Annual Report
and FINANCIAL STATEMENTS 2015

AKIBA COMMERCIAL BANK PLC

the bank for your development

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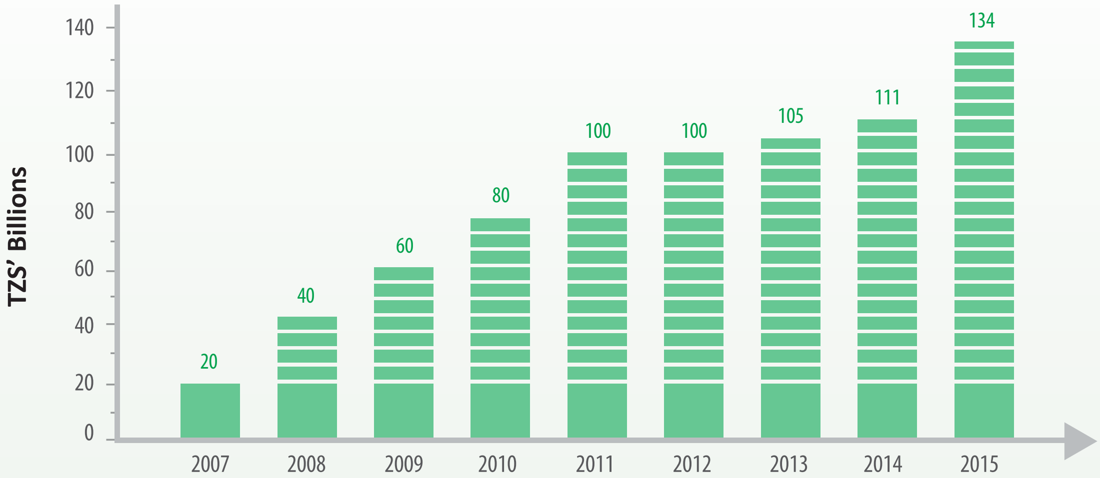

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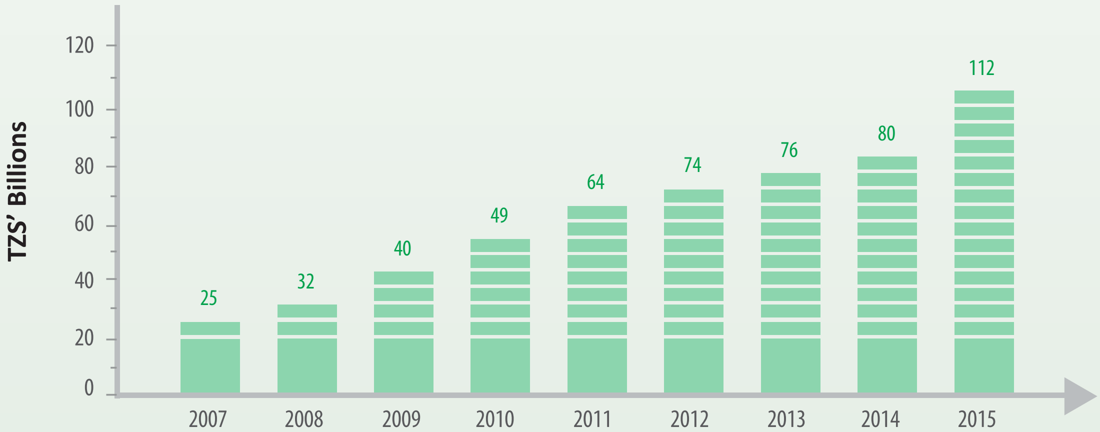

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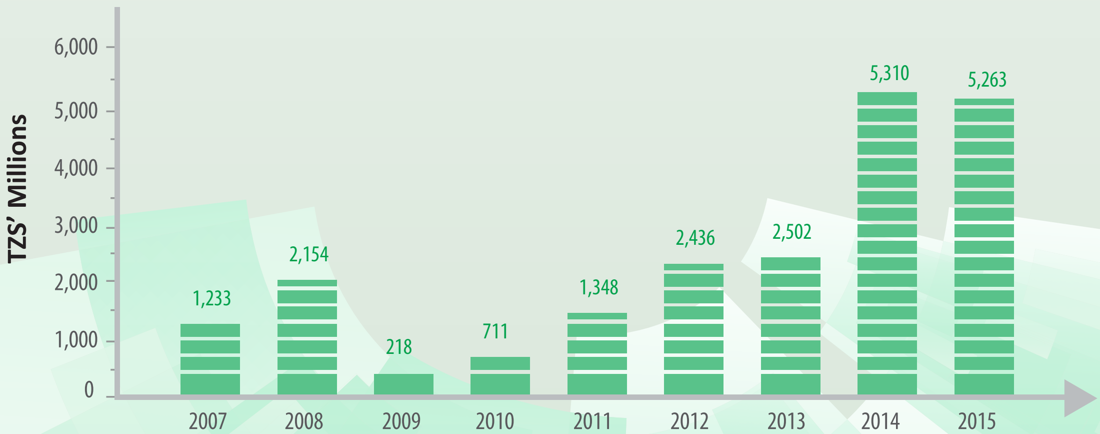

Growth in Key Business Areas

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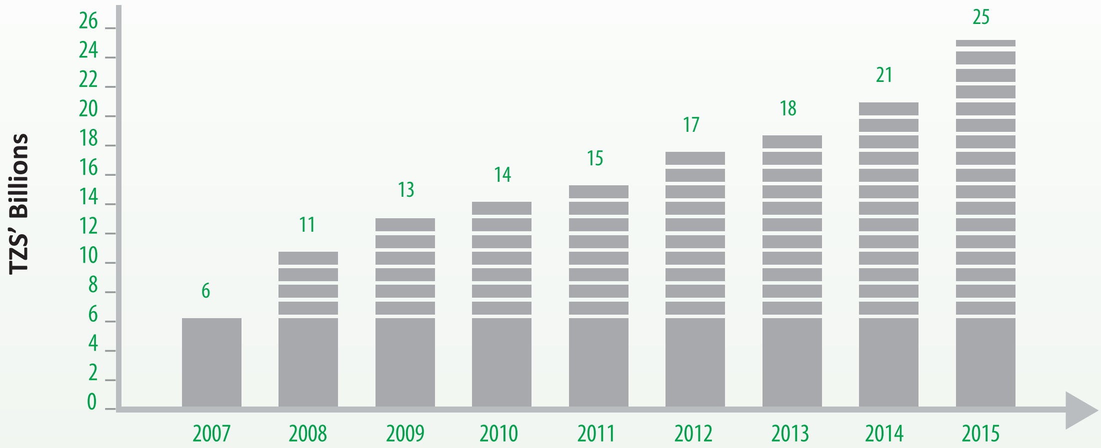

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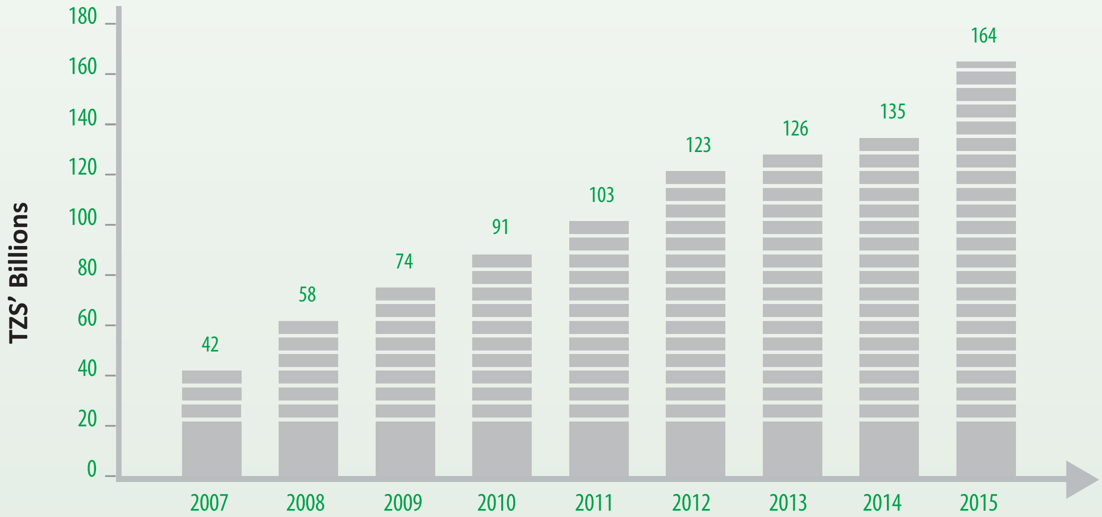

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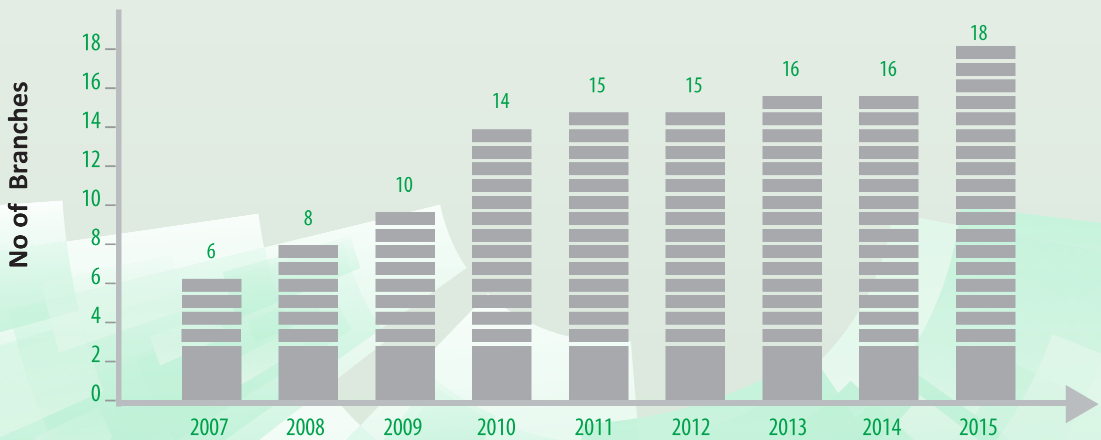


Letter of transmittal

Dear Shareholders,

It is my pleasure, on behalf of Board of Directors, to present to you the Bank's Annual Report for the year 2015. The report contains the Audited Financial Statements, major events that happened during the year, achievements and future business prospects for the bank. It is my hope that this report will meet your approval.

Yours faithfully,

Ernest Massawe
Chairman

Akiba Commercial Bank Plc

Our vision and Mission

Our Vision

To be the preferred banking partner for micro, small and medium enterprises.

Our Mission

To provide inclusive innovative financial solutions in the most efficient and sustainable manner.

Akiba Commercial Bank Plc commenced banking operations in August 1997 as an initiative of over 300 Tanzanian entrepreneurs who were inspired overall to move into micro-finance, by the moral and economical concern for the plight of Tanzanians. These founding members were bound together by a strong conviction that in Akiba, they would have the vehicle with which they would reach and touch the lives of previously un-banked and commercially undeserved men and women of Tanzania.

Bank's Vision and Mission

The bank's vision and mission was to support the emergence of down to earth Tanzanian businesses through the provision of financial services at all levels, by a Tanzanian-owned commercial bank, which understood Tanzanians and was committed to Tanzania. This was the original, very firm and deep rooted vision of founder members of Akiba in Tanzania.

In order to strengthen the resource base of the bank, the founding members over time invited like-minded local institutional investors namely, Inter-consult Ltd, PPF, TDFL, and NIC, and foreign institutions such as Triodos Hivos, Triodos Fonds, FMO, Rabo Bank, (all of The Netherlands), SIDI of France, and INCOFIN of Belgium.

All these institutions were invited because they share the same vision; and were willing to participate actively without being driven by profits as their main objective; rather they were also committed to uplift the economic status of Tanzanians, irrespective of their socio economic positions in life, so long as they have entrepreneurial skills that can be nurtured. ACB's target markets are small and medium sized entrepreneurs, companies and community banks

Our Core Values

Team work;
Integrity;
Commitment;
Respect;
Socially Responsible;
As a commited bank we are guided by the above mentioned Core Values in all activities we undertake.

Chairman's Statement

"Akiba Commercial Bank remains focused in supporting its targeted market at the bottom of the pyramid. The Bank will continue to refine its products and introduce new innovative ones in order to grow its business. The Bank continues to play its role in deepening and fostering financial inclusion in order to reach out to the underserved population."

Mr. Ernest Massawe
Chairman

It gives me pleasure, once again, to report to the shareholders and all the other stakeholders of Akiba Commercial Bank PLC on the financial and operational status of the Bank in 2015. It also gives me pleasure to report that Akiba Commercial Bank continues to register good performance thereby strengthening shareholders' funds, improving livelihoods of its customers and contributing to economic growth of Tanzania in general.
It has not been an easy year but Board of Directors, Management and Staff worked hard to achieve the good results.

Economic Trends

The Tanzanian economy continued to be the fastest growing among the EAC Countries, with a projected rate of economic growth of 7.0 percent in 2015. The growth was primarily driven by rapidly growing sectors such as hotels and restaurants, construction, finance and trade. While the agricultural sector experienced continuous slow growth in 2015, the manufacturing sector grew at a rate of about 8 percent in the fourth quarter of 2015, primarily driven by lower fuel costs, increased flow of credit and increase in the volume of regional trade.

The rate of inflation trended upwards during the second half of 2015 largely due to increases in domestic food prices. The rate of inflation reached 6.8 percent in December 2015, mainly due to increases in domestic food prices and the lagged impact of the sharp depreciation of the Tanzanian Shilling, particularly during the first half of 2015. Prudent monetary policy and the decline in energy prices played a role in dampening the effects of the increases in domestic food prices and of the depreciation in the value of the currency.

The Shilling depreciated by approximately 25 percent in the first half of 2015, largely due to the strength of the US dollar, the high level of liquidity in the banking system and seasonal low export earnings. The rapid depreciation was exacerbated by delays in the mobilization of external program financing. However the value of the Shilling remained fairly stable relative to the US dollar from August 2015.

In the first quarter of 2015, liquidity in the market was volatile with overnight rates moving from 5% in March 2015 to peak at 35% in July 2015. Average interest rate on deposits of various maturity spectrum rose from 10.66% in 2014 to 11.08% in December 2015. On the other hand average lending rate rose from 15.75% in 2014 to 16.41% and the Overall Treasury Bill weighted average yield increased from 16.11% in 2014 to 18.20% in December 2015.

Banking Sector Highlights

The banking sector remained sound and adequately capitalized and profitable; already, almost all banks have increased their capital adequacy levels to the new regulatory levels ahead of schedule. Gross non-performing loans declined from 8.4% to gross loans in September 2014 to 6.6% in September 2015.

In an effort to continue its thrust in deepening financial inclusion and in line with the National Financial Inclusion Framework, the authorities took various measures to achieve the target set of 50 percent formal access to financial services by 2016. A financial education strategy was put in place to ensure customers are well informed.

Performance Highlights

Akiba Commercial Bank has continued to witness increased activity in the loan book which grew from TZS 77.2 billion in December 2014 to TZS 107.3 billion in December 2015. This was a result of intensified marketing efforts by staff. The Bank Net Profit before Tax stood at TZS 5.3 billion **(TZS 5.3 billion in 2014)**, the Bank recorded Total Assets of TZS 163.7 billion from TZS 135.3 billion as at December 2014. I am also pleased to report that our Core Capital increased from TZS 16 billion in December 2014 to TZS 19.3 billion. The Bank's earnings per share have also increased from TZS 400 in 2014 to TZS 466 in 2015.

During the year, Akiba Commercial Bank opened Mwanza and Mbeya Branches in June and October 2015 respectively thus bringing the number of branches to 18.

Dividend Proposal

In deciding on the amount of dividend to be paid to the Shareholders, the Board of Directors always tries to balance between maximizing shareholder value as well as the need to plough back funds into the company for future and sustainable business growth.

I am glad to report that the Board has recommended a cash dividend of TZS75 per share for the year ended December 2015. This is a significant increase from last year's dividend of TZS30 per share and a clear demonstration of confidence in the strength of the Bank's balance sheet and sustainable profitable trend.

Changes in the Board

There has been one change in the composition of the Board during the year. One of Akiba Commercial Bank Shareholders, Incofin CVSO and SIDI announced the replacement of Stephane Sapor by Jean Marie Prévost as their new representative. I would like to thank Mr Stephane Sapor for his contribution and welcome on board Mr Jean-Marie Prévost.

2016 Outlook

Tanzania held successful general elections in October 2015 which saw the ruling party, Chama Cha Mapinduzi retain its majority in Parliament and Honorable John Pombe Magufuli was elected as the President of the Fifth Phase Government. Since his inauguration, President Magufuli has been implementing various measures and policies to improve the performance of Government. Revenue collection has improved tremendously and continues to increase month on month.

The economy is expected to grow by 7.2% during 2016/17 fiscal year and Government is determined to strengthen revenue collection. More emphasis is going to be placed on infrastructure development in order to spur development. Inflation is expected to remain in single digit range whilst foreign exchange is to remain stable.

Akiba Commercial Bank remains focused in supporting its targeted market at the bottom of the pyramid. The Bank will continue to refine its products and introduce new innovative ones in order to grow its business. The Bank continues to play its role in deepening and fostering financial inclusion in order to reach out to the underserved population. Cost control will be closely monitored in order to remain competitive. There are no plans to open new branches currently as the Bank would like to consolidate and expand its operations by moving into agency and digital banking in order to increase its footprints across the country.

Appreciation

In conclusion, I would like to take this opportunity to thank the management team and all the staff who worked so tirelessly to achieve these results and reach a new milestone in 2015. I like to convey my appreciation to the support and guidance from my fellow Board members, management staff for their tireless effort, our customer for their loyalty and trust in our Bank, our development partners for their invaluable support and all other stakeholders who have stood by us over the years.

Regards

Ernest Massawe
Chairman

Akiba Commercial Bank Plc

Board of Directors

Mr. Ernest Massawe
Chairman

Mr. Brian Kuwik
Director

Mr. Selestine J. Some
Director

Ms. Liesbeth Soer
Director

Dr. Richard Kasungu
Director

Mr. Joseph Rugumyamheto
Director

Mr. John Fischer
Director

Jean-Marie Prévost
Director

Alternate Directors

Melissa Lumpkin Baez
Alternate Director

Frank Streppel
Alternate Director

ACB
AKIBA COMMERCIAL BANK PLC

Akiba Bancassurance Launch

Akiba Bancassurance Launch through a partnership with Sanlam and UAP. Now the bank is offering a comprehensive insurance service for both life and non life covers.

Sanlam

UAP
Better. Simple. Life.
UAP INSURANCE TANZANIA LIMITED

Management Report

"The Bank is working very closely with vicobas with a view to introducing them to banking. Vicobas should not keep their savings in metal boxes at home but bring them to the Bank. Akiba Commercial Bank is therefore fostering financial inclusion among vicoba groups."

Israel Chasosa
Managing Director

Financial Review

It gives me great pleasure to present my maiden report since joining Akiba Commercial Bank mid-year. The year 2015 had its challenges but with the support of Board of Directors, management and all staff, we managed to good results.

Akiba Commercial Bank made a profit before tax of TZS 5.3 billion which was the same as in 2014 due to increase in staff and administration expenses. Total assets grew by 21% from TZS 135.2billion to TZS163.7billion whilst loans and advances increased from TZS 77.2billion (2014) to TZS 107.2billion. This was driven mainly by growth in Biashara Loans which accounted for 66% of the loan portfolio and measures are being put in place to reduce reliance from this segment. Shareholders' funds were enhanced by 17% from TZS 21.4billion (2014) to TZS 25.2billion which is well above the limit of TZS 15.0 billion.

Business Development

The year 2015 was marked with a lot of transformation through innovating and repositioning some of the Bank's products and services. Some new products were introduced to the portfolio in our quest to deepen financial inclusion.

Akiba Commercial Bank introduced ACB Mobile banking service in 2012 which become key to fostering and deepening financial inclusion. During the year the Bank made further improvements firstly by rebranding the service to become Akiba Mobile. The range of services on the menu were improved and now include loan account balance and the call centre numbers have been added on support menu. The Bank listened to customers' requirements and made a decision to offer Akiba Mobile banking free of any charges. The main objective is to popularise mobile banking in order to reduce the traffic in our banking halls. The Bank continues to educate customers to make more use of Akiba Mobile so they experience the convenience of banking from anywhere and anytime – *saving money, saving time.*

The Bank continued to enrol customers under biometric to enhance Know-Your-Customer to improve customer information. The enrolment has been slow but customers have been responding to the Bank's calls. This exercise is very critical because customers will be able to carryout transactions at the Bank without the need to produce personal identification.

Due to demand by customers and the need to broaden the income streams, the Bank introduced new products during the year. It is important to reiterate, once again, that financial inclusion is part of our DNA as we continue to reach out to our target market at the bottom of the pyramid.

Trade finance products were introduced in response to demands by our customers. The Bank introduced letters of credit and letters of guarantee to contractors, distributors of cement and beverages and importers of goods. The Bank also encouraged customers to use Akiba Commercial Bank for local and international funds transfers. The products have been well received and there is potential for growth.

The Bank insists on insuring assets which are pledged as security and sometimes customers are charged high premium rates. The Bank got an insurance broking licence in 2015 from the Tanzania Insurance Regulatory Authority to market insurance products of all classes. Akiba Commercial Bank offers wide variety of insurance services in partnership with Sanlam Life Insurance Company and UAP Insurance Company. The Bank has negotiated good premium rates which made it more affordable to our customers. This has broadened the range of financial services the Bank offers thus making it a one-stop shop and is gaining popularity.

Tanzania has a population of 48 million of which 80% live in the rural areas engaged mainly in farming activities. The founders of Akiba Commercial Bank had a vision to empower the underserved members of the community. Whilst the Bank supports various business ventures in urban / peri-urban areas, a decision was made to provide financial services to smallholder farmers. Some pilot projects were initiated in Songea to have a better understanding of smallholder farmers. The Bank works with other partners in supporting smallholder farmers and intends to scale up in future.

The Government of Tanzania promotes the establishment of self-help groups which are popularly known as village cooperative banks (VICOBA). Vicoba mobilize deposits from their members and on-lend to them for various projects. The Bank is working very closely with vicobas with a view to introducing them to banking ysytems. Vicobas should not keep their savings in metal boxes at home but bring it to the Bank. Akiba Commercial Bank is therefore fostering financial inclusion among vicoba groups.

The Bank continues to use its core banking system to improve its operations to become more efficient. During the year, a lot of effort was put to automate some of its processes especially on revenue collection. This has helped the Bank to reduce income leakages due to human intervention.

Akiba Commercial Bank greatest asset is the human resource. The Bank places a lot of emphasis on training of staff to ensure that they are fully equipped for the future growth. A training manager was appointed to conduct various courses to new and existing staff. Specialized courses are held with the assistance of Accion Technical Team and, in some instances, staff have attended seminars or trainings outside Tanzania. Our goal is to make sure that all our staff undergo training at least once a year.

Corporate Social Responsibility (CSR)

The year under review continued to reflect well on our corporate Social Responsibility initiatives' to the community we serve. The bank's community agenda continued to focus on education, health and environment as per its CSR Policy. Various donations were done to hospital in terms of equipment and fabrics. On Environment, the bank continues to maintain Independence Square Garden in Dodoma

Capital city and also participated well in Environmental cleanliness initiatives by cleaning various market places as well as donating cleanliness items to support the programme that was initiated by President of the United Republic of Tanzania, Hon.Dr. John Pombe Magufuli during Independence celebrations.

Future Business Prospects

Akiba Commercial Bank is operating in a highly competitive environment with well over 50 commercial banks and numerous microfinance/community banks. The Bank remains focused on its strategy of serving its target market rooted at the bottom of the pyramid. The Bank must continue to improve on being customer centric thus understanding the needs of its customers and, meeting and exceeding their expectations. The Bank must leverage on the new branches in Mbeya and Mwanza which commenced operations last year.

Akiba Commercial Bank is preparing to rollout agency banking in 2016 in order to bring banking services closer to the customers. Akiba Mobile banking service has been enhanced to encourage customers to conduct their banking at their own convenience.

The Bank will continue to improve its core banking system taking into account its future requirements. Plans have been put in place to upgrade the system in 2016. Furthermore, a lot of processes are being automated to improve on efficiency and reduction in income leakages.

Technology is going to play a key role in our future operations.

Acknowledgement

I would like to take this opportunity to express my gratitude to the shareholders and development partners for their continued support in growing the Bank. I would also like to specially mention all our customers who have shown trust and confidence in Akiba Commercial Bank. Our customers are the lifeblood of our business and we will always do our best to repay their loyalty by being customer centric and providing the best customer service.

Since joining the Bank, I have enjoyed a lot of support from the Board of Directors who have helped me to settle down and guided me implement some of the new initiatives. I am indebted to the Board of Directors for their guidance and invaluable support.

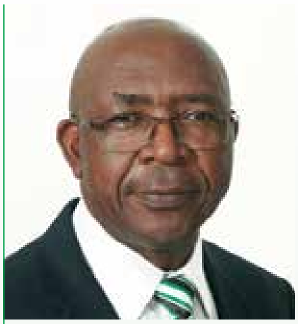
I could not have attained all the aforementioned achievements without the full support of our staff who are passionate and committed to the growth of the Bank. Our staff are committed and live our core values and this gives me confidence that, if guided by our common purpose and vision, Akiba Commercial Bank is poised greater heights in the banking industry.

Lastly but not least, I would like to acknowledge the wonderful work done by my predecessor, John Lwande, for steering the ship over the years to what it is today. John Lwande left the Bank in a very good state and ready for take-off to the next heights.

Thank you.

Israel Chasosa
Managing Director

Akiba Commercial Bank PLC



Israel Chasosa
Managing Director

Bertha Simon
General Manager - Finance

Felician Girambo
General Manager- Commerce

Juliana Swai
General Manager - Operations

Edward Talawa
General Manager - ICT

Robert Masala
Head of Human Resources

Leynnette Machibya
Head of Risk and Compliance

Dora Saria
Ag. Head of Marketing and Communications

Chemo Mutani
Chief Internal Auditor

Niwaeli Mziray
Company Secretary

MR. GIDEON MARWA

...Mr. Gideon believes with Akiba Commercial Bank, the sky is the limit.

For 12 years (1991-2003), Mr. Gideon Marwa (47) was involved in selling used goods, popularly known as "mitumba" around Kariakoo Area, Dar es Salaam city. That involved selling second hand shoes and clothes mainly targeting women.

But since 2003, Mr. Marwa, father of three, changed from his second hands clothes and shoes business to health sector. He started engaging in selling laboratory apparatus where he believes it gave him better profit given the high demand for health facilities. Since embarking in business, Mr. Marwa said he gave little concern to financial planning.

Profits earned and savings made were quickly spent without any planning thus leaving very little for family upkeep.

But things changed when he opened an account and started banking with Akiba Commercial Bank Plc. in 2009. He realized that life could be different through borrowing and savings. After meeting with Akiba officials, he was then made aware that banking with Akiba could greatly improve the performance of his business and family welfare.

"Akiba Commercial Bank has helped me to grow my business and gave me the confidence to think BIG" Says Mr. Gideon.

He revealed that his life started to materialize in 2011 when he applied for the first loan amounting TZS 20 Million from Akiba Commercial Bank, which he used to purchase necessary equipment for his business. He has worked hard and his business continues to grow such that he has been able to save some money for future needs.

"After receiving four consecutive loans, which have assisted me in creating a solid foundation for my business. Having access to capital has allowed me to now buy directly from my suppliers in China thus saving on costs."

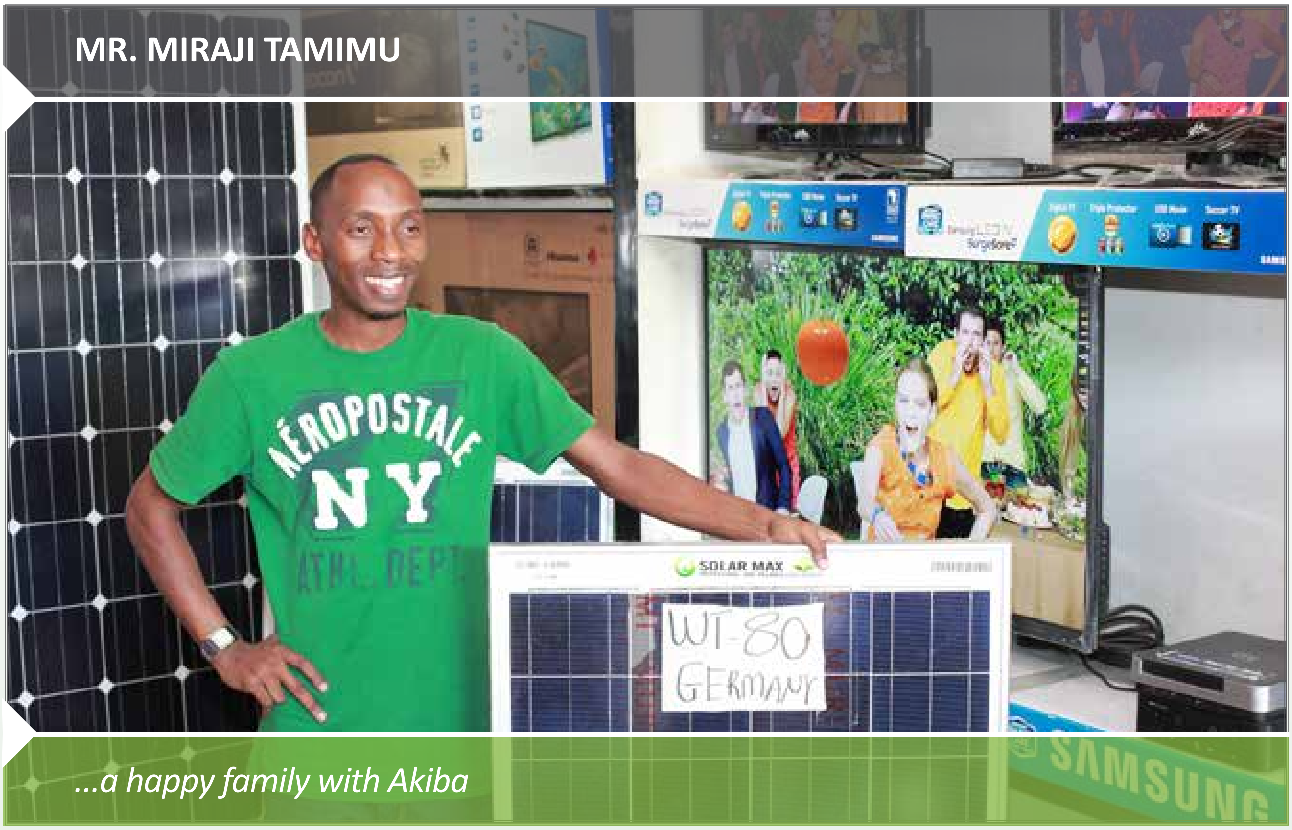
Mr. Marwa has been able to buy his own trucks for delivery of his goods and with the growth in business now employs 20 staff.

On the family front, his standard of living has improved and he can now look after his family's needs. He has managed to send his first born to university thus ensuring succession of the family business.

Mr. Marwa is the proud owner of GAA Holdings (T) Ltd, specializing in supplying surgical and hospital equipment throughout the country. He has big plans in future to start manufacturing some of the equipment instead of importing.

"The bank has changed my life" says Mr. Marwa "Although there are challenges like any other business, my performance has been improving every year and all this is accredited to Akiba Commercial Bank." Mr. Gideon believes that with a partner like Akiba Commercial Bank, the sky is the limit.

MR. MIRAJI TAMIMU



...a happy family with Akiba

Miraji Tamimu - owner of MT Electronics at Kariakoo Market. After working for more than ten years as a shopkeeper with an electronic hardware shop at Kariakoo area, Miraji Tamimu thought of starting his own business.

“I was very ambitious to have my own business and running my own company but the main challenge was how to get initial working capital for starting up my business, so I decided to sell my plot to complete my mission,” Mr. Miraji Tamimu said.

In 2012, he started his own retail business as micro entrepreneur dealing with selling electronic goods including small radios, subwoofers and TV sets.

The same year, Mr. Tamimu joined Akiba Commercial Bank Plc, Kariakoo Branch, where he believe it was an advantage to him because he was taught the financial management by the bank.

For the first time, Mr. Tamimu applied for a first loan of TZS 5 million when he started own company known as MT. Electronics, which was dealing will selling and installation of solar energy into homes and commercial areas.

At his shop- the MT electronics Campany Ltd, Mr Tamimu sells equipments including solar batteries, panels, invertors.

“I have grown with Akiba Bank as I qualified for a TZS 40 million which improved my business. I am employing eight workers and six technical officers. This creates more confidence in finding new market opportunities around the country and meet customer needs timely,” Mr Tamimu said.

“I am very impressed with services offered by Kariakoo Branch. They have high level of intergrity, staff are so kind and caring and services are delivered on time, I have been advising my colleagues to join Akiba Commercial Bank, surely they will never regret because they creates financial discipline and impact in life.”

Mr Tamimu feel proud to be part of Akiba family and his ambition is to grow from family business to a large corporate company since he have a dream to own great solar energy company in Tanzania.

‘Akiba Commercial Bank keeps my family smiling day after day’ said Mr. Miraji Tamimu.

MR. MAISARA AMIRI MATAKA

...journey to success

Starting a business for a university or college graduate is a difficult and challenging decision to make. "Most of the graduates of these modern days tend to wait years and years to see ". whether they can be employed in either government or private Said young and enterprising Maisara.

Maisara Amiri Mataka is a resident of Dar es Salaam, and a former graduate from the Mbarali Teachers College has a different story to tell. In 1998 when Mataka graduated from Mbarali Teachers College in Mbeya, he did not think of employment. He believed that venturing into business was vital than waiting to be employed as a school teacher.

He then started in engaging in farming rice. He did the business for four years before moving to Dar es Salaam where he started his garments business in 2004.

As being among the financialy excluded, Mataka used to wonder how as one of the million adults worldwide who were doing business without proper access to financial services.

By that time, Mr. Maisara couldn't get the capital he needed to boost his garment business because he could not meet the banks' loan requirements.

But, with small capital he had, he decided to joined Akiba Commercial Bank Plc in 2005 following inspiration and refereal from a friend.

Maisara obtained his first loan in 2007. Through that, he was able to leverage his working capital which helped him to increase his sales. As he experienced increase in performance of his business, his working requirements also increased and Akiba Commercial Bank has been supportive.

Over the years, Akiba Commercial Bank loans has enabled him to open a second big fabric shop and has diversified into two new businesses - Mini supermarket and restaurant in Mbagala area.

Through the support provided by the Bank, he has developed other business assets like building a big warehouse for reserving food in Rujewa Urban, Mbarali District. His excellent business acumen and strategies have created a huge customer base with unbeatable demand, this has also created employment for over 30 people. "From one man show to 30 people, you can see the impact the Bank has been making to my business, my life and society as a whole" said proud Maisara.

Owning a profitable business and contributing economically to his community are not merely dreams any more for Mr. Maisara.

Before 2006, Luciana Jackson, a small trader, was struggling to diversify her business. Lack of capital was the major constraint that denied her from implementing her dreamed business ideas. She tried many means to raise cash, even applying for loans from commercial banks, but failed. She then heard of Akiba Commercial Bank and in 2006 joined Akiba-Ubungo Branch with the primary objective of getting financial support to boost her business. With a group of four other women, they approached Akiba and secured her first loan, Solidarity Loan, with the repayment period of six months. She successfully repaid the loan and provided a room for renewal at higher amounts. She continued to get more loans and expanded her business and quit the Solidarity group in 2007.

Luciana says her business growth is a result of working hard. She is currently running several businesses ranging from selling merchandise to entertainment. She has a retail shop which is a foundation of all other businesses. She has stationery which runs as an agent for Mobile Money Operators.

Luciana originates from Mbeya, a place endowed with arable land favourite for commercial farming activities, especially paddy. Luciana has a big piece of land for growing paddy which she says it rewards her a lot.

In addition, Lucy is leveraging on technology and she is optimizing it as a platform for showcasing her business especially fabrics and garments. She sales her collections of high quality garments and accessories on line through Instagram, Face Book and other social network platforms. She is planning to establish a website for more visibility and as a way of formalizing her garments business.

Lastly Lucy is also venturing into entertainment business as she has established herself among the renowned Masters of Ceremonies in Dar es Salaam. She is capitalizing on that by providing PA system and musical instruments, cameras and video shooting at different occasions such as wedding and other celebrations. As a value addition to her clients, she is also doing documentaries, profiling and archiving people's history and events. She also has good creative and attractive scenery for photography in her place and that has enhanced the still pictures and video shooting business a lot.

Visionary and ambitious Lucy is looking forward to expanding her Agri-business, following the Government initiatives to subsidize and support farmers, both large and small scale. During the interview, Lucy said she is accrediting all her success and achievements to Akiba Commercial Bank, as the bank has been there as a good companion to the journey of her entrepreneurship over the last ten years. "I and Akiba are now more than business partners following the long term rewarding relationship we have had. We have been growing in sync, from the moment when I joined, the Bank it had only 4 branches and I had a small retail shop, to date, both of us have grown in leaps and bounds and each party has a growth story to testify and celebrate."

Lucy added; "I will continue to be loyal to the Bank and be a good ambassador of Akiba Commercial Bank Plc."

MR. MARTIN THEOPHIL BARIGE

...hard work pays

'The harder you work, the luckier you become,' says Mr. Martin Theophil Barige, the father of four children and owner of poultry farm at Chanika, Dar es Salaam.

Mr. Barige started working at a vibrated bricks factory before shifting to work with a cargo transport company which was ferrying veterinary medicines and stock feeds to upcountry regions.

While working with the cargo company, he met different poultry farmers who inspired him to start up his own poultry business. He got a small plot in Ukonga Banana back in 1997 in small scale.

Because of his poor knowledge of the business, he experienced very poor production. This forced him to start learning modern ways of farming by attending different seminars and seek advice from experts.

The knowledge he obtained enabled him to change the approach to a more modern and professional way, the situation which resulted into increased production..

He then started to enjoy the benefits, the chicken were healthy and more productive. He produced many eggs which he started to supply to different customers around Ukonga area.

As the business was growing fast, he moved to Chanika where he purchased bigger plots where he planned to expand his Ukonga project.

He joined Akiba in 2005 and secured his first loan in 2006 which helped to expand his poultry business as he was able to purchase pestsides, poultry machines (food processing machines and incubators) and delivery vehicles for distributing the eggs.

"As I speak , I have expanded my business and now hold more than fifty thousand layers at any one time and supplying an average of one thousand and five hundred trays of eggs per single day around Dar es Salaam," Mr. Barige said.

Mr. Barige has employed more than 60 workers and, despite challenges including high employee turnover, power outage and competition from other farmers, he is looking forward to open new large farm in the Kibaha area.

"I thank the whole team of Akiba Commercial Bank for their strong support in my business. The bank provides me with the best service which makes me feel most valued" said Mr. Barige .

Barige's business produces 1,500 trays of eggs per day.

Akiba Commercial Bank PLC
Mbeya branch

Shareholders' Profiles

LSF

The vision of establishing ACB was conceived by a discussion group which established itself in the late 80s comprising of individuals with varied interests and background brought together by a unified vision to see indigenous Tanzanians empowered economically.

The group realized that to achieve genuine economic uplift an institution would need to be established on a sound, reliable foundation to serve this paramount purpose.

In that period, the very idea of an indigenous owned and operated financial institution seemed to many a far-fetched dream, thus galvanizing faith and support in such a venture proved but a mountain to move. Even the international community represented in the country at the time didn't harbor interest in addressing the challenges that such an institution would ultimately help solve among ordinary citizens.

Nevertheless, the group's determination persevered and from that strand of adamancy Akiba Commercial Bank Plc (ACB) was born. Following its registration as a company, the group proceeded to seek prospective investors in Dar es Salaam, Mwanza, Arusha, Moshi, Mbeya, and Dodoma. This effort didn't yield much fruit as a consequence of skepticism borne out the belief that local citizens couldn't establish, own, and operate their own bank. It was then decided to pursue local public corporations to own the bank and share its vision with the group. Only three corporations, NIC, PPF, and TDFL responded proactively, however their subscriptions couldn't satisfy the required capital threshold, leaving the entire effort still wanting.

This unique situation eventually compelled the group to invite foreign entities into ownership of the bank but with conditions favourable to the interests of indigenous investors first. A few institutions accepted the arrangement, and these were FMO and Triodos Bank of the Netherlands, and later INCOFIN of Belgium, and SIDI of France. It was this partnership that served as the bedrock for the successful rise of ACB, a bank that has since grown from strength to strength and is now focusing on becoming a significant institution in the banking sector in Tanzania.

ACCION

In 2012, the shares held by ACCION International in Akiba Commercial Bank were purchased by ACCION International after receiving appropriate approvals by Akiba's shareholders and the Bank of Tanzania. This purchase by ACCION International, a significant minority investor of Accion International, was completed due to ACCION's strategic desire to increase its commitment to Akiba by taking direct ownership in the bank so as to be more actively involved in the Tanzanian microfinance market.

ACCION International is a private, nonprofit organization with the mission of giving people the financial tools they need - microenterprise loans, business training and other financial services -to help work their way out of poverty. A world pioneer in microfinance, ACCION was founded in 1961 and issued its first microloan in 1973 in Brazil. Over time, ACCION has helped build 62 microfinance institutions in 31 countries on four continents. Those institutions are currently reaching millions of clients. In the United States, the U.S.

ACCION Network is the largest microfinance lending network in the country and has served tens of thousands of clients with over $275 million in loans since the inception of its pilot program in 1991.

ACCION is an innovator in financial access, pioneering many of the best practices and emerging standards in the industry. The organization provides a full range of management duct and delivery channel ACCION also provides institutions, helping them to build upon ACCION's other services and linking them commercial banks and capital markets. Through equity and quasi-equity investments, as well as loan guarantees, systems, access innovations, attract deposits, become independent of donor funds and establish financial leverage.
For more information, visit www.accion.org.

Erncon Holding Limited

Erncon Holdings Limited is a family investment company established by Mr. Ernest S. Massawe and his family. It was established in 1993 for the sole purpose of managing the family's various investment activities as well as holding the family's assets. The initial directors of the company are Mr. Ernest Massawe, Mrs. Consolata Massawe, Ms. Maryanne Massawe, Mr. Andrew Massawe and Mr. Justin Massawe.

To-date the company has experienced strong growth and has diversified a portfolio covering a number of sectors, including: Tourism, Industrial gases, Insurance, Assurance, Banking, Real Estate, Stock Broking, Fund Management, Leasing, Mining, Mining Services and Logistics Solutions, Transportation and Telecoms.

FMO

Entrepreneurial Development Bank

FMO is the Dutch development bank. FMO supports sustainable private sector growth in developing markets by investing in ambitious entrepreneurs and projects. FMO believes a strong private sector leads to economic and social development, empowering people to employ their skills and improve their quality of life. FMO specializes in sectors where its contribution can have the highest long-term impact: Financial institutions, Energy, Housing and Agribusiness, food & water. When financing companies and projects in other sectors such as telecoms and infrastructure, we work with a worldwide network of partners with thorough expertise in that area. With an investment portfolio of EUR 5.9 bn, FMO is one of the largest European bilateral private sector development banks. Inter-consult Ltd 2014 Annual Report and audited financial statements.

Founded in 1970, FMO is a public-private development bank. The Dutch government is our major shareholder, holding a 51% stake. Other shareholders include large Dutch banks, employers' associations, trade unions and individual investors. We comply with internationally-accepted banking standards and are supervised by the Dutch Central Bank. FMO is rated triple-A by Standard & Poor's. FMO's solid profile and high quality portfolio allows us to invest in higher risk markets, either with our own capital or on behalf of the Dutch government. We principally provide long-term finance, although we also offer shorter-term project financing. We work with clients to understand their specific needs, tailoring the financial package to fit. Our participation often acts as a catalyst – attracting interest from other suitable investors who would otherwise avoid what are still considered higher-risk projects.

inter-consult ltd.

Inter-consult Ltd

From a humble beginning in 1978 in a small Dar es salaam office offering Civil and Structural Engineering services to an ISO 9001-2008 certified multi-disciplinary consultancy firm, Inter Consult Ltd has successfully delivered a full spectrum of services that bring infrastructure projects to life.

For three decades of consistent growth, we have worked with clients in virtually all industries, in both the public and private sectors, to identify, define and deliver innovative solutions to complex problems with exceptional commitment, excellence and results that inspire confidence.

Having been involved with over 400 projects ranging from a few hundred thousand to multi-million US Dollars in value, Inter-Consult has become a leading independent Tanzania based multi-disciplinary consultancy that is fully owned and managed by Tanzanians.

At the core of our mission is a pledge to our clients to provide the highest quality consulting services on time and for fair market value in all aspects of the construction industry including Architecture and Town Planning, Quantity Surveying, Structural, Mechanical and Electrical Engineering. We also offer services in Highway Engineering, Water Supply and Sanitation, Geotechnical and Materials Engineering, ICT and Project Management.

By positioning ourselves as a dynamic and growing business with a turnover of TZS 5bn, focused on meeting the clients changing needs, we have attained good performance standards. We effectively handle all stages of project management - from feasibility studies, planning and design to construction supervision that extends to commissioning.

We have also invested in companies like Akiba Commercial Bank Plc, Inter Press Ltd whose vision is towards poverty alleviation

PPF PENSIONS FUND

...for your secure future

PPF Pensions Fund

PPF Pensions Fund was established by the Parastatal Pensions Act, No. 14 of 1978 to provide pensions and other related terminal benefits to all employees from Parastatal and private sectors. The current operations of the Fund are guided by Parastatal Organization Pensions Scheme Act [CAP 372 R. E. 2002]. The PPF Pensions Fund as a social security scheme has the responsibility of registering members, collecting and administering members' contributions, investing members' fund and granting benefits to members depending on different contingencies as specified in the Act.

The vision of the Fund is focused towards freeing members from hardships arising out of loss of income due to old age, disability, death and therelated risks. In order to ensure that our members are provided with the effective and efficient services PPF established a number of zonal offices close to the members. By the year 2010, PPF had established zone offices in the following regions:- Arusha, Mwanza, Morogoro, Mbeya, Mtwara, and Dar es salaam, which also include, Ilala office, Kinondoni office and Temeke office. PPF Pensions Fund has also established liaison offices in the following regions; Mafinga-Iringa, Tabora, Dodoma, Kahama, Tanga and Moshi.

Apart from opening offices close to members' vicinity, PPF had also made it possible for members to access information relating to their contribution, pension and claims by using PPF TAARIFA. Through PPF TAARIFA, PPF members can obtain information regarding their contribution, pension and claims by using their mobile phones. This can simply be done by sending the word(s) 'Michango', 'Pensheni' or 'Dai' to number 15553. For more information please visit PPF website, www.ppftz.org.

incofin cvso by Incofin IM

INCOFIN CVSO INVESTORS

Since 1992 IncofinCVSO grew into a specialist in microfinance, enjoying recognition both nationally and internationally. Incofin CVSO currently cooperates with 30 partner institutions in 21 countries, reaching out to 1.8 million micro entrepreneurs.

After 20 years Incofin CVSO strives more than ever to achieve a double (financial and social) return. This balanced vision on investing convinced almost 200 new shareholders to join during 2011.

Incofin invests in MFIs that make a real difference to the quality of life of their stakeholders, their staff and their customers. Through the monitoring of a number of key social parameters, including the level and quality of service and the treatment of the environment and contribution to society, it manages to quantify an MFI's social performance. For its investments, Incofin adopts a set of well-defined criteria, taking into account the impact of the microfinance institution on the local economy, the quality of its management, its financial situation, its track record, and the company's outlook. For each investment dossier a thorough due diligence is executed of the microfinance institution on site.

After the investment, the investment file is carefully followed up. Incofincvso is a shareholder in Akiba since 2003 and has, since the beginning, also taken up an active role in the board.

MFIs can find in Incofin a partner who actively works together with them to find a solution that suits them best. The fund is managed by Incofin Investment Management, a manager of 6 microfinance investment funds with EUR 300 million assets under management. Incofin Investment Management is taking care of this job with an international and multilingual team of 37 experts who are at the MFIs' disposal.

More information on Incofin is available on our website www.incofin.com.

Triodos Investment Management

Triodos-Doen Foundation and Hivos Triodos Fund Foundation

Triodos-Doen Foundation (Triodos-Doen) and Hivos-Triodos Fund Foundation (Hivos-Triodos Fund) are microfinance funds managed by Triodos Investment Management, a 100% subsidiary of Triodos Bank, one of the world's leading sustainable banks. Triodos Investment Management has been a pioneering provider of capital to the microfinance sector since 1994. As an investor it wants to contribute to the development of a sustainable financial sector in developing countries that is based on fair pricing, transparency, access for all and care for the earth. Triodos Investment Management manages four funds that provide finance for around 95 MFIs in Latin America, Africa, Asia and Eastern Europe and hold equity stakes in 19 leading and innovative microfinance institutions and vehicles worldwide. At year-end 2011 the total assets under management in microfinance amounted to EUR 365 million.

Triodos-Doen and Hivos-Triodos Fund both started in 1994. Triodos-Doen is a joint initiative of DOEN Foundation and Triodos Bank; Hivos-Triodos Fund is joint-initiative of Dutch development organisation Hivos and Triodos Bank. In 2011, both funds sharpened their strategy by including the sustainability themes Foods & Agriculture and Energy & Climate within the financial sector in developing countries as an additional focus. Investment Management BV, a 100% subsidiary of Triodos Bank, the leading values-driven bank in Europe. Triodos Investment Management has been a pioneering provider of capital to the microfinance sector since 1994. As an investor it wants to contribute towards the development of a sustainable financial sector in developing countries, based on the pillars of fair pricing, transparency, poverty alleviation and care for the earth. Triodos Investment Management manages four funds that provide finance for around 80 MFIs in Latin America, Africa, Asia and Eastern Europe. They hold equity stakes in 19 prominent microfinance institutions. At year-end 2009 the total assets under management in microfinance amounted to EUR 236 million.

FEFISOL

FEFISOL fund (Fonds Européen de Financement Solidaire pour l'Afrique) was set up on July 12th, 2011 at the initiative of SIDI/France to leverage additional funds to increase the supply of financial services in developing regions of Africa. It is registered as a Specialised Investment Fund (SIF) in Luxembourg under the legal form of a "Société d'Investissement à Capital Variable" (SICAV).

Apart from SIDI, FEFISOL main shareholders are the European Investment Bank (EIB), FISEA (French Development Agency/PROPARCO), Norwegian Microfinance Initiative (NMI), the BOAD (West African Bank for Development), ALTERFIN / Belgium, ETIMOS / Italy.

SIDI was set up in 1983 as a private company limited by shares, on the initiative of the Catholic Committee against Hunger and for Development (CCFD). SIDI is the Investment Adviser and the Manager of FEFISOL.

FEFISOL is entirely dedicated to the African continent and benefits from the in-depth knowledge of SIDI in this region. At least 75% of FEFISOL portfolio is to be invested in Sub-Saharan Africa and the Indian Ocean. The remaining 25% will be invested in North Africa.

FEFISOL investment strategy is to support African organisations with high social and environmental added value and with a strong focus on rural and underserved areas. To do so FEFISOL finance Microfinance institutions but also producers' organisations and rural SMEs those are selling on fair trade and organic markets.

FEFISOL positions itself as a knowledgeable investor, with a medium term time frame, giving priority to the institutional strengthening of its partners and the economic development of their beneficiaries.

At end of 2015, FEFISOL has invested EUR 24 million in 50 organisations in 21 countries.

Akiba VICOBA
Account

Akiba VICOBA
Pamoja Account

Corporate Information

DIRECTORS OF THE BANK

DIRECTORS

Mr. Ernest S. Massawe	Tanzanian	Chairperson
Mr. Brian Kuwik	American	Director
(Alternate: Ms. Melissa Baez)	American	Director
Mr. Selestine Some	Tanzanian	Director
Ms Liesbeth Soer	Dutch	
(Alternate: Mr. Frank Streppel)	Dutch	Director
Dr. Richard Kasungu	Tanzanian	Director
Mr. Joseph Rugumyamheto	Tanzanian	Director – Appointed on 25 July 2015
Mr. John Fischer	American	
Mr. Jean-Marie Prevost	French	Director – Appointed on 24 July 2015
Mr. Stephane Sapor	French	Director – Resigned on 04 June 2015

MANAGING DIRECTOR

Mr. Israel Chasosa	Appointed on 1 April 2015
Mr. John Lwande	Resigned 31 May 2015

COMPANY SECRETARY

Niwaeli Mziray — Appointed on 17 August 2015

3rd Floor, Amani Place, Ohio Street,
PO Box 669
Dar es Salaam, Tanzania

REGISTERED OFFICE

3rd Floor, Amani Place, Ohio Street
PO Box 669
Dar es Salaam, Tanzania

AUDITORS

PricewaterhouseCoopers Ltd
Pemba Houses, 369 Toure Drive, Oyster bay
PO Box 45,
Dar es Salaam, Tanzania

LEGAL ADVISORS

Legal Link Attorneys
PO Box 7642
Dar es Salaam, Tanzania

Nexlaw Advocates
PO Box 75578
Dar es Salaam,
Tanzania

Tan Africa Law Chambers
G.A.K Patel Building, 4th Floor, Off Maktaba Street
Dar es Salaam

1 The Directors are pleased to present their report together with the audited financial statements of Akiba Commercial Bank Plc (the "Bank") for the year ended 31 December 2015 which show the Bank's state of affairs.

2 INCORPORATION

The Bank is incorporated in Tanzania under Companies Act 2002 as a Public Company Limited by shares and is domiciled in Tanzania.

3 PRINCIPAL ACTIVITIES

The Bank is engaged in the business of banking and provision of related services and is licenced under the Tanzanian Banking and Financial Institutions Act 2006.

4 BANK'S VISION

To be the preferred banking partner for micro, small, and medium enterprises.

5 BANK'S MISSION

To provide inclusive innovative financial solutions in the most efficient and sustainable manner.

6 DIRECTORS

The Directors of the Bank at the date of this report, who held office since 1 January 2015, except where otherwise stated, are as listed on page 1.

7 CAPITAL STRUCTURE AND SHAREHOLDING OF THE BANK

As at 31 December 2015, the Bank had 281 shareholders (2014: 281 shareholders).

Directors' holding shares at the Bank are listed below:

Name	Nationality	Ordinary Shares of TZS 1,000 each	Nominal value TZS 000	Ordinary Shareholding %
Dr. Richard Kasungu	Tanzanian	5,917	5,917	0.069%
Mr. Joseph Rugumyamheto	Tanzanian	6,255	6,255	0.073%
		12,172	12,172	0.142%

8 CAPITAL STRUCTURE AND SHAREHOLDING OF THE BANK (CONTINUED)

The Capital structure and shareholding position of the Bank as at 31 December 2015 is as follows:

Shareholder	2015 Number of ordinary shares	Percentage (%)	2014 Number of ordinary shares	Percentage (%)
Accion International	1,721,456	20	1,721,456	20
Parastatal Pensions Fund	963,957	11	963,957	11
Stichting Hivos - Triodos Fonds	683,335	8	683,335	8
INCOFIN CVSO	617,850	7	617,850	7
FMO	595,443	7	595,443	7
Inter Consult Limited	472,229	6	472,229	6
FESISOL	434,022	5	-	-
SIDI-	-	-	434,022	5
Stichting Triodos – Doen	430,798	5	430,798	5
ERNCON Holdings Limited	426,684	5	426,684	5
Tanzania Development Finance	275,235	3	275,235	3
Others	1,986,126	23	1,986,126	23
	8,607,135	**100**	8,607,135	100

9 RESULTS AND DIVIDEND

The Bank recorded a profit before tax of TZS 5.3 billion for the year under review (2014 TZS 5.3 billion). The profit for the year is mainly attributed to growth in lending activities. The Directors recommend payment of cash dividend of TZS 75 per share (total amounting to TZS 258M) for the year ended 31 December 2015 (2014: Cash dividend of TZS 30 per share).

10 CASH DIVIDEND

The Annual General Meeting of 24 July 2015 approved cash dividend equivalent of TZS 258,214,050 .The cash dividend was distributed to shareholders on a prorata basis. The issuance of cash dividend was approved by Bank of Tanzania on 22 July 2015 and has been issued to shareholders subsequent to the approval date.

11 CORPORATE GOVERNANCE

The Bank's Board of Directors is composed of eight (8) Directors (2014: 8). All directors are non-executive. 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 (4) 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.

Board Audit Committee

Name	Position	Nationality
Mr. Selestine Some	Chairperson	Tanzanian
Mr. Jean Marie Prevost	Member	French
Mr. John Fischer	Member	American
Dr. Richard Kasungu	Member	Tanzanian

The Audit Committee reports to the main Board. The committee had 6 meetings during the year.

Board Governance and Human Resources Committee

Name	Position	Nationality
Mr. Joseph Rugumyamheto	Chairperson	Tanzanian
Mr. Brian Kuwik	Member	American
Dr. Richard Kasungu	Member	Tanzanian
Mr. Jean Marie Prevost	Member	French

The Governance and Human Resources committee reports to the main Board. The committee had 4 meetings during the year.

Board Risk and Finance Oversight Committee

Name	Position	Nationality
Ms. Liesbeth Soer	Chairperson	Dutch
Dr. Richard Kasungu	Member	Tanzanian
Mr. John Fischer	Member	American
Mr. Selestine Some	Member	Tanzanian

The Risk and Finance Oversight Committee reports to the main Board. The committee had 4 meetings during the year.

Board Credit Committee

Name	Position	Nationality
Mr. Brian Kuwik	Chairperson	American
Mr. Selestine Some	Member	Tanzanian
Mr. Joseph Rugumyamheto	Member	Tanzanian
Ms. Liesbeth Soer	Member	Dutch

The Credit Committee reports to the main Board. The committee had 4 meetings during the year.

The main Board of Directors had 4 meetings during the year.

12 RELATED PARTY TRANSACTIONS AND BALANCES

Transactions during the year with related parties were conducted at terms and conditions similar to those offered to other clients and in the normal course of business. Details of transactions and balances with related parties are included in note 31 to the financial statements.

13 MANAGEMENT

The Management of the Bank is under the Managing Director and is organized in the following departments:

- Finance and Treasury department;
- Operations department;
- Marketing and Communications department;
- Commerce department;
- Human Resources department;
- Information & Communication Technology department;
- Risk & Compliance department;
- Legal department; and
- Internal Audit department.

14 PERFORMANCE FOR THE YEAR

The year ended 31 December 2015 had a profit before tax of TZS 5.3 billion (2014: TZS 5.3 billion).

Interest Income increased from TZS 27.6 billion during the year 2014 to TZS 29.3 billion in 2015 which is percentage increase of 6.1% while total fees and commission income increased from TZS 5.7 billion in 2014 to TZS 6.8 billion in 2015 which is 19.5% due to growth in loans portfolio. Overall the Bank experienced increased volume of customer transactions in the year 2015.

Total general and administrative expenditure was TZS 11.5 billion, an increase of 15.0% from expenditure of TZS 10.1 billion in 2014 mainly due to the growth of the business.

Total assets at year end stood at TZS 163.7 billion, a net increase of 21.1% or TZS 28.4 billion from TZS 135.3 billion at 31 December 2014. This growth in the Bank's asset base was fully funded by increase in deposits throughout 2015.

The Bank managed to maintain customer deposit volume which increased by 21.2% from TZS 110.9 billion in 2014 to TZS 134.4 billion in 2015. The deposit base also fully financed lending activities which stood at TZS 111.5 billion from TZS 79.4 billion in 2014 reflecting a net growth of TZS 32.1 billion on increase of 40.4%.

15 FUTURE DEVELOPMENT PLANS

The Bank's future strategy is to expand into other regions of the Country in order to have a wider geographical presence that can enable the Bank to serve its customers better by providing them with easier access to banking services. In 2015, the Bank opened two branches in Mwanza and Mbeya and intends to expand its footprint by rolling out agency banking in 2016 in areas where the Bank does not have a physical branch presence.

The Bank plans to interface the core banking system with a new system for human resources management. This integration is intended to continue to streamline the Bank's internal operations and management reporting.

The introduction of mobile phone banking has enabled customers to access basic banking and utility services such as electricity, water, DSTV subscription payments, purchase of airtime for all Tanzania registered mobile phone companies, balance inquiry, money transfers, bank statements, cheque book requests, and foreign exchange rate requests, among others. The Bank will continue to improve this service as it is strategic for mobilizing deposits.

Finally, the Bank intends to continue being profitable through the introduction of innovative products, focusing on value-added customer services and using technology for managing both costs and risks. The Bank will continue to focus on improving productivity and introducing new products to the market.

16 RISK MANAGEMENT AND INTERNAL CONTROL

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

- Effectiveness and efficiency of operations;
- Safeguarding of the Bank's assets;
- Compliance with applicable laws and regulations;
- Reliability of accounting records;
- Business sustainability under normal as well as adverse conditions: and
- Responsible behaviours 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 to such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank's systems are designed to provide the Board with a reasonable assurance that procedures in place are operating effectively.

The Board assessed the Bank's internal control systems throughout the financial year ended 31 December 2015 and is of the opinion that they met the generally accepted banking industry criteria. The Board carries out risk management and internal control assessment through Audit, Risk and ALCO Committees.

17 EMPLOYEE WELFARE

Management and employee relations

The relationship between employees and management continued to be good during the year 2015. There were no unresolved reported complaints from the employees during the year.

Management took measures to build strong workplace relations by ensuring that employees lived up to the standards of the institution's culture and values while maintaining effective communication at all levels. Staff meetings were conducted at branch, departmental and corporate levels whereby staff were able to participate in helping shape the future of the organization. The Bank worked closely with the trade union, Finance, Industrial, Banking, Utilities, Commercial and Agro Processing Industries Trade Union (FIBUCA) to ensure good labour relations.

Training Activities

During the year, the Bank spent TZS 424 million for staff training (2014: TZS 372 million). A total of 454 members of staff benefited from internal and external courses. The acquired new knowledge and skills led to the enhancement of business performance. By the end of the year 2015, a total of 16 members of staff were pursuing studies leading to qualifications such as CPAs, Master's Degrees and others.

Medical Assistance

The Bank, through an insurance scheme, provided medical support to members of staff and their respective dependants, a total of TZS 960 million was paid as insurance premium in 2015.

Occupational Safety, Health and Environment

The Bank took reasonable steps to safeguard the health, safety and welfare of its employees. For example, a safe and conducive working environment was availed to all employees by providing adequate working tools, proper personal protective equipment, hygiene, training and supervision. The Bank's workplaces were visited by labour inspectors and were found to comply with appropriate government regulations.

Financial assistance to employees

The Bank provided different types of financial support to improve the welfare of its employees, including staff loans. The Bank's support was in line with industry best practice.

Persons with disabilities

It is the Policy of the Bank to recruit new staff regardless of their physical abilities. What matters is the candidate's merit for the job. In the event that members of staff become disabled, every effort is made to ensure that their employment with the Bank continues and appropriate re-training is arranged, if necessary.

Employee benefit scheme

The Bank makes contributions to publicly administered pension schemes on a mandatory basis. These schemes are defined contribution plans. A total of TZS 976 million was contributed in 2015.

Gender parity

The Bank is gender sensitive. During the year 2015, it ensured that female employees were given due priorities in all aspects of the Bank. For example, during the year 2015, 50% of the branch managers were women. In addition, the Bank had 529 employees, out of whom 298 were women and 231 were men (2014: 561 employees, out of whom 291 were women and 270 were men).

18 POLITICAL DONATIONS

The Bank did not make any political donations during the year (2014: Nil).

19 CORPORATE SOCIAL RESPONSIBILITY

The Bank recognizes its role and position in the society by undertaking several Corporate Social Responsibility (CSR) initiatives. These initiatives are geared towards giving back to society as well as looking into people's welfare as a caring companion. In the year 2015, the Bank donated TZS 13.9 million of which TZS 5 million to Majimatitu Primary school for purchase of desks, TZS 4.5 million to Makini Primary school, TZS 2.6 million to Dodoma Referral hospital for purchase of Bed sheets

20 SOLVENCY

The state of affairs of the Bank as at 31 December, 2015 is set out on page 14 of the financial statements. The Directors consider the Bank to be solvent within the meaning ascribed by the Companies Act, 2002. In addition, the Bank has met all the Bank of Tanzania (BoT) regulatory capital requirements.

21 ENVIRONMENTAL CONTROL PROGRAMME

The Bank has a Corporate Social Responsibility Policy, part of which addresses environmental control programmes. The Bank acknowledges the seriousness of global environmental issues and therefore acts voluntarily and affirmatively to protect the environment by seeking to minimize any adverse environmental impact in the way the Bank operates. The Bank is committed to the prevention of environmental pollution and is in compliance with relevant environmental laws in the areas we operate as a minimum standard and seeks to implement best practices wherever possible.

22 AUDITORS

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

BY ORDER OF THE BOARD

Mr. Ernest Massawe
Chairperson

23 March 2016

Mr. Selestine Some
Director

23 March 2016

Statement Of Directors' Responsibilities *For the year ended 31 December 2015*

The Companies Act, CAP 212 Act No.12 of 2002 requires directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its profit or loss for the year. It also requires the directors to ensure that the 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 and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 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 of the Bank and of its profit in accordance with International Financial Reporting Standards (IFRS). The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

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

Signed on behalf of the Board of Directors by:

Mr. Ernest Massawe
Chairperson

23 March 2016

Mr. Selestine Some
Director

23 March 2016

Report on the financial statements

We have audited the accompanying financial statements of Akiba Commercial Bank Plc (The "Bank"), which comprise the statements of financial position as at 31 December 2015 of the Bank, their statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation 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 controls, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the the Bank's financial affairs at 31 December 2015 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.

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

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

Michael M. Sallu, FCPA-PP

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

Statement of Profit or Loss and other Comprehensive Income *For the year ended 31 December 2015*

	Notes	2015	2014
		TZS 000	TZS 000
Interest income	7	**29,334,649**	27,638,911
Interest expense	8	**(2,736,647)**	(2,596,013)
Net interest income		**26,598,002**	25,042,898
Loan impairment charges	18	**(2,073,884)**	(1,888,162)
Net interest income after loan impairment charges		**24,524,118**	23,154,736
Fee and commission income	9	**6,834,583**	5,721,284
Foreign exchange income	10	**668,582**	141,410
Other operating income	11	**1,055,105**	204,330
Employee benefits expenses	12	**(14,592,550)**	(11,885,077)
General and administrative expenses	13	**(11,547,188)**	(10,044,085)
Depreciation and amortization	14	**(1,679,303)**	(1,981,847)
Profit before income tax		**5,263,347**	5,310,751
Income tax expense	15	**(1,248,992)**	(1,871,014)
Profit for the year		**4,014,355**	3,439,737
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**4,014,355**	3,439,737

Statement of Financial Position *As at 31 December 2015*

	Notes	2015	2014
		TZS 000	TZS 000
Assets			
Cash and balances with The Bank of Tanzania	16	**26,187,830**	23,113,962
Loans and advances to banks	17	**8,929,034**	9,775,107
Loans and advances to customers	18	**107,294,832**	77,219,211
Government securities	19	**12,893,876**	18,064,087
Unquoted equity investment	20	**20,000**	20,000
Property and equipment	21	**2,536,719**	1,949,833
Intangible assets	22	**83,572**	280,551
Leasehold improvements	23	2,679,395	2,308,228
Current income tax	15	**-**	443,222
Deferred income tax	24	**900,754**	-
Other assets	25	**2,200,625**	2,078,005
TOTAL ASSETS		**163,726,637**	135,252,206
Liabilities			
Deposits from other banks		**500,178**	-
Deposits from customers	26	**134,382,765**	110,849,854
Other liabilities	27	**3,563,975**	2,727,989
Current income tax	15	**33,568**	-
Deferred income tax	24	-	184,467
Total liabilities		**138,480,486**	113,762,310
Shareholders' equity			
Share capital	28	**8,607,135**	8,607,135
Share premium		**2,431,917**	2,431,917
Retained earnings		**11,107,684**	6,614,747
Regulatory reserve		**2,174,018**	3,836,097
General Risk Reserve		**925,397**	-
Total equity		**25,246,151**	21,489,896
TOTAL LIABILITIES AND EQUITY		**163,726,637**	135,252,206

The financial statements on pages 13 to 70 were approved and authorised for issue by the Board of Directors on 27 March 2015 and signed on its behalf by:

Massawe

Mr. Ernest Massawe
Chairperson

Mr. Selestine Some
Director

Statement of Changes in Equity *For the year ended 31 December 2015*

	Share capital	Share premium	Retained earnings	*Regulatory Reserve	General Risk Reserve	Total
At 1 January 2015	**8,607,135**	**2,431,917**	**6,614,747**	**3,836,097**	**-**	**21,489,896**
Comprehensive income						
Profit for the year	**-**	**-**	**4,014,355**	**-**	**-**	**4,014,355**
Total comprehensive income	-	**-**	**4,014,355**	**-**	**-**	**4,014,355**
Transfer from Regulatory Reserve	**-**	**-**	**1,662,079**	**(1,662,079)**	**-**	
Transfer to General Risk Reserve	**-**	**-**	**(925,397)**	**-**	**925,397**	**-**
Dividend declared	**-**	**-**	**(258,100)**	**-**	**-**	**(258,100)**
	-	**-**	**(258,100)**	**-**	**-**	**(258,100)**
At 31 December 2015	**8,607,135**	**2,431,917**	**11,107,684**	**2,174,018**	**925,397**	**25,246,151**
At 1 January 2014	8,247,184	2,431,917	6,104,385	1,306,668	-	18,090,154
Comprehensive income						
Profit for the year	-	-	3,439,737	-	-	3,439,737
Total comprehensive income	-	-	3,439,737	-	-	-
Transfer to general banking reserve	-	-	(2,529,429)	-	-	-
Transfer to Share capital	359,951	-	(359,951)	-	-	-
Withholding Tax - Stock Dividend	-	-	(39,995)	-	-	(39,995)
At 31 December 2014	8,607,135	2,431,917	6,614,747	3,836,097	-	21,489,896

*Regulatory reserve represents the surplus of provision for credit losses over the provision for impairment of loans and advances computed in accordance with International Financial Reporting Standard.

The bank charges flat interest rate on certain loan products. However, interest on these products has been accrued using effective interest rate in line with the requirements of the International Financial Reporting Standards (IFRS). For prudence purposes, the difference of TZS 2,150 million (2014: TZS 2,823 million) between interest calculated per IFRS and the contracted interest income has been included in the regulatory reserve. This amount is released to retained earnings when the interest is collected.

** General risk reserve represents 1% provision charged on all performing loans in line with regulatory requirements of the Central Bank.

STATEMENT OF CASH FLOWS

	Notes	2015	2014
		TZS 000	TZS 000
Cash flows from operating activities			
Profit before taxation		**5,263,347**	5,310,751
Adjustments for:			
Depreciation	14	**1,679,303**	1,981,847
Impairment on loans and advances	18	**2,073,884**	1,888,162
Provision other assets	13	**13,826**	276,991
Gain on disposal of assets	11	**(36,598)**	(400)
Unrealised interest income	7	**(2,150,422)**	(2,823,303)
		6,843,340	6,634,048
Changes in operating assets and liabilities			
Loans and Advances to customers	18	**(30,075,621)**	(1,730,969)
Government Securities		**1,487,918**	(4,288,668)
Statutory Minimum Reserve		**(2,248,010)**	(500,000)
Other assets		**(122,620)**	(286,926)
Deposit from Banks		**500,178**	-
Deposits from Customers		**23,532,911**	5,776,541
Other liabilities		**835,986**	85,077
Income taxes paid		**(1,857,423)**	(1,191,108)
Net cash generated from operating activities		**1,103,341**	4,497,995
Cash flows from investing activities			
Payments for intangible assets	22	**(25,200)**	(23,409)
Payments for property and equipment	21	**(1,602,326)**	(333,522)
Payments for leasehold improvements	23	**(870,389)**	-
Proceeds from sale of property and equipment		**50,966**	400
Net cash used in investing activities		**(2,446,949)**	(356,531)
Cash flows from financing activities			
Dividend paid		**(225,693)**	-
Net Cash used in financing activities		**(225,693)**	-
Net (decrease)/increase in cash and cash equivalents		**(3,775,983)**	4,141,464
Cash and cash equivalent at the beginning of the year		**26,283,862**	22,142,398
Effects of exchange-rate changes on cash and equivalents		**73,475**	-
Cash and cash equivalent at the end of the year	29	**22,581,354**	26,283,862

NOTES

1 REPORTING ENTITY

Akiba Commercial Bank Plc (''The Bank'') is a limited company incorporated in Tanzania under the Companies Act 2002 and is domiciled in Tanzania. The address of its registered office and principal place of business is:

3rd Floor, Amani Place
Ohio Street
PO Box 669
Dar es Salaam, Tanzania

The Bank provides micro finance, retail and corporate banking services.

The financial statements of Akiba Commercial Bank Plc for the year ended 31 December 2015 have been approved for issue by the board of Directors on 23 March 2016. Neither the entity owners nor others have the power to amend the financial statements after issue

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The Bank's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, except for available-for-sale financial assets and financial assets and financial liabilities held at fair value through profit or loss, which have been measured at fair value.

The disclosures on risks from financial instruments are presented in the financial risk management report contained in Note 3.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. Changes in the assumptions may have significant impact on the financial statements in the period the assumptions change. 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 6.

2.1.1 Changes in accounting policy and disclosures

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

The following standards have been adopted by the Bank for the first time for the financial year beginning on or after 1 January 2015:

- Annual improvements to IFRSs, 2010 – 2012 cycle and 2011- 2013 cycle
- Defined Benefit plans: Employee contributions – Amendments to IAS 19.

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

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

A number of new standards and amendments to standards and interpretations have been published but are not yet effective for annual periods beginning after 1 January 2015, and have not been early adopted by the Bank. None of these is expected to have a significant effect on the financial statements of the Bank, except the following set out below:

IFRS 9, 'Financial instruments' – The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss.

The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Bank is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' – The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual period beginning on or after 1 January 2017 and earlier application is permitted. The Bank is still assessing the impact of IFRS 15.

2.2 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) *Interest and similar income and expenses*

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as 'other operating income'.

However, for a reclassified financial asset for which the Bank subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the effective interest rate (EIR) from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

(ii) *Fees and commission income*

The Bank earns fees and commission income from a diverse range of services it provides to its customers. Fees income can be divided into the following categories:

(a) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate (EIR) on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

(b) Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(c) Operating income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

Other income is recognized in the period in which it is earned.

(d) Dividend income

Dividend income is recognised when the Bank's right to receive the payment is established.

2.3 Employees' benefits including post-employment benefits

Short-term employment benefits such as salaries, social security contributions, and leave fare assistance are recognised as an expense in profit or loss in the period the employees render the services.

(i) Post-employment benefits

The Bank operates a defined contribution plan whereby each of its employees and the Bank contribute 10% each of the employee's monthly salaries to the state owned and managed (statutory) Funds, namely, the Parastatal Pension Fund (PPF) or the National Social Security Fund (NSSF). The Bank has no further payment obligations once the contributions have been paid. The contributions are recorded as an expense under "Personnel expenses" in the year to which they relate. Unpaid contributions are recognised as a liability.

(ii) Other employee benefits

The Bank provides free medical treatment for existing staff and their dependants. The cost is recorded as an expense under "Personnel expenses". The estimated monetary liability for employees' accrued leave entitlement at the reporting date is recognised as an expense accrual. In addition, the employer also provides long term service awards. The estimated monetary liability for employees' long term service award entitlements at the reporting date is recognised as an expense accrual.

(iii) Bonus Scheme

A liability for employee benefits in the form of bonus scheme is recognised when there is a formal scheme and the amounts to be paid are determined before the end of the reporting period or past practice has created a valid expectation in employees that they will receive a bonus subject to satisfactory performance and the amount can be determined before the financial statements are issued. Liabilities for bonus scheme are expected to be settled within 3 months and are measured at the amounts expected to be paid when they are settled.

2.4 Provision

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss net of any reimbursement

2.5 Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, excluding the costs of day-to-day servicing. Costs of replacing part of the property and equipment and major inspection cost are capitalised if the recognition criteria are met as required by IAS 16. Borrowing costs for long-term projects are capitalised if they are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other repair and maintenance costs are recognised in profit or loss as incurred. Depreciation is calculated on straight line basis to write down the cost of the asset to its residual value over the estimated useful life as follows:

Description of assets	Rate (%)
Leasehold improvement	10
Motor vehicles	25
Furniture, fittings and equipment	20
Computer equipment and software	20

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

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

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. (Refer to accounting policy on impairments of non-financial assets).

2.6 Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Bank are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product including the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years.

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 on the basis of the expected useful lives. Software has a maximum expected useful life of 5 years.

2.7 Leasing

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

Bank as a lessee

Leases which do not transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognised as an expense in the profit or loss in the statement of comprehensive income on a straight line basis over the lease term. Contingent rental payable are recognised as an expense in the period in which they are incurred.

Bank as a lessor

Leases where the Bank does not transfer substantially all the risk and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leasehold improvements

Leases of leasehold improvements are classified as operating leases; these include improvements made on leased Bank buildings for its head office and branches. The total payments made under operating leases are charged to profit or loss on a straight-line basis over the life of the lease period.

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

Leasehold improvements are stated at cost, less accumulated amortisation and accumulated impairment in value. Leasehold improvements amortisations are calculated on straight line basis at annual rates estimated to write down the carrying values of the assets to their residual value over their expected useful lives.

The annual amortisations of operating leasehold in use are:
Leasehold improvements 10 years

No amortisation charge is made to leasehold improvements work in progress under refurbishments.

2.8 Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Bank makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices and other available fair value indicators. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.9 Financial instruments - initial recognition and subsequent measurement

Date of recognition

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the timeframe generally established by regulation or convention in the market place.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Held-to-maturity financial investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest income' in the statement of profit or loss and other comprehensive income. The losses arising from impairment of such investments are recognised in profit or loss.

If the Bank were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Bank would be prohibited from classifying any financial asset as held to maturity during the following two years.

2.10 Balances with banks and loans and advances

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

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

After initial measurement, 'Balances with banks' and 'Loans and advances' are measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in profit or loss.

2.11 Reclassification of financial assets and liabilities

The bank is permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale 'category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For financial assets reclassified out of the' Available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the Effective Interest Rate (EIR). If the asset is subsequently determined to be impaired then the amount recycled in equity is recycled to profit or loss.

The Bank may reclassify a non-derivative trading asset out of the 'Held-for-Trading' category into the 'Loans and receivables' category if it meets the definition of loans and receivables and the Bank has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Bank subsequently increases its estimate of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that receipt is recognised as an adjustment to the EIR from the date of change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Bank does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition. There are no reclassified financial assets.

2.12 De-recognition of financial assets and financial liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- The Bank has transferred substantially all the risks and rewards of the asset, or
- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

Impairment of financial assets

The Bank assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, 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, 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 an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss and is shown separately.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. 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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Available-for-sale financial investments

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Bank assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost.

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in statement of financial position.

2.13 Cash and cash equivalents

Cash and cash equivalents referred in the cash flow comprise cash on hand, non-restricted current accounts with Bank of Tanzania, deposits held at call with banks with an original maturity of three months or less, due from banks on demand and investments with maturity periods of three months or less in money market instruments.

2.14 Foreign Currency Translation

a) Functional and presentation currency

Items included in the Bank's financial statements are measured using the currency of the primary economic environment in which the entity operates (''the functional currency).The financial statements are presented in Tanzanian Shillings and figures are in thousands of Tanzania Shillings.

b) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date. All differences arising on non-trading activities are taken to 'Other operating income' in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.15 Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by 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.

In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax relating to items recognised directly in equity or other comprehensive income are also recognised in equity or other comprehensive income and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.16 Value added tax

Revenues, expenses and assets are recognised inclusive of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is recoverable from the taxation authority, in which case the value added tax is recognised as an asset or liability in the statement of financial position.

2.17 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.18 Earnings per share

Earnings per share are calculated based on the profit attributable to shareholders divided by the weighted number of ordinary shares. Diluted earnings per share are computed using the weighted average number of equity shares and dilutive potential ordinary shares outstanding during the year. During the year, there were no dilutive potential shares.

2.19 Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are accounted for as off statement of financial position transactions and disclosed as contingent liabilities. Estimates of the outcome and financial effect of contingent liabilities is made by management based on information available up to the date the financial statements are approved for issue by directors. Any expected loss is charged to the statement of profit or loss.

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 risks. Taking risk is core to the financial business, and the operational risks are inevitable consequences 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 the Risk and Compliance 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. In addition, the Internal Audit department is responsible for the independent review of risk management and the control environment. The most significant risks are credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk, interest risk and price risk.

3.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that the 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; Directors therefore carefully manage 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 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 controls are centralised in Commerce, Risk and Compliance departments of the Bank and reported to the Board of Directors and Heads of Departments regularly.

3.1.1 Credit risk measurement

(a) Loans and advances

In measuring credit risk of loan and advances to customers and to Banks at a counterparty level, the Bank assesses the financial condition by looking at the trend of key ratios as well as conducting site visits to gauge feasibility of the prospective businesses.

For microfinance loans which form greater part of the Bank's portfolio, the Bank depends on in-built mechanisms like peer pressure, graduated lending and character-based lending to mitigate inherent risk embedded in offering loans to the sector hence little emphasis is stressed in measuring the credit risk at individual level.

Aging analysis is used to give ex-post information on the extent of exposure assumed by the Bank. Below is the continuum used by the Bank in ranking the level of exposure.

Bank's internal ratings scale

	Description of the grade	Ageing	% used for Regulatory provisioning
1.	Current	0 - 30 days	1%
2.	Especially mentioned	31 - 90 days	3%
3.	Sub-standard	91 - 180 days	20%
4.	Doubtful	181 – 270 days	50%
5.	Loss	271 days and above	100%
	Solidarity group loan provisioning		
1.	Current	0 - 5 days	1%
2.	Especially mentioned	6 - 30 days	5%
3.	Sub-standard	31 - 60 days	25%
4.	Doubtful	61 - 90 days	50%
5.	Loss	91 days and above	100%

For larger loans, qualitative factors are considered along with aging analysis to determine the level of exposure. These include information like the account operation, loan collateral, insurance and tax status of the client and carried on a cost basis.

(b) Debt securities

Debt securities are Treasury Bills and Bonds issued by the Government of the United Republic of Tanzania. These investments are internally graded as current.

3.1.2 Credit risk limit control and mitigation policies

The Bank manages limits and controls concentrations of credit risk wherever they are identified 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.

The exposure to any one borrower including Banks is further restricted by sub-limits covering on and off balance sheet exposures. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed through 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.

Some other specific control and mitigation measures are outlined below.

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

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

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.

(b) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings 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 4.1.1 focuses more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the financial statements are usually lower than the amount determined from the internal rating system that is used for internal operational management and Banking regulation purposes.

The impairment provision shown in the financial statements at the reporting period is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom two grading. The table below shows the percentage of the Bank's on and off balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

Bank's rating

		31 December 2015		31 December 2014	
		Loans and advances (%)	**Impairment provision (%)**	Loans and advances (%)	Impairment provision (%)
1	Current	**93.60**	**18.27**	93.51	2.07
2	Especially mentioned	**0.67**	**0.63**	0.79	2.31
3	Sub-standard	**0.5**	**0.64**	0.43	1.24
4	Doubtful	**1.28**	**5.67**	1.13	12.12
5	Loss	**3.94**	**74.79**	4.15	82.26
		100	**100**	100	100

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

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower
- Breach of loan covenants or conditions;
- Initiation of Bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held and the anticipated receipts for that individual account.

	2015	2014
	TZS 000	TZS 000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Balances with the Bank of Tanzania	**16,181,115**	13,815,316
Loans and advances to banks	**8,929,034**	9,775,107
Loans and advances to customers	**107,294,832**	77,219,211
Government securities	**12,893,876**	18,064,087
Other assets (excluding prepayments)	**323,501**	397,297
	145,622,358	119,271,018
Credit risk exposures relating to off-balance sheet items are as follows:		
Unutilised facilities and other commitments to lend	**3,696,791**	2,302,072
Acceptances, guarantees and letters of credit	**1,939,766**	358,438
	5,636,557	2,660,510
	155,483,519	121,931,528

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2015 and 2014, without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, of the total maximum exposure of 74.4% is derived from loans and advances to customers (2014: 64.2%), 8.6% represent investments in Government securities (2014: 12.1%).

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loans and advances portfolio and debt securities based on the following:

- 94.2% of the loans and advances portfolio are considered to be neither past due nor impaired (2014: 93.5%);

- A stringent selection process using widely accepted industry best practices upon granting loans and advances.

3.1.4 Loans and advances

a) Loans and advances are summarised as follows:

	31 December 2015		31 December 2014	
	Loans and advances to customers TZS 000	**Impairment advances to banks TZS 000**	Loans and advances to customers TZS 000	Impairment advances to banks TZS 000
Neither past due nor impaired	**105,054,318**	**8,929,034**	74,278,386	9,775,107
Past due but not impaired	**1,165,432**	**-**	1,005,288	-
Impaired	**5,299,686**	**-**	4,179,836	-
Gross	**111,519,436**	**8,929,034**	79,463,510	9,775,107
Less: allowances for impairment	**(4,224,604)**	**8,929,034**	(2,244,299)	-
	107,294,832	**8,929,034**	77,219,211	9,775,107

The total impairment provision for loans and advances is TZS 4.2 billion (2014: TZS 2.2 billion). This amount represents individually as well as portfolio impaired loans. Further information of the impairment allowance for loans and advances to customers is provided in Note 18.

During the year ended 31 December 2015, the Bank's total loans and advances increased by 40.34% (2014: 3.1%) as a result of the expansion of the lending business. When entering into new markets or new industries, the Bank focused more on the business with small and medium corporate enterprises with good performance records in order to contain the level of delinquency.

b) Loans and advances neither past due nor impaired

The portfolio of loans and advances that were neither past due nor impaired can be analysed as follows:

	2015	2014
	TZS 000	TZS 000
Classes		
Micro and Small Enterprises (MSEs)	**81,274,896**	55,243,238
Consumer Loans	**1,851,030**	7,038,165
Term loans	**14,499,053**	8,292,055
Overdrafts	**7,429,339**	3,704,928
Total loans and advances to customers	**105,054,318**	74,278,386
Amounts due from Banks	**8,929,034**	9,775,107

c) Loans and advances past due but not impaired

Gross amount of loans and advances by class to customers that were past due but not impaired were as follows:

	Individual (retail) customers		Corporate entities		
	Micro and Small Enterprises	Consumer loans	Term loans	Overdraft	Total
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
31 December 2015					
Especially mentioned (31-60 days)	**532,128**	**51,696**	**83,853**	**-**	**667,676**
Substandard (61-90 days)	**419,953**	**77,803**	**-**	**-**	**497,756**
	952,081	**129,499**	**83,853**	**-**	**1,165,432**
31 December 2014					
Especially mentioned (31-60 days)	517,998	149,508	-	-	667,506
Substandard (61-90 days)	298,268	39,514	-	-	337,782
	816,266	189,022	-	-	1,005,288

(d) Loans and advances impaired

Individually impaired loans and advances to customers before taking into consideration the anticipated cash flows from collateral held are TZS 4.2 billion (2014: TZS 3.4 billion).

The breakdown of the gross amount of individually impaired loans and advances by class are as follows:

	Individual (retail) customers		Corporate entities		
	Enterprises	Consumer	Term Loans	Overdraft	Total
31 December 2015	TZS 000	TZS 000	TZS 000	TZS 000	TZS 00
Doubtful	716,512	60,442	494,221	-	1,271,175
Loss	2,900,545	1,004,296	123,671	35,245	4,028,51
	3,504,318	**1,064,738**	**617,892**	**35,245**	**5,299,686**
31 December 2014					
Doubtful	660,200	216,238	9,169	-	885,607
Loss	2,070,602	739,626	449,576	34,425	3,294,229
	2,730,802	**955,864**	**458,745**	**34,425**	**4,179,836**

3.1.5 Amounts due from Banks

There were no amount of individually impaired loans and advances to Banks as at 31 December 2015 (2014: Nil). No collateral is held by the Bank and no impairment provision has been made against the gross amounts.

3.1.6 Debt securities, treasury bills and other eligible bills

The only investment securities held by the Bank are treasury bills issued by the Government of Tanzania. These investments are internally graded as current.

3.1.7 Concentration of risks of financial assets with credit risk exposure

Industry sectors

The following table breaks down the Bank's main credit exposure at their gross carrying amounts, as categorised by the industry sectors of its counterparties:

	Financial Insitutions	Trading and commercial	Wholesale and retail trade	Individuals
	TZS 000	TZS 000	TZS 000	TZS 000
Loans and advances to banks	**8,929,034**	**-**	**-**	**-**
Investment securities	**12,893,876**	**-**	**-**	**-**
Loans and advances to customers	**-**	**91,095,564**	**7,361,769**	**3,121,081**
Other assets**	-	-	-	-
As at 31 December 2015	**21,822,910**	**91,095,564**	**7,361,769**	**3,121,081**
Loans and advances to banks	9,775,107	-	-	-
Investment securities	18,064,087	-	-	-
Loans and advances to customers	-	62,729,329	5,977,341	3,766,988
Other assets**	-	-	-	-
As at 31 December 2014	27,839,194	62,729,329	5,977,341	3,766,988

**For financial instruments disclosure purposes, other assets category excludes prepayments and stock

3.2 Market risk

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

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. ALCO 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 2015, if the functional currency had strengthened/weakened by 10% against the USD, GBP and EURO with all other variables held constant, post-tax profit for the year would have been TZS 43 million (2014: TZS 36 million) lower/higher, mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated financial assets and liabilities. The exposure to foreign currencies other than the US Dollar is minimal.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2015. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

The Bank operates wholly within Tanzania and its assets and liabilities are reported in the local currency. The Bank's currency risk is managed within the Bank of Tanzania exposure guideline of 5.5% of core capital. The Bank's currency position as at 31 December 2015 was as follows:

As at 31 December 2015	**TZS**	**USD**	**EURO**	**GBP**	**KES**	**UGX**	**Total**
	TZS 000	**TZS 000**	**TZS 000**	**TZS 000**	**TZS 000**	**TZS 000**	**TZS 000**
Financial Assets							
Cash and balances with Bank of Tanzania	**22,275,827**	**3,853,669**	**43,759**	**7,535**	**3,861**	**3,179**	**26,187,830**
Loans and advances to banks	**199,461**	**8,665,333**	**61,094**	**3,146**	**-**	**-**	**8,929,034**
Loans and advances to customers	**106,445,683**	**849,150**	**-**	**-**	**-**	**-**	**107,294,832**
Other assets excluding prepayments	**323,501**	**-**	**-**	**-**	**-**	**-**	**323,501**
Total financial assets	**129,244,472**	**13,368,152**	**104,853**	**10,681**	**3,861**	**3,179**	**142,735,197**
Financial liabilities							
Deposits from other banks	**500,178**	**-**	**-**	**-**	**-**	**-**	**500,178**
Deposits from Customers	**121,049,520**	**13,271,770**	**53,656**	**7,819**	**-**	**-**	**134,382,765**
Other Liabilities (excluding statutory deductions and deferred facility fee)	**1,839,235**	**127,472**	**50,657**	**-**	**-**	**-**	**2,017,364**
Total financial liabilities	**123,388,933**	**13,399,242**	**104,313**	**7,819**	**-**	**-**	**136,900,307**
Net position	**5,855,539**	**(31,090)**	**540**	**2,862**	**3,861**	**3,179**	**5,834,890**

As at 31 December 2014	TZS	USD	EURO	GBP	KES	UGX	Total
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
Financial Assets							
Cash and balances with							
Bank of Tanzania	21,071,895	2,000,161	25,486	10,940	2,496	2,984	23,113,962
Loans and advances to banks	4,032,910	5,643,544	76,111	22,542	-	-	9,775,107
Loans and advances to customers	76,529,099	690,112	-	-	-	-	77,219,211
Other assets excluding prepayments	397,297	-	-	-	-	-	397,297
Total financial assets	102,031,201	8,333,817	101,597	33,482	2,496	2,984	110,505,577
Financial liabilities							
Deposits from other banks	102,365,457	8,466,295	61,695	1,407	-	-	110,894,854
Other Liabilities (excluding statutory							
deductions and deferred facility fee)	1,248,348	99,777	33,722	-	-	-	1,381,847
Total financial liabilities	103,613,805	8,566,072	95,417	1,407	-	-	112,276,701
Net position	(1,582,604)	(232,255)	6,180	32,075	2,496	2,984	(1,771,124)

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. The Banks Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate reprising that may be undertaken, which is monitored daily by Bank. 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 an interest rate risk on off balance sheet items.

Interest rate risk - stress tests

The Bank monitors the impact of risks associated with the effects of fluctuations in prevailing interest rates. At 31 December 2015, the following table summarizes the estimated impact of an immediate hypothetical increase or decrease in interest rates of 125 basis points on profit before income tax expense, and current interest rate risk profile.

	2015	2014
	TZS 000	TZS 000
125 basis points increases or decrease in interest rates	**468,457**	326,225

The effective interest rates for the principal financial assets and liabilities at 31 December 2015 and 2014 were as follows:

	Year 2015	Year 2014
Government securities	**14.08%**	12.91%
Loans and advances	**4.77%**	4.85%
Loans and advances to customers	**30.30%**	34.02%
Deposit from Customers	**2.03%**	2.41%

The following is the Interest rate risk analysis of the bank as at 31 December 2015

	Non-interest bearing	**Up to 1 month**	**1-3 month**	**3-12 month**	**1-5 years**	**Total**
	TZS 000	**TZS 000**	**TZS 000**	**TZS 000**	**TZS 000**	**TZS 000**
Financial assets						
Cash and balances with Bank of Tanzania	26,187,830	-	-	-	-	26,187,830
Government Securities	-	1,438,891	6,862,155	4,570,551	-	12,871,598
Loans and advances to banks	5,686,574	1,080,820	2,161,640	-	-	8,929,034
Loans and advances to customers	-	16,244,258	3,807,425	43,817,252	43,425,896	107,294,832
Other assets(excluding prepayments)	323,501	-	-	-	-	323,501
Total financial assets	**32,197,905**	**18,763,969**	**12,831,220**	**48,387,803**	**43,425,896**	**155,606,795**
Financial liabilities						
Deposits from other banks	-	500,178	-	-	-	500,178
Deposit from customers	59,142,411	56,620,754	1,899,833	16,709,765	10,000	134,382,765
Other liabilities (excluding statutory deductions and deferred facility fee)	2,017,364	-	-	-	-	2,017,364
Total financial liabilities	**61,159,775**	**57,120,932**	**1,899,833**	**16,709,765**	**10,000**	**137,810,579**
Total interest re-pricing gap		**(38,356,963)**	**10,931,387**	**31,678,038**	**43,415,896**	

The following is the Interest rate risk analysis of the bank as at 31 December 2014

	Non-interest bearing	Up to 1 month	1-3 month	3-12 month	1-5 years	Total
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
Financial assets						
Cash and balances with Bank of Tanzania	23,113,962	-	-	-	-	23,113,962
Government Securities	-	2,494,934	9,504,106	6,065,047	-	18,064,087
Loans and advances to banks	2,968,259	6,806,848	-	-	-	9,775,107
Loans and advances to customers	-	1,925,577	4,819,569	50,206,879	20,267,186	77,219,211
Other Assets	397,297	-	-	-	-	397,297
Total financial assets	26,479,518	11,227,359	14,323,675	56,271,926	20,267,186	128,569,664
Financial liabilities						
Deposit from Customers	51,519,713	47,184,242	5,406,749	6,739,150	-	110,849,854
Other Liabilities (excluding statutory deductions)	1,381,847	-	-	-	-	1,381,847
Total financial liabilities	52,901,560	47,184,242	5,406,749	6,739,150	-	112,231,701
Interest rate sensitivity gap		(35,956,883)	8,916,926	49,532,776	20,267,186	

3.3 Liquidity risk

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

3.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by the Bank's Asset and Liability Committee (ALCO), includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that cash 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 is in 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.

3.3.2 Funding approach

Sources of liquidity are regularly reviewed by the Bank's Asset and Liability Committee to maintain a wide diversification by currency, geography, provider, product and term.

3.3.3 Non-derivative cash flows

The following is the liquidity profile of the Bank as at 31 December 2015

	Up to 1 month	1-3 month	3-12 month	Over 1 year	Total
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
Financial liabilities					
Deposits from other banks	**500,178**	**-**	**-**	**-**	**500,178**
Deposits from customers	**115,661,385**	**2,001,614**	**16,709,766**	**10,000**	**134,382,765**
Other Liabilities (excluding statutory deductions and deferred facility fee)	**2,017,364**	**-**	**-**	**-**	**2,017,364**
Total liabilities (contractual maturity dates)	**118,178,927**	**2,001,614**	**16,709,766**	**10,000**	**136,900,307**
Assets held for managing liquidity risk (contractual maturity dates)	**38,301,690**	**13,153,802**	**63,392,207**	**55,868,531**	**170,716,231**

The following is the liquidity profile of the Bank as at 31 December 2014

	Up to 1 month	1-3 month	3-12 month	Over 1 year	Total
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
Financial liabilities					
Deposits from other banks	-	-	-	-	-
Deposits from customers	98,703,955	5,406,749	6,739,150	-	110,849,854
Other Liabilities (excluding statutory deductions and deferred facility fee)	1,381,847				1,381,847
Total liabilities (contractual maturity dates)	100,085,802	5,406,749	6,739,150	-	112,231,701
Assets held for managing liquidity risk (contractual maturity dates)	37,309,580	14,323,675	56,271,926	20,267,186	128,172,367

3.3.3 Non-derivative cash flows (continued)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, Bank of Tanzania balances, items in the course of collection, treasury bills, deposits and balances due from financial institutions and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended.

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 30), are summarised in the table below.

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 30) are also included below based on the earliest contractual maturity date.

	No later than 1 year TZS 000
As at 31 December 2015	
Unutilised facilities and other commitments to lend	**3,696,791**
Acceptances, guarantees and letters of credit	**1,939,766**
Total	**5,636,557**
As at 31 December 2014	
Unutilised facilities and other commitments to lend	2,302,072
Acceptances, guarantees and letters of credit	358,438
Total	2,660,510

3.4 Fair values of financial assets and liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's statement of financial position at their fair value:

	Carrying value		Fair value	
	2015	**2014**	**2015**	**2014**
	TZS 000	**TZS 000**	**TZS 000**	**TZS 000**
Financial assets				
Cash and balances with Bank of Tanzania	**26,187,830**	23,113,962	**26,187,830**	23,113,962
Loans and advances to banks	**8,929,034**	9,775,107	**8,929,034**	9,775,107
Loans and advances to customers	**107,294,832**	77,219,211	**107,294,832**	77,219,211
Other assets (excluding prepayments)	**323,501**	397,297	**323,501**	397,297
Investment securities				
	12,893,876	18,064,087	**12,893,876**	18,064,087
Financial liabilities				
Deposits from customers	**134,382,765**	110,849,854	**134,382,765**	110,849,854
Other liabilities (excluding statutory obligations)	2,754,858	2,234,417	**2,754,858**	2,234,417
Off-balance sheet financial instruments				
Loan commitment	**3,696,791**	3,923,777	**3,696,791**	3,923,777
Guarantees, acceptances and other financial facilities	**1,939,766**	358	**1,939,766**	358

(i) Loans and advances to banks

Loans and advances to banks include inter-bank placements and items in the course of collection.

The carrying amount of floating rate placements and overnight deposits is a reasonable approximation of fair value. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(ii) Loans and advances to customers

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

(iii) Investment securities

The fair value for loans and receivables and held-to-maturity financial assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Investment securities (available-for-sale) disclosed in the table above comprises only those equity securities held at cost less impairment. The fair value for these assets is based on estimations using market prices and earnings multiples of quoted securities with similar characteristics. All other available-for-sale financial assets are already measured and carried at fair value.

(iv) Deposits from banks and customers

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

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

(v) Off-balance sheet financial instruments

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

(vi) Fair value hierarchy

IFRS 13 requires the Bank to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The Bank specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect the Bank's market assumptions.

These two types of inputs have created the following fair value hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

3.4.1 Assets and liabilities measured at fair value

The following table analyses within the fair value hierarchy the Bank's financial assets and financial liabilities (by class) measured at fair value at 31 December 2015.

	Fair value hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
	TZS '000	**TZS '000**	**TZS '000**	**TZS '000**
31 December 2015				
Available for sale financial assets				
- Investment securities - debt	**-**	**-**	**20,000**	**20,000**
Total	**-**	**-**	**20,000**	**20,000**
31 December 2014				
Available for sale financial assets				
-Investment securities - debt	-	-	20,000	20,000
Total	-	-	20,000	20,000

There were no transfers between levels for the year ended 31 December 2015 (2014: Nil).

4 CAPITAL MANAGEMENT : OBJECTIVES

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

- To comply with the capital requirements set by the Bank of Tanzania (BoT);

- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- To maintain a strong capital base to support the development of its business.

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

The BoT requires each Bank or Banking group to: (a) hold the minimum level of the regulatory capital of TZS 15 billion by 31 December 2015, and (b) maintain a ratio of core capital and total capital to the risk-weighted asset (the 'Basel ratio') at or above the internationally agreed minimum of 10% and 12% respectively.

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

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Prepaid expenses, intangible assets and deferred charges are deducted in arriving at Tier 1 capital; and

- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances 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 the asset 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.

5 CAPITAL MANAGEMENT: REGULATORY CAPITAL

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2015 and 31 December 2014 year end respectively. During those two periods, the Bank complied with all of the externally imposed capital requirements to which they are subject.

	2015	2014
Tier 1 capital	**TZS 000**	TZS 000
Share capital	**8,607,135**	8,607,136
Share premium	**2,431,917**	2,431,917
Retained earnings	**11,107,684**	6,614,747
Prepaid expenses	**(1,877,124)**	(1,365,931)
Deferred charges	**(900,754)**	-
Intangible assets	**(83,572)**	(280,551)
Total qualifying Tier 1 capital	**19,285,286**	16,007,318
Tier 2 capital		
General risk reverse	**925,397**	-
Regulatory reserve	**2,174,018**	3,836,097
Total qualifying Tier 2 capital	**3,099,415**	3,836,097
Total regulatory capital (Tier 1 & Tier 2)	**22,384,701**	19,843,415
Risk-weighted assets		
On-balance sheet	**82,343,925**	64,936,239
Off-balance sheet	**4,266,830**	364,521
Total risk-weighted assets	**86,610,755**	65,300,760

	Bank's ratio 2015 %	Bank's ratio 2014 %
Tier 1 capital (BoT minimum 10%)	**22.27**	25.56
Tier 1 + Tier 2 capital (BoT minimum 12%)	**25.84**	30.39

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements the Bank makes estimates and assumptions that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances. The most significant uses of judgment and estimates are as follows:

Impairment losses on loans and advances

The Bank reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in profit or loss. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilisation, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

Were the net present values of estimated cash flow to differ by +/- 10%, the impairment loss would have been TZS 33 million lower or higher (2014: TZS NIL).

The impairment loss on loans and advances is disclosed in more detail in note 18.

Property and equipment

Critical estimates are made by the directors in determining depreciation rates for equipment and their residual values. The rates used are set out in the accounting policies section of these financial statements under Note 2. There is no significant risk of these estimates changing in the next 12 months that may lead to a material change in the carrying value of property and equipment and intangible assets.

Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Held to maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. Accordingly, the investments would be measured at fair value instead of amortised cost.

If all held-to-maturity investments (Treasury bills and bonds) were to be so reclassified, the carrying value would decrease by TZS 106 million, with a corresponding entry in the fair value reserve in shareholders' equity.

7 INTEREST INCOME

	2015	2014
	TZS 000	TZS 000
Interest on loans and advances to customers	25,294,132	22,439,028
Income from Government securities	1,734,330	2,048,879
Interest from placement with other banks	155,765	327,701
Unrealised interest on loans and advances to customers	2,150,422	2,823,303
	29,334,649	27,638,911

The unrealised interest is attributed to recognition of interest income using effective interest rate as opposed to flat rate basis based on agreement with customers.

8 INTEREST EXPENSE

	2015	2014
	TZS 000	TZS 000
Saving Deposits	1,067,272	896,093
Time deposits	1,590,118	1,699,800
Other borrowings	79,257	120
	2,736,647	2,596,013

9 FEES AND COMMISSION INCOME

	2015	2014
	TZS 000	TZS 000
Commission income	207,338	158,607
ATM Card	171,955	153,830
ATM Fees	220,458	189,608
Loans commitment fees	2,834,775	1,566,206
Legal fees	534,136	120,406
Penalties from premature loans	1,088,739	1,683,293
Withdrawal charges	349,483	403,622
Ledger fees	1,008,540	1,076,434
Telegraphic transfer	168,949	158,367
Salary processing	135,537	134,602
Other fees	114,673	76,309
	6,834,583	5,721,284

10 FOREIGN EXCHANGE INCOME

	2015	2014
	TZS 000	TZS 000
Foreign currency trading	668,582	141,410

11 OTHER OPERATING INCOME

Insurance income	780,208	94,745
Profit on disposal of property and equipment	36,598	400
Other income	238,299	109,185
	1,055,105	204,330

12 EMPLOYEE BENEFITS EXPENSES

Salaries and allowances	9,705,453	8,334,792
Social security costs	976,830	849,554
Medical insurance	960,223	797,286
Leave allowance	743,248	510,286
Staff welfare	216,667	117,688
Staff Incentives	839,193	422,448
Skill and development levy	548,727	454,811
Workers Compesation Fund	51,115	-
Other staff cost	551,094	398,212
	14,592,550	11,885,077

13 GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
	TZS 000	TZS 000
Operating leases	**2,858,953**	2,276,405
Umoja Switch expenses	**625,031**	379,546
Advertising and Marketing	**574,506**	571,124
ICT expenses	**1,117,089**	959,659
Technical assistance fees (Note 31 (iii))	**341,538**	185,531
Auditors' remuneration	**100,844**	96,416
Directors' fees and other emoluments (Note 31)	**178,210**	149,199
Training	**424,219**	500,066
Travel and lodging	**579,950**	619,518
Maintenance equipment	**394,824**	295,014
Akiba Mobile expenses	**47,768**	-
Fuel Motor vehicles and generators	**360,159**	317,714
Withholding Tax and VAT	**-**	117,427
Telephones	**167,335**	171,272
Stationery expenses	**453,839**	402,892
Insurance	**237,658**	258,920
Subscription and professional fees	**279,397**	196,993
Legal expenses	**650,988**	391,697
Security	**961,991**	872,677
Premises expenses	**961,953**	888,720
Provision other assets	**13,826**	276,991
Miscellaneous expenses	**217,110**	116,305
	11,547,188	10,044,085

14 DEPRECIATION AND AMORTISATION

	2015	2014
	TZS 000	TZS 000
Depreciation (Note 21,22 and 23)	**1,679,303**	1,981,847

15 TAXATION

	2015	2014
	TZS 000	TZS 000

(a) Tax expense for the year is arrived at as follows:

	2015 TZS 000	2014 TZS 000
Current income tax - current year	**2,626,843**	1,505,465
Current income tax – Prior year	**(292,630)**	53,955
Deferred income tax - current year	**(878,509)**	155,254
Deferred income tax - prior periods	**(206,712)**	156,340
	1,248,992	1,871,014

(b) Reconciliation of tax expense to the expected tax based on accounting profit.

	2015	2014
	TZS 000	TZS 000
Accounting profit before tax	**5,263,347**	5,310,751
Tax calculated at the statutory income tax rate of 30%	**1,579,004**	1,593,225
Tax effect of:		
Expenditure permanently disallowed	**46,159**	4,364
Other adjustment	**123,171**	63,130
Prior year current tax adjustment	**(292,630)**	53,955
Prior year deferred tax adjustment	**(206,712)**	156,340
Income tax expense	**1,248,992**	1,871,014

(c) Current income tax (payable) recoverable

	2015 TZS 000	2014 TZS 000
At 1 January	**443,222**	811,534
Payments made during the year	**1,857,423**	1,191,108
Charge to profit or loss	**(2,334,213)**	(1,559,420)
	(33,568)	443,222

16 CASH AND BALANCES WITH THE BANK OF TANZANIA

	2015	2014
	TZS 000	TZS 000
Cash balances	**10,006,714**	8,959,296
Balances with Bank of Tanzania:		
Clearing account - local currency	**920,997**	2,073,171
Clearing account - foreign currency	**2,724,609**	1,793,995
Statutory minimum reserve (SMR)	**12,535,510**	10,287,500
	26,187,830	23,113,962

The SMR deposit is not available to finance the Bank's day-to-day operations and is excluded from cash and cash equivalents for the purpose of the cash flow statement (Note 29).

Cash and balances with Bank of Tanzania are non-interest bearing.

17 LOANS AND ADVANCES TO BANKS

	2015	2014
	TZS 000	TZS 000
Maturing within 90 days		
Placement with local banks	**-**	3,501,795
Placement with banks abroad	**3,244,239**	3,305,053
Cheques and items in the course of clearing	**168,987**	437,058
Balances with other banks	**5,515,808**	2,531,201
	8,929,034	9,775,107

18 LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers	**105,650,991**	74,701,440
Staff loans	**5,868,445**	4,762,070
Gross loans and advances	**111,519,436**	79,463,510
Less: allowance for impairment	**(4,224,604)**	(2,244,299)
	107,294,832	77,219,211

Gross loans and advances to customers by class are as follows:

Microfinance loans	**84,930,053**	57,951,299
Salaried workers and personal loans	**3,959,605**	4,218,419
Corporate loans	**15,200,439**	8,792,369
Overdrafts	**7,429,339**	3,739,353
	111,519,436	74,701,440

Reconciliation of allowance account for losses on loans and advances is as follows:

	2015	2014
	TZS 000	TZS 000
Balance at 1 January	**2,244,299**	1,342,443
Impairment losses for the year	**2,298,120**	2,353,842
Loans and advances written off during the year	**(317,815)**	(1,451,986)
	4,224,604	2,244,299

Reconciliation of allowances account for losses on loans and advances by class is as follows:

	Individual (retail) customers		Corporate entities		
	Small and Medium Enterprises	Consumer	Term loans	Overdrafts	Total
	TZS 000	TZS 000	TZS 000	TZS 000	TZS 000
Balance at 1 January 2015	**1,734,872**	**7,248**	**458,092**	**44,086**	**2,244,299**
Increase in provision for loan impairment	**1,510,441**	**806,259**	**(39,532)**	**20,953**	**2,298,121**
Write offs	**(317,815)**	**-**	**-**	**-**	**(317,815)**
At 31 December 2015	**2,927,498**	**813,507**	**418,560**	**65,039**	**4,224,604**
Balance at 1 January 2014	452,914	403,281	458,092	28,155	1,342,443
Increase in provision for loan impairment	2,183,632	154,279	-	15,931	2,353,842
Write offs	(901,674)	(550,312)	-	-	(1,451,986)
At 31 December 2014	1,734,872	7,248	458,092	44,086	2,244,299

	2015	2014
	TZS 000	TZS 000
The provision as at year is made up of the following:		
Specific allowance for impairment	**3,736,032**	1,914,911
Collective allowance for impairment	**488,572**	329,361
	4,224,604	2,244,272
Impairment charge to profit or loss is broken down as follows:		
Impairment charges for credit losses	**2,298,121**	2,353,842
Amounts recovered during year	**(224,237)**	(465,680)
Charge to profit or loss	**2,073,884**	1,888,162

19 GOVERNMENT SECURITIES

	2015	2014
	TZS 000	TZS 000
Treasury bills:		
Maturing within 91 days or less (from acquisition)	-	3,682,293
Maturing after 91 days	12,893,876	14,381,794
Current	12,893,876	18,064,087

Treasury bills are debt securities issued by the Government of the United Republic of Tanzania and are classified as loans and receivables. All above securities are current.

20 UNQUOTED EQUITY INVESTMENT

	2015	2014
	TZS 000	TZS 000
Investment in shares	20,000	20,000

Investments in shares represent 20 ordinary shares in Umoja Switch Company Limited. The investment represents 9.1% of the Company's total issued and paid up ordinary share capital. The shares are accounted for at cost.

Umoja Swicth Company Limited is a jointly controlled operation whereby 11 banks have pulled together resources to invest in a nationwide ATM network. Each bank has an equal voting right in respect of decision making.

21 PROPERTY AND EQUIPMENT

	Motor vehicles	Fixtures fittings and equipment	Work in Progress	Total
	TZS 000	TZS 000	TZS 000	TZS 000
COST				
At start of year	994,773	6,841,698	-	7,836,471
Additions	150,680	1,410,517	41,129	1,602,326
Disposals	(46,932)	(300,793)	-	(347,725)
At end of year	1,098,521	7,951,422	41,129	9,091,072
DEPRECIATION				
At start of year	790,930	5,095,707	-	5,886,637
Charge for the year	121,860	879,213	-	1,001,073
Disposals	(46,932)	(286,425)	-	(333,357)
At end of year	**865,858**	**5,688,495**	**-**	**6,554,353**
NET BOOK VALUE				
At end of year	**232,663**	**2,304,055**	**41,129**	**2,536,719**

21 PROPERTY AND EQUIPMENT continued

	Motor vehicles	Fixtures fittings and equipment	Total
	TZS 000	TZS 000	TZS 000
COST			
At start of year	995,849	6,513,175	7,509,024
Additions	5,000	328,522	333,522
Disposals	(6,076)	-	(6,076)
At end of year	994,773	6,841,697	7,836,470
DEPRECIATION			
At start of year	676,489	4,095,227	4,771,716
Charge for the year	120,517	1,000,480	1,120,997
Disposals	(6,076)	-	(6,076)
At end of year	790,930	5,095,707	5,886,637
NET BOOK VALUE			
At end of year	203,844	1,745,990	1,949,833

None of the premises and equipment has been pledged as security for liabilities (2014: Nil).

22 INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2015	2014
	TZS 000	TZS 000
COST		
At start of year	**2,729,459**	2,706,050
Additions	**25,200**	23,409
Write off	**(1,069)**	-
At end of year	**2,753,590**	2,729,459
AMORTISATION		
At start of year	**2,448,908**	2,057,517
Current year charge	**222,179**	391,391
Write off	**(1,069)**	-
At end of year	**2,670,018**	2,448,908
NET BOOK VALUE	**83,572**	280,551

23 LEASEHOLD IMPROVEMENTS

	2015	2014
	TZS 000	TZS 000
COST		
At start of year	**5,074,917**	5,074,917
Additions	**802,210**	-
Work in progress	**68,179**	-
Write off	**(43,903)**	-
At end of year	**5,901,403**	5,074,917
AMORTIZATIONS		
At start of year	**2,766,689**	2,297,230
Current year charge	**456,051**	469,459
Write off	**(732)**	-
At end of year	**3,222,008**	2,766,689
NET BOOK VALUE	**2,679,395**	2,308,228

24 DEFERRED INCOME TAX RECOVERABLE / (LIABILITY)

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

	2015	2014
	TZS 000	TZS 000
At start of year	**(184,467)**	128,183
Prior years over provision	**206,712**	(57,537)
Credit /(Debit) to profit or loss	**878,509**	(255,113)
At the end of year	**900,754**	(184,467)

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

	1 January 2015	(Debit)/Credit to profit or loss	31 December 2015
	TZS 000	TZS 000	TZS 000
2015			
Property and equipment	**155,150**	**57,742**	**212,892**
Other timing differences	**(339,617)**	**1,027,479**	**687,862**
	(184,467)	**1,085,211**	**900,754**

2014			
Property and equipment	86,483	68,667	155,150
Other timing differences	41,700	(381,317)	(339,617)
	128,183	(312,650)	(184,467)

25 OTHER ASSETS

	2015	2014
	TZS 000	TZS 000
Prepayments	**1,877,124**	1,365,932
Refurbishment work in progress	**-**	555,745
Other receivables	**600,807**	450,407
Less: Provision for losses	**(277,306)**	(294,079)
	2,200,625	2,078,005

26 DEPOSITS FROM CUSTOMERS

Current accounts	**29,458,058**	25,851,998
Biashara accounts	**29,684,353**	25,667,714
Savings accounts	**50,261,140**	42,391,588
Time deposit accounts	**21,708,213**	13,968,541
Solidarity savings	**3,271,001**	2,970,013
	134,382,765	110,849,854
MATURITY ANALYSIS:		
Payable within three months	**117,662,999**	104,110,704
Payable within three to twelve months	**16,709,766**	6,739,150
Payable over one year	**10,000**	-
	134,382,765	110,849,854

27 OTHER LIABILITIES

	2015	2014
	TZS 000	TZS 000
Statutory deductions	**636,339**	493,572
Bills payable	**133,625**	109,609
Deferred facility fees	**910,272**	852,570
Accrued leave	**180,283**	135,951
Other accrued expenses	**622,838**	188,322
Trade creditors	**270,613**	227,973
Auditors fees payable	**38,956**	48,535
Directors fees payable	**146,878**	125,750
Dividend payable	**32,407**	
Mobile service payable	**111,656**	123,420
Loan insurance premium	**210,487**	95,287
Customer suspense	**219,386**	237,733
Other accounts payable	**50,235**	89,267
	3,563,975	2,727,989

28 CASH AND CASH EQUIVALENTS

	2015	2014
	TZS 000	TZS 000
Cash and balances with Bank of Tanzania (Note 16)	**26,187,830**	23,113,962
Less: Statutory Minimum Reserves (Note 16)	**(12,535,510)**	(10,287,500)
Government securities(90 days from acquisition) (Note 19)	**-**	3,682,293
Loans and Advances to Banks (Note17)	**8,929,034**	9,775,107
	22,581,354	26,283,862

29 SHARE CAPITAL

	2015	2014
	TZS 000	TZS 000
Authorised		
10,000,000 ordinary shares of TZS 1,000 each	**10,000,000**	10,000,000
Issued and fully paid		
8,607,136 (2014: 8,247,184) ordinary shares of TZS 1,000 each	**8,607,135**	8,607,135

For purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition including: cash and balances with Bank of Tanzania, Government securities, and deposits and balances due from Banking instructions. Cash and cash equivalents exclude the Statutory Reserve requirement held with the Bank of Tanzania.

30 OFF BALANCE SHEET FINANCIAL INSTRUMENTS, 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.

Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Acceptances are a draft or bill of exchange drawn upon and accepted by a Bank.

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 customer's default.

At the end of the reporting period the Bank had outstanding Acceptances, guarantees and letters of credit amounting to TZS 1.9 billion (2014 - TZS 358 million).

Commitments to extend credit

At the end of the reporting period the Bank had outstanding commitments to extend credit amounting to TZS 3.7 billion (2014 - TZS 2.3 billion).

Legal claims

The Bank is currently involved in legal proceedings and has in consultation with its legal counsel assessed the outcome of these proceedings. Following this assessment, the Bank's management has determined that a provision of TZS 229 million (2014: Nil). Litigations, current or pending, are not likely to have a material adverse effect to the Bank.

As at 31 December 2015, contingent liabilities and contingent assets relating to pending cases with approximate financial effect of TZS 1.95 billion and TZS 0.57 billion respectively (2014: TZS 1.94 billion and TZS 1.79 billion).

Various employees have sued the Bank for unfair dismissal. Furthermore, some loan customers have also sued the Bank. In the opinion of the Directors, in combination with the Bank's legal advisors, the ultimate liability to the Bank in respect of the amounts claimed in these two situations is not expected to be material.

Capital commitments	**2015**	2014
	TZS 000	TZS 000
Authorized and contracted for	**831,475**	2,532,569
Authorized not yet contracted for	**109,308**	1,391,208
	940,783	3,923,777

Capital commitments authorized but not yet contracted for relates to work in progress for new service centre at Julius Nyerere International Airport.

Operating lease commitments

At the end of the reporting date, the Bank had outstanding commitments under operating leases, payable as follows:

	2015	2014
	TZS 000	TZS 000
Not later than 1 year	**1,650,147**	1,456,283
Later than 1 year but not later than 5 years	**5,624,223**	4,419,158
	7,274,370	5,875,441

Operating lease commitments represent rentals payable by the Bank for its office premises, branches and residence houses for employees. Leases are negotiated for an average term of one to three years during which rentals are fixed.

31 RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

A number of Banking transactions are entered into with related parties in the normal course of business and on the Bank's normal commercial terms. The values of related party transactions, outstanding balances at the year end and the related expenses and income for the year are as follows:

(i) Loans and advances to related parties

Advances to shareholders and their related companies were as follows:

	2015	2014
	TZS 000	TZS 000
At start of year	**3,313,209**	2,722,533
Net movement during the year	**(2,899,215)**	590,676
At end of year	**413,994**	3,313,209
Interest income earned	**70,873**	93,701

Advances to key management personnel were as follows:

At start of year	**349,842**	372,087
Net movement during the year	**53,838**	(22,245)
At end of year	**403,680**	349,842
Interest income earned	**14,322**	13,015

31 RELATED PARTY DISCLOSURES continued

Loans and advances to related parties were fully performing as at 31 December 2015.

(ii) Deposits from related parties

a) Deposits received from shareholders.

	2015	2014
	TZS 000	TZS 000
Inter Consult Limited	**21,004**	123,500
Parastatal Pensions Fund	**1,000,000**	1,372,441
ERNCON Holdings Limited	**123,998**	23,396
Others	**372,414**	548,937
	1,739,841	2,068,274

(ii) Deposits from related parties (continued)

b) Deposits by Directors and key management personnel

At start of year	**191,751**	355,862
Net movement during the year	**123,776**	(164,111)
Balance as at 31 December	**315,527**	191,751
Interest expense incurred	**4,596**	2,440

c) Deposits by shareholders

At start of year	**2,068,273**	2,415,675
Net movement during the year	**(328,432)**	(347,402)
At end of year	**1,739,841**	2,068,273
Interest expense incurred	**94,290**	197,932

(iii) Technical assistance fees

Accion International	**235,207**	185,531

(iv) Key management compensation

Salaries and other short-term benefits	**1,807,716**	1,683,044

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.

(v) Directors' remuneration

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

Name	2015 Directors fees TZS 000	2015 Other emoluments TZS 000	2014 Directors fees TZS 000	2014 Other emoluments TZS 000
Ernest Massawe	**15,400**	**3,500**	10,200	7,000
Elizabeth Minde Maro	**-**	**-**	5,950	2,949
Joseph Rugumyamheto	**11,000**	**6,500**	4,250	4,500-
Jean Marie Prevost	**11,000**	**13,700**	-	-
Rita Van den Abbeel	**-**	**-**	4,250	-
Brian Kuwik	**11,000**	**15,700**	8,500	16,450
John Fischer	**11,000**	**13,200**	8,500	12,450
Dr. Richard Kasungu	**11,000**	**10,000**	8,500	9,000
Selestine Joseph Some	**11,000**	**10,500**	8,500	8,000
Liesbeth Soer	**11,000**	**12,700**	8,500	21,700
	92,400	**85,800**	**67,150**	**77,549**

32 COUNTRY OF INCORPORATION

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

33 ASSETS PLEDGED AS SECURITY

As at 31 December 2015, there were no assets which had been pledged by the Bank to secure any liabilities and the Bank did not have any secured liabilities.

34 FAIR VALUE

The Directors consider that there is no material difference between the fair value and the carrying value of the Bank's financial assets and financial liabilities where fair value details have not been presented.

35 SUBSEQUENT EVENTS DISCLOSURE

At the date of signing the financial statements, the Directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with in these financial statements, which significantly affected the financial position of the Company and results of its operations.

Corporate Social Responsibility

National Cleanliness Day, 09th December, 2015. Akiba Commercial Bank supported the Presidential initiatives on Environmental Cleanliness by cleaning various market places; Tandale in Dar es Salaam (pictured), Mwaloni in Mwanza and Mwanjelwa in Mbeya.

Notes

Head office and branch addresses *Contacts*

Head Office
Amani Place, Ohio Street,
P.O Box 669, Dar es Salaam
Tel: +255 22 2118340/3,
Fax: +255 22 2114173
Email: info@acbtz.com,
Website: www.acbtz.com

Main Branch
Amani Place, Ohio Street,
Dar es Salaam
Tel: +225 22 2138804
Fax: +225 22 2138804

Ubungo Plaza Branch
Ubungo - Morogoro Rd.,
Dar es Salaam
Tel: +255 22 2460690/92
Fax: +225 22 2460693

Kariakoo Branch
Uhuru/Likoma Streets,
Dar es Salaam
Tel: +255 22 2185148
Fax: +225 22 2184067

Buguruni Branch
Opp. Police Station Buguruni
Dar es Salaam
Tel: +255 22 2864612

Kinondoni Branch
Mwinjuma Rd., Dar es Salaam
Tel: +255 222761952/7

Kijitonyama Branch
Letsya Towers, opp.
Oilcom Petrol Station,
Dar es Salaam
Tel: +255 22 2773878
Fax: +225 22 2773880

Tegeta Branch
Tegeta Kibaoni, Bagamoyo Rd.,
Dar es Salaam
Tel: +255 737 206761

Mbagala Branch
Mbagala Rangi tatu, Dar es Salaam
Tel: + 255 (0) 732 992540/41

Arusha Branch
Summit Centre / Uhuru Rd., Arusha
Tel:+255 27 2548667

Moshi Branch
Market Street, Moshi
Tel: +255 27 2751069
Fax: +255 27 2751079

Ukonga Branch
Banana Petrol Station, Dar es Salaam
Tel: +255 22 2843175/6
Fax: +255 22 2843167

Aggrey Branch
Aggrey Street, Dar es Salaam
Tel: +255 22 2182154/56
Fax: +255 22 2865421

Ilala Branch
Lindi Street, Dar es Salaam
Tel: +255 22 2865422/3

Tandale Branch
Tandale CCM, Dar es Salaam
Tel: +255 2401106/2401108
Fax: +255 22 2401118

Temeke Branch
Tandika Mwisho, Dar es Salaam
Tel +255 22 2856571

Dodoma Branch
12th Road, Opp. Independence Sq.
Dodoma
Tel + 255 26 2323304
Fax: +255 26 2323306

Mwanza Branch
Nyerere Rd., Mwanza
Tel: +255 282542477/2542479
Fax: +255 282500172

Mbeya Branch
Mwanjelwa Road near
Mwanjelwa Market
Tel:+255 25 250532/25 2505033
Fax: +255 25 25050342

AKIBA COMMERCIAL BANK PLC

the bank for your development

AKIBA COMMERCIAL BANK PLC

HEAD OFFICE
Amani Place, Ohio Street, P. O. Box 669, Dar es Salaam. Phone: +255 22 2118340 / Fax: +255 22 2114173 Email: info@acbtz.com

BRANCHES

UBUNGO PLAZA | KARIAKOO | BUGURUNI | KIJITONYAMA | TEGETA |

KINONDONI | MBAGALA | UKONGA | AGGREY | ILALA | TANDALE |

ARUSHA | MOSHI | MBEYA | MWANZA