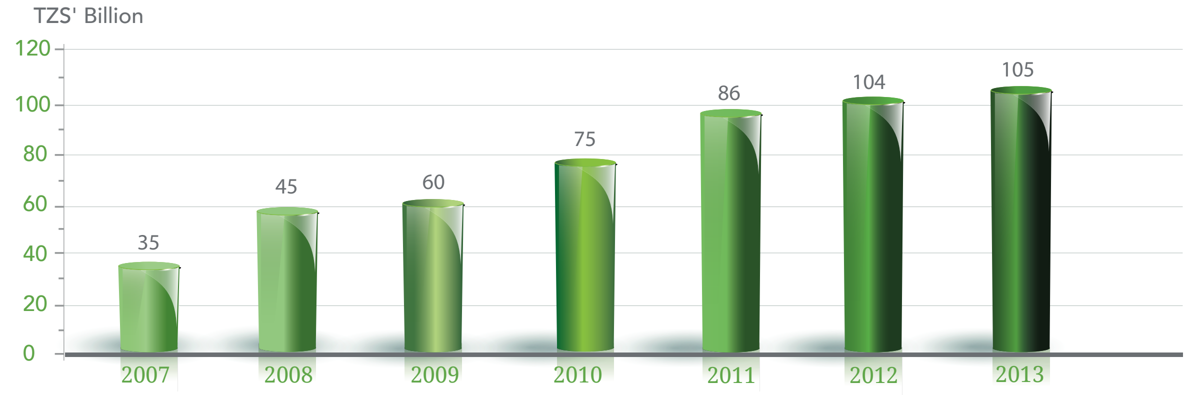
AKIBA COMMERCIAL BANK PLC

the bank for your development

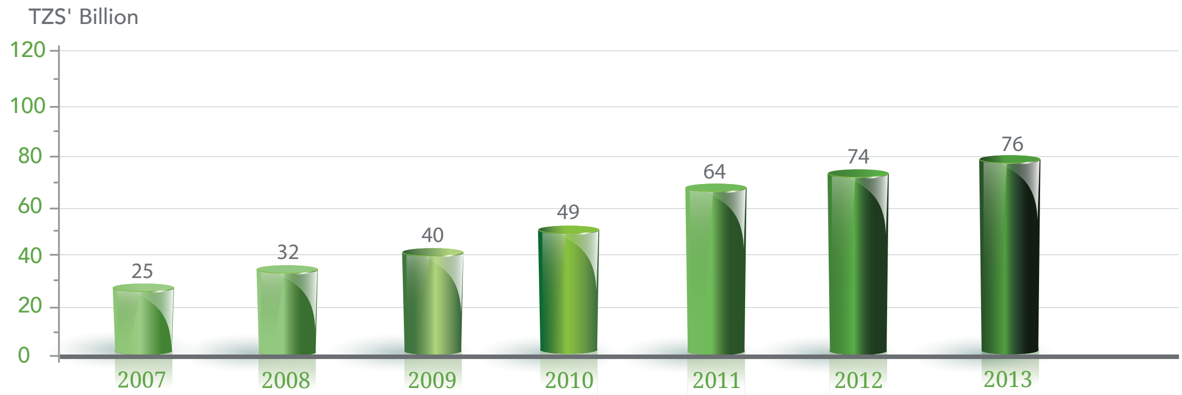
2013 Annual Report

and audited financial statements

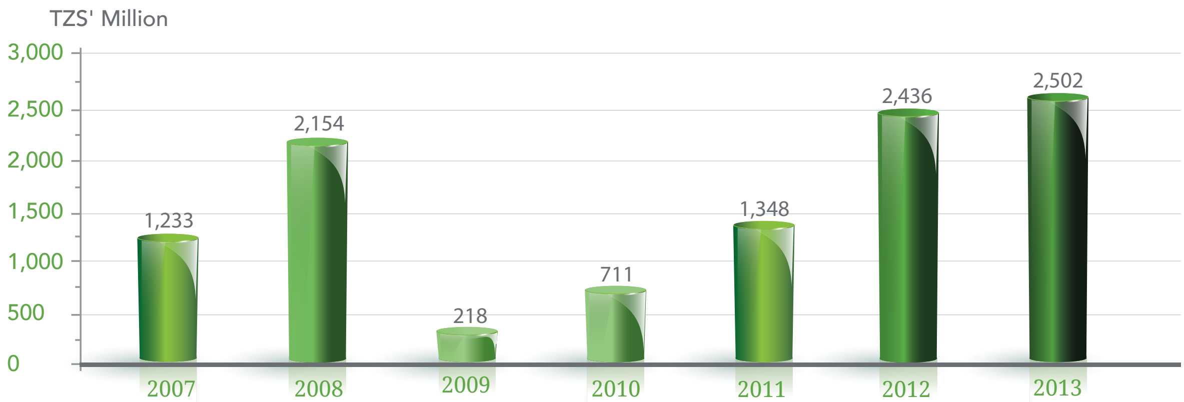
Growth in Key Business Areas



Deposits



Gross Loans



Profit Before Tax

Growth in Key Business Areas

Shareholders' funds

Balance Sheet

Number of Branches

Contents

Letter of Transmittal

Dear **Shareholders** and **Esteemed Customers**,

It is my pleasure, on behalf of the Board of Directors, to present to you the Bank's Annual Report for the year 2013. The report contains the Audited Financial Statements, major events that happened during the year, achievements and future business prospects of the bank.

Yours faithfully,

Ms. Elizabeth Minde
Chairperson
Akiba Commercial Bank Plc

Letter of Transmittal

Senior Management Team

Vision and Mission

Our Vision

The Tanzanian bank of choice for micro, small and medium enterprises and working families.

Our Mission

To provide a holistic range of innovative, customized banking solutions to Tanzanian micro, small and medium enterprises and households in the most efficient and sustainable manner embracing the social and environmental interests of its stakeholders

Kijitonyama branch

Company Profile

AKIBA COMMERCIAL BANK PLC
the bank for your development

Akiba Commercial Bank Plc (ACB) commenced banking operations in August 1997 as an initiative of Tanzanian entrepreneurs who were inspired overall to move into microfinance, by the moral and economical concern for the plight of Tanzanians. These founder 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 underserved men and women of Tanzania. The group's mission and vision 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 order to strengthen the resource base of the bank, the founder 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. As a committed bank, we are guided by the following Core Values in all activities that we undertake.

- Team work
- Integrity
- Commitment
- Respect
- Socially Responsible

Chairperson's Statement

> **...Stock dividends totalling TZS 399,945,700 fully paid ordinary shares at par value by capitalising retained earnings.**

Ms. Elizabeth Minde
Akiba Commercial Bank Plc
Chairperson

On behalf of ACB Bank's Board of Directors, I am delighted to present the Bank's Annual Report for the year 2013.

Economic highlights

Tanzania's economy performed well in 2013 with a GDP growth rate of 7% while inflation was controlled to a single digit from March to December where the year closed with a rate of 5.6%. These two key macroeconomic fundamentals, coupled with a positive economic outlook and a firm monetary policy, kept the Tanzanian Shilling relatively stable against the US Dollar and other major trading partners throughout the year.

Milestones

Tanzania is now home to over 53 registered commercial and community banks. There is also a string of other financial service providers - including microfinance institutions. However, ACB has successfully and continuously responded to the challenges posed by the business environment. It was in response to such challenges that we made a solid decision to transform ACB and put a greater focus on technology and infrastructure stabilization. We updated our business processes as per BoT requirements. We also stabilized infrastructure by establishing a disaster recovery site and an off-site data centre. Among the achievements, we widened ACB's outreach by opening a branch in Dodoma as well as introducing a new delivery channel that is known as ACB Mobile Money.

KEY RESULTS

Profitability and Growth

The Bank recorded a profit before tax of TZS 2.5 billion for the year under review TZS100 million more than what was registered during the previous year. This increase in profit for the year is attributed to growth in the Bank's core operations especially in lending activities. Expansion of ACB's outreach also enabled us to tap into new opportunities. The Directors do not recommend payment of cash dividends for the year ending 31 December 2013 – just as it was during the preceding year.

Stock Dividend

The Annual General Meeting which was held on 28 July 2013 approved stock dividends totalling TZS 399,945,700 fully paid ordinary shares at par value by capitalising the retained earnings. The stock dividend shall be distributed to shareholders on a prorata basis. The issuance of stock dividend was approved by Bank of Tanzania on 24th February 2014 and has been issued to shareholders subsequent to the approval date. This was done as one of the initiatives in the endeavour to meet the regulators' core capital requirement of TZS 15 billion by February, 2015 and the board is dedicated to ensuring that ACB meets this capital requirement.

Change of name

On 30 October 2013, the company changed its name from Akiba Commercial Bank Limited to Akiba Commercial Bank Plc. That was in line with shareholders' resolution that was reached upon during the July, 2012 Annual General meeting. The move also puts on the right footing in an effort to meet stock listing requirements.

Changes in the Board

I would like to report the changes in the board during the year under review. At the Annual General Meeting held in July, 2013 I was confirmed to be the board Chairperson with effect from 31st July, 2013. Dr. Richard Kasungu was elected to replace Mr. Patrice Mwaigomole whose term had expired and an election was conducted. We thank him for his valuable contribution and welcome on board Dr. Kasungu.

Prospects for 2014

There is a lot of optimism in Tanzania's economy. We expect the GDP to grow at 7.2% in 2014 and jump to 7.4% in the medium term. Inflation is projected to remain within single digit levels throughout the year. The main drivers of growth are telecommunications, transport, financial intermediations, manufacturing and trade. Recent and ongoing natural gas discoveries, which have fuelled massive investments in the energy sector, bring hope to entrepreneurs – who are our major clients. There is expectation that due to these new energy discoveries power tariffs may go down. There is also a hope that a lasting solution to power supply - which has consistently been a major hiccup to business growth and prosperity of SMEs – will soon be found.

A steady power supply guarantees enhanced productivity and sustainability of SMEs and the economy in general. This will in turn open up new opportunities for ACB growth.

The bank expects considerable development and growth for the SMEs sector and in turn portfolio growth in terms of quantity and quality.

Appreciation

My gratitude and appreciation goes to our principal stakeholders namely: our customers, shareholders, all regulatory authorities and other associates for their continued trust and support. I am most thankful to board members for the strong support they have continued to give me. I further thank management and staff whose professionalism, dedication and commitment have been fundamental to our success and performance this year.

I trust that with our unified effort, the sky is the limit for Akiba. Let us all move forward with confidence and look forward to more fruitful results in 2014

God bless you all.

Ms. Elizabeth Minde
Chairperson
Akiba Commercial Bank Plc

The Board of Directors

Ms. Elizabeth Minde
Board Chairperson

Mr. Brian Kuwik
Director

Mr. Ernest Massawe
Director

Mr. Selestine J. Some
Director

Rita Van den Abbel
Director

Ms. Liesbeth Soer
Director

Dr. Richard Kasungu
Director

Mr. John Fischer
Director

Alternate Directors


Jean-Marie Prévost


Melissa Lumpkin Baez


David Maxson


Frank Streppel

Independence Square Garden - Dodoma

Management Report

"We managed to cut down the operating expenses by 4% and realised a saving of TZS 933 million"

Mr. John Lwande
Managing Director

PERFORMANCE REVIEW

The year 2013 closed with a net profit of TZS 1.6 billion, surpassing the year's target by 7%. The bank modestly exceeded targets in deposits, loans and advances while cautiously observing operating costs, where we managed to cut them down by 4% resulting in a saving of TZS 933 million for the year inspite of the high cost of funds, inflation and stiff competition from the business environment.

The target for interest income from loans was less by 5% following stiff competition in the financial industry which has been experiencing new entrants and down scaling of large players from the corporate segment to SMEs which forms ACB's core clientele base. Moreover, high prices and increased cost of living impeded business growth for most entrepreneurs. Despite all these ACB continued to maintain 0.7% of the total market share of the 23% owned by medium banks and 0.6% market share of the 16% for deposit portfolio held by medium banks.

Treasury bills income surpassed budget due to higher than anticipated interest rates in the market. There has been a great enhancement on non interest income by 40% specifically from mobile banking service following the increased awareness on benefits attached to the service and hence resulting into increased uptake of the service.

MILESTONES

In 2013 the bank realized remarkable milestones including initiatives to improve corporate good will and ACB position in the market as an inclusive financial institution.

Other notable results take account of product development and service innovations. The bank launched new products and services branded as ACB mobile money which is basically an enhancement of ACB Mobile banking in funds transfer. This follows successful partnerships with telecom companies whereby customers are now enjoying a wider network of fund transfers through M-Pesa, Tigo Pesa and Airtel Money. Further, these platforms are also aiding in deposit mobilization as well as loan repayments. Significant transfers from mobile wallet to ACB account have been noted through this channel since the product's inception. This channel acts as a convenient and good repayment conduit for our loan customers.

To ensure the smooth uptake of the services and improved customer care a Mini Call centre unit for addressing customer complaints and support was introduced. The centre is currently handling ACB Mobile and ATM issues. Our future plans are to develop the unit into a fully fledged call center capable of handling all banking issues broadly.

On the infrastructure side, some improvement and development has been done to meet customer demand and expectations. The core banking system (Temenos - T24) and related technologies upgraded in 2010 have continued to be robust, reliable and efficient to support business growth of the bank.

During the year, as part of strategies to achieve maximum system uptime, the bank completed a project to relocate its primary data processing facilities to outsourced hosted premises, which has state-of-the-art data center facilities. This move, the first of its kind for a local commercial bank in Tanzania, has increased the bank's systems availability by eliminating system downtimes caused by physical infrastructure related issues such as power outage.

The bank further improved its core banking system by introducing additional functionality module whereby the system is now available 24/7 with very minimal downtime during scheduled system maintenance. This has achieved a considerable increase in uptime for its delivery channels such as Tellers, ATMs and ACB Mobile which used to suffer downtime when the system was performing end of day processing.

As part of strategies to enhance our capabilities to handle Know-Your-Customer (KYC), the bank is undertaking a project of introducing client and staff identification and authentication by using biometric features. This will eliminate the possibility of duplicate registration of clients but also will enhance controls during loan processing and cash management.

The other noteworthy milestones in 2013 includes widened expansion and outreach in which ACB set its footprint in Dodoma region by opening its 16th branch and a 3rd up country branch in addition to Moshi and Arusha. The ceremony was solemnized by the Prime Minister of United Republic of Tanzania, Honorable Mizengo P. Pinda.

The event was also formalized by a major Corporate Social Responsibility (CSR) activity which involved maintenance of Independence Square Garden, the emblem of Dodoma City. The Premier planted a memorable tree during the event and thanked ACB for its support and positive move for joining hands with Government and Dodoma city particularly in its City upgrading programs. Currently the aesthetic appearance of the garden is very appealing and attractive following the bank's initiatives for gardening and landscaping. Further, it has been branded with ACB colours and hence giving the bank pronounced and continued publicity following its famous iconic position in the city.

Overall, I am delighted to share with you briefly the results of African Banking Industry Customer Satisfaction Survey conducted by KPMG in April, 2013. The survey basically focused on testing the following customer service factors; Products and Services, Pricing, Transactions, Methods and Systems, Customer care and Convenience. The survey interviewed over 25,000 retail banking customers from 14 countries across Africa including Angola, Botswana, Cameroon, Chad, Cote d'Ivoire, Ghana, Kenya, Nigeria, Senegal, Sierra Leone, Tanzania, Uganda, Zambia and Zimbabwe.

According to KPMG, Akiba Commercial Bank Plc (ACB) ranked the first Bank in Tanzania offering the most affordable service and thus ranked No.1 in Pricing with a total score of 74.9 points. This indicates that the bank's customers are satisfied with the bank charges as well as its interest rate policy on both deposits and investment products. The respondents of the survey further said the bank's customer focused attitude, wait time and convenience in service delivery were among the major factors that make them to enjoy banking services at ACB and ranked it as No.3 in Customer care and convenience with a total score of 74.6 points .

All these relate to the dedicated effort of staff and management in general who have been the core and key in driving our business.

PROSPECTS FOR 2014

In 2014 the bank will focus on achieving more fruitful results with major emphasis on growing affordable deposits, portfolio volume and quality while ensuring reduced write-off for non performing assets.

Further in coming years, the bank will roll out more innovative products and services such as agency banking in order to greatly reach more customers especially the unbanked populace. We believe with the right product mix, tailor made to customer needs and demand we will be able to become a leading inclusive financial institution.

ACKNOWLEDGEMENT

I would like to close by expressing my deepest gratitude to the Board of Directors of the bank for all their wisdom and support in the past year. I sincerely transmit my appreciation to our customers who continued to remain loyal to the bank. Lastly but not least, I would like to acknowledge and greatly appreciate the work and commitment that was shown by bank employees in 2013. I believe the same spirit should continue in 2014.

Lastly, I thank all our stakeholders, including our esteemed customers, shareholders, the government and regulatory authorities for their continued support.

John Lwande
Managing Director
Akiba Commercial Bank PLC

Senior Management team

John Lwande
Managing Director

Juliana Swai
General Manager Operations

Lefani Yakobe
General Manager Finance

Edward Talawa
General Manager - ICT

Honest Felisian
Ag. General Manager Commerce

Leynnette Machibya
Head of Risk and Compliance

Robert Masala
Head of Human Resources

Berina Rugeiyamu
Ag. Company Secretary

Ndekusura Pallangyo
Ag. Chief Internal Auditor

Fredrick Archard
Head of Marketing and Communications

Testimonies of Growth

Elioth Shekyael Munisi

A middle aged aggressive entrepreneur who believes in the principal of 'Not putting all your eggs in one basket', has diversified ways of doing business, ranging from making weighing scales, selling soft drinks to taxi and motorcycle business. He joined ACB over six years ago.

He says the weighing scale is his core business which he started since 2003. After six years of self financing he approached ACB for financial support to improve his business following the overwhelming market demand. He took his first loan and managed to double production from 10 pieces to 20 pieces per week.

With the loan renewal, he even managed to expand his market inside and outside Dar es Salaam, to other places like Morogoro, Tanga, Dodoma, Arusha, Mbeya and Zanzibar. "The weighing scale making is my core business, and through this and ACB support, I have managed to establish the kiosk business which has brought another revenue stream in my family and also keeping my wife busy managing the kiosk business".

According to Munisi, there are some challenges he is facing such as;

- Lack of Government support; the Government is not promoting locally made weighing scales, which makes it difficult to obtain business licence, as he says " I have been proccessing business license for over 5 years now, unsuccessfully, there is just too much bureaucracy".
- Lack of sufficient raw materials we rely on buying scrap metal for onward melting.

Elizabeth Mwakijolo

A farmer, an artisan and a mother of four children. She joined ACB in 2013 when she took her first group loan under Ukweli group following the need to expand and grow her business.

Elizabeth is gifted and endowed with good handcraft skills which she started using it since her teen's age. She weaves a wide range of products ranging from sitting mart (mikeka) bags and baskets. The quality of her commodities has been improved with leather, velvet and wooden handles garnishing and hence providing pleasant and aesthetic appeal on display.

Initially with her small capital she used to make 2 to 3 pieces per week, but with ACB support, the production has grown to 10 – 15 pieces per week. This goes hand in hand with increased market share as she can now access more superior markets such as Mwenge carvings village and Sleep way at Masaki,Dar es Salaam.

She is eager to take her third loan to strengthen her working capital following good acceptance of her merchandise in the market. This is also backed with a fact that she is comfortable with ACB services including excellent customer services from welcoming and approachable staff as well as comparatively easily accessible loans with affordable charges as she vividly says.

Eliza has referred and convinced many of her friends and neighbours to join ACB. A group in her locality has also benefitted from Solidarity group loans. She said, "I am pleased with ACB services and I even convinced my friends and neighbours to join Akiba and as we are talking right now they have already taken their group loans"

Fidelis Mugasha - Faith Aquaculture

A vibrant civil servant was inspired to venture into entrepreneurship since 2006 as a way of boosting his income. He started by establishing a middle sized milling plant at Kibamba, Dar es Salaam.

In 2010 he happened to pay a visit to Uganda, where he was lucky to see the Aquarium farm and immediately the idea clicked into his mind that, he has to venture into aquaculture following the growing awareness for healthy eating and the shift from red to white meat.

He strived to establish the first pond in 2010 and currently he is proudly maintaining 7 big ponds each containing more than 10,000 fish following the loan facility of TZS 50m extended to him from ACB.

ACB loan has also enabled him to expand the business also offer hatchery services. He brought special incubators for hatching fish eggs into fingerlings which are later transferred into nursery ponds and eventually moved to big ponds for maturity and harvesting.

The client is so grateful for ACB support as he says " ACB has been offering a great support to my business both milling and fish farm as both business ventures have remarkably grown compared to when I had not accessed ACB financial support, right now I am processing my 4th loan renewal of which am confident that all will go well".

Ngereja David Manyama

Established a wild animals farm in Kibaha ten years ago where he keeps and breed variety of reptiles and amphibians. The farm is flanked with collection of colorful birds such as flamingo, redbishop, tambolin, makua dove and insects collected from the wild. He keeps these creatures for onward export to overseas markets.

He started his banking relationship with ACB six years ago after being referred by a friend, who had been enjoying ACB credit facilities. He said, we were having business talks with a friend and I pointed out that "I have a desire to grow and expand my business but I am facing financial constraints as my yearly profit have been ploughed back to a new venture of timber factory".

My friend confidently advised me to approach ACB for financial support and immediately I went to Kijitonyama branch and applied for a TZS 15 million loan which I serviced for 6 months. I graduated to a TZS 20 million which I also serviced for 6 months and currently I am servicing a facility of TZS 25million. The later facility was injected in a tortoise farm as I found it cheaper to breed them myself rather than collecting them from the wild. We now breed over 200 tortoises per year.

ACB loans have taken my business to a new platform as I can now proudly meet orders and market demands timely, from China, Hong Kong, Japan, USA, Canada, Germany and Oman.

AKIBA COMMERCIAL BANK PLC

benki kwa maendeleo yako

Akiba was recently ranked the **No. 1 bank in pricing** of fees, charges and rates on bank products in Tanzania...

and was also positioned **3rd as the most customer-focused** bank in Tanzania by the Africa Banking Industry Customer Satisfaction Survey conducted by KPMG (one of the largest professional firms providing Audit, Advisory and Tax services).

KPMG

cutting through complexity

Shareholders' Profiles

ACCION

In 2012, the shares held by ACCION Investments 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 Investments, 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 Holdings 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.

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.

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 5 bn, 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

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.

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.

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.

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).

In the North, SIDI mobilizes funds from institutions and individuals, through its shareholding and an ethical savings fund. These funds are used to finance microfinance and smallholder producer organizations in the South such as: credit and savings unions, microfinance banks and companies, specialized NGOs, small holder producer cooperatives and companies and farmers organizations. End of December 2010 SIDI had 65 investments.

SIDI gives priority to institutions that need financial and institutional strengthening and is active mainly in rural areas where institutions provide financial services to small farmers and micro-enterprises.

SIDI's share capital, 13 million Euros, is used to provide various financial products to partner institutions such as equity investments, local and hard currency loans, local bank guarantees. The revenue from the ethical fund enables SIDI to provide regular follow up and technical assistance to its partners in order to strengthen their financial and institutional viability and improve their services to their clients.

End of December 2010, SIDI's portfolio was 10,4 million euros, of which 43% invested in Africa, 32% in Latin America, 6% in Asia, 9% in the Mediterranean basin, 9% in Eastern Europe, and 1% in the Caribbean. Amongst its founding shareholders are the French Development Agency, the Caisse des Dépôts et Consignations and the Crédit Coopératif (two French banks).

SIDI's financial and partnership relations are based on two main principles: long-term commitment and risk-sharing.

SIDI has been a founding shareholder of various other funds such as Profund, La Cif 1, MAF (Asia) and more recently SEFEA (Eastern Europe), SMEAF (East Africa), FOPEPRO (Latin America). SIDI together with two European allies, ALTERFIN Belgium and ETIMOS Italy, is about to launch FEFISOL fund, a 30 MEUR fund dedicated to finance rural microfinance institutions and producer organizations in Sub Saharan Africa.

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.

The Prime Minister of the United Republic of Tanzania Hon. Mizengo P. Pinda inaugurates ACB Dodoma branch

Traditional dancers entertaining guests

The Prime Minister of the United Republic of Tanzania Hon. Mizengo P. Pinda planting a memorial tree at Independence square garden which was restored by ACB

Corporate Information

DIRECTORS OF THE BANK

DIRECTOR	NATIONALITY	POSITION
Ms. Elizabeth Minde	Tanzanian	Chairperson - confirmed on 31 July 2013
Ms. Rita Van den Abbeel	Belgian	Director
Mr. Jean-Marie Prevost	French	Director (Alternate)
Mr. John Fischer	American	Director
Mr. David Maxson	American	Director (Alternate)
Ms Liesbeth Soer	Dutch	Director
Mr. Frank Streppel	Dutch	Director (Alternate)
Mr. Patrice Mwaigomole	Tanzanian	Director - Retired on 28 July 2013
Mr. Brian Kuwik	American	Director
Ms. Melissa Lumpkin Baez	American	Director (Alternate)
Mr. Ernest. S. Massawe	Tanzanian	Director
Mr. Selestine Joseph Some	Tanzanian	Director
Dr. Richard Kasungu	Tanzanian	Director- Appointed on 28 July 2013

Corporate Information

MANAGING DIRECTOR	**Mr. John Lwande**
BANK SECRETARY	**Berina Rugeiyamu** 3rd Floor, Amani Place P.O. Box 669 Dar es Salaam, Tanzania
REGISTERED OFFICE	**3rd Floor, Amani Place** Ohio Street P.O. Box 669 Dar es Salaam, Tanzania
AUDITORS	**Deloitte & Touche** Certified Public Accountants (Tanzania) 10th Floor, PPF Tower Ohio Street/Garden Avenue P.O. Box 1559 Dar es Salaam , Tanzania
LEGAL ADVISORS	**Legal Link Attorneys** P. O. Box 7642 Dar es Salaam, Tanzania **Nexlaw Advocates** P.O. Box 75578 Dar es Salaam, Tanzania

Directors' Report

For The Year Ended 31 December 2013

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 2013 which show the Bank's state of affairs.

INCORPORATION

The Bank is incorporated in Tanzania under Companies Act 2002 as a public company limited by shares and is domiciled in Tanzania.

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.

BANK'S VISION

To be the Tanzanian Bank of choice for the micro, small and medium enterprises and working families

BANK'S MISSION

To provide a holistic range of innovative, customized banking solutions to Tanzanian micro, small and medium enterprises and households in the most efficient and sustainable manner embracing the social and environmental interests of its stakeholders.

DIRECTORS

The Directors of the Bank at the date of this report, who held office since 1 January 2013, except where otherwise stated, are as listed on page 1.

CAPITAL STRUCTURE AND SHAREHOLDING OF THE BANK

As at 31 December 2013, the Bank had 281 shareholders (2012: 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 %
Ms. Elizabeth Minde	Tanzanian	6,745	6,745	0.078%
Dr. Richard Kasungu	Tanzanian	5,944	5,944	0.069%
		12,689	**12,689**	**0.147%**

CHANGE OF NAME

On 30 October 2013 the company changed its name from Akiba Commercial Bank Limited to Akiba Commercial Bank Plc. The Capital structure and shareholding position of the Bank as at 31 December 2013 is as follows:

	2013		2012	
Shareholder	Number of ordinary shares	Percentage (%)	Number of ordinary shares	Percentage (%)
Accion International	1,649,464	20	1,649,464	20
Parastatal Pensions Fund	923,644	11	923,644	11
Stichting Hivos - Triodos Fonds	654,758	8	654,758	8
INCOFIN CVSO	592,011	7	592,011	7
FMO	570,541	7	570,541	7
Inter Consult Limited	438,240	6	438,240	6
SIDI	415,871	5	415,871	5
Stichting Triodos - Doen	412,782	5	412,782	5
ERNCON Holdings Limited	408,840	5	408,840	5
Tanzania Development Finance	263,724	3	263,724	3
Others	1,917,310,	23	1,917,310,	23
	8,247,185	**100**	**8,247,185**	**100**

RESULTS AND DIVIDENDS

The Bank recorded a profit before tax of TZS 2.5 billion for the year under review (2012: TZS 2.4 billion). The increase in profit for the year is attributed to growth in the Bank's operational base especially in lending activities. The Directors do not recommend payment of cash dividend for the year ended 31 December 2013 (2012: Nil).

STOCK DIVIDEND

The Annual General Meeting which was held on 28 July 2013 approved stock dividend equivalent of TZS 399,945,700 fully paid ordinary shares at par value by capitalising the retained earnings. The stock dividend shall be distributed to shareholders on a prorata basis. The issuance of stock dividend was approved by Bank of Tanzania on 24 February 2014 and has been issued to shareholders subsequent to the approval date.

CORPORATE GOVERNANCE

The Bank's Board of Directors is composed of eight (8) Directors (2012: 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 times a year. The Board delegates the day to day management of the business to the Managing Director assisted by Senior Management. Senior Management is invited to attend

Board meetings and facilitates the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the various business units.

The Bank is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability. During the year, the Board of Directors of the Bank had the following Board sub-committees to ensure a high standard of corporate governance throughout the Bank.

Audit Committee

Name	Position	Nationality
Mr. Ernest Massawe	Chairperson	Tanzanian
Ms. Rita Van den Abbeel	Member	Belgian
Mr. John Fischer	Member	American
Dr. Richard Kasungu	Member	Tanzanian

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

Executive Committee

Name	Position	Nationality
Ms. Rita Van den Abbeel	Chairperson	Belgian
Mr. Brian Kuwik	Member	American
Mr. Selestine Some	Member	Tanzanian
Mr. Ernest Massawe	Member	Tanzanian

The Executive Committee reports to the main Board. The committee had four meetings during the year.

Risk and ALCO 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 ALCO Committee reports to the main Board. The committee had five meetings during the year.

Credit Committee

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

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

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

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 30 to the financial statements.

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.

PERFORMANCE FOR THE YEAR

The year ended 31 December 2013 had a profit before tax of TZS 2.5 billion (2012: TZS 2.4 billion) equivalent to an increase of TZS 0.1 billion or 3%.

Total fees and commission income for the year increased by 18% to TZS 5.5 billion from TZS 4.6 billion in 2012. Overall the Bank experienced increased volume of customer transactions in 2013 as compared to 2012.

Total operating expenditure was TZS 21.4 billion, an increase of 13% from an operating expenditure of TZS 18.9 billion in 2012 mainly due to the growth of the business having added a branch in Dodoma.

Total assets at year end stood at TZS 126 billion, a net increase of 3% or TZS 3.4 billion from TZS 122.6 billion at 31 December 2012.This growth in the Bank's asset base was fully funded by increase in deposits throughout 2013. The Bank managed to maintain customer deposit volume which increased by 1% from TZS 104.2 billion in 2012 to TZS 105.1 billion in 2013.These deposits were taken at comparatively low interest costs compared to interbank lending rates of an average rate of 10%. The deposit base also fully financed lending activities leading to modest increase in the loan portfolio from TZS 73.2 billion at 31 December 2012 to TZS 74.9 billion at 31 December 2013, reflecting a growth of TZS 1.7 billion.

FUTURE DEVELOPMENT PLANS

The Bank's future strategy is to expand into other regions of the Country in order to have a wide geographical presence that can enable the Bank to serve its customers better by providing them with easier access to banking services. In implementing this plan, a new branch in Dodoma started operations in April 2013. Other new branches will be opened in Mwanza, Mbeya, Mtwara, Morogoro, Iringa, Tanga and Songea within the next two to three years.

The Bank plans to interface the system used for core banking activities with systems for accounting and 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. Similarly, the Bank is in process of introducing the Point of Sale (POS) services in collaboration with various other service providers.

Finally, the Bank intends to continue being profitable through the introduction of innovative products, focusing on value-added customer services and selective expansion of its branches while carefully managing both costs and risks. The Bank will continue to focus on improving productivity and introducing new products to the market.

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 2013 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.

EMPLOYEE WELFARE

Management and employees relations

The relationship between employees and management continued to be good during the year 2013. 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 372 million for staff training (2012: TZS 202 million). A total of 487 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 2013, a total of 19 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.

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 fully comply with all 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.

Employees benefit scheme

The Bank makes contributions to publicly administered pension schemes on a mandatory basis. These schemes are defined contribution plans.

Gender parity

The Bank is gender sensitive. During the year 2013, it ensured that female employees were given due priorities in all aspects of the Bank. For example, during the year 2013, 56% of the branch managers were women. In addition, the Bank had 487 employees, out of whom 252 were women and 235 were men (2012: 468 employees, out of whom 241 were women and 227 were men).

POLITICAL DONATIONS

The Bank did not make any political donations during the year (2012: nil).

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 2013, the Bank donated TZS 19.4 million for maintenance of Dodoma Garden. The Bank also contributed TZS 10 million to a fund raising event for The Mwalimu J.K. Nyerere memorial scholarship fund and TZS 10 million for building a primary school in Katavi.

SOLVENCY

The state of affairs of the Bank as at 31 December, 2013 is set out on page 12 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.

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.

AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to continue in office in accordance with section 170(1) of the Companies Act, 2002 and subject to the approval by the Bank of Tanzania under Section 22(4) of the Banking and Financial Institutions Act, 2006.

BY ORDER OF THE BOARD

Ms. Elizabeth Minde	**Mr. Ernest Massawe**
Chairperson	Director
28th March 2014	28th March 2014

Statement Of Directors' Responsibilities

For The Year Ended 31 December 2013

The Directors are required by the Tanzanian Companies Act, 2002 to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Bank as at the end of the financial period and of its operating results for that period. It also requires the Directors to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors are responsible for the preparation of financial statements in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002 and Banking and financial Institutions Act 2006, and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors accept responsibility for these 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 and in the manner required by the Tanzanian Companies Act, 2002. The Directors are of the opinion that financial statements give a true and fair view of the state of the financial affairs of the Bank and its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Ms. Elizabeth Minde	**Mr. Ernest Massawe**
Chairperson	Director
28th March 2014	28th March 2014

Independent Auditors' Report

To the Members Of Akiba Commercial Bank PLC

Report on the financial statements

We have audited the accompanying financial statements of Akiba Commercial Bank Plc (The "Bank"), set out on pages 11 to 55 which comprise the statement of financial position as at 31 December 2013 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, 2002 and the Tanzanian Banking and Financial Institutions Act, 2006, and for such internal controls as Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 the audit to obtain reasonable assurance about whether 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the Bank's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 financial statements give a true and fair view of the state of financial affairs of the Bank as at 31 December 2013, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, 2002 and the Banking and Financial Institutions Act 2006.

Report on other Legal Requirements

As required by the Tanzania Companies Act 2002 we report to you, based on our audit, that:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and

iii) The Bank's statement of financial position (balance sheet) and statement of profit and loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (Tanzania)
Dar es Salaam

Signed by: **E.A. Harunani** 28th March 2014

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2013

	Notes	2013 TZS 000	2012 TZS 000
Interest income	7	23,327,475	20,013,642
Interest expense	8	(3,365,389)	(3,064,359)
Net interest income		19,962,086	16,949,283
Impairments loss on loans and advances	18	(2,111,911)	(933,891)
Net interest income after impairment loss on loans and advances		17,850,175	16,015,392
Fees and commission income	9	5,466,307	4,611,560
Foreign exchange income	10	178,728	201,921
Other operating income	11	383,069	533,693
General and administrative expenses	12	(21,376,426)	(18,926,804)
Profit before taxation		2,501,853	2,435,762
Tax expense	14	(867,932)	(731,006)
Profit for the year		1,633,921	1,704,756
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,633,921	1,704,756

Statement of Financial Position

As at 31 December 2013

	Notes	2013 TZS 000	2012 TZS 000
Assets			
Cash and balances with Bank of Tanzania	15	24,191,781	21,405,800
Government securities	16	13,032,511	11,525,168
Deposits and balances due from banking institutions	17	4,798,732	7,707,970
Loans and advances to customers	18	74,869,030	73,202,015
Other assets	19	1,791,079	1,272,058
Deferred income tax	20	128,183	118,310
Income tax recoverable	14	811,534	1,036,771
Intangible assets	21	648,533	984,580
Leasehold improvements	22	2,777,688	2,850,448
Property and equipment	23	2,737,308	2,488,637
Unquoted equity investment	24	20,000	20,000
TOTAL ASSETS		**125,806,379**	**122,611,757**
Liabilities			
Deposits from customers	25	105,073,313	104,214,739
Other liabilities	26	2,642,912	1,940,785
Total liabilities		**107,716,225**	**106,155,524**
Shareholders' equity			
Share capital	27	8,247,184	8,247,184
Share premium		2,431,917	2,431,917
Retained earnings		6,104,385	3,999,457
Regulatory reserve		1,306,668	1,777,675
Total equity		18,090,154	16,456,233
TOTAL LIABILITIES AND EQUITY		**125,806,379**	**122,611,757**

The financial statements on pages 11 to 55 were approved and authorised for issue by the Board of Directors on 28 March 2014 and signed on its behalf by:

Ms. Elizabeth Minde
Chairperson

Mr. Ernest Massawe
Director

Statement of Changes in Equity

For the Year Ended 31 December 2013

	Share capital TZS 000	Share premium TZS 000	Retained earnings TZS 000	Regulatory reserve TZS 000	Total TZS 000
At 1 January 2012	8,247,184	2,431,917	2,733,742	1,338,634	14,751,477
Profit for the year	-	-	1,704,756	-	1,704,756
Other comprehensive income	-	-	-	-	-
Total comprehensive income			1,704,756		1,704,756
Transfer to regulatory reserve	-	-	(439,041)	439,041	-
At 31 December 2012	**8,247,184**	**2,431,917**	**3,999,457**	**1,777,675**	**16,456,233**
At 1 January 2013	8,247,184	2,431,917	3,999,457	1,777,675	16,456,233
Profit for the year	-	-	1,633,921	-	1,633,921
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	1,633,921	-	1,633,921
Transfer from regulatory reserve*	-	-	471,007	(471,007)	-
					-
At 31 December 2013	**8,247,184**	**2,431,917**	**6,104,385**	**1,306,668**	**18,090,154**

* Regulatory reserve represents the surplus of loan provision computed as per Bank of Tanzania regulation over the provision for impairment of loans and advances as per International Financial Reporting Standard.

Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 TZS 000	2012 TZS 000
Cash flows from operating activities			
Interest receipts		22,451,542	18,608,060
Interest payments		(3,496,368)	(2,061,371)
Fees and commission receipts		4,935,719	4,153,669
Receipts from foreign currency dealings		178,728	201,921
Other income received		257,303	344,472
Recoveries of loans previously written off		95,756	155,623
Payments to employees and suppliers		(19,501,482)	(16,881,237)
Issue of loans and advances - net		(2,221,279)	(9,551,717)
Statutory Minimum Reserve requirements		(24,500)	(1,167,000)
Movement in other assets		(519,021)	491,433
Customer deposits received - net		985,166	18,009,606
Movement in other liabilities		702,127	301,449
Payments for government securities - net		(1,811,642)	(4,135,145)
Income taxes paid		(652,568)	(804,588)
Net cash generated from operating activities		**1,379,482**	**7,665,176**
Cash flows from investing activities			
Payments for intangible assets	21	(49,068)	(63,923)
Payments for property and equipment	23	(1,378,523)	(630,151)
Payments for leasehold improvements	22	(406,526)	(433,598)
Purchase of shares		-	(20,000)
Proceeds from sale of property and equipment		2,578	701
Net cash used in investing activities		**(1,831,539)**	**(1,146,971)**
Net increase in cash and cash equivalents		(452,057)	6,518,205
Cash and cash equivalent at the beginning of the year		22,594,455	16,076,250
Cash and cash equivalent at the end of the year	28	**22,142,398**	**22,594,455**

Notes to the Financial Statements

For the Year Ended 31 December 2013

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 disclosed in the corporate information page of this report. The principal activities of the Bank are described in the Directors' report.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

a) New and revised IFRSs effective for the year ended 31 December 2013

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Bank has applied the amendments to IAS 1, Presentation of Items of Other Comprehensive Income, for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' (and the 'income statement' is renamed as the 'statement of profit or loss'). The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The new terminologies have been adopted in these financial statements. In other respects the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

a) New and revised IFRSs effective for the year ended 31 December 2013 (Continued)

IAS 19 Employee Benefits (as revised in 2011)

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The application of the amendment had no effect on the Bank's financial statements as the Bank does not have defined benefit obligations and plan assets.

Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

As a result of the amendments to IFRS 7, the Bank has expanded disclosures about offsetting financial assets and financial liabilities.

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

New and revised standards on consolidation joint arrangements, associates and disclosures

In May 2011, a package of five standards in consolidation joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IASs 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments

a) New and revised IFRSs effective for the year ended 31 December 2013 (Continued)

in Associates and Joint Ventures. Subsequent to the issue of these standards amendment to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain guidance on first application of the standards.

Application of these standards has not had any impact on the disclosures or the amounts recognised in these financial statements as the Bank does not have subsidiaries, joint arrangements and associates.

IFRS 13 Fair Value Measurement

The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Bank has not made any new disclosures required by IFRS 13 for the 2012 comparative period.

Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

b) New and revised IFRSs and interpretations in issue but not yet effective for the year ended 31 December 2013

	Effective for annual periods beginning on or after
New and Amendments to standards	
IFRS 9, Financial Instruments - Classification and Measurement (2010)	1 January 2018
IFRS 10, IFRS 12 and IAS 27, Investment Entities	1 January 2014
IAS 32, Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36, Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39, Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Annual improvements 2010 – 2012 cycle	
Annual improvements 2011 – 2013 cycle	
Amendment to interpretations	
IFRIC 21 Levies	1 January 2014

c) Impact of new and revised standards and interpretations in issue but not yet effective on the financial statements for the year ended 31 December 2013 and future annual periods

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss. The directors of the Bank anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services.
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Bank do not anticipate that the investment entities amendments will have any effect on the Bank's financial statements as the Bank is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Bank do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Bank's financial statements as the Bank does not have any financial assets and financial liabilities that qualify for offset.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The directors of the Bank do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the Bank's financial statements.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)

Amends IAS 39 Financial Instruments: Recognition and Measurement to make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

The directors of the Bank do not anticipate that the application of these amendments to IAS 39 will have a significant impact on the Bank's financial statements as the Bank currently does not have such financial instruments.

A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.

The directors of the Bank do not anticipate that the application of these amendments to IAS 39 will have a significant impact on the Bank's financial statements.

Annual Improvements 2010-2012 Cycle

The annual improvements 2010-2012 cycle makes amendments to the following standards:

- IFRS 2 - Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'
- IFRS 3 - Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- IFRS 8 - Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- IFRS 13 - Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- IAS 16 and IAS 38 - Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- IAS 24 - Clarify how payments to entities providing management services are to be disclosed

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors of the Bank do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Bank's financial statements.

Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- IFRS 1 - Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only)
- IFRS 3 - Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- IFRS 13 - Clarify the scope of the portfolio exception in paragraph 52
- IAS 40 - Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors of the Bank do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Bank's financial statements.

d) Early adoption of standards

The Bank did not early-adopt any new or revised standard in 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2002. Additional information required by regulatory bodies is included where appropriate.

Basis of preparation

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

Interest income and expense

Interest income and expense are recognised in the profit or loss for all interest bearing financial instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised over the period of the loan.

Foreign currency translation

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Bank operates (‘the functional currency’).

The financial statements are presented in Tanzania shillings thousands (TZS 000), which is the Bank’s functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into Tanzania shillings using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign Currencies at the reporting date are translated to Tanzania shillings using the rate of exchange prevailing at that date. The resultant exchange gains and losses are recognized in profit or loss.

Financial instruments

Financial assets

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

(i) Loans and receivables

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

(ii) Held-to maturity

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

Recognition of financial assets

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership.

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

Financial liabilities

The Bank's holding in financial liabilities is mainly in financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

Liabilities measured at amortised cost

Financial liabilities measured at amortised cost are deposits from Banks or customers, debt securities in issue for which the fair value option is not applied convertible bonds and subordinated debts.

Financial liabilities are derecognised when they are extinguished - that is, when the obligation is discharged, cancelled or expires.

Impairment of financial assets

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

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

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

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

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

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

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

Offsetting financial instruments

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

Income tax

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

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Other provisions

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

Property and equipment

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

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

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each end of reporting date. Asset's carrying amount is written down immediately to their recoverable amount if the assets carrying amounts are greater than their estimated recoverable amounts. The recoverable amounts are the higher of the assets fair value less cost to sell and value in use.

Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the statement of comprehensive income.

Intangible assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production or procurement of identifiable and unique software products controlled by the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software implementation consultancy costs and an appropriate portion of relevant overheads. The costs are amortised on a straight line basis at the rate of 20% per year.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with Banks, other short term highly liquid investments with original maturities of three months or less, including: cash and balances with Bank of Tanzania, Government Securities and amounts due from other Banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Tanzania.

Employee benefits

(i) Retirement benefit obligations

The Bank and its employees contribute to the National Social Security Fund (NSSF), Local Authorities Pensions Fund (LAPF) or Parastatal Pensions Fund (PPF), which are defined contribution schemes. Both employees and the Bank contribute 10% of the employees' salary to the scheme. The Bank has no further obligation after such payment.

The Bank's contributions to the defined contribution schemes are recognized to the profit or loss in the year to which they relate.

(ii) Accrued leave

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

Acceptances and letters of credit

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

Comparatives

Where necessary, comparative figures have been adjusted or extended to conform to changes in presentation in the current year.

4. 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.

4.1 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.

4.1.1 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 except for group loan:

Description of the grade	Ageing	% used for Regulatory provisioning	Solidarity loan provisioning
1. Current	0 - 30 days	-	2% (no default)
2. Especially mentioned	31 - 60 days	5%	25%
3. Sub-standard	61 - 90 days	10%	50%
4. Doubtful	91 - 180 days	50%	75%
5. Loss	181 days and above	100%	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.

4.1.2 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.

4.1.3 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:

	31 December 2013	31 December 2012

Bank's rating	Loans and advances (%)	Impairment provision (%)	Loans and advances (%)	Impairment provision (%)
1. Current	93.80	1.66	94.20	2.47
2. Especially mentioned	1.79	2.85	1.01	3.11
3. Sub-standard	1.17	2.06	0.65	2.23
4. Doubtful	0.85	14.15	0.99	14.36
5. Loss	2.39	79.29	3.15	77.83
	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.

4.1.4 Maximum exposure to credit risk before collateral held

	2013 TZS 000	2012 TZS 000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Deposits and balances due from banking institutions	4,798,732	7,707,970
Government securities held to maturity	13,032,511	11,525,168
Balances with the Bank of Tanzania	12,078,054	13,295,709
Loans and advances to customers	74,869,030	73,202,015
	104,778,327	**105,730,862**

	2013 TZS 000	2012 TZS 000
Credit risk exposures relating to off-balance sheet items are as follows:		
Unutilised facilities and other commitments to lend	352,000	2,401,441
Acceptances, guarantees and letters of credit	405,395	2,682,303
	757,395	5,083,744
	107,326,801	**112,086,664**

The above table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2013 and 2012, 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 70.3% is derived from loans and advances to customers (2012: 68.4 %) 12.2% represent investments in Government securities (2012: 10.7%).

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% of the loans and advances portfolio are considered to be neither past due nor impaired (2012: 94%);
- A stringent selection process using widely accepted industry best practices upon granting loans and advances.

4.1.5 Loans and advances

a) Loans and advances are summarised as follows:

	31 December 2013		31 December 2012	
	Loans and advances to customers TZS 000	Deposits and balances due from banking institutions TZS 000	Loans and advances to customers TZS 000	Deposits and balances due from banking institutions TZS 000
Neither past due nor impaired	71,467,845	4,798,732	69,931,258	7,707,970
Past due but not impaired	1,368,281	-	1,231,709	-
Impaired	3,375,347	-	2,827,228	-
Gross	76,211,473	4,798,732	73,990,195	7,707,970
Less: allowances for impairment	(1,342,443)	-	(788,180)	-
	74,869,030	**4,798,732**	**73,202,015**	**7,707,970**

The total impairment provision for loans and advances is TZS 1.3 billion (2012: TZS 0.8 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 2013, the Bank's total loans and advances increased by 3.0% (2012: 14.6%) 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:

	2013 TZS 000	**2012 TZS 000**
Classes		
Micro and Small Enterprises (MSEs)	52,940,543	51,672,920
Consumer Loans	8,816,077	8,054,860
Term loans	5,853,408	6,314,462
Overdrafts	3,857,817	3,889,015
Total loans and advances to customers	71,467,845	69,931,257
Amounts due from Banks	**4,845,807**	**7,707,970**

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 TZS 000	Consumer loans TZS 000	Term loans TZS 000	Overdraft TZS 000	Total TZS 000
31 December 2013					
Especially mentioned (31-60 days)	681,413	156,905	18,316	-	856,634
Substandard (61-90 days)	265,446	87,094	159,107	-	511,647
	946,859	**243,999**	**177,423**	**-**	**1,368,281**
31 December 2012					
Especially mentioned 31-60 days)	427,512	193,883	128,412	-	749,807
Substandard (61-90 days)	286,566	83,407	72,252	39,676	481,901
	714,078	**277,290**	**200,664**	**39,676**	**1,231,708**

(d) Loans and advances impaired

Individually impaired loans and advances to customers before taking into consideration anticipated the cash flows from collateral held are TZS 3.4 billion (2012: TZS 2.8 billion). The breakdown of the gross amount of individually impaired loans and advances by class are as follows:

	Individual (retail) customers			Corporate entities	
	Enterprises TZS 000	Consumer TZS 000	Term Loans TZS 000	Overdraft TZS 000	Total TZS 000
31 December 2013					
Doubtful	536,928	282,122	64,558	-	883,608
Loss	1,068,079	963,698	424,715	35,248	2,491,740
	1,605,007	**1,245,820**	**489,273**	**35,248**	**3,375,348**
31 December 2012					
Doubtful	462,127	167,198	104,862	-	734,187
Loss	631,770	847,655	300,790	312,826	2,093,041
	1,093,897	**1,014,853**	**405,652**	**312,826**	**2,827,228**

(ii) Amounts due from Banks

There were no amount of individually impaired loans and advances to Banks as at 31 December 2013 (2012: nil). No collateral is held by the Bank and no impairment provision has been made against the gross amounts.

4.1.6 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.

4.1.7 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 institutions TZS 000	Trading and commercial TZS 000	Wholesale and retail trade TZS 000	Individuals TZS 000	Others TZS 000	Total TZS 000
Deposits and balances due from banking institutions	4,798,732	-	-	-	-	4,798,732
Investment securities	13,032,511	-	-	-	-	13,032,511
Loans and advances to customers	-	60,255,954	5,547,423	5,956,930	4,451,166	76,211,473
As at 31 December 2013	**17,831,243**	**60,255,954**	**5,547,423**	**5,956,930**	**4,451,166**	**94,042,716**
As at 31 December 2012	**19,233,138**	**56,951,118**	**4,703,381**	**8,054,860**	**4,280,835**	**93,223,332**

4.2 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.

4.2.1 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. 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 2013, 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 36 million (2012: TZS 42 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 2013. 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 7.5% of core capital. The Bank's currency position as at 31 December 2013 was as follows:

As at 31 December 2013	**USD TZS 000**	**EURO TZS 000**	**GBP TZS 000**	**Total TZS 000**
Financial Assets				
Cash and balances with Bank of Tanzania	1,468,242	12,440	11,134	1,491,816
Deposits and balances due from banking institutions	5,391,062	98,634	23,762	5,513,458
Loans and advances to customers	299,570	-	-	299,570
Total financial assets	7,158,874	111,074	34,896	7,304,844
Financial liabilities				
Customer deposits	6,876,254	69,816	1,404	6,947,474
Total financial liabilities	6,876,254	69,816	1,404	6,947,474
Net position	**282,620**	**41,258**	**33,492**	**357,370**
As at 31 December 2012				
Total financial assets	8,429,305	100,572	104,619	8,634,496
Total financial liabilities	8,101,719	88,991	25,163	8,215,873
Net position	**327,586**	**11,581**	**79,456**	**418,623**

4.2.2 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 2013, 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.

	2013 TZS 000	2012 TZS 000
125 basis points increases or decrease in interest rates	380,823	230,046

The effective interest rates for the principal financial assets and liabilities at 31 December 2013 and 2012 were as follows:

	Year 2013	Year 2012
Government securities	14.08%	12.01%
Deposits and balances due from banking institutions	5.26%	2.52%
Loans and advances to customers	32.78%	29.73%
Customer deposits	3.23%	2.94%

4.2.2 Interest rate risk (continued)

	Total TZS 000	Non-interest bearing TZS 000	Up to 1 month TZS 000	1-3 month TZS 000	3-12 month TZS 000	1-5 years TZS 000	Over 5 years TZS 000
Financial assets							
Cash and balances with Bank of Tanzania	24,191,781	24,191,781	-	-	-	-	-
Government Securities	13,032,511	-	-	8,778,360	4,254,151	-	-
Deposits and balances due from banking institutions	4,798,732	227,827	4,570,905	-	-	-	-
Loans and advances to customers	76,211,473	-	4,607,183	4,596,780	46,883,166	20,124,344	-
Total financial assets	**118,234,497**	**24,419,608**	**9,178,088**	**13,375,140**	**51,137,317**	**20,124,344**	**-**
Financial liabilities							
Customer deposits	105,073,312	45,465,195	42,000,563	9,024,024	8,583,530	-	-
Total financial liabilities	**105,073,312**	**45,465,195**	**42,000,563**	**9,024,024**	**8,583,530**	**-**	**-**
Interest rate sensitivity gap	**13,161,185**	**(21,045,587)**	**(32,822,475)**	**4,351,116**	**42,553,787**	**20,124,344**	**-**
At 31 December 2012							
Total financial assets	113,840,953	21,823,724	12,036,129	10,783,309	48,098,883	21,098,909	-
Total financial liabilities	104,214,739	-	64,259,591	21,781,367	18,157,581	16,200	-
Interest rate sensitivity gap	**9,626,214**	**21,823,724**	**(52,223,462)**	**(10,998,058)**	**29,941,302**	**21,082,709**	**-**

4.3 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.

4.3.1 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.

4.3.2 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.

4.3.3 Non-derivative cash flows

The following is the liquidity profile of the Bank as at 31 December 2013

	Up to 1 month TZS 000	1-3 month TZS 000	3-12 month TZS 000	Over 1 year TZS 000	Total TZS 000
Financial assets					
Cash and balances with Bank of Tanzania	24,191,781	-	-	-	24,191,781
Government Securities	-	8,778,360	4,254,151	-	13,032,511
Deposits and balances due from banking institutions	4,798,732	-	-	-	4,798,732
Loans and advances to customers	4,607,183	4,596,780	46,883,166	20,124,344	76,211,473
					-
Total financial assets	33,597,696	13,375,140	51,137,317	20,124,344	118,234,497
					-
Financial liabilities					-
Customer deposits	87,465,758	9,024,024	8,583,530	-	105,073,312
					-
Total financial liabilities	87,465,758	9,024,024	8,583,530	-	105,073,312
Net liquidity gap	(53,868,062)	4,351,116	42,553,787	20,124,344	13,161,185
At 31 December 2012					
Total financial assets	33,859,852	10,783,309	48,098,883	21,098,909	113,840,953
Total financial liabilities	64,259,591	21,781,367	18,157,581	16,200	104,214,739
Net liquidity gap	(30,399,739)	(10,998,058)	29,941,302	21,082,709	9,626,214

4.3.3 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.

4.3.4 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 29), are summarised in the table below.

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 29) are also included below based on the earliest contractual maturity date.

	No later than 1 year TZS 000	1 - 5 years TZS 000	Over 5 years TZS 000	Total TZS 000
As at 31 December 2013				
Unutilised facilities and other commitments to lend	405,395	-	-	405,395
Acceptances, guarantees	352,000	-	-	352,000
As at 31 December 2012				
Unutilised facilities and other commitments to lend	2,401,441	-	-	2,401,441
Acceptances, guarantees and letters of credit	2,682,303	-	-	2,682,303

4.3.5 Fair values of financial assets and liabilities

The fair value of government securities held-to-maturity at 31 December 2013 is estimated at TZS 13.5 billion (2012: TZS 11.8 billion) compared to their carrying values of TZS 13.0 billion (2012: TZS 11.5 billion). The fair values of the Bank's other financial assets such as loans and advances to customers approximate the respective carrying amounts due to the generally short periods to maturity dates. Fair values are based on the last auction for treasury bills and bonds that was held in December 2013.

4.3.6 Fair value measurement

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.

4.3.6 Fair value measurement (continued)

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.

(i) Fair value of the Bank financial assets and financial liabilities that are measured at fair on recurring basis.

The Bank had no financial assets or financial liabilities that are measured at fair value on recurring basis at 31 December 2013 (2012: nil).

(ii) Fair value of the Bank financial assets and financial liabilities that are not measured at fair on recurring basis.

The following table analyses within the fair value hierarchy the Bank's financial assets and financial liabilities (by class) not measured at fair value at 31 December 2013 but for which fair value is disclosed:

Fair value hierarchy at 31 December 2013

	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	Total TZS '000
Financial assets:				
Cash and bank balances wit Bank of Tanzania	24,191,781	-	-	24,191,781
Deposits and balances due from banking institutions (Note 17)	4,798,732	-	-	4,798,732
Equity investment	-	-	20,000	20,000
Government securities	-	13,032,511	-	13,032,511
Loans and advances to customers (Note 18)	-	74,869,030	-	74,869,030
Total	**28,990,513**	**87,901,541**	**20,000**	**116,912,054**
Financial liabilities:				
Deposits from customers	-	105,073,313	-	105,073,313
Other liabilities (excluding statutory obligations)	-	-	2,642,912	2,642,912
Total	**-**	**105,073,313**	**2,642,912**	**107,716,225**

4.3.6 Fair value measurement (continued)

(ii) Fair value of the Bank financial assets and financial liabilities that are not measured at fair on recurring basis (continued)

The assets and liabilities included in the above table are carried at amortized cost; their carrying values are a reasonable approximation of fair value.
Cash and cash equivalents include cash in hand, deposits held with banks and other short-term investments in an active market.

Other assets include the contractual amounts for settlement of trades and other obligations due to the Bank. Other liabilities represent the contractual amounts and obligations due by the Bank for settlement of trades and expenses.

The following table analyses within the fair value hierarchy the Bank's financial assets and financial liabilities (by class) not measured at fair value at 31 December 2012 but for which fair value is disclosed:

Fair value hierarchy at 31 December 2012

	Level 1 TZS '000	Level 2 TZS '000	Level 3 TZS '000	Total TZS '000
Financial assets:				
Cash and bank balances with Bank of Tanzania	21,191,781	-	-	21,191,781
Deposits and balances due from banking institutions (Note 17)	7,707,970	-	-	7,707,970
Equity investment			20,000	20,000
Government securities	-	11,525,168	-	11,525,168
Loans and advances to customers (Note 18)	-	73,202,015	-	73,202,015
Total	**28,899,751**	**84,727,183**	**20,000**	**113,646,934**
Financial liabilities:				
Deposits from customers	-	104,214,739	-	104,214,739
Other liabilities (excluding statutory obligaztions)	-	-	1,940,785	1,940,785
Total	**-**	**104,214,739**	**1,940,785**	**106,155,524**

There were no transfers between levels for the year ended 31 December 2013 (2012: None)

5. CAPITAL MANAGEMENT

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.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2013 and 31 December 2012 year end respectively. During those two periods, the Bank complied with all of the externally imposed capital requirements to which they are subject.

Tier 1 capital	2013 TZS 000	2012 TZS 000
Share capital	8,247,184	8,247,184
Share premium	2,431,917	2,431,917
Retained earnings	6,104,385	4,050,925
Prepaid expenses and deferred charges	(1,672,539)	(1,200,327)
Intangible assets	(648,534)	(984,580)
Total qualifying Tier 1 capital	**14,462,412**	**12,545,119**
Tier 2 capital		
Provision for other assets	39,933	32,359
Total qualifying Tier 2 capital	**39,933**	**32,359**
Total regulatory capital (Tier 1 & Tier 2)	**14,502,345**	**12,577,478**
Risk-weighted assets		
On-balance sheet	65,018,074	62,745,901
Off-balance sheet	272,000	2,360,906
Total risk-weighted assets	**65,290,074**	**65,106,807**

	Bank's ratio 2013 %	**Bank's ratio 2012** %
Tier 1 capital (BoT minimum 10%)	22	19
Tier 1 + Tier 2 capital (BoT minimum 12%)	22	19

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS AND SOURCES OF UNCERTAINTIES

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

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

(a) Impairment losses on loans and advances

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

(b) Held to maturity investments

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

(c) Property and equipment

Critical estimates are made by the Directors in determining depreciation rates for premises and equipment and their residual values.

(d) Taxes

The Bank is subjected to several taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Bank recognises liabilities for the anticipated tax/levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes/levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

7. INTEREST INCOME

	2013 TZS 000	2012 TZS 000
Interest on loans and advances to customers	21,686,790	19,023,255
Income from Government securities	1,390,315	836,554
Interest from placement with other banks	250,370	153,833
	23,327,475	**20,013,642**

8. INTEREST EXPENSE

	2013 TZS 000	2012 TZS 000
Saving deposits	753,474	658,877
Time deposits	2,608,993	2,241,958
Current accounts	-	(4,340)
Other borrowings	2,922	167,864
	3,365,389	**3,064,359**

9. FEES AND COMMISSION INCOME

	2013 TZS 000	2012 TZS 000
Fees income	5,363,675	4,493,880
Commission income	102,632	117,680
	5,466,307	**4,611,560**

10. FOREIGN EXCHANGE INCOME

	2013 TZS 000	2012 TZS 000
Foreign currency trading	**178,728**	**201,921**

11. OTHER OPERATING INCOME

	2013 TZS 000	2012 TZS 000
ATM Card services	156,888	149,915
Insurance income	16,057	3,414
Bad debt recovered	95,756	155,623
Profit on disposal of property and equipment	-	701
Other income	114,368	224,040
	383,069	**533,693**

12. GENERAL AND ADMINISTRATIVE EXPENSES

	2013 TZS 000	2012 TZS 000
Staff costs (Note 13)	9,995,765	8,852,453
Operating leases-premises	2,051,974	1,844,468
Depreciation and armotisation	1,990,959	1,867,175
Umoja Switch expenses	462,185	476,226
Advertising and marketing	567,323	641,328
ICT expense	271,020	259,450
Licences	659,995	554,822
Technical assistance fees	193,914	208,863
Auditors' remuneration	104,628	111,360
Directors' emoluments:		
- Fees	72,296	72,049
- Other	77,320	77,542
Other operating expenses	4,928,333	3,961,068
Loss on disposal of property and equipment	714	-
	21,376,426	**18,926,804**

13. STAFF COSTS

	2013 TZS 000	2012 TZS 000
Salaries and allowances	6,818,903	6,130,723
Social security costs	757,768	696,275
Medical insurance	573,988	375,757
Leave accrual	56,990	29,299
Others	1,788,116	1,620,399
	9,995,765	**8,852,453**

14. TAXATION

	2013 TZS 000	2012 TZS 000
(a) Tax expense for the year is arrived at as follows:		
Current income tax - current year	877,805	726,358
Deferred income tax - current year (Note 20)	(44,758)	53,743
Deferred income tax - prior periods	34,885	(49,095)
	867,932	**731,006**

14. TAXATION (continued)

	2013 TZS 000	2012 TZS 000
(b) Reconciliation of tax expense to the expected tax based on accounting profit.		
Accounting profit before tax	2,501,853	2,435,762
Tax calculated at the statutory income tax rate of 30%	750,556	730,729
Tax effect of:		
Non-deductible expenditure	82,491	49,372
Prior year deferred tax adjustment	34,885	(49,095)
Income tax expense	**867,932**	**731,006**

	2013 TZS 000	2012 TZS 000
(c) Income tax recoverable		
At 1 January	1,036,771	958,541
Payments made during the year	652,568	804,588
Charge to profit or loss	(877,805)	(726,358)
	811,534	**1,036,771**

Income tax recoverable arises from unutilized provisional tax payments because the Bank has not concluded on tax assessments with Tanzania Revenue authority.

15. CASH AND BALANCES WITH THE BANK OF TANZANIA

	2013 TZS 000	2012 TZS 000
Cash balances	12,113,727	8,110,091
Balances with Bank of Tanzania:		
Clearing account - local currency	1,652,458	2,563,928
Clearing account - foreign currency	638,096	968,781
Statutory minimum reserve (SMR)	9,787,500	9,763,000
	24,191,781	**21,405,800**

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 28).

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

16. GOVERNMENT SECURITIES

	2013 TZS 000	2012 TZS 000
Treasury bills:		
Maturing within 91 days or less	2,939,385	3,243,685
Maturing after 91 days	10,093,126	8,281,483
	13,032,511	**11,525,168**

Treasury bills are debt securities issued by the Government of the United Republic of Tanzania and are classified as held to maturity.

17. DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS

	2013 TZS 000	2012 TZS 000
Maturing within 90 days		
Placement with local banks	1,800,855	2,501,027
Placement with banks abroad	2,730,580	4,789,019
Cheques and items in the course of clearing	267,297	417,924
	4,798,732	**7,707,970**

18. LOANS AND ADVANCES TO CUSTOMERS

	2013 TZS 000	2012 TZS 000
Loans and advances to customers	71,760,307	69,761,121
Staff loans	4,451,166	4,229,074
Gross loans and advances	76,211,473	73,990,195
Less: allowance for impairment	(1,342,443)	(788,180)
	74,869,030	**73,202,015**

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

	2013 TZS 000	2012 TZS 000
Microfinance loans	55,492,407	50,701,692
Salaried workers and personal loans	5,854,730	8,808,279
Corporate loans	6,520,104	6,362,135
Overdrafts	3,893,066	3,889,015
	71,760,307	**69,761,121**

18. LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	2013 TZS 000	2012 TZS 000
Balance at 1 January	788,180	553,576
Impairment losses for the year	2,111,911	933,891
Loans and advances written off during the year	(1,557,648)	(699,287)
	1,342,443	**788,180**

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

	Individual (retail) customers		Corporate entities		
	Small and Medium Enterprises TZS 000	Consumer TZS 000	Term loans TZS 000	Overdrafts TZS 000	Total TZS 000
Balance at 1 January 2013	125,402	624,287	-	38,491	788,180
Increase in provision for loan impairment	1,020,835	185,228	916,184	(10,336)	2,111,911
Write offs	(693,322)	(406,234)	(458,092)	-	(1,557,648)
At 31 December 2013	**452,915**	**403,281**	**458,092**	**28,155**	**1,342,443**
Balance at 1 January 2012	40,222	163,825	183,157	166,372	553,576
Increase in provision for loan impairment	555,587	597,591	(170,196)	(49,091)	933,891
Write offs	(470,407)	(137,129)	(12,961)	(78,790)	(699,287)
At 31 December 2012	**125,402**	**624,287**	**-**	**38,491**	**788,180**

19. OTHER ASSETS

	2013 TZS 000	2012 TZS 000
Prepayments	1,383,769	1,044,424
Head office and main branch refurbishment work in progress	299,689	182,493
Other receivables	147,554	77,500
Less: Provision for losses	(39,933)	(32,359)
	1,791,079	**1,272,058**

20. DEFERRED INCOME TAX

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

	2013 TZS 000	2012 TZS 000
At start of year	118,310	122,958
Prior years (over)/under provision	(34,885)	49,095
Charge to profit or loss	44,758	(53,743)
At the end of year	128,183	118,310

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

2013	1 January 2013 TZS 000	Charge to profit or loss TZS 000	31 December 2013 TZS 000
Property and equipment	78,851	7,632	86,483
Other timing differences	39,459	2,241	41,700
	118,310	9,873	128,183

2012	1 January 2012 TZS 000	Credit to profit or loss TZS 000	31 December 2012 TZS 000
Property and equipment	(126,701)	205,552	78,851
Other timing differences	249,659	(210,000)	39,459
	122,958	**(4,448)**	**118,310**

21. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	2013 TZS 000	2012 TZS 000
COST		
At start of year	2,656,982	2,593,059
Additions	49,068	63,923
At end of year	2,706,050	2,656,982
AMORTISATION		
At start of year	1,672,403	1,284,041
Current year charge	385,114	388,362
At end of year	2,057,517	1,672,403
NET BOOK VALUE	**648,533**	**984,580**

22. LEASEHOLD IMPROVEMENTS

	2013 TZS 000	2012 TZS 000
COST		
At start of year	4,668,391	4,234,793
Additions	406,526	433,598
At end of year	5,074,917	4,668,391
AMORTISATION		
At start of year	1,817,943	1,372,183
Current year charge	479,286	445,760
At end of year	2,297,229	1,817,943
NET BOOK VALUE	**2,777,688**	**2,850,448**

23. PROPERTY AND EQUIPMENT

	Motor vehicles TZS 000	Fixtures fittings and equipment TZS 000	Total TZS 000
COST			
As at 1 January 2012	580,074	5,220,917	5,800,991
Additions	113,652	516,499	630,151
Disposals	-	(295,861)	(295,861)
As at 31 December 2012	693,726	5,441,555	6,135,281
Additions	302,123	1,076,400	1,378,523
Disposals	-	(4,780)	(4,780)
As at 31 December 2013	995,849	6,513,175	7,509,024
DEPRECIATION			
As at 1 January 2012	324,953	2,584,499	2,909,452
Charge for the year	173,432	859,621	1,033,053
Disposals	-	(295,861)	(295,861)
As at 31 December 2012	498,385	3,148,259	3,646,644
Charge for the year	178,104	948,455	1,126,559
Disposals		(1,487)	(1,487)
As at 31 December 2013	676,489	4,095,227	4,771,716
NET BOOK VALUE			
At 31 December 2013	319,360	2,417,948	2,737,308
At 31 December 2012	195,341	2,293,296	2,488,637

None of the premises and equipment has been pledged as security for liabilities (2012: Nil).

24. INVESTMENT IN SHARES

	2013 TZS 000	2012 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.

25. DEPOSITS FROM CUSTOMERS

	2013 TZS 000	2012 TZS 000
Current accounts	20,222,616	19,848,864
Biashara accounts	25,242,579	22,930,647
Savings accounts	35,694,786	34,090,163
Time deposit accounts	21,233,692	25,137,844
Solidarity savings	2,679,640	2,207,221
	105,073,313	**104,214,739**
MATURITY ANALYSIS:		
Payable within three months	96,489,783	86,040,958
Payable within three to twelve months	8,583,530	18,157,581
Payable after twelve months	-	16,200
	105,073,313	**104,214,739**

26. OTHER LIABILITIES

	2013 TZS 000	2012 TZS 000
Bills payable	154,788	107,458
Deferred facility fees income	849,702	679,634
Accrued leave provision	139,002	99,171
Others	1,499,420	1,054,522
	2,642,912	**1,940,785**

27. SHARE CAPITAL

	2013 TZS 000	2012 TZS 000
Authorised		
10,000,000 ordinary shares of TZS 1,000 each	10,000,000	10,000,000
Issued and fully paid		
8,247,184 (2012: 8,247,184) ordinary shares of TZS 1,000 each	**8,247,184**	**8,247,184**

28. CASH AND CASH EQUIVALENTS

	2013 TZS 000	2012 TZS 000
Cash and balances with Bank of Tanzania (Note 15)	24,191,781	21,405,800
Less: Statutory Minimum Reserves (Note 15)	(9,787,500)	(9,763,000)
Government securities maturing within 3 months (Note 16)	2,939,385	3,243,685
Deposits and balances due from Banking institutions (Note17)	4,798,732	7,707,970
	22,142,398	**22,594,455**

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.

29. 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 405,395,157 (2012 - TZS 2,682,303,000).

Commitments to extend credit

At the end of the reporting period the Bank had outstanding commitments to extend credit amounting to TZS 352,000,000 (2012 - TZS 2,401,441,000).

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 no provision is required in respect of these legal proceedings as at 31 December 2013 NIL (2012: NIL). Litigations, current or pending, are not likely to have a material adverse effect to the Bank.

As at 31 December 2013, contingent liabilities and contingent assets relating to pending cases with approximate financial effect of TZS1.68 billion and TZS 1.54 billion respectively (2012: TZS 1.66 billion and TZS 0.92 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

	2013 TZS 000	2012 TZS 000
Authorized and contracted for	1,835,583	2,137,757
Authorized not yet contracted for	642,486	373,409
	2,478,069	**2,511,166**

Capital commitments authorized but not yet contracted for relates to purchase of fixed assets and Biometric & EFT bridge project (2012: Cheque truncation system and business continuity for Arusha, Moshi and Mwanza).

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

	2013 TZS 000	2012 TZS 000
Not later than 1 year	1,278,308	1,093,127
Later than 1 year but not later than 5 years	4,722,933	4,391,075
	6,001,241	**5,484,202**

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.

30. RELATED PARTY TRANSACTIONS AND BALANCES

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:

30. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Loans and advances to related parties

Advances to shareholders and their related companies were as follows:

	2013 TZS 000	2012 TZS 000
At start of year	2,028,696	1,318,657
Advanced during the year	700,000	835,000
Repaid during the year	(6,163)	(124,961)
At end of year	2,722,533	2,028,696
Interest income earned	**97,160**	**132,060**

Advances to key management personnel were as follows:

	2013 TZS 000	2012 TZS 000
At start of year	489,589	314,762
Advanced during the year	84,774	369,169
Repaid during the year	(202,275)	(194,342)
At end of year	372,088	489,589
Interest income earned	**18,565**	**18,503**

Loans and advances to related parties were fully performing as at 31 December 2013.

(ii) Deposits from related parties

a) Deposits from shareholders.

	2013 TZS 000	2012 TZS 000
Inter Consult Limited	27,635	246,587
Parastatal Pensions Fund	1,987,978	2,692,262
ERNCON Holdings Limited	18,348	28,148
Others	381,714	602,421
	2,415,675	**3,569,418**

30. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

b) Movement in deposits from shareholders

	2013 TZS 000	2012 TZS 000
At start of year	3,569,418	3,104,152
Net movement during the year	(1,153,743)	465,266
At end of year	**2,415,675**	**3,569,418**
c) Deposits by Directors and key management personnel		
At start of year	680,116	74,512
Net movement during the year	(324,254)	605,604
Balance as at 31 December	**355,862**	**680,116**
(iii) Technical assistance fees		
Accion International	**193,914**	**208,863**
(iv) Key management compensation		
Salaries and other short-term benefits	**1,128,789**	**1,341,041**

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

30. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(v) Directors' remuneration

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

Name	2013 Directors fees TZS 000	2013 Other emoluments TZS 000	2012 Directors fees TZS 000	2012 Other emoluments TZS 000
Elizabeth Minde Maro	12,048	10,900	10,413	9,288
Prof. Joseph Semboja	-	-	3,959	500
Rita Van den Abbeel	8,607	12,672	8,259	10,667
Brian Kuwik	8,607	12,415	8,259	10,920
John Fischer	8,607	10,330	8,259	13,500
Patrice Mwaigomole	3,586	2,000	8,177	8,500
Ernest Massawe	8,607	6,500	8,232	8,000
Selestine Joseph Some	8,607	6,000	8,232	5,000
Liesbeth Soer	8,607	11,503	8,259	11,167
Dr. Richard Kasungu	5,020	5,000	-	-
	72,296	**77,320**	**72,049**	**77,542**

31. COUNTRY OF INCORPORATION

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

32. ASSETS PLEDGED AS SECURITY

As at 31 December 2013, there were no assets which had been pledged by the Bank to secure any liabilities and the Bank did not have any secured liabilities.

33. FAIR VALUE

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

34. 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.

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 2630507/08

Mbagala Branch
Mbagala Rangitatu
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 & 2404408
Fax: +255 22 2401118

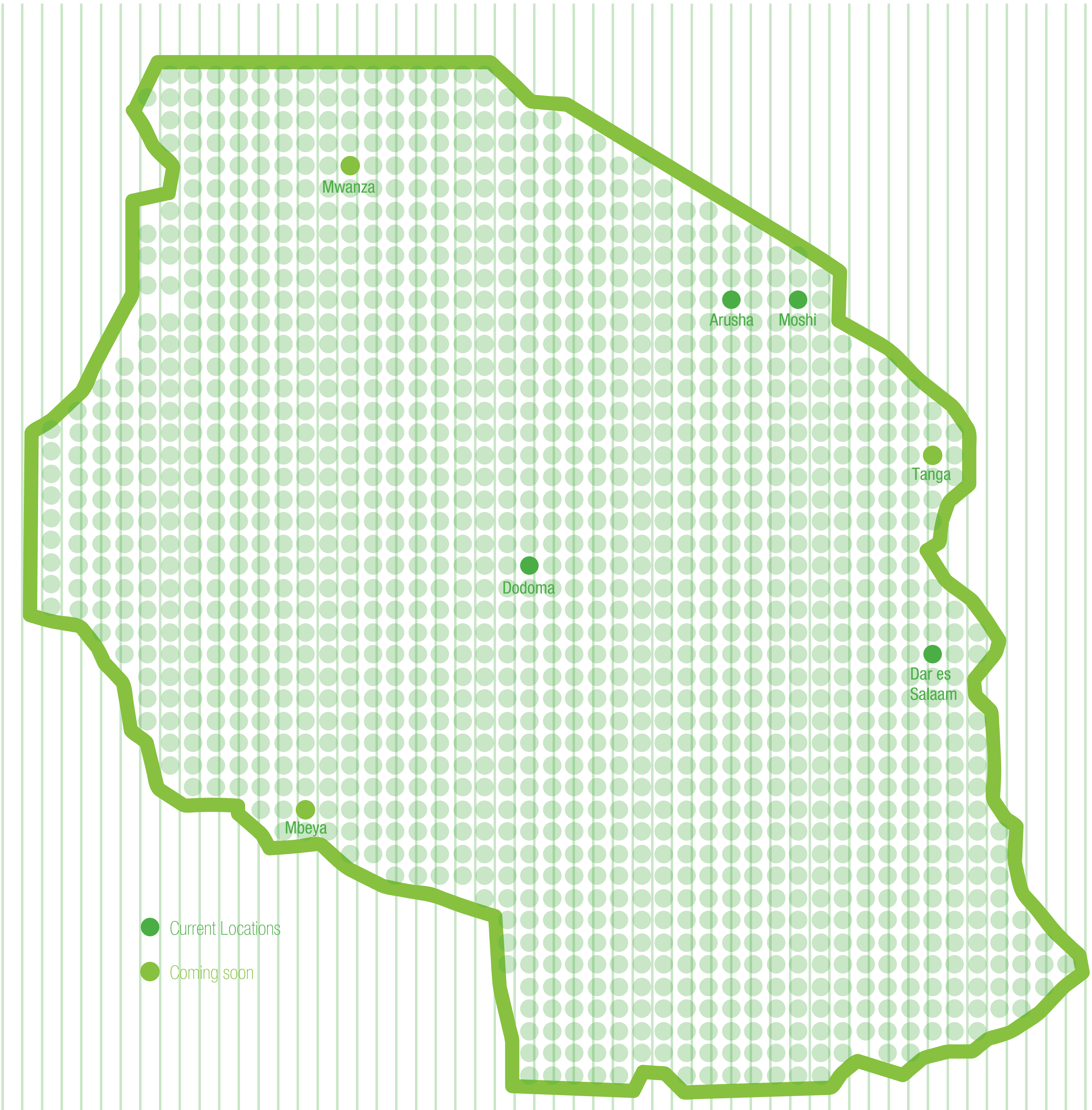
Temeke branch
Tandika Mwisho
Dar es Salaam
Tel +255 22 2856571

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

OPENING SOON

*Mwanza Branch

*Mbeya Branch



Akiba Commercial Bank Plc

Head Office:
Amani Place, Ohio Street,
P.O. Box 669, Dar es Salaam
Tel: + 255 22 2118340/3,
Fax: +255 22 21 14173
Email: info@acbtz.com