

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2013**

TAC Associates  
Certified Public Accountants  
114 Malik Street, Upanga  
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**March, 2014**

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED****Reports and Financial statements  
for the year ended 31 December 2013**

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**THE PEOPLE'S BANK OF ZANZIBAR LIMITED****CORPORATE INFORMATION****Board of Directors**

Mr. AbdulRahman M. Jumbe (chairman)  
Prof. Mohamed Hersi Warsame  
Mr. Juma Amour Mohammed  
Mr. Abdi Khamis Faki  
Mr. Abdulwakil Haji Hafidh  
Mr. Ahmed Abeid Karume  
Mr. Abdalla Abass Omar  
Dr. Mohammed Hafidh Khalfan

**Registered Office and contact**

Darajani Street,  
P. O .Box 1173  
Telephone +255 24 2231118/9/20  
Fax +255 24 2231120  
Email [info@pbzLtd.com](mailto:info@pbzLtd.com)  
Website [www.pbzLtd.com](http://www.pbzLtd.com)  
Zanzibar  
Tanzania.

**Company Secretary**

Mrs. Saadiye Hamid Suleiman

**Auditors**

TAC Associates  
(Certified Public Accountants)  
114 Malik Street, Upanga  
P. O. Box 580  
Dar es Salaam  
Tanzania

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED****REPORT OF THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 2013**

The Directors have the pleasure to present this report and audited financial statements for the year ended December 31, 2013 which discloses the state of affairs of the People's Bank of Zanzibar Limited.

**1.0 ESTABLISHMENT**

The People's Bank of Zanzibar Limited (PBZ) was established in June 30, 1966 under Cap. 153 of the Zanzibar Companies Decree. The primary function was to carry on the business of commercial banking. PBZ is owned wholly (100%) by the Government of Zanzibar.

**2.0 PBZ VISION**

'To be a leading provider of innovative and high quality financial services to our retail and corporate customers in Tanzania and beyond'.

**3.0 PBZ MISSION**

'To provide banking solutions to our retail and corporate customers. PBZ Bank will do so by providing innovative and high quality products and services at competitive and affordable cost through its network in Tanzania'.

**4.0 PRINCIPAL ACTIVITIES**

During the year under review The People's Bank of Zanzibar Limited offered a wide range of commercial banking services. The principal activities covered, inter alia, traditional and modern banking services as augmented. PBZ also provide lending facilities to range of products as well as financing shariah compliant products. Further the bank continues to carry out foreign exchange dealing.

**5.0 COMPOSITION OF BOARD OF DIRECTORS**

The following is the list of Board of Directors appointed on 8th July 2011. There are eight (8) Directors, seven (7) of them are Non Executive Directors (including Chairman) and one (1) is Executive Director i.e. Managing Director. All the directors at the date of this report have served throughout the year.

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

S/No	Name	Position	Age	Qualifications	Nationality
1	Mr. AbdulRahman M. Jumbe	Chairman	76	Diploma in plan administration project evaluation, foreign trade and national accounts	Tanzanian
2	Prof. Mohamed Hersi Warsame	Member	41	PhD in business Administration, CPA, CFA	Tanzanian
3	Mr. Juma Amour Mohammed	Member	46	Msc. Finance, Certified Public Accountant	Tanzanian
4	Mr. Abdi Khamis Faki	Member	59	Post graduate diploma in accounting and development finance	Tanzanian
5	Mr. Abdulwakil Haji Hafidh	Member	58	Msc. Finance	Tanzanian
6	Mr. Ahmed A. Karume	Member	35	Post graduate in Economics and Finance	Tanzanian
7	Mr. Abdalla Abass Omar	Member	54	Diploma in Business Administration.	Tanzanian
8	Dr. Mohammed Hafidh Khalfan	Member	48	Phd in International Economics.	Tanzanian

The bank Company secretary as at December 31, 2013 was Mrs. Saadiye Hamid Suleiman.

The Board of Directors is responsible to Shareholders for the proper management of the Bank. The direction and control of the Bank rests firmly with the Board. It assumes overall responsibility for corporate governance, identifying key risk areas, formulation of Bank policies, reviewing and approving long strategic plan and business strategies as well as overseeing investments of the Bank.

## **6.0 CORPORATE GOVERNANCE**

The People's Bank of Zanzibar Limited considers and accepts the best practices in Corporate Governance. The Board, management and staff of the bank are committed to upholding the core values of transparency, integrity, honesty and accountability, which are fundamental to the performance in any organization.

Furthermore, the Board of The People's Bank of Zanzibar Limited is responsible to ensure that comprehensive system of internal controls and sound corporate governance principles are applied.

## THE PEOPLE'S BANK OF ZANZIBAR LIMITED

The Board of Directors is scheduled to meet ordinarily four times a year. The Board delegates the day to day management of the banking activities to Managing Director who is assisted by Management Committee, whereas Management Committee is responsible for the implementation of strategies and internal controls as well as monitoring the performance of the Bank.

During the year ended December 31, 2013, the Board of The People's Bank of Zanzibar Limited had the following committees to ensure maintenance of high standard of corporate governance.

### 6.1 The Board Credit Committee (1<sup>st</sup> Committee)

The Credit Committee discusses and provides credit approval for all applications above the Management credit limit. The following are the members of the committee:

S/N	Name	Position	Qualifications	Nationality
1	Mr. Abdulwakil Haji Hafidh	Chairman	Msc. Finance	Tanzanian
2	Mr. Ahmed A. Karume	Member	Post graduate in Economics and Finance	Tanzanian
3	Prof. Mohamed Hersi Warsame	Member	PhD in business Administration, CPA, CFA	Tanzanian

The Board Credit Committee reports to the full Board.

The Board Credit Committee met four times during the year.

### 6.2 Board Audit Committee (2<sup>nd</sup> Committee)

The main function of this Committee is to assist the Board of Directors in its responsibilities of monitoring of financial reporting process to ensure financial statements are prepared in accordance with the law and regulations also to review internal control system as a service to Management and safeguarding of company assets. Members of the committee are the following:-

	Name	Position	Qualifications	Nationality
1	Mr. Abdi Khamis Faki	Chairman	Post graduate diploma in accounting and development finance	Tanzanian
2	Mr. Abdulwakil Haji Hafidh	Member	Msc. Finance	Tanzanian
3	Mr. Abdalla Abass Omar	Member	Diploma in Business Administration	Tanzanian

The Board Audit Committee reports to the full Board.

The Board Audit Committee met four times during the year.

## THE PEOPLE'S BANK OF ZANZIBAR LIMITED

### 6.3 Board Risk Management Committee (3<sup>rd</sup> Committee)

This Committee is responsible for ensuring that a comprehensive risk management framework is in place for management of risk from financing, operation or investment. Also the Committee is vested with authority to oversee Management activities in managing operational, liquidity, market, legal and other risks. The committee members are listed here below:

S/N	Name	Position	Qualifications	Nationality
1	Prof. Mohamed Hersi Warsame	Chairman	PhD in business Administration	Tanzanian
2	Dr. Mohammed Hafidh Khalfan	Member	Phd in International Economics	Tanzanian
3	Mr. Abdi Khamis Faki	Member	Post graduate diploma in accounting and development finance	Tanzanian

The Board risk Committee reports to the full board.  
The Board risk Committee met four times during the year.

### 6.4 Board Shariah Committee (4<sup>th</sup> Committee)

The Shariah Committee is responsible for advising the Board of Directors on Shariah matters in order to ensure that the Islamic business operations of PBZ comply with Shariah principles at all times. The committee also ensures that the Shariah Policies and Procedures do not contain elements which are not in line with Shariah and that the Islamic finance products of the bank comply with Shariah principles in all aspects. A list of members is given here below:

S/N	Name	Position	Qualifications	Nationality
1	Prof. Monzer Kahf	Chairman	Phd in Islamic economics Administration	American
2	Sheikh Abdalla Talib Abdalla	Member	Msc. In Peace and conflict resolution, 1 <sup>st</sup> Degree in Islamic shariah.	Tanzanian
3	Sheikh Shamim Khamis Machano	Member	1 <sup>st</sup> degree in Shariah	Tanzanian

The Shariah Committee reports to the full Board.  
The Shariah Committee met four times during the year.

## **THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

### **7.0 CAPITAL STRUCTURE**

Authorized share capital of the bank consists of 250,000,000 ordinary shares each TZS 100. As at December 31, 2013, issued and fully paid up shares were 160,000,000 each TZS 100. The Bank is 100% owned by Revolutionary Government of Zanzibar (RGZ).

### **8.0 KEY MANAGEMENT OF THE BANK**

The management of the bank is under the Managing Director who is assisted by Special Assistant to Managing Director and other four Directors and four Independent Managers. The following are the Directors and Independent Managers as key management personnel who served the bank during the year ended December 31, 2013:

<b>Name</b>	<b>Title</b>
Mr. Juma A. Mohammed	Managing Director
Mr. Ame H. Makame	Special Assistant to the Managing Director
Mrs. Fatma A. Hamad	Director of Finance and Administration
Mr. Said M. Said	Director of Banking Operations
Mrs. Viwe A. Juma	Ag. Director of Marketing and Business Development.
Mr. Mohammed Kh. Zahor	Ag. Director of Islamic Banking Operations.
Mrs. Saadiye H. Suleiman	Company Secretary
Mr. Seif A. Said	Head of Risk Management and Compliance
Mr. Mohammed B. Chwaya	Manager Internal Audit
Mr. Khatib P. Buyu	Manager Information & Communication Technology.

### **9.0 FUTURE PROSPECTS AND DEVELOPMENT PLANS**

According to the mission statement and business plan of the bank management will perform various banking developments activities but not limited to the following:

- Increasing branch network countrywide by opening two new branches in Mtwara and Dar es Salaam. The bank also planned to open three service centers two in Dar es Salaam and one in Zanzibar.
- To introduce agency banking which allow customers to access PBZ products and services at appointed retail outlets.
- To increase the bank's publicity and marketing activities.
- To enhance product development and make awareness of these products to existing and new customers.
- To replace existing Software to cater to business expansion and technology advancement.



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

**10.0 OPERATING RESULTS AND PERFORMANCE FOR THE YEAR 2013**

**10.1 Results and Dividend**

The Bank recorded an increase in profit for the year (after tax profit) of 199% from TZS 1,647.77 million in 2012 to TZS 4,930.98 million in 2013 (TZS 1,654.76 million in 2011). Net operating income increased by 47% to TZS 22,964.50 million in 2013 from TZS 15,588.56 million in 2012. The results are shown in the table below. The Board of Directors is proposing to retain 100% of the profit for reinvestment plans.

PARTICULARS	2013	2012	INCREASE/(DECREASE)	
	MILL. TZS	MILL. TZS	MILL. TZS	%
Interest Income	20,668	13,533	7,135	53
Interest Expense	<u>(5,260)</u>	<u>(3,204)</u>	<u>(2,056)</u>	<u>64</u>
Net Interest Income	15,408	10,329	5,079	49
Fees and Commission Income	4,739	2,896	1,843	64
Other Operating Income	<u>2,817</u>	<u>2,364</u>	<u>453</u>	<u>19</u>
<b>Total</b>	<b><u>22,964</u></b>	<b><u>15,589</u></b>	<b><u>7,375</u></b>	<b><u>47</u></b>
Operating Expenses	(15,399)	(13,164)	(2,235)	17
Other Expenses	<u>(521)</u>	<u>(70)</u>	<u>(451)</u>	<u>644</u>
<b>Total Expenses</b>	<b><u>(15,920)</u></b>	<b><u>(13,234)</u></b>	<b><u>(2,686)</u></b>	<b><u>(20)</u></b>
<b>Profit Before Tax</b>	<b>7,044</b>	<b>2,355</b>	<b>4,689</b>	<b>199</b>
<b>Profit After Tax</b>	<b>4,931</b>	<b>1,648</b>	<b>3,283</b>	<b>199</b>

**10.2 Performance for the Year 2013**

Total assets of the bank stood at TZS 287,750.95 million as at December 31, 2013 which represent an increase of 26% from TZS 227,926.21 million reported at the end of the preceding year. Earning assets were 76.22 % of total assets and were comprised of loan and advances (43.18%), investment in debt securities (16.27%), foreign banks – nostro accounts (10.89%), Islamic financing (4.56%), interbank placement (1.11%), and equity investment (0.20%). Total liabilities of the bank as at the end of year 2013 amounted to TZS 261,239.34 million as compared with TZS 206,080.97 million reported at the end of year 2012. Customers' deposits which represent 96.26% of total liabilities grew by 28.56% from TZS 195,593.46 million in 2012 to TZS 251,460.48 million reported at the end of year 2013. The bank has maintained liquidity as the ratio indicated that, at the end of year 2013 liquid assets were 35.65% of total assets.

## THE PEOPLE'S BANK OF ZANZIBAR LIMITED

### 10.3 Capital Position

Total shareholders' equity of the bank amounted to TZS 26,511.61 million, recorded as at the end of year 2013 compared with shareholders equity of TZS 21,845.24 million recorded at the end of previous year.

The available core capital (tier 1) stood at TZS 22,385.36 million. This is above the required minimum regulatory level of TZS. 15,436.26 million based on Risk Weighted Assets and Off Balance Sheet Exposure. The core capital has increased by TZS 4,453.22 million equivalents to 24.83% from TZS 17,932.14 million reported in the previous year.

### 11.0 INTERNAL CONTROL AND RISK MANAGEMENT

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

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

The Board assessed the internal control systems throughout the financial year ended December 31, 2013 and is of the opinion that they met accepted criteria.

Taking risk is an integral part of any financial institution, and the operational risks are inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between the risk and return and minimize potential adverse affects on the Bank's financial performance. The Board is responsible for identifying the major business risks faced by the Bank and to determine the appropriate course of action to manage those risks.

Risk management is carried out by Risk Management Department under policies approved by the Board of Directors. Internal Audit Department is responsible for the independent review of risk management and the control environment. The core risks are credit risk, liquidity risk, interest risk, foreign currency risk and other operational risks.

The Board carries risk and internal control assessment through Risk Board Committee and Board Audit Committee.

### 12.0 SOLVENCY

The Board of directors confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board

## **THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

of directors has reasonable expectation that The People's Bank of Zanzibar Limited has adequate resources to continue in operational existence for the foreseeable future.

### **13.0 RELATIONSHIP**

The Bank continues to maintain good relationship with Regulator (BOT), other banks, its customers, its employees and other stakeholders. During the year ended December 31, 2013 there were no significant unresolved complaints received by the management.

### **14.0 EMPLOYEES WELFARE**

#### **14.1 Training Facilities**

Training is the learning process of imparting and sharpening skills of an employee to enable him/her to perform duties efficiently. The bank continues to offer long and short term training facilities to employees with a view to capacity building.

During the year 2013, the bank engaged in training its employees for the purpose of improving the following:

- customer services,
- Staff morale
- Shaping behavior and attitudes of staff towards organizational performance.

#### **14.2 Medical Assistance**

The bank fully meets the cost of medical consultation and treatment for all employees and their immediate family members. During the year 2013 the bank provided health service care through health insurance service scheme. Each staff with a maximum of four dependants is granted medical service by the bank. Currently the services are provided by AAR Insurance Limited. TZS 142.62 million was actually spent for the purpose of staff medical care.

#### **14.3 Financial Assistance to Staff**

The bank offers salary advances of up to three-months to any member of staff who faces proven financial hardship as per Staff Regulation. Also it provides loans to its staff up to TZS. 100 million depends on employee salary levels.

#### **14.4 Persons with Disabilities**

Applications for employment by disabled persons are always considered. In the event of members of staff becoming disabled, every effort is made to ensure that his/her employment with the bank continues.

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED****14.5 Employees Benefit Plan**

The Bank pays contributions to a publicly administered pension scheme on mandatory basis which qualifies to be a defined contribution plan. The number of employees as at December 31, 2013 was 236 (previous year 213). The bank is contributing 10% of gross salary for each employee to Zanzibar Social Security Fund (ZSSF) every month. During the year under review, the bank contributed TZS 457.50 million to Fund for employees benefit.

**14.6 Relationship Between Management and Employees**

There was continued good relationship between employees and management of the PBZ for the year ended December 31, 2013. There were no unresolved complaints received by management from employees during the year.

**15.0 GENDER PARITY AND STAFF STRENGTH**

Out of 236 staff, 160 were males and 76 were females (2012: Total 213; female 65 and male 148). Permanent staff were 90, three year renewable contract employees were 146.

**16.0 RELATED PARTY TRANSACTIONS**

All related party transactions and balances are disclosed in note 28 to these financial statements.

**17.0 POLITICAL AND CHARITABLE DONATIONS**

The bank provides donations to the various sectors in the country particularly education, health and sports. In year ended December 31, 2013 the bank spent TZS 178.3 million in donations in accordance with bank policy. There was no any political donation during the year.

**18.0 CORPORATE SOCIAL RESPONSIBILITIES**

The People's Bank of Zanzibar Limited, as corporate entity, obliged to provide proper consideration to the society in which it operates. During the year ended December 31, 2013, the bank contributed to different sectors such as health, tourism and sports. PBZ spent TZS 178.3 million for social responsibility during the year 2013.

**19.0 STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITY**

It is the responsibility of the Board of Directors to prepare financial statements of the People's Bank of Zanzibar Limited in accordance with International Financial Reporting Standards (IFRSs) and Tanzania Financial Reporting Standards (TFRSs). It is the responsibility of external auditors to form an independent opinion on those financial statements based on International Standards on Auditing.

## THE PEOPLE'S BANK OF ZANZIBAR LIMITED

The Board of Directors confirms that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended December 31, 2013. The financial statements for the year ended December 31, 2013 have complied with International Financial Reporting Standards (IFRS) and Tanzania Financial Reporting Standards (TFRSs).

### 20.0 ACKNOWLEDGEMENT

Our performance would not have been possible without the support of some institutions, groups and individuals to whom I would like to extend our appreciation.

The Board of Directors has the pleasure once again to thank Management and staff of PBZ for their commitments and untiring efforts. Without their devotion and sacrifice, the bank's achievements would not have been possible.

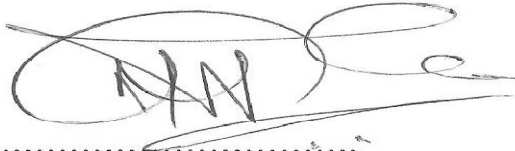
We further extend our appreciation to our valued customers and all stakeholders for their contribution and support.

We also wish to thank relevant authorities, particularly Ministry of Finance – Zanzibar, Bank of Tanzania and Tanzania Revenue Authority for their valuable guidance and assistance throughout the year.

### 21.0 STATUTORY AUDITORS

TAC Associates were appointed as the bank's statutory auditors for the year ended December 31, 2013 and they are eligible for re-appointment. A resolution proposing their re-appointment as auditor of the bank for the year 2014 will be put to the Annual General Meeting.

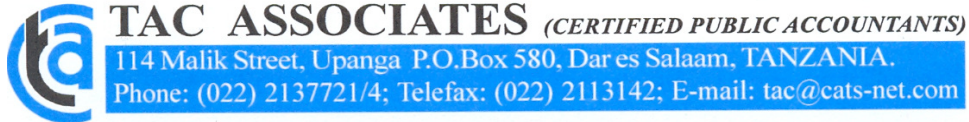
Approved by the board of directors on 29TH MARCH, 2014 and signed on its behalf by:



.....  
**ABDULRAHMAN M. JUMBE**

**CHAIRMAN OF THE BOARD**

DATE: 20-03-2014



## **INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

We have audited the accompanying financial statements of the People's Bank of Zanzibar Limited, which comprise the statement of financial position as at 31<sup>st</sup> December, 2013, 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 a summary of significant accounting policies and other explanatory notes set out from pages 15 to 49.

### **Directors' Responsibility for the Financial Statements**

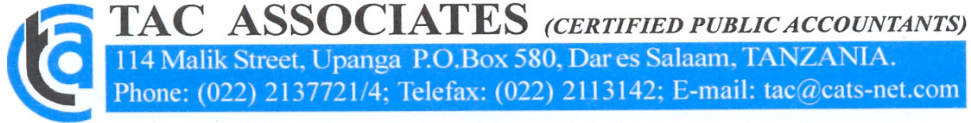
As prescribed in the Statement of Directors Responsibilities, the Company's Directors are responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Cap. 153 of the Zanzibar Companies Decree. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit 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 People's Bank of Zanzibar Ltd for the year ended 31<sup>st</sup> December, 2013 and of the results of its operations, the statement of changes in equity and the cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS), the Banking and Financial Institutions Act, 2006 and the Cap. 153 of the Zanzibar Companies Decree.

**TAC ASSOCIATES** (*Certified Public Accountants*)

P. J. SHEE – FCCA  
**ENGAGEMENT PARTNER**

S. F. SAYORE – FCCA  
**MANAGING PARTNER**

**DAR ES SALAAM**

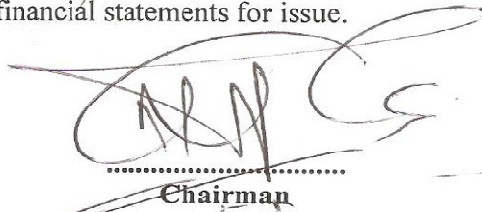
DATE:..... **31 MAR 2014**

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

**STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER, 2013**

<b>ASSETS</b>	<b>NOTE</b>	<b>2013 TZS'000'</b>	<b>2012 TZS'000'</b>
Cash	4	<b>24,191,073</b>	15,440,744
Balances with Bank Of Tanzania	5	<b>27,961,155</b>	21,823,618
Balances with Other Banks	6	<b>36,078,036</b>	23,458,056
Cheques & Items for Clearing		<b>3,295,826</b>	3,089,399
Investment in Debt Security	7	<b>46,825,447</b>	56,382,467
Loans and Advances	8	<b>124,259,033</b>	89,286,437
Islamic Financing	9	<b>13,135,403</b>	5,579,621
Equity Investment	10	<b>583,942</b>	333,483
Other Assets	11	<b>2,360,131</b>	3,297,769
Property and Equipment	12	<b>8,680,232</b>	8,785,661
Intangible Assets	13	<b>380,670</b>	448,951
<b>Total Assets</b>		<b><u>287,750,948</u></b>	<b><u>227,926,206</u></b>
 <b>LIABILITIES</b>			
Deposits Liabilities	14	<b>251,460,480</b>	195,593,456
Other Liabilities	15	<b>4,954,819</b>	7,338,158
Inter-bank borrowing		<b>0</b>	419,003
Tax Payable	26	<b>2,113,277</b>	706,186
Accrued Interest expense	16	<b>2,710,759</b>	2,024,167
<b>Total Liabilities</b>		<b><u>261,239,335</u></b>	<b><u>206,080,970</u></b>
 <b>SHAREHOLDER'S EQUITY</b>			
Share Capital	17	<b>16,000,000</b>	11,000,000
Government Grant	18	<b>796,648</b>	806,471
Reserves	19	<b>9,714,965</b>	10,038,765
Total shareholder's equity		<b><u>26,511,613</u></b>	<b><u>21,845,236</u></b>
<b>Total Equity and Liabilities</b>		<b><u>287,750,948</u></b>	<b><u>227,926,206</u></b>

On 29/3 2014 the Board of Directors of the Peoples Bank of Zanzibar Limited authorized these financial statements for issue.

  
.....  
**Chairman**

  
.....  
**Director**

  
.....  
**Managing Director**

The notes on Page 19 to 49 form Integral part of these financial statements. Auditors report on pages 13 and 14.

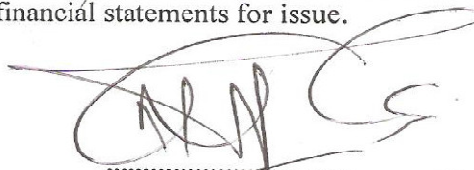


**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2013**

	NOTE	2013 TZS'000'	2012 TZS'000'
Interest income	20	20,667,972	13,532,762
Interest expenses	21	<u>(5,259,989)</u>	<u>(3,204,091)</u>
<b>Net interest income</b>		<b>15,407,983</b>	10,328,671
Fees and commission income (Net)	22	4,739,151	2,895,855
Other operating income	23	2,817,350	2,364,036
Operating Expenses	24	<u>(15,399,045)</u>	(13,164,739)
Provision for probable loss of other assets		<u>(291,531)</u>	(32,857)
Impairment Charges on loan and advances		<u>(92,929)</u>	(27,206)
Assets written off	25	<u>(136,723)</u>	<u>(9,808)</u>
<b>Operating Profit Before Tax</b>		<b>7,044,258</b>	2,353,952
<b>Provision for tax</b>	26	<b>2,113,277</b>	706,186
<b>Profit for the Year After Taxation</b>		<b>4,930,981</b>	1,647,766
<b>Other comprehensive income:</b>			
Revaluation of Available- for-Sale Financial Assets (Foreign Equity Investment)		459	260
Total other comprehensive income		459	260
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>4,931,440</b>	1,648,026
<b>EARNING AND DIVIDEND PER SHARE (Reported in Tanzania Shillings)</b>			
<b>Basic and diluted earnings per share</b>		<b>30.82</b>	14.98
<b>Dividend per share</b>		-	2.26

On 29/3 2014 the Board of Directors of the Peoples Bank of Zanzibar Limited authorized these financial statements for issue.

  
.....  
Chairman

  
.....  
Director

  
.....  
Managing Director

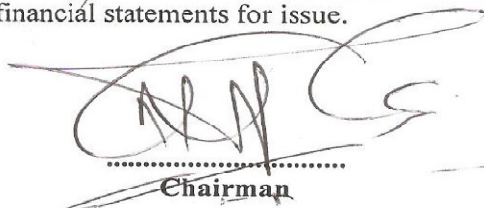
The notes on Page 19 to 49 form Integral part of these financial statements. Auditors report on pages 13 and 14.

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2013**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>2013 TZS'000</b>	<b>2012 TZS'000</b>
Profit before taxation	7,044,258	2,353,953
Depreciation of Property, Plant and Equipment	1,063,738	970,460
Amortization of intangible assets	122,609	30,499
Impairment loss - WIP (intangible assets)	51,332	
Adjustment of fixed asset	30,263	28,141
Other adjustments	24,114	-
Tax and other adjustments	0	(46,994)
Fixed assets written assets	0	9,808
Amortization of government grant	(9,823)	(14,563)
Loss on disposal of Fixed assets	<u>0</u>	<u>25,153</u>
<b>Operating Profit before Change in Working Capital</b>	<b>8,326,491</b>	<b>3,356,457</b>
Statutory Minimum Reserve (SMR)	(4,374,646)	(5,720,422)
Treasury bills maturing over 90 days	6,059,402	(18,676,721)
Treasury bonds	(3,275,979)	(3,334,638)
Loans and Advances	(34,972,596)	(27,461,381)
Islamic Financing	(7,555,782)	(5,431,306)
Other Assets	917,938	(124,064)
Customer's Deposits	55,867,024	55,577,041
Accrual interest payable	686,592	1,561,473
Other Liabilities	<u>(2,340,178)</u>	<u>2,274,232</u>
<b>Cash generated from operations</b>	<b>19,314,806</b>	<b>2,020,671</b>
Income tax paid	<u>(706,186)</u>	<u>(773,367)</u>
<b>Net Cash Flows from Operating Activities (A)</b>	<b><u>18,608,620</u></b>	<b><u>1,247,303</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of Property and equipments	(984,972)	(743,484)
Proceeds from Sale of Property and equipments	0	4,500
Acquisition of Intangible Assets	(32,446)	-
Investment in TMRC	(250,000)	(250,000)
Investment in Umoja Switch Company	0	(20,000)
Additional capital WIP (computer softwares)	(73,217)	(8,097)
Additional capital WIP (equipment)	<u>(3,600)</u>	<u>(271,566)</u>
<b>Net Cash Flows from Investing Activities (B)</b>	<b><u>(1,344,235)</u></b>	<b><u>(1,288,647)</u></b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Inter-bank borrowing	(419,004)	(2,678,709)
Dividend payment	0	(248,214)
Dividend income	0	4,349
Exploitation of Regulatory Risk Reserve against NPL written off	<u>(279,352)</u>	<u>-</u>
<b>Net Cash Flows from Financing Activities (C)</b>	<b><u>(698,356)</u></b>	<b><u>(2,922,574)</u></b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>16,566,029</b>	<b>(2,963,917)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>61,042,116</u></b>	<b><u>64,006,033</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>77,608,145</u></b>	<b><u>61,042,116</u></b>

On 29/3 2014 the Board of Directors of the Peoples Bank of Zanzibar Limited authorized these financial statements for issue.

  
.....  
Chairman

  
.....  
Director

  
.....  
Managing Director

The notes on Page 19 to 49 form Integral part of these financial statements. Auditors report on pages 13 and 14.

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER, 2013**

	Share Capital	Grants	Foreign Exchange Translation on Security	Regulatory Risk Reserve	Fixed Assets Revaluation Reserve	Retained Earnings	Total
Opening Balance As At January 1, 2012	11,000,000	816,294	42,213	297,683	2,208,684	6,037,137	<b>20,402,011</b>
Adjustment on Opening Balance of Retained Earnings	0	0	0	0	0	28,141	<b>28,141</b>
Adjustment on Opening Balance Earnings of Retained (LAL 01 &LAL 06)	0	0	0	0	0	(19,004)	<b>(19,004)</b>
Decrease/Increase of Reserve on Regulatory Risk	0	0	0	426,167	0	(426,167)	<b>0</b>
Amortization of Grant	0	-9,823	0	0	0	0	<b>(9,823)</b>
Transfer of Fixed Assets Revaluation Reserve to Retained Earnings	0	0	0	0	(184,880)	184,880	<b>0</b>
Overprovision of Tax Year 2012	0	0	0	0	0	44,099	<b>44,099</b>
Dividend Payment	0	0	0	0	0	(248,214)	<b>14,901</b>
Total Comprehensive Income for the Year	0	0	260	0	0	1,647,766	<b>1,648,026</b>
<b>Closing Balance as December 31, 2012</b>	<b>11,000,000</b>	<b>806,471</b>	<b>42,473</b>	<b>723,850</b>	<b>2,023,804</b>	<b>7,248,638</b>	<b>21,845,236</b>
Opening balance as January 1, 2013	11,000,000	806,471	42,473	723,850	2,023,804		21,845,236
Adjustments on Opening Balance:-						7,248,638	
Missposting of Intangible Assets as Expense in 2012	0	0	0	0	0	35,918	35,918
Overcharge for Depreciation PPE in 2012	0	0	0	0	0	4,467	4,467
Overcharge for Depreciation on Leasehold Property Improvement in 2012	0	0	0	0	0	14,901	14,901
Share of Commitment Fee on Syndicate Loan in 2012	0	0	0	0	0	(31,172)	(31,172)
Decrease/Increase of Reserve on Regulatory Risk (RRR)	0	0	0	673,738	0	(673,738)	0
Amortization of Grant	0	-9,823	0	0	0	0	(9,823)
Transfer of Fixed Assets Revaluation Reserve to Retained Earning	0	0	0	0	(167,029)	167,029	0
Appropriation of Reserve on Regulatory Risk on Writing off Non Performing Loan	0	0	0	-279,352	0	0	(279,352)
Conversion of Retained Earnings into Permanent Capital	5,000,000	0	0	0	0	(5,000,000)	0
Total Comprehensive Income for the Year	0	0	459	0	0	4,930,981	4,931,440
<b>TOTAL</b>	<b>16,000,000</b>	<b>796,648</b>	<b>42,932</b>	<b>1,118,236</b>	<b>1,856,775</b>	<b>6,697,024</b>	<b>26,511,615</b>

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED****NOTES ON THE FINANCIAL STATEMENTS****1.0 CORPORATE INFORMATION**

The People's Bank of Zanzibar Limited was established in 1966 under the Zanzibar Companies Decree (Cap. 153). The Bank is fully owned by the Revolutionary Government of Zanzibar. The Bank is engaged in the business of banking and provision of related services. It is registered as a bank under the Banking and Financial Institutions Act, 2006.

**2.0 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

**2.1 Basis of Preparation**

These financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The financial statements are prepared under the historical cost basis of measurement as modified revaluation of fixed assets, revaluation at fair value of financial assets held as 'at fair value through profit or loss' or 'available for sale'. The financial statements are presented in Tanzanian Shillings (TZS) and all values are rounded to the nearest thousand (TZS '000'), except when otherwise indicated.

**2.2 Changes in accounting policy and disclosures**

International Accounting Standard Board (IASB) has published a number of new and revised Financial Reporting Standards (IAS and IFRS) and interpretation, which People's Bank of Zanzibar Ltd is not compulsory to observe the change as not applicable in preparing the Financial Statement of the year ended December 31, 2013. The bank expect to implement the change when they applicable to annual reporting periods beginning or after January 1, 2014.

The following are new and revised Financial Reporting Standards (IAS and IFRS) and interpretation issue by International Accounting Standard Board (IASB).

- IFRS 9 Financial Instruments (2009):  
IFRS 9 introduces new requirements for classifying and measuring financial assets. This Standard is superseded by IFRS 9 (2010) and and IFRS 9 (2013), but all standards remain available for application
- IFRS 9 Financial Instruments (2010):  
A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 Financial Instruments: Recognition and Measurement.
- IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (2013):  
This Standard supersedes IFRS 9 (2009) and IFRS 9 (2010), but these standards remain available for application.

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

- **IFRS 10 Consolidated Financial Statements:**  
Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27, Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities. Applicable to annual reporting periods beginning on or after 1 January 2013.
- **IFRS 11 Joint Arrangements:**  
Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. Joint arrangements are either joint operations or joint ventures. Applicable to annual reporting periods beginning on or after 1 January 2013.
- **IFRS 12 Disclosure of Interests in Other Entities:**  
Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- **IFRS 13 Fair Value Measurement:**  
Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. The IFRS is the result of joint efforts by the IASB and FASB to develop a converged fair value framework. The IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value. Applicable to annual reporting periods beginning on or after 1 January 2013.
- **IFRS 14 Regulatory Deferral Accounts**  
IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.
- **IAS 19 Employee Benefits (2011):**  
An amended version of IAS 19 Employee Benefits with revised requirements for pensions and other post-retirement benefits, termination benefits and other changes. Applicable to annual reporting periods beginning on or after 1 January 2013.
- **IAS 27 Separate Financial Statements (2011):**  
Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unchanged from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10 Consolidated Financial Statements. Applicable to annual reporting periods beginning on or after 1 January 2013.
- **IAS 28 Investments in Associates and Joint Ventures (2011):**  
This Standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. Applicable to annual reporting periods beginning on or after 1 January 2013.

## THE PEOPLE'S BANK OF ZANZIBAR LIMITED

- **Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12):**  
Amends IAS 12 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale.
- **Presentation of Items of Other Comprehensive Income (Amendments to IAS 1):**  
Amends IAS 1 Presentation of Financial Statements to revise the way other comprehensive income is presented. Applicable to annual reporting periods beginning on or after 1 July 2012.
- **Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7):**  
Amends IAS 1 Presentation of Financial Statements to revise the way other comprehensive income is presented. Applicable to annual periods beginning on or after 1 January 2013 and interim periods within those periods.
- **Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32):**  
Amends IAS 32 Financial Instruments: Presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on specific main areas. Applicable to annual periods beginning on or after 1 January 2014.
- **Government Loans (Amendments to IFRS 1):**  
Amends IFRS 1 First-time Adoption of International Financial Reporting Standards to address how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRSs. Applicable to annual periods beginning on or after 1 January 2013.
- **Annual Improvements 2009-2011 Cycle:** Makes amendments to the following standards: IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34. Applicable to annual periods beginning on or after 1 January 2013.
- **Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance:**
  - **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27):**
  - **Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36):**
  - **Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39):**
  - **Defined Benefit Plans: Employee Contributions (Amendments to IAS 19):**

### 2.3 Summary of significant accounting policies

The accounting policies adopted, which are consistent with those of previous year, are shown below.

#### (i) Foreign Currency Translations

Foreign currency transactions are translated into Tanzania Shilling, the functional currency, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences on non-monetary items, such as equities classified as available for-sale financial assets, are included in the fair value reserve in equity.

## THE PEOPLE'S BANK OF ZANZIBAR LIMITED

### (ii) Interest Income and Expenses

Interest income and expenses are recognized in the income statement for all interest bearing instruments on an accrual basis using the effective interest method, based on the actual purchase price.

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 instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Interest on loans and advances given is recognized in the financial statements on accrual basis. However, interest accrued on overdue loans and advances is suspended as unrealized income, which can only be recognized as income when actually received. Interest overdue on loans and advances with their corresponding account, interest in suspense - overdue are maintained outside the financial statements in memorandum records, when realized the amounts are posted in the accounts and recognized as income immediately.

### (iii) Fees 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 adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating or participating in the negotiation of, a transaction for a third party –such as arrangement of the acquisition of shares or other securities or the purchase or sale of business are recognized on completion of the underlying transaction.

### (iv) Government Grants

Government grants received in form of fixed assets are deferred to capital grants account and released to income over the expected useful lives of relevant fixed assets.

### (v) Investment in Debt Securities

The Bank classifies its investment in debt securities in the following categories: held-to-maturity investments and available-for-sale financial assets. These investments are initially carried at cost.

- **Held-to-Maturity**

Held-to-maturity investments are non-derivatives financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. Where the Bank decides to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale. Held-to-maturity securities are carried at amortized cost using the effective interest method less

## THE PEOPLE'S BANK OF ZANZIBAR LIMITED

impairment loss. Interest calculated using the effective interest method is recognized in the income statement. Government securities and bonds are classified as held to maturity investments and stated at amortized cost.

- **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 changes in interest rates, exchange rates or equity prices. Available-for-sale financial assets are subsequently carried at fair value based on amounts derived from cash flow models. 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 which time the cumulative gain or loss previously recognized in equity should be recognized in profit or loss. The fair values of quoted investments in active markets are based on current bid prices. Unlisted equity securities for which fair values cannot be measured reliably are recognized at cost less impairment loss. Dividends on available-for-sale equity instruments are recognized in the income statement when the Bank's right to receive payment is established.

Investments in shares which do not qualify to be accounted for as subsidiaries as per IAS 27 (or as associates as per IAS 28) are classified as equity investments. They are valued at cost of acquisition and subjected to a revaluation to accommodate exchange rate movements.

**(vi) Loans and Provisions for Loan Impairment**

Loans originated by the Bank by providing money directly to the borrowers are categorized as originated loans and are stated at amortized cost less provision for impairment. A loss provision is established when there is doubt about the Bank's ability to recover all amounts due. The amount of the provision is the difference between the estimated recoverable amount and the carrying amount, but also takes into account the requirements of Management of Risk Assets Regulations, 2001 issued by the Bank of Tanzania. In the event that the provision required under the BOT Regulations exceeds that required by IFRS, the excess provision would be treated as a general banking provision and accounted for in reserves.

**(vii) Impairment of Financial Assets Carried at Amortized Cost**

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

**(viii) Impairment of Financial Assets Carried at Fair Value**

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is 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 recognized in the income



## THE PEOPLE'S BANK OF ZANZIBAR LIMITED

statement. Impairment losses recognized in the income statement 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 objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

### (ix) Intangible Assets

The bank's intangible assets include value of computer software. An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the bank. Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on the basis of the expected useful life of basing of software licence period. An intangible asset with an indefinite useful life should not be amortised. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

### (x) Property and Equipment

Property and equipment are stated at historical cost/professional valuation less accumulated 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 item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

<b>Assets Particulars</b>	<b>Annual Rate</b>
Motor Vehicles and Motor Cycles	25%
Furniture	20%
Equipment and Office Machines	20%
Computers	25%

Buildings are depreciated over the periods of the useful lives. The estimated useful lives set forth for buildings located at Mwanakwerekwe and Kilimatinde (Chakechake) is 33 years and 85 years for Darajani, chakechake and Forodhani Buildings. Leasehold improvement properties are depreciated over the periods of the leases. Lease period for the Bank's properties is 5 years for Mwanakwerekwe and Mpirani Branches, 10 years for Kariakoo and IBD Mahiwa.

Depreciation charge starts when fixed assets are ready for use. Depreciation charge ceases when the fixed asset is disposed off or derecognized.

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

The asset's residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. In practice, the residual values of assets are insignificant and, therefore, immaterial in the calculation of the depreciable amount.

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 included in the income statement.

**(xi) Investment Properties**

Investment properties, principally comprising freehold office and residential buildings, are held for long term rental yields. Investment properties are carried at fair value, representing open market value determined by external valuers. Changes in fair values are recorded in the income statement as part of other income. The investment properties were last revalued in 2002.

**(xii) Retirement Benefit Obligation**

Staffs at the Bank are members of the Zanzibar Social Security Fund (ZSSF), a state owned pension scheme. ZSSF was set up in 1998 and the Fund will bear all pension obligations for a period after July, 1998. Staffs contribute five percent of their monthly salary to the Fund. The Bank contributes ten percent of the salary for each staff to the scheme and the amount is charged to income statement when due.

**(xiii) Leases**

The leases entered into by the Bank are primarily operating leases. The total payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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

**(xiv) Cash and Cash Equivalents**

For the purpose of cash flow statement, cash and cash equivalents comprise of balances less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills, loans and advances to banks, amounts due from other banks and short-term Government securities.

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED****(xv) Provisions**

Provisions are recognized when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

**3.0 FINANCIAL RISK MANAGEMENT****Strategy in Using Financial Instruments**

By their nature, the Bank's activities are principally related to the use of financial instruments. The Bank accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due.

The Bank also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-balance sheet loans and advances; the Bank also enters into guarantees and other commitments such as letters of credit and performance and other bonds.

**Credit Risk**

The Bank takes on exposure to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when due. Impairment provisions are provided for losses that have been incurred at the balance sheet date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Bank's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management, therefore, carefully manages its exposure to credit risk.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or group of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The Board of Directors approves limits on the level of credit risk.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

**Concentration of Loans and Advances**

Below are economic sector concentrations within the customer loan portfolio. The portfolio also includes products of Islamic financing.

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

	31.12.2013		31.12.2012	
	TZS '000	%	TZS '000	%
Central Government		-		-
Public Enterprises and other Government entities	-	-	101,200.00	0.11%
Personal and Private Companies	137,696,978	1.0000	95,063,148.00	99.89%
<b>Total (Gross)</b>	<b>124,561,575</b>	<b>1.0000</b>	<b>95,164,348.00</b>	<b>100.00%</b>

The Bank accounts for a significant share of credit exposure to many sectors of the economy. However, credit risk is spread over a diversity of personal and commercial customers.

### Market Risk

All trading instruments are subject to market risk, i.e. the risk that future changes in market conditions may make an instrument less valuable. The instruments are evaluated on daily basis at fair value and all changes in market conditions directly affect trading income. The Bank manages its portfolios in response to changing market conditions. Exposure to market risk is managed in accordance with limits formally set for managing foreign currency assets.

### Currency Risk

The Bank takes on exposure to effects of fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposures by currency and these limits are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk as at 31<sup>st</sup> December, 2013. Included in the table are the bank's assets and liabilities at carrying amounts, categorized by currency. All amounts are expressed in thousands of Tanzania Shillings.

	USD	GBP	EURO	NOK	AUD	Total
<b>Assets</b>						
Cash	13,406,777	559,421	936,572	-		<b>14,902,770</b>
Balance with BOT	1,563,636	-	-	-		<b>1,563,636</b>
Due from other Bank	32,642,078	589,469	2,697,692	20,366	3,734	<b>35,953,339</b>
Cheque and items for clearing	-	-	-	-		-
Loans and advances	24,559,925	-	-	-		<b>24,559,925</b>
Bills receivable	-	-	-	-		-
Equity investment	40,000	-	-	-		<b>40,000</b>
Other assets	546,689	-	1,728,901	-		<b>2,275,590</b>
<b>Total foreign currency assets</b>	<b>72,759,105</b>	<b>1,148,890</b>	<b>5,363,165</b>	<b>20,366</b>	<b>3,734</b>	<b>79,295,260</b>
		-	-	-	-	
<b>Liabilities</b>						
Customers' Deposits	64,660,484	1,099,576	3,551,219	-		<b>69,311,279</b>
Other liabilities	441,447	6,086	-	-		<b>447,533</b>
Interest payable	65,579	5,118	3,394	-		<b>74,091</b>
<b>Total foreign currency liabilities</b>	<b>65,167,510</b>	<b>1,110,780</b>	<b>3,554,613</b>	-	-	<b>69,832,903</b>
<b>Net Balance sheet position</b>	<b>7,591,595</b>	<b>38,110</b>	<b>1,808,552</b>	<b>20,366</b>	<b>3,734</b>	<b>9,462,357</b>

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**Liquidity Risk**

The Bank is exposed to daily calls on its available resources from current accounts, maturing deposits, loan draw-downs and guarantees. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Minimum levels of inter-bank and other borrowings facilities are in place to cover withdrawals at unexpected levels of demand.

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at 31<sup>st</sup> December, 2013 to the contractual maturity date. All figures are in millions of Tanzania Shillings.

	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and balances with the BoT	52,152	-	-	-	-	52,152
Balance with other banks	32,881	-	-	-	-	32,881
Interbank Placement	3,197	-	-	-	-	3,197
Investment security	2,401	8,643	14,787	14,812	4,917	45,560
Interest receivable on treasury bills and bonds						-
Cheques & Items for Clearing	3,296	-	-	-	-	3,296
Loans and advances	134,582	609	1,718	772	15	137,696
Equity Investments	-	-	-	-	584	584
Other assets	125	197	2,950	284	565	4,121
Property and equipment	-	-	-		11,589	11,589
<b>Total assets</b>	<b>228,634</b>	<b>9,449</b>	<b>19,455</b>	<b>15,868</b>	<b>17,670</b>	<b>291,076</b>
<b>Liabilities</b>						
Due to customers	206,562	17,678	21,942	-		246,182
Special deposits	4,078	-	-	-	1,200	5,278
Bankers cheque and draft issued	388	-	-	-	-	388
Payment orders /transfer payables	41	-	-	-	-	41
Interest and other expense payable	2,473	1,241	1,681	-	-	5,395
Other liabilities	660	-	3,330	-	-	3,990
<b>Total liabilities</b>	<b>214,202</b>	<b>18,919</b>	<b>26,953</b>	<b>-</b>	<b>1,200</b>	<b>261,274</b>
<b>Total interest sensitivity gap</b>	<b>14,432</b>	<b>(9,470)</b>	<b>(7,498)</b>	<b>15,868</b>	<b>16,470</b>	<b>29,802</b>
<b>Cumulative</b>	<b>14,432</b>	<b>4,962</b>	<b>(2,536)</b>	<b>13,332</b>	<b>29,802</b>	<b>29,802</b>

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**Interest Rate Risk**

The Bank is exposed to various risks associated with the effect of fluctuations in the prevailing levels of market interest rates on its financial position cash flows. The table below summarizes the exposure to interest rate risks. Included in the table are 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. All figures are in millions of Tanzania Shilling.

	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 12 months</b>	<b>1 - 5 years</b>	<b>Over 5 years</b>	<b>Non-interest bearing</b>	<b>Total</b>
<b>Assets</b>							
Cash and balances with the BoT	-	-	-	-	-	52,152	52,152
Balance with other banks	-	-	-	-	-	32,881	32,881
Interbank Placements	3,197	-	-	-	-	-	3,197
Investment security	2,401	8,643	14,787	8,138	11,591	-	45,560
Interest Receivables on treasury bill and bonds	83	197	568	116	302	-	1,266
Cheques & Items for Clearing	-	-	-	-	-	3,296	3,296
Loan & advances (Gross of allowances)	134,582	610	1,718	772	15	-	137,697
Bills receivables	-	-	-	-	-	-	-
Equity investment	-	-	-	-	-	584	584
Other assets	-	-	-	-	-	3,389	3,389
Property and equipment	-	-	-	-	-	8,680	8,680
<b>Total assets</b>	<b>140,263</b>	<b>9,450</b>	<b>17,073</b>	<b>9,026</b>	<b>11,908</b>	<b>100,982</b>	<b>288,702</b>
<b>Liabilities</b>							
Due to customers	4,343	17,678	83,289	-	-	135,594	240,904
Special deposits	-	-	-	-	-	5,278	5,278
Interest and other expenses payable	367	1,241	1,102	-	-	-	2,710
Other liabilities	-	-	-	-	-	3,330	3,330
<b>Total liabilities</b>	<b>4,710</b>	<b>18,919</b>	<b>84,391</b>	<b>-</b>	<b>-</b>	<b>144,202</b>	<b>252,222</b>
<b>Total interest sensit</b>	<b>135,553</b>	<b>(9,469)</b>	<b>(67,318)</b>	<b>9,026</b>	<b>11,908</b>	<b>(43,220)</b>	<b>36,480</b>
<b>Cumulative</b>	<b>135,553</b>	<b>126,084</b>	<b>58,766</b>	<b>67,792</b>	<b>79,700</b>	<b>36,480</b>	<b>36,480</b>

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

**Fair Value of Financial Assets and Liabilities**

In the opinion of the Directors, the fair values of those financial assets and liabilities not presented on the Bank's balance sheet at fair value approximate the respective carrying amounts, due to the generally short periods to contractual maturity dates as set out on maturity risk schedule.

<b>NOTE 4</b>	<b>CASH</b>	<b>2013</b>	<b>2012</b>
		<b>TZS'000</b>	TZS'000
	Notes and Coins: Tanzanian Shillings	<b>8,990,221</b>	7,683,557
	Notes and Coins: Foreign Currency	<b><u>15,200,852</u></b>	<u>7,757,187</u>
	<b>TOTAL</b>	<b><u>24,191,073</u></b>	<u>15,440,744</u>

<b>NOTE 5</b>	<b>BALANCES WITH BANK OF TANZANIA</b>		
	Statutory Minimum Reserve (SMR)	<b>24,962,068</b>	20,587,422
	Current Account	<b><u>2,999,087</u></b>	<u>1,236,196</u>
	<b>TOTAL</b>	<b><u>27,961,155</u></b>	<u>21,823,618</u>

The statutory minimum reserve deposit with BOT is non-interest bearing and is not available for use in the Bank's day-to-day operations. For the purposes cash flow statement, they have not been included in cash and cash equivalents.

<b>NOTE 6</b>	<b>BALANCES WITH OTHER BANKS</b>		
	Local Banks	<b>1,545,649</b>	1,261,721
	Inter-bank placements	<b>3,197,080</b>	5,554,745
	Foreign Banks -Nostro Accounts	<b><u>31,335,307</u></b>	<u>16,641,590</u>
	<b>TOTAL</b>	<b><u>36,078,036</u></b>	<u>23,458,056</u>

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

<b>NOTE 7 INVESTMENT IN DEBT SECURITIES - HELD TO MATURITY</b>			
	<b>(a) Treasury bills</b>		
	Maturing within 90 days	<b>11,044,123</b>	17,817,720
	Maturing after 90 days	<b>14,296,149</b>	20,298,414
		<b>25,340,271</b>	38,116,134
	Interest Receivable on the investment	<b>841,593</b>	898,729
	<b>Sub total (a)</b>	<b>26,181,864</b>	39,014,863
	<b>(b) Treasury bonds</b>		
	Maturing within 90 days	-	-
	Maturing after 90 days	<b>23,000,000</b>	19,000,000
		<b>23,000,000</b>	19,000,000
	Interest receivable	<b>423,721</b>	294,597
		<b>23,423,721</b>	19,294,597
	Less Unearned discount	<b>2,780,138</b>	1,926,993
	<b>Sub total (b)</b>	<b>20,643,583</b>	17,367,604
	<b>Total net investement in securities (a) + (b)</b>	<b>46,825,447</b>	56,382,467

<b>NOTE 8 LOANS AND ADVANCES</b>	<b>2013</b>	<b>2012</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Public Enterprises and other Government entities	-	101,200
Personal and Private Companies	<b>124,561,575</b>	89,483,527
	<b>124,561,575</b>	89,584,727
Less Provision for loan impairment ( <b>NOTE 8A</b> )	<b>170,039</b>	116,036
Less Interest in suspense	<b>132,503</b>	182,254
	<b>302,542</b>	298,290
<b>NET LOAN AND ADVANCES</b>	<b>124,259,033</b>	89,286,437

<b>NOTE 8 A MOVEMENT OF PROVISION FOR IMPAREMENT LOSS ON LOAN AND ADVANCE</b>			
	Opening balance	<b>116,036</b>	88,883
	Additional Provision for loan impairment	<b>94,252</b>	55,119
		<b>210,288</b>	144,002
			-
	Less amount written off	<b>38,925</b>	-
	Less recovery during the year	<b>1,323</b>	27,966
	<b>Closing balance</b>	<b>170,039</b>	116,036



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<b>NOTE 9</b>	<b>ISLAMIC FINANCING</b>		
	<b>Murabaha Financing</b>		
	Murabaha Personnel Financing	<b>5,155,821</b>	1,362,840
	Murabaha Staff Financing	<b>179,501</b>	88,011
	Qard Commercial Financing	<b>170,000</b>	-
	Murabaha Commercial Financing	<b>6,467,567</b>	<u>3,097,751</u>
	<b>Total Murabaha</b>	<b>11,972,889</b>	<u>4,548,602</u>
	<b>Bai Muajjal Financing</b>		
	Bai Muajjal Personal Financing	<b>1,129,841</b>	967,253
	Bai Muajjal Staff Financing	<b>32,673</b>	<u>63,766</u>
	<b>Total Bai Muajjal</b>	<b>1,162,514</b>	<u>1,031,019</u>
	<b>Total gross Islamic Financing</b>	<b>13,135,403</b>	5,579,621
	Less Unearned profit receivable	-	-
	Less provision for impairment loss	-	-
	<b>Net Islamic financing</b>	<b>13,135,403</b>	<u>5,579,621</u>

<b>NOTE 10</b>	<b>EQUITY INVESTMENTS</b>	<b>2013</b>	<b>2012</b>
		<b>TZS'000</b>	<b>TZS'000</b>
	African-Export-Import Bank issued 10 shares @ USD 4,000 in year 1994( par value USD 10,000 x 2/5 x 10 shares)	<b>63,942</b>	63,483
	TMRC Equity investment in year 2012 ( 500,000 shares @ TZS 1,000) fully paid up	<b>500,000</b>	250,000
	UMOJA SWITCH Company investment (20 shares @ TZS 1,000,000 per value and fully paid up ) in 2012	<b>20,000</b>	<u>20,000</u>
	<b>TOTAL</b>	<b>583,942</b>	<u>333,483</u>

Equity investment of TZS 63,941,600 (USD 40,000) comprises of investment in African Export-Import Bank (Afreximbank), a supranational institution, established on 27<sup>th</sup> October 1993. The principal activity of the bank is to finance and facilitate trade among African countries and between Africa and the rest of the world. PBZ's authorized equity interest in Afreximbank is 10 Class B ordinary shares of par value of USD 10,000 each. The payment for the called 2 out of 5 installments in the amount of USD. 40,000 had been paid. The payment of the outstanding 3 installments in the total of USD. 60,000 will be paid in future whenever called by the Board. The shares are classified as available for sale financial instruments and they are currently reflected at cost as they are not traded in any stock exchange.

Investment in TMRC Co Ltd. (Tanzania Mortgage Refinancing Company) was made in year 2012. This company established in same year of 2012 and all investees are banks incorporated in Tanzania. The

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activity of the company is to refinance commercial banks in Mortgage Financing. As at 31<sup>st</sup> December 2013, the bank invest 500,000 shares each TZS 1,000 fully paid up.

<b>NOTE 11</b>	<b>OTHER ASSETS</b>	<b>2013</b>	<b>2012</b>
		<b>TZS'000</b>	<b>TZS'000</b>
	Staff Advances	<b>308,113</b>	235,604
	Imprest	<b>8,046</b>	8,500
	Stationery Stock	<b>26,789</b>	79,121
	Writing matters stock	<b>48,676</b>	-
	Computers items stock	<b>36,823</b>	-
	Bai Muajjal Asset Stock	<b>8,800</b>	2,130
	Murabaha advance payment for Asset Stock	-	285,551
	Prepaid Insurance	<b>401,993</b>	348,440
	Prepaid Service Contract	<b>8,382</b>	30,495
	Prepaid expenses	<b>23,340</b>	749
	Prepaid House Rent	<b>293,927</b>	294,335
	Accounts Receivable	<b>725,151</b>	209,101
	Treasury spot deal receivable	<b>401,000</b>	1,356,600
	ATM cash and fees receivables	<b>59,394</b>	46,932
	Entries in Transit ( Foreign)	-	380,006
	Cash shortage, Misappropriation & Forg.	<b>42,424</b>	1,126
	Suspense miscellaneous (asset)	<b>100</b>	-
	TRA receivables	<b>11,757</b>	46,519
		<b>2,404,715</b>	3,325,208
	Allowance for Probable Loss	<b>44,584</b>	27,438
	<b>TOTAL</b>	<b>2,360,131</b>	<b>3,297,769</b>

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**NOTE 12 PROPERTY AND EQUIPMENT**

Particulars	Land & Buildings	Leasehold Property	Furniture	Equipment and Other Office Machinery	Computers	Motor Vehicles & Cycles	Capital WIP	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>Cost / Valuation:</b>								
As at 1 January 2013 (Valuation)	4,565,467	2,384,766	248,313	2,184,985	457,166	537,720	271,566	10,649,983
Adjustment	-	-	-	-	-	-	(49,630)	(49,630)
Transfer from WIP	-	156,455	-	56,157	9,324	-	(221,935)	(0)
Additions (Cost)	57,844	465,715	115,522	289,280	56,611	-	3,600	988,571
As at 31December 2013	4,623,311	3,006,935	363,835	2,530,421	523,101	537,720	3,600	11,588,924
<b>Accumulated Depreciation:</b>								
As at 1 January 2013	86,281	451,320	87,007	801,365	213,435	224,914	-	1,864,322
Adjustments	-	(14,901)	(368)	(1,782)	(2,316)	-	-	(19,368)
Charge for the year	38,335	328,034	54,101	430,338	105,386	107,544	-	1,063,738
As at 31December 2013	124,616	764,453	140,740	1,229,922	316,504	332,458	-	2,908,692
<b>Carrying amount</b>								
<b>As at 31.12.2013</b>	<b>4,498,695</b>	<b>2,242,482</b>	<b>223,095</b>	<b>1,300,500</b>	<b>206,597</b>	<b>205,263</b>	<b>3,600</b>	<b>8,680,232</b>
<b>As at 31.12.2012</b>	<b>4,479,186</b>	<b>1,933,445</b>	<b>161,306</b>	<b>1,383,619</b>	<b>243,731</b>	<b>312,807</b>	<b>271,566</b>	<b>8,785,661</b>

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**NOTE 13: INTANGIBLE ASSETS**

	WIP (Banker's Realm BREFT Switch Software)	WIP Payroll system	WIPSMS banking	Banker's Realm Software (Core Banking System)	Integrated Banking System	Swift Software	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>Cost</b>							
As at 01.01.2013	41,030	10,302	8,097	170,616	296,250	33,702	559,997
Transfer from WIP		-	-	-		-	-
Additions During the year		-	73,217	-	32,444	-	105,661
As at 31.12.2013	41,030	10,302	81,314	170,616	328,694	33,702	665,658
<b>Amortization and impairment</b>							
As at 01.01.2013	-	-	-	111,046	-	-	111,046
Adjustment	-	-	-	-	-	-	-
Amortization during the year	-	-	-	18,812	103,798		122,610
Impairment loss	41,030	10,302					51,332
As at 31.12.2013	41,030	10,302	-	129,858	103,798	-	284,988
<b>Carrying Amount</b>							
As at 31.12.2013	-	-	81,314	40,758	224,896	33,702	380,670
As at 31.12.2012	41,030	10,302	8,097	59,570	296,250	33,702	448,951

Bank's intangible assets are measured using cost model for all classes and carried at cost less any amortization and impairment losses. The Core Banking System and Integrated Banking System are amortized basing on limited period of benefit to the bank. As the bank plan to replace these core banking softwares with new system to cater business expansion and technology advancement, hence the existing systems will no longer exist as at earlier year 2016 and therefore should amortized in fully up to that period.

The BREFT system and payroll system in WIP were tested for impairment loss and found impaired end of the year under review.

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NOTE 14	CUSTOMER'S DEPOSITS	2013	2012
		TZS'000	TZS'000
	<b>(a) Customers' deposits</b>		
	<b>(i) Conventional banking</b>		
	Current Accounts Deposits	<b>116,500,171</b>	105,149,211
	Savings Deposits	<b>42,055,116</b>	34,161,096
	Time Deposits	<b>43,963,758</b>	32,646,025
	<b>Sub total conventinal deposits</b>	<b><u>202,519,045</u></b>	<u>171,956,331</u>
	<b>(ii) Islamic banking</b>		
	Current Accounts Deposits		
	Al wadiah	<b>17,549,428</b>	10,250,835
	Mudharaba	<b>6,822,564</b>	423,125
		<b>24,371,992</b>	10,673,959
	Savings Deposits		
	Al wadiah	<b>19,131,389</b>	9,664,883
	Mudharaba	<b>159,955</b>	152,775
		<b>19,291,344</b>	9,817,658
	<b>Sub total islamic deposit</b>	<b>43,663,336</b>	20,491,618
	<b>Total customers' deposits (i) + (ii)</b>	<b><u>246,182,381</u></b>	<u>192,447,949</u>
	<b>(b) Special Deposits</b>		
	Letter of credit & Guarantees Cash Cove	<b>3,077,834</b>	952,203
	Special Finance Programme	<b>1,200,000</b>	1,200,000
	Other special Deposits	<b>1,000,266</b>	993,304
	<b>Total special deposits</b>	<b>5,278,100</b>	3,145,507
	<b>Total Deposit Liabilities (a) +(b)</b>	<b><u>251,460,480</u></b>	<u>195,593,456</u>

Import letters of credit cover are deposits held as collateral for irrevocable commitments under import letters of credit.

Special Finance Programme represents funds provided by the Government of Tanzania for economic empowerment loans to the general public.

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<b>NOTE 15</b>	<b>OTHER LIABILITIES</b>	<b>2013</b>	<b>2012</b>
		<b>TZS'000</b>	<b>TZS'000</b>
	Payment Order Outwards & transfers payable	<b>41,315</b>	996,470
	Accrual Expenses Payable	<b>147,744</b>	431,145
	Provisions	<b>381,126</b>	122,170
	Accounts Payable	<b>1,422,978</b>	1,541,872
	Cheques & Drafts Issued	<b>388,056</b>	333,716
	Treasury Spot deal payable	<b>1,913,850</b>	3,575,000
	Entries in Transit ( Local)	<b>628,812</b>	337,784
	Entries in Transit ( Foreign)	<b>30,938</b>	-
	<b>TOTAL</b>	<b><u>4,954,819</u></b>	<b><u>7,338,158</u></b>

<b>NOTE 16</b>	<b>ACCRUED INTEREST PAYABLE</b>		
	Time Deposits - local	2,635,911	1,977,799
	Time Deposits - foreign	74,848	46,368
	<b>TOTAL</b>	<b><u>2,710,759</u></b>	<b><u>2,024,167</u></b>

<b>NOTE 17</b>	<b>SHARE CAPITAL</b>		
	<b>Authorised Share Capital</b>		
	250,000,000 Ordinary Share of Tzs 100 each	<b><u>25,000,000</u></b>	<b><u>25,000,000</u></b>
	<b>Issued and Fully Paid-Up Share Capital</b>		
	160,000,000 Ordinary Shares Tzs 100 each	<b><u>16,000,000</u></b>	<b><u>11,000,000</u></b>

During the year under review, the share capital of the bank was increased to TZS 16,000,000,000 through the creation of 50,000,000 new ordinary shares of Sh100 each. All the newly created shares were issued through conversion of the retained earnings to paid up capital.

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**NOTE 18: GOVERNMENT GRANT**

Government grant represents buildings donated by the Revolutionary Government of Zanzibar. From time to time the value of donated buildings had been capitalized by additional cost and revaluation hence the charge for depreciation increased grant benefit through annually amortization amount.

<b>Value of the Buildings:</b>	<b>2013</b>	<b>2012</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Chakechake Building	<b>685,870</b>	685,870
Forodhani Building	<b><u>155,230</u></b>	<u>155,230</u>
	<b>841,100</b>	841,100
<b>Amortisation</b>		
As at January 1	<b>(34,629)</b>	(24,806)
Amortisation During the Year	<b><u>(9,823)</u></b>	<u>(9,823)</u>
As at December 31	<b><u>(44,452)</u></b>	<u>(34,629)</u>
<b>Net Grant</b>	<b><u>796,648</u></b>	<u>806,471</u>

**NOTE 19: RESERVES**

Reserves comprise of the following:

Foreign exchange translation on Security <b>(statement of change in equity)</b>	<b>42,932</b>	42,473
Fixed Assets Revaluation Reserve <b>(statement of change in equity)</b>	<b>1,856,774</b>	2,023,803
Regulatory Risk Reserve	<b>1,118,235</b>	723,850
Retained Earning <b>(statement of change in equity)</b>	<b><u>6,697,024</u></b>	<u>7,248,639</u>
<b>TOTAL</b>	<b><u>9,714,965</u></b>	<u>10,038,765</u>

**Foreign exchange translation on security**

The Bank maintains a Foreign exchange translation on security to account for unrealized gains and losses arising from fair value valuation of financial instruments classified as available for sale. Gains and losses arising from change in fair value of available-for-sale financial assets are recognized directly to equity. When these financial assets are sold, collected or otherwise disposed of, the cumulative gains or losses recognized in equity are transferred to the income statement.

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**Fixed Assets Revaluation Reserve**

The Bank maintains a Fixed Assets Revaluation Reserve to account for revaluation surpluses. If an asset carrying amount increases as a result of revaluation, the increase is credited directly to Fixed Asset Revaluation Reserve. However, the increase is recognized in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognized in income statement. If an asset's carrying amount decreases as a result of revaluation, the decrease is recognized in income statement. However, the decrease is debited directly to Fixed Assets Revaluation Account to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Fixed assets Revaluation Reserve movement during the year is shown below:-

	<b>2013</b>	2012
<b>Particulars</b>	<b>TZS'000</b>	TZS'000
Balance Brought Forward	<b>2,023,803</b>	2,208,683
Revaluation Surplus on Derecognized Assets Transferred to Retained Earnings	<u><b>(167,029)</b></u>	<u>(184,880)</u>
<b>Total</b>	<u><b>1,856,774</b></u>	<u>2,023,803</u>

**Regulatory Risk Reserve**

Provision for non performing assets is computed using both IAS 39 approach and BOT regulatory approach. IAS 39 provision is charged to the income statement. Where the IAS provision is less than BOT provision, then the excess over IAS provision is taken to a non-distributable reserve known as Regulatory Risk Reserve. During the year under review the provisions using both approaches were as follows:

Opening balance	<b>723,850</b>	297,683
Increase in reserve during the year	<b>673,738</b>	426,167
Reserve utilization on NPL written off	<u><b>(279,352)</b></u>	<u>-</u>
Closing balance	<u><b>1,118,235</b></u>	<u>723,850</u>
Provision per BOT approach	<b>1,288,272</b>	839,886
Provision per IFRS approach	<u><b>(170,037)</b></u>	<u>(116,036)</u>
Excess over IAS Provision Taken to Regulatory Risk Reserve	<u><b>1,118,235</b></u>	<u>723,850</u>

The Regulatory Risk Reserve is not part of the bank's core capital.



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<b>NOTE 20</b>	<b>INTEREST INCOME</b>	<b>2013</b>	<b>2012</b>
		<b>TZS'000</b>	<b>TZS'000</b>
	<b>Interest on loan and advances</b>		
	Interest on Loan and Overdrafts	<b>1,670,270</b>	907,136
	Interest income on EE Loan	<b>17,581</b>	45,808
	Interest on Personal Loan	<b><u>12,843,802</u></b>	<u>9,002,839</u>
	<b>Sub Total</b>	<b>14,531,653</b>	9,955,783
	<b>Investment Income</b>		
	Income on Treasury Bills	<b>3,151,195</b>	1,582,665
	Income on Treasury Bonds	<b>2,066,432</b>	1,316,407
	Amortization of treasury bonds discount	<b>554,522</b>	238,844
	Interest on Foreign Deposit	<b>731</b>	978
	Interest on Inter-bank lending	<b>360,883</b>	438,085
	Interest on REPO	<b>2,557</b>	-
	<b>Sub Total</b>	<b><u>6,136,319</u></b>	<u>3,576,979</u>
	<b>TOTAL</b>	<b><u>20,667,972</u></b>	<u>13,532,762</u>
<b>NOTE 21</b>	<b>INTEREST EXPENSES</b>		
	Savings Deposits	<b>837,986</b>	731,085
	Time Deposits - local	<b>4,102,116</b>	2,283,033
	Time Deposits - foreign	<b>112,848</b>	96,689
	Interest on borrowing - Interbank	<b><u>207,039</u></b>	<u>93,283</u>
	<b>TOTAL</b>	<b><u>5,259,989</u></b>	<u>3,204,091</u>

<b>NOTE 22</b>	<b>FEES AND COMMISSION INCOME (NET)</b>		
	Fees and commission income (Note 22 A)	4,032,583	3,083,719
	Income from Islamic Financing (Note 22 B)	995,836	231,337
	Less: Fees and Commission expenses	<u>(289,268)</u>	<u>(419,200)</u>
	<b>TOTAL</b>	<b><u>4,739,151</u></b>	<b><u>2,895,855</u></b>

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<b>NOTE 22A</b>	<b>FEES AND COMMISSION INCOME</b>	<b>2013</b>	<b>2012</b>
		<b>TZS'000</b>	<b>TZS'000</b>
	Bank Commissions	<b>2,779,090</b>	2,224,383
	Discounts ( Reimbursement Income)	<b>16</b>	1,951
	Ledger fees	<b>221,564</b>	207,974
	Sales of Cheque Books	<b>59,088</b>	44,077
	Loans application and authorisation Fees	<b>972,825</b>	605,335
		<b><u>4,032,583</u></b>	<b><u>3,083,719</u></b>

<b>NOTE 22B</b>	<b>INCOME FROM ISLAMIC FINANCING</b>		
	Income from personal Murabaha financing	<b>420,970</b>	59,472
	Income from commercial Murabaha financing	<b>407,263</b>	54,164
	Income from staff Murabaha financing	<b>10,082</b>	4,751
	Income from personal Bai Muajjal financing	<b>137,097</b>	47,378
	Income from staff Bai Muajjal financing	<b>4,104</b>	7,131
	Trading profit from Bai Muajjal	<b>16,320</b>	58,440
	<b>TOTAL</b>	<b><u>995,836</u></b>	<b><u>231,337</u></b>

<b>NOTE 23</b>	<b>OTHER OPERATING INCOME</b>		
	Net foreign exchange gain (Note 23 A)	<b>2,501,438</b>	2,033,868
	Sundry income	<b>242,941</b>	257,374
	Dividend Income	<b>5,597</b>	4,349
	Recovery from charged off debtors	<b>57,551</b>	53,881
	Amortization of Grants	<b>9,823</b>	14,563
	<b>TOTAL</b>	<b><u>2,817,350</u></b>	<b><u>2,364,036</u></b>

<b>NOTE 23A</b>	<b>NET FOREIGN EXCHANGE INCOME/(LOSS)</b>		
	Foreign Exchange gain	<b>3,184,963</b>	2,339,240
	Revaluation gain	<b>63,537</b>	83,156
	Less Foreign Exchange loss	<b>(747,062)</b>	(388,527)
	<b>TOTAL</b>	<b><u>2,501,438</u></b>	<b><u>2,033,868</u></b>

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<b>NOTE 24</b>	<b>OPERATING EXPENSES</b>	<b>2013</b>	<b>2012</b>
		<b>TZS'000</b>	<b>TZS'000</b>
	Staff costs (Note 24A)	6,382,918	5,464,859
	Administrative Expenses	2,442,186	2,294,954
	Depreciation of Property and equipment	1,063,738	970,460
	Amortization of intangible assets	122,609	30,499
	Impairment loss of intangible assets (WIP)	51,332	
	Travelling Expenses and Allowance	1,008,471	857,814
	Repair and Maintenance	877,044	485,964
	Audit Fees	53,000	53,000
	Board Directors Fees & Allowances	250,201	220,466
	Insurance expense	756,173	627,023
	Security expenses	790,373	691,286
	Other operating Expenses (Note 24B)	<u>1,601,000</u>	<u>1,468,414</u>
	<b>TOTAL</b>	<b><u>15,399,045</u></b>	<b><u>13,164,739</u></b>

<b>NOTE 24A</b>	<b>STAFF COST</b>		
	Wages, Salaries and Allowances to staff	<b>5,327,954</b>	4,526,750
	ZSSF Employer's contribution	<b>457,504</b>	395,863
	Skills and Development levy	<b>242,410</b>	203,796
	Training Expenses	<b>355,051</b>	338,450
		<b><u>6,382,918</u></b>	<b><u>5,464,859</u></b>

<b>NOTE 24B</b>	<b>OTHER OPERATING EXPENSES</b>		
	Sundry Expenses	<b>538,984</b>	410,637
	Office Expenses	<b>515,369</b>	434,833
	Loss on disposal of fixed assets	-	25,153
	Cash Transportation Expenses	<b>28,908</b>	111,367
	Contribution to Deposits Insurance Fund	<b>256,269</b>	202,721
	Stationaries Expenses	<b>261,470</b>	283,704
	<b>TOTAL</b>	<b><u>1,601,000</u></b>	<b><u>1,468,414</u></b>

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

<b>NOTE 25</b>	<b>ASSETS WRITTEN OFF</b>	<b>31.12.13</b>	<b>31.12.12</b>
		<b>TZS'000'</b>	<b>TZS'000'</b>
	Loan and advances	<b>136,723</b>	-
	Fixed assets (net of depreciation)	-	9,808
	<b>TOTAL</b>	<b>136,723</b>	<b>9,808</b>

**NOTE 26: PROVISION FOR TAXATION**

The bank has made a provision for taxation of TZS 2,113,277,400 being tax charge (30%) for the current year profit.

**NOTE 27: CASH AND CASH EQUIVALENTS**

For the purpose of cash flow statement, cash and cash equivalents are made up of the following:

	<b>2013</b>	<b>2012</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Local and foreign currencies (Note 4)	<b>24,191,073</b>	15,440,744
Balance with BoT (Note 5)	<b>2,999,087</b>	1,236,196
Balance with other bank (Note 6)	<b>36,078,036</b>	23,458,056
Cheques & Items for Clearing	<b>3,295,827</b>	3,089,400
Treasury bills less than 90 days (Note 7)	<b>11,044,123</b>	17,817,720
<b>TOTAL</b>	<b>77,608,145</b>	<b>61,042,116</b>

**NOTE 28: 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 and operating decisions. The Bank is controlled by the Revolutionary Government of Zanzibar, which owns 100% of ordinary shares. All transactions with the Government Ministries and Government Owned Institutions are considered to be transactions with related parties.

A number of banking transactions were entered with related parties in the normal course of business. These included loans, deposits and foreign currency transactions. The volume of related party transactions, outstanding amounts at the year-end and related expense and income for the year were as follows:-

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

Zanzibar Governments and its institutions deposits, loans and other transactions

	<b>2013</b>	2012
<b>Deposits:</b>	<b>TZS'000</b>	TZS'000
Local currency Deposits	<b>33,050,707</b>	30,327,383
Foreign currency Deposits	<b>20,395,259</b>	17,802,063
<b>Total</b>	<b>53,445,966</b>	48,129,445
<b>Loan and advances</b>	-	-
Local currency O/D	-	101,200
Foreign currency loan	<b>7,617,399</b>	519,374
<b>Total</b>	<b>7,617,399</b>	620,574
<b>Interest</b>	-	-
Interest on loans earned by the Bank	<b>212,601</b>	155,243
Interest paid by the bank	<b>1,391,114</b>	333,859
<b>Other transactions</b>	-	-
Rent paid to MTC for Leasing Malindi branch	<b>18,667</b>	18,667
Rent paid to ZSSF for Leasing M/rekwe branch	<b>46,407</b>	58,921
Rent paid to Zanzibar Tourism Corporation for Darajani bu	<b>13,270</b>	14,464
Rent paid to Zanzibar Ports Corporation for Mkoani	-	9,522
Rent/Land lease paid to ZRB	<b>16,538</b>	3,489
Rent paid to ZIC for Mpirani bank building	<b>64,089</b>	-

**Director's remuneration**

A listing of members of the Board of Directors is shown on page 2. In 2013, the total remuneration of Directors in the form of fees and allowances was TZS.240.14 million (2012: TZS 220.46 million). Term loan facility approved to the directors was TZS 155 million as at end of year 2013.

**Key management personnel benefits**

During the year 2013, key management personnel as indicated in page 7 above, were advantaged for short term benefit of TZS 837.39 million (2012: TZS 747.07 million) and they enjoyed with term loan facilities of TZS 424.12 million repayable in equal 60 installments.

All related party transactions were at arms' length and in the course of business, and on terms and conditions similar to those applicable to other customers.

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**NOTE 29: CONTINGENT LIABILITIES AND COMMITMENTS**

**Guarantees, letter of credits and undrawn OD facilities**

			<b>2013</b>	2012
			<b>TZS'000</b>	TZS'000
Local and foreign guarantees			<b>2,766,284</b>	3,979,281
Usance and sight letter of credit			<b>2,245,719</b>	1,186,699
Undrawn unexpired overdraft facilities			<b>1,055,982</b>	1,127,777
<b>TOTAL</b>			<b><u>6,067,986</u></b>	<u>6,293,758</u>

**Uncalled Capital in Afreximbank**

As at 31st December, 2013, the bank had a commitment of USD 60,000 in respect of uncalled and unpaid capital attached to its shareholding in the Afreximbank (10 share each USD 10,000 X 3/5).

**NOTE 30: COMPARATIVE FIGURES**

The previous year's figures have been regrouped wherever considered necessary to facilitate comparability with the current year's figures.

**NOTE 31: CAPITAL ADEQUACY**

The bank monitors the adequacy of its capital using ratios established by the Bank of Tanzania. These ratios measure capital adequacy by comparing the bank's eligible capital with its balance sheet assets, off-balance sheet commitments and market and other risk positions at a weighted amount to reflect their relative risk.

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

The bank's capital adequacy ratios are shown below:

<b>1. Balance sheet Assets (net of provisions)</b>	<b>Nominal Balance sheet amounts</b>	<b>Risk weight</b>	<b>Risk weighted amounts</b>
Cash	24,191,072,978	0%	-
Balances with Bank of Tanzania	27,961,154,771	0%	-
Balances with Other Banks	32,880,955,906	20%	6,576,191,181
Cheques and Items for Clearing	3,295,826,518	50%	1,647,913,259
Investment in Debt Securities	45,560,133,295	0%	-
Interbank loans receivable	3,197,080,000	20%	639,416,000
Loans, Advances and Overdrafts			-
i. Loan and advances			-
a. Loans secured by cash	7,655,289,688	0%	-
b. Loans to local Gov't unit	-	100%	-
c. Other loan and advances	126,129,036,465	100%	126,129,036,465
ii Overdarfts			-
a. secured by cash	-	0%	-
b. Other overdrafts	3,589,910,233	100%	3,589,910,233
ii Restructured			-
a. Secured by cash			-
b. Other	20,200,231	100%	20,200,231
Bills Receivable	(0)	100%	(0)
Equity Investments	583,941,600	100%	583,941,600
Property, Plant and Equipment	8,680,231,750	100%	8,680,231,750
Interbranch float items			-
a. Outstanding for 30 days or less	-	50%	-
b. Outstanding for 31 days or more	-	100%	-
Stamp Account	-	0%	-
Interest Receivable on Treasury bills and bo	1,265,314,403	100%	1,265,314,403
Sundry Debtors (staff advance & imprests)	316,158,833	100%	316,158,833
Prepaid Expenses (Deduction from core cap	727,642,184	0%	-
Shortages, Misappropriations & Forgeries	-	100%	-
Intangible Assets (softwares) [Deduction fr	380,670,141	0%	-
Other Assets	<u>1,316,329,496</u>	100%	<u>1,316,329,496</u>
<b>TOTAL RWA</b>	<b>287,750,948,493</b>		<b>150,764,643,452</b>

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

<b>2. Off-Balance Sheet Position</b>					
	<b>Credit conversion factor</b>	<b>O/S Balance (Net of Allow for losses)</b>	<b>Credit Equivalent</b>	<b>Risk Weight</b>	<b>Risk Weighted Amount</b>
<b>Outstanding Letter of Credit:</b>					
<b>Sight Import Letter of Credit:</b>					
Secured by cash/deposits	20%	2,245,719,373	449,143,875	0%	-
Others	20%	-	-	100%	-
			-		-
<b>Usance Import Letter of Credit:</b>					
Secured by cash/deposits	100%	-	-	0%	-
Others	100%	-	-	100%	-
		<b>2,245,719,373</b>	-		-
					-
<b>Outstanding Guarantees and Indemnity:</b>					
<b>a. Guarantees for loans, Trade &amp; Securities</b>					
Secured by cash/deposits	100%	-	-	0%	-
Others	100%	823,136,434	823,136,434	100%	823,136,434
<b>b. Shipping Guarantees</b>					
Secured by cash/deposit/BoT securities	50%	-	-	0%	-
Central Government	50%	-	-	100%	-
Others	50%	80,000,000	40,000,000	100%	40,000,000
<b>c. Performance Bonds</b>					
Secured by cash/deposits	50%	2,000,000	1,000,000	0%	-
Others	50%	1,689,468,835	844,734,418	100%	844,734,418
<b>d. Bid Bonds</b>					
Secured by cash/deposits	50%	94,679,023	47,339,511	0%	-
Others	50%	<u>77,000,000</u>	38,500,000	100%	<u>38,500,000</u>
		<b><u>2,766,284,292</u></b>			<b><u>1,746,370,851</u></b>
<b>Undrawn balance of unexpired overdraft</b>					
Secured by cash	100%	-	-	0%	-
Secured by C. Gov't	100%	-	-	100%	-
Secured by non cash	100%	1,055,982,404	1,055,982,404	100%	1,055,982,404
		<b><u>1,055,982,404</u></b>			<b><u>1,055,982,404</u></b>
<b>TOTAL RWOBSE</b>		<b><u>6,067,986,070</u></b>			<b><u>2,802,353,256</u></b>



**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

<b>3. Market Risk (Foreign Exchange Risk)</b>			
	<b>Absolute value</b>	<b>Multiplier factor</b>	<b>Risk Weighted Amount</b>
	<b>TZS</b>		<b>TZS</b>
Net Open Position (NOP)	95,472,527	8.33	795,604,393
<b>ADJUSTED RWA &amp; BSE (Summary)</b>			
Risk weighted assets (1)			150,764,643,452
Risk weighted off balance sheet exposure (2)			2,802,353,256
Market Risk (3)			795,604,393
<b>Total risk weighted Assets and off balance sheet exposure</b>			<b><u>154,362,601,101</u></b>

<b>COMPOSITION OF CAPITAL</b>	
<b>Core Capital (Tier 1)</b>	
	<b>TZS</b>
Paid up ordinary share capital	16,000,000,000
Capital grant	796,647,251
Retained earning	1,766,045,235
Qualifying year to date profits	<u>4,930,979,446</u>
<b>Sub total</b>	<b>23,493,671,932</b>
<b>Deductions</b>	
Prepaid expenses	727,642,184
Intangible assets	<u>380,670,141</u>
<b>Available core capital</b>	<b>22,385,359,607</b>
<b>Less minimum capital requirement (core capital)</b>	<b>15,436,260,110</b>
<b>Excess/(deficiency) core capital</b>	<b><u>6,949,099,497</u></b>
<b>Supplementary (tier 2) capital</b>	
Securities revaluation reserve	<u>42,931,600</u>
<b>Available Supplementary Capital</b>	<b><u>42,931,600</u></b>
<b>Minimum capital requirement</b>	<b><u>3,087,252,022</u></b>
<b>Excess/(Deficiency) Capital</b>	<b><u>(3,044,320,422)</u></b>
<b>Capital Adequacy ratios</b>	
Core capital (tier 1)	<b>14.50%</b>
Total capital (tier 2)	<b>14.53%</b>

**THE PEOPLE'S BANK OF ZANZIBAR LIMITED**

**Note:**

Minimum core capital must at least be equal to 10% and the minimum total capital should at least be equal to 12% of Risk Weighted Assets and off Balance Sheet Exposures (RWA & OBS).

**NOTE 32: PERFORMANCE INDICATORS**

	<b>31.12.13</b>	31.12.12
<b>Balance Sheet</b>	<b>TZS'000</b>	TZS'000
	<b>%</b>	<b>%</b>
(i) Shareholder's fund to Total Assets	<b>9.21</b>	9.58
(ii) Non performing loans to Total gross Loans	<b>2.44</b>	2.00
(iii) Gross Loans to Total Deposits	<b>54.76</b>	48.65
(iv) Gross Islamic financing to islamic deposits	<b>30.08</b>	27.23
(v) Loans Total Assets	<b>43.18</b>	39.17
(vi) Earning assets to Total Assets	<b>76.22</b>	76.24
(vii) Total deposit growth	<b>28.56</b>	39.69
(viii) Islamic deposit growth	<b>113.08</b>	309.21
(ix) Total assets growth	<b>26.25</b>	34.18
<b>Income Statement</b>		
(i) Return on Average Total Assets	<b>2.72</b>	1.18
(ii) Return On Capital (core capital)	<b>22.03</b>	9.19
(iii) Return On Shareholder Fund	<b>18.60</b>	7.54
(iv) Interest Expenses to Interest Income	<b>25.45</b>	23.68
(v) Interest Margin to Average Earning Assets	<b>7.84</b>	6.90