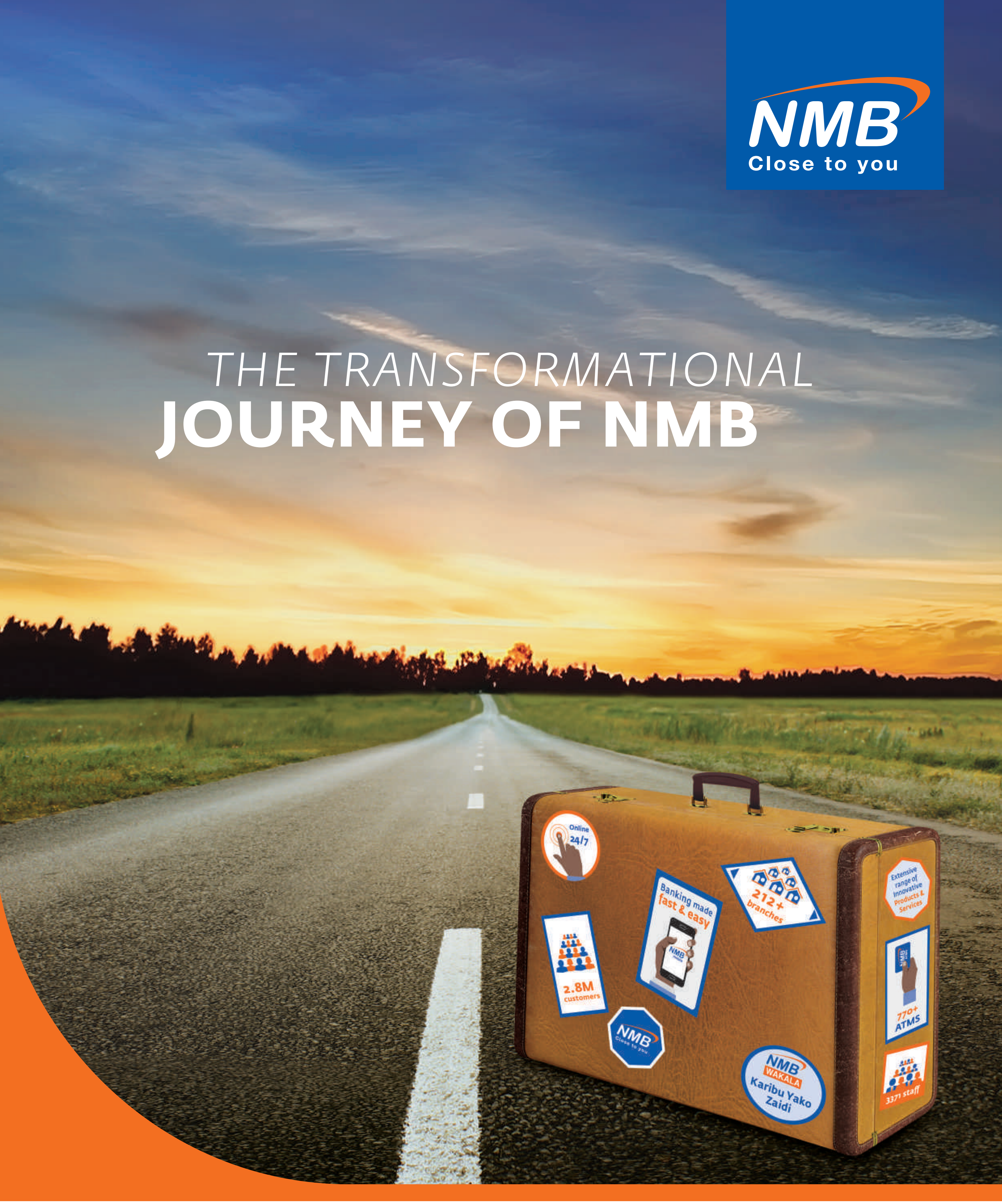
NMB
Close to you

THE TRANSFORMATIONAL
JOURNEY OF NMB



2017 ANNUAL REPORT

OUR ROOTS | JOURNEY | DESTINATION

2017

ANNUAL REPORT

BRIEF HISTORY

OUR ROOTS & WHERE THE JOURNEY BEGAN

THE CHOSEN PATH

MANY JOURNEYS, ONE VISION

EXPANDING OUR REACH

THE FURTHER WE GO... THE CLOSER WE COME TO YOU

THE STORY OF OUR EXTRAORDINARY JOURNEY

ADDRESSING EACH CUSTOMER'S NEEDS

UNIQUE NEEDS UNIQUE SOLUTIONS

TRANSFORMING LIVES

YOUR SMILE IS OUR GREATEST REWARD

WHAT'S NEXT FOR US?

THE NMB FUTURE

2017 NMB

ANNUAL REPORT

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SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY


NMB

OUR ROOTS AND WHERE **THE JOURNEY** BEGAN

BRIEF HISTORY OF OUR BANK

NMB was established under the National Microfinance Bank Limited Incorporation Act of 1997, following the break-up of the old National Bank of Commerce, by an Act of Parliament. Three new entities were created at the time, namely: (a) NBC Holdings Limited (b) National Bank of Commerce (1997) Limited and (c) National Microfinance Bank Limited.

Initially NMB could only provide payment services as well as offer savings accounts, with limited lending capabilities, before becoming a fully-fledged universal retail bank.

In 2005, the Government of the United Republic of Tanzania privatized the bank when it sold part of its shareholding (49%) to a consortium led by the Netherland's Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. ('Rabobank Group').

Subsequently, there was further divestiture in 2008 when the Tanzanian Government off loaded 21% of its shareholding to the Tanzanian public through an Initial Public Offering (IPO). The listing of the bank's stock on the Dar es Salaam Stock Exchange has led to a diversified ownership structure.

To date, the bank enjoys over 2.8 million customers who have grown from 600,000 customers in 2005, over 800ATMs from no ATMs 10 years ago and this is equivalent to 40 percent of all ATMs in Tanzania.

OUR BUSINESS

Financial Performance and Share Statistics

The accounting policies and methods applied in preparation of the 2017 annual financial statements are consistent with those applied in the preceding year. However, effective 1 January 2018, new IFRS 9 accounting standard will replace previously used IAS 39 accounting standard. The major anticipated change with the new accounting standard is our impairment assessment. To assess impairment of financial instruments, IFRS 9's Expected Credit Loss (ECL) model utilizes forward-looking information, while IAS 39 uses historical information (incurred loss model). During the last quarter of 2017, we conducted a comparison of our impairment using both IAS 39 and IFRS 9 principles. The assessment results revealed that the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening reserves of the Bank at 1 January 2018 is 2%. This will result in the reduction of the Bank's Capital Adequacy Ratio by at least 0.1%.

Profit After Tax
TZS 93 billion
2016: TZS 154 billion

Earnings per share
TZS 187
2016: TZS 308

Return on Equity
12%
2016: 20%

Dividend per Share
TZS 64
2016: TZS 104

Net Asset Value Per Share
TZS 1,618
2016: TZS 1,534

Cost to Income Ratio
58%
2016: 59%

Interest margin on earning assets
17%
2016: 15%

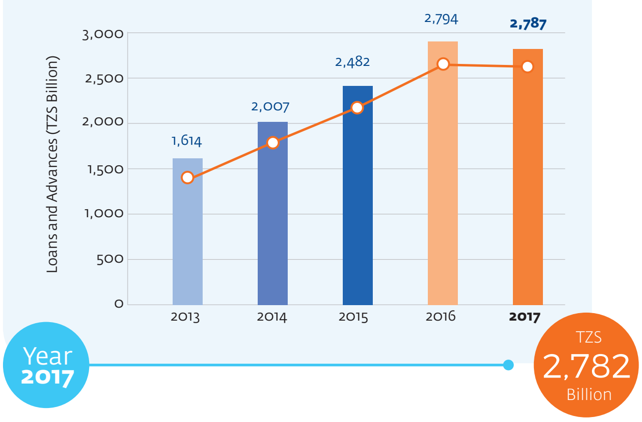
Impairment Charge
TZS 131 billion
2016: TZS 30 billion

Tier 1 Capital Adequacy
Ratio 17%
2016: 19%

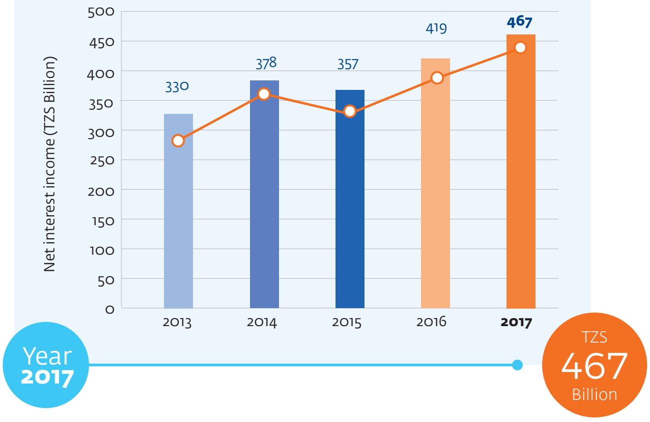
Non-Performing Loan Ratio
6.4%
2016: 4.8%

HIGHLIGHTS FOR THE FINANCIAL PERIOD 2013 - 2017

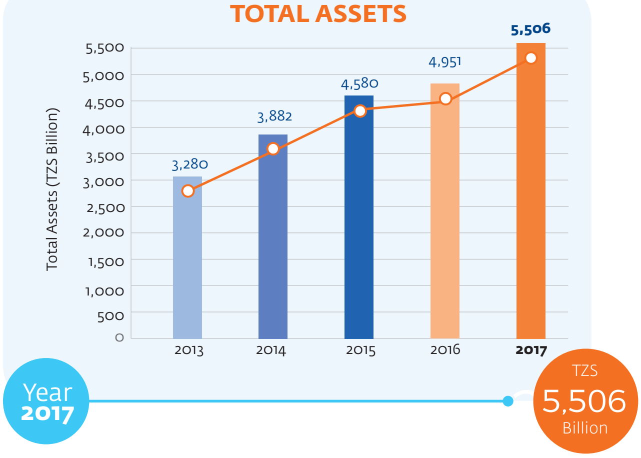
LOANS AND ADVANCES



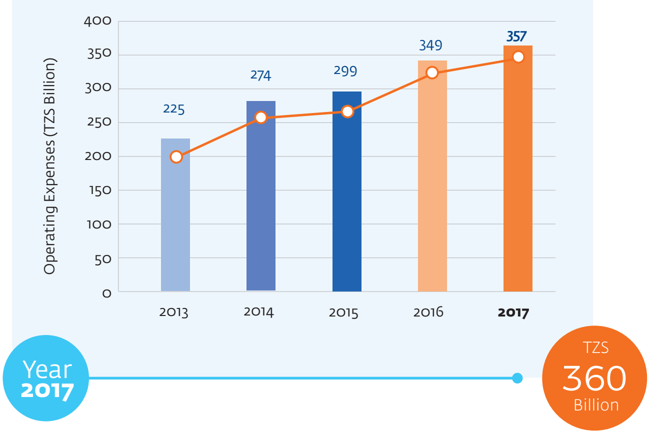
NET INTEREST INCOME



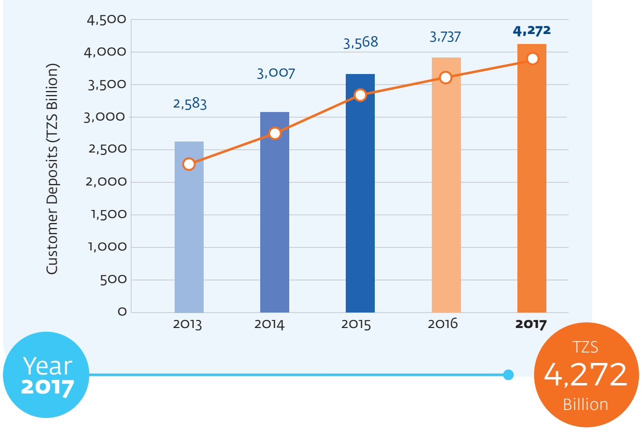
TOTAL ASSETS



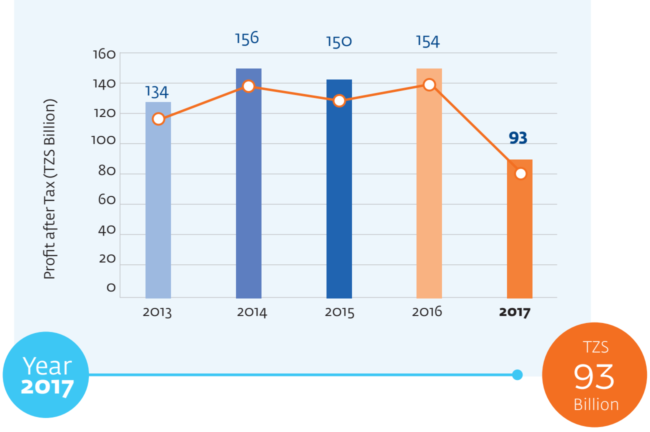
OPERATING EXPENSES



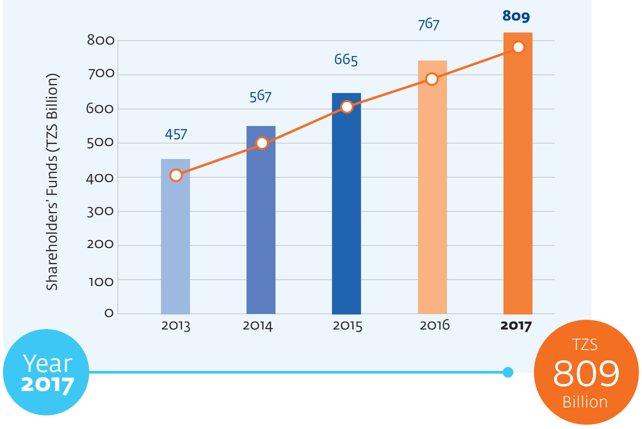
TOTAL CUSTOMER DEPOSITS



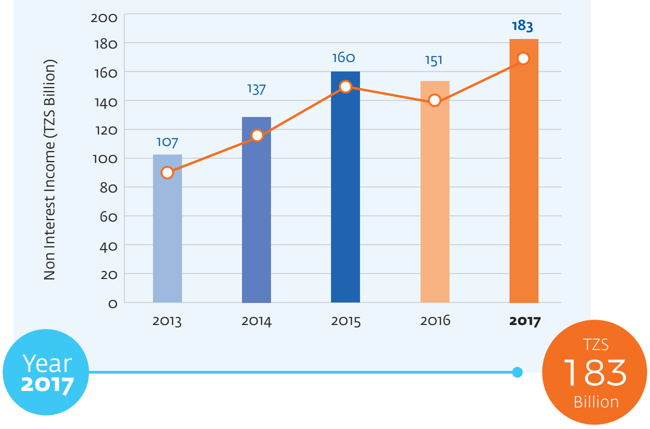
PROFIT AFTER TAX



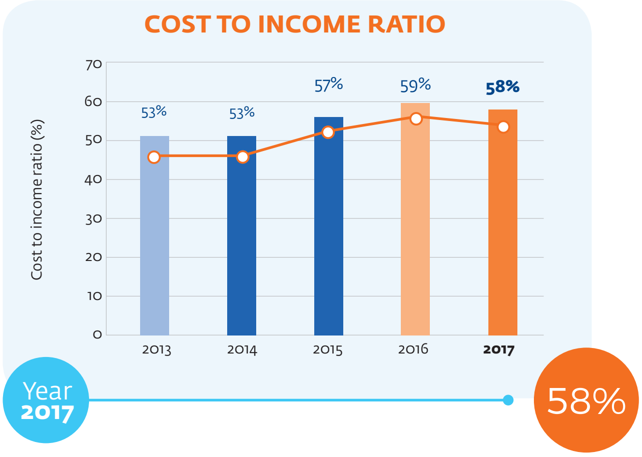
SHAREHOLDERS' FUNDS

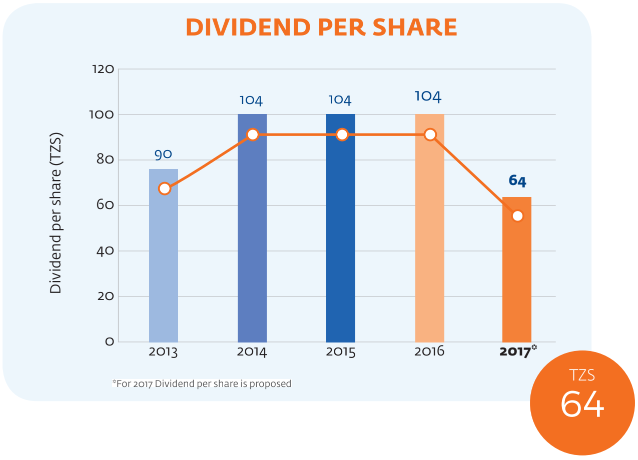


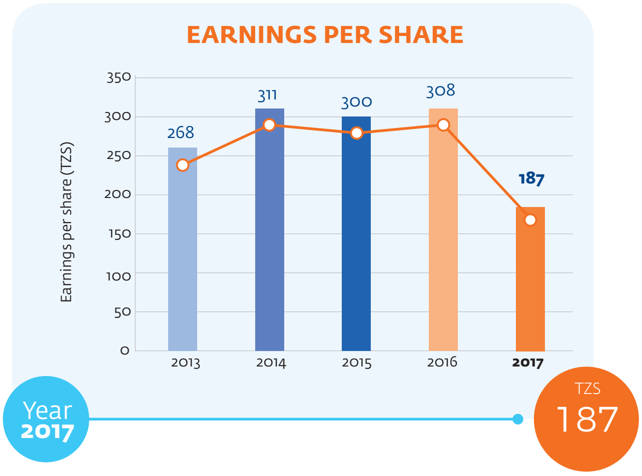
NON INTEREST INCOME

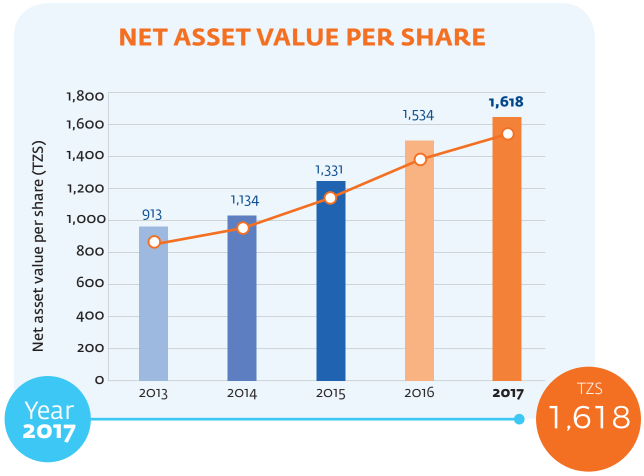


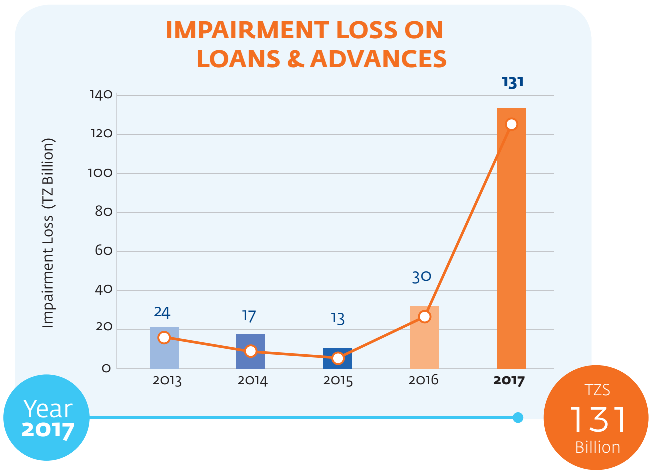
HIGHLIGHTS FOR THE FINANCIAL PERIOD 2013 - 2017

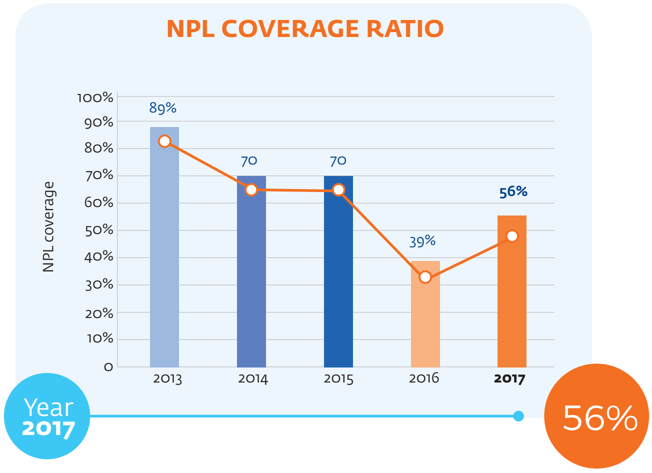












HIGHLIGHTS FOR THE FINANCIAL PERIOD 2013 - 2017

NUMBER OF
CUSTOMERS

Year	(figures in thousands)
2013	1,778
2014	1,892
2015	2,100
2016	2,179
2017	2,710

IN 2017
2.7M
Customers

NUMBER OF
BRANCHES

Year	No. of Branches
2013	153
2014	163
2015	175
2016	188
2017	212

IN 2017
212
Branches

NUMBER OF
STAFF

Year	No. of Staff
2013	2,783
2014	3,004
2015	3,162
2016	3,432
2017	3,371

IN 2017
3,371
Staff

NUMBER OF
ATMS

Year	NUMBER OF ATMs
2013	485
2014	525
2015	595
2016	670
2017	770

IN 2017
770
ATMs

KEY FIGURES FOR THE FINANCIAL YEARS 2013-2017 (BANK)

		2013	2014	2015	2016	2017
Profitability						
Total Income	Tzs Million	422,171	488,119	608,477	716,132	763,786
Tax	Tzs Million	54,225	69,036	67,040	67,599	44,409
Operating expenses	Tzs Million	225,298	273,741	299,358	348,516	357,047
Net profit	Tzs Million	133,906	155,623	150,288	153,825	93,494
Solvency						
Total Assets	Tzs Million	3,280,186	3,881,995	4,580,091	4,951,075	5,506,359
Tier 1 capital	Tzs Million	421,804	523,312	592,195	664,960	694,462
Risk Weighted Assets (RWA)	Tzs Million	1,944,390	2,459,642	2,932,574	3,519,618	4,114,144
Other						
Customers		1,778,309	1,891,719	2,100,000	2,178,700	2,710,328
Branches		153	163	175	188	212
ATMs		485	525	595	670	770
Staff		2,783	3,004	3,162	3,432	3,371

	2013	2014	2015	2016	2017
Selected ratos					
Return on average shareholders' equity	29%	27%	23%	20%	12%
Return on average assets	4%	4%	4%	3%	2%
Cost to income rato	53%	53%	57%	59%	58%
Capital adequacy ratio*					
Tier 1 Capital ratio	22%	21%	20%	19%	17%
Tier1+Tier2 Capital ratio	23%	22%	22%	20%	18%
Dividend per share	90	104	104	104	64

* Regulatory requirement for Tier I and II are 10% and 12% respectively.

SHARE PERFORMANCES

Share performance	Formulas		2013	2014	2015	2016	2017
Basic and diluted earnings per share	PAT/Number of shares in issue	Tzs	268	311	300	308	187
Dividends per share	Total dividend/Number of shares in issue	Tzs	90	104	104	104	64
Closing share price	as per DSE	Tzs	2,620	3,400	2,500	2,750	2,750
Number of shares in issue		Millions	500	500	500	500	500
Dividend cover (times)	Basic diluted earnings per share/dividend per share	Times	2.98	2.99	2.89	2.96	2.92
Net asset value per share	Net assets/ Number of shares issue	Tzs	913	1,134	1,331	1,534	1,618
Dividend yield (ordinary dividend)	Dividend per share/ closing price at DSE	%	3%	3%	4%	4%	2%
Earnings yield (ordinary dividend)	PAT/closing share price	%	10%	9%	12%	11%	7%
Price to Book ratio	Closing share price/ Net asset value per share	Times	2.87	3.00	1.88	1.79	1.70
Price: Earnings ratio - ordinary shares	Closing share price/ Basic diluted earnings per share	Times	0.10	0.09	0.12	0.11	0.07
Market capitalisation	Closing share price times No. shares in issue	Tzs Millions	1,310,000	1,700,000	1,250,000	1,375,000	1,375,000
Net Assets	Audited financial Statements	Tzs Millions	456,666	567,221	665,429	767,208	808,797
Volume of shares transacted	DSE	Millions	11.0	12.1	3.9	33.1	0.3
Exchange weighted share price	DSE	Tzs	1,891	3,955	3,571	2,193	2,341

Abbreviations

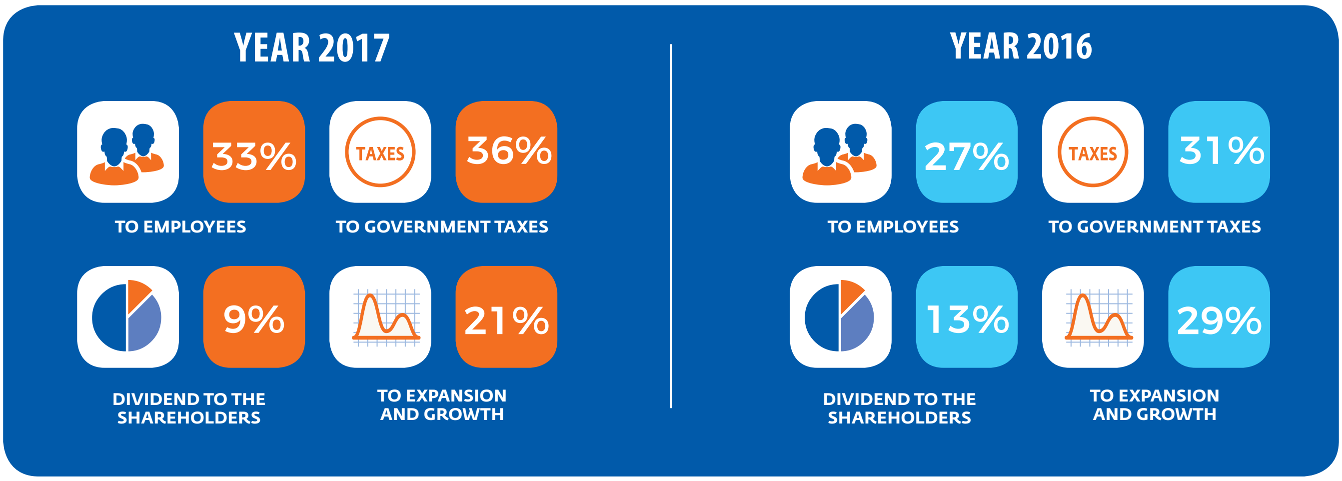
PAT - Profit After Tax

DSE - Dar es Salaam Stock Exchange

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

Value added is the wealth the bank has been able to create by providing clients with a quality, value added service.

	2017 TZS Millions		2016 TZS Millions	
Value added				
Income earned by providing banking services	**763,786**		**716,132**	
Interest expense paid to 3rd party funding	**(19,013)**		**(14,092)**	
Interest expense paid to depositors	(101,278)		(88,102)	
Fee and commission expense	(17,549)		(13,758)	
Impairment	(130,996)		(30,240)	
Total cost of banking services	**(268,836)**		**(146,192)**	
Value added from banking services	**494,950**		**569,940**	
Other operating income and expenditures	(143,704)		(158,348)	
Net Value added from banking services	**351,246**		**411,592**	
Value allocated				
To employees:				
Salaries and other benefits	116,299	33%	111,950	27%
To Shareholders:				
Dividend to other shareholders	21,830	6%	35,474	9%
Government	10,170	3%	16,526	4%
To government				
Corporate Tax	60,040		72,376	
PAYE	32,517		30,844	
Skills development levy	5,871		5,897	
VAT on services	28,159		15,750	
Other taxes	1,241		1,857	
	127,827	36%	126,724	31%
To expansion and growth				
Depreciation,deferred tax and retained earnings	75,120	21%	120,918	29%
	351,246	**100%**	**411,592**	**100%**



In 2017, NMB reaffirmed its position as an industry leader by winning 6 national and international awards. For the first time ever, the bank was named the best Bank Transformation in Africa by the leading global financial markets magazine at the Euromoney 2017 Awards for Excellence.

Other accolades received over the year include the Best Bank in Tanzania Award for the 5th year in a row by Euromoney, the Bank of the Year 2017 by the Banker Magazine of London and The Best Retail Bank in Tanzania by the Asian Banker Awards, all recognizing the bank's role in promoting financial inclusion in Tanzania.

In addition to international recognition, the bank also received a number of national awards. The Dar es Salaam Stock Exchange awarded NMB for being the Best Listed Company of the Year in the Main Investment Market (MIM) Segment, the award recognizes NMB as an organization that excels in the areas of Environment; Social Responsibility and Good Corporate Governance. The bank also won the Workers Compensation Fund's (WCF) Best Employer Award in submission of contributions on the large employer's category.

During the year, NMB was recognized by the National Board of Accountants and Auditors (NBAA) for being the bank with the best-presented annual financial statements.

AWARDS & **RECOGNITION**

MANY JOURNEYS ONE VISION

THE CHOSEN PATH: EACH STEP FORWARD IS CLOSER TO ONE VISION AND ONE VOICE

OUR VISION

To be the preferred financial services partner in Tanzania

OUR MISSION

Through innovative distribution and our extensive branch network, to offer affordable customer focused financial services to the Tanzanian community, in order to realise sustainable benefits for all our stakeholders

OUR VALUES

WHAT DRIVES US
Eagerness & Ownership

WHAT BINDS US
Customer focus & Teamwork

WHAT GUIDES US
Integrity & Compliance

In tune with the traditional rhythm, yet passionately synchronized with modern banking methods.

STRATEGY & PERFORMANCE

Chairman's Report

Within the context of the year, I am pleased with the results that the Bank has delivered. In a period that saw many institutions make difficult decisions to scale down and, in some instances, close shop, I am proud that we were able to weather the storm.

PROF. JOSEPH SEMBOJA

I am once again honored to present to you the NMB Bank PLC (NMB) Annual Report and Financial Statements for the year ended 2017. The year 2017 commenced with the Bank and the industry still adjusting to the regulatory and macro-economic changes from the previous year. The implementation of the Treasury Single Account in 2016 translated into a decline in the market's liquidity and, for banks like NMB, a consequential increase in cost of funds. Additionally, the decrease in government spending left businesses that were reliant on government projects unable to meet their revenue projections and subsequent growth plans.

The year also presented its own challenges; the dismissal of civil servants following the vetting of their qualifications coupled with businesses struggling to honor their obligations resulted into past due facilities and the deterioration of the quality of the banking sector's assets. Banks in the country, NMB included, had to provide for the bad loans and reevaluate their risk appetite going forward. Consequently, there was a decrease in credit to the private sector as witnessed in our own limited loan book growth.

The liquidity situation eased in the second half of 2017 following monetary policy interventions by the Central Bank.
Within the context of the year, I am pleased with the results that the Bank has delivered. In a period that saw many institutions make difficult decisions to scale down and, in some instances, close shop, I am proud that we were able to weather the storm. Our ability to maintain a solid capital base and our position as the most profitable bank in the country amidst changing times is a testament of the strong foundation we have built over the years.

The NMB strategy is centered on our core mission of providing affordable and customer focused financial services through innovative distribution and branch network. Although the dynamics in the operating environment have changed since 2015 when the strategy was formulated, the chosen initiatives remain valid.

In 2017, we built on the foundations we laid out in the previous year. In line with our goal to double the customer base, 2,300 additional banking agents (NMB Wakala) were established in the year, bringing the total number of Wakala to 3,785. Beyond enabling us to cost effectively acquire new customers, the agents have further enhanced our customers' experience as their ability to transact is no longer limited to branch operating hours.

In 2017, we successfully reorganized processes in the branch network which then allowed us to open 24 new branches without hiring new staff; the staff that were freed up as a result of the reorganization were deployed to the new branches.

The shift in market dynamics coupled with the fast pace at which technology is becoming an integral part of business operations, present growth opportunities for NMB. In order to fully realize the benefits from the recent investment in technological infrastructure, and with most of the processes and structural ground work completed, in 2018 we will build on these foundations and continue using technology to drive efficiency and provide innovative customer valued financial solutions. We will foster partnerships to ensure that we continue supporting our clients as they strive towards expanding and enhancing their operations, in line with the ongoing industrialization drive.

To support the strategy and technology drive, the structure at the head office was realigned and a number of key roles were introduced; these include Chief Customer Business, Chief HR & Shared Services, Chief Risk & Compliance as well as Chief Digital Transformation and Products. The entire Executive Committee (ExCo) team will be responsible for driving the change to differentiate the bank from its competitors in providing maximum value to all of its stakeholders.

The NMB Board upholds high standards of management and corporate governance which we believe are key to delivering sustainable shareholder value and the Bank's long term success.

2017

Total Dividend Payout

TZS

32B

In 2017, the Board continued to provide leadership through oversight of the Bank's strategy execution, internal controls, risk management and people management. We worked closely with relevant stakeholders to ensure that our internal governance standards meet the expectations of the Bank of Tanzania (BOT) and the Capital Markets & Securities Authority (CMSA).
During the year, we bade farewell to Mr. William Mlaki who retired in June 2017 and Mr. Mike Laiser who resigned from the Board in November 2017. Both Mr. Mlaki and Mr. Laiser served the Board and shareholders of NMB well in their respective tenures. We thank them for their exemplary service.

Subsequently, the Board welcomed Mr. Mathias Magwanya as Board Director. An auditor by practice, Mr. Magwanya brings with him a wealth of business and leadership experience. It is a privilege to have this valuable addition.

Amidst the challenging and changing times, balancing between maximization of stakeholder value and the need to reinvest back into the business for future growth is a key priority for the Board. Despite the decline in profits in 2017, the Board remains confident in the sustainability and growth of NMB's balance sheet and potential earnings. The Board has recommended maintenance of the dividend payout ratio that has been used in previous periods; a dividend of TZS 64 will be paid per share, equivalent to TZS 32 billion. A dividend of TZS 104 per share was paid for 2016, equivalent to TZS 52 billion.

I would like to express my profound gratitude to our shareholders, customers, and partners for their unwavering support to the Bank over the years and especially in 2017. I also thank my fellow Directors for their consistent support and commitment to their roles on the Board and to the affairs of the Bank. My sincere appreciation goes to our employees and Management for their hard work and dedication to executing and delivering on our strategy amidst the challenging operating environment. Last but not least, I would like extend special thanks to the Government of United Republic of Tanzania for their steadfast support and cooperation.

I am confident that in 2018 NMB will make strides and further cement its position as the industry leader.

Prof. Joseph Semboja
Chairman

Managing Director's Report

"NMB is committed to being a forerunner in technological advancements through the provision of solutions that cater to the evolving needs of our clients. We understand the need to keep up with the times and we will continue to use technology to provide the much-needed convenience for our customers.

INEKE BUSSEMAKER

NMB remained the most profitable bank in the country in 2017 despite the challenging operating environment. The bank continued to play a pivotal role in supporting business activity in various economic sectors with a particular focus on Medium, Small and Micro Enterprises (MSMEs), Agriculture and Trade.

Our resilience during the year has confirmed NMB as a market leader in financial services. I would like to thank our customers and all stakeholders for their continued support and their contribution to NMB's success. As the banking sector continues to adapt changes brought forward by innovation in financial services, NMB is committed to being a forerunner in technological advancements through the provision of solutions that cater to the evolving needs of our clients. We understand the need to keep up with the times and we will continue to use technology to provide the much-needed convenience for our customers.

Economic Highlights

The macroeconomic environment remained stable throughout 2017. Gross Domestic Product (GDP) grew by an annualized rate of 6.6% with the strongest growth recorded in the mining and quarrying sectors. Headline inflation remained in the single digits throughout the year with 4.0% recorded for December 2017. The local currency remained stable for most of the year, however, The Tanzanian Shilling – US Dollar exchange rate depreciated slightly from TZS 2,181 in December 2016 to TZS 2,240 in December 2017.

The Bank of Tanzania ("BOT") implemented an accommodating monetary policy regime during the second half of the year, resulting to increased liquidity in the market and subsequently an overall downward trend for interest rates. Yields on Government Treasury bills fell from 15.3% in December 2016 to 8.3% in December 2017. However, during the same time, the overall lending rates increased from an average of 15.7% to 17.8%, reflecting a higher cost of risk associated with rising NPLs in the banking sector.

Industry Developments

The year 2017 proved to be exceptionally challenging for the banking industry. The inability of some corporate clients to honour their loan obligations and the dismissal of civil servants with forged academic records in the first half of 2017 resulted to asset quality deterioration across the industry. The banking sector's Non Performing Loan (NPL) ratio rose to 11.7% in December 2017 compared to 9.5% recorded for the same period the previous year. Annual growth of credit by banks to the private sector shrank from 7.2% recorded in December 2016 to 1.7% in December 2017.

In efforts to protect depositors and maintain the soundness of the banking system, the BOT instructed banks with high NPLs to deduce strategies to lower their NPL levels.

In August 2017, the Central Bank introduced a capital charge for operational risk and a 2.5% capital conservation buffer in addition to the minimum regulatory capital requirements of 10% and 12% for core and total capital, respectively.
Notwithstanding the challenges faced during the year, the banking industry remained solid and managed to comply with required regulatory limits. The sector's core Capital Adequacy Ratio (CAR) was 18.9% in December 2017, well above the 10% regulatory requirement, while the Liquid Asset Ratio (LAR) during the same period was 40.3%, above the 20% regulatory minimum.

Bank Performance

NMB managed to report decent results amidst the tough operating environment. The bank's balance sheet grew by 11% year on year to TZS 5,506 billion in December 2017. Asset growth was strongest in balances with other banks (77%), growth of investment in Government securities by 27% and a 22% increase in cash and balances with the BOT.

The growth in assets was funded by a 14% year on year increase in customer deposits to TZS 4,232 billion in 2017. The new deposits were mainly from corporate accounts, retail and corporate fixed deposits and agribusiness. Loans and Advances decreased by a slight 0.3% from TZS 2,794 billion in 2016 to TZS 2,787 billion in 2017. The shrinkage in our loan book is attributable to the stringent measures that we took to manage our risk profile during the turbulent year as well as a cleanup of bad loans carried out in the last quarter of 2017. This prudent exercise reduced the NPL ratio from 9.3% reported in the third quarter to 6% in December 2017, up from 5% recorded in December 2016.

The weakened loan quality led to a sharp increase in our loan impairment charges, which shot up by 333%, from TZS 30 billion in 2016 to TZS 131 billion in 2017. As a result, the bank's Profit After Tax (PAT) contracted by 39% compared to the previous year, to TZS 93.5 billion in 2017.

Amidst the challenges hampering the growth of our loan book, we continued to place emphasis on offering innovative services to our clients, which is demonstrated by the growth in our underlying business. Our Non-Interest Income grew by 7% year on year to TZS 177 billion in 2017, the growth is attributed to a surge of fees and commission income, owing to increases in transaction volumes and the expansion of our customer base. Net Interest Income (NII) rose by a slight 4% to TZS 467 billion in 2017, with interest income from Government Securities being the main driver behind the NII increase.

A high cost of funds, specifically our call deposits, fixed deposits and borrowings, continued to hinder the growth of our NII. Interest expenses rose by 18% from TZS 102 billion in 2016 to TZS 120 billion in 2017. Despite the increasing funding costs, the bank closely monitored its operational expenses in the year, which grew in line with inflation trends by a mere 3% to TZS 374 billion in 2017 compared to TZS 362 billion in 2016.

Our capital base remained robust throughout the year, with the Bank reporting a Total Capital Adequacy Ratio of 18% for 2017 and Tier 1 Capital Ratio of 17%. Shareholders' funds increased from TZS 767 billion in 2016 to TZS 809 billion in 2017.

Business Developments

During the year, our business operations continued to be guided by the bank's Medium Term Plan, Vision 2020. We have made progress in implementing initiatives contributing to realizing the three strategic pillars of deposit mobilization, operational efficiency and new business generation.

Consistent with our goal of being close to customers, "NMB Karibu Yako", we opened 24 new branches and installed 100 new ATMs in the year. Our agent network (NMB Wakala) rapidly grew from only 785 agents in 2016 to 3,785 in December 2017. The expansion of our network to include innovative channels such as agency banking will allow us to serve more customers while containing operational costs.

Throughout 2017, we continued to drive our customer service improvement initiative, TWAWEZA, which led to customer service transformation at both the Head Office and in our branches. Additionally, we launched new products such as Fanikiwa, an affordable transactional account for entrepreneurs and conducted awareness campaigns for NMB Wakala, Trade Finance, and Wajibu, a savings proposition for the youth. Our innovative products earned us local and international recognition during the year, as presented in the Awards section.

To keep up with international banking and accounting standards, we began to prepare ourselves for the adoption of new IFRS 9 accounting standard coming into effect in January 2018. During the year, we conducted impact assessments and increased the robustness of our risk management processes to enable us to fully comply with IFRS 9 principles. Results from the assessments revealed that we are expected to increase our impairment charges by about 22% compared to prior computations of the same using IAS 39 standard. With a capital adequacy ratio of 17%, well above the regulatory limit, we believe that we are well equipped to brace the changes.

Vision 2020 envisions NMB evolving into a digital bank. To strategically prepare our organization for the transition, 2017 saw the implementation of an organizational realignment project, which we believe is crucial in enabling our digital transformation journey. The reorganization will allow us to grow sales through customer-centricity and a streamlined product development process in the digital space. The realignment was realized in two phases, the first phase was conducted in our branches while phase two covered the Head Office.

2017

ADDED BETWEEN 2016-2017

100 ATMS

3000 Wakala's

24 Branches

500K + New Customers

Branch realignment was completed in 2017. The project enabled us to enhance our customer focus and optimize the branch structure to drive sales. In addition, the reorganization has created growth opportunities for staff in the branch network following the creation of new roles and the enrichment of old roles to allow for multitasking. Through the realignment, we were also able to open the new branches without additional headcount while improving productivity and customer satisfaction.

The second phase at our Head Office involved the modification of the organizational structure to separate product development functions from sales. The process resulted to changes in the Bank's Management Team, which going forward will comprise the Executive Committee (EXCO) and the Extended Leadership Team (ELT).

Effective 1 January 2018, the EXCO consists of the Managing Director, Chief Finance Officer, Treasurer and Chief Credit Officer, which are roles carried over from the previous organizational structure. New members of the EXCO will include: Chief Customer Business, responsible for sales in the retail, wholesale and agribusiness portfolios; Chief HR & Shared Services, responsible for Human Resources (HR), operations, procurement and project management; Chief Risk & Compliance Officer responsible for risk and compliance; and Chief Digital Transformation and Products responsible for product development, product lifecycle management as well as innovation and technology.

The ELT comprises all EXCO members as well as Chief Internal Audit, Business Heads for Retail Banking, Wholesale Banking and Agribusiness, Company Secretary & Head of Legal, Head of Communications and Corporate Affairs and Head of Strategy & Investor Relations.

Following the realignment, staff at Head Office have assumed their respective new positions. Recruitment for vacant posts began in 2017 and will be completed in 2018.

Outlook for 2018

As we emerge from a turbulent year, our growth outlook for 2018 remains optimistic, we are confident that we will continue to deliver in the future. Our investments over the past few years in the right technology, systems and processes will propel us towards our goal of sustainable revenue generation and growth. We will capitalize on innovation, risk and controls, promotion of diversity and improved processes to differentiate our services and catalyze our growth.

While we are optimistic, we also continue to be conscious of the continuing headwinds in the economy, which have resulted and will continue to result in higher than usual loan losses. NMB has taken measures to mitigate the risks of higher loan loss provisions, but in this aspect 2018 remains rather unpredictable.

We expect private sector activity to pick up in 2018 as a result of Government spending on infrastructure and on its drive towards an industrialized economy through the stimulation of investment activity. As the economy expands, we will continue to support our clients' growth ambitions through affordable financing, customer-centric products and enhanced service delivery.

Ineke Bussemaker
Managing Director

Retail Banking

Retail Banking is comprised of three business lines: Personal banking (individuals and groups), Business banking (micro, small & medium sized enterprises) and Agency Banking (channel optimization). The department offers a broad range of products including personal and savings accounts, mortgages, vehicle financing as well as unsecured and secured lending to businesses and individual customers.

2017 was a challenging year for business, personal loans decreased by 5% to TZS 1.6 trillion compared to TZS1.7 trillion recorded the previous year. The drop in retail assets was largely a result of the dismissal of government employees with invalid education certificates. Despite the drop in personal loans, we observed growth in the Micro, Small and Medium Enterprises (MSME) portfolio, which grew by 10% YoY to TZS 503 billion in December 2017. The portfolio growth is attributed to the improvement in sales activity in branches and reduced turnaround time for product delivery.

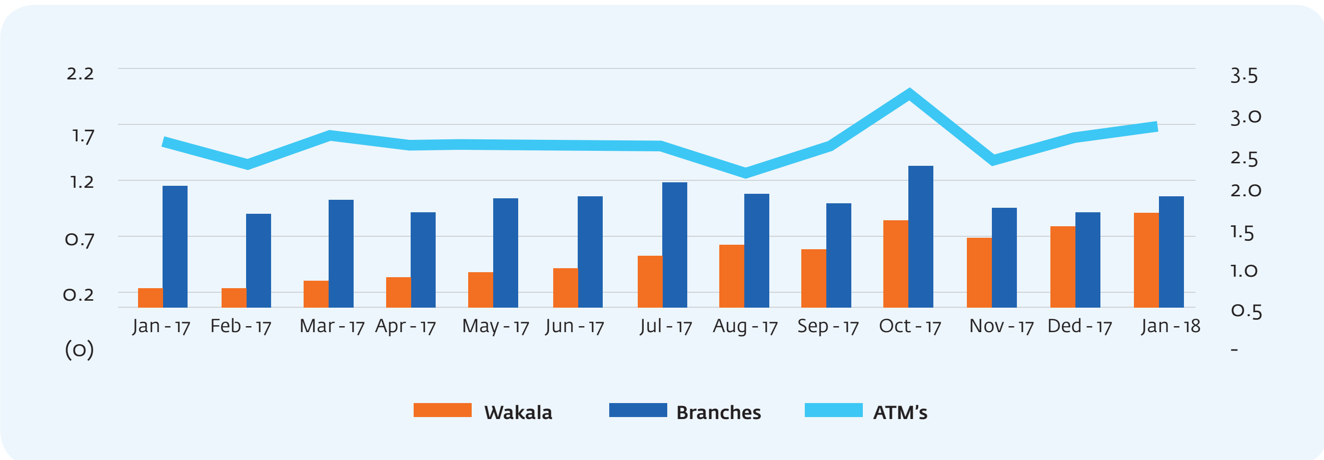
Current and savings account balances grew by 7% from the previous year to TZS 2.2 trillion in December 2017. The growth is mainly attributed to funds from end of year cashewnut harvests. Another key reason is the bank's sales training initiative over the year, which spurred a mindset change by promoting a more effective sales culture among front line staff.

To provide a wider range of services and products to our customers, several initiatives were rolled out over the year. These initiatives include the pre-pensioners loan, a lending solution for pre-retirees and an enhancement to our mortgage solution. We also launched Fanikiwa account, a low cost transactional account for entrepreneurs. These initiatives are also part of the bank's strategy to diversify our asset portfolio, which has been heavily biased towards Salaried Worked Loans (SWL).

During the year, the bank expanded its distribution network by an additional 24 branches, increasing the number of branches to 212. NMB also increased the ATM network to 770 ATMs, compared to 670 in the previous year. The most significant network expansion over the year happened in the banking agent network. The next section of this report offers more details on this development.

Agency Banking has continued to grow and become a strong and optimal NMB channel. At the end of 2017, the bank had 3,785 operating agents. Over the year, the agents processed 8.1 million transactions valued at TZS 2.8 trillion. Compared to branches, the agent network currently contributes about 42% of deposit and withdrawal transactions. In absolute numbers, this amounts to 750,000 agent transactions out of 1.8 million branch transactions as of December 2017. The efficiency of our agent network translates into significant cost savings for the bank as it would have required at least 25 new branches and 45 New ATMs to accommodate the level of transactions being delivered by agents. In 2018, the department plans to recruit more agents and optimize our agency banking operations.

Channel Transaction Trends (Deposits + Withdrawals - in Millions)



To address the needs of emerging suburbs and towns, NMB launched Super Wakala in 2017, a model that enables agents to offer a wider range of services to customers without having to install a branch, hence saving costs. During the year, the bank managed to open 6 Super Wakalas, 2 in Lake Zone, and 1 each in Western Zone, Dar Zone, Highland Zone and Eastern Zone. In 2018, the department plans to deploy more Super Wakalas all over the country.

Introduction of Cardless Withdrawal

Additionally, in December 2017, NMB increased accessibility for customers from card-based withdrawals to card-less through NMB Mobile. The mobile channel has enabled customers to have a wider range of transaction options. In the first 30 Days of its introduction, about 8,000 transactions valued at TZS 4 billion were processed through the card-less platform. Moreover, the bank also introduced Bill Payment Commissions for agents. This has enabled agents to grow bill payments transactions by 1200%, from 20,000 in January 2017 transactions to 300,000 in December 2017
Much as the department claims success over the year, there have also been several challenges, specifically with agency banking. Customer awareness of agency banking is still an area to improve and as a bank, we plan to do more to increase awareness in 2018.

Customer behavior is constantly changing, with a greater focus on personalized customer experience and instantly accessible services. The needs and expectations of our customers continue to evolve, driven by changing demographics and life patterns along with increased choice, in terms of both products and channels. As a bank, we understand that the market presents a number of untapped opportunities, for this reason, in 2018, we will continue to invest more on digital channels to ensure we reach the underserved, especially in rural Tanzania.

Wholesale Banking

Wholesale Banking (WB) focuses on providing high value services and financial solutions to large corporations, Institutions and the Government. These services range from currency conversion, working capital financing, structured financing, trade transactions, syndications, club deals to cash management and collections services.

The department's strategy of offering best solutions to our customers is closely aligned with the bank's strategy. We refine our core focus to ensure our clients remain our main priority while driving efficiency and profitability.

The department maintains a careful selection of clients, with whom we establish long-term relationships to support their growth plans. These relationships facilitate the delivery of integrated solutions to meet our clients' needs. Additionally, NMB's extended network enables customers to access a wide range of financial services, hence supporting the growth of their businesses in sectors such as Transportation & Logistics, Oil & Gas, Service, Energy, telecommunication and manufacturing. From time to time, WB assesses risks associated with those sectors and business environment at large.

What we offer to customers			
Institutional Banking	**Corporate Banking**	**Government Banking**	**Transaction Banking**
• Investment Accounts • Cash Management • Payment solutions • Special Institutional Accounts • Trade Finance Solutions	• Current & Call Accounts • Lending (short/medium term) • Structured financing • Syndication & club deals • Trade Finance Solutions	• Automated collection • Payment solutions • Banking services to Government • Trade Finance Solutions	• Host-to -Host Integration • Offline bills payment solution • Internet Banking • Cash Collection Point • Cash-In-Transit services

Business Performance

Over the year, the department continued strengthening business relations with institutional customers. Notable achievements include the system integration with Regional Water utility authorities and close engagement with Embassies and NGOs. Additionally, we continued strengthening Government relations by realizing the integration of all Local Government Authorities (LGAs) and integration with the Government electronic Payment Gateway (GePG). We also expanded NMB's presence in Dodoma & Zanzibar by establishing relationships in Zanzibar and establishing a mini head office in Dodoma. The department also enhanced relationship engagement through sponsoring various forums and events such as the annual Mwenge national events – inauguration and closure as well as Association of Local Government Authorities' (ALAT) annual event.

In 2017, the department continued to strengthen corporate business relationships. Facilities were provided to corporate clients in sectors such as transport, trade, petroleum and manufacturing. Despite challenging conditions, the department achieved 14% Year on Year growth in loans & advances, reaching TZS 879 billion at the end of 2017 compared to TZS 769 billion recorded at the end of 2016. The growth was largely from Transportation, Manufacturing & Service sectors.

The department recorded a 12% increase in deposits, from TZS 1,373 billion in Dec 2016 to TZS 1,540 billion in 2017. The growth is attributed to an increase in Government & Corporate deposits as well as increased deposit generation through digital channels. Additionally, the Trade Finance campaign launched in 2017 enabled us to grow off balance sheet asset transaction values by TZS 950 billion, from TZS 786 billion recorded in 2016 to TZS 1,540 billion at the end of 2017.

Throughout the year, Wholesale Banking managed to minimize risk through efficient portfolio management & optimum growth of the asset book. The department also responded to the deteriorating asset quality environment in 2017 by engaging with clients to understand the challenges they faced and offer appropriate solutions. In 2018, we aim to identify new business opportunities and continue to prudently manage our loan book.

Treasury

For the year 2017, the treasury department posted a significant year-on-year income growth of approximately 16% achieving income of TZS 135 billion.

In particular, Foreign Exchange (FX) income reached TZS 18 billion and was 15% higher than the previous year's figure mainly owing to a pickup in market activities, particularly dollar inflows during the export season as well as tourism. Throughout the year, currency appreciation pressures stemming from a sharp fall in the current account deficit were offset by inflows from exports as well as Bank of Tanzania (BOT) net purchases of foreign exchange as part of its operations to inject liquidity in to the market.

USD/TZS EXCHANGE RATE GRAPH FROM Q1 2017- Q4 2017

Source: Bank of Tanzania and Reuters

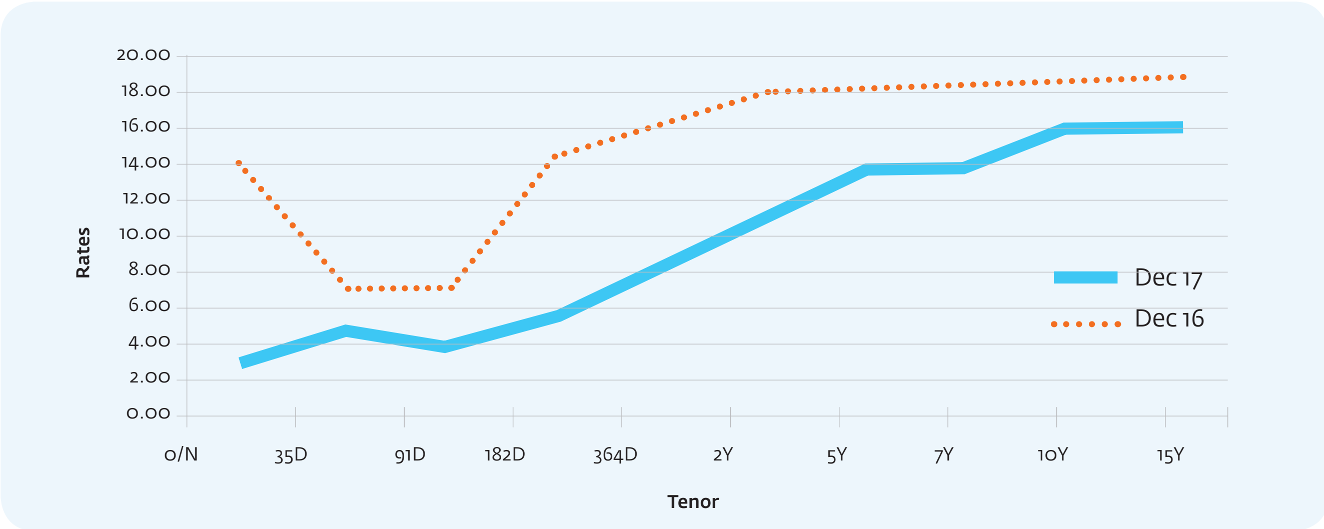
USD/TZS EXCHANGE RATE GRAPH FROM Q1 2017- Q4 2017

Source: Bank of Tanzania and Reuters

Asset Liability Management (ALM) income stood at TZS 117 billion, marking a year-on-year growth of 17%. This was mainly attributed to strategic optimization of the ample liquidity through investments in Government securities and Money Market instruments. The surplus liquidity was a result of shortage of good quality lending opportunities during the year, leaving the bank with excess liquidity that was either invested in Government securities (as shown by the 30% Y-o-Y upsurge) or left in non-interest bearing BOT accounts when investment opportunities diminished.

Overall, slowdown in credit extension to the public by banks resulted into most of the market liquidity being gravitated into government securities. This is further illustrated by the oversubscription in both Treasury bills and bonds during the year, therefore putting downward pressure on interest rates. Overnight lending rates dropped to 2.91% levels in December 2017 from the highs of 14.13% in December 2016. With reference to the same period, T-bill yields witnessed a significant drop of 707 basis points on average. Moreover, treasury bond rates collectively fell by an average of 400 basis points from December 2016 to December 2017.

TZS INTEREST RATES: DECEMBER 2016 & 2017



Source: Bank of Tanzania

NMB continues to have a long liquidity position, having its Loans to Deposits Ratio (LDR) and Liquid Asset Ratio (LAR) at 64% and 35%, respectively as at 31st December 2017. These liquidity ratios are well within the regulatory limits.

In achieving the bank's Vision 2020 of diversifying its revenue streams, NMB was licensed by the Capital Markets & Securities Authority (CMSA) as a Custodian Bank in October 2017. The business is expected to take off in 2018 and it will offer, among many, services such as Safekeeping of Securities; Clearing and Settlement of Securities; Corporate Actions Processing including Interest and Dividend collection; customized MIS reporting on clients' portfolios; Proxy voting; together with Sub-Custody services to Global Custodians.

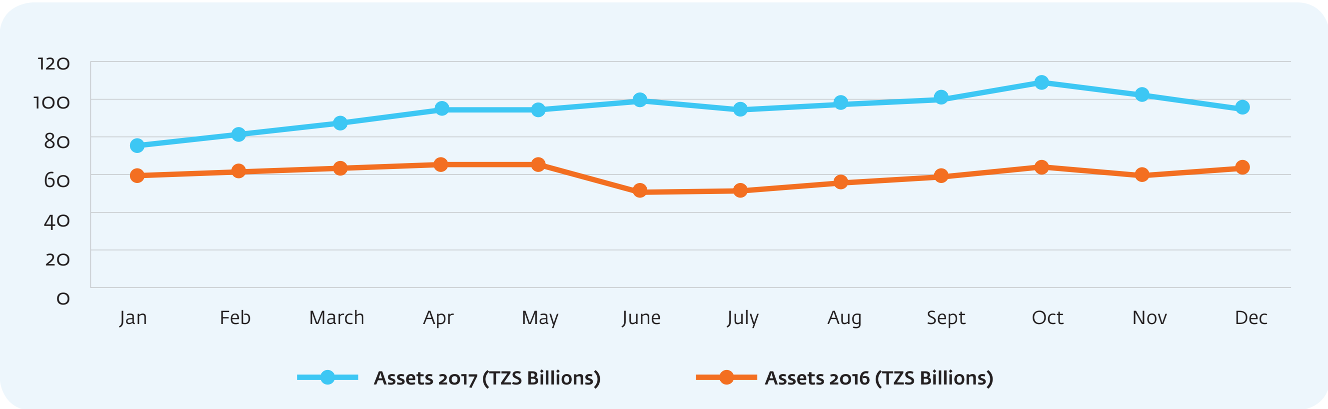
Agribusiness

Agribusiness is a specialized segment serving the Agricultural Value Chain comprising Agri Corporates (commodity traders, processors), commercial farmers, Agri SMEs – Traders and Processors, emerging farmers and small scale farmers.
NMB provides customized financing solutions tailored to fit the unique client needs in the respective segments. The solutions are backed by technical support from Rabobank, which has a notable overseas presence across all continents as well as a deep knowledge in agricultural financing. The department also aims to enhance knowledge and understanding of the agriculture sector both internally and externally through its Food and Agribusiness Research and Advisory Services unit (FAR).

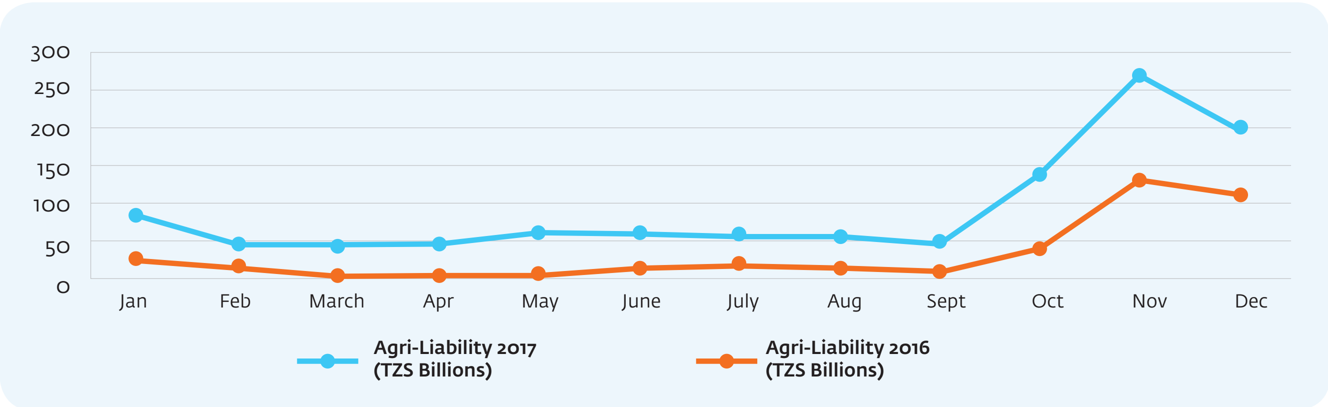
Performance

At the end of 2017, the Agribusiness loan portfolio stood at TZS 96 billion, a 52% increase compared to same period in 2016. The upsurge is attributed to growth of long-term agri loans, which absolves seasonality swings in the portfolio. On the other hand, agribusiness liabilities reached TZS 190 billion in December 2017, which is 58% above the 2017 budget. Compared to the end of 2016, liabilities increased by 78% mainly due to the ongoing drive to bring in farmers from various segments. A comparison of the loan portfolio and liability growth for the years 2016 and 2017 is shown below:

Comparison of agri-asset growth trend for 2016 and 2017



Comparison of agri-liability growth trend for 2016 and 2017



In 2018, the department aims to focus on the optimization of Agriculture value chain financing (AVCF), deposit growth and reduction of turnaround time for our loans. Additionally, we envision having policy dialogue with key stakeholders such as Government and Crop Boards in order to manage expectations of all parties in the value chain.

ICT & Operations

Consumers today are increasingly demanding more services and the ability to conveniently access them. NMB Bank continues to deploy cutting-edge technology to deliver innovative banking solutions on mobile devices and all channels to meet our client demands.

From money transfers to payments of utilities, taxes, fees, etc., the bank has made most transactions possible on the mobile phone, giving our customers the freedom to transact at their leisure.

In 2017, online bill payments surpassed offline bill payments at the ratio of 7:1, this ensued after we increased the number of integrations with third party utility billers by an additional 21 integrations. As of Dec 2017, a total of 266 bill types which include Local Government collection, Tanzania Revenue Authority (TRA), Tanzania Ports Authority (TPA), schools, universities, water/power utilities, Government e-payment Gateway (GePG), Ngorongoro Conservation Area Authority (NCAA), to mention a few, had been fully automated and made available in our channels, including mobile banking.

The turnover in the collection accounts for these integrations has been growing; over the year, 15 institutions through GePG had a turnover of TZS 770 billion while schools had total turnover of TZS 13 billion. UDOM's collection had reached turnover of TZS 5.2 billion in the first month after launch, while PPF & NHIF integration had reached a turnover of TZS 52 billion since launching in July 2017.

In the second quarter of 2017, we completed our in-house card production project within the set timeline and budget. Subsequently, the card issuing turnaround time was improved from 2 months to 2 days in Dar es Salaam and a maximum of 7 days for other regions.

Our core Technology Infrastructure of data centers' uptime had been 100% during the year, above our target of 99.98%, no downtime was experienced on the core data center infrastructure, which guaranteed services availability to our customers.

Following the efficiency achieved from the automation in our operations over the last 3 years, we have managed to reduce headcount in banking operations by more than 50%, freeing up Full Time Employees (FTEs) capacity to sales and customer experience teams.

In the period from 2016 to 2017, the bank invested in state-of-the-art data management and analytics systems, providing more visibility and analytical capabilities that help business performance by tracking and providing information for quick, data driven decision-making. In 2018, our focus will be on predictive analytics that will enable us to use better big data from different sources including the Internet of Things (IoT).

Human Resources

A major accomplishment for the HR department in 2017 was the completion of branch realignment where headcount rationalization improved efficiency and productivity of the bank in line with the strategic objectives in our Medium Term plan, Vision 2020. In the year, NMB achieved a staff cost to total income ratio of 33%, which is among the lowest in the industry. We also recorded a negative headcount growth (-2%) during the year while managing to open 24 new branches using the same resources.

Realignment at the Head Office is another major achievement of the year. The process aimed at optimizing resources and propelling the bank to become a digital bank by 2020. The Board of Directors granted all necessary approvals of the new organization structure. We have commenced the recruitment process for the vacancies and this will progress into 2018.

In addition to headcount realignment, the HR department operating model was also reviewed during the year and a new Target Operating Model (TOM) was approved and implemented. The new TOM aims at strategically aligning HR functions to the business through the HR Business Partner (HRBP) model while continuing to provide HR services in an efficient way through the HR Center of Expertise (CoE) and HR's Shared Services division.

In 2017, the department exceeded target HR metrics set by the Board of Directors. Staff costs were managed below budget by 7%, which can be attributed to adequate control of overtime, transfers and headcount growth. In its efforts to increase gender diversity, the bank increased the number of female staff by 0.4% over the year. The slight increase of women has brought the bank to a ratio of 53% male and 47% female employees.

NMB recognizes its people as key stakeholders in driving the bank's strategy. The bank is keen to ensure that all employees are happy and content with their working conditions. To measure how well the bank is fulfilling its goal, NMB conducted an Employee Opinion Survey (EOS) in 2017. The results demonstrated that employee satisfaction rate was maintained at 71%, similar to results from the previous EOS. The survey attracted a 90% participation compared to 80% participation in the previous survey.

Following our achievements in 2017, our focus for 2018 will be to ensure that the strategic role of the HRBP model is smoothly embedded in the business, while continuing to improve efficiency and productivity in HR operation space.

Internal Audit

Positioning

The Internal Audit Function (IAF) has dual reporting; functionally it reports to the Board of Directors and administratively to the Managing Director. The Function independently provides reasonable assurance and advice to the Board and Management on the adequacy and effectiveness of the bank's risk management, controls and governance processes.

Internal Audit Mission

The mission of Internal Audit is to enhance and protect NMB values by providing risk-based and objective assurance, advice and insights. NMB Internal audit provides assurance on whether policies and procedures are adequately designed to mitigate risks, are being followed and controls are working as expected by Management and Board.

Through objectivity and independence, internal auditors have unique insight into improving bank's processes, procedures, performance and risk management; and ways to reduce costs, enhance revenue and increase profits.

Our Process

The Function conducts audits in line with the Institute of Internal Auditors (IIA) standards as confirmed by external quality assessors. To achieve our mission efficiently and effectively, we use technology in the audit process, this comprises data analytics and audit management software.

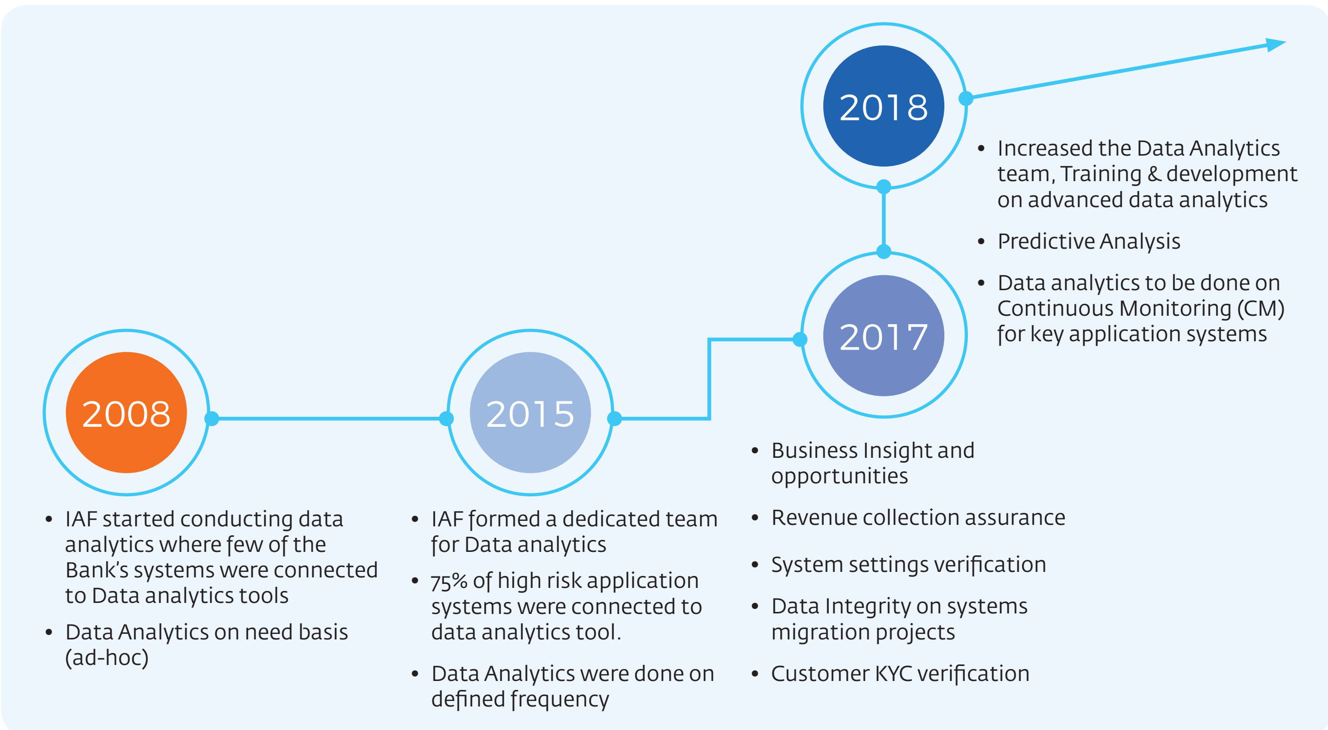
In line with an annual risk based audit plan approved by the Board, we conduct audits of key risk areas of the bank's operations at Head Office and Branches, and issue recommendations to improve risk management, controls and governance processes.

Data Analytics Developments

Data analytics has demonstrated significant value in providing business assurance at higher coverage and efficiency in line with increasing business growth.

Through Data analytics, we were able to provide business with enterprise risk management assurance, business insights and predictive analysis for business decision and actions.

Data analytics will continue to be the centre of our focus to align with Bank's strategy of digital transformation.



Credit Department

From a credit perspective, 2017 was a rather challenging year. NMB, together with many industry peers experienced the adverse effects of economic headwinds; the average NPL (Non-Performing Loans) ratio for the banking industry as at December 2017 was 11.7%, up from to 9.5% reported in December 2016.

Following the all-time high NPL ratio of 9.3% that was recorded in September 2017, the bank took prudent measures to clean its loan books in the last quarter of 2017. This resulted into a significantly reduced NPL ratio of 6% in December 2017, although still higher than 5% recorded in December 2016.

The main contributing factors for the increase in NMB's NPLs have been an impact on our Salaried Workers Loans (SWL) portfolio as a result of the civil servants' audit. The audit led to the identification and termination of ghost workers, employees with forged and missing certificates as well as those with standard seven certificates in positions that require form four certificates. Additionally, a few corporate customers were not able to meet their obligations due to challenges in the business enviroment which affected their repayment capacity. Sectors that were impacted include trade, transport and logistics, construction, hotels and leisure. In 2017, the SAM (Special Assets Management) department was further enhanced with resources and skills to manage, restructure and recover loans that have reached or are highly likely to reach NPL status.

The credit department has also taken additional measures to enhance credit management:

- All hard core positions and excesses in overdrafts as well as arrears in loan repayments are discussed weekly in the respective credit committees, and agreed actions are closely monitored

- Collaterals of our major corporate borrowers have been reviewed for completeness and current market values. Any defects identified are being remediated

- The Credit Administration unit has been improved to optimise monitoring activity, including checks on conditions set by credit committees as well as to check perfection of securities and issues such as timely reviews, revaluations, insurance renewals and payment of land rent

In addition to the above initiatives, the Credit department conducts annual reviews of the Bank's credit policies. The Credit department collaborates with the Risk department in the revision of documents such as the Bank's Risk Appetite Statement and the Stress Testing process and report. The Board Audit, Risk and Compliance Committee (BARCC) reviews these documents annually and monitors the bank's compliance to the set limits.

To aid in the management of the Bank's credit risk, the department has in place a tool for automated credit decision-making on micro loans by means of credit scoring; the tool is fully operational across the NMB branch network. Moreover, the Bank's system is integrated with the Credit Reference Bureau (CRB), which provides borrower information and credit history. This has resulted into the automation of credit reference checks.

The NMB Loan Centre, which became fully operational in 2014 has continued to deal with the centralised monitoring and collection of Retail Loans. In 2017, the Loan Centre took on additional functions including processing MSE loans as well as central, automated disbursement of all MSE loans and Salaried Workers loans. The plan for 2018 is to further extended central disbursement to Agribusiness and SME loans. In addition, the Loan Centre is working on a Credit Application System (CAS) for all corporate, SME and Agri loans, which will cover the entire process, from application to approval to disbursement. In addition to reducing the turnaround time for loan processing, the CAS is more transparent and to a great extent paperless. The system will be launched in phases starting in mid-2018.

Furthermore, starting 1 January 2018, the bank will replace IAS 39 accounting standard with IFRS 9 on classification and measurement of financial instruments. Based on assessments undertaken in 2017, the most notable change following the adoption of IFRS 9 will be adjustments to our impairment charge, which is expected to increase by about 22% compared to prior computations of the same using IAS 39 standard. Moreover, the total estimated adjustment (net of tax) on the adoption of IFRS 9 to the opening reserves of the Bank at 1 January 2018 is at least 2%. This will result in the reduction of the Bank's Capital Adequacy Ratio by at least 0.1%.

Going forward, the credit department will continue to closely monitor the loan book by perfecting its processes while adhering to all prescribed regulations and internal policies.

SUSTAINABILITY AND **SOCIAL RESPONSIBILITY**

CORPORATE SOCIAL RESPONSIBILITY

Investing in and managing human assistance initiatives aligned to our core business continued to be a key focus in 2017. Today, our CSR program has more diversified projects, which cover a broad spectrum of market segments. The changes we have made over the past few years to align our structure and network of operations have made NMB's CSR a more robust initiative. The CSR committee has created structures to ensure that feedback is identified, prioritized and addressed in a systematic manner.

As a leading bank in Tanzania, we acknowledge our responsibility to the broader community by being good corporate citizens and by helping to make our world a better place by committing 1% of our Profit after tax towards improving social welfare. Our 2017 CSR plan was aligned to the bank's Medium Term Plan - Vision 2020 and we continue to strengthen the way CSR is managed and communicated.

Key results in 2017
In 2017, NMB CSR continued to conduct activities that contribute to social and economic wellbeing in the country. We provided support for activities that fall in our three key dimensions of Financial Capability, Education and Health. We prioritize issues most important to our business and stakeholders, as well as areas where we can make the greatest impact.

EDUCATION

Overall goal:
To help create the right conditions for children and young people to progress in achieving education

In 2017, NMB committed to supporting the Government's free education initiative by working closely with the President's Office – Regional Administration and Local Government (PO-RALG) to develop a shared vision for a more learner-centric education environment. In fulfilling this mission, NMB spent over TZS 400 million to improve the learning environment for young children in Tanzania by providing over 6,000 school desks to 80 primary and secondary schools. The bank also provided learning devices for people with disabilities in order to contribute in creating the right conditions for children and young people to progress in attaining education.

In recognizing the potential of ICT as a tool for improving education delivery, 300 used computers were set aside to support primary and secondary schools in the country; both in Tanzania Mainland and Zanzibar. Up to the end of the year, 300 computers were distributed to secondary schools such as Aboud Jumbe, Mizengo Pinda, Igowele, Kayanga, Mailisita, Mikanjuni Ally Hassan Mwinyi and many more across the country. To magnify the impact of our computer donation program, we have initiated discussions with data providers for partnership on provision of internet connection to schools where we are providing our computers. The bank is still at initial discussion stages and we hope to finalize this partnership in 2018.

HEALTH

Overall goal:
Supporting the health and wellness of our customers, stakeholders and our communities through provision of complete set of hospital beds, delivery beds and child and mother neonatal kits

To build on its belief that our community is stronger when it is healthier and stable and to reduce the facility gap in health centers and hospitals, NMB provided complete sets of normal hospital beds and delivery beds. This initiative is also in line with one of Tanzania's development priorities, the provision of quality health care. In 2017, a budget of TZS 300 million was allocated to support the health sector. With this amount, 60 hospitals benefited with complete sets of hospital beds and delivery beds. Among beneficiaries are Chunya hospital, Mwanagawa hospital, Kilosa hospital, Katoro hospital, Nyange hospital and Kibondo hospital.

In an Amref report released in 2017 , it was identified that 66% of deliveries occur in health facilities, however most of these facilities have a shortage of delivery beds and delivery kits to support safe delivery. In an effort to strengthen health facilities and contribute to the sustainable reduction of the maternal and child mortality rate, NMB partnered with Amref to identify and support the six hospitals located in remote areas.

FINANCIAL CAPABILITY

Overall goal:
To help youth to understand the importance of saving through Wajibu program.

Wajibu is a youth banking proposition that seeks to help young people attain a better financial future. The program was launched in July 2016 with financial education content as a key component aiming to help youth to understand the importance of saving through Jifunze, Jipange and Wajibika sessions. The bank has invested in a range of resources for each age group including quizzes, online content, TV programs, on ground activation and radio mentions.

Through the different channels, young people learn about diverse financial aspects including budgeting, planning as well as how to differentiate between needs and wants. The programs also educate the youth on saving options such as the three Wajibu accounts offered by NMB (Mtoto Akaunti, Chipukizi Akaunti and Mwanachuo Akaunti). To date, the Wajibu proposition has reached more than 23,000 young people across Tanzania. Within the bank, over 600 facilitators have signed up as Wajibu facilitators to help deliver the sessions in schools.

The Wajibu proposition is implemented through a partnership between NMB and Women's World Banking (WWB). The project is funded by FSD-Africa.

In addition to the educational programs mentioned above, the following key events took place under this initiative in 2017:

- **Wajibu Campaign:** on 5 Dec. 2017, a sensitization campaign to popularize Wajibu was officiated by Hon. Ummy Mwalimu, Minister for Health, Community Development, Gender, Elderly and Children. The event was featured on TV, radio, print and digital platforms.

- **Mtoto Day Out:** On 9 Dec. 2017, NMB hosted the "Mtoto day out" event, an account opening drive targeting children, parents and guardians. Over 200 children attended event and we managed to open 80 Mtoto/Chipukizi accounts. The event also offered us an opportunity to educate parents and guardians about our youth products and education program for children.

NATURAL DISASTER RECOVERY

In 2017, Tanzania was hit by several natural disasters, leaving thousands of people in need of support. NMB extended a helping hand to the victims affected by floods in Kilosa - Morogoro, Cholera in Zanzibar, and a fire outbreak in Mugumu-Mara among others. A total of TZS 90 million was spent in recovery initiatives bringing relief to the affected communities.

EMPLOYEE ENGAGEMENT

NMB is keen to ensure that all employees are aware of their social responsibility and that they partake fully in CSR activities to improve the society's welfare. We therefore promote CSR initiatives alongside business activities so that each employee partakes in their implementation. In line with our commitment to operate in a sustainable manner, the staff engagement initiative has operated as a core component of our community involvement.

To facilitate these engagements, we match employee contributions with amounts up to TZS 1 million. Since its launch two years ago, the Community Support Program, together with NMB staff have donated over TZS 400 million to support community programs. Over 3,200 (95%) NMB staff participated in CSR initiatives, which has in turn multiplied our impact and has catalyzed our goal of empowering more disadvantaged groups.

Through our CSR programs, we plan to continue providing assistance in our three priority areas of health, education and financial capability. In the coming years, we will broaden our partnerships with individuals and institutions operating in the three areas with the hope of empowering more Tanzanians through commercially viable and sustainable solutions.

CORPORATE **GOVERNANCE**

Risk Management

NMB Bank Plc is guided by its values and its mission to be the preferred financial service provider in both urban and rural areas in Tanzania. A strong Risk and Compliance Management framework is therefore needed by the bank to underpin this objective.

NMB's Risk and Compliance Management Framework is geared towards four key objectives, namely:

- Safeguarding its identity and reputation
- Protection of profits and growth
- Maintaining solid balance sheet ratios.

To ensure compliance with all regulatory requirements, both local and international.

A look at the bank's performance in 2017 reveals solid liquidity and solvency ratios in excess of regulatory requirements and internal limits. Key performance ratios are generally ahead of or in line with industry averages in Tanzania. 2017 was not without its setbacks, however, as the decline in the performance of the loan book shows. This trend was tied to a number of one-off factors which will be explained further in this section as well as other areas of our annual report. The key NPL ratio declined to an end-of-year figure of 6% from 5% a year earlier.

NMB has adopted an Enterprise Risk Management framework to help the bank deliver on its key targets and objectives while ensuring that risks and uncertainties do not exceed certain limits of tolerance as stipulated in the bank's Risk Appetite Statement.
NMB's Risk Appetite Statement is aligned to the bank's annual budget process, which in turn is aligned to the bank's Medium Term Strategy. It serves and acts as a lower and upper guardrail to ensure that the actions of Management and staff at all times during the course of the bank's operations do not exceed allowable levels of risk that could result in material losses to the bank. The ERM process gives reasonable, not absolute assurance against material loss.

The Head of Risk at NMB is tasked by Management and the Board with the responsibility of establishing and overseeing the bank's ERM framework. Recent milestones and achievements for the bank in the Risk and Compliance space include the completion of the bank's Basel II and IFRS 9 implementation projects, in addition to obtaining ongoing Volcker Rule and FATCA re-certifications. What follows in this report is NMB Bank Plc's Risk Profile for 2017

NMB Risk Profile

NMB defines risk as a potentially negative impact on the bank's value that can arise due to internal processes or future internal or external events. The concept of risk includes the probability that an event will occur and the impact it could have on the bank's results, equity or value. The main Principal Risk categories for NMB correspond to those defined by the Bank of Tanzania's Risk Management Guidelines, and consist of **Operational Risk, Credit Risk, Liquidity and Solvency Risk, Market Risk, Compliance Risk and Strategic Risk.** The following table encapsulates NMB's risk profile and risk management processes and mechanisms.

Principal Risk Description	NMB Risk Profile	Risk Management Measures
Credit Risk The risk that a borrower will fail to meet their contractual obligations to NMB and the risk that pledged collateral will not cover the outstanding loan.	NMB experienced some credit risk-related setbacks in 2017 that saw the end of year NPL ratio climb to 6% from 5% a year earlier. NMB has a well-diversified and balanced credit portfolio with a low risk profile. Lending to the public consists largely of Salaried Worker's Loans (SWL's), with a growing portfolio of loans to large corporates and small and medium-sized companies with a low to moderate risk level. Historically NMB's overall NPLs have been well below the banking industry average for Tanzania.	Responsible lending is critical to a well-functioning bank. This means taking into consideration each customer's long-term finances, ability to repay and resilience. In recent years, NMB has spearheaded a number of initiatives to improve its loan origination and disbursement processes, including automation of credit scoring and centralization of the disbursement process. Turn-around-times and efficiencies have subsequently improved. Through its Special Assets department, NMB works proactively with customers who are facing financial difficulties, within the bounds of the bank's internal as well as regulatory guidelines. The bank's credit administration and other support functions have also undergone strengthening in recent years.

Credit risk also includes counterparty risk, concentration risk and settlement risk.	Setbacks in the loan book experienced in 2017 are mainly one offs- and include issues tied to civil servant verification exercises, as well as the failure by a very limited number of large corporates to pay their bank loans on schedule as per contractual obligations.	Supporting the bank's lending posture is a clearly drafted and robust NMB Risk Appetite Statement and a strong credit governance framework with various levels of approvals needed for loans of different sizes and complexity. The apex credit decision-making committee is the Board Credit Committee, while the existing Management committee reviews smaller credit applications. Branches also have some discretion to autonomously approve certain credit applications up to closely monitored internal limits.

Principal Risk Description	NMB Risk Profile	Risk Management Measures
Operational Risk The risk of losses resulting from inadequate or failed internal processes or routines, human error, system error or external events. Operational risk also includes legal risk and information risk (i.e. the risk of losses due to insufficient protection of information in terms of confidentiality, accuracy and accessibility).	NMS's Operational Risk profile is stable. Operational risks occur in all businesses. It is not possible or cost effective to try to eliminate all of them. NMB's goal is to minimize the risks given the nature of its operations, strategy, risk appetite and market. Minor losses are a normal part of the bank's operations. The bank works actively to avoid larger losses and incidents and such events are rare. When they do occur, the bank always ensures that it has adequate insurance protection in place to deal with any related losses above a certain threshold. In an increasingly digital world, it is important for NMB to strengthen its cyber risk posture and Management is well- attuned to this fact. To minimize IT risk, it is critical that the bank's employees are aware and prepared. Measures are taken on a routine basis to create awareness about the threat of cyber risk for both staff and customers. Measures aimed at continuously strengthening IT processes and routines are also an important focus for Management. Security policies are also updated as threat scenarios change.	NMB has adopted an Enterprise Risk Management (ERM) framework to manage its various risks, including operational risk. The following are some of the measures that the bank is taking within its ERM framework to control this risk. **People** In the realm of people-related operational risk, talent retention and career development are key, as is succession planning for key individuals and roles. Management, through the HR department has robust policies in place to achieve this. The bank also has strong strategies in place to deal with the threat of fraud, whether internal or external in nature as well as Legal Risk. **Process** The bank has internal policies to manage operational risk and works diligently to prevent incidents and losses from occurring. A variety of tools and measures are deployed as part of the bank's ERM framework, including the use of Risk Control Self Assessment RCSA's), control testing and conformance reviews by the Second Line of Defense, plus risk analyses and reporting with a focus on control improvement. Risk-reducing measures are discussed in the Risk Management Committee (OPSCO), which is chaired by the Head of Risk. The bank also has measures in place to perform control evaluation on a continuous basis and in connection with major changes in operations and product offerings. In addition, The Legal Risk Committee overviews and monitors the bank's various Legal Risks on a regular basis. **Systems** Through Business Continuity Planning (BCP) the bank is prepared to minimize the effects of incidents as quickly as possible as and when they occur. NMB also has internal policies describing how information should be protected. Based on best international benchmarks and standards and our own risk and threat analysis, we define adequate protection for various categories of information and systems.

Principal Risk Description	NMB Risk Profile	Risk Management Measures
Compliance Risk Compliance risk is the current or prospective risk to earnings, capital and reputation arising from violations or non-compliance with laws, rules, regulations, agreements, prescribed practices, or ethical standards, as well as from incorrect interpretation of relevant laws or regulations. Institutions are exposed to Compliance risk due to relations with a great number of stakeholders, e.g. regulators, customers, counter parties, as well as, tax authorities, local authorities and other authorized agencies.	Given its size and importance as a market leader in the Tanzanian banking industry, NMB cannot afford to be perceived as a bank with uncontrolled compliance and regulatory risks. As per the bank's Risk Appetite Statement, NMB shall always strive to act in an exemplary manner and actively manage threats to its reputation by complying with all laws and dictates of the United Republic of Tanzania as well as Bank of Tanzania and international best practice. NMB will always strive to maintain good working relations with the full spectrum of its various stakeholders, including customers, counter parties, tax authorities, local authorities and other authorized agencies. Measures taken by Management on any given matter will also be aligned with NMB's values.	Compliance risk is managed in a large number of NMB's Enterprise Risk Management processes, such as the New Product Approval Process (NPAP), but is also an integral part of the customer onboarding and due diligence processes (KYC and CDD). Compliance related issues and concerns are directed towards the Operations Committee (OPSCO) and other Management Committees and resolved to a large extent within the bank's ERM framework. NMB has a robust Compliance Department, overseen by a Head of Compliance who is also the bank's Money Laundering Reporting Officer. NMB has a variety of tools and measures to review and interdict suspicious transactions, and to detect cases of suspected money laundering. Screening of suspicious transactions and sanctioned persons and entities is also routinely performed
Liquidity and Solvency Risk Liquidity Risk is the risk that the bank cannot fulfil its payment commitments at maturity. Liquidity risk arises because the maturity structures on the asset and liability sides of the balance sheet do not coincide. Solvency Risk is the risk of bank not meeting minimum capital holding requirements when weighted against its various Risk Weighted Assets, as required by the Bank of Tanzania and other international banking rules and regulations.	NMB's liquidity risk profile is low. The bank maintains a liquidity reserve to ensure its resilience in the event of any disruptions. The reserve consists of balances with the central bank and securities with a high level of creditworthiness that can be pledged to the central bank or divested on very short notice. NMB also closely monitors the gap between the maturities in its funding with the corresponding maturities in its assets. The Solvency Risk profile at NMB is low, and reveals capitalization levels for the bank's various Risk Weighted Asset classes in excess of the regulatory minimum of 14.5%.	Liquidity risk at NMB is overseen day-to-day by the Treasury department with close monitoring by the Middle Office (Market Risk team). A number of tools are used to control this risk e.g. system limits, dealer mandates etc. There is also close monitoring and tracking of liquidity risk issues in the monthly Assets and Liabilities Committee (ALCO). Solvency Risk is monitored and overseen by ALCO and other key Management Committees.

Principal Risk Description	NMB Risk Profile	Risk Management Measures
Market Risk Market risk is the risk of losses in on and off-balance sheet positions as a result of adverse changes in market prices i.e. interest rates, foreign exchange rates, equity prices and commodity prices. Market risk exists in both trading and banking book. A trading book consists of positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book.	NMB's Market Risk profile is low. The predominant risks are of a structural or strategic nature and relate to the interest rate risk that arises as a natural part of the bank's core business. Market Risk at NMB is further kept to a minimum due to the lack of a trading book (In 2017 the bank started preparations for a Trading Book with a start date of 2018).	Market risk at NMB is overseen day-to-day by the Treasury department with close oversight by the Middle Office (Market Risk team). A number of tools are used to control this risk e.g. system limits, dealer mandates etc. There is also close monitoring and tracking of market risk issues in the monthly Assets and Liabilities Committee (ALCO).
Strategic Risk Strategic risk is the current and prospective impact on earnings, capital, reputation or good standing of an institution arising from poor business decisions, improper implementation of decisions or lack of response to industry, economic or technological changes. This risk is a function of the compatibility of an organization's strategic goals, the business strategies developed to achieve these goals, the resources deployed to meet these goals and the quality of implementation.	At NMB, strategic risk is viewed from the vantage points of positioning and execution. NMB has a Medium Term Plan (MTP), which calls for the bank to deliver in a number of areas and in line with certain financial and growth targets. These MTP assumptions and targets are periodically reassessed and revalidated in line with changing market trends and developments, and where necessary recalibrations are done.	Strategic Risk at NMB is at the forefront of Management and the Board's thinking at NMB. The bank is focused on delivering on its Medium Term Plan targets, but also periodically recalibrates some of its assumptions based on market trends and developments. Regular Strategic Risk sessions facilitated by the Head of Risk are conducted at Management and Board Level, with key participation by all members of the Management Team led by the Managing Director.

PROF. JOSEPH SEMBOJA
BOARD CHAIRMAN

Prof. Joseph Semboja is an acknowledged leader in the field of Development Economics, with extensive research experience in the areas of growth and poverty reduction.

He holds a B.A. and M.A. from the University of Dar es Salaam, MSc. and Ph.D. from the University of Illinois, Urbana-Champaign.

He currently heads a leadership capacity building organization in the Institute of African Leadership for Sustainable Development (UONGOZI Institute).

INEKE BUSSEMAKER
MANAGING DIRECTOR

Ms. Bussemaker assumed the role of Managing Director of NMB Bank Plc (NMB) in Tanzania in May 2015.

She has over 30 years of experience in banking having held various senior positions in corporate banking, transaction banking and e-Business in Citigroup, ABN AMRO and Rabobank.

She has lived and worked in the Netherlands, Denmark and the UK. Ms. Bussemaker holds an MBA in Business & IT and a Bachelor's degree in Mathematics.

PROTASE TEHINGISA
BOARD DIRECTOR

Mr. Protase Tehingisa is a specialist, and is in active practice, in corporate and investment law. He formerly worked as Secretary/Chief Legal Counsel of the East African Development Bank.

Prior to that he worked as a State Attorney at the Attorney General's Chambers, and was also once the Corporation Counsel at the Tanzania Legal Corporation.

Mr. Tehingisa holds a Bachelor of Laws degree from the University of Dar es Salaam and a Diploma in Strategic Management from Ashridge Management Institute, UK. He is an Advocate of the High Court of Tanzania.

ALBERT JONKERGOUW
VICE CHAIRMAN

Mr. Albert Jonkergouw has over 20 years' experience in retail and wholesale banking internationally and within Rabobank Netherlands.

He holds two university degrees in Accounting & Auditing and is a member of NOREA (Netherlands Order of Registered IT Auditors) and the South African Institute of Professional Accountants (IPA).

He is also a certified member of the Nyenrode Business University Non-Executive Director Board program. Mr. Jonkergouw is currently the Managing Director for Achmea Africa in Kenya.

MARGARET IKONGO
BOARD DIRECTOR

Mrs. Margaret Ikongo is a Chartered Insurer by profession. She also holds an International Certificate in Risk Management. She was the Managing Director of the National Insurance Corporation for over 10 years.

She has also served on the boards of different reinsurance companies. She currently works as an independent insurance consultant.

Mrs. Ikongo holds a Postgraduate Diploma in Financial Management from the Institute of Finance Management (IFM) and an MBA (FInance) from the Open University of Tanzania.

JOS VAN LANGE
BOARD DIRECTOR

Mr. Jos van Lange is an Economist by profession and is currently an independent supervisor and advisor in several organizations in banking, insurance, health and education.

Prior to this he was Chief Executive Officer of Rabo Real Estate Group, an international real estate company of Rabobank, and the Director of Retail Banking of Rabobank in the Netherlands. Mr. van Lange graduated cum laude in macroeconomics from Tilburg University in the Netherlands.

He also holds a graduation of the program for supervisors from Erasmus University Rotterdam, The Netherlands.

MATHIAS MAGWANYA
BOARD DIRECTOR

Mr. Mathias C. Magwanya has twenty years' experience in auditing and has carried out various due diligence assignments.

He holds a Bachelor of Commerce in Accounting from the University of Dar es Salaam and Master of Business Administration in Corporate Management from Mzumbe University.

He currently works as Chief Internal Auditor of TANROADS and is a member of the Institute of Internal Auditors - Tanzania. Mr. Magwanya was nominated by the Government of Tanzania to replace Mr. Mike Laiser on 8th November 2017.

LEONARD MUSUSA
BOARD DIRECTOR

Mr. Leonard is a Private Management Consultant with extensive experience in transaction services including due diligence and business valuations; business recovery and reconstruction services.

He was Country Senior Partner of PricewaterhouseCoopers (PwC) in Tanzania for a period of 14 years up to 30 June 2014, when he retired. He also served as Head of Assurance Risk and Quality in the PwC Africa Central region covering 9 countries and, between 2012 and 2014, overall Head of Risk, Independence and Quality in the East Africa Market Area of PwC covering 6 countries.

He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and Fellow Certified Public Accountant (Tanzania).

LILIAN R. KOMWIHANGIRO
COMPANY SECRETARY AND HEAD OF LEGAL

Mrs. Lilian R. Komwihangiro is the Company Secretary and Head of Legal of NMB. She holds a Bachelor of Laws degree and Master of Laws in commercial and business law, both from the University of Dar es Salaam.

She also holds an MBA in Executive Management from the Eastern and Southern African Management Institute (ESAMI) and is an Advocate of the High Court of Tanzania.

Before joining NMB, she worked as a legal officer for Maajar, Rwechungura & Kameja Advocates, FK Law Chambers and as legal consultant at PricewaterhouseCoopers.

THE BOARD OF DIRECTORS

FUNCTIONS

The Board is responsible and accountable for providing effective corporate governance, direction and control of the company. The directors have a duty to exercise leadership, enterprise, integrity and judgment based on transparency, fairness, accountability and responsibility.

The Board is responsible for appointing Management, providing strategic direction, approving policies and procedures as well as monitoring operational performance, including identifying risks impacting the company. It is also responsible for managing good relationships with all stakeholders.

COMPOSITION

In 2017 the Board of Directors was made up of seven non-executive directors and one executive director with a mix of skills, experience and diversity.

APPOINTMENT

The appointment of directors is regulated by the Memorandum and Articles of Association of the Company, as well as the guidelines issued by the Bank of Tanzania (BOT) and the Capital Markets and Securities Authority, pursuant to the Banking and Financial Institutions Act 2006 and the Capital Markets and Securities Act 1994, respectively. Shareholders with more than a 10% stake in the share capital of NMB are entitled to nominate one director for every 10% of the shares held by them. The names are presented to the AGM for ratification and appointments are submitted to BOT for approval.
All non-executive directors are subject to retirement by rotation and re-election by shareholders periodically in accordance with the articles of association. Rotation is staggered to ensure continuity of experience and knowledge. The number of terms an individual may serve is not limited. The Companies Act 2002 requires that directors retire at the age of 70 years, however there is a provision in the law for re-election.

RETIREMENT

At the AGM held in June 2017, Directors Joseph Semboja and Margaret Ikongo retired after completing their terms and being eligible, they were re-elected. Director William Mlaki who attained the age of 70 years retired from the Board. Director Protase Tehingisa who also turned 70 years retired and was re-elected to complete the remainder of his one year term as Director in line with the Companies Act 2002 (CAP 212).

BOARD MEETINGS

The Board meets quarterly, with additional meetings convened as and when necessary.
During 2017, the Board and its committees met to discuss and decide on the business activities. The Board Committees act on behalf of the Board to direct the bank effectively and accelerate the decision-making process. The four Board committees are: the Board Executive Committee (BEC), the Board Audit, Risk and Compliance Committee (BARCC), the Board Human Resources and Remuneration Committee (BHRRC) and the Board Credit Committee (BCC).

The number of meetings held over the course of the year is given in brackets:

Board of Directors (12)
Board Executive Committee (4)
Board Audit Risk and Compliance Committee (10)
Board Human Resources and Remuneration Committee (5)
Board Credit Committee (10)

Members of the Board and respective committees as at 31st December 2017 are shown in the table below:

S/No.	Name	Main Board	BEC1	BARCC2	BCC3	BHRRC4
1.	Joseph Semboja	Chairman	Chairman			
2.	Leonard Mususa	Member		Member	Chairman	
3.	Albert Jonkergouw	Member	Member		Member	Member
4.	Jos van Lange	Member		Chairman		
5.	Mathias Magwanya	Member	Member			Member
6.	Protase Tehingisa	Member			Member	Member
7.	Margaret Ikongo	Member		Member		Chairman
9.	Ineke Bussemaker (MD)					

1 BEC (Board Executive Committee)
2 BARCC (Board Audit, Risk and Compliance Committee)
3 BCC (Board Credit Committee)
4 BHR&RC (Board Human Resources and Remuneration Committee)
MD attends all meetings

DIRECTORS EVALUATION

The Board itself regularly undergoes self-assessment and evaluation under the guidance of an independent party in order to improve the internal Governance of the Board and its Committees.

RELATIONSHIP WITH AUDITORS

The Board Audit, Risk and Compliance Committee and the full Board held meetings with the external auditors to discuss the auditors' terms of engagement, duties and various other issues during the year under review.

BOARD COMMITTEES

BOARD EXECUTIVE COMMITTEE

The Committee assists the Board in fulfilling its oversight responsibilities in accordance with the Articles of Association of the Company. The Committee exercises the powers of the Board in managing the business and affairs of the Company during the intervals between Board meetings, when action by the Board is necessary or desirable but convening a special Board meeting is not warranted or practical.

BOARD AUDIT, RISK AND COMPLIANCE COMMITTEE

The Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the bank's financial statements and financial reporting process, systems of accounting and financial controls; the annual external audit of financial statements, reporting and internal controls; performance of the Internal Audit, Risk and Compliance Functions; compliance with legal and regulatory requirements; adequacy of the risk management function; the oversight responsibility on planning and conduct of audits to determine that the bank's financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards and applicable laws, rules and regulations.

BOARD HUMAN RESOURCES & REMUNERATION COMMITTEE

The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibility to shareholders by ensuring that the bank has coherent remuneration policies and practices that fairly and responsibly reward executives and staff having regard to performance, the law and the highest standards of governance.

BOARD CREDIT COMMITTEE

The Committee assists the full Board and provides oversight in the management of credit risk by reviewing continuously the credit portfolio, credit standards and Credit Policy.

COMPANY SECRETARY

The company secretary is Mrs Lilian Komwihangiro and she provides support and guidance to the Board in matters relating to governance and ethical practices. She is also responsible for induction programs of new directors, keeping board members abreast of relevant changes in legislation and governance principles.

COMMUNICATION WITH SHAREHOLDERS

The company recognizes that effective communication with stakeholders is essential to good governance. Following the publication of its financial results, it engages with investors to present the results and answer questions accordingly.
Shareholders are encouraged to attend the annual general meeting to be held on Saturday, 2nd June 2018 at Julius Nyerere Convention Centre, Dar es Salaam and participate in the affairs of the company.

CORPORATE **INFORMATION**

INEKE BUSSEMAKER
MANAGING DIRECTOR

Ms. Bussemaker assumed the role of Managing Director of NMB Bank Plc (NMB) in Tanzania in May 2015.

She has over 30 years of experience in banking having held various senior positions in corporate banking, transaction banking and e-Business in Citigroup, ABN AMRO and Rabobank.

She has lived and worked in the Netherlands, Denmark and the UK. Ms. Bussemaker holds an MBA in Business & IT and a Bachelor's degree in Mathematics.

PETE NOVAT
CHIEF OPERATING OFFICER AND INTERIM CHIEF HR

Pete Novat joined NMB as a Chief Information and Operations Officer in 2013. He is responsible for leading NMB operations, shared services and technology.

Pete has extensive financial services experience, having worked in the industry since the late 1990's. Prior to NMB, he spent 9 years at NBC Bank leading a team of Technology professionals. In addition, Pete is the interim Chief responsible for Human Resources (HR) since March 2017 where he leads a team of HR professionals responsible for recruiting, leadership development, learning, compensation, benefits, diversity and inclusion as well as employee relations for about 3,400 employees.

Pete has over 12 years' experience in corporate leadership, programme management, larger project management and banking of which 7 years has been at Executive Management level. He holds a Bachelor Degree (Hons) in Electronics and Communication Science from University of Dar es Salaam and a Certificate of Programme for Management Development (PMD) from Gibson Institute of Business Science (GIBS), SA.

AZIZ CHACHA
TREASURER

Aziz Chacha joined NMB as the bank's Treasurer in September 2011 from Barclays Bank Tanzania where he had worked as the Country Treasurer. He is an alumni of Inoorero University, Kenya and currently serves in the Tanzania Bankers Association (TBA) financial markets technical committee. He has a wealth of experience in Treasury risk management, Treasury technology, capital markets/corporate finance, capital planning and balance sheet management and is a certified member of ACI-Financial Markets headquartered in France.

TOM BORGHOLS
CHIEF CREDIT OFFICER

Tom Borghols is the Chief Credit Officer of NMB, responsible for Credit, Special Assets and the bank's newly established Loan Centre, which manages the centralized processing of loans, including central disbursement. Tom has over 30 years banking experience having worked with ABN AMRO Bank, Fortis Bank and Rabobank. In his career he has held positions in the commercial and in the risk area, both in corporate and in retail banking.

Working his way up from Relationship Manager to Branch Manager and Country Manager, Tom started his career in his native country, The Netherlands, moved to Curacao in the Caribbean, and then to Kenya, Rwanda, Zambia. Prior to joining NMB five years ago, he worked with the Banque Populaire du Rwanda and thereafter he was appointed to position of Director Risk at Zambia National Commercial Bank (ZANACO). Tom holds a Master's Degree in International Law.

RICHARD MAKUNGWA
CHIEF WHOLESALE BANKING

Richard Makungwa joined NMB as a Head of Corporate Banking in 2006 and was subsequently appointed as Chief Wholesale Banking.

He had previously worked with Citibank Tanzania and CRDB Bank where he held various positions in Customer Service, Operations and Corporate Banking where he accumulated a wealth of experience in wholesale banking business.

Mr. Makungwa holds a Bachelor of Arts degree and MBA both from the University of Dar es Salaam; he also holds a Bachelor of Laws degree from Tumaini University.

ABDULMAJID NSEKELA
ACTING CHIEF RETAIL BANKING

Abdulmajid is a seasoned banker with over 20 years' experience in retail and commercial banking. A thought leader in product development, he has a proven track record of envisioning and creating innovative banking solutions. He joined NMB Bank Plc in 2008 as the Senior Manager Personal Banking and was promoted to Head of Personal Banking in 2013; he was appointed as the Acting Chief of Retail Banking in December 2015.

Abdulmajid has a wealth of experience from working in different departments within banks. Prior to joining NMB, he was a Senior Relationship Manager, Corporate Banking at CRDB Bank Plc. Abdulmajid holds a Masters of Business Administration majoring in International Banking Finance (MBA-IBF) and a Graduate Diploma in Business Administration from Birmingham University. He is also an alumni of the Institute of Finance Management having specialized in Banking.

SAIF AHMED
CHIEF AGRIBUSINESS OFFICER

Saif Ahmed has over 24 years' experience in Corporate and SME Banking, Investment Banking, Commercial Agribusiness, FMCG and Consulting across East & West Africa, Asia and Europe.

He also serves as a member of the Board of Directors and Technical Advisory Committee member of several banking and agribusiness related private & public associations including NGOs both locally and internationally.

Prior to joining NMB in 2016, Saif worked with Equity Bank Ltd, Kenya where he served as General Manager of Agribusiness across 6 East African countries. He has a vast experience in several agribusiness value chains of tea, coffee, fruits, vegetables, edible nuts etc. He holds a Bachelor's degree in Accounting and Economics, an MBA in Finance and Agribusiness Management from India and a Certificate in Agriculture Finance from Kenya School of Monetary Studies.

EXECUTIVE MANAGEMENT TEAM

The Executive Management Team steers and oversees the management of the bank at all levels. The Committee has the mandate to formulate the bank's strategy and vision for implementation by various departments, & recommend the strategy and vision for Board approval.

ASSETS & LIABILITIES COMMITTEE

The Asset and Liability Committee (ALCO) is responsible for achieving sustainable and stable profits for NMB within a framework of acceptable financial risks and controls. The Committee is authorized to manage the balance sheet and financial risks of the businesses within prescribed policies and limits. It is also authorized to delegate day-to-day management of Asset Liability Management (ALM) functions to individuals.

CREDIT COMMITTEES (LOAN PORTFOLIO QUALITY, WHOLESALE AND RETAIL)

The credit committees ensure the prudent extension and management of credit facilities to customers, in accordance with the credit risk policies and procedures applicable to NMB.

MANAGEMENT RISK AND COMPLIANCE COMMITTEE

The Management Risk and Compliance Committee ensures that the areas of high risk from regulators, compliance risk and audit reports are addressed in time to improve the risk management and controls in the bank.

MANAGEMENT HUMAN RESOURCES DISCIPLINARY COMMITTEE

The Management Human Resources Disciplinary Committee (MHRDC) ensures fairness in the implementation of the disciplinary code to staff, especially in cases of gross misconduct. The Committee has the mandate to adjudicate cases of alleged misconduct by a staff member brought to its attention, with particular reference to the requirements of the labour laws of Tanzania.

MANAGEMENT TENDER COMMITTEE (MTC)

The Management Tender Committee (MTC) reviews, considers and approves all purchases made above the amount of TZS 100 Million.

The Committee has the mandate to invite, examine and, where appropriate, authorize procurement of goods, works and services within its financial threshold.

OPERATIONAL RISK COMMITTEE

The Operational Risk Committee is a standing committee involving Risk Department and Operations Department personnel and Management, whose main purpose is to serve as a forum to align and properly coordinate the actions and activities of the two departments with a view towards forging a better control environment and customer experience at NMB. The Committee has the authority to review the operation of branches and provide the necessary guidance to branches where required.

PRODUCT AND PROCESSES APPROVAL COMMITTEE

The Product Approval Committee reviews and approves the commissioning or deployment of a new product and new operational processes.

The Committee has the mandate to approve and reject a request to commission or deploy a new product if it fails to meet the required standard.

ANNUAL GENERAL MEETING NOTICE 2018

Notice is hereby given that, the 18th Annual General Meeting of NMB Bank Plc shareholders, will be held at the Julius Nyerere International Convention Centre in Dar es Salaam on Saturday, June 2, 2018 at 10.00 AM.

The agenda will be as follows:

18.1 NOTICE AND QUORUM

18.2 ADOPTION OF THE AGENDA

18.3 CONFIRMATION OF THE MINUTES OF THE 17TH ANNUAL GENERAL MEETING HELD ON JUNE 3, 2017

18.4 MATTERS ARISING FROM THE PREVIOUS MINUTES

18.5 TO RECEIVE, CONSIDER AND ADOPT THE DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2017

18.6 DIVIDEND DECLARATION FOR THE FINANCIAL YEAR 2017

18.7 TO RECEIVE AND APPROVE THE PROPOSAL FOR DIRECTORS' REMUNERATION

18.8 RESIGNATION AND APPOINTMENT OF DIRECTORS

18.9 TO RECEIVE AND APPROVE APPOINTMENT OF EXTERNAL AUDITORS FOR THE FINANCIAL YEAR 2018

18.10 ANY OTHER BUSINESS

IMPORTANT NOTES:

1. Members wishing to attend the meeting must come with one of the following: a copy of his/her depository receipt, passport, voters ID card, or bank card.

2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his/her behalf in accordance with the provisions of the Articles of the Company. The proxy form must be deposited at the registered office of the company not later than 10.00 AM Friday June 1, 2018.

3. Members wishing to attend the meeting will have to attend at their own cost. Copies of annual report and proxy forms will be available at NMB Branches.

4. Directors propose payment of a dividend of TZS 64 per share, amounting to TZS 32 billion out of 2017 profit.

Date of announcement of results:	- May 4, 2018
Shares trading cum div:	- May 4, 2018
Last day of trading cum-dividend:	- May 24, 2018
Shares start trading ex-div:	- May 25, 2018
Register Closing Date (Books Closure Date)	- May 29, 2018
Payment of dividend:	- on or about June 14, 2018

By order of the Board.

Lilian R. Komwihangiro
Company Secretary

May 11, 2018

PROXY

TO:
THE COMPANY SECRETARY
NMB BANK PLC
NMB HEAD OFFICE
ALI HASSAN MWINYI/OHIO STREETS
P.O. BOX 9213
DAR ES SALAAM

I/We, ______________________________ of ______________________________

being a fully paid up member/members of the NATIONAL MICROFINANCE BANK PLC and entitled to vote,

hereby appoint ______________________________ of ______________________________

as my/our proxy, to vote for me/us and on my/our behalf at the 17th ANNUAL GENERAL MEETING of the Company to be held at the Julius Nyerere Convention Centre in Dar es Salaam on Saturday, 2nd June 2018, and at any adjournment thereof.

Signed this ______________________ day of ______________ 2018

Signature(s) of member (s) ______________________

Note: A member entitled to attend and vote may appoint, in writing a proxy to act on his/her behalf, to attend, vote and speak instead of him/her. A proxy need not also be a member of the company.

WHISTLE BLOWING

As NMB Values encourage compliance and integrity above all, we also encourage our staff members, customers, or other stakeholders to raise any concerns, inappropriate practices of any nature through our whistle blowing channels as shown below:

1. THROUGH NMB WEBSITE

http://www.nmbbank.co.tz

2. BY POST:

You can confidentially send your concerns to the Managing Director (MD):

Attn to MD [envelope marked "strictly private and confidential"]
NMB Head Office,
P. O. Box 9213,
Ali Hassan Mwinyi/Ohio Streets
Dar es Salaam, Tanzania.

3. THROUGH EMAIL:

whistleblowing@nmbtz.com

4. BY CALLING:

the following Toll Free Phone Numbers, for those who would wish to call:

i. 0658 751 000 - Tigo
ii. 0779751 000 - Zantel
iii. 0685 751 000 - Airtel
iv. 0800 751 000 - Vodacom

FINANCIAL **STATEMENTS**

1. INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of NMB Bank Plc (the "Bank") and its subsidiary Upanga Joint Venture Company Limited (together, the 'Group').

2. INCORPORATION

The Bank is incorporated in Tanzania under the Companies Act, No.12 of 2002 as a public limited liability company.

3. VISION

To be the preferred financial services partner in Tanzania.

4. MISSION

Through innovative distribution and its extensive branch network, the Bank offers affordable, customer focused financial services to the Tanzanian community, in order to realise sustainable benefits for all its stakeholders.

5. PRINCIPAL ACTIVITIES

NMB Bank Plc ("NMB") is licensed under the Banking and Financial Institution Act, 2006, with license number CBA 00032. It is authorized to conduct and carry out banking business in Tanzania as a Bank. The Bank is regulated by the Bank of Tanzania and is subject to the provisions of the Banking and Financial Institutions Act, 2006 and its regulations.

The Bank is a full service commercial bank incorporated in the United Republic of Tanzania. It is engaged in taking customer deposits, providing credit facilities and offering other commercial banking services. Through its four main business divisions: Retail, Wholesale, Agribusiness and Treasury, NMB provides a suite of financial services and products to retail customers, farmers, small businesses, Corporates, institutions and the Government. The Bank has over 200 branches and more than 700 ATMs across the country and is present in 98% of all Government districts. NMB has over TZS 2.5 million customers and employs about 3,400 staff. The Bank is listed on the Dar es Salaam Stock Exchange in Tanzania.

6. DIRECTORS

The Directors of the Bank who were in the office since 1 January 2017 to the date of this report are: -

No	Name	Position	Date of Birth	Nationality	Qualification/ discipline	Date of appointment
1	Prof. Joseph Semboja	Chairman	24 April 1951	Tanzanian	Economist	Re-appointed on 3 June 2017
2	Albert Jonkergouw	Member	26 January 1958	Dutch	Auditor	Re-appointed on 7 June 2014
3	Jos van Lange	Member	06 June 1956	Dutch	Economist/Banker	Re-appointed on 4 June 2016
4	Leonard Mususa	Member	25 September 1953	Tanzanian	Certified Public Accountant	Appointed on 6 June 2015
5	Margaret Ikongo	Member	08 June 1957	Tanzanian	Chartered Insurer	Re-appointed on 3 June 2017
6	Protase Tehingisa	Member	24 May 1947	Tanzanian	Lawyer	Re-appointed on 6 June 2015
7	William Mlaki	Member	09 January 1947	Tanzanian	Economist/Banker	Retired on 3 June 2017
8	Mike Laiser	Member	28 December 1948	Tanzanian	Enterprise Development Economist	Resigned on 8 November 2017
9	Mathias Magwanya	Member	3 January 1968	Tanzanian	Auditor	Nominated on 8 November 2017. Appointment to be ratified at the 2018 Annual General Meeting
10	Ineke Bussemaker	Member	23 February 1958	Dutch	Banker	Appointed on 6 June 2015

7. COMPANY SECRETARY

The Bank's secretary as at 31 December 2017 and during the year was Lilian R. Komwihangiro.

8. CORPORATE GOVERNANCE

The Board of Directors (the "Board") consists of nine directors. As at the date of this report one director position was vacant. One of the Directors holds an executive position (Managing Director) in the Bank. The Board takes overall responsibility for the Bank, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times a year. The Board delegates the day to day management of the business to the Managing Director assisted by the Management Team. The Management Team is invited to attend board meetings and facilitates the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the various business units.

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

1. Board Executive Committee
2. Board Audit, Risk and Compliance Committee
3. Board Human Resources and Remuneration Committee
4. Board Credit Committee

During the year, there were 11 board meetings (7 of which were special meetings). There were also 10 Board Credit Committee meetings, 5 Board Human Resources and Remuneration Committee meetings (1 of which was a special meeting), 9 Board Audit, Risk and Compliance Committee meetings (5 of which were special) and 4 Board Executive Committee meetings.

9. REMUNERATION POLICIES

The Bank has in place processes and procedures for determining remuneration paid to its Directors. Management normally prepares a proposal of fees and other emoluments paid to directors after having conducted a market survey, which is brought to the Board before forwarding the same to the Annual General Meeting (AGM) for final approval.

10. ACCOUNTING POLICIES

The accounting policies of the Bank disclosed in Note 3 to the financial statements have been approved by the Board. The accounting policies have been updated to reflect the new and revised International Financial Reporting Standards (IFRSs) in Note 2.

11. MANAGEMENT TEAM

The Management of the Bank is led by the Managing Director assisted by the Management Team. The management of the Bank at the date of the report consisted of the following:-

- Managing Director
- Chief Customer Business
- Chief Financial Officer
- Chief Credit Officer
- Chief Digital Transformation and Products
- Chief Shared Services
- Chief Risk and Compliance
- Treasurer

12. INTERNAL AUDIT FUNCTION

The Bank has an independent Internal Audit function reporting to the Board Audit Risk and Compliance Committee. The Acting Chief of Internal Audit of the Bank is Benedicto Baragomwa.

13. STOCK EXCHANGE INFORMATION

In 2008 the Bank was listed at the Dar es Salaam Stock Exchange. The price per share as at year-end date was TZS 2,750 (2016: TZS 2,750). Market capitalisation as at 31 December 2017 was TZS 1,375 billion (2016: TZS 1,375 billion).

14. CAPITAL STRUCTURE

The Bank's capital structure for the year under review is disclosed under note 31 to the financial statements.

Details of the capital management, regulatory capital and capital structure are disclosed under Note 6.6.

15. SHAREHOLDERS OF THE BANK

The total number of shareholders during the year 2017 is estimated to be 17,596 (2016: 17,576). None of the Directors is holding a significant number of shares at the Bank. The following is a list of shareholders who individually own 0.5% or more.

Name of the Shareholder	%	2017 number of shares	%	2016 number of shares
Cooperatieve Centrale Raiffeisen - Boerenleenbank B.A. "Rabobank Nederland" (Rabobank)	34.9	174,500,000	34.9	174,500,000
The Treasury Registrar	31.8	158,901,800	31.8	158,901,800
National Investment Company Limited (NICOL)	6.6	33,049,520	6.6	33,049,520
Mr Aunali F Rajabali and Sajjad F Rajabali	5.0	25,000,000	5.0	25,000,000
SQM Frontier Africa Master Fund Ltd - SQM1	1.9	9,566,432	1.9	9,566,432
Morgan Stanley Institutional Fund, Inc -Frontier Markets Portfo-lio-MGGQ	1.3	6,718,721	1.2	6,212,221
Morgan Stanley Galaxy Fund	1.3	6,427,232	1.3	6,691,187
Banque Pictet and Cie Sa A/C Patrick Schegg	1.0	4,972,700	1.0	4,972,700
Parastatal Pension Fund (PPF)	1.0	4,831,636	1.0	4,831,636
Kuwait Investment Authority	0.7	3,500,000	0.7	3,500,000
Sanlam Centre Sub Saharan Africa Equity Master Fund Class E	0.7	3,400,000	0.7	3,400,000
Duet Africa Opportunities Master Fund IC	0.6	3,150,000	0.6	3,150,000
Stanbic Nominees Limited	0.6	3,115,688	0.7	3,354,523
TCCIA Investment Company Limited	0.5	2,611,886	0.5	2,611,886
General Public	12.1	60,254,385	12.1	60,258,095
	100.0	**500,000,000**	**100.0**	**500,000,000**

Proposed transfer of Rabobank Shares

NMB Bank's largest shareholder, Rabobank of the Netherlands, partnered with the Dutch Development Bank (FMO) and the Norwegian State owned development fund (Norfund) to form a Sub-Saharan Africa-focused investment company, Arise B.V. The partnership was officially launched in Cape Town, South Africa in February 2017.

The ambition of the partnership is to build strong, locally owned financial institutions that serve small and medium enterprises (SMEs), the rural sector, and clients who have not previously had access to financial services.

15. SHAREHOLDERS OF THE BANK (CONTINUED)

To achieve their goal, members of the partnership agreed to pool together their networks, expertise and assets, including the stakes they individually held in several financial institutions in Sub-Saharan Africa (SSA). For Rabobank, this represents its shareholding in a number of financial institutions in SSA including NMB Bank Plc (NMB).

The transfer of Rabobank's shares in NMB to Arise is subject to regulatory approvals both at shareholder level as well as at the various national levels. Rabobank has lodged its share transfer request at the Ministry of Finance (MOF), the Bank of Tanzania (BOT) and the Capital Markets and Securities Authority (CMSA).

NMB will provide an update of the proceedings upon the receipt of responses from the regulatory bodies.

16. FUTURE STRATEGIC PLANS

The core of NMB's strategy is to drive customer convenience at all points of our interactions. The strategy is achieved through the simplification of the products and services we offer. To deliver this, we have purposed ourselves to continue investing in this market with solutions that are relevant and more so, help our customers to prosper.

One of our priority objectives is to expand our customer base. In order to achieve this, we will extend our reach so that we can make our services more accessible to more people. We aim to do this by utilizing technology as best we can. Agency banking and mobile banking are the two methods that NMB is prioritizing.

The future of banking will be strongly shaped by technology. Technology will impact how we interact with our customers; how we manage our risks and how we deliver our services. Taking into consideration the profound changes that are taking place in the banking sector due to this technological advancement, the Bank will continue to invest significant financial resources in improving our ICT infrastructure and increasing the size and enhancing the skills of our ICT department. The Bank will digitize, as appropriate, many of our current manual bank or branch operations. This should increase operational efficiency within the Bank thereby reducing costs and ultimately enhancing profits.

The business holds special value for the communities in which it operates and which form an integral part of its existence. It is for this reason that we continuously promote the essence of shared growth with our customers and other stakeholders. We truly want our customers to thrive, as we believe that it is only through their success that NMB can symbiotically continue to prosper as well

17. MARKET OVERVIEW

Global growth gained momentum in 2017 as a result of notable broad-based recovery in trade, manufacturing and investment coupled with stronger business and consumer confidence. Growth is estimated to have reached 3.6% in 2017 from 2.3% in 2016 and expected to grow higher in 2018. However, this is still below the growth rate before the 2008 financial crisis.

The Tanzanian economy slightly slowed in 2017 as a result of cuts in government spending and a slowdown in private sector. The full year GDP rate is estimated to stand at 6.6% lower than the government's growth target of 7.1%. Meanwhile, 2017 headline inflation closed at 4.0%, way below the authorities' target of 5%, following reduced food prices supported by a good harvest during the first half of the year and stable commodity prices.

The local currency traded broadly sideways in 2017 with minor volatility in the first quarter of the year whereby high dollar demand coupled with limited inflow marked a 2.5% depreciation of the unit against the dollar in January. However, the shilling settled in a range of between TZS/USD 2,231 and TZS/USD 2,246 for the remainder of the year. This stability was on the back of reduced imports as economic activities slowed and the central bank's sporadic intervention to smoothen out excessive short-term volatility in the exchange rate.

Local currency liquidity remained stable throughout the year with overall market rates seeing a sharp decline year on year. Interbank overnight rates declined by 788bps on average while short and long term government securities yields dropped by 509bps and 405bps, on average, respectively.

18. PERFORMANCE FOR THE YEAR

2017 Financial Highlights

Statement of financial position

- Total assets of the Group increased to TZS 5.5 trillion (2016: TZS 4.9 trillion), this represents a yearly growth of 12%.

- Overall, year on year Bank's net loan book remained flat mainly due to slow-down in lending following civil servant certificate verification exercise, sluggish demand from borrowers in most business sectors of the economy and increase in impairment balance on loans and advances by TZS 131 billion. Assets that experienced a significant growth are Government securities by TZS 195 billion, placements with banks TZS 105 billion and increase of cash and balance with Bank of Tanzania TZS 206 billion. This growth in assets was funded by growth in customer deposits by TZS 535 billion, additional borrowing from corporate bond amounting to TZS 22 billion and borrowings from Triodos Bank B.V amounting to TZS 28.3 billion.

- There was an increase in Bank's non-earning assets in particular tangible and intangible assets by 12% mainly due to leasehold improvements (fit-out for new branches and Cash Collection Points (CCPs)), data centre equipment and software acquisitions. In addition, due to increased liquidity in the market, cash and balances with Bank of Tanzania increased by 22%.

Statement of comprehensive income

- During the year, the Group recorded a net profit of TZS 96 billion (2016: TZS 156 billion), a decrease of 38% and the Bank earned a net profit of TZS 94 billion (2016: TZS 154 billion), a decrease of 39% year on year. The decrease was mainly attributed to significant impairment losses during the year.

- The Bank's net interest income increased by 3% while net fees and other income increased by 7% mainly attributable to Foreign exchange income and commission income. Loan impairment increased by 333% due to increase in Portfolio At Risk (PAR).

- The Bank's operating expenses increased by 2% during the year mainly contributed to general growth of business and depreciation expense.

The Bank's subsidiary Upanga Joint Venture Company (UJVC) Limited made a profit after tax of TZS 2.1 billion (2016: TZS 2.3 billion). As at 31 December 2017, the total assets were TZS 47 billion (2016: TZS 49 billion); the decrease was due to re-payment of the loan balance.

The audited financial statements for the year are set out on pages 68 to 159.

19. CASH FLOW

During the year, the Bank's major source of cash flow has been from operations that generated TZS 701 billion (2016: TZS 113 billion). The major use of the cash flow has been TZS 61 billion (2016: TZS 71 billion) for payment of Tax, TZS 45 billion (2016: TZS 81 billion) investment in fixed assets, TZS 11 billion (2016: TZS 10 billion) investment in software, TZS 195 billion (2016: TZS 52 billion) net investment in government securities and TZS 52 billion (2016: TZS 52 billion) for dividend payment.

The Bank's cash projections indicate that future cash flows will mostly be generated from deposits. The Bank will continue to implement different strategies to mobilise deposits by targeting individual depositors but also offering competitive rates for fixed deposits and improving cash collection solutions to big corporate customers, government institutions, Non-Government Organisations and other agencies.

20. DIVIDEND

The Directors propose payment of a dividend of TZS 64 per share, amounting to TZS 32 billion. In 2016, a dividend of TZS 104 per share, amounting to TZS 52 billion was approved and paid.

21. KEY PERFORMANCE INDICATORS FOR BANK

The following Key Performance Indicators (KPIs) are effective in measuring the delivery of the Bank's strategy and managing the business.

Performance indicator	Definition and calculation method	NMB ratios 2017	NMB ratios 2016
Return on equity	Net profit/Total equity.	12%	20%
Return on assets	Net profit/Total assets.	2%	3%
Cost to income ratio	Total costs/Net income.	58%	59%
Interest margin on earning assets	Total interest income/ Interest earning assets	17%	15%
Non - interest income to Gross income	Non - interest income/Total income.	23%	23%
Gross loans to customers to customer deposits	Total loans to customers/Total deposits from customers.	63%	76%
Non - performing loans to gross loans	Non - performing loans/Gross loans and advances.	6%	5%
Earning assets to total assets	Earning assets/Total assets.	72%	74%
Growth on total assets	Increase in assets for the year/Total asset opening balance.	11%	8%
Growth on loans and advances to customers	Increase in Loans and advances /Opening balance of loans and advances.	(0.3)%	13%
Growth on customer deposits	Increase in customer deposits/Opening balance of customer deposits	14%	5%
Capital adequacy			
Tier 1 Capital	Risk weighted assets including off balance sheet items/Core Capital	16.9%	19%
Tier 1+Tier 2 Capital	Risk Weighted assets including off balance sheet items/Total Capital	17.6%	20%

22. TREASURY POLICY

The Bank maintains a well-documented treasury policy that outlines approved Treasury activities in the Bank and how various risks that arise from such dealings together with other banking activities are identified, measured and managed. These, among others, include liquidity risk, foreign exchange risk and interest rate risk.

Regulatory ratios and internal limits on the above stated risks are stipulated in the policy to enable an efficient monitoring of any breaches. Moreover, to combat any losses that may result from dealing activities, the policy allows for establishment of dealer limits, counterparty limits and stop-loss limits that must be reviewed regularly and kept up to-date. In addition to this, roles and responsibilities of treasury staff, market risk unit, senior management and Assets and Liability Committee (ALCO) members in complying with the policy are stated.

Asset Liability Management (ALM) team in conjunction with market risk unit provide monthly reports to ALCO to evidence compliance with the policy. Any incident where a guideline has been breached is reported by the Treasury functions to the Treasurer who then escalates the breach to ALCO members and bank management for immediate actions. The following sections are covered in the Treasury policy:

22. TREASURY POLICY (CONTINUED)

(i) Liquidity Management

Liquidity management evaluates the Bank's ability to meet its commitments as they fall due and whilst maintaining market confidence in the market so as to be able to replace funds when they are withdrawn.

The Bank's sound and robust liquidity management process, as carried out within the bank and monitored by ALCO, encompasses of the following:

- Day-to-day funding, managed by monitoring future cash flows to ensure that daily obligations can be met. This includes replenishment of funds as they mature or borrowed by customers. The bank maintains an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly liquid and marketable securities that can easily be liquidated as protection against any unforeseen interruption to cash flows;
- Monitoring balance sheet liquidity ratios, i.e., Liquid Asset Ratio (LAR), Loan to Deposit Ratio (LDR) and Long-term Funding Ratio (LTFR) against internal and regulatory requirements;
- Managing the concentration and profile of debt maturities;
- Diversification of depositor base;
- Performing Liquidity stress and scenario tests; and
- Maintaining a robust and effective contingency funding plan.

It is vital to know that changes in interest rates impact the overall profit of the Bank. Hence, in addition to liquidity management, the bank manages its interest expenses through regular review of the fixed deposit rates and other savings accounts rates, together with striving to obtain reasonable and fair borrowing rates from the interbank and multilateral lenders.

(ii) Foreign Exchange risk

Foreign Exchange risk is a current or prospective exposure to earnings and capital arising from adverse movement in currency exchange rate. The Treasury policy mainly focuses on foreign exchange risk that arises from trading activities whose management principles are as outlined below;

- Identification of foreign exchange risks in the trading and banking book.
- Risk appetite specification in the form of limits and triggers.
- Breach management
- Price validation and profit recognition
- Sign off of positions and profit or loss
- Reporting and management of foreign exchange risk

The policy further outlines the roles and responsibilities of ALCO, Market Risk Unit and Foreign exchange traders in managing this risk for the bank.

(iii) Interest Rate risk

Interest Rate risk is the risk that arises from mismatches between the re-pricing dates on interest rate sensitive assets and liabilities in the normal course of business activities. Treasury policy explains the types of interest rate risk together with methods for measuring and managing it. The policy additionally outlines the roles and responsibilities of ALCO and Treasury in their involvement with managing the risk. All these are disclosed both internally via reports to ALCO (monthly) and Board Audit Risk and Compliance Committee (BARCC) on a quarterly basis and publicly through annual financial reports.

All borrowings have been disclosed under note 30 to the financial statements. Interest rate sensitivity analysis is disclosed under note 6.2.2. As at the date of the audit report, there were no major financing transactions that have been undertaken by the Group.

22. TREASURY POLICY (CONTINUED)

(iv) Contingency Funding Plan

Treasury policy puts together a contingency funding plan that is aimed at providing a framework within which an effective plan of action can be put in place in response to an adverse liquidity event. The plan stipulates:

- The points that will trigger implementation of the plan;
- Roles and responsibilities of Management;
- Team members during phase 1 and phase 2 of the crisis situation as defined in the policy; and
- An updated call tree during the liquidity crisis.

23. PRINCIPAL RISKS AND UNCERTAINTIES

The key risks that may significantly impact NMB's short-to-medium term strategy are mainly Credit, Operational, Compliance, Information (ICT) and Communication Technology, Market, Liquidity, Strategic and Reputational risk.

Below, we provide a description of these various risk categories that the bank faces.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including the legal risk.

Fraud, whether internal or external, is also a subset of operational risk. The number and value of fraud cases within the bank is quite low when compared to overall customer numbers, balances and transactional volumes. This is due to the Bank being able to implement a number of stringent controls including preventive and detective measures.

Compliance risk

This is the risk resulting from the Bank's activities not being conducted in accordance with laws, rules, regulatory requirements and Bank's internal policies and ethical standards. Management continually and robustly ensures that the Bank complies relevant laws, rules, regulatory requirements and other internal procedures via a number of stringent controls.

Credit risk

This is the risk resulting from the possibility that an asset in the form of a monetary claim against a counter party may not result in a cash receipt (or equivalent) as per the terms of the contract. The Bank has robust controls in place to its exposure to credit risk, including approval limits, disbursement controls, continuous monitoring and a robust risk appetite statement.

ICT risk

The risk associated with the use of information and communication technology to support business processes. ICT Risk results from inadequate or failed ICT Strategy, Operations or Project/Program execution. The Bank has robust checks in place to limit its exposure to ICT risk, and performs regular monitoring to validate the efficacy of its ICT risk controls.

Market risk

The risk of a potential decrease in shareholder's value as a result of adverse changes in the market value of assets and liabilities. Market risk associated with trading activities is the risk of loss occurring as a result of trading in the capital, interest rate, foreign exchange, equity and/or commodity markets. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to market risk.

23. PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

Liquidity risk

The risk arising from the inability of the Bank to accommodate decreases in liabilities or to fund increases in assets in full, at the right time and place, and in the right currency. If a Bank is seen to be illiquid it cannot obtain sufficient funds, either by increasing liabilities or converting assets promptly and at a reasonable cost. The Bank has stringent controls and monitoring mechanisms in place to limit its exposure to liquidity risk.

Strategic risk

Strategic risk concerns the consequences that occur when the environment in which decisions that are hard to implement quickly or reverse quickly result in an unattractive or adverse impact. Strategic risk ultimately has two elements: one is doing the right thing at the right time (positioning) and the other is doing it well (execution). Strategic risk includes the risk that the Bank's strategy may be inappropriate to support sustainable future growth. The Bank has strong controls in place to mitigate strategic risk, including regular strategic risk reviews at Board and Management levels.

Reputational risk

The risk that an activity, action or stance taken by the Bank's officials will impair its image in the community and/or the long terms trust placed in the Bank by its stakeholders resulting in the loss of business or the threat or legal action. The Bank has stringent reputation risk controls in place including very tight controls on corporate communications and messaging.

24. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance with such measures by staff. Whilst no system of internal control can provide absolute assurance against misstatement or losses, the Bank's system is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively.

The Board carries out risk and internal control assessment through the Board Audit, Risk and Compliance Committee. The Board assessed the internal control systems throughout the financial year ended 31 December 2017 and is of the opinion that they met the accepted criteria.

25. SERIOUS PREJUDICIAL MATTERS

In the opinion of the Directors, there are no serious unfavorable matters that can affect the Bank (2016: None).

26. SOLVENCY

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Directors has reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future.

27. RESOURCES

Employees with appropriate skills and experience in running the business are a key resource available to the Bank and they assist in pursuing the Bank's business objectives.

28. EMPLOYEES' WELFARE

Management and employees' relationship

There was continued good relation between employees and management for the year 2017. There were no unresolved complaints received by the Management from the employees during the year. A healthy relationship continues to exist between management and the trade union with which the Bank signed a recognition agreement.

The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind.

Training facilities

During the year, the Bank spent TZS 2,810 million (2016: TZS 3,711 million) on staff training in order to improve employees' technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

Medical assistance

All members of staff and their spouses up to a maximum number of four beneficiaries (dependents) for each employee were availed medical services by the Bank through an external service provider.

Financial assistance to staff

Loans are available to all confirmed employees depending on the assessment of, and the discretion of management as to the need and circumstances. Loans provided to employees include personal loans, vehicle loans, mortgage loans and other advances.

Persons with disabilities

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

Employees benefit plan

The Bank pays contributions to publicly administered pension plans on mandatory basis, which qualify to be defined contribution plans. The number of employees during the year was 3,371 (2016: 3,432).

29. GENDER PARITY

The Bank had 3,371 employees; out of which 1,785 were male and 1,586 were female (2016: male 1,834, female 1,598).

30. RELATED PARTY TRANSACTIONS

All related party transactions and balances are disclosed in Note 37 to the financial statements.

31. POLITICAL AND CHARITABLE DONATIONS

The Bank did not make any political donations during the year (2016: NIL)

32. RELATIONSHIP WITH STAKEHOLDERS

The Bank continued to maintain a good relationship with all stakeholders including regulators.

The Bank also recognizes that effective communication with stakeholders is essential to good governance. Following the publication of its financial results, the Bank engages with investors to present the results and answer questions accordingly. Shareholders are encouraged to attend annual general meeting and participate in the affairs of the Bank.

33. CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Bank set aside TZS 1,486 million (2016: TZS 1,506 million) to support social economic activities. The funds allocated aim at providing high quality social services in upholding the wellbeing of communities. Through our CSR, we invest in the focus areas of education, health, financial capability and disaster recovery initiatives.

- Educational support includes classroom construction at the roofing level, school desks, laboratories and libraries;
- Financial Capability – Wajibu Program. This is a financial education curriculum training in the schools by providing learning sessions to both youth and their parents/guardians about the importance of savings
- Support for natural disaster recovery during natural calamities; and
- Health support including providing a complete set of normal hospital beds and delivery beds, maternal and child facilities, waiting bays construction and ward partitions.

Support is also extended to;

- Branch openings – our CSR projects are extended to communities where new branches are opened; specifically in areas where there is limited availability of public services. Support is directed to the areas of health, education and financial capability trainings.
- New regions – our support is extended to new regions with development projects; a maximum of TZS 25 million was directed towards chosen projects with engagements done at local government level.

Our commitment to creating value to the society through staff initiative is very key. We aim to create a better future for the society through giving back and volunteerism. To date over 3,200 (95%) of NMB staff participated in CSR staff initiatives which has had an impact on restoring happiness and helped to empower the disadvantaged groups.

34. AUDITORS

The Bank's auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing the re-appointment of PricewaterhouseCoopers as auditors of the Company for the year ending 31 December 2018 will be put to the Annual General Meeting.

By order of the Board.

Prof. Joseph Semboja
Chairman
21 March 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act, No.12 of 2002 requires Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Bank and of the Group as at the end of the financial year and of the profit or loss for the year. It also requires the Directors to ensure that the Bank and its subsidiary keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank and of the Group. They are also responsible for safeguarding the assets of the Bank and of the Group and hence taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

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

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

Signed on behalf of the Board of Directors by

By order of the Board.

Prof. Joseph Semboja
Chairman
21 March 2018

DECLARATION OF THE CFO

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing a true and fair view of the entity's financial position and performance in accordance with applicable International Financial Reporting Standards (IFRS) and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors' as per the Statement of Directors' Responsibility on an earlier page.

I, Veronica Pascal, being the Acting Chief Financial Officer of NMB Bank Plc hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2017 have been prepared in compliance with the International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, No.12 of 2002 and Banking and Financial Institutions Act (BFIA), 2006 and its regulations.

I thus confirm that the financial statements give a true and fair view of the financial performance of NMB Bank Plc for the year ended on 31 December 2017 and its financial position as on that date and that they have been prepared based on properly maintained financial records.

Ag. Chief Financial Officer
NBAA Membership no: ACPA 2026
21 March 2018

Report on the audit of the Consolidated and Bank financial statements

Our opinion

In our opinion, the consolidated and bank financial statements give a true and fair view of the consolidated and bank financial position of NMB Bank Plc (the Bank) and its subsidiary (together the Group) as at 31 December 2017 and of the consolidated and bank financial performance and the consolidated and bank cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act, No. 12 of 2002.

What we have audited

NMB Bank Plc's consolidated and bank financial statements set out on pages 68 to 159 comprise:

- The consolidated and bank statements of financial position as at 31 December 2017;
- The consolidated and bank statements of profit or loss and other comprehensive income for the year then ended;
- The consolidated and bank statements of changes in equity for the year then ended;
- The consolidated and bank statements of cash flows for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and bank financial statements section of our report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the National Board of Accountants and Auditors (NBAA) that are relevant to our audit of the financial statements in Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the NBAA.

Key audit matter

A Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated and bank's financial statements of the current period. The matter was addressed in the context of our audit of the consolidated and bank financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Report on the audit of the Consolidated and Bank financial statements (continued)

Key audit matter (continued)

Key audit matter	How our audit addressed the key audit matter
i) Impairment of loans and advances to customers Management exercises judgement when determining both when and how much to record as loan impairment provisions. Computation is done for both specific and portfolio impairment. Specific factors this year that have largely affected impairment charge include the impairment and write off of loans extended to government employees who have been affected by the ongoing clean up exercise by the government and deteriorating conditions for customers with significant exposure. Judgement is applied to determine the appropriate parameters and assumptions to calculate the impairment. On the specific impairment, judgement and assumptions are usually made on the identification of non-performing loans (considering both quantitative (such as the number of days that the loan is past due), and qualitative data (which may include specific company or industry factors)), expected cash flows and timing of cash flows. For performing loans a general provision is made with key judgements being the emergence period and loss ratio. These judgements together with the size of the loans and advances and the inherent credit risk associated with a lending institution makes this a key audit matter.	Identification of loans subject to specific impairment provision As the identification of loans subjected to specific impairment testing is reliant on information systems, we understood and tested key information technology general controls, controls over access to data, controls over creation of data and controls over changes to data. We tested that the system appropriately identifies past due loans and accurately calculates the number of days past due. We performed audit procedures to confirm; (i) Appropriateness of the number of days past due and other criteria applied by management to determine specifically impaired loans and advances. (ii) Identification and inclusion of restructured facilities in the specific impairment assessment.

Report on the audit of the Consolidated and Bank financial statements (continued)

Key audit matter (continued)

Key audit matter	How our audit addressed the key audit matter
As at 31 December 2017, the Group and Bank's loans and advances to customers was TZS 2,771,732 million and 2,787,048 million, respectively and provision for impairment allowances for both Group and Bank amounted to TZS 104,949 million. Further details have been disclosed in Note 20 of the financial statements.	Specific impairment assessment Where an impairment assessment was driven by debt servicing cash flows, we challenged management on the assumptions underlying the expected cash flows to establish their reasonableness and recomputed the discounted cash flows using the applicable original effective interest rate. Where impairment assessment was driven by recovery of collateral: • We tested management's process for selecting the panel of valuers used to value collateral. • For physical collateral, we agreed the forced sale values to latest valuation reports. We tested the reasonableness of recovery period used in determining the recoverable amount from the collateral. For the significant write offs during the year, we tested the process for ensuring the completeness of the loans to be written off and the appropriate approvals for the same. Portfolio impairment assessment For portfolio impairment assessment, we assessed the reasonableness of the provision by comparing it to our independently computed impairment provision based on the credit loss ratio derived from historical experience and emergence period.

Other information

The directors are responsible for the other information. The other information comprises Corporate information, Report of the directors, Statement of directors' responsibilities and Declaration of the Chief Financial Officer (but does not include the consolidated and bank financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the additional other information in the Annual report which is expected to be made available to us after that date.

Our opinion on the consolidated and bank financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and bank financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Report on the audit of the Consolidated and Bank financial statements (continued)

Other information (continued)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the additional other information in the Annual report which is expected to be made available to us after the date of the auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance

Responsibilities of the directors for the consolidated and bank financial statements

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

In preparing the consolidated and bank financial statements, the directors are responsible for assessing the Group and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Bank or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and bank financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and bank financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and bank financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and bank financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and bank financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Bank to cease to continue as a going concern.

Report on the audit of the Consolidated and Bank financial statements (continued)

Auditor's responsibilities for the audit of the Consolidated and Bank financial statements (continued)

- Evaluate the overall presentation, structure and content of the consolidated and bank financial statements, including the disclosures, and whether the consolidated and bank financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

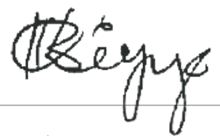
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and bank financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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



Cletus Kiyuga, ACPA-PP
For and on behalf of PricewaterhouseCoopers
Certified Public Accountants
Dar es Salaam
26 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2017 TZS Millions	2016 TZS Millions
Interest and similar income	7(a)	585,512	548,993
Interest and similar expenses	8	(120,291)	(102,194)
Net interest income		**465,221**	**446,799**
Loan impairment charges	20(b)	(130,996)	(30,240)
Net interest income after loan impairment		**334,225**	**416,559**
Fee and commission income	9	154,880	143,622
Fee and commission expense	9	(17,549)	(13,758)
Net fee and commission income		**137,331**	**129,864**
Total operating income		**471,556**	**546,423**
Foreign exchange income	10(a)	17,389	15,419
Other income	11	4,155	6,057
Employee benefits expense	12	(154,686)	(148,691)
Other operating expenses	13(a)	(167,372)	(170,601)
Depreciation and amortization	14(a)	(31,228)	(24,855)
Profit before income tax		**139,814**	**223,752**
Income tax expense	15(a)	(44,205)	(67,599)
Profit for the year		**95,609**	**156,153**
Attributable to			
Owners of the parent		95,320	155,850
Non-controlling interests		289	303
Profit for the year		**95,609**	**156,153**
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Fair value gain/ (loss) on available for sale financial assets – net of tax	21(c)	67	(46)
Total comprehensive income for the year		**95,676**	**156,107**
Attributable to:			
Owners of the parent		95,387	155,804
Non-controlling interests		289	303
Total comprehensive income for the year		**95,676**	**156,107**
Basic and diluted earnings per share (TZS)	16(a)	190.64	311.70

BANK'S STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2017 TZS Millions	2016 TZS Millions
Interest and similar income	7(b)	586,992	551,034
Interest and similar expenses	8	(120,291)	(102,194)
Net interest income		**466,701**	**448,840**
Loan impairment charges	20(b)	(130,996)	(30,240)
Net interest income after loan impairment		**335,705**	**418,600**
Fee and commission income	9	154,880	143,622
Fee and commission expense	9	(17,549)	(13,758)
Net fee and commission income		**137,331**	**129,864**
Total operating income		**473,036**	**548,464**
Foreign exchange income	10(b)	17,759	15,419
Other income	11	4,155	6,057
Employee benefits expense	12	(154,686)	(148,691)
Other operating expenses	13(b)	(173,104)	(175,955)
Depreciation and amortization	14(b)	(29,257)	(23,870)
Profit before tax		**137,903**	**221,424**
Income tax expense	15(b)	(44,409)	(67,599)
Profit for the year		**93,494**	**153,825**
Other comprehensive income, net of tax			
Items that may be subsequently reclassified to profit or loss:			
Fair value gain/ (loss) on available for sale financial assets – net of tax	21(c)	67	(46)
Total comprehensive income for the year		**93,561**	**153,779**
Basic and diluted earnings per share (TZS)	16(a)	186.99	307.65

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 TZS Millions	2016 TZS Millions
Assets			
Cash and balances with Bank of Tanzania	18	1,156,322	950,181
Placements and balances with other banks	19	242,731	137,241
Loans and advances to customers	20(a)	2,771,732	2,774,464
Investment in government securities			
Loans and receivables	21(a)	422,732	318,833
Held-to-maturity	21(b)	496,367	405,364
Available for sale	21(c)	870	719
Equity investment	22(a)	1,740	1,740
Other assets	23(a)	64,733	49,193
Current tax assets	15(c)	1,905	891
Intangible assets	25	19,901	15,461
Property and equipment	24(a)	277,156	256,680
Deferred tax assets	26	43,338	27,513
Total assets		**5,499,527**	**4,938,280**
Liabilities			
Deposits due to other banks		149	11,176
Deposits from customers	27(a)	4,272,058	3,737,211
Other liabilities	28(a)	87,994	78,506
Provisions	29	2,784	2,648
Borrowings	30	336,930	352,803
Total liabilities		**4,699,915**	**4,182,344**
Capital and reserves			
Share capital	31	20,000	20,000
Retained earnings		749,880	707,334
Regulatory reserve	31	-	12,972
General risk reserve	31	26,849	26,385
Fair valuation reserve	31	(127)	(194)
Other reserve	31	-	(13,282)
Capital and reserves attributable to owners of the parent		**796,602**	**753,215**
Non-controlling interests		**3,010**	**2,721**
Total equity and liabilities		**5,499,527**	**4,938,280**

The financial statements on pages 68 to 159 were approved and authorised for issue by the Board of directors and were signed on its behalf by:

Prof. Joseph Semboja
Chairman

21 March 2018

BANK'S STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	2017 TZS Millions	2016 TZS Millions
Assets			
Cash and balances with Bank of Tanzania	18	1,156,322	950,181
Placements and balances with other banks	19	242,731	137,241
Loans and advances to customers	20(b)	2,787,048	2,794,467
Investment in government securities			
Loans and receivables	21(a)	422,732	318,833
Held-to-maturity	21(b)	496,367	405,364
Available for sale	21(c)	870	719
Equity investment	22(b)	1,740	1,740
Other assets	23(b)	56,880	44,383
Investment in subsidiary	22(b)	39,639	39,639
Current tax assets	15(d)	1,923	891
Intangible assets	25	19,901	15,461
Property and equipment	24(b)	237,090	214,643
Deferred tax assets	26	43,116	27,513
Total assets		**5,506,359**	**4,951,075**
Liabilities			
Deposit due to other banks		149	11,176
Deposits from customers	27(b)	4,272,149	3,737,404
Other liabilities	28(b)	85,578	79,836
Provisions	29	2,784	2,648
Borrowings	30	336,930	352,803
Total liabilities		**4,697,590**	**4,183,867**
Capital and reserves			
Share capital	31	20,000	20,000
Retained earnings		762,047	708,045
Regulatory reserve	31	-	12,972
General risk reserve	31	26,849	26,385
Fair valuation reserve	31	(127)	(194)
Total equity		**808,769**	**767,208**
Total equity and liabilities		**5,506,359**	**4,951,075**

The financial statements on pages 68 to 159 were approved and authorised for issue by the Board of directors and were signed on its behalf by

Prof. Joseph Semboja
Chairman
21 March 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Share capital	Retained earnings	Fair valuation reserve	*Regulatory reserve	**General risk reserve	***Other reserve	Total	Non-controlling interest	Total equity
	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions
At 1 January 2017	20,000	707,334	(194)	12,972	26,385	(13,282)	753,215	2,721	755,936
Profit for the year	-	95,320	-	-	-	-	95,320	289	95,609
Transfer from regulatory reserves	-	12,972	-	(12,972)	-	-	-	-	-
Transfer to general risk reserve	-	(464)	-	-	464	-	-	-	-
Reclassification of reserve	-	(13,282)	-	-	-	13,282	-	-	-
Other comprehensive income (OCI)									
Gain of fair valuation	-	-	95	-	-	-	95	-	95
Deferred tax on OCI	-	-	(28)	-	-	-	(28)	-	(28)
Total comprehensive income	-	94,546	67	(12,972)	464	13,282	95,387	289	95,676
Transactions with owners									
Dividends paid for the year 2016	-	(52,000)	-	-	-	-	(52,000)	-	(52,000)
At 31 December 2017	**20,000**	**749,880**	**(127)**	**-**	**26,849**	**-**	**796,602**	**3,010**	**799,612**

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

** General risk reserve represents 1% provision charged on all current credit accommodation and other risk assets in line with regulatory requirements of the Central Bank.

***Other reserve represents the difference between the fair value of the consideration paid with respect to acquisition of additional shares in Ohio Street Properties Limited and net assets of acquired interests. In the current year, the amount has been reclassified to retained earnings.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the parent								
	Share capital	Retained earnings	Fair valuation reserve	*Regulatory reserve	**General risk reserve	***Other reserve	Total	Non-controlling interest	Total equity
	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions
At 1 January 2016									
As previously stated	20,000	618,165	(148)	3,800	20,876	-	662,693	2,418	665,111
Prior year adjustment (Note 31)	-	-	-	-		(13,282)	(13,282)	-	(13,282)
As restated	20,000	618,165	(148)	3,800	20,876	(13,282)	649,411	2,418	651,829
Profit for the year	-	155,850	-	-		-	155,850	303	156,153
Transfer to regulatory reserves	-	(14,681)	-	9,172	5,509	-	-	-	-
Other comprehensive income	-	-	(46)	-		-	(46)	-	(46)
Total comprehensive income	-	141,169	(46)	9,172	5,509	-	155,804	303	156,107
Transactions with owners									
Dividends paid for the year 2015	-	(52,000)	-	-		-	(52,000)	-	(52,000)
At 31 December 2016	**20,000**	**707,334**	**(194)**	**12,972**	**26,385**	**(13,282)**	**753,215**	**2,721**	**755,936**

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

** General risk reserve represents 1% provision charged on all current credit accommodation and other risk assets in line with regulatory requirements of the Central Bank.

*** Other reserve represents the difference between the fair value of the consideration paid with respect to acquisition of additional shares in Ohio Street Properties Limited and net assets of acquired interests. In the current year, the amount has been reclassified to retained earnings.

BANK'S STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Fair valuation reserve	*Regulatory reserve	**General risk reserve	Total
	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions
At 1 January 2017	20,000	708,045	(194)	12,972	26,385	767,208
Comprehensive income						
Profit for the year	-	93,494	-	-	-	93,494
Transfer from regulatory reserve	-	12,972	-	(12,972)	-	-
Transfer to general risk reserve	-	(464)	-	-	464	-
Other comprehensive income (OCI)						
Gain of fair valuation	-	-	95	-	-	95
Deferred tax on OCI	-	-	(28)	-	-	(28)
Total comprehensive income	-	106,002	67	(12,972)	464	93,561
Transactions with owners						
Dividends paid for the year 2016	-	(52,000)	-	-		(52,000)
At 31 December 2017	**20,000**	**762,047**	**(127)**	**-**	**26,849**	**808,769**
At 1 January 2016	20,000	620,901	(148)	3,800	20,876	665,429
Comprehensive income						
Profit for the year	-	153,825	-	-		153,825
Transfer to regulatory reserve	-	(14,681)	-	9,172	5,509	-
Other comprehensive income	-	-	(46)	-		(46)
Total comprehensive income	-	139,144	(46)	9,172	5,509	153,779
Transactions with owners						
Dividends paid for the year 2015	-	(52,000)	-	-		(52,000)
At 31 December 2016	**20,000**	**708,045**	**(194)**	**12,972**	**26,385**	**767,208**

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

** General risk reserve represents 1% provision charged on all current credit accommodation and other risk assets in line with regulatory requirements of the Central Bank.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	2017 TZS Millions	2016 TZS Millions
Cash generated from operations	33(a)	701,093	112,896
Tax paid	15(b)	(61,072)	(70,880)
Net cash generated from operations		640,021	42,016
Cash flows from investing activities			
Proceeds from government securities at amortised cost		691,669	519,207
Investment in government securities at amortised cost		(886,571)	(570,864)
Purchase of property and equipment	24(a)	(45,295)	(82,720)
Purchase of intangible assets	25	(10,550)	(9,825)
Proceeds on disposal of property and equipment		223	390
Net cash utilised in investing activities		(250,524)	(143,812)
Cash flows from financing activities			
Proceeds received from borrowings		50,428	138,153
Principal paid on borrowings		(66,612)	(55,021)
Interest paid on borrowings		(24,085)	(13,109)
Dividends paid	17	(52,000)	(52,000)
Net cash (used in)/ generated from financing activities		(92,269)	18,023
Net increase/(decrease) in cash and cash equivalents		**297,228**	**(83,773)**
Cash and cash equivalents at beginning of the year		697,580	784,965
Effect of movement in foreign exchange		7,480	(3,612)
Cash and cash equivalents end of the year	32	**1,002,288**	**697,580**
Analysis of cash and cash equivalents at end of the year:			
Cash in hand		358,322	248,191
Balances with Bank of Tanzania (excluding SMR)		401,341	312,148
Deposits and balances due from banking institutions		242,731	137,241
Cheques and items for clearing due to other banks		(106)	-
		1,002,288	**697,580**

BANKS STATEMENT OF CASH FLOWS

	Note	2017 TZS Millions	2016 TZS Millions
Cash generated from operations	33(b)	701,093	110,926
Tax paid	15(b)	(61,072)	(70,880)
Net cash generated from operations		640,021	40,046
Cash flows from investing activities			
Proceeds from government securities at amortised cost		691,669	519,207
Investment in government securities at amortised cost		(886,571)	(570,864)
Purchase of property and equipment	24(b)	(45,295)	(80,749)
Purchase of intangible assets	25	(10,550)	(9,826)
Proceeds on disposal of property and equipment		223	390
Net cash utilised in investing activities		(250,524)	(141,842)
Cash flows from financing activities			
Proceeds from borrowings		50,428	138,153
Principal paid on borrowings		(66,612)	(55,021)
Interest paid on borrowings		(24,085)	(13,109)
Dividends paid	17	(52,000)	(52,000)
Net cash (used in)/generated from financing activities		(92,269)	18,023
Net increase/(decrease) in cash and cash equivalents		**297,228**	**(83,773)**
Cash and cash equivalents at the beginning of the year		697,580	784,965
Effect of movement in foreign exchange		7,480	(3,612)
Cash and cash equivalents end of the year	32	**1,002,288**	**697,580**
Analysis of cash and cash equivalents at end of the year:			
Cash in hand		358,322	248,191
Balances with Bank of Tanzania (excluding SMR)		401,341	312,148
Deposits and balances due from banking institutions		242,731	137,241
Cheques and items for clearing due to other banks		(106)	-
		1,002,288	**697,580**

1 REPORTING ENTITY

NMB Bank Plc (the "Bank) is a public limited liability company and is incorporated and domiciled in the United Republic of Tanzania. The address of its registered office is as disclosed under corporate information.

The Bank is listed on the Dar es Salaam Stock Exchange (DSE). The Bank has equity investments in Tanzania Mortgage Refinance Company Limited (TMRC) and a subsidiary company named Upanga Joint Venture Company (UJVC) Limited.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Basis of preparation

The consolidated and Bank financial statements of National Microfinance Bank Plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated and Bank financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and Bank financial statements are disclosed in Note 4.

Changes in accounting policy and disclosures

i) New standards amendments and interpretations adopted by the Group and Bank

The following standards and interpretations became effective in the current year and were relevant to the group but had no material impact on the amounts reported in these financial statements.

Title	Key requirement
Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12	Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that: • A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period. • An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit. • Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type. • Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets. The amendment has insignificant impact to the Group because its assets measured at fair value are considered immaterial.
Disclosure Initiative – Amendments to IAS 7	Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. The information may be disclosed in tabular format as reconciliation from opening and closing balances, but a specific format is not mandated. This disclosure has been included in note 30.

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

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

i) New standards amendments and interpretations adopted by the Group and Bank (continued)

The following standard which have become effective during the year have no impact on the Group:

- Annual improvements 2014-2016 cycle: Amendments to IFRS 12

The amendments clarify that the disclosure requirements of IFRS 12 apply to interests in entities that are classified as held for sale, except for the summarised financial information.

ii) New standards and interpretations that are not yet effective and have not been early adopted.

Title	Key requirements	Effective Date
IFRS 9 Financial Instruments and associated amendments to various other standards	IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value. Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.	1 January 2018
	The new hedge accounting rules (released in December 2013) align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce: • a third measurement category (FVOCI) for certain financial assets that are debt instruments. • a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For financial years commencing before 1 February 2015, entities could elect to apply IFRS 9 early for any of the following: • the own credit risk requirements for financial liabilities • classification and measurement (C&M) requirements for financial assets • C&M requirements for financial assets and financial liabilities, or • C&M requirements for financial assets and liabilities and hedge accounting. After 1 February 2015, the new rules must be adopted in their entirety.	

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

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

ii) New standards and interpretations that are not yet effective and have not been early adopted (continued)

Title	Key requirements	Effective Date
IFRS 9 Financial Instruments and associated amendments to various other standards (continued)	***Impact assessment*** The Group is well positioned to implement IFRS 9 for the financial year beginning 1 January 2018. As part of the adoption process, the Group formed a Steering Committee, which was supported by the Project Working Committee (PWC) together "the Committee". The team has made good progress so far in setting accounting policies, determining the classification of instruments under IFRS 9, developing models for credit modelling and designing reporting templates. The Group engaged KPMG in Tanzania as consultants in the implementation of the IFRS 9 project. The Committee has developed and/or amended the applicable credit and accounting policies to incorporate the new requirements of IFRS 9. In addition, the group-wide definitions such as the definition of default and significant increase in credit risk have been finalized to ensure consistent application of key terms in model development across the Group. This will ensure that movement of customer accounts through impairment stages is applied consistently. The Group will adopt the Probability of Default (PD)/Loss Given Default (LGD) approach for the calculation of Expected Credit Losses (ECL) for all loans and advances and a simplified approach for non-advances e.g. other assets. The ECL will be based on a probability-weighted average of three macroeconomic scenarios incorporating internal base scenario, best scenario and worst scenario weighted by the probability of likelihood of occurrence. Appropriate ECL models have been developed, including accompanying PD, LGD and Exposure at Default (EAD) models. All required models have been developed within the Group, and are validated independently internally and externally by the Group's external auditor. These are accompanied by the appropriate policy frameworks that have incorporated minimum required standards and industry best practice.	1 January 2018
	Existing governance policies will be utilized for the governance of IFRS 9-related processes. Overall, no significant changes are anticipated in the governance processes related to impairments. Where necessary, these have been amended to incorporate elements not presently catered for in the existing policies. One such amendment is the governance process to ensure the independence of forward-looking macroeconomic information, which is incorporated into ECL models. Parallel run of IAS 39 and IFRS 9 models and impact assessments have been performed from September to December 2017 and the Group continues to refine the calculations. All three models have been developed and are pending validation by the external auditor. Based on the assessments undertaken to date, the total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening reserves of the Bank at 1 January 2018 is at least 2% which will result in the reduction of Capital adequacy ratio by at least 0.1%. This assessment is preliminary because not all transition work has been finalized. The actual impact of adopting IFRS 9 on 1 January 2018 may change because; • the Group is refining and finalizing updating of PDs and LGDs for use in the model for ECL calculations; and • the new accounting policies, assumptions, judgments and estimation techniques employed are subject to change until the Group finalises its first financial statements that include the date of initial application.	

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

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

ii) New standards and interpretations that are not yet effective and have not been early adopted (continued)

Standard or amendments	Key requirements	Effective Date
IFRS 15 Revenue from contracts with customers and associated amendments to various other standards	The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. A new five-step process must be applied before revenue can be recognised: • identify contracts with customers • identify the separate performance obligation • determine the transaction price of the contract • allocate the transaction price to each of the separate performance obligations, and • recognise the revenue as each performance obligation is satisfied. Key changes to current practice are: • Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. • Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc.) – minimum amounts must be recognised if they are not at significant risk of reversal. The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa. There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few. As with any new standard, there are also increased disclosures. These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications. Entities will have a choice of full retrospective application, or prospective application with additional disclosures. The standard will not have a significant impact on the Group.	1 January 2018
IFRS 16 Leases	IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases held by the group accounted as operating leases will start to be accounted as assets and financial liabilities. The standard will not have a significant impact on the Group.	1 January 2019 Early adoption is permitted only if IFRS 15 is adopted at the same time.

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

Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

ii) New standards and interpretations that are not yet effective and have not been early adopted (continued)

Standard or amendments	Key requirements	Effective Date
Transfers of Investment Property – Amendments to IAS 40	The amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer. The list of evidence for a change of use in the standard was re-characterised as a non-exhaustive list of examples to help illustrate the principle. The Board provided two option for transition: • prospectively, with any impact from the reclassification recognised as adjustment to opening retained earnings as at the date of initial recognition, or • retrospectively - only permitted without the use of hindsight. Additional disclosures are required if an entity adopts the requirements prospectively.	1 January 2018
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitutes a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively. ** In December 2016 ASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.	n/a**
Annual improvements 2014-2016 cycle	The following improvements were finalised in December 2016: • IFRS 1 - deleted short-term exemptions covering transition provisions of IFRS 7, IAS 19 and IFRS 10, which are no longer relevant. • IAS 28 - clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.	1 January 2018
Interpretation 22 Foreign Currency Transactions and Advance Consideration	The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. Entities can choose to apply the interpretation: • retrospectively for each period presented • prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or • prospectively from the beginning of a prior reporting period presented as comparative information.	1 January 2018

The Group and Bank is currently assessing the impact of the new standards and amendments on the disclosures in its financial statements. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

(b) Principles of consolidation and equity accounting

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiary). The financial statements of the Bank and its subsidiary are made up to 31 December 2017.

I . Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position, respectively.

II. Changes in ownership interests in subsidiaries without change of control

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

III. Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

IV. Separate financial statements

In the separate financial statements, investment in subsidiary is accounted for at cost less impairment.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in the profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(d) Fee and commission income and expense

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

Fees and commission are generally recognised on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses - are recognised on completion of the underlying transaction.

(e) Foreign currency translation

I. Functional and presentation currency

Items included in the financial statements in the Group and the Bank are measured using the currency of the primary economic environment in which the Group and the Bank operate ("the functional currency"). The financial statements are presented in Tanzania Shillings (TZS) rounded to the nearest million, which is the Group's and the Bank's functional and presentation currency.

II. Transactions and balances

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated with the closing rate as at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets

The Group and Bank classifies its financial assets into the following categories: loans and receivables, held-to-maturity and available for sale financial assets. Management determines the appropriate classification of its financial assets at initial recognition.

(i) Loans and receivables

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

(a) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the Group upon initial recognition designates as at fair value through profit or loss;

(b) those that the Group upon initial recognition designates as available for sale; or

(c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs - and measured subsequently at amortised cost using the effective interest method.

Financial assets categorized as loan and receivable includes as cash and balances with Bank of Tanzania, loans and advances to customers, placement and balances with other banks, investment in government securities and other assets.

Interest on loans is included in the profit or loss and is reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan through an allowance account and recognised in the profit or loss as 'loan impairment charges'.

(ii) Available for sale

Available-for-sale financial assets are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of other comprehensive income and cumulated in a separate reserve in equity, revaluation reserve, until the financial asset is derecognised. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in profit or loss. Financial assets designated as available for sale include investment in government securities and equity investments.

(iii) Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the directors have the positive intention and ability to hold to maturity, other than:

(a) those that the Bank upon initial recognition designates as at fair value through profit or loss;
(b) those that the Bank designates as available-for-sale; and
(c) those that meet the definition of loans and receivables.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

Held-to-maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

(g) Recognition of financial assets

The Group uses trade date accounting for regular way contracts when recording financial asset transactions. Trade date is the date the group commits to purchase the asset.

(h) Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when extinguished. Such financial liabilities include borrowings, deposits from banks, deposits from customers and other liabilities.

(i) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

(j) Classes of financial instruments

The Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen on the table below:

Financial assets	Class
Placement and balances with other banks	Loans and receivables
Loans and advances to customers	Loans and receivables
Investment in government securities	
• Held to maturity	Held to maturity
• Loan and receivables	Loans and receivables
• Available for sale	Available for sale
Other assets	Loans and receivables
Equity investments	Available for sale

Financial liabilities	
Deposits from banks	Financial liabilities at amortised cost
Deposits from customers	Financial liabilities at amortised cost
Other liabilities	Financial liabilities at amortised cost
Borrowings	Financial liabilities at amortised cost

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets

(i) Assets carried at amortised cost

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

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficult of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payment;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

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

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

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

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

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

(ii) Assets classified as available-for-sale

The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of financial assets (continued)

(iii) Renegotiated loans

When the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

(l) Offsetting financial instruments

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

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised costs; the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

(n) Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate in accordance with the Income Tax Act, 2004 adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Tanzania where the Bank's subsidiary operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in in accordance with the Income Tax Act, 2004 is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Income tax (continue)

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(p) Non-financial assets

i. Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is provided on the straight line basis so as to write down the cost of assets to their residual values over their useful economic lives, at the following rates:-

	%
Building	5
Leasehold Improvements	5-50
Motor vehicles	25
Furniture, fittings and equipment	20
Computer equipment	33.3

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating income in the profit or loss.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Non-financial assets (continued)

ii. Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years). Costs associated with maintaining computer software programs are recognised as an expense when incurred.

(q) Impairment of non-financial assets

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period. No indicators of impairment were identified therefore no non-financial assets were impaired in 2017.

(r) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less. For NMB Plc, cash and cash equivalents include: cash and non-restricted balances with Bank of Tanzania, Investment securities and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the Bank of Tanzania. Cash and cash equivalents are carried at amortised cost.

(s) Employee benefits

i. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

ii. Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits (contiued)

ii. Post-employment obligations

The Bank operates a defined contribution pension plans. The Bank has a statutory requirement to contribute to the Parastatal Pension Fund (PPF) and National Social Security Fund (NSSF), which are defined contribution scheme.

Bank contributes 15% of the required 20% of gross emoluments to the scheme and the contributions are recognised as an expense in the period to which they relate. The remaining 5% is deducted from employees. The subsidiary of the bank does not have any employees. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(t) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity. Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(u) Dividend

Dividend distribution to the Bank's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Bank's shareholders.

(v) Earnings per share

The Group presents basic and diluted earnings per share (EPS) in the consolidated and Bank financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares.

(w) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Group has substantially, all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other longterm payables. The interest element of the finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Contingencies and commitments

Transactions are classified as contingencies where the Bank and its subsidiary obligations depend on uncertain future events. Items are classified as commitments where the Bank and its subsidiary commit themselves to future transactions if the items will result in the acquisition of assets.

i. Financial guarantees

Financial guarantees are initially recognised in the consolidated and Bank financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation.

ii. Acceptances and letters of credit

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

iii. Undrawn commitments

These are commitments the Bank has made to extend credit to customers and are accounted for as off balance sheet transactions and disclosed as contingent liabilities.

(y) Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

4 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

(a) Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. The most sensitive assumption in the impairment model is credit loss ratio, when credit loss ratio decrease/increase by 10% impairment provision will decrease/increase by TZS 394 million (2016: TZS 483 million).

4 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

(b) Property and equipment, leased premises refurbishments and intangible assets

Critical estimates are made by the Directors in determining the useful lives of property and equipment, leased premises refurbishment and intangible assets as well as their residual values.

(c) Taxes

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

The recognition of deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profit, future reversals of existing taxable temporary differences and ongoing tax planning and strategies. The deferred tax recognised in the Group's statement of financial position as at 31 December 2017 was TZS 43,134 million (2016: TZS 27,513 million). The judgment takes into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income and future reversals of existing taxable temporary differences.

d) Provisions

The Bank and Group have provided for the liabilities arising out of contractual obligations. The closing balance of provisions on litigations amounted to TZS 2,784 million. (2016: TZS 2,648 million). Professional expert advice is taken on establishing litigation provisions. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgements than other types of provisions. When cases are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists as a result of a past event, estimating the probability of outflows and making estimates of the amount of any outflows that may arise. As matters progress through various stages of the cases, Management together with legal advisers evaluate on an ongoing basis whether provisions should be recognised, and the estimated amounts of any such provisions, revising previous judgements and estimates as appropriate.

e) Held to maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost. If all held to maturity investments were to be reclassified as at 31 December 2017 the carrying value would increase by TZS 3,561 million.

5 SEGMENT REPORTING

The Group has the following business segments: Treasury, Retail, Agribusiness, Wholesale banking and other. The operating segments are reported in a manner consistent with the internal reporting provided to the Bank's Management Team (The Chief Operating Decision-Maker), which is responsible for allocating resources to the reportable segments and assessing their performances. All operating segments used by the Group meet the definition of a reportable segment under IFRS 8.

Operating segments

The Group comprises the following main operating segments:

- **i) Wholesale Banking** - includes loans, deposits and other transactions and balances with corporate customers
- **ii) Retail Banking** - includes loans, deposits and other transactions and balances with retail customers
- **iii) Agribusiness** – includes loans, deposits and other transaction and balances with customers in the agriculture business
- **iv) Treasury** - undertakes the Group's funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short-term placements and corporate and government debt securities.
- **v) UJVC** – includes operations of Upanga Joint Venture Company, a subsidiary of the Bank.

Revenue and assets reported to the Bank's management team are measured in a manner consistent with that of the financial statements.

In arriving to segmented net interest income, an internal allocation of interest income and interest expenses between businesses has been done to recognise and measure how much each source of funding and each user of funding is contributing to overall profitability of the Bank. Operating expenses for the Bank has also been allocated to the business using an internal agreed allocation ratio.

All customers are based in Tanzania, except for interbank placements with corresponding banks. There was no income deriving from transactions with a single external customer that amounted to 10% or more of the Group's total income.

5 SEGMENT REPORTING (CONTINUED)

The segment information provided to the Bank's Management Team for the reportable segments for the year ended 31 December 2017 is as follows (all amounts in TZS million):

2017	Treasury	Wholesale banking	Retail banking	Agribusiness	UJVC	(Eliminations)/ consolidation	Total
Interest income	117,876	82,823	374,956	11,337	-	(1,480)	585,512
Interest expense	(641)	(59,195)	(56,059)	(4,396)	(1,480.00)	1,480	(120,291)
Net Interest Income	**117,235**	**23,628**	**318,897**	**6,941**	**(1,480)**	**-**	**465,221**
Loan impairment charges	-	(65,498)	(58,948)	(6,550)	-	-	(130,996)
Net fees and commission, Foreign exchange and other income	17,759	29,336	112,892	2,637	5,632	(6,002)	162,254
Employee benefits expense	(14,695)	(29,390)	(92,038)	(18,563)	-	-	(154,686)
General and administrative expenses	(16,766)	(33,532)	(105,007)	(21,178)	(270)	6,002	(170,751)
Depreciation and amortization	(2,779)	(5,559)	(17,408)	(3,511)	(1,971)		(31,228)
Profit before tax	**100,754**	**(81,015)**	**158,388**	**(40,224)**	**1,911**	**-**	**139,814**
Income tax provision	(32,446)	26,089	(51,005)	12,953	204	-	(44,205)
Profit after tax	**68,308**	**(54,926)**	**107,383**	**(27,271)**	**2,115**	**-**	**95,609**
Segment assets, liabilities and equity							
Total assets	**2,615,162**	**683,245**	**2,112,741**	**95,854**	**46,578**	**(54,053)**	**5,499,527**
Total liabilities and equity	**951,887**	**1,701,709**	**2,612,837**	**240,569**	**46,578**	**(54,053)**	**5,499,527**

5 SEGMENT REPORTING (CONTINUED)

The segment information provided to the Bank's Management Team for the reportable segments for the year ended 31 December 2016 is as follows (all amounts in TZS million):

2016	Treasury	Wholesale banking	Retail banking	Agribusiness	UJVC	(Eliminations)/ consolidation	Total
Interest income	109,853	82,644	351,027	7,510	-	(2,041)	548,993
Interest expense	(9,384)	(61,170)	(31,598)	(42)	-	-	(102,194)
Net Interest Income	**100,469**	**21,474**	**319,429**	**7,468**		**(2,041)**	**446,799**
Loan impairment charges	-	(2,181)	(24,365)	(3,694)	-	-	(30,240)
Net fees and commission, Foreign exchange and other income	15,134	14,260	120,432	1,514	5,858	(5,858)	151,340
Employee benefits expense	(13,493)	(26,987)	(91,166)	(17,045)	-	-	(148,691)
General and administrative expenses	(17,413)	(34,826)	(101,720)	(21,996)	(2,545)	7,899	(170,601)
Depreciation and amortization	(2,267)	(4,535)	(14,203)	(2,865)	(985)	-	(24,855)
Profit before tax	**82,430**	**(32,795)**	**208,407**	**(36,618)**	**2,328**	**-**	**223,752**
Income tax provision	(25,607)	10,884	(64,106)	11,230	-	-	(67,599)
Profit after tax	**56,823**	**(21,911)**	**144,301**	**(25,388)**	**2,328**	**-**	**156,153**
Segment assets, liabilities and equity							
Total assets	**2,115,157**	**603,117**	**2,156,913**	**62,702**	**48,770**	**(48,379)**	**4,938,280**
Total liabilities and equity	**1,256,904**	**1,599,045**	**1,975,674**	**106,266**	**48,770**	**(48,379)**	**4,938,280**

6 FINANCIAL RISK MANAGEMENT

The Bank's subsidiaries do not have significant operations (Note 22 (b)). Their financial assets and liabilities mainly consist of loans from related parties that are eliminated on consolidation and other assets and liabilities that are not material to the Group. Consequently, the financial risk management information presented below relates only to the Bank.

The Bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the Bank's risk management are to identify all key risks for the Bank, measure these risks, manage the risk positions and determine capital allocations. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

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

6.1 Credit risk

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

6.1.1 Credit risk measurement

Loans and advances

In measuring credit risk of loans and advances to customers and banks at a counterparty level, the Bank uses loan classification based on internal monitoring rating. The loan book is split into Retail and Corporate. For retail, loans above 180 days in arrears are fully provided. For Corporate book in arrear for more than 90 days, management establish the likely future cash flow from either sale of collateral or repayment for impairment.

These credit risk measurements are therefore embedded in the Bank's daily operational management. The operational measurements are contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the end of reporting period (the 'incurred loss model') rather than expected losses.

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

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

	Number of days past due	
Bank's rating	**Micro loans**	**Other loans**
Current	0	0 - 30
Especially mentioned	1 - 30	31 - 90
Sub-standard	31 - 60	91 -180
Doubtful	61 - 90	181 - 360
Loss	91 or more	361 and more

6 FINANCIAL RISK MANAGEMENT

6.1.2 Risk limit control and mitigation policies

(a) Lending limits

The Bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

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

(b) Collateral

The Bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties;
- Charges over business assets such as inventory and accounts receivable and
- Charges over financial instruments such as debt securities and equities.

Corporate loans, Overdraft, SME loans, Agriculture loans and MSE loans are generally secured while Salaried Workers loans are unsecured.

(c) Credit-related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit - which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions - are collateralised by the underlying shipments of goods to which they relate.

Undrawn commitments represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on undrawn commitments, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most undrawn commitments are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.3 Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at end of reporting period based on objective evidence of impairment.

The impairment provision shown in the statement of financial position at year end is calculated on the basis of the requirements of IAS 39 and is made up of the following: (All amounts in TZS Millions).

	31 December 2017		31 December 2016	
	Loans and advances to customers	Impairment provision	Loans and advances to customers	Impairment provision
Salaried workers loans	1,582,062	15,653	1,697,667	20,863
Micro and Small Enterprises (MSE)	302,345	7,863	304,828	4,912
Corporate customers	677,947	68,151	581,464	8,630
Small and Medium size Enterprises (SME)	200,819	8,059	187,042	3,077
Agribusiness loans	96,007	4,750	62,736	15,098
Other consumer loans	32,817	474	13,477	167
	2,891,997	**104,949**	**2,847,214**	**52,747**

In assessing the level of impairment, management determines whether objective evidence of impairment exists under IAS 39, based on the criteria detailed in Note 3 [k (i)].

The Bank's policy requires the review of individual financial assets annually or when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at financial position date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account, this is done for corporate loans and small and medium enterprises (SME) whose outstanding balances are above TZS 100 million.

Other loan categories i.e. consumer loans and micro and small enterprises loans are being 100% provided for when such loans are more than 180 days in arrears.

In addition, the Bank makes portfolio impairment based on the loss ratios determined from historical trends.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Loans and advances

(i) Loans and advances to customers

Loans and advances are summarised as follows:

	Note	2017 TZS Millions	2016 TZS Millions
Neither past due nor impaired	6.1.4(a)	2,647,006	2,591,033
Past due but not impaired	6.1.4(b)	69,676	119,623
Impaired	6.1.4(c)	175,314	136,558
Gross		**2,891,997**	**2,847,214**
Less: allowance for impairment		(104,949)	(52,747)
Net		**2,787,048**	**2,794,467**
Unidentified impairment		(3,921)	(4,827)
Identified impairment – portfolio		(23,106)	(22,044)
Identified impairment – individually		(77,922)	(25,876)
		(104,949)	**(52,747)**

The total impairment provision for loans and advances is TZS 104,949 million (2016: TZS 52,747 million). This amount represents both the individually impaired loans and portfolio impairment provision. Further analysis of the impairment provision for loans and advances to customers is provided in 20.

During the year ended 31 December 2017, the Bank's total loans and advances slightly decreased by 0.2% (2016: increase of 13.1%). The decrease was attributed to significant impairment losses. When entering into new markets or new industries, in order to minimize the potential increase of credit risk exposure, the Bank focused more on the business with quality corporate enterprises, SMEs and Salaried Workers Loans.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Loans and advances (continued)

(i) Loans and advances to customers (continued)

(a) Loans and advances neither past due nor impaired

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank.

Loans and advances that were neither past due nor impaired can be analysed as follows:

	Retail customers			Corporate customers			
	MSEs	SWL	Other consumer loans	Large corporate customers	SMEs	Agribusiness	Total
	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions
31 December 2017							
New customers	264,718	581,135	25,221	295,425	133,969	46,671	1,347,139
Existing customers							
With no history of default	6,334	918,002	1,890	157,101	26,343	21,658	1,131,328
With history of default	372	40,928	2,069	16,879	5,203	1,326	66,777
Restructured loans	-	-	426	94,089	3,013	4,234	101,762
Total	**271,424**	**1,540,065**	**29,606**	**563,494**	**168,528**	**73,889**	**2,647,006**
31 December 2016							
New customers	286,015	450,383	25	83,778	117,608	2,321	940,130
Existing customers							
With no history of default	325	1,178,656	-	155,116	19,350	3,370	1,356,817
With history of default	3,414	36,142	3,268	187,465	18,942	15,276	264,507
Restructured loans	-	-	553	14,432	2,094	12,500	29,579
Total	**289,754**	**1,665,181**	**3,846**	**440,791**	**157,994**	**33,467**	**2,591,033**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Loans and advances (continued)

(i) Loans and advances to customers (continued)

(a) Loans and advances neither past due nor impaired (continued)

92% (2016: 91%) of the loans and advances that were neither past due nor impaired fall under top grade of the internal rating system.

Placement and balances with other banks include bank balances and placements with both local and international banks. The local banks are subsidiaries of highly rated global banks. All international banks are also highly rated banks.

(b) Loans and advances past due but not impaired

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 181 days past due are not usually considered impaired (in some cases over 270 days if the loan is cash guaranteed) this is especially the case for consumer loans, unless other information is available to indicate the contrary.

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

	Up to 30 days	30 - 60 days	60 - 90 days	90 - 180 days	Total
Past due days	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions
31 December 2017					
MSEs	10,386	4,347	2,828	5,941	23,528
Corporate customers	405	935	-	-	1,340
SMEs	6,665	1,978	1,235	2,066	11,944
Agribusiness loans	209	221	545	397	1,372
Salaried workers loans	13,341	6,043	2,722	6,601	28,707
Other consumer loans	2,105	206	149	326	2,786
Total	**33,111**	**13,730**	**7,479**	**15,331**	**69,676**
31 December 2016					
MSEs	2,201	2,986	1,895	3,548	10,630
Corporate customers	54,303	2,532	1,140	1,137	59,112
SMEs	17,814	1,570	296	1,382	21,062
Agribusiness loans	1,100	1,761	-	505	3,366
Salaried workers loans	5,536	3,702	2,652	5,225	17,115
Other consumer loans	3,772	2,321	758	1,487	8,338
Total	**84,726**	**14,872**	**6,741**	**13,284**	**119,623**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.4 Loans and advances (continued)

(i) Loans and advances to customers (continued)

(b) Loans and advances past due but not impaired (continued)

Upon initial recognition of loans and advances, the fair value of collateral, if any, is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or a valuation by professional valuers.

(c) Loans and advances impaired

The amount of total impaired loans and advances as at 31 December 2017 was TZS 175,343 million (2016: TZS 136,558 million).

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

	2017 TZS Millions	2016 TZS Millions
SMEs	20,347	7,986
Corporate customers	113,113	81,561
MSEs	7,391	4,444
Salaried workers loans	13,292	15,303
Agribusiness loans	20,746	25,903
Other consumer loans	425	1,361
	175,314	**136,558**

(ii) Amounts due from banks

The total gross amount of impaired amounts due from banks as at 31 December 2017 was Nil (2016: Nil). No collateral is held by the Bank and no impairment provision has been provided against the gross amount.

6.1.5 Debt securities, treasury bills and other eligible bills

The only investment securities held by the Bank are Treasury Bills and Treasury bonds issued by the Government. At the end of reporting period, these investments were neither past due nor impaired. There are no credit ratings for these investments.

6.1.6 Balances with bank of Tanzania and other assets

Other assets and balances with Bank of Tanzania are neither past due nor impaired.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.7 Repossessed collateral

During the year, the Bank did not obtain assets by taking possession of collateral held as security. Repossessed properties are usually sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

6.1.8 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorised by geographical region as of 31 December 2017. For this table, the Bank has allocated exposures to regions based on the country of domicile of its counterparties.

Credit risk exposures relating to on-balance sheet assets are as follows:	Tanzania TZS Millions	Europe TZS Millions	America TZS Millions	Others TZS Millions	Total TZS Millions
31 December 2017					
Balances with the Bank of Tanzania	798,007	-	-	-	798,007
Placement and balances with other banks	124,944	16,704	100,752	331	242,731
Investment in Government securities					
Held to maturity	496,367	-	-	-	496,367
Loans and receivable	422,732	-	-	-	422,732
Available for sale	870	-	-	-	870
Loans and advances to customers:					
Loans to individuals:					
- MSEs	294,482	-	-	-	294,482
- Other consumer loans	32,343	-	-	-	32,343
Salaried workers loans	1,566,409	-	-	-	1,566,409
Loans to corporate entities:					
- Corporate customers	609,796	-	-	-	609,796
- SMEs	192,760	-	-	-	192,760
Agribusiness loans	91,257	-	-	-	91,257
Other assets (excluding prepayments)	32,340	-	-	-	32,340
As at 31 December 2017	**4,662,308**	**16,704**	**100,752**	**331**	**4,780,095**
Credit risk exposures relating to off-balance sheet assets are as follows:					
Guarantees and indemnities (Note 35(a))	67,028	-	-	-	67,028
Undrawn commitments (Note 35(a))	99,289	-	-	-	99,289
Acceptances and letters of credit (Note 35(a))	330,329	-	-	-	330,329
As at 31 December 2017	**496,646**	**-**	**-**	**-**	**496,646**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.9 Concentration of risks of financial assets with credit risk exposure (continued)

(a) Geographical sectors (continued)

Credit risk exposures relating to on-balance sheet assets are as follows:	Tanzania TZS Millions	Europe TZS Millions	America TZS Millions	Others TZS Millions	Total TZS Millions
31 December 2016					
Balances with the Bank of Tanzania	701,990	-	-	-	701,990
Placement and balances with other banks	63,530	8,475	65,007	229	137,241
Investment in Government securities					
Held to maturity	405,364				405,364
Loans and receivable	318,833	-	-	-	318,833
Available for sale	719	-	-	-	719
Loans and advances to customers:					
Loans to individuals:					
- MSEs	299,916	-	-	-	299,916
- Other consumer loans	13,310	-	-	-	13,310
Salaried workers loans	1,676,804	-	-	-	1,676,804
Loans to corporate entities:					
- Corporate customers	572,834	-	-	-	572,834
- SMEs	183,965	-	-	-	183,965
Agribusiness loans	47,638	-	-	-	47,638
Other assets (excluding prepayments)	24,269	-	-	-	24,269
As at 31 December 2016	**4,309,172**	**8,475**	**65,007**	**229**	**4,382,883**
Credit risk exposures relating to off-balance sheet assets are as follows:					
Guarantees and indemnities (Note 35(a))	17,275	-	-	-	17,275
Undrawn commitments (Note 35(a))	85,458	-	-	-	85,458
Acceptances and letters of credit (Note 35(a))	272,311	-	-	-	272,311
As at 31 December 2016	**375,044**	**-**	**-**	**-**	**375,044**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.9 Concentration of risks of financial assets with credit risk exposure (continued)

(b) Industry sectors

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

31 December 2017	Financial institutions	Manufacturing	Trading and commercial	Transport and communication	Wholesale and retail	Agriculture	Individuals	Others	Total
Balances with the Bank of Tanzania	798,007	-	-	-	-	-	-	-	798,007
Placement and balances with other banks	242,731	-	-	-	-	-	-	-	242,731
Investment in Government securities	-	-	-	-	-	-	-	-	-
- Held to maturity	496,367	-	-	-	-	-	-	-	496,367
- Loans and receivable	422,732	-	-	-	-	-	-	-	422,732
- Available for sale	870	-	-	-	-	-	-	-	870
Loans and advances to customers:									
Loans to individuals:									
- MSE	14	1,356	32,960	742	111,873	1,708	1,238	144,591	294,482
- Other consumer loans	-	-	1,573	520	4,656	47	24,477	1,070	32,343
- Salaries workers loans	5,375	348	25,848	2,602	7,321	2,978	1,411,466	110,471	1,566,409
Loans to corporate entities:									
- Corporate customers	12,962	195,648	180,923	113,377	42,519	11,001	-	53,367	609,797
- SMEs	-	4,938	31,622	2,017	113,638	2,069	1,655	36,821	192,760
- Agribusiness	-	4,579	75	-	21,562	62,076	8	2,957	91,257
Other assets (excluding prepayments)	-	-	-	-	-	-	-	32,340	32,340
As at 31 December 2017	**1,979,058**	**206,869**	**272,104**	**119,258**	**302,492**	**78,225**	**1441047**	**381,042**	**4,780,095**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.9 Concentration of risks of financial assets with credit risk exposure (continued)

(b) Industry sectors (Continued)

Credit risk exposures relating to off-balance sheet assets are as follows:

31 December 2017	Financial institutions	Manufacturing	Trading and commercial	Transport and communication	Wholesale and retail	Agriculture	Individuals	Others	Total
Guarantees and indemnities - (Note 35(a))	-	366	17,991	1,539	46,297	-	-	835	67,028
Undrawn commitments (Note 35(a))	-	34,566	18,157	1,169	6,647	37,997	575	178	99,289
Acceptances and letters of credit (Note 35(a))	-	27,237	219,942	37,826	889	2,569	-	41,865	330,329
As at 31 December 2017	**-**	**62,169**	**256,090**	**40,535**	**53,834**	**40,567**	**575**	**42,878**	**496,646**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.9 Concentration of risks of financial assets with credit risk exposure (continued)

(b) Industry sectors (continued)

31 December 2016	Financial institutions	Manufacturing	Trading and commercial	Transport and communication	Wholesale and retail	Agriculture	Individuals	Others	Total
Balances with the Bank of Tanzania	701,990	-	-	-	-	-	-	-	701,990
Placement and balances with other banks	137,241	-	-	-	-	-	-	-	137,241
Investment in Government securities									
Held to maturity	405,364								405,364
Loans and receivable	318,833	-	-	-	-	-	-	-	318,833
Available for sale	719	-	-	-	-	-	-	-	719
Loans and advances to customers:									
Loans to individuals:									
- MSE	74	3,513	133,205	1,211	70,638	14,466	24,277	52,532	299,916
- Salaries workers loans	88,360	-	-	-	-	-	1,572,130	16,314	1,676,804
- Other consumer loans	-	-	-	-	-	-	13,310	-	13,310
Loans to corporate entities:									
- Corporate customers	13,636	160,394	130,099	117,961	20,213	34,442	32,972	63,117	572,834
- SMEs	-	6,429	64,310	4,456	9,844	39,295	47,308	12,323	183,965
- Agribusiness	-	-	-	-	-	26,446	1,290	19,902	47,638
Other assets (excluding prepayments)	24,269	-	-	-	-	-	-	-	24,269
As at 31 December 2016	**1,690,486**	**170,336**	**327,614**	**123,628**	**100,695**	**114,649**	**1,691,287**	**164,188**	**4,382,883**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.1 Credit risk (continued)

6.1.9 Concentration of risks of financial assets with credit risk exposure (continued)

(b) Industry sectors (continued) Credit risk exposures relating to off-balance sheet assets are as follows:

31 December 2016	Financial institutions	Manufacturing	Trading and commercial	Transport and communication	Wholesale and retail	Agriculture	Individuals	Others	Total
Guarantees and indemnities - (35(a))	-	11,452	-	3,882	-	-	-	1,941	17,275
Undrawn commitments (Note 35(a))		-	43,073	-	42,374	-	-	11	85,458
Acceptances and letters of credit (Note 35(a))	-	91,214	120,340	2,276	51,653	6,828	-		272,311
As at 31 December 2016	**-**	**102,666**	**163,413**	**6,158**	**94,027**	**6,828**	**-**	**1,952**	**375,044**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk

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

The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Banks Assets and Liability Committee (ALCO) and heads of department.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

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

6.2.1 Foreign exchange risk

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

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2017. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

Concentrations of currency risk - on - and off - balance sheet financial instruments:

As at 31 December 2017	USD Millions	EURO Millions	GBP Millions	Others Millions	Total Millions
Assets					
Cash and balances with Bank of Tanzania	153,073	4,843	625	88	158,629
Placement and balances with other banks	130,752	9,980	6,396	724	147,852
Loans and advances to customers	255,741	-	-	-	255,741
Other assets (excluding prepayments)	797	27	-	-	824
Total financial assets	**540,363**	**14,850**	**7,021**	**812**	**563,046**
Liabilities					
Deposits from customers	309,063	12,868	794	-	322,725
Long term borrowing	192,064	-	-	-	192,064
Other liabilities (excluding non-financial other liabilities)	3,408	4	2	-	3,414
Total financial liabilities	**504,535**	**12,872**	**796**	**-**	**518,203**
Net on-balance sheet financial position	**35,828**	**1,978**	**6,225**	**812**	**44,843**
Off balance sheet position					
Guarantee and indemnities	16,500	19	-	-	16,519
Undrawn commitments	40,821	-	-	-	40,821
Acceptance and letters of credit	311,154	13,211	1,375	648	326,388
	368,475	**13,230**	**1,375**	**648**	**383,728**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

Concentrations of currency risk - on - and off - balance sheet financial instruments:

As at 31 December 2016	USD Millions	EURO Millions	GBP Millions	Others Millions	Total Millions
Assets					
Cash and balances with Bank of Tanzania	91,993	4,332	592	8	96,925
Placement and balances with other banks	107,540	4,937	3,436	376	116,289
Loans and advances to customers	219,154	-	-	-	219,154
Other assets (excluding prepayment)	304	-	-	-	304
Total financial assets	**418,991**	**9,269**	**4,028**	**384**	**432,672**
Liabilities					
Deposits from customers	184,662	7,258	1,315	-	193,235
Deposits from banks	10,971	-	-	-	10,971
Long term borrowing	235,420	-	-	-	235,420
Other liabilities (excluding non-financial other liabilities)	1,206	1,892	-	-	3,098
Total financial liabilities	**432,259**	**9,150**	**1,315**	**-**	**442,724**
Net on-balance sheet financial position	**(8,016)**	**119**	**2,713**	**383**	**4,801**
Off balance sheet position					
Guarantee and indemnities	3,204	4	-	-	3,208
Undrawn commitments	40,920	-	-	-	40,920
Acceptance and letters of credit	244,841	27,470	-	-	272,311
	288,965	**27,474**	**-**	**-**	**316,439**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.1 Foreign exchange risk (continued)

Foreign exchange sensitivity analysis

The impact of fluctuation of Bank's post tax profit for the year resulting from foreign exchange movements, keeping all other variables held constant on translation of foreign currency dominated cash and balances with the Bank of Tanzania, placements and balances with other banks, loans and deposits from customers and other banks is analysed in the table below

	% change in exchange rate	2017 TZS Million	2016 TZS Million
USD	10%	3,583	802
EURO	10%	198	12
GBP	10%	623	271

The effect of translation of placements and balances with other banks in other currencies (Kenyan shillings, Japanese Yen, Swiss Francs, Canadian dollars, Australian dollars, Norwegian Krona, Swedish Krona and South African Rand) is not considered to be significant.

6.2.2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce losses in the event that unexpected movements arise. The Bank's Asset and Liability Committee (ALCO) sets limits on the level of mismatch of interest rate repricing that may be undertaken, which is monitored regularly by the Bank. The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate risk on off balance sheet items.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

As at 31 December 2017	Up to1 month TZS Millions	1 - 3 months TZS Millions	3 - 12 months TZS Millions	1 - 5 years TZS Millions	Over 5 years TZS Millions	Non-interest bearing TZS Millions	Total TZS Millions
Assets							
Cash and balances with Bank of Tanzania	-	-	-	-	-	1,156,322	1,156,322
Investment in Government securities							
Held-to-maturity	29,545	30,876	127,132	284,478	24,336	-	496,367
Loans and receivable	28,675	46,328	347,729	-	-	-	422,732
- Available for sale	-	870	-	-	-	-	870
Placement and balances with other banks	228,104	14,521	-	-	-	-	242,625
Loans and advances to customers	146,528	185,294	574,378	1,726,937	153,911	-	2,787,048
Equity Investments	-	-	-	-	-	1,740	1,740
Other assets (excluding prepayments)	-	-	-	-	-	32,340	32,340
Total financial assets	**432,852**	**277,889**	**1,049,239**	**2,011,415**	**178,247**	**1,190,402**	**5,140,044**
Liabilities							
Deposits from customers	84,332	161,754	232,068	3,973	-	3,790,022	4,272,149
Deposit from banks	149	-	-	-	-	-	149
Long term borrowing	-	28,261	83,655	225,014	-	-	336,930
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	-	77,777	77,777
Total financial liabilities	**84,481**	**190,015**	**315,723**	**228,987**	**-**	**3,867,799**	**4,687,005**
Total interest repricing gap	**348,371**	**87,874**	**733,516**	**1,782,428**	**178,247**	**-**	**-**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

As at 31 December 2016	Up to1 month TZS Millions	1 - 3 months TZS Millions	3 - 12 months TZS Millions	1 - 5 years TZS Millions	Over 5 years TZS Millions	Non-interest bearing TZS Millions	Total TZS Millions
Assets							
Cash and balances with Bank of Tanzania	-	-	-	-	-	950,181	950,181
Investment in Government securities							
Held to maturity	51,849	17,144	74,946	261,425	-	-	405,364
Loans and receivable	26,847	121,607	170,379	-	-	-	318,833
Available for sale	-	-	-	719	-	-	719
Placement and balances with other banks	137,241	-	-	-	-	-	137,241
Loans and advances to customers	61,446	52,745	555,454	2,024,771	100,051	-	2,794,467
Equity Investments	-	-	-	-	1,740		1,740
Other assets (excluding prepayments)	-	-	-	-	-	24,269	24,269
Total financial assets	**277,383**	**191,496**	**800,779**	**2,286,915**	**101,791**	**974,450**	**4,632,814**
Liabilities							
Deposits from customers	50,713	170,654	288,356	3,714	-	3,223,967	3,737,404
Deposit from banks	11,176	-	-	-	-	-	11,176
Long term borrowing	-	-	74,564	278,239	-	-	352,803
Other liabilities (excluding non-financial other liabilities)	-	-	-	-	-	72,932	72,932
Total financial liabilities	**61,889**	**170,654**	**362,920**	**281,953**	**-**	**3,296,899**	**4,174,315**
Total interest repricing gap	**215,494**	**(31,903)**	**437,859**	**2,004,963**	**101,791**	**-**	**-**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.2 Market risk (continued)

6.2.2 Interest rate risk (continued)

Interest rate risk sensitivity

The interest rate risk sensitivity of the net mismatch between interest bearing assets and liabilities up to 12 months is summarised below. This assumes a 1% adverse movement in interest rates over the period (amounts in TZS Million).

Sensitivity period	Weighted average	Net Interest Bearing Funding	Net position	Impact
2017				
Less than 30 days	(10,823)	(259,759)	248,936	(2,489)
1 year	(1,292,111)	(6,644)	(1,285,467)	12,855
2016				
Less than 30 days	5,387	129,294	123,907	2,478
1 year	453,963	182,841	271,122	5,422

6.3 Liquidity risk

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

6.3.1 Liquidity risk management process

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

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

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (Notes 6.3.3).

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.3 Liquidity risk (continued)

6.3.2 Funding approach

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

6.3.3 Non-derivative cash flows

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of reporting period. The amounts disclosed in the table below are the undiscounted cash flows. The impact of cash outflow due to interest is not significant as deposits that attract interest are bonus, fixed deposits and junior account. As at 31 December 2017, the interest bearing deposits had a balance of TZS 482,363 million (2016: TZS 513,437 million).

	Up to1 month TZS millions	1 - 3 months TZS millions	3 - 12 months TZS millions	Over 1 year TZS millions	Total TZS millions
As at 31 December 2017					
Liabilities					
Deposits from customers	3,882,340	220,528	582,539	33,902	4,719,309
Placements and balances from other banks	149	-	-	-	149
Long term borrowing*	-	34,328	71,112	304,224	409,664
Other liabilities (excluding non-financial liabilities)	77,777	-	-	-	77,777
Total liabilities	**3,960,266**	**254,856**	**653,651**	**338,126**	**5,206,899**
Assets held for managing liquidity	**1,623,254**	**277,889**	**1,049,239**	**2,189,662**	**5,140,044**
As at 31 December 2016					
Liabilities					
Deposits from customers	3,280,089	246,711	726,009	15,134	4,267,942
Placements and balances with other banks	11,176	-	-	-	11,176
Long term borrowing*	-	21,920	118,598	357,852	498,370
Other liabilities (excluding non-financial liabilities)	72,932	-	-	-	72,932
Total liabilities	**3,364,197**	**268,631**	**844,607**	**372,986**	**4,850,420**
Assets held for managing liquidity	**809,132**	**183,219**	**773,347**	**2,451,265**	**4,216,963**

* Includes interest payable on the loan up to its maturity date as per repayment schedule. The amount is determined by using the exchange rate and LIBOR rate at year-end.

6.3.4 Assets held for managing liquidity risk

The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with the Bank of Tanzania (excluding SMR);
- Investment in government securities; and
- Placements with other banks

In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.4 Off-balance sheet items

(a) Undrawn commitments, outstanding letters of credit, guarantee and indemnities

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 35) are summarised in the table below.

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 35) are also included below based on the earliest contractual maturity date.

	No later than 1 year TZS Millions	1 - 5 years TZS Millions	Total TZS Millions
As at 31 December 2017			
Guarantee and indemnities	33,048	33,980	67,028
Undrawn commitments	99,289	-	99,289
Acceptance and letter of credit	301,183	29,146	330,329
Total	**433,520**	**63,126**	**496,646**
As at 31 December 2016			
Guarantee and indemnities	16,665	610	17,275
Undrawn commitments	85,458	-	85,458
Acceptance and letter of credit	272,311	-	272,311
Total	**374,434**	**610**	**375,044**

6.5 Fair value of financial assets and liabilities

6.5.1 Fair value estimation

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

The Bank specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

There were no transfers between the levels during the year.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities (continued)

6.5.1 Fair value estimation (continued)

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

The following table gives information about how the fair value of these financial assets and liabilities are determined:

Type	Fair value at 2017 TZS Millions	Fair value at 2016 TZS Millions	Hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable input to fair value
Investment in government securities	870	719	Level 2	Market observable inputs	N/A	N/A

Available for sale equity investments in TMRC amounting to TZS 1,740 million are stated at cost as the fair value cannot be reliably measured.

ii) Fair value of financial assets and liabilities that are not measured at fair value

Cash and balances with Bank of Tanzania

The carrying amount of cash and balances with Bank of Tanzania is a reasonable approximation of fair value

Investment in government securities

Investment in government securities includes treasury bonds and treasury bills. The fair value of government securities has been determined by discounting the estimated future cash flows expected cash flows at current market yields as observed from rates of similar bills and bonds traded by Bank of Tanzania.

Loans and advances to banks

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

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

Loans and advances to customers

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

Deposits from banks and customers

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

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

Borrowings

Significant portion of borrowing is benchmarked to LIBOR and therefore reprices at balance sheet date. Management has considered the impact of borrowings with fixed interest rate as insignificant to the total fair value of borrowings. The fair value of borrowings therefore approximates its carrying value.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities (continued)

ii) Fair value of financial assets and liabilities that are not measured at fair value (continued)

GROUP	Hierarchy level	Carrying amount 2017 TZS Millions	Carrying amount 2016 TZS Millions	Fair value 2017 TZS Millions	Fair value 2016 TZS Millions
Financial assets					
Cash and balances with Bank of Tanzania	Level 2	1,156,329	950,181	1,156,329	950,181
Government securities - held to maturity (Treasury bonds)	Level 1	496,367	405,364	499,928	318,861
Government securities – Loans and receivable (Treasury bills)	Level 2	422,732	318,833	429,108	361,844
Placement and balances with other banks	Level 2	242,731	137,241	242,731	137,241
Loans and advances to customers	Level 3	2,771,732	2,774,464	2,771,572	2,758,017
Other assets (excluding prepayment)	Level 3	40,116	29,083	40,116	29,083
		5,130,007	**4,615,166**	**5,139,784**	**4,555,227**
Financial liabilities					
Deposits from customers	Level 3	4,272,058	3,737,211	4,272,058	3,737,211
Deposits from banks	Level 2	149	11,176	149	11,176
Borrowings	Level 3	336,930	352,803	336,930	352,803
Other liabilities (Excluding non-financial other liabilities)	Level 3	79,793	74,302	79,793	74,302
		4,688,930	**4,175,492**	**4,688,930**	**4,175,492**

There was no transfer of assets between the fair value hierarchy levels.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.5 Fair value of financial assets and liabilities (continued)

ii) Fair value of financial assets and liabilities that are not measured at fair value (continued)

		Carrying amount		Fair value	
BANK	Hierarchy level	2017 TZS Millions	2016 TZS Millions	2017 TZS Millions	2016 TZS Millions
Financial assets					
Cash and balances with Bank of Tanzania	Level 2	1,156,322	950,181	1,156,322	950,181
Government securities - held to maturity (Treasury bonds)	Level 1	496,367	405,364	499,928	318,861
Government securities – Loans and receivable (Treasury bills)	Level 2	422,732	318,833	429,108	361,844
Placement and balances with other banks	Level 2	242,731	137,241	242,731	137,241
Loans and advances to customers	Level 3	2,787,048	2,794,467	2,786,888	2,778,020
Other assets (Excluding prepayment)	Level 3	32,340	24,269	32,340	24,269
		5,105,200	**4,630,355**	**5,114,977**	**4,570,416**
Financial liabilities					
Deposits from customers	Level 3	4,272,149	3,737,404	4,272,149	3,737,404
Deposits from banks	Level 2	149	11,176	149	11,176
Borrowings	Level 3	336,930	352,803	336,930	352,803
Other liabilities (Excluding non-financial other liabilities)	Level 3	77,777	72,932	77,777	72,932
		4,687,005	**4,174,315**	**4,687,005**	**4,174,315**

There was no transfer of assets between the fair value hierarchy levels.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Capital management

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

- To comply with the capital requirements set by the Bank of Tanzania (BoT);
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

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

The Bank of Tanzania requires each bank or banking group to:

(a) Hold a minimum level of core capital of TZS 15 billion;
(b) Maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off balance sheet assets or above the required minimum of 10%; and
(c) Maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.
(d) Maintain a capital conservation buffer of 2.5% of risk-weighted assets and off balance sheet exposures from August 2017. The capital conservation buffer is be made up of items that qualify as tier 1 capital.

When a bank is holding capital conservation buffer of less than 2.5% of risk-weighted assets and off balance sheet exposures but is meeting its minimum capital requirements that bank:

- Shall not be distribute dividends to shareholders or bonuses to senior management and other staff members until the buffer is restored to at least 2.5%;

- Shall submit a capital restoration plan to Bank of Tanzania within a period specified by BoT, indicating how the bank is going to raise capital to meet its minimum requirement including capital conservation buffer within a specified period of time; and

- In the event that BoT does not approve the capital restoration plan, it may direct the bank to raise additional capital within a specified time period in order to restore its capital conservation buffer.

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Capital management (continued)

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

- Tier 1 capital: means permanent shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill organization, pre-operating expenses, prepaid expenses, deferred charges, leasehold rights and any other intangible assets.

- Tier 2 capital: means general provisions which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialize, subordinated debts, cumulative redeemable preferred stocks and any other form of capital as may be determined and announced from time to time by the Bank.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2017 and year ended 31 December 2016. During those two periods, the Bank complied with all of the externally imposed capital requirements to which they are subject.

	Note	2017 TZS Millions	2016 TZS Million
Tier 1 capital			
Share capital		20,000	20,000
Retained earnings	23(b)	762,047	708,045
Less: Prepaid expenses	25	(24,540)	(20,110)
Less: Intangible assets	26	(19,901)	(15,461)
Less: Deferred tax assets		(43,116)	(27,513)
Total qualifying Tier 1 capital		**694,490**	**664,961**
Tier 2 capital			
General risk reserve		26,849	26,385
Fair valuation reserve		(127)	(194)
Total qualifying Tier 2 capital		**26,722**	**26,191**
Total regulatory capital		**721,212**	**718,022**

6 FINANCIAL RISK MANAGEMENT (CONTINUED)

6.6 Capital management (continued)

	Note	2017 TZS Millions	2016 TZS Million
Risk-weighted assets			
On-balance sheet		3,213,078	3,160,728
Off-balance sheet	35(a)	399,933	353,610
Market risk		8,910	5,280
Operational risk*		492,223	-
Total risk-weighted assets		**4,114,144**	**3,519,618**

	Required ratio (%)	2017 Bank's ratio (%)	2016 Bank's ratio (%)
Tier 1 capital	12.5	16.9	18.9
Tier 1 + Tier 2 capital	14.5	17.5	20.6

The increase in the total regulatory capital in the 2017 is mainly due to the contribution of the current-year profit. The increase of the risk-weighted assets reflects the expansion of the business in 2017.

*Effective from August 2017, all Banks are required to compute capital charge for operational risk using Basic Indicator approach (BIA) prescribed under Basel II by capping net interest income to 3.5% of interest earning assets.

7 INTEREST AND SIMILAR INCOME

	2017 TZS Millions	2016 TZS Millions
(a) GROUP		
Loans and advances to customers	467,636	439,141
Government securities	115,103	107,251
Placements and balances with other banks	2,773	2,601
	585,512	**548,993**
(b) BANK		
Loans and advances to customers	469,116	441,182
Government securities	115,103	107,251
Placements and balances with other banks	2,773	2,601
	586,992	**551,034**

None of the interest income has been earned from impaired financial assets

8 INTEREST AND SIMILAR EXPENSES (GROUP AND BANK)

	2017 TZS Millions	2016 TZS Millions
Deposits from customers		
- Time deposits	46,783	33,026
- Current accounts	31,013	27,425
- Saving deposits	17,458	15,331
Deposits due to other banks	641	9,385
Borrowings from financial institutions	19,013	14,092
NMB bond	5,383	2,935
	120,291	**102,194**

9 NET FEES AND COMMISSION INCOME (GROUP AND BANK)

Fees and commission income		
Credit related fees and commissions	36,646	37,566
Other fees	49,823	40,828
ATM fees and card issuing	23,746	24,307
Maintenance fees	22,455	21,715
Teller withdrawal fees	10,334	8,586
Commission - mobile banking	8,309	6,620
Government service fees	3,567	4,000
	154,880	**143,622**
Fees and commission expense		
Financial charges	(17,549)	(13,758)
Net fees and commission income	**137,331**	**129,864**

10 FOREIGN EXCHANGE INCOME

(a) GROUP		
Foreign currency trading	17,389	15,419
(b) BANK		
Foreign currency trading	17,759	15,419

11 OTHER INCOME (GROUP AND BANK)

	2017 TZS Millions	2016 TZS Millions
Bad debts recovery	3,008	3,769
Miscellaneous income	856	1,875
Profit on disposal of property and equipment	204	390
Rental income	19	23
Grant income	44	-
Dividend on equity investments	24	-
	4,155	**6,057**

12 EMPLOYEE BENEFIT EXPENSE (GROUP AND BANK)

Salaries and allowances	91,582	86,122
Other emoluments	49,390	49,673
Pension costs - defined contribution plan	13,714	12,896
	154,686	**148,691**

13 OTHER OPERATING EXPENSES

(a) GROUP		
Administrative expenses	58,840	65,887
Operating lease rent	17,561	12,830
Utilities	18,500	18,534
Security expenses	10,413	8,841
Marketing and advertising expenses	7,841	10,815
Repairs and maintenance	39,442	36,949
Travelling expenses	10,089	10,488
Management contract expenses	2,752	4,674
Other expenses	869	531
Auditors' remuneration	732	775
Directors' remuneration:		
- Others	198	153
- Fees	135	124
	167,372	**170,601**

13 OTHER OPERATING EXPENSES (CONTINUED)

	2017 TZS Millions	2016 TZS Millions
(b) BANK		
Administrative expenses	64,572	64,933
Operating lease rent	17,561	19,138
Utilities	18,500	18,534
Security expenses	10,413	8,841
Marketing and advertising expenses	7,841	10,815
Repairs and maintenance	39,442	36,949
Travelling expenses	10,089	10,488
Management contract expenses	2,752	4,674
Other expenses	869	531
Auditors' remuneration	732	775
Directors' remuneration:		
- Others	198	153
- Fees	135	124
	173,104	**175,955**

14 DEPRECIATION AND AMORTISATION

(a) GROUP		
Depreciation of property and equipment (Note 24)	25,118	20,254
Amortization of intangible assets (Note 25)	6,110	4,601
	31,228	**24,855**
(b) BANK		
Depreciation of property and equipment (Note 24)	23,147	19,269
Amortization of intangible assets (Note 25)	6,110	4,601
	29,257	**23,870**

15 CURRENT INCOME TAX (GROUP AND BANK)

a) INCOME TAX EXPENSE - GROUP

Income tax expense for the year is arrived at as follows:

	2017 TZS Millions	2016 TZS Millions
Current tax:		
In respect of current year	60,058	72,376
Deferred tax:		
In respect of current year (Note 26)	(16,236)	(4,160)
In respect of prior year (Note 26)	383	(617)
Potential deferred tax credit - UJVC	-	(795)
Deferred tax asset in UJVC not recognised	-	795
	(15,853)	**(4,777)**
	44,205	**67,599**

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

	2017 TZS Millions	2016 TZS Millions
Reconciliation of account profit to tax charge:		
Profit before income tax	139,814	223,752
Tax calculated at the statutory income tax rate of 30% (2016: 30%)	41,944	67,126
Tax effect of:		
Depreciation on non-qualifying assets	498	-
Expenses not deductible for tax purposes	2,157	1,885
Alternative minimum tax - UJVC	18	-
Potential deferred tax not recognised	-	(795)
Recognition of prior year deferred tax in UJVC	(795)	-
Net under provision of deferred tax in prior year	383	(617)
Income tax expense	**44,205**	**67,599**

15 CURRENT INCOME TAX (GROUP AND BANK) (CONTINUED)

b) INCOME TAX EXPENSE - BANK

Income tax expense for the year is arrived at as follows:

	2017 TZS Millions	2016 TZS Millions
Current tax:		
In respect of current year	60,040	72,376
Deferred tax:		
In respect of current year (Note 26)	(16,014)	(4,160)
In respect of prior year (Note 26)	383	(617)
	(15,631)	**(4,777)**
	44,409	**67,599**

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

	2017 TZS Millions	2016 TZS Millions
Reconciliation of account profit to tax charge:		
Profit before income tax	137,903	221,424
Tax calculated at the statutory income tax rate of 30% (2016: 30%)	41,371	66,427
Tax effect of:		
Depreciation on non-qualifying assets	498	-
Expenses not deductible for tax purposes	2,157	1,789
Net under provision of deferred tax in prior year	383	(617)
Income tax expense	**44,409**	**67,599**

the subsidiary accumulated loss position, therefore its current tax charge has been determined as 0.3% of the revenue. During the year, the subsidiary recognized its deferred tax asset.

15 CURRENT INCOME TAX (GROUP AND BANK) (CONTINUED)

c) CURRENT TAX ASSETS - GROUP

	2017 TZS Millions	2016 TZS Millions
At start of the year	891	2,387
Current year tax expense	(60,058)	(72,376)
Tax paid	61,072	70,880
Tax recoverable	**1,905**	**891**

d) CURRENT TAX ASSETS - BANK

	2017 TZS Millions	2016 TZS Millions
At start of the year	891	2,387
Current year tax expense	(60,040)	(72,376)
Tax paid	61,072	70,880
Tax recoverable	**1,923**	**891**

16 EARNINGS PER SHARE (GROUP AND BANK)

a) GROUP

The calculation of the basic earnings per share was based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding during the year, calculated as follows:

	2017 TZS Millions	2016 TZS Millions
Net profit attributable to shareholders	95,320	155,850
Weighted average number of shares in issue in millions (Note 31)	500	500
Basic and diluted earnings per share	**190.64**	**311.70**

b) BANK

	2017 TZS Millions	2016 TZS Millions
Net profit attributable to shareholders	93,494	153,825
Weighted average number of shares in issue in millions (Note 31)	500	500
Basic and diluted earnings per share	**186.99**	**307.65**

There being no dilutive or dilutive potential share options, the basic and diluted earnings per share are the same.

17 DIVIDEND PER SHARE

Dividends are not recognised as a liability until they have been ratified at the Annual General Meeting. The Directors propose payment of a dividend of TZS 64 per share, amounting to TZS 32,000 million out of 2017 profit. In 2016, dividend of TZS 104 per share, amounting to TZS 52,000 million was approved and paid.

18 CASH AND BALANCES WITH BANK OF TANZANIA (GROUP AND BANK)

	2017 TZS Millions	2016 TZS Millions
Cash in hand		
- local currency	315,670	219,282
- foreign currency	42,652	28,909
Balances with Bank of Tanzania		
- local currency	285,371	244,132
- foreign currency	115,970	68,016
Statutory Minimum Reserves (SMR)*	396,659	389,842
	1,156,322	**950,181**
Current	**1,156,322**	**950,181**

*The SMR deposit is not available to finance the Bank's day-to-day operations and hence excluded from cash and cash equivalents for the purpose of the cash flow statement (See Note 32). Cash in hand and balances with Bank of Tanzania are non-interest bearing.

19 PLACEMENTS AND BALANCES WITH OTHER BANKS (GROUP AND BANK)

	2017 TZS Millions	2016 TZS Millions
Balances with banks abroad	144,713	68,459
Placement with local banks		
- local currency	94,879	19,518
- foreign currency	3,139	47,830
Cheques and items for clearing from other banks	-	1,435
	242,731	**137,241**
Current	**242,731**	**137,241**

20(a) LOANS AND ADVANCES TO CUSTOMERS - GROUP

	2017 TZS Millions	2016 TZS Millions
Loans and advances to customers		
Retail customers		
Salaried workers loans (SWL)	1,582,062	1,697,667
MSE customers	302,345	304,828
Other consumer loans	32,817	13,477
	1,917,224	**2,015,972**
Corporate entities		
Large corporate entities	662,631	561,461
SMEs	200,819	187,042
	863,450	**748,503**
Agribusiness loans	96,007	62,736
Gross loans and advances to customers	2,876,681	2,827,211
Less: allowance for impairment	(104,949)	(52,747)
Net loans and advances to customers	**2,771,732**	**2,774,464**

Maturity analysis is based on the remaining periods to contractual maturity from year-end

	2017 TZS Millions	2016 TZS Millions
Analysis of loans and advances to customers by maturity		
Maturing:		
Within 1 year	906,200	669,645
Between 1 year and 5 years	1,711,621	2,077,518
Over 5 years	153,911	27,301
	2,771,732	2,774,464

20(b) LOANS AND ADVANCES TO CUSTOMERS – BANK

	2017 TZS Millions	2016 TZS Millions
Loans and advances to customers		
Retail customers		
Salaried workers loans	1,582,062	1,697,667
MSE customers	302,345	304,828
Other consumer loans	32,817	13,477
	1,917,224	**2,015,972**
Corporate entities		
Large corporate entities	677,947	581,464
SMEs	200,819	187,042
	878,766	**768,506**
Agribusiness loans	**96,007**	**62,736**
Gross loans and advances to customers	2,891,997	2,847,214
Less: allowance for impairment	(104,949)	(52,747)
Net loans and advances to customers	**2,787,048**	**2,794,467**

Maturity analysis is based on the remaining periods to contractual maturity from year-end

	2017 TZS Millions	2016 TZS Millions
Analysis of loans and advances to customers by maturity		
Maturing:		
Within 1 year	906,200	669,645
Between 1 year and 5 years	1,726,937	2,024,771
Over 5 years	153,911	100,051
	2,787,048	**2,794,467**

20(b) LOANS AND ADVANCES TO CUSTOMERS - BANK (CONTINUED)

Movement in the allowance account for losses on loans:	Corporate TZS Millions	MSE TZS Millions	SME TZS Millions	SWL TZS Millions	Other consumer loans TZS Millions	Agribusi-ness TZS Millions	Total TZS Millions
At 1 January 2017	8,630	4,912	3,077	20,863	167	15,098	52,747
Increase in allowance for loan impairment*	59,520	8,241	7,204	48,580	2,119	5,332	130,996
Write-offs	-	(5,290)	(2,222)	(53,790)	(1,812)	(15,680)	(78,794)
At 31 December 2017	**68,150**	**7,863**	**8,059**	**15,653**	**474**	**4,750**	**104,949**
At 1 January 2016	6,449	3,106	2,678	11,602	93	12,296	36,224
Increase in allowance for loan impairment	2,181	3,998	2,375	17,850	142	3,694	30,240
Write-offs	-	(2,192)	(1,976)	(8,589)	(68)	(892)	(13,717)
At 31 December 2016	**8,630**	**4,912**	**3,077**	**20,863**	**167**	**15,098**	**52,747**

*Increase in allowance for loans impairment has been mainly caused by dismissal of civil servants with forged academic records in the first half of 2017, of which a portion have unsecured personal facilities with the Bank coupled with the inability of some corporate and business clients to honour their loan obligations. For agribusiness loans increase has resulted from unfavorable weather conditions that occurred in the last season.

21(a) INVESTMENT IN GOVERNMENT SECURITIES - LOANS AND RECEIVABLES (GROUP AND BANK)

	2017 TZS Millions	2016 TZS' Millions
Treasury Bills		
Maturing within 91 days	202,161	148,454
Maturing after 91 days	220,571	170,379
	422,732	318,833
Current	**422,732**	**318,833**

21(b) INVESTMENT IN GOVERNMENT SECURITIES - HELD TO MATURITY (GROUP AND BANK)

	2017 TZS Millions	2016 TZS Millions
Treasury Bonds:		
Maturing within 91 days	42,854	68,993
Maturing after 91 days	425,998	309,065
	468,852	**378,058**
Recapitalisation Bond:		
Maturing within 91 days	12,015	-
Maturing after 91 days	15,500	27,306
	496,367	**405,364**
Current	187,622	79,640
Non-current	308,745	325,724
	496,367	**405,364**

Interest on recapitalisation bond is received semi-annually at a variable rate a maximum of 12.6% and a minimum of 7% computed as a weighted average of interest rate on Treasury Bills over the last six months. Treasury Bills and Bonds are debt securities issued by the Government of the United Republic of Tanzania at an effective rate 13.3% (2016: 16.7%).

There are no investment securities pledged as collateral for borrowing.

The movement in investment securities may be summarized as follows:	2017 TZS Millions	2016 TZS Millions
At 1 January	724,197	672,540
Additions	886,571	570,864
Matured securities	(691,669)	(519,207)
At 31 December	**919,099**	**724,197**

21 (c) INVESTMENT IN GOVERNMENT SECURITIES AVAILABLE FOR SALE (GROUP AND BANK)

The Group has invested in a 5-year treasury bond with a coupon rate of 9.18% p.a. The movement in available for sale investment securities is as follows:

	2017 TZS Millions	2016 TZS Millions
At 1 January	719	729
Accrued interest	37	36
Gain/(Loss) on fair valuation of securities*	95	(46)
Accrued interest	19	-
At 31 December	**870**	**719**

*The deferred income tax asset on fair value gain/(loss) on available for sale financial assets was assessed to be immaterial.

22 EQUITY INVESTMENTS

(a) GROUP

Investment at available for sale	2017 TZS' Millions	% Share-holding	2016 TZS Millions	% Share-holding
Company name				
Tanzania Mortgage Refinance Company Limited (TMRC)	**1,740**	15.06	**1,740**	15.06

TMRC is a private company and there is no quoted market price available for the shares.

(b) BANK

The Bank has equity investments in TMRC and a subsidiary named Upanga Joint Venture Company Limited.

(i) Investment in subsidiaries

Investment at available for sale	2017 TZS Millions	% Share-holding	2016 TZS Millions	% Share-holding
Company name				
Upanga Joint Venture Company Limited	**39,639**	88	**39,639**	88

There are no contingent liabilities relating to the Bank's interest in the subsidiary.

There are no restrictions to the Bank in gaining access or use of assets of the subsidiary and settling liabilities of the Group.

The subsidiary listed above has share capital consisting solely of ordinary shares. The country of incorporation; the United Republic of Tanzania is also their principle place of business.

There were no significant judgements and assumptions made in determining the Bank's interest on subsidiary.

Set out below is the summarised financial information of Upanga Joint Venture Company Limited ("UJVC Limited"), a subsidiary of the Bank.

Summarised statement of financial position

	2017 TZS Millions	2016 TZS Millions
Current		
Total current assets	6,951	7,054
Current liabilities	(6,146)	(7,094)
Total net current liabilities	**(268)**	**(45)**
Non-current		
Assets	40,288	42,037
Liabilities	(10,211)	(13,225)
Total non-current net assets	**30,077**	**28,812**
Total net assets	**29,809**	**28,767**

22 EQUITY INVESTMENTS (CONTINUED)

(i) Investment in subsidiaries (continued)

(b) BANK (CONTINUED)

Summarised statement of comprehensive income

	2017 TZS Millions	2016 TZS Millions
Revenue	6,002	5,858
Cost of sales	(109)	(218)
Finance costs	(1,480)	(2,042)
Administrative expenses	(2,132)	(1,051)
Gain/(Loss) on foreign exchange	(370)	(220)
Tax credit	204	-
Profit after tax	**2,114**	**2,327**
Allocated to non- controlling interest	**261**	**303**

Non-controlling interests have no protective rights that can significantly restrict the NMB's ability to access or use the assets and settle the liabilities of the group.

Summarised cash flows

	2017 TZS Millions	2016 TZS Millions
Net cash generated in operations	6,065	3,560
Net cash used in Investing activities	-	(1,972)
Net cash used in financing activities	(6,167)	(4,469)
Net (decrease)/ increase in cash and cash equivalents	(102)	(2,881)
Cash and cash equivalents at start of the year	193	3,073
Cash and cash equivalents at end of the year	**91**	**192**

(ii) Investment at Available for sale

	2017 TZS Millions	% Share holding	2016 TZS Millions	% Share holding
Company name				
Tanzania Mortgage Refinance Company Ltd	**1,740**	15.06	**1,740**	15.06

23 OTHER ASSETS

(i) Investment in subsidiaries (continued)

(a) GROUP

	2017 TZS Millions	2016 TZS Millions
Prepayments	24,616	20,110
Service fees receivable	5,551	6,985
Staff imprest	42	19
Other receivables	35,106	22,487
Less: impairment allowance for other receivables	(582)	(408)
	64,733	49,193
Current	64,733	47,042
Non-current	-	2,151
	64,733	49,193
The movement in provision for impairment of other assets is as follows:		
At start of the year	(408)	(942)
(Charge)/Release of provision	(174)	534
At end of year	**(582)**	**(408)**

(b) BANK

	2017 TZS Millions	2016 TZS Millions
Prepayments	24,540	20,114
Service fees receivable	5,551	6,985
Staff advance	42	19
Other receivables	27,329	17,673
Less: Allowance for impairment of other receivables	(582)	(408)
	56,880	**44,383**
Current	56,880	42,232
Non-current	-	2,151
At end of the year	**56,880**	**44,383**
The movement in allowance for impairment of other receivables is as follows:		
At start of the year	(408)	(942)
(Charge)/Release of provision	(174)	534
At end of the year	**(582)**	**(408)**

Other assets have not been pledged as security for liabilities.

24 PROPERTY AND EQUIPMENT

(a) GROUP

	Own building TZS Millions	Leasehold improvement TZS Millions	Motor vehicles TZS Millions	Computers, furniture and equipment TZS Millions	Capital work in progress TZS Millions	Total TZS Millions
Year ended 31 December 2017						
COST						
At 1 January 2017	102,571	32,679	13,590	112,768	122,480	384,088
Additions	-	-	-	10,420	34,875	45,295
Transfers from work in progress	-	-	3,477	23,287	(26,764)	-
Transfer from prepayments	-	-	318	-	-	318
Disposal	-	-	(452)	(13,860)	-	(14,312)
At 31 December 2017	**102,571**	**32,679**	**16,933**	**132,615**	**130,591**	**415,389**
DEPRECIATION						
At 1 January 2017	19,195	17,143	8,043	83,027	-	127,408
Charge for the year	4,755	2,484	2,657	15,222	-	25,118
Disposal	-	-	(452)	(13,841)	-	(14,293)
At 31 December 2017	**23,950**	**19,627**	**10,248**	**84,408**	**-**	**138,233**
NET BOOK VALUE						
At 31 December 2017	**78,621**	**13,052**	**6,685**	**48,207**	**130,591**	**277,156**

The capital work in progress relates to the on going projects of branch remodelling and equipment for new data centre and network equipment at Head office. No property and equipment of the Group and Bank has been pledged as security for liabilities.

24 PROPERTY AND EQUIPMENT (CONTINUED)

(a) GROUP (CONTINUED)

	Own building TZS Millions	Leasehold improvement TZS Millions	Motor vehicles TZS Millions	Computers, furniture and equipment TZS Millions	Capital work in progress TZS Millions	Total TZS Millions
Year ended 31 December 2016						
COST						
At 1 January 2016	59,551	20,672	10,230	90,403	121,080	301,936
Additions	1,972			9,931	70,817	82,720
Transfers from work in progress	41,048	12,007	3,896	12,466	(69,417)	-
Disposal	-	-	(536)	(32)	-	(568)
At 31 December 2016	**102,571**	**32,679**	**13,590**	**112,768**	**122,480**	**384,088**
DEPRECIATION						
At 1 January 2016	15,243	13,687	6,138	72,651	-	107,719
Charge for the year	3,952	3,456	2,441	10,405	-	20,254
Disposal	-	-	(536)	(29)	-	(565)
At 31 December 2016	**19,195**	**17,143**	**8,043**	**83,027**	**-**	**127,408**
NET BOOK VALUE						
At 31 December 2016	**83,376**	**15,536**	**5,547**	**29,741**	**122,480**	**256,680**

The capital work in progress relates to the on going projects of branch remodelling and equipment for new data centre and network equipment at Head office. No property and equipment of the Group and Bank has been pledged as security for liabilities.

24 PROPERTY AND EQUIPMENT (CONTINUED)

(b) BANK

	Own building TZS Millions	Leasehold improvement TZS Millions	Motor vehicles TZS Millions	Computers, furniture and equipment TZS Millions	Capital work in progress TZS Millions	Total TZS Millions
Year ended 31 December 2017						
COST						
At 1 January 2017	59,551	32,679	13,590	112,768	122,478	341,066
Additions	-	-	-	10,420	34,875	45,295
Transfer from prepayment	-	-	316	-	-	316
Transfers from work in progress	-	-	3,477	23,287	(26,764)	-
Disposal	-	-	(452)	(13,860)	-	(14,312)
At 31 December 2017	**59,551**	**32,679**	**16,933**	**132,615**	**130,589**	**372,367**
DEPRECIATION						
At 1 January 2017	18,210	17,143	8,042	83,028	-	126,423
Charge for the year	2,784	2,484	2,657	15,222	-	23,147
Disposal	-	-	(452)	(13,841)	-	(14,293)
At 31 December 2017	**20,994**	**19,627**	**10,247**	**84,409**	**-**	**135,277**
NET BOOK VALUE						
At 31 December 2017	**38,557**	**13,052**	**6,686**	**48,206**	**130,589**	**237,090**

24 PROPERTY AND EQUIPMENT (CONTINUED)

(b) BANK (CONTINUED)

	Own building	Leasehold improvement	Motor vehicles	Computers, furniture and equipment	Capital work in progress	Total
	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions	TZS Millions
Year ended 31 December 2016						
COST						
At 1 January 2016	59,551	20,672	10,230	90,402	80,030	260,885
Additions	-	-	-	9,932	70,817	80,749
Transfers from work in progress	-	12,007	3,896	12,466	(28,369)	-
Disposal	-	-	(536)	(32)	-	(568)
At 31 December 2016	**59,551**	**32,679**	**13,590**	**112,768**	**122,478**	**341,066**
DEPRECIATION						
At 1 January 2016	15,243	13,687	6,138	72,651	-	107,719
Charge for the year	2,967	3,456	2,441	10,405	-	19,269
Disposal	-	-	(536)	(29)	-	(565)
At 31 December 2016	18,210	17,143	8,043	83,027	-	126,423
NET BOOK VALUE						
At 31 December 2016	**41,341**	**15,536**	**5,547**	**29,741**	**122,478**	**214,643**

The capital work in progress relates to the on-going projects of branch remodelling and equipment for new head office. No property and equipment of the Group and Bank has been pledged as security for liabilities.

25 INTANGIBLE ASSETS (GROUP AND BANK)

(GROUP AND BANK) 2017	Computer Software TZS Millions	Work in progress TZS Millions	Total TZS Millions
Cost:			
At 1 January	26,652	8,765	35,417
Additions	6,228	4,322	10,550
Transfer from WIP	4,138	(4,138)	-
At 31 December	**37,648**	**8,949**	**46,597**
Amortisation			
At 1 January	19,956	-	19,956
Charge	6,110	-	6,110
At 31 December	**26,066**	**-**	**26,066**
Net book value	**10,952**	**8,949**	**19,901**

(GROUP AND BANK) 2016	Computer Software TZS Millions	Work in progress TZS Millions	Total TZS Millions
Cost:			
At 1 January	25,592	-	25,592
Additions	1,060	8,765	9,825
At 31 December	**26,652**	**8,765**	**35,417**
Amortisation			
At 1 January	15,355	-	15,355
Charge	4,601	-	4,601
At 31 December	**19,956**	**-**	**19,956**
Net book value	**6,696**	**8,765**	**15,461**

26(a) DEFERRED TAX ASSETS (GROUP)

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

	2017 TZS Millions	2016 TZS Millions
At start of year	27,513	22,736
(Debit)/credit to profit or loss:		-
Deferred income tax - current year – charged to profit or loss (Note 15(a))	16,236	4,160
Deferred income tax – current year – charged to other comprehensive income (OCI)	(28)	-
(Over)/under provision in prior year (Note 15(a))	(383)	617
At the end of year	**43,338**	**27,513**

Deferred income tax asset and deferred income tax credit to the profit or loss are attributed to the following items:

Year ended 31 December 2017	**1 January** TZS Millions	**Credited to profit or loss** TZS Millions	**Charged to OCI** TZS Millions	**31 December** TZS Millions
Deferred income tax asset				
Property and equipment	5,055	1,001	-	6,056
Provisions	22,458	14,852	-	37,310
Fair valuation gain	-	-	(28)	(28)
	27,513	**15,853**	**(28)**	**43,338**
Year ended 31 December 2016				
Deferred income tax asset				
Property and equipment	5,139	(84)	-	5,055
Provisions	17,597	4,861	-	22,458
	22,736	**4,777**	**-**	**27,513**

	2017 TZS Millions	2016 TZS Millions
Expected to be recovered within 12 months	6,005	1,309
Expected to be recovered after 12 months	37,333	26,204
	43,338	**27,513**

26(b) DEFERRED TAX ASSETS (BANK)

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

	2017 TZS Millions	2016 TZS Millions
At start of year	27,513	22,736
(Debit)/credit to profit or loss:		-
Deferred income tax-current year – credited to profit or loss (Note 15(a))	16,014	4,160
Deferred income tax-current year – charged to other comprehensive income (OCI)	(28)	-
(Over)/under provision in prior year (Note 15(a))	(383)	617
At the end of year	**43,116**	**27,513**

Deferred income tax asset and deferred income tax credit to the profit or loss are attributed to the following items:

Year ended 31 December 2017	1 January TZS Millions	Credited to profit or loss TZS Millions	Charged to OCI TZS Millions	31 December TZS Millions
Deferred income tax asset				
Property and equipment	5,055	1,001	-	6,056
Provisions	22,458	14,630	-	37,088
Fair valuation gain	-	-	(28)	(28)
	27,513	**15,631**	**(28)**	**43,116**
Year ended 31 December 2016				
Deferred income tax asset				
Property and equipment	5,139	(84)	-	5,055
Provisions	17,597	4,861	-	22,458
	22,736	**4,777**	**-**	**27,513**

	2017 TZS Millions	2016 TZS Millions
Expected to be recovered within 12 months	3,570	1,309
Expected to be recovered after 12 months	39,546	26,204
	43,116	**27,513**

27 DEPOSITS FROM CUSTOMERS

(a) GROUP

Deposits due to customers are composed of the following;

	2017 TZS Millions	2016 TZS Millions
Current accounts	2,022,960	1,744,726
Personal accounts	1,743,447	1,542,724
Time deposit accounts	505,651	449,761
	4,272,058	**3,737,211**
Current	4,268,085	3,733,497
Non-current	3,973	3,714
	4,272,058	**3,737,211**

(b) BANK

	2017 TZS Millions	2016 TZS Millions
Current accounts	2,023,051	1,744,919
Personal accounts	1,743,447	1,542,724
Time deposit accounts	505,651	449,761
	4,272,149	**3,737,404**
Current	4,268,176	3,733,690
Non-current	3,973	3,714
	4,272,149	**3,737,404**

28 OTHER LIABILITIES

(a) GROUP

	2017 TZS Millions	2016 TZS Millions
Sundry liabilities	54,372	42,656
Accrued expenses	30,939	31,510
Bills payable	2,177	4,340
Cheques and items for clearing from other banks	106	-
	87,594	**78,506**
Current	87,594	53,776
Non-current	-	24,730
	87,594	**78,506**

28 OTHER LIABILITIES (CONTINUED)

(b) BANK

	2017 TZS Millions	2016 TZS Millions
Sundry liabilities	52,356	43,986
Accrued expenses	30,939	31,510
Bills payable	2,177	4,340
Cheques and items for clearing due to other banks	106	-
	85,578	**79,836**
Current	85,578	55,106
Non-current	-	24,730
	85,578	**79,836**

29 PROVISIONS (GROUP AND BANK)

	2017 TZS Millions	2016 TZS Millions
Provision for losses from legal cases	2,784	2,648
Movement in provision		
At the start of year	2,648	3,229
Charged /(Utilised) during the year	136	(581)
At end of year	**2,784**	**2,648**

The amounts represent provision for certain legal claims brought against the Bank by third parties in the course of business. In the directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as at 31 December 2017.

30 BORROWINGS (GROUP AND BANK)

	2017 TZS Millions	2016 TZS Millions
Borrowings		
- EIB Loan (i)	61,416	88,845
- FMO Loan (ii)	177,118	216,216
- Triodos (iii)	28,332	-
- NMB Bond (iv)	63,427	41,406
- TMRC (v)	1,700	1,700
- Accrued interest	4,937	4,636
	336,930	**352,803**
Current	111,916	74,564
Non-current	225,014	278,239
	336,930	**352,803**

As at 31 December 2017, the Group had no borrowing at default.

(i) European Investment Bank loan

As at 31 December 2017, the Bank had a borrowing balance from EIB of TZS 49,428 million (2016: TZS 72,712 million) being accumulation of TZS loans payable semi-annually within four to seven years at effective interest rate of 8.22% (2016: 8.53%). In addition, as at 31 December 2017, the Bank had a borrowing balance from EIB of USD 5.3 million (2016: USD 7.4 million) equivalent to TZS 11,988 million (2016: TZS 16,133 million) being accumulation of various USD loans payable over a period of four to seven years at a fixed interest rate. The effective interest rate of the loan during the year was 3.11% (2016: 3.2%). The loans were taken for the purpose of better Assets Liability management. The loans are unsecured.

As at 31 December 2017, the Bank was compliant with all the lenders covenants.

(ii) Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO) loan

The Bank borrowed from FMO loan in 2013 of USD 65 million repayable semi-annually and carries a floating rate based on six months LIBOR rate. The effective interest rate is 4.3%. The loan was taken for the purpose of better Assets Liability management. The loan is unsecured. As at 31 December 2017 the balance was USD 26 equivalent to TZS 58,292 million (2016: USD 39 million equivalent to TZS 85,176 million).

In 2015, the Bank obtained additional unsecured loan of USD 35 million repayable semi-annually within five to six years and carries a floating rate based on six months LIBOR rate. The effective interest rate was 4.5%, during the year. The outstanding balance as at 31 December 2017 was USD 28 million equivalent to TZS 62,620 million (2016: USD 35 million equivalent to TZS 76,440 million).

Moreover in 2016, the bank drew down tranche 2 of the 2015 contract amounting to USD 25 Million repayable semi-annually within five to six years and carries a floating rate based on six months LIBOR rate. The effective interest rate was 4.91%, during the year. The outstanding balance as at 31 December 2017 was USD 25 million equivalent to TZS 56,206 million (2016: USD 25 million equivalent to TZS 54,600 million).

As at 31 December 2017, the Bank was compliant with all the lenders covenants.

30 BORROWINGS (GROUP AND BANK) (CONTINUED)

(iii) Triodos B.V.

The Bank borrowed from Triodos this year an amount of TZS 28.3 billion repayable semi-annually and carrying a fixed rate. The effective interest rate is 14.4%. The loan was taken for the purpose of better Assets Liability management. The loan is unsecured. As at 31 December 2017 the balance was TZS 28,332 million. As at 31 December 2017, the Bank was compliant with all the lenders covenants.

(iv) NMB Bond

Retail Bond

At the end of 2015, the Bank received regulatory approval for multi-currency, medium-term bond program amounting to TZS 200 billion. On 10 May 2016, the Bank issued the first tranche of this program. NMB issued a TZS 20 billion 3-year bond targeted towards the retail investor segment; offering a gross coupon rate of 13% and issued at par. The coupon on the bond is paid semi-annually. The offer period closed on June 2016 with market demand exceeding expectations. The bond was oversubscribed by 107% with the Bank receiving applications from investors amounting to TZS 41.4 billion.

Corporate Bond

On 28 December 2017 and 29 December 2017, the Bank issued the second tranche of the Medium Term Note (MTN) program amounting TZS 17,096 million and TZS 5 billion respectively via a private placement. The issue was targeted towards corporate investors at a gross coupon rate of 13.5% for a period of 3 years.

The bonds are unsecured and are tradable on the Dar es Salaam Stock Exchange (DSE).

The proceeds of the bond issue will be used for on-lending to the Bank's customers who include individuals, micro, small and medium sized enterprises as well as large corporate and Government institutions.

As at 31 December 2017, the Bank had a remaining balance of TZS 136,504 million on the MTN program. Subsequent tranches will be issued as and when the Bank requires and when market conditions are conducive.

The issuance of the bonds is part of NMB's strategy to diversify its funding sources.

(v) Tanzania Mortgage Refinance Company Limited

At the end of the year, the Bank had borrowed from Tanzania Mortgage Refinance Company Limited (TMRC) a renewable loan of TZS 1.7 billion maturing in 48 months and carries a fixed rate of 11.5% p.a. The effective interest rate is 11.5%. The loan was taken for the purpose of re-financing a portfolio of mortgage loans. The loan is secured by specific debenture over the portfolio of mortgage loans covering at least 125% of the loan amount. As at 31 December 2017 the balance was TZS 1.7 billion (2016: TZS 1.7 billion).

30 BORROWINGS (GROUP AND BANK) (CONTINUED)

NET DEBT RECONCILIATION

The analysis and movement of the Group and Bank's net debt is as follows:

	2017 TZS Millions	2016 TZS Millions
Cash and cash equivalents (Note 32)	1,002,394	697,580
Borrowings repayable within one year	(111,916)	(74,564)
Borrowings repayable after one year	(225,014)	(278,239)
Net debt	**665,464**	**344,777**
Cash and cash equivalents (Note 32)	1,002,394	697,580
Gross debt – fixed interest rate	(156,730)	(133,980)
Gross debt – variable interest rate	(180,200)	(218,823)
Net debt	**665,464**	**344,777**

	Assets	Liabilities from financing activities		
	Cash and cash equivalents	Borrowing due within 1 year	Borrowing due after 1 year	Total
	TZS Millions	TZS Millions	TZS Millions	TZS Millions
At 1 January 2017	697,580	(74,564)	(278,239)	344,777
Cash flows	297,334	(37,352)	53,225	313,207
Foreign exchange adjustment	7,480	-	-	7,480
Net debt	**1,002,394**	**(111,916)**	**(225,014)**	**665,464**

31 CAPITAL AND RESERVES

(i) Share capital

	2017 TZS Millions	2016 TZS Millions
Authorised		
625,000,000 ordinary shares of TZS 40 each	25,000	25,000
Called up and fully paid		
500,000,000 ordinary shares of TZS 40 each	20,000	20,000

(ii) Retained earnings

Retained earnings consist of undistributed profits from previous years.

(iii) Regulatory reserve

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

(iv) General risk reserve

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

(v) Fair valuation reserve

The reserve is made up of fair valuation of available for sale financial assets and liabilities.
This reserve is not available for distribution to shareholders.

	2017 TZS Millions	2016 TZS Millions
Movement in fair valuation reserve is as follows:		
At 1 January	(194)	(148)
Increase/(decrease) during the year – net of tax	67	(46)
At 31 December	**(127)**	**(194)**

There was no reclassification adjustments made in respect to components of other comprehensive income.

(vi) Other reserve

Other reserve represents the difference between the fair value of the consideration paid with respect to acquisition of additional shares in Ohio Street Properties Limited and net assets of acquire interests. In the prior year, the financial statements were restated to account correctly the difference between the consideration and fair value of net assets gain that was wrongly recognized as goodwill when the Group acquired additional 6,816 shares representing 49% shareholding in the Ohio Street Properties. The additional purchase of shares did not result in a gain of control therefore the difference should have been recognized directly in equity and attributed to the parent's equity holders as required by IFRS 3. In the current year, the amount has been reclassified to retained earnings.

32 CASH AND CASH EQUIVALENTS (GROUP AND BANK)

	2017 TZS Millions	2016 TZS Millions
Cash and balances with Bank of Tanzania (Note 18)	1,156,322	950,181
Less: Statutory Minimum Reserves (Note 18)	(396,659)	(389,842)
Placement and balances with other banks (Note 19)	242,731	137,241
Cheques and items for clearance due to other banks (Note 28)	(106)	-
	1,002,288	**697,580**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 91 days maturity from the date of acquisition including: cash and balances with Bank of Tanzania and Placement with other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Tanzania.

33 NOTES TO THE STATEMENT OF CASH FLOWS

(a) GROUP

	Note	2017 TZS Millions	2016 TZS Millions
Operating activities			
Profit before tax		139,814	223,752
Adjustment for:			
Depreciation and amortization	14	31,228	24,855
Profit on disposal of property and equipment	11	(204)	(390)
Loss on fair valuation of government security available for sale		-	46
Interest expense on borrowings	8	24,396	17,027
Interest income from government security available for sale	21(c)	(37)	(36)
Effect of movement in foreign exchange		(7,480)	3,612
		187,717	**268,866**
Movement in operating assets:			
Increase in Statutory Minimum Reserve		(6,817)	(9,648)
Decrease/(increase) in loans and advances to customers		2,732	(317,182)
Increase in other assets		(15,877)	(12,579)
Increase in deposits from customers		534,847	172,441
(Decrease)/increase in deposits due to other banks		(11,027)	9,576
Increase in other liabilities		9,382	2,003
Increase/(decrease) in provisions	29	136	(581)
Cash generated from operations		**701,093**	**112,896**

33 NOTES TO THE STATEMENT OF CASH FLOWS (CONTINUED)

(b) BANK

	Note	2017 TZS Millions	2016 TZS Millions
Operating activities			
Profit before tax		137,903	221,424
Adjustment for:			
Depreciation and amortization	14	29,257	23,870
Profit on disposal of property and equipment	11	(204)	(390)
Loss on fair valuation of government security available for sale	22(b)	-	46
Interest income on government security available for sale	22(b)	(37)	(36)
Interest expense on borrowings	8	24,396	17,027
Effect of movement in foreign exchange		(7,480)	3,612
		183,835	**265,553**
Movement in operating assets:			
Increase in Statutory Minimum Reserve		(6,817)	(9,648)
Decrease/(increase) in loans and advances to customers		7,419	(312,714)
Increase in other assets		(12,834)	(14,420)
Increase in deposits from customers		534,745	169,533
(Decrease)/ increase in deposit due to other banks		(11,027)	9,576
Increase in other liabilities		5,636	3,627
Increase/(decrease) in provisions	29	136	(581)
Cash generated from operations		**701,093**	**110,926**

34(a) FINANCIAL INSTRUMENTS BY CATEGORY – GROUP

(a) GROUP

	Loans and receivables	Held to maturity	Available for sale	Total
	TZS Millions	TZS Millions	TZS Millions	TZS Millions
31 December 2017				
Financial assets				
Cash and balances with Bank of Tanzania	1,156,322	-	-	1,156,322
Investment securities – at amortised cost	422,732	496,367	-	919,099
Investment securities available for sale	-	-	870	870
Placement and balances with other banks	242,731	-	-	242,731
Loans and advances to customers	2,771,732	-	-	2,771,732
Equity investments	-	-	1,740	1,740
Other assets (Excluding prepayment)*	40,116	-	-	40,116
	4,633,633	**496,367**	**2,610**	**5,132,610**
31 December 2016				
Cash and balances with Bank of Tanzania	950,181	-	-	950,181
Investment securities at amortised cost	318,833	405,364	-	724,197
Investment securities available for sale	-	-	719	719
Placement and balances with other banks	137,241	-	-	137,241
Loans and advances to customers	2,774,464	-		2,774,464
Equity investments	-	-	1,740	1,740
Other assets (Excluding prepayment)*	29,083	-	-	29,083
	4,615,166	**4,615,166**	**2,459**	**4,617,625**

Financial liabilities at amortised cost	2017 TZS Millions	2016 TZS Millions
Deposits from customers	4,272,058	3,737,211
Deposits from banks	149	11,176
Borrowings	336,930	352,803
Other liabilities (Excluding non-financial other liabilities)**	76,565	74,302
	4,685,702	**4,175,492**

*Prepayments are excluded from other assets balance, as this analysis is for financial instruments only.

**Non-financial liabilities are excluded from other liabilities balance, as this analysis is for financial instruments only.

34 (b) FINANCIAL INSTRUMENTS BY CATEGORY – BANK

	Loans and receivables	Held to maturity	Available for sale	Total
	TZS Millions	TZS Millions	TZS Millions	TZS Millions
31 December 2017				
Financial assets				
Cash and balances with Bank of Tanzania	1,156,322	-	-	1,156,322
Investment securities at amortised cost	422,732	496,367	-	919,099
Investment securities available for sale	-	-	870	870
Placement and balances with other banks	242,731	-	-	242,731
Loans and advances to customers	2,787,048	-	-	2,787,048
Equity investments	-	-	1,740	1,740
Other assets (Excluding prepayment)*	32,340	-	-	32,340
	4,641,173	**496,367**	**2,610**	**5,140,150**
31 December 2016				
Cash and balances with Bank of Tanzania	950,181	-	-	950,181
Investment securities at amortised cost	318,833	405,364	-	724,197
Investment securities available for sale	-	-	719	719
Placement and balances with other banks	137,241	-	-	137,241
Loans and advances to customers	2,794,467	-	-	2,794,467
Equity investment	-	-	1,740	1,740
Other assets (excluding prepayment)*	24,269	-	-	24,269
	4,209,802	**405,364**	**2,459**	**4,632,814**

Financial liabilities at amortised cost	2017 TZS Millions	2016 TZS Millions
Deposits from customers	4,272,149	3,737,404
Deposits from banks	149	11,176
Borrowings	336,930	352,803
Other liabilities (excluding non-financial other liabilities)**	77,777	72,932
	4,687,005	**4,174,315**

*Prepayments are excluded from other assets balance, as this analysis is for financial instruments only.

**Non-financial liabilities are excluded from other liabilities balance, as this analysis is for financial instruments only.

35 CONTINGENT LIABILITIES AND COMMITMENTS (GROUP AND BANK)

(a) Loan commitments guarantee and other financial facilities

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

As at 31 December 2017, the Bank had the contractual amounts of off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities, as follows:-

	2017 TZS Millions	2016 TZS Millions
Commitments		
Guarantees and Indemnities	67,028	17,275
Undrawn Commitments	99,289	85,458
Acceptances and letters of credit	330,329	272,311
	496,646	**375,044**

Acceptances and letters of credit

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the Bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

(b) Legal claims

Various ex-employees have sued the Bank for unfair dismissal. Furthermore, various previous loan customers are suing the Bank. With the exception of amounts disclosed in Note 29, the amounts claimed in both situations are not material and professional advice indicates that it is unlikely that any significant loss will arise.

(c) Capital commitments

As at 31 December 2017, the Bank had capital commitments of TZS 28,872 million (2016: TZS 74,000 million) in respect of new branches, branch remodelling, equipment and information technology. The expenditure contracted as at the end of reporting period but not yet incurred is as follows:

35 CONTINGENT LIABILITIES AND COMMITMENTS (GROUP AND BANK) (CONTINUED)

(c) *Capital commitments*

	2017 TZS Millions	2016 TZS Millions
Information technology	16,642	43,000
New branches	-	5,300
Branch and business centres remodelling	5,162	14,700
Others including equipment, vehicles and furniture	7,068	11,000
	28,872	**74,000**

The Bank's management is confident that future net revenues and funding will be sufficient to cover this commitment.

(d) *Operating lease commitments*

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:-

	2017 TZS Millions	2016 TZS Millions
Not later than 1 year	15,471	15,012
Later than 1 year and no later than 5 years	60,805	59,812
Later than 5 years	410,273	426,254
Total	**486,550**	**501,079**

36 EFFECTIVE INTEREST RATES OF FINANCIAL ASSETS AND LIABILITIES

(GROUP AND BANK)

The effective interest rates for the principal financial assets and liabilities at 31 December 2017 were as follows:

	2017 %	2016 %
Government securities	13.33	16.70
Deposits with banking institutions	12.78	16.50
Loans and advances to customers	16.81	17.35
Customer deposits	2.4	2.13
Deposits from banks	3.85	4.55
Borrowings	7.17	5.26

37 RELATED PARTY TRANSACTIONS AND BALANCES

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions.

The volumes of related party transactions, outstanding balances at year-end, and related expense and income for the year are as follows:

(a) Loans and advances to related parties

At 31 December 2017 there were no loans issued to companies controlled by the Directors or their families. Advances to customers at 31 December 2017 include loans to key management personnel as follows:

GROUP

Key management personnel

	2017 TZS Millions	2016 TZS Millions
At start of year	1,427	1,243
Advanced during the year	387	500
Repaid during the year	(287)	(316)
At end of year	**1,527**	**1,427**
Interest income earned	**118**	**125**

BANK

	Key management personnel		Related companies	
	2017 TZS Millions	2016 TZS Millions	2017 TZS Millions	2016 TZS Millions
At start of year	1,427	1,243	20,003	24,471
Advanced during the year	387	500	-	-
Repaid during the year	(287)	(316)	(4,687)	(4,468)
At end of year	**1,527**	**1,427**	**15,316**	**20,003**
Interest income earned	**118**	**125**	**1,480**	**2,041**

No provisions have been recognised in respect of loans given by the Group and Bank to related parties (2016: Nil). Mortgage loans issued to key management were secured and the rest were unsecured. These loans carry off- market interest rates ranging between 5% and 9% and are repayable on demand. As at 31 December 2017, the Group and Bank held collateral valued at TZS 10,084 million.

The Bank had advanced loans of USD 12.3 million (2015: USD 7,300,000 and 2013: USD 5,000,000) to its subsidiary Upanga Joint Venture Company Limited (UJVC) to meet costs of construction of its headquarters. The loan is repayable in 84 months and attracts a fixed interest rate of 8% p.a. (for the first three years) and floating rate at six months LIBOR + 7.5% p.a. from year four to the last year of the facility. As at the year-end, outstanding loan balance was TZS 15,316 million equivalent to USD 6.8 million (2016: TZS 20,003 million equivalent to USD 9.2 million).

37 RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Deposits from related parties

GROUP

	Directors and key Management personnel 2017 TZS Millions	Directors and key Management personnel 2016 TZS Millions
Deposits at the beginning of the year	448	123
Deposits received during the year	3,966	3,598
Deposits repaid during the year	(4,024)	(3,273)
Deposits as at the end of the year	**390**	**448**
Interest expense	**4**	**2**

BANK

	Directors and key Management personnel		Related companies	
	2017 TZS Millions	2016 TZS Millions	2017 TZS Millions	2016 TZS Millions
Deposits at the beginning of the year	448	123	213	3,101
Deposits received during the year	3,966	3,598	13,115	6,890
Deposits repaid during the year	(4,024)	(3,273)	(13,236)	(9,778)
Deposits as at the end of the year	**390**	**448**	**92**	**213**
Interest expense	**4**	**2**	**-**	**-**

The above deposits are unsecured, carry variable interest rate and are repayable on demand. Related companies included in this disclosure is Upanga Joint Venture Company Limited.

(c) Transactions and balances with Rabobank (Group and Bank)

Based on the management service contract approved by the Board, a total of TZS 2,752 million (2016: TZS 4,674 million) was paid to Rabobank during the year as management and technical assistance expenses. Management fees payable as at year-end was TZS 852 million (2016: TZS 1,892 million).

Nostro balances with Rabobank at year-end amounted to TZS 3,964 million (2016: TZS 2,763 million). There was no inter-bank balance due to Rabobank as at year-end. The Bank incurred expenses amounting to TZS 325 million (2016: TZS 343 million) refundable from Rabobank.

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions and balances with Upanga Joint Venture (Bank)

During the year, the Bank made operating lease rent payments amounting to TZS 6 billion (2016: TZS 5.9 billion) to Upanga Joint Venture Limited. There were no outstanding lease payments at the end of the year (2016: Nil)

(e) Key management compensation (Group and Bank)

	2017 TZS Millions	2016 TZS Millions
Salaries and other short-term benefits	**3,587**	2,728
Post-employment benefits - defined contribution plan	**304**	307
	3,892	3,035

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly. The compensation made to expatriates from Rabobank is included in the management service contract highlighted in part (e) below and therefore excluded in the above benefits.

(f) Transactions and balances with Government of Tanzania (Group and Bank)

The Government of Tanzania owns 31.8% (2016: 31.8%) equity in the Bank and has significant influence. The Bank invested in government securities during the year and at the year-end the amount receivable from the Government of Tanzania in the form of treasury bills and bonds amounted to TZS 919,909 million (2016: TZS 724,916 million). Interest earned from investment in government securities during the year was TZS 115,103 million (2016: TZS 107,251 million). The Bank also accepts deposits from various Government institutions and agencies, which do not attract interest.

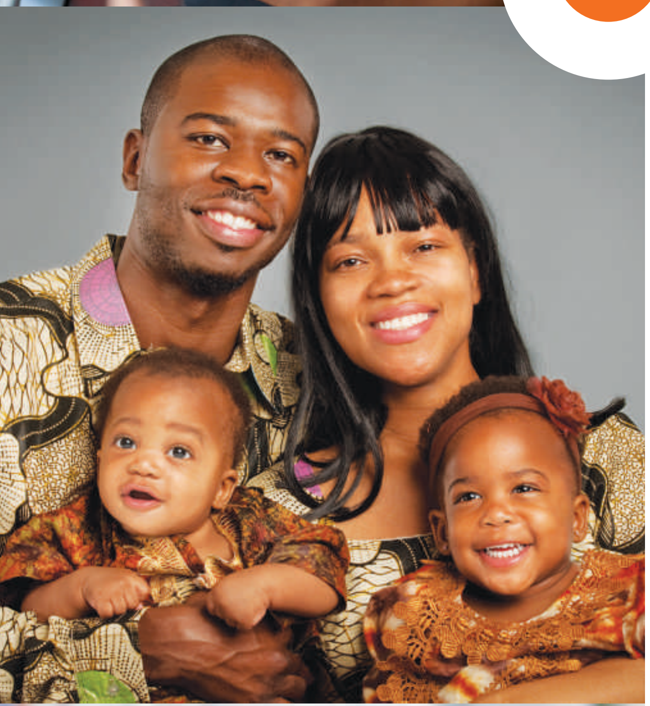
(g) Directors' remuneration (Group and Bank)

Fees and other emoluments paid to Directors of the Bank during the period amounted to TZS 333 million (2016: TZS 277 million). Details of payment to individual directors is shown in the table below.

DIRECTORS	BOARD MEETING	BARCC	BCC	BHR&RC	BEC	DIRECTORS FEE&REMUNERATION (TZS) 2017
Prof. Joseph Semboja	11	-	-	-	4	35,545,000
Mr. Albert Jonkergouw	11	-	10	5	4	36,807,125
Mr. Jos Van Lange	11	9	-	-	-	40,114,603
Mr. Protase Tehingisa	11	-	10	5	-	46,710,000
Mrs. Margaret Ikongo	11	-	-	5	-	38,110,000
Mr. William Mlaki	11	9	10	-	-	33,290,000
Mr. Mike Laiser	11	9	-	5	4	57,747,500
Mr. Leonard Mususa	11	9	10	-	-	45,025,000
Ms. Ineke Bussemaker	11	9	10	5	4	Not applicable

38 EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period that had material impact to the consolidated and Bank financial statements.



IN THIS JOURNEY...
YOUR SMILE
IS OUR GREATEST
REWARD

TRANSFORMING LIVES

NMB Bank Plc is the leading full service commercial bank in Tanzania providing banking services to a customer base which is a reflective of Tanzania as a whole. The bank provides a wide range of services such as savings, transactional and financing services to individuals, small to medium sized companies, government, the agribusiness value chain as well as large corporates and institutions. NMB also plays an important role in the agricultural value chain and pioneered warehouse receipt financing for the country's Saccos and Amcos.

For the past 15 years NMB has grown faster than any other bank in Tanzania. From 2013 to date NMB Bank Plc has outperformed the market in all key indicators namely; total revenues, deposits, advances, and profit growth.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THE NMB FUTURE

WHAT'S NEXT FOR US?

NMB continues to grow from strength to strength.

Our investments over the past few years in the right technology, systems and processes will propel the bank towards our goal of sustainable revenue generation and growth. We will capitalize on innovation, risk and controls, promotion of diversity and improved processes to differentiate our services and catalyze our growth.

REGISTERED OFFICE

NMB Bank Plc
NMB Head Office
Ohio/Ali Hassan Mwinyi Road
P.O. Box 9213
Dar es Salaam

COMPANY SECRETARY & HEAD OF LEGAL

Lilian R. Komwihangiro
NMB Bank Plc
NMB Head Office
Ohio/Ali Hassan Mwinyi Road
P.O. Box 9213
Dar es Salaam

AUDITORS

Pricewaterhouse Coopers
Certified Public Accountants (Tanzania)
369 Toure Drive, Oysterbay
PO.Box 45
Dar es Salaam

KEY COMPANY CONTACTS

HEAD OFFICE

Ohio/Ali Hassan Mwinyi Road
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Tel: (General):+255222322000
Fax: +255222112148

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RETAIL BANKING

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AGRIBUSINESS

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SOUTHERN ZONAL OFFICE

P.O. Box 625, Mtwara
Tel: 023 2333329
Tel (General): 023 2334020
Fax: 023 2333667

EASTERN ZONAL OFFICE

P.O. Box 1066, Morogoro
Tel: (Direct) 023 2613479
Tel: (General) 023 2613511
Fax: 023 2613600

NORTHERN ZONAL OFFICE

P.O. Box 1256, Arusha
Tel: (Direct) 027 2508079
Tel: (General) 027 2508516
Fax: 027 2548275

CENTRAL ZONAL OFFICE

P.O. Box 888, Dodoma
Tel: (Direct) 026 2322117
Tel: (General) 026 2322260
Fax: 026 2321835

LAKE ZONAL OFFICE

P.O. Box 1580, Mwanza
Tel: (Direct) 028 2501050
Tel: (General) 028 2500867
Fax: 028 2500691

DAR ES SALAAM ZONAL OFFICE

P.O. Box 4887, Dar es salaam
Tel: (Direct) 022 2128684
Tel: (General) 022 2128685
Fax: 022 2128687

DAR ES SALAAM ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
DSM	DSM Zonal Office	P.O. Box 4887, Dar es Salaam	022 2128684	022 2128685	022 2128687
	Bank House	P.O. Box 9031, Dar es Salaam	022 2115054	022 2116924	022 2116487
	Ilala	P.O. Box 25431, Dar es Salaam	022 2203194	022 2203195	022 2128542
	Kariakoo	P.O. Box 15195, Dar es Salaam	022 2180149	022 2180034	022 2180090
	Magomeni	P.O. Box 10930, Dar es Salaam	022 2170070	022 2172646	022 2170622
	Morogoro Road	P.O. Box 9064, Dar es Salaam	0222113585	022 2138945	022 2128542
	Muhimbili	P.O. Box 65589, Dar es Salaam		0222152055	
	Mwenge	P.O. Box 31597, Dar es Salaam	022 2700927	022 2700931	022 2700928
	Temeke	P.O. Box 45075, Dar es Salaam	022 2856852	022 2856181	022 2856915
	University	P.O. Box 35199, Dar es Salaam	022 2410183	022 2410183	022 2410183
	Mbagala	P.O. Box 45067, Dar es Salaam	0736990193	0736990191	07360990192
	Msasani	P.O. Box 33841, Dar es Salaam	022 2668871	022 2666191	022 2668872
	NMB House	P.O. Box 2653, Dar es Salaam	022 2324124	022 2324125/7	022 2161006
	Ubungo	P.O. Box 10930, Dar es Salaam	022 2461849	022 2461847	022 2461849
	Tegeta	P.O. Box 66787, Dar es Salaam	022 2926300	022 2926301	022 2926302
	Congo Street	P.O. Box 15195, Dar es Salaam	022 2181812	022 2181814	022 2181813
	Kurasini	P.O. Box 9031, Dar es Salaam	022 2850981	022 2850984	022 2850985
	Sinza	P.O Box 31597, Dar es Salaam	022 2773426	022 2773553	022 2773430
	Mandela Road	P. O BOX 8918, Dar es Salaam	022 80808097	022 808098	022 808099
	Maktaba Square	P.O. Box 2653, Dar es Salaam	022 2129234/5	00 2129234 /5	
	Mbezi	P.O. Box 60167, Dar es Salaam	022 2926332	022 2926333	022 2926334
	Mlimani City	P.O. Box 34115, Dar es Salaam	022 232 4120	022 232 4121	
	Airport	P.O. Box 40951, Dar es Salaam	022 2844384	022 2844385	022 2844387
	Oysterbay	P.O. Box 162409 Dar es Salaam	022 2324147	022 2324146	
	Tandika	P.O. Box 45075 Dar es Salaam	022 2856141	022 2161582	
	Gongolamboto			022 232 4192	
	Ohio	P.O. Box , Dar es Salaam	022 2322726		
	TPA	P.O. Box , Dar es Salaam	022 2161030		
	Kigamboni		022 2324174		
ZANZIBAR	Mwanakerekwe	P.O. Box 4608 Pemba	024 2234693	024 2234692	024 2234693
	Chake Chake	P.O. Box 153, Pemba	024 2452052	024 2452954	024 2452433
	Zanzibar Town	P.O Box 4608, Zanzibar	024 2239402	024 2239403	024 2239404

DISTRIBUTION NETWORK

EASTERN ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
MOROGORO	Eastern Zonal Office	P.O. Box 1066, Morogoro	023 2613479	023 2613601	023 2613600
	Ifakara	P.O. Box 33, Ifakara	023 2931554	023 2931552	023 2931553
	Kilombero	P.O. Box 142, Kidatu	023 2931542	023 2931541	
	Kilosa	P.O Box 3, Kilosa	023 2623017	023 2623233	023 2623073
	Mahenge	P.O. Box 61, Mahenge	022 232 4101	022 232 4102	
	Mahenge	P.O. Box 61, Mahenge	0767 713392	0719 498119	
	Turiani	P.O. Box 167, Turiani	023 2931101	023 2931102	023 2931100
	Mvomero	P.O. Box 478, Morogoro	023 2628734	023 2628735	023 2628733
	Wami	P.O. Box 84, Morogoro	023 2613534	023 2613177	023 2613849
	Mt. Uluguru	P.O. Box 81, Morogoro	023 2614407	023 2614408	023 2614406
	Gairo	P.O. Box 12, Gairo	022 2211326	022 2211327	
	Msamvu	P.O. Box 976, Morogoro	022 2324257	022 2324258	
COAST	Bagamoyo	P.O. Box 76, Bagamoyo	023 2440128	023 2440071	023 2440055
	Chalinze	P.O. Box 34, Chalinze	023 2402922	023 2402923	023 2402922
	Kibaha	P.O. Box 30430, Kibaha	023 2402833	023 2402832	023 2402832
	Kibiti	P.O. Box 5, Kibiti	023 2010922	023 2010081	023 2010912
	Kisarawe	P.O. Box 28053, Kisarawe	023 2401035	023 2401020	
	Mafia	P.O. Box 30, Mafia	023 2011331	023 2010172	023 2010171
	Mkuranga	P.O. Box 51, Mkuranga	23 2110092	023 2110093	023 2110094
	Mlandizi	P.O. Box 30430 Kibaha	022 2211339	022 2211340	

CENTRAL ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
DODOMA	Zonal Office	P.O. Box 888, Dodoma	026 2322117	026 2322260/	026 2323544
	Zonal Office	P.O. Box 888, Dodoma		026 2323544	
	Bahi		022 232 4054	022 232 1476	
	Makole		022 232 4072	022 232 2000	
	Chamwino		022 232 4051	022 232 1450	
	Kondoa	P.O. Box 95, Kondoa	026 2360306	026 2360020	026 2360306
	Kongwa	P.O. Box 200, Kongwa	026 2320431	026 2320477	026 2320477
	Kibaigwa	P.O. Box 29, Kibaigwa			
	Mpwapwa	P.O. Box 77, Mpwapwa	026 2320633	026 2320782	026 2320797
	Dodoma	P.O. Box 1482, Dodoma	026 2322067	026 2322405	026 2322219
	Bunge	P.O. Box 1482, Dodoma	026 2320010		
	UDOM	P.O. Box 277, Dodoma	026 2310107		026 2310108
	Mazengo	P.O. Box 2591 Dodoma	026 2321185	026 2321186	026 2321189
SINGIDA	Kiomboi	P.O. Box 44, Kiomboi	026 2532296	026 2532650	026 2532159
	Manyoni	P.O. Box 47, Manyoni	026 2540328	026 2540145	026 2540328
	Singida	P.O. Box 1040, Singida	026 2502100	026 2502104/5	026 2502100
	Itigi	P.O. Box 116, Itigi	026 2540327	026 2540304	026 2540104
	Ikungi	P.O. Box 528 Ikungi	022 2324057		
MANYARA	Mbulu	P.O. Box 33, Mbulu	027 2533090	027 2533064	027 2533090
	Babati	P.O. Box 70, Babati	027 2531113	027 2531027	027 2531113
	Kibaya	P.O. Box 53, Kibaya	027 2555433	027 2552030	027 2555433
	Katesh	P.O. Box 82, Katesh	027 2531697	027 2530077	027 2530076
	Simanjiro	P.O. Box 9527, Simanjiro	0272555692	027 2555693	027 2555693
	Haydom	P.O. Box 33, Mbulu	026 2540145		

NORTHERN ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
ARUSHA	Northern Zonal Office	P.O. Box 1256, Arusha	027 2508079	027 2508516	027 2548275
	Clock Tower	P.O. Box 3093, Arusha	027 2502599	027 2508521	027 2545184
	Karatu	P.O. Box 50, Karatu	027- 2534037	027 2534030	027 2534024
	Ngarenaro	P.O. Box 15741 Arusha	027 2548457	027 2548854	027 2548573
	Monduli	P.O. Box 20, Monduli	027 2538069	027-2538031	027 2538069
	Loliondo	P.O. Box 60, Loliondo	027 2535207	027 2535070	027 2535207
	Namanga	P.O. Box 8500, Namanga	027 2539503	027 2539505	027 2539504
	Arusha Market	P.O. Box 11168, Arusha	027 2547331	027 2547332	027 2547330
	Arusha Business Centre	P.O. Box 632, Arusha	027 2545741	027 2545740	027 2545743
	Usa River	P.O. Box 131, Arusha	027 2541085	027 2541086	027 2541087
	Mererani	P.O. Box 5123, Arusha	022 2211002	022 2211003	
	Sanya Juu	P.O. Box, Arusha	022 2161668		
	Ngaramtoni	P.O BOX 16806 Ngramtoni	022 2324793	022 2329711	
	Mto wa Mbu	P.O BOX 65 Mto wa Mbu	022 2324790	022 2324791	
KILIMANJARO	Hai	P.O. Box 129, Hai	027 2756129	027 2756129	027 2750649
	Mwanga	P.O. Box 93, Mwanga	027 2750115	027 2757747	027 2757689
	Nelson Mandela	P.O. Box 1121, Moshi	027 2752421	027 2755199	027 2751546
	Rombo	P.O. Box 25, Mkuu-Rombo	027 2757114	027 2757147	027 2757114
	Same	P.O. Box 74, Same	027 2758138	027 2758136	027 2750002
	Mawenzi	P.O. Box 1825, Moshi	027 2751063	027 2751061	027 2751081
	Tarakea	P.O. Box 11 Tarakea	027 2757566	027 2757566	027 2757826
	Himo	P.O. Box 183 Himo	027 2757605	027 2757605	027 2757608
	Hedaru	P.O. BOX 5 Hedaru	022 2324761	022 2324435	
	Mbuyuni		022 2324782		
TANGA	Handeni	P.O. Box 123, Handeni	027 2641761	027 2641740	027 2641761
	Korogwe	P.O. Box 165, Korogwe	027 2650068	027 2646364	027 2650095
	Lushoto	P.O. Box 24, Lushoto	027 2640097	027 2640024	027 2640149
	Madaraka	P.O. Box 1396, Tanga	027 2646452	027 2644371	027 2643793
	Mkwakwani	P.O. Box 5056, Tanga	027 2646484	027 2646485	027 2646483
	Mombo	P.OBox 140Mombo	027 2641540	027 2641576	027 2641518
	Muheza	P.O. Box 414, Muheza	027 2641480	027 2641177	027 2641480
	Pangani	P.O. Box 90, Pangani	027 2630055	027 2630307	027 2630092
	Kilindi	P.O. Box 46, Kilindi	0788 800404	0788 800405	
	Bumbuli	P.O BOX 103 Kwemuae, Bumbuli-Lushoto	022 23244757		
	Mkata		022 2324101		

HIGHLANDS ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
MBEYA	Highland Zonal Office	P.O. Box 792, Mbeya	025 2502527	025 2504347	025 2502853
	Chunya	P.O. Box 65, Chunya	025 2520019	025 2520048	025 2520019
	Ileje	P.O. Box 17, Ileje	025 2570021	025 2570234	025 2570021
	Kyela	P.O. Box 74, Kyela	025 2540023	025 2540094	025 2540023
	Mbalizi Road	P.O. Box 282, Mbeya	025 2500890	025 2502547	025 2502413
	Mbarali	P.O. Box 75, Rujewa	025 2590196	025 2590052	025 2590051
	Mbozi	P,O, Box 4, Mbozi	025 2580022	025 2580041	025 2580022
	Mount Loleza	P.O. Box 922, Mbeya	025 2502879	025 2502880	025 2502879
	Mwanjelwa	P.O. Box 1768, Mbeya	025 2502826	025 2502462	025 2500070
	Tukuyu	P.O. Box 180, Tukuyu	025 2552149	025 2552253	025 2552149
	Tunduma	P.O. Box 140, Tunduma	025 2530665	025 2530049	025 2530665
	Usongwe	P.O. Box 4623, Mbeya	025 2560120	025 2560121	025 2560122
	Mlowo	P.O. BOX , Mbeya	0737 225162		
	Mkwajuni		022 2324787/8	0713 954775	
	Kasumulu	P.O.BOX 74 Kyela	0713 141519		
IRINGA	Mafinga	P.O. Box 90, Mafinga	026 2772108	026 2772011	026 2772108
	Kilolo	P.O. Box 2332, Kilolo	026 2968012	026 2968011	
	Mkwawa	P.O. Box 52, Iringa	026 2702036	026 2702038	026 2702054
	Ruaha	P.O. Box 26, Iringa	022 232 4857	022 232 4858	
NJOMBE	Makete	P.O. Box 24, Makete	026 2740027	026 2740028	026 2740101
	Njombe	P.O. Box 413, Njombe	026 2782785	026 2782778	026 2782785
	Makambako	P.O. Box 1030, Makambako	026 2730388	026 2730006	
	Ludewa	P.O. Box 10, Ludewa	026 2790102	026 2790019	026 2790102
	Wanging'ombe	P.O BOX 413 Njombe	022 2324387	0754 231334	
KATAVI	Mpanda	P.O. Box 55, Mpanda	025 2820315	025 2820034	025 2820315
	Mlele	P.o.box 55 Mpanda	0764 232773		
RUKWA	Nkasi	P.O. Box 12, Namanyere	025 2830010	025 2830007	025 2830010
	Sumbawanga	P.O. Box 37, Sumbawanga	025 2800256	025 2800258	025 2800256
	Kalambo	P.o Box 37, Sumbawanga	022 2324372	0784 407933	
	Laela	P.o Box 37, Sumbawanga	022 2324372	0753 491817	

LAKE ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
MWANZA	Lake Zonal Office	P.O. Box 1580, Mwanza	028 2501050	028 2500867	028 2500691
	Geita	P.O. Box 10, Geita	028 2520442	028 2520021	028 2520442
	Kenyatta Road	P.O. Box 1444, Mwanza	028 2500387	028 2502592	028 2501736
	Magu	P.O. Box 12, Magu			028 25301
	Misungwi	P.O. Box 122, Misungwi	0732 980747		073 2980747
	Nansio	P.O. Box 61, Nansio	028 2515051	028 2324524	028 2515091
	Katoro	P.O. Box , Katoro			
	Nyamongo	P.O. Box , Nyamongo	022 2324566		
	Ngudu	P.O Box 68, Ngudu	028 2983109	028 2983108	073 2980919
	Pamba Road		022 2324579	022 234644	
	Regional Drive	P.O. Box 537, Mwanza	028 2541106	028 2541107	028 2541108
	Sengerema	P.O. Box 96, Sengerema	028 2590075	028 2590248	028 2590025
	PPF Agency	P.O. Box 1444 Mwanza	028 2506030	028 2506030	028 2506030
	Rock City	P.O. Box 7201 Mwanza	028 2981110		
	Igoma	P.O. BOX 1055 Mwanza	022 2324629	022 2324630	
MARA	Bunda	P.O Box 53, Bunda	028 2621152	028 2621039	028 2621153
	Butiama	P.O. Box 35 Butiama	022- 221 1026		
	Mugumu	P.O. Box 4, Mugumu		732985970	
	Musoma	P.O. Box 561, Musoma	028 2620807	028 2620806	
	Tarime	P.O. Box 108, Tarime	028 2690918	028 2690062	028 2690100
	Rorya	P.O. Box 68, Shirati			
	Buzuruga	P.O. Box 1450, Mwanza	028 2570482	028 2570482	028 2570484
	Rorya	P.O. Box 68 Rorya	022 221 1027		
KAGERA	Biharamulo	P.O. Box 27, Biharamulo	028 2225017	028 2225017	028 2225155
	Bukoba	P.O. Box 1552, Bukoba	028 2220176	028 2220154	028 2220417
	Kayanga	P.O. Box 69, Karagwe	028 2227111	028 2227162	028 2227111
	Muleba	P.O. Box 8, Muleba	028 2224170	028 2224012	028 2224020
	Ngara	P.O. Box 92, Ngara	028 2226049	028 2226223	028 2226013
	Chato	P.O. Box 68, Chato	028 2982532	028 2982541	028 2982542
	Misenyi	P.O. Box 56, Misenyi	0732 983453	028 2222323	028 2222331
	Rusumo	P.O. Box , Rusumo	028 2982862		
	Kyerwa	P.O. Box 8, Kyerwa	022 2324647		
	Kaitaba		022 2324539		
	Nkwenda	P.O. Box 08, Nkwenda Kyerwa	022 2324647		
	Mtukula	P.O. Box 56, Kyaka	022 232 4078		
	Kabanga	P.O. Box 92, Ngara	022 2321106		

WESTERN ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
TABORA	Western Zonal Office	P.O. Box 681, Tabora	026 2606423	026 2606424	026 2606425
	Igunga	P.O. Box 80, Igunga	026 2650054	026 2650027	026 2650024
	Mihayo	P.O. Box 211, Mihayo	026 2604158	026 2604376	026 2604925
	Nzega	P.O. Box 163, Nzega	026 2692340	026 2692322	026 2692340
	Sikonge	P.O. Box 32, Sikonge	073 2988362	0732 988362	073 2988483
	Urambo	P.O. Box 156, Urambo	0732 988259	0732 988336	073 2988256
	Nkinga	P.O. Box 01, Nkinga	022 2324474		
KIGOMA	Kasulu	P.O. Box 70, Kasulu	028 281 0111	028 2810026	028 2810345
	Kibondo	P.O. Box 69, Kibondo	028 2820216	028 2820023	028 2820216
	Kigoma	P.O. Box 1067, Kigoma	028 2803328	028 2804705	028 2804586
	Uvinza	P.O. Box 3, Uvinza	022 2324455		
SIMIYU	Bariadi	P.O. Box 2, Bariadi	028 2700533	028 2700004	028 2700175
	Maswa	P.O. Box3, Maswa	028 2750372	028 2750321	028 2750372
	Mwanhuzi	P.O. Box 48, Meatu	028-2795292	028-2795080	028 2795292
	Itilima	P.O. Box 2, Bariadi	022 2324471		
SHINYANGA	Manonga	P.O. Box 811, Manonga	028 2763629	028 2763439	028 2763441
	Mwadui	P.O. Box 324, Mwadui	028 2763461		028 2763461
	Kakonko	P.O. Box , Kakonko	022 2211323/4		
	Kaliua	P.O. Box , Kaliua	0737 214715/4		
	Kishapu	P.O. Box , Kishapu	028 2770021/16		
	Kahama	P.O. Box 183, Kahama	028 2710063	028 2710083	028 2710103
	Kahama Business Center				
GEITA	Bukombe	P.O. Box 134, Bukombe	028 2520702	028 2520703	028 2520702

SOUTHERN ZONE

REGION	BRANCH/UNIT	CONTACT ADDRESS	TEL. DIRECT	TEL. GENERAL	FAX NO.
MTWARA	Southern Zonal Office	P.O. Box 625, Mtwara	023 2333329	023 2334020	023 2333667
	Masasi	P.O. Box 105, Masasi	023 2510024	023 2510058	023 2510024
	Mtwara	P.O. Box 508, Mtwara	023 2333951	023 2333946	023 2333983
	Ndanda	P.O. Box 7, Ndanda		0717 407538	
	Nanyumbu	P.O . Private Bag, Nanyumbu	025 2675005	025 2675003	
	Newala	P.O. Box 60, Newala	023 2410561	023 2410261	023 2410221
	Tandahimba	P.O. Box 15, Tandahimba	023 2410090	023 2410089	023 2410091
	Mtwara Business Center	P.O. Box 625, Tanu Rd. Mtwara	023 2334852		
LINDI	Kilwa	P.O. Box 13, Kilwa-Masoko	023 2013072	023 2013056	023 2013072
	Lindi	P.O. Box 1021, Lindi	023 2202188	023 2202474	023 2202018
	Liwale	P.O. Box 82, Liwale	073 2933304		073 2933123
	Nachingwea	P.O. Box 102, Nachingwea	0732 933139	073 2933297	073 2933139
	Ruangwa	P.O. Box 100, Ruangwa	0788 800403	0788 800406	0732 933136
RUVUMA	Litembo	Private Bag, Litembo	073 2950567	073 2950540	0732 950567
	Mbinga	P.O. Box 4, Mbinga	025 2640072	025 2640466	025 2640306
	Songea	P.O. Box 641, Songea	025 2602466	025 2602486	025 2602469
	Tunduru	P.O. Box 24, Tunduru	025 2680067	025 2680086	025 2680186
	Namtumbo	P.O.Box 66 Namtumbo	025 2602848	025 2602890	025 2602858
	Madaba	P.O. Box 1, Madaba	022 2324415		