

**BANK OF INDIA (TANZANIA) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2018**

BANK OF INDIA (TANZANIA) LIMITED
P. O. BOX - 7581, DAR-ES-SALAAM
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

TABLE OF CONTENTS

Sr. No.	Particulars	Page No.
1	Corporate Information	1 to 2
2	Director's Report & Director's Responsibility Statement	3 to 10
3	Declaration by Head of Finance / Accounting of the Bank	11
4	Independent Auditor's Report	12 to 15
5	Statement of Profit or Loss and Other Comprehensive Income	16
6	Statement of Financial Position	17
7	Statement of Changes in Equity	18
8	Statement of Cash Flows	19
9	Significant Accounting Policies & Notes to the Financial Statements	20 to 42

BANK OF INDIA (TANZANIA) LIMITED

P. O. BOX - 7581, DAR-ES-SALAAM

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

CORPORATE INFORMATION**BOARD OF DIRECTORS**

Name	Designation	Nationality	
Mr. Chintapalli G. Chaitanya	Chairman	Indian	(w.e.f. 28th May., 18)
Mr. Sanjib Sarkar	Managing Director	Indian	(up to 27th May., 18)
Mr. Hashim Kihwelo	Director	Tanzanian	(w.e.f. 23rd April., 09)
Mr. Fredrick M. Mbala	Director	Tanzanian	(w.e.f. 24th Oct., 11)
Mr. Agyey K. Azad	Director	Indian	(w.e.f. 14th Nov., 16)
Mr. Sudiptar Kumar Mukherjee	Director	Indian	(w.e.f. 17th Feb., 17)
Mr. Ashwani Kumar Negi	Director	Indian	(w.e.f. 26th Mar., 18)
Mr. Ashwani Kumar Negi	Managing Director	Indian	(w.e.f. 27th May., 18)

INDEPENDENT AUDITORS

Baker Tilly DGP & Co.
Certified Public Accountants
P. O. Box 1314
Dar es Salaam

COMPANY SECRETARY

Hanif Habib & Co.
Certified Public Accountants
P.O. Box 21885
Dar es Salaam

BANKERS

- | | |
|--|---|
| i) Bank of Tanzania
P.O. Box 2939
Dar es Salaam | ii) Bank of India
3, Rue Scribe
75009 Paris France |
| iii) Bank of India
277, Park Avenue
NY 10172 - 0083
New York - USA | iv) Bank of India
4th Floor
63 Queen Victoria Street
London ECAN - 4UA, U.K. |
| v) Bank of India
Mumbai Overseas Branch
70 - 80 M. G. Road
Mumbai - India | vi) Standard Chartered Bank
1095, Avenue of the Americans
New York, NY 10036 |
| vii) Bank of India
Kenyatta Avenue, PO Box 30246-00100
P.O. Box 30246-00100
Nairobi (Kenya) | viii) CRDB Bank (T) Ltd.
Azikiwe Branch,
P.O. Box 268
Dar es Salaam |
| ix) Bank of Baroda (T)
Ohio Street,
P.O. Box 5356
Dar es Salaam | |

BANK OF INDIA (TANZANIA) LIMITED
P. O. BOX - 7581, DAR-ES-SALAAM
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

CORPORATE INFORMATION

REGISTERED CORPORATE OFFICE

Bank of India (T) Limited
Maktaba Street
Maktaba Business Park
P.O. Box 7581
Dar es Salaam

Telephone: +255 22 2135362
Fax: +255 22 2135363
Email: BOI.Tanzania@bankofindia.co.in

BRANCHES

i) BOI (Tanzania) Limited Branch - Dar es Salaam

Maktaba Street
Maktaba Business Park
P.O. Box 7581
Dar es Salaam

Telephone: +255 22 2135358/66/68/69
Fax: +255 22 2135363
Email: BOI.DESbranch@bankofindia.co.in

ii) BOI (Tanzania) Limited Branch - Zanaki Street

Zanaki Street
P.O. Box 7581
Dar es Salaam

Telephone: +255 22 2111061/62
Fax: +255 22 2111063
Email: BOI.ZanakiBranch@bankofindia.co.in

PARENT BANK CORPORATE OFFICE

Bank of India Head Office
Star House, C-5, "G" Block, Bandra Kurla Complex
Bandra East
Mumbai - India 400051

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
DIRECTOR'S REPORT FOR THE YEAR 2018

Introduction

We have great pleasure in presenting the Bank's Eleventh Annual Report along with the Audited financial statements for the year ended 31st December 2018.

Bank of India (Tanzania) Limited was registered under Companies Act 2002 on 16.07.2007. The license to conduct Banking Business was granted to our Bank of 25.07.2007 by Bank of Tanzania in accordance with the provisions of section 7 of the Banking and Financial Institutions Act 2006. However, actual operations started on 16.06.2008 with opening of Dar es Salaam Branch. We have subsequently opened second Branch at Zanaki Street, Dar es Salaam in August 2012.

Principal Activities

The principal activity of the Bank is to provide banking and related services stipulated by the Banking and Financial Institutions Act 2006. There have been no changes in the principal activities of the Bank during the financial year ended 31st December 2018.

Our Parent Bank: Bank of India

Our Bank is wholly owned subsidiary of Bank of India, India. Bank of India was founded on 7th September, 1906 by a group of eminent businessmen from Mumbai. The Bank was nationalized in July 1969 along with the 13 other banks. At present Government of India holds 83.09% shares of the Bank and the balance 16.91% is held by public. Bank of India is a listed company with its shares listed in National Stock Exchange and Bombay Stock Exchange in India. The Bank has been the first among the nationalized banks to establish a fully computerized branch and ATM facility at the Mahalaxmi Branch at Mumbai in India way back in 1989. The Bank is also a Founder Member of SWIFT in India. It pioneered the introduction of the Health Code System in 1982, for evaluating / rating its credit portfolio.

The Bank has made a rapid growth over the years and blossomed into a mighty institution with a strong national presence and sizable international operations. In business volume, the Bank occupies a premier position among the nationalized banks in India. As on 31.12.2018, the business mix of the bank stood at USD 260 Billion. At present it has over 5000 branches in India spread over all states / union territories including specialized branches. The Bank has overseas presence in 22 foreign countries spread over 5 continents – with 60 offices including 5 Subsidiaries, 5 Representative Offices and 1 Joint Venture, at key banking and financial centers viz. Dubai, Tokyo, Singapore, Hong Kong, London, New Zealand, Paris and New York. In Africa, in addition to Tanzania, the Bank has presence in Kenya, Uganda, Botswana, Zambia and South Africa.

Economic Environment

Domestic Economy: The United Republic of Tanzania is the tenth largest and one of the fastest growing economies in Africa. The economy mainly depends on agriculture, mining and tourism. The main goods imported are fuel oil, machinery, construction material and consumer goods. The main goods exported are gold and agricultural produces. The economy has been transitioning from a command economy to a market economy since 1985. Tanzania enjoyed a sustained GDP growth averaging 7% in last 10 years. Due various macroeconomic and external factors, the economy slowed down to 6.6% in 2017 and 6.70 % in 2018. As per the World Bank outlook

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
DIRECTOR'S REPORT FOR THE YEAR 2018

published in January '2018, the growth will pick up to 6.8% in 2019 and further to 7% in 2020. The growth is expected to firm up due to strengthening of investment growth supported by easing of inflations.

Global Economic Developments & Outlook: The World Bank forecasts global economic growth to edge up to 3% in 2019 and estimated 2.90% in 2020 as economic slack dissipates, monetary policy accommodation in advance economies is removed, and global trade gradually slows. Growth in advanced economies is expected to moderate slightly to 2% in 2019 and 1.60% in 2020. Growth in emerging market and developing economies as a whole is projected to strengthen to 4.20% in 2019 and 4.50% in 2020, as activity in commodity exporters continues to recover.

Sub-Saharan Africa: As per World Bank, the growth in **Sub-Saharan Africa** is anticipated to pick up to 3.40% in 2019 predicated on diminished policy uncertainty and improved investment in large economies together with continued robust growth in non-resource intensive countries. Per capita growth is forecast to remain well below the long-term average in many countries, yielding little progress in poverty reduction. Growth in Nigeria is expected to rise to 2.2% in 2019, assuming that oil production will recover and a slow improvement in private demand will constrain growth in the non-oil industrial sector. Angola is forecast to grow 2.9% in 2019 as the oil sector recovers as new oil fields come on stream and as reforms bolster the business environment. South Africa is projected to accelerate modestly to a 1.3% pace, amid constraints on domestic demand and limited government spending.

Financial Sector Review – Tanzania

Banking sector in Tanzania: The banking sector generally remained sound and stable with levels of capital and liquidity above regulatory requirements. However on asset quality front, banking industry continued to face challenging situation even though gross NPA in banking sector was 10.40% in December'2018 with compare 11.90% in December'2017. YOY Growth of private sector credit increased from 1.7% in the year ending December 2017 to 4.90% in December 2018. The recovery in private sector credit growth was due to accommodative monetary policy and credit risk measures instituted, including the use of credit reference system in loan approvals. Overall lending rate averaged 16.72% in December 2018 compared with 18.62% in the corresponding month in 2017. Meanwhile, overall time deposit rate also come down to 7.50 % in December 2018 from 9.62% in December 2017.

Treasury Bills, overall weighted average yield increased to 8.72% from 8.19% in the corresponding month in 2017. Similar trend is noticed in case of Treasury Bonds. Overnight interest rate slightly increased to an average of 2.98% in December 2018 from 2.39% in December 2017. On annual basis, the shilling depreciated by 1.74 percent from TZS 2,242 per US dollar in December 2017 to TZS 2,281 in December 2018.

Your Bank's Performance during 2018

Bank's performance vis a vis Industry

During the last ten years of operations, the Bank could establish its business at sizable level. In the financial year 2018, despite challenging industry scenario, the Bank has recorded net profit and reduced NPA. Operating efficiency wise, the Bank continued to be the one of the best banks

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
DIRECTOR'S REPORT FOR THE YEAR 2018

operating in Tanzania. It also continued to be best performing overseas subsidiary of Bank of India. In adverse environment most of the banks in Tanzania experiencing sharp decline in profit or incurring net loss. In this scenario, during FY 2018 your Bank was able to register Net Profit of TZS 2,484 Mn from operation. The Operating Profit margin was high at 50.29% whilst the Cost to Income was low at 49.71%. Gross NPA stood at 6.96% which was much lower than the industry average of 10.40%. The performance comparison of your bank with the industry was as under:

Parameter	Industry	BOITL	Remarks
Deposit growth	6.10%	-12.61%	Strategic decision to bring down Inter Bank Deposit
Of which - Customer Deposit	-	-2.16%	
- Inter Bank Deposit	-	-23.79%	
Credit growth	4.90%	-5.59%	BOITL – Lower
Net Profit	Yes	Yes	BOITL- In line with Industry
Return on Equity	4.53%	7.25%	BOITL – Better
Return on Asset	1.27%	2.21%	BOITL – Better
Operating Profit Margin	26.59%	50.29%	BOITL – Better
Cost to Income	68.95%	49.71%	BOITL – Better
Gross NPA%	10.40%	6.96%	BOITL – Better

HIGHLIGHT OF THE PERFORMANCE

The highlight of the performance of last five years is as under:

Key Business Figures

Particulars	(Amt in Tzs Mn)				
	31.12.14	31.12.15	31.12.16	31.12.17	31.12.18
Deposits	78,995	102,539	127,677	135,976	118,831
Advances	33,529	51,726	71,339	75,606	71,381
Business Mix	112,524	154,265	198,986	211,582	190,212
Total Asset	99,820	127,729	163,818	174,333	156,230
Net Interest income	4,394	6,388	8,943	9,625	8,059
Operating Expenses	2,875	3,499	3,714	4,037	4,541
Operating Profit	2,609	5,249	6,347	6,945	4,594
Net Profit/(Loss)	1,543	3,620	4,029	4,233	2,484

CAPITAL

In order to support the business expansion and capital expenditure plan, the parent bank, Bank of India, during FY 2016 infused additional capital of TZS 6.50 Billion in your Bank. As a result, as on 31.12.16, the Paid Up Capital was increased to TZS 21.50 Billion. Apart from business expansion the capital has been utilized for complying with regulatory directives of setting up of Secondary Data Centre in Tanzania. The Shareholders fund has decreased marginally from TZS 34.30 Billion as on 31.12.2017 to TZS 34.20 Billion as on 31.12.2018. The Core Capital stood at TZS 29.05 Billion (31.12.2017 – TZS 29.26 Bn) against the Regulatory requirement of TZS 15 Billion.

CAPITAL ADEQUACY AND SOLVENCY

Your Bank continued to remain adequately solvent and compliant with regulatory capital adequacy requirements. As on 31.12.2018, Total Capital Adequacy Ratio was 33.77% and Core Capital Adequacy Ratio was 29.60% against the regulatory level of 14.50% and 12.50% respectively (including Capital Conservation Buffer of 2.50%). Liquidity Ratio at 34.67% was well above regulatory level of 20%.

DIVIDEND PAYMENT

In view of Bank registering Net Profit, high Return on Equity, satisfactory Capital Adequacy and Solvency level the Management has proposed payment of dividend at higher rate @TZS 20 per share for the year 2018 (FY 2017 - TZS 30 per share). The actual amount dividend payment in FY 2018 is TZS 430 Mn against TZS 645 Mn in FY 2017 and TZS 537.50 Mn in FY 2016.

BUSINESS REVIEW

A. DEPOSIT

Bank provides all Banking services which includes accepting deposits in local TZS currency and foreign currency mainly in USD. The type of deposit is Saving Bank, Current Account, Call Deposit, Recurring Deposit and Fixed Deposits. Aggregate Deposit has decreased from TZS 135.98 Billion to TZS 118.83 Billion. Average cost of deposit stood at 4.31% p.a. up from 4.10% in FY 2017. Out of total average deposit 69% was in US Dollar and 31% in Tanzanian Shilling.

B. ADVANCES

Bank is active in financing various type of economic activities which mainly include trading, manufacturing, construction, hotel, real estate, services like transport, export of agricultural commodities, import of goods and personal loans. As on 31.12.2018, the Gross Advance stood at TZS 71.38 Billion against TZS 75.61 Billion as on 31.12.2017. Out of total advances 87% was on US Dollar currency and 13% in Tanzanian Shilling. Yield on advances stood at 7.98% down from 10.68% p.a. in FY 2017. The performing assets stood at 93.04% of gross advance. The Gross NPA decreased to 6.96% in FY 2018 against 9.22% in FY 2017.

C. REMITTANCES

Bank provides active remittance services inside the country and overseas. For prompt remittance service, Bank is using e-corporate remittance service of Bank of India which gives instant credit to Bank of India customer's account in India. During the year, the INR remittance to India exceeded INR 6.28 Billion.

BOARD OF DIRECTORS

The names of Directors of Board of Bank of India (Tanzania) Ltd in the FY 2018 are as under:

Sr. No.	Name of Director	Nationality	Position	Since on Board
1.	Mr. C.G.Chaitanya	Indian	Chairman	28.05.2018
2.	Mr. Hashim Kihwelo	Tanzanian	Director	23.04.2009
3.	Mr. Fredrick M. Mbala	Tanzanian	Director	25.10.2011
4.	Mr. A. K. Azad	Indian	Director	14.11.2016

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
DIRECTOR'S REPORT FOR THE YEAR 2018

5.	Mr. S. K. Mukherjee	Indian	Director	17.02.2017
6.	Mr. Sanjib Sarkar	Indian	Managing Director	Up to 27.05.2018
7.	Mr. Ashwani Kumar Negi	Indian	Managing Director	27.05.2018

BOARD COMMITTEES

The Board is supported by the following committees:

1. Audit Committee

Sr. No.	Name of Director	Nationality	Position
1.	Mr. Hashim Kihwelo	Tanzanian	Chairman
2.	Mr. Fredrick M. Mbala	Tanzanian	Member
3.	Mr. A. K. Azad	Indian	Member
4.	Mr. S. K. Mukherjee	Indian	Member

2. Credit Committee

Sr. No.	Name of Director	Nationality	Position
1.	Mr. A. K. Azad	Indian	Chairman
2.	Mr. Fredrick M. Mbala	Tanzanian	Member
3.	Mr. S. K. Mukherjee	Indian	Member
4.	Mr. Ashwani Kumar Negi	Indian	Member

3. Risk Management Committee

Sr. No.	Name of Director	Nationality	Position
1.	Mr. Fredrick M. Mbala	Tanzanian	Chairman
2.	Mr. Hashim Kehwelo	Tanzanian	Member
3.	Mr. A.K. Azad	Indian	Member
4.	Mr. S.K. Mukherjee	Indian	Member
5.	Mr. Ashwani Kumar Negi	Indian	Member

Board meeting and other committee meetings were held as per guidelines of regulator during FY 2018 on 09.03.2018, 18.05.2018, 21.09.2018 and 24.12.2018.

MANAGEMENT COMMITTEE

There are five main Management Committees i.e. Asset Liability Management Committee (ALCO), Investment Committee, Operational Risk Management Committee, Credit Risk Management Committee and Outsourcing Committee. All these committees are chaired by the Managing Director. General Managers and Head of the Departments are member of the committees. Other Management Committees are AML Cell, OSHA Committee, Procurement Committee and IT Divisional Committee.

RELATED PARTY TRANSACTIONS

No loans / advances were due from the related parties to the Bank by virtue of common ownership. The amount of related party deposit was TZS 43.10 Billion. The deposits were

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
DIRECTOR'S REPORT FOR THE YEAR 2018

received from the overseas branches and subsidiaries of the parent bank, Bank of India. The rate of interest paid on the deposits was in line with rate of interest in the global market and in compliance with Transfer Price Policy of the Bank.

Corporate Social Responsibility

Bank is committed for its corporate social responsibility towards Tanzanians. Bank is regularly involved in charitable activities to take care of expenses for medical treatment and study of Tanzanian children. Bank also sponsored various community programmes for raising funds for social activities like medical camps, water facilities to Tanzanians.

Corporate Governance

Directors are committed to the principals of good corporate governance and recognise the need to conduct the Banking business with best practice. Therefore Directors confirm that:

- The Board of Directors conducted the meeting regularly in the year 2018.
- The position of Chairman and Chief Executive Officer are held by different persons.
- They have effective control over the company and its executive management.
- Board exercises the responsibility for policy decisions, budgeting & monitoring performances.

Employees Welfare

Bank provides loan to their employees at concessional interest rate. Bank has taken Health Insurance of all employees and their families. In-house formal training at various institutions is provided to the staff of the Bank. Various incentive schemes are in place for staff motivation. Local staff members are deputed for training to India to gain good experience of Banking Industry in India. Bank management has cordial relations with staff of the Bank who work as team.

Way forward

We have successfully completed ten years of dedicated service to fulfill banking needs of our customers and the nation. The performance of your Bank during this period was satisfactory. As you are aware that every industry is having its own challenges, the banking industry in Tanzania is not an exception. Your Bank has already drawn detail and practicable plan to overcome these challenges. I am confident that with everyone's active support, Bank will prosper and achieve new height in coming years.

Mission 2018

- Achieve Business Mix of TZS 209 Billion and Operating Profit of TZS 4.90 Billion.
- Reduce Gross NPA below 5.50% and Net NPA below 2.50%.
- Maintain one of the best performing and compliant banks position in Tanzania.
- Increased use of IT enabled services and IT products of the Bank.

Auditors

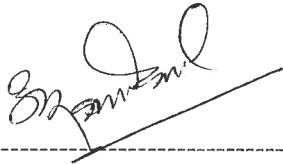
M/s Baker Tilly DGP & Co were the auditors of the Bank during the year ended 31st December 2018.

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
DIRECTOR'S REPORT FOR THE YEAR 2018

Acknowledgment

The Board expresses its gratitude to Bank of Tanzania and various department of Government of Tanzania for the valuable guidance and support received from them. The Board also acknowledges the support of its customers, other financial institutions, and correspondent banks for their support and cooperation. The Board wishes to place on record its appreciation for the contribution made by Mr. Sanjib Sarkar during his tenure as Managing Director of the Bank. The Board also wishes to place on record its appreciation for all staff members of the Bank for their dedicated service and contribution. Lastly, we thank the management and staff of Bank of India, our Parent Bank, for their continued support and guidance.

For and Behalf of Board of Directors:



Ashwani Kumar Negi
Managing Director

Place: Dar es Salaam

Date: 28/03/2019

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
STATEMENT OF DIRECTORS RESPONSIBILITY

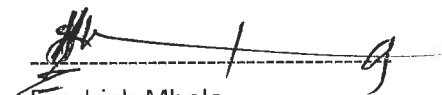
The Companies Act, 2002 requires the directors to prepare financial statement for each financial year that gives a true and fair view of the state of affairs of the bank as at the end of the financial year and of its profit or loss. It also requires the directors to ensure that the bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the bank. They are also responsible for safe guarding the assets of the bank.

The directors accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgment and estimates, in conformity with International Financial Reporting Standard, requirement of the Companies Act, 2002 & the Banking and Financial Institutions Act, 2006 and the guidelines of Bank of Tanzania.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the bank and of its profit. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statement, as well as adequate system and internal control.



Ashwani Kumar Negi
Managing Director



Fredrick Mbala
Director

Place: Dar es Salaam

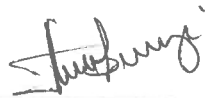
Date: 28/01/2019

**DECLARATION OF THE HEAD OF TREASURY / ACCOUNTING OF
BANK OF INDIA (TANZANIA) LIMITED**

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditor and Accountants (Regulation) Act. No. 33 of 1972, as amended by Act No.2 of 1995, requires financial statement to be accompanied with a declaration issued by the Head of Finance / Accounting responsible for the preparation of financial statements by the entity concerned. It is the duty of a Professional Accountant to assist the Board of Directors / Governing Body / Management to discharge the responsibility of preparing financial statement of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparations of financial statements rests with the Board of Directors / Governing Body as under Directors Responsibility statement on an earlier page.

I, **Poncian Bengesi K.** being the **Head of the Finance Department of Bank of India (Tanzania) Limited** hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31st December 2018 have been prepared in compliance with applicable accounting standards and statutory requirements. I thus confirm that the financial statements give a true and fair view position of Bank of India (Tanzania) Limited as on the date and that they have been prepared based on properly maintained financial records.

Signed by:



Position:

Head of Finance Department

NBAA Membership number:

1093

Date: **28/03/2019**

**INDEPENDENT AUDITOR'S REPORT
 TO THE MEMBERS OF
 BANK OF INDIA (TANZANIA) LIMITED**

Opinion

We have audited the financial statements of Bank of India (Tanzania) Limited (the Bank), which comprise the Statement of Financial Position as at 31st December 2018, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31st December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Companies Act, 2002.

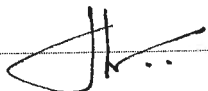
Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with The National Board of Accountants and Auditors (Code of Ethics) By - Laws, 2013, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

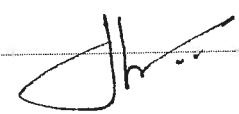
Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described here below to be the key audit matters to be communicated in our report.

Area of focus	How the scope of audit responded to the area of focus and observations
<p>1) Allowance for impairment on loans and advances</p> <p>Refer to Note 15 of the financial statements</p> <p>Consideration is given at each financial statement position date to determine whether there is any indication of impairment of the carrying values of the bank's loans and advances. Indications could be failure by borrowers to fully meet terms and conditions of the loans and advances, poor servicing of loans and advances and severe economic slowdown in a given sector.</p> <p>The determination of impairment of provisions remains a highly subjective and judgemental area. Furthermore, the Bank is subject to significant regulatory scrutiny with respect to provisioning levels.</p> <p>In assessing impairment amount, the estimated future loan recoveries (future cash flows) are discounted to their present value based on the time value for money and the risk specific to an individual loan or group of loans.</p>	<p>Our work covered impairment of loans and advance to customers.</p> <p>We understood and tested key controls and focused on:</p> <ul style="list-style-type: none"> - identification of impairment events and classification of loans. - the governance over the impairment processes. - the review and approval process that the management have in place for the Bank's impairment model. <p>We assessed the use of historic experience to estimate impairment events which have occurred but not reported and to derive estimates of future cash flows.</p> <p>We also focused on the calculation of required impairment provisions, including the use of a model, and in particular the critical assumptions used in the model and calculations.</p> <p>These assumptions include:</p> 

Area of focus	How the scope of audit responded to the area of focus and observations
	<ol style="list-style-type: none"> 1. Timing of the expected cash flows 2. Expected future cash flows 3. Discount rates 4. Quality of security maintained 5. Time taken to realize security <p>Further, we evaluated the accuracy of impairment tests applied.</p> <p>Observation We found management assumptions to be reasonable and therefore consider provisions to be appropriate.</p>
<p>II) Revenue recognition</p> <p>Refer to Note 6 of the financial statements</p> <p>Interest income is recognized in the statement of profit or loss and other comprehensive income for all interest bearing instruments on an accrual basis using the effective interest method, based on the actual purchase price.</p> <p>The effective interest rate method is a method of calculating the amortized cost of financial assets or a financial liability and of allocating the interest 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 asset or financial liability.</p> <p>Once a financial asset or a group of similar financial assets have been written down as a result of impairment loss, interest income is recognized using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.</p> <p>Fees and commissions are generally recognized on an accrual basis when the service has been provided or significant act has been performed. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognized as in adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating or participating in the negotiation of a third party – such as arrangement of the acquisition of shares or other securities or the purchase or sale of a business are recognized on completion of the underlying transaction.</p> <p>There is a risk that revenue may be overstated influenced by management pressure to achieve performance targets.</p>	<p>We assessed transactions taking place at either side of the statement of financial position date to evaluate whether interest income and interest expense was recognized in the correct period.</p> <p>Observation Revenue was found to be fairly stated based on procedures performed for selected samples.</p>



Auditor's responsibilities for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Director's Report as required by the Companies Act, 2002, which we obtained prior to the date of this report. Other information does not include the Financial Statements and our auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2002 and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by the directors.

Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by the 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;
- iii) the director's report is consistent with the financial statements;
- iv) information specified by the law regarding director's remuneration and transactions with the Bank is disclosed; and
- v) the Bank's Statement of Financial Position and Statement of Profit or Loss and Other Comprehensive Income are in agreement with the books of accounts.

For Baker Tilly DGP & Co.
Certified Public Accountants,




Kailas K. Bhattbhatt
Partner

Place : Dar es Salaam
Date : 29 MAR 2019

BANK OF INDIA (TANZANIA) LIMITED
P. O. BOX - 7581, DAR-ES-SALAAM

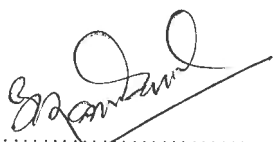
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2018

	Notes	2018 TZS ('000)	2017 TZS ('000)
INTEREST INCOME			
Interest income	6	13,546,645	15,221,073
Interest expenses	7	(5,488,107)	(5,595,722)
Net interest income		8,058,538	9,625,352
OTHER OPERATING INCOME			
Fees and commission	8	786,984	1,047,893
Other income	9	289,800	308,683
Net fees and commission income		1,076,784	1,356,577
OPERATING INCOME		9,135,322	10,981,928
Provision for impairment		(944,877)	(885,112)
NET OPERATING INCOME		8,190,445	10,096,816
Operating expenses	10	(4,541,222)	(4,036,640)
Profit / (Loss) before taxation		3,649,223	6,060,176
Income tax (credit) / charge	16(i)	(1,165,002)	(1,827,156)
Profit / (Loss) for the year		2,484,220	4,233,020
Other comprehensive income		-	-
Total comprehensive income for the year		2,484,220	4,233,020

The accounting policies and notes to financial statements on pages 20 to 42 form an integral part of these financial statements.

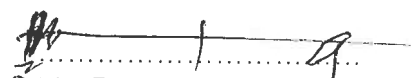
Report of the Independent Auditor's on Pages 12 to 15.

The financial statements on pages 16 to 42 were approved by the board of directors and signed on its behalf by:



Mr. Ashwani Negi
 Managing Director

Place : Dar es Salaam
 Date : 28-03-2019



Mr. Fredrick Mbala
 Director

Place : Dar es Salaam
 Date : 28-03-2019

BANK OF INDIA (TANZANIA) LIMITED
P. O. BOX - 7581, DAR-ES-SALAAM

STATEMENT OF FINANCIAL POSITION AS ON 31ST DECEMBER 2018

	Notes	2018 TZS ('000)	2017 TZS ('000)
ASSETS			
Cash balances	11(i)	849,147	1,126,300
Balances with Bank of Tanzania	11(ii)	11,585,205	7,153,080
Deposits and balances due from other banks and financial institutions	12	20,845,990	41,827,787
Government securities	13	49,486,805	46,814,409
Loans and advances (Net)	15	69,993,153	74,230,530
Prepaid expenses and other receivables	14	1,570,169	2,415,471
Income tax receivables	16(ii)	334,444	-
Property, plant & equipment	18	1,266,618	385,578
Deferred tax assets	17	298,957	351,108
Deferred revenue expenditure		-	28,819
Total assets		156,230,488	174,333,081
LIABILITIES			
Customers' deposits	19	118,831,595	135,976,935
Other liabilities	20	3,196,311	3,878,621
Income tax payable	16(ii)	-	178,050
Total liabilities		122,027,906	140,033,607
EQUITY			
Share capital	21	21,500,000	21,500,000
Retained earnings		8,607,270	8,496,200
Statutory reserves		3,340,633	3,214,955
General provision		754,679	1,088,320
Total shareholder's equity		34,202,582	34,299,475
Total equity and liabilities		156,230,488	174,333,081

The accounting policies and notes to financial statements on pages 20 to 42 form an integral part of these financial statements.

Report of the Independent Auditor's on Pages 12 to 15.

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Mr. Ashwani Negi
Managing Director

Place : Dar es Salaam
Date : 28-03-2019


.....
Mr. Fredrick Mbala
Director

Place : Dar es Salaam
Date : 28-03-2019

BANK OF INDIA (TANZANIA) LIMITED
P. O. BOX - 7581, DAR-ES-SALAAM

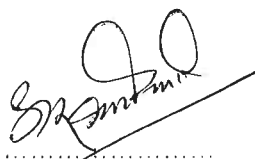
STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 31ST DECEMBER 2018

	Share Capital TZS ('000)	Statutory Reserves TZS ('000)	Retained Earnings TZS ('000)	General Provision TZS ('000)	Total TZS ('000)
Balance as at 1st January 2017	21,500,000	1,671,641	6,515,493	1,024,320	30,711,454
Proposed dividend	-	-	(645,000)	-	(645,000)
Transfer to /from reserves	-	1,543,314	(1,607,313)	64,000	-
Total comprehensive income for the year	-	-	4,233,020	-	4,233,020
Balance as at 31st December 2017	21,500,000	3,214,955	8,496,200	1,088,320	34,299,475
Balance as at 1st January 2018	21,500,000	3,214,955	8,496,200	1,088,320	34,299,475
Proposed dividend	-	-	(430,000)	-	(430,000)
Transfer to /from reserves	-	2,276,792	(1,943,151)	(333,641)	-
Loan write-off	-	(2,151,113)	-	-	(2,151,113)
Total comprehensive income for the year	-	-	2,484,220	-	2,484,220
Balance as at 31st December 2018	21,500,000	3,340,633	8,607,270	754,679	34,202,582

The accounting policies and notes to financial statements on pages 20 to 42 form an integral part of these financial statements.

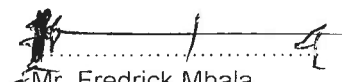
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 Mr. Ashwani Negi
 Managing Director

Place : Dar es Salaam
 Date : 28-03-2019



.....
 Mr. Fredrick Mbala
 Director

Place : Dar es Salaam
 Date : 28-03-2019

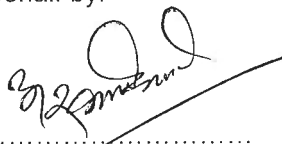
STATEMENT OF CASH FLOWS FOR YEAR ENDED 31ST DECEMBER 2018

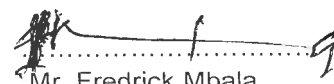
	Note	2018 TZS ('000)	2017 TZS ('000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		3,649,223	6,060,176
Adjustment for:			
Deferred revenue expenditure write off		36,366	81,903
Depreciation		128,502	58,964
Loss / (gain) on disposal of property, plant & equipment		(2,907)	275
Write-off		(2,151,113)	-
Provision on impairment		94,676	-
Net Cash flow before changes in working capital		1,754,747	6,201,319
Change in operating assets & liabilities			
Change in investment in treasury bills/bonds		(4,742,731)	593,271
Change in loans and advances to customers		4,237,377	(3,287,474)
Change in prepaid expenses and other receivables		845,302	(1,274,865)
Change in loans to other financial institutions		2,676,000	(68,400)
Change in customers deposits		(17,145,340)	8,300,328
Change in other liabilities		(467,310)	(1,620,032)
Cash generated from operating activities		(12,841,955)	8,844,146
Income tax paid		(1,625,346)	(1,958,641)
Net cash flows from operating activities		(14,467,301)	6,885,506
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property, plant & equipment		(989,411)	(95,493)
Payment for purchase of software		(29,422)	(28,291)
Proceeds from disposal of property, plant & equipment		4,650	4,220
Cash flows from investing activities		(1,014,183)	(119,564)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	-
Dividends paid		(645,000)	(537,500)
Net cash flows from financing activities		(645,000)	(537,500)
Net increase in cash and cash equivalents		(16,126,484)	6,228,441
Cash and cash equivalents at beginning of the year		58,311,169	52,082,728
Cash and cash equivalents at the end of the year	22	42,184,685	58,311,169

The accounting policies and notes to financial statements on pages 20 to 42 form an integral part of these financial statements.

Report of the Independent Auditor's on Pages 12 to 15.

The financial statements on pages 16 to 42 were approved by the board of directors and signed on its behalf by:


.....
Mr. Ashwani Negi
Managing Director


.....
Mr. Fredrick Mbala
Director

Place : Dar es Salaam
Date : 28.03.2019

Place : Dar es Salaam
Date : 28.03.2019

1. GENERAL INFORMATION

Bank of India (Tanzania) Limited is a wholly owned, subsidiary of Bank of India, India. It has been incorporated under the Tanzanian Companies Act, 2002 on 16th July 2007. The Bank of Tanzania issued license to conduct banking business under section 7 of the Banking and Financial Institutions Act, 2006 on 25th June 2007. The Bank commenced business on 16th June 2008.

2. ADOPTION OF NEW AND REVISED STANDARDS & INTERPRETATIONS

a) Standards, Amendments to the standards and Interpretations effective on or after January 2018;

International Financial Reporting Standards 9 (IFRS 9): Financial Instruments

IFRS 9 requires all financial assets to be measured at fair value on initial recognition and subsequently at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” (ECL) model based on the concept of providing for expected losses at the inception of a contract; this will require judgment in quantifying the impact of forecast economic factors. For financial assets for which there has not been a significant increase in credit risk since initial recognition, the loss allowance should represent ECLs that would result from probable default events within 12 months from the reporting date (12-months ECLs). For financial assets for which there has been a significant increase in credit risk, the loss allowance should represent lifetime ECLs. A simplified approach is allowed for trade receivables and lease receivables, whereby lifetime ECLs can be recognized from inception.

The bank has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The bank did not early adopt IFRS 9 in previous periods.

Significant and material impacts on adoption of IFRS 9

Total provision for impairment of financial assets increased by TZS 109,790,893 from TZS 1,251,120,376 as at 31 December 2017 to TZS 1,360,911,279 as at 31 December 2018.

b) Standards, Amendments and Interpretations issued, but not yet effective

A number of new standards, amendments to standards and interpretations are effective for forthcoming periods and the Bank had not adopted any of these Standards, Amendments or interpretations from an early date. The management does not foresee any major change in the accounting policies of the Bank due to such amendments.

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after January 2019 clarifying on the recognition of Income tax consequences of dividends.
- Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.
- Amendments to IAS 23 'Borrowing costs' effective for annual periods beginning on or after January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.
- Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after January 2019 in relation to measurement of previously held interests on a joint operation on obtaining control.
- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortized cost classification.
- IFRS 16 'Leases' (issued in January 2017) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases' , IFRIC 4 'Determining whether an Arrangement contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (issued in December 2016) effective for annual periods beginning on or after 1 January 2018, clarifies that the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency is the one at the date of initial recognition of the non-monetary asset or liability.

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in Income taxes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied since inception unless otherwise stated.

i) Basis of accounting

Bank of India (Tanzania) Limited has prepared its financial statements in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been prepared and presented on historical cost conventions modified to include revaluation of financial instruments wherever applicable.

ii) Revenue recognition

Income is recognized on an accrual basis. When an account is classified as non-performing, the interest accrued on that account is suspended and kept in interest suspense account until it is realized in cash.

iii) Foreign currency transactions

In preparing the financial statements of the entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of profit or loss.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except of differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

iv) Financial assets

The bank 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. The classification is done on the basis of following criteria:-

- *Financial assets at fair value through profit or loss:* A financial asset is classified in this category if acquired principally or the purpose of selling in the short term or if so designated by the management.

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

- *Loans and receivables:* Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to debtor with no intention of trading the receivables.
- *Held-to-maturity:* Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the bank management has the positive intention and ability to hold to maturity.
- *Available for sale:* Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or change in interest rates, exchange rates or equity price.

Purchase and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade date. Loans and receivables are recognized when cash is advanced to the borrowers. All financial assets are initially recognized at fair value plus transaction cost. Financial assets are de-recognized when the rights to receive cash flows from the financial assets have expired.

Subsequently, financial assets at fair value through profit or loss and available for sale, are carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

v) Impairment of financial assets

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

If there is objective evidence that an impairment loss has been incurred on "Financial assets at fair value through profit or loss", "Financial assets Held-to-maturity" or "Financial assets available for sale", the amount is measured as difference between the assets carrying cost and its present value of estimated future cash flow discounted at the effective interest rate. The carrying amount is reduced through an allowance account and the amount of loss is recognized in the statement of profit or loss.

In case of loans and receivables, if there is an evidence of impairment loss, specific provisions is made in line with the requirements of the guidelines issued by the Bank of Tanzania (BOT) as follows:

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

The provisions are to be compared using both International Financial Reporting Standard (IFRS) 9 approach and Bank of Tanzania (BOT) regulatory approach as under:

No. of days outstanding	Classification	Provision (%)
Below 90	Unclassified	Nil
91 – 180	Substandard	20
181 – 360	Doubtful	50
Above 360	Loss	100

In case IFRS 9 provision is less than BOT provision, then a special non-distributable reserve is to be created through an appropriation of distributable reserve to eliminate the shortfall. The transfer is to be made in the statement of changes in equity and the purpose of the reserve shall be stated in a note to the accounts. Profit for the year should be transferred to retained earnings and an appropriate charge to the regulatory non-distributable reserve made before any dividend is declared.

The special non-distributable reserve created shall not be part of bank's core capital. In other words, the reserve will not be taken into account when computing regulatory capital of the bank. Where the bank has made a loss or has negative retained earnings, the excess provision should be added to accumulated losses when computing core capital.

vi) Property, plant & equipment

All property, plant & equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or are recognized as separate asset, as appropriate, only when it is probable that future economic benefit associated with the asset will flow to the bank for more than one year. All other repairs and maintenance expenses are charged to the statement of profit or loss.

Depreciation is provided in full in the month of additions. No depreciation is provided in the month of sale/disposal. Depreciation is calculated to write off the cost of the fixed assets on a reducing balance basis over their estimated useful lives. The annual depreciation rates in use are:

- Computers & Software 33.33% (WDV)
- Vehicles 25.00% (WDV)
- Computer (DR Server) 20.00% (WDV)
- Office furniture & equipment 12.50% (WDV)
- Plant & Machinery 12.50% (WDV)

All of the above assets are reviewed for impairment once annually where ever there is a circumstantial evidence of impairment.

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

vii) Lease

The bank is having no finance lease transaction during the year. Bank has operating lease agreement for the office premises and residential premises.

In respect of office premises for present location at Dar es Salaam branch, lease is with M/s. Cyclone Properties Limited for a period of 6 years from 15th February, 2017 and the branch at Zanaki Street location lease is with M/s. MM Estates Limited for a period of 6 years from 1st October, 2017.

Minimum lease payment is as follows:

• Next Year	\$ 214,892
• Year 2 through year 5	\$ 747,790
• Beyond five years	Nil

Residential premises lease is for a period of either 3 years or 2 years for all the premises and the minimum lease payment is as follows:

• Next Year	\$ 43,011
• Year 2 through year 5	\$ 23,010
• Beyond five years	Nil

viii) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprises of balances with less than three months maturity from the date of acquisition, including cash and non-restricted balances with Bank of Tanzania.

ix) Taxation

Income tax expense represents the sum of the current tax payable and the deferred taxation. Current taxation is provided on the basis of the profit for the year, as shown in the financial statement, adjusted in accordance with the Income Tax Act, 2004.

Deferred tax is provided on all temporary differences. Temporary differences are differences between the carrying amount of assets and liabilities for financial reporting purpose and their tax base.

The amount of deferred tax provided is based on the tax rate that has been enacted or substantively enacted by the balance sheet date and is expected to apply when the related deferred income tax is realized or the deferred tax liability is settled. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

x) Provisions

Provisions are recognized when the Bank has a present legal or contractual obligation as a result of past events, which will result in an economic outflow and where a reliable estimate can be made of the amount of the obligation.

xi) Employee benefits

All short term employee benefits are provided for in the statement of profit or loss on accrual basis. Further, employees are members of a defined benefit scheme, employees contribute ten percent of their salary and employer contributes ten percent of the employees' salary to the scheme. The employers' contribution is accounted for in the period it falls due.

xii) Comparatives

Whenever and wherever necessary, comparative figures have been regrouped / rearranged to confirm to the changes in the presentation in the current year.

xiii) Statutory reserves

As per the circular of BOT, for provision of non-performing assets, Bank is required to compute provision using both IFRS 9 approach and BOT regulatory approach. IFRS 9 provision should be charged to the statement of profit or loss. In case IFRS 9 provisions is less than BOT provision, then a special non-distributable reserve should be immediately created through an appropriation of distributable reserves to eliminate the shortfall. This reserve should be termed as "Statutory Reserve".

4. RISK MANAGEMENT

Operating in a liberalized and globalized environment, bank is exposed to different types of risks emanating from financial and non-financial factors. Risks faced by the bank have been categorized as credit risk, market risk, liquidity risk and operational risk.

The Board of Directors has overall responsibility for the establishment and oversight of the bank's risk management framework. The board has established the Assets and Liability, Credit and Operational Risk Committee (ALCO), which is responsible for developing and monitoring bank's risk management policies in their specified area. All Board committees have both executive and non executive members and report regularly to the Board of Directors on their activities.

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

The Audit committee is responsible for monitoring compliance with the bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group. The Audit committee is assisted in these functions by the Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

reported to the Audit Committee. The follow up of these procedures is closely monitored by the Managing Director, in the day to day activities of the bank.

i) Credit risk

Credit risk is a risk of financial loss to the bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the bank's loans and advances to customers and other banks, and investment debt securities.

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit committee. The credit department of the bank, reporting to the credit committee is responsible for management of the bank's credit risk, including:

- Formulating credit policies covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for approval and renewal of credit facilities. The credit limits are governed by the Credit policy, as approved by the board.
- Reviewing and assessing credit risks.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances).

Regular audit of credit process is undertaken by the internal audit. The classification of advances based on the overdue balances, showing exposure to credit risk, is given below:

Particulars	(Amt. in Tzs '000)		
	Balance outstanding including unrealized interest	Secured	Unsecured
Unspecified	66,414,240	66,304,936	109,304
Substandard	-	-	-
Doubtful	959,768	959,768	-
Loss	4,007,051	4,004,196	2,855
Total	71,381,059	71,268,900	112,159

The bank has calculated and provided for impairment as explained in note 4 (v) in compliance with the requirements of the Bank of Tanzania and the International Financial Reporting Standards.

ii) Market risk

The bank is exposed to market risk. Market risk arises from open positions in interest rate, currency and equity products. The board sets limits and reviews it at regular interval on the risk that may be accepted. Further the exposure is monitored on daily basis.

iii) Liquidity risk

The bank is exposed to daily calls on its available cash resources from over-night deposits, current accounts, maturing deposits, loans drawn and guarantees, from margin and other calls on cash settlement. The board has set limit based on their experience of the minimum proportion of maturing funds available to meet and on the minimum level of inter-bank and other borrowing facility that should be in place to cover withdrawals at unexpected levels of demand.

iv) Interest rate risk

The bank is exposed to various risk associated with the effect of fluctuation in the prevailing levels of market interest rates on its financial position and cash flow. The bank has the discretion to change the rate on deposits, loans and advances in line with the changes in market trend. These measures minimize the bank's exposure to interest rate risk.

v) Currency risk

The bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. The bank is involved in foreign currency market only to the extent of buying and selling to the extent of required currency. The bank is not involved in foreign currency forward contracts and thus the risk is limited.

vi) Operational risks

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market, liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risk arises from all the bank's activities.

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

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the senior management at each branch level. The responsibility is supported by the development of overall standards for management of operational risks in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standard;
- Risk mitigation, including insurance where this is effective.

Compliance with the standards is supported by the periodic review by the Internal Audit. The results of the internal audit are discussed with the management of the branch, with summaries submitted to the Audit Committee.

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

Annexure to Note 4 (iii)

Table showing liquidity risk position

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at 31st December 2018 to the contractual maturity date.

Particulars	Up to 1	1 to 3	3 to 6	6 to 12	1 to 2	2 to 3	3 to 5	Over 5	Total
	TZS ('000)	months TZS ('000)	months TZS ('000)	months TZS ('000)	years TZS ('000)	years TZS ('000)	years TZS ('000)	years TZS ('000)	TZS ('000)
Financial assets									
Cash balance	849,147	-	-	-	-	-	-	-	849,147
Balance with Bank of Tanzania	11,585,205	-	-	-	-	-	-	-	11,585,205
Balances with other banks and financial institutions	16,108,790	-	-	-	-	-	-	-	16,108,790
Investment in debts securities	-	8,814,618	4,918,217	9,897,950	2,907,224	6,885,126	7,550,058	8,513,612	49,486,805
Inter-bank loan receivables	2,456,200	2,281,000	-	-	-	-	-	-	4,737,200
Loans, advances and overdraft (Gross)	25,990,341	2,968,369	3,657,293	9,880,491	12,297,050	8,303,179	6,437,341	459,089	69,993,153
Bank premises, furniture and equipment	-	-	-	-	-	-	-	1,266,618	1,266,618
Other assets	2,203,570	-	-	-	-	-	-	-	2,203,570
Total financial assets	59,193,253	14,063,987	8,575,510	19,778,440	15,204,274	15,188,305	13,987,399	10,239,319	156,230,488
Financial liabilities									
Demand deposits / call deposit	7,999,819	-	-	-	-	-	-	-	7,999,819
Savings deposits	10,243,583	-	-	-	-	-	-	-	10,243,583
Time deposits	7,845,974	8,267,421	12,065,615	21,632,526	709,413	-	-	-	50,520,950
Special deposits	22,475	-	-	-	-	-	-	-	22,475
Deposits with banks and financial institutions	27,959,743	-	17,107,500	-	5,000,000	-	-	-	50,067,243
Bankers cheques & draft issued	44,452	-	-	-	-	-	-	-	44,452
Accrued interest	2,102,534	-	-	-	-	-	-	-	2,102,534
Accrued taxes	121,571	-	-	-	-	-	-	-	121,571
Other liabilities	905,279	-	-	-	-	-	-	-	905,279
Shareholder's funds	-	-	-	-	-	-	-	34,202,582	34,202,582
Total financial liabilities	57,245,430	8,267,421	29,173,115	21,632,526	5,709,413	-	-	34,202,582	156,230,488
NET LIQUIDITY GAP	1,947,823	5,796,566	(20,597,605)	(1,854,086)	9,494,860	15,188,305	13,987,399	(23,963,263)	-

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

Annexure to Note 4 (iv)

Table showing interest sensitivity gap

The table below analyses the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates. The Bank does not bear an interest rate on off balance sheet items.

Particulars	Upto	1 to 3	3 to 6	6 to 12	Over	Non-interest	Total
	1 month TZS ('000)	months TZS ('000)	months TZS ('000)	months TZS ('000)	1 year TZS ('000)	bearing TZS ('000)	TZS ('000)
Assets							
Cash balance	-	-	-	-	-	849,147	849,147
Balance with Bank of Tanzania	-	-	-	-	-	11,585,205	11,585,205
Balances with other banks and financial Institutions	-	-	-	-	-	16,108,790	16,108,790
Investment in debts securities	-	8,814,618	4,918,217	9,897,950	25,856,020	-	49,486,805
Inter-bank loan receivables	2,456,200	2,281,000	-	-	-	-	4,737,200
Loans, advances and overdraft (Gross)	25,990,341	2,968,369	3,657,293	9,880,491	27,496,659	-	69,993,153
Bank premises, furniture and equipment	-	-	-	-	-	1,266,618	1,266,618
Other assets	-	-	-	-	-	2,203,570	2,203,570
Total assets	28,446,541	14,063,987	8,575,510	19,778,440	53,352,679	32,013,330	156,230,488
Liabilities and equity							
Demand deposits / call deposit	-	-	-	-	-	7,999,819	7,999,819
Savings deposits	10,243,583	-	-	-	-	-	10,243,583
Time deposits	7,845,974	8,267,421	12,065,615	21,632,526	709,413	-	50,520,950
Special deposits	-	-	-	-	-	22,475	22,475
Deposits with banks and financial institutions	27,959,743	-	17,107,500	-	5,000,000	-	50,067,243
Bankers cheques & draft issued	-	-	-	-	-	44,452	44,452
Accrued interest	-	-	-	-	-	2,102,534	2,102,534
Accrued taxes	-	-	-	-	-	121,571	121,571
Other liabilities	-	-	-	-	-	905,279	905,279
Shareholder's funds	-	-	-	-	-	34,202,582	34,202,582
Total liabilities and equity	46,049,299	8,267,421	29,173,115	21,632,526	5,709,413	45,398,713	156,230,488
INTEREST SENSITIVITY GAP	(17,602,758)	5,796,566	(20,597,605)	(1,854,086)	47,643,266	(13,385,383)	-

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

Annexure to Note 4 (v)

Table showing Banks's exposure to foreign currency exchange rate risk

The table below analyses the Bank's assets and liabilities at carrying amounts, categorized by currency.

Particulars	(Amt. in TZS'000)					Total
	USD	GBP	EURO	INR	KES	
Financial assets						
Cash	422,761	246	-	-	-	423,007
Bank balances in current account	11,090,748	17,769	9,670	22,968	34,173	11,175,329
Money market placement	2,737,200	-	-	-	-	2,737,200
Loans, advances and bills	62,375,792	-	-	-	-	62,375,792
Other assets	6,463,529	-	-	-	-	6,463,529
Total assets	83,090,030	18,016	9,670	22,968	34,173	83,174,856
Financial liabilities						
Deposits	82,056,709	-	-	-	-	82,056,709
Other liabilities	1,024,387	-	-	-	-	1,024,387
Total liabilities	83,081,096	-	-	-	-	83,081,096
NET BALANCE SHEET POSITION	8,933	18,016	9,670	22,968	34,173	93,760

Exchange rate as at 31st December 2018

2,281 2,895 2,615 33 22

5. CAPITAL MANAGEMENT

The Bank's objectives when managing capital, which is broader concept than the 'equity' on the face of the balance sheet, are:

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

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

The Bank of Tanzania (BOT) requires each bank to:

- Hold a minimum level of core capital of Tzs. 15 billion;
- Maintain a ratio of core capital to the risk weighted assets plus risk weighted off balance sheet items at or above the required minimum of 12.50%; and
- Maintain total capital of not less than 14.50% of risk weighted assets plus risk weighted off balance sheet items.

The bank's regulatory capital as managed by its management is divided into two tiers:

Tier 1 capital: Share capital, retained earnings and reserves created by appropriation of retained earnings. Prepaid expenses and deferred charges are deducted in arriving at Tier 1 capital.

Tier 2 capital: Qualifying subordinate loan capital, collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

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

The table below summarizes the composition of regulatory capital and the ratios of the bank for the year ending on 31st December, 2018:

Minimum capital required for market risks - Standardized Measurement method	Amt. (Tzs'000)
Foreign Exchange Risk	11,251
Interest Rate Position Risk	701,639
Equities Position Risk	-
Total Minimum capital required for market risk	712,890

BANK OF INDIA (TANZANIA) LIMITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO THE FINANCIAL STATEMENTS

Adjusted risk weighted assets	Risk weight equivalents Amt. (Tzs'000)
Credit risk on balance sheet items	73,803,336
Credit risk on off balance sheet items	3,205,748
Total Minimum capital required for market risk	8,911,122
Total Adjusted capital required for operational risk	12,229,708
Total Adjusted risk weighted assets and off balance sheet exposures	98,149,914

Available capital	Amt. (Tzs'000)
Available core capital	29,050,793
Available total capital	33,146,105

Capital adequacy ratios	
Core capital to risk weighted assets and off balance sheet exposures	29.60%
Total capital to risk weighted assets and off balance sheet exposures	33.77%

Particulars	BOT Requirement	Actual
Core capital to total adjusted risk weighted assets	12.50 %	29.60%
Total capital to total adjusted risk weighted assets	14.50 %	33.77%

BANK OF INDIA (TANZANIA) LIMITED
P. O. BOX - 7581, DAR-ES-SALAAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018 TZS ('000)	2017 TZS ('000)
6 INTEREST INCOME		
Interest on loans and advances	5,866,835	6,540,468
Interest on government securities	6,443,055	6,806,246
Interest on deposits and bank balances	1,236,755	1,874,360
	13,546,645	15,221,073
7 INTEREST EXPENSE		
Interest on customer deposits	3,770,523	4,075,540
Interest paid on borrowings from other banks	1,717,584	1,520,182
	5,488,107	5,595,722
8 FEES & COMMISSION		
Commission earned including forex earnings	186,168	418,444
Exchange on demand drafts etc.	600,816	629,449
	786,984	1,047,893
9 OTHER INCOME		
Other miscellaneous income	289,800	308,683
	289,800	308,683
10 OPERATING EXPENSES		
Employees salaries and other benefits	1,532,407	1,497,831
Fines and penalties	8,129	-
Staff training and recruitment	7,526	8,110
Rental expenses on premises and equipment	706,900	687,641
Rates and taxes	219,873	233,780
Lighting	45,236	52,227
Directors fee and Board expenses	38,394	46,816
Professional fees	89,193	17,485
Audit fees	57,208	28,637
Printing and stationery	45,704	38,723
License fees	25,305	19,319
Advertisement and publicity	51,957	49,366
Sundry charges	75,088	71,317
Renovation to leasehold premises / computer software written off	36,366	81,903
Insurance	368,436	330,117
Postage (Stamps), telephone, swift charges	470,533	381,975
Repairs and maintenance	85,490	49,837
Travelling expenses	58,245	33,055
Depreciation	128,502	58,964
Loss on sale of property, plant & equipment	-	275
Security charges	77,850	84,636
Subscription	16,454	18,668
FCBS expenses	396,427	245,957
	4,541,222	4,036,640

BANK OF INDIA (TANZANIA) LIMITED
P. O. BOX - 7581, DAR-ES-SALAAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018 TZS ('000)	2017 TZS ('000)
11 CASH AND BALANCES WITH BANK OF TANZANIA		
(i) Cash balance	849,147	1,126,300
(ii) Balance with Bank of Tanzania		
Current account / Clearing account	11,586,363	7,153,080
Less: Provision for impairment	(1,159)	-
	11,585,205	7,153,080
12 DEPOSITS AND BALANCES DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS		
Banks in Tanzania	10,698,395	41,420,604
Banks abroad	10,236,162	407,183
	20,934,557	41,827,787
Less: Provision for impairment	(88,567)	-
	20,845,990	41,827,787
Maturing within 3 months	20,934,557	39,151,787
Maturing after 3 months	-	2,676,000
	20,934,557	41,827,787
13 GOVERNMENT SECURITIES		
Investments in treasury bills	14,182,273	11,677,528
Investments in treasury bonds	35,309,482	35,136,881
	49,491,755	46,814,409
Less: Provision for impairment	(4,950)	-
	49,486,805	46,814,409
Maturing within 3 months	8,814,618	10,880,003
Maturing after 3 months	40,677,137	35,934,406
	49,491,755	46,814,409
14 PREPAID EXPENSES AND OTHER RECEIVABLES		
Interest receivable	977,980	1,243,613
Prepaid expenses	346,035	360,311
Sundry advances	246,328	811,548
	1,570,342	2,415,471
Less: Provision for impairment	(174)	-
	1,570,169	2,415,471

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018 TZS ('000)	2017 TZS ('000)
15 LOANS & ADVANCES TO CUSTOMERS (NET)		
Corporate loans	66,937,382	71,416,735
Staff loans	173,061	171,522
Personal loans	4,270,616	4,018,079
	71,381,059	75,606,337
Less: Provision for impairment	(1,266,062)	(1,251,120)
Interest in suspense	(121,844)	(124,687)
	69,993,153	74,230,530
Movement in provision for impairment		
Opening balance	1,251,120	366,008
Add: Provision made during the year	944,877	885,112
Less: Write off of provision	(835,085)	-
Closing balance	1,266,062	1,251,120
Sector wise analysis of loans and advances		
Manufacturing	8,015,396	8,528,596
Real estates and construction	26,851,048	25,892,709
Trade and commerce	15,430,168	18,458,982
Personal	4,270,616	4,018,079
Transport and communication	787,123	2,003,737
Hotel and tourism	5,708,847	6,355,320
Other services	10,144,800	10,177,392
Staff	173,061	171,522
	71,381,059	75,606,337
Maturity Analysis		
Repayable on demand	26,505,712	28,706,690
Repayable in 3 months or less	3,027,230	2,730,542
Repayable between 3 months and 1 year	13,806,229	13,208,760
Repayable after 1 year	28,041,888	30,960,345
	71,381,059	75,606,337
16 TAXATION		
(i) Income tax charge / (credit)		
Current income tax @ 30% of tax adjusted profits -see note	1,075,556	2,098,050
Tax for previous years	37,296	-
Deferred tax charge / (credit) - see note 17	52,151	(270,894)
	1,165,002	1,827,156
(ii) Income tax receivable/(payable)		
Opening balance	(178,050)	(38,641)
Tax paid for current year	1,588,050	1,958,641
	1,410,000	1,920,000
Less: Tax charge for current year	(1,075,556)	(2,098,050)
	334,444	(178,050)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018 TZS ('000)	2017 TZS ('000)
17 DEFERRED TAX LIABILITIES/(ASSETS)		
Balance at the beginning of the year	(351,108)	(80,214)
Charge / (credit) for the year - see note 16	52,151	(270,894)
Balance at the end of the year	<u>(298,957)</u>	<u>(351,108)</u>
<u>The deferred tax liability/(asset) arises from:</u>		
- Accelerated capital allowance	109,316	15,582
- Deferred revenue expenditure	-	8,646
- Provision for impairment	(408,273)	(375,336)
	<u>(298,957)</u>	<u>(351,108)</u>
<u>Reconciliation of tax expenses:</u>		
Net profit as per statement of profit or loss	3,649,223	6,060,176
Tax @ 30 % (2017: 30%)	1,094,767	1,818,053
Adjustment for:		
Disallowance under tax laws	2,439	9,103
Others	30,501	-
Previous year taxes	37,296	-
Tax expenses as per books	<u>1,165,002</u>	<u>1,827,156</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

18 PROPERTY, PLANT & EQUIPMENT

	Computer & peripherals	Computer (DR Server)	Motor vehicles	Office furniture & equipment	Plant & machinery	Total
	TZS ('000)	TZS ('000)	TZS ('000)	TZS ('000)	TZS ('000)	TZS ('000)
COST						
At 1st January 2017	188,405	-	51,768	499,179	104,915	844,268
Additions	6,708	-	60,345	28,439	-	95,493
Disposals	-	-	(21,069)	-	-	(21,069)
At 31st December 2017	195,114	-	91,044	527,619	104,915	918,691
At 1st January 2018	195,114	-	91,044	527,619	104,915	918,691
Additions	16,524	926,442	-	46,446	-	989,411
Prior year adjustments	21,875	-	-	-	-	21,875
Disposals	-	-	(28,440)	(1,266)	-	(29,706)
At 31st December 2018	233,512	926,442	62,604	572,798	104,915	1,900,272

ACCUMULATED DEPRECIATION AND IMPAIRMENT

At 1st January 2017	150,308	-	43,130	236,726	60,560	490,724
Depreciation for the year	13,714	-	4,410	35,296	5,544	58,964
Disposals	-	-	(16,575)	-	-	(16,575)
At 31st December 2017	164,022	-	30,965	272,022	66,105	533,114
At 1st January 2018	164,022	-	30,965	272,022	66,105	533,114
Depreciation for the year	26,217	46,322	14,853	36,259	4,851	128,503
Disposals	-	-	(27,005)	(957)	-	(27,962)
At 31st December 2018	190,238	46,322	18,813	307,325	70,956	633,654
At 31st December 2018	43,274	880,120	43,791	265,474	33,959	1,266,618
At 31st December 2017	31,092	-	60,079	255,596	38,810	385,578

BANK OF INDIA (TANZANIA) LIMITED
P. O. BOX - 7581, DAR-ES-SALAAM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018 TZS ('000)	2017 TZS ('000)
19 CUSTOMERS' DEPOSITS		
Third parties	68,764,352	70,280,360
From other banks	6,956,343	4,500,000
Related parties	43,110,900	61,196,575
	118,831,595	135,976,935
Maturity Analysis		
Repayable on demand	18,243,402	21,383,618
Repayable in 3 months or less	44,055,645	67,808,064
Repayable between 3 months and 1 year	50,805,642	46,575,876
Repayable after 1 year	5,726,906	209,378
	118,831,595	135,976,935
20 OTHER LIABILITIES		
Bills payable - bankers' cheques	44,452	66,704
Accrued taxes payable	121,571	71,771
Accrued interest payable	2,102,534	2,206,601
Statutory deductions payable	26,674	-
Margin money on LCs and guarantees	22,475	170,396
Sundry creditors	448,606	633,473
Clearing house a/c pay slip payables	-	84,677
Proposed dividend payable	430,000	645,000
	3,196,311	3,878,621
21 SHARE CAPITAL		
Authorized:		
21,500,000 ordinary shares of Tzs. 1,000/- each	21,500,000	21,500,000
Issued and fully paid up:		
21,500,000 ordinary shares of Tzs. 1,000/- each	21,500,000	21,500,000
	21,500,000	21,500,000
22 CASH AND CASH EQUIVALENTS		
Cash balance - see note 11(i)	849,147	1,126,300
Balance with Bank of Tanzania - see note 11(ii)	11,586,363	7,153,080
Deposits and balances due from other banks and financial institution maturing within 3 months - see note 12	20,934,557	39,151,787
Government securities maturing within 3 months - see note 13	8,814,618	10,880,003
	42,184,686	58,311,169

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018 TZS ('000)	2017 TZS ('000)
23 RELATED PARTY DISCLOSURE		
(A) List of related parties		
(i) Bank of India - Holding Company		
(ii) Bank of India (New York branch) - Branch of Holding Co.		
(iii) Bank of India (London branch) - Branch of Holding Co.		
(iv) Bank of India (Paris branch) - Branch of Holding Co.		
(v) Bank of India (Nairobi branch) - Branch of Holding Co.		
(vi) Bank of India (Jersey branch) - Branch of Holding Co.		
(vii) Bank of India (Botswana) Ltd. - Fellow subsidiary		
(viii) Directors of the Bank (as per list given on page 1)		
(B) Transactions during the year		
(i) Compensation to key management personnel		
Short term employee benefits to Managing Director	227,615	201,653
Sitting fees paid to directors	9,985	13,119
(ii) Net transactions payments/(receipts) with related parties		
Nostro Bank of India (New York branch)	6,084,818	(2,199,036)
Nostro Bank of India (London branch)	14,813	(972)
Nostro Bank of India (Paris branch)	(17,308)	(12,375)
Nostro Bank of India (Mumbai branch)	15,924	4,272
Nostro Bank of India (Nairobi branch)	(12,598)	16,132
	6,085,649	(2,191,979)
(iii) Customer deposits accepted from related parties		
Bank of India (Botswana) Ltd.	-	2,957,793
Bank of India (Jersey branch)	-	60,981,550
Bank of India (London branch)	82,100,200	82,666,325
Bank of India (New York branch)	114,466,625	21,024,325
	196,566,825	167,629,993
(iv) Interest expense		
Bank of India (Botswana) Ltd.	52,486	63,682
Bank of India (Jersey branch)	31,409	550,756
Bank of India (London branch)	677,692	357,690
Bank of India (New York branch)	733,137	30,185
	1,494,724	1,002,313

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018 TZS ('000)	2017 TZS ('000)
23 RELATED PARTY DISCLOSURE (Continued)		
(C) Closing balance as at 31st December		
(i) Net closing balance due from related parties		
Nostro Bank of India (New York branch)	5,377,595	(707,223)
Nostro Bank of India (London branch)	17,769	2,956
Nostro Bank of India (Paris branch)	9,670	26,978
Nostro Bank of India (Mumbai branch)	22,968	7,044
Nostro Bank of India (Nairobi branch)	8,758	21,356
	<u>5,436,761</u>	<u>(648,889)</u>
(ii) Customer deposits accepted from related parties		
Bank of India (Botswana) Ltd.	-	2,770,575
Bank of India (Jersey branch)	-	19,178,000
Bank of India (London branch)	16,195,100	31,666,000
Bank of India (New York branch)	26,915,800	7,582,000
	<u>43,110,900</u>	<u>61,196,575</u>
24 CONTINGENT LIABILITIES		
Letter of credit and acceptance (gross)	433,504	594,302
Letter of guarantees	5,544,488	5,462,232
CONTRA LIABILITIES		
Bills for collection *	789,662	817,576
	<u>6,767,654</u>	<u>6,874,110</u>
* Bills sent for collection of Tzs. 910,725 thousands (previous year Tzs. NIL) were not included as contingent / contra liabilities since it not a part of bank limit given to customers and bank is not contingently liable for the same.		
25 CORE CAPITAL		
Issued and fully paid up capital	21,500,000	21,500,000
Retained earnings	8,607,270	8,496,200
Prepayments	(346,035)	(360,311)
Deferred tax liabilities / (assets)	(298,957)	(351,108)
Deferred revenue expenditure	-	(28,819)
Core banking software	(411,485)	-
	<u>29,050,793</u>	<u>29,255,963</u>

COMPUTATION OF TAX

	2018 TZS ('000)	2017 TZS ('000)
Profit as per financial statements	3,649,223	6,060,176
Add: Disallowances under tax laws		
Depreciation	128,502	58,964
Provisions for impairment	944,877	885,112
Loss on sale of property, plant & equipment	-	275
Renovation expense / Computer software written off	6,944	81,903
Fines and penalties	8,129	-
Withholding tax on imported services	101,671	-
	<u>4,839,345</u>	<u>7,086,431</u>
Less: Allowances under tax laws		
Wear and tear allowance	416,166	92,931
Bad debts (Loss NPA assets) written off against NPA provision	835,085	-
Gain on disposal	2,907	-
	<u>1,254,158</u>	<u>92,931</u>
Taxable profit for the year	3,585,187	6,993,500
Less: Brought forwards tax loss	-	-
Final taxable profit for the year	3,585,187	6,993,500
Income tax charge for the year	1,075,556	2,098,050
Less: Advance tax paid	1,410,000	1,920,000
Previous year's un-utilised tax credit	-	-
Final tax payable / (refundable)	(334,444)	178,050

WEAR AND TEAR SCHEDULE

	Class I TZS ('000)	Class III TZS ('000)	Class VII TZS ('000)	Total TZS ('000)
Rate / Life	37.50%	12.50%	3 years	
Method	WDV	WDV	SLM	
At start of the year 01.01.2018	38,710	276,066	18,861	333,636
Add: Additions	942,966	46,446	-	989,411
Less: Disposal proceeds	(4,500)	(150)	-	(4,650)
	<u>977,175</u>	<u>322,361</u>	<u>18,861</u>	<u>1,318,398</u>
Wear and tear	366,441	40,295	9,430	416,166
At end of the year 31.12.2018	610,735	282,066	9,431	902,231