799**	**435,084**
Specific impairment allowance	124,643	69,750	123,323	69,750
Value of collateral held	804,381	341,813	801,937	341,813

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is back tested at least annually.

4.1.5 Loans and advances (Continued)

d) Restructured Loans

During the year total of TZS 147,954 million (2015: TZS 73,053 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 2016

	2016 TZS' Million	2015 TZS' Million
Neither past due nor impaired	46,177	48,592
Past due but not impaired	39,189	276
Facilities individually assessed for impairment		
- Non-performing loans	13,103	13,876
- Others qualitatively assessed	49,485	10,309
Total	**147,954**	**73,053**

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 but not impaired	
	Gross maximum exposure	Current (0 to 30 days)	Past due (31 to 90 days)	Impaired
As at 31 December 2016				
Balances and Central Bank	674,359	674,359	-	-
Loans and advances to banks	264,069	264,069	-	-
Government securities	580,787	580,787	-	-
Loans and advances to customers (Gross)	3,397,726	2,765,658	73,164	558,904
Other assets	67,829	67,829	-	-
Total credit exposure	**4,913,807**	**4,293,601**	**73,164**	**558,904**

GROUP

Amounts are in TZS' Million	Neither Past due nor impaired		Past due but not impaired	
	Gross maximum exposure	Current (0 to 30 days)	Past due (31 to 90 days)	Impaired
As at 31 December 2015				
Balances and Central Bank	562,919	562,919	-	-
Loans and advances to banks	291,007	291,007	-	-
Government securities	773,161	773,161	-	-
Loans and advances to customers (Gross)	3,342,352	2,673,336	233,505	435,511
Other assets	55,899	55,899	-	-
Total credit exposure	**5,025,338**	**4,356,322**	**233,505**	**435,511**

4.1.5 Loans and advances (Continued)

BANK

Amounts are in TZS' Million	Neither Past due nor impaired		Past due but not impaired	
	Gross maximum exposure	Current (0 to 30 days)	Past due (31 to 90 days)	Impaired
As at 31 December 2016				
Balances and 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)	3,357,481	2,737,275	63,407	556,799
Other assets	74,609	74,609	-	-
Total credit exposure	**4,920,587**	**4,300,381**	**63,407**	**556,799**

BANK

Amounts are in TZS' Million	Neither Past due nor impaired		Past due but not impaired	
	Gross maximum exposure	Current (0 to 30 days)	Past due (31 to 90 days)	Impaired
As at 31 December 2015				
Balances and Central Bank	551,804	551,804	-	-
Loans and advances to banks	305,218	305,218	-	-
Government securities	728,309	728,309	-	-
Loans and advances to customers (Gross)	3,308,329	2,640,770	232,475	435,084
Other assets	55,629	55,629	-	-
Total credit exposure	**4,949,289**	**4,281,730**	**232,475**	**435,084**

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 31 December.

Financial Statements for the Year Ended 31 December 2016

NOTES(Continued)

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

a) Industry sectors

GROUP — **Amount in TZS' Million**

Credit exposures as at 31 December 2016	Financial institutions	Manufacturing	Local and Central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
On Balance sheet items										
Balances with Central Bank	674,359	-	-	-	-	-	-	-	-	**674,359**
Loans and advances to banks	264,069	-	-	-	-	-	-	-	-	**264,069**
Government securities	-	-	580,787	-	-	-	-	-	-	**580,787**
Loans and advances to customers (Gross)	144,275	149,398	73,867	482,387	193,537	125,649	545,248	1,024,907	658,458	**3,397,726**
Other assets*	-	-	-	-	42,686	-	-	-	31,923	**74,609**
	1,082,703	**149,398**	**654,654**	**482,387**	**236,223**	**125,649**	**545,248**	**1,024,907**	**690,381**	**4,991,550**
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**

For the purpose of financial instruments disclosure:

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

Financial Statements for the Year Ended 31 December 2016

NOTES(Continued)

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

a) Industry sectors (continued)

GROUP — **Amount in TZS' Million**

Credit exposures as at 31 December 2015	Financial institutions	Manufacturing	Local and Central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
On Balance sheet items										
Balances with Central Bank	562,919	-	-	-	-	-	-	-	-	**562,919**
Loans and advances to banks	291,007	-		-	-	-	-	-	-	**291,007**
Government securities	-	-	773,161	-	-	-	-	-	-	**773,161**
Loans and advances to customers (Gross)	142,486	150,924	77,462	488,103	228,185	129,948	567,549	910,245	647,450	**3,342,352**
Other assets*	-	-	-	-	35,683	-	-	-	20,216	**55,899**
	996,412	**150,924**	**850,623**	**488,103**	**263,868**	**129,948**	**567,549**	**910,245**	**667,666**	**5,025,338**
Off-Balance sheet items										
Guarantees and indemnities	3,847	28	944	15,022	74,632	-	3,971	-	3,365	**101,808**
Letters of credit	-	4,689	446,493	27,718	15,741	-	41,060	-	-	**535,701**
Commitment to extend credit	7,667	24,510	-	51,690	11,473	1,706	90,844	1,231	61,901	**251,022**
	11,514	**29,227**	**447,437**	**94,430**	**101,846**	**1,706**	**135,875**	**1,231**	**65,265**	**888,531**

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

a) Industry sectors (continued)

BANK — Amount in TZS' Million

Credit exposures as at 31 December 2016	Financial institutions	Manufacturing	Local and Central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
On Balance sheet items										
Balances with Central 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)	168,738	146,983	73,867	476,161	192,879	125,648	543,914	998,690	630,601	**3,357,481**
Other assets*	-	-	-	-	42,686	-	-	-	25,143	**67,829**
	1,125,097	**146,983**	**606,005**	**476,161**	**235,565**	**125,648**	**543,914**	**998,690**	**655,744**	**4,913,807**
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**

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

a) **Industry sectors (continued)**

BANK — **Amount in TZS' Million**

Credit exposures as at 31 December 2015	Financial institutions	Manufacturing	Local and Central Government	Trading	Transport and communication	Hotel and restaurant	Agriculture	Individuals	Others	Total
On Balance sheet items										
Balances with Central Bank	551,804	-	-	-	-	-	-	-	-	**551,804**
Loans and advances to banks	305,218	-	-	-	-	-	-	-	-	**305,218**
Government securities	-	-	728,309	-	-	-	-	-	-	**728,309**
Loans and advances to customers (Gross)	180,487	147,633	62,300	477,728	223,279	127,034	553,596	890,186	646,086	**3,308,329**
Other assets*	-	-	-	-	35,683	-	-	-	19,942	**55,629**
	1,037,509	**147,633**	**790,609**	**477,728**	**258,962**	**127,034**	**553,596**	**890,186**	**666,028**	**4,949,289**
Off-Balance sheet items										
Guarantees and indemnities	3,847	28	944	15,022	74,632	-	3,971	-	3,364	**101,808**
Letters of credit	-	4,689	446,493	27,718	15,741	-	41,060	-	-	**535,701**
Commitment to extend credit	7,667	24,510	-	51,690	11,473	1,706	90,844	1,231	61,901	**251,022**
	11,514	**29,227**	**447,437**	**94,430**	**101,846**	**1,706**	**135,875**	**1,231**	**65,265**	**888,531**

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

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

(b) Geographical sectors

GROUP — **Amount in TZS' Million**

Credit exposures as at 31 December 2016	Tanzania	Europe	America	Burundi	Others	Total
On Balance sheet items						
Balances with Central Bank	665,427	-	-	8,932	-	**674,359**
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)	3,333,388	-	-	64,338	-	**3,397,726**
Other assets	74,284	-	-	325	-	**74,609**
	4,741,846	**74,362**	**37,387**	**122,244**	**15,711**	**4,991,550**
Off balance sheet items						
Guarantees and indemnities	199,474	-	-	197	-	**199,671**
Letters of credit	236,957	-	-	-	-	**236,957**
Commitment to extend credit	238,768	-	-	1,054	-	**239,822**
	675,199	**-**	**-**	**1,251**	-	**676,450**

Financial Statements for the Year Ended 31 December 2016

NOTES(Continued)

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

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

(b) Geographical sectors (continued)

GROUP | **Amount in TZS' Million**

Credit exposures as at 31 December 2015	Tanzania	Europe	America	Burundi	Others	Total
On Balance sheet items						
Balances with Central Bank	551,804	-	-	11,115	-	**562,919**
Loans and advances to banks	59,821	68,988	131,367	16,249	14,582	**291,007**
Government securities	728,309	-	-	44,852	-	**773,161**
Loans and advances to customers (Gross)	3,308,473	-	-	33,879	-	**3,342,352**
Other assets	54,078	-	-	1,821	-	**55,899**
	4,702,485	**68,988**	**131,367**	**107,916**	**14,582**	**5,025,338**
Off balance sheet items						
Guarantees and indemnities	101,808	-	-	-	-	**101,808**
Letters of credit	535,701	-	-	-	-	**535,701**
Commitment to extend credit	251,022	-	-	-	-	**251,022**
	888,531	**-**	**-**	**-**	**-**	**888,531**

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

(b) Geographical sectors (continued)

BANK — **Amount in TZS' Million**

Credit exposures as at 31 December 2016	Tanzania	Europe	America	Burundi	Others	Total
On Balance sheet items						
Balances with Central Bank	665,426	-	-	-	-	**665,426**
Loans and advances to banks	133,894	74,334	37,387	29,607	15,711	**290,933**
Government securities	532,138	-	-	-	-	**532,138**
Loans and advances to customers (Gross)	3,333,018	-	-	24,463	-	**3,357,481**
Other assets	67,144	-	-	685	-	**67,829**
	4,731,620	**74,334**	**37,387**	**54,755**	**15,711**	**4,913,807**
Off balance sheet items						
Guarantees and indemnities	199,474	-	-	-	-	**199,474**
Letters of credit	236,957	-	-	-	-	**236,957**
Commitment to extend credit	238,768	-	-	-	-	**238,768**
	675,199	**-**	**-**	**-**	**-**	**675,199**

Financial Statements for the Year Ended 31 December 2016

NOTES(Continued)

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

(b) Geographical sectors (continued)

BANK — **Amount in TZS' Million**

Credit exposures as at 31 December 2015	Tanzania	Europe	America	Burundi	Others	Total
On Balance sheet items						
Balances with Central Bank	551,804	-	-	-	-	**551,804**
Loans and advances to banks	76,070	68,988	131,367	25,706	3,087	**305,218**
Government securities	728,309	-	-	-	-	**728,309**
Loans and advances to customers (Gross)	3,269,338	-	-	38,991	-	**3,308,329**
Other assets	55,629	-	-	-	-	**55,629**
	4,681,150	**68,988**	**131,367**	**64,697**	**3,087**	**4,949,289**
Off balance sheet items						
Guarantees and indemnities	101,808	-	-	-	-	**101,808**
Letters of credit	535,701	-	-	-	-	**535,701**
Commitment to extend credit	251,022	-	-	-	-	**251,022**
	888,531	**-**	**-**	**-**	**-**	**888,531**

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	
	2016 TZS' Million	**2015 TZS' Million**	**2016 TZS' Million**	**2015 TZS' Million**
USD	(3,323)	4,125	(1,900)	2,157
EURO	17	(1,826)	17	474
GBP	1	(189)	1	25
BIF	97	1	97	1
Others	(109)	(317)	(109)	18

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 154 million (2015: TZS 145.4 million).

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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	thers	Total
Assets							
Cash and balances with Central Bank	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)	2,542,722	854,058	925	21	-	-	**3,397,726**
Government securities	580,787	-	-	-	-	-	**580,787**
Other assets*	74,587	22	-	-	-	-	**74,609**
	4,096,959	**1,042,523**	**72,522**	**4,002**	**3,530**	**837**	**5,220,373**
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**	35,322	9,790	(1,264)	(599)	71	496	**43,816**
Borrowings	155,636	138,672	-	-	-	-	**294,308**
Subordinated debt	33,454	54,507	-	-	-	-	**87,961**
	3,415,773	**1,161,204**	**71,899**	**3,969**	**75**	**4,735**	**4,657,655**
Net on-balance sheet financial position	**681,186**	**(118,681)**	**623**	**33**	**3,455**	**(3,898)**	**562,718**
Off balance sheet commitments	**160,557**	**427,746**	**10,237**	**307**	**64,706**	**12,897**	**676,450**

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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 2015	TZS	USD	EURO	GBP	BIF	thers	Total
Assets							
Cash and balances with Central Bank	682,992	93,251	5,630	1,797	-	-	**783,670**
Loans and advances to banks	32,864	246,290	11,826	2	25	-	**291,007**
Loans and advances to customers (Gross)	2,389,704	951,426	1,222	-	-	-	**3,342,352**
Government securities	773,161	-	-	-	-	-	**773,161**
Other assets*	44,439	9,126	256	78	-	-	**55,899**
	3,923,160	**1,300,093**	**18,934**	**1,877**	**25**	-	**5,246,089**
Liabilities							
Deposits from customers	3,145,218	1,022,122	64,391	6,592	-	7,845	**4,246,168**
Deposits from banks	69,713	2,814	-	-	-	-	**72,527**
Other liabilities**	67,710	5,475	205	(3)	-	80	**73,467**
Borrowings	67,655	141,562	-	-	-	-	**209,217**
Subordinated debt	31,333	55,967	-	-	-	-	**87,300**
	3,381,629	**1,227,940**	**64,596**	**6,589**	**-**	**7,925**	**4,688,679**
Net on-balance sheet financial position	**541,531**	**72,153**	**(45,662)**	**(4,712)**	**25**	**(7,825)**	**557,410**
Off balance sheet commitments	**363,091**	**483,100**	**30,096**	**1,682**	**-**	**10,562**	**888,531**

NOTES(Continued)

4.2.1 Foreign exchange risk (Continued)

BANK

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

As at 31 December 2016	TZS	USD	EURO	GBP	BIF	thers	Total
Assets							
Cash and balances with Central Bank	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	836	**290,933**
Loans and advances to customers (Gross)	2,477,862	878,672	925	22	-	-	**3,357,481**
Government securities	532,138	-	-	-	-	-	**532,138**
Other assets	67,807	22	-	-	-	-	**67,829**
Total financial assets	**3,966,484**	**1,092,366**	**72,264**	**4,000**	**3,530**	**836**	**5,139,481**
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	44,272	9,790	(1,264)	(599)	71	496	**52,766**
Subordinated debt	33,454	54,507	-	-	-	-	**87,961**
Borrowings	155,636	138,672	-	-	-	-	**294,308**
Total financial liabilities	**3,364,814**	**1,160,238**	**71,660**	**3,965**	**75**	**4,732**	**4,605,484**
Net on-balance sheet financial position	**601,670**	**(67,872)**	**604**	**35**	**3,455**	**(3,896)**	**533,997**
Off balance sheet commitments	**224,011**	**427,746**	**10,237**	**307**	**-**	**12,898**	**675,199**

4.2.1 Foreign exchange risk (Continued)

BANK

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

As at 31 December 2015	TZS	USD	EURO	GBP	BIF	thers	Total
Assets							
Cash and balances with Central Bank	673,415	89,175	5,445	1,789	-	-	**769,824**
Loans and advances to banks	31,167	204,241	57,881	3,522	25	8,382	**305,218**
Loans and advances to customers (Gross)	2,355,680	951,427	1,222	-	-	-	**3,308,329**
Government securities	728,309	-	-	-	-	-	**728,309**
Other assets	46,047	9,248	256	78	-	-	**55,629**
Total financial assets	**3,834,618**	**1,254,091**	**64,804**	**5,389**	**25**	**8,382**	**5,167,309**
Liabilities							
Due to customers	3,089,740	1,025,310	52,737	4,761	-	7,842	**4,180,390**
Deposits from banks	67,508	2,806	-	-	-	-	**70,314**
Other liabilities	81,104	5,475	205	(3)	-	80	**86,861**
Subordinated debt	31,333	55,967					**87,300**
Borrowings	67,655	141,562	-	-	-	-	**209,217**
Total financial liabilities	**3,337,340**	**1,231,120**	**52,942**	**4,758**	**-**	**7,922**	**4,634,082**
Net on-balance sheet financial position	**497,278**	**22,971**	**11,862**	**631**	**25**	**460**	**533,227**
Off balance sheet commitments	**363,091**	**483,100**	**30,096**	**1,682**	**-**	**10,562**	**888,531**

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 164 million) which is not significant. Investment in the shares of Tanzania Mortgage Refinance company (TMRC) are 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 3,595 million as at 31 December 2016 (2015: TZS 4,432 million) for the group and TZS 3,595 million (2015: TZS 4,432 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 21,606 million (2015: TZS 19,532 million) for Group and TZS 21,195 million (2015: TZS19,201 million) for Bank.

NOTES(Continued)

4.2.3 Interest rate risk (continued)

GROUP

(Amounts are in TZS Million)

As at 31 December 2016	Up to1 month	1-3 months	3-12 months	1-5 years	Over 5	Non-interest bearing	Total
Assets							
Cash and balances with Central Bank	-	-	-	-	-	903,182	**903,182**
Government securities	18,378	3,047	266,082	169,665	123,615	-	**580,787**
Loans and advances to banks	107,303	16,893	2,088	1,068	-	136,717	**264,069**
Loans and advances to customers (Gross)	282,530	262,502	490,583	1,415,238	946,873	-	**3,397,726**
Other assets	-	-	-	-	-	74,609	**74,609**
Total financial assets	**408,211**	**282,442**	**758,753**	**1,585,971**	**1,070,488**	**1,114,508**	**5,220,373**
Liabilities							
Deposits from Banks	60,440	43,559	17,224	373	-	-	**121,596**
Deposits from customers	3,549,556	140,656	326,505	51,513	2	41,742	**4,109,974**
Borrowings	-	63,206	8,721	107,073	115,308	-	**294,308**
Subordinated debt	-	-	-	-	87,961	-	**87,961**
Other liabilities	-	-	-	-	-	43,816	**43,816**
Total financial liabilities	**3,609,996**	**247,421**	**352,450**	**158,959**	**203,271**	**85,558**	**4,657,655**
Total interest maturity gap	**(3,201,785)**	**35,021**	**406,303**	**1,427,012**	**867,217**		

Financial Statements for the Year Ended 31 December 2016

NOTES(Continued)

4.2.3 Interest rate risk (continued)

GROUP

(Amounts are in TZS Million)

As at 31 December 2015	Up to1 month	1-3 months	3-12 months	1-5 years	Over 5	Non-interest bearing	Total
Assets							
Cash and balances with Central Bank	-	-	-	-	-	783,670	**783,670**
Government securities	30,638	2,198	423,457	154,555	162,313	-	**773,161**
Loans and advances to banks	15,059	21,906	22,668	6,533	-	224,841	**291,007**
Loans and advances to customers (Gross)	257,838	172,495	535,031	1,632,133	744,855	-	**3,342,352**
Other assets	-	-	-	-	-	55,899	**55,899**
Total financial assets	**303,535**	**196,599**	**981,156**	**1,793,221**	**907,168**	**1,064,410**	**5,246,089**
Liabilities							
Deposits from Banks	72,527	-	-	-	-	-	**72,527**
Deposits from customers	3,554,148	185,001	431,366	38,423	16	37,214	**4,246,168**
Borrowings	-	63,206	8,721	107,073	30,217	-	**209,217**
Subordinated debt	-	-	-	-	87,300	-	**87,300**
Other liabilities	-	-	-	-	-	73,497	**73,467**
Total financial liabilities	**3,626,675**	**248,207**	**440,087**	**145,496**	**117,533**	**110,711**	**4,688,679**
Total interest maturity gap	**(3,323,140)**	**(51,608)**	**541,069**	**1,647,725**	**789,635**		

Financial Statements for the Year Ended 31 December 2016

NOTES(Continued)

4.2.3 Interest rate risk (continued)

BANK

(Amounts are in TZS Million)

As at 31 December 2016	Up to1 month	1-3 months	3-12 months	1-5 years	Over 5	Non-interest bearing	Total
Assets							
Cash and balances with Central Bank	-	-	-	-	-	891,100	**891,100**
Government securities	18,077	-	247,853	142,594	123,614	-	**532,138**
Loans and advances to banks	105,107	22,130	16,815	12,792	-	134,089	**290,933**
Loans and advances to customers (Gross)	280,094	262,592	490,735	1,438,714	885,346	-	**3,357,481**
Other assets	-	-	-	-	-	67,829	**67,829**
Total financial assets	**403,278**	**284,722**	**755,403**	**1,594,100**	**1,008,960**	**1,093,018**	**5,139,481**
Liabilities							
Deposits from banks	58,754	43,559	21,803	-	-	-	**124,116**
Deposits from customers	3,509,527	132,017	311,635	51,409	2	41,743	**4,046,333**
Borrowings	-	63,206	8,721	107,073	115,308	-	**294,308**
Subordinated debt	-	-	-	-	87,961	-	**87,961**
Other liabilities	-	-	-	-	-	52,766	**52,766**
Total financial liabilities	**3,568,281**	**238,782**	**342,159**	**158,482**	**203,271**	**94,509**	**4,605,484**
Total interest maturity gap	**(3,165,003)**	**45,940**	**413,244**	**1,435,618**	**805,689**		

NOTES(Continued)

4.2.3 Interest rate risk (continued)

BANK

(Amounts are in TZS Million)

As at 31 December 2015	Up to1 month	1-3 months	3-12 months	1-5 years	Over 5	Non-interest bearing	Total
Assets							
Cash and balances with Central Bank	-	-	-	-	-	769,824	**769,824**
Government securities	30,500	1,788	409,740	123,968	162,313	-	**728,309**
Loans and advances to banks	12,094	21,906	22,667	32,239	-	216,312	**305,218**
Loans and advances to customers (Gross)	255,987	169,762	532,344	1,613,479	736,757	-	**3,308,329**
Other assets	-	-	-	-	-	55,629	**55,629**
Total financial assets	**298,581**	**193,456**	**964,751**	**1,769,686**	**899,070**	**1,041,765**	**5,167,309**
Liabilities							
Deposits from banks	70,314	-	-	-	-	-	**70,314**
Deposits from customers	3,511,968	179,670	424,989	26,533	16	37,214	**4,180,390**
Borrowings	-	63,206	8,721	107,073	30,217	-	**209,217**
Subordinated debt	-	-	-	-	87,300	-	**87,300**
Other liabilities	-	-	-	-	-	86,861	**86,861**
Total financial liabilities	**3,582,282**	**242,876**	**433,710**	**133,606**	**117,533**	**124,075**	**4,634,082**
Total interest maturity gap	**(3,283,701)**	**(49,420)**	**531,041**	**1,636,080**	**781,537**		

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.

Financial Statements for the Year Ended 31 December 2016

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 to1 month	1-3 months	3-12 months	1-5 years	Over 5	Total
As at 31 December 2016						
Liabilities						
Deposits from customers	3,591,298	140,656	326,505	51,513	2	**4,109,974**
Deposits from banks	60,440	43,559	17,224	373	-	**121,596**
Subordinated debt	-	-	-	-	87,961	**87,961**
Borrowings	-	63,206	8,721	107,073	115,308	**294,308**
Other liabilities**	43,816	-	-	-	-	**43,816**
Total financial liabilities (contractual maturity dates)	**3,695,554**	**247,421**	**332,450**	**158,959**	**203,271**	**4,657,655**
Total financial assets (expected maturity dates)	**1,522,719**	**285,442**	**758,753**	**1,585,971**	**1,070,488**	**5,223,373**
As at 31 December 2015						
Liabilities						
Deposits from customers	3,591,362	185,001	431,366	38,423	16	**4,246,168**
Deposits from banks	72,527	-	-	-	-	**72,527**
Subordinated debt	-	-	-	-	87,300	**87,300**
Borrowings	-	5,588	-	10,000	280,929	**296,517**
Other liabilities**	73,467	-	-	-	-	**73,467**
Total financial liabilities (contractual maturity dates)	**3,737,356**	**190,589**	**431,366**	**48,423**	**368,245**	**4,688,679**
Total financial assets (expected maturity dates)	**1,367,944**	**196,599**	**981,156**	**1,793,221**	**825,403**	**5,164,323**

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

Financial Statements for the Year Ended 31 December 2016
NOTES(Continued)

4.3.3 Non-derivative cash flows (continued)

BANK
(Amounts are in TZS Million)

	Up to1 month	1-3 months	3-12 months	1-5 years	Over 5	Total
As at 31 December 2016						
Liabilities						
Deposits from customers	3,551,270	132,017	311,635	51,409	2	**4,046,333**
Deposits from banks	58,754	43,559	21,803	-	-	**124,116**
Subordinated debt	-	-	-	-	87,961	**87,961**
Borrowings	-	63,206	8,721	107,073	115,308	**294,308**
Other liabilities**	52,766	-	-	-	-	**52,766**
Total financial liabilities (contractual maturity dates)	**3,662,790**	**238,782**	**342,159**	**158,482**	**203,271**	**4,605,484**
Total financial assets (expected maturity dates)	**1,496,296**	**284,722**	**755,403**	**1,594,100**	**1,008,960**	**5,139,481**
As at 31 December 2015						
Liabilities						
Deposits from customers	3,549,182	179,670	424,989	26,533	16	**4,180,390**
Deposits from banks	70,314	-	-	-	-	**70,314**
Subordinated debt	-	-	-	-	87,300	**87,300**
Borrowings	-	5,588	-	10,000	280,929	**296,517**
Other liabilities**	86,862	-	-	-	-	**86,862**
Total financial liabilities (contractual maturity dates)	**3,706,358**	**185,258**	**424,989**	**36,533**	**368,245**	**4,721,383**
Total financial assets (expected maturity dates)	**1,340,345**	**193,456**	**964,752**	**1,769,686**	**817,449**	**5,085,688**

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.

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 2016 and 2015, the fair values of the Treasury bills and bonds pledged were TZS 48,500 million and TZS 140,650 million respectively. The counterparties have an obligation to return the securities to the Group. The Group also holds Treasury Bills and Bonds amounting TZS 133,323 million as at 31 December 2016 (2015: TZS 67,855 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 (Note 39), 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.

Summary of off-balance sheet items (Group):

(Amount in TZS Million)

	No later than 1 year	1 – 5 years	Over 5 years	Total
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	7,775	18,299	3,226	**29,300**
Capital commitments	9,766	-	-	**9,766**
As at 31 December 2015				
Outstanding letters of credit	486,680	49,021	-	**535,701**
Guarantees and indemnities	69,138	32,660	10	**101,808**
Commitments to extend credit	251,022	-	-	**251,022**
Operating lease commitments	7,499	21,561	4,280	**33,340**
Capital commitments	10,235	-	-	**10,235**

4.3.5 Off-balance sheet items (continued)

(d) Capital commitments (continued)

Summary of off-balance sheet items (Bank):

(Amount in TZS Million)

	No later than 1 year	1 – 5 years	Over 5 years	Total
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**
As at 31 December 2015				
Outstanding letters of credit	486,680	49,021	-	**535,701**
Guarantees and indemnities	69,138	32,660	10	**101,808**
Commitments to extend credit	251,022	-	-	**251,022**
Operating lease commitments	6,946	18,370	4,280	**29,596**
Capital commitments	10,235	-	-	**10,235**

4.4 Fair value of financial assets and liabilities

(a) Financial instruments not measured at fair value

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

(i) Loans and advances to banks

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

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

(ii) Loans and advances to customers

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

(iii) Investment securities

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

(iv) Deposits from banks and due to customers

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

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

(v) Off-balance sheet financial instruments

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

Group

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

31 December 2016	Available for sale TZS'Million	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 Bank	-	-	903,182	903,182	903,182
Loans and advances to banks	-	264,069	-	264,069	264,069
Loans and advances to customers (Gross)	-	3,397,726	-	3,397,726	3,397,726
Government securities	89,874	490,913	-	580,787	580,787
Other assets	-	74,609	-	74,609	74,609
	89,874	**4,227,317**	**903,182**	**5,220,373**	**5,220,373**
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	-	-	43,816	43,816	43,816
	-	**-**	**4,657,655**	**4,657,655**	**4,657,655**

4.4 Fair value of financial assets and liabilities

GROUP

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

31 December 2015	Available for sale TZS'Million	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 Bank	-	-	783,670	783,670	783,670
Loans and advances to banks	-	291,007	-	291,007	291,007
Loans and advances to customers (Gross)	-	3,342,352	-	3,342,352	3,342,352
Government securities	88,648	684,513	-	773,161	773,161
Other assets	-	55,899	-	55,899	55,899
	88,648	**4,373,771**	**783,670**	**5,246,089**	**5,246,089**
Financial liabilities					
Deposits from banks	-	-	72,527	72,527	72,527
Deposits from customers	-	-	4,246,168	4,246,168	4,246,168
Borrowings	-	-	209,217	209,217	209,217
Subordinated debts			87,300	87,300	87,300
Other liabilities	-	-	73,467	73,467	73,467
	-	**-**	**4,688,679**	**4,688,679**	**4,688,679**

BANK

31 December 2016	Available for sale TZS'Million	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 Bank	-	-	891,100	891,100	891,100
Loans and advances to banks	-	290,933	-	290,933	290,933
Loans and advances to customers (Gross)	-	3,357,481	-	3,357,481	3,357,481
Government securities	89,874	442,264	-	532,138	532,138
Other assets	-	67,829	-	67,829	67,829
	89,874	**4,158,507**	**891,100**	**5,139,481**	**5,139,481**
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	-	-	52,766	52,766	52,766
	-	**-**	**4,605,484**	**4,605,484**	**4,605,484**

4.4 Fair value of financial assets and liabilities (continued)

BANK

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

31 December 2015	Available for sale TZS'Million	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 Bank	-	-	769,824	**769,824**	**769,824**
Loans and advances to banks	-	305,218	-	**305,218**	**305,218**
Loans and advances to customers (Gross)	-	3,308,329	-	**3,308,329**	**3,308,329**
Government securities	88,648	639,661	-	**728,309**	**728,309**
Other assets	-	55,629	-	**55,629**	**55,629**
	88,648	**4,308,837**	**769,824**	**5,167,309**	**5,167,309**
Financial liabilities					
Deposits from banks	-	-	70,314	**70,314**	**70,314**
Deposits from customers	-	-	4,180,390	**4,180,390**	**4,180,390**
Borrowings	-	-	209,217	**209,217**	**209,217**
Subordinated debts			87,300	**87,300**	**87,300**
Other liabilities	-	-	86,861	**86,861**	**86,861**
	-	-	**4,634,082**	**4,634,082**	**4,634,082**

(b) Fair value hierarchy

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

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

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.

4.4 Fair value of financial assets and liabilities (continued)

GROUP AND BANK

The following table represents the Group's and Bank's financial assets that are measured at fair value at 31 December 2016. Motor vehicles that are measure at fair value are disclosed under note 24.

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**

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

TZS Million

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

Reconciliation of Level 3

Equity Investments	2016	2015
At 1 January (TZS'Million)	2,280	**2,280**
Purchases (TZS'Million)	-	**-**
Sales	-	**-**
At 31 December	**2,280**	**2,280**

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 available-for-sale Treasury Bonds.

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

Specific valuation techniques used to value financial instruments include:

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

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.

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

4.5 Capital management (continued)

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 2016 and year ended 31 December 2015. During those two periods, the Bank complied with all of the externally imposed capital requirements to which they are subject.

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Share capital	65,296	65,296	65,296	65,296
Share premium	158,314	158,314	158,314	158,314
Retained earnings	417,231	355,487	399,784	342,708
Prepaid expenses	(28,229)	(27,866)	(24,440)	(23,917)
Deferred tax asset	(38,652)	(17,486)	(35,949)	(17,178)
Intangible assets	(35,146)	(31,144)	(33,978)	(29,269)
Total qualifying Tier 1 capital	**538,814**	**502,601**	**529,027**	**495,954**
Tier 2 capital				
General banking reserve	26,537	28,740	26,537	28,707
Regulatory banking risk reserve	48,843	79,221	48,533	79,020
Subordinated debt	87,961	87,300	87,961	87,300
Revaluation reserve	(2,031)	(3,295)	(187)	(2,497)
Total qualifying Tier 2 capital	**161,310**	**191,966**	**162,844**	**192,530**
Total regulatory capital	**700,124**	**694,567**	**691,871**	**688,484**
Risk-weighted assets				
On-balance sheet	3,626,345	3,277,202	3,548,937	3,291,008
Off-balance sheet	362,259	347,227	362,062	347,227
Total risk-weighted assets	**3,988,604**	**3,624,429**	**3,910,999**	**3,638,235**

	Required ratio %	Group's ratio 2016 %	Group's ratio 2015 %	Bank's Ratio 2016 %	Bank's ratio 2015 %
Tier 1 capital	12.5	13.5%	14.1%	13.5%	14.1%
Tier 1 + Tier 2 capital (Total capital)	14.5	17.6%	19.4%	17.7%	19.4%

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 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 the collective impairment allowance would increase by TZS 7,484 million. For loans and advances individually assessed for impairment, if the recovery period is increased by 1 year, and the collateral recovery costs increased by 5%, the specific allowance for impairment would increase by TZS 22,505 million.

b) Impairment of available-for-sale equity investments

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

c) Provisions for legal liabilities

The Group has provided for the liabilities arising out of contractual obligations. The closing balance of provisions on litigations amounted to TZS 1,715 million (2015: TZS 1,872 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.

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 2016 amounted to TZS 38,652 million (2015: TZS 17,486 million) and TZS 35,949 million (2015: TZS 17,178 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	
	2016 TZS' Million	**2015 TZS' Million**	**2016 TZS' Million**	**2015 TZS' Million**
Loans and advances to customers				
- Term loans	340,820	297,984	335,455	293,087
- Overdrafts	109,670	97,771	108,742	96,846
Placements and balances with other banks	5,802	5,908	7,082	5,785
Discount earned and interest on Government securities				
-Treasury bills	57,071	49,782	55,820	49,063
-Treasury bonds	54,881	46,026	50,221	42,421
	568,244	**497,471**	**557,320**	**487,202**
Interest income on non-performing loans	**9,218**	**11,266**	**9,218**	**11,266**

7 INTEREST EXPENSE

	GROUP		BANK	
	2016 TZS' Million	**2015 TZS' Million**	**2016 TZS' Million**	**2015 TZS' Million**
Deposits from customers				
– current accounts	15,767	14,712	15,656	14,700
– savings accounts	26,939	24,349	26,781	24,169
– fixed deposits	48,419	44,504	45,982	42,652
Inter-bank borrowing	39,037	79	39,037	79
Subordinated debt	5,966	23,178	5,964	21,576
	136,128	**106,822**	**133,420**	**103,176**

8 NET FEE AND COMMISSION INCOME

	GROUP		BANK	
	2016 TZS' Million	**2015 TZS' Million**	**2016 TZS' Million**	**2015 TZS' Million**
a) Fee and Commission Income				
Service charge on customer accounts	45,737	42,458	45,401	42,237
Loan application fees	24,472	29,003	23,791	27,711
ATM withdrawal charges	13,923	10,668	13,910	10,668
VISA and master card fees	8,180	3,878	7,990	3,721
Commission on letters of credit	5,751	8,168	5,694	7,875
Fee on issue of bank cards	13,508	7,521	13,446	7,500
Fee on local transfers and drafts	6,465	7,593	6,389	7,466
Point of sale fees	6,649	3,851	6,176	3,851
Fee on international telegraphic transfers	3,478	6,179	3,477	3,461
Commission on guarantees and indemnities	2,484	2,030	2,481	2,028
Commission on mobile phone services	20,091	13,615	20,081	13,611
Salary processing fees	6,993	5,810	6,990	5,807
Bills discounted	494	479	494	479
Penalties *	1,490	2,209	1,490	2,209
Agency Banking	1,795	666	1,795	666
TRA collections	1,813	1,026	1,813	1,026
Other fees and commissions	14,249	11,278	9,658	8,285
VAT output	(11,633)	-	(11,633)	-
	165,939	**156,432**	**159,443**	**148,601**

* 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.

8 NET FEE AND COMMISSION INCOME (CONTINUED)

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
b) Fee and Commission Expense				
Loan comm./Government borrowers	4,297	2,169	4,297	2,169
Commission paid Agency banking	4,021	1,884	4,013	1,850
Bank loan processing commission	1,132	1,117	1,132	1,117
Commission paid Nostro transactions	1,955	2,306	1,582	1,684
Commission payable to MFSC (subsidiary)	-	-	25,068	17,657
	11,405	**7,476**	**36,092**	**24,477**

9 NET FOREIGN EXCHANGE INCOME

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Net Foreign Exchange Income	**34,842**	**34,860**	**31,353**	**32,602**

10 OTHER OPERATING INCOME

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Rental income	30	22	30	22
FSDT grant income (note 32)	-	86	-	43
FSDT Assets grant income	1,021	557	1,021	557
UNCDF grant income	12	177	-	-
DANIDA grant income	207	21	207	21
Other grant (MIVARF)	1,036	480	-	-
Profit on disposal of fixed assets	43	(63)	(62)	(65)
	2,349	**1,280**	**1,196**	**578**

11 OTHER OPERATING EXPENSES

	GROUP		BANK	
	2016 TZS' Million	**2015 TZS' Million**	**2016 TZS' Million**	**2015 TZS' Million**
Directors' fees	971	892	616	553
Auditors' fees	766	641	629	531
Provision for impairment of other assets	2,078	1,827	2,063	1,826
Hired services costs	16,446	13,042	14,040	12,520
Insurance costs	6,497	1,487	5,839	1,038
Software license	7,598	9,099	7,437	8,751
Marketing costs	13,079	10,920	12,506	10,491
Travelling expenses	12,556	9,712	10,877	8,447
Rent	15,595	10,102	14,106	9,199
Training	6,244	5,515	5,815	4,673
Information system maintenance	4,318	3,614	4,315	3,534
Printer tonner and computer sheets	1,685	1,759	1,633	1,728
Printing and stationery	3,977	2,582	3,577	2,411
VSAT-Communication costs	4,961	5,183	4,838	5,151
Legal fees	1,845	2,401	1,841	2,377
Visa card expenses	7,939	7,961	7,393	7,461
Tembo cards costs	1,902	1,960	1,902	1,944
Telephone and fax	2,168	1,746	1,873	1,531
Motor vehicles repairs and maintenance	1,668	2,114	1,208	1,699
Fuel costs	3,307	3,452	2,681	2,979
Postage	1,723	1,621	1,670	1,598
Electricity	3,896	3,400	3,653	3,236
Board meetings expenses	1,991	1,524	1,462	1,159
Shareholders meeting expense	1,653	933	1,653	932
Excise duty on Bank fees and commissions	12,764	13,125	12,764	13,115
Other expenses	27,252	17,958	24,956	16,253
VAT input claimed	(1,672)	-	(1,690)	-
	163,207	**134,570**	**149,657**	**125,137**

12 DEPRECIATION AND AMORTISATION

	GROUP		BANK	
	2016 TZS' Million	**2015 TZS' Million**	**2016 TZS' Million**	**2015 TZS' Million**
Depreciation of property and equipment	31,485	26,226	29,276	25,151
Amortisation of intangible assets	7,154	5,205	6,521	4,590
Amortisation of prepaid lease	304	301	304	301
Depreciation of Motor vehicles	3,170	2,080	2,768	1,737
	42,113	**33,812**	**38,869**	**31,779**

13 EMPLOYEE BENEFIT EXPENSES

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Salaries and wages	119,274	96,237	106,827	87,623
Bonus	11,260	8,667	10,445	8,282
Social security contributions	14,120	11,346	12,748	10,416
Gratuity	10,821	8,589	9,566	7,607
Leave allowance	5,769	4,740	5,166	4,368
Medical expenses	4,854	3,655	4,406	3,525
Other staff costs	18,272	19,562	15,661	17,705
	184,370	**152,796**	**164,819**	**139,526**

14 INCOME TAX

A. INCOME TAX EXPENSE

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Current income tax – current year	50,441	72,823	47,602	69,737
Current income tax – prior years	14,484	(60)	14,482	(66)
Deferred tax – current year	(18,109)	(14,106)	(15,663)	(13,992)
Deferred tax – prior years	(3,100)	115	(3,107)	111
	44,156	**58,712**	**43,574**	**55,790**

B. INCOME TAX RECOVERABLE

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	2,840	19,375	2,089	18,562
Payments made during the year	76,269	56,228	73,419	53,199
Charge to profit or loss	(64,925)	(72,763)	(62,084)	(69,672)
Closing balance	**14,184**	**2,840**	**13,424**	**2,089**

14 INCOME TAX (CONTINUED)

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

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Profit before income tax	**118,249**	**187,690**	**111,860**	**178,163**
Tax calculated at the statutory income tax rate at 30%	35,448	56,307	33,558	53,449
Tax effect of:				
Depreciation on non-qualifying assets	712	2,106	705	2,062
Expenses not deductible for tax purposes	1,991	244	1,652	234
Bad debts written off in previous years	(3,587)	-	(3,587)	-
Reclassification/reversal 2015 Opening balance	(128)	-	(128)	-
Under provisions of current tax in previous years	14,484	(60)	14,482	(66)
(Over)/under provision of deferred tax in previous years	(3,100)	115	(3,107)	111
Other	(1,664)	-	(1)	-
Income tax expense	**44,156**	**58,712**	**43,574**	**55,790**
Effective tax rate	**37%**	**31%**	**39%**	**31%**

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.

15 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.

	Amount in TZS Million	
	2016	2015
Profit for the year (TZS'Million)	74,093	128,978
Weighted average number of shares ('Million)	2,612	2,376
Basic and diluted earnings per share (TZS)	28.37	54.28

There were no potentially dilutive ordinary shares outstanding as at 31 December 2016 (2015: Nil) Diluted earnings per share is the same as basic earnings per share. The 2015 numbers have been recalculated to take into effect the additional shares on the rights issue as disclosed in Note 34

16 DISTRIBUTION MADE AND PROPOSED

	Amount in TZS Million	
	2016	2015
Cash dividends on ordinary shares declared:		
Dividend declared 2015 TZS 17 per share (2014:TZS 15 per share)	44,401	32,649
Proposed dividends on ordinary shares:		
Cash dividend for 2016:TZS 10 per share (2015:TZS 17 per share)	26,118	44,401

Non-cash distribution

There was no non-cash distribution during the year (2015:NIL)

The Directors propose payment of a dividend of TZS 10 per share, amounting to TZS 26.1 billion out of 2016 profit to be ratified at the Annual General Meeting to be held in May 2017. In 2016, dividend of TZS 17 per share, amounting to TZS 44.4 billion was approved by shareholders and paid.

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

17 CASH AND BALANCES WITH CENTRAL BANK

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Cash in hand	228,823	220,751	225,674	218,020
Clearing accounts with Central Bank	236,102	122,675	227,169	111,560
Statutory Minimum Reserves (SMR) *	438,257	440,244	438,257	440,244
	903,182	**783,670**	**891,100**	**769,824**

*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. The SMR deposit was required to be at least 10% of customers' total deposits and borrowings from the general public and 40% of government's deposits.

Effective from 20th June 2016, 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. All amounts are current.

18 GOVERNMENT SECURITIES

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Treasury bills	207,972	426,953	200,816	414,752
Treasury bonds	282,941	252,526	241,448	219,875
Government bonds	-	5,034	-	5,034
	490,913	684,513	442,264	639,661
Available for sale				
Treasury Bonds	89,874	88,648	89,874	88,648
	580,787	**773,161**	**532,138**	**728,309**

Treasury bills and bonds are debt securities issued by the Government. As at 31 December 2016, treasury bonds amounting to TZS 48,500 million had been pledged as collateral for various short term borrowings from other banks.

The maturity analysis of Government securities is as follows:

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Maturing within 3 months from date of acquisition				
Treasury bills	2,632	-	-	-
Maturing after 3 months from date of acquisition but within 12 months				
Treasury bills	205,340	426,953	200,816	414,752
Maturing after 12 months				
Treasury bonds	372,815	346,208	331,322	313,557
	580,787	773,161	532,138	728,309
Current	207,972	426,953	200,816	414,752
Non-current	372,815	346,208	331,322	313,557
	580,787	**773,161**	**532,138**	**728,309**

19 LOANS AND ADVANCES TO BANKS

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Cheques and items for clearing	15,688	31,294	15,338	31,160
Nostro accounts balances	121,029	193,547	118,751	185,152
Placements with other banks	127,352	66,166	156,844	88,906
	264,069	**291,007**	**290,933**	**305,218**

19 LOANS AND ADVANCES TO BANKS (CONTINUED)

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Maturity Analyiss				
Redeemable on demand				
- Cheques and items for clearing	15,688	31,294	15,338	31,160
- Nostro accounts balances	121,029	193,547	118,751	185,152
Placements with other banks				
- Maturing within 1 months	107,303	14,386	105,107	12,094
-Maturing after 1 month but within 3 months	16,893	22,580	22,130	21,906
- Maturing after 3 months but within 12 months	2,088	22,667	16,815	22,667
- Maturity after 1 year but within 5 years	1,068	6,533	12,792	32,239
- Maturity over 5 years	-	-	-	-
	264,069	**291,007**	**290,933**	**305,218**

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

20 LOANS AND ADVANCES TO CUSTOMERS

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Term loans	2,339,739	2,343,081	2,306,071	2,317,160
Overdrafts	824,989	812,938	821,147	806,374
Staff loans	155,861	121,015	153,734	119,959
Interest receivable	77,137	65,318	76,529	64,836
Gross loans and advances to customers	**3,397,726**	**3,342,352**	**3,357,481**	**3,308,329**
Less:				
Provision for impairment	(135,383)	(81,765)	(134,063)	(81,621)
Net loans and advances to customers	**3,262,343**	**3,260,587**	**3,223,418**	**3,226,708**

Maturity analysis

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

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
- Maturing within 1 months	256,977	257,838	255,856	255,988
- Maturing after 1 month but within 3 months	253,115	172,495	253,051	169,761
- Maturing after 3 months but within 12 months	483,102	535,031	483,102	532,344
- Maturity after 1 year but within 5 years	1,380,365	1,632,133	1,403,829	1,613,479
- Maturity over 5 years	888,784	663,090	827,580	655,136
Net loans and advances to customers	**3,262,343**	**3,260,587**	**3,223,418**	**3,226,708**

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

Analysis by geographical location

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

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Dar es Salaam zone	1,419,500	1,275,376	938,880	1,314,317
Mbeya zone	636,211	621,327	376,561	621,327
Lake zone	630,138	611,328	371,173	611,328
Zanzibar zone	344,138	364,641	1,455,221	364,641
Arusha zone	333,322	396,716	215,646	396,716
Burundi	34,417	72,964	-	-
Gross loans and advances to customers	**3,397,726**	**3,342,352**	**3,357,481**	**3,308,329**

The composition of the zones is as follows:

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

Credit impairment for loans and advances to customers

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

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At start of year	81,765	30,846	81,621	30,841
Movement during the year:				
Impairment charges for credit losses	121,384	70,887	120,077	70,735
Amounts written off during year	(67,766)	(19,968)	(67,635)	(19,955)
At end of year	**135,383**	**81,765**	**134,063**	**81,621**
The provision as at year end is made up of the following:				
Specific allowance for impairment	124,643	69,750	123,323	69,750
Collective allowance for impairment	10,740	12,015	10,740	11,871
	135,383	**81,765**	**134,063**	**81,621**
Specific allowance for impairment				
At start of year	69,750	27,546	69,750	27,541
Movement during the year				
Impairment charges for credit losses	122,659	62,172	121,208	62,164
Amounts written off during year	(67,766)	(19,968)	(67,635)	(19,955)
At end of year	**124,643**	**69,750**	**123,323**	**69,750**

20 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Collective allowance for impairment				
At start of year	12,015	3,300	11,871	3,300
(Release)/Charge during the year	(1,275)	8,715	(1,131)	8,571
At end of year	**10,740**	**12,015**	**10,740**	**11,871**
Impairment charge to profit or loss is broken down as follows:				
Impairment charges for credit losses	121,384	70,887	120,077	70,735
Amounts recovered during year	(5,482)	(4,010)	(5,482)	(4,010)
Charge to profit or loss	**115,902**	**66,877**	**114,595**	**66,725**

Analysis of impairment by industry

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Agriculture	42,592	47,030	41,581	47,520
Financial Intermediaries	11,798	6,023	11,501	6,122
Individual	20,831	18,040	20,831	17,523
Trade	13,502	3,307	13,489	4,679
Hotels and restaurants	5,783	2,662	5,783	1,759
Transport	2,057	936	2,057	1,176
Manufacturing	7,010	608	7,010	492
Others	31,910	3,159	31,811	2,350
	135,383	**81,765**	**134,063**	**81,621**

21 EQUITY INVESTMENTS

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Investment in Tanzania Mortgage Refinance Company (TMRC)	2,280	2,280	2,280	2,280
Investment in Dar es Salaam Stock Exchange (DSE)	328	-	328	-
	2,608	**2,280**	**2,608**	**2,280**

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 2016 was 17.14% (2015: 17.14%).

21 EQUITY INVESTMENTS (CONTINUED)

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%.

22 OTHER ASSETS

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Advance payment for capital expenditure	13,837	7,390	11,964	7,390
Prepaid expenses	14,392	20,476	12,477	16,527
Bank card stock	3,964	2,565	3,964	2,560
Due from a related party (Note 40)	-	-	685	869
Receivable from mobile phone companies	42,686	35,683	42,686	35,683
Bills receivable	46	46	46	46
Other receivables	35,399	22,966	27,919	21,825
Less: Provision for impairment	(3,522)	(2,796)	(3,507)	(2,794)
	106,802	**86,330**	**96,234**	**82,106**

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

Maturity analysis

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Maturing within one month	46,696	38,293	46,696	38,289
Maturing after one month but within 3 months	55,932	43,863	45,364	39,643
Maturing after 3 months but within 12 months	2,537	2,537	2,537	2,537
Maturing after 12 months	1,637	1,637	1,637	1,637
	106,802	**86,330**	**96,234**	**82,106**

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

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	2,796	3,269	2,794	3,268
Increase during the year	2,078	1,827	2,063	1,826
Write offs	(1,352)	(2,300)	(1,350)	(2,300)
At 31 December	**3,522**	**2,796**	**3,507**	**2,794**

23 INVESTMENT IN SUBSIDIARIES

	Country of Incorporation	Interest Held %	BANK 2016 TZS' Million	BANK 2015 TZS' Million
CRDB Microfinance Service Company Limited	Tanzania	100%	728	728
CRDB Insurance Brokers Limited	Tanzania	100%	100	-
CRDB Bank Burundi S.A	Burundi	100%	21,583	21,583
			22,411	**22,311**

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)

24 A Property and Equipment

GROUP — **Amounts are in TZS'Million**

Year 2016	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Mobile branch	Work in progress	Total
Cost									
At 1 January 2016	46,805	61,641	63,870	36,349	25,936	4,537	8,351	757	**248,246**
Exchange differences	-	(153)	(33)	(5)	(9)	-	-	-	**(200)**
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	(4,795)	370	-	-	18	-	355	**(534)**
Disposals	-	-	(25)	(5)	(31)	-	-	-	**(61)**
At 31 December	**53,903**	**72,742**	**76,041**	**43,992**	**34,516**	**5,823**	**10,245**	**28,422**	**325,684**
Depreciation									
At 1 January 2016	(5,698)	(30,626)	(35,810)	(18,928)	(13,814)	(2,907)	(5,846)	-	**(113,629)**
Reclassification/Reversal	(3,170)	3,427	(232)	3	-	-	-	-	**28**
Charge for the year	(1,197)	(9,319)	(10,138)	(6,019)	(3,248)	(653)	(911)	-	**(31,485)**
Disposal	-	-	21	3	14	-	-	-	**38**
Adjustments	(7)	12	(4)	3	8	(5)	-	-	**7**
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**	**19,054**	**17,476**	**2,258**	**3,488**	**28,422**	**180,643**

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

Financial Statements for the Year Ended 31 December 2016

NOTES(Continued)

24 A Property and Equipment (Continued)

GROUP — **Amounts are in TZS'Million**

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

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

Financial Statements for the Year Ended 31 December 2016

NOTES(Continued)

24 A Property And Equipment (Continued)

BANK **Amounts are in TZS'Million**

Year 2016	Land & buildings	Leasehold improvement	Office equipment	Computer equipment	Smartcard equipment	Security equipment	Mobile branch	Work in progress	Total
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)**
Adjustment	(6)	13	(5)	5	-	-	-	-	**7**
Charge for the year	(1,197)	(8,048)	(9,326)	(5,913)	(3,228)	(653)	(911)	-	**(29,276)**
Reclassification/Reversal	(3,170)	3,470	(222)	-	8	(5)	-	-	**81**
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.

Financial Statements for the Year Ended 31 December 2016

NOTES(Continued)

24 A Property And Equipment (Continued)

BANK — **Amounts are in TZS'Million**

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

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

24B MOTOR VEHICLES

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	18,288	10,739	15,706	8,823
Additions	5,788	7,784	5,100	7,254
Disposals	(1,301)	(371)	(967)	(371)
Exchange rate difference	99	136	-	-
At 31 December	**22,874**	**18,288**	**19,839**	**15,706**
Depreciation				
At 1 January	(4,360)	(2,416)	(3,474)	(1,872)
Charge for the year	(3,170)	(2,080)	(2,768)	(1,737)
Disposals	796	136	494	136
At 31 December	(6,734)	(4,360)	(5,748)	(3,473)
Net book value	**16,140**	**13,928**	**14,091**	**12,233**

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 2016 (2015 – Nil).

Included in property and equipment are assets with a gross value of TZS 69,848 million (2015: TZS 45,130 million) which were fully depreciated but still in use. The notional depreciation charge on these assets would have been TZS 11,334 million (2015: TZS 8,996 million).

There were neither idle nor held for sale non-current assets as at 31 December 2016 (2015: NIL).

25 PREPAID OPERATING LEASE

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Cost prepaid				
At 1 January	11,141	6,102	11,141	6,102
Additions	361	5,039	361	5,039
Adjustment	383	-	383	-
At 31 December	**11,885**	**11,141**	**11,885**	**11,141**
Amortization				
At 1 January	(374)	(73)	(374)	(73)
Charge for the year	(304)	(301)	(304)	(301)
Adjustment	(43)	-	(43)	-
At 31 December	**(721)**	**(374)**	**(721)**	**(374)**
Net book value				
At 31 December	**11,164**	**10,767**	**11,164**	**10,767**

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.

26 INTANGIBLES ASSETS

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Intangible assets in use	35,146	20,408	33,978	18,533
Work in progress	-	10,736	-	10,736
Total	**35,146**	**31,144**	**33,978**	**29,269**
A WORK IN PROGRESS				
At 1 January	10,736	-	10,736	-
Additions during the year	-	7,172	-	7,172
Transfer in from other assets	-	3,564	-	3,564
Capitalization during the year	(10,736)	-	(10,736)	-
At 31 December	**-**	**10,736**	**-**	**10,736**
B INTANGIBLE ASSETS IN USE				
Cost				
At 1 January	42,289	34,024	38,739	31,567
Exchange differences	(122)	351	-	-
Capitalization	10,736	-	10,736	-
Additions	11,291	7,914	11,242	7,172
At 31 December	**64,194**	**42,289**	**60,717**	**38,739**
Amortization				
At 1 January	(21,881)	(16,794)	(20,206)	(15,734)
Charge for the year	(7,154)	(5,205)	(6,521)	(4,590)
Adjustment	(13)	118	(13)	118
At 31 December	**(29,049)**	**(21,881)**	**(26,739)**	**(20,206)**
Net book value At 31 December	**35,146**	**20,408**	**33,978**	**18,533**

26 INTANGIBLE ASSETS (CONTINUED)

Intangible assets relate to computer software used by the Group. Fully depreciated intangible assets with gross value TZS 8,233 million (2015: TZS 4,690 million) are still in use. The notional depreciation charge would have been TZS 1,645 million (2015: TZS 938 million). Some fully depreciated software's are; Kindle software (branch power), Signature capture software, VISA solution software, Card-world producer software, Smart POS module.

No intangible asset was pledged as security for liabilities as at 31 December 2016. There also no restrictions other than those outlined in the software license.

As at 31 December 2016, there were no significant intangible assets controlled by the entity which have not been recognized as assets.

27 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	
	2016 TZS' Million	**2015 TZS' Million**	**2016 TZS' Million**	**2015 TZS' Million**
At 1 January	17,486	3,495	17,178	3,297
Credit to profit and loss	24,266	14,106	21,878	13,992
Under provision in prior year	(3,100)	(115)	(3,107)	(111)
At 31 December	**38,652**	**17,486**	**35,949**	**17,178**

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

	GROUP		BANK	
	2016 TZS' Million	**2015 TZS' Million**	**2016 TZS' Million**	**2015 TZS' Million**
Accelerated capital allowance	4,751	(2,658)	4,253	(2,526)
Provisions	33,901	20,144	31,696	19,704
	38,652	**17,486**	**35,949**	**17,178**

28 DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Current and demand accounts	1,895,107	2,027,625	1,865,680	1,998,086
Savings accounts	1,445,464	1,457,595	1,437,907	1,451,386
Term deposits	769,403	760,948	742,746	730,918
	4,109,974	**4,246,168**	**4,046,333**	**4,180,390**
Current deposits	4,058,460	4,202,569	3,994,922	4,136,885
Non-current deposits	51,514	43,599	51,411	43,505
	4,109,974	**4,246,168**	**4,046,333**	**4,180,390**

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	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Repayable on demand	3,591,298	3,586,202	3,551,270	3,532,226
Maturing within 3 months	140,656	185,001	132,017	179,670
After 3 months but within 1 year	326,505	431,366	311,635	424,989
Maturing after 1 year	51,515	43,599	51,411	43,505
	4,109,974	**4,246,168**	**4,046,333**	**4,180,390**

29 DEPOSITS FROM BANKS

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Deposits from banks	**121,596**	**72,527**	**124,116**	**70,314**

All deposits from banks are current.

30 OTHER LIABILITIES

Maturity analysis

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Bills payable	1,790	2,781	1,605	2,546
Dividend payable	7,277	6,084	7,277	6,084
Accrued expenses	24,315	15,192	23,358	14,202
Due to related parties (Note 40)	-	-	10,458	16,710
Deferred income	11,150	10,305	10,811	10,133
Outstanding credits	5,647	8,535	4,203	7,025
Unclaimed customer balances	2,292	5,563	2,291	5,532
Other payables	2,495	35,314	3,574	34,763
	54,966	**83,774**	**63,577**	**96,995**

30 OTHER LIABILITIES (CONTINUED)

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

31 PROVISIONS

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Provision for litigation				
At 1 January	1,872	1,084	1,872	1,084
Additional provisions	-	1,000	-	1,000
Amount paid in the year	(157)	(212)	(157)	(212)
At 31 December	**1,715**	**1,872**	**1,715**	**1,872**

As at year end, there were several pending legal cases where the Bank was a defendant. Provision has been made for legal cases where professional advice indicates that it is probable that loss will arise. The directors have considered it probable that the unfavourable outcome of these cases to the Bank could result into an estimated loss of TZS 1,715 million (2015:TZS 1,872 million). For cases whose outcomes are uncertain, contingent liabilities have been considered as disclosed in note 38. According to the nature of such disputes the outcome and timing of settlement of these cases is uncertain.

32 GRANTS

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	19,561	15,437	18,069	13,543
Grant received during the year	-	4,099	-	3,801
Grant receivable	9,935	-	-	-
Grant amount utilised	(2,477)	(1,278)	(1,228)	(621)
Grant refunded during the year	(30)	-	-	-
Foreign exchange	24	1,303	27	1,346
At 31 December	**27,013**	**19,561**	**16,868**	**18,069**

32.1 FSDT GRANTS

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	15,203	11,230	15,203	11,230
Grant received during the year	-	3,758	-	3,758
Grant receivable	3,184	-	-	-
Grant amount utilised	(1,221)	(557)	(1,021)	(557)
Foreign exchange gain	(2)	772	(1)	772
At 31 December	**17,164**	**15,203**	**14,181**	**15,203**

32.1 FSDT GRANTS (CONTINUED)

FSDT GRANT I

On 26 May 2008, CRDB Bank Plc signed a four year funding agreement with Financial Sector Deepening Trust of Tanzania (FSDT) amounting to USD 3,806,500 as a grant for strengthening of the Bank's microfinance partner institutions and increase outreach.

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.

32.2 DANIDA WOMEN GRANT

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	2,866	2,313	2,866	2,313
Grant amount utilised	(207)	(21)	(207)	(21)
Foreign exchange	29	574	29	574
At 31 December	**2,688**	**2,866**	**2,688**	**2,866**

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.

32.3 UNCDF GRANT

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	60	186	-	-
Grant amount utilised	(12)	(177)	-	-
Exchange difference	(3)	51	-	-
At 31 December	**45**	**60**	**-**	**-**

32.4 MIVARF ASSET GRANT

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	1,401	1,683	-	-
Grant received during the year	-	198	-	-
Grant receivable	6,751	-	-	-
Grant amount utilised	(1,036)	(480)	-	-
At 31 December	**7,116**	**1,401**	**-**	**-**

32.4 MIVARF ASSET GRANT (CONTINUED)

On 2 January 2015, 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.

32.5 RUDI GRANT

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	31	24	-	-
Grant (refunded)/received during the year	(30)	50	-	-
Grant amount utilised	(1)	(43)	-	-
At 31 December	**-**	**31**	**-**	**-**

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

There were neither any unfulfilled conditions nor other contingencies attached to government assistance that have been recognised.

33 BORROWINGS

33.1 SUBORDINATED DEBT

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	87,300	31,333	87,300	31,333
Loan received during the year	-	52,253	-	52,253
Interest charge for the year	5,964	3,761	5,964	3,761
Interest paid in the year	(5,849)	(1,764)	(5,849)	(1,764)
Foreign exchange loss	546	1,717	546	1,717
At 31 December	**87,961**	**87,300**	**87,961**	**87,300**
Non-current	32,407	31,333	32,407	31,333
Current	55,554	55,967	55,554	55,967
	87,961	**87,300**	**87,961**	**87,300**

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

The Bank has not complied with debt covenants for DEG which gives the lender the right to recall the loan with a resulting current and non-current classification as indicated above.

33.2 LONG TERM BORROWING

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
IFC long term borrowing	138,672	141,562	138,672	141,562
TMRC borrowing	17,022	17,022	17,022	17,022
TIB borrowing	6,584	7,606	6,584	7,606
EIB borrowing	132,030	43,027	132,030	43,027
	294,308	**209,217**	**294,308**	**209,217**
Non-current	156,636	206,959	156,636	206,959
Current	138,672	2,258	138,672	2,258
	294,308	**209,217**	**294,308**	**209,217**

33.2.1 IFC LONG TERM LOAN

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	141,562	78,333	141,562	78,333
Loan received during the year	-	43,176	-	43,176
Interest charge for the year	5,753	4,277	5,753	4,277
Interest paid in the year	(5,635)	(3,038)	(5,635)	(3,038)
Foreign Exchange	1,353	18,814	1,353	18,814
Principal repayment during the year	(4,361)	-	(4,361)	-
At 31 December	**138,672**	**141,562**	**138,672**	**141,562**

The bank secured a Senior debt facility from International Financial Corporation (IFC) amounting to US$ 75 Million. The long term facility for SME segment of US$ 40 Million disbursed in two equal tranches, the first tranche disbursed in June 2014 and the second tranche in May 2015, the short term facility for agriculture financing of US$ 25 Million received by the bank in June 2014 was for a one year period with the option to renew upon demand by the bank, and LC credit line of US$ 10 Million which was made available in June 2014.The interest is paid on quarterly and semi-annually based on the original tenor of the facility. The long term debt is for a period of seven (7) years with the two years grace period.

The bank has ready enjoyed the rate-rebate from IFC 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. The Bank has not complied with debt covenants for IFC which gives the lender the right to recall the loan with a resulting current and non-current classification as indicated above. There is no collateral pledged to secure these loans.

33.2.2 E.I.B LONG TERM LOAN

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	43,028	-	43,028	-
Loan received during the year	97,554	42,219	97,554	42,219
Interest charge for the year	7,649	3,851	7,649	3,851
Interest paid in the year	(5,646)	(3,043)	(5,646)	(3,043)
Principal repayment during the year	(10,555)	-	(10,555)	-
At 31 December	**132,030**	**43,027**	**132,030**	**43,027**

In August 2016 the bank received first disbursement of Euro 40.1 Million Long term loan facility from European Investment Bank (EIB) equivalent to TZS 97.55 Billion, which is part of the total Signed facility with the bank of EUR 55 Million (Available in Local currency). The facility is for the period of up to 8 years with the one year grace period allocated to Mid-caps and SMEs in the country. There is no collateral pledged to secure these loans. The bank however, had outstanding facility of EUR 20 Mn (equivalent to TZS 42.22 Bn.) Microfinance facility, at the start of the year secured from EIB in 2014, on which principal repayment of TZS 10.55 Billion was made during the year

33.2.3 TMRC LONG TERM LOAN

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	17,022	10,022	17,022	10,022
Loan received during the year	-	7,000	-	7,000
Interest charge for the year	1,964	1,553	1,964	1,553
Interest paid in the year	(1,964)	(1,553)	(1,964)	(1,553)
At 31 December	**17,022**	**17,022**	**17,022**	**17,022**

33.2.4 TIB LONG TERM LOANS

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
At 1 January	7,606	8,015	7,606	8,015
Loan received during the year	-	774	-	774
Interest charge for the year	514	537	514	537
Interest paid in the year	(513)	(865)	(513)	(865)
Principal repayment during the year	(1,023)	(855)	(1,023)	(855)
At 31 December	**6,584**	**7,606**	**6,584**	**7,606**

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

33.2.4 TIB LONG TERM LOANS (CONTINUED)

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.

34 SHARE CAPITAL

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 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 (2015: 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.

35 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.

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.

35 RESERVES (CONTINUED)

Revaluation Reserve

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

The revaluations reserve movements are as shown below:

	2016			2015		
	Motor vehicles TZS' Million	Available for sale TZS' Million	Total TZS' Million	Motor vehicles TZS' Million	Available for sale TZS' Million	Total TZS' Million
At 1 January	1,868	(5,163)	(3,295)	2,488	(963)	1,525
Increase /(decrease) during the year	-	1,825	1,825	-	(4,200)	(4,200)
Release to retained earnings	(573)	-	(573)	(641)	-	(641)
Deferred tax on excess depreciation	12	-	12	21	-	21
At 31 December	**1,307**	**(3,338)**	**(2,031)**	**1,868**	**(5,163)**	**(3,295)**
BANK						
At 1 January	1,310	(3,807)	(2,497)	1,883	(963)	920
Increase /(decrease) during the year	-	2,844	2,844	-	(2,844)	(2,844)
Release to retained earnings	(534)	-	(534)	(573)	-	(573)
At 31 December	**776**	**(963)**	**(187)**	**1,310**	**(3,807)**	**(2,497)**

36 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	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Cash in hand (Note 17)	228,824	220,751	225,674	218,020
Balances with Central Banks (Note 17)	236,101	122,675	227,169	111,560
Loans and advances to banks (Note 19)	260,372	239,227	261,326	228,406
Government securities	2,632	-	-	-
	727,929	**582,653**	**714,169**	**557,986**

37 FINANCIAL INSTRUMENTS BY CATEGORY

GROUP

At 31 December 2016	Loans and receivables	Available- for- sale	Total
	TZS' Million	TZS' Million	TZS' Million
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	3,262,343	-	3,262,343
Government securities	490,913	89,874	580,787
Equity investment	-	2,608	2,608
Other assets	74,609	-	74,609
	4,995,116	**92,482**	**5,087,598**

GROUP

At 31 December 2016	Financial liabilities at fair value through profit or loss	Other liabilities at amortised cost	Total
	TZS' Million	TZS' Million	TZS' Million
Financial liabilities			
Deposits from banks	-	121,596	121,596
Deposits customers	-	4,109,974	4,109,974
Other liabilities	-	43,816	43,816
Subordinated debt	-	87,961	87,961
Senior debts	-	294,308	294,308
	-	**4,657,655**	**4,657,655**

GROUP

At 31 December 2015	Loans and receivables	Available- for- sale	Total
	TZS' Million	TZS' Million	TZS' Million
Financial assets			
Cash and balances with Central Banks	783,670	-	783,670
Loans and advances to banks	291,007	-	291,007
Loans and advances to customers	3,260,587	-	3,260,587
Government securities	684,513	88,648	773,161
Equity investment	-	2,280	2,280
Other assets	55,899	-	55,899
	5,075,676	**90,928**	**5,166,604**

GROUP

At 31 December 2015	Financial liabilities at fair value through profit or loss	Other liabilities at amortised cost	Total
	TZS' Million	TZS' Million	TZS' Million
Financial liabilities			
Deposits from banks	-	72,527	72,527
Deposits customers	-	4,246,168	4,246,168
Other liabilities	-	73,469	73,469
Subordinated debt	-	87,300	87,300
Senior debts	-	209,217	209,217
	-	**4,688,681**	**4,688,681**

37 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

BANK

At 31 December 2016	Loans and receivables TZS' Million	Available- for- sale TZS' Million	Total TZS' Million
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	3,223,418	-	3,223,418
Government securities	442,264	89,874	532,138
Equity investment	-	2,608	2,608
Other assets	67,829	-	67,829
	4,915,544	**92,482**	**5,008,026**

BANK

At 31 December 2016	Financial liabilities at fair value through profit or loss TZS' Million	Other liabilities at amortised cost TZS' Million	Total TZS' Million
Financial liabilities			
Deposits from banks	-	124,116	124,116
Deposits customers	-	4,046,333	4,046,333
Other liabilities	-	52,766	52,766
Subordinated debts	-	87,961	87,961
Long term borrowing	-	294,308	294,308
	-	**4,605,484**	**4,605,484**

BANK

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

BANK

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

38 CONTINGENT LIABILITY

	GROUP		BANK	
	2016 TZS' Million	**2015 TZS' Million**	**2016 TZS' Million**	**2015 TZS' Million**
Guarantees and indemnities	199,671	101,808	199,474	101,808
Letters of credit	236,957	535,701	236,957	535,701
	436,628	**637,509**	**436,431**	**637,509**

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

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

The Group and Bank is, in the normal course of business involved in a number of court cases. The Group has taken appropriate legal measures to defend its position. Appropriate provisions have been made by the Group for the liabilities arising as disclosed in note 31. 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.

39 COMMITMENTS

	GROUP		BANK	
	2016 TZS' Million	**2015 TZS' Million**	**2016 TZS' Million**	**2015 TZS' Million**
Commitments to extend credit	**239,822**	**251,022**	**238,768**	**251,022**
Capital commitments				
Authorised and contracted for	9,766	10,235	9,766	10,235
Authorised and not yet contracted for	7,925	8,213	7,925	8,213
	17,691	**18,448**	**17,691**	**18,448**

Capital commitments authorised and contracted for are in respect of;

(i) Construction/refurbishment cost for branches/service centres; Nzega, LAPF Mwanza, Kasulu, Tunduma, Dangote, Muheza, Handeni, KKKT Magomeni, Kondoa, Ngara, Chato, Muleba, Sengerema, Katoro, Nguruka, Manyoni, Mpwapwa, and Mwaloni.

(ii) Purchase of various equipment: IBM Lotus Domino (Implementation Cost), Cisco Switches (Layer 2 Access Control) for TANAPA, Agency and Other Merchants, Routers/Switches & installation - For High availability at Branches, Inverters for Hospital & Microfinance Business, ESB Final payment, PCI-DSS, Cisco equipment (Wireless, Proxy and P7 Environment), Power Project at HQ (Replacement of Transformer, Generator sets and LV Panel), IBM Database Firewall, TTCL Fiber installation (Mbuyuni, Ngaramtoni, Narung'ombe, Banana and Bunda) and various office equipments for branches/service centres.

39 COMMITMENTS (CONTINUED)

Operating lease commitments

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

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Less than 1 year	7,239	6,946	7,239	6,946
More than 1 year but less than 5 years	15,644	18,370	15,644	18,370
More than 5 years	3,481	4,280	3,226	3,961
Total	**26,364**	**29,596**	**26,109**	**29,277**

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.

Group as a lessor

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Rent received in the year	30	22	30	22

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 2016 there was no unexpired lease for existing contracts (2015: Nil).

40 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	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Loans and advances to related parties				
At 1 January	122	27	4,069	4,583
Net movement during the year	329	95	828	(514)
At 31 December	**451**	**122**	**4,897**	**4,069**
Interest earned	**19**	**14**	**299**	**217**

These loans and advances are performing and therefore no provisions have been made during the year (2015: Nil).

40 RELATED PARTY TRANSACTIONS (CONTINUED)

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Deposits from related parties				
At 1 January	1,724	1,228	2,485	2,698
Net movement during the year	(1,584)	496	1,030	(213)
At 31 December	140	1,724	3,515	2,485
Interest paid	**4**	**4**	**28**	**32**

Balances outstanding with related companies were as follows;

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Due from related parties				
CRDB Burundi S.A	-	-	685	869
Due to related parties				
CRDB Microfinance Services Company Ltd	-	-	10,458	16,710
Due to related parties				
CRDB Insurance Brokers Ltd	-	-	1,502	-
Loan advanced to subsidiary				
CRDB Burundi S.A	-	-	24,463	38,991
Placement to subsidiary				
CRDB Burundi S.A	-	-	29,607	25,706
Borrowing from subsidiary				
CRDB Burundi S.A	-	-	4,579	-

Interest received and paid from and to related parties respectively were as follows;

	GROUP		BANK	
	2016 TZS' Million	2015 TZS' Million	2016 TZS' Million	2015 TZS' Million
Interest Income received from subsidiary				
CRDB Burundi S.A	-	-	3,561	-
Interest Income paid to subsidiary				
CRDB Burundi S.A	-	-	28	-

40 RELATED PARTY TRANSACTIONS (CONTINUED)

Transactions with related companies were as follows:

	GROUP		BANK	
	2016 TZS' Million	**2015 TZS' Million**	**2016 TZS' Million**	**2015 TZS' Million**
CRDB Microfinance Services Company Ltd	-	884	8,270	1,093
	-	**884**	**8,270**	**1,093**
CRDB Insurance Brokers Ltd	-	-	281	-
	-	**-**	**281**	**-**
Rent paid to the parent				
CRDB Burundi S.A	-	-	-	-
CRDB Microfinance Services Company Ltd	-	-	102	60
	-	**-**	**102**	**60**
Commission payable for loans and deposit mobilisation				
CRDB Microfinance Services Company Ltd	**-**	**-**	**25,068**	**17,657**

Purchase/ sale of properties on behalf of subsidiaries

In the year ending 31 December 2016, the company did not sale or purchase properties to/from any related party (2015: NIL).

Transfer of research & development

In the year ending 31 December 2016, the company did not transfer any cost of research & development to/from any related party (2015: NIL).

Guarantee

In the year ending 31 December 2016, there was no guarantee given or received to/from any related party (2015: NIL).

Compensation of Key Management Personnel

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

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

	2016 TZS' Million	**2015 TZS' Million**
Short term employee benefits	7,508	6,503
Post-employment benefits	1,926	1,587
Termination benefits	-	-
Share based payment benefits	-	-
	9,434	**8,090**

The above compensation is a total salary package including all employment benefits and pension.

40 RELATED PARTY TRANSACTIONS (CONTINUED)

During the year ended 31st December 2016, 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 (2015: 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 2016, the total loan balances outstanding were TZS 5,347 Million (2015: TZS 4,191).

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.

41 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

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