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2006

taarifa ya mwaka

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BANK

The bank that listens

annual report

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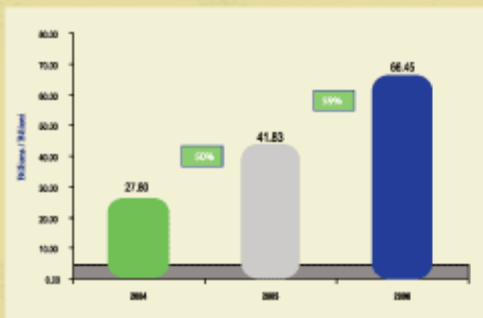
The bank that listens

CRDB Bank annual report 2006

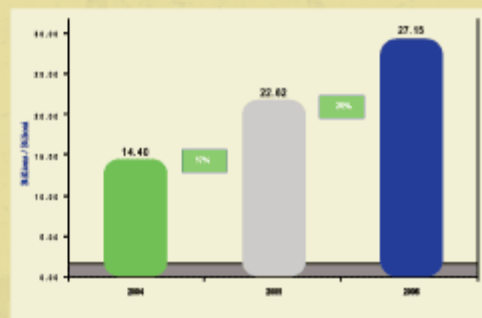
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financial highlights

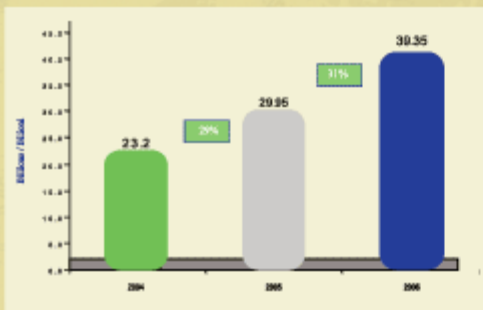
Year	2006	2005	Change
Financial income	66,451	41,825	59%
Financial expenses	13,839	8,194	69%
Financial spread	52,612	33,731	56%
Other Income	27,152	22,623	20%
Operating expenses	39,351	29,948	31%
Pre-tax profits	38,446	24,390	57%
Profit after tax	26,484	18,680	42%



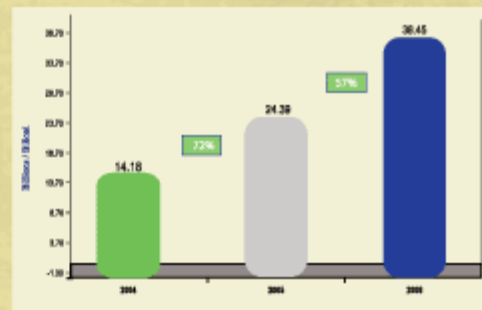
Interest Income



Other Income



Operating Expenses



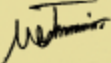
Pre-tax Profit

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Letter of Transmittal

Dear: Shareholders and Customers,

It is a pleasure to present to you the Bank's Annual Report for the year 2006. The report contains the Annual Accounts, major events, achievements and future business prospects.



Martin Mmari
Chairman of the Board of Directors
CRDB Bank

Vision

We aspire to be a local leading profitable retail bank, which is customer-need driven with high quality products and services, offering competitive returns to shareholders. We will have wide, fully linked outreach in Tanzania with strong, effective management, competent, professional and motivated staff.

Mission

We are a leading, local, Tanzanian bank providing quality financial services with a strong focus on retail clients and customised corporate services, while ensuring competitive returns to shareholders. Through our wide linked branch network and dedicated staff, we offer convenient access throughout the country.

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board of directors



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*Bu. Martin Mmari
Chairman Mwenyekiti*



*Dk. Sylvia Temu
Member Mjumbe*



*Bi. Joyce Luhanga
Member Mjumbe*



*Bi. Lydia Joachim
Member Mjumbe*



*Bu. Abed Mwasajone
Member Mjumbe*



*Bu. Ally Laay
Member Mjumbe*



*Bu. Boniface Muhegi
Member Mjumbe*



*Bw. Joseph Mchanga
Member Mjumbe*



*Bu. Kai Kristoffersen
Member Mjumbe*

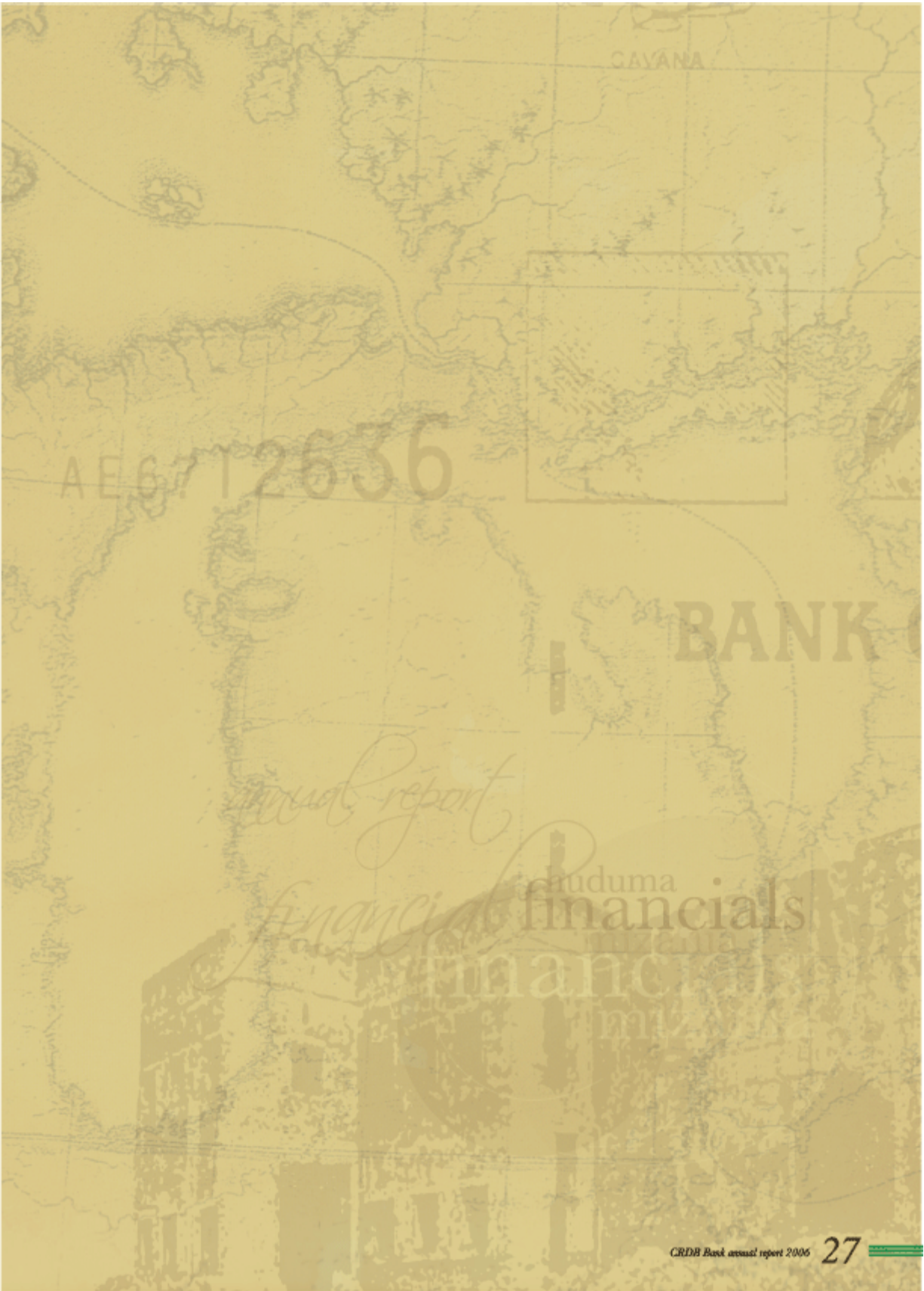


*Dk. Charles Kimei
Managing Director
Mkurugenzi Mtendaji*



*Bu. Jens Ole Pedersen
Deputy Managing Director
Naibu Mkurugenzi Mtendaji*

**The photograph of one of the directors Mr. Bode Lyimo is missing.
Picha ya mjumbe wa Bodi Bw. Bode Lyimo haipo hapa.



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annual report financials chairman's statement

The performance of CRDB Bank in terms of growth in profit, deposits and total assets in 2006 was one of the best in the banking industry. The Bank recorded another excellent performance with a pre-tax profit of Tshs. 38.4 billion, marking an increase of 57% compared to Tshs. 24.4 billion for 2005. The Bank's deposits went up by 21%, rising from Tshs. 656 billion in 2005 to Tshs. 791 billion in 2006. Lending grew by 100% from Tshs. 202 billion in 2005 to reach Tshs. 406 billion in 2006. The Bank's total assets increased from Tshs. 745 billion in year 2005 to Tshs. 898 billion in 2006.

I would like to express my sincere gratitude to customers for their continued support. I also like to thank the Board of Directors for their strong support, the management and staff of CRDB Bank for their hard work and commitment that has enabled the Bank to record this exceptional performance.

Business Development

The launch of CRDB Internet Banking was one of the Bank's major projects in 2006. This product enables CRDB Bank customers with Internet access to enjoy banking services using computers at their offices or homes. It is expected that this product will contribute significantly to the Bank's business in 2007.

The Bank also continued to offer CRDB SMS Banking which gives customers access to banking services through their normal mobile phones wherever they are. This product was repackaged for more customer convenience and value. The repackaged product will be launched in 2007.

The Bank continued the expansion of its branch network by opening three branches in Dar es Salaam and one in Arusha. The new branches are Mlimani City, Waterfront, Pugu Road in Dar es Salaam and Mapato in Arusha. The Bank also completed the refurbishment of Mtwara, Dodoma and Bukoba branches.

The Bank is expanding its ATM network very fast to give customers the convenience of day and night banking all year round. Currently, the Bank's ATM network has 50 ATMs. In 2006 the ATM network expansion drive was directed to residential areas so that customers can get cash near their homes, relieving them of the inconvenience of having to travel to the city centre every time they need cash and other banking services. The current pace of expanding the ATM network will be maintained.

The Bank's card business continued to grow. There are now more than 209,705 TemboCard holders up from 180,000 in 2005. The number of TemboCardVisa holders has nearly tripled to more than 43,183 subscribers.

The Bank SME business roll out is nearing completion. It has so far been rolled out to 20 branches. It is expected that by May, 2007, all the Bank's 38 branches will have been covered. A total of 588 customers were given training to improve their business management skills compared to 132 in 2005. Some of those who received training, were given Bidii loans, which totalled Tshs. 7.6 billion.

The Bank's network of collaborating microfinance institutions grew from 162 in 2005 to 227 in 2006. Together with its 38 branches, the Bank's microfinance network and its partner intermediaries makes CRDB Bank the bank with the most extensive network in Tanzania, that is 265 outlets offering banking services.

Dividends

The Board will recommend to the Annual General Meeting a dividend of 17% or Tshs. 17 per share. Total appropriation to dividends will be Tshs. 2,102,332,200, up from 1,854,990,000 in 2005.

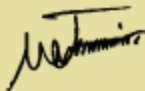
Prospects for 2007

Drought experienced in the last quarter of 2005 had a serious impact on agriculture and on hydropower generation. This together with persistent increase in oil prices seriously affected economic performance in 2006. Good rains towards the end of 2006 and early 2007 have filled hydroelectric generation dams. With the anticipated good weather in 2007 and the on-going efforts by the government to resolve the energy crisis through diversification of sources of energy, it is expected that the economy will grow at the earlier estimated real GDP growth rate of 7.0 and above. The predicted better agricultural and manufacturing sectoral performance together with the continuation of the good business environment will offer the Bank the opportunity for higher performance.

Acknowledgement

At the Annual General Meeting held on 24th June 2006, Ms. Joyce Luhanga elected by the group of shareholders with 1% or more of the Bank's share capital and Mr. Joseph Kahungwa from shareholders with less than 1% of the Bank's share capital retired from the Board. Both stood for re-election. Ms. Joyce Luhanga was re-elected by shareholders with 1% or more of the Bank's share capital and Mr Joseph Machange was elected by shareholders with less than 1% of the Bank's share capital.

I would like to express my sincere gratitude to customers for their continued support. I also like to thank the Board of Directors for their strong support, the management and staff of CRDB Bank for their hard work and commitment that has enabled the Bank to record this exceptional performance. Finally, I wish to acknowledge the support of the Government, the Bank of Tanzania, and all the Bank's stakeholders.



Martin Mmari
Chairman of the Board



managing director's report



As anticipated the growth of the economy decelerated from the 6.9% achieved in year 2005 to an estimated 5.9% in 2006, mainly as a consequence of drought, energy shortages and hiked oil prices, which began to take effect towards the end of 2005.

About fifty percent of the deposits taken by the banking system is now utilized to extend credit to the private sector. This trend reflects the strengthening of banking sector in its intermediation role.

Crop production, especially food crops, benefited from the improved long rains. However, major export crops like cotton and tobacco had irreversibly suffered and did not benefit from the better climate. Cotton suffered most with a decline of 65% from 125,579 tons of lint in 2005 to 43,349 tons in 2006.

Annual rate of inflation stood at 6.3%, which was driven by increased prices of food and non-food items. On the other hand monetary growth (M3), which grew to a peak of 38% in the last quarter of 2005, dropped sharply to only 22.2% in the last quarter of 2006. This has contributed to the easing of inflationary fears in year 2007. Credit to the private sector continued to be strong as a result of more lending opportunities. In 2006 private sector credit registered a growth of 42%, which is higher than the 34% attained in 2005. About fifty percent of the deposits taken by the banking system is now utilized to extend credit to the private sector. This trend reflects the strengthening of banking sector in its intermediation role.

The Bank took advantage of the increased lending opportunities to double its lending portfolio from Tshs. 202 billion to Tshs. 406 billion. It also registered equally impressive performances in other major indicators. Deposits rose from Tshs. 656 billion in 2005 to Tshs. 791 billion in 2006. Total Assets rose from Tshs. 745 billion in 2005 and reached Tshs. 898.3 billion. The above performance resulted in a profit before tax of Tshs. 38.4 billion, compared to Tshs. 24.4 billion attained in 2005. Profit after tax was Tshs. 26.5 billion compared to Tshs. 18.7 billion in 2005.

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Outlet Expansion

The Bank continued the expansion of its branch network by opening three branches in Dar es Salaam and one in Arusha. The new branches are Mlimani City, Waterfront and Pugu Road in Dar es Salaam and Mapato in Arusha. The Bank branch network had 38 branches, at the year-end. Karagwe Branch in Kagera Region was relocated from Omulushaka to Kayanga, the district headquarters, which is a more convenient location for customers. Refurbishment of Mtwara, Dodoma and Bukoba branches was completed. The branches have now attained the standards the Bank set for delivering high quality customer service.

By December 2006, the Bank had installed ATMs in all its branches. The installation of ATMs in Karagwe and Kahama branches, which are the only exceptions, will be completed in 2007. Installation of ATMs in these branches had to await the completion of their relocation to new premises.

In its efforts to provide the convenience of 24 hours banking services closer to customers, the Bank in 2006 installed Twenty (20) ATMs.

Personal Banking Products

CRDB Bank offers a number of accounts that are designed to provide convenient, hassle free banking services for individual clients. Products available in this segment, which has 400,000 customers, include savings accounts, current accounts and fixed deposit accounts. Other products are local and international payment services, TemboCard and TemboCardVisa services, Foreign exchange buying and selling and securities trading at the Bank's counters. In 2006, the Bank acquired two night safes, one of which has already been installed at Holland House Branch in Dar es Salaam. Some of the products are covered in detail below:

Premier Banking

In 2003 the Bank began to offer each customer segment services that are customized to the needs of respective segments. In 2006 the Bank designed premier banking services that are customized to the needs of high net-worth customers. Financial advisory services feature more prominently in their needs. Convenience and specialized services are offered to this segment. The Bank began to offer these services on a pilot basis in December 2005 at Tower Branch in Dar es Salaam. By December 2006 there were 81 customers enjoying this personalized facility with access to a dedicated Relationship Manager at branch level. Following a successful pilot phase, the Bank plans to have a special centre to serve these customers which is expected to be operational by mid 2007.

Junior Jumbo Account

CRDB Bank is trying to encourage saving at an early age, through its Junior Jumbo Account. This is a deposit savings account for children below 18 years of age held in the child's name but opened and managed by parents or guardians of the respective child. This account enables parents to save in order to meet their children's needs like school fees and medical expenses, before the child is old enough to start operating the account.

The Bank conducted a three-month promotional campaign for this account between September and December, 2006. The campaign had two monthly draws and one grand draw of which the first winner received Tshs. 2 million. The promotional campaign was closed at a grand party for children held at the Wet N' Wild entertainment park in Dar es Salaam. Similar events were held in regional centres for upcountry children.

Junior Jumbo Account grew from Tshs. 6.4 billion in September to Tshs. 8.72 billion by December 2006 after the completion of the three month promotion. Some 1,246 new accounts were opened during the promotion of the product that had over 13,000 customers at the end of December 2006.

TemboCard

TemboCard Visa



Salary Accounts

CRDB Bank offers salary payment services to employers and institutions wishing to make a large number of payments simultaneously both in Tshs and in US dollars. After the employer completes preparing the monthly payroll, the system encrypts and automates the handling of the data including crediting the respective employee bank account in whatever branch it may be in CRDB Bank or any other bank. The holder of the Salary Account may perform transactions or withdraw cash at any of CRDB Bank's branches. With the help of TemboCard/Visa, a customer may withdraw cash from any CRDB Bank ATM or pay at any Bank Point of Sale (POS) terminal and if using TemboCard/Visa, at any POS that accepts VISA cards. A customer can also pay various bills at the Bank's ATMs and get the account balance and a statement of recent transactions. Where their employer has registered for this service, employees are eligible to open the Salary Account without an initial cash deposit and only requires that a minimum of Tshs. 2000 be retained in the account.

This product also caters for students in higher learning institutions whose loans from the higher education loans board are channelled through Salary Account. Salary account deposits stood at Tshs. 11.95 billion in December 2006.

Tanzanite Account

This savings account was designed to enable Tanzanians living abroad to save some of their income at home. It also helps them meet family obligations and invest a portion of money earned abroad in some projects back home. The account became operational in 2003. This account grew by 72% to reach Tshs. 1.89 billion as compared to Tshs. 1.1 billion in December 2005.

The account is very convenient as withdrawals can be made locally or abroad. Tanzanite Account can be accessed through CRDB Bank ATMs and worldwide at ATMs where the VISA sign is displayed.

SMS Banking

CRDB SMS Banking service enables customers to get banking services through their normal mobile phones wherever they are and it is available 24 hours. The service was launched in 2005 and by December 2006, it had over 11,000 customers including Tanzanians living abroad who have Tanzanite Accounts.

Some of the services offered through CRDB SMS Banking are:

- Account balance
- Change PIN
- Mini statement
- Big credit/debit advice
- Salary credit advice

The service is currently being improved to make it more user friendly.

Busara Account

This is a savings scheme for shareholders which offers preferential interest rates. It was introduced in year 2000. Busara deposits stood at Tshs. 1.12 billion at 31st December 2006.

Card Business

The Bank's card business continued to grow. As at end of 2006 there were more than 209,705 TemboCard holders compared to 180,000 in 2005. The number of TemboCard/Visa holders increased from 16,000 in 2005 to 43,183 subscribers, in 2006.

The Bank's point of sale terminals (POS), enable customers to pay for purchases by TemboCard/Visa instead of cash. This offers greater customer convenience and safety. POS are used by more than 600 merchants including 29 SACCOs that serve mainly rural areas using the off-line mode of POS because of lack of electricity and telephones.

Cards to facilitate business to business/institution have found wide acceptance because of enhanced security and convenience, which they provide to both payers and payees.

In 2003 TBL operations in Mbeya, Dodoma and Moshi began to use business TemboCards. This is in addition to Dar es Salaam, Arusha and Mwanza, which began to use this payment system earlier. TRA joined this payment system in 2006 by placing POS at Namanga and Holili. In early 2007 Sirari and Horohoro will adopt payments by TemboCard debit cards. Plans to include Kasumulu and Mutukula in the later part of 2007 are proceeding.

TemboCard/Visa, which are a dual ATM and debit card, has seen its ATM usage shoot up sharply. In response the Bank has expanded its ATM network very fast to give customers the convenience of day and night banking all year round. Its ATM network now has 50 ATMs.

SME Segment

The Bank SME business has begun to grow fast. It had been rolled out to 20 branches by December 2006. It is expected that by May, 2007, all the Bank's 38 branches will have been covered. A total of 588 customers were given training to improve their business management skills compared to 132 in 2005. This is an essential element of the Bank's SME programme. Lack of business knowledge and skills is the single most common reason for business failure in the SME sector. Some of those who received training, were given Bidii loans, which totaled Tshs. 7.6 billion, up from Tshs. 738 million last year. All trainees received an SME toolkit to guide them in best practices for running their businesses.

Insurance Services

The Bank is an agent of Royal Insurance Limited. It collected a premium of Tshs. 666 million and a commission of Tshs. 99.3 million in year 2006, compared to Tshs. 483 million and Tshs. 74.7 million in 2005 respectively. Services offered include policies for motor, marine, fire, money, burglary, and contractors all risk etc.

Microfinance Business

The Bank continued to offer wholesale banking services to intermediary Microfinance Institutions (MFIs), most of which are Savings and Credit Cooperative Societies (SACCOs), formed by individuals. Similar intermediaries include Savings and Credit Associations (SACAs), Financial NGO's, and Community Banks. In addition to wholesale banking services, the Bank continued to support MFIs capacity to offer basic savings and credit products including TemboCard Point of Sale (POS) service.

The Microfinance programme was rolled out in 2001. At the end of the year 2006, the programme was operational in Dar es Salaam, Mtwara, Lindi, Shinyanga, Kilimanjaro, Mwanza, Bukoba, Dodoma, Iringa, Morogoro, Mbeya, Ruvuma, Tanga, Kigoma and Arusha.

The number of microfinance institutions (MFIs) under this programme increased from 162, as at 31st December 2005 to 227 as at 31st December 2006. Total balance of loans from CRDB Bank was Tshs. 27 billion; and total deposits balance with CRDB Bank of partner MFIs was Tshs. 7.1 billion.

These MFIs served 130,500 customers consisting of 120,067 members and 10,433 non-members. Funds mobilized by members in terms of paid-up shares and deposits with their MFIs exceeded Tshs. 38.14 billion at the year end. End users borrowed money to finance trade (34%), agriculture (13%), emergency/social (11%), housing (10%) and processing (1%) and others (31%).

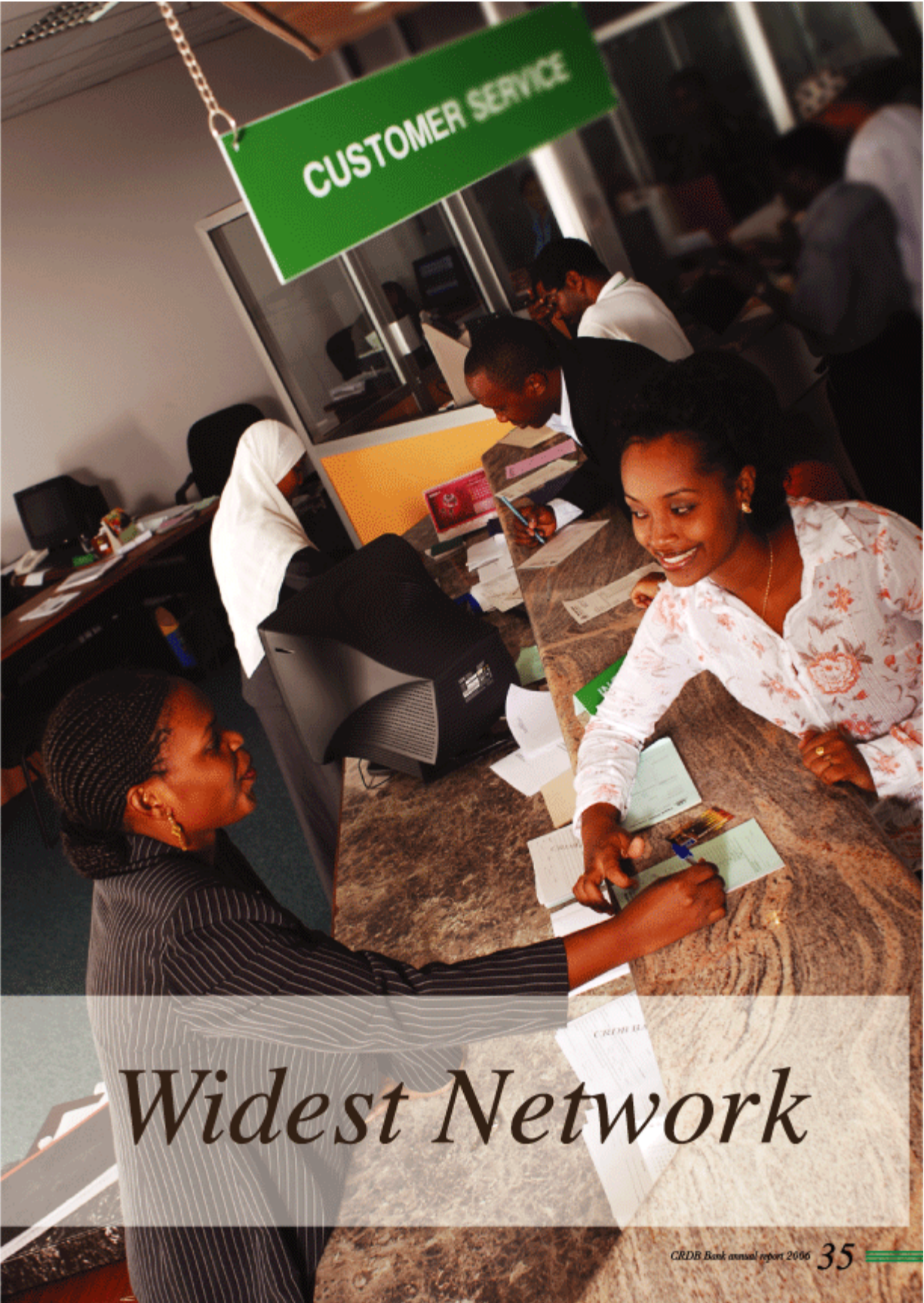
The Bank lends to MFI's at the most competitive and negotiable rates. The good rates offered by the Bank enable MFI's to lend to their clients at very affordable rates and still make a reasonable income to cover operational costs and make a profit. These loans supplement their own resources. Loans offered include Business, Emergency and Special Loans for Women.

Treasury Operations

The Bank directed treasury management efforts towards improving client dealership and creating internal capacity with a view to serving clients better and match international best practices. The Bank focused more on meeting customer needs. Solutions to customer needs included a variety of products ranging from buying and selling of foreign currency for customers to interbank dealings, cash management and Commodity Price Insurance (Kinga ya bei). The Bank went an extra mile to reach clients for Treasury products in most of the regions within the country through initial visits by Client Dealers and Relationship Managers followed by close follow-up to maintain the contact and get to know client needs better.

As part of enhancing its internal capacity, the Bank was at a very advanced stage of implementing the Treasury Management and the Asset Liability Management Systems by the end of 2006. Preparations were also made to have Dealers obtain certification of the ACI – The Financial Markets Association which is the international body that sets Dealing Model Code and examinations for dealers.

Performance wise, Treasury operations contributed about 48% of the Bank's income compared to 49% in 2005.



Widest Network

corporate banking

Credit

As at December, 2006 the Bank's gross and net loan portfolio stood at Tshs. 409 billion and 406 billion respectively. The gross loan portfolio was distributed by sectors as follows:

Sector	2006		2005	
	Tshs '000	%	Tshs '000	%
Public sector	9,932,181	3	8,375,804	4
Agriculture fishing, forestry & hunting	98,904,443	24	45,008,490	22
Finance, insurance & business service	27,140,964	7	21,353,884	10
Mining & quarrying	3,533,959	-	64,250	-
Manufacturing	61,486,381	5	38,682,829	19
Real estate & construction	25,579,739	6	19,484,997	10
Transport & communication	25,488,871	6	12,613,168	6
Trade & commerce	49,135,009	13	24,361,839	12
Tourism, hotels & restaurants	11,494,736	3	6,485,997	3
Electricity, gas and water	62,719,916	15	10,840,817	5
Personal	30,218,040	7	5,936,590	8
Other	3,498,246	1	1,442,735	1
Total	409,132,485	100	204,651,400	100

The Bank's loan portfolio grew by 105% compared to respective growths of 64% and 100% for years 2005 and 2004 respectively. Agriculture which constituted 24% of the total loan portfolio continued to dominate the Bank's lending and grew by 120% during the year. Lending to utilities (electricity, gas and water) grew by 479% during the year. This is partly attributed to additional lending to electricity sector. CRDB Bank increased lending to the state power utility company, TANESCO, which was struggling to reduce the impact of the electricity shortage crisis in the country caused by drought. Consumer lending (personal loans) increased by 90% as more employers signed Memoranda of Understanding with the Bank to enable their employees to borrow. This followed a review of the product to make it more attractive. The Bank offers personal loans for general purposes, to meet education expenses, purchase of computers, to pay for festivities, construction or renovation of residential houses etc. Interest income on overdrafts and term loans was Tshs. 34.6 billion, up from Tshs. 18 billion in year 2005 representing 36% of the total Bank's operating income.

Information and Communication Technology

One of the major projects in 2006 was implementation of Internet Banking. This product gives CRDB Bank customers access to banking services wherever they are in the world, as long as they can log on to the Internet. The Bank's Internet Banking system provides very high security to customers' transactions. Customers can access and print their account balances, statement of account, a range of transaction details, transfer payments across own accounts or to third parties with accounts at the Bank, and the ability to change their password and identification.

The Bank also enabled all its ATMs to accept Visa cards that have a chip. The Bank's ATMs which have therefore been certified to be Euro Mastercard and VISA (EMV) compliant accept all chip based Visa cards issued by Visa member banks world-wide. The Bank also launched an online signature and identity verification system to minimize fraud risks.

Risk Management

In January 2006 CRDB Bank introduced Risk Management function, whose main responsibility is to implement Enterprise Wide Risk Management Framework (ERM). This is an integrated way of looking at all enterprise risks together instead of each department managing its risks separately, a system that makes it difficult to capture all the Bank's risks and ensure that they are well managed.

In 2006 risk management policies and procedures were adopted. Limits to govern the risk management process; tools for identifying, measuring, monitoring and controlling all the Bank's risks and design of the reporting system to assist senior management and the Board to understand the Bank's risks and make strategic decisions for the Bank were developed.

ERM is expected to improve risk management practices in the Bank. The Bank will be able to maximize the risk-reward trade-off through ensuring that the levels of risks that it is taking are well mitigated and generate the highest return to the Bank.

As part of Bank's efforts to match international best practices, the Board of Directors attended a seminar on risk management in August 2006. The seminar covered among other things, the role of the Board of Directors in risk management, Asset Liability management, risk management structure, functions of the Board Risk Committee, Basel II requirements and financial analysis related to risk management. The seminar was followed by a presentation from one of the big banks in South Africa on Operations of their Risk Function. The session happened just before the Bank introduced an active risk management function and was therefore important in improving the Board's effectiveness on making decisions related to risk management.

Human Resources

The Bank had 997 staff as at December, 2006. Annual growth in staffing for 2006 was 17% as compared to 12% in 2005. This is in keeping with overall growth of the Bank's business activities and growth of the Bank's customer base.

Gender Distribution

The Bank recruited 230 employees in year 2006. Males were 57.4% and 42.6% were female. Most of the new recruits were entry-level hires (Bank Officer Trainees and Tellers) placed at branches. The Bank promotes from within, whenever possible. This is why recruitment of senior staff was low for the year.

Family Day

On Sunday 24th September, 2006 the Bank held its third family day festival, which was a full day bonanza of social recreation, sports activities, educational activities and exhibition of Bank products organized for employees families, friends, Board Members and selected business associates/industry peers.

The purpose of annual Family Day is to bridge work and personal lives to create the balance necessary for staff to fulfill their professional and family obligations.

The main celebration was held in Dar es Salaam for all Dar es Salaam based staff and one staff from each upcountry branch was invited to attend. Other upcountry branches were provided with a budget to meet costs of organizing Family Day Festivities at their locations on the same day.

Generally staff and family members' countrywide commended the year 2006 festival.

Careers Fair

The Bank also took part in Careers Fair. This is an annual event organized by AIESEC in Tanzania. AIESEC is an International platform for young people to discover and develop their potential. It also provides a forum for companies to meet their potential employees; and their current and potential users of their products as well. A total of 10 companies participated in the event.

HIV/AIDS

The Bank is still implementing its HIV/AIDS policy by engaging in different activities concerning its staff and the community at large. Different educational programmes were conducted to peer health educators who played a great role in increasing awareness of their fellow staff.

The Bank joined the rest of the world in marking the World AIDS Day on 1st December 2006. Going by the UN motto "Stop Aids, Keep the Promise," each bank staff was given an AIDS toolkit that bore the motto, a condom and a red rubber band with inscriptions "We Are All The Same."

Unlike previous years, the Bank focused on activities that generate more awareness among staff members, with emphasis on preventive strategies and education against the pandemic. Individual staff members also contributed cash, foodstuffs, clothing and other items and visited some orphanage centres in Dar es Salaam.

Corporate Social Responsibility

The Bank's contribution to the well being of the society at large includes the payment of Tshs. 2.1 billion to shareholders as dividends as well as payment of Tshs. 11.4 billion in corporate taxes and the recruitment of 230 new employees in year 2006. It also includes development and promotion of innovative banking products and services that improve the lives of Tanzanians. CRDB Bank provides banking services to over 400,000 customers countrywide. Moreover the Bank continues to spend a significant amount of money in training its staff.

CRDB Bank is well known for its community investments. Its focus has been on education, youth and health activities. The Bank marked its 10th anniversary in 2006 with year long activities which focused on the education sector. Over Tshs. 600 million was spent in donations to schools and higher learning institutions countrywide, of which Tshs. 100 million went to the University of Dar es Salaam to support the construction of a lecture theatre. The Tanzania Education Authority (TEA) was also assisted. The Bank contributed Tshs. 25 million during a fundraising event for TEA presided over by President Jakaya Kikwete in Arusha. The Bank also contributed Tshs. 25 million to support government efforts to reduce the impact of food shortage in the country caused by drought.

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financial results

Particulars	2006 Tshs. Bln	2005 Tshs. Bln	% Change
Financial income	66,451	41,825	58%
Financial expenses	13,839	8,194	69%
Financial spread	52,612	33,731	56%
Other income	27,152	22,623	20%
Operating expenses	39,351	29,948	31%
Pre-tax profit	38,446	24,390	57%
Net profit	26,484	18,680	42%

Financial Income

The Bank's interest income was Tshs. 66.45 billion in year 2006 compared to Tshs. 41.92 billion in year 2005, which is an increase of 58%. Interest Income on loans and advances contributed to the increase following a two-fold increase in loan portfolio.

Financial Expenses

Financial expenses increased by 69% to Tshs. 13.84 billion in year 2006, from Tshs. 8.2 billion in 2005. Interest on time deposits contributed 65% to total financial expenses. The increase in customer deposits, coupled with slightly higher negotiated rates in some deposits, was also a contributing factor to the increase in total financial expenses.

Other Income

Other income in year 2006 reached Tshs. 27.15 billion, an increase of 20% compared to 22.6 billion earned in 2005. Other income was mostly received from commission and fees.

Financial Spread

Financial spread increased from Tshs. 33.73 billion in year 2005 to Tshs. 52.61 billion in 2006. The increase came from the margin between the average lending rates and borrowing rates.

Operating Expenses

Operating expenses, including staff and administrative expenses for year 2006 were Tshs. 39.35 billion compared to Tshs. 29.95 billion in 2005, which is an increase of 31%. Increase in business volume and strengthening of IT network systems contributed to this.

Loan Loss Provisions

Allowance for loan losses decreased from Tshs. 2.02 billion in 2005 to 1.97 billion in 2006.

Pre-tax Profit

Profit before tax was Tshs. 38.4 billion in year 2006 compared to Tshs. 24.4 billion in year 2005, which is an increase of 57%.

Net Profit

Net profit was Tshs. 26.5 billion in year 2006 compared to Tshs. 18.7 billion in year 2005, which is an increase of 42%.

Revenue Reserve

The Bank's revenue reserves were Tshs. 56,525,684,000 of which Tshs. 2,102,332,200 was proposed dividends.

report of the directors

For the year ended 31 december 2006

The Directors are pleased to present their report and the audited financial statements of CRDB Bank Limited (the Bank) for the year ended on 31 December 2006.

Principal Activities and Business Review

The Bank is licensed under the Banking and Financial Institutions Act (2006) and its principal activity is the provision of banking services and during the year the Bank celebrated its 10th Anniversary.

The Bank is one of the major financial services providers in Tanzania and it is engaged in corporate and retail banking, including microfinance services. The Bank offers a full range of commercial banking services as well as share registration and insurance agency services. The Bank operates through a network of 38 branches and in partnership with 227 microfinance institutions located throughout Mainland Tanzania.

Deposits

In 2006, customer deposits grew by 21%. As at 31 December 2005, total deposits were Tshs. 656 billion while on 31 December 2006 deposits had reached Tshs. 791 billion. The growth was attributed mainly to the Bank's brand, which continued to be strengthened by ongoing branch refurbishment, opening of new outlets and new innovative products. During the year, three branches were refurbished, four new branches opened, 20 ATMs installed, and 65 Microfinance partners recruited.

Lending

The net loan portfolio rose by 100% from Tshs. 202 billion as at 31 December 2005 to Tshs. 406 billion at 31 December 2006. The agricultural sector continued to dominate, accounting for 24% of the portfolio, followed by manufacturing 15%, electricity, gas and water 15%, trade and commerce 13%, financial services and personal loans each 7%, real estate and transportation each 6%, public sector and tourism, hotels and restaurants each 3% and other sectors 1%. Interest income on overdrafts and term loans was Tshs. 34.7 billion, up from Tshs. 18 billion in year 2005 representing 36% of the total Bank's operating income.

Treasury

The Bank continued to enhance its treasury operations by focusing on client dealership and offering better customer service. During the year, the Bank was able to offer treasury products to about 40% of the customers in agricultural sector, which is the major source of foreign exchange in the country. This has been achieved through competitive pricing of the foreign currency proceeds from agricultural exports, as well as active investment in both overseas and local markets to ensure better returns on client's investments while creating value for shareholders. Furthermore treasury operations contributed significantly to the Bank's income; interest income on placements, treasury bills and bonds contributed 34% of the Bank's total operating income, whereas foreign exchange trading gain contributed 8% of the Bank's total operating income.

Treasury also participated actively in the interbank market increasing its contribution to the financial market development. In year 2006, CRDB Bank was a major player in interbank funding providing Tanzanian Shillings liquidity to other banks at competitive rates.

Other Income

Other income includes fee based transactions, profit on disposal of properties and equipments, and amortization of grants income all of which contributed to 22% of the Bank's total operating income (excluding foreign exchange trading gain).

Microfinance Business

The number of partnering institutions (MFIs) under Micro Finance programme increased from 162 at the end of 2005 to 227 in 2006. As at 31 December 2006 the balance on the total loans extended by the Bank to 141 MFIs stood at Tshs. 27 billion. Their total deposits with CRDB Bank were Tshs. 7 billion.

Card Business

As at 31 December 2006 the Bank had issued a total of 43,183 TemboCardVisa and 209,705 normal TemboCards and distributed 600 point of sales (POS) devices to merchants.

The Bank distributed/installed 120 POS terminals which accept TemboCard Visa, local and international Visa Electron cards issued by Visa member banks. In Dar es Salaam, 40 merchants offer direct debit services which allow customers at merchant POS to load their cards directly from their Bank accounts.

Small and Medium Enterprise (SME) Business

The number of branches at which the SME was rolled out increased from 7 to 21. A total of 588 customers attended toolkit training compared to 132 in the previous year. Under the program customers enjoy loans known as 'Bidii' and free advisory services in the form of seminars. By 31 December 2006 'Bidii' loans amounted to Tshs. 7.6 billion compared to Tshs. 738 million as of 31 December 2005.

Future Developments

This is the fourth year of the Bank's 5 –year Strategic Business plan. Future focus will continue to be on retail banking by offering quality products and services through better use of e-banking delivery channels and enhancements to the Bank's technological platform. The Bank will continue to offer customized banking services to corporate and institutional customers as well as take measures to improve risk management. The challenge ahead is building capacity and infrastructure for provision of services to small and medium customers.

Financial Results

Profit before tax for year 2006 compared to year 2005 increased by 57% from Tshs. 24.4 billion in 2005 to Tshs. 38.4 billion in 2006. Net profit for the year transferred to the revenue reserve increased from Tshs. 18.7 billion to Tshs. 26.5 billion, which is an increase of 42%. As in year 2005, the increase in income resulted from increased volumes in loans and overdrafts, treasury investments, and fee based transactions.

Dividend

The Directors will recommend to the Annual General Meeting a dividend payment of 17% or Tshs 17 per share. The total amount of dividend to be recommended is Tshs. 2,102,332,200.

Issues of Bonus Shares

The Directors will recommend to the Annual General Meeting a bonus share of one share for every one held subject to changes in the Bank's Articles of Association to increase the Authorized Share Capital. Total bonus issue shall be 123,666,600 shares worth Tshs 12,366,660,000

Share Capital and Reserves

During the year, there were no changes on the issued and paid up capital of the Bank. At the end of the year the Bank had 123,666,600 issued and fully paid up ordinary shares.



Directors

The following directors served during the year:

Name	Position	Nationality
Mr. Martin Mmari	Chairman	Tanzanian
Dr. Sylvia Temu	Member	Tanzanian
Ms. Joyce Luhanga	Member	Tanzanian
Mrs. Lydia Joachim	Member	Tanzanian
Mr. Abed Mwasajone	Member	Tanzanian
Mr. Ally Laay	Member	Tanzanian
Mr. Bede Lyimo	Member	Tanzanian
Mr. Boniface Muhegi	Member	Tanzanian
Mr. Joseph Kahungwa	Member	Tanzanian
Mr. Joseph C. Machange	Member	Tanzanian
Mr. Kai Kristoffersen	Member	Danish
Dr. Charles Kimei	Managing Director -ex-officio	Tanzanian
Mr. Jens Ole Pedersen	Deputy Managing Director -ex-officio	Danish

At the Annual General Meeting held on 24th June 2006, Ms. Joyce Luhanga elected by the group of shareholders with 1% or more of the Bank's Share Capital and Mr. Joseph Kahungwa from Shareholders with less than 1% of the Bank's share Capital retired. Both stood for re election. Ms. Joyce Luhanga was re elected and Mr. Joseph Machange was elected by shareholders with less than 1%.

Directors Interests

Directors' interests in the shares of the Bank for the year are summarized below:

Name	2006		2005	
	No.of shares	%	No.of shares	%
Mr. Martin Mmari	54,000	0.04	54,000	0.04
Ms. Joyce Luhanga	3,000	< 0.01	3,000	< 0.01
Mrs. Lydia Joachim	53,250	0.04	42,000	0.03
Mr. Abed Mwasajone	40,800	0.03	40,800	0.03
Mr. Ally Laay	36,000	0.03	36,000	0.03
Mr. Boniface Muhegi	89,160	0.07	32,500	0.03
Dr. Charles Kimei	24,900	0.02	24,900	0.02
Mr. Joseph Kahungwa	101,100	0.08	101,100	0.08
Mr. Joseph C. Machange	6,750	< 0.01	N/A	N/A

Remuneration of Directors

All Directors except the 2 ex-officio members were non-executive. Non-executive Directors were remunerated as approved by the last Annual General Meeting. Total fees paid for the year were Tshs. 159,468,750.

Significant Shareholding

The Bank's Articles of Association recognize two categories of shareholders, namely shareholders holding less than 1% and shareholders holding 1% or more of the total paid up shares. As at the end of year, the shareholdings of these two groups were as follows:

Shareholder group	No. of shares		%	
	2006	2005	2006	2005
1% and above group	66,714,200	66,909,935	53.9	54.1
Less than 1% group	56,952,400	56,756,665	46.1	45.9
Total	123,666,600	123,666,600	100	100.0

Shareholders holding 1% or more of the total shares considered as substantial are as listed hereunder:

Shareholder	2006		2005	
	No. of shares	% of total shares	No. of shares	% of total shares
DANIDA Investment Fund	37,052,100	30.0	37,052,100	30.0
Parastatal Pension Fund	7,500,000	6.1	7,500,000	6.1
IPP Limited	6,975,000	5.6	6,975,000	5.6
NIC	3,375,000	2.7	3,375,000	2.7
SHIRECU	1,625,000	1.3	1,820,735	1.5
Kagera Cooperative Union	2,550,000	2.1	2,550,000	2.1
Western Tobacco Cop. Union	2,252,000	1.8	2,252,000	1.8
Hans Macha	1,500,000	1.2	1,500,000	1.2
Lindi Development Corporation	1,350,000	1.1	1,350,000	1.1
CMG Investment Limited	1,337,100	1.1	1,337,100	1.1
LAPF	1,200,000	1.0	1,200,000	1.0
Jumla	66,714,200	53.9	66,909,935	54.1

Related Party Transactions

M/s Guardian Limited, a member of group of companies of IPP Ltd which holds 5.6% of the Bank's shares fully repaid its Bank debt.

Mr. Joseph Kahungwa, a former director, had an overdraft facility with a limit of Tshs. 15 million and an outstanding balance of Tshs. 12.5 million as at the end of the year, compared to an outstanding of Tshs. 5.3 million in year 2005.

All transactions with shareholders, Directors, employees and their related parties were conducted on an arm's length basis and in accordance with the provisions of the Banking and Financial Institutions Act 2006 and regulatory authorities.

Employee Welfare

As at December 2006 the Bank had 997 employees out of whom 634 were males and 366 females. The annual growth in staffing was 17% when compared with the year 2005. This is in keeping with the overall growth of the Bank and its outlets. At management level, 23% were female. The Bank is an equal opportunity employer and gives disabled persons opportunities for those vacancies that they are able to fill.

Unlike previous years, the Bank focused on activities that generate more awareness on HIV/AIDS among staff members, with emphasis on preventive strategies and education against the pandemic.

Corporate Social Responsibility

The Bank continued to provide direct support to non-banking areas. The focus continued to be on education, youth and health activities. Supporting schools countrywide was the centre of activities in celebrating the Bank's 10th anniversary. Fifteen (15) primary and secondary schools countrywide benefited from this programme, with the University of Dar es Salaam receiving Tshs 100 million support to build a lecture theatre.

Staff participated in community activities through financial and material donations. On World AIDS Day staff donated food, clothing and money to Orphanage Centres.

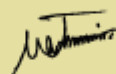
Auditors

The Annual General Meeting held on 24 June 2006 appointed Deloitte & Touche as auditors of the Bank for the year under review.

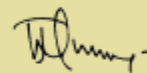
Acknowledgement

The Board wishes to thank the management and all employees who in the face of adversity have shown exemplary courage, dignity, solidarity and excellent performance during the year. The Board also wishes to express its appreciation to the customers, shareholders and Branch Advisory Board Members of the Bank for their fidelity, trust and support during the period without which these results would not have been achieved.

By Order of the Board



CHAIRMAN



DIRECTOR

DATE

DATE

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Directors' Statement on Corporate Governance for the Year Ended 31 December 2006

The Directors consider corporate governance as a key to good performance of the Bank. In view of this, the Directors continued to strengthen good governance system by reviewing policies in the areas of the Board and Board committees' activities and general management of the Bank. Board and committees guidelines were reviewed during the year as well as policies on risk management.

Board Structure

The Board comprises of 12 Directors out of whom 10 are non-executive. A non-executive chairman, who is elected by Directors every year, leads the Board. Of the 10 non-executive Directors, DANIDA Investment Fund appoints three Directors while the rest are elected at the Annual General Meeting.

Board and Board Committee Meetings

The Board holds a minimum of eight meetings per year. One of the meetings is devoted to the review and development of the Bank's business strategy. The committees meet at a minimum of four times a year.

Committees

As 31 December 2006 the Board had three committees. The three committees are the Audit Committee, the Governance and Risk Management committee and the Credit Committee. The Committee charters approved by the Board govern activities of all committees.

Audit Committee

Name	Position
Mr. Abed Mwasajone	Chairman (Aug-Dec)
Mr. Joseph Kahungwa	Chairman (Jan-June)
Dr. Sylvia Temu	Member
Mr. Ally Laay	Member
Mr. Joseph Machege	Member (Oct-Dec)
Mr. Kai Kristoffersen	Member

The committee held five meetings during the year. The external Auditor was invited and attended two of the meetings. The Managing Director, Deputy Managing Director, Director of Finance and the Director of Internal Audit participated in all meetings.

Governance and Risk Management Committee

Name	Position
Mr. Martin Mmari	Chairman
Ms. Joyce Luhanga	Member
Mr. Boniface Muhegi	Member
Mr. Kai Kristoffersen	Member
Dr. Sylvia Temu	Member

The committee met five times during the year. The Managing Director, the Deputy Managing Director and Risk Manager participated in the meetings.

Credit Committee

Name	Position
Mr. Martin Mmari	Chairman
Ms. Joyce Luhanga	Member
Mrs. Lydia Joachim	Member
Mr. Bede Lyimo	Member
Mr. Ally Laay	Member

The committee met eleven times during the year. The Managing Director, the Deputy Managing Director and the Director of Credit participated in the meetings.

Appointment of Directors

The Board reviews applications from candidates for board membership in conformity with the Banking and Financial Institution Act and the Bank's Articles of Association. The Bank's Articles of Association provide that Shareholders having 1% or more shares of the paid up share capital are entitled to jointly elect one board member for every 10% shares held. DANIDA Investment Fund appoints three directors. Shareholders having shares less than 1% of the paid up share capital through their branch proxy elect the remaining number of Board members.

Induction and Training

The Directors undergo an orientation program to expose them to the Bank documentation, activities and governance matters. Director development and training is tailored to meet individual requirements.

The Directors attended training during the year on assets and liabilities management and risk management. Directors were also exposed to new developments that had impact on their fiduciary obligations, which included legal matters, and Bank's operations.

Directors Performance Evaluation

The Board charter requires that the Directors evaluate group and individual performance each year. Each committee also conducts its evaluation yearly. Areas of weakness are noted and results are used for performance improvement in the coming year.

Shareholder Relations

The Bank issued two newsletters to the shareholders providing them information on the Bank's share trading performance, financial performance, frequently asked questions and products and services offered by the Bank.

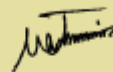
Branch shareholders meetings were held in April in all branches during which the Bank and branch performance was the major agenda. Issues raised in the meeting were presented at the Annual General Meeting for consideration and feedback. Branch Advisory Board meetings were held four times during the year. Issues or recommendations raised in the meetings were presented to the Board for consideration and feedback. Board resolution on the issues were sent back to the Branch Advisory Board for information.

Relationship with External Auditors

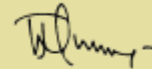
The Audit Committee and the Board held meetings with the External Auditors to discuss the terms of engagement of the Auditors and the results of the year 2006 audit.

The Annual General Meeting

The Annual General Meeting was held on 24 June 2006 in Arusha during which the standing agenda as provided in the Articles of Association was presented and transacted.



CHAIRMAN



DIRECTOR

DATE

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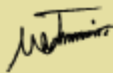
statement of directors' responsibilities

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

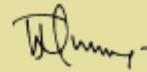
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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



CHAIRMAN



DIRECTOR

DATE

DATE



Report of the independent auditors

We have audited the financial statements of CRDB Bank Limited set out on pages 49 to 73 which comprise the balance sheet as at 31 December 2006, the income statement, statement of changes in equity and cash flow statement for the year then ended, together with the summary of significant accounting policies and other explanatory notes, and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of directors and auditors

The bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the provisions of the Tanzanian Companies Act 2002. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

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 as to whether the financial statements are free from material misstatement.

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

We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, proper books of account have been kept by the bank and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the bank at 31 December 2006 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Tanzanian Companies Act 2002.

Deloitte + Touche

Deloitte & Touche
Certified Public Accountants (T)

March 2007

Dar es Salaam

income statement

for the year ended 31 december 2006

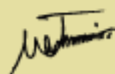
	Note	2006 TShs.'000	2005 TShs.'000
INTEREST INCOME	2	66,451,081	41,925,465
INTEREST EXPENSE	3	(13,839,479)	(8,194,223)
NET INTEREST INCOME		52,611,602	33,731,242
Fees and commission income	4	19,767,624	14,413,985
Other operating income	5	7,384,533	8,209,202
OPERATING INCOME		79,763,759	56,354,429
Operating expenses	6	(39,350,692)	(29,947,632)
Impairment losses on loans and advances	14(d)	(1,967,332)	(2,017,208)
PROFIT BEFORE TAX		38,445,735	24,389,589
TAXATION	8	(11,961,741)	(5,709,480)
PROFIT FOR THE YEAR		26,483,994	18,680,109

balance sheet

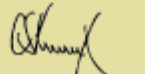
as at 31 december 2006

	Note	2006 TShs. '000	2005 TShs. '000
Cash and balances with Bank of Tanzania	9	99,797,599	89,910,346
Deposits and balances with other banks	10	175,485,322	184,918,122
Government securities	11	163,714,860	217,021,529
Other securities	12	8,381,405	11,353,462
Available for sale investments	13	528,188	-
Loans and advances	14	405,771,642	201,936,675
Other assets	15	31,914,186	27,644,710
Leased premises refurbishment	16	1,623,135	1,428,234
Intangible assets	17	1,021,291	1,125,676
Property and equipment	18	9,469,387	7,368,439
Non current assets held for sale	19	9,497	-
Deferred tax asset	27	586,426	1,904,969
TOTAL ASSETS		898,302,938	744,612,162
LIABILITIES			
Customer deposits	20	791,530,729	656,175,529
Deposits and balances due to other banks	21	6,318,250	9,171,617
Other liabilities	22	27,107,171	29,270,398
Taxation payable	23	339,253	1,843,129
Subordinated loan capital	24	2,016,000	2,016,000
Asset grants	25	477,242	676,840
DANIDA grant	26	1,108,582	681,933
		828,897,227	699,835,446
SHAREHOLDERS' FUNDS			
Share capital	28	12,366,660	12,366,660
Revenue reserve		56,525,684	32,810,164
Statutory reserve		513,367	(400,108)
TOTAL SHAREHOLDERS' FUNDS		69,405,711	44,776,716
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		898,302,938	744,612,162

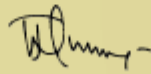
The financial statements on pages 49 to 73 were approved by the board of directors for issue on 15th March, 2007 and signed on its behalf by;



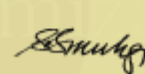
Chairman



Managing Director



Director



Director

statement of changes in equity for the year ended 31 december 2006

	Share capital Tshs '000	Revenue reserve Tshs '000	Statutory reserve Tshs '000	Proposed dividend Tshs '000	Total Tshs '000
At 1 January 2005					
- As previously stated	12,366,660	14,361,616	(631,667)	1,483,999	27,580,608
Prior year adjustment *	-	(631,667)	631,667	-	-
At 1 January 2005 - As restated	12,366,660	13,729,949	-	1,483,999	27,580,608
Net profit for the year	-	18,680,107	-	-	18,680,107
Dividend paid	-	-	-	(1,483,999)	(1,483,999)
At 31 December 2005	12,366,660	32,410,056	-	-	44,776,716
At 1 January 2006 - As previously stated	12,366,660	32,810,164	(400,108)	-	44,776,716
Prior year adjustment *	-	(400,108)	400,108	-	-
At 1 January 2006 - As restated	12,366,660	32,410,056	-	-	44,776,716
Net profit for the year	-	26,483,994	-	-	26,483,994
Statutory provision**	-	(513,367)	513,367	-	-
Payments of dividend	-	1,854,999	-	-	(1,854,999)
At 31 December 2006	12,366,660	56,525,684	513,367	-	69,405,711

* The prior year adjustment relates to the elimination of the negative statutory reserve. The adjustment only affects the components of equity and has no effect on the income statement.

**Statutory provision represents the surplus of loan provision computed as per the Bank of Tanzania regulations over the impairment of loans and advances as per International Financial Reporting Standards.

cash flow statement

for the year ended 31 december 2006

	Note	2006 Tshs '000	2005 Tshs '000
OPERATING ACTIVITIES			
Cash (used in)/generated from operations	30(a)	(5,440,025)	124,852,498
Taxation paid		<u>(12,147,074)</u>	<u>(6,756,125)</u>
Net cash (used in)/ generated from operating activities		<u>(17,587,099)</u>	<u>118,096,373</u>
INVESTING ACTIVITIES			
Purchase of quoted shares		(616,000)	-
Proceeds on disposal of quoted shares		105,966	1,500,000
Purchase of property and equipment		(4,373,834)	(5,060,033)
Proceeds on disposal of equipment		135,700	261,607
Dividends received		65,227	-
Refurbishment costs		<u>(1,235,499)</u>	<u>(1,030,872)</u>
Net cash used in investing activities		<u>(5,918,440)</u>	<u>(4,329,298)</u>
FINANCING ACTIVITIES			
Dividends paid		<u>(1,805,907)</u>	<u>(1,381,288)</u>
Net cash used in financing activities		<u>(1,805,907)</u>	<u>(1,381,288)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(25,311,446)	112,385,787
CASH AND CASH EQUIVALENTS AT 1 JANUARY		269,568,698	157,182,911
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	30(b)	<u>244,257,252</u>	<u>269,568,698</u>

notes to the financial statements for the year ended 31 december 2006

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). Principal accounting policies adopted which remain unchanged, are as set out below

Adoption of new and revised international financial reporting standards

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

- IFRS 7: Financial Instruments Disclosures
- IFRS 8: Operating Segments
- IFRIC7: Applying the Restatement Approach under IAS 29; Financial Reporting in Hyperinflationary Economies.
- IFRIC 8: Scope of IFRS 2
- IFRIC 9: Reassessment of Embedded Derivatives
- IFRIC 10: Interim Financial Reporting and Impairment
- IFRIC 11: IFRS 2 Group and Treasury Share Transactions
- IFRIC 12: Service Concession Arrangements

The adoption of these standards interpretations, when effective, will have no material impact on the financial statements of the Bank.

Basis of accounting

The Bank prepares its financial statements under the historical cost convention, modified to include the revaluation of certain financial instruments.

Revenue recognition

Interest income includes and is recognised on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Fees and commission income are recognised at the time of affecting the transactions.

Taxation

Income Tax expense represents the sum of the current tax payable and the deferred taxation.

Current taxation is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used to determine deferred tax.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized.

1. ACCOUNTING POLICIES (continued)

Originated loans and provision for loan impairments

Loans and advances are recognised when cash is advanced to borrowers. They are categorised as originated loans and carried at amortised cost.

Provisions for loan impairment are established if there is objective evidence that the bank will not be able to collect all amounts due according to the original contractual terms of the loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

When a loan is deemed uncollectible, it is written off against the related provision for impairment losses. Subsequent recoveries are credited to the provision for impairment losses in the profit and loss account. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for impairment losses in the profit and loss account.

Financial instruments

A financial asset or liability is recognised when the Bank becomes party to the contractual provisions of the instrument. The Bank classifies its financial assets into the following categories: Financial assets at fair value through profit or loss; loans, advances and receivables; held-to-maturity investments; and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: Financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading.

Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale. Government securities comprise treasury bills and treasury bonds, which are debt securities issued by the Government of Tanzania. Treasury bills and bonds are classified as held to maturity and are stated at amortised cost.

Available-for-sale financial assets

Financial assets that are not (a) financial assets at fair value through profit or loss, (b) loans, advances and receivables, or (c) financial assets held to maturity.

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans, advances and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of "financial assets at fair value through profit or loss" are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Bank's right to receive payment is established.

Fair values of quoted investments in active markets are based on quoted bid prices. Equity securities for which fair values cannot be measured reliably are measured at cost less impairment.

1. ACCOUNTING POLICIES (continued)

Impairment and uncollectability of financial assets

At each balance sheet date, all financial assets are subject to review for impairment.

If it is probable that the Bank will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment loss has occurred. The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate (recoverable amount). The carrying amount of the asset is reduced to its estimated recoverable amount. The amount of the loss incurred is included in income statement for the period.

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised directly in equity is removed from equity and recognised in the income statement for the period even though the financial asset has not been derecognised.

Financial liabilities

After initial recognition, the Bank measures all financial liabilities including customer deposits other than liabilities held for trading at amortised cost. Liabilities held for trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at their fair values.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses to be reviewed annually.

Depreciation is calculated on a straight line basis at annual rates estimated to write off the cost of property and equipment over their expected useful lives, on the following bases:

Bank buildings	20 yrs
Computer equipment (Including smart card equipment)	5 yrs
Motor vehicles	4 yrs
Office Equipment	5 yrs
Furniture and fittings	5 yrs

Intangible assets-computer software costs

Costs incurred on computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortization and accumulated impairment losses.

Amortization is calculated on a straight line basis over the estimated useful lives and useful life not exceeding a period of 5 years.

Impairment of tangible and intangible assets

At each balance sheet date, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash generating unit to which the asset belongs.

Statutory non-distributable reserve

IAS 39 requires the Bank to recognise an impairment loss when there is objective evidence that loans and advances are impaired. However, Bank of Tanzania prudential guidelines require the Bank to set aside amounts for impairment losses on loans and advances in addition to those losses that have been recognised under IAS 39. Any such amounts set aside represent appropriations of retained earnings and not expenses in determining profit or loss. These amounts are dealt with in the statutory reserve.

1. ACCOUNTING POLICIES (continued)

Foreign currency translation

Liabilities and assets denominated in foreign currencies are translated into Tanzanian shillings at the rates of exchange ruling on the balance sheet date. Transactions during the year in foreign currencies are translated at rates ruling at the dates of the transactions. The resulting exchange differences are dealt with in the income statement.

Retirement benefits

The Bank's contributions in respect of retirement benefit costs are charged to the income statement in the year to which they relate. The Bank makes contributions to National Social Security Fund and Parastatal Pension Fund, statutory defined contribution pension schemes. The Bank's obligations under the schemes are limited to specific contributions legislated from time to time.

Leasehold land

Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and amortized over the period of the lease.

Amortization of leased premises refurbished

Leased premises refurbishment represents costs incurred by the Bank in refurbishment of leased banking premises. The costs are amortized over a period of three years from the year the costs are incurred.

Grants

Grants related to assets are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned.

Grants towards improvement of Bank's processes are recognized as income over the periods necessary to match them with the related costs.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realized the asset and settle the liability simultaneously.

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash, short term liquid investments which are readily convertible into known amounts of cash and which are within three months maturity from the date of acquisition, balances with Bank of Tanzania (excluding the Statutory Minimum Reserve) and balances with other banks with maturity of less than three months, less advances from other banks repayable within three months from the date of the advance.

Provisions for liabilities and charges

Entitlements to annual leave are recognized when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued on the balance sheet date.

Contingent liabilities

Letters of credits, acceptances and guarantees are generally written by the Bank to support performance of the customer to third parties. The bank will only be required to meet these obligations in the event of the customer's default. These obligations are accounted for as off balance sheet transactions and disclosed as contingent liabilities.

Comparatives

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

Dividends

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Dividends declared after the balance sheet date is not recognized as liabilities at the balance sheet date.

Dividends receivable are recognised to income upon notification of declaration of the dividends of investee companies.

Significant Accounting Estimate and Judgements in Applying the Accounting Policies

Impairment losses on loan and advances

The Bank reviews its loan portfolios to assess impairment regularly. In determining whether an impairment loss should be recorded in the income statement, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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 investment 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.

Property, plant and equipment

Critical estimates are made by the Directors in determining the useful lives of property, plant and equipment as well as their residual values.

2. INTEREST INCOME

	2006	2005
	Tshs '000	Tshs '000
Term loans	18,102,351	9,510,678
Overdrafts	16,555,400	8,187,968
Nostro accounts (Placement)	601,540	3,746,091
Bank placements	7,736,937	1,027,650
Treasury bills	15,929,980	12,391,636
Private bonds	855,356	955,685
Treasury bonds	3,605,616	3,035,074
Government bonds	3,063,901	3,070,683
	<u>66,451,081</u>	<u>41,925,465</u>

3. INTEREST EXPENSE

	2006 Tshs '000	2005 Tshs '000
Demand deposits	473,073	1,016,299
Saving deposits	3,337,260	2,657,669
Fixed deposits	9,049,903	4,083,119
Commission on Nostro transactions	325,820	18,477
Loans and other facilities	653,423	418,659
	<u>13,839,479</u>	<u>8,194,223</u>

4. FEES AND COMMISSION INCOME

Commission income	8,233,992	5,895,289
Fees and other charges	11,533,632	8,518,696
	<u>19,767,624</u>	<u>14,413,985</u>

5. OTHER OPERATING INCOME

Exchange gain – trading	7,184,894	7,377,361
Exchange loss – revaluation	(551,991)	(191,058)
Rental income	72,285	42,817
FDCF grant income (note 25)	199,598	339,936
DANIDA grant income (note 26)	280,957	445,621
DANIDA capital assistance	-	28,451
Dividends receivable	65,227	-
Profit on disposal of property and equipment	133,563	166,074
	<u>7,384,533</u>	<u>8,209,202</u>

6. OPERATING EXPENSES

Staff costs (note 7)	18,547,047	13,951,031
Commission expense	122,613	491,708
Directors' fees	159,469	129,000
Audit fees	115,855	105,372
Depreciation and amortization of intangible assets	2,365,637	1,917,984
Amortization of leased premises refurbished	1,040,598	954,474
Other expenses	16,999,473	12,398,063
	<u>39,350,692</u>	<u>29,947,632</u>

7. STAFF COSTS

Salaries and allowances	11,572,105	8,765,316
Staff training	1,629,516	1,172,135
PPF and NSSF contribution	1,549,039	1,106,393
Post – employment benefits	635,336	491,309
Leave pay	134,331	113,742
Medical expenses	610,091	585,687
Others	2,416,629	1,716,449
	<u>18,547,047</u>	<u>13,951,031</u>

Total number of employees at 31 December 2006 was 997 (2005 – 851)

8. TAXATION

(a) Tax expense

	2006 Tshs '000	2005 Tshs '000
Current taxation:		
Based on the taxable profit for the year at 30%	10,643,198	7,859,843
Deferred taxation charge/(credit)	1,318,543	(2,150,363)
	<u>11,961,741</u>	<u>5,709,480</u>

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

Accounting profit before taxation	38,445,735	24,389,589
Tax at the applicable rate of 30%	11,533,721	7,316,876
Net tax effect of expenses not deductible for tax/(income taxed at lower rate)	428,020	(1,607,396)
	<u>11,961,741</u>	<u>5,709,480</u>

9. CASH AND BALANCES WITH BANK OF TANZANIA

Cash in hand	29,992,851	16,947,317
Balances with Bank of Tanzania:		
- Statutory Minimum Reserve	66,800,000	60,500,000
- Other balances	3,004,748	12,463,029
	<u>99,797,599</u>	<u>89,910,346</u>

The Bank is required to maintain minimum cash reserves of 10% of deposits with Bank of Tanzania (Statutory Minimum Reserve). Statutory Minimum Reserve is not available to finance the Bank's day to day operations and hence is excluded from cash and cash equivalent for the purpose of cash flow statement (note 30).

10. DEPOSITS AND BALANCES WITH OTHER BANKS

Placement with other banks- Foreign currency	2006	2005
Maturing:	Tshs '000	Tshs '000
Within 1 month	102,444,903	86,428,799
Within 1 to 3 months	41,574,085	56,237,581
Within 3 to 6 months	20,319,490	-
	<u>164,338,478</u>	<u>142,666,380</u>
Placement with Other Banks- Local Currency		
Maturing:		
Within 1 month	-	22,100,000
Within 1 to 3 months	1,840,000	257,479
Within 3 to 6 months	-	-
	<u>1,840,000</u>	<u>22,357,479</u>
Deposits with Local Banks	-	633
Deposits with Foreign Banks- Nostros	8,865,225	19,152,367
Interest Receivable	441,619	741,263
	<u>175,485,322</u>	<u>184,918,122</u>

Deposits and balances with other banks totaling Tshs 154,724,213,000 (2005 – Tshs 184,176,859,000) mature within three months and form part of cash and cash equivalents for the purpose of cash flow statement (Note 30).

11. GOVERNMENT SECURITIES

	2006	2005
	Tshs '000	Tshs '000
Treasury bills		
Maturing within:		
30 days *	48,195,190	40,425,200
90 days *	14,658,500	24,727,910
180 days	21,191,360	41,416,883
364 days	<u>9,024,200</u>	<u>38,198,000</u>
	93,069,250	144,767,993
Interest receivable	<u>5,384,932</u>	<u>6,627,373</u>
	<u>98,454,182</u>	<u>151,395,366</u>
Treasury bonds		
Maturing within:		
2 years	10,000,000	14,723,188
5 years	11,720,298	11,958,228
10 years	<u>13,933,293</u>	<u>10,071,969</u>
	35,653,591	36,753,385
Interest receivable	<u>927,077</u>	<u>953,656</u>
	<u>36,580,668</u>	<u>37,707,041</u>
Government bonds		
Maturing within:		
8 years	420,900	420,900
9 years	4,010,900	4,010,900
10 years	11,800,000	11,799,655
12 years	<u>11,688,952</u>	<u>11,683,845</u>
	27,920,752	27,915,300
Interest receivable	<u>759,258</u>	<u>3,822</u>
	<u>28,680,010</u>	<u>27,919,122</u>
	<u>163,714,860</u>	<u>217,021,529</u>

* Treasury bills worth Tshs 62,853,690,000 (2005 – Tshs 65,153,110,000) mature within three months and form part of cash and cash equivalent for the purpose of cash flow statement (note 30).

The effective interest rates at 31 December 2006 were: treasury bills - 12.41%; treasury bonds - 13.2%; and Government bonds - 11%.

12. OTHER SECURITIES

EADB bonds		
Maturing within 6 months	2,264,929	2,683,687
PTA bonds		
Maturing after 5 years	5,866,142	4,947,005
BIDCO bonds		
Maturing after 7 years	-	3,322,812
Interest receivable	250,334	399,958
	<u>8,381,405</u>	<u>11,353,462</u>

These bonds are stated at amortized cost. The weighted average effective interest rate on other securities at 31 December 2006 was 9.29% (2005 – 9.5%).

13. AVAILABLE FOR SALE INVESTMENTS

	2006 Tshs '000	2005 Tshs '000
Investment in shares quoted at Dar es Salaam Exchange	<u>528,188</u>	<u>-</u>

14. LOANS AND ADVANCES TO CUSTOMERS

(a) Loans and advances

Loans and advances to customers	393,614,392	195,884,799
Loans and advances to staff	7,171,683	4,467,411
Interest receivable	<u>8,346,410</u>	<u>4,299,190</u>
	<u>409,132,485</u>	<u>204,651,400</u>
Specific provision for bad and doubtful loans and advances (note 14(c))	(2,915,357)	(2,714,725)
Interest in suspense	<u>(445,486)</u>	<u>-</u>
	<u>(3,360,843)</u>	<u>(2,714,725)</u>
Net loans and advances	<u>405,771,642</u>	<u>201,936,675</u>

The effective interest rate on loans and advances to customers was 14.45 %

(b) Analysis of advances to customers by maturity

Maturing:		
Within one year	268,601,000	129,317,000
Between one year and three years	48,871,000	29,808,000
Over three years	88,299,642	42,811,675
	<u>405,771,642</u>	<u>201,936,675</u>

(c) Movement of provision for bad and doubtful debts

At the beginning of the year	2,714,725	1,541,289
Net increase	200,632	1,173,436
At the end of the year	<u>2,915,357</u>	<u>2,714,725</u>

(d) Bad and doubtful debts

Increase in provision on loans and advances (note 14(c))	200,632	1,173,436
Increase in impairment losses on other assets (note15)	408,308	81,668
Bad debts charged off	3,024,462	1,711,677
Recoveries	<u>(1,666,070)</u>	<u>(949,573)</u>
Charged to income statement	<u>1,967,332</u>	<u>2,017,208</u>

15. OTHER ASSETS

Cheques and items for clearance	27,251,559	24,984,145
Prepayments	1,224,774	942,262
Advance payment for capital items and software	3,417,933	647,903
Sundry debtors	1,361,504	670,622
Bills receivable	2,353,873	610,787
Less: Impairment losses on other assets	<u>(619,317)</u>	<u>(211,009)</u>
	<u>31,914,186</u>	<u>27,644,710</u>

16. LEASED PREMISES REFURBISHMENTS

	2006	2005
	Tshs '000	Tshs '000
Opening balance	1,428,234	1,351,836
Additions during the year	<u>1,235,499</u>	<u>1,030,872</u>
	2,663,733	2,382,708
Less: Amortization during the year	<u>(1,040,598)</u>	<u>(954,474)</u>
Closing balance	<u>1,623,135</u>	<u>1,428,234</u>

17. INTANGIBLE ASSETS - COMPUTER SOFTWARE

	Tshs '000
Cost	
At 1 January 2005	844,052
Additions	<u>908,453</u>
At 1 January 2006	1,752,505
Additions	<u>275,862</u>
At 31 December 2006	<u>2,028,367</u>
Amortization	
At 1 January 2005	335,242
Charge for the year	<u>291,587</u>
At 1 January 2006	626,829
Charge for the year	<u>380,247</u>
At 31 December 2006	<u>1,007,076</u>
Net book value	
At 31 December 2006	<u>1,021,291</u>
At 31 December 2005	<u>1,125,676</u>

18. PROPERTY AND EQUIPMENT

	Buildings Tshs '000	Motor vehicles Tshs '000	Office equipment Tshs '000	Computer equipment Tshs '000	Smart card equipment Tshs '000	Security equipment Tshs '000	Work in progress Tshs '000	Total Tshs '000
Cost								
At 1 January 2005	2,786,308	1,497,345	3,670,333	3,239,269	1,429,083	-	-	12,622,338
Additions	437,460	242,223	950,817	1,436,554	834,574	249,952	-	4,151,580
Reclassification	-	-	921,938	(901,578)	(20,361)	-	-	-
Disposals	(220,169)	(12,886)	(26,973)	-	-	-	-	(260,029)
At 1 January 2006	3,003,599	1,726,682	5,516,115	3,774,245	2,243,296	249,952	-	16,513,889
Additions	276,127	361,266	1,788,372	509,496	785,889	123,035	253,787	4,097,972
Disposals	-	(184,382)	(40,096)	-	-	-	-	(224,478)
Transfer to non current assets held for sale	-	(1,022,637)	(2,558,565)	(2,037,385)	-	-	-	(5,618,587)
At 31 December 2006	3,279,726	880,929	4,705,826	2,246,356	3,029,185	372,987	253,787	14,768,796
Depreciation								
At 1 January 2005	875,494	1,307,338	2,099,079	2,936,487	465,152	-	-	7,683,550
Charge for the year	141,114	159,629	633,614	271,677	383,496	36,867	-	1,626,397
On disposal	(124,734)	(12,886)	(26,877)	-	-	-	-	(164,497)
Reclassification	-	-	873,507	(866,391)	(7,116)	-	-	-
At 1 January 2006	891,874	1,454,081	3,579,323	2,341,773	841,532	36,867	-	9,145,450
Charge for the year	159,139	175,074	861,960	430,522	299,970	58,725	-	1,985,390
On disposal	-	(184,382)	(37,959)	-	-	-	-	(222,341)
Transfer to non current assets held for sale	-	(1,016,451)	(2,556,026)	(2,036,613)	-	-	-	(5,609,090)
At 31 December 2006	1,051,013	428,322	1,847,298	735,682	1,141,502	95,592	-	5,299,409
Net book value								
At 31 December 2006	2,228,713	452,607	2,858,528	1,510,674	1,887,683	277,395	253,787	9,469,387
At 31 December 2005	2,111,725	272,601	1,936,792	1,432,472	1,401,764	213,085	-	7,368,439

19. NON CURRENT ASSETS HELD FOR SALE

	Motor vehicles Tshs '000	Office equipment Tshs '000	Computer equipment Tshs '000	Total Tshs '000
Cost	1,022,637	2,558,565	2,037,385	5,618,587
Accumulated depreciation	(1,016,451)	(2,556,026)	(2,036,613)	(5,609,090)
Net book value	6,186	2,539	772	9,497

20. CUSTOMER DEPOSITS

	2006 Tshs '000	2005 Tshs '000
Current and demand accounts	329,787,357	285,534,884
Saving accounts	256,904,401	197,354,280
Time deposits	200,644,879	170,749,362
Interest payable on deposits	4,194,092	2,537,003
	791,530,729	656,175,529
<i>Analysis of customer deposits by maturity:</i>		
Payable within 90 days	766,837,389	647,441,529
Payable after 90 days and within one year	24,247,137	6,197,000
Payable after one year	446,203	-
	791,530,729	656,175,529

The effective interest rate for customer deposits was 1.67%.

21. DEPOSITS AND BALANCES DUE TO OTHER BANKS

	2006	2005
	Tshs '000	Tshs '000
Deposits from local banks	-	8,013,367
Loans from other banks	6,318,250	1,158,250
	<u>6,318,250</u>	<u>9,171,617</u>

22. OTHER LIABILITIES

Bills payable *	21,924,007	25,430,329
Sundry creditors	2,206,736	1,291,717
Dividend payable **	371,323	322,231
Accrued expenses	2,352,963	1,777,841
Other liabilities	252,142	448,280
	<u>27,107,171</u>	<u>29,270,398</u>

* Bills payable represents bankers cheques issued to customers that have not yet been presented for payment.

**Dividend payable represents uncollected dividends for the years 1996, 1998, 2000, 2001, 2002, 2003, 2004 and 2005.

23. TAXATION PAYABLE

	2006	2005
	Tshs '000	Tshs '000
Opening balance	1,843,129	739,411
Payments during the year	(12,147,074)	(6,756,125)
Tax expense (note 8)	10,643,198	7,859,843
	<u>339,253</u>	<u>1,843,129</u>

24. SUBORDINATED DEBT

	2006	2005
	Tshs '000	Tshs '000
Opening balance	2,016,000	1,920,000
Interest paid during the year	(96,000)	-
Interest payable	96,000	96,000
	<u>2,016,000</u>	<u>2,016,000</u>

The subordinated debt from Danida Investment Fund (DIF) of Tshs 1,920,000,000 maturity date is seven years from 30 December 2005, when the debt shall fall due. Interest is payable yearly at a rate of 5% p.a.

25. ASSETS GRANT

	2006	2005
	Tshs '000	Tshs '000
At 1 January 2006	676,840	623,185
Grant received during the year	-	393,591
Credited to income statement	(199,598)	(339,936)
	<u>477,242</u>	<u>676,840</u>

The Bank entered into contract with Enterplan Limited UK, whereby Enterplan agreed to pay a grant not exceeding Sterling Pound (GBP) 998,850 over three years in support of the Smart Card project under the Financial Deepening Fund (FDCF). The contract expired on 31 March 2005.

26. DANIDA GRANT

	2006	2005
	Tshs '000	Tshs '000
At 1 January	681,933	806,878
Grant received during the year	707,606	320,676
Credited to income statement	(280,957)	(445,621)
	<u>1,108,582</u>	<u>681,933</u>

During the year, the Bank received Tshs 707,605,794 for support of Business Sector Program Support II (BSPS II). The program involves strengthening the Bank in performance and business processes. The program also supports Microfinance and SME program of the Bank.

27. DEFERRED TAXATION

	2006 Tshs '000	2005 Tshs '000
The net deferred tax asset/ (liability), computed at the enacted rate of 30%, is attributable to the following items:		
Accelerated capital allowance	(821,051)	1,544,167
Other movements	1,407,477	360,802
	<u>586,426</u>	<u>1,904,969</u>
<i>Movement in deferred tax liability is as follows:</i>		
Balance at 1 January	1,904,969	(245,394)
Income statement (charge)/ credit	(1,318,543)	2,150,363
Balance at 31 December	<u>586,426</u>	<u>1,904,969</u>

28. SHARE CAPITAL

Authorized 200,000,000 ordinary Shares of Tshs 100 each	<u>20,000,000</u>	<u>20,000,000</u>
Issued and fully paid 123,666,600 ordinary shares of Tshs 100 each	<u>12,366,660</u>	<u>12,366,660</u>

29. REGULATORY CAPITAL

The Bank complied with minimum capital requirement as per sec 16 and 17 of the Banking and Financial Institution Act (2006) and the Bank of Tanzania capital adequacy regulations 2001.

The Bank's capital is computed in accordance with these regulations, as follows:

	2006 Tshs '000	2005 Tshs '000
Share capital	12,366,660	12,366,660
Revenue reserve	<u>56,525,684</u>	<u>32,410,056</u>
	68,892,344	44,776,716
Less: Prepaid expense	<u>(1,244,744)</u>	<u>(942,260)</u>
Core capital (Tier 1)	67,647,600	43,834,456
Add: Supplementary capital (Tier 2)		
Subordinated debt	1,920,000	1,920,000
	<u>69,567,600</u>	<u>45,754,456</u>

30. CASH GENERATED FROM OPERATIONS

(a) Reconciliation of profit before taxation to net cash used in operations

	2006 Tshs '000	2005 Tshs '000
Profit before taxation	38,445,735	24,389,587
Adjustment for:		
Depreciation	1,985,390	1,626,400
Amortization of intangible assets	380,247	291,587
Amortization of leased premises refurbishment	1,040,598	954,474
Profit on disposal of property and equipments	(133,563)	(166,074)
Profit on Sale of Listed shares	(4,782)	(100,000)
Fair value gain on quoted shares	(13,372)	-
Dividend received	(65,227)	-
	<u>41,635,026</u>	<u>26,995,974</u>
Movement in working capital:		
Increase in statutory minimum reserve	(6,300,000)	(24,000,000)
(Increase)/ decrease in balances with other banks	(20,319,490)	1,845,486
Decrease/ (increase) in treasury bills	50,641,764	(19,161,624)
Decrease/(increase) in treasury bonds and other securities	3,337,542	(19,016,702)
Increase in loans and advances to customers	(203,834,967)	(76,134,506)
Increase in other assets	(3,969,832)	(12,870,151)
Increase in customer deposits	135,355,200	230,049,180
(Decrease) / increase in other liabilities	(2,212,319)	17,244,583
(Decrease) / increase in FDCF grant	(199,598)	25,203
Increase / (decrease) in DANIDA grant	426,649	(124,945)
	<u>(5,440,025)</u>	<u>124,852,498</u>

(b) Analysis of balances of cash and cash equivalents

	2006 Tshs '000	2005 Tshs '000
Cash in hand	29,992,851	16,947,317
Balances with Bank of Tanzania	3,004,748	12,463,029
Balance with other banks	154,724,213	184,176,859
Treasury bills	62,853,690	65,153,110
Deposits and balances due to other banks	(6,318,250)	(9,171,617)
	<u>244,257,252</u>	<u>269,568,698</u>

31. DIVIDENDS

In respect of the current year, the Directors propose that a total dividend of Tshs 2,102,332,200. (2005 - Tshs 1,854,990,000) will be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and, in line with the provisions of International Accounting Standard No 10, has not been included as a liability in these financial statements.

32. CONTINGENT LIABILITIES

	2006 Tshs '000	2005 Tshs '000
Guarantees and indemnities	10,395,669	5,912,017
Letters of credit	185,307,378	22,230,194
Travellers cheques	352,040	330,242
Outward foreign bills for collection (OFBC)	425,179	-
	<u>196,480,266</u>	<u>28,472,453</u>

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

Guarantees and indemnities are generally written by the Bank to support performance by a customer to third parties. The Bank will only be required to meet these obligations in the event of the customer's default.

Litigation

The Bank is, in the normal course of business, involved in a number of court cases. The Bank has taken appropriate legal steps to defend against the claims on court cases. The Bank has provided for the liabilities arising out of contractual obligations. No other provisions are made awaiting the court ruling, as in the opinion of the Directors the potential liability is neither probable nor quantifiable at the date of these financial statements.

33. COMMITMENTS

	2006 Tshs '000	2005 Tshs '000
Commitments to extend credit	<u>40,994,000</u>	<u>43,050,000</u>
Capital Commitments		
Authorized and contracted for	2,356,309	1,253,246
Authorized not yet contracted for	430,000	-
	<u>2,786,309</u>	<u>1,253,246</u>

Capital commitments authorized and contracted are in respect of costs for refurbishment of Singida, Kahama, Vijana, Mlimani City, Waterfront, Kilombero and Mkwawa University, Purchase of Generators, Point of Sale and Automated Teller Machines, and acquisition of Biashara Consumers Services space at Azikiwe Branch. Capital commitments authorized but not yet contracted for relates to acquisition/construction of a Disaster Recovery Site and Internal audit software.

34. CONCENTRATION OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS

Details of significant concentrations of the banks assets, liabilities and off balance sheet items by economic sector are as detailed below:

(a) Advances to customers (Gross)	2006	%	2005	%
	Tshs '000		Tshs '000	
Public sector	9,932,181	3	8,375,804	4
Agriculture fishing, forestry & hunting	98,904,443	24	45,008,490	22
Finance, insurance & business service	27,140,964	7	21,353,884	10
Mining & quarrying	3,533,959	-	64,250	-
Manufacturing	61,486,381	15	38,682,829	19
Real estate & construction	25,579,739	6	19,484,997	10
Transport & communication	25,488,871	6	12,613,168	6
Trade & commerce	49,135,009	13	24,361,839	12
Tourism, hotels & restaurants	11,494,736	3	6,485,997	3
Electricity, gas and water	62,719,916	15	10,840,817	5
Personal	30,218,040	7	15,936,590	8
Other	3,498,246	1	1,442,735	1
	<u>409,132,485</u>	<u>100</u>	<u>204,651,400</u>	<u>100</u>

(b) Off balance sheet items (Letter of credit, guarantees, travelers cheques, and OFBC)

	2006 Tshs '000	%	2005 Tshs '000	%
Agriculture fishing, forestry & hunting	1,073,132	1	5,550	-
Electricity, gas and water	159,937,806	81	285,709	1
Finance, insurance & business service	5,888,115	3	1,581,153	6
Real estate & construction	9,879,623	5	9,858,800	34
Trade & commerce	19,701,590	10	16,741,241	59
	<u>196,480,266</u>	<u>100</u>	<u>28,472,453</u>	<u>100</u>

35. RELATED PARTY TRANSACTIONS

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

Advances to customers at 31 December 2006 include advances and loans to companies associated with Directors.

M/s Guardian Limited, a member of Bank of companies of IPP Ltd which holds 5.6% of the Bank's shares fully repaid its Bank debt.

Mr. Joseph Kahungwa, a former director, had an overdraft facility with a limit of Tshs 15 million and an outstanding balance of Tshs 12.4 million as at the end of the year, compared to an outstanding of Tshs 5.3 million in year 2005.

The volumes of related party transactions for the year and the outstanding amounts at the year end are as follows:

	<i>Common directorship</i>		<i>Companies associated with directors</i>		<i>Key management personnel</i>	
	2006 Tsh s '000	2005 Tsh s '000	2006 Tsh s '000	2005 Tsh s '000	2006 Tshs'000	2005 Tshs '000
Loans and advances:						
At 1 January	5,280	11,400	1,526,000	397,000	681,000	190,000
Advances during the year and interest charged	21,018	699	320,833	1,485,200	41,169	780,000
Repayment during the year	(13,826)	(6,819)	(1,842,433)	(356,200)	(107,625)	(289,000)
At 31 December	<u>12,472</u>	<u>5,280</u>	<u>4,400</u>	<u>1,526,000</u>	<u>614,544</u>	<u>681,000</u>

Related party transactions were at arm's length and in the normal course of business, and on terms and conditions similar to those applicable to other customers with exception of loans and advances to key management personnel who benefited from preferential rates as applicable to staff.

Compensation of Key Management Personnel

Key management personnel comprise of Board of Directors, Managing Director and head of units who are reporting directly to the Managing Director.

Compensations of key management are as follows:-

	2006	2005
	Tshs '000	Tshs '000
Short term employee benefits	1,120,270	836,738
Post employment benefits	<u>188,779</u>	<u>136,811</u>
	<u><u>1,309,049</u></u>	<u><u>973,549</u></u>

Directors' fees were Tshs.159,468,750 (2005- Tshs 129,000,000).

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37. LIQUIDITY RISKS

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. Liquidity is managed on a daily basis and incorporates assets and liabilities of the Bank based on the remaining period up to 31 December 2006 to the contractual maturity date. The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2006 to the contractual maturity date.

	Up to 1 month Tshs'000	1 - 3 months Tshs'000	4 - 6 Months Tshs'000	7 - 12 months Tshs'000	1 - 3 years Tshs'000	4-5 years Tshs'000	Over 5 years Tshs'000	Total Tshs'000
ASSETS								
Cash and balances with Bank of Tanzania	99,797,599	-	-	-	-	-	-	99,797,599
Deposits and balances with other banks	111,751,747	43,414,085	20,319,490	-	-	-	-	175,485,322
Government securities	48,195,190	14,658,500	28,262,626	9,024,200	10,000,000	11,722,792	41,851,552	163,714,860
Other securities	-	-	-	-	-	8,381,405	-	8,381,405
Available for sale investments	-	-	-	528,188	-	-	-	528,188
Loans, advances and overdraft	-	-	-	268,601,000	48,979,327	88,191,315	-	405,771,642
Other assets	31,914,186	-	-	-	-	-	-	31,914,186
Leased premises refurbishment	-	-	-	-	1,623,135	-	-	1,623,135
Property and intangible	-	-	-	-	-	-	10,490,678	10,490,678
Non current assets held for sale	-	-	-	9,497	-	-	-	9,497
Deferred tax asset	-	-	-	-	-	-	586,426	586,426
Total assets	291,658,722	58,072,585	48,582,116	278,162,885	60,602,462	108,295,512	52,928,656	898,302,938
LIABILITIES AND SHAREHOLDERS' FUNDS								
Customer deposits	256,904,401	509,932,988	24,247,137	-	446,203	-	-	791,530,729
Deposit and balances due to other banks	6,318,250	-	-	-	-	-	-	6,318,250
Other liabilities	-	-	-	27,107,171	-	-	-	27,107,171
Taxation payable	-	-	339,253	-	-	-	-	339,253
Subordinated loan capital	-	-	-	-	-	-	2,016,000	2,016,000
DANIDA grant	-	-	-	-	1,108,582	-	-	1,108,582
Assets grant	-	-	-	-	-	477,242	-	477,242
Shareholders' funds	-	-	-	-	-	-	69,405,711	69,405,711
Total liabilities and shareholders' funds	263,222,651	509,932,988	24,586,390	27,107,171	1,554,785	477,242	71,421,711	898,302,938
Net liquidity gap	28,436,071	(451,860,403)	23,995,726	251,055,714	59,047,677	107,818,270	(18,493,055)	-
At 31 December 2005								
Total assets	290,702,508	81,222,970	48,044,259	167,587,206	42,684,917	66,650,708	47,719,594	744,612,162
Total liabilities and shareholders' funds	363,014,628	294,070,246	8,040,129	31,431,670	681,933	676,840	46,696,716	744,612,162
Net liquidity gap	(72,312,120)	(212,847,276)	40,004,130	136,155,536	42,002,984	65,973,868	1,022,878	-

38. INTEREST RATE RISK

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarizes the exposure to interest rate risk. Included in the table are the Bank's assets and liabilities at carrying amounts, categorized by the earlier of either contractual reprising or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

	Up to 1 Month Tshs'000	1 - 3 Months Tshs'000	4 - 6 Months Tshs'000	7 - 12 Months Tshs'000	1 - 3 Years Tshs'000	Over 3 years Tshs'000	Non-interest Bearing Tshs'000	Total Tshs'000
ASSETS								
Cash and balances with Bank of Tanzania	-	-	-	-	-	-	99,797,599	99,797,599
Deposits and balances with other banks	111,751,747	43,414,085	20,319,490	-	-	-	-	175,485,322
Government securities	48,195,190	14,658,500	28,262,626	9,024,200	10,000,000	53,574,344	-	163,714,860
Other securities	-	-	-	-	-	8,381,405	-	8,381,405
Available for sale investments	-	-	-	-	-	-	528,188	528,188
Loans and advances	-	-	-	268,601,000	48,871,000	88,299,642	-	405,771,642
Other assets	-	-	-	-	-	-	31,914,186	31,914,186
Leased premises refurbishment	-	-	-	-	-	-	1,623,135	1,623,135
Property and intangible assets	-	-	-	-	-	-	10,490,678	10,490,678
Non current assets held for sale	-	-	-	-	-	-	9,497	9,497
Deferred tax asset	-	-	-	-	-	-	586,426	586,426
Total assets	159,946,937	58,072,585	48,582,116	277,625,200	58,871,000	150,255,391	144,949,709	898,302,938
LIABILITIES AND SHAREHOLDERS' FUNDS								
Customer deposits	256,904,401	509,932,988	24,247,137	-	446,203	-	-	791,530,729
Deposit and balances due to other banks	-	-	-	-	-	6,318,250	-	6,318,250
Other liabilities	-	-	-	27,107,171	-	-	-	27,107,171
Taxation payable	-	-	-	-	-	-	339,253	339,253
Subordinated loan capital	-	-	-	-	-	2,016,000	-	2,016,000
DANIDA grant	-	-	-	-	-	-	1,108,582	1,108,582
FDCF capital grant	-	-	-	-	-	-	477,242	477,242
Shareholders' funds	-	-	-	-	-	-	69,405,711	69,405,711
Total liabilities and shareholders' funds	256,904,401	509,932,988	24,247,137	27,107,171	446,203	8,334,250	71,330,788	898,302,938
Interest rate sensitivity gap	(96,957,464)	(451,860,403)	24,334,979	250,518,029	58,424,797	141,921,141	73,618,921	-
At 31 December 2005								
Total assets	146,777,026	81,222,970	48,044,256	167,587,206	39,351,713	105,876,190	155,752,801	744,612,162
Total liabilities and shareholders' funds	353,371,280	294,070,246	6,197,000	-	-	1,920,000	89,053,636	744,612,162
Interest rate sensitivity gap	(206,594,254)	(212,847,276)	41,847,256	167,587,206	39,351,713	103,956,190	66,699,165	-

39. CURRENCY RISK

The Bank operates wholly within Tanzania and its assets and liabilities are reported in the local currency. The Bank's currency risk is managed within the Bank of Tanzania exposure guideline of 20% core capital. The Bank's management monitors foreign currency exposure on a daily basis. The Bank's currency position as at 31 December 2006 was as follows

	TSHS Tshs'000	USD Tshs'000	GBP Tshs'000	EURO Tshs'000	OTHERS Tshs'000	TOTAL Tshs'000
ASSETS						
Cash and balances with Bank of Tanzania	88,316,882	8,518,441	676,224	2,286,052	-	99,797,599
Deposits and balances with other banks	1,840,000	150,359,830	2,488,040	13,102,355	7,695,097	175,485,322
Government securities	163,714,860	-	-	-	-	163,714,860
Other securities	8,381,405	-	-	-	-	8,381,405
Available for sale investments	528,188	-	-	-	-	528,188
Loans, advances and overdraft	349,149,564	56,049,043	50,115	522,920	-	405,771,642
Other assets	26,101,719	3,233,216	430,388	2,129,361	19,502	31,914,186
Leased premises refurbishment	1,623,135	-	-	-	-	1,623,135
Property and intangible assets	10,490,678	-	-	-	-	10,490,678
Non current Assets held for sale	9,497	-	-	-	-	9,497
Deferred tax	586,426	-	-	-	-	586,426
Total assets	650,742,354	218,160,530	3,644,767	18,040,688	7,714,599	898,302,938
LIABILITIES AND SHAREHOLDERS' FUNDS						
Customer deposits	560,394,563	201,361,857	3,824,127	17,681,430	8,268,752	791,530,729
Deposits and balance due to other banks	-	6,318,250	-	-	-	6,318,250
Other liabilities	19,223,580	7,835,105	17,896	13,293	17,297	27,107,171
Taxation payable	339,253	-	-	-	-	339,253
Subordinated loan capital	2,016,000	-	-	-	-	2,016,000
DANIDA grant	-	-	-	-	1,108,582	1,108,582
Assets grant	211,483	-	265,759	-	-	477,242
Shareholders' funds	69,405,711	-	-	-	-	69,405,711
Total liabilities and shareholders' funds	651,590,590	215,515,212	4,107,782	17,694,723	9,394,631	898,302,938
Net balance sheet position	(848,236)	2,645,318	(463,015)	345,965	(1,680,032)	-
At 31 December 2005						
Total assets	556,164,921	169,414,400	1,983,321	11,078,845	5,970,675	744,612,162
Total liabilities and shareholders' funds	559,584,986	163,943,777	1,926,776	11,944,109	7,212,514	744,612,162
Net balance sheet position	(3,420,065)	5,470,623	56,545	(865,264)	(1,241,839)	-

40. RISK MANAGEMENT POLICIES

The financial risk management objectives and policies are as outlined below:

Credit Risk

The Bank's credit risk is primarily attributable to its loans and advances. The amounts presented in the balance sheet are net of allowances for doubtful advances, estimated by the Bank's management based on prior experience and their assessment of the current economic environment.

The Bank structures the level of credit risk it undertakes by placing limits on amounts of risk accepted in relation to one borrower or a group of borrowers. Such risks are monitored on a revolving basis and are subject to annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate guarantees.

The Bank has no significant concentration of credit risk, with exposure spread over a diversity of personal and commercial customers as set out in note 34.

Interest Rate Risk

The Bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rate. Interest rates on advances to customers including corporate bonds are either pegged to the Bank's base lending rate or treasury bill rate. The interest rates, therefore, fluctuate depending on the movement in the market interest rates. The Bank invests in fixed interest rate instruments issued by the Government of Tanzania.

The Bank has the discretion to change the rates on deposits, loans and advances in line with changes in market trends. These measures minimize the Bank's exposure to interest rate risk.

Liquidity Risk

The Bank is exposed to the risk that the Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is addressed through the following measures:

- The Bank enters into lending contracts subject to availability of funds;
- The Bank has an aggressive strategy aimed at increasing the customer deposit base;
- The Bank borrows from the market through inter Bank transactions with other banks, pension funds and insurance companies for short term liquidity requirements;
- The Bank invests in short term liquid instruments which can easily be sold in the market when the need arises;
- Investments in property and equipment are properly budgeted for and done when the Bank has sufficient cash flows.

Currency Risk

The Bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank participates in the foreign currency market as a market maker and a market user. Foreign transactions and limits are reviewed and approved by the Board. The Board through the assets and liability committee of the management ensures that any assets and liabilities in foreign currency are managed appropriately.

Operational Risk

The Bank is exposed to operational risk which is associated with human errors, system failures and inadequate procedures and controls. The Bank ensures that there is an effective integrated operational risk management framework that incorporates a clearly defined organizational structure, with defined roles and responsibilities for all aspects of operational risk management and appropriate tools that support the identification, assessment, control and reporting of key risks

41. ASSETS PLEDGED AS SECURITY

As at 31 December 2006, there were no assets pledged by the Bank to secure liabilities and there were no secured Bank liabilities.

42. FAIR VALUE

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

43. COMPARATIVE INFORMATION

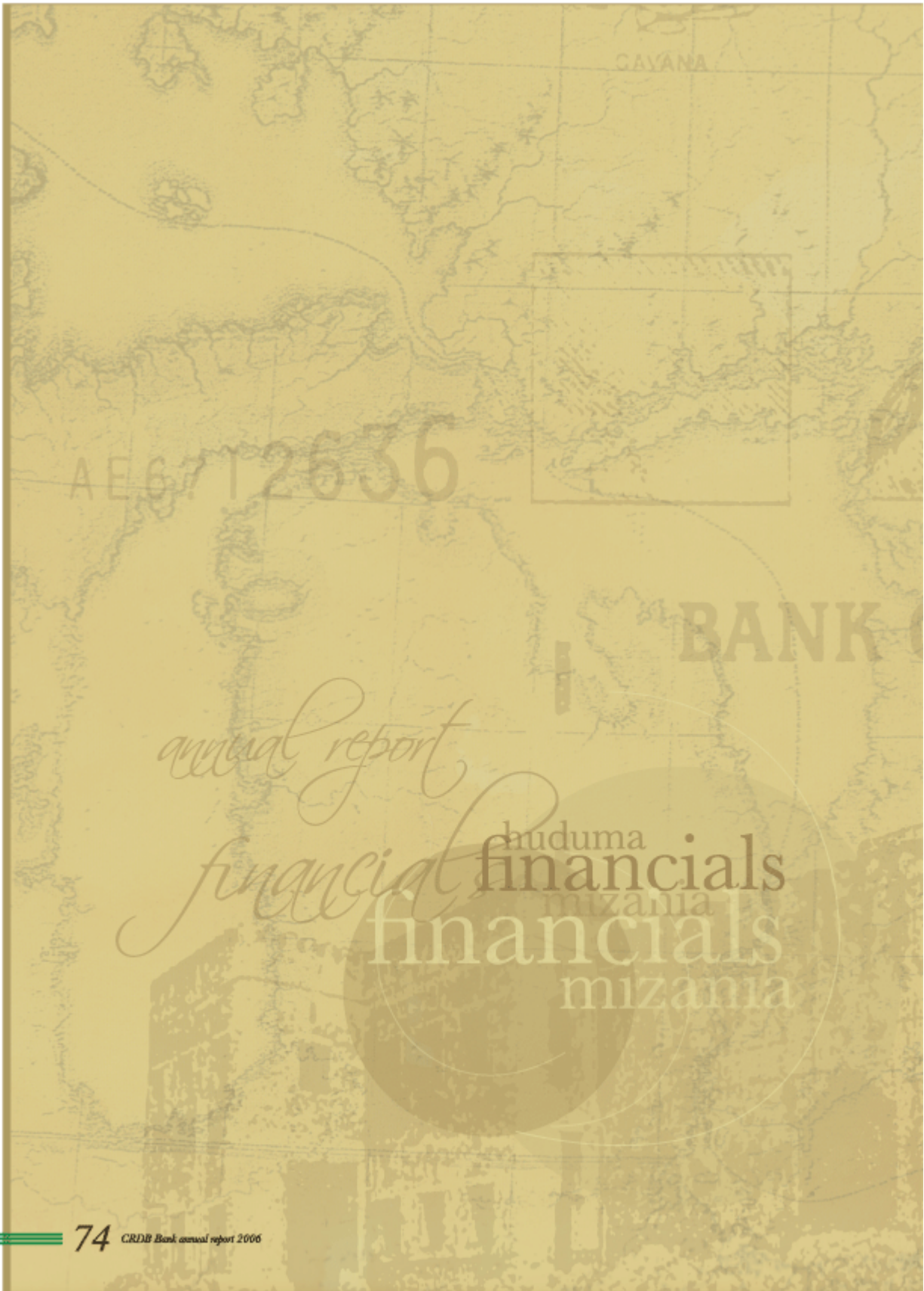
Comparative information, including comparative amounts, has been reclassified where appropriate, to conform with current year presentation.

44. COUNTRY OF INCORPORATION

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

45. CURRENCY

These financial statements are presented in thousands of Tanzania Shillings (Tshs'000).



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Bugando Branch

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Tel: 0282500050
Fax: 028 2500105

Bukoba Branch

Box 1804 Bukoba
Tel: 028 2220081 / 2220480
Fax: 028 2220909

Dodoma Branch

Box 401 Dodoma
Tel: 026 2322840 / 2322842
Fax: 026 2322841

Hai Branch

Box 96 Moshi
Tel: 027 2756190
Fax: 027 2756190

Holland House Branch

Box 71960 Dar es Salaam
Tel: 022 2123297 / 2110690
Fax: 022 2110691

Iringa Branch

Box 168 Iringa
Tel: 026 2702862 / 2702795
Fax: 026 2702861

Kahama Branch

Box 609 Kahama
Tel: 028 2710049
Fax: 028 2710086

Karagwe Branch

Box 1804 Karagwe
Tel: 028 2222158
Fax: 028 2223327

Kigoma Branch

Box 575 Kigoma
Tel: 028 2802249 / 2804730
Fax: 028 2804356

Kijitonyama Branch

Box 34654 Dar es Salaam
Tel: 022 2771987 / 2771989
Fax: 022 2772074

Lindi Branch

Box 266 Lindi
Tel: 023 2202385 / 2202254
Fax: 023 2202385

Lumumba Branch

Box 2318 Dar es Salaam
Tel: 022 2180079-81
Fax: 022 2182334

Mandela Branch

Box 150 Morogoro
Tel: 023 2600505
Fax: 023 2600504

Mapato Branch

Box 3132 Arusha
Tel: 027 2544007
Fax: 027 2548315

Mbeya Branch

Box 315 Mbeya
Tel: 025 2504367 / 2504389
Fax: 025 2504315

Meru Branch

Box 3150 Arusha
Tel: 027 2544313
Fax: 027 2544315

Mlimani City Branch

Box 35407 Dar es Salaam
Tel: 022 2775180/2700878
Fax: 022 2775117

Morogoro Branch

Box 352 Morogoro
Tel: 023 2603676 / 2600025
Fax: 023 2604409

Moshi Branch

Box 1302 Moshi
Tel: 027 2750671 / 2753822
Fax: 027 2751005

Mtwara Branch

Box 182 Mtwara
Tel: 023 2333572 / 2333466
Fax: 023 2333572

Musoma Branch

Box 386 Musoma
Tel: 028 2622484 / 2622192
Fax: 028 2622891

Mwanza Branch

Box 1330 Mwanza
Tel: 028 2500053 / 2500224
Fax: 028 2500040

Mzumbe Branch

Box 49 Mzumbe
Tel: 023 2600568
Fax: 023 2600568

Nyerere Branch

Box 1853 Mwanza
Tel: 028 2500848
Fax: 028 2800849

Pugu Road Branch

Box 40292 Dar es Salaam
Tel: 022 2860873-4
Fax: 022 2860875

Shinyanga Branch

Box 397 Shinyanga
Tel: 028 2763421 / 2763153
Fax: 028 2762297

Singida Branch

Box 135 Singida
Tel: 026 2502435 / 2502619
Fax: 026 2502357

Songea Branch

Box 121 Songea
Tel: 025 2602962-3
Fax: 025 2602961

SUA Branch

Box 352 Morogoro
Tel: 023 2601154

Sumbawanga Branch

Box 367 Sumbawanga
Tel: 025 2802165 / 2802266
Fax: 025 2802342

Tabora Branch

Box 889 Tabora
Tel: 026 2604451 / 2604035
Fax: 026 2604451

Tanga Branch

Box 1180 Tanga
Tel: 027 2644353 / 2646904
Fax: 027 2644270

Tower Branch

Box 2302 Dar es Salaam
Tel: 022 2126762-4-6 / 2133989
Fax: 022 2129604

TPC Branch

Box 1302 Moshi
Fax: 027 2751005

TRA Samora Branch

Box 2302 Dar es Salaam
Tel: 022 2120905
Fax: 022 2129604

UDSM Branch

Box 110138 Dar es Salaam
Tel: 022 2410575
Fax: 022 2410576

Vijana Branch

Box 10876 Dar es Salaam
Tel: 022-2184566-53 / 2184634
Fax: 022 2181687

Water Front Branch

Box 71936 Dar es Salaam
Tel: 022 2126402-4-7-8
Fax: 022 2126299