BANK OF AFRICA – TANZANIA

ANNUAL REPORT

2011

BANK OF AFRICA
TANZANIA

GROUPE BANK OF AFRICA

Pour l'essor de notre continent.
Developing our continent.

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Financial Statements 2011

BANK OF AFRICA – NIGER

8 Branches in Niamey.
8 Regional Branches.

BANK OF AFRICA – MALI

15 Branches in Bamako.
8 Regional Branches and 2 Local Branches.

BANK OF AFRICA – SÉNÉGAL

18 Branches in Dakar.
7 Regional Branches.

BANK OF AFRICA – BURKINA FASO

14 Branches in Ouagadougou.
11 Regional Branches.

BANK OF AFRICA – CÔTE D'IVOIRE

12 Branches in Abidjan.
8 Regional Branches and 1 Local Branch.

BANK OF AFRICA – GHANA

14 Branches in Accra.
5 Regional Branches.

BANK OF AFRICA – BÉNIN

23 Branches in Cotonou.
19 Regional Branches.

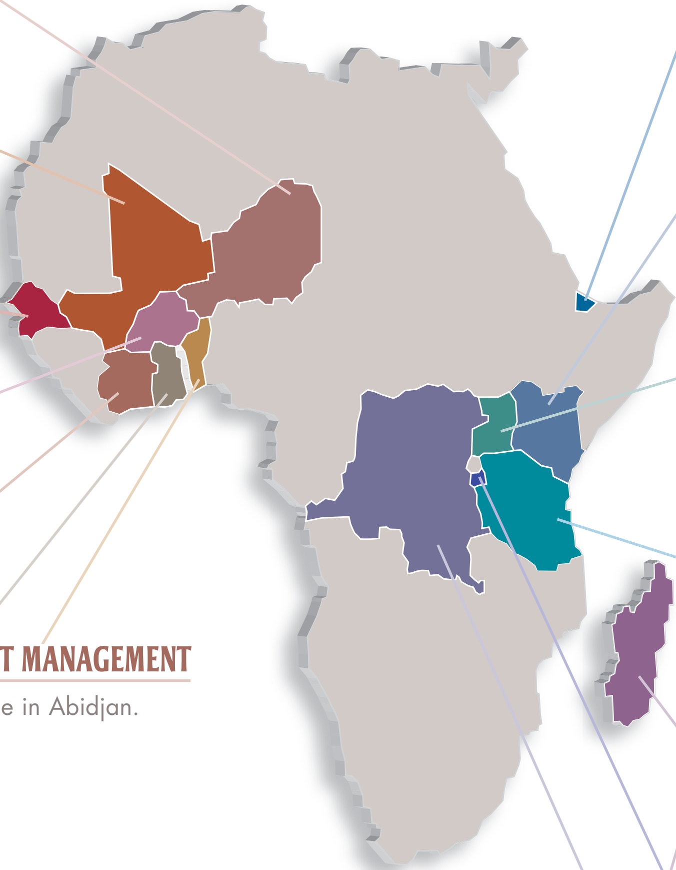
BANQUE DE L'HABITAT DU BÉNIN

1 Branch in Cotonou.

Group Banks and Subsidiaries

BOA-FRANCE
4 Branches in Paris.
1 Branch in Marseille.

BOA GROUP REPRESENTATIVE OFFICE
Head Office in Paris, France.



BANK OF AFRICA – MER ROUGE
3 Branches in Djibouti.

BANK OF AFRICA – KENYA
10 Branches in Nairobi.
12 Regional Branches.

BANK OF AFRICA – UGANDA
18 Branches in Kampala.
12 Regional Branches.

BANK OF AFRICA – TANZANIA
10 Branches in Dar es Salaam.
6 Regional Branches.

BANK OF AFRICA – MADAGASCAR
20 Branches in Antananarivo.
47 Regional Branches.

BANQUE DE CRÉDIT DE BUJUMBURA
(BCB) Integrated into BOA network in 2008.

7 Branches and 3 Counters in Bujumbura.
11 Branches and 2 Counters in Provinces.

BANK OF AFRICA – RDC
7 Branches in Kinshasa.
1 Regional Branch.

AGORA

BOA-ASSET MANAGEMENT
Head Office in Abidjan.

ÉQUIPBAIL – MADAGASCAR

ACTIBOURSE
Head Office in Cotonou.
1 contact in each BOA company.
1 Liaison Office in Abidjan.

AÏSSA

ATTICA

BANK OF AFRICA FOUNDATION
Head Office in Bamako.
Presence in 11 countries where the Group operates.

BANK OF AFRICA Group strong points

- Quality of customer service
- Dynamic, accessible staff
- Financial solidity
- Cohesive network
- A wide range of financing solutions
- Expertise in financial engineering
- Strong partners

GROUP TURNOVER 2011

± 385 M€

1,200,000 bank accounts

A strong network

More than 4,500 people at your service.

About 340 dedicated operating and service support offices in 15 countries.

A continuously expanding base of Automated Teller Machines and Electronic Payment Terminals, numbering around 450 at 30 June 2012.

Close to one million two hundred thousand bank accounts.

A wide and varied offer

Full range of banking and financial services.

An attractive range of bank insurance products.

Tailored solutions for all financing issues.

Successful financial engineering.

A leading banking partner, BMCE Bank,

which is part of FinanceCom, a major Moroccan financial group.

Strategic partners, including:

Proparco,

International Finance Corporation (IFC - World Bank Group),

West African Development Bank (BOAD),

Netherlands Development Finance Company (FMO),

Belgium Investment Company for Developing Countries (BIO),

and investment fund Aureos.

Unique experience in Africa

Continuous development for 30 years.

Main products of the Bank

BOA ENGLISH SPEAKING NETWORK — BOA-TANZANIA

Accounts
- Current Account (Local & Foreign Currency)
- Goodwill Account
- Remunerated Current Account
- Salary Account
- Personal Current Account
- Wakili Current Account
- Jipange Account

Investment Products
- Call Deposits Account
- Chama Account
- Children Savings Account "Smart Junior Investor Account"
- Classic Saving Account
- Family Savings Account "Dira"
- Forexave Account
- Ero Savings Account
- Gold Plus Account
- Investment Plan Account
- Ordinary Saving Account
- Fixed Deposit Account
- Premium Plus Account
- Reward Saving Account
- Schools Fees Account
- SESAME Savings Account
- Term Deposit

Electronic Banking
- B-SMS / B-Phone
- B-Web
- SESAME ATM Card (Umoja Switch Network)
- TOUCAN Card

M-Payment
- M-Pesa
- MTN Mobile Money

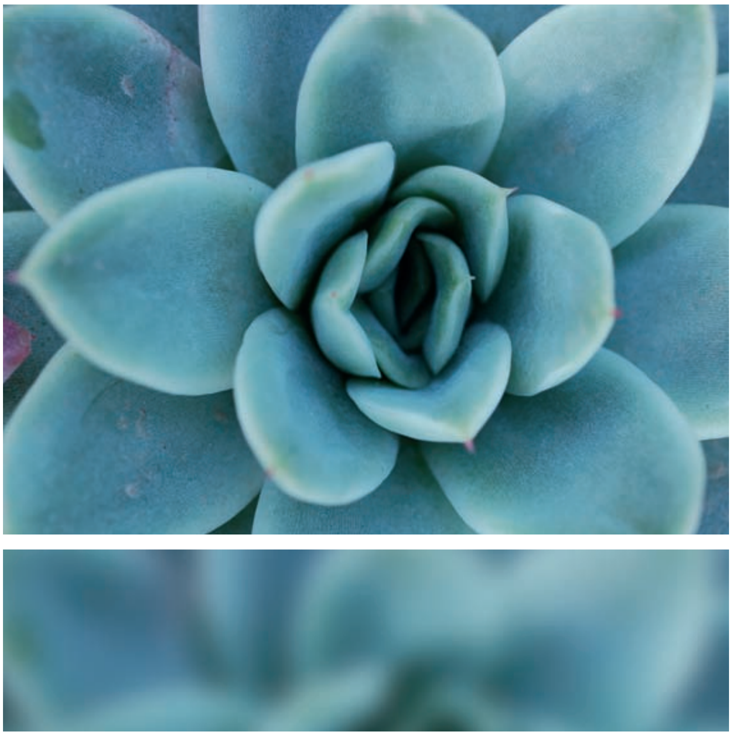
Loans
- 2 in 1 loan
- Bridging Overdraft
- Instant Cash
- Motor Cycle Loan
- Motor Vehicle Loan
- Personal Loans
- Personal Motor Loan
- Salary Advance
- Schools Fees Loan
- Super Kikapu
- Tax Bridging Finance
- Warehouse Receipt Financing

Transfers & Changes
- Foreign Exchange
- Moneygram
- Travellers Cheques
- Western Union
- MTN Mobile Money

Complementary Products & Services
- Banker's Cheques
- e-tax Payments
- Utility Bill Payments

BOA Company Services: BOA-TANZANIA thus offers a wide range of products and services to the attention of Corporates and SMEs, organizations institutions and professionals.

Activity Report 2011



Comments from the Managing Director

The year 2011 was characterized by a number of changes in the micro and macro-economic environment in East Africa as a whole and Tanzania in particular. These included high inflation, rising from 6.4% at the beginning of the year to 19.8%; high interest rates with 91 day Treasury Bills rising from an average of 5.9% in January to close the year at 13.1%, and the Tanzania Shilling depreciating by 7.7%.

In the midst of these conditions, BANK OF AFRICA – TANZANIA achieved a positive overall performance for 2011. Total assets increased by 22%, customer deposits by 16%, loans and advances to customers by 46%. The Bank ended the year with a net profit of TZS 1.12 Billion, which was lower than the TZS 1.8 Billion recorded for 2010.

The branch expansion program saw the Bank increase its delivery channels further by opening two branches in Kijitonyama and Mbezi Beach. This brought the number of branches to 16 showcasing the Bank's desire to grow the BANK OF AFRICA brand across Tanzania. However, this branch expansion together with the rise in inflation, has increased its cost to income ratio to 84%.

In 2012, the Bank will focus on enhancing its performance through further delivery channels, electronic banking products and effective cost management. Its Retail Banking proposition will also be revamped to increase the number of customers and offer varied asset and liability products.

We will also review our Small and Medium Enterprise business to offer new products and ensure that we continue "To be the preferred bank in our chosen markets".

We extend our sincere gratitude to our customers for choosing to bank with us, our staff for the contribution to serving our customers and the Bank's growth, and all stakeholders that enabled us to reach this far.

We also thank our Board members for providing the right support to the Bank for achieving its strategic objectives.

We look forward to the year 2012 for fulfilling the Bank's value proposition as well as enhancing customer service delivery and financial performance.

Ammishaddai OWUSU-AMOAH

Managing Director

Highlights 2011

BOA/PROPARCO agreement, March 2011.

Msimbazi Branch, in Dar es Salaam.

JANUARY

BOA-TANZANIA took part in the Africa Investment Forum, under the theme "Accelerating East African Investment".

MARCH

The Bank contracted a 7 year loan of USD 4 million from PROPARCO, a subsidiary of the French Developement Agency (AFD) to enhance its capacity for offering short and medium term financing to SMEs.

MAY

Opened its 15th branch, in Kijitonyama area, Dar es Salaam.

Participation in the BANK OF AFRICA 2011 network management meetings, in Dakar, Senegal.

JUNE

Opened its 16th branch, in Mbezi Beach, Dar es Salaam.

SEPTEMBER

Msimbazi, Tunduma and Mwanza Branches ranked second in their respective categories in the Group Savings campaign.

OCTOBER

Participation in the BANK OF AFRICA 2011 Directors meetings, in Marrakech, Morocco, which was also attended by one hundred BOA customers.

Signed an agreement with NATIONAL HOUSING CORPORATION for financing, up to 10 years, the purchase of housing units built by the Corporation. The product was launched the following month.

NOVEMBER

BOA-TANZANIA partnered with INTERNATIONAL FINANCE CORPORATION for promoting small business by obtaining a long term loan of $ 4,5 million for short and medium term financing for SMEs.

Launch of the Smart Junior Investor Account to enable parents to save early for covering future needs of their children.

Key figures 2011

BANK OF AFRICA
2011 Directors
meetings,
in Marrakech.

Total Assets
283,614
TZS million

ACTIVITY	on 31/12/2011
Deposits from customers*	226,105
Loans to customers*	151,031
Loans to other banks*	39,872

INCOME	on 31/12/2011
Net interest income*	12,152
Operating income*	21,425
Operating expense*	18,375
Profit before tax*	1,640
Profit after tax*	1,127

STRUCTURE	on 31/12/2011
Total assets*	283,614
Number of employees	221

(*) In TZS millions. Exchange Rate: Euro 1 = TZS 2,047.89 as at 31st Dec 2011.

Corporate Social Responsibility Initiatives

BANK OF AFRICA – TANZANIA (BOA-TANZANIA) as part of its ever increasing contribution towards supporting the community, supported various organizations in the health, education and social sectors within Tanzania in 2011.

EDUCATION

Participation in AIESEC Tanzania Annual Stakeholders Dinner 2011
AIESEC TANZANIA recognized the Bank as the Best Exchange Partner of the Year 2009/2010 during the organization's annual dinner held in June 2011 and was awarded with a trophy. This award was in honor of the Bank's increased efforts in providing a learning platform for young people via engaging international interns through the AIESEC Exchange Program. The Bank also sponsored the annual dinner to the tune of USD 1,500.

Participation in the Graduation Ceremony at Tusiime Nursery and Primary School
The Bank joined Tusiime nursery and primary school on their graduation day to celebrate the academic achievement of the students at the institution and to give words of encouragement to the young students on education matters. The Bank furthermore awarded the overall top 10 students in the institution with 10 Smart Junior Investor Accounts with an initial deposit of TZS 200,000 each.

Donation to St. Augustine University
In support of the education sector in Tanzania, the Bank contributed TZS 5 Million on the 12th of November 2011 towards the expansion of St. Augustine University of Tanzania in Kagera region. The donation was presented by the Managing Director - Mr. Ammish OWUSU-AMOAH to the Roman Catholic Church Diocese Auxiliary Bishop, Methodius Kilaini. The Managing Director further reiterated that the contribution will help to elevate the education level of the region which he said lagged behind compared to others in the country.

Donation to St. Mary Goretti Secondary School
Furthermore, the Bank contributed TZS 5 Million to St. Mary Goretti Secondary School directed towards the purchase of a school bus so as to assist with the transportation infrastructure at the school.

1 - 2 Easter Luncheon at the Comprehensive Community Based Rehabilitation in Tanzania (CCBRT) Hospital.

3 - Participation in the Graduation Ceremony at Tusiime Nursery and Primary School.

HEALTH

Easter Luncheon at the Comprehensive Community Based Rehabilitation in Tanzania (CCBRT) Hospital
Staff from the Bank paid a visit to the children admitted in the hospital with club feet, bow legs and other congenital deformities during the Easter holiday and hosted a luncheon for them. This was aimed at caring for the disabled and also gave them a chance to give back to their community. This went a long way in instilling confidence in the children within the hospital and enhancing the Bank's efforts in community service. This is the 2nd year that the Bank has held this event at the hospital with the aim of having it as an annual event in the Bank's calendar.

Provision of hand wash facilities for CCBRT
With the aim of giving back to the community and at the same time appreciating our customers, the Bank contributed TZS 9.3 million for purchase of hand wash facilities in the hospital. This particular gesture was to portray the Bank's support for CCBRT's projects as a customer through promoting cleanliness via washing hands to avoid infections caused by dirty hands in the hospital.

SOCIAL

BOA International Marathon
BANK OF AFRICA – TANZANIA sponsored 2 athletes and their coach to attend the 3rd International BANK OF AFRICA Group Marathon in Bamako, Mali, where Sarah KAVINA from Tanzania emerged the winner in the women's 10 km run. This was the 1st time Tanzania was represented at the marathon.

Donation to Gongo la Mboto Bomb blast victims
In response to the bomb blast explosions in Dar es Salaam, the Bank donated mattresses, bed sheets, mosquito nets and clothes to Gongo la Mboto victims. The mattresses were handed over by the Assistant General Manager - ICT, Mr. Willington MUNYAGA at the collection center.

Sponsorship of Ghanaian Ashanti King's official visit to Tanzania.
The Bank contributed a sum of TZS 2,000,000 towards the official visit to Tanzania of the Ashanti King from Ghana. The Bank in supporting this visit was able to enhance and foster the strong relations between residents of Tanzania and Ghana where the Bank has established country offices.

Marathon BOA 2011

1 - Sarah KAVINA, from Tanzania, the Women's 10 km run winner.

2 - Distinction of the team representing Tanzania.

Board of Directors

The Directors who held office during the year and to the date of 2nd March 2012 were:

Ambassador Fulgence KAZAURA, Chairman

Mohamed BENNANI

Paul DERREUMAUX

Vincent de BROUWER

Emmanuel Ole NAIKO

Shakir MERALI

Peter LOCK

Henri LALOUX

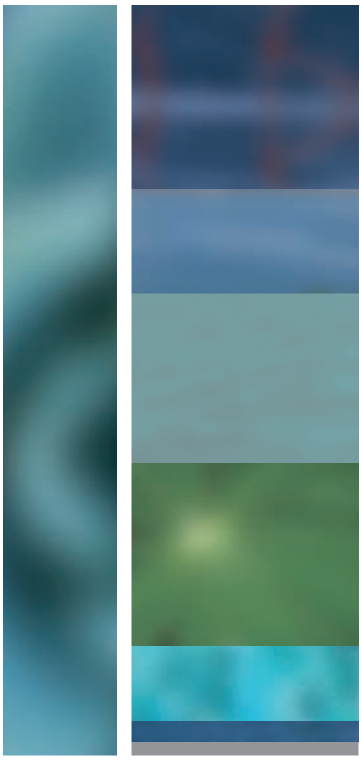
Ammishaddai OWUSU-AMOAH

Abdelkabir BENNANI

M'Fadel El HALAISSI

Capital

The Bank, as at 31st December 2011, had in issue 137,859 shares with a total nominal value of Tsh. 18.79 Billion. The following is the Bank's shareholding structure as at 31st December 2011: Shareholding Position (%).



24.29% BANK OF AFRICA - KENYA

13.83% AUREOS EAST AFRICA FUND LLC

22.46% BIO - INVESTMENT COMPANY FOR DEVELOPING COUNTRIES

24.60% AFH - OCEAN INDIEN

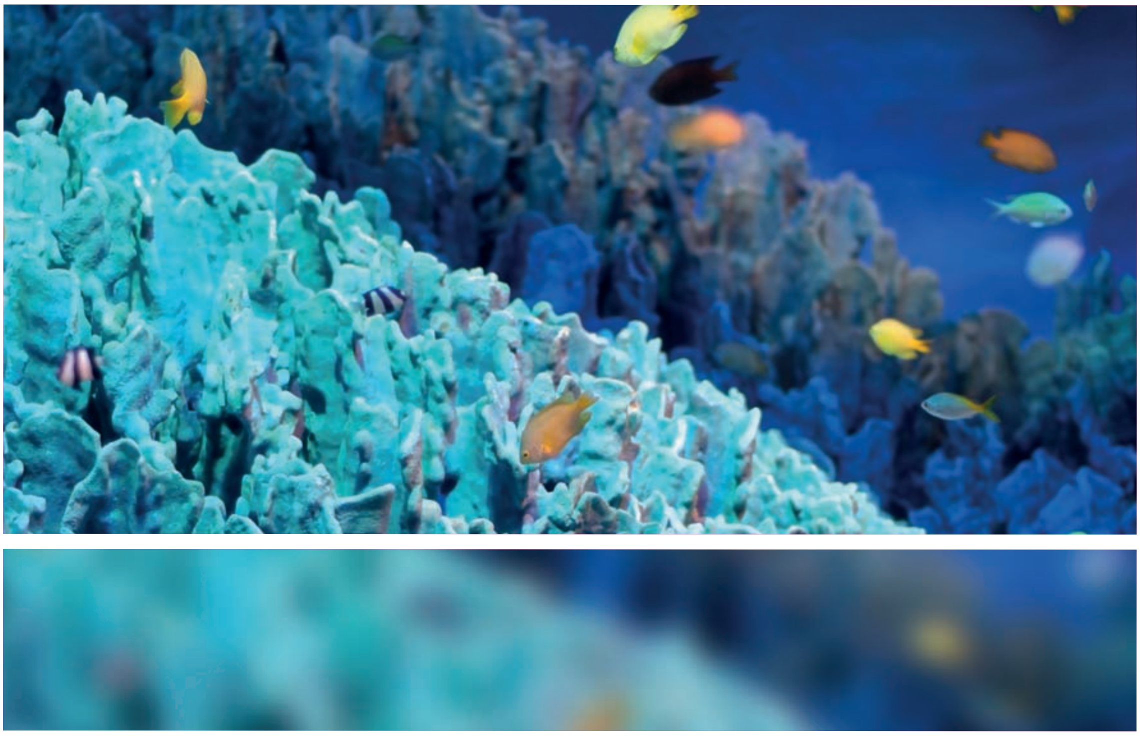
10.29% TANZANIA DEVELOPMENT FINANCE LTD

2.76% NETHERLANDS DEVELOPMENT FINANCE COMPANY (FMO)

1.77% OTHERS

Report and Financial Statements

for the year ended 31 December 2011



Report and Financial Statements

Directors' report

The Directors present their report and audited financial statements for the year ended 31 December 2011, which disclose the state of affairs of BANK OF AFRICA – TANZANIA Limited (the Bank).

1. INCORPORATION

BANK OF AFRICA – TANZANIA Limited is a limited liability Company incorporated under the Companies Act CAP 212, Act No. 2 of 2002 and is domiciled in the United Republic of Tanzania.

2. BANK'S VISION AND MISSION

The Bank's vision is to be the preferred Bank in our chosen markets. The Bank will realise this by serving customers with efficiency and courtesy, contributing to the development of all stakeholders. The Bank will also optimize the growth of BANK OF AFRICA GROUP through synergies and common development plans and promote growth and stability of the economies in which we operate.

3. PRINCIPAL ACTIVITIES AND PERFORMANCE FOR THE YEAR

The Bank is engaged in taking deposits on demand, providing short-term and medium term credit facilities and other banking services.

Business developments

The Bank's overall performance for 2011 witnessed a growth of 22% in its balance sheet size. Total assets increased by 22%, customer deposits by 16% representing a decrease of our market share to 2.0% compared to 2.1% last year. Our asset growth represented an increase of 46% in the loan and advances to customer portfolio. The Bank ended with an after tax profit of Shs 1.12 Billion (2010: Shs 1.84 Billion) which was a decrease of 38%. The decrease in profit was largely contributed by the increase of operating costs following the launch of two new branches during the year and high inflation.

During the year, 42,124 ordinary shares were issued to existing shareholders, and 41,502 were subscribed and paid for generating cash inflow of Shs 7,939 million.

The following are some of Key Performance Indicators recorded by the Bank during the period.

KEY PERFORMANCE RATIO	2011	2010
RETURN ON TOTAL ASSETS	0.4%	0.8%
RETURN ON EQUITY	5.1%	11.5%
COST TO INCOME RATIO	86%	79%
INTEREST MARGIN TO EARNING ASSETS	6%	5%
EARNING ASSETS TO TOTAL ASSETS	78%	80%
NON - PERFORMING LOANS TO GROSS LOANS	2.6%	2.9%

The branch expansion program saw the Bank increasing its delivery channels further by opening of two branches at Kijitonyama and Mbezi in 2011. This brought the number of branches to 16 and is a pointer to the investment being done to imprint the BANK OF AFRICA brand in the Tanzanian market. In the short-term this program continued to put pressure on operating costs.

We extend our sincere gratitude to our customers for their continued support and loyalty, staff for their contribution to the Bank's growth and all stakeholders who acted as catalysts in bringing us this far. We look forward to a year driven by determination of effort to bring us closer to the aspirations that we strive to achieve in our three year strategic plan.

4. DIVIDEND

The Directors propose or recommend dividend payment of Shs 563 Million for the year 2011 (2010: Nil).

5. DIRECTORS

The Directors of the Bank at the date of this report and who have served in office since 1 January 2011 unless otherwise stated are:

NAME	POSITION	NATIONALITY	REMARKS
MR. FULGENCE KAZAURA	CHAIRMAN	TANZANIAN	
MR. PAUL DERREUMAUX	MEMBER	FRENCH	
MR. VINCENT DE BROUWER	MEMBER	BELGIAN	
MR. EMMANUEL OLE NAIKO	MEMBER	TANZANIAN	
MR. M'FADEL EL HALAISSI	MEMBER	MOROCCAN	
MR. SHAKIR MERALI	MEMBER	KENYAN	
MR. KOBENA ANDAH	MANAGING DIRECTOR	BRITISH	RESIGNED ON 1 JULY 2011
MR. PETER LOCK	MEMBER	DUTCH	
MR. HENRI LALOUX	MEMBER	BELGIAN	
MR. MOHAMED BENNANI	MEMBER	MOROCCAN	
MR. AMMISHADDAI OWUSU-AMOAH	MANAGING DIRECTOR	GHANAIAN	APPOINTED ON 1 JULY 2011

The Board met four times during the year. The Company Secretary at the date of this report, who served in this capacity since 01 January 2011 is Mr. Patrick MALEWO (Tanzanian).

6. CORPORATE GOVERNANCE

The Board of Directors consists of 11 Directors, including the Managing Director. Apart from the Managing Director, no other Director holds an executive position in the Bank. The Board takes overall responsibility for the Bank, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control, policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Managing Director assisted by senior management. Senior management is invited to attend board meetings and facilitates the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the various business units. The Bank is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability.

During the year the Board of Directors of the Bank had the following board sub-committees to ensure a high standard of corporate governance throughout the Bank. All these committees report to the main Board of Directors.

i) Board Credit Approval Committee

NAME	POSITION	NATIONALITY
VINCENT DE BROUWER	CHAIRMAN	BELGIAN
EMMANUEL OLE NAIKO	MEMBER	TANZANIAN

The committee conducts its business by circulation and the decisions are discussed and ratified in the Board Risk Committee.

ii) Board Audit Committee

NAME	POSITION	NATIONALITY
VINCENT DE BROUWER	CHAIRMAN	BELGIAN
EMMANUEL OLE NAIKO	MEMBER	TANZANIAN
SHAKIR MERALI	MEMBER	KENYAN
HENRI LALOUX	MEMBER	BELGIAN
PETER LOCK	MEMBER	DUTCH

The committee met four times during the year.

iii) Board Risk Committee

NAME	POSITION	NATIONALITY
SHAKIR MERALI	CHAIRMAN	KENYAN
VINCENT DE BROUWER	MEMBER	BELGIAN
EMMANUEL OLE NAIKO	MEMBER	TANZANIAN
HENRI LALOUX	MEMBER	BELGIAN
PETER LOCK	MEMBER	DUTCH

The committee met four times during the year.

7. CAPITAL STRUCTURE

The Bank's capital structure as at 31 December 2011 is disclosed in note 3.5 to the financial statements.

8. SHAREHOLDERS OF THE BANK

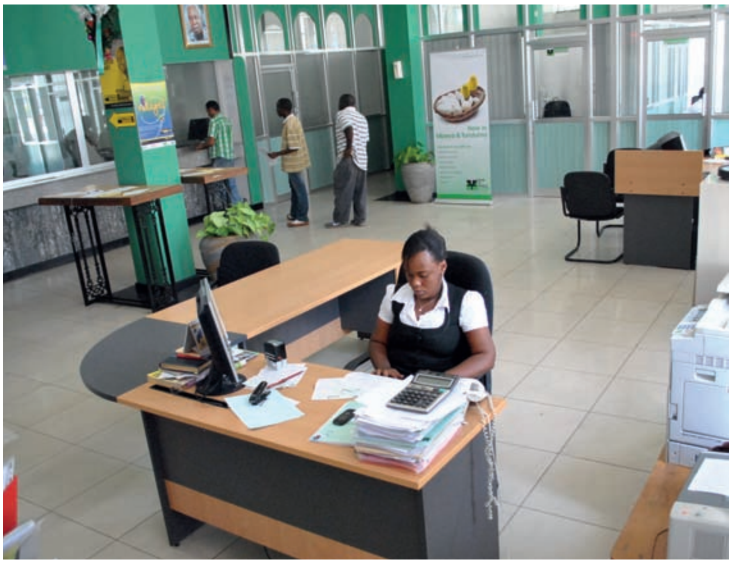
The total number of shareholders during the year was 11 (2010: 18 shareholders). None of the Directors of the Bank has interest in the issued share capital.

The shareholding of the Bank during the year is as disclosed in note 24 to the financial statements.

9. MANAGEMENT

The management of the Bank is under the Managing Director and is organized in the following departments;

Airport Branch banking hall.



- corporate Banking;
- retail & SME Banking;
- treasury;
- finance;
- operations;
- marketing;
- information Technology;
- HR and Administration;
- risk management;
- legal and compliance.

10. FUTURE DEVELOPMENT PLANS

In 2012, the Bank shall emphasize on improving customer quality care and delivery. We intend to continuously increase our delivery channels and embracing technological advancements in banking thereby taking our services closer to public. Management will also continue to focus on cost control and all aspects of risk management. The Bank expects to issue 36,730 more shares in year 2012 in order to support the targeted growth.

11. KEY STRENGTHS AND RESOURCES

In light of key strengths and resources at the disposal of the Bank, the Directors believe that the Bank will achieve its objectives as highlighted on Future Development Plans. Being affiliated to BANK OF AFRICA GROUP with presence in 12 countries worldwide, the Bank enjoys considerable technological and intellectual capital. Now ranked among top 12 banks in Tanzania, the Bank will continue to strive to penetrate further into the market. The Bank has well functioning staff motivational and retention schemes which have resulted in a reliable and committed team of staff.

12. SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Board of Directors has reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future.

13. RISK MANAGEMENT AND INTERNAL CONTROL

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

Sinza Branch banking hall.

- the effectiveness and efficiency of operations;
- the safeguarding of the Bank's assets;
- compliance with applicable laws and regulations;
- the reliability of accounting records;
- business sustainability under normal as well as adverse conditions; and
- responsible behaviors towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 31 December 2011 and is of the opinion that they met accepted criteria.

14. EMPLOYEE'S WELFARE

Management and Employees' Relationship

There were continued good relations between employees and management for the year ended 31 December 2011. There were no unresolved complaints received by Management from the employees during the year.

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribe, religion and disability which does not impair ability to discharge duties.

Training Facilities

In its annual budget for the year 2012, the Bank has allocated a sum of Shs 300 million for staff training in order to improve employee's technical skills hence effectiveness (2011: Actual spent Shs 203 million). Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

Medical Assistance

All members of staff with a maximum number of four beneficiaries (dependants) for each employee were availed medical insurance guaranteed by the Bank. Currently these services are provided by AAR Insurance Tanzania Limited.

Financial Assistance to Staff

Loans are available to all confirmed employees depending on the assessment of and the discretion of management as to the need and circumstances.

Persons with Disabilities

Applications for employment by disabled persons are always considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Bank continues and appropriate training is arranged. It is the policy of the Bank that training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employees Benefit Plan

The Bank pays contributions to a publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan. Public administered pension plans to which Banks'employees are members are National Social Security Fund and Parastatal Pension Fund.

Msimbazi Branch banking hall.

The average number of employees during the year was 211 (2010: 178).

15. GENDER PARITY

As at 31 December 2011, the Bank had 221 employees, out of which 96 were female and 125 were male (2010: 201 employees, out of whom 92 were female and 109, were male).

16. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in note 27 to these financial statements.

17. SOCIAL AND ENVIRONMENTAL POLICY

The Bank recognises that sustainable development is dependent upon a positive interaction between economic growth, social upliftment and environmental protection.

As a responsible corporate citizen, the Bank has a policy framework that is designed to ensure that all projects undertaken adhere to social and environmental regulations of the relevant local, national and international standards.

The policy framework commits the Bank to:

Mtoni Branch.

- support business activities that contribute to the protection and improvement of the environment;
- monitor the effects of our activities on the environment and work towards the improvement and pollution prevention;
- comply with all applicable laws and regulations related to environmental protection and other requirements to which the Bank is subject to and subscribed to; and
- provide financing to projects with minimal adverse impact on the environment while ensuring that those having potentially major adverse environmental and social impact are accompanied by adequate mitigation measures.

18. POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any political donations during the year. Donations made to charitable organizations during the year amounted to Shs 17 million (2010: Shs 21 million).

19. CORPORATE SOCIAL RESPONSIBILITY

The Bank also continued to support Comprehensive Community Based Rehabilitation (CCBRT) through staff donations and organized an Easter luncheon for children with congenital deformities. The Bank joined hands with the organization to celebrate its 10 years anniversary celebrations and sponsored their hand wash facilities within the hospital.

The Bank increased its contribution to the education sector as one of the strong pillars to enhance economic development by making donation to St. Augustine University of Tanzania to facilitate its establishment in Bukoba. Another donation was made to St. Mary Goretti Secondary School to purchase a school bus.

In addition, the Bank sponsored the AIESEC annual stakeholder's dinner thereby supporting development of youth leaders across the universities in Tanzania.

Airport Branch, in Dar es Salaam.

To promote cultural diversity as seen in the wide footprint of the Bank in Africa, the Bank supported the printing of session brochures for Alliance Française and sponsored the visit by the Ghanaian Ashanti king on his official visit in an effort to support cultural diversity programs within Tanzania.

In response to the bomb blast that occurred in Dar es Salaam, the Bank donated various food, clothing and shelter items to the bomb blast victims in Gongo la Mboto enabling them to easily restore back their lives.

20. AUDITORS

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

Fulgence KAZAURA

Chairman

30th March 2012

Report and Financial Statements

Statement of Directors' responsibilities

in respect of the annual financial statements for the year ended 31 december 2011.

Sinza Branch.

The Companies Act, CAP 212 Act No. 12 of 2002 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the Bank's profit. It also requires the Directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

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

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

Fulgence KAZAURA

Chairman

30th March 2012

Report of the Independent auditors
to the members of BANK OF AFRICA – TANZANIA Ltd.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of BANK OF AFRICA – TANZANIA Limited (the Bank), which comprise the balance sheet as at 31 December 2011, the profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Aggrey Branch.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

BANK OF AFRICA head office, in Dar es Salaam.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the Bank's affairs at 31 December 2011 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act, CAP 212 Act No. 12 of 2002.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Certified Public Accountants

PRICEWATERHOUSECOOPERS

DAR ES SALAAM

Signed by: **Leonard C. MUSUSA**

30th March 2012

Financial Statements

for the year ended 31 December 2011

Financial Statements

for the year ended 31 December 2011

Profit and loss account

	NOTES	2011	2010
		SHS 000	SHS 000
INTEREST AND SIMILAR INCOME	5	20,012,368	15,559,882
INTEREST AND SIMILAR EXPENSES	6	(7,860,789)	(5,605,946)
NET INTEREST INCOME		**12,151,579**	**9,953,936**
IMPAIRMENT CHARGE ON LOANS AND ADVANCES	7	(1,410,637)	(1,229,116)
NET INTEREST INCOME AFTER LOAN IMPAIRMENT		**10,740,942**	**8,724,820**
FEE AND COMMISSION INCOME	8	6,597,787	4,695,959
FEE AND COMMISSION EXPENSE		(340,352)	(304,098)
NET FEE AND COMMISSION INCOME		**6,257,435**	**4,391,861**
FOREIGN EXCHANGE INCOME		3,016,214	3,674,738
OTHER OPERATING INCOME		-	85,778
OPERATING EXPENSES	9	(18,375,026)	(14,237,910)
PROFIT BEFORE INCOME TAX		**1,639,565**	**2,639,287**
INCOME TAX EXPENSE	11	(512,774)	(799,626)
NET PROFIT FOR THE YEAR		**1,126,791**	**1,839,661**
STATEMENT OF COMPREHENSIVE INCOME			
NET PROFIT FOR THE YEAR		1,126,791	1,839,661
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,126,791**	**1,839,661**

Balance sheet

	NOTES	2011	2010
		SHS 000	SHS 000
ASSETS			
CASH AND BALANCES WITH BANK OF TANZANIA	13	39,246,992	33,052,123
LOANS AND ADVANCES TO BANKS	14	39,871,944	41,752,892
GOVERNMENT SECURITIES HELD TO MATURITY	15	43,870,477	45,812,401
LOANS AND ADVANCES TO CUSTOMERS	16	151,031,070	103,106,236
OTHER ASSETS	17	1,812,894	1,715,384
PREMISES AND EQUIPMENT	18	5,996,639	5,418,665
INTANGIBLE ASSETS	19	822,125	1,137,190
INCOME TAX RECOVERABLE		961,770	730,346
TOTAL ASSETS		**283,613,911**	**232,725,237**
LIABILITIES			
DEPOSITS FROM OTHER BANKS		14,009,017	16,850,739
DEPOSITS FROM CUSTOMERS	20	226,105,252	195,601,188
SUBORDINATED LOANS	21	13,555,955	-
OTHER LIABILITIES	22	3,123,750	2,542,841
DEFERRED INCOME TAX	23	373,644	350,946
TOTAL LIABILITIES		**257,167,618**	**215,345,714**
EQUITY			
SHARE CAPITAL	24	18,794,138	13,988,539
SHARE PREMIUM		4,396,565	1,262,417
RETAINED PROFIT		2,774,690	1,804,358
REGULATORY RESERVE		480,900	324,209
TOTAL EQUITY		**26,446,293**	**17,379,523**
TOTAL LIABILITIES AND EQUITY		**283,613,911**	**232,725,237**

The financial statements on pages 26 to 61 were approved by the Board of Directors and signed on its behalf by:

Fulgence KAZAURA
Chairman

Financial Statements

for the year ended 31 December 2011

Statement of changes in equity

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	REGULATORY RESERVES	TOTAL EQUITY
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
YEAR ENDED 31 DECEMBER 2011					
AT START OF THE YEAR	13,988,539	1,262,417	1,804,590	324,209	17,379,755
TRANSACTIONS WITH OWNERS					
ISSUE OF NEW SHARES	4,805,599	3,134,148	-	-	7,939,747
COMPREHENSIVE INCOME					
NET PROFIT FOR THE YEAR	-	-	1,126,791	-	1,126,791
TOTAL COMPREHENSIVE INCOME	-	-	1,126,791	-	1,126,791
TRANSFER TO REGULATORY RESERVE			(156,691)	156,691	-
BALANCE AT 31 DECEMBER 2011	**18,794,138**	**4,396,565**	**2,774,690**	**480,900**	**26,446,293**
YEAR ENDED 31 DECEMBER 2010					
AT START OF THE YEAR	13,169,542	997,392	168,911	120,227	14,456,072
TRANSACTIONS WITH OWNERS					
ISSUE OF NEW SHARES	818,997	265,025	-	-	1,084,022
COMPREHENSIVE INCOME					
NET PROFIT FOR THE YEAR	-	-	1,839,661	-	1,839,661
TOTAL COMPREHENSIVE INCOME	-	-	1,839,661	-	1,839,661
TRANSFER TO REGULATORY RESERVE	-	-	(203,982)	203,982	-
BALANCE AT 31 DECEMBER 2010	**13,988,539**	**1,262,417**	**1,804,590**	**324,209**	**17,379,755**

Regulatory reserve represents an amount set aside to cover additional provision for loan losses required in order to comply with the requirements of Bank of Tanzania's prudential guidelines. This reserve is not available for distribution.

Cash flow statement

	NOTES	2011 SHS 000	2010 SHS 000
CASH FROM OPERATING ACTIVITIES			
INTEREST AND SIMILAR INCOME RECEIVED		19,813,370	13,494,064
INTEREST PAID		(7,147,231)	(5,306,557)
FEES AND COMMISSION RECEIVED		6,597,787	4,695,959
FEES AND COMMISSION PAID		(340,352)	(304,098)
RECOVERY OF BAD DEBTS PREVIOUS WRITTEN OFF		371,971	27,899
FOREIGN EXCHANGE INCOME RECEIVED		3,016,214	3,674,738
PAYMENT TO EMPLOYEES AND SUPPLIERS		(20,484,383)	(13,189,019)
TAX PAID		(721,500)	(878,026)
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**1,105,876**	**2,214,960**
CHANGES IN OPERATING ASSETS AND LIABILITIES			
INVESTMENT SECURITIES HELD TO MATURITY (WITH MATURITY OF 3 MONTHS AND MORE)		4,661,709	(32,217,581)
LOANS AND ADVANCES TO CUSTOMERS		(48,058,059)	(32,574,837)
STATUTORY MINIMUM RESERVE		(1,540,000)	(5,250,000)
OTHER ASSETS		(97,510)	(31,045)
DEPOSITS FROM CUSTOMERS		29,790,507	62,321,621
OTHER LIABILITIES		580,902	706,238
NET CASH UTILISED IN OPERATING ACTIVITIES		**(13,556,575)**	**(4,830,644)**
CASH FLOW FROM INVESTING ACTIVITIES			
PURCHASE OF PREMISES AND EQUIPMENT	18	(2,257,037)	(2,214,982)
PURCHASE OF INTANGIBLE ASSETS	19	(83,508)	(158,811)
PROCEEDS FROM SALE OF ASSETS			86,885
NET CASH UTILISED IN INVESTING ACTIVITIES		**(2,340,545)**	**(2,286,908)**
CASH FLOW FROM FINANCING ACTIVITIES			
PROCEEDS FROM SUBORDINATED LOANS		13,451,080	-
PROCEEDS FROM ISSUE OF SHARES		7,939,747	1,084,022
NET CASH GENERATED FROM FINANCING ACTIVITIES		**21,390,827**	**1,084,022**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**5,493,707**	**(6,033,530)**
CASH AND CASH EQUIVALENT AT START OF THE YEAR		55,203,118	61,236,648
CASH AND CASH EQUIVALENT AT END OF YEAR	**25**	**60,696,825**	**55,203,118**

Notes to the Financial Statements

1. GENERAL INFORMATION

The Bank is a limited liability company incorporated and domiciled in the United Republic of Tanzania. The address of its registered office is:

BANK OF AFRICA – TANZANIA LIMITED
NDC Building
Ohio Avenue
P.O. Box 3054
Dar es Salaam

The financial statements for the year ended 31 December 2011 have been approved for issue by the Board of Directors on 26 March 2012. Neither the entity's owners nor others have the power to amend the financial statements after issue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

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

The financial statements comprise the profit and loss account, statement of comprehensive income, the balance sheet, statement of changes in equity, cash flow statement and the notes. The measurement basis applied in the preparation of these financial statements is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings (Shs) and the amounts are rounded to the nearest thousand, except where otherwise indicated.

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

(i) Amended standards which became effective during the year

During the year, the amendments to the following standards became effective

STANDARD/ INTERPRETATION	CONTENT	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON/AFTER
IAS 1	PRESENTATION OF FINANCIAL STATEMENTS	1 JANUARY 2011
IAS 24	RELATED PARTY DISCLOSURES	1 JANUARY 2011
IFRS 7	FINANCIAL INSTRUMENTS DISCLOSURE	1 JANUARY 2011

The amendment to IAS 1 and IAS 24 had no significant impact to the Bank's financial statements.

The amendments to IFRS 7, 'Financial Instruments - Disclosures' are part of the 2010 Annual Improvements and emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendments have also removed the requirement to disclose the following:

- Maximum exposure to credit risk if the carrying amount best represents the maximum exposure to credit risk;
- Fair value of collaterals; and
- Renegotiated loans that would otherwise be past due but not impaired.

The application of the above amendment simplified financial risk disclosures made by the Bank.

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

Numerous new standards, amendments and interpretations to several existing accounting standards have been issued but are not yet effective. Below is the list of standards that are likely to be relevant to the Bank's operation.

STANDARD	TITLE	APPLICABLE FOR FINANCIAL YEARS BEGINNING ON/AFTER
IAS 1	PRESENTATION OF FINANCIAL STATEMENTS	1 JULY 2012
IAS 19	EMPLOYEE BENEFITS	1 JANUARY 2013
IFRS 13	FAIR VALUE MEASUREMENT	1 JANUARY 2013
IFRS 9	FINANCIAL INSTRUMENTS	1 JANUARY 2015

The Directors have assessed the amendments and new standards with respect to the Bank's operations and concluded that the amendment to IAS 1, IAS 19 and the new standard IFRS 13 will not have significant impact to Bank's financial statements.

However, application of IFRS 9 is expected to have significant impact on Bank's financial statements because it will replace IAS 39 which deals with classification and measurement of financial instruments. The key expected change is, financial assets will be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost instead of four categories in IAS 39. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

In addition, the accounting and presentation of financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and Measurement', without change except for financial liabilities that are designated at fair value through profit or loss. Under the new standard, entities with financial liabilities at fair value through profit or loss recognise changes in the liability's credit risk directly in other comprehensive income. Directors do not expect significant impact from this particular change.

(B) INTEREST INCOME AND EXPENSE

Interest income and expense for all interest-bearing financial instruments except for those classified as held-for-trading or designated at fair value through profit or loss are recognised within 'interest income' and 'interest expense' in the profit and loss account using the effective interest rate method.

The effective interest rate 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 of the effective interest rate 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. When loans and advances become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(C) FEE AND COMMISSION INCOME

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

(D) TRANSLATION OF FOREIGN CURRENCIES

Transactions are recorded on initial recognition in Tanzania Shillings, being the currency of the primary economic environment in which the Bank operates (the functional currency). Transactions in foreign currencies during the year are converted into the Tanzania 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 the profit and loss account.

(E) FINANCIAL ASSETS

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

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and advances to customers and banks fall under this classification.

(ii) Held-to maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that directors have the positive intention and ability to hold to maturity. Were the Bank to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available for sale.

RECOGNITION, MEASUREMENT AND DERECOGNITION OF FINANCIAL ASSETS

Initial recognition

Purchases and sales of financial assets categorized as loans and receivables and held-to-maturity are recognised on the trade-date – the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs.

Subsequent measurement

Loans and receivables and held-to-maturity assets are subsequently carried at amortised cost using the effective interest method.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

(F) IMPAIRMENT OF FINANCIAL ASSETS

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

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

The amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future 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 appropriate provision and the amount of the loss is recognised in the profit and loss account.

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 debtors credit rating), the previously recognised impairment loss is revised by adjusting the provision account. The amount of the reversal is recognised in the profit and loss account in impairment charge for credit losses. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

(G) FINANCIAL LIABILITIES

The Bank's holding in financial liabilities represents mainly deposits from banks and customers, subordinated loans and other liabilities. Such financial liabilities are initially recognised at fair value, subsequently measured at amortised cost and derecognized when extinguished.

(H) INCOME TAX

Income tax expense is the aggregate of the charge to the profit and loss account 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, 2004.

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 nor 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.

(I) PROVISIONS

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

(J) PREMISES AND EQUIPMENT

Premises and equipment are stated at historical cost less depreciation. Depreciation is provided on the straight line basis so as to write down the cost of assets to their residual values over their useful economic lives, at the following rates:

	%
LEASEHOLD PREMISES	20
MOTOR VEHICLES	20
FURNITURE AND FITTINGS	20
EQUIPMENT	20

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the assets fair value less costs to sell and value in use.
Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account.

(K) INTANGIBLE ASSETS

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

(L) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. No non-financial assets were impaired in 2011.

(M) 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, Government Securities and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the Bank of Tanzania.

(N) EMPLOYEE BENEFITS

The Bank and its employees contribute to the National Social Security Fund (NSSF), which is a defined contribution scheme. Employees contribute 10% while the Bank contributes 10% to the scheme. A defined contribution scheme is a pension plan under which the Bank pays fixed contributions into a separate entity. The Bank 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 years. The Bank's contributions to the defined contribution scheme are charged to the profit and loss account in the year to which they relate.

(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) CONTINGENCIES AND COMMITMENTS

Transactions are classified as contingencies where the bank's obligations depend on uncertain future events. Items are classified as commitments where the bank 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.

Acceptances and letters of credit

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

(Q) SHARE CAPITAL

Ordinary shares are classified as 'share capital' in equity. New shares are recorded at nominal value and any premium received over and above the par value of the shares is classified as 'share premium' in equity.

3. FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by a risk department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, market risk (such as foreign exchange risk, interest rate risk), credit risk, and liquidity risk. In addition, internal audit is responsible for the independent review of risk management and the control environment. The most important risks are credit risk, liquidity risk and market risk.

3.1 CREDIT RISK

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

Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

3.1.1 CREDIT RISK MEASUREMENT

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

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

BANK'S INTERNAL RATINGS SCALE

BANK'S RATING	DESCRIPTION OF THE GRADE
1	CURRENT
2	ESPECIALLY MENTIONED
3	SUBSTANDARD
4	DOUBTFUL
5	LOSS

3.1.2 RISK LIMIT CONTROL AND MITIGATION POLICIES

The Bank manages limits and controls concentrations of credit risk wherever they are identified and in particular, to individual counterparties and groups, and to industries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or 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. Limits on the level of credit risk by industry sector are approved quarterly by the Board of Directors.

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

(i) Collateral

The Bank employs 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 Bank 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 receivable;
- Charges over financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured.

Some other specific control and mitigation measures are outlined below.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(ii) 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 by the Bank on behalf of a customer authorising a third party to draw drafts on the 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 Bank is potentially exposed to loss in an amount 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 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.

3.1.3 IMPAIRMENT AND PROVISIONING POLICIES

The internal rating systems described in Note 3.1.1 focus more on credit-quality mapping from the inception of the lending. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment.

The impairment provision is mainly derived from each of the four internal rating grades. However, the majority of the impairment provision comes from the bottom three gradings. The table below shows the percentage of the Bank's on-balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

	2011		2010	
	LOANS & ADVANCES (%)	IMPAIRMENT PROVISION (%)	LOANS & ADVANCES (%)	IMPAIRMENT PROVISION (%)
CURRENT	96.68	0.16	95.63	0.10
ESPECIALLY MENTIONED	0.66	0.16	1.14	0.10
SUBSTANDARD	0.80	23.00	1.30	55.5
DOUBTFUL	0.58	3.53	0.05	94.9
LOSS	1.28	78.94	1.88	47.6
TOTAL	**100.00**	**1.37**	**100.00**	**2.00**

In addition, the Bank makes a portfolio impairment provision for credit losses based on the probability of loss using historic default ratios.

3.1.4 MAXIMUM EXPOSURE TO CREDIT RISK BEFORE COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

58% of the maximum exposure is derived from loans and advances to customers (December 2010: 68%); 17% represents investments in government securities (December 2010: 21%). Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and investment securities based on the following:

- 97.3% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2010: 97%);
- 97% of the loans and advances portfolio are considered to be neither past due nor impaired (2010: 96%);
- The Bank has introduced a credit risk unit to support portfolio monitoring; and
- No credit risk is considered in investment in Government Treasury bills and bonds.

3.1.5 LOANS AND ADVANCES

Loans and advances are summarised as follows:

	2011		2010	
	LOAN & ADVANCES TO CUSTOMERS	LOAN & ADVANCES TO BANKS	LOAN & ADVANCES TO CUSTOMERS	LOAN & ADVANCES TO BANKS
	SHS 000	SHS 000	SHS 000	SHS 000
NEITHER PAST DUE NOR IMPAIRED	148,122,604	39,871,944	100,365,781	41,752,892
PAST DUE BUT NOT IMPAIRED	1,010,043	-	1,579,910	-
IMPAIRED	3,939,335	-	3,004,739	-
GROSS	**153,071,982**	**39,871,944**	**104,950,430**	**41,752,892**
LESS: ALLOWANCE FOR IMPAIRMENT	(2,040,912)	-	(1,844,194)	-
NET OF IMPAIRMENT	**151,031,070**	**39,871,944**	**103,106,236**	**41,752,892**

The total impairment provision for loans and advances is Shs 2,041 million (2010: Shs 1,844 million). Further information of the impairment allowance for loans and advances to customers is provided in Note 15.

During the year ended 31 December 2011, the Bank's total loans and advances increased by 46% as a result of the expansion of the lending business. When entering into new markets or new industries, in order to minimise the potential increase of credit risk exposure, the Bank focused more on the business with corporate clients or banks with good credit rating or retail customers providing sufficient collateral.

Credit quality of the portfolio of loans and advances that were neither past due nor impaired is assessed by reference to the internal rating system.

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank. (Amounts are in Shs'000).

	LOANS & ADVANCES TO CUSTOMER					LOANS & ADVANCES TO BANKS
	INDIVIDUAL (RETAIL)		CORPORATE		TOTAL	
	OVERDRAFT	TERM LOANS	CORPORATE CUSTOMERS	SME		
GRADE						
31 DECEMBER 2011						
CURRENT	**1,353,971**	**3,070,184**	**114,789,767**	**28,908,682**	**148,122,604**	**39,871,944**
31 DECEMBER 2010						
CURRENT	**6,249,985**	**7,609,800**	**67,641,336**	**18,864,660**	**100,365,781**	**41,752,892**

(b) Loans and advances past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Gross amount of loans and advances by class that were past due but not impaired were as follows: (Amounts are in Shs'000).

	INDIVIDUALS (RETAIL CUSTOMERS)		CORPORATE ENTITIES		
	OVERDRAFT	TERM LOANS	CORPORATE CUSTOMERS	SMEs	TOTAL
31 DECEMBER 2011					
PAST DUE UP TO 30-60 DAYS	-	-	-	-	-
PAST DUE UP TO 60-90 DAYS	-	2,020	1,006,766	1,257	1,010,043
TOTAL	**-**	**2,020**	**1,006,766**	**1,257**	**1,010,043**
31 DECEMBER 2010					
PAST DUE UP TO 30-60 DAYS	-	-	-	-	-
PAST DUE UP TO 60-90 DAYS	12,717	5,155	1,287,897	274,141	1,597,910
TOTAL	**12,717**	**5,155**	**1,287,897**	**274,141**	**1,579,910**

(c) Loans and advances individually impaired

(i) Loans and advances to customers

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is Shs 3,939 million (December 2010: Shs 3,005 million). The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Bank as security, are as follows: (Amounts are in Shs'000).

	INDIVIDUALS (RETAIL CUSTOMERS)		CORPORATE ENTITIES		
	OVERDRAFT	TERM LOANS	CORPORATE CUSTOMERS	SMEs	TOTAL
31 DECEMBER 2011					
INDIVIDUALLY IMPAIRED LOANS	511,634	149,222	1,253,706	2,024,772	3,939,334
31 DECEMBER 2010					
INDIVIDUALLY IMPAIRED LOANS	67,976	1,417,822	-	1,518,941	3,004,739

(ii) Loans and advances to banks

The total gross amount of individually impaired loans and advances to banks as at 31 December 2011 was nil. (December 2010: nil). No collateral is held by the Bank against loans and advances to banks.

3.1.6 DEBT SECURITIES, TREASURY BILLS AND OTHER ELIGIBLE BILLS

The only investment securities held by the Bank are treasury bills and bonds issued by the Government of the United Republic of Tanzania.

3.1.7 REPOSSESSED COLLATERAL

During the year, the Bank obtained assets by taking possession of collateral held as security, as follows:

NATURE OF ASSETS	CARRYING AMOUNTS TSHS 000
RESIDENTIAL PROPERTY	235,000
COMMERCIAL PROPERTY	-
MOTOR VEHICLE	-
TOTAL	**235,000**

Repossessed assets are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

3.1.8 CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2011. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties (Amounts are in Shs'000).

	TANZANIA	EUROPE	AMERICA	OTHERS	TOTAL
LOANS AND ADVANCES TO BANKS	16,114,244	7,308,955	6,155,205	10,293,540	39,871,944
INVESTMENT SECURITIES HELD TO MATURITY	43,870,477	-	-	-	43,870,477
LOANS AND ADVANCES TO CUSTOMERS					
TO INDIVIDUALS:					
- OVERDRAFT	1,650,244	-	-	-	1,650,244
- TERM LOANS	2,887,442	-	-	-	2,887,442
TO CORPORATE ENTITIES:					
- CORPORATE CUSTOMERS	115,436,376	-	-	-	115,436,376
- SMES	31,057,008	-	-	-	31,057,008
OTHER ASSETS	70,468	-	-	-	70,468
AS AT 31 DECEMBER 2011	**211,086,259**	**7,308,955**	**6,155,205**	**10,293,540**	**234,843,959**
AS AT 31 DECEMBER 2010	**191,529,018**	**5,895,932**	**1,123,285**	**15,918,754**	**214,466,989**

(b) Industry sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by the industry sectors of its counterparties (Amounts are in Shs'000):

	FINANCIAL INSTITUTIONS	AGRICULTURE	MANUFACTURING	BUILDING & CONSTRUCTION	GOVERNMENT	TRANSPORTATION	WHOLESALE & RETAIL TRADE	INDIVIDUALS	OTHER	TOTAL
LOANS & ADVANCES TO BANKS	39,871,944	-	-	-	-	-	-	-	-	39,871,944
GOVERNMENT SECURITIES HELD TO MATURITY	-	-	-	-	43,870,477	-	-	-	-	43,870,477
LOANS & ADVANCES TO CUSTOMERS										
TO INDIVIDUAL:										
-OVERDRAFT	-	-	-	221,595	-	-	79,786	1,102,428	246,435	1,650,244
-TERM LOANS	-	-	-	82,908	-	-	68,270	2,511,376	224,888	2,887,442
TO CORPORATE ENTITIES:										
-CORPORATE CUSTOMERS	14,835,947	7,301,346	2,215,113	9,601,981	15,337,556	25,034,742	12,532,214	-	28,577,477	115,436,376
-SMES	-	386,715	363,202	2,251,994	-	1,187,487	14,471,130	-	12,396,480	31,057,008
OTHER ASSETS	-	-	-	-	-	-	-	-	70,468	70,468
AS AT 31 DECEMBER 2011	54,707,891	7,688,061	2,578,315	12,158,478	59,208,033	26,222,229	27,151,400	3,613,804	41,515,748	234,843,959
AS AT 31 DECEMBER 2010	74,296,152	722,494	1,288,533	4,675,240	45,812,401	18,118,698	20,030,873	5,579,239	37,477,421	214,466,989

3.2 MARKET RISK

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

The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Board of Directors and heads of department. Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities.

3.2.1 FOREIGN EXCHANGE RISK

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily.

At 31 December 2011, if the functional currency had strengthened/weakened by 5% against the US Dollar with all other variables held constant, post-tax profit for the year would have been Shs 144 million (2010: Shs 54 million) lower/higher mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated financial assets and liabilities, respectively.

3.2.1 FOREIGN EXCHANGE RISK (CONTINUED)

At 31 December 2011, if the functional currency had strengthened/weakened by 5% against the Sterling Pound with all other variables held constant, post-tax profit for the year would have been and Shs 105 million (2010: Nil) lower/higher mainly as a result of foreign exchange gains/losses on translation of for Sterling Pound denominated financial assets and liabilities respectively.

The exposure to foreign currencies other than the US Dollar and GBP is minimal.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2011. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency (Amounts are in Shs'000).

AT 31 DECEMBER 2011	TZS	USD	EURO	GBP	ZAR	KES	UGX	TOTAL
ASSETS								
CASH AND BALANCE WITH BANK OF TANZANIA	32,834,265	5,804,756	83,128	524,843	-	-	-	39,246,992
LOANS AND ADVANCES TO BANKS	4,281,765	23,616,344	41,661	11,930,572	-	1,589	13	39,871,944
GOVERNMENT SECURITIES HELD TO MATURITY	43,870,477	-	-	-	-	-	-	43,870,477
LOANS AND ADVANCES TO CUSTOMERS	75,076,464	75,954,526	80	-	-	-	-	151,031,070
OTHER ASSETS (EXCLUDING PREPAYMENT AND STATIONERIES)	70,468	-	-	-	-	-	-	70,468
TOTAL FINANCIAL ASSETS	**156,133,439**	**105,375,626**	**124,869**	**12,455,415**	**-**	**1,589**	**13**	**274,090,951**
LIABILITIES								
DEPOSITS FROM OTHER BANKS	6,094,795	7,914,222	-	-	-	-	-	14,009,017
DEPOSITS FROM CUSTOMERS	136,291,855	79,583,491	134,464	10,095,442	-	-	-	226,105,252
SUBORDINATED LOANS	-	13,555,955	-	-	-	-	-	13,555,955
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	1,024,840	1,444,278	152	260,970	-	-	-	2,730,240
TOTAL FINANCIAL LIABILITIES	**143,411,490**	**102,497,946**	**134,616**	**10,356,412**	**-**	**-**	**-**	**256,400,464**
NET ON BALANCE SHEET FINANCIAL POSITION	**12,721,949**	**2,877,680**	**(9,747)**	**2,099,003**	**-**	**1,589**	**13**	**17,690,487**
CREDIT COMMITMENTS	**6,464,278**	**7,717,440**	**-**	**-**	**-**	**-**	**-**	**14,181,718**
AT 31 DECEMBER 2010								
TOTAL FINANCIAL ASSETS	137,363,934	78,036,295	264,954	8,776,665	-	10,751	1,399	224,453,998
TOTAL FINANCIAL LIABILITIES	128,906,587	76,982,399	290,740	8,815,042	-	-	-	214,994,768
NET ON BALANCE SHEET FINANCIAL POSITION	**8,457,347**	**1,053,896**	**(25,786)**	**(38,377)**	**-**	**10,751**	**1,399**	**9,459,230**

3.2.2 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 value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes 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 reduce losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored daily. The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear any interest rate risk on off balance sheet items (Amounts are in Shs'000).

AS 31 DECEMBER 2011	UP TO 1 MONTH SHS 000	1-3 MONTHS SHS 000	3-12 MONTHS SHS 000	1-5 YEARS SHS 000	OVER 5 YEARS SHS 000	NON INTEREST BEARING SHS 000	TOTAL SHS 000
ASSETS							
CASH AND BALANCES WITH BANK OF TANZANIA	-	-	-	-	-	39,246,992	39,246,992
LOANS AND ADVANCES TO BANKS	16,061,699	9,494,880	-	-	-	14,315,365	39,871,944
GOVERNMENT SECURITIES HELD TO MATURITY	-	3,217,889	21,667,545	12,261,717	6,723,326	-	43,870,477
LOANS AND ADVANCES TO CUSTOMERS	133,225,898	10,049,160	7,210,332	545,680	-	-	151,031,070
OTHER ASSETS (EXCLUDING PREPAYMENT AND STATIONERY)	-	-	-	-	-	70,468	70,468
TOTAL FINANCIAL ASSETS	149,287,597	22,761,929	28,877,877	12,807,397	6,723,326	53,632,825	274,090,951
LIABILITIES							
DEPOSITS FROM OTHER BANKS	9,261,577	4,747,440	-	-	-	-	14,009,017
DEPOSITS FROM CUSTOMERS	20,512,281	51,714,436	49,783,125	-	-	104,095,410	226,105,252
SUBORDINATED LOAN	-	-	-	-	13,555,955	-	13,555,955
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	-	-	-	-	-	2,730,240	2,730,240
TOTAL FINANCIAL LIABILITIES	29,773,858	56,461,876	49,783,125	-	13,555,955	106,825,650	256,400,464
TOTAL INTEREST REPRICING GAP	119,513,739	(33,699,947)	(20,905,248)	12,807,397	(6,832,629)	-	-
AS 31 DECEMBER 2010							
TOTAL FINANCIAL ASSETS	121,679,478	8,701,676	33,607,210	19,771,257	6,911,906	33,782,469	224,453,998
TOTAL FINANCIAL LIABILITIES	56,235,444	18,668,495	61,621,017	7,341	-	78,462,471	195,601,188
TOTAL INTEREST REPRICING GAP	65,444,034	(9,966,819)	(28,013,807)	19,763,916	6,911,906	-	-

3.2.2 INTEREST RATE RISK (CONTINUED)

At 31 December 2011, if the interest rates on functional currency denominated assets and liabilities had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been Shs 134 million (2010: Shs 139 million) lower/higher, mainly as a result of fluctuations in interest income and interest expense. At 31 December 2011, if the interest rates on US dollar denominated assets and liabilities had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been Shs 40 million (2010: Shs 22 million) lower/higher. The exposure to interest rates fluctuations on assets and liabilities denominated in currencies other than US dollar is minimal.

3.3 LIQUIDITY RISK

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

3.3.1 LIQUIDITY RISK MANAGEMENT PROCESS

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate Treasury team, includes:

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

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

The Bank also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

3.3.2 FUNDING APPROACH

Sources of liquidity are regularly reviewed by a separate Treasury team to maintain a wide diversification by currency, geography, provider, product and term.

3.3.3 NON-DERIVATIVE CASH FLOWS

The table below presents the cash flows payable by the 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, as the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows and outflows.

AS 31 DECEMBER 2011	UP TO 1 MONTH SHS 000	1-3 MONTHS SHS 000	3-12 MONTHS SHS 000	1-5 YEARS SHS 000	OVER 5 YEARS SHS 000	TOTAL SHS 000
LIABILITIES						
DEPOSITS FROM OTHER BANKS	9,277,583	4,778,542	-	-	-	14,056,125
DEPOSITS FROM CUSTOMERS	124,682,530	52,314,362	51,905,857	-	-	228,902,749
SUBORDINATED LOANS	104,875	187,000	561,000	13,076,632	5,610,448	19,539,955
OTHER LIABILITIES	2,730,240	-	-	-	-	2,730,240
TOTAL LIABILITIES (CONTRACTUAL MATURITY DATES)	**136,795,228**	**57,279,904**	**52,466,857**	**13,076,632**	**5,610,448**	**265,229,069**
TOTAL ASSETS (EXPECTED MATURITY DATES)	**202,948,864**	**22,917,202**	**32,883,814**	**45,402,712**	**17,092,438**	**321,245,030**
AS 31 DECEMBER 2010						
LIABILITIES						
DEPOSITS FROM OTHER BANKS	8,363,409	2,587,330	5,900,000	-	-	16,850,739
DEPOSITS FROM CUSTOMERS	123,822,667	16,483,403	57,812,654	7,341	-	198,126,065
OTHER LIABILITIES	2,542,841	-	-	-	-	2,542,841
TOTAL LIABILITIES (CONTRACTUAL MATURITY DATES)	**134,728,917**	**19,070,733**	**63,712,654**	**7,341**	**-**	**217,519,645**
TOTAL ASSETS (EXPECTED MATURITY DATES)	**134,631,601**	**8,701,676**	**34,337,788**	**19,771,257**	**6,911,906**	**204,354,228**

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 bills; loans and advances to banks; and loans and advances to customers.

3.3.4 OFF-BALANCE SHEET ITEMS

(a) Loan commitments

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 23), are summarised in the table below.

(b) Financial guarantees and other financial facilities

Financial guarantees expiring not later than 1 year are also included below.

	2011 SHS 000	2010 SHS 000
OUTSTANDING LETTERS OF CREDIT, GUARANTEES AND INDEMNITIES	20,834,722	11,621,912
COMMITMENTS TO EXTEND CREDIT	14,181,718	10,209,597
TOTAL	**35,016,440**	**21,831,509**

3.4 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of government securities held-to-maturity at 31 December 2011 is estimated at Shs 40,210 million (2010: Shs 43,367 million) compared to their carrying values of Shs 43,870 million (2010: 45,812 million). The fair values of the Bank's other financial assets such as loans and advances to customers approximate the respective carrying amounts due to the generally short periods to maturity dates. Fair values are based on the last auction for Treasury bills and Bonds that was held in December 2011.

3.5 CAPITAL MANAGEMENT

The Bank's objectives when 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 regulator;
- 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 provided by the Bank of Tanzania (BoT), for supervisory purposes. The required information is filed with the BoT on a monthly and daily basis.

The Bank of Tanzania (BoT) requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of Tzs 5 billion, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset at or above the minimum of 12%.

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

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Prepaid expenses, deferred charges and intangible assets are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

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 2011 and year ended 31 December 2010. During those two years, the Bank complied with all of the externally imposed capital requirements to which it is subject.

	2011	2010
TIER 1 CAPITAL	SHS 000	SHS 000
SHARE CAPITAL	18,794,138	13,988,539
RETAINED EARNINGS	2,775,608	1,804,358
SHARE PREMIUM	4,396,565	1,262,417
LESS: INTANGIBLE ASSETS	(822,125)	(1,137,190)
LESS: PREPAID EXPENSES	(1,691,483)	(1,589,484)
TOTAL QUALIFYING TIER 1 CAPITAL	**23,452,703**	**14,328,640**
TIER 2 CAPITAL		
SUBORDINATED LOAN*	13,555,955	-
TOTAL REGULATORY CAPITAL	**37,008,658**	**14,328,640**
RISK-WEIGHTED ASSETS		
ON-BALANCE SHEET	130,260,107	89,015,171
OFF-BALANCE SHEET	19,122,528	12,826,733
MARKET RISK	13,362	125,006
TOTAL RISK-WEIGHTED ASSETS	**149,395,997**	**101,966,910**

	REQUIRED RATIO	BANK'S RATIO	BANK'S RATIO
	2011	**2011**	**2010**
	%	%	%
TIER 1 CAPITAL	10	16	14
TIER 1 + TIER 2 CAPITAL*	12	18	14

The increase of the regulatory capital during the year 2011 is mainly due to increase in paid up capital arising from the issue of new shares, subordinated loan and contribution of the current year profit.

*Circular no 7 of reporting regulation allows a maximum of 2% of the risk weighted to be considered as supplementary capital in the computation of total regulatory capital.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next year. 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.

a) Impairment losses on loans and advances

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Were the net present values of estimated cash flow differ by +/- 10%, the impairment loss is to be estimated at Shs 79 million lower or Shs 1.6 million higher.

b) Held to maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. If all held to maturity investments were to be reclassified as at 31 December 2011 their carrying value would decrease by Shs 3,660 million and equity would decrease by a similar amount.

5. INTEREST AND SIMILAR INCOME

	2011	2010
	SHS 000	SHS 000
LOANS AND ADVANCES	15,026,000	11,915,989
GOVERNMENT SECURITIES HELD TO MATURITY	4,313,755	3,092,010
LOANS AND ADVANCES TO BANKS	672,613	551,883
TOTAL	**20,012,368**	**15,559,882**

6. INTEREST AND SIMILAR EXPENSES

	2011	2010
	SHS 000	SHS 000
DEPOSITS FROM OTHER BANKS	989,971	68,931
DEPOSITS FROM CUSTOMERS	6,652,171	5,537,015
INTEREST SUBORDINATED LOANS	218,647	-
TOTAL	**7,860,789**	**5,605,946**

7. IMPAIRMENT CHARGE

	2011	2010
	SHS 000	SHS 000
IMPAIRMENT CHARGE	1,782,608	1,257,015
BAD DEBT RECOVERIES	(371,971)	(27,899)
TOTAL	1,410,637	1,229,116

8. FEES AND COMMISSION INCOME

	2011	2010
	SHS 000	SHS 000
COMMISSION AND FEES FROM BANKING OPERATIONS	2,453,801	1,793,716
COMMISSION ON TELEGRAPHIC TRANSFERS AND INTERNATIONAL TRADE FINANCE ACTIVITIES	1,265,339	1,002,173
FACILITY FEES FROM LOANS AND ADVANCES	1,605,069	808,796
COMMISSION ON LETTERS OF CREDIT AND GUARANTEES	895,219	837,682
OTHER	378,359	253,592
TOTAL	6,597,787	4,695,959

9. OPERATING EXPENSES

	2011	2010
	SHS 000	SHS 000
EMPLOYEE BENEFITS (NOTE 10)	7,953,019	6,172,772
OCCUPANCY EXPENSES	1,773,910	1,346,816
REPAIRS AND MAINTENANCE	599,799	439,748
ADVERTISING AND BUSINESS PROMOTION	228,845	319,201
LEGAL AND PROFESSIONAL FEES	962,291	759,871
TRAVELLING EXPENSES	439,062	181,389
DEPRECIATION AND AMORTIZATION (NOTE 17 AND 18)	2,077,636	1,645,655
DIRECTORS' EMOLUMENTS		
- FEES	63,932	53,831
- OTHERS	758,890	580,426
AUDITORS' REMUNERATION	85,759	61,372
OTHERS	3,431,883	2,676,829
TOTAL	18,375,026	14,237,910

10. EMPLOYEE BENEFITS

Employee benefits comprise the following:

	2011	2010
	SHS 000	SHS 000
WAGES AND SALARIES	5,343,463	3,968,014
DEFINED BENEFIT CONTRIBUTIONS (NSSF AND PPF CONTRIBUTIONS)	525,922	395,067
OTHER EMPLOYMENT COSTS AND BENEFITS	2,083,634	1,809,691
TOTAL	**7,953,019**	**6,172,772**

11. INCOME TAX EXPENSE

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

	2011	2010
	SHS 000	SHS 000
CURRENT TAX – CURRENT YEAR	489,673	713,057
CURRENT TAX – PRIOR YEARS	403	(2,415)
DEFERRED INCOME TAX – CURRENT YEAR	24,236	87,791
DEFERRED INCOME TAX – PRIOR YEARS	(1,538)	1,193
TOTAL	**512,774**	**799,626**

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

	2011	2010
	SHS 000	SHS 000
PROFIT INCOME BEFORE TAX	1,639,565	2,639,287
TAX CALCULATED AT A TAX RATE OF 30%	491,870	791,786
TAX EFFECT OF:		
- EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES	22,039	9,062
- OVER PROVISION OF TAX IN PRIOR YEARS	(1,135)	(1,222)
TOTAL	**512,774**	**799,626**

12. FINANCIAL INSTRUMENTS BY CATEGORY

AT 31 DECEMBER 2011	LOANS & RECEIVABLES	HELD-TO-MATURITY	TOTAL
FINANCIAL ASSETS			
CASH AND BALANCES WITH BANK OF TANZANIA	39,246,992		39,246,992
LOANS AND ADVANCES TO BANKS	39,871,944		39,871,944
GOVERNMENT SECURITIES HELD TO MATURITY	-	43,870,477	43,870,477
LOANS AND ADVANCES TO CUSTOMERS	151,031,070		151,031,070
OTHER ASSETS (EXCLUDING PREPAYMENT)	70,468	-	70,468
TOTAL	230,220,474	43,870,477	274,090,951

	OTHER LIABILITIES AT AMORTISED COST
FINANCIAL LIABILITIES	
DEPOSITS FROM OTHER BANKS	14,009,017
DEPOSITS FROM CUSTOMERS	226,105,252
SUBORDINATED LOAN	13,555,955
OTHER LIABILITIES (EXCLUDING STATUTORY OBLIGATIONS)	2,730,240
TOTAL	256,400,464

AT 31 DECEMBER 2010	LOANS & RECEIVABLES	HELD-TO-MATURITY	TOTAL
CASH AND BALANCES WITH BANK OF TANZANIA	33,052,123	-	33,052,123
LOANS AND ADVANCES TO BANKS	41,752,892	-	41,752,892
GOVERNMENT SECURITIES HELD TO MATURITY	-	45,812,401	45,812,401
LOANS AND ADVANCES TO CUSTOMERS	103,106,236	-	103,106,236
OTHER ASSETS (EXCLUDING PREPAYMENT)	92,609	-	92,609
TOTAL	178,003,860	45,812,401	223,816,261

	OTHER LIABILITIES AT AMORTISED COST
FINANCIAL LIABILITIES	
DEPOSITS FROM OTHER BANKS	16,850,789
DEPOSITS FROM CUSTOMERS	195,601,188
OTHER LIABILITIES	2,542,841
TOTAL	214,994,818

13. CASH AND BALANCES WITH BANK OF TANZANIA

	2011	2010
	SHS 000	SHS 000
CASH ON HAND	15,149,992	9,256,664
BALANCES WITH THE BANK OF TANZANIA:		
- STATUTORY MINIMUM RESERVE (SMR)	21,640,000	20,100,000
- CLEARING ACCOUNT	2,457,000	3,695,459
TOTAL	**39,246,992**	**33,052,123**

The SMR deposit is not available to finance the Bank's day-to-day operations and is hence excluded from cash and cash equivalents for the purpose of the cash flow statement (See Note 25). Cash in hand and balances with Bank of Tanzania are non-interest bearing.

14. LOANS AND ADVANCES TO BANKS

	2011	2010
	SHS 000	SHS 000
BALANCES WITH OTHER BANKS	11,371,321	2,660,521
ITEMS IN COURSE OF COLLECTION	2,944,044	992,502
PLACEMENTS WITH LOCAL BANKS	14,335,249	13,387,412
PLACEMENTS WITH FOREIGN BANKS	11,221,330	24,712,457
INCLUDED IN CASH AND CASH EQUIVALENTS (NOTE 25)	**39,871,944**	**41,752,892**

15. GOVERNMENT SECURITIES HELD TO MATURITY

	2011	2010
	SHS 000	SHS 000
TREASURY BILLS MATURING WITHIN 90 DAYS	3,217,889	498,103
TREASURY BILLS MATURING AFTER 90 DAYS	16,144,814	20,608,082
TREASURY BONDS MATURING WITHIN 5 YEARS	12,562,774	17,681,200
TREASURY BONDS MATURING AFTER 5 YEARS	11,945,000	7,025,016
TOTAL GOVERNMENT SECURITIES HELD-TO-MATURITY	**43,870,477**	**45,812,401**

Treasury bills and bonds are debt securities issued by the Government of the United Republic of Tanzania.

16. LOANS AND ADVANCES TO CUSTOMERS

	2011	2010
	SHS 000	SHS 000
LOANS AND ADVANCES TO CORPORATE CUSTOMERS	117,477,288	70,461,484
LOANS AND ADVANCES TO RETAIL CUSTOMERS	35,594,694	34,488,946
GROSS LOANS AND ADVANCES	153,071,982	104,950,430
LESS: CREDIT IMPAIRMENT PROVISION	(2,040,912)	(1,844,194)
NET LOANS AND ADVANCES	**151,031,070**	**103,106,236**
CURRENT	65,645,383	48,929,885
NON CURRENT	87,426,599	56,020,545
TOTAL	**153,071,982**	**104,950,430**

Movement in provision for impairment of loans and advances by class is as follows:

	RETAIL CUSTOMERS	CORPORATE CUSTOMERS & SMES	TOTAL
	SHS 000	SHS 000	SHS 000
BALANCE AT 1 JANUARY 2011	682,951	1,161,243	1,844,194
INCREASE IN IMPAIRMENT	677,097	1,105,511	1,782,608
WRITE OFFS	(757,411)	(828,479)	(1,585,890)
AT 31 DECEMBER 2011	**602,637**	**1,438,275**	**2,040,912**
BALANCE AT 1 JANUARY 2010	519,715	871,169	1,390,884
INCREASE IN IMPAIRMENT	184,010	1,073,005	1,257,015
WRITE OFFS	(20,774)	(782,931)	(803,705)
AT 31 DECEMBER 2010	**682,951**	**1,161,243**	**1,844,194**

17. OTHER ASSETS

	2011	2010
	SHS 000	SHS 000
PREPAID EXPENSES	1,691,483	1,589,484
SUNDRY DEBTORS AND STOCKS OF STATIONERY	121,411	125,900
TOTAL	**1,812,894**	**1,715,384**
CURRENT	**1,812,894**	**1,715,384**

18. PREMISES AND EQUIPMENT

	LEASEHOLD PREMISES	MOTOR VEHICLES	EQUIPMENT	FURNITURE & FITTINGS	WORK IN PROGRESS	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
COST						
AT 1 JANUARY 2010	3,114,707	153,870	3,087,910	316,329	97,254	6,770,070
ADDITIONS	940,825	315,115	675,650	87,908	195,484	2,214,982
DISPOSALS	-	(132,121)	(1,582)	-	-	(133,703)
TRANSFER	69,900	-	14,636	-	(84,536)	-
AT 31 DECEMBER 2010	**4,125,432**	**336,864**	**3,776,614**	**404,237**	**208,202**	**8,851,349**
DEPRECIATION						
AT 1 JANUARY 2010	841,148	135,183	1,126,574	184,312	-	2,287,217
CHARGE FOR THE YEAR	637,130	18,393	578,178	44,361	-	1,278,062
DISPOSALS	-	(132,121)	(474)	-	-	(132,595)
AT 31 DECEMBER 2010	**1,478,278**	**21,455**	**1,704,278**	**228,673**	**-**	**3,432,684**
NET BOOK VALUE:						
AT 31 DECEMBER 2010	**2,647,154**	**315,409**	**2,072,336**	**175,564**	**208,202**	**5,418,665**
COST						
AT 1 JANUARY 2011	4,125,432	336,864	3,776,614	404,237	208,202	8,851,349
ADDITIONS	634,699	-	1,122,910	116,049	383,379	2,257,037
TRANSFER	208,201	-	-	-	(208,201)	-
AT 31 DECEMBER 2011	**4,968,332**	**336,864**	**4,899,524**	**520,286**	**383,380**	**11,108,386**
DEPRECIATION						
AT 1 JANUARY 2011	1,478,278	21,455	1,704,278	228,673	-	3,432,684
CHARGE FOR THE YEAR	814,260	67,374	732,535	64,894	-	1,679,063
AT 31 DECEMBER 2011	**2,292,538**	**88,829**	**2,436,813**	**293,567**	**-**	**5,111,747**
NET BOOK VALUE:						
AT 31 DECEMBER 2011	**2,675,794**	**248,035**	**2,462,711**	**226,719**	**383,380**	**5,996,639**

No property and equipment has been pledged as collateral.

19. INTANGIBLE ASSETS

	2011	2010
	SHS 000	SHS 000
COMPUTER SOFTWARE		
AT START OF YEAR	1,137,190	1,345,972
ADDITIONS	83,508	158,811
AMORTISATION	(398,573)	(367,593)
AT END OF YEAR	**822,125**	**1,137,190**
AT 31 DECEMBER		
COST	2,376,847	2,293,339
ACCUMULATED AMORTISATION	(1,554,722)	(1,156,149)
NET BOOK VALUE	**822,125**	**1,137,190**

20. DEPOSITS FROM CUSTOMERS

	2011	2010
	SHS 000	SHS 000
CURRENT ACCOUNTS	102,015,883	77,340,844
TIME DEPOSITS	104,002,662	104,638,182
SAVINGS DEPOSITS	19,787,823	13,136,229
OTHERS	298,884	485,933
TOTAL	**226,105,252**	**195,601,188**
CURRENT	226,105,252	195,593,847
NON CURRENT	-	7,341
TOTAL	**226,105,252**	**195,601,188**

21. SUBORDINATED LOANS

	2011	2010
	SHS 000	SHS 000
INTERNATIONAL FINANCE CORPORATION (IFC)	7,121,160	-
PROPARCO	6,329,920	-
INTEREST ACCRUED	104,875	-
TOTAL	**13,555,955**	**-**

21. SUBORDINATED LOANS (CONTINUED)

International Finance Corporation (IFC) and PROPARCO issued US$ 4,500,000 and US$ 4,000,000 respectively. Both facilities bear interest rate of 6 months LIBOR + 4.5% and have a tenor of seven years. Principal repayment for PROPARCO loan will commence in April 2013 and IFC loan on December 2015. The facilities have been issued on the goodwill of BANK OF AFRICA GROUP and therefore the Bank has not pledged any tangible securities in respect of these loans. Effective interest rate for IFC loan and PROPARCO loan were 6.5% and 6% respectively. The fair value of the subordinated loans equals the carrying amount as the impact of discounting is not significant due to six months repricing.

Maturity profile of the Subordinated loans is as follows:

	2011	2010
	SHS 000	SHS 000
LESS THAN 12 MONTHS	104,875	-
BETWEEN 1 AND 5 YEARS	9,336,632	-
OVER 5 YEARS	4,114,448	-
TOTAL	**13,555,955**	**-**

22. OTHER LIABILITIES

	2011	2010
	SHS 000	SHS 000
BANK DRAFTS PAYABLE	708,257	804,167
ACCRUALS AND OTHER PROVISIONS	1,720,158	1,102,953
DEFERRED COMMITMENT AND FACILITY FEES	695,335	635,721
TOTAL	**3,123,750**	**2,542,841**

23. DEFERRED INCOME TAX

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

	2011	2010
	SHS 000	SHS 000
AT 1 JANUARY	350,946	261,962
CHARGE/(CREDIT) TO PROFIT AND LOSS ACCOUNT		
- CURRENT YEAR (NOTE 11)	24,236	87,791
- PRIOR YEARS	(1,538)	1,193
AT 31 DECEMBER	**373,644**	**350,946**

Deferred tax assets and liabilities and deferred tax charge to the profit and loss account are attributed to the following items:

	1 JANUARY 2011	CHARGE/(CREDIT) TO PROFIT AND LOSS ACCOUNT	31 DECEMBER 2011
	SHS 000	SHS 000	SHS 000
DEFERRED TAX LIABILITY			
ACCELERATED TAX DEPRECIATION	268,844	(26,059)	242,785
OTHER TIMING DIFFERENCES	82,102	48,757	130,859
TOTAL	**350,946**	**22,698**	**373,644**

24. SHARE CAPITAL

	2011	2010
	SHS 000	SHS 000
AUTHORISED		
2,000 CLASS "A" ORDINARY SHARES OF SHS 1 MILLION EACH	2,000,000	2,000,000
4,100 CLASS "B" ORDINARY SHARES OF SHS 375,000 EACH	1,537,500	1,537,500
185,352 (2010: 98,991) CLASS "C" ORDINARY SHARES OF SHS 115,792 EACH	21,462,279	11,462,366
1 CLASS "D" ORDINARY SHARE OF SHS 32,688	33	33
1 CLASS "E" ORDINARY SHARE OF SHS 101,440	101	101
1 CLASS "F" ORDINARY SHARE OF SHS 87,088	87	-
TOTAL	**25,000,000**	**15,000,000**
CALLED UP AND FULLY PAID		
2,000 CLASS "A" ORDINARY SHARES OF SHS 1 MILLION EACH	2,000,000	2,000,000
4,100 CLASS "B" ORDINARY SHARES OF SHS 375,000 EACH	1,537,500	1,537,500
131,759 (2010: 90,257) CLASS "C" ORDINARY SHARES OF SHS 115,792 EACH	15,256,638	10,451,039
TOTAL	**18,794,138**	**13,988,539**

During the year, 42,124 class "C" ordinary shares were issued to existing shareholders, and 41,502 were subscribed and paid for at premium resulting into an increase in share premium by Shs 3,134 million. All classes of shares rank pari-passu in voting rights and dividend payments.

24. SHARE CAPITAL (CONTINUED)

The shareholding of the Bank was as follows:

	2011	2010
	%	%
BANK OF AFRICA – KENYA	24.29	34.14
AUREOS EAST AFRICA FUND LLC	13.83	18.59
BIO-BELGIAN INVESTMENT COMPANY FOR DEVELOPING COUNTRIES	22.46	22.07
AFH-OCEAN INDIEN	24.60	6.42
TANZANIA DEVELOPMENT FINANCE LIMITED (TDFL)	10.29	11.00
FMO-NETHERLANDS DEVELOPMENT FINANCE CORPORATION	2.76	2.56
OTHERS	1.77	5.22
TOTAL	**100.00**	**100.00**

25. CASH AND CASH EQUIVALENTS

	2011	2010
	SHS 000	SHS 000
CASH AND BALANCES WITH BANK OF TANZANIA (NOTE 12)	39,246,992	33,052,123
LESS: STATUTORY MINIMUM RESERVE (SMR)	(21,640,000)	(20,100,000)
TOTAL	**17,606,992**	**12,952,123**
GOVERNMENT SECURITIES HELD TO MATURITY (MATURING WITHIN 90 DAYS) (NOTE 15)	3,217,889	498,103
LOANS AND ADVANCES TO BANKS (NOTE 14)	39,871,944	41,752,892
TOTAL	**60,696,825**	**55,203,118**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with Central Bank, treasury bills and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Tanzania.

26. CONTINGENT LIABILITIES AND COMMITMENTS

In common with other banks, the Bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2011	2010
	SHS 000	SHS 000
LOAN COMMITMENT, GUARANTEE AND OTHER FINANCIAL FACILITIES		
UNDRAWN FORMAL STAND-BY FACILITIES, CREDIT LINES AND OTHER COMMITMENTS TO LEND	14,185,223	10,209,597
OUTSTANDING LETTERS OF CREDIT (FOREIGN CURRENCY)	2,222,914	441,552
OUTSTANDING GUARANTEES AND INDEMNITIES:		
- FOREIGN CURRENCY	13,151,117	4,114,723
- LOCAL CURRENCY	5,466,791	7,065,637
TOTAL	**35,026,045**	**21,831,509**

Letters of credit and guarantees

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers. Guarantees are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customers' default.

Commitments

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

	2011	2010
	SHS 000	SHS 000
CAPITAL COMMITMENTS		
CAPITAL EXPENDITURE THAT HAS BEEN APPROVED BY THE BOARD BUT NOT YET CONTRACTED FOR	970,560	216,320

Legal claims

Five employees have sued the Bank for unfair dismissal in the past. Furthermore, two loan customers are suing the Bank. The amounts claimed in both situations are not material and professional advice indicates that it is unlikely that any significant loss will arise.

27. RELATED PARTY TRANSACTIONS

The shareholders of the Bank are disclosed in Note 24. The ultimate holding company of the Bank is BANK OF AFRICA GROUP.

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. Related companies are those which are owned by directors and shareholders of the Bank. The volumes of related party transactions, outstanding balances at the year end and the related expenses and income for the year are as follows:

	2011	2010
	SHS 000	SHS 000
DEPOSITS AND LOANS AND ADVANCES TO DIRECTORS AND KEY MANAGEMENT PERSONNEL		
DEPOSITS	257,490	292,949
LOAN AND ADVANCES	157,520	142,255
INTEREST INCOME RECEIVED	20,599	12 622
INTEREST EXPENSE PAID	(3,411)	(2,104)
BALANCES WITH RELATED ENTITIES		
LOAN AND ADVANCES TO BANK OF AFRICA GROUP BANKS	10,361,640	15,708,049
DEPOSITS FROM BANK OF AFRICA GROUP BANKS	14,301,679	6,622,284
TRANSACTIONS WITH RELATED ENTITIES		
INTEREST INCOME RECEIVED	243,445	116,558
INTEREST EXPENSE INCURRED	(26,417)	(91,369)
FOREIGN EXCHANGE INCOME RECEIVED	784,216	738,990
OPERATING EXPENSES PAID TO BANK OF AFRICA GROUP BANKS	(975,780)	(721,070)
GUARANTEE FEES EXPENSE PAID TO BANK OF AFRICA GROUP BANKS	(170,291)	(154,141)
KEY MANAGEMENT COMPENSATION		
SALARIES AND OTHER SHORT TERM EMPLOYEE BENEFITS	1,203,479	1,048,550
POST-EMPLOYMENT BENEFITS	98,925	75,912
TOTAL	**1,302,404**	**1,124,462**

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

DIRECTORS' REMUNERATION

Fees and other emoluments paid to Directors of the Bank during the year are as follows:

	2011		2010	
NAME	DIRECTORS FEES	OTHER EMOLUMENTS	DIRECTORS FEES	OTHER EMOLUMENTS
	SHS'000	SHS'000	SHS'000	SHS'000
AMBASSADOR F. KAZAURA	16,458	-	15,380	-
MR. E. OLE NAIKO	6,330	-	5,915	-
MR. PAUL DERREUMAUX	6,330	-	5,915	-
MR. KOBENA ANDAH	-	283,958	-	464,174
MR. VINCENT DE BROUWER	6,330	-	5,915	-
MR. PETER LOCK	6,330	-	5,915	-
MR. SHAKIR MERALI	6,330	-	5,915	-
MR. HENRI LALOUX	6.330	-	5,915	-
MR. M'FADEL EL HALAISSI	6,330	-	2,965	-
MR. MOHAMED BENNANI	3,165	-	-	-
MR. AMMISHADDAI OWUSU-AMOAH	-	258,329	-	-
TOTAL	**63,933**	**542,287**	**53,835**	**464,174**

28. EVENTS AFTER BALANCE SHEET DATE

There were no significant events after the balance sheet date.

BANK OF AFRICA – TANZANIA www.boatanzania.com

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HEAD OFFICE

BANK OF AFRICA – TANZANIA

NDC Development House – Ohio Street Kivukoni Front – P.O. Box 3054 – Dar es Salaam – TANZANIA
Phone: (255) 22 211 01 04 / 211 12 90 – Fax: (255) 22 211 37 40 – Mobile: (255) 754 885 538 / 787 933 335
Swift: EUAFTZTZ – E-mail <boa@boatanzania.com>

DAR ES SALAAM BRANCHES

HEAD OFFICE BRANCH / NDC BRANCH

NDC Development House – Ohio Street Kivukoni Front
P.O. Box 3054 – Dar es Salaam
Phone: (255) 22 211 01 04 / 211 12 90 – Fax: (255) 22 211 37 40

AGGREY BRANCH

Aggrey Street – P.O. Box 3054 – Dar es Salaam
Phone: (255) 22 218 47 91 / 3 – Fax: (255) 22 218 47 62

AIRPORT BRANCH

Safasha Plaza – Nyerere Road – P.O. Box 3054 – Dar es Salaam
Phone: (255) 22 286 44 81 / 2 – Fax: (255) 22 286 04 81

ILALA BRANCH

Ilala Amana Uhuru Road – P.O. Box 3054 – Dar es Salaam
Phone: (255) 22 286 31 92 / 3 – Fax: (255) 22 286 31 94

KIJITONYAMA BRANCH

Leticia Towers – Kijitonyama, Bagamoyo Road
P.O. Box 3054 – Dar es Salaam
Phone: (255) 22 277 13 57 / 14 38 – Fax: (255) 22 270 01 48

MBEZI BEACH BRANCH

Mbezi Beach, Africana Junction
P.O. Box 3054 – Dar es Salaam
Phone: (255) 22 262 75 73 / 4 – Fax: (255) 22 262 75 75

MTONI BRANCH

Kilwa Road – P.O. Box 3054 – Dar es Salaam
Phone: (255) 22 285 68 37 / 8 – Fax: (255) 22 285 68 39

MSIMBAZI BRANCH

Big Bon Building, Msimbazi Street – P.O. Box 3054 – Dar es Salaam
Phone: (255) 22 218 01 37 / 8 – Fax: (255) 22 218 01 68

SINZA BRANCH

Maembe Commercial Centre – Shekilango Road
P.O. Box 3054 – Dar es Salaam
Phone: (255) 22 246 13 58 / 9 – Fax: (255) 22 246 13 60

TANDIKA BRANCH

Tandika Police Post – Ugweno / Chihota Street
P.O. Box 3054 – Dar es Salaam
Phone: (255) 22 285 64 17 / 21 – Fax: (255) 22 285 64 19

REGIONAL BRANCHES

ARUSHA BRANCH

ACU Building – Sokoine Road – P.O. Box 1591 – Arusha
Phone: (255) 27 254 51 28 / 9 – Fax: (255) 27 254 51 30

MBEYA BRANCH

Century Plaza, Mafiat / Mwanjelwa Street – P.O. Box 6414 – Mbeya
Phone: (255) 25 250 31 70 / 26 84 – Fax: (255) 25 250 26 27

MOROGORO BRANCH

Madaraka Street – Plot No. 23 24 – P.O. Box 2100 – Morogoro
Phone: (255) 23 261 36 81 / 2 – Fax: (255) 23 261 36 83

MOSHI BRANCH

Market Street – P.O. Box 8156 – Moshi
Phone: (255) 27 275 02 72 / 3 – Fax: (255) 27 275 02 98

MWANZA BRANCH

Kaluta / Lumumba Streets – P.O. Box 381 – Mwanza
Phone: (255) 28 254 22 99 – Fax: (255) 28 254 12 78 /22 94

TUNDUMA BRANCH

Mwaka Street – P.O. Box 74 – Tunduma
Phone: (255) 25 253 04 32 – Fax: (255) 25 253 04 35

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