

2010

Taarifa ya Mwaka

Annual Report



The bank that listens

Our strong brand attributes of

Progress, Stability, Security

have led us

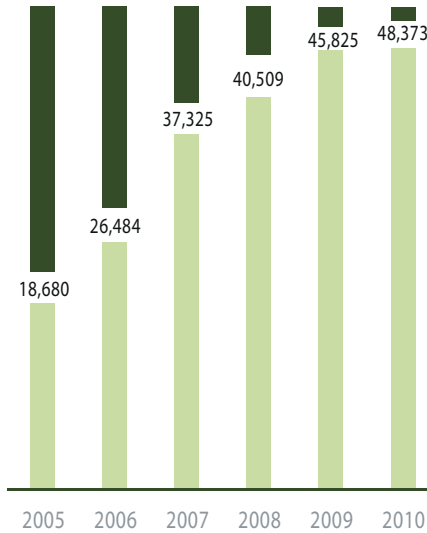
into being ranked

the leading bank in Tanzania

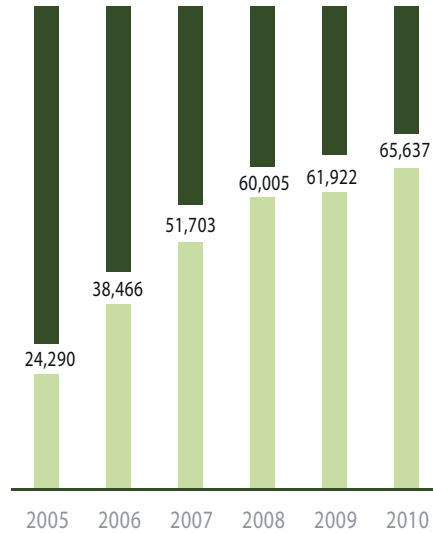


Vielelezo Muhimu vya Kifedha

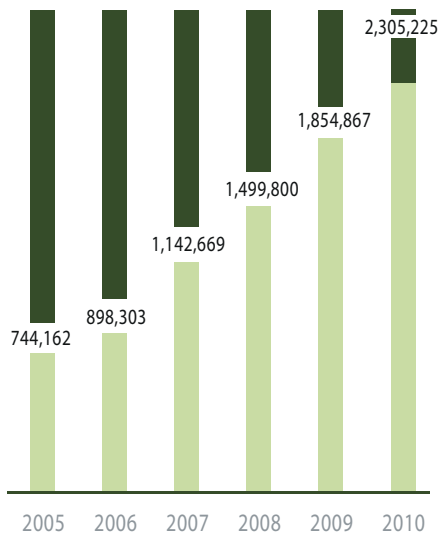
Financial Highlights



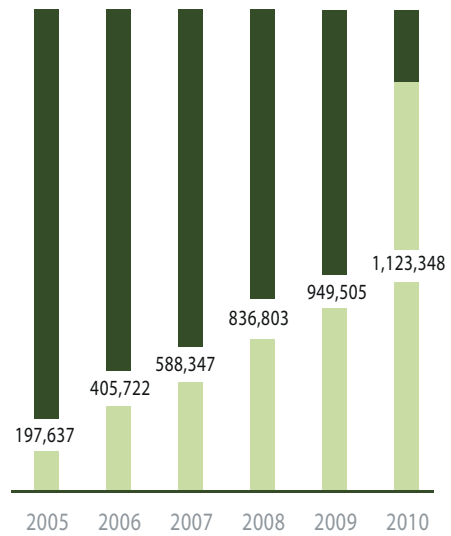
FAIDA HALISI
NET PROFIT



FAIDA KABLA YA KODI
PROFIT BEFORE TAX



RASILIMALI
TOTAL ASSETS

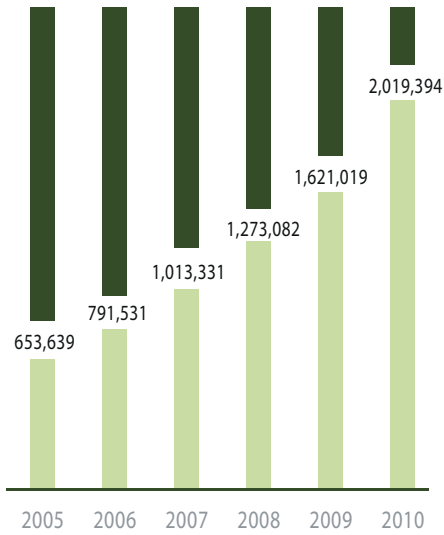


MIKOPO
TOTAL LOANS

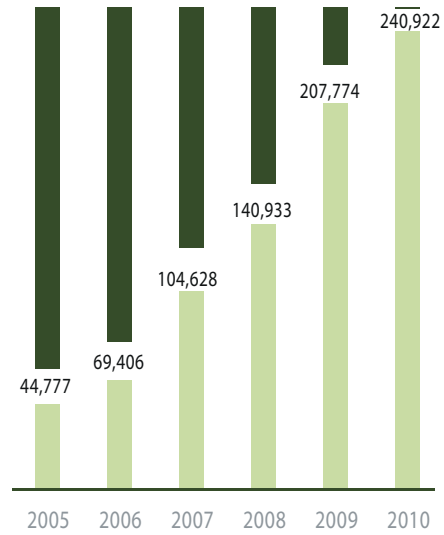
Tarakimu/Figures: Tsh. 000,000

Vielelezo Muhimu vya Kifedha

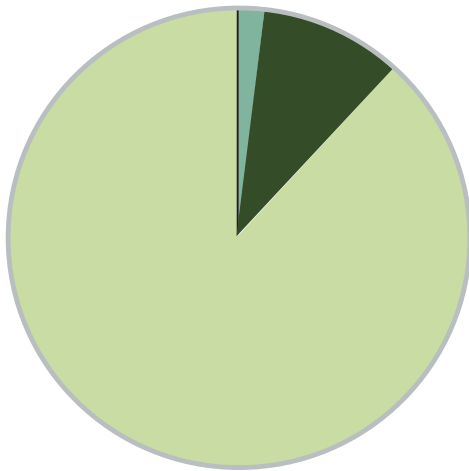
Financial Highlights



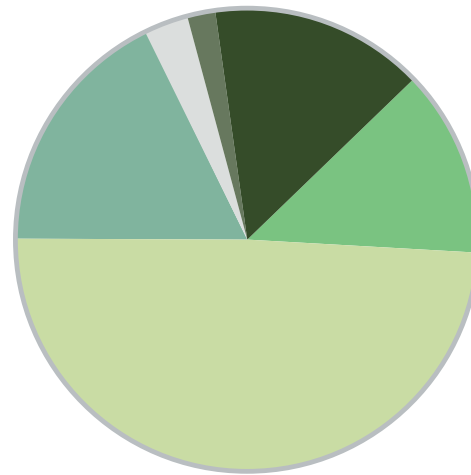
AMANA DEPOSITS



MTAJI WA WANAHISA SHAREHOLDERS EQUITY



MGAWANYIKO WA DHIMA LIABILITIES DISTRIBUTION



MGAWANYIKO WA RASILIMALI ASSETS DISTRIBUTION

Bodi ya Wakurugenzi

Board of Directors



Bw. Martin J. Mmari
Mwenyekiti
Chairman



Dk. Charles S. Kimei
Mkurugenzi Mtendaji
Managing Director



Bw. Jens Ole Pedersen
Naibu Mkurugenzi Mtendaji
Deputy Managing Director



Bw. Ally H. Laay
Mjumbe
Member



Bi. Joyce N. Nyanza
Mjumbe
Member



Bw. Boniface C. Muhegi
Mjumbe
Member



Bi. Lydia M. Joachim
Mjumbe
Member



Bw. Kai Kristofersen
Mjumbe
Member



Bw. Bede P. Lyimo
Mjumbe
Member



Bw. Joseph C. Machange
Mjumbe
Member



Bi. Joyce W. Luhanga
Mjumbe
Member



Bw. Juma A. Abdulrahman
Mjumbe
Member

Wakurugenzi waliokuwepo mwaka huu:

The following directors served during the year:

Jina Name	Nafasi Position	Umri Age	Wasifu Qualification	Utaifa Nationality	Siku ya kuajiriwa/kustaafu Date of appointment/resignation
Bw. Martin Mmari	Mwenyekiti Chairman	47	Mhasibu/ Accountant	Mtanzania/ Tanzanian	2001
Bw. Juma Abdulrahman	Mjumbe Member	58	Mhasibu/ Accountant	Mtanzania/ Tanzanian	2009
Bi. Joyce Luhanga	Mjumbe Member	55	Mchumi/ Economist	Mtanzania/ Tanzanian	1996
Bi. Lydia Joachim	Mjumbe Member	65	Mchumi/ Economist	Mtanzania/ Tanzanian	2001
Bw. Joseph Machege	Mjumbe Member	59	Mhandisi Mifumo/ Systems Engineer	Mtanzania/ Tanzanian	2006
Bw. Kai Kristoffersen	Mjumbe Member	70	Mwanasheria/ Lawyer	Mdenishi/ Danish	2004
Bw. Bede Lyimo	Mjumbe Member	60	Mchumi/ Economist	Mtanzania/ Tanzanian	2005
Bw. Boniface Muhegi	Mjumbe Member	56	Mhandisi Ujenzi / Civil Engineer	Mtanzania/ Tanzanian	2004
Bw. Ally Laay	Mjumbe Member	54	Mhasibu/ Accountant	Mtanzania/ Tanzanian	2004
Bi. Joyce Nyanza	Mjumbe Member	47	Mhasibu/ Accountant	Mtanzania/ Tanzanian	2007
Dk. Charles Kimei	Mkurugenzi Mtendaji Managing Director	57	Mchumi/ Economist	Mtanzania/ Tanzanian	Mjumbe (kwa nyadhifa) aliyechaguliwa 1998 Ex officio appointed 1998
Bw. Jens Ole Pedersen	Naibu Mkurugenzi Mtendaji Deputy Managing Director	59	Afisa Benki/ Banker	Mdenishi/Danish	Mjumbe (kwa nyadhifa) - amestaafu Aprili 2010 Ex officio- retired April, 2010

Kiswahili

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Barua ya kuwasilisha

Wapendwa Wanahisa na Wateja Wetu,
Ninayo furaha kuwasilisha kwenu Taarifa ya Mwaka 2010.
Taarifa hii ina hesabu za mwaka ulioishia tarehe 31
Desemba 2010, matukio na maendeleo muhimu pamoja
na matarajio ya biashara ya hapo baadaye.

Wenu mwaminifu,

**Martin Mmari,
Mwenyekiti wa Bodi ya Wakurugenzi,
Benki ya CRDB**

Letter of Transmittal

Dear Shareholders and Customers,
It is a pleasure to present to you the Bank's Annual Report
for the year 2010. The report contains the annual
accounts, major events, achievements and future
business prospects.

Yours faithfully,

**Martin Mmari
Chairman of the Board of Directors
CRDB Bank Plc**

Dira na Azma

Dira

Benki inayoongoza Tanzania

Kuwa benki inayoongoza, inayozingatia mahitaji ya wateja na kuwapa wanahisa faida nzuri.

Azma

Huduma bora za benki

Kutoa huduma bora na kwa gharama nafuu, ikizingatia wateja wadogo na wa kati, na huduma mahususi kwa makampuni makubwa huku tukidumisha imani ya wadau wetu.

Vision and Mission

Vision

The leading Bank in Tanzania

To be the leading bank which is customer need driven with competitive return to shareholders.

Mission

Quality Banking Service

To provide quality and competitive financial services with a strong focus on retail banking and customized corporate and institutional services while ensuring confidence and trust from stakeholders.

Taarifa ya Mwenyekiti

Chairman's Statement

Kwa niaba ya Bodi ya Wakurugenzi wa Benki ya CRDB, ninayo furaha kutoa Taarifa ya Benki kwa mwaka ulioishia tarehe 31 Desemba 2010.

Mazingira ya Biashara

Shughuli za uchumi wa dunia zimeendelea kuimarika kwa mwaka 2010 ikisaidiwa na sera nzuri za fedha na uchumi duniani kote. Maendeleo hayakuwa sawa, yalikuwa kwa kasi zaidi katika nchi zinazoendelea kiuchumi na taratibu katika nchi zilizoendelea. Madeni ya kitaifa yalikuwa ajenda muhimu kwa nchi zitumiazo Euro na umakini katika matumizi ya fedha za umma ikawa ni sera iliyotawala. Pamoja na haya yote, uchumi wa dunia ulikua kwa asilimia 3.7 wakati theluthi mbili ya ukuaji huo ikitoka katika masoko yanayojitokeza (emerging markets).

Shughuli za kiuchumi nchini zilikuwa kiasi zikiakisi mwenendo wa uchumi wa dunia. Mgao wa umeme, kuongezeka kwa bei ya vyakula na mafuta na pia kushuka kwa thamani ya shilingi ikilinganishwa na sarafu kuu imebakia kuwa changamoto inayozorotesha kasi ya ukuaji wa uchumi.

Matokeo Muhimu

Mahusiano imara na wateja wetu, ubunifu na utendaji mzuri vimechangia matokeo ya kuridhisha katika maeneo yote muhimu. Benki ya CRDB imeendelea kuimarisha nafasi yake kama Benki inayoongoza Tanzania. Jumla ya rasilimali za Benki zimekua kwa asilimia 24 kutoka shilingi 1,855 bilioni mwishoni mwa mwezi Desemba, 2009 hadi shilingi 2,305 bilioni mwisho wa mwezi wa Desemba 2010.



Martin Mmari,
Mwenyekiti wa Bodi ya Wakurugenzi
Chairman of the Board of Directors

On behalf of the Board of Directors of CRDB Bank Plc, it gives me a great pleasure to present the Bank's Annual Report for the year ended 31 December, 2010.

Operating Environment

Global economic activities continued to recover in 2010 supported by accommodative monetary and fiscal policy around the world. Growth was not uniform. It was generally more rapid in emerging economies and slower in the industrialized ones. Sovereign debt became major source of concern in Eurozone and austerity measures in public spending become common policy. Despite all this, the global economy grew at 3.7% with two thirds of this growth occurring in emerging markets.

Economic activities in Tanzania rebounded modestly reflecting global trends. Power rationing, increase in food and oil prices as well as depreciation of shilling vis á vis major currencies remained challenges weighing on the pace of the recovery.

Key results

Our strong connections with our customers, innovations and efficient execution have all contributed to an impressive performance in all key areas. CRDB Bank continued to consolidate its position as a leading Bank in Tanzania. The total assets of the Bank grew by 24% from Tshs 1,855 billion at the end of December, 2009 to Tshs 2,305 billion in 2010. Deposits grew by 25% to reach Tshs 2,019 billion at the end of December, 2010.

The Bank achieved a pre- tax profit of Tshs 66 billion being an increase of 7% from Tshs 62 billion realized in the previous year. After tax profit was Tshs 48 billion being 4% higher than Tshs 46 billion recorded in 2009.

Amana zilikuwa kwa asilimia 25 kufikia shilingi 2,019 bilioni mwishoni mwa mwezi Desemba, 2010.

Benki ilipata faida kabla ya kodi ya shilingi 66 bilioni ikiwa ni ongezeko la asilimia 7 ikilinganishwa na shilingi 62 bilioni iliyopatikana mwaka uliopita. Faida baada ya kodi ilikuwa ni shilingi 48 bilioni ikiwa ni asilimia 4 zaidi ya shilingi 46 bilioni ya mwaka 2009.

Maendeleo ya Biashara

Katika kipindi chote cha mwaka, Benki iliendelea kutekeleza mikakati yake ikiwa ni lengo la kukuza biashara ya Benki kwa wateja mmoja mmoja na makampuni na wateja wakubwa kama ilivyokusudiwa kwenye Mpango Mkakati wa Biashara wa Benki. Mafanikio makubwa ni pamoja na kuanzishwa kwa kituo cha kutolea huduma kwa wateja (Call Centre) ili kushughulikia maulizo ya wateja na kuwapatia majibu kwa wakati. Kupanua njia za kufikisha huduma kwa wateja kwa kufungua matawi mapya, kuongeza asasi za kifedha zinazoshirikiana na Benki pamoja na wafanyabiashara wadogo na wakati; kuweka mashine mpya za kutolea fedha (ATMs) na kusambaza mashine za malipo (POS).

Matangazo ya bidhaa na huduma yalifanyika kwa kiasi kikubwa. Benki iliweza kuwapeleka wateja wake Afrika Kusini kushuhudia Kombe la Dunia 2010 ambalo lilichezwa Afrika kwa mara ya kwanza.

Katika mwaka huo, Benki ilipata mafanikio ya kuanzisha huduma ya malipo ya TemboCardVisa kwenye mbuga za wanyama kwa kushirikiana na Shirika la Hifadhi za Taifa (TANAPA). Benki pia ilikuwa mshindi wa tuzo ya "SuperBrand" kwa taasisi za fedha Tanzania.

Pamoja na jitihada ambazo tunachukua kuongeza uimara wa Benki pia tunajali jamii na tunachangia maeneo yanayoigusa jamii na ustawi wake. Katika mwaka 2010 Benki imetoa misaada yenye jumla ya shilingi 1 bilioni, ikiwa ni sawa na asilimia 1 ya faida yake.

Gawio

Kuzingatia uhakika wetu mkubwa katika ukuaji wa Benki, Bodi inapendekeza gawio la shilingi 8 kwa hisa. Jumla ya gawio litakalolipwa ni shilingi 17.4 bilioni ikilinganishwa na shilingi 15.2 bilioni zilizolipwa mwaka 2009.

Business development

During the year, the Bank continued to pursue strategies aimed at ensuring growth in retail and corporate banking business envisaged in the Bank's Business Strategy. Key milestones include launch of a Call Center to handle customer queries and provide prompt responses; expansion of service delivery channels by opening new branches, recruitment of new microfinance partners and Small and Medium Enterprises; installation of new ATMs and Point of Sales machines. Product promotions were also carried out, and through the product promotions; the Bank was able to take its customers to South Africa to watch FIFA World Cup 2010 which was played in Africa for the first time ever.

During the year, the Bank also achieved the milestone of rolling out TemboCardVisa cashless payment system for park fees for Southern National Parks in collaboration with Tanzania National Parks. The Bank as well was a recipient of "Superbrand" Award for financial and Banking Institutions in Tanzania.

In addition to our initiatives undertaken for enhancing corporate sustainability; we are a socially responsible bank and we contribute to good causes. In 2010 our donations contribution amounted to Tshs 1 billion in line with our policy of utilizing 1% of our profit for social responsibility activities.

Dividend

Reflecting our strong confidence in the future growth of the Bank, the Board is recommending a dividend of Tshs 8 per share. Total amount of dividend to be paid out is Tshs 17.4 billion, higher than Tshs 15.2 billion paid in 2009.

The Board has reviewed Dividend Policy in 2010 to the effect that annual dividend payment will at least be 35 percent of net profit earned, provided that the business and regulatory requirements are met.

Prospects for 2011

In 2011, CRDB Bank Plc will remain focused on maintaining its core business model and developing opportunities for growth on a conservative and sustainable basis. This will

Bodi ilipitia Sera ya Gawio mwaka 2010 na kuamua kuwa gawio litakuwa angalau asilimia 35 ya faida baada ya kodi iliyopatikana, iwapo mahitaji ya biashara na wadhhibiti hatari yatakuwa yamefikiwa.

Matarajio

Mwaka 2011, Benki ya CRDB itaendelea kujizatiti katika kusimamia mfumo wake wa biashara huku ikiendeleza fursa mpya za ukuaji katika misingi ya uangalifu na uimara. Hii itafanyika chini ya utendaji kazi wa Kitengo cha Uthibiti wa Hatari katika bidhaa ili kuharakisha utosho wa mtaji na ukwasi kupitia uongezaji wa thamani kwa wateja na wanahisa wetu.

Mabadiliko Kwenye Bodi

Napenda kutoa taarifa ya mabadiliko ya Wakurugenzi kwa kipindi cha mwaka 2010. Katika Mkutano Mkuu wa Mwaka uliofanyika tarehe 26 Juni 2010, Bw. Boniface Muhegi, Bw. Ally Laay na Bi. Joyce Nyanza wakiwa na hisa chini ya asilimia 1 ya mtaji wa Benki walistaafu. Bw. Boniface Muhegi, Bw. Ally Laay na Bi. Joyce Nyanza waligombea na kuchaguliwa tena.

Shukrani

Ninawashukuru sana wajumbe wa Bodi ya Wakurugenzi kwa kuendelea kunipa ushirikiano. Napenda kuwashukuru wateja wetu, wanahisa, wawekezaji, mamlaka za udhibiti na serikali ya Tanzania kwa kuendelea kutuunga mkono. Nashukuru pia uongozi na wafanyakazi wetu ambao weledi wao, kujitua na kujituma kwao kumekuwa ni msingi wa mafanikio na matokeo mazuri ya mwaka huu.



Martin Mmari
Mwenyekiti wa Bodi ya Wakurugenzi
Benki ya CRDB.

be undertaken within a framework of product risk management to ensure capital and liquidity adequacy through protection and value creation for both our customers and shareholders.

Changes in the Board

I would like to report changes in the Board during the year. At the Annual General Meeting held on 26th June 2010, Mr. Boniface Muhegi, Mr. Ally Laay and Mrs. Joyce Nyanza with shareholding of less than 1% of the Bank's shares capital retired. Mr. Boniface Muhegi, Mr. Ally Laay and Mrs. Joyce Nyanza offered for election and were all re-elected.

Acknowledgement

I am most thankful to the members of the Board of Directors for strong support they have continued to give me. I would like to extend my appreciation to our customers, shareholders, investors, all regulatory authorities and agencies and the Government of Tanzania for their ongoing support; and to the management and staff whose professionalism, dedication and commitment have been fundamental to our success and performance this year.



Martin Mmari
Chairman
CRDB Bank Board of Directors

Taarifa ya Mkurugenzi Mtendaji

Managing Director's Statement



Mwaka wa changamoto

Mwaka uliopita ulikuwa ni mwaka wenye changamoto nyingi kibiashara katika nyakati za karibuni ukiathiri makampuni ulimwenguni kote, kadhalika haikuwa tofauti kwa Benki ya CRDB. Kuanguka ghafla kwa uchumi wa dunia kuliathiri vibaya uchumi wa Tanzania na kupelekea kuathiri utendaji wa Benki.

Kumekuwa na taarifa za kukatisha tamaa kuhusu uchumi wa Tanzania katika mwaka 2010. Nchi ilikumbwa na inaendelea kukumbwa na ongezeko la bei ya mafuta, bei ya vyakula na gharama za umeme ambazo zimesababisha kuongezeka kwa mfumuko wa bei. Kulikuwepo kushuka kwa thamani ya shilingi ya Tanzania ikilinganisha na sarafu kuu hali ambayo imepunguza uwezo wa kununua bidhaa kwa watazania wanaoagiza kutoka nje na hivyo kuongezeka kwa bei za bidhaa muhimu zinazoagizwa nje.

Ni wazi uchumi wa dunia uko nje ya udhibiti wetu, lakini naridhishwa na jinsi ambavyo Benki ilivyojizatiti kwa kupanga upya mikakati na mbinu zake ili kuweza kustahimili vizuri athari za ziada za Mgororo wa Uchumi wa duniani na kuendelea kukua, ingawa ni kwa kasi kidogo zaidi.

Kujizatiti katika mkakati wa biashara

Benki imeendelea kufanya kazi katika kutekeleza mkakati wake wa biashara wa miaka mitano. Benki inaamini kuwa teknolojia jadidi, za kisasa na salama ni misingi ambayo mafanikio ya Benki yanajengwa. Katika kutimiza hilo Benki iliweza kusimika mfumo mkuu mpya **Bank Fusion - Universal Banking (BFUB)** katika robo ya kwanza ya mwaka 2010. Moja ya mafanikio yake ni kupungua kwa muda wa kufanya taratibu za kufunga siku kutoka saa 8 mpaka saa 4. Benki ilikamilisha kufunga mfumo wenye kujumuisha kazi za ndani za matawi kwenye kituo kimoja mwaka 2010. Mfumo huu umelenga kuongeza ufanisi katika ofisi hizo na kuachia huru saa za utendaji kutumika kuhudumia wateja.

Tumeendelea na juhudi za Benki kwa kusambaza mtandao wa matawi ya majengoni na matawi yanayotembea. Matawi matano mapya yalifunguliwa mwaka 2010. Kwa mara ya kwanza Benki ilitia nanga Zanzibar kwa kufunga tawi eneo la Mkunazini, Mji

A challenging year

The last year has been one of the most challenging for business in modern times, affecting companies everywhere in the world and it was not different for CRDB Bank. The dramatic downturn in the global economy impacted negatively on Tanzanian economy and as a consequence impacted the Bank's performance.

There has been depressing reports about the Tanzanian economy in 2010 all round. The country was faced and still is facing an increase of price of oil, food stuff as well as electricity charges that has in turn increased inflation. There has been a fall of value of TZS vis á vis major currencies hence reducing the purchasing power of Tanzanian importers which in turn increased the prices of essential imports.

Clearly, the global economy is beyond our control but I am satisfied with the way that the Bank refocused and realigned its strategies and tactics to enable it to withstand better, further fall out from the Global Financial Crisis and continued to grow, albeit at a slower pace.

Abiding to business strategy

The Bank continued to work in execution of the Bank five year business strategy. The Bank believes that competent, state of the art and secure technologies are bedrock at which the success of the Bank is built. Pursuant to that, the Bank was able to roll out the new Core Banking System (Bank Fusion-Universal Banking (BFUB) in the first quarter of 2010. The rollout amongst other improvements has seen the reduction of end of day processes from 8 hours to 4 hours. The Bank did also complete the rollout of centralization of back office in all of the Bank's branches. This centralization of back office functions is aimed at increasing efficiency at back office and leaving the man hours liberated by this new system to be used to attend to customers.

Mkongwe (Stone town). Benki iliendelea kupanua baadhi ya matawi yake ili kuweza kutoa huduma kwa wateja zaidi katika mandhari nzuri. Matawi ya Kijitonyama, Holland House na Mbeya yalipanuliwa kwa takribani asilimia 100, matawi 7 yalikarabatiwa ili kuboresha muonekano wake na kuzinduliwa tena. Asasi za fedha mpya 47 ziliongezwa kwenye mtandao wa washirika wa Benki. Mwishoni mwa mwaka kampuni tanzu ilikuwa na asasi za fedha washirika 472 zenye mkopo wa jumla wa shilingi 93.3 bilioni uliotolewa kwa asasi 321.

Mwaka 2010, Benki iliendelea kutimiza azma yake kwa kutoa huduma zenye ubora, za kishindani na mahususi kwa wateja wakubwa na makampuni na taasisi. Nilifurahishwa sana na utendaji wa timu za vitengo vya biashara za nje, taasisi na makampuni na pia idara yetu ya hazina ambao juhudi zao zimeiwesha Benki kutekeleza azma yake. Benki ilishiriki katika miamala mbalimbali kama Benki kinara katika mkopo wa Mamlaka ya Bandari Tanzania (TPA) na pia kukopesha Shirika la Ugavi wa Umeme Tanzania (TANESCO), Mamlaka ya Udhambi wa Nishati na Maji (EWURA), na Wakala wa Nishati Vijijini (REA) nikitaja kwa uchache. Hii ilipelekea Benki kupata mapato ya riba ya shilingi 136 bilioni kutoka mikopo ya muda mfupi na mikopo ya kipindi maalumu, shilingi 22 bilioni kama pato la kubadili fedha za kigeni ambazo zote jumla zilileta asilimia 69 ya jumla ya mapato ya uendeshaji, shughuli za Benki .

Benki iliendelea kuboresha mifumo ya mahusiano ili iweze kuwahudumia wateja wake ikiwa na lengo la kuboresha uzoefu wa wateja wanapotumia Benki yetu. Katika robo ya mwisho wa mwaka, Benki ilizindua Kituo cha Huduma kwa Wateja. Kwa kupitia kituo hiki kipya wateja wetu wanaweza kuwasiliana nasi bila ya kuwa na uhitaji wa kutembelea matawi yetu kwa ajili ya maulizo na hivyo kuokoa muda. Kituo cha Huduma kwa Wateja cha Benki ya CRDB (Call Centre) kinatoa huduma saa 18 kwa siku, kuanzia saa mbili asubuhi mpaka saa nne usiku. Wateja na umma kwa ujumla wanaweza kuwasiliana nasi kupitia barua pepe (customer-hotline@crdbbank.com), namba ya simu ya mezani (TTCL - 2197700) yenye uwezo wa kupokea zaidi ya simu 100 kwa wakati mmoja, pamoja na simu za

We continued with the Bank's efforts in increasing its footprint by increasing brick and mortar branches as well as mobile branches. Five new branches were opened in 2010, for the first time the Bank sailed to Zanzibar with a branch at Mkunazini, Mji Mkongwe (Stone town). Just as important, the Bank also expanded some of its branches so as to be able to offer services to more customers at a more spacious and pristine setting. Kijitonyama, Holland house and Mbeya branches were expanded by nearly 100 percent, refurbished and rebranded. 7 branches were refurbished to upgrade their ambiance, improve their Look and Feel as well as relaunching the outlets. 47 new Microfinance Institutions (MFI) were added to the Bank's network of partner MFIs: at the end of year, the subsidiary had 472 partner MFIs with an outstanding loan portfolio of TSh. 93.3 billion advanced to 321 MFIs.

In 2010, the Bank continued to fulfill its mission by offering quality, competitive customized corporate and institutional services. I was remarkably impressed with our trade finance, institutional and corporate relationship management teams as well as our treasury dealers whose efforts enabled the Bank to keep to its mission. The Bank was involved with a couple of syndication deals, as a lead bank at a deal tailored for Tanzania Ports Authority as well as financing deals for Tanzania Electricity Supply Company (Tanesco), Energy and Water Utilities Regulatory Authority (EWURA) and Rural Electrification Agency (REA) to name just a few. As a result of these efforts the Bank was able to realize interest income of TSh. 136 billions from overdrafts and term loans, TSh. 22 billions as foreign exchange income which constituted 69% of the Bank's total operating income.

The Bank continued to aggressively put measures to better manage customer interactions with a goal of improving customers' experience when banking with us. At the last quarter of the year, the Bank launched a Call Centre. With the new Call centre, our esteemed customers can now communicate with us without the need for them to visit our branches for common queries and thus save time. CRDB Bank Call Centre operates for 18 hrs a day, from 0800 hrs till 2300 hrs. Customers and

mkononi - 0714197700, 0755197700, 0789197700. Kutokana na kusimika Mfumo wa ujumuisho wa kazi za ofisi, wateja sasa hutumia theluthi moja ya muda waliokuwa wakitumia wanapohitaji kufungua akaunti. Huu ni uokoaji mkubwa wa muda wa mteja aliokuwa akiutumia katika foleni. Na sasa tumeanza kutawanya mfumo mpya wa kisasa wa kuongoza foleni matawini. Mfumo unawaruhusu wateja kufanya mambo mengine wakati wanasubiri kuhudumiwa badala ya kusimama katika kumbi za Benki. Matawi matano yameshawekewa mfumo huu kwa sasa.

Kadri tunavyo wasikiliza wateja wetu, tunazidi kutambua kuwa mahitaji yao yanabadilika ndio maana Benki ya CRDB pia inabadilika ili kuwapa wateja wetu kile wanachohitaji na kutarajia kutoka kwetu. Kuendelea kwa mafanikio ya Benki yetu daima yanaambatana na uwezo wetu wa kubuni bidhaa mpya na pia kuboresha zile zilizopo ili kukidhi au kupitiliza matarajio ya wateja wetu. Kutokana na mafanikio ya kampeni ya "Shuhudia Kombe la Dunia na TemboCardVisa" tulibuni na kuzindua kadi ya hadhi iitwayo "TemboCardVisa Gold". Hii ni kadi yenye sifa na hadhi zaidi inayolenga wateja wa 'Premier'. Idadi ya wafanyabiashara na watoa huduma wanaokubali malipo kwa njia ya kadi iliongezeka kwa kasi hasa baada ya mashine za malipo (POS) za Benki kuongezwa na kuanza kukubali kadi zenye chapa ya MasterCard. Sasa mashine moja ya malipo ya Benki ya CRDB inaweza kupokea malipo ya kadi zenye nembo ya Visa na MasterCard. Benki pia iliboresha huduma yake ya mtandao (Internet Banking) kwa kuongeza huduma zinazotolewa na bidhaa hiyo. Sasa wateja wanaweza kufanya miamala ya jumla, ya watu wengi kupitia huduma ya Internet Banking ya Benki ya CRDB.

Matokeo ya Kifedha

Pamoja na changamoto zote ambazo Benki ilikutana nazo mwaka 2010, wakati wenzetu wakinyong'onyea, Benki ya CRDB iliendelea kustawi, kama nilivyoeleza mwaka jana ni kwa sababu ya msingi imara ambako Benki imejengwa na pia mikakati na mfumo imara wa biashara wa Benki yetu. Na hiyo iliwezesha na wafanyakazi waliojitoa na uongozi jadidi. Hii ni sababu iliyowezesha Benki ya CRDB kukuza rasilimali zake kutoka shilingi

the general public can communicate via emails (customer-hotline@crdbbank.com), TTCL landline pilot number with an ability to handle 100 calls at the same time (2197700) as well as mobile numbers (0714197700, 0755197700, 0789197700). With centralization of back office, customers now spend a third of the time they used to spend queuing in our banking halls before centralization when they wanted to open accounts. That's a remarkable savings in terms of reduction of time a customer spends in queues. We also started to rollout a new, automated queue management system. The system allows customers to do other things while waiting to be served and not stand in queues at the Bank's banking halls. Five branches were configured to use this new system.

As we listen to our customers, we are appreciating that their needs are changing, that's why CRDB Bank is also changing to be able to offer customers what they want and expect from us. The continued success of our Bank will always be intertwined with our ability to design and develop new products as well as improving existing ones with a view to better match and possibly exceed customers' expectations. With the success of 'Shuhudia Kombe la Dunia na TemboCardVisa' campaign, we developed and launched a premium Visa card branded 'TemboCardVisa Gold'. This is a card with added features and increased prestige targeting Premier customers. Our speed of acquiring new merchant was increased and our value proposition enhanced with introduction of MasterCard family acquiring at all of the Bank's over 600 merchants with Point of Sale (POS) devices. Now, with one CRDB Bank PoS device, merchant can accept card payments from cards affiliated with Visa and MasterCard brands. The Bank also upgraded its internet banking services to further improve the services offered by the product; now clients can do bulk, multi beneficiary debit transactions through CRDB Internet Banking facility.

Performance Results

With all the challenges that the Bank faced in year 2010, as many of our kin withered, CRDB Bank kept flourishing, as I mentioned in last year's report it is because of strong foundations with which the Bank is built on as well as the

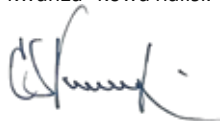
1,855 bilioni mwaka 2009 mpaka shilingi 2,305 bilioni mwaka 2010, hilo ni ongezeko la asilimia 24. Amana kutoka kwa wateja wetu ilikua kwa asilimia 25 hadi shilingi 2,019 bilioni kutoka shilingi 1,621 bilioni mwaka 2009. Mikopo ilikua kwa asilimia 18 kufikia shilingi 1,123 bilioni mwaka 2010. Kama ilivyoonyeshwa awali mapato ya shughuli za hazina yalifika shilingi 44 bilioni ambalo ni ongezeko la asilimia 10. Kutokana na hayo Benki iliweza kutengeneza faida kabla ya kodi ya shilingi 65.636 bilioni ambalo ni ongezeko la asilimia 5.

Dira yangu kwa Benki ya CRDB

Kama Mtendaji Mkuu wa Benki, tafsiri yangu ya dira ya Benki, kuwa Benki inayoongoza ni rahisi; wafanyakazi wa Benki ya CRDB nchini kote kuungana pamoja kutengeneza suluhisho sahihi kwa wateja wetu. Ni wateja wetu kusema sisi ni bora zaidi kwa kutuletea biashara zaidi. Ni wanahisa na wawekezaji wetu kuwekeza katika hisa zetu kwa sababu wanaona mstakabali wetu ni mzuri. Ni wafanyakazi kuamua kujenga ajira yao hapa kwa kuamini kuwa hii ni sehemu nzuri kufanya kazi. Viongozi wa kijamii, serikali na washika dau wengine kutambua kwamba Benki ya CRDB ni mshiriki muhimu katika kusaidia kuleta maendeleo ya jamii yetu.

Hivyo ndivyo ninavyoamaanisha ninapoizungumzia Benki ya CRDB kama Benki inayoongoza nchini. Ninaahidi tutafanya kila liwezekanalo kuhakikisha tunatunza heshima hii.

Ninapenda kumaliza kwa kutoa shukrani zangu za dhiti kwa Bodi ya Wakurugenzi wa Benki ya CRDB kwa hekima na msaada wao katika mwaka uliokuwa wa changamoto, shukrani zangu za dhiti kwa wateja wetu kwa imani na uzalendo wao. Mwisho ningependa kutambua na kuthamini kazi na kujitoa kwao kulikoneshwa na wafanyakazi wa Benki ya CRDB mwaka 2010. Juhudi zao zimefanya ahadi yetu ya "Daima ya kwanza, kukuweka kwanza" kuwa halisi.



Dk. Charles S. Kimei
Mkurugenzi Mtendaji

CEO and Managing Director

robustness of our strategies and business model. The foregoing was coupled by dedicated staff and strong management. This is the reason CRDB Bank has been able to grow its assets from Tsh. 1.855 billion in 2009 to Tsh. 2.305 billion in 2010; that's a growth of over 24 percent. Deposit from our esteemed customers grew by 25 percent to Tsh. 2.019 billion from Tsh. 1.621 billion a year earlier. Funds lent out have grown by 18 percent to Tshs. 1.123 billion in year 2010. As shown earlier our treasury operations netted over Tsh. 44 billions which is a year on year growth of 10 percent. With that the Bank was able to make a pre tax profit of Tsh. 65.636 billion which is robust growth of 5 percent.

My vision for CRDB Bank

As CEO of the Bank my interpretation of Bank's vision of being a leading bank is simply; CRDB Bank's employees all over the country pulling together to create right solutions for our customers. It's our customers telling us we are the best by bringing us more of their business. It's our shareholders and investors investing in our shares because they can see our bright future. Its employees choosing to build their careers here believing this is the best place to work. Its community leaders, government leaders and other stakeholders acknowledging that CRDB Bank is their most important partner helping to drive success in our communities.

That's what I mean when I talk about CRDB Bank being the leading bank in the country; I promise we will do our utmost to strive to maintain that.

I would like to close by expressing my deepest gratitude to the Board of Directors of CRDB Bank for all their wisdom and support in what was a very challenging year, a sincere appreciation to our customers for their loyalty and trust. Lastly but not least, I would like to acknowledge and greatly appreciate the work and commitment that was shown by Bank's employees in 2010. Their efforts has made our promise "Always first to put you first" a reality.

Tunasikiliza!

Tupigie tukusaidie

Piga Call Centre

**+ 255 (22) 2197700, 0714-197700,
0755-197700, 0789-197700**

customer-hotline@crdbbank.com



Daima ya kwanza, kukuweka kwanza

Taarifa ya Wakurugenzi

Report of the Directors

Utawala Bora

Wakurugenzi wanaridhia kuwa utawala bora ni nguzo muhimu ya utendaji bora wa Benki. Hivyo basi, wakurugenzi wameendelea kuimarisha mifumo ya utawala bora kwa kupitia upya sera, Bodi na kazi za kamati za Bodi na uongozi wa Benki kwa ujumla. Miongozo ya Bodi na hadidu za kamati za Bodi vilirejewa upya mwaka huu.

Muundo wa Bodi

Bodi inajumuisha wakurugenzi 12 ndani yao wakiwemo 10 wasio watendaji. Mkurugenzi Mtendaji na Naibu Mkurugenzi Mtendaji ni wajumbe kutokana na nyadhifa zao. Mwenyekiti ambaye si mtendaji, huchaguliwa na wakurugenzi kila mwaka, huongoza Bodi ya Benki. Mfuko wa Uwekezaji wa DANIDA huteua wakurugenzi wawili.

Mikutano ya Bodi

Bodi ilifanya mikutano kumi mwaka huu. Mkutano mmojawapo ulijikita katika kupitia na kutengeneza Mikakati ya biashara wa Benki.

Kamati

Hadi kufikia 31 Desemba 2010, Bodi ilikuwa na kamati tatu ambazo ni Kamati ya Ukaguzi wa Mahesabu, Kamati ya Utawala Bora na Usimamizi wa Hatari ya Hasara na Kamati ya Mikopo. Kazi za kamati zinasimamiwa na hadidu za kamati zinazoidhinishwa na Bodi. Kamati zote tatu zinawajibika kwa Bodi.

Kamati ya Ukaguzi wa Hesabu

Jina	Nafasi
Bw. Ally H Laay	Mwenyekiti
Bi. Joyce Nyanza	Mjumbe
Bw. Joseph Machange	Mjumbe
Bw. Juma Abdulrahman	Mjumbe
Bw. Kai Kristoffersen	Mjumbe

Kamati ilifanya mikutano mitano katika mwaka 2010. Wakaguzi wa mahesabu wa nje walialikwa na kuhudhuria mikutano miwili. Mkurugenzi Mtendaji, Naibu Mkurugenzi Mtendaji, Mkurugenzi wa Fedha na Utawala na Mkurugenzi

Corporate Governance

The directors consider corporate governance as a key to good performance of the Bank. In view of this, the directors continued to strengthen good governance systems by reviewing policies, Board and Board committees' activities and general management of the Bank. Board guidelines and committees' charters were reviewed during the year.

Board Structure

The Board comprises of 12 directors, of whom 10 are non-executive, while the Managing Director and Deputy Managing Director are ex-officio members. A non-executive Chairman, who is elected by directors every year, leads the Board. DANIDA Investment Fund appoints two directors of the 10 non-executive directors.

Board Meetings

The Board held ten meetings during the year and one of the meetings was devoted to the review and development of the Bank's business strategy.

Committees

As at 31 December, 2010 the Board had three committees namely the Audit Committee, the Governance and Risk Management Committee and the Credit Committee. The activities of the committees are governed by the Committee Charters approved by the Board. All three Committees report to the Board of Directors.

Audit Committee

Name	Position
Mr. Ally Laay	Chairperson
Mrs. Joyce Nyanza	Member
Mr. Joseph Machange	Member
Mr. Juma Abdulrahman	Member
Mr. Kai Kristoffersen	Member

The Committee held five meetings during the year. The External Auditor was invited and attended two meetings. The Managing Director, Deputy Managing Director, Director of Finance and Director of Internal Audit

wa Ukaguzi wa Mahesabu ya Ndani walishiriki mikutano hiyo.

Kamati ya Utawala Bora na Usimamizi wa Hatari ya Hasara

Jina	Nafasi
Bw. Martin Mmari	Mwenyekiti
Bw. Bede Lyimo	Mjumbe
Bw. Joseph Machange	Mjumbe
Bw. Kai Kristoffersen	Mjumbe
Bi. Joyce Nyanza	Mjumbe

Kamati ilikutana mara tano katika mwaka 2010. Mkurugenzi Mtendaji, Naibu Mkurugenzi Mtendaji, Mkurugenzi wa Hazina na Mkurugenzi wa Usimamizi wa Hatari ya Hasara walishiriki mikutano hiyo.

Kamati ya Mikopo

Jina	Nafasi
Bi. Joyce Luhanga	Mwenyekiti
Bw. Martin Mmari	Mjumbe
Bi. Lydia Joachim	Mjumbe
Bw. Ally Laay	Mjumbe
Bw. Boniface Muhegi	Mjumbe

Kamati ilikutana mara kumi na moja katika mwaka 2010. Mkurugenzi Mtendaji, Naibu Mkurugenzi Mtendaji, Mkurugenzi wa Huduma kwa Wateja Wakubwa na Mkurugenzi wa Mikopo walihudhuria mikutano hiyo.

Muundo wa Mtaji

Muundo wa mtaji wa Benki umeainishwa katika kiangalizo namba 37

Menejimenti

Menejimenti ya Benki iko chini ya Mkurugenzi Mtendaji na inasimamiwa na idara zifuatazo:

1. Idara ya Fedha na Utawala
2. Idara ya Operesheni
3. Idara ya Mikopo
4. Idara ya Sekretariati
5. Idara ya Ukaguzi wa Mahesabu ya Ndani.
6. Idara ya Rasilimali Watu

participated in the meetings.

Governance and Risk Management Committee

Name	Position
Mr. Martin Mmari	Chairperson
Mr. Bede Lyimo	Member
Mr. Joseph Machange	Member
Mr. Kai Kristoffersen	Member
Mrs. Joyce Nyanza	Member

The Committee met five times during the year. The Managing Director, Deputy Managing Director, Director of Treasury and Director of Risk participated in the meetings.

Credit Committee

Name	Position
Ms. Joyce Luhanga	Chairperson
Mr. Martin Mmari	Member
Mrs. Lydia Joachim	Member
Mr. Ally Laay	Member
Mr. Boniface Muhegi	Member

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

Capital Structure

The capital structure of the Bank is outlined in note 37.

Management

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

1. Finance and Administration
2. Systems Operations
3. Credit
4. Secretariat
5. Internal Audit
6. Human Resources
7. Retail Banking

7. Idara ya Huduma za Benki kwa Wateja Wadogowadogo
8. Idara ya Huduma za Benki kwa Wateja Wakubwa
9. Idara ya Masoko na Utafiti
10. Idara ya Huduma Mbadala za Benki
11. Idara ya Usimamizi wa Hatari ya Hasara
12. Idara ya Hazina.

8. Corporate Banking
9. Marketing and Research
10. Alternative Banking Channels
11. Risk
12. Treasury

Wanahisa wa Benki

Idadi kuu ya wanahisa wote wa Benki hadi kufikia mwisho wa mwaka ilikuwa 30,570. Katiba ya Benki inatambua aina tatu za wanahisa, wanahisa wenye hisa zaidi ya asilimia 10 ya hisa zote zilizolipiwa, wanahisa wenye hisa kati ya asilimia 1 na 10 ya hisa zote zilizolipiwa; na wanahisa wenye hisa pungufu ya asilimia moja ya hisa zote zilizolipiwa. Hadi kufikia mwisho wa mwaka, wanahisa wote wa makundi haya walikuwa kama ifuatavyo:

Shareholders of the Bank

The total number of shareholders as at year end was 30,570. The Bank's Articles of Association recognizes three categories of shareholders, namely shareholders holding more than 10% of the total paid up shares, shareholders holding between 1 % and 10% of the total paid up shares; and shareholders holding less than 1 %. As at the end of the year, the shareholding of these three groups was as follows:

Kundi la wanahisa Shareholding group	Idadi ya hisa No. of shares		%	
	2010	2009	2010	2009
Zaidi ya 10% /More than 10%	685,183,680	685,183,680	31.5	31.5
1% hadi 10%/ 1% to 10%	350,637,399	409,268,775	16.1	18.8
Chini ya 1%/Less than 1 %	1,140,711,081	1,082,079,705	52.4	49.7
Jumla/Total	2,176,532,160	2,176,532,160	100.0	100.0

Wanahisa wenye hisa ya asilimia 1 au zaidi hadi kufikia tarehe 31 Desemba 2010 wameorodheshwa hapa:

Shareholders holding 1% or more as at 31 December, 2010 are listed here under:

Wanahisa Shareholders	2010		2009	
	Idadi ya hisa No. of shares	%	Idadi ya hisa No. of shares	%
DANIDA Investment Fund	467,781,934	21.5	467,781,934	21.5
Parastatal Pension Fund	217,401,746	10.0	217,401,746	10.0
Public Services Pension Fund	71,531,350	3.3	71,532,250	3.3
The Local Authority Pension Fund	45,692,958	2.1	36,039,625	1.7
Blakeney General Partners III Ltd	44,700,000	2.0	-	-
Western Zone Tobacco Co-operative Union (WETCO)	36,000,000	1.7	36,000,000	1.7
Standard Chartered Bank Mauritius	29,470,600	1.3	-	-

Wanahisa Shareholders	2010		2009	
	Idadi ya hisa No. of shares	%	Idadi ya hisa No. of shares	%
Hans Aingaya Macha	28,082,800	1.3	28,082,800	1.3
CMG Investment Limited	28,002,128	1.3	26,143,260	1.2
Epack Investment Fund	24,790,240	1.1	24,790,240	1.1
SHIRECU	20,707,323	1.0	26,000,000	1.2
Lindi Development Corporation	21,660,000	1.0	21,660,000	1.0
IPP Limited	-	0.0	117,405,600	5.4
Kagera Cooperative Union	-	0.0	21,615,000	1.0
Total	1,035,821,079	47.6	1,094,452,455	50.3

Taarifa za Soko la Hisa

Benki iliorodheshwa kwenye Soko la Hisa la Dar es Salaam mwaka 2009. Bei ya hisa hadi kufikia tarehe 31 Desemba 2010 ilikuwa shilingi za kitanzania 115 kwa hisa. Kwa mwaka 2010 matokeo ya utendaji wa soko yalikuwa kama ifuatavyo; thamani ya mtaji sokoni tarehe 31 Desemba 2010 zilikuwa na thamani shilingi 250,301,198,400 (ikilinganishwa na mwaka 2009: shilingi 331,921,154,400)

Mipango ya Maendeleo ya Baadaye

Mwaka 2010 unawakilisha mwaka wa tatu wa utekelezaji wa Mpango Mkakati wa miaka mitano wa Benki kati ya mwaka 2008 - 2012. Ndani ya mpango huu, Benki imeendelea kuelekeza huduma za benki kwa wateja wadogowadogo kwa kutoa bidhaa bora na huduma kupitia mtandao mpana wa matawi ya Benki, huduma za kisasa za Benki za kiteknolojia, na uboreshaji wa teknolojia katika kutoa huduma za benki. Benki itaendelea kutoa huduma kwa wateja wakubwa na wale wa makampuni na taasisi na pia kuchukua hatua za kuzuia hatari za hasara. Changamoto iliyo mbele yetu ni kujenga uwezo na miundombinu ya utoaji wa huduma bora kwa kila aina ya mteja, hasa walio chini ya piramidi.

Matokeo na Gawio

Katika kipindi cha mwaka Benki imepata faida ya shilingi 48.4 bilioni (2009: shilingi 45.8 bilioni) ambayo ni ongezeko la asilimia 5 ukilinganisha na mwaka uliopita.

Stock Exchange Information

The bank was listed at Dar es Salaam Stock Exchange in 2009. The share price as at 31 December, 2010 was Tshs 115. In 2010 the performance of the Bank's shares in the secondary market was as follows; Market capitalization as at 31 December, 2010 was Tshs 250,301,198,400 (2009: Tsh 331,921,154,400)

Future Development Plans

The year 2010 represents the third year of implementation of the Bank's 5 year Business Strategy, for 2008-2012. Under the plan the Bank continues to focus on retail banking by offering quality products and services through network expansion, enhanced use of electronic banking channels, and improvements in the Bank's technological platform. The Bank will continue to offer customized banking services to corporate and institutional customers as well as take measures to improve risk management. The challenge ahead is building capacity and infrastructure for provision of services to all segments of customers, at the bottom of the pyramid.

Results and Dividends

During the year the Bank made a profit of Tshs 48.4 billion (2009: Tshs 45.8 billion), which is a 5% growth from last year.

Wakurugenzi watapeleka pendekezo katika Mkutano Mkuu wa Mwaka malipo ya gawio ya shilingi 8 kwa hisa. Jumla ya gawio litakalopendekezwa ni shilingi 17.4 bilioni.

Mapitio ya Biashara kwa Mwaka

Benki ya CRDB ni moja kati ya watoa huduma za kifedha wakubwa hapa nchini na inajihusisha na huduma kwa wateja wadogo na wakubwa, ikiwa ni pamoja na shughuli za huduma za ushirika kupitia kampuni tanzu (Microfinance Service Company Limited). Benki inatoa huduma zote za benki pamoja na uandikishaji wa hisa na masuala ya uwakala wa bima. Benki inaendesha biashara kupitia matawi 71 (pamoja na matawi yanayotembea) pia pamoja na ushirika wa vyama vya kuweka na kukopa 472 vilivyosambaa nchi nzima (Bara na visiwani). Katika kipindi cha mwaka 2010, matawi 7 yaliharabatiwa, matawi mengine 5 yalifunguliwa na ATM 10 kusimikwa, na kufikisha jumla ya ATM zinazofanya kazi kufikia 162.

Amana

Kwa mwaka 2010, amana za wateja zilikuwa kwa asilimia 25 hadi kufikia shilingi 2,019 bilioni (2009; shilingi 1,621 bilioni). Ongezeko hilo limechangiwa kwa kiasi kikubwa ukuaji wa chapa ya Benki, ambayo imeendelea kuimarishwa na ukarabati wa matawi, ufunguzi wa matawi mapya, uanzishwaji wa bidhaa na huduma bora za kisasa pamoja na kampeni za kimasoko.

Ukopeshaji

Jumla ya mikopo yote iliyotolewa imeongezeka kwa asilimia 18 kufikia shilingi 1,123 bilioni toka shilingi 950 bilioni mwaka 2009. Sekta ya kilimo imeendelea kuongoza, imechangia 28% ya mikopo yote. Ikifuatiwa na biashara na viwanda 15%, huduma za jamii (pamoja na umeme, mashule, hospitali na maji) 13%, mikopo kwa wafanyakazi 5%, viwanda na usindikaji 7%, wakala wa masuala ya fedha 5%, upangishaji majengo na ujenzi 1%. Mapato yatokanayo na riba ya mikopo ni shilingi 136 bilioni, ni zaidi ya shilingi 117 bilioni iliyopatikana mwaka 2009, sawa na ongezeko la asilimia 59% ya jumla ya pato lililokusanywa.

Hazina

Mapato yaliyopatikana kutokana na biashara ya ubadilishaji wa fedha za kigeni katika kipindi cha mwaka 2010 ni Shilingi

The directors will recommend to the Annual General Meeting a dividend payment of Tshs 8 per share. The total amount of dividend to be recommended will be Tshs 17.4 billion.

Business Review for the Year

The Bank is one of the major financial services providers in Tanzania and it is engaged in corporate and retail banking, including microfinance services through its subsidiary company (Microfinance Service Company limited). The Bank offers a full range of commercial banking services as well as share registration and insurance agency services. The Bank operates through a network of 71 branches (including mobile branches) and in partnership with 472 Microfinance Institutions located throughout the country (Zanzibar and Mainland) Tanzania. During the year, 7 branches were refurbished, 5 new branches opened and 10 ATMs installed, bringing the total of operating ATMs to 162.

Deposits

In 2010, customer deposits grew by 25% to Tshs 2,019 billion from Tshs 1,621 billion in 2009. The growth was attributed mainly to the Bank's brand, which continued to be strengthened by the ongoing branch refurbishment, opening of new outlets, introducing new and innovative products and marketing campaigns.

Lending

The net loan portfolio increased by 18% to Tshs 1,123 billion from Tshs. 950 billion in 2009. The agricultural sector continued to dominate, accounting for 28 % of the portfolio, followed by trade and commerce 15%, utilities and public services (including electricity, schools, hospitals and water) 13%, personal loans 5%, manufacturing and processing 7%, financial intermediaries 5%, real estate, building & construction 6%, tourism, hotels and restaurants 8%, transport and communication each 6%, and mining & quarrying 1%. Interest income on overdrafts and term loans was Tshs.136 billion, up from Tshs 117 billion in year 2009 representing 59% of the total operating income.

22 bilioni. Hii ni sawa na asilimia 10 ya mapato ya uendeshaji. Pia ongezeko hili ni sawa na asilimia 47 ikiliganishwa na mapato katika biashara ya ubadilishaji wa fedha za kigeni ya Shilingi 15 bilioni zilizopatikana mwaka 2009. Biashara katika Soko la Fedha ilichangia kiasi kikubwa sehemu ya riba iliyopatikana katika mwaka huu ambapo uwekezaji katika masoko ya mitaji pamoja na amana za serikali kulichangia asilimia 10 ya mapato ya uendeshaji.

Benki ilishiriki kikamilifu katika soko la fedha baina ya mabanki. Katika kipindi cha 2010, Benki ya CRDB ilikuwa muhimili mkuu wa soko hili ambapo kwa kiasi kikubwa Benki ya CRDB ilikopesha benki nyingine kwa riba nzuri.

Mapato Mengine

Mapato mengine ni yale yatokanayo na gharama za huduma, upangishaji, faida itokanayo na uuzaji wa mali chakavu, gharama za kuomba mkopo, utathmini mpya wa thamani ya fedha za nje na biashara yake. Pia inajumuisha mapato mengine madogomadogo yanayochangia 1% ya mapato yote ya Benki.

Biashara za Wateja Wadogowadogo - Microfinance

Idadi ya Vyama Vya Ushirika (MFIs) chini ya mpango wa vyama vya kuweka na kukopa iliongezeka kwa vyama 47 vipya kuingia katika mpango huo. Idadi hii iliongezeka kutoka vyama 425 mwisho wa mwaka 2009 hadi kufikia 472 mwisho wa mwaka 2010. Hadi kufikia tarehe 31 Desemba 2010 salio la jumla ya mikopo yote iliyotolewa kwa taasisi hizi ilikuwa shilingi 93.3 bilioni na kufaidisha vyama 321. Jumla ya amana zao katika Benki ilikuwa shilingi 13.62 bilioni hadi Desemba 31 2010.

Biashara ya Kadi

Katika kipindi cha mwaka huu, Benki ilitoa jumla ya TemboCardVisa 150,854 na kufanya idadi ya kadi zilizotolewa kufikia kadi 465,722. Watoa huduma wakubwa (Corporate merchants) waliosajiliwa kwa mwaka ni pamoja na TRA - Tunduma, Ofisi za Uhamiaji na Upanuzi wa Mageti ya TANAPA kwa ukanda wa kusini ikiwa ni pamoja na mbuga za Mikumi, Udzungwa na Ruaha. Watoa huduma waliokwifunguwa vifaa vya malipo (POS)

Treasury

The bank recorded revenue in foreign exchange income of Tshs 22 billion in 2010 which is 10% of Bank's total operating income compared to Tshs 15 billion in 2009 an increase of 47%. Money market activities also contributed significantly to interest income that the Bank earned in the year; interest income on placements, treasury bills and bonds contributed 10% of the Bank's total operating income.

The Bank also participated actively in the interbank money market increasing its contribution to the financial market development. In year 2010, the Bank was a major player in interbank funding providing Tanzanian Shillings liquidity to other banks at competitive rates.

Other Income

Other income includes fee based income, rent, profit on disposal of properties and equipments, loan application fees, foreign exchange revaluation and trading. It also includes sundries all of which contributed to 1% of the Bank's total operating income.

Microfinance Business

The number of partnering institutions (MFIs) under Micro Finance programme increased by 47 institutions mostly savings and credit cooperative societies (SACCOS) from 425 as at the end of 2009 to 472 at the end of the year. As at 31 December, 2010 the balance on the total loans extended by the Bank to these institutions stood at Tshs 93.3 billion and benefited 321 MFIs. Their total deposits with the Bank were Tshs 13.62 billion as at 31 December, 2010.

Card Business

During the year, the Bank issued a total of 150,854 TemboCardVisa making a cumulative total of 465,722 cards. Corporate merchants recruited during the year included TRA-Tunduma, Immigration Services and extension to National Parks in the Southern Zone namely, Mikumi, Udzungwa and Ruaha national parks. Merchants with POS terminals stood at 598. The Bank became a principal member of Mastercard and

wanafikia 598. Benki ilijiunga na mfumo wa kadi ya MasterCard na kuanzisha huduma kupitia POS na ATM wakati ikiendeleza michakato ya utoaji rasmi wa kadi za MasterCard.

Usimamizi wa Hatari za Hasara na Udhhibiti wa Ndani

Bodi ilikubali jukumu la mwisho la usimamizi wa hatari za hasara na udhibiti wa mfumo wa ndani. Ni jukumu la menejimenti kuhakikisha inajenga mfumo imara ya ndani ya usimamizi na uendeshaji masuala ya kifedha na kuiendeleza ili ilete uhakika wa kuwepo kwa:

1. Uendeshaji imara wenye tija
2. Usalama wa rasilimali za kampuni
3. Kuendana na sheria na taratibu zinazotumika kuendesha biashara ya Benki
4. Uhakika wa kumbukumbu za kihisibu
5. Uimara wa biashara katika hali ya kawaida na wakati wa mitikisiko
6. Tabia za uwajibikaji kwa wadau wote

Utendaji mzuri wa mfumo wowote wa udhibiti wa ndani unategemea utekelezaji makini wa taratibu zilizowekwa. Siku zote kuna hatari kwa wafanyakazi kutofuata taratibu hizo. Japokuwa hakuna mfumo wa usimamizi wa ndani unaoweza kutoa uhakika halisi wa taarifa mbaya au hatari za hasara, mfumo wa benki umetengenezwa kuipa Bodi uhakika kuwa taratibu zilizowekwa zinafanya kazi sawasawa.

Bodi inafanya tathmini ya mfumo wa udhibiti wa ndani kwa mwaka wa hesabu ulioisha tarehe 31 Desemba 2010 na kuridhia kuwa wameweza kufikia vigezo vilivyowekwa. Bodi inafanya tathimini ya hatari za hasara na udhibiti wa ndani kwa kupitia Kamati ya Ukaguzi na Udhhibiti wa Hatari ya Hasara.

Hali ya Fedha

Hali ya fedha ya Benki kwa ujumla kwa tarehe 31 Desemba 2010 imeainishwa vizuri katika ukurasa wa 31 wa taarifa ya fedha ya mwaka. Wakurugenzi wanatambua kuwa Benki iko katika hali nzuri ya kifedha kama ilivyoainishwa na Sheria ya Makampuni nchini ya mwaka 2002.

introduced acquiring services at POS and ATM while implementing a program to issue Mastercards.

Risk Management and Internal Control

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

1. Effectiveness and efficiency of operations;
2. Safeguarding of the Company's assets;
3. Compliance with applicable laws and regulations;
4. Reliability of accounting records;
5. Business sustainability under normal as well as adverse conditions: and
6. 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 to 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 a reasonable assurance that the procedures in place are operating effectively.

The Board assessed the internal control systems throughout the financial year ended 31st December, 2010 and is of the opinion that they met accepted criteria. The Board carries risk and internal control assessment through Audit and Governance and Risk Management Committees.

Solvency

The state of affairs of the Group and the Bank as at 31 December, 2010 is set out on page 31 of the financial statements. The Directors consider the company to be solvent within the meaning ascribed by the Tanzanian Companies Act, 2002.

USTAWI WA WAFANYAKAZI

Mahusiano ya Uongozi na Wafanyakazi

Kumekuwepo na uhusiano mzuri kati ya uongozi na wafanyakazi kwa mwaka 2010. Hapakuwa na tatizo lililoufikia uongozi ambalo halikutatuliwa katika mwaka huu.

Mafunzo

Katika mwaka 2010, Benki ilitumia shilingi 3.6 bilioni kwa mafunzo ya wafanyakazi ili kuongeza ujuzi na uwezo katika kazi (mwaka uliopita ilikuwa shilingi 2.8 bilioni). Programu za mafunzo zimekuwa zikiboreshwa ili kuhakikisha wafanyakazi wanapata mafunzo ya angalau katika madaraja yote; wafanyakazi wote hupata aina fulani ya mafunzo ili kuongeza stadi na kuongeza maendeleo.

Huduma za matibabu

Wafanyakazi wote pamoja na wategemezi wao wasiozidi wanne wanapata huduma za matibabu. Kwa sasa huduma za afya zinatolewa na kampuni ya AAR Health Services (T) Limited kwa wafanyakazi wa Dar es Salaam na Tanzania Consortium of Hospitals and Clinics Ltd kwa wafanyakazi wanaoishi mikoani pamoja na wategemezi wao.

Afya na Usalama

Benki imechukua hatua maalum ili kulinda afya, usalama na ustawi wa wafanyakazi wake. Mazingira salama ya kazi yamewekwa kwa kila mfanyakazi kwa kutoa vifaa vya kutosha vya kujilinda, mafunzo na mwongozo unaohitajika.

Mikopo ya Fedha kwa Wafanyakazi

Mikopo inatolewa kwa wafanyakazi wote waliothibitishwa ajira zao kutegemea na tathmini na maamuzi ya menejimenti kutokana na mahitaji na hali ya mkopaji.

Watu Wenye Ulemavu

Ni sera ya Benki kutoa ajira kwa watu wenye ulemavu pale inapofaa. Kwa sasa kuna wafanyakazi wawili wenye ulemavu.

EMPLOYEES' WELFARE

Management and Employees Relationship

There were continued good relations between employees and the management during the year 2010. There were no unresolved complaints received by the management from the employees during the year.

Training Facilities

During the year the Bank spent Tshs. 3.6 billion for staff training in order to improve employees' technical skills and hence effectiveness (previous year was Tshs 2.8 billion). 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 up to a maximum number of four beneficiaries (dependants) for each employee were availed medical services. The current services are managed by AAR Health Services (T) Ltd for Dar Es Salaam based Staff and Tanzania Consortium of Hospitals and Clinics Ltd for upcountry based staff and their dependants.

Health and Safety

The Bank takes all reasonable and practicable steps to safeguard health, safety and welfare of its employees. A safe working environment is ensured for all employees by providing adequate and proper personal protective equipment, training and supervision as necessary.

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.

Persons with Disabilities

It is the company's policy to give employment to disabled persons wherever practicable. At present there are 2 members of staff with disabilities.

Mafao kwa Wafanyakazi

Benki inalipia michango ya lazima ya wafanyakazi kwa mashirika ya mifuko ya kijamii inayokubalika kuwa mpango maalumu wa kuchangia.

Wafanyakazi

Wastani wa idadi ya wafanyakazi katikaa mwaka huu ni 1,438 ikilinganishwa na mwaka uliopita 2009 ambapo walikuwa 1,311.

Ukuaji wa idadi ya wafanyakazi kwa mwaka ni asilimia 9.68. Hii ni sambamba na ukuaji wa biashara na matawi ya Benki.

Usawa wa Jinsia

Hadi kufikia Desemba 2010, Benki ilikuwa na wafanyakazi wapatao 1,438 kati yao wanaume wakiwa ni 856 na wanawake ni 582. Benki ya CRDB ni mwajiri anayetoa fursa sawa kwa jinsia zote. Inatoa nafasi na fursa sawa za ajira na kuhakikisha kuwa wafanyakazi mahali walipo wanajaza nafasi zinazojitokeza za ajira bila upendeleo au ubaguzi wa aina yoyote na bila kujali vigezo kama vile jinsia, ndoa, kabila, dini, na ulemavu usioathiri utendaji wa kazi.

Shughuli na Wenye Uhusiano

Miamala yote ya wenye uhusiano na salio imeainishwa katika kifungu cha 47 cha taarifa za hesabu za fedha.

Program za Mazingira

Kampuni inasaidia uwekezaji katika sekta muhimu kama vile kilimo, viwanda na utalii; ambazo utunzaji na uhifadhi ya mazingira ni suala muhimu hasa katika kipindi hiki ambacho mabadiliko ya tabia nchi yamekuwa ni changamoto kwa nchi zote ikiwemo Tanzania.

Katika kuunga mkono jitihada ya kuhifadhi na utunzaji wa mazingira, kampuni inakazia kutimiliza mahitaji ya kisheria ya kufanya upembuzi wa athari za mazingira za kila mradi inayounga mkono.

Masoko na Utafiti

Benki inatumia mbinu na mikakati tofauti ya masoko ili kuhakikisha inakuwa daima ya kwanza katika ushindani wa soko ikiwa ni pamoja na promosheni ya huduma bora kwa wateja na kuwezesha bidhaa za Benki na ukuaji wa

Employees' Benefit Plan

The Bank pays mandatory contributions to a publicly administered pension schemes which qualifies to be a defined contribution plan.

Staffing

The average number of employees during the year was 1,438 compared to previous year 2009, which was 1,311.

The annual growth in staffing was 9.68% .This is in keeping with the business growth and opening of new branches.

Gender Parity

As at December, 2010 the Bank had 1,438 employees out of whom 856 were males and 582 females. The Bank is an equal opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion, and disability which does not impair ability to discharge duties.

Related Party Transactions

All related party transactions and balances are disclosed in note 47 to these financial statements.

Environmental Control Programme

The Company supports investment in sectors such as, agriculture, industry and tourism, in which environmental protection and conservation are a major issue at a time when climate change poses a serious challenge to all countries including Tanzania. In supporting conservation and environmental protection efforts, the company insists on compliance with statutory environmental impact assessment requirements for projects it supports.

Marketing and Research

The Bank applied a combination of marketing strategies to ensure that it is ahead of competition including promotion of improved customer service and enhancing the Banks products and corporate brand. In 2010, the

nembo ya kampuni. Kwa mwaka 2010, Benki ilishinda tuzo ya "SuperBrand" kama moja ya tuzo za heshima Afrika Mashariki. Kwa Tanzania, ni Benki ya CRDB tu ndio iliyojinyakulia tuzo hiyo.

Benki pia inafanya promosheni ya kampuni na kujiweka katika nafasi ya kwanza katika kufikisha huduma kwa wateja. Kauli mbiu ya kutangaza Benki kwa mwaka 2010 ni "Daima ya kwanza Kukuweka kwanza" ambayo imekuwa ikitangazwa kupitia vyombo mbalimbali vya mawasiliano kama vile redio, televisheni, mabango, magazeti ya Kiswahili na Kiingereza.

Katika kipindi cha mwaka huu, Benki imeendelea kutangaza huduma zake kwa wateja wa nje. Benki ilianzisha Kituo cha Huduma kwa Wateja (Call Centre). Kituo hiki kinasimamia utatuaji wa kero za wateja kwa kutumia njia mbalimbali za mawasiliano kama vile simu za mikononi, barua pepe, simu za mezani na nukushi.

Kwa upande wa promosheni za bidhaa mbalimbali, Benki ya CRDB ilikuwa ni ya kwanza kuendesha promosheni wakati wa michuano ya Kombe la Dunia ya mwaka 2010 kwa kushirikisha kadi ya malipo ya Visa. Hii ilikuwa ni miongoni mwa promosheni kubwa kuwahi kufanyika nchini iliyolenga kuhamashisha matumizi ya kadi ya malipo katika kulipia bidhaa na huduma mbalimbali kupitia kifaa maalumu cha malipo (POS). Kufuatia promotion hiyo, matumizi ya kadi yaliongezeka kwa asilimia 200. Promosheni nyingine zilizofanyika kwa mwaka 2010 ni pamoja na promosheni ya TemboCardVisa Gold, Huduma ya kuweka pesa kupitia ATM (Easy Deposit), ufunguzi wa matawi mapya (Zanzibar, Marangu na Kibaha), Akaunti yaTanzanite, Mikopo ya Wajasiriamali (Bidii Loans), Akaunti ya wanafunzi (Scholar Account), Akaunti ya watoto (Junior Jumbo Account) pamoja na Akaunti ya Juhudi kwa wanaushirika.

Benki pia ilipitia viwango vyake vya bei na gharama za bidhaa zake ili kurahisisha matumizi na kuongeza pato la Benki.

Benki pia imeshiriki katika maonesho mbalimbali kwa lengo la kuonesha huduma na bidhaa zake kwa wateja. Mwaka 2010, benki ilishiriki maonesho ya kutangaza ajira (Caree Fair) yaliyoandaliwa na AISEC Tanzania, maonesho

bank received "Super Brand" award as one of the well known brand in East Africa. In Tanzania, CRDB Bank is the only bank that received the award.

The Bank also promotes its corporate brand and positions itself as a number one bank in meeting customers needs. The tagline of the 2010 promotions is "Always First, to Put you First" has been communicated using different media such as radio, TV, Billboards, Swahili and English newspapers.

During the year, the Bank enhanced its communication with its external customers. The Bank launched Call Centre that handles customer queries using different communication tools such as Internet, mobile phones, e-mails, landlines and fax.

In terms of product promotions, the Bank was the first bank in Tanzania to conduct promotion that was associated with FIFA 2010 World Cup. "Experience FIFA World Cup 2010 with TemboCardVisa" was a major campaign in the banking industry with the objective of increasing usage of TemboCardVisa at Merchants Point of Sale with card accepting (following the promotion usage) devices increased by over 200%. Other promotions that were conducted in 2010 were; promotion of Visa Gold, Easy Deposit ATM usage, new branch openings (Marangu, Zanzibar and Kibaha), Tanzanite Account, Bidii loans, Scholar account, Junior Jumbo Account; and Juhudi Account for microfinance partners.

The Bank reviewed its rates and charges to make them more user friendly as well as get fair and better returns.

The Bank also participated in various exhibitions to inform customers of the Banks' offerings. The Bank participated in Career Fair 2010 organized by AIESEC Tanzania, Nanenane exhibitions held at Mbeya Region and Dodoma, Karibu Tourism Fair in Arusha and Women SME exhibition in Dar es Salaam.

Corporate Social Responsibility

The Bank continues to implement its role as a corporate citizen in Tanzania with Corporate Social Investments

ya Nanenane Mbeya na Dodoma, maonesho ya bidhaa na huduma za utalii (Karibu Fair) Arusha na maonesho ya bidhaa za wajasiriamali wanawake Dar es Salaam.

Misaada ya Kijamii (CSR)

Benki iliendelea kusimamia jukumu lake la kushiriki katika shughuli za kusaidia jamii. Katika jukumu hili, Benki ilitoa msaada wa mabasi 5 kwa serikali ili kupunguza kero ya usafiri kwa wanafunzi wa jiji la Dar es Salaam. Misaada mingine katika sekta ya elimu ni pamoja na msaada wa fedha kwa Shule ya Msingi ya Bunge na Shule ya Sekondari ya Tambaza kwa ajili ya kuboresha mazingira ya shule, msaada wa makoti 500 yenye kuakisi mwanga kwa Jeshi la Polisi kwa ajili ya mpango wa kuongeza usalama kwa wanafunzi wanapokuwa wanavuka barabara. Benki pia ilidhamini shindano la mtihani wa Hesabu kwa wanafunzi wa kidato cha pili katika Halmashauri ya Songea. Kadhalika, Benki ilitoa msaada wa ujenzi wa maabara katika shule ya Sekondari ya Wasichana ya Visitation, mkoani Kilimanjaro, na pia ujenzi wa maktaba katika Chuo cha Ualimu cha Capital cha Dodoma na ilishiriki katika kampeni ya "Somesha Mtoto wa Kike".

Katika sekta ya afya, Benki ilikarabati Wodi ya Wazazi katika hospitali ya mkoa wa Dodoma, msaada wa vifaa katika hospitali ya Marangu na Msaada wa fedha kwa ajili ya ujenzi wa mabweni katika Chuo Cha Uuguzi Machame na pia ilishiriki katika mpango wa kuzuia saratani ya matiti kwa akina mama.

Misaada mingine ilitolewa kwa Baraza la Misikiti la Tanzania (BAMITA) kwa ajili ya mpango wa elimu dhidi ya maambukizi ya virusi (HIV) na Ukimwi kwa watoto yatima na walioathirika katika Wilaya ya Kisarawe.

Wakaguzi wa Hesabu

Mkutano Mkuu wa Mwaka wa Wanahisa uliofanyika tarehe 26 Juni 2010 uliteua kampuni ya Deloitte & Touche kuwa mkaguzi wa mahesabu ya Benki kwa mwaka huo.

KWA AMRI YA BODI



Imesainiwa

25/03/2011

Tarehe

projects. The Bank donated 5 school buses to the public to minimize transport chaos facing students in Dar es Salaam. Other marked support in education sector were a donation of funds to Bunge Primary School and donation of 500 road reflector vests to Tanzania Police Force to be used for student road safety project. The Bank also sponsored mathematics competition for Form II students in Songea and construction of a library for Capital Teachers College in Dodoma. Tambaza Secondary School also received funds for increasing quality of education it provides. Visitation Girls Secondary school was supported in construction of a laboratory. The Bank also participated in the "Somesha Mtoto wa Kike" campaign.

The Bank supported health sector by refurbishing maternity ward of Dodoma Regional Hospital, donation of hospital facilities to Marangu Hospital, and donation of funds for construction of dormitory to Machame Nursing School. The Bank supported Breast Cancer Foundation of Dar es Salaam.

Other donations were made to the Baraza la Misikiti la Taifa (BAMITA) for facilitating HIV and AIDS educational program for orphans and vulnerable children, in Kisarawe district.

Auditors

The Annual General Meeting held on 26 June, 2010 appointed Deloitte & Touché as auditors of the bank for the year under review

BY ORDER OF THE BOARD



Signed

25/03/2011

Date



Taarifa Juu ya Wajibu wa Wakurugenzi

Statement of the Directors Responsibilities

Sheria ya Makampuni ya Tanzania ya mwaka 2002 inawataka Wakurugenzi kuandaa taarifa ya mahesabu kwa kila mwaka wa mahesabu, inayotoa taswira ya kweli ya usawa wa masuala ya Kundi la kampuni kwenye taarifa ya mwaka wa fedha na kwenye tarifa ya utendaji wa kundi kwa mwaka huo. Pia inahitaji wakurugenzi kuhakikisha kwamba kundi linatunza hesabu halisi inayoweka wazi na ukweli wakati wote hali halisi ya mahesabu ya kundi. Pia wanahusika kutunza amana za kundi la kampuni.

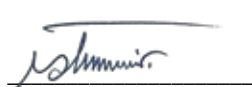
Wakurugenzi wanawajibu katika kuandaa na kuwasilisha taarifa ya fedha inayokidhi viwango vya uwasilishaji hesabu za fedha vya kimataifa na sheria ya makampuni ya mwaka 2002. Jukumu hili linahusisha, uundaji, utekelezaji na utunzaji mifumo ya ndani ya udhibiti katika uandaaji na uwasilishaji taarifa sahihi za mahesabu zilizo huru dhidi ya vitu vya upotoshaji taarifa, iwe kwa udanganyifu au kwa kukosea, kuchagua na kutumia sera sahihi za kiuhasibu, na kufanya makadirio yenye uhalisia.

Wakurugenzi wanakubali jukumu la utoaji taarifa ya mwaka wa mahesabu, ambazo zimeandaliwa kwa kutumia taratibu bora za utunzaji mahesabu zinazosaidiwa na maamuzi na makadirio sahihi kwa kuzingatia viwango vya utoaji taarifa za mahesabu vya kimataifa na kwa maana inavyohitajika na sheria za makampuni ya mwaka, 2002.

Wakurugenzi wanaridhia kuwa taarifa za fedha za mwaka zinatoa ukweli na usawa wa masuala ya kundi kwenye taarifa ya mwaka wa fedha na kwenye taarifa ya utendaji wa kundi. Wakurugenzi wanaendelea kukubali majukumu ya utunzaji Kumbukumbu za mahesabu ambayo yanaweza kusaidia katika uandaaji wa taarifa za hesabu, pamoja na mfumo mzuri wa udhibiti wa mahesabu ya ndani.

Hakuna jambo lolote lililoleta hisia kwa wakurugenzi kwamba kundi halitabakia katika biashara hai kwa walau kipindi kingine cha miezi kumi na miwili kuanzia tarehe ya taarifa hii.

KWA AMRI YA BODI



Mwenyekiti



Mkurugenzi

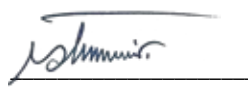
The Tanzanian Companies Act, 2002 requires Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Bank as at the end of the financial year and of the results of the Group and the Bank for that year. It also requires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

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act, 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the bank and of the Group and bank's operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal control.

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 the next twelve months from the date of this statement.

BY ORDER OF THE BOARD



Chairman



Director

Independent Auditors' Report to the Members of CRDB Bank Plc

Report on the Financial Statements

We have audited the accompanying financial statements of CRDB Bank Plc and its subsidiary set out on pages 30 to 79, which comprise the consolidated and bank statement of financial position as at 31 December 2010, and the consolidated and bank statements of comprehensive income, consolidated and bank statements of changes in equity and the consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the bank and its subsidiaries as at 31 December 2010 and of their profits and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act, 2002 and the Tanzanian Banking and Financial Institutions Act 2006.

Report on Other Legal and Regulatory Requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account have been kept by the bank, so far as appears from our examination of those books; and
- iii) the bank's statement of financial position (balance sheet) and statement of comprehensive income (profit and loss account) are in agreement with the books of account.

Deloitte & Touche

Certified Public Accountants (T)

Dar es Salaam

Signed by D. C. Nchimbi

25/03/2011

Consolidated and Bank Statements of Comprehensive Income

For the year ended 31st December 2010

	Notes	GROUP		BANK	
		2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Interest income	7	160,038,922	145,644,425	156,684,993	143,318,703
Interest expense	8	(35,033,800)	(35,676,488)	(35,510,483)	(35,925,492)
Net interest income		125,005,122	109,967,937	121,174,510	107,393,211
Loan impairment charges	17 (d)	(20,356,975)	(18,173,747)	(20,356,975)	(18,173,747)
Net interest income after loan impairment charges		104,648,147	91,794,190	100,817,535	89,219,464
Fees and commission income	9	47,061,862	39,524,884	46,243,070	39,065,844
Fees and commission expense		(470,934)	(414,002)	(470,934)	(414,002)
Net fee and commission income		46,590,928	39,110,882	45,772,136	38,651,842
Net foreign exchange income	10	22,080,586	15,243,855	22,080,586	15,243,855
Other operating income	11	2,060,367	1,113,262	486,884	183,017
General and administrative expenses	12	(63,360,635)	(44,931,239)	(61,873,753)	(43,458,500)
Staff costs	13	(46,180,800)	(40,409,415)	(42,689,860)	(37,968,724)
Net loss on fair value hedges	40	(201,833)	-	(201,833)	-
Profit before income tax		65,636,760	61,921,535	64,391,695	61,870,954
Income tax expense	14(a)	(17,264,230)	(16,096,899)	(16,909,512)	(15,813,730)
Profit for the year		48,372,530	45,824,636	47,482,183	46,057,224
Other comprehensive income:					
Gain on revaluation of equipment	25	-	1,146,489	-	1,016,671
Defined benefit gain	39	10,751	510,029	10,751	510,029
Total comprehensive income for the year		48,383,281	47,481,154	47,492,934	47,583,924
Earnings per share					
Basic	38	22.22		21.78	
Diluted	38	22.22		21.78	

Consolidated and Bank Statements of Financial Position

For the year ended 31st December 2010

	Notes	GROUP		BANK	
		2010 Tshs'000	2009 Tshs'000	2010 Tshs'000	2009 Tshs'000
ASSETS					
Cash and balances with Bank of Tanzania	15	348,537,760	313,645,087	348,537,760	313,645,087
Placements and balances with other Banks	16	295,412,918	252,605,127	295,412,918	252,605,127
Loans and advances to customers	17	1,123,347,958	949,505,036	1,123,347,958	949,505,036
Government securities	18	426,546,390	252,976,601	426,546,390	252,976,601
Other securities	19	600,000	1,616,883	600,000	1,616,883
Equity investment	20	-	-	728,136	728,136
Investment in TMRC	21	600,000	-	600,000	-
Other assets	22	35,632,842	31,425,014	35,589,967	31,114,699
Refurbishment costs	23	10,311,442	6,723,176	10,311,442	6,723,176
Intangible assets	24	12,120,924	3,934,462	11,887,808	3,632,856
Property and equipment	25	42,323,622	36,024,737	41,661,217	35,147,652
Prepaid operating leases	26	3,286,094	734,347	3,286,094	734,347
Current income tax recoverable	30	5,983,890	4,957,486	5,542,808	4,763,771
Deferred income tax asset	36	-	209,020	-	326,496
Defined benefit asset	39	520,780	510,029	520,780	510,029
TOTAL ASSETS		2,305,224,620	1,854,867,005	2,304,573,278	1,854,029,896
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits from customers	27	2,019,393,670	1,621,018,882	2,019,936,684	1,621,451,846
Deposits due from other Banks	28	16,829,876	3,775,915	16,829,876	3,775,915
Deferred income tax liability	36	53,681	-	50,715	-
Other liabilities	29	25,477,915	19,981,750	25,754,116	19,259,290
Subordinated loan capital	31	1,920,000	1,920,000	1,920,000	1,920,000
FSDT Grant	33	398,789	300,543	-	-
RFSP Grant	34	-	57,750	-	-
CRDB Grant	35	27,161	38,026	-	-
Derivatives	40	201,833	-	201,833	-
TOTAL LIABILITIES		2,064,302,925	1,647,092,866	2,064,693,224	1,646,407,051
SHAREHOLDERS' FUNDS					
Share capital	37	54,413,304	54,413,304	54,413,304	54,413,304
Retained earnings		166,264,145	132,587,835	165,298,773	132,566,359
Share premium		18,764,932	18,764,932	18,764,932	18,764,932
Statutory reserve		56,220	351,550	56,220	351,550
Defined benefit reserve	39	520,780	510,029	520,780	510,029
Revaluation reserve		902,314	1,146,489	826,045	1,016,671
TOTAL SHAREHOLDERS' FUNDS		240,921,695	207,774,139	239,880,054	207,622,845
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		2,305,224,620	1,854,867,005	2,304,573,278	1,854,029,896

The financial statements on pages 30 to 79 were approved authorized for issue by the Board of Directors on 25 March 2011 and signed on its behalf by:



Mr. Martin Mmari
Chairman



Dr. Charles Kimei
Managing Director



Ms. Joyce Luhanga
Director

Statement of Changes in Equity

For the year ended 31st December 2010

GROUP	Share capital Tshs '000	Share Premium** Tshs '000	Retained earnings Tshs '000	Statutory Reserve*** Tshs '000	Revaluation reserve Tshs '000	Defined benefit Tshs '000	Total Tshs '000
At 1 January 2009	24,733,320	-	116,173,610	25,705	-	-	140,932,635
Profit for the year	-	-	45,824,636	-	-	-	45,824,636
Other comprehensive income for the year	-	-	-	-	1,146,489	510,029	1,656,518
Total comprehensive income for the year	-	-	45,824,636	-	1,146,489	510,029	47,481,154
Issue of bonus share	24,733,320	-	(24,733,320)	-	-	-	-
Right Issue	4,284,254	18,764,932	-	-	-	-	23,049,186
Issue of shares through Initial Public Offer	662,410	-	-	-	-	-	662,410
Transfer to statutory reserve*	-	-	(325,845)	325,845	-	-	-
Dividend paid	-	-	(4,351,246)	-	-	-	(4,351,246)
At 31 December 2009	54,413,304	18,764,932	132,587,835	351,550	1,146,489	510,029	207,774,139
At 1 January, 2010	54,413,304	18,764,932	132,587,835	351,550	1,146,489	510,029	207,774,139
Profit for the year	-	-	48,372,530	-	-	-	48,372,530
Other comprehensive income for the year	-	-	-	-	-	10,751	10,751
Total comprehensive income for the year	-	-	48,372,530	-	-	10,751	48,383,281
Transfer of excess depreciation	325,567	-	(325,567)	-	-	-	-
Deferred tax on excess depreciation	-	-	(84,392)	84,392	-	-	-
Transfer from statutory reserve*	-	-	295,330	(295,330)	-	-	-
Dividend paid	-	-	(15,235,725)	-	-	-	(15,235,725)
At 31 December 2010	54,413,304	18,764,932	166,264,145	56,220	902,314	520,780	240,921,695

Statement of Changes in Equity

For the year ended 31st December 2010

	Share capital Tshs '000	Share Premium** Tshs '000	Retained earnings Tshs '000	Statutory Reserve**** Tshs '000	Revaluation reserve Tshs '000	Defined benefit Tshs '000	Total Tshs '000
BANK							
At 1 January 2009	24,733,320	-	115,921,365	25,705	-	-	140,680,390
Profit for the year	-	-	46,057,224	-	-	-	46,057,224
Other comprehensive income for the year	-	-	-	-	1,016,671	510,029	1,526,700
Total comprehensive income for the year	-	-	46,057,224	-	1,016,671	510,029	47,583,924
Issue of bonus shares	24,733,320	-	(24,733,320)	-	-	-	-
Rights issue	4,284,254	18,764,932	-	-	-	-	23,049,186
Issue of shares through Initial Public Offer	662,410	-	-	-	-	-	662,410
Transfer to statutory reserve*	-	-	(325,845)	325,845	-	-	-
Dividend paid	-	-	(4,353,065)	-	-	-	(4,353,065)
At 31 December 2009	54,413,304	18,764,932	132,566,359	351,550	1,016,671	510,029	207,622,845
At 1 January 2010	54,413,304	18,764,932	132,566,359	351,550	1,016,671	510,029	207,622,845
Profit for the year	-	-	47,482,183	-	-	-	47,482,183
Other comprehensive income for the year	-	-	-	-	-	10,751	10,751
Total other comprehensive income for the year	-	-	47,482,183	-	-	10,751	47,492,934
Transfer of excess depreciation	-	-	254,168	-	(254,168)	-	-
Deferred tax on excess depreciation	-	-	(63,542)	-	63,542	-	-
Transfer to/from statutory reserve*	-	-	295,330	(295,330)	-	-	-
Dividend paid	-	-	(15,235,725)	-	-	-	(15,235,725)
At 31 December 2010	54,413,304	18,764,932	165,298,773	56,220	826,045	520,780	239,880,054

* Special non-distributable reserve represents the surplus of loan provision computed as per the Bank of Tanzania regulations paragraph 26 of the Management of Risk Assets Regulations, 2008 issued by the Bank of Tanzania over the impairment of loans and advances as per International Accounting Standard (IAS) No. 39.

** Share premium represents the surplus of market price over the nominal value of the shares issued during the year, comprising the rights issue and Initial Public offering (IPO).

*** Revaluation reserve represents the surplus realized from revaluation of motor vehicles following the change in Group's accounting policy regarding motor vehicles whereby from this year, all motor vehicles will be recorded at revalued amounts.

**** Defined benefit reserve: Represents excess of fair value of long service award fund over the fund's obligations as at year end.

Consolidated and Bank Statement of Cash Flows

For the year ended 31st December 2010

	Notes	GROUP		BANK	
		2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
OPERATING ACTIVITIES					
Cash generated from operations	43(a)	142,499,082	180,283,673	141,651,368	179,275,816
Taxation paid	30	(18,027,931)	(19,202,171)	(17,311,338)	(18,959,171)
Net cash generated from operating activities		124,471,151	161,081,502	124,340,030	160,316,645
INVESTING ACTIVITIES					
Refurbishment costs	23	(6,007,203)	(4,726,579)	(6,007,203)	(4,726,579)
Investment in TMFT		(600,000)	-	(600,000)	-
Purchase of intangible assets	24	(10,009,533)	(3,383,354)	(10,009,533)	(3,041,913)
Purchase of property and equipment	25	(14,670,220)	(14,623,856)	(14,539,099)	(14,200,440)
Acquisition of leasehold land		(2,564,924)	(343,606)	(2,564,924)	(343,606)
Proceeds on disposal of equipment		397,014	8,378	397,014	8,378
Net cash used in investing activities		(33,454,866)	(23,069,017)	(33,323,745)	(22,304,160)
FINANCING ACTIVITIES					
Dividends paid		(14,771,632)	(4,260,360)	(14,771,632)	(4,260,360)
Proceeds from issue of ordinary shares		-	23,711,596	-	23,711,596
Net cash generated from/ (used in) financing activities		(14,771,632)	19,451,236	(14,771,632)	19,451,236
Net increase in cash and cash equivalents		76,244,653	157,463,721	76,244,653	157,463,721
Cash and cash equivalents at 1 January		453,099,016	295,635,295	453,099,016	295,635,295
Cash and cash equivalents at 31 December	43(b)	529,343,669	453,099,016	529,343,669	453,099,016

Notes to the Financial Statements

For the year ended 31st December 2010

1. GENERAL INFORMATION

CRDB Bank Plc (“the Bank”) and its subsidiary (together “the Group”) provide corporate and retail Banking including microfinance services in Tanzania. The Bank is a public limited company incorporated under the Companies Act 2002 and domiciled in the United Republic of Tanzania. The address of its registered office and principal place of business is Office Accommodation Scheme Building, Azikiwe Street, and P.O. Box 268, Dar es Salaam.

The Bank’s shares are listed on the Dar es Salaam Stock Exchange since 2009.

2. STANDARDS AND INTERPRETATIONS AFFECTING THE REPORTED RESULTS OR FINANCIAL POSITION

Adoption of new and revised International Financial Reporting Standards (IFRSs).

a) New standards and amendments to published standards effective for the year ended 31 December 2010

Amendments and revised standards	Effective for annual periods beginning on or after
IFRS 1, First-time adoption of International Financial Reporting Standards – revised and restructured	1 July 2009
IFRS 1, First-time adoption of International Financial Reporting Standards – amendments relating to oil and gas assets and determining whether an arrangement contains a lease	1 January 2010
IFRS 2, Share-based payment – amendments relating to group cash-settled share-based payment transactions	1 January 2010
IFRS 3 (Revised 2008), Business Combinations – comprehensive revision on applying the acquisition method	1 July 2009
IAS 27, Consolidated and Separate Financial Statements; IAS 28, Investments in Associates; and IAS 31, Interests in Joint Ventures – consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 39, Financial Instruments: Recognition and Measurement – amendments for eligible hedged items	1 July 2009
Various improvements resulting from May 2008, April 2009 and May 2010 Annual Improvements to IFRSs	1 July 2009 and 1 January 2010
New interpretations	
IFRIC 17, Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18, Transfers of Assets from Customers	Transfers received on or after 1 July 2009

Notes to the Financial Statements (Continued)

b) **New and amended standards and interpretations in issue but not yet effective in the year ended 31 December 2010.**

New and Amendments to standards	Effective for annual periods beginning on or after
IFRS 1, First-time Adoption of International Financial Reporting Standards – limited exemption from comparative IFRS 7 disclosures for first-time adopters	1 July 2010
IFRS 1, First-time Adoption of International Financial Reporting Standards – replacement of ‘fixed dates’ for certain exceptions with ‘the date of transition to IFRSs’; and additional exemption for entities ceasing to suffer from severe hyperinflation.	1 July 2011
IFRS 7, Financial Instruments: Disclosures – amendments enhancing disclosures about transfers of financial assets	1 January 2011
IFRS 9, Financial Instruments – Classification and Measurement	1 January 2013
IAS 12, Income Taxes – limited scope amendment (recovery of underlying assets)	1 January 2012
IAS 24, Related Party Disclosures – revised definition of related parties	1 January 2011
Various improvements resulting from May 2010 Annual Improvements to IFRSs	1 July 2010 and 1 January 2011
IAS 32, Financial Instruments: Presentation – amendments relating to classification of rights issues	1 February 2010
New interpretation	
IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

c) **Impact of new and amended standards and interpretations on the financial statements for the year ended 31 December 2010 and future annual periods**

IFRS 3, ‘Business combinations’ effective 1 July 2009

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the profit or loss. There is a choice, on an acquisition-by-acquisition basis,

to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. The Group adopted IFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

IAS 27, ‘Consolidated and separate financial statements’ effective 1 July 2009

The revised standard requires the effects of all transactions with non-controlling interests to be

Notes to the Financial Statements (Continued)

recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost; any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group adopted IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. In the future, this guidance will also tend to produce higher volatility in equity and/or earnings in connection with the acquisition of interests by the Group

IFRS 9, Financial Instruments

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is

recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will not have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities.

IAS 24 Related Party Disclosures (as revised in 2009)

This modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to IAS 32 titled Classification of Rights issues

These address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall

Notes to the Financial Statements (Continued)

within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

This provides provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective date for annual periods beginning on or after 1 January 2011). The Group will apply this amendment prospectively. The directors, however, anticipate no material impact to the Group financial statements.

Amendments to IAS 7 Statement of Cash Flows (as part of improvements to IFRS issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statment of cash flows. However there were no any effects of this in the group accounts.

d) Early adoption of standards

The Group did not early-adopt any new or amended standards in 2010.

3. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain non-current assets and financial instruments. The Preparations financial staments in conformity with IFRS requires the use of certain critical accounting estimates. It aslo requires management to exercise its judgement in the process of applying the Bank's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The principal accounting policies adopted are set out below.

Basis of consolidation

a) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiary (CRDB Microfinance Services Company Limited) for the year ended 31 December 2010.

Subsidiaries are those companies in which the Bank either directly or indirectly has an interest of more than 50% of the voting rights or otherwise has power

Notes to the Financial Statements (Continued)

to exercise control over the operations of the entities. Subsidiaries are consolidated from the date on which effective control is transferred to the group. Consolidation ceases from the date of disposal or when the Bank effectively loses control.

Intra-company balances and any unrealised income and expenses arising from intra-company transactions are eliminated in preparing the consolidated financial statements.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss for the period.

Investment in subsidiaries is accounted for at cost in the financial statements of the Bank.

Foreign currency translation

a) Functional and presentation currency

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

The financial statements are presented in Tanzania shillings Tshs'000, which is the Group's functional and presentation currency.

b) Transactions and balances

Foreign currency transactions are translated into

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

Financial instruments

The Group initially recognizes loans and advances, deposits and debt securities issued on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

i. Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition

a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are included in 'net income from financial instruments designated at fair value'.

Notes to the Financial Statements (Continued)

The Group designates certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed. According to IAS 39, the fair value option is only applied when the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis or
- the financial assets consists of debt host and an embedded derivatives that must be separated.

The fair value option is applied to investment funds that are part of a portfolio managed on a fair value basis, and structured instruments that include embedded derivatives. Financial assets for which the fair value option is applied are recognised in the consolidated statement of financial position as 'Financial assets designated at fair value'. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

b) 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 entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investments, other than because of credit deterioration.

c) Held-to-maturity financial assets

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

d) Available-for-sale financial assets

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

Available-for-sale investments 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.

Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed through profit or loss for the year.

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

Notes to the Financial Statements (Continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the profit or loss in the period in as they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized through other comprehensive income is reclassified to profit or loss for the year. However, interest calculated using the effective interest method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the profit or loss for the year. Dividends on available-for-sale equity instruments are recognized in the profit or loss for the year when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset, the Group establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Impairment of financial assets

a) 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 group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the 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:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- 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 12 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 an 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 asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted

Notes to the Financial Statements (Continued)

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 recognized in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the customer's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent

with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

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 loss has been determined.

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

b) Assets classified as available for sale

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 considered in determining whether the assets are impaired. 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 recognized in profit or loss - is removed from equity and reclassified to profit or loss for the year.

Impairment losses recognized in the profit or loss for the year on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be

Notes to the Financial Statements (Continued)

objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit or loss for the year.

c) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated.

ii. Financial liabilities and equity instruments

a) Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

b) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

c) Financial guarantee contracts liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or 'other financial liabilities'.

Other liabilities, borrowing and deposits are initially measured at fair value net of transaction costs and

subsequently measured at amortized cost using the effective interest method, with interest expense recognized on effective yield basis.

The effective interest method is a method of calculating the amortized 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. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points 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.

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 offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Interest income and expense

Interest income and expense for all interest bearing financial instruments are recognized in the profit or loss for the year on accrual basis using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instruments (or, where appropriate, a shorter period) to the carrying amount of the financial instruments. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all

Notes to the Financial Statements (Continued)

fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

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 recognized using the rate of interest that was used to discount the future cash flows for purposes of measuring the allowance for impairment.

Fee and commission income

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognized as revenue when the syndication has been completed and the Group 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 are recognized on completion of the underlying transaction.

Dividend income

Dividends are recognized in the profit or loss for the year when the entity's right to receive payment is established.

Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the consolidated financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other Banks, deposits from Banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements

to resell ('reverse repos') are recorded as loans and advances to other Banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the consolidated financial statements.

Income tax

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

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

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognized 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.

Motor vehicles are stated in the statement of financial position at revalued amounts, being the fair value at

Notes to the Financial Statements (Continued)

the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The valuation was determined with reference to the market value of the motor vehicles.

Any revaluation increase arising on the revaluation of such motor vehicles is recognized in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in the profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such motor vehicles is recognized in the profit or loss to the extent it exceeds the balance, if any, held in revaluation reserve relating to a previous revaluation of that asset.

Assets in the course of construction are carried at cost, less any recognised impairment loss. Such assets are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

All other repairs and maintenance are charged to profit or loss for the year operating expenses during the financial period in which they are incurred. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Bank buildings	20 yrs
Computer equipment	5 yrs
Motor vehicles	4 yrs
Office equipment	5 yrs
Furniture and fittings	5 yrs
Smart card equipment	8 yrs
Mobile branch	4 yrs

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting

period. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 asset's 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 dealt with through profit or loss for the year.

Intangible assets

Acquired computer software and related licenses are stated at cost less accumulated amortization. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Where software is not an integral part of the related hardware it is recognised as an intangible asset.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software is three to five years.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss.

If objective evidence on impairment losses exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. 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.

In determining the recoverable amount, the Group considers the higher of the fair value of the asset less costs to sell, and value in use. In estimating value in use, the Group is cognisant of the estimated future

Notes to the Financial Statements (Continued)

cash flow discounted to the present value using a pre-tax discount rate that is reflective of the current market assessment of time value of money and the risks specific to the asset itself. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, and when there is indication that the asset may be impaired.

Where impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized.

Statutory reserve

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

Retirement benefits obligations

The Group's contributions in respect of retirement benefit costs are charged to the profit or loss in the year to which they relate. The Group makes contributions to National Social Security Fund and Parastatal Pension Fund, statutory defined contribution pension schemes. The Group's obligations under the schemes are limited to specific contributions legislated from time to time and are recognised in other comprehensive income. The Group operates a defined benefit incentive scheme through an entity specifically established to manage the Fund namely CRDB Bank Group Endowment Scheme Trust. The scheme is generally funded through contributions by the Group. Actuarial valuation is

conducted periodically and any gains or losses are recognised in other comprehensive income. This plan entitles all employees leaving the employment of the Group after working with it for at least ten years to certain benefits which are based on pre-determined formulae.

The assets recognised in the consolidated statement of financial position in respect of the defined benefit incentive plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using reasonable interest rates.

The amount recognised in other comprehensive income for the year is as shown on Note 39.

Leasehold land

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

Amortization of refurbishment costs

Leased premises refurbishment represents costs incurred by the Group in refurbishment of leased bank premises. The rate of amortization was changed during the year from three to five years from the year the costs are incurred.

Grants

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

Grants towards improvement of Group's processes are recognized to profit or loss over the periods necessary to match them with the related costs.

Notes to the Financial Statements (Continued)

Cash and cash equivalents

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

Earnings per share

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

Dividends

Dividends are charged to equity in the period in which they are declared. Proposed dividends are not accrued until ratified at the Annual General Meeting. Payment of dividends is subjected to withholding tax at the rate of 5% and are presented in the notes to the financial statements.

Provisions for liabilities and charges

Entitlements to annual leave are recognized when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued at the end of the reporting period end.

Contingent liabilities

Letters of credits, acceptances and guarantees are generally written by the group to support performance of the customer to third parties. The group will only be required to meet these obligations in the event of the customer's default. These

obligations are accounted for as off balance sheet transactions and disclosed as contingent liabilities.

Comparatives

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

4. CRITICAL ACCOUNTING ESTIMATES AND KEY SOURCES OF UNCERTAINTIES

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

Impairment losses on loan and advances

The group reviews its loan portfolios to assess impairment regularly. In determining whether an impairment loss should be recorded in the profit or loss, the group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. 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.

Notes to the Financial Statements (Continued)

Held to maturity investments

The Group follows the guidance of IAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investment to maturity. If the Group 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 amortized cost.

Property, plant and equipment

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

5. FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance. The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. As part of its governance structure, the Board of Directors has embedded a comprehensive risk management framework for

measuring, monitoring, controlling and mitigation of the Group's risks. The policies are integrated in the overall management information systems of the group and supplemented by a management reporting structure.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered, and emerging best practice. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees / stakeholders understand their roles and obligations.

The Board's Credit Committee, Governance and Risk Management Committee, and Audit Committee are responsible for monitoring compliance with the Group's risk management policies and procedures, and review of the adequacy of risk management framework in relation to the risks faced by the group. These committees are assisted in these functions by various management committees which undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

The most important type of risks are:

- Credit risk
- Liquidity risk
- Market risk
 - Interest rate risk
 - Foreign exchange risk

The notes below provide detailed information on each of the above risks and the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the group. It arises principally from lending, trade finance and treasury activities. The amounts presented in the statements of financial position are net of impairment for doubtful debts,

Notes to the Financial Statements (Continued)

estimated by the Group's management based on prior experience and their assessment of the current economic environment.

i. Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee which is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies, covering risk acceptances criteria in target market, collateral requirements, credit appraisal, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval of credit facilities.
- Reviewing and assessing credit risk on all exposures in excess of approval limits of the management prior to facilities being committed to customers.
- Limiting concentrations of exposure to counterparties and industries (for loans and advances).

- Developing and maintaining the group's risk grading system in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of several grades reflecting varying degrees of risk of default and other credit risk mitigation. The responsibility for setting risk grades lies with the Committee and risk grades are subject to regular reviews by the Board.
- Reviewing reports on compliance with agreed exposure limits, including those for selected industries and product types.

Day to day management of the group's credit risk is vested in Director of Credit who reports to the Managing Director.

Regular audits of the credit processes and management are undertaken by Internal Audit

ii. Maximum exposure to credit risk before collateral held

	2010		2009	
	Shs'000	%	Shs'000	%
Credit Exposures				
On – statement of financial position				
Deposits and balances due from banking institutions	295,412,918	14	252,605,127	16
Government securities – held to maturity	426,546,390	20	252,976,601	16
Loans and advances to customers	1,164,863,136	53	982,173,461	62
Items in the course of collection from other banks	22,441,907	1	16,686,645	1
	1,909,264,351	88	1,504,441,834	95
Off-statement of financial position				
Letters of credit	192,729,425	9	104,609,957	4
Guarantees	83,710,473	3	22,567,345	1
	276,439,898	12	127,177,302	5
	2,185,704,249	100	1,631,619,136	100

The above represents the worst case scenario of credit exposure for both years, without taking account of any collateral held or other credit enhancements attached.

Notes to the Financial Statements (Continued)

iii. Classification of loans and advances

	2010	2009
Neither past due nor impaired	974,620,545	861,486,988
Past due but not impaired	57,567,999	60,074,590
Impaired	132,674,592	60,611,883
Gross	1,164,863,136	982,173,461
Less: allowance for impairment	(30,179,000)	(26,846,444)
Interest in suspense	(11,336,178)	(5,821,981)
	1,123,347,958	949,505,036

Apart from the loans and advances to customers, all other credit exposures are neither past due nor impaired.

a) Loans and advances that are neither past due nor impaired

The Group classifies loans and advances under this category for those exposures that are up to date and in line with contractual agreements. Such loans would have demonstrated financial conditions, risk factors and capacity to repay that are acceptable. These exposures will normally be maintained largely within approved product programs and with no signs of impairment or distress. These exposures are categorized as normal accounts in line with the Bank of Tanzania (BOT) regulations.

b) Past due but not impaired

This category includes exposures that are over 30 days (31 - 90 days) past due, where losses have been incurred but have not been identified.

c) Impaired loans and advances

Impaired loans are loans for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement(s). These accounts under BOT guidelines are termed as non-performing loans.

iv. Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. These allowances are a specific loss component that relates to individual exposures and a collective loan loss allowance established for Groups of homogeneous assets in respect of losses that have

been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy

The Group writes off loans and advances net of any related allowances for impairment losses, when the Board's Credit Committee determines that the loans and advances are uncollectible and securities unrealizable. This determination is reached after considering information such as the occurrence of significant changes in the borrower or issuer's financial position such that the borrower or issuer can no longer pay the obligation, or that proceeds from sale of collateral will not be sufficient to pay back the entire exposure and after exhausting all other means including litigation. For smaller balance standardized loans, charge off decisions are generally based on a product specific past due status and the size of balances owed per borrower.

vi. Collateral held

The Group holds collateral against loans and advances to customers in the form of deposit under lien, mortgage interests over property, registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and refreshed after every three years. Security structures and legal covenants are also subjected to regular review to ensure they continue to fulfill their intended purpose.

Collateral generally is not held over deposits and balance due from banks and items in the course of collection from

Notes to the Financial Statements (Continued)

other banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

vii. Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of counter-party to honor its obligations to deliver cash, securities or other assets as contractually agreed. For certain types of transactions the group mitigates this risk by pre-arranging facilities with the customer. Settlement limits form part of the credit approval/limit monitoring process.

viii. Concentrations of risk

The Group monitors concentration of risk by economic sector in line with set limits per sector. An analysis of concentrations within the loan and advances to customers, and off balance sheet items are provided in note 46.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from financial liabilities. Assets and Liabilities Committee (ALCO), a management committee is tasked with the responsibility of ensuring that all foreseeable funding commitments and deposits withdrawals can be met when due, and that the group will not encounter difficulty in meeting obligations from its financial liabilities as they occur. ALCO relies substantially on the group's Treasury Department to coordinate and ensure discipline across the group, certify sufficient liquidity under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

i. Liquidity and funding management

The Group's liquidity and funding policies require the following:

- The Group enters into lending contracts subject to availability of funds.
- Projecting cash flows by major currency and considering the level of liquid assets necessary in relation thereto.

- Monitoring balance sheet liquidity ratios against internal and regulatory requirements,
- Maintaining an array of diverse range of funding sources with back-up facilities,
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory funding mix.
- Investment in short term liquid instruments, which can easily be sold in the market when the need arises.
- Investments in property and equipment are properly budgeted are subjected to prudential limits to minimize the Group's exposure.
- Maintaining liquidity contingency plans. These plans must identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimizing adverse long-term implications.

ii. Source of funding

The Group major source of funding is from customer deposits. To this end, the group maintains a diversified and stable funding base comprising current/demand, savings and time deposits. The group borrows from the interbank market through transactions with other Banks for short term liquidity requirements.

iii. Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of liquid assets to demand liabilities. For this purpose liquid asset considered are cash and interbank deposits, investment in securities maturing within one year, clearing and Statutory Minimum Reserve (SMR) deposits. The Bank of Tanzania (BoT) requires that the Group maintains an SMR ratio of 10% of customers' total deposits and borrowings from the general public in form of 50% of vault cash and SMR account held at BOT on daily basis. The Group's maturing liabilities comprises all deposits, liabilities and off-balance sheet items with maturity period of less than one year. The Group has a limit of loan to total deposit of 70% and liquidity trigger of 20% of top 10 deposits to total deposits and 50% of core deposit to total deposits.

Notes to the Financial Statements (Continued)

The Group's exposure to liquidity risk at the end of the reporting period is summarized in note 48.

Market risk

The objective of market risk management process is to manage and control market risk exposures in order to optimise return on investments while maintaining a market profile as a provider of financial products and services. Market risk is the risk that movement in market factors, including interest rates and foreign currency exchange rates, will reduce income or value of portfolio.

Overall responsibility for management of market risk rests with ALCO. Market Risk Management Policies are in place to guide management of this risk and are subject to review and approval by the Board annually.

Market risk has been subdivided into interest rate risk and foreign exchange risk.

i. Interest rate risk

The Group is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The maturities of asset and liabilities and the ability to replace at an acceptable cost as they mature are important factors in assessing the group's exposure to changes in interest rates.

In addition to maintaining an appropriate mix between fixed and floating rates deposit base, interest rates on advances to customers are either pegged to the Bank's base lending rate or Treasury bill rate. The base rate is adjusted from time to time to reflect the cost of deposits.

Interest rates on customer deposits are negotiated between the bank and the customer with the bank retaining the discretion to adjust the rates in line with changes in market trends. The interest rates, therefore, fluctuate depending on the movement in the market interest rates. The group also invests in treasury bills bonds. The Group's exposure to interest rate risk at end of the reporting period is summarized in note 49.

The Group has set a trigger on earnings at risk to net

interest income at different maturity bands based on assumptions developed from the past deposit trends and monitoring is done on monthly basis by ALCO.

ii. Foreign exchange risk

The Group is exposed to the risk on earnings and capital arising from adverse movement of foreign exchange rates. The Group participates in the foreign currency market as a market maker and a market user. The Board of Directors through Governance and Risk Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions. Treasury department is responsible for management of foreign exchange risk including trading within limits and monitoring the exchange rates. The Group's exposure to foreign currency exchange rate risk at the end of the reporting period is summarized in note 50.

The Group carries out tests to determine exposure to market risk. As at 31 December 2010 stress test on interest rate risk indicated an exposure of Tshs 21.5 billion which is 10% of the Bank's Core Capital while stress test on foreign exchange risk indicated an exposure of Tshs. 3.7 Billion which is 2% of the Bank's core Capital. However at the end of the year 2010, the Group had no exposure to equity investments and therefore no stress test was carried out. Generally, stress test results indicate that shocks will not lead to capital impairment. The Group has embarked on preparation for implementation of appropriate systems for measurement of market risk using more sophisticated models such as Value at Risk.

CAPITAL MANAGEMENT

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

- To comply with the capital requirements as set out under the Banking and Financial Institutions Act, 2006 which is monitored by the Bank of Tanzania, the regulator of the banking sector in Tanzania. The Act requires that:

Notes to the Financial Statements (Continued)

- (a) Every bank shall commence operations with and maintain at all times a minimum of core capital of not less than five billion Tanzania shillings or such higher amount as the Group may prescribe by order published in the Gazette;
- (b) Every bank shall at all times maintain core capital of not less than ten per cent of its total risk-weighted assets and off balance sheet exposure; and
- (c) Every bank shall at all times maintain total capital of not less than twelve per cent of its total risk weighted assets and off balance sheet exposure.

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
- To maintain a strong capital base to support the development of the group's business.

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

The Bank's regulatory capital falls into two tiers:

- (a) Tier 1 capital: Share capital, retained earnings and reserves created by appropriations of retained earnings.
- (b) Tier 2 capital: Qualifying subordinated loan capital

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of assets 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 composition and the ratios of the Bank's regulatory capital and the details of the risk weighted assets for the year ended 31 December 2010 are

summarized in note 42. During the years ended 31 December 2009 and 31 December 2010, the Bank complied with all capital requirements to which they were supposed to.

The increase of the regulatory capital in the year of 2010 is mainly due to the contribution of the current-year profit. The increase in risk weighted assets reflects the expansion of business in general.

6. SEGMENTAL REPORTING

The following segment information has been prepared in accordance with the "management approach" which requires presentation of segments on the basis of the internal reports about components of the entity which are regularly reviewed by the Chief Operating Decision - Maker in order to allocate resources to a segment in order to assess its performance.

Reportable operating

The following business segments represent the group's organization structure as reflected in the internal management reporting system. For management purposes, the Group is divided into the following three segments:

a) Corporate banking

Includes services and products to corporate and high net worth individuals including deposits, letters of credit letters of guarantee, lending and other products and dealing with financial institutions.

b) Retail banking

Includes services and products to individuals including deposits and lending.

c) Treasury

Includes treasury services, investment management services and asset management activities related to dealing managing and custody of securities. This segment also includes all other cost centers and profit centers in the head office in areas of technology services and support, currency exchange.

Notes to the Financial Statements (Continued)

The following table represents income and profit and loss and certain assets and liability information regarding the Bank's reportable segments for the year ended 31 December 2010:

	Corporate banking	Retail banking & MFSC	Treasury	Total
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
External operating income				
Interest income	80,801,903	55,754,955	23,482,064	160,038,922
Interest expenses	(22,672,851)	(12,224,013)	(136,936)	(35,033,800)
Net interest income/(expenses)	3,932,175	18,743,742	(22,675,917)	-
Net interest income	62,061,227	62,274,684	669,211	125,005,122
Fees and commission income	17,913,319	29,148,543	-	47,061,862
Fees and commission expenses	(169,191)	(301,742)	-	(470,933)
Net fees and commission income	17,744,128	28,846,801	-	46,590,929
Net foreign exchange income	8,607,280	7,953,159	5,520,146	22,080,585
Other operating income	174,922	1,885,445		2,060,367
Total operating income	88,587,557	100,960,089	6,189,357	195,737,003
General and administration expenses	(25,395,111)	(36,205,923)	(1,759,601)	(63,360,635)
Staff costs	(18,898,698)	(25,250,535)	(2,031,567)	(46,180,800)
Net loss on fair value hedges	-	-	(201,833)	(201,833)
Impairment losses	(16,366,584)	(3,990,391)		(20,356,975)
Net operating income	27,927,164	35,513,240	2,196,356	65,636,760
Results				
Segment results				
Profit before income tax				65,636,760
Income tax expenses				(17,264,230)
Profit for the year				48,372,530
Assets and Liability				
Segment assets	(746,787,338)	(376,560,620)	(1,071,097,068)	(2,194,445,026)
Unallocated assets	-	-	-	(110,779,594)
Total assets	-	-	-	(2,305,224,620)
Segment liabilities	870,325,417	1,149,494,205	16,829,876	2,036,649,498
Unallocated liabilities				27,653,427
Total liabilities	-	-	-	2,064,302,925

Notes to the Financial Statements (Continued)

The following table represents income and profit and loss and certain assets and liability information regarding the Group's business segments for the year ended 31 December 2009:

	Corporate banking	Retail banking & MFSC	Treasury	Total
	Tshs '000	Tshs '000	Tshs '000	Tshs '000
External operating income				
Interest income	69,466,623	47,746,015	28,431,787	145,644,425
Interest expenses	(23,929,686)	(11,517,272)	(229,530)	(35,676,488)
Net interest income/(expenses)	7,196,034	7,613,143	(14,809,177)	-
Net interest income	52,732,971	43,841,886	13,393,081	109,967,938
Fees and commission income	15,383,454	24,141,430	-	39,524,884
Fees and commission expenses	(174,651)	(239,351)	-	(414,002)
Net fees and commission income	15,208,803	23,902,079	13,393,081	39,110,882
Net foreign exchange income	8,854,953	2,577,938	3,810,964	15,243,855
Other operating income	444,204	669,057	-	1,113,262
Total Operating income	77,240,931	70,990,960	17,204,045	165,435,936
General and administration expenses	(21,809,941)	(21,829,850)	(1,644,541)	(45,284,332)
Staff costs	(19,330,062)	(19,420,027)	(1,659,326)	(40,409,415)
Impairment losses	(14,375,592)	(3,445,062)	-	(17,820,654)
Net operating income	21,725,335	26,296,021	13,900,178	61,921,535
Results				
Segment results				
Profit before income tax				61,921,535
Income tax expenses				(16,096,899)
Profit for the year				45,824,636
Assets and Liability				
Segment assets	(641,713,096)	(307,791,939)	(821,939,632)	(1,771,494,667)
Unallocated assets	-	-	-	(83,372,338)
Total assets	-	-	-	(1,854,867,005)
Segment liabilities	503,843,214	502,218,022	-	1,625,191,116
Unallocated liabilities	-	-	-	21,901,750
Total liabilities	-	-	-	1,647,092,866

Notes to the Financial Statements (Continued)

7. INTEREST INCOME

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Term loans – loans and receivables	94,786,391	78,967,688	91,432,462	76,641,966
Overdrafts – loans and receivables	41,684,957	38,165,620	41,684,957	38,165,620
Nostro accounts	85,510	79,330	85,510	79,330
Placements – held to maturity	1,983,829	3,148,265	1,983,829	3,148,265
Treasury bills – held to maturity	12,903,154	18,360,246	12,903,154	18,360,246
Corporate bonds – held to maturity	222,353	103,508	222,353	103,508
Treasury bonds - held to maturity	5,310,457	3,749,078	5,310,457	3,749,078
Government bonds – held to maturity	3,062,270	3,070,690	3,062,270	3,070,690
	160,038,922	145,644,425	156,684,993	143,318,703

8. INTEREST EXPENSE

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Demand deposits	1,194,847	1,337,528	1,671,530	1,586,532
Saving deposits	6,677,004	5,682,607	6,677,004	5,682,607
Fixed deposits	27,025,013	28,426,823	27,025,013	28,426,823
Loans and other facilities	136,936	229,530	136,936	229,530
	35,033,800	35,676,488	35,510,483	35,925,492

9. FEES AND COMMISSION INCOME

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Commission income	8,574,677	7,228,770	8,468,666	7,228,770
Fees and other charges	38,487,185	32,296,114	37,774,405	31,837,074
	47,061,862	39,524,884	46,243,070	39,065,844

Notes to the Financial Statements (Continued)

10. NET FOREIGN EXCHANGE INCOME

Net foreign exchange income includes gains on foreign currency dealings arising from trading in foreign currency transactions and translated foreign currency.

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Exchange gain – trading	20,522,988	16,099,110	20,522,988	16,099,110
Exchange loss – revaluation	1,557,598	(855,255)	1,557,598	(855,255)
	22,080,586	15,243,855	22,080,586	15,243,855

11. OTHER OPERATING INCOME

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Rental income	112,198	122,476	112,198	122,476
FDCF grant income (note 32)	-	60,294	-	60,294
RFSP grant income (note 34)	57,750	57,750	-	-
FSDT grant income (note 33)	1,504,868	867,063	-	-
CRDB grant (note 35)	10,865	5,432	-	-
Gain on disposal of property and equipment	374,686	247	374,686	247
	2,060,367	1,113,262	486,884	183,017

12. GENERAL AND ADMINISTRATIVE EXPENSES

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Directors' fees	248,729	236,183	231,120	219,412
Auditors' remuneration	280,372	257,489	243,187	236,097
Depreciation of tangible assets and amortization of intangible assets	10,185,255	6,506,074	9,770,964	6,235,234
Amortization of refurbishment costs	2,418,937	1,340,313	2,418,937	1,340,313
Other expenses	50,227,342	36,591,180	49,209,545	35,427,444
	63,360,635	44,931,239	61,873,753	43,458,500

Notes to the Financial Statements (Continued)

13. STAFF COSTS

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Salaries and allowances	27,085,181	23,790,210	25,842,032	22,820,432
Staff training	3,550,003	2,814,490	1,885,275	1,862,198
Social security contributions	3,635,141	3,192,598	3,454,606	3,053,759
Provision for post – employment benefits	1,342,562	1,354,583	1,261,405	1,273,426
Leave allowance	1,739,201	1,608,525	1,656,718	1,543,401
Medical expenses	1,412,999	1,162,005	1,362,886	1,119,460
Others	7,415,713	6,487,004	7,226,938	6,296,048
	46,180,800	40,409,415	42,689,860	37,968,724

14. INCOME TAX EXPENSE

(a) Tax charge

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Income tax based on taxable profit for the year at 25% (subsidiary 30%)	17,001,529	14,587,070	16,532,301	14,434,621
Deferred taxation charge	262,701	1,092,295	377,211	1,000,520
Deferred tax charge relating to revaluation surplus	-	304,363	-	265,418
Tax paid relating to prior years	-	113,171	-	113,171
	17,264,230	16,096,899	16,909,512	15,813,730

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

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Profit before income tax	65,636,760	61,921,535	64,391,695	61,870,954
Tax calculated at the applicable rate (Group 25%), (subsidiary 30%)	16,471,444	15,480,384	16,097,924	15,467,739
Tax effect of expenses not deductible for tax	303,245	616,515	300,208	345,991
Depreciation on non-qualifying assets	231,694	-	233,920	-
Prior year under provision - deferred tax	257,847	-	277,460	-
Tax expense	17,264,230	16,096,899	16,909,512	15,813,730

Notes to the Financial Statements (Continued)

15. CASH AND BALANCES WITH BANK OF TANZANIA

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Cash in hand	93,010,252	70,330,250	93,010,252	70,330,250
Balances with Bank of Tanzania:				
- Statutory Minimum Reserve	214,500,000	183,600,000	214,500,000	183,600,000
- Other balances	41,027,508	59,714,837	41,027,508	59,714,837
	348,537,760	313,645,087	348,537,760	313,645,087

The Bank is required to maintain minimum cash reserves of 10% of deposits with Bank of Tanzania (Statutory Minimum Reserve). Statutory Minimum Reserve is not available to finance the Bank's day to day operations and hence is excluded from cash and cash equivalent for the purposes of the statement of cash flows (note 43).

16. PLACEMENTS AND BALANCES WITH OTHER BANKS

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Placement denominated in foreign currencies				
Maturing:				
Within 1 month	94,916,592	113,249,244	94,916,592	113,249,244
Within 1 to 3 months	59,970,121	13,921,785	59,970,121	13,921,785
Within 6 to 9 months	3,015,333	20,070,000	3,015,333	20,070,000
Within 9 to 12 months	3,769,167	14,015,247	3,769,167	14,015,247
	161,671,213	161,256,276	161,671,213	161,256,276
Placement denominated in local currency				
Maturing:				
Within 1 month	62,000,000	15,000,000	62,000,000	15,000,000
Within 1 to 3 months	11,000,000		11,000,000	
Within 3 to 6 month	2,000,000		2,000,000	
Within 6 to 9 months	3,000,000		3,000,000	
	78,000,000	15,000,000	78,000,000	15,000,000
Balances with foreign Banks	55,464,137	75,881,438	55,464,137	75,881,438
Interest receivable	277,567	467,413	277,567	467,413
	295,412,918	252,605,127	295,412,918	252,605,127

Placements and balances with other banks totaling Tshs 283,350,850,000 (2009 – Tshs 218,052,467,000) mature within three months and form part of cash and cash equivalents for the purpose of statement of cash flows (Note 42 b).

Notes to the Financial Statements (Continued)

17. LOANS AND ADVANCES TO CUSTOMERS

a) Loans and advances

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Loans and advances to customers	1,102,855,863	940,085,997	1,102,855,863	940,085,997
Loans and advances to staff	30,893,386	26,677,317	30,893,386	26,677,317
Interest receivable	31,113,887	15,410,147	31,113,887	15,410,147
	1,164,863,136	982,173,461	1,164,863,136	982,173,461
Interest in suspense	(11,336,178)	(5,821,981)	(11,336,178)	(5,821,981)
Provision for impairment of loans and advances	(30,179,000)	(26,846,444)	(30,179,000)	(26,846,444)
	(41,515,178)	(32,668,425)	(41,515,178)	(32,668,425)
Net loans and advances	1,123,347,958	949,505,036	1,123,347,958	949,505,036

The effective interest rate on loans and advances to customers was 14.4% (2009: 14.6%)

b) Analysis of advances to customers by maturity

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Maturing:				
Within one year	615,348,234	577,758,888	615,348,234	577,758,888
Between one year and three years	198,670,999	267,012,730	198,670,999	267,012,730
Over three years	350,843,903	137,401,843	350,843,903	137,401,843
	1,164,863,136	982,173,461	1,164,863,136	982,173,461

c) Movement in provision for loan impairment

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
At the beginning of the year	26,846,444	9,559,436	26,846,444	9,559,436
Net increase during the year (Note 17 (d))	3,332,556	17,287,008	3,332,556	17,287,008
At the end of the year	30,179,000	26,846,444	30,179,000	26,846,444

d) Loan Impairment charge

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Increase in provision for loans impairment [note 17(c)]	3,332,556	17,287,008	3,332,556	17,287,008
Bad debts charged off	17,541,224	1,798,788	17,541,224	1,798,788
Recoveries of charged off loans and advances	(516,805)	(912,049)	(516,805)	(912,049)
	20,356,975	18,173,747	20,356,975	18,173,747

Notes to the Financial Statements (Continued)

18. GOVERNMENT SECURITIES

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Treasury bills – held to maturity				
Maturing within 30 days*	76,256,612	46,689,968	76,256,612	46,689,968
Maturing after 30 days but within 90 days*	52,528,323	62,087,409	52,528,323	62,087,409
Maturing after 90 days but within 180 days	59,796,652	23,867,900	59,796,652	23,867,900
Maturing after 180 days but within 364 days	91,772,468	51,756,915	91,772,468	51,756,915
	280,354,055	184,402,192	280,354,055	184,402,192
Interest receivable		9,442,595		9,442,595
	280,354,055	193,844,787	280,354,055	193,844,787
Treasury bonds – held to maturity				
Maturing within 2 years	10,344,323	17,142,528	10,344,323	17,142,528
Maturing after 2 years but within 5 years	61,352,636	10,788,647	61,352,636	10,788,647
Maturing after 5 years but within 10 years	43,525,781	3,263,440	43,525,781	3,263,440
	115,222,740	31,194,615	115,222,740	31,194,615
Interest receivable	3,048,822	16,427	3,048,822	16,427
	118,271,563	31,211,042	118,271,563	31,211,042
Government bonds – held to maturity				
Maturing within 3 years	9,465,300	5,454,400	9,465,300	5,454,400
Maturing after 3 years but within 4 years	6,650,000	4,010,900	6,650,000	4,010,900
Maturing after 4 years but within 5 years	5,033,500	11,803,498	5,033,500	11,803,498
Maturing after 5 years but within 7 years	6,771,972	6,651,974	6,771,972	6,651,974
	27,920,772	27,920,772	27,920,772	27,920,772
	426,546,390	252,976,601	426,546,390	252,976,601

Treasury bills of Tshs. 128,784,935,000 (2009:– Tsh 108,777,376,000) mature within three months and form part of cash and cash equivalent for the purpose of statement of cash flows (note 43b).

The weighted average effective interest rates on: treasury bills were -5.65 % (2009 - 7%), treasury bonds -9.94 % (2009- 7.98%) and Government bonds - 11% (2009: – 11.0%).

19. OTHER SECURITIES

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
East African Development Group bonds				
Maturing after 5 years	600,000	610,734	600,000	610,734
Preferential Trade Area bonds				
Maturing after 3 years	-	895,010	-	895,010
Interest receivable	-	111,139	-	111,139
	600,000	1,616,883	600,000	1,616,883

These bonds are classified as held to maturity financial instruments and are stated at amortized cost. The weighted average effective interest rate on other securities was 8.26% (2009:– 10.55%).

Notes to the Financial Statements (Continued)

20. INVESTMENT IN SUBSIDIARY COMPANIES

	2010 Tshs '000	2009 Tshs '000
Investment in CRDB Microfinance Service Company Limited	728,136	728,136

The Bank owns 100% of the issued and paid up ordinary share capital of CRDB Microfinance Services Limited, a company incorporated in Tanzania under the Tanzanian Companies Act, 2002. The principal activities of the company are to manage microfinance portfolio of the CRDB Group Plc.

21. INVESTMENT IN TMRC

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Investment in Tanzania Mortgage Refinance Company	600,000	-	600,000	-

The Bank invested in Tanzania Mortgage Refinance Company (TMRC) which is a joint initiative of the Government and the banking industry led by the Bank of Tanzania to assist banks in bridging the liquidity gap caused by lending long term to housing projects using short term deposits. The Banks' shareholding in TMRC is 19.67% the directors believe the share holding will be reduced in the year with more share holders expected to invest in the company. The results of the company have not been incorporated in these financial statements on this basis.

22. OTHER ASSETS

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Cheques and items for clearance	22,441,907	16,686,645	22,441,907	16,686,645
Prepayments	3,245,871	2,478,823	3,245,871	2,478,823
Advance payment for capital items and software	3,682,959	8,669,358	3,682,959	8,669,358
Sundry receivables	4,470,598	2,954,591	4,427,722	2,644,276
Bills receivable	349,732	249,056	349,732	249,056
Prepaid card stock	2,000,034	1,358,937	2,000,034	1,358,937
Less: impairment losses on other assets	(558,259)	(972,396)	(558,259)	(972,396)
	35,632,842	31,425,014	35,589,967	31,114,699

23. REFURBISHMENT COSTS

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Balance at 1 January	6,723,176	3,336,910	6,723,176	3,336,910
Additions during the year	6,007,203	4,726,579	6,007,203	4,726,579
	12,730,379	8,063,489	12,730,379	8,063,489
Less: amortization during the year	(2,418,937)	(1,340,313)	(2,418,937)	(1,340,313)
Net book value 31 December	10,311,442	6,723,176	10,311,442	6,723,176

Notes to the Financial Statements (Continued)

24. INTANGIBLE ASSETS

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Cost				
At 1 January	6,323,863	2,940,509	5,982,422	2,940,509
Additions	10,009,533	3,383,354	10,009,533	3,041,913
At 31 December	16,333,396	6,323,863	15,991,955	5,982,422
Amortization				
At 1 January	2,389,401	1,756,857	2,349,566	1,756,857
Charge for the year	1,823,071	632,544	1,754,580	592,709
At 31 December	4,212,472	2,389,401	4,104,146	2,349,566
Net book value				
At 31 December	12,120,924	3,934,462	11,887,808	3,632,856

The intangible assets relate to computer software

Notes to the Financial Statements (Continued)

25. PROPERTY AND EQUIPMENT

GROUP	Buildings Tshs '000	Motor vehicles Tshs '000	Office equipment Tshs '000	Computer equipment Tshs '000	Smart card equipment Tshs '000	Security equipment Tshs '000	Mobile Branch Tshs '000	Work in progress Tshs '000	Total Tshs '000
Cost									
At 1 January 2009	8,003,774	3,310,664	11,714,252	4,619,486	6,840,572	1,433,305	686,280	1,982,421	38,290,754
Additions	1,463,328	1,610,624	4,067,639	1,764,012	1,199,252	343,044	1,177,162	2,998,795	14,623,856
Revaluation adjustment	-	(430,489)	-	-	-	-	-	-	(430,489)
Disposals	-	-	(34,218)	-	-	-	-	-	(34,218)
At 31 December 2009	9,467,102	4,490,799	15,747,673	6,383,498	8,039,824	1,476,349	1,863,442	4,981,216	52,449,903
At 1 January 2010	9,467,102	4,490,799	15,747,673	6,383,498	8,039,824	1,476,349	1,863,442	4,981,216	52,449,903
Additions	2,141,694	1,087,156	4,217,380	3,005,428	2,000,967	306,467	486,743	1,424,385	14,670,220
Transfer	5,302,414	-	-	-	-	-	-	(5,302,414)	-
Disposals	-	-	(154,653)	(155,537)	-	-	-	-	(310,190)
At 31 December 2010	16,911,210	5,577,955	19,810,400	9,233,389	10,040,791	1,782,816	2,350,185	1,103,187	66,809,933
Depreciation									
At 1 January 2009	1,508,892	1,282,355	4,880,579	2,032,208	1,996,028	382,152	86,490	-	12,168,704
Charge for the year	446,586	753,235	2,302,961	1,077,797	822,727	262,968	196,565	-	5,862,839
Revaluation adjustment	-	(1,576,978)	-	-	-	-	-	-	(1,576,978)
Eliminated on disposal	-	-	(29,399)	-	-	-	-	-	(29,399)
At 31 December 2009	1,955,478	458,612	7,154,141	3,110,005	2,818,755	645,120	283,055	-	16,425,166
At 1 January 2010	1,955,478	458,612	7,154,141	3,110,005	2,818,755	645,120	283,055	-	16,425,166
Charge for the year	692,785	1,490,200	2,997,554	1,385,878	959,070	286,316	537,205	-	8,349,008
Eliminated on disposal	-	-	(136,495)	(151,368)	-	-	-	-	(287,863)
At 31 December 2010	2,648,263	1,948,812	10,015,200	4,344,515	3,777,825	931,436	820,260	-	24,486,311
Net book value									
At cost	14,262,947	2,218,809	9,795,200	4,888,874	6,262,966	851,380	1,529,925	1,103,187	40,913,288
At Valuation	-	1,410,334	-	-	-	-	-	-	1,410,334
At 31 December 2010	14,262,947	3,629,143	9,795,200	4,888,874	6,262,966	851,380	1,529,925	1,103,187	42,323,622
At 31 December 2009	7,511,624	4,032,187	8,593,532	3,273,493	5,221,069	831,229	1,580,387	4,981,216	36,024,737

Notes to the Financial Statements (Continued)

25. PROPERTY AND EQUIPMENT (Continued)

	Buildings Tshs '000	Motor vehicles Tshs '000	Office equipment Tshs '000	Computer equipment Tshs '000	Smart card equipment Tshs '000	Security equipment Tshs '000	Mobile Branch Tshs '000	Work in progress Tshs '000	Total Tshs '000
BANK									
Cost									
At 1 January 2009	8,003,774	2,519,119	11,570,032	4,618,234	6,840,572	1,133,395	686,280	1,982,421	37,353,737
Additions	1,463,328	1,279,739	3,975,108	1,764,012	1,199,252	343,044	1,177,162	2,998,795	14,200,440
Revaluation adjustment	-	(457,031)	-	-	-	-	-	-	(457,031)
Disposals	-	-	(34,218)	-	-	-	-	-	(34,218)
At 31 December 2009	9,467,102	3,341,827	15,510,922	6,382,246	8,039,824	1,476,349	1,863,442	4,981,216	51,062,928
At 1 January 2010	9,467,102	3,341,827	15,510,922	6,382,246	8,039,824	1,476,349	1,863,442	4,981,216	51,062,928
Additions/(transfers)	2,141,694	974,259	4,199,156	3,005,428	2,000,967	306,467	486,743	1,424,385	14,539,099
Transfers	5,302,414	-	-	-	-	-	-	(5,302,414)	-
Disposals	-	-	(154,653)	(155,537)	-	-	-	-	(310,190)
At 31 December 2010	16,911,210	4,316,086	19,555,425	9,232,137	10,040,791	1,782,816	2,350,185	1,103,187	65,291,837
Depreciation									
At 1 January 2009	1,508,892	969,465	4,811,872	2,031,645	1,996,028	382,152	86,490	-	11,786,544
Charge for the year	446,586	561,023	2,264,167	1,077,197	822,727	262,968	196,565	-	5,631,834
Revaluation adjustment	-	(1,473,702)	-	-	-	-	-	-	(1,473,702)
Eliminated on disposal	-	-	(29,399)	-	-	-	-	-	(29,399)
At 31 December 2009	1,955,478	56,786	7,046,640	3,109,442	2,818,755	645,120	283,055	-	15,915,277
At 1 January 2010	1,955,478	56,786	7,046,640	3,109,442	2,818,755	645,120	283,055	-	15,915,277
Charge for the year	692,785	1,187,682	2,954,271	1,385,878	959,070	286,316	537,205	-	8,003,207
Eliminated on disposal	-	-	(136,495)	(151,368)	-	-	-	-	(287,863)
At 31 December 2010	2,648,263	1,244,468	9,864,416	4,343,952	3,777,825	931,436	820,260	1,103,187	23,630,621
Net book value									
At cost	14,262,947	1,846,414	9,691,009	4,888,185	6,262,966	851,380	1,529,925	-	40,436,013
At Valuation	-	1,225,204	-	-	-	-	-	-	1,225,204
At 31 December 2010	14,262,947	3,071,618	9,691,009	4,888,185	6,262,966	851,380	1,529,925	1,103,187	41,661,217
At 31 December 2009	7,511,624	3,285,041	8,464,282	3,272,804	5,221,069	831,229	1,580,387	4,981,216	35,147,652

Work in progress represents bank's buildings under construction.

An independent valuation of the company's motor vehicles was performed in December 2009 by messers Toyota Tanzania Limited and DT Dobie to determine their fair value. The effective date of the valuation was 31 December 2009.

Notes to the Financial Statements (Continued)

26. PREPAID OPERATING LEASES

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Leasehold land				
Cost				
At 1 January	758,465	414,859	758,465	414,859
Additions during the year	2,564,924	343,606	2,564,924	343,606
At 31 December	3,323,389	758,465	3,323,389	758,465
Amortization				
At 1 January	24,118	13,426	24,118	13,426
Charge for the year	13,176	10,692	13,176	10,692
At 31 December	37,294	24,118	37,294	24,118
Net book value	3,286,094	734,347	3,286,094	734,347

27. DEPOSITS FROM CUSTOMERS

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Current and demand accounts	865,139,241	657,185,991	865,682,254	657,618,955
Savings accounts	619,033,943	463,143,240	619,033,943	463,143,240
Term deposits	524,898,237	489,301,542	524,898,237	489,301,542
Interest payable on deposits	10,322,249	11,388,109	10,322,249	11,388,109
	2,019,393,670	1,621,018,882	2,019,936,684	1,621,451,846
Analysis of customer deposits by maturity:				
Payable within 90 days	1,768,782,610	1,429,773,397	1,769,325,624	1,430,206,361
Payable after 90 days and within one year	249,994,060	190,403,179	249,994,060	190,403,179
Payable after one year	617,000	842,306	617,000	842,306
	2,019,393,670	1,621,018,882	2,019,936,684	1,621,451,846

The weighted average effective interest rates on deposits at 31 December 2010 was: Savings – 3.5% and time deposits – 8.10% (2009 rates was 1.4% and 6.5% respectively)

28. DEPOSITS FROM AND LOANS DUE TO OTHER BANKS

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Deposits	16,829,876	3,775,915	16,829,876	3,775,915
	16,829,876	3,775,915	16,829,876	3,775,915

The maturity analysis for deposits due to other banks at the end of the reporting period is summarized in note 4.8.

Notes to the Financial Statements (Continued)

29. OTHER LIABILITIES

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Bills payable *	9,476,727	4,364,205	9,476,727	4,364,205
Sundry payables	11,166,567	12,249,156	11,475,704	11,544,977
Dividend payable **	1,165,507	701,416	1,165,507	701,416
Accrued expenses	3,419,114	2,461,735	3,386,178	2,443,454
Other liabilities	250,000	205,238	250,000	205,238
	25,477,915	19,981,750	25,754,116	19,259,290

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

** Dividend payable represents uncollected dividends by the Group's shareholders.

30. CURRENT INCOME TAX RECOVERABLE

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Balance at 1 January	4,957,486	455,556	4,763,771	352,392
Payments during the year	18,027,931	19,089,000	17,311,338	18,846,000
Charge to statement of comprehensive income	(17,001,527)	(14,587,070)	(16,532,301)	(14,434,621)
Balance at 31 December	5,983,890	4,957,486	5,542,808	4,763,771

31. SUBORDINATED DEBT

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Balance at 1 January	1,920,000	1,920,000	1,920,000	1,920,000
Accrued interest during the year	96,000	96,000	96,000	96,000
Interest paid during the year	(96,000)	(96,000)	(96,000)	(96,000)
Balance at 31 December	1,920,000	1,920,000	1,920,000	1,920,000

The subordinated debt from DANIDA Investment Fund (DIF) of Tshs 1,920,000,000 is repayable in 8 years from 30 December 2005. Interest is payable yearly at a rate of 5% p.a.

32. FINANCIAL DEEPENING CHALLENGE FUND (FDCF) GRANT

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
At 1 January	-	60,294	-	60,294
Credited to profit or loss for the year	-	(60,294)	-	(60,294)
At 31 December	-	-	-	-

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

Notes to the Financial Statements (Continued)

33. FINANCIAL SECTOR DEEPENING TRUST (FSDT) GRANT

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
At 1 January	300,543	334,228	-	-
Grant received during the year	1,603,114	833,378	-	-
Credited to profit or loss for the year	(1,504,868)	(867,063)	-	-
At 31 December	398,789	300,543	-	-

In the 2008, the Group secured a three years grant of USD 3.8 million from the Financial Sector Deepening Trust of Tanzania (FSDT) for strengthening its microfinance partners and expands outreach. A total of USD 1,121,916 was received during the year (2009 - USD 654,708).

34. RURAL FINANCIAL SERVICES PROGRAM (RFSP) ASSET GRANT

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
At 1 January	57,750	115,500	-	-
Grant transferred from CRDB Plc	-	-	-	-
Credited to profit or loss for the year	(57,750)	(57,750)	-	-
At 31 December	-	57,750	-	-

This asset grant relates to four motor vehicles purchased through a grant received under the Rural Financial Services Programme (RFSP) under the Prime Minister's Office-United Republic of Tanzania for support of Microfinance Institutions. In the year 2008, this grant was transferred to the CRDB Microfinance Services Limited from CRDB Bank Plc.

35. PARENT COMPANY GRANT

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
At 1 January	-	-	-	-
Grant transferred from CRDB Plc	38,026	43,458	-	-
Credited to profit or loss for the year	(10,865)	(5,432)	-	-
At 31 December	27,161	38,026	-	-

The grant relates to taxes on purchase of the motor vehicle for the General Manager of the bank's subsidiary, paid by the bank on behalf of the subsidiary.

Notes to the Financial Statements (Continued)

36. DEFERRED TAX (LIABILITY)/ASSET

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted rate of 25%. The deferred income liability/asset is attributable to the following items:

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Accelerated capital allowances	(819,128)	(288,244)	(727,182)	(133,024)
Other movements	765,447	497,264	676,467	459,520
	(53,681)	209,020	(50,715)	326,496
Movement in deferred tax (liability)/asset is as follows:				
Balance at 1 January	209,020	1,603,860	326,496	1,592,434
Charge for the year	(262,701)	(1,394,840)	(377,211)	(1,265,938)
Balance at 31 December	(53,681)	209,020	(50,715)	326,496

37. SHARE CAPITAL

	2010 Tshs '000	2009 Tshs '000
Authorized		
4,000,000,000 ordinary shares of Tshs 25 each	100,000,000	100,000,000
Issued and fully paid		
2,176,532,160 ordinary shares of Tshs 25 each	54,413,304	54,413,304
The movement in share capital and the number of shares was as follows:		
Share capital		
As at 1 January	54,413,304	24,733,320
Issue of bonus	-	24,733,320
Rights issue	-	4,946,664
As at 31 December	54,413,304	54,413,304
Number of shares		
As at 1 January	2,176,532,160	247,333,200
Issue of bonus	-	247,333,200
Share split	-	1,483,999,200
Rights issue	-	197,866,560
As at 31 December	2,176,532,160	2,176,532,160

38. BASIC EARNINGS PER SHARE

	2010 Tshs '000	2009 Tshs '000
Profit for the year	48,372,530	45,824,636
Weighted average number of shares ('000)	2,176,532	2,103,953
Basic earnings per share	22.22	21.78
Diluted earnings per share	22.22	21.78

Notes to the Financial Statements (Continued)

39. DEFINED BENEFIT ASSET

	2010 Tshs '000	2009 Tshs '000
Actuarial valuation	(2,889,468)	(2,889,468)
Amount paid during the year	366,174	1,015,738
Benefit liabilities	(2,523,294)	(1,873,729)
Available funds	3,044,074	2,383,758
Defined benefit asset	520,780	510,029
Opening balance 1 Jan 2010	510,029	-
Defined benefit gain	10,751	510,029
Closing balance 31 Dec 2010	520,780	510,029

The most recent Actuarial Valuation was undertaken as at 31 December 2008 by the bank's Actuaries Messrs African Life Assurance and revealed an actuarial valuation of Tshs 2.889 billion.

40. DERIVATIVES

The amount represents the fair value of forward foreign exchange contracts. These derivative assets/liabilities are measured at fair value with gains or losses recognised in profit or loss during the year.

41. ASSETS CLASSIFIED AS HELD FOR SALE

GROUP & BANK	Motor vehicles Tshs '000	Office/ computer equipment Tshs '000
Cost		
At 1 January 2009	807,644	4,595,950
Addition during the year	-	-
Disposal during the year	(26,858)	(4,592,639)
At 31 December 2009	780,786	3,311
At 1 January 2010	780,786	3,311
Addition during the year	-	-
Disposal during the year	(636,411)	-
At 31 December 2010	144,375	3,311
Depreciation		
At 1 January 2009	807,644	4,595,950
Addition during the year	-	-
Remove on disposal during the year	(26,858)	(4,592,639)
At 31 December 2009	780,786	3,311
At 1 January 2010	780,786	3,311
Addition during the year	-	-
Removed on disposal during the year	(636,411)	-
At 31 December 2010	144,375	3,311
Net book value 31 Dec 2010	-	-
Net book value 31 Dec 2009	-	-

Notes to the Financial Statements (Continued)

42. REGULATORY CAPITAL - GROUP

The Bank complied with minimum capital requirement as required by sections 16 and 17 of the Banking and Financial Institution Act, 2006 and the Bank of Tanzania Capital Adequacy Regulations 2008. The Bank's capital is computed in accordance with these regulations, as follows:

	2010 Tshs '000	2009 Tshs '000
BANK		
Share capital	54,413,304	54,413,304
Share premium	18,764,932	18,764,932
Revenue reserve	166,264,145	132,587,836
	239,442,381	205,766,072
Less: prepaid expenses	(3,245,871)	(2,478,823)
intangible assets	(12,120,924)	(3,632,855)
Core capital (Tier 1)	224,075,586	199,654,394
Add: Supplementary capital (Tier 2):		
subordinated debt*	1,152,000	1,536,000
	225,227,586	201,190,394

The risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of asset and reflecting an estimate of the credit risk associated with each assets and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

*Subordinated debt has been discounted by 20% after 5 years

	2010 Tshs '000	2009 Tshs '000
Tier 1 Capital & Tier 2 Capital	225,227,586	201,190,394
On-balance sheet	1,120,867,647	899,573,909
Off-balance sheet	129,386,347	54,461,427
Total risk-weighted assets	1,250,253,994	954,035,336
Basel ratios		
Tier 1 (BoT minimum – 10%)	18%	21%
Tier 1 + Tier 2 (BoT minimum – 12%)	18%	21%

Notes to the Financial Statements (Continued)

43. CASH GENERATED FROM OPERATING ACTIVITIES

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

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Profit before income tax	65,636,760	61,921,535	64,391,695	61,870,954
Adjustment for non-cash items				
Depreciation of property and equipment	8,349,008	5,862,839	8,003,207	5,631,833
Amortization of intangible assets	1,823,071	632,544	1,754,580	592,709
Amortization of prepaid operating leases	13,176	10,692	13,176	10,692
Amortization of refurbishment costs	2,418,937	1,340,313	2,418,937	1,340,313
Gain on disposal of property and equipment	(374,689)	(247)	(374,689)	(247)
Net loss on fair value hedges	201,833	-	201,833	-
	78,068,096	69,767,676	76,408,739	69,446,254
Movement in working capital items:				
Increase in statutory minimum reserve	(30,900,000)	(76,100,000)	(30,900,000)	(76,100,000)
Increase in deposits from and balances due to other banks	22,490,593	(24,293,304)	22,490,593	(24,293,304)
Increase in Treasury Bills	(66,501,710)	(36,936,279)	(66,501,710)	(36,936,279)
Decrease/ (Increase) in Treasury Bonds, Government Bond & Other Securities	(86,043,638)	8,894,734	(86,043,638)	8,894,734
Increase in loans and advances to customers	(173,842,922)	(112,701,815)	(173,842,922)	(112,701,815)
Decrease in other assets	(4,207,829)	13,944,788	(4,475,268)	13,713,623
Increase in deposits from customers	398,374,789	347,937,287	398,484,838	347,850,490
(Decrease)/ increase in other liabilities	5,032,072	(10,115,710)	6,030,736	(10,537,593)
Decrease in FDCF grant		(60,294)	-	(60,294)
Increase in FSDT grant	87,381	4,340	-	-
Decrease in RFSP grant	(57,750)	(57,750)	-	-
Decrease in subordinated loan		-		-
Net cash generated from operating activities	142,499,082	180,283,673	141,651,368	179,275,816

b) Analysis of cash and cash equivalents

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Cash in hand	93,010,252	70,330,250	93,010,252	70,330,250
Balances with Bank of Tanzania	41,027,508	59,714,837	41,027,508	59,714,837
Balance with other banks	283,350,850	218,052,467	283,350,850	218,052,467
Treasury bills	128,784,935	108,777,376	128,784,935	108,777,376
Deposits due to other banks	(16,829,876)	(3,775,915)	(16,829,876)	(3,775,915)
	529,343,669	453,099,016	529,343,669	453,099,016

Notes to the Financial Statements (Continued)

44. CONTINGENT LIABILITIES

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Guarantees and indemnities	83,710,473	22,567,345	83,710,473	22,567,345
Letters of credit	192,729,426	104,609,957	192,729,426	104,609,957
Travelers cheques		19,575		19,575
Outward foreign bills for collection	579,853	568,156	579,853	568,156
	277,019,752	127,765,033	277,019,752	127,765,033

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

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

Litigation

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

45. COMMITMENTS

	GROUP		BANK	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Commitments to extend credit	32,000,000	60,500,000	32,000,000	60,500,000
Capital commitments				
Authorized and contracted for	7,593,165	3,511,797	7,593,165	3,511,797
Authorized not yet contracted for	3,214,165	500,823	3,214,165	500,823
	10,807,330	4,012,620	10,807,330	4,012,620

Capital commitments authorized and contracted are in respect of costs for construction of Disaster Recovery Complex, refurbishment of, Kibaha, Shinyanga, Dodoma, Kariakoo, Marangu, Mbagala, Moshi, Musoma, Morogoro, Mpanda, Zanzibar, Holland House, Kijitonyama, Lindi, Manyara, Meru, Nyanza, Bariadi, Mwajelwa, Mbalizi and University of Dar es Salaam.

Capital commitments authorized but not yet contracted for relates to purchase Servers, Point of Sales, Note Counting Machines, Generators, Furnitures, UPS, laser / report printers and CCTV equipment, and initial cost of the projected head office of the Bank.

Notes to the Financial Statements (Continued)

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

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

	2010 Tshs '000	%	2009 Tshs '000	%
a) Advances to customers (Gross)				
Public sector			-	-
Agriculture fishing, forestry & hunting	328,463,488	28	257,019,225	26
Finance, insurance & business service	62,036,190	5	70,586,460	7
Mining & quarrying	11,435,590	1	10,513,394	1
Manufacturing	77,467,494	7	68,217,131	7
Real estate & construction	63,326,058	6	52,592,375	5
Transport & communication	74,532,276	6	57,808,634	7
Trade & commerce	167,776,712	15	166,051,655	17
Tourism, hotels & restaurants	94,605,356	8	45,629,495	5
Electricity, gas and water	148,771,471	13	72,359,944	7
Personal	62,926,985	5	121,453,096	12
Other	73,521,516	6	59,942,052	6
	1,164,863,136	100	982,173,461	100

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

	2010 Tshs '000	%	2009 Tshs '000	%
Agriculture fishing, forestry & hunting	46,621,715	17	14,477,179	11
Electricity, gas and water	135,364,825	49	28,042,595	22
Finance, insurance & business service	3,368,024	1	2,453,656	2
Real estate & construction	19,428,406	7	38,153,191	30
Trade & commerce	44,572,692	16	27,601,926	22
Transport & Communication	10,019,750	4	8,902,411	7
Other services	17,644,340	6	8,134,075	6
	277,019,752	100	127,765,033	100

47. RELATED PARTY TRANSACTIONS

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

Advances to customers at 31 December 2010 include advances and loans to companies associated with Directors and key management personnel.

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

Notes to the Financial Statements (Continued)

	COMPANIES ASSOCIATED WITH DIRECTORS		MANAGEMENT PERSONNEL DIRECTORS AND OTHER KEY	
	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Loan and advances				
At 1 January	59,067	-	3,455,164	4,137,090
Net movement during the year	115,311	59,067	(1,533,037)	(681,926)
At 31 December	174,378	59,067	1,922,127	3,455,164
Interest earned	21,761	2,694	140,927	139,093

These loans and advances are performing and are adequately secured

	2010 Tshs '000	2009 Tshs '000	2010 Tshs '000	2009 Tshs '000
Deposits				
At 1 January	63,783,643	46,194,556	728,145	654,937
Net movement during the year	5,247,487	17,589,087	(437,378)	73,208
At 31 December	69,031,130	63,783,643	290,767	728,145
Interest paid	663,609	982,584	3,814	19,253

Compensation of Key Management Personnel

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

Compensations of key management are as follows:-

	2010 Tshs '000	2009 Tshs '000
Short term employee benefits	1,854,750	1,621,151
Post employment benefits	295,000	249,021
	2,149,750	1,870,172

Directors' fees, which are included in the compensation of key management personnel, were Tshs. 231,119,837 (2009- Tshs 219,412,477).

Directors' remuneration

Fees paid to directors of the Bank during the period are as follows:

Name	2010 Tshs '000	2009 Tshs '000
1. Mr. Martin Mmari	37,419	37,419
2. Ms. Joyce Luhanga	24,212	20,963
3. Mr. Joseph Machange	26,413	25,156
4. Mr. Boniface Muhegi	22,012	20,963
5. Mr. Ally Laay	28,615	27,252
6. Mrs. Lydia Joachim	22,012	20,963
7. Mrs. Joyce Nyanza	26,413	20,963
8. Mr. Juma Abdulrahman	22,012	10,481
9. Mr. Bede Lyimo	22,012	20,963
10. Dr. Sylvia Temu	-	14,489
	231,120	219,412

Notes to the Financial Statements (Continued)

48. LIQUIDITY RISK

The table below analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at 31 December 2010 to the contractual maturity date.

	Up to 1 Month Tshs'000	1 – 3 Months Tshs'000	4 – 6 Months Tshs'000	7 – 12 Months Tshs'000	1 – 3 Years Tshs'000	4-5 Years Tshs'000	Over 5 Years Tshs'000	Total Tshs'000
FINANCIAL ASSETS								
Cash and balances with Bank of Tanzania	348,537,760	-	-	-	-	-	-	348,537,760
Placements and balances with other banks	246,713,381	13,921,785	-	34,777,752	-	-	-	295,412,918
Loans and advances to customers	214,045,110	191,223,559	143,346,205	181,335,844	173,594,485	118,179,814	101,622,941	1,123,347,958
Government securities	76,256,612	52,528,323	59,796,652	94,821,290	18,837,698	74,008,062	50,297,753	426,546,390
Other securities	-	-	-	-	-	-	600,000	600,000
Total financial assets	885,552,863	257,673,667	203,142,857	310,934,886	192,432,183	192,187,876	152,520,694	2,194,445,026
FINANCIAL LIABILITIES								
Deposits from customers	(1,041,298,306)	(797,121,490)	(85,843,160)	(88,278,551)	(6,413,259)	(425,799)	(13,105)	(2,019,393,670)
Deposits from and loans due to other banks	(13,569,030)	(20,007)	(3,240,839)	-	-	-	(1,920,000)	(16,829,876)
Subordinated loan capital	-	-	-	-	-	-	-	(1,920,000)
Total financial liabilities	(1,054,867,336)	(797,141,497)	(89,083,999)	(88,278,551)	(6,413,259)	(425,799)	(1,933,105)	(2,038,143,546)
Net liquidity gap	(169,314,473)	(539,467,830)	114,058,858	222,656,335	186,018,924	191,762,077	150,587,589	156,301,480
At 31 December 2009								
Total financial assets	612,940,182	211,531,523	152,431,588	361,078,163	257,836,242	164,615,622	9,915,414	1,770,348,734
Total financial liabilities	(514,059,213)	(551,468,556)	(127,138,259)	(104,460,272)	(93,831,560)	(142,375,122)	(93,382,814)	(1,626,714,797)
Net liquidity gap	98,881,969	(339,937,033)	25,293,329	256,617,891	164,004,682	22,240,500	(83,467,400)	143,633,937

Notes to the Financial Statements (Continued)

49. INTEREST RATE RISK

The table below summarizes the exposure to interest rate risk. Included in the table are the Group's assets and liabilities at carrying amounts, categorized by the earlier of either contractual reprising or maturity dates. The Group does not bear an interest rate risk on off balance sheet items.

	Up to 1 Month Tshs'000	1 - 3 Months Tshs'000	4 - 6 Months Tshs'000	7 - 12 Months Tshs'000	1 - 3 Years Tshs'000	Over 3 Years Tshs'000	Non-interest Bearing Tshs'000	Total Tshs'000
FINANCIAL ASSETS								
Cash and balances with Bank of Tanzania	-	-	-	-	-	-	348,537,760	348,537,760
Placement and balances with other banks	246,713,381	13,921,785	-	34,777,752	-	-	-	295,412,918
Loans and advances	214,045,110	191,223,559	143,346,205	181,335,844	173,594,485	219,802,755	-	1,123,347,958
Government securities	76,256,612	52,528,323	59,796,652	94,821,290	18,837,698	124,305,815	-	426,546,390
Other securities	-	-	-	-	-	600,000	-	600,000
Total financial assets	537,015,103	257,673,667	203,142,857	310,934,886	192,432,183	344,708,570	348,537,760	2,194,445,026
FINANCIAL LIABILITIES								
Deposits from customers	(1,041,298,306)	(797,121,490)	(85,843,160)	(88,278,551)	(6,413,259)	(438,904)	-	(2,019,393,670)
Deposits from and loans due to other banks	(13,569,030)	(20,007)	(3,240,839)	-	-	-	-	(16,829,876)
Total financial liabilities	(1,054,867,336)	(797,141,497)	(89,083,999)	(88,278,551)	(6,413,259)	(438,904)	-	(2,036,223,546)
Interest rate sensitivity gap	(517,852,233)	(539,467,830)	114,058,858	222,656,335	186,018,924	344,269,666	348,537,760	158,221,480
At 31 December 2009								
Total financial assets	299,295,095	211,531,523	152,431,588	361,078,163	257,836,242	164,615,622	323,560,501	1,770,348,734
Total financial liabilities	(514,058,213)	(551,468,556)	(127,138,259)	(104,460,272)	(93,831,560)	(140,455,122)	(93,382,814)	(1,624,794,797)
Net liquidity gap	(214,763,118)	(339,937,033)	25,293,329	256,617,891	164,004,682	24,160,500	230,177,687	145,553,937

Notes to the Financial Statements (Continued)

50. FOREIGN EXCHANGE RISK

The Group operates wholly within Tanzania and its assets and liabilities are reported in the local currency. The Group's currency risk is managed within the Bank of Tanzania exposure guideline of 20% core capital. The Group's management monitors foreign currency exposure on a daily basis. The Group's currency position as at 31 December 2010 was as follows:

	TSHS Tshs'000	USD Tshs'000	GBP Tshs'000	EURO Tshs'000	OTHERS Tshs'000	TOTAL Tshs'000
FINANCIAL ASSETS						
Cash and balances with Bank of Tanzania	327,418,923	17,444,5479	1,056,555	2,615,513	1,290	348,537,760
Placement and balances with other banks	78,000,000	159,272,189	2,779,764	41,431,934	13,929,031	295,412,918
Loans and advances	820,794,988	302,552,970	-	-	-	1,123,347,958
Government securities	426,546,390	-	-	-	-	426,546,390
Total financial assets	1,652,760,301	479,270,638	3,836,319	44,047,447	13,930,321	2,193,845,026
FINANCIAL LIABILITIES						
Deposits from customers	(1,498,264,942)	(438,582,210)	(6,325,461)	(61,560,056)	(14,661,001)	(2,019,393,670)
Deposits from and loans due to other banks	(3,260,846)	(13,569,030)	-	-	-	(16,829,876)
Subordinated loan capital	(1,920,000)	-	-	-	-	(1,920,000)
Total financial liabilities	(1,503,445,788)	(452,151,240)	(6,325,461)	(61,560,056)	(14,661,001)	(2,038,143,546)
Net balance sheet position	149,314,513	27,119,398	(2,489,142)	(17,512,609)	(730,680)	155,701,480
At 31 December 2009						
Total financial assets	1,323,719,690	384,311,633	5,280,001	42,527,567	12,892,960	1,768,731,851
Total financial liabilities	(1,234,723,696)	(330,778,661)	(5,334,836)	(42,695,644)	(13,181,960)	(1,626,714,797)
Net liquidity gap	88,995,994	53,532,972	(54,835)	(168,077)	(289,000)	142,017,054

Notes to the Financial Statements (Continued)

51. DIVIDENDS

In respect of the current year, the directors propose that a total dividend of Tshs. 17,412,257,000 (2009 – Tshs 15,235,735,120) will be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and, in line with the provisions of International Accounting Standard No 10, no liability has been included in these financial statements.

52. ASSETS PLEDGED AS SECURITY

As at 31 December 2010, there were no assets pledged by the group to secure liabilities and there were no secured Group liabilities (2009: NIL).

53. COUNTRY OF INCORPORATION

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

54. CURRENCY

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

Taarifa za Kampuni

Corporate Information

Makao Makuu

CRDB Bank Plc
Jengo la Office Accommodation Scheme – Ghorofa ya 4
Mtaa wa Azikiwe
S.L.P. 268
Dar es Salaam
Tanzania

Katibu wa Bodi

Mr. J. B. Rugambo
Jengo la Office Accommodation Scheme - Ghorofa ya 4
Mtaa wa Azikiwe
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Dar es Salaam
Tanzania

Wakaguzi

Deloitte & Touche
Certified Public Accountants (Tanzania)
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Mtaa wa Ohio/Barabara ya Garden
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Tanzania

Benki Kuu

Benki Kuu ya Tanzania
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Tanzania

Mwakili

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Company Secretary

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