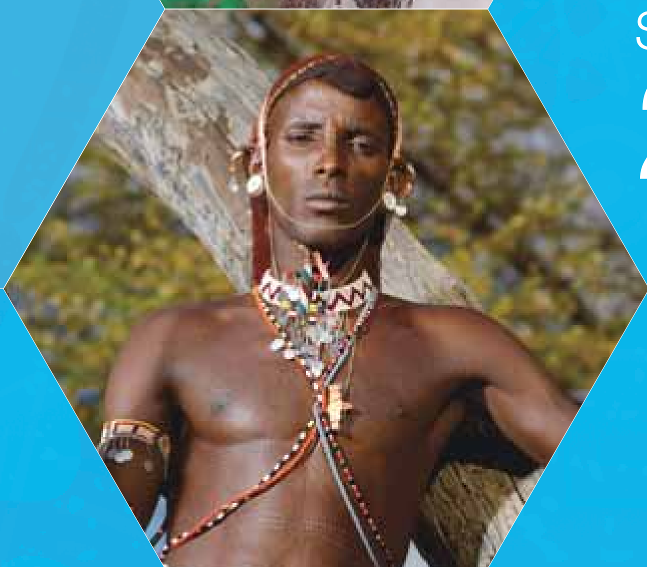
ANNUAL REPORT & FINANCIAL STATEMENTS 2012



STRENGTH IN REGIONAL DIVERSITY

I&M BANK (T) LTD

Strength In Regional Diversity

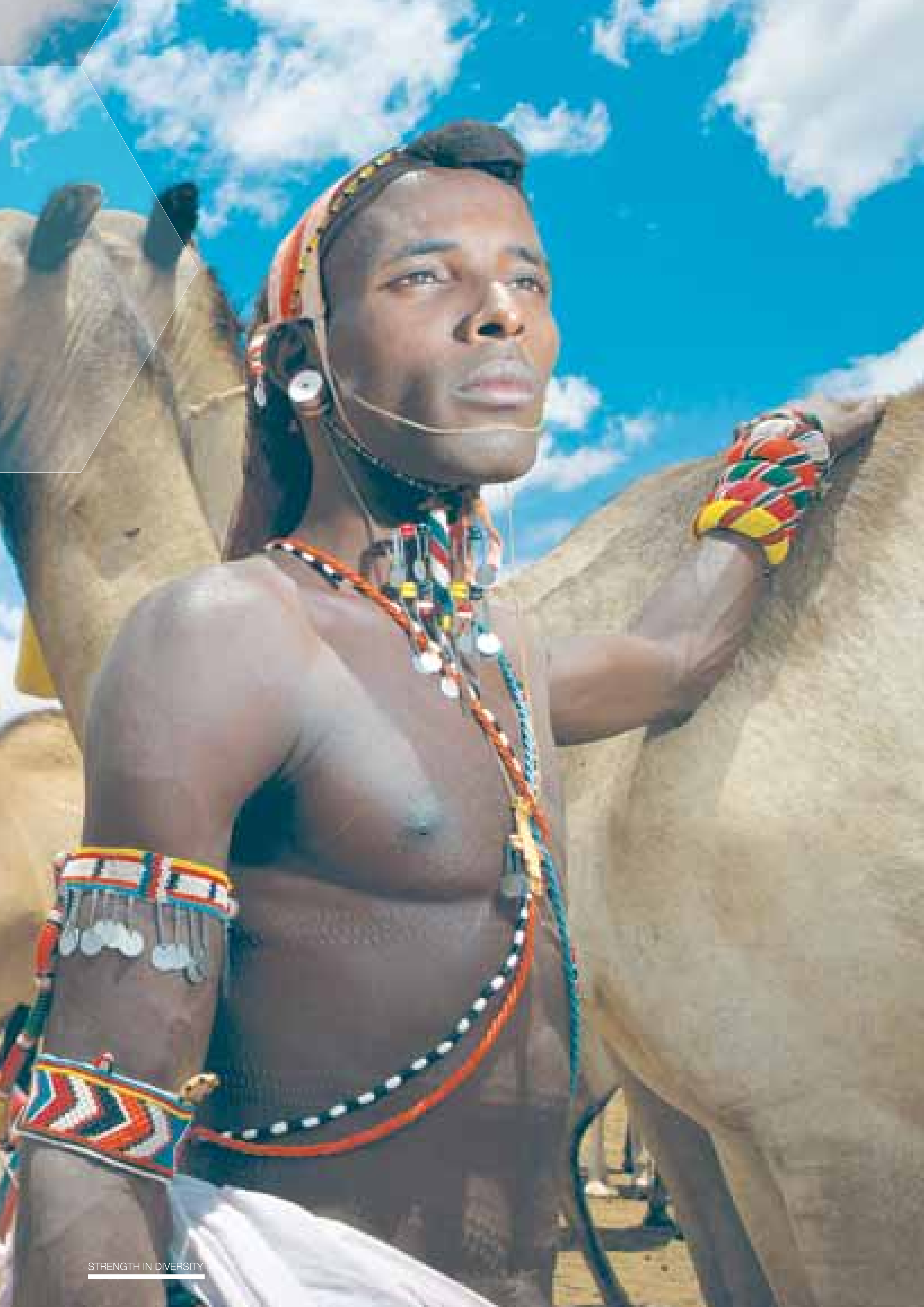
I&M Bank is now a vibrant regional bank across four international borders.

Our operations draw strength from the resources and best practices across the region as we forge a unified growth for our customers and for us.

Table of Contents

Travelling is learning

African proverb

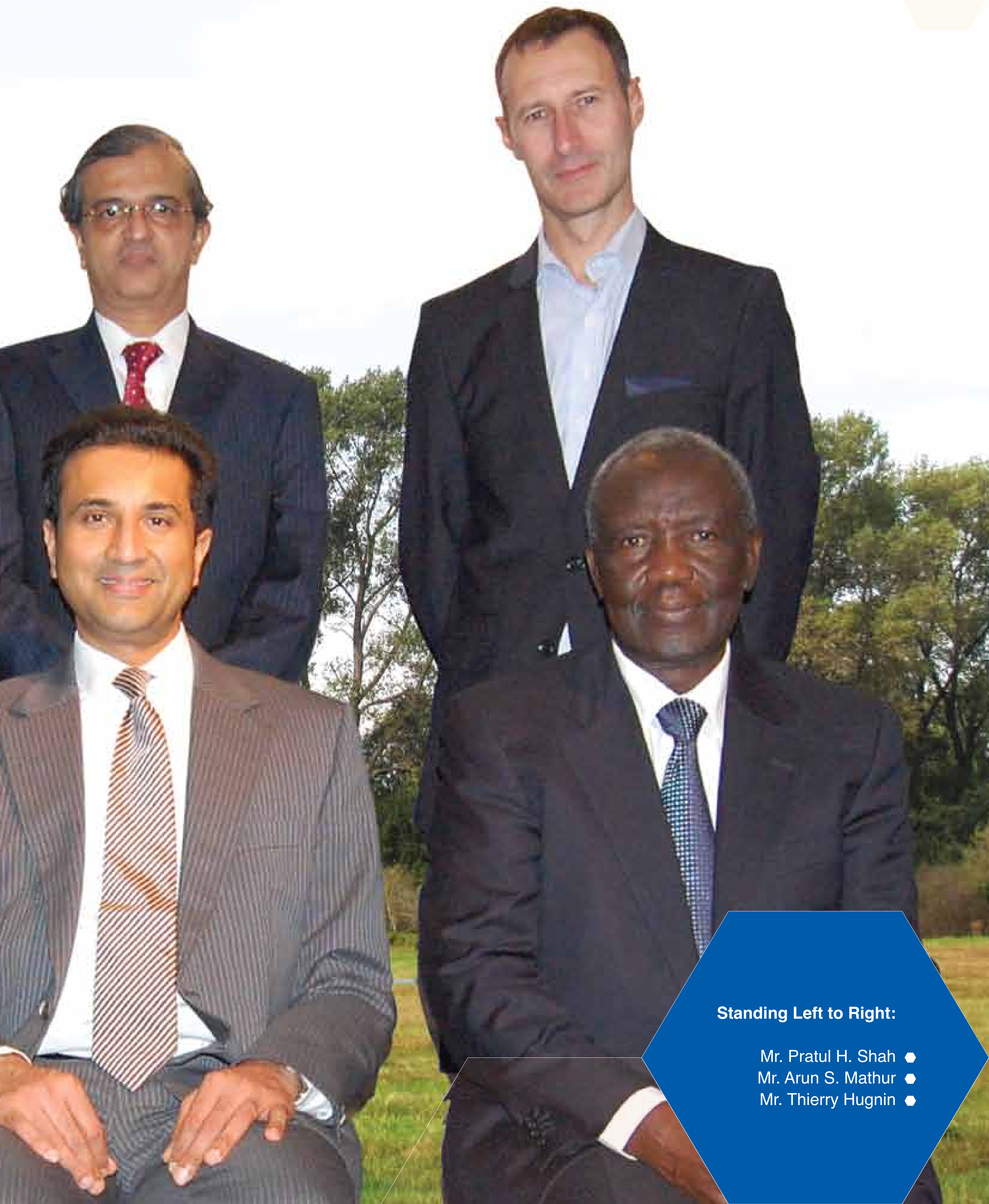


Board of Directors

Seated Left to Right:

- Gen. (Rtd) Mrisho H. Sarakikya
- Mr. Sarit S. Raja Shah (Chairman)
- Mr. Michael N. Shirima

Board of Directors



Standing Left to Right:

- Mr. Pratul H. Shah
- Mr. Arun S. Mathur
- Mr. Thierry Hugnin

Senior Management

Anurag Dureha
Chief Executive Officer

Tirunagari Srikanth
Head - Business Development

Kesavan Murali
Head - Business Support

Srinivasan Raghunathan
Head - Risk Management

Poncian Katesigwa
Head - Finance

Clement Kagoye
Head - Credit

senior management

Alan Mbangula
Manager - ICT

Fauqiya Mohammed
Head - Human Resource

Aimtonga Adolph
Head - Internal Audit

Shazin Lakdawalla
Alternate Channel Manager

Ali Hussein
Head - Relationship

Sarfaraz Bora
Treasury Manager

Children are
the reward of life

African proverb

Directors, officials and administration

DIRECTORS
Mr. Sarit S. Raja Shah
Gen. (Rtd) Mrisho H. Sarakikya
Mr. Michael N. Shirima
Mr. Pratul H. Shah
Mr. Arun S. Mathur
Mr. Thierry Hugnin (Alternate: Mr. Joseph Oriol
appointed 10th October 2012)

HEAD OFFICE
Maktaba Square,
Maktaba Street,
P O Box 1509,
Dar es Salaam, Tanzania

REGISTERED OFFICE
Maktaba Square
Maktaba Street,
P O Box 1509
Dar es Salaam, Tanzania

CORRESPONDENT BANKS
Deutsche Bank Trust Company Americas
515 Union Boulevard
Totowa, New Jersey 07512
USA

CRDB Bank Limited
P.O. Box 72344
Dar es Salaam, Tanzania

Standard Chartered Bank New York
SCB New York – IBF
One Madson Avenue
3rd Floor
New York, NY 10010 – 3603, USA

ICICI Bank Limited,
ICICI Bank Towers,
Bandra – Kurla Complex,
Mumbai 400 051, India

Diamond Trust Bank (T) Limited
P.O. Box 115
Dar es Salaam, Tanzania

Stanbic Bank Tanzania Limited
P.O. Box 72647
Dar es Salaam, Tanzania

I&M Bank Limited
P. O. Box 30238
00100 Nairobi
Kenya

Banque Commerciale du Rwanda Ltd
P.O. Box 354,
Kigali,
Rwanda

LEGAL ADVISORS
M/s Rutabingwa Advocates,
P.O. Box 11819,
Dar es Salaam, Tanzania.

M/s Adept Chambers,
Peugeot House,
36 Ali Hassan Mwinyi Road,
P.O Box 79651,
Dar es Salaam, Tanzania.

M/s K&M Advocates,
P.O Box 71394,
Dar Es Salaam, Tanzania.

M/s IMMMA Advocates,
P.O Box 72484,
Dar es Salaam, Tanzania.

AUDITORS
M/s Ernst & Young
Utalii House
P.O. Box 2475
Dar es Salaam, Tanzania

BANK'S SECRETARY
Ms. Hamida Sheikh
M/s Sheikh's Chambers of Advocates
Advocates, Notaries Public & Commissioners
for Oath.
P.O Box 6225,
Dar es Salaam, Tanzania

Branches

MAIN BRANCH
Jiwan Hirji Building,
Corner of Indira Gandhi/Mosque Street,
P O Box 1509,
Dar Es Salaam, Tanzania
Tel: + 255 22 2117880 , +255 22 2110212 ,
+255 22 2117700 , +255 22 2117701
Fax: +255 22 2118750
Email: enquiry@imbank.co.tz

KARIAKOO BRANCH
Plot 21,Livingstone Street,
Kariakoo
P O Box 1509,
Dar Es Salaam, Tanzania
Tel: +255 22 2181072 , +255 22 2181074
Fax: +255 22 2181075
Email: enquiry@imbank.co.tz

ARUSHA BRANCH
Plot No. 4,Block R,
Falcon Building Jakaranda Street Off Sokoine Road-Opp.
Uhuru Primary School
P O Box 16821,
Arusha, Tanzania
Tel: +255 272 546159 , +255 732 979622
Fax: +255 27 2546272
Email: enquiry@imbank.co.tz

MAKTABA BRANCH
Maktaba Square, Maktaba Street,
P O Box 1509, Dar Es Salaam, Tanzania
Tel: +255 22 2127330, +255 22 2127331,
+255 22 2127332 , +255 22 2127333 ,
+255 22 2127334
Fax: +255 22 2127336
Email: enquiry@imbank.co.tz

QUALITY CENTRE BRANCH
Quality Centre Mall, G5,
P O Box 1509,
Dar Es Salaam, Tanzania
Tel: +255 22 2864806 , +255 22 2864807,
+255 22 2864808
Fax: +255 22 2864809
Email: enquiry@imbank.co.tz

MWANZA BRANCH
Ekacliff Building,
Balewa Street, Isamilo Area,
P O Box 412,
Mwanza, Tanzania
Tel: +255 28 2981018 , +255 28 2981019,
+255 28 2981020
Fax: +255 28 2981021
Email: enquiry@imbank.co.tz

I&M BANK (T) LIMITED GETS NEW CHIEF EXECUTIVE OFFICER.

Mr. Anurag Dureha took over charge of I&M Bank (T) Limited as CEO in February 2012 from Mr. Subramanian Gopalan, who retired after serving the bank, formerly known as CF Union Bank Limited, for 14 years. Mr. Dureha comes with a rich international experience of 31 years in banking industry.

Mr. Anurag Dureha

I&M BANK RECEIVES USD 5 MILLION CREDIT LINE FROM PROPARCO

PROPARCO accorded I&M Bank (T) Limited a 7 year USD 5 Million credit line for onward lending to the Bank's customers. This facility supplemented I&M Bank (T) Limited's ability to support the growing demand for long term foreign currency lending to the expanding SME sector in Tanzania. For PROPARCO, this lending represented the deepening of the existing partnership with I&M Bank, having been shareholders of the Bank since acquisition of the bank in Tanzania.

Proparco
GROUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT

I&M BANK (T) LIMITED OPENS IN MWANZA

In line with Bank's strategic objectives with regards to local expansion within Tanzania, the year 2012 witnessed I&M Bank (T) Limited opening a branch in Mwanza region increasing its branch network to 6.

With the expanded branch network, the Bank is bound to increase its customer base much faster and I&M customers in Kenya & Rwanda, who may be dealing with customers in these areas, can now also benefit from the wider network and make use of 'I&M's BRISK transfer's product in these new locations.

STAFF AWARDS

I&M Bank (T) Limited rewarded its employees who served the organization for more than 10 years. The function was held at Serena Hotel in Dar es Salaam.

The chairman of I&M Bank (T) Limited
Mr. Sarit S. Raja Shah awarding to Mrs. Flora Mtui

NEW PRODUCTS
BRISK TRANSFERS EXTENDED TO RWANDA

With the acquisition of Banque Commerciale Du Rwanda (BCR), I&M's customers can now easily transfer funds between Kenya, Tanzania and Rwanda through our BRISK product.

This product is available in Kenya Shillings, Rwanda Francs, Tanzanian Shillings and US Dollars and guarantees next working day value for funds remitted. This product is available in I&M Bank Kenya, I&M Bank (T) Limited and Banque Commerciale Du Rwanda(BCR).

I&M BANK PREPAID VISA INTERNATIONAL TRAVEL CARD

I&M Bank Prepaid Visa International Travel Card is a product that allows customer to make purchases from any Visa merchants shops, restaurants, travel agents, airlines, hotels etc., withdraw cash from any Visa ATM worldwide and also make online purchases. The Card is easy & quick to purchase.

This card is the most safe and suitable for all your foreign exchange and shopping needs. This product is available at all branches of I&M Bank (T) Limited.

eASYBANKING

As a significant investment into technology driven alternate banking channels, I&M Bank introduced e-Asybanking for convenient and fast payment of Customs and Excise Duty to Tanzania Revenue Authority.

This is an online customs payment solution which enables a customer to make direct customs and excise duty payment and obtain the paid receipt instantly for goods clearance from TRA. This product is available at all I&M Bank (T) Limited's Branches.

TWO YEARS LC

I&M Bank (T) Limited launched facilitation of the 2 year LC for import of capital goods. These LCs facilities allows importers to offer secure payment terms to their suppliers overseas, while simultaneously ensuring the prompt delivery of the goods and services they require. These LC's are confirmed by 1st class International Banks and are marketed by I&M Bank (T) and established by I&M Bank, Kenya.

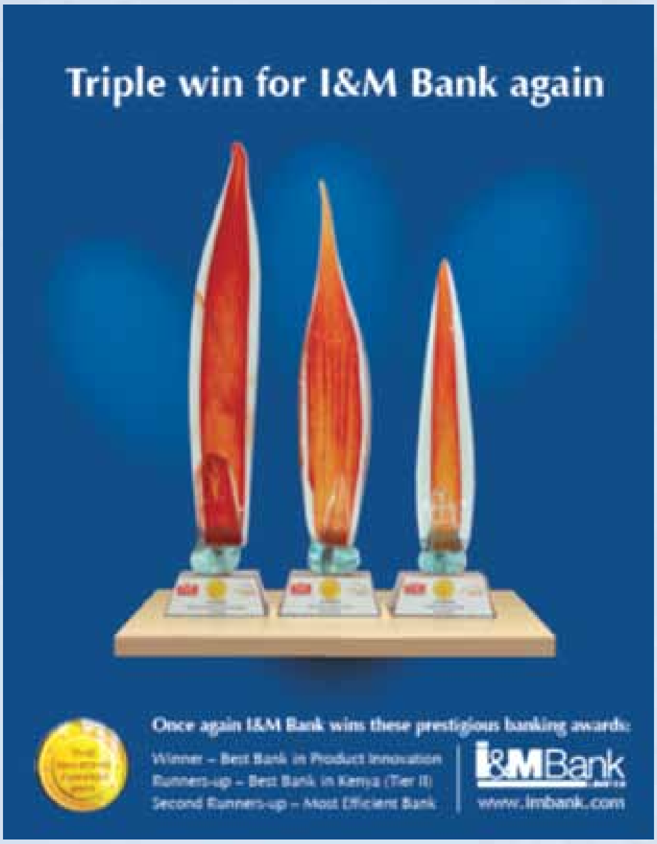
WESTERN UNION SERVICES OFFERED AT ALL BRANCHES OF I&M BANK (T) LIMITED

All I&M Bank (T) Ltd's branches are now offering the Western Union services over its counter. These services enable a person to send /receive money to anywhere and receive at any branches of I&M Bank (T) Ltd. Contact any I&M Bank (T) Ltd's branch.

I & M BANK, KENYA NEWS

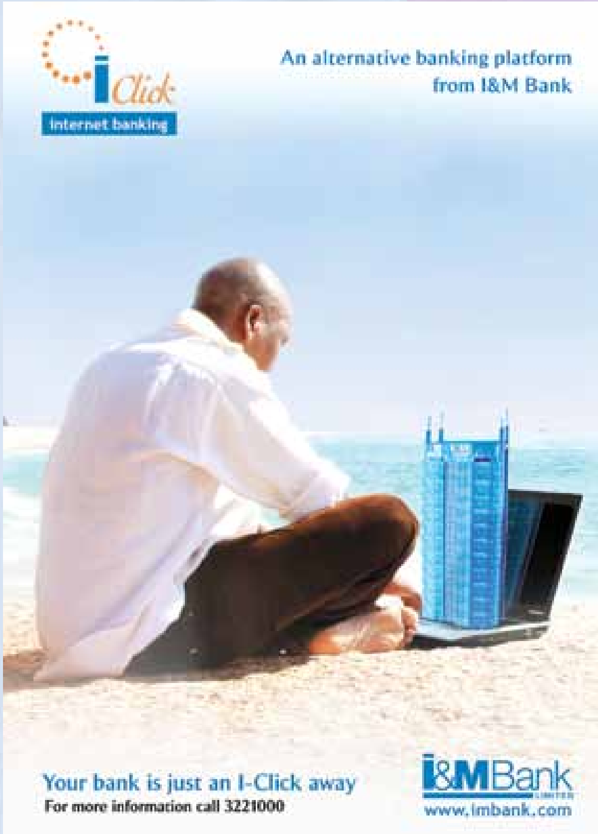
AWARDS 2012

In a repeat performance of 2011, I&M once again scooped 3 prestigious awards at The Banking Awards 2012, which included the Best Bank in Product Innovation award our Step-Up Home Loan Product, Runner up for Best Bank in Kenya (Tier 2) and third prize for the Most Efficient Bank.



I-CLICK INTERNET BANKING

As a significant investment into technology driven alternate banking channels, I&M Bank introduced I-Click for both retail and corporate customers. I-Click has received good customer response and have features and benefits that sets it apart as a truly innovative internet banking product. For the Bank, this service fills up an important slot in our endeavors to maintain product leadership in the market and also provides a platform to introduce more web based facilities and to reduce our operational costs through directing more traffic through alternate channels.



BANK ONE LTD - MAURITIUS

Good news continues to come from the shores of Mauritius, where, despite difficult economic conditions, our sister entity Bank One registered a good performance in 2012, with Profits after Tax of Rs 203m, which is an improvement of 16% on the Rs 175m realised in 2011. Total deposits grew by 22% to reach Rs 17.2bn and total advances grew by 30% to reach close to Rs 12bn. Gross NPA ratio fell from 4% to 3.4%, while Net NPA ratio stood at 2%. Return on average assets was 1.17%.

During 2012, Bank One opened two new branches – Cascavelle and Grand Bay La Croisette - thereby increasing the numbers of branches to 16 and extending its coverage countrywide. In order to respond faster to customers' queries by phone, Bank One also implemented a contact centre at Port Louis, handling both inbound and outbound calls. Bank One is now in the process of launching Mobile Banking, starting with SMS alerts, to provide enhanced customer convenience.

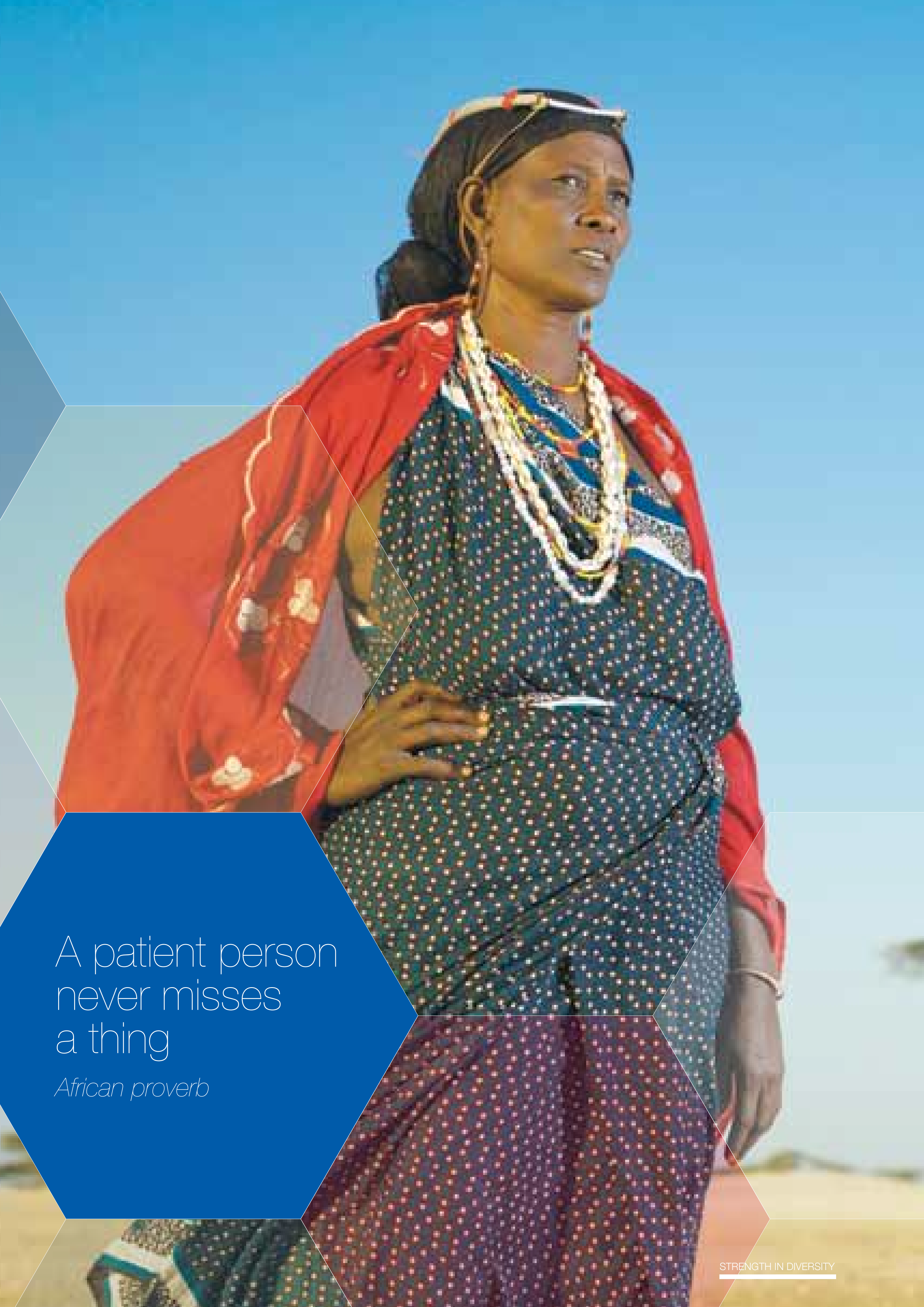
BCR NEWS

In 2012, I&M Bank Group added Banque Commerciale Du Rwanda(BCR) to its international footprints. BCR, which celebrates its golden jubilee in 2013, is a leading Bank in Rwanda with 14 branches across the country.

BCR leveraged its newly acquired regional status, that came with introduction of new products, to rake in profit before tax of Frw 5.9 billion in 2012 a 36% increase from the previous year. With the loan book growing by 40% from Frw 37.6 billion in 2011 to Frw 52.5 billion, the year saw net profit jump from Frw 2.9 billion earned in 2011 to Frw 4.2 billion.

Taking advantage of its being a member of I&M Bank, BCR introduced new products such as ecommerce, an online system that enables clients to receive payments from overseas customers through convenient payment methods through using VISA & Mastercard. The Bank has also introduced the BRISK transfer product currency transfer facility within the region.

Focused on enhancing technology-based operations, BCR become first Rwandese bank to introduce electronic tax (etax) country, a development that enables taxpayers pay online. Other tech-based products include eBank¬ing that enables customers to transact online using computers or mobile phones and the eUniversity product that enables students to effect automatic payment of fees. The bank also launched VISA acquiring on all its ATM's country-wide.


A patient person never misses a thing
African proverb

The Chairman

It gives me pleasure in presenting to you the Annual Report and Financial Statements for the year 2012 of I&M Bank (T) Ltd and also share with you some of the significant achievements and initiatives undertaken by your Bank during the year.

Economy

Tanzania occupies a strategic position in the East African Community (EAC). According to a recent World Bank survey, Tanzania has emerged fourth best in the East African Community (EAC) as an investment destination. The Government continues to make the environment more business friendly. This is evident in the GDP growth rate of 6.9% (est.) during 2012 with the value of goods and services standing at US$ 30 bio. approx. in spite of a gloomy global outlook. Headline inflation continued to ease reaching 12.1% for the year ended December 2012, down from a peak of 19.8% recorded in December 2011. This outturn was largely driven by improved food supply in the Eastern Africa region, the tight monetary policy stance of Bank of Tanzania, fiscal consolidation, and stability in the nominal exchange rate. The Bank of Tanzania (BOT) has targeted to bring down the inflation rate to a single digit, however, the tight monetary policy also resulted in prevailing low liquidity conditions in the market.

Banking Industry

The Banking industry did face a liquidity crunch throughout the year but overall the industry performed well with the total share capital for the sector increasing from Tzs 650 Bn (2011) to Tzs. 810 Bn in 2012. This is in line with BOT's proposal to raise the required minimum core capital for commercial banks from Tzs. 5 Bn to Tzs. 15 Bn, with a view to enhancing the capability of the banking sector to absorb potential losses. Two new banks entered into the market during the year, taking the total number of banks in the country to 47. These additions demonstrate the continued confidence of investors in the sector. The Total Assets increased from Tzs 14.3 trillion (2011) to Tzs. 16.7 trillion (2012) thus, recording a growth of 17 %. The BOT deserves credit for an encouraging growth of the banking sector while at the same time providing monetary stability.

Your Bank in 2012 – Major Achievements

It gives me great pleasure to place before you the highlights of your Bank's major achievements during the year 2012. The I&M Bank group celebrated three years since its entry into the Tanzanian market on 14th January 2010 and your Bank has continued to pursue with its growth strategy. Our efforts and strategies are always targeted towards fulfilling customers' expectations.

As mentioned last year, your Bank is being provided extensive support by the Group on various banking related aspects which include training, technical know-how and product development to leverage on the synergies derived from the Group. With these developments, the Bank has been able to offer customers tailor made products leveraged on the Group capabilities including trade finance to facilitate cross border trade within East Africa and beyond.

Your bank has doubled the branch network from three, at the time of take-over, to six. With four branches in Dar es Salaam, one in Arusha and Mwanza respectively, the Bank has been striving to capture more business from diverse key geographic centres of Tanzania.

The investment in two new branches, almost simultaneously, with one in December, 2011 and another in February, 2012, did have an impact on the profitability of your Bank, however, we are confident that these strategic investments will yield positive results going forward.

The year 2012 witnessed many key initiatives in the Bank. In order to strengthen the management team under the leadership of a very capable Chief Executive Officer, we recruited certain key personnel, which included the positions of Heads of Business Support and Human Resources. In addition, the Bank also employed a technical expert on Finacle (Core Banking Software) to pursue with its strategy of offering technology driven products.

Further, with a view to expand the reach of the Bank and suite of products in serving its customers, a new function to handle Alternate Banking Channels, has been created to deliver the Bank's initiatives in Cards, ATMs and remittances.

The Bank also expanded its range of products and services, including the introduction of Prepaid VISA International Travel Cards as agent of I&M Bank, Kenya. It also rolled out Western Union services to all its six branches. Your Bank also obtained approvals from Tanzania Revenue Authority (TRA) for collecting taxes on their behalf and this service is available at all the branches of the Bank. Further, the Bank is now online, through Asybank, with TRA for direct collection of Customs and Excise duty and all the six branches of the Bank are rendering this convenient service.

Technology, the bedrock of banking, is receiving our full attention. In 2012, we initiated the long awaited project for upgradation of the Hardware, Oracle and Finacle Core banking Software. I can confirm that with the hard work of our staff and the support of the service providers and I&M Bank, Kenya, we have been able to switchover to the new operating platform successfully. This will now provide us opportunities for introduction of interesting unique technology based products and improve upon our operational efficiencies.

Another landmark achievement for the Bank was acquisition of a 'senior debt' line of US$ 5 Million, from our shareholder, PROPARCO. This is a long term loan for onward lending to our small and medium enterprises customers (popularly known as SMEs).

It is worth noting that the total asset base of the Bank grew by 28% to reach a level of Tzs. 255.66 Bn from Tzs. 199.98 Bn in 2011 in a demanding market environment. The customer loans & advances achieved a growth of 26% to Tzs. 153.55 Bn from Tzs. 121.60 Bn in 2011. At the same time, despite the severe liquidity crunch experienced in the market, the bank's deposits grew by 27% to reach Tzs. 220.80 Bn. The Profit before Tax was at Tzs. 5.30 Bn in 2012 compared to Tzs. 5.34 billion in 2011. There was a negative impact on account of the asset quality and financial burden of the various strategic initiatives. Nevertheless, these initiatives were required to create an enabling foundation to take the Bank to new heights. Further, it is heartening to note, that the Bank performance remained resilient in many areas in comparison to the industry, as a whole.

The Year Ahead

Having achieved a major landmark of upgradation of core banking application and thereby, setting up a strong technological foundation, as mentioned above, the year 2013 will indeed be a happening year for the Bank for promising a better future.

I am grateful to Bank of Tanzania for their invaluable guidance and support. I also place on record my thanks to all my fellow Directors, for their oversight and guidance to the Bank. I would certainly like to express my appreciation for our fellow shareholders, PROPARCO, The Kibo Fund LLC & Mr. Michael Shirima for their continued support.

I would also like to thank our fourth stakeholders, i.e. the vendors and service providers, for their timely and quality service to our Bank which is always much appreciated.

I would like to highlight that 2012 was an exceptional year when our staff and management accepted the challenge of implementing the prestigious IT project without any compromise on the usual deliverables. On behalf of the Board of Directors, I thank the entire team of I&M Bank (T) Ltd, for the extra efforts and hours put in by them to make year 2012, a success.

Finally, I would like to place on record our sincere gratitude for the unsparing trust, confidence and overwhelming support of our valued customers.

Asante Sana!

Sarit S Raja Shah
Chairman

A wise person will always find a way

African proverb

Director's Report for the year ended 31 December 2012

1. INTRODUCTION

The Directors submit their report and the audited financial statements for the year ended 31 December 2012 which disclose the state of affairs of I&M Bank (T) Limited (the Bank).

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors as indicated on the statement of financial position. These financial statements can be amended by owners and regulatory bodies if the financial statements are found to be misleading after they have been issued to the public.

2 INCORPORATION

The Bank is incorporated in Tanzania under Companies Act, 2002 domiciled in Tanzania as a private company limited whose shares are not publicly traded.

3 MISSION AND VISION

Vision Statement:

To become a company where the best people want to work, the first choice where customers want to do business, and where shareholders are happy with their investment.

Mission Statement:

To be partners of growth for all our stakeholders through:

- Meeting our Customers' expectations.
- Motivating & developing every employee.
- Enhancing shareholder value.

4 PRINCIPAL ACTIVITIES

The principal activity of I&M Bank (T) Limited is the provision of banking and related services stipulated by the Banking and Financial Institutions Act, 2006. There has been no significant change in the principal activities of the Bank during the financial year ended 31 December 2012.

5 REVIEW OF BUSINESS PERFORMANCE

The Bank's results are set out on page 36 of these financial statements. During the year under review, the Bank recorded a profit before tax of TZS 5,302 million compared to TZS 5,344 million in the previous year, representing a decrease of (1%). The slight decline is due to increased costs of deposits as a result of the liquidity crunch experienced during the year in the market as well as expansion of the branch network.

Interest Income

Interest Income during the year amounted to TZS 19,235 million compared to TZS 13,421 million in the previous year, representing an increase of 43% (TZS 5,814 million). This is mainly due to the growth in the loan portfolio and other interest earning assets. As at year end, the loan portfolio had increased by 26% from the previous year.

Interest Expense

Interest expense during the year amounted to TZS 10,181 million, as compared to TZS 5,672 million in the prior year, representing an increase of 79% (TZS 4,509 million). The increase in interest expense is mainly attributed to the growth in interest bearing deposits as well as the higher market interest rates on Tanzanian Shillings denominated deposits during the year.

5 REVIEW OF BUSINESS PERFORMANCE *(Continued)*

Net Interest Income
Net interest income (interest income less interest expenses) during the year amounted to TZS 9,054 million, as compared to TZS 7,748 million in prior year, representing an increase of 17% (TZS 1,306 million).

Non - Interest Income
Non-interest income mainly includes fee and commission income, foreign exchange income and other operating income. Non-interest income amounted to TZS 4,053 million compared to TZS 3,552 million in the previous year, representing an annual increase of 14%.

Non-interest expenses before tax
Non- interest expenses before tax amounted to TZS 7,620 million as compared to TZS 5,568 million in prior year, implying an increase of 37%. The increase is largely attributed to growth in personnel costs as a result of the growth in the number of employees and salary rises as well as higher occupancy costs arising from the expansion of the branch network. The number of employees at the end of year totalled 118 as compared to 89 at the end of 2011.

Income tax expense
Income tax expense amounted to TZS 1,659 million (2011: TZS 1,664 million).

Key performance ratios
The key performance ratios of the Bank are indicated as hereunder:

	2012	2011
Return on average assets	1.60%	2.17%
Return on average equity	14.84%	17.05%
Non- interest income to net interest income	44.77%	45.85%
Operating expenses to average assets	3.34%	3.29%
Non-interest expenses before tax to operating income	58.14%	52.71%

6 REVIEW OF FINANCIAL POSITION
The Bank's financial position is set out on page 37 of these financial statements. Major movements are as explained in the table below:

Item	2012 TZS ' 000	2011 TZS ' 000	Increase/ (Decrease) TZS ' 000	Increase/ (Decrease) %
Cash and bank balance with BOT	24,784,530	18,997,889	5,786,641	30%
Government securities held to maturity	39,196,970	25,977,546	13,219,424	51%
Other money market placements held to maturity	9,440,170	8,400,455	1,039,715	12%
Loans and advances	153,546,343	121,600,954	31,945,390	26%
Intangible assets	946,914	265,139	681,775	257%
Deposits	220,795,677	174,456,961	46,338,716	27%
Long term borrowing	7,959,992	-	7,959,992	100%
Other liabilities	679,114	2,490,941	(1,811,827)	-73%

6 REVIEW OF FINANCIAL POSITION (continued)

Government securities held to maturity
The increased investment in government securities by TZS 13,219 million (51%) is as a measure of prudent investment of surplus funds in high yielding and risk free sovereign securities.

Other money market placements
Other money market placements increased by TZS 1,040 million (12%) from prior year. The increase was due to the growth in funds from deposits, which were placed on interest yielding short term placements with banks.

Loans and Advances
The loans and advances increased by TZS 31,945 million (26%) on account of growth in credit to, both, existing and new customers.

Intangible assets
Intangible assets increased by TZS 682 million (257%) from prior year. The increase was due to the costs of upgrading the core banking software.

Deposits
Deposits increased by TZS 46,339 million (27%) through growth in the customer base with the expansion of the branch network and increased marketing activities.

Long term borrowing
The Bank obtained a US$ 5 million long term loan from a Development Financial Institution, PROPARCO, for onward lending to SMEs requiring long term funding and to assist the Bank in mitigating risks by bridging the maturity mismatch.

Other liabilities
Other liabilities decrease by TZS 1,811 million (73%) is mainly due to lower bankers' cheques outstanding as at year end compared to last year.

Key efficiency ratios
The key efficiency ratios of the Bank as at year end are as indicated hereunder:

	2012	2011
Total capital to total assets	10.20%	11.50%
Net non-performing loans to total advances	3.44%	0.61%
Gross loans to total deposits	70.01%	69.70%
Loans to total assets	60.06%	60.81%
Liquidity Ratio	35.70%	30.29%

7 GOING CONCERN AND SOLVENCY EVALUATION
The Bank has complied with all the Bank of Tanzania liquidity and capital adequacy ratios. The Directors consider the Bank to be solvent. Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement. The Directors consider the Bank to be solvent within the meaning ascribed by the Tanzanian Companies Act, 2002 and Banking and Financial Institutions Act, 2006.

8 ACCOUNTING POLICIES
The annual financial statements are prepared on the underlying assumption of a going concern. The Bank's accounting policies, which are laid out on pages 40 to 53 are subject to an annual review to ensure continuing compliance with International Financial Reporting Standards.

9 ACQUISITIONS AND DISPOSALS
There was no material disposal or acquisition of business during year 2012 (2011: Nil).

10 FUTURE DEVELOPMENTS

The future development plans centres around improved benefits and quality service delivery to customers through introduction of technology driven innovative solutions. In this endeavour, the following priority areas have been identified:

- Development of systems and procedures necessary for the introduction of new products and services, including expansion of various alternate banking channels.
- Enhancement of Information Communication Technology platform to enable prompt and efficient transaction processing to directly benefit our customers and other stakeholders.
- Geographical expansion of the Bank's activities so as to move its services closer to its customers; and
- Continuous capacity building of Human Resources.

11 DIVIDEND

The Board of Directors propose a final dividend of TZS 546.06 million at TZS 0.228 million per share [2011: TZS 550.85 million at TZS 0.23 million per share].

12 MANAGEMENT OF THE BANK

The Bank is under the supervision of the Board of Directors and the day to day management is entrusted to the Chief Executive Officer.

I&M Bank (T) Limited has a broad based Board of Directors comprising of Non Executive Directors. The Chairman and all other members of the Board of Directors are appointed by the shareholders.

The organization structure of the Bank comprises the following Departments:-

- Business Development
- Business Support
- Credit
- Risk Management (Reporting directly to Board Risk Committee)
- Internal Audit (Reporting directly to Board Audit Committee)

The Chief Executive Officer reports to the Board and the Department Heads report to the Chief Executive Officer.

13 COMPOSITION OF THE BOARD OF DIRECTORS

The Directors of the Bank, who held office throughout the year to the date of this report, were as follows:

Name	Position	Age (Years)	Nationality	Qualifications	Date of Appointment
Mr. Sarit S. Raja Shah	Chairman	44	Kenyan	BSc Economics MSc (Internal Audit & Management)	14th January 2010
Mr. Michael N. Shirima	Member	69	Tanzanian	Businessman	14th January 2010
Mr. Thierry Hugnin *	Member	46	Mauritian	Chartered Accountant (ACA England & Wales)	14th January 2010
Mr. Arun S. Mathur	Member	59	Kenyan	B. Tech (Hons) Degree Diploma in Statistical Methods	14th January 2010
Gen. (Retd.) Mrisho H. Sarakikya	Member	78	Tanzanian	Businessman	14th January 2010
Mr. Pratul H. Shah	Member	58	Kenyan	Fellow of the Association of Chartered Certified Accountants, CPA (K) CPS (K)	10th February 2010
Mr. Josep Oriol	Alternate Director to Mr. Thierry Hugnin*	40	Spanish	BA in Political Science (International Relations), Master of Business Administration	10th October 2012

The Directors of the Bank are all non-executive.
The Company secretary as at 31 December 2012 was Ms. Hamida Sheikh of M/S Sheikh Chambers Advocates.

14 DIRECTORS' INTEREST

Mr. Michael N. Shirima has an interest in the share capital of the Bank as disclosed below in note 16. He holds 4.97% of the ordinary share capital reported as at 31 December 2012.

15 DIRECTORS' REMUNERATION

The remuneration for services rendered by the non-executive Directors of the Bank in 2012 was TZS 23.5 million (2011: TZS 24 million).

16 CAPITAL STRUCTURE AND SHAREHOLDING

i) Capital Structure

Authorised share capital
The total authorised capital of the Bank is TZS 10,000 ordinary shares of TZS 1,000,000/= each.

Paid up share capital and share premium
At year end, the Bank has issued and fully paid up ordinary share capital of 2,395 shares of TZS 1,000,000/= each (2011: 2,395 shares of TZS 1,000,000/= each). In addition, there is share premium of TZS 7,482 million (2011: TZS 7,482 million).

16 CAPITAL STRUCTURE AND SHAREHOLDING (continued)

ii) Shareholding

As at 31st December 2012, the following shareholders held shares in I&M Bank (T) Limited:

Name of the shareholders	Number of shares held	(%)
I&M Bank Limited	1,318	55.03
The Kibo Fund	479	20.00
Proparco	479	20.00
Mr. Michael N. Shirima	119	4.97
Total	2,395	100.00

Note: Shares of the Bank are not publicly traded. There is only one class of shares.
There were no changes in shareholding during the year.

17 SUBSEQUENT EVENTS

There are no subsequent events that have occurred which are either to be disclosed or to be adjusted in the financial statements that could materially affect the financial statements.

18 CAPITAL ADEQUACY

The Bank monitors the adequacy of its capital using ratios established by the Bank of Tanzania (BOT). These ratios measure capital adequacy by comparing the Bank's eligible capital with its statement of financial position, commitments not recognized in the statement of financial position and market and other risk positions at a weighted amount to reflect their relative risk.

18 CAPITAL ADEQUACY (Continued)

The Bank's capital adequacy ratios are included below:

	Nominal Statement of financial position amounts	Risk weighted amounts	Nominal Statement of position amounts	Risk weighted amounts
	2012	2012	2011	2011
	TZS'000	TZS'000	TZS'000	TZS'000
Cash and balances with Bank of Tanzania	24,784,530	-	18,997,889	-
Balances with other bank	23,450,259	4,690,052	18,765,930	3,753,186
Cheques in the course of collection	218,132	109,066	1,596,425	798,213
Government securities held to maturity	39,196,970	-	25,977,546	-
Other money market placements held to maturity	9,440,170	1,888,034	8,400,455	1,680,091
Private securities held to maturity	880,610	880,610	880,583	880,583
Loans and advances	153,546,343	147,095,871	121,600,954	114,600,990
Other assets and deferred tax	621,011	621,011	840,293	840,293
Intangible assets	946,914	947,914	265,139	265,139
Property and equipment	2,575,616	2,575,616	2,657,465	2,657,465
Total assets	**255,660,555**	**158,808,174**	**199,982,679**	**125,475,960**
Not recognised positions				
Credit related commitments	**7,973,723**	**5,264,411**	4,866,286	4,349,293
Total risk-weighted assets		**164,072,585**		**129,825,253**
	Captial	**Ratios**	Captial	Ratios
Tier 1 capital	**24,745,116**	**15.08%**	22,315,838	17.19%
Tier 1 + Tier 2 capital	**24,745,116**	**15.08%**	22,315,838	17.19%

19 CORPORATE GOVERNANCE

All Directors and employees adhere to the principles of the Code of Conduct in all their dealings on behalf of the Bank. The Code of Conduct ensures that all actions are in the overall best interests of the Bank and reflects the commitment to maintain the highest standards of integrity, ethical behaviour and compliance with all applicable internal and external laws and regulations.

The Directors are committed to the principles of good corporate governance and recognise the need to conduct the business in accordance with generally accepted best practice. In so doing, the Directors therefore, confirm that:

- The Board of Directors met regularly throughout the year;
- They retain full and effective control over the Bank and monitor executive management;
- The positions of Chairman and Chief Executive Officer are held by different individuals;
- The Chairman of the Board of Directors is non-executive; and
- The Board accepts and exercises responsibility for strategic and policy decisions, the approval of budgets and the monitoring of performance.

In addition, the Board has constituted the following Board committees:

Board Audit Committee

This Committee assists the Board in fulfilling its responsibilities by reviewing the financial condition of the Bank, its internal controls, ensuring compliance with applicable legislation and the requirements of regulatory authorities, reviewing reports and following up on matters raised by the external auditors, internal auditors and Bank of Tanzania (BOT).

19 CORPORATE GOVERNANCE (continued)

The Board Audit Committee members who served the Committee during 2012 are detailed below:

Name	Position
Mr. Pratul H. Shah	Chairman
Mr. Arun S. Mathur	Member
Mr. Michael N. Shirima	Member
Mr. Thierry Hugnin	Member
Mr. Josep Oriol	Alternate Member to Thierry Hugnin *

** with effect from 27th November 2012*

The Committee meets at least four times in a year.

Board Credit Committee
This Committee is responsible for the review of the Bank's overall lending policy, conducting independent loan reviews, delegation and review of lending limits and is overall responsible for the management of Credit Risk.

The Board Credit Committee members who served the Committee during 2012 are detailed below:

Name	Position
Mr. Arun S. Mathur	Chairman
Mr. Michael N. Shirima	Member
Mr. Thierry Hugnin	Member
Mr. Josep Oriol	Alternate Member of Mr. Thierry Hugnin *

** With effect from 27th November 2012*

The Committee meets a minimum of four times in a year.

Board Risk Committee
This Committee assists the Board in fulfilling its primary responsibilities by establishing and implementing the Risk Management process of the Bank in line with the Central Bank Guidelines as well as Risk Identification, evaluation, measurement and monitoring of the Risk Management process.

The members of the Committee are:

Name	Position
Mr. Michael N. Shirima	Chairman
Mr. Arun S. Mathur	Member
Mr. Pratul H. Shah	Member

20 EMPLOYEES WELFARE

Relationship between management and employees
The relationship between employees and management continued to be cordial. Complaints are resolved through meetings and discussions and the Bank has set up appropriate management committee forums for this purpose. Work morale is good and there were no unresolved complaints from employees. The Bank provides training, medical assistance and loans to its employees.

Training
The Bank offers sponsorship to its employees in both short and long term courses within and outside the country in various disciplines depending on the corporate needs and financial resources available as well as in – house training & development focussing on technical banking areas.

Staff loans and advances
The Bank provides housing, personal and car loans to staff as well as salary advances to enable them to meet their financial requirements and promote economic development. Staff loans and advances are based on specific terms and conditions approved by the Board of Directors.

20 EMPLOYEES WELFARE (continued)

Medical facilities
The Bank provides medical cover for both, Inpatient and Outpatient care for employees and their dependents.

Financial assistance
The Bank operates a scheme to assist in the event of death of an employee or immediate family dependent.

Retirement benefits
The Bank makes contributions in respect of staff retirement benefits to statutory National Social Security Fund and Parastatal Pension Fund.

The number of employees at the end of year totalled 118 as compared to 89 at the end of 2011.

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

22 GENDER PARITY
The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties. As at 31 December 2012, the Bank had 60 male (51%) and 58 (49%) female employees (2011: 46 male (52%) and 43 female (48%) employees).

23 RELATED PARTY TRANSACTIONS
All related party transactions and balances are disclosed in note 32 to these financial statements.

24 POLITICAL AND CHARITABLE DONATIONS
The Bank did not make any political donations during the year. Donations made to charitable organizations during the year amounted to TZS 7.5 million (2011: TZS 10.3 million).

25 CORPORATE SOCIAL RESPONSIBILITY
The Bank participates actively in community activities and development programmes throughout the country. Areas being given priority by the Bank are health, education, support to orphaned children, victims of natural disasters, disabled persons, security and sports.

26 AUDITORS
Ernst & Young were the auditors of the Bank during the year ended 31 December 2012 and they are not eligible for re-appointment after completion of a term of four consecutive years as per Bank of Tanzania Regulation. Therefore, new auditors are being recommended to the Shareholders at the Annual General Meeting for approval.

Approved by the Board of Directors on 22 February 2013 and signed on its behalf by:

Mr. Sarit S Raja Shah	Chairman	Signature: ______________
Mr. Pratul H Shah	Director	Signature: ______________

Statement of Directors' Responsibilities

The Tanzanian Companies Act, 2002 requires the Directors 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 year and of its profit or loss. It also requires the Directors to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. The Directors are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2002 and the Banking and Financial Institutions Act, 2006. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit or loss.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Bank's ability to continue as a going concern. Nothing has come to the attention of the Directors to indicate that the Bank will not remain a going concern for at least twelve months from the date of this statement.

Mr. Sarit S Raja Shah CHAIRMAN	Signature: ____________	Date: 22 February 2013
Mr. Pratul H Shah DIRECTOR	Signature: ____________	Date: 22 February 2013

Ernst & Young
Certified Public Accountants
Utalii House
36 Laibon Road, Oysterbay
P.O. Box 2475
Dar es Salaam, Tanzania
Tel: +255 22 2667227 / 7368/ 6853
Fax: +255 22 2666948/ 6869
E-mail: info.tanzania@tz.ey.com
www.ey.com/tz

INDEPENDENT AUDITORS' REPORT

Report on the financial statements

We have audited the accompanying financial statements of I&M Bank (T) Limited , as set out on pages 36 to 85; which comprise the statement of financial position as at 31 December 2012, and the statement of 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 of the Bank are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, 2002, and in compliance with the Banking and Financial Institutions Act, 2006 and for such internal controls as the directors determines is 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 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 the auditors' 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 present fairly, in all material aspects, the financial position of **I&M Bank (T) Limited** as of 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Tanzanian Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

Report on other legal and regulatory requirements

INDEPENDENT AUDITORS' REPORT (continued)

This report, including the opinion, has been prepared for, and only for, the Bank's members as a body in accordance with the Tanzanian Companies Act, 2002, the Banking and Financial Institutions Act, 2006 and for no other purposes.

As required by the Tanzanian 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 purpose 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;

iii. The Directors' report is consistent with the financial statements;

iv. Information specified by law regarding directors' remuneration and transactions with the Bank is disclosed; and

v. The Bank's statement of financial position and the statement of comprehensive income are in agreement with the books of account.

Ernst & Young

Ernst & Young
Certified Public Accountants
Signed by: Neema Kiure Mssusa
Dar es Salaam

19th March, 2013

Statement of comprehensive income for the year ended 31 December 2012

	Notes	2012 TZS '000	2011 TZS '000
Interest income	8	19,234,842	13,420,748
Interest expense	9	(10,181,126)	(5,672,265)
Net interest income		**9,053,716**	**7,748,483**
Fee and commission income	10	2,407,538	1,631,147
Net trading income	11	1,259,350	1,766,438
Other operating income	12	386,110	154,796
Total operating income		**13,106,714**	**11,300,864**
Impairment and credit losses on loans and advances	22	(185,160)	(389,230)
Net operating income		**12,921,554**	**10,911,634**
Personnel expenses	13	(3,462,536)	(2,321,402)
Occupancy costs	14	(561,773)	(431,208)
Depreciation of property and equipment	24	(330,114)	(198,942)
Amortisation of intangible assets	25	(61,164)	(44,395)
Other operating expenses	15	(3,204,359)	(2,571,634)
Total operating expenses		**(7,619,946)**	**(5,567,581)**
Profit before tax		**5,301,608**	**5,344,053**
Income tax expense	16	**(1,658,762)**	**(1,664,081)**
Profit for the year attributable to shareholders		**3,642,846**	**3,679,972**
Other comprehensive income		-	-
Total comprehensive income for the year, net of taxes		**3,642,846**	**3,679,972**
Earnings per share (basic and diluted)	30	**1,521**	**1,537**

Statement of financial position for the year ended 31 December 2012

	Notes	2012 TZS '000	2011 TZS '000
Assets			
Cash and balances with Bank of Tanzania	17	24,784,530	18,997,889
Balance with other banks	18	23,450,259	18,765,930
Cheques and items for clearance	18	218,132	1,596,425
Government securities held to maturity	19	39,196,970	25,977,546
Private securities held to maturity	20	880,610	880,583
Other money market placements held to maturity	21	9,440,170	8,400,455
Loans and advances	22	153,546,343	121,600,954
Deferred tax asset	16	177,169	169,723
Property and equipment	24	2,575,616	2,657,465
Intangible assets	25	946,914	265,139
Other assets	23	443,842	670,570
Total assets		**255,660,555**	**199,982,679**
Liabilities and equity liabilities			
Deposits	26	220,795,677	174,456,961
Tax payable	16	135,639	36,640
Other liabilities	27	679,114	2,490,941
Long term borrowing	28	7,959,992	-
Total liabilities		**229,570,422**	**176,984,542**
Equity			
Share capital	29	2,395,000	2,395,000
Share premium	29	7,482,000	7,482,000
Retained earnings		16,213,133	13,121,137
Total equity		**26,090,133**	**22,998,137**
Total liabilities and equity		**255,660,555**	**199,982,679**

These financial statements were approved by the Board of Directors for issue on 22nd February 2013, and were signed on its behalf by:

Mr. Sarit S Raja Shah
CHAIRMAN

Signature: ____________

Mr. Pratul H Shah
DIRECTOR

Signature: ____________

Statement of changes in equity
for the year ended 31 December 2012

	Share capital TZS' 000 (Note 29)	Share premium TZS' 000 (Note 29)	Retained earnings TZS' 000	Total TZS' 000
At 1 January 2012	2,395,000	7,482,000	13,121,137	22,998,137
Total comprehensive income for the year	-	-	3,642,846	3,642,846
Profit for the year			3,642,846	3,642,846
Other comprehensive income			-	-
Final dividend for 2011 paid (Note 40)	-	-	(550,850)	(550,850)
At 31 December 2012	**2,395,000**	**7,482,000**	**16,213,133**	**26,090,133**
At 1 January 2011	2,395,000	7,482,000	10,303,365	20,180,365
Total comprehensive income for the year	-	-	3,679,972	3,679,972
Profit for the year	-	-	3,679,972	3,679,972
Other comprehensive income	-	-	-	-
Final dividend for 2010 (Note 40)	-	-	(862,200)	(862,200)
At 31 December 2011	**2,395,000**	**7,482,000**	**13,121,137**	**22,998,137**

Statement of cash flows for the year ended 31 December 2012

	Notes	2012 TZS '000	2011 TZS '000
Operating activities			
Profit before tax		5,301,608	5,344,053
Adjustments for non-cash items:			
Depreciation of property and equipment	24	330,114	198,942
Amortisation of intangibles	25	61,164	44,395
Impairment and credit losses on loans and advances	22	185,160	389,230
Cash flows from operating profits before working capital changes		5,878,046	5,976,620
Changes in operating assets and liabilities			
Increase in statutory minimum reserve	17	(3,679,760)	(5,587,781)
Increase in loans and advances	22	(32,130,549)	(46,032,265)
Decrease/(Increase) in other assets	23	226,728	(311,529)
Increase in deposits with non-financial institutions	26	40,338,015	44,846,925
(Decrease)/Increase in other liabilities	27	(1,811,827)	1,065,516
Decrease/ (Increase) in other money market placements with banks with maturity over three months	21	262,205	(9,215)
Increase in government securities with maturity over three months	19	(3,528,683)	(8,338,499)
		5,554,175	(8,390,228)
Income tax paid	16	(1,567,209)	(1,846,418)
Net cash flows generated from / (used in) operating activities		3,986,966	10,236,646)
Investing activities			
Purchase of private securities held to maturity	20	(27)	(124)
Purchases of property and equipment	24	(248,265)	(1,693,476)
Purchases of intangible assets	25	(742,939)	(284,342)
Net cash flows used in investing activities		(991,231)	(1,977,942)
Financing activities			
Proceeds from borrowings	28	7,959,992	-
Dividend paid to equity holders of the Bank	40	(550,850)	(862,200)
Net cash flows from financing activities		7,409,142	(862,200)
Net (decrease)/increase in cash and cash equivalents		10,404,877	(13,076,788)
Cash and cash equivalents at 1 January		5,311,476	18,388,264
Cash and cash equivalents at 31 December	18	15,716,353	5,311,476

1. CORPORATE INFORMATION

I&M Bank (T) Limited ('the Bank') is a limited liability company incorporated and domiciled in Tanzania. The Bank's shares are not publicly traded. The address of its registered office and place of business is

Maktaba Square,
Maktaba Street,
P .O. Box 1509,
Dar es Salaam
Tanzania

The principal activity of I&M Bank (T) Limited is the provision of banking and related services stipulated by the Banking and Financial Institutions Act, 2006. There has been no significant change in the principal activities of the Bank during the financial year ended 31 December 2012.

The financial statements of I&M Bank (T) Limited for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 22nd February 2013 and were signed on their behalf as shown in the Statement of Financial Position. These financial statements can be amended by owners and regulatory bodies if the financial statements are found to be misleading after they have been issued to the public.

2. BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except where otherwise stated or as required by International Financial Reporting Standards and Interpretations to those Standards for assets and liabilities to be stated at their fair value or amortised cost as disclosed in the accounting policies hereafter. The financial statements are presented in thousands of Tanzania Shillings (TZS thousands) except where explicitly stated.

Statement of compliance
The financial statements of I&M Bank (T) Limited have been prepared in accordance with International Financial Reporting Standards (IFRSs) and Interpretations to those Standards, and comply with the Tanzanian Companies Act, 2002 and the Banking and Financial Institutions Act, 2006.

Presentation of financial statements
The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 38.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURE

New and amended standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

Standard	Subject	Effective date*	Effect
IAS 12	Recovery of underlying assets	1 January 2012	The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model the objective of which is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The amendment has no effect on the Bank's financial position, performance or its disclosures.
IFRS 7	Financial Instruments Disclosures Enhanced Derecognition Disclosure Requirements	1 July 2011	The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Bank's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Bank does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

Adoption of these revised standards and interpretations did not have any material effect on the financial performance or position of the Bank.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition of income and expenses

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

Interest and similar income and expenses

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

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

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

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

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

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

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

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

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

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

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

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

Post retirement benefits
The Bank operates a defined contribution plan whereby each of its employees and the Bank contribute 10% each of the employee's monthly salaries to the state owned and managed (statutory) Funds, namely, the Parastatal Pension Fund (PPF) or the National Social Security Fund (NSSF). Apart from these monthly contributions, the Bank has no further commitments or obligations to the Funds and it has no other post retirement benefit scheme. The contributions are recorded as an expense under "Personnel expenses" in the year to which they relate. Unpaid contributions are recognised as a liability.

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

Bonus Scheme

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

Provision

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

Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, excluding the costs of day-to-day servicing. Costs of replacing part of the property and equipment and major inspection cost are capitalised if the following recognition criteria are met. Borrowing costs for long-term projects are capitalised if they are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on reducing balance basis to write down the cost of the asset to its residual value over the estimated useful life as follows:

Description	Annual Depreciation Rate
Motor vehicles	25.00%
Furniture and fittings	12.50%
Office equipment	12.50%
Computer equipment	25.00%
Residential furniture	33.33%
Furniture and fittings under Leased Premises	12.50% or over the period of lease if shorter than 8 years

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

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

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

Intangible assets

The Bank's other intangible assets include the value of computer software, SWIFT software and cost of licenses more than 12 months.

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Bank. Intangible assets acquired separately are measured on initial recognition at cost.

The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as change in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income through profit or loss in the expense category consistent with the function of the intangible asset.

Amortisation is calculated using the reducing balance method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

Description	Number of years
Computer Software	3 - 5 years
SWIFT Software	3 - 5 years
Licenses	3 - 5 years

Leasing

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

Bank as a lessee

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

Bank as a lessor

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

Leasehold improvements

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

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

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

The annual amortisations of operating leasehold in use are:

Leasehold improvements	8 to 10 years

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

Impairment of non-financial assets

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

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

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

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

Financial instruments - initial recognition and subsequent measurement

Date of recognition

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

Initial measurement of financial instruments

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

Financial assets or financial liabilities held-for-trading

Financial assets or financial liabilities held-for-trading are recorded in the statement of financial position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established. Included in this classification are debt securities, equities and short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

Financial assets and financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest is earned or incurred is accrued in 'Interest income' or 'Interest expense', respectively, using the effective interest rate (EIR), while dividend income is recorded in 'Other operating income' when the right to the payment has been established.

Available-for-sale financial investments

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

The Bank has not designated any loans or receivables as available-for-sale.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value

Unrealised gains and losses are recognised directly in other comprehensive income and accumulated in equity in the 'Available-for-sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss in 'Other operating income'. Where the Bank holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis.

Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale financial investments are recognised in the profit or loss as 'Other operating income' when the right of the payment has been established.

The losses arising from impairment of such investments are recognised in profit or loss and removed from the 'Available-for-sale reserve'.

Held-to-maturity financial investments

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

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

Balances with banks and loans and advances

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

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

After initial measurement, amounts 'Balances with banks' and 'Loans and advances' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest income' in the statement of comprehensive income. The losses arising from impairment are recognised in statement of comprehensive income as part of "Impairment and credit losses on loans and advances".

The Bank may enter into certain lending commitments where the loan, on drawdown, is expected to be classified as held-for-trading because the intent is to sell the loans in the short term. These commitments to lend are recorded as derivatives and measured at fair value through profit or loss.

Where the loan, on drawdown, is expected to be retained by the Bank, and not sold in the short term, the commitment is recorded only when the commitment is an onerous contract and it is likely to give rise to a loss (for example, due to a counterparty credit event).

Reclassification of financial assets and liabilities

Effective from 1 July 2008, the Bank was permitted to reclassify ,in certain circumstances ,non-derivative financial assets out of the 'Held- for –Trading' category into the 'Available –for-sale', 'Loans and receivables', or 'Held-to-maturity' categories . From this date it was also permitted to reclassify ,in certain circumstances ,financial instruments out of the 'Available-for-sale ' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

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

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

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

Derecognition of financial assets and financial liabilities

Finance assets

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

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

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

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

Financial assets carried at amortised cost

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

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Bank retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability, reflecting the transaction's economic substance as a loan to the Bank. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Bank reclassifies those securities in its statement of financial position to 'Financial assets held-for-trading' or to 'Financial investments available-for-sale', as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'Cash collateral on securities borrowed and reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the Bank. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within 'Financial liabilities held-for-trading' and measured at fair value with any gains or losses included in 'Net trading income'.

Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognised on the statement of financial position, unless they are then sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'Net trading income'.

Determination of fair value

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

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

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Bank's best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 39.

Impairment of financial assets

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

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

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as amounts due from banks, loans and advances to customers as well as held-to-maturity investments), the bank first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Bank has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

Available-for-sale financial investments

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

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

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss in the statement of comprehensive income. There are no equity investments classified as available for sale.

Renegotiated loans

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

Offsetting financial instruments

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

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements (within 'other liabilities') at fair value, being the premium received.

Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less, when appropriate, cumulative amortisation recognised in profit or loss, and the best estimate of expenditure required to settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the profit or loss. The premium received is recognised in profit or loss in 'Fees and commission income' on a straight line basis over the life of the guarantee.

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

The financial statements are presented in Tanzania Shillings (TZS). Items included in the financial statement are measured using that functional currency.

Transactions and balances

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

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Taxes

Current tax

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

Deferred tax

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

Value added tax

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

Dividends on ordinary shares

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

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

Segment reporting

The Bank's segmental reporting is based on the integrated nature of its activities and its branches; it is reported as one business segment.

Earnings per share

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

Contigent liabilities

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

Related parties

In the normal course of business, the Bank enters into transactions with related parties. The related party transactions are at arms length.

Leave accrual

The monetary value of unutilised leave by staff as at year end is carried in accruals as a payable and the movement in the year is charged/credited to the income statement.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In the process of applying the Bank's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgment and estimates are as follows:

Property and equipment

Critical estimates are made by the directors in determining depreciation rates for equipment and their residual values. The rates used are set out in the accounting policies section of these financial statements under Note 4. There is no significant risks of these estimates changing in the next 12 months that may lead to a material change in the carrying value of property, plant and equipment.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in note 39.

Impairment losses on loans and advances

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

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

The impairment loss on loans and advances is disclosed in more detail in note 22.

Deferred tax assets

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

Held to maturity investments

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

6. STANDARDS ISSUED, REVISED OR AMENDED BUT NOT YET EFFECTIVE

Standards issued, revised or amended, but not yet effective as of 1 January 2012, up to the date of issuance of the Bank's financial statements are listed below. This listing is of standards and interpretations issued, which the Bank reasonably expects to be applicable at a future date. The Bank intends to adopt the standards when they become effective.

6. STANDARDS ISSUED, REVISED OR AMENDED BUT NOT YET EFFECTIVE (continued)

6.1 Standards amended but not yet effective:

Standard	Subject	Effective date*	Date issued	Effect
IAS 1	Presentation of Items of Other Comprehensive Income	1 July 2012	1 July 2011	The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment does not change the nature of items that are currently recognised in OCI, nor does it impact the determination of whether items of OCI are reclassified through profit or loss in future periods. The amendment affects presentation only and has no impact on the Bank's financial position or performance.
IAS 27	Separate Financial Statements	1 January 2013	May 2011	As a result of the issue of IFRS 10 *Consolidated Financial Statements*, IAS 27 is now limited to the accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.
IAS 28	Investments in Associates and Joint Ventures	1 January 2013	May 2011	As a result of the issue of IFRS 11 *Joint Arrangements,* IAS 28 *Investments in Associates* has been renamed to IAS 28 *Investments in Associates* and Joint Ventures. Joint ventures will be equity accounted in terms of IAS 28 requirements.
IFRS 9	Financial instruments	1 January 2015	November 2009	The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets. The Bank will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.
IFRS 10	Consolidated Financial Statements	1 January 2013	May 2011	IFRS 10 includes a new definition of control which is used to determine which entities are consolidated. This will apply to all entities, including special purpose entities (now known as 'structured entities'). The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore consolidated, and may result in a change to the entities which are included within a group. These amendments are not expected to impact the Bank's financial position or performance.

6. STANDARDS ISSUED, REVISED OR AMENDED BUT NOT YET EFFECTIVE (continued)

6.1 Standards amended but not yet effective (continued)

Standard	Subject	Effective date*	Date issued	Effect
IFRS 11	Joint Arrangements	1 January 2013	May 2011	IFRS 11 describes the accounting for joint arrangements with joint control; proportionate consolidation will no longer be permitted for joint ventures. These amendments are not expected to impact the Bank's financial position or performance.
IFRS 12	Disclosures of Interests in Other Entities	1 January 2013	May 2011	IFRS 12 includes all the disclosures that are required relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. An entity is now required to disclose the judgements made to determine whether it controls another entity. These amendments are not expected to impact the Bank's financial position or performance.
IFRS 13	Fair Value Measurement	1 January 2013	May 2011	IFRS 13 provides guidance on how to measure fair value of financial and non- financial assets and liabilities when fair value measurement is required or permitted by IFRS.
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	October 2011	IFRIC 20 applies to all types of natural resources that are extracted using the surface mining activity process. The costs from a stripping activity which provide improved access to ore should be recognised as a non-current asset ("stripping activity asset") when certain criteria are met, whereas the costs of normal ongoing operational stripping activities should be accounted for in accordance with IAS 2 Inventories. The stripping activity asset should be accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part. The stripping activity asset should be initially measured at cost and subsequently carried at cost or its revalued amount less depreciation or amortisation and impairment losses.

* Annual periods beginning on or after…. unless otherwise indicated

6. STANDARDS ISSUED, REVISED OR AMENDED BUT NOT YET EFFECTIVE (continued)

6.2 Standards amended but not yet effective:

Standard	Subject	Effective date*	Effect
IAS 19	Employee Benefits	1 January 2013	The corridor mechanism for pension plans has been removed. This means all changes in the value of defined benefit plans will be recognised as they occur. Those movements are recorded in profit or loss and other comprehensive income, depending on the type of movement. Other changes as a result of the revised standard include: • Past service cost will be expensed when the plan amendments occur regardless of whether or not they are vested. • The distinction between short-term and other long-term employee benefits is now based on expected timing of settlement rather than employee entitlement. Changes in the carrying amount of liabilities for other long-term employment benefits will continue to be recognised in profit or loss. The adoption of these amendments will have no impact on the Bank's financial statements.
IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014	The IASB issued an amendment to clarify the meaning of "currently has a legally enforceable right to set off the recognised amounts" (IAS 32.42(a)). This means that the right of set- off: - must not be contingent on a future event; and - must be legally enforceable in all of • the following circumstances: • the normal course of business; • the event of default; and • the event of insolvency or bankruptcy of the entity and all of the counterparties.
IFRS 10	Translation guidance amendments	1 January 2013	The amendments clarify that an entity is not required to make adjustments to the previous accounting for its involvement with entities if the consolidation conclusion reached at the date of initial application is the same when applying IAS 27/SIC-12 and when applying IFRS 10. As a result, the Board has confirmed that relief from retrospective application of IFRS 10 would also apply to an investor's interests in investees that were disposed of during a comparative period, such that consolidation would not occur in accordance with either IAS 27/SIC-12 or IFRS 10 at the date of initial application

6. STANDARDS ISSUED, REVISED OR AMENDED BUT NOT YET EFFECTIVE (continued)

6.2 Standards amended but not yet effective (continued)

Standard	Subject	Effective date*	Effect
IFRS 10	Investment entities final amendment-exception to consolidation	1 January 2013	The International Accounting Standards Board (IASB) has issued an amendment to IFRS 10 *Consolidated Financial Statements* to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments*. The adoption of these amendments will have no impact on the Bank's financial statements as the Bank has no entities under its control.
IFRS 11 and IFRS 12	Transition guidance amendments	1 January 2013	The IASB has amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief, as follows: • To limit the requirement to provide adjusted comparative information to the immediately preceding period only. Nevertheless, this information may be provided for earlier periods if the entity so chooses. If earlier comparative information is not restated, this should be made clear on the face of the financial statements. • For the first year that IFRS 12 is applied, the requirement to present comparative information for the disclosures related to unconsolidated structured entities is removed.

* Annual periods beginning on or after…. unless otherwise indicated

6. STANDARDS ISSUED, REVISED OR AMENDED BUT NOT YET EFFECTIVE (Continued)

Annual improvements project – May 2012

The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRS, primarily with a view to removing inconsistencies and clarifying wording. Below is a summary of the amendments issued in May 2012 that were not yet to be effective for financial statements with years ending after 31 December 2012.

Standard	Effective Date*	Amendment
IFRS 1 - First time Adoption of International Financial Reporting Standards	1 January 2013	The amendment clarifies the guidance relating to the repeat application of IFRS 1. An entity may elect to apply IFRS 1 when the entity's most recent previous financial statements do not contain an explicit and unreserved statement of compliance with IFRS, even if that results in a repeat application of IFRS 1.
IFRS 1 - First time Adoption of International Financial Reporting Standards	1 January 2013	The amendment clarifies that if an entity chooses to apply the transitional provisions of IAS 23 from an earlier date than the date of transition, borrowing costs that are: - Capitalised in accordance with a previous GAAP prior to the selected date must be carried over unchanged in the opening statement of financial position, and - Incurred on or after the selected date that relate to qualifying assets under construction must be accounted for in accordance with IAS 23.
IAS 1 Presentation of Financial Statements	1 January 2013	The amendment clarifies that: - Comparative information in respect of the previous period (the required comparative information) forms part of a complete set of financial statements - The required comparative information includes comparatives for all amounts presented in the current period - An entity may present additional comparative information for periods before the required comparative period, as long as it is prepared in accordance with IFRS. All accompanying notes and disclosures must be provided.
IAS 1 Presentation of Financial Statements	1 January 2013	The amendment clarifies that: - The opening financial position should be presented as of the beginning of the required comparative period, if the effect of a prior year restatement is material. - Relief is provided in that no "related notes" need accompany that opening statement of financial position. - Disclosures required by IAS 8.41-44 about the prior year restatement must however be provided.

6. STANDARDS ISSUED, REVISED OR AMENDED BUT NOT YET EFFECTIVE (continued)

Annual improvements project - May 2012 (continued)

Standard	Effective Date*	Amendment
IAS 16 Property, Plant and Equipment	1 January 2013	The amendment clarifies that servicing equipment is Property, Plant and Equipment (PP&E) when used during more than one period; it should otherwise be classified as inventory. The amendment deletes the requirement that spare parts and servicing equipment used only in connection with an item of PP&E should be classified as PP&E.
IAS 32 Financial Instruments: Presentation	1 January 2013	The amendment clarifies that income tax related to distributions to equity holders and income tax related transaction costs of an equity transaction would be accounted for in accordance with IAS 12 *Income Taxes* (this includes determining whether the income tax is recognised in profit and loss or immediately in equity).
IAS 34 Interim Financial Reporting	1 January 2013	The amendment aligns the disclosure requirements in IAS 34 with those of IFRS 8 Operating Segments. The amendment clarifies that total assets for a particular reportable segment need only be disclosed when both: - The amounts are regularly provided to the chief operating decision maker, and - There has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements

* Annual periods beginning on or after…. unless otherwise indicated

7. OPERATING SEGMENTS

Owing to the integrated nature of the current activities of the Bank and its branches, the presentation of operating segment is not considered informative as the Bank operates as one business segment.

		2012 TZS '000	2011 TZS '000
8	**INTEREST INCOME**		
	Loans and advances	15,239,333	10,448,788
	Government securities	3,515,995	2,797,944
	Placements	479,514	174,016
		19,234,842	**13,420,748**
9	**INTEREST EXPENSE**		
	Fixed deposits	9,840,670	4,741,752
	Savings and other deposits	340,456	930,513
		10,181,126	**5,672,265**
10	**FEE AND COMMISSION INCOME**		
	Commission on guarantee issued	222,944	162,880
	Commission on services charge	157,949	101,646
	Loan administration charge	1,147,239	787,947
	Commission on telex charges	142,984	119,110
	Commision on spot sale	405,839	340,771
	Commissions on other services rendered	330,583	118,793
		2,407,538	**1,631,147**
11	**NET TRADING INCOME**		
	Foreign currency dealings and translation gains	1,259,350	1,766,438
		1,259,350	**1,766,438**
12	**OTHER OPERATING INCOME**		
	Charges on minimum balance deposit	47,159	20,397
	Bad loans recovered	63,216	-
	Miscellaneous Income	275,735	134,399
		386,110	**154,796**
13	**PERSONNEL EXPENSES**		
	Salaries and wages	2,332,773	1,346,269
	Gratuity and bonus	19,159	410,909
	Social security costs (Defined contribution plan)	218,313	118,105
	Skills development levy	166,295	105,087
	Other employment costs and benefits	725,996	341,032
		3,462,536	**2,321,402**
The number of employees employed by the bank as at the year-end was 118 (2011: 89).			
14	**OCCUPANCY COSTS**		
	Water	13,019	9,622
	Office rent	505,246	400,033
	Electricity	43,508	21,553
		561,773	**431,208**

		2012 TZS '000	2011 TZS '000
15	**OTHER OPERATING EXPENSES**		
	Auditors' fees	37,400	38,811
	Directors' emoluments	23,500	24,222
	Board Expenses	28,750	13,403
	Finance costs	70,558	70,918
	Marketing expenses	480,975	259,115
	Management fee	441,851	425,983
	Communication expenses	752,279	389,162
	Repairs and maintenance	119,698	149,377
	Donations	7,500	30,300
	Security charges	175,779	102,969
	Insurance	312,080	218,125
	Travelling expenses	166,038	97,075
	Printing and stationary	197,599	149,498
	Computer expenses	39,130	51,161
	Consulting and other professional fees	17,155	67,580
	City service levy	16,756	10,194
	Legal fees	19,263	126,119
	Other	298,048	347,622
		3,204,359	**2,571,634**
16	**INCOME TAX**		
16	**a) Income tax expense**		
	Current year tax	1,666,208	1,763,024
	Deferred tax credit during the year	(7,446)	(98,943)
		1,658,762	**1,664,081**
16	**b) Reconciliation of tax expense to tax based on accounting profit:**		
	Accounting profit before taxation	**5,301,608**	**5,344,053**
	Tax applicable rate of 30%(2011:30%)	1,590,482	1,603,216
	Tax effect on permanent non-deductible items	41,408	84,245
	Tax effect on timing difference	26,872	(23,380)
	Effective tax expense 31% (2011:31%)	**1,658,762**	**1,664,081**
16	**c) Deferred tax liability/(asset)**		
	Accelerated capital allowance	148,587	98,667
	Provisions for losses on loans and advances	(312,953)	(227,635)
	Other timing difference	(12,803)	(40,755)
	At 31 December	**(177,169)**	**(169,723)**
16	**d) Tax payable**		
	At 1 January	36,640	120,034
	Charge for the year	1,666,208	1,763,024
	Payments made during the year	(1,567,209)	(1,846,418)
	At 31 December	**135,639**	**36,640**

		2012 TZS '000	2011 TZS '000
17	**CASH AND BALANCES WITH BANK OF TANZANIA**		
	Cash in hand	4,305,189	1,791,730
	Current account balance with the Bank of Tanzania	772,650	1,179,228
		5,077,839	**2,970,958**
	Statutory Minimum Reserve (SMR)	19,706,691	16,026,931
		24,784,530	**18,997,889**

The SMR deposit is not available to finance the Bank's day to day operations and is hence excluded from cash and cash equivalents for the purpose of the statement of cash flows (see Note 18).

		2012 TZS '000	2011 TZS '000
18	**CASH AND CASH EQUIVALENTS**		
	Cash and balances with Bank of Tanzania (excluding SMR)	5,077,839	2,970,958
	Balance with other banks	23,450,259	18,765,930
	Cheques and items for clearance	218,132	1,596,425
	Deposits from banks and other financial institutions (Note 26)	(32,160,788)	(26,160,087)
	Government securities maturing within 3 months (Note 19)	9,690,741	-
	Other money market placements within 3 months (Note 21)	9,440,170	8,138,250
		15,716,353	**5,311,476**
19	**GOVERNMENT SECURITIES HELD TO MATURITY**		
	Treasury bills and bonds		
	Up to three months	9,690,741	-
	Up to six months	6,331,293	-
	Up to twelve months	5,190,915	6,362,773
	Up to five years	17,984,021	19,614,773
		39,196,970	**25,977,546**

Government securities held to maturity as at year end are not impaired (2011: not impaired).

		2012 TZS '000	2011 TZS '000
20	**PRIVATE SECURITIES HELD TO MATURITY**		
	Tanzania Breweries Security Bond	**880,610**	**880,583**

The bond bears coupon interest rate of 10.75%. Tenor of the bond is three years and principal repayment date is 30 August 2013. Private securities held to maturity are not impaired.

		2012 TZS '000	2011 TZS '000
21	**OTHER MONEY MARKET PLACEMENTS HELD TO MATURITY**		
	Up to three months	9,440,170	8,138,250
	Up to six months	-	262,205
	Up to twelve months	-	-
		9,440,170	**8,400,455**

Of the total other money market placements held to maturity, TZS. 8,940 million is denominated in foreign currencies (2011: TZS 6,638 million).

		2012 TZS '000	2011 TZS '000
22	**LOANS AND ADVANCES**		
	Advances to customers (gross)	154,174,630	122,236,910
	Advances to staff	414,888	122,828
		154,589,518	**122,359,738**
	Less: Allowances for losses on loans and advances	(1,043,175)	(758,784)
	Net loans and advances	**153,546,343**	**121,600,954**
	Maturity analysis		
	Repayable on demand	5,088,025	3,529,923
	With maturity of 3 months or less	15,592,801	3,199,468
	With maturity of between 3 months and 1 year	65,527,039	59,881,784
	With maturity of more than 1 year	68,381,653	55,748,563
		154,589,518	**122,359,738**

Of the total loans and advances, TZS 112,988 million is denominated in foreign currencies (2011: TZS 81,888 million).

Staff advances comprise of housing loans given for maximum 8 years term, personal loans for maximum 3 years term. Staff housing loans earn interest of 8% per annum and personal loans earn 19% (Prime lending rate minus 2%).

Movement in allowance for losses on loans and advances:.

	2012 TZS '000	2011 TZS '000
At 1 January	758,784	350,042
Impairment and credit losses for the year	185,160	389,230
Written off during the year	(810)	-
Interest suspended during the year	100,041	19,512
At 31 December	**1,043,175**	**758,784**
Lending concentration		
Economic sector risk concentrations within the customer loan portfolio were as follows:		
Manufacturing - 16% (2011:12%)	24,593,192	14,415,525
Wholesale and retail trade - 27% (2011:24%)	42,201,762	28,817,123
Transport and communication - 8% (2011:9%)	11,854,035	11,571,533
Private individual including staff - 8% (2011:8%)	11,745,185	9,331,056
Agriculture, fishing, forestry, hunting - 4% (2011:4%)	5,502,825	4,771,551
Real estates and construction - 29% (2011:28%)	44,255,485	34,375,864
Tourism, hotels and restaurant - 4% (2011:6%)	6,475,247	7,893,794
Mining and quarrying - 3% (2011:5%)	4,051,493	5,905,721
Others - 3% (2011:4%)	3,910,294	5,277,571
Total loans and advances (including staff advances)	**154,589,518**	**122,359,738**

		2012	2011
		TZS '000	TZS '000
23	**OTHER ASSETS**		
	Deposit insurance fund	59,160	49,235
	Salary advances	20,308	15,688
	Prepaid expenses	318,635	352,237
	Western Union	33,419	59,112
	Sundry debtors	12,320	194,298
		443,842	**670,570**

24 PROPERTY AND EQUIPMENT

	Computer and other equipment	Motor vehicles	Furniture and fittings	Work in progress	Total
At 31 December 2012	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Cost					
At 1 January 2012	515,279	109,746	2,292,570	265,950	3,183,545
Additions	124,632	37,382	86,252	-	248,265
Transfer	-	-	95,634	(95,634)	-
At 31 December 2012	**639,911**	**147,128**	**2,474,456**	**170,316**	**3,431,810**
Accumulated depreciation					
At 1 January 2012	229,680	48,285	248,115	-	526,080
Charge for the year	56,336	18,872	254,906	-	330,114
At 31 December 2012	**286,016**	**67,157**	**503,021**	**-**	**856,194**
Net carrying amount					
At 31 December 2012	**353,894**	**79,971**	**1,971,435**	**170,316**	**2,575,616**
At 31 December 2011					
Cost					
At 1 January 2011	427,263	91,246	285,124	686,436	1,490,069
Additions	88,016	18,500	1,321,010	265,950	1,693,476
Transfer	-	-	686,436	(686,436)	-
At 31 December 2011	**515,279**	**109,746**	**2,292,570**	**265,950**	**3,183,545**
Accumulated depreciation					
At 1 January 2011	183,994	30,718	112,426	-	327,138
Charge for the year	45,686	17,567	135,689	-	198,942
At 31 December 2011	**229,680**	**48,285**	**248,115**	**-**	**526,080**
Net carrying amount					
At 31 December 2011	**285,599**	**61,461**	**2,044,455**	**265,950**	**2,657,465**
At 31 December 2010	**243,269**	**60,528**	**172,698**	**686,436**	**1,162,931**

Work in progress in 2012 relates to purchase and installation of ATM machines that were not operational as at year end.

		2012	2011
		TZS '000	TZS '000
25	**INTANGIBLE ASSETS**		
	System software		
	Cost		
	At 1 January	389,752	105,410
	Additions	742,939	284,342
	At 31 December	1,132,691	389,752
	Accumulated amortisation		
	At 1 January	124,613	80,218
	Charge for the year	61,164	44,395
	At 31 December	185,777	124,613
	Carrying amount		
	At 31 December	946,914	265,139
26	**DEPOSITS**		
	Interest bearing deposits		
	Customer accounts	142,988,642	114,289,913
	Banks and other financial institutions (Note 18)	32,160,788	26,160,088
	Interest payable	4,957,400	2,750,738
		180,106,830	143,200,739
	Non interest bearing deposits		
	Customer accounts	40,688,847	31,256,222
		220,795,677	174,456,961
	Maturity analysis		
	Repayable on demand	58,678,012	49,240,615
	With maturity of 3 months or less	53,659,013	74,504,388
	With maturity of between 3 months and 1 year	108,327,313	49,229,361
	With maturity over one year	131,339	1,482,597
		220,795,677	174,456,961
27	**OTHER LIABILITIES**		
	Bankers cheques	194,867	1,812,673
	Accrued loan administration fees	154,593	218,462
	Accrued expenses	116,964	340,462
	Statutory liabilities	212,691	119,344
		679,114	2,490,941
28	**LONG TERM BORROWING**		
	Long term borrowing from PROPARCO	7,959,992	-
	The loan is repayable as follows:		
	Within one year	-	-
	After one to three years	3,618,182	-
	After three to five years	4,341,810	-
		7,959,992	-

The long term borrowing of USD 5 million was granted on 3rd July 2012 by PROPARCO. The facility is repayable in semi - annual instalments with a final repayment date of 31st October 2019. The loan bears a floating interest rate. The effective interest rate on the long term borrowing was 3.7899%.

	2012	2011
	TZS '000	TZS '000
29 SHARE CAPITAL AND SHARE PREMIUM		
Share capital		
Authorized:		
10,000 ordinary shares of TZS. 1,000,000/= each	**10,000,000**	**10,000,000**
Issued and fully paid:		
2,395 ordinary shares (2011:2,395 ordinary shares) of		
TZS1,000,000/= each	**2,395,000**	**2,395,000**
Share premium		
Issued on 3 August 2010 for cash on subscription of rights		
issue (645 ordinary shares of TZS 11,600,000 each)	**7,482,000**	**7,482,000**

30 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year. There were no share transactions leading to dilutive effect.

Profit for the year attributable to equity holders of the company (TZS'000)	3,642,846	3,679,972
Weighted average number of shares (Number)	2,395	2,395
Basic and Diluted Earnings Per Share (TZS 000)	**1,521**	**1,537**

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements which would require the restatement of earnings per share.

31 REGULATORY CAPITAL

The Bank of Tanzania sets and monitors capital requirements for the banking industry as a whole. The Bank of Tanzania has set among other measures, the rules and ratios to monitor adequacy of a bank's capital.

In implementing current capital requirements, the Bank of Tanzania requires the bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

The Bank's regulatory capital is analyzed in two tiers:

Tier 1 capital, which includes ordinary share capital, share premium, retained earnings, after deductions for prepaid expenses,goodwill, other intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of fair value reserve relating to unrealized gains on equity instruments classified as available for sale.

Various limits are applied to elements of the capital base such as qualifying Tier 2 Capital cannot exceed Tier 1 Capital and qualifying subordinated debt may not exceed 50 percent of Tier 1 Capital. There are also restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 Capital. Tier 1 Capital (Core capital) are also subjected to various limits such as the Tier 1 Capital should not be less than 10% of the risk weighted assets and premises investments should not exceed 50% of the Core Capital and movable assets should not exceed 20% of Core Capital.

31 REGULATORY CAPITAL (continued)

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised in addition to recognizing the need to maintain a balance between the higher returns that may be possible with greater gearing and the advantages and security afforded by sound capital position.

The bank complied with minimum capital requirements as required by sections 16 and 17 of the Banking and Financial Institutions Act, 2006 and the Bank of Tanzania Capital Adequacy Regulations 2008. The required core capital as at year end was TZS 15 billion (2011: TZS 5 billion).

The bank's capital is computed in accordance with these regulations as follow:

	2012	2011
	TZS '000	TZS '000
Share capital	2,395,000	2,395,000
Share Premium	7,482,000	7,482,000
Revenue reserve	16,213,133	13,121,137
	26,090,133	**22,998,137**
Less:		
Prepaid expenses	398,103	417,160
Intangible assets	946,914	265,139
	1,345,017	**682,299**
Core capital (Tier 1)	24,745,116	22,315,838
Add:		
Supplimentary capital (Tier 2)		
Subordinated debt	-	-
	24,745,116	22,315,838
Tier 1 Capital & Tier 2 Capital	**24,745,116**	**22,315,838**
Risk - weighted assets		
On balance sheet	158,808,174	125,475,960
Off balance sheet	5,264,411	4,349,293
Total risk - weighted assets	**164,072,585**	**129,825,253**
Bank Ratios		
Tier 1 (BoT Minimum required is 10% (2011:10%)	15.08%	17.19%
Tier 1 + Tier 2 (BoT Minimum required is 12%(2011:12%)	15.08%	17.19%

32 RELATED PARTY TRANSACTIONS

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits, management fee and foreign currency transactions. The volumes of related party transactions, outstanding balances at the year end and the related expenses and income for the year are as follows:

Directors and key management personnel: Loans

Loans outstanding at the beginning of the year	39,061	-
Loans issued during the year	125,238	129,047
Loan repayments during the year	(34,787)	(89,986)
Loans outstanding at the end of the year	**129,512**	**39,061**
Interest income earned	**8,656**	**1,044**

32 RELATED PARTY TRANSACTIONS (Continued)

	2012 TZS '000	2011 TZS '000
Directors and key management personnel: Deposits		
Deposits at the beginning of the year	152,233	87,287
Deposits received during the year	1,427,881	1,972,341
Deposits repaid during the year	(1,323,484)	(1,907,395)
Deposits at the end of the year	256,630	152,233
Interest expense	8,839	8,813
Related companies: Deposits (I&M Bank Limited -holding company and Bank One Ltd - Sister Company)		
Deposits at the beginning of the year	12,730,095	5,652,946
Deposits received during the year	85,576,234	46,009,523
Deposits repaid during the year	(87,905,397)	(38,932,374)
Deposits at the end of the year	10,400,932	12,730,095
Interest expense	266,719	129,609
Key management compensation		
Salaries and other short-term benefits	857,848	634,860
Post employment benefits	68,583	27,360
	926,431	662,220
Key management comprise of CEO and all heads of departments.		
Directors' remuneration	23,500	24,222
Made up of:		
Short-term benefits	23,500	24,222
	23,500	24,222
Management fees	441,851	425,982
Management fees paid to I&M Bank Ltd	441,851	425,982

Long Term Borrowing

On 3rd July 2012, the Bank obtained an unsecured long term borrowing of USD 5 million from PROPARCO, a 20% shareholder of the Bank with terms on an arm's length basis. For more details refer to note 28.

33 COMMITMENTS

	2012 TZS '000	2011 TZS '000
Commitments to extend credit	16,328,135	4,417,928
Capital commitments		
Capital expenditure that has been approved by the Board but not contracted for	2,343,604	1,323,604

Capital commitment comprise capital expenditure for fixtures and equipment, computers and motor vehicles for opening two new branches.

33 COMMITMENTS (Continued)

Commitments to extend credit

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements. However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific 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.

Operating lease commitments- bank as lessee

The Bank has entered into lease arrangements for premises.

Future minimum rentals payable under non-cancellable leases as at 31 December are as follows:

	2012 TZS '000	2011 TZS '000
Grand total operating lease commitments		
Within one year	428,598	423,941
After one year but not more than five years	961,883	1,446,991
After more than five years	1,303,145	-
	2,693,627	1,870,932

34 CONTINGENT LIABILITIES /ASSETS

To meet the financial needs of customers, the Bank enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognised in the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Bank.

The total outstanding commitments and contingent liabilities are as follows:

	2012 TZS '000	2011 TZS '000
Letters of Credit	2,920,477	646,241
Outstanding Guarantees and Indemnities	5,053,246	4,220,044
	7,973,723	4,866,285

Letters of Credit, Guarantees (including Standby Letters of Credit) commit the Bank to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and Standby Letters of Credit carry the same credit risk as loans.

Litigation matters

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of potential loss being established, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, there were no major pending litigations against the Bank. No provision has been made as professional advice indicates that it is unlikely that any significant loss will arise if there were any rulings against the Bank.

Other than the above mentioned,there are no other material contingencies as at 31 December 2012, which may possibly result in a loss or gain to the Bank or in commitments which it cannot meet, and for which no provision is considered necessary or only partial provision has been made.

35 EVENTS AFTER THE REPORTING DATE

There is no known event that has impacted on the result for the year and the statement of affairs of the Bank after the reporting date which needs further disclosure in the financial statements.

36 COUNTRY OF INCORPORATION

The Bank is incorporated in Tanzania under Companies Act, 2002 and domiciled in Tanzania as a private company limited whose shares are not publicly traded.

37 ASSETS PLEDGED AS SECURITY

There were no assets pledged as security at year end (2011: TZS Nil).

38 RISK MANAGEMENT

Risk management framework

The Bank's activities expose it to a variety of financial risks including credit risk, liquidity risk, market risks, operational risks and interest rate risks. The Bank's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Bank's financial performance.

The Board of Directors (the Board) has overall responsibility for the establishment and oversight of the Bank's risk management framework. Risk management is carried out by the Assets and Liability Committee (ALCO) and the Risk Management Committee under policies approved by the Board of Directors. The ALCO & Risk Management Committee evaluates financial risk in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign-exchange risk, interest-rate risk, credit risk, operational risk and liquidity risk.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

a) Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure.

Management of credit risk

The Board has delegated responsibility for the management of credit risk to the Credit Committee chaired by the Chief Executive Officer. A centralized Credit risk Department, headed by the Head of Credit oversees the operation under the guidance of top management responsible for overseeing the Bank's credit risk including;

i) Formulating credit policies, covering collateral requirements; credit assessment, risk grading, documentary and legal procedures, and compliance with regulatory and statutory requirements.
ii) Establishing the authorization structure for the approval and renewal of credit facilities. Authorisation limits are allocated to various officers at different levels. Larger facilities require approval by Board Credit Committee / Board of Directors.
iii) Reviewing and assessing credit risk. Credit Department assesses all credit exposures prior to facilities being committed to customers concerned. Renewals and reviews of facilities are subject to the same review process;
iv) Credit Portfolio review including limiting concentrations of exposure. The Board approved delegated authority restricts exposure for any group/sector.
v) Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Board Credit Committee/Board in respect of the quality of loan portfolio.
vi) Providing advice, guidance and specialist skills to business units to promote best practice in the management of credit risk.

Regular audits of Credit Department processes are undertaken by Internal Audit and Risk Department.

38 RISK MANAGEMENT (continued)

Exposure to credit risk

Loans and advances to customers

	2012 TZS '000	2011 TZS '000
Carrying amount		
Individually impaired		
Grade 3: Impaired (Substandard)	2,423,137	76,131
Grade 4: Impaired (doubtful)	302,266	429,683
Grade 5: Impaired (Loss)	85,083	236,102
Gross amount	2,810,486	741,916
Allowance for impairment	(355,144)	(185,577)
Carrying amount	2,455,342	556,339
Collectively unimpaired		
Grade 1: Normal	148,848,002	119,313,021
Grade 2: Watch list	2,931,030	2,282,801
Gross amount	151,779,032	121,595,822
Allowance for impairment	(688,031)	(551,207)
Carrying amount	151,091,001	121,044,615
Total Carrying amount	153,546,343	121,600,954

The Banks' internal credit risk grading system classifies impaired Loans and advances into grades 3, 4 and 5. These are advances for which the Bank is of the opinion that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements. Specific impairment loss provisions are made on these grades.

Included in advances graded 1 and 2 are balances amounting to TZS NIL million (2011: TZS NIL) which are past due but not impaired.

These are advances where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of collateral available and / or the stage of collection of amounts owed to the Bank. The internal rating system assists management to determine whether objective evidence of impairment exists under IAS 39, based on delinquency in contractual payments of principal or interest or breach of loan covenants or conditions.

The review of individual financial assets and grading of accounts is done on a monthly basis where provision on non performing loans is raised based on the guidelines of the Bank of Tanzania.

The internal rating scale 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;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral.

38 RISK MANAGEMENT (continued)

The Bank's policy requires the review of individual financial assets regularly and grading of accounts is done every month where provision on non performing loans is raised based on the guidelines of the Bank of Tanzania.

Maximum Exposure

The Bank's maximum exposure to credit risk is set out below:

	Note	2012 TZS '000	2011 TZS '000
Balances with Bank of Tanzania	17	20,479,341	17,206,159
Balance with other banks	18	23,450,259	18,765,930
Cheques and items for clearance	18	218,132	1,596,425
Government securities held to maturity	19	39,196,970	25,977,546
Private securities held to maturity	20	880,610	880,583
Other money market placements held to maturity	21	9,440,170	8,400,455
Loans and advances	22	153,546,343	121,600,954
		247,211,825	194,428,052

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location. In order to avoid excessive concentrations of risk, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

The Bank monitoring of concentrations of credit risk by sector at the reporting date is disclosed in note 22.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory and trade receivables
- For retail lending, mortgages over residential properties

The Bank also obtains guarantees from parent and associate companies for loans to their subsidiaries or associates, respectively. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Bank's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

The Bank also makes use of master netting agreements with counterparties with whom a significant volume of transactions are undertaken. Such an arrangement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master netting arrangements do not normally result in an offset of Statement of financial position assets and liabilities unless certain conditions for offsetting under IAS 32.

Although master netting arrangements may significantly reduce credit risk, it should be noted that:

- Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realised;
- The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

38 RISK MANAGEMENT (continued)

a) Credit risk (Continued)

Collateral and other credit enhancements (Continued)

Write-off policy

The Bank has set up a Board Credit Committee Chaired by a member of the Board of directors. The Committee has been mandated to review all the non-performing assets and give direction /guidance to the Credit Department. The Bank writes off loans as and when Board Credit Committee reviews and accepts the recommendations by the management that the loans are irrecoverable and have remained in the loss category for four consecutive quarters. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Debt securities, treasury bills and other eligible bills

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

Collateral

Repossessed assets are sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness. The Bank did not repossess collateral held as security during the year.

b) Liquidity risk

Liquidity risk is defined as the risk that the Bank will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Bank might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Bank has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains a statutory deposit with the Bank of Tanzania equal to 10% of customer deposits and 40% of Government Deposits. In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Bank. The most important of these is to maintain limits on the ratio of net liquid assets to customer liabilities, to reflect market conditions. Net liquid assets consist of cash, short- term bank deposits and liquid debt securities available for immediate sale, less deposit for banks and other issued securities and borrowings due to mature within the next month.

Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to liabilities.

Details of the reported Bank ratio of liquid assets to liabilities at the reporting date and during the reporting year were as follows:

	2012	2011
At 31 December	36%	30%
Average for the year	30%	29%
Maximum for the year	36%	33%
Minimum for the year	26%	25%

38 RISK MANAGEMENT (continued)

The Bank defines liquid assets for the purposes of the liquidity ratio as cash balances, short-term interbank deposits and highly rated debt securities (with maturity less than one year) available for immediate sale and for which a liquid market exists.

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Institution's reputation.

Treasury department maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to institutions and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the institution as a whole. All liquidity policies and procedures are subject to review and approval by Assets and Liabilities Committee.

The Bank manages the liquidity structure of assets, liabilities and commitments so that cash flows are appropriately matched to ensure that all funding obligations are met when due. Banking operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, management ensures that the mismatch is controlled in line with allowable risk levels.

Analysis of assets and liabilities by remaining contractual maturities

The table below summarises the maturity profiles of the contractual undiscounted cash flows of the Bank's assets and liabilities as at 31 December 2012 based on the remaining period to the contractual maturity date. Deposits from customers shown as maturing within 90 days relate to current, savings, call and fixed account balances. Although classified in this band, previous experience has shown these to be stable and of a long term nature.

38 RISK MANAGEMENT (continued)

	Up to 1 month	Up to 3 months	Up to 6 months	Up to 12 months	Up to 5 years	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 31 December 2012						
Financial assets						
Cash and balances with Bank of Tanzania	5,077,839	-	-	-	19,706,691	24,784,530
Balance with other banks	23,450,259	-	-	-	-	23,450,259
Cheques and items for clearance	218,132	-	-	-	-	218,132
Government securities held to maturity	-	9,690,741	6,331,293	5,190,915	17,984,021	39,196,970
Private securities held to maturity	-	-	-	880,610	-	880,610
Other money market placements	7,803,409	1,636,761	-	-	-	9,440,170
Loans and advances	14,611,760	5,931,552	25,057,837	40,018,236	67,926,958	153,546,343
Other assets	52,348	53,139	338,355	-	-	443,842
	51,213,747	17,312,193	31,727,485	46,089,761	105,617,670	251,960,856
Financial liabilities						
Deposits	113,239,283	50,756,512	17,139,940	39,097,284	562,658	220,795,677
Long term borrowing	-	-	-	-	7,959,992	7,959,992
Other liabilities	409,753	38,256	38,256	-	154,593	679,114
	113,649,036	50,794,768	17,178,196	39,097,284	8,677,243	229,434,783
Net liquidity gap	(62,435,289)	(33,482,575)	14,549,289	6,992,477	96,940,427	-
Cumulative liquidity gap	(62,435,289)	(95,917,864)	(81,368,575)	(74,376,098)	22,564,329	-
At 31 December 2011						
Financial assets						
Cash and balances with Bank of Tanzania	2,970,958	-	-	-	16,026,931	18,997,889
Balance with other banks	18,765,930	-	-	-	-	18,765,930
Cheques and items for clearance	1,596,425	-	-	-	-	1,596,425
Government securities held to maturity	-	-	-	6,362,773	19,614,773	25,977,546
Private securities held to maturity	-	-	-	-	880,583	880,583
Other money market placements	7,542,000	596,250	262,205	-	-	8,400,455
Loans and advances	3,908,990	2,521,075	19,792,998	40,088,785	55,289,106	121,600,954
Other assets	290,897	304,652	75,021	-	-	670,570
	35,075,200	3,421,977	20,130,224	46,451,558	91,811,393	196,890,352
Financial liabilities						
Deposits	39,992,433	40,880,115	19,998,123	15,091,926	58,494,364	174,456,961
Other liabilities	183,487	1,241,938	-	-	1,065,516	2,490,941
	40,175,920	42,122,053	19,998,123	15,091,926	59,559,880	176,947,902
Net liquidity gap	(5,100,720)	(38,700,076)	132,101	31,359,632	32,251,514	-
Cumulative liquidity gap	(5,100,720)	(43,800,796)	(43,668,695)	(12,309,063)	19,942,450	-

38 RISK MANAGEMENT (continued)

b) Liquidity risk (continued)

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	Less than 12 months	Over 12 months	Total
	TZS '000	TZS '000	TZS '000
At 31 December 2012			
Assets			
Cash and balance with Bank of Tanzania	5,077,839	19,706,691	24,784,530
Balance with other banks	23,450,259	-	23,450,259
Cheques and items for clearance	218,132	-	218,132
Government securities held to maturity	21,212,949	17,984,021	39,196,970
Private securities held to maturity	880,610	-	880,610
Other money market placements	9,440,170	-	9,440,170
Loans and advances	85,619,385	67,926,958	153,546,343
Property and equipment	-	2,575,616	2,575,616
Intangible assets	-	946,914	946,914
Deferred tax asset	-	177,169	177,169
Other assets	443,842	-	443,842
Total assets	146,343,186	109,317,369	255,660,555
Liabilities			
Deposits	220,233,019	562,658	220,795,677
Tax payable	135,639	-	135,639
Long term borrowing	-	7,959,992	7,959,992
Other liabilities	524,521	154,593	679,114
Total liabilities	220,893,179	8,677,243	229,570,422
Net	(74,549,993)	100,640,126	26,090,133

38 RISK MANAGEMENT (continued)

	Less than 12 months	Over 12 months	Total
	TZS '000	TZS '000	TZS '000
At 31 December 2011			
Assets			
Cash and balance with Bank of Tanzania	2,970,958	16,026,931	18,997,889
Balance with other banks	18,765,930	-	18,765,930
Cheques and items for clearance	1,596,425	-	1,596,425
Government securities held to maturity	6,362,773	19,614,773	25,977,546
Private securities held to maturity	-	880,583	880,583
Other money market placements	8,400,455	-	8,400,455
Loans and advances	66,311,848	55,289,106	121,600,954
Property and equipment	-	2,657,465	2,657,465
Intangible assets	-	265,139	265,139
Deferred tax asset	-	169,723	169,723
Other assets	670,570	-	670,570
Total assets	105,078,959	94,903,720	199,982,679
Liabilities			
Deposits	115962597	58494364	174,456,961
Tax payable	36,640	-	36,640
Other liabilities	1,425,425	1,065,516	2,490,941
Total liabilities	117,424,662	59,559,880	176,984,542
Net	(12,345,703)	35,343,840	22,998,137

38 RISK MANAGEMENT (continued)

c) Market risk

Market risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market prices. Broadly, the Bank concerns with two main components under market risk:

- Interest rate risk is the risk that the value of an interest rate sensitive instrument will fall as a result of a change in market interest rates.
- Foreign exchange risk is the risk of loss due to adverse changes in foreign exchange rates.

The Asset and Liability Committee oversees the management of Market risk inherent in the Bank.

The objective of market risk management is to manage and control market risk exposure within acceptable levels, while optimizing on the return on the risk.

Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank's exposure to the risk of changes in market interest rates relates primarily to the Bank's long-term obligations with floating interest rates.

Interest margins may increase as a result of changes in the prevailing levels of market rates but may also decrease or create losses in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest re-pricing that may be undertaken. Consequently, the interest sensitivity effect on profit or loss would not be significant given the re-pricing frequency.

At 31 December 2012, if the interest rates increased by 2.5%, with all other variables held constant, the sensitized effect on the profit through the statement of comprehensive income and statement of changes in equity would have been an increase in profit before tax of TZS 374.93 million (2011: TZS 397.03 million) and an increase in equity by TZS 262.45 million (2011: TZS 277.92 million) respectively mainly as a result of the net interest bearing assets.

In computing the percentage change in interest rates, management has taken into consideration the direction of the market rates movement over the last two years.

38 RISK MANAGEMENT (continued)

	Up to 1 month	1 - 3 months	3 - 6 months	Over 6 months	Non-interest bearing	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 31 December 2012						
Assets						
Cash and bank balances with Bank of Tanzania	-	-	-	-	24,784,530	24,784,530
Other bank balances	-	-	-	-	23,450,259	23,450,259
Cheques in the course of collection	-	-	-	-	218,132	218,132
Government securities held to maturity	-	9,690,741	6,331,293	23,174,936	-	39,196,970
Private securities held to maturity	-	-	-	880,610	-	880,610
Other money market placements held to maturity	7,803,409	1,636,761	-	-	-	9,440,170
Loans and advances	14,611,760	5,931,552	25,057,837	107,945,194	-	153,546,343
Other assets	-	-	-	-	443,842	443,842
Deferred tax asset	-	-	-	-	177,169	177,169
Property and equipment	-	-	-	-	2,575,616	2,575,616
Intangible Assets	-	-	-	-	946,914	946,914
Total assets	22,415,169	17,259,054	31,389,130	132,000,740	52,596,462	255,660,555
Liabilities and equity						
Deposits	72,550,436	50,756,512	17,139,940	39,659,942	40,688,847	220,795,677
Tax payable	-	-	-	-	135,639	135,639
Other liabilities	-	-	-	-	679,114	679,114
Long Term Borrowing	-	-	-	7,959,992	-	7,959,992
Total equity	-	-	-	-	26,090,133	26,090,133
Total liabilities and equity	72,550,436	50,756,512	17,139,940	47,619,934	67,593,733	255,660,555
Interest sensitivity gap	(50,135,267)	(33,497,458)	14,249,190	84,380,806	(14,997,271)	-
At 31 December 2011						
Assets						
Cash and bank balances with Bank of Tanzania	-	-	-	-	18,997,889	18,997,889
Other bank balances	-	-	-	-	18,765,930	18,765,930
Cheques in the course of collection	-	-	-	-	1,596,425	1,596,425
Government securities held to maturity	-	-	-	25,977,546	-	25,977,546
Private securities held to maturity	-	-	-	880,583	-	880,583
Other money market placements held to maturity	8,138,250	-	262,205	-	-	8,400,455
Loans and advances	3,908,990	2,521,075	19,792,998	95,377,891	-	121,600,954
Other assets	-	-	-	-	670,570	670,570
Deferred tax asset	-	-	-	-	169,723	169,723
Property and equipment	-	-	-	-	2,657,465	2,657,465
Intangible Assets	-	-	-	-	265,139	265,139
Total assets	12,047,240	2,521,075	20,055,203	122,236,020	43,123,141	199,982,679
Liabilities and equity						
Deposits	49,765,547	40,497,965	15,388,392	35,326,616	33,478,441	174,456,961
Tax payable	-	-	-	-	36,640	36,640
Other liabilities	-	-	-	-	2,490,941	2,490,941
Total equity	-	-	-	-	22,998,137	22,998,137
Total liabilities and equity	49,765,547	40,497,965	15,388,392	35,326,616	59,004,159	199,982,679
Interest sensitivity gap	(37,718,307)	(37,976,890)	4,666,811	86,909,404	(15,881,018)	-

38 RISK MANAGEMENT (continued)

c) Market risk (Continued)

Foreign currency exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Bank's exposure to the risk of changes in foreign exchange rates relates to primarily to the Bank's operating activities (when revenue or expense are denominated in a different currency from the Bank's functional currency) and the Bank's net investments in foreign countries.

The Bank records transactions in foreign currencies at the rates in effect at the date of the transaction. The Bank retranslates monetary assets and liabilities denominated in foreign currencies at the rates of exchange in effect at the reporting date. All the gains or losses arising from the changes in the currency exchange rates are accounted for in the profit or loss.

The Bank's functional currency, the Shilling, has generally, over the recent past shown a weak tendency against the US dollar, Sterling Pound and the Euro, the three major currencies in which the Bank has significant foreign transactions.

The US dollar

At 31 December 2012, if the US dollar had strengthened by 10% against the Tanzanian Shilling, with all other variables held constant, the sensitized effect on the profit through the statement of comprehensive income would have been an increase in profit before tax of TZS 247.60 million (2011: TZS 2.88 million, increase), mainly as a result of the Dollar denominated net monetary assets.

The Euro

At 31 December 2012, if the Euro had strengthened against the Tanzanian Shilling by 8%, with all other variables held constant, the sensitized effect on the profit through the statement of comprehensive income would have been an increase in profit before tax of TZS 4.16 million (2011: TZS 15.66 million, increase) mainly as a result of the Euro denominated net monetary assets.

The Sterling pound

At 31 December 2012, if the Sterling Pound had strengthened against the Tanzanian Shilling by 8%, with all other variables held constant, the sensitized effect on the profit through the statement of comprehensive income would have been an increase in profit before tax of TZS 2.88 million (2011: TZS 33.56 million, increase) mainly as a result of the sterling denominated net monetary assets.

The Kenyan Shilling

At 31 December 2012, if the Kenyan Shilling had strengthened against the Tanzanian Shilling by 8%, with all other variables held constant, the sensitized effect on the profit through the statement of comprehensive income would have been an increase in profit before tax of TZS 0.56 million (2011: TZS 0.48 million, increase) mainly as a result of the Kenya shilling denominated net monetary assets.

In computing the percentage change in exchange rates, management has taken into consideration the direction of the published rates movement in the functional currency against the major foreign transactional currencies over the last two years.

38 RISK MANAGEMENT (continued)

c) Market risk (continued)

Currency risk exposure

The various currencies to which the bank is exposed at 31 December 2012 are summarised in the table below (All amounts expressed in millions of Tanzania Shillings).

	USD	GBP	EURO	INR	KES	Total
At 31 December 2012						
ASSETS						
Cash and balances due from banking institutions	24,382	561	198	(9)	7	25,139
Other money market placements	8,940	-	-	-	-	8,940
Loans and advances	112,988	-	-	-	-	112,988
Other assets	72	-	-	-	-	72
Total assets	**146,382**	**561**	**198**	**(9)**	**7**	**147,139**
LIABILITIES						
Deposits	134,740	519	146	-	-	135,405
Long term borrowing	7,960	-	-	-	-	7,960
Other liabilities	1,206	6	-	-	-	1,212
Total liabilities	**143,906**	**525**	**146**	**-**	**-**	**144,577**
Net position	**2,476**	**36**	**52**	**(9)**	**7**	**2,562**
As at 31 December 2011						
ASSETS						
Cash and balances due from banking institutions	19,272	1,050	507	4	6	20,839
Other money market placements	6,638	-	-	-	-	6,638
Loans and advances	81,888	-	-	-	-	81,888
Other assets	1,720	-	-	-	-	1,720
Total assets	**109,518**	**1,050**	**507**	**4**	**6**	**111,085**
LIABILITIES						
Deposits	107,625	624	310	-	-	108,559
Other liabilities	1,865	6	1	-	-	1,872
Total liabilities	**109,490**	**630**	**311**	**-**	**-**	**110,431**
Net position	**28**	**420**	**196**	**4**	**6**	**654**

Exchange rate during the year were as follows:

	USD	GBP	EURO	INR	KES
On 1 January 2011	**1,470**	**2,282**	**1,965**	**32.89**	**18.20**
On 1 January 2012	**1,590**	**2,468**	**2,060**	**30.06**	**19.16**
On 31 December 2012	**1,592**	**2,573**	**2,104**	**29.09**	**18.50**

38 RISK MANAGEMENT (continued)

d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business units.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit and overseen by the risk officer. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirement for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures;
- Requirements for the yearly assessment of operational risk faced, and the requirements of controls and procedures to address the risk identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

39 FAIR VALUES OF FINANCIAL INSTRUMENTS

Set out below is a comparison by class of the carrying amounts and fair value of the Bank's financial instruments that are carried in the financial statements.

	Level 1	Level 2	Level 3	Total Fair value	Carrying amount Fair value
31 December 2012					
Financial assets					
Cash and balances with Bank of Tanzania	-	24,784,530	-	24,784,530	24,784,530
Balance with other banks	-	23,450,259	-	23,450,259	23,450,259
Cheques and items for clearance	-	218,132	-	218,132	218,132
Government securities held to maturity	-	39,196,970	-	39,196,970	39,196,970
Private securities held to maturity	-	880,610	-	880,610	880,610
Other money market placements held to maturity	-	9,440,170	-	9,440,170	9,440,170
Loans and advances	-	153,546,343	-	153,546,343	153,546,343
	-	251,517,014	-	251,517,014	251,517,014
Financial liabilities					
Deposits	-	220,795,677	-	220,795,677	220,795,677
Long term borrowing	-	7,959,992	-	7,959,992	7,959,992
Other liabilities	-	679,114	-	679,114	679,114
	-	229,434,783	-	229,434,783	229,434,783
31 December 2011					
Financial assets					
Cash and balances with Bank of Tanzania	-	18,997,889	-	18,997,889	18,997,889
Balance with other banks	-	18,765,930	-	18,765,930	18,765,930
Cheques and items for clearance	-	1,596,425	-	1,596,425	1,596,425
Government securities held to maturity	-	25,977,546	-	25,977,546	25,977,546
Private securities held to maturity	-	880,583	-	880,583	880,583
Other money market placements held to maturity	-	8,400,455	-	8,400,455	8,400,455
Loans and advances	-	121,600,954	-	121,600,954	121,600,954
	-	196,219,782	-	196,219,782	196,219,782
Financial liabilities					
Deposits	-	174,456,961	-	174,456,961	174,456,961
Other liabilities	-	2,490,941	-	2,490,941	2,490,941
	-	176,947,902	-	176,947,902	176,947,902

39 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

40 DIVIDEND PAID,DECLARED AND PROPOSED

	2012 TZS'000	2011 TZS'000
Dividend paid		
Final dividend for 2011-TZS 550.85 million at 0.23 million per share (2011: final dividend for 2010 -TZS 862.20 million at 0.36 million per share)	550,850	862,200
Dividend declared		
Final dividend for 2012: TZS NIL(2011: TZS 550.85 million at 0.23 million per share)	-	550,850

Proposed dividend for approval at Annual General Meeting (Not recognised as a liability as at 31 December)

The Board of Directors propose a final dividend of TZS 546.06 million at TZS 0.228 million per share (2011: TZS 550.85 million at TZS 0.23 million per share). The prior year dividend was subsequently approved by the shareholders and paid out during 2012.

Speak softly and carry a big stick

African proverb

CSR News

I&M Bank is committed to improving the quality of life of the society in which it operates. In this regard, the Bank has been supporting needy deserving projects, institutions and individuals around the country through its Corporate Social Responsibility programme and creating long term relationships with them. Some of these projects are highlighted hereunder:

SHULE YA UHURU MCHANGANYIKO PRIMARY SCHOOL

I&M Bank (T) Limited continued their support to underprivileged students in Dar es Salaam. The school comprises of Blind, Deaf and Dumb students.

I&M Bank (T) Limited donated learning items, toys and food stuff for this noble cause amounting to TZS 5 Million. The amount also included contribution made by the bank staff from their salaries for this noble cause.

CANCER WARD FOR CHILDREN AT MUHIMBILI HOSPITAL

I&M Bank (T) Limited donated Tzs. 5 mio. through Rotary Club of Dar es Salaam for the proposed cancer ward for children at Muhimbili National Hospital.

I&M Bank (T) Limited's staff volunteered for taking the charge of registering the participants for the Marathon for collecting funds for Cancer Ward for children at Muhimbili Hospital, Dar es Salaam

I&M BANK (T) LIMITED PROVIDES "SHADE" TO ROAD SIDE VENDORS.

In line to provide conducive environment to street vendors, I&M Bank (T) limited provided umbrellas to the road side vendors for them to protect themselves against the hot sun and rain. Around 150 street vendors appreciated the I&M umbrellas from three different region (i.e. Arusha, Dar es Salaam and Mwanza).

Before

After

ROAD CONSTRUCTION

I&M Bank (T) Limited continued their support in the national level; It took the responsibility of "upgrading" the road infrastructure in front of the school in Arusha.

PR News

I&M BANK (T) LTD SPONSORS ......

I&M Bank (T) Limited continued their support for Golf tournament for the 3rd consecutive year. It was the main sponsor for the Golf Tournament held in Gymkhana grounds in Dar es Salaam.

I&M Bank (T) Limited also sponsored the Soccer Tournament in Mwanza region. The tournament was one of its kind in Mwanza region; where by 16 teams had participated in the same tournament.

In August, 2012, I&M Bank (T) Limited sponsored the Inter-school Competition in Dar es Salaam, which had participants from all secondary schools. More than 150 participants attended the event.

CHAMPIONS RALLY SPRINT-ARUSHA

CERTIFICATE OF APPRECIATION

I & M BANK (T) LTD

I&M Bank (T) Limited continued their support in the sporting activities. It sponsored the Motor sport – Champions Rally Sprint in Arusha Region.

I&M Bank
LIMITED