

CANARA BANK (TANZANIA) LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018

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| | | | | |
|---------------------------|----------------------------|-------------------------------|-----------|--------------------------|
| BOARD OF DIRECTORS | Mr. Rakesh Sharma | Chairman (Non-executive) | Indian | (resigned on 31.07.2018) |
| | Mr. Matam Venkata Rao | Chairman (Non-executive) | Indian | (w.e.f. 18.03.2019) |
| | Mr. N. Shivasankaran | Director (Non-executive) | Indian | (w.e.f. 02.11.2015) |
| | Mr. H. Seshagiridas | Managing Director (Executive) | Indian | (w.e.f. 02.11.2015) |
| | Mr. Patrick Ambwene Muwowo | Director (Non-executive) | Tanzanian | (w.e.f. 02.11.2015) |
| | Mr. Rajab Seleman Kakusa | Director (Non-executive) | Tanzanian | (w.e.f. 17.08.2016) |
| | Mr. Ritesh Kumar | Director (Executive) | Indian | (w.e.f. 27.03.2018) |

INDEPENDENT AUDITORS Balakrishna Sreekumar & Co.
Certified Public Accountants
P.O. Box 948
Dar es Salaam

BANKERS

- i) Bank of Tanzania
P.O. Box 2939
Dar es Salaam
- ii) Citi Bank
New York
United States of America
- iii) Bank of India (T) Limited
Maktaba Street
P.O. Box 7581
Dar es Salaam
- iv) CRDB Bank Plc
Azwiliwe Street
P.O. Box 268
Dar es Salaam
- v) Canara Bank, India
Integrated Treasury Wing
5th/6th floor, Plot no. G-14, C Block
Bandra Kurla Complex , Bandra -East
Mumbai 400051, India

REGISTERED CORPORATE OFFICE Canara Bank (T) Limited
16/1 Elia Complex
Zanaki, Bibi Titi Street
P.O. Box 491
Dar es Salaam
Telephone: +255 22 2112534
Email: mdcbti@canarabank.co.tz

PARENT BANK CORPORATE OFFICE Canara Bank India Head Office
112, J C Road
Bengaluru
Karnataka - India 560002

INTRODUCTION

We have great pleasure in presenting the Bank's 3rd Annual Report along with the Audited financial statements for the year ended 31 December 2018.

Canara Bank (Tanzania) Ltd was registered under Tanzania company Act, 2002 on 2 November 2015. The license to conduct Banking Business was granted to our Bank on 5 May 2016 by Bank of Tanzania in accordance with the provisions of Section 7 of the Banking and Financial Institutions Act 2006. However, actual Banking operations started on 9 May 2016 with opening of Dar es Salaam Branch which is the only branch as on date.

PRINCIPAL ACTIVITIES

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

OUR PARENT BANK: Canara Bank, India

Widely known as a customer-centric Bank, Canara Bank was founded by Shri Ammembal Subba Rao Pai, a great visionary and philanthropist, in July 1906, at Mangalore, then a small port town in Karnataka. The Bank has gone through the various phases of its growth trajectory over hundred and eleven years of its existence. Growth of Canara Bank was phenomenal, especially after nationalization in the year 1969, attaining the status of a national level player in terms of geographical reach and clientele segments. The eventful journey of the Bank has been characterized by several memorable milestones. Today, Canara Bank occupies a premier position in the comity of Indian banks, with a Business mix as on 31st December 2018 stood at USD 137 Billion with Operating Profit of USD 1210 Million and Net Profit of USD 100 Million.

Over the years, the Bank has scaled up its market position to emerge as a major 'Financial Conglomerate' with as many as nine subsidiaries/sponsored institutions/joint ventures in India and abroad. Presently, the Bank has further expanded its number of branches to 6300, excluding 10 branches abroad at Johannesburg, New York, Dar es Salaam, London, Leicester, Shanghai, Manama, Dubai, Sharjah and Hong Kong. The Bank's joint venture in Russia, viz., Commercial Indo Bank LLC is functioning since 2003 in association with State Bank of India.

Not just in commercial banking, the Bank has also carved a distinctive mark, in various corporate social responsibilities, namely, serving national priorities, promoting rural development, enhancing rural self-employment through several training institutes and spearheading financial inclusion objective. "A good bank is not only the financial heart of the community, but also one with an obligation of helping in every possible manner to improve the economic conditions of the common people". These insightful words of the Bank's Founder continue to resonate even today in serving the society with a purpose. We strongly believe that the Bank's second century is going to be equally rewarding and eventful not only in service of the nation but also in helping the Bank emerge as a "Preferred Bank with Best Practices".

Presently, Government of India holds 72.50% of Bank's total shareholding.

ECONOMIC OVERVIEW: TANZANIA

The East African nation of Tanzania has an estimated population of 59.09 million as of 2018. The country has made great strides in economic and structural reforms, which helped aid the country's relatively stable and high growth performance over the last decade (average 6.5% per annum). While the poverty rate has declined recently, the absolute number of the poor has not changed given the fast pace of population growth (over 3% per annum).

Tanzania's economic growth is expected to average 6.2% between 2018 and 2026. The growth is underpinned by infrastructure development and a growing consumer base. Heavy infrastructure investment into rail, port and road is expected to be one of the main drivers of Gross Domestic Product (GDP) growth between 2018 and 2026.

Inflation, at 3.0% in November 2018 due to increase in food and Non-food inflation higher domestic food prices and lagged effects of the Tanzanian shilling's depreciation, compared to 4.4% in November 2018. The National Bureau of Statistics of Tanzania (NBS) indicates that the Annual Headline Inflation Rate slightly decreased to 3.0% in November 2018 from 3.2% in October 2018. The Fiscal policy management remains a challenge owing to huge investments in the offing amid ambitious but feasible domestic revenue targets, diminishing aid flows, and volatile global financial markets.

The 2018/19 budget reflects the government's high priorities in development expenditure in infrastructure while trimming nonessential expenses.

BANKING SECTOR OVERVIEW:

Tanzania embarked on financial liberalization in 1992 aimed at sustaining growth in the real sector by boosting resource mobilization, motivating competition in the financial market and enhancing quality and efficiency in credit allocation. These reforms have changed the direction and quality of financial services offered in the country. New merchant banks, commercial banks, bureau de change, insurance companies, stock exchange and related financial units have been established. The entry of new banks and non-bank financial institutions has enhanced the competition and improved the quality and type of financial products and services provided.

As per monthly economic report for November 2018 of Bank of Tanzania (BOT), during the year ending October 2018, credit to private sector increased by TZS 1,297.5 billion, which translates to a growth rate of 6.4% compared with a negative growth rate of 6.1% in the year ending October 2018. Much of the increase emanated from the recent recovery in credit to the private sector. Credit to the private sector grew by 4.8% in the year ending October 2018, largely associated with sustained accommodative monetary policy stance, ongoing improvement of business environment by the government and credit risk management by banks to realize low non-performing loan ratio.

YOUR BANK'S PERFORMANCE DURING 2018

We have started our commercial operation since 9 May 2016 after getting BOT license on 5 May 2016. During 2018, we have achieved aggregate business of TZS 101 Billion and made Net Profits of TZS 875 Million.

The highlights of the performance in 2018 were as under:

KEY BUSINESS FIGURES

| Particulars | (Amount in Tzs. Millions) | (Amount in Tzs. Millions) |
|-----------------------|---------------------------|---------------------------|
| | December 31, 2018 | December 31, 2017 |
| Aggregate Deposits | 66,562 | 45,268 |
| Aggregate Advances | 34,839 | 19,686 |
| Total Business | 101,401 | 64,954 |
| Investments | 22,748 | 21,773 |
| Gross NPA | - | - |
| Net NPA | - | - |
| Net Interest Income | 4,599 | 4,576 |
| Operating Profit | 1,276 | 829 |
| Net Profit/(Loss) | 892 | 576 |
| Business per employee | 4,749 | 4,059 |

KEY BUSINESS RATIOS

| Particulars | December 31, 2018 | December 31, 2017 |
|----------------------------|-------------------|-------------------|
| Net Interest Margin | 4.90% | 6.83% |
| Cost to Income Ratio | 74.58% | 83.15% |
| Return on capital employed | 2.58% | 1.75% |
| Return on Assets | 0.95% | 0.72% |
| Gross NPA | Nil | Nil |
| Net NPA | Nil | Nil |

WAY FORWARD

- Introducing Mobile and internet banking facility for customers.
- Launching new deposit and credit products.
- Increased use of IT enabled services.
- Automation of Management Information System.

DIVIDENDS

Being newly established Bank and to increase the base for future business growth, we do not propose to pay dividend during the financial year 2018.

CAPITAL

There was no change in the Capital of the Bank during the financial year 2018. During the financial year 2016, the Bank has started with initial capital of TZS 24.00 Billion from the parent Bank. Capital of Bank increased from 24 Billion to TZS 30 Billion on 11th May 2016 . Further on 22nd Nov 2016 Capital increased from TZS 30 Billion to TZS 32.83 Billion. As per guidelines issued by Bank of Tanzania, the commercial banks should have minimum capital of TZS 15.00 Billion. The Bank has complied with the norm.

CAPITAL ADEQUACY

As per the regulations of Bank of Tanzania, Bank should maintain Total minimum capital adequacy of 12% of Risk weighted assets and Core capital adequacy of 10% of risk weighted assets. As against this, Bank is maintaining Total capital adequacy of 61.98% and Core capital adequacy of 61%.

SOLVENCY

As against minimum liquidity of 20% required as per norms. Bank is maintaining liquidity at 40% as on December 2018.

BUSINESS REVIEW

A. DEPOSIT

Bank provides all Banking services which includes accepting deposits in local TZS currency and foreign currency mainly, saving Bank, Current Account and Fixed Deposits. During the year our deposits increased from TZS 45.27 Billion to TZS 66.56 Billions.

B. ADVANCES

Bank is active in financing various types of economic activities which mainly include trading, manufacturing, construction, services like transport, export of agricultural commodities, import of goods and personal loans. During the year our advances increased from TZS 19.68 Billion to TZS 34.83 Billions.

C. REMITTANCES

Bank Provides active remittance services to expatriates at attractive rates with speed. For speed remittance, Bank is using e-Remit service of Canara Bank, India which gives instant credit to Any Banks customer accounts in India.

BOARD OF DIRECTORS

The names of Directors of Board of Canara Bank (Tanzania) Limited in Financial Year 2018 are as under:

| Sl. no. | Name of director | Nationality | Position | Serving since |
|---------|----------------------------|-------------|-------------------------------|-------------------------|
| 1 | Mr. Rakesh Sharma | Indian | Chairman (Non-executive) | resigned on 31.07.2018 |
| 2 | Mr. Matam Venkata Rao | Indian | Chairman (Non-executive) | appointed on 18.03.2019 |
| 3 | Mr. N. Shivasankaran | Indian | Director (Non-executive) | w.e.f. 02.11.2015 |
| 4 | Mr. H. Seshagiridas | Indian | Managing Director (Executive) | w.e.f. 02.11.2015 |
| 5 | Mr. Patrick Ambwene Muwowo | Tanzanian | Director (Non-executive) | w.e.f. 02.11.2015 |
| 6 | Mr. Rajab Seleman Kakusa | Tanzanian | Director (Non-executive) | w.e.f. 17.08.2016 |
| 7 | Mr. Ritesh Kumar | Indian | Director (Executive) | w.e.f. 27.03.2018 |

BOARD COMMITTEE

The Board is supported by the following committees:

1. Audit committee

| Sl. no. | Name of director | Nationality | Position |
|---------|----------------------------|-------------|----------|
| 1 | Mr. Patrick Ambwene Muwowo | Tanzanian | Chairman |
| 2 | Mr. N. Shivasankaran | Indian | Member |
| 3 | Mr. Rajab Seleman Kakusa | Tanzanian | Member |

2. Credit committee

| Sl. no. | Name of director | Nationality | Position |
|---------|----------------------------|-------------|----------|
| 1 | Mr. N. Shivasankaran | Indian | Chairman |
| 2 | Mr. Patrick Ambwene Muwowo | Tanzanian | Member |
| 3 | Mr. Rajab Seleman Kakusa | Tanzanian | Member |

3. Risk management committee

| Sl. no. | Name of director | Nationality | Position |
|---------|----------------------------|-------------|----------|
| 1 | Mr. Rajab Seleman Kakusa | Tanzanian | Chairman |
| 2 | Mr. N. Shivasankaran | Indian | Member |
| 3 | Mr. Patrick Ambwene Muwowo | Tanzanian | Member |

Board meeting and other committee meetings were held as per guidelines of regulator during 2018 on 27 March 2018, 25 June 2018, 28 September 2018 and 28 December 2018.

DIRECTORS RESPONSIBILITY

The Board of Directors confirms that in the preparation of Annual financial statement for the year ended 31 December 2018.

- Accounting policies framed in accordance with the guidelines of Bank of Tanzania, were consistently applied.
- The applicable accounting standards have been followed.
- Proper and sufficient care was taken for maintenance of adequate accounting records with the provisions of applicable guidelines governing Banks in Tanzania.
- True and fair view of the state of affairs of the Bank and profit of the Bank is given at the year ended 31 December 2018.

CORPORATE GOVERNANCE

Directors are committed to the principles of good corporate governance and recognize the need to conduct the Banking business with best practices. Therefore Directors confirm that:

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

CORPORATE SOCIAL RESPONSIBILITY

Bank is committed for its corporate social responsibility towards Tanzanians. Bank is regularly involved in charitable activities to take care of underprivileged children. During the year, Bank has opened Students Library in their office premises to cater to the students of nearby 4 Government schools. Through this, nearly 300 students of the schools are availing the benefits of students library. Bank has invested TZS 1,007,285 towards purchase of Text books for the students library introduced by the Bank.

RELATED PARTY TRANSACTIONS

No loans/advances were due from the related parties to the Bank by virtue of common ownership. The amount of related party Deposits was TZS 28.69 Bn. The deposit was received from the parent bank and subsidiaries of the Parent Bank, Canara Bank.

INFORMATION TECHNOLOGY

The Bank has planned to focus on various new IT initiatives. The bank has set up its Both Primary Data Centre and DR centra at Tanzania. The Bank has gone live with the E-RCS of Tanzania Revenue Authority.

EMPLOYEES WELFARE

Banks provides loan to their employees at concessional interest. Bank has taken Health Insurance of all employees & their Families. In House and formal training at various institutes is provided to the staff of the Bank. Bank management has cordial relations With staff of the Bank, who wrok as a team.

AUDITORS

M/s Balakrishna Sreekumar & Co. (erstwhile known as "Tanna Sreekumar Grant Thornton") were the auditors of the Bank during the year ended 31 December 2018. They have expressed their willingness to continue for the next financial year 2019.

ACKNOWLEDGEMENTS

The Board expresses its gratitude to the Bank of Tanzania and various department of Government of Tanzania for the valuable guidance and support received from them. The Board also acknowledges the support of its customers, other financial institutions, correspondent Banks for their support & Cooperation. The Board also wishes to place on record its appreciation for all staff members of the Bank for their dedicated services & contribution for the good performance of the Bank. Lastly, we thank the management and staff of Canara Bank, India, (Our Parent Bank) , for their continued support and guidance.

For and Behalf of Board of Directors:



.....
Mr. H. Seshagiridas
Managing Director

Place: Dar Es Salaam

Date: 29/12/2018

CANARA BANK (TANZANIA) LIMITED
Statement of Directors' Responsibilities
For the year ended 31st December 2018

The directors are required in terms of the Tanzanian Companies Act 2002 to maintain adequate accounting records and are responsible for the content, integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements present fairly the state of affairs of the Bank as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Bank and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board of Directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Bank and all employees are required to maintain the highest ethical standards in ensuring the Bank's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Bank is on identifying, assessing, managing and monitoring all known forms of risk across the Bank. While operating risk cannot be fully eliminated, the Bank endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.


The directors have reviewed the bank's cash flow forecast for the year to December 31, 2019 and, in light of this review and the current financial position, they are satisfied that the bank has or had access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently auditing and reporting on the bank's financial statements. The financial statements have been examined by the bank's external auditors and their report is presented on pages 9 to 10.

The financial statements, set out on pages 11 to 34, which have been prepared on the going concern basis, were approved by the board of directors on 29/03/2019 and were signed on their behalf by:


.....
Mr. H. Seshagiridas
Managing Director


.....
Mr. Patrick Ambwene Muwowo
Director

Place: Dar Es Salaam
Date: 29/03/2019

CANARA BANK (TANZANIA) LIMITED
Declaration of Head of Finance
For the year ended 31st December 2018

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

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/ Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements.

Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as under Directors Responsibility statement on an earlier page.

I PETER J. MKANDU being the Head of Finance of Canara Bank (Tanzania) Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31 December 2018 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of Canara Bank (Tanzania) Limited as on 31 December 2018 and that they have been prepared based on properly maintained financial records.

Signed by: WPKandu
Position: HEAD OF FINANCE
NBAA Membership No.: GA 4292
Date: 29/03/2019



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CANARA BANK (TANZANIA) LIMITED

Opinion

We have audited the Financial Statements of Canara Bank (Tanzania) Limited set out on page no. 11 to 34, which comprise the Statement of Financial Position as at December 31, 2018, the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the period then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of Canara Bank (Tanzania) Limited as at December 31, 2018, and of its profit after tax and deferred tax of TZS ('000) 891,537 and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002."

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in United Republic of Tanzania. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in United Republic of Tanzania. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

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

Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of the directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Tanzanian Companies Act 2002 and the Banking & Financial Institution Act 2006, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

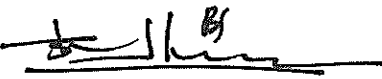
- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting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

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

Report on other legal requirements

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

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



Dr. B. S. Sreekumar
Managing Partner
Balakrishna Sreekumar & Co.
Certified Public Accountants

29 MAR 2013

Dar es Salaam

CANARA BANK (TANZANIA) LIMITED
Statement of profit or loss and other comprehensive income
For the year ended 31st December 2018

| | Note | 2018 TZS '000 | 2017 TZS '000 |
|---|-------|------------------|------------------|
| INTEREST INCOME | | | |
| Interest Income | 7 | 6,724,392 | 5,578,829 |
| Interest Expenses | 8 | (2,125,396) | (1,002,337) |
| Net Interest Income | | 4,598,996 | 4,576,493 |
| OTHER OPERATING INCOME | | | |
| Fees & Commission | 9 | 672,271 | 344,338 |
| Operating Income | | 5,271,267 | 4,920,831 |
| Reversal/(Provision) of impairment | | (64,748) | - |
| Net Operating Income | | 5,206,519 | 4,920,831 |
| Operating expenses | 10 | (3,930,589) | (4,091,895) |
| Profit/(loss) before taxation | | 1,275,930 | 828,936 |
| Income tax (charge)/credit | 16(i) | (384,393) | (252,883) |
| Profit/(loss) for the year | | 891,537 | 576,053 |
| Other Comprehensive Income | | - | - |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | 891,537 | 576,053 |


The accounting Policies and Notes on pages 15 to 34 form an integral part of the financial statements.


Report of the Auditors - Pages 9 to 10

CANARA BANK (TANZANIA) LIMITED
Statement of financial position
As at 31st December 2018

| | Note | 2018 TZS '000 | 2017 TZS '000 |
|---|---------|--------------------|-------------------|
| ASSETS | | | |
| Cash | 11(i) | 719,433 | 658,709 |
| Balances with Bank of Tanzania | 11(ii) | 4,623,262 | 4,093,331 |
| Deposits and balances with other banks and financial institutions | 12 | 36,843,200 | 29,968,270 |
| Government securities | 13 | 22,747,685 | 21,773,548 |
| Loans and advances (Net) | 15 | 34,838,559 | 19,685,826 |
| Debtors and other receivables | 14 | 519,888 | 360,930 |
| Income tax recoverable | 16(ii) | - | 755 |
| Deferred tax assets | 17 | 25,623 | - |
| Property, plant & equipment | 18 | 1,959,299 | 2,925,560 |
| Total assets | | 102,276,949 | 79,466,929 |
| LIABILITIES | | | |
| Customer deposits | 19 | 66,562,927 | 45,268,137 |
| Other liabilities | 20 | 1,207,015 | 566,058 |
| Income tax payable | 16(ii) | 12,031 | - |
| Deferred tax liability | 17 | - | 3,727 |
| Total liabilities | | 67,781,973 | 45,837,922 |
| SHAREHOLDERS' EQUITY | | | |
| Share capital | 21 | 32,830,000 | 32,830,000 |
| Retained earnings | Page 13 | 1,125,677 | 289,007 |
| Statutory reserve | Page 13 | 45,925 | - |
| General reserve | Page 13 | 493,374 | 510,000 |
| Total shareholders' equity | | 34,494,976 | 33,629,007 |
| Total equity and liabilities | | 102,276,949 | 79,466,929 |

The financial statements on pages 11 to 34 were approved by the Board of Directors on ^{29th March 2019} 2019 and signed on its behalf by:


.....
Mr. H. Seshagiriadas
Managing Director


.....
Mr. Patrick Ambwene Muwowo
Director

Place: Dar Es Salaam

Date: 29/03/2019

CANARA BANK (TANZANIA) LIMITED
Statement of changes in equity
For the year ended 31st December 2018

| | Attributable to equity holders of the Bank | | | | |
|---|--|--------------------------------|----------------------------------|----------------------------------|-----------------------------|
| | Share Capital TZS '000 | General Reserve TZS '000 | Statutory Reserve TZS '000 | Retained earnings TZS '000 | Total equity TZS '000 |
| Balance at 1st January 2017 | 32,830,000 | 107,000 | - | 115,955 | 33,052,955 |
| Issue of share capital | - | - | - | - | - |
| Transfer to general reserve | - | 403,000 | - | (403,000) | - |
| Total comprehensive income for the year | - | - | - | 576,052 | 576,052 |
| Balance at 31st December 2017 | 32,830,000 | 510,000 | - | 289,007 | 33,629,007 |
| Balance at 1st January 2018 | 32,830,000 | 510,000 | - | 289,007 | 33,629,007 |
| Impairment provision of assets on opening balance - IFRS 9 | - | - | - | (36,525) | (36,525) |
| Deferred tax assets on Impairment provision of assets on opening balance - IFRS 9 | - | - | - | 10,958 | 10,958 |
| Transfer to general reserve | - | (16,626) | - | 16,626 | - |
| Transfer to statutory reserve | - | - | 45,925 | (45,925) | - |
| Total comprehensive income for the year | - | - | - | 891,537 | 891,537 |
| Balance at 31st December 2018 | 32,830,000 | 493,374 | 45,925 | 1,125,677 | 34,494,976 |

The accounting Policies and Notes on pages 15 to 34 form an integral part of the financial statements.

Report of the Auditors - Pages 9 to 10

CANARA BANK (TANZANIA) LIMITED
Statement of Cash Flows
For the year ended 31st December 2018

| | Note | 2018 TZS '000 | 2018 TZS '000 |
|--|--------|-------------------|-------------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 1,275,930 | 828,935 |
| Adjustments for: | | | |
| Depreciation | | 1,060,821 | 1,194,313 |
| Provision for Impairment of assets | | 64,748 | - |
| Loss on disposal of fixed assets | | 3,375 | - |
| Net foreign exchange losses/(gain) | | (80,742) | (64,206) |
| Net cash flow before changes in working capital | | 2,324,132 | 1,959,042 |
| Change in statutory minimum reserve - see note 11(ii) | | (198,802) | (1,263,299) |
| Change in investment in Treasury Bills & Bonds | | (1,571,242) | (5,632,774) |
| Change in loans and advances to customers | | (15,254,006) | (9,044,784) |
| Change in debtors and other receivables | | (158,958) | (190,360) |
| Change in loans to other financial institutions | | (816,999) | 312,000 |
| Change in customers deposits | | 21,294,789 | 35,219,860 |
| Change in other creditors | | 640,956 | 482,140 |
| Cash generated from operations before tax | | 6,259,870 | 21,841,825 |
| Income tax paid | 16(ii) | (390,000) | (254,946) |
| Net cash flow from operating activities | | 5,869,870 | 21,586,879 |
| Cash flows from investing activities | | | |
| Purchase of property, plant & equipment | 18 | (97,934) | (746,864) |
| Net cash used in investing activities | | (97,934) | (746,864) |
| Cash flows from financing activities | | | |
| Proceeds from Issue of share capital | | - | - |
| Net cash generated from financing activities | | - | - |
| Net cash flow for the period | | 5,771,936 | 20,840,015 |
| Effect of exchange rate changes on cash and cash equivalents | | 80,742 | 64,206 |
| Cash and cash equivalents as at 1st January | | 37,480,906 | 16,576,685 |
| Cash and cash equivalents as at 31st December | 22 | 43,333,584 | 37,480,906 |

The accounting Policies and Notes on pages 15 to 34 form an integral part of the financial statements.

Report of the Auditors - Pages 9 to 10

1. GENERAL INFORMATION

Canara Bank (Tanzania) Limited is a wholly owned, subsidiary of Canara Bank India, India. It has been incorporated under the Tanzanian Companies Act, 2002 on 2 November 2015. The Bank of Tanzania issued license to conduct banking business under section 7 of the Banking and Financial Institutions Act, 2006 on 5 May 2016. The Bank commenced business on 09 May 2016.

2. ACCOUNTING CONVENTION

The Financial statements have been prepared under the historical cost convention of accounting modified to include revaluation of financial instruments wherever applicable. The Bank prepares its financial statements under International Financial Reporting Standards (IFRS).

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the Bank has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

- **IFRS 9 Financial Instruments**

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.
Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship".

The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after January 1, 2018.

The company expects to adopt the standard for the first time in the 2018 financial statements.

The impact of the amendment is has been disclosed in "Statement of Changes in Equity".

- **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Identify the contract(s) with a customer

- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after January 1, 2018.

The company expects to adopt the standard for the first time in the 2018 financial statements.

The impact of this standard is not material.

3.2 Standards and Interpretations early adopted

The Bank did not early-adopt any new or amended standards in the year ended December 31, 2018

3.3 Standards and interpretations not yet effective

The Bank has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the Bank's accounting periods beginning on or after January 1, 2019 or later periods:

- **IFRS 16 Leases**

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Bank are as follows:

Bank as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Bank as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after January 1, 2019.

The Bank expects to adopt the standard for the first time in the 2019 financial statements.

The impact of this standard is currently being assessed.

- **Uncertainty over Income Tax Treatments**

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the amendment is for years beginning on or after January 1, 2019.

The Bank expects to adopt the standard for the first time in the 2019 financial statements.

The impact of this standard is currently being assessed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied since inception unless otherwise stated.

(i) **Basis of accounting**

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

(ii) **Revenue recognition**

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

(iii) **Foreign currency transactions**

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

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

(iv) **Financial assets**

The bank classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets. The classification is done on the basis of following criteria:-

- **Financial assets at fair value through profit or loss** :- A financial asset is classified in this category if acquired principally or the purpose of selling in the short term or if so designated by the management.
- **Loans and receivables** :- Loans and receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to debtor with no intention of trading the receivables.
- **Held-to-maturity** :- Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the bank management has the positive intention and ability to hold to maturity.
- **Available for sale** :- Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or change in interest rates, exchange rates or equity price.

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

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

(v) **Impairment of financial assets**

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

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

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

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

| <u>No. of days outstanding</u> | <u>Classification</u> | <u>Provision (%)</u> |
|--------------------------------|-----------------------|----------------------|
| Below 30 | Standard | 1 |
| 31 - 90 | Especially mentioned | 3 |
| 91 - 180 | Substandard | 20 |
| 181 - 360 | Doubtful | 50 |
| Above 361 | Loss | 100 |

In case IFRS-9 provision is less than BOT provision, then a special non-distributable reserve is to be created through an appropriation of distributable reserve to eliminate the shortfall. The transfer is to be made in the statement of changes in equity and the purpose of the reserve shall be stated in a note to the accounts.

Profit for the year should be transferred to retained earnings and an appropriate charge to the regulatory non-distributable reserve made before any dividend is declared.

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

(vi) Property, plant & equipment

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

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

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

| | |
|--------------------------------|--------------|
| • Computers & hardware | 37.50% (WDV) |
| • Motor vehicles | 37.50% (WDV) |
| • Office furniture & equipment | 12.50% (WDV) |
| • Computer software | 3 Years |

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

(vii) Lease

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

For office premises for present dar es Salaam branch, lease is with M/s. Afra Engineering Works Limited for a period of 4 years from 1st November.

Minimum lease payment is as follows:

| | |
|-------------------------|-----------------|
| • Next year | TZS 219,376,760 |
| • Year 2 through year 4 | Nil |
| • beyond four year | Nil |

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

| | |
|-------------------------|----------------|
| • Next year | TZS 78,200,000 |
| • Year 2 through year 4 | Nil |
| • beyond four year | Nil |

(viii) Cash and cash equivalents

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

(ix) Taxation

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

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

The amount of deferred tax provided is based on the tax rate that has been enacted or substantially enacted by the balance sheet date and is expected to apply when the related deferred income tax is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

(x) Provisions

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

(xi) Employee benefits

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

(xii) Comparatives

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

(xiii) **Statutory reserves**

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

5. RISK MANAGEMENT

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

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

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

The Audit committee is responsible for monitoring compliance with the bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group. The Audit committee is assisted in these functions by the Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee. The follow up of these procedures is closely monitored by the Managing Director, in the day to day activities of the bank.

(i) **Credit risk**

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

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

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

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

| <u>Particulars</u> | <u>Balance outstanding including unrecovered interest</u> | <u>Secured</u> | <u>Unsecured</u> |
|--------------------|---|----------------|------------------|
| Unspecified | 34,939,828,833 | 34,124,894,587 | 814,934,246 |
| Substandard | - | - | - |
| Doubtful | - | - | - |
| Loss | - | - | - |

There is no impairment loss on loans and advances during the year. The bank has complied with the requirements of the Bank of Tanzania and the International Financial Reporting Standards as explained in note 4 (v).

(ii) Market risk

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

(iii) Liquidity risk

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

(iv) Interest rate risk

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

(v) Currency risk

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

(vi) Operational risks

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

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

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

- Requirements for appropriate segregation of duties, including the independent authorization of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standard;
- Risk mitigation, including insurance where this is effective.

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

Annexure to note 5 (iii)

Table showing Liquidity risk position

The table below analyses the Bank's assets and liabilities into relevant maturity groupings based on the remaining period at 31st December 2018 to the contractual maturity date. All figures are in thousands of Tanzania Shillings.

| Particulars | Up to 1 month TZS '000 | 1 to 3 months TZS '000 | 3 to 6 months TZS '000 | 6 to 12 months TZS '000 | 1 to 2 years TZS '000 | 2 to 3 years TZS '000 | 3 to 5 years TZS '000 | Over 5 years TZS '000 | Total TZS '000 |
|---|------------------------------|------------------------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|--------------------|
| ASSETS | | | | | | | | | |
| Cash | 719,433 | - | - | - | - | - | - | - | 719,433 |
| Balance with Bank of Tanzania | 4,529,933 | - | - | - | - | - | - | - | 4,529,933 |
| Balances with other banks and financial institutions | 754,127 | - | - | - | - | - | - | - | 754,127 |
| Cheques & other items for clearing | 93,329 | - | - | - | - | - | - | - | 93,329 |
| Investment in debt securities | - | 4,550,519 | 971,674 | 11,067,685 | 2,578,770 | 1,780,748 | 1,798,289 | - | 22,747,685 |
| Interbank loans receivables | 32,417,073 | 2,295,000 | 1,147,500 | 229,500 | - | - | - | - | 36,089,073 |
| Loans, advance and overdrafts | 11,361,690 | 2,294,890 | 2,222,469 | 3,912,679 | 6,126,820 | 4,601,534 | 4,406,898 | 12,850 | 34,939,831 |
| Commercial and other bills purchased | - | - | - | - | - | - | - | - | - |
| Bank premises, furniture & equipment | - | - | - | - | - | - | - | 946,371 | 946,371 |
| Other assets | 545,513 | - | - | - | - | - | - | 1,012,928 | 1,558,441 |
| Provision for impairments | (101,273) | - | - | - | - | - | - | - | (101,273) |
| Total Assets | 50,319,825 | 9,140,409 | 4,341,643 | 15,209,864 | 8,705,589 | 6,382,281 | 6,205,187 | 1,972,149 | 102,276,949 |
| LIABILITIES | | | | | | | | | |
| Demand deposits/call deposits | 5,196,818 | - | - | - | - | - | - | - | 5,196,818 |
| Savings deposits | 1,025,604 | - | - | - | - | - | - | - | 1,025,604 |
| Time deposits | 4,990,901 | 2,674,066 | 6,450,363 | 8,259,811 | 352,139 | - | 11,000 | - | 22,738,280 |
| Special deposits | - | - | - | - | - | - | - | - | - |
| Deposits with banks and financial institutions | 6,914,726 | 26,097,500 | 4,590,000 | - | - | - | - | - | 37,602,226 |
| Bankers cheques & draft issued | 7,506 | - | - | - | - | - | - | - | 7,506 |
| Accrued taxes & other expenses | 1,111,535 | - | - | - | - | - | - | - | 1,111,535 |
| Other liabilities | 100,005 | - | - | - | - | - | - | - | 100,005 |
| Shareholders' funds | - | - | - | - | - | - | - | 34,494,976 | 34,494,976 |
| Total Liabilities | 19,347,095 | 28,771,566 | 11,040,363 | 8,259,811 | 352,139 | - | 11,000 | 34,494,976 | 102,276,949 |
| NET LIQUIDITY GAP | 30,972,730 | (19,631,156) | (6,698,719) | 6,950,054 | 8,353,450 | 6,382,281 | 6,194,187 | (32,522,827) | - |

Annexure to note 5 (iv)

Table showing Interest sensitivity gap

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

| Particulars | Up to 1 | 1 to 3 | 3 to 6 | 6 to 12 | Over 1 | Non interest | Total |
|--|-------------------|---------------------|--------------------|-------------------|-------------------|---------------------|--------------------|
| | month | months | months | months | years | bearing | Total |
| | TZS '000 | TZS '000 | TZS '000 | TZS '000 | TZS '000 | TZS '000 | TZS '000 |
| ASSETS | | | | | | | |
| Cash | - | - | - | - | - | 719,433 | 719,433 |
| Balance with Bank of Tanzania | - | - | - | - | - | 4,529,933 | 4,529,933 |
| Balances with other banks and financial institutions | 754,127 | - | - | - | - | - | 754,127 |
| Cheques & other items for clearing | - | - | - | - | - | 93,329 | 93,329 |
| Investment in debt securities | - | 4,550,519 | 971,674 | 11,067,685 | 6,157,806 | - | 22,747,685 |
| Interbank loans receivables | 32,417,073 | 2,295,000 | 1,147,500 | 229,500 | - | - | 36,089,073 |
| Loans, advance and overdrafts commercial and other bills purchased | 11,361,690 | 2,294,890 | 2,222,469 | 3,912,679 | 15,148,102 | - | 34,939,831 |
| Bank premises, furniture & equipment | - | - | - | - | - | 946,371 | 946,371 |
| Other assets | - | - | - | - | - | 1,558,441 | 1,558,441 |
| Provision for impairments | (101,273) | - | - | - | - | - | (101,273) |
| Total Assets | 44,431,617 | 9,140,409 | 4,341,643 | 15,209,864 | 21,305,908 | 7,847,507 | 102,276,949 |
| LIABILITIES | | | | | | | |
| Demand deposits/call deposits | - | - | - | - | - | 5,196,818 | 5,196,818 |
| Savings deposits | 1,025,604 | - | - | - | - | - | 1,025,604 |
| Time deposits | 4,990,901 | 2,674,066 | 6,450,363 | 8,259,811 | 363,139 | - | 22,738,279 |
| Special deposits | - | - | - | - | - | - | - |
| Deposits with banks and financial institutions | 6,914,726 | 26,097,500 | 4,590,000 | - | - | - | 37,602,226 |
| Bankers cheques & draft issued | - | - | - | - | - | 7,506 | 7,506 |
| Accrued taxes & other expenses | - | - | - | - | - | 1,111,535 | 1,111,535 |
| Other liabilities | - | - | - | - | - | 100,005 | 100,005 |
| Shareholders' funds | - | - | - | - | - | 34,494,976 | 34,494,976 |
| Total Liabilities | 12,931,231 | 28,771,566 | 11,040,363 | 8,259,811 | 363,139 | 40,910,840 | 102,276,949 |
| INTEREST SENSITIVITY GAP | 31,500,386 | (19,631,156) | (6,698,719) | 6,950,054 | 20,942,769 | (33,063,333) | - |

Annexure to note 5 (v)Table showing Bank's exposure to foreign currency exchange rate risk

The table below analyses the bank's assets and liabilities at carrying amounts, categorized by currency. All amounts are expressed in thousands of Tanzania Shillings

| Particulars | USD | GBP | EURO | INR | OTHERS | Total |
|---|-------------------|-----|------|---------------|--------|-------------------|
| ASSETS | | | | | | |
| Cash | 514,078 | - | - | - | - | 514,078 |
| Bank balances in current account | 2,504,400 | - | - | 39,090 | - | 2,543,490 |
| Money market placement | 23,339,073 | - | - | - | - | 23,339,073 |
| Loans, advance and bills | 18,561,045 | - | - | - | - | 18,561,045 |
| Other assets | 167,322 | - | - | - | - | 167,322 |
| Total Assets | 45,085,918 | - | - | 39,090 | - | 45,125,008 |
| LIABILITIES | | | | | | |
| Deposits | 42,891,949 | - | - | - | - | 42,891,949 |
| Other liabilities | 433,498 | - | - | - | - | 433,498 |
| Total Liabilities | 43,325,447 | - | - | - | - | 43,325,447 |
| Net Balance sheet position | 1,760,471 | - | - | 39,090 | - | 1,799,561 |
| Exchange rate as at 31st December 2018 | 2295 | - | - | 33 | - | - |

6. CAPITAL MANAGEMENT

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

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

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

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

- Hold a minimum level of core capital of Tzs. 15 billion;
- Maintain a ratio of core capital to the risk weighted assets plus risk weighted off balance sheet items at or above the required minimum of 10%; and
- Maintain total capital of not less than 12% of risk weighted assets plus risk weighted off balance sheet items.

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

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

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

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

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

| | | |
|--|--------------------------------|----------------|
| Minimum capital required for market risks-Standardized Measurement method | Amount (Tzs) | |
| Foreign Exchange Risk | | 215,947,270 |
| Interest Rate Position Risk | | - |
| Equities Position Risk | | - |
| Total Minimum capital required for market risk | | 215,947,270 |
| Adjusted risk weighted assets | Risk-weight equivalents | |
| Credit risk on balance sheet items | | 41,331,981,263 |
| Credit risk on off balance sheet items | | 4,480,293,956 |
| Total Minimum capital required for market risk | | 2,699,340,880 |
| Total Minimum capital required for operational risk | | 5,217,744,757 |
| Total adjusted risk weighted assets and off balance sheet exposures | | 53,729,360,855 |
| Available capital | | |
| Available core capital | | 32,785,807,321 |
| Available total capital | | 33,325,106,702 |
| Capital adequacy ratios | | |
| Core capital to risk weighted assets and off balance sheet exposures | | 61% |
| Total capital to risk weighted assets and off balance sheet exposures | | 62% |
| Particulars | BOT Requirement | Actual |
| Core capital to total adjusted risk weighted assets | 10% | 61% |
| Total capital to total adjusted risk weighted assets | 12% | 62% |

CANARA BANK (TANZANIA) LIMITED
Notes to the financial statements (Continued)
For the year ended 31st December 2018

| | 2018 TZS '000 | 2017 TZS '000 |
|--|------------------|------------------|
| 7. INTEREST INCOME | | |
| Interest on loans and advances | 3,148,217 | 1,735,778 |
| Interest on Government securities | 2,518,253 | 2,757,558 |
| Interest on deposits and bank balances | 1,057,922 | 1,085,493 |
| | 6,724,392 | 5,578,829 |
| 8. INTEREST EXPENSE | | |
| Interest on customer deposits | 1,457,239 | 794,360 |
| Interest paid on borrowings from other bank | 668,157 | 207,977 |
| | 2,125,396 | 1,002,337 |
| 9. FEES & COMMISSION | | |
| Commission earned including forex earnings | 136,499 | 111,865 |
| Bank charges, Exchange on demand drafts etc. | 535,772 | 232,473 |
| | 672,271 | 344,338 |
| 10. OPERATING EXPENSES | | |
| Employees salaries and other benefits | 1,267,372 | 1,246,723 |
| Advertisement & publicity | 48,577 | 41,961 |
| Audit fees | 48,640 | 50,185 |
| Depreciation & amortisation | 1,060,821 | 1,194,313 |
| Director fees | 24,187 | 15,443 |
| Excise duty | 22,084 | 27,892 |
| City service levy | 8,017 | 7,537 |
| License fees | 49,485 | 28,920 |
| Entertainment expenses | 10,013 | 1,864 |
| Bank charges | 16,581 | 8,325 |
| Postage & courier charges | 2,090 | 1,733 |
| Telephone & internet charges | 49,499 | 61,028 |
| Insurance | 165,142 | 50,866 |
| Legal & professional fees | 17,848 | 55,531 |
| Membership & subscription | 19,521 | 31,822 |
| Miscellaneous expenses | 5,370 | 4,590 |
| Swift & Reuters service charges | 89,159 | 62,770 |
| Printing & stationary | 27,029 | 7,427 |
| Rental expenses | 317,276 | 292,106 |
| AMC charges | 565,016 | 784,887 |
| Repairs and maintenance | 25,212 | 21,159 |
| Security charges | 51,429 | 51,347 |
| Training expenses | 5,560 | 9,000 |
| Transportation expenses | 2,751 | 628 |
| Travelling, hotel expenses etc. | 5,360 | 14,970 |
| Utility expenses | 26,550 | 18,868 |
| | 3,930,589 | 4,091,895 |

CANARA BANK (TANZANIA) LIMITED
Notes to the financial statements (Continued)
For the year ended 31st December 2018

| | 2018 TZS '000 | 2017 TZS '000 |
|--|-------------------|-------------------|
| Breakup of Employees salaries and other benefits: | | |
| Salaries | 709,811 | 856,433 |
| Entertainment allowance | 37,106 | 31,876 |
| Conveyance allowance | 16,014 | 18,372 |
| Other allowances | 101,818 | 36,988 |
| Education fee reimbursement | 19,327 | 19,203 |
| Residential rent | 169,438 | 189,890 |
| Skills and development levy | 47,581 | 51,860 |
| Workmen compensation fund | 9,988 | 11,524 |
| PPF/NSSF contribution | 146,531 | 25,975 |
| Medical assistance | 5,519 | 2,804 |
| Staff welfare | 4,240 | 1,798 |
| | 1,267,372 | 1,246,723 |
| 11. CASH AND BALANCES WITH BANK OF TANZANIA | | |
| (i) Cash balance | 719,433 | 658,709 |
| (ii) Balance with Bank of Tanzania | | |
| Statutory minimum reserve (SMR) | 2,025,901 | 1,827,099 |
| Current account/clearing account | 2,597,361 | 2,266,232 |
| | 4,623,262 | 4,093,331 |
| 12. DEPOSITS AND BALANCES DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS | | |
| Banks in Tanzania | 34,904,672 | 29,406,792 |
| Banks abroad | 1,938,528 | 561,478 |
| | 36,843,200 | 29,968,270 |
| Maturing within 3 months | 35,466,200 | 29,408,270 |
| Maturing after 3 months | 1,377,000 | 560,000 |
| | 36,843,200 | 29,968,270 |
| 13. GOVERNMENT SECURITIES | | |
| Investments in Treasury Bills | 13,553,036 | 14,067,776 |
| Investments in Treasury Bonds | 9,194,649 | 7,705,772 |
| | 22,747,685 | 21,773,548 |
| Maturing within 3 months | 4,550,590 | 5,147,695 |
| Maturing after 3 months | 18,197,095 | 16,625,853 |
| | 22,747,685 | 21,773,548 |
| 14. DEBTORS AND OTHER RECEIVABLES | | |
| Interest receivable | 372,108 | 253,789 |
| Prepaid expenses | 131,318 | 106,601 |
| Others | 16,462 | 540 |
| | 519,888 | 360,930 |

CANARA BANK (TANZANIA) LIMITED
Notes to the financial statements (Continued)
For the year ended 31st December 2018

| | 2018 TZS '000 | 2017 TZS '000 |
|---|--------------------------|--------------------------|
| 15. LOANS & ADVANCES TO CUSTOMERS (NET) | | |
| Corporate loans | 34,844,880 | 19,554,531 |
| Staff loans | 26,576 | 20,724 |
| Personal loans | 68,376 | 110,571 |
| | <u>34,939,832</u> | <u>19,685,826</u> |
| Less: Provision for impairment | (101,273) | - |
| | <u>34,838,559</u> | <u>19,685,826</u> |
| Sector wise analysis of loans and advances | | |
| Manufacturing | 14,743,857 | 4,042,477 |
| Real estate | 1,018,341 | - |
| Trade and commerce | 7,444,437 | 7,993,848 |
| Transport and Communication | 4,527,695 | 3,222,169 |
| Warehousing & Storage | 4,723,400 | 4,336,070 |
| Other services | 2,455,526 | 70,538 |
| Staff loans | 26,576 | 20,724 |
| | <u>34,939,832</u> | <u>19,685,825</u> |
| Maturity analysis | | |
| Repayable on demand | 10,698,406 | 6,269,842 |
| Repayable in 3 months or less | 2,921,011 | 1,054,777 |
| Repayable between 3 months and 1 year | 6,135,148 | 3,511,220 |
| Repayable after 1 year | 15,185,267 | 8,849,987 |
| | <u>34,939,832</u> | <u>19,685,825</u> |
| 16. TAXATION | | |
| (i) Income tax expense/(credit) | | |
| Current income tax @ 30% of tax adjusted profits - see note 16(ii) | 402,786 | 251,245 |
| Deferred tax expense/(credit) - see note 17 | (18,393) | 1,638 |
| | <u>384,393</u> | <u>252,883</u> |
| (ii) Income tax receivable/(payable) | | |
| Opening balance | 755 | (2,946) |
| Tax paid for current year | 390,000 | 252,000 |
| Tax paid for previous year | - | 2,946 |
| | <u>390,755</u> | <u>252,000</u> |
| Less: tax charge for current year | (402,786) | (251,245) |
| | <u>(12,031)</u> | <u>755</u> |
| 17. DEFERRED TAX LIABILITY/(ASSETS) | | |
| Balance at the beginning of the year | 3,727 | 2,089 |
| Charge/(credit) for the year - See Note 16 (including TZS ('000) 10,957 provided from opening retained earnings) | (29,350) | 1,638 |
| Balance at the end of the year | <u>(25,623)</u> | <u>3,727</u> |
| The deferred tax liability/(asset) arises from: | | |
| Accelerated capital allowance | 4,759 | 3,727 |
| Other timing differences | (30,382) | - |
| | <u>(25,623)</u> | <u>3,727</u> |

CANARA BANK (TANZANIA) LIMITED
Notes to the financial statements (Continued)
For the year ended 31st December 2018

18. PROPERTY, PLANT AND EQUIPMENT

| | Capital WIP TZS '000 | Computers & Hardware TZS '000 | Motor Vehicles TZS '000 | Office furniture & equipment TZS '000 | Computer Software TZS '000 | Total TZS '000 |
|-----------------------|----------------------------|-------------------------------------|-------------------------------|--|----------------------------------|-------------------|
| Cost | | | | | | |
| At 1 January 2017 | - | 1,177,115 | 62,819 | 592,166 | 2,294,519 | 4,126,619 |
| Additions | 50,670 | 177,143 | - | 15,451 | 503,600 | 746,864 |
| Disposals | - | - | - | - | - | - |
| At 31 December 2017 | 50,670 | 1,354,258 | 62,819 | 607,617 | 2,798,119 | 4,873,483 |
| At 1 January 2018 | 50,670 | 1,354,258 | 62,819 | 607,617 | 2,798,119 | 4,873,483 |
| Additions | 1,033 | 38,151 | - | 30,795 | 27,955 | 97,934 |
| Disposals | - | - | - | - | (3,375) | (3,375) |
| Transfer from WIP | (50,670) | - | - | - | 50,670 | - |
| At 31 December 2018 | 1,033 | 1,392,409 | 62,819 | 638,412 | 2,873,369 | 4,968,042 |
| Depreciation | | | | | | |
| At 1 January 2014 | - | 284,346 | 15,038 | 47,837 | 406,388 | 753,609 |
| Charge for the year | - | 370,983 | 17,918 | 68,669 | 736,744 | 1,194,314 |
| Disposals | - | - | - | - | - | - |
| At 31 December 2017 | - | 655,329 | 32,956 | 116,506 | 1,143,132 | 1,947,923 |
| At 1 January 2018 | - | 655,329 | 32,956 | 116,506 | 1,143,132 | 1,947,923 |
| Charge for the year | - | 267,132 | 11,199 | 64,147 | 718,342 | 1,060,820 |
| On disposals | - | - | - | - | - | - |
| At 31 December 2018 | - | 922,461 | 44,155 | 180,653 | 1,861,474 | 3,008,743 |
| Net Book Value | | | | | | |
| At 31 December 2017 | 50,670 | 698,929 | 29,863 | 491,111 | 1,654,987 | 2,925,560 |
| At 31 December 2018 | 1,033 | 469,948 | 18,664 | 457,759 | 1,011,895 | 1,959,299 |

| | 2018 TZS '000 | 2017 TZS '000 |
|---------------------------------------|-------------------|-------------------|
| 19. CUSTOMERS' DEPOSITS | | |
| Third parties | 28,960,701 | 22,868,137 |
| From other banks | 8,914,726 | 6,720,000 |
| Related parties | 28,687,500 | 15,680,000 |
| | 66,562,927 | 45,268,137 |
| Maturity analysis | | |
| Repayable on demand | 13,137,147 | 3,238,029 |
| Repayable in 3 months or less | 33,762,467 | 16,109,977 |
| Repayable between 3 months and 1 year | 19,300,174 | 25,920,131 |
| Repayable after 1 year | 363,139 | - |
| | 66,562,927 | 45,268,137 |

CANARA BANK (TANZANIA) LIMITED
Notes to the financial statements (Continued)
For the year ended 31st December 2018

| | 2018 TZS '000 | 2017 TZS '000 |
|---|---------------------|---------------------|
| 20. OTHER LIABILITES | | |
| Accrued expenses payable | 115,446 | 64,003 |
| Accrued interest payable | 960,697 | 472,426 |
| Duties and taxes payable | 23,361 | 26,832 |
| Bankers cheque payable | 7,506 | 2,796 |
| Other payable | 100,005 | - |
| | <u>1,207,015</u> | <u>566,058</u> |
| 21. SHARE CAPITAL | | |
| Authorized: | | |
| 50,000,000 ordinary shares of Tzs 1,000 each (2017 - 50,000,000 ordinary shares of Tzs 1,000 each) | <u>50,000,000</u> | <u>50,000,000</u> |
| Issued and fully paid up: | | |
| 32,830,000 ordinary shares of Tzs 1,000 each (2017 - 32,830,000 ordinary shares of Tzs 1,000 each) | <u>32,830,000</u> | <u>32,830,000</u> |
| 22. CASH AND CASH EQUIVALENTS | | |
| Cash balance - see note 11(i) | 719,433 | 658,709 |
| Balance with Bank of Tanzania (excluding SMR) - see note 11(ii) | 2,597,361 | 2,266,232 |
| Deposits and balances due from other banks and financial institution maturing within 3 months - see note 12 | 35,466,200 | 29,408,270 |
| Government securities maturing within 3 months - see note 13 | 4,550,590 | 5,147,695 |
| | <u>43,333,584</u> | <u>37,480,906</u> |
| 23. RELATED PARTY TRANSACTIONS | | |
| Related party disclosures | | |
| Compensation to key management personnel | | |
| - Short term employee benefits to Managing Director | 178,518 | 215,305 |
| - Sitting fees paid to local director | 24,187 | 15,443 |
| | <u>202,705</u> | <u>230,748</u> |
| 24. NET TRANSACTIONS PAYMENTS/(RECEIPTS) WITH RELATED PARTIES | | |
| Canara Bank, India | <u>49,168</u> | <u>(26,587)</u> |
| NET CLOSING BALANCE DUE FROM / (TO) RELATED PARTIES | | |
| Canara Bank, India | <u>50,646</u> | <u>1,478</u> |
| INTERBANK PLACEMENTS MADE TO / (ACCEPTED FROM) RELATED PARTIES | | |
| Canara Bank, India | (24,097,500) | (15,680,000) |
| CIBL, Russia | (4,590,000) | - |
| Canara Bank, UK | 45,900 | 112,000 |
| | <u>(23,641,600)</u> | <u>(15,568,000)</u> |
| 25. CONTINGENT LIABILITIES | | |
| Contingent liabilities as at balance sheet date are as follows: | | |
| Bank guarantees given | 2,049,957 | - |
| Letter of credit issued | 2,447,108 | - |
| | <u>4,497,065</u> | <u>-</u> |

CANARA BANK (TANZANIA) LIMITED
Notes to the financial statements (Continued)
For the year ended 31st December 2018

| | 2018 TZS '000 | 2017 TZS '000 |
|----------------------------------|-------------------|-------------------|
| 26. CORE CAPITAL | | |
| Issued and fully paid up capital | 32,830,000 | 32,830,000 |
| Retained earnings | 1,125,677 | 289,007 |
| Prepayments | (131,318) | (106,601) |
| Intangible assets | (1,011,895) | (1,654,987) |
| Deferred tax assets | (25,623) | - |
| Software work in progress | (1,033) | (50,670) |
| | 32,785,807 | 31,306,749 |

27. INCORPORATION

The Bank is incorporated as a limited liability company under the Tanzanian Companies Act, 2002.

28. CURRENCY

These financial statements are presented in Tanzanian Shillings (Tzs. '000) unless otherwise stated.

29. COMPARATIVES

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