



Annual Report • Taarifa ya Mwaka 2009



2009

Annual Report
Taarifa ya Mwaka

Contents/Yaliyomo

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Yaliyomo

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Our Vision/Dira Yetu

Our Vision

To be the preferred financial services partner in Tanzania.

Our Mission

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

Dira Yetu

Kuwa chaguo la kwanza katika asasi za utoaji wa huduma za fedha Tanzania.

Kauli mbiu

Kutumia ubunifu kwenye utoaji wa huduma, na mtandao mpana wa matawi, NMB inatoa huduma za fedha nafuu na zenye kumlenga mteja kwa jamii ya Tanzania ili kuwa na manufaa endelevu kwa wadau wake.

NMB's Business Profile/Biashara za NMB

NMB's Business Profile

Personal Banking

In 2009 the bank continued to emphasize its business focus as the bank for everyone. Product developments and innovation have all been geared to embrace the customer-driven approach the bank subscribes to as an affordable bank in the market. In 2009 personal accounts continued to be the key leading product with more than 1.1 million accounts, compared to 0.9 million in 2008. This indicates growth of 21% in number of accounts while the total volume on these accounts grew by 22%. Both private deposits on such products as the Junior Account, Student's Account, Bonus Account, Wisdom Account and time deposits grew by an average of 30%.

NMB Mobile

The NMB Mobile service was introduced on July 21, 2009 to enable NMB customers manage their accounts conveniently, 24 hours a day. The service is also one of the measures intended to reduce queues at bank counters and at ATMs.

NMB Mobile provides ATM cardholders with access to the following services any time of the day: account balance inquiries and mini-statements; money transfers to any NMB account; airtime top-ups and TANESCO electricity recharge for prepaid LUKU meters. NMB Mobile is available to Vodacom and Zain subscribers.

At the end of 2009, NMB Mobile had registered 161,093 customers

ATM network

NMB started 2009 with 167 operational ATMs and 598,459 active ATM cardholders. During the course of the year, 114 additional ATMs were installed (80 at branch locations and 34 at offsite locations), resulting in a total number of 281 operational ATMs by the end of the year. The bank has the largest ATM network in the country.

Of the 281 ATMs, 67 are installed in Dar es Salaam and all 133 NMB branches have at least one ATM. By the end of 2009, the number of active ATM cardholders was 846,483, while the average number of ATM transactions processed per month passed the 2 million mark.

Biashara za NMB

Huduma binafsi za kibenki

Kwa mwaka 2009 NMB iliendelea kusesitiza mwelekeo wa biashara yake kama benki ya kila mtu. Maendeleo ya bidhaa na ubunifu wote umekuwa ukilenga kuanzisha bidhaa bora, nafuu na zinazoendana na mahitaji ya soko. Mwaka 2009 akaunti binafsi ya NMB "Personal account" iliendelea kuongoza miongoni mwa bidhaa zote za NMB kwa kuwa na zaidi ya akaunti milioni 1 na laki moja, ikilinganishwa na laki tisa (9) kwa mwaka 2008. Hii inaonyesha ukuaji wa 21% wa idadi ya akaunti, akaunti zote zilikuwa kwa 22%. Amana binafsi kama "NMB Junior Account", "NMB Student Account", "NMB Bonus Account" na "NMB Wisdom Account" na amana za muda maalum zilikuwa kwa wastani wa 30%.

NMB Mobile

NMB Mobile ilizinduliwa Julai 21, 2009 ili kuwawezesha wateja wa NMB kupata taarifa za akaunti zao kwa urahisi na kila wakati. Huduma hii ni moja ya mikakati ya kupunguza msongamano ndani ya matawi na kwenye ATM.

NMB Mobile inawawezesha wamiliki wa kadi za ATM kupata huduma zifuatazo wakati wowote kwa siku; salio kwenye akaunti zao na kupata taarifa fupi ya akaunti hiyo kupeleka fedha kwa mteja yeyote mwenye akaunti ya NMB: kununua muda wa maongezi kwa simu za mkononi; na kulipia umeme kwa wenye mita za LUKU. Huduma ya muda wa maongezi na malipo ya umeme inapatikana kwa wateja wa Vodacom na Zain.

Kufikia mwisho wa mwaka 2009, NMB ilikuwa imesajili wateja 161,093.

Mtandao wa ATM

NMB ilianza mwaka 2009 ikiwa na ATM 167 zilizokuwa zikifanya kazi, na wateja wenye kadi za ATM 598,459. Ndani ya mwaka huo, ATM 114 zaidi ziliongezwa (80 katika matawi na 34 katika maeneo ya nje ya matawi), hivyo kufanya idadi ya ATM zinazofanya kazi kuwa 281 hadi kufikia mwisho wa mwaka 2009. Benki ya NMB ina mtandao mkubwa zaidi wa ATM nchini kuliko taasisi nyingine yoyote ya kifedha.

Kati ya ATM 281 zilizopo, 67 ziko jijini Dar es Salaam. Katika matawi 133 ya NMB kuna angalau ATM moja. Hadi mwisho wa 2009, idadi ya wateja wenye kadi za ATM ilifikia 846,483, wakati idadi ya wastani ya matumizi ya ATM kwa mwezi ikiwa imezidi milioni mbili.

NMB's Business Profile/Biashara za NMB



NMB's Business Profile/Biashara za NMB

Micro, Small and Medium Enterprises

The Micro, Small and Medium Enterprises department is focused on the following key activities:

- Lending to micro entrepreneurs with credit facility requirements ranging from TZS 50,000 to TZS 5 million
- Lending to small and medium enterprises with credit facility requirements ranging from TZS 5 million to TZS 500 million.

Total aggregate lending to micro, small and medium enterprises as at 31 December 2009 was TZS 125.4 billion. Of this, TZS 83.8 billion was lent to 42,405 micro and small enterprises (MSE) customers and TZS 41.6 billion to 4,061 small and medium enterprises (SME) customers.

Agribusiness

With its large branch network in Tanzania and focus on rural areas, NMB is very well positioned to serve the agricultural sector. In 2009 NMB financed sugarcane farmers in Kilombero, tea farmers in Lushoto, paddy growers in Ifakara and Mbarali, sunflower growers in Singida, barley growers in Arusha and West Kilimanjaro and tobacco growers in Tabora (all districts), Shinyanga (Kahama district), Ruvuma (Namtumbo and Songea districts), Kagera (Biharamulo district) and Kigoma (Kibondo district). Tobacco had the lion's share of financing with an exposure of more than TZS 30 billion in inputs loans.

In addition, NMB in collaboration with Alliance for Green Revolution in Africa (AGRA) and Financial Sector Deepening Trust (FSDT) financed agro inputs traders in 23 districts under the agro dealer scheme. The scheme made it easier for farmers to access agro inputs. The provision of TZS 3.7 billion was approved to 275 agro dealers under this scheme.

In the supply chain, NMB financed primary cooperative societies dealing with cashew nuts, coffee, sunflower and paddy. These loans were made available through the warehouse receipt financing system, to enable the societies to cover the operating expenses of bringing the agriculture produce of their members to market. A total of TZS 19.2 billion was disbursed as working capital under the warehouse receipt system. NMB also financed large importers of inputs and processors of commodities as key stakeholders in the value chain. A total of TZS 31.3 billion was disbursed to large corporates dealing with fertilizer importation, processing and commodity trading.

Wafanyabiashara wadogo na wa kati

Idara ya wafanyabiashara wadogo na wa kati inalenga shughuli muhimu zifuatazo;

- Kutoa mikopo kwa wafanyabiashara ndogo ndogo na wenye mahitaji ya mikopo kuanzia TZS 50,000 hadi TZS 5 milioni
- Kutoa mikopo kwa makampuni ya biashara ndogo na za kati wenye mahitaji ya mikopo kuanzia TZS 5 milioni hadi TZS 500 milioni.

Jumla ya fedha zilizokopeshwa kwa wafanyabiashara wadogo na wa kati hadi Disemba 31, 2009 zilikuwa TZS 125.4 bilioni. Kati ya hizo, TZS 83.8 bilioni zilitolewa kwa wafanyabiashara ndogo ndogo (MSE) wapatao 42,405 na TZS 41.6 bilioni kwa wajasiriamali wapatao 4,061 (SME).

Sekta ya kilimo

Kutokana na kuwa na mtandao mpana wa matawi Tanzania na hususani katika maeneo ya vijijini, NMB imejiweka katika nafasi nzuri ya kuchangia maendeleo kwenye sekta ya kilimo.

Mwaka 2009 NMB ilitoa mikopo kwa wakulima wa miwa huko Kilombero; wakulima wa chai Lushoto; wakulima wa mpunga Ifakara na Mbarali; wakulima wa alizeti Singida; wakulima wa shayiri Arusha na West Kilimanjaro. Wengine waliofaidika na mikopo walikuwa wakulima wa tumbaku Tabora (wilaya zote), Shinyanga (wilaya ya Kahama), Ruvuma (wilaya ya Namtumbo na Songea), Kagera (wilaya ya Biharamulo) na Kigoma (wilaya ya Kibondo).

Tumbaku iliongoza kwa kuwa zao lililopata asilimia kubwa ya mikopo hiyo ambayo iliyofikia kiwango cha TZS 30 bilioni zilizotumika kama pembejeo.

Aidha, NMB kwa kushirikiana na AGRA / FSDT ilitoa fedha za pembejeo za kilimo kwa wafanyabiashara katika wilaya 23 chini ya mpango wa uuzaji wa pembejeo.

Mpango huu ulimrahisisha mkulima kupata pembejeo za kilimo. Kutokana na TZS 3.7 bilioni zilitolewa kwa wafanyabiashara wapatao 275 wa zana za kilimo walizoagizia na pembejeo.

NMB pia ilitoa fedha kwa vyama vya ushirika vya msingi vinavyojihusisha na korosho, kahawa, alizeti na mpunga. Mikopo hiyo ilipatikana kwa mfumo wa stakabadhi ghalani, ili kuwezesha jamii kufidia gharama za uendeshaji wa kuleta mazao ya kilimo ya wanachama wake kwenye soko. Jumla ya TZS 19.2 bilioni zilitolewa kama mtaji chini ya mfumo huo. NMB pia ilitoa fedha kwa waagizaji wakubwa wa pembejeo na wasindikaji wa bidhaa kama wadau muhimu katika mjenguo wa thamani. Jumla ya TZS 31.3 bilioni zilitolewa kwa makampuni makubwa yanayojihusisha na uagizaji mbolea, usindikaji na biashara ya bidhaa.

NMB's Business Profile/Biashara za NMB



NMB's Business Profile/Biashara za NMB

Support to the agricultural sector

NMB thoroughly analyzed the agricultural sector value chain and designed unique financial services that enable efficient and smooth delivery of subsidies to the sector. A subsidized input voucher-redemption scheme was initiated by the Tanzanian Government, whereby NMB agreed to redeem vouchers deposited by agro dealers who sold inputs to farmers. Under this initiative, farmers obtained state subsidy directly. A total of 1,900,000 vouchers, worth TZS 65 billion, were redeemed, benefiting 700,000 farmers.

Corporate

Corporate Banking continued NMB's strategic and selective approach to ensure a diversified portfolio. The client base includes large local corporate clients and corporate clients with links abroad in manufacturing, agribusiness, food and beverages, trading and distribution.

As of December 2009, the value of total approved facilities to corporates was TZS 289 billion (2008: TZS 270 billion) and utilization was TZS 228 billion (2008: TZS 195 billion), representing 7% and 17% growth respectively.

Government

NMB continued its good business relations with the Government of Tanzania in 2009. In the last quarter of 2009 a tender process was launched for the provision of all banking services to the Government of Tanzania. We are delighted that NMB was able to retain the contract for another term of two years.

MFI and SACCOS

NMB continued to use Micro Finance Institutions (MFI) and SACCOS to lend to areas not easily reached by NMB. In 2009 the MFI and SACCOS loan portfolio was TZS 7.9 billion.

Mchango kwenye sekta ya kilimo

NMB imejikita vizuri kuhakikisha sekta ya kilimo inaweza kuboresha mjengeko wa thamani. Ni kutokana na nafasi yake kwenye sekta ya fedha ambayo imeiwezesha kuanzisha huduma za kipekee kuwezesha ufanisi na urahisi wa utoaji wa ruzuku katika sekta hiyo. Ruzuku ya pembejeo na mpango wa vocha ulianzishwa na Serikali ya Tanzania. NMB ilikubali kutoa vocha za pembejeo za kilimo kwa wafanyabiashara wa pembejeo za kilimo ambao huuza pembejeo hizo kwa wakulima. Chini ya mpango huo, wakulima hupata ruzuku ya serikali moja kwa moja, tofauti na miaka ya nyuma. Jumla ya vocha 1,900,000, zenye thamani ya TZS 65 bilioni zilitolewa, na kuwanufaisha wakulima wapatao 700,000.

Makampuni makubwa

Huduma za kibenki kwa makampuni makubwa ziliendeleza mkakati wa NMB wa kutoa huduma maalum kwa sekta mbalimbali na makampuni makubwa yakiwa yale ya hapa nchini na yale yenye mitandao nje ya Tanzania. Wigo wa wateja hawa ni pamoja na makampuni makubwa, wateja kwenye sekta ya viwanda, biashara ya kilimo, vyakula na vinywaji, na wasambazaji.

Hadi mwisho wa Desemba 2009, thamani ya mikopo iliyoidhinishwa kwa makampuni makubwa ilikuwa TZS 289 bilioni (ukilinganisha na TZS 270 bilioni iliyotolewa mwaka 2008). Fedha zilizotumika zilikuwa TZS 228 bilioni (2008 ilikuwa TZS 195 bilioni), au ukuaji wa kati ya 7% na 17%.

Serikali

NMB iliendelea kuwa na uhusiano mzuri sana wa kibiashara na Serikali ya Jamhuri ya Muungano wa Tanzania kwa mwaka 2009. Katika robo ya mwisho ya mwaka 2009, mchakato wa zabuni za huduma za kibenki kwa serikali ulianzishwa kwa ajili ya utoaji wa huduma zote za kibenki kwa Serikali ya Tanzania. Tunafarijika kwamba NMB iliweza kupata mkataba wa kutoa huduma hiyo kwa muda mwingine wa miaka miwili zaidi.

MFI na SACCOS

NMB iliendelea kutumia asasi ndogo ndogo za fedha "MFI" na "SACCOS" kwa kukopesha maeneo ambayo siyo rahisi kufikiwa na NMB. Kwa mwaka 2009 NMB ilikopesha "MFI" na "SACCOS" jumla ya TZS 7.9 bilioni.

Banking system and infrastructure

Modern banks need to deploy advanced technology in order to provide speedy, high-quality, flexible banking services to their customers. In recognition of this, NMB continues to take a proactive approach in identifying the most sophisticated system that meets its business requirements. Implementation of a new world-class banking system will begin in 2011. It will run on powerful new servers to be installed at live and disaster recovery sites.

Strategic Partnership with Rabobank

As a consequence of the privatisation of NMB in 2005 a strategic partnership was established with Rabobank from the Netherlands. Rabobank is one of the major European banks with a significant international franchise in the food and agri business. The main purpose for Rabobank in this partnership is to enable NMB to have a similar contribution to the Tanzanian rural economy as Rabobank had to the Dutch. Increasing outreach and significance to customer is for Rabobank, being a co-operative bank, of higher interest than short term profitability.

Rabobank's support materializes predominantly through its capital contribution, board representation, seconded managers and technical assistance.

Teknolojia ya mawasiliano

Benki za kisasa zinahitaji kutumia teknolojia bora, zenye kasi, za kisasa na zenye ubora wa hali ya juu ili kutoa huduma kwa wateja.

Kwa kutambua hili, NMB inaendelea kuchukua hatua makini za kutafuta na kuibua mbinu za kukidhi mahitaji yake ya biashara. Utekelezaji wa mfumo huu wa kisasa na wa kimataifa utanza mwaka 2011. Mabadiliko yanayotegemewa ni pamoja na kuweka mitambo yenye nguvu kwenye sehemu maalum ili kuwezesha benki kuendelea na huduma bila kuathirika na majanga.

Uhusiano na Rabobank

Kutokana na ubinafsishaji wa NMB mwaka 2005 uhusiano maalum ulijengwa kati ya Rabobank ya Uholanzi na NMB. Rabobank ni moja wapo ya benki za ulaya yenye kiwango kikubwa yakibiashara kimataifa katika vyakula na bidhaa za kilimo. Madhumuni makubwa ya uhusiano huu ni ili Rabobank iwezeshe NMB kuchangia maendeleo ya uchumi vijijini hapa Tanzania kama Rabobank ilivyofanya huko Uholanzi. Hii ni pamoja na kufikia wateja wengi iwezekanavyo ambalo ni la muhimu zaidi kwa Rabobank, ikiwa kama benki ya vyama vya ushirika kuliko suala la faida la muda mfupi.

Rabobank inatekeleza ushirikiano huu hasa kwa mtaji wake ulioko NMB, uwakilishi katika bodi ya NMB, na uteuzi wa watendaji wakuu na pamoja na utoaji wa utalaam.



Chairman's Statement/Taarifa ya Mwenyekiti



Chairman's Statement

On behalf of the NMB Board of directors, I am pleased to present our second annual report since NMB became a public company, listed on the Dar es Salaam Stock Exchange (DSE).

The year 2009 was very challenging due to increased competition in the banking sector as well as the global financial crisis, which had a significant impact on the Tanzanian economy. The Government of Tanzania responded to the global financial crisis by developing a rescue package to assist sectors and institutions affected by the crisis. The Tanzanian financial sector as a whole was not overly affected by the global crisis and generally remained well capitalized and profitable, although this does not go for each individual bank. NMB's diversified portfolio, stronghold in microfinance and prudent lending policies helped ensure that the global financial crisis had a minimal impact on the bank.

NMB's overall performance in 2009 was good. However, the macroeconomic conditions and the decline in interest rates accounted for a small decline in income and profit for 2009. Profit before tax was TZS 68.04 billion in 2009, compared to TZS 70.94 billion in 2008. This represents 4% fall in profit. Net profit after tax was TZS 47.55 billion. The NMB Board of Directors recommends the Annual General Meeting to approve a total dividend of TZS 15.7 billion for 2009, compared to TZS 15 billion in 2008, an increase of 4.7%. Proposed dividend per share for 2009 is TZS 31.40 per share, compared to per share TZS 30 in 2008.

Taarifa ya Mwenyekiti

Kwa niaba ya Bodi ya Wakurugenzi ya NMB, nina furaha kuwaletia ripoti yetu ya mwaka wa pili tangu NMB iwe kampuni ya umma (PLC) baada ya kuorodheshwa kwenye soko la hisa la Dar es Salaam (Dar es Salaam Stock Exchange- DSE).

Mwaka 2009 ulikuwa wa changamoto kadhaa kutokana na kuongezeka kwa ushindani katika sekta za benki pamoja na mtikisiko wa uchumi duniani, ambao ulikuwa na madhara makubwa katika uchumi wa Tanzania kama kwingineko.

Serikali ya Tanzania iliandaa mkakati wa kukabiliana na mtikisiko huu kwa kuendeleza mfuko wa kuokoa na kusaidia sekta na taasisi zilizoathirika na mtikisiko huo. Sekta ya fedha ya Tanzania kwa ujumla haikuathirika na mtikisiko huo, na iliendelea kuwa na mtaji wa kutosha na yenye faida. Ingawa athari hizo zilikuwa tofauti kwa kila benki.

Kutokana na wigo mpana wa utoaji mikopo wa NMB, kujikita katika kutoa mikopo midogo na uchukuaji wa tahadhari katika ukopesaji, ilisaidia kuhakikisha mtikisiko wa uchumi wa dunia kuwa na madhara madogo kwa benki yetu.

Utendaji NMB kwa ujumla katika 2009 ulikuwa mzuri. Hata hivyo, hali ya uchumi na kushuka kwa viwango vya riba vilichangia kushuka kidogo kwa mapato na faida mwaka 2009. Faida kabla ya kodi ilikuwa TZS 68.04 bilioni kwa mwaka 2009, ikilinganishwa na TZS 70.94 bilioni kwa mwaka 2008. Yaani faida ilipungua kwa 4%.

Faida baada ya kodi ilikuwa TZS 47.55 bilioni. Bodi ya wakurugenzi ya NMB inapendekeza kwa Mkutano Mkuu kuidhinisha gawio la jumla ya TZS 15.7 bilioni kwa mwaka 2009, ikilinganishwa na TZS 15 bilioni mwaka 2008, sawa na ongezeko la 4.7%. Mgawo kwa kila hisa kwa mwaka 2009 unapendekezwa uwe TZS 31.40 ikilinganishwa na TZS 30 kwa mwaka 2008.

Board Members:

Seated from left:

Mrs. Margaret Ikongo, Mr. Misheck Ngatunga (Chairman), Mr. Felix Moshia, Mrs. Lilian Komwihangiro (Company Secretary).

Standing from left:

Mr. Protase Tehingisa, Mr. Yona Killagane, Mr. Mike Laiser, Mr. Jos van Lange, Mr. William Mlaki and Mr. Arnold Kuijpers.



In 2009 NMB staff members were given the opportunity to buy shares the Government reserved for them during the privatisation process. A total of 1,136 members of staff bought the shares, while the remaining shares continue to be held by the Government. We believe that the Government's decision to allocate staff shares will boost staff morale and strengthen NMB's advancement as a leading bank in Tanzania in every respect.

During the year under review, NMB continued the modernisation process in line with the strategy of providing modern services to customers in environmentally friendly banking halls.

NMB's activities in agriculture increased substantially during 2009. The Board of Directors recognizes the role NMB, with its widespread branch network, can play in Kilimo Kwanza, the initiative for improving agricultural productivity and sector transformation through a green revolution.

Despite all these successes, significant challenges remain. These include managing queues in our branches, reaching more Tanzanians in rural areas through ATMs and other service delivery channels that provide convenience in the rural environment. NMB will continue to focus on reducing waiting times at branches and in ATM cubicles, as well as improving the quality of the loan portfolio. I am confident that NMB management and staff will successfully address these challenges.

NMB believes in giving back to the society through donations to identified areas of society. Our particular philosophy has been to achieve equitable distribution of support to selected sectors in geographic terms. Extra attention has been given to areas that have been hit by natural disasters.

Finally, on behalf of the Board of Directors, I would like to thank all NMB stakeholders for their support in 2009, specifically our customers for their trust and loyalty, shareholders for their support and understanding, staff for their dedication and acceptance of the changes we are implementing, management for their outstanding commitment, and the Government for its business, trust and cooperation. We believe NMB would not have achieved what we have achieved in 2009 without your valuable support.

I am optimistic that NMB will experience another successful year in 2010.

Misheck Ngatunga
Chairman
NMB Board of Directors

Mwaka 2009 wafanyakazi wa NMB walipewa nafasi ya kununua hisa ambazo Serikali ilikuwa imezihifadhi mahsusi kwa ajili yao wakati wa mchakato wa ubinafsishaji. Jumla ya wafanyakazi 1,136 walifanikiwa kununua hisa hizo, wakati hisa zilizobaki zinaendelea kushikiliwa na Serikali. Tunaamini kwamba, uamuzi wa Serikali wa kutenga hisa kwa wafanyakazi utasaidia kuongeza ari na kuimarisha maendeleo ya NMB. Katika kipindi hicho, NMB iliendelea na mchakato wa kuboresha, sambamba na mkakati wa kutoa huduma za kisasa kwa wateja ndani ya benki kwa lengo la kuweka mazingira mazuri kwa wateja.

Shughuli za NMB katika sekta ya kilimo ziliongezeka maradufu mwaka huu. Bodi ya Wakurugenzi inatambua jukumu la NMB, kwa kuwa na mtandao mpana wa matawi, inaweza kujikita zaidi katika msukumo wa 'Kilimo Kwanza', mpango wa kuboresha uzalishaji wa kilimo na sekta ya mabadiliko kwa njia ya mapinduzi ya kilimo.

Pamoja na mafanikio yote hayo, changamoto bado zipo. Hizi ni pamoja na kuondoa msongamano wa wateja katika matawi yetu, kuwafikia Watanzania wengi zaidi wanaoishi vijijini kwa kutumia ATM na utoaji wa huduma nyingine katika mazingira ya vijijini. NMB itaendelea kuzingatia kupunguza muda wa wateja kusubiri katika matawi na ATM, pamoja na kuboresha mikopo. Nina uhakika kwamba uongozi na wafanyakazi wa NMB watafanikiwa kukabiliana na changamoto hizo.

NMB inaamini katika kurudisha faida kwa jamii kwa njia ya misaada katika maeneo yaliyoainishwa kwenye jamii. Falsafa yetu imekuwa ni kufikia ugawaji wa misaada kwa sekta tulizozichagua kijiografia. Msisitizo zaidi umewekwa katika kusaidia maeneo ambayo yamekuwa yakiathiriwa na majanga. Mwisho, kwa niaba ya Bodi ya Wakurugenzi, napenda kuwashukuru wadau wote wa NMB kwa ushirikiano wao kwa 2009, hasa wateja wetu kwa imani yao na uaminifu, wanahisa kwa kutuunga mkono na uelewa wao, wafanyakazi kwa kujitolea kwa moyo wote na kukubali mabadiliko ambayo tunayaweka, uongozi kwa usimamizi bora, na Serikali kwa ajili ya shughuli zake, uaminifu na ushirikiano. Tunaamini NMB isingeweza kupata mafanikio haya bila msaada wao wenye thamani.

Nina matumaini makubwa kuwa NMB itapata mafanikio mengine katika mwaka wa 2010.

Misheck Ngatunga
Mwenyekiti
Bodi ya Wakurugenzi ya NMB



Chief Executive Officer's Statement

It gives me great pleasure to present the 2009 annual report and the financial statements. In the year under review, NMB continued to implement its 2006/2010 strategic plan.

There was a slight decrease of 4% in profits in 2009 as compared to 2008, because of a decline in interest rates and reduced growth in the lending portfolio, partly due to the effects of global financial crisis. Notwithstanding the above, NMB experienced significant growth in customer base and total assets in 2009. The number of customer accounts increased by 21% from 0.9 million to 1.1 million, while our total assets grew by 20.6% from TZS 1,384.3 billion to TZS 1,669.3 billion. Shareholder equity increased by 20.4%, from TZS 159,689 million to TZS 192,239 million.

NMB branch network reached 133 units, with 8 new branches opened in 2009. This is a result of our strategy to provide financial services to as many Tanzanians as possible. Our ATM network rose from 167 at the end of 2008 to 281 at the end of 2009. The average number of ATM transactions processed per month passed the two million mark, a commendable achievement.

Our workforce grew by 439 from 2039 in 2008 to 2478 members of staff in 2009. The growth in workforce was one of the measures we took to reduce queues and provide better services to our customers. For 2010 we expect to reduce workforce growth. We will focus on staff training and development. To this end NMB launched a management trainee programme to prepare young graduates for a career at NMB. Existing staff received an average of 4.8 training days in 2009. To reinforce its human capital, NMB set up its own training facility to accommodate all in-house trainings. We believe in continuous training of our staff in order to be able to meet challenges and acquire the new skills demanded in a changing banking environment.

Taarifa ya Mtendaji Mkuu

Ninayo furaha kubwa kuwasilisha taarifa ya mwaka 2009 na taarifa za fedha. Mwaka 2009, NMB imeendelea kutekeleza mpango mkakati wa 2006-2010. Kulikuwa na kushuka kidogo kwa faida (4%) kwa mwaka 2009 ikilinganishwa na 2008, kwa sababu ya kushuka kwa viwango vya riba na mapungufu kwenye mikopo. Kwa kiasi fulani haya yalitokana na madhara ya mtikisiko wa uchumi duniani.

Hata hivyo, mwaka 2009 NMB iliendelea kupata mafanikio kwa ukuaji wa idadi ya wateja na mali kwa jumla. Idadi ya akaunti za wateja iliongezeka kwa 21% kutoka laki 9 hadi milioni moja na laki moja. Jumla ya rasilimali za benki zimekua kwa 20.6% kutoka TZS 1,384.3 bilioni hadi TZS 1,669.3 bilioni. Mtaji wa benki ulikua kwa 20.4% kutoka TZS 159,689 milioni hadi TZS 192,239 milioni.

Mtandao wa matawi ya NMB uliongezeka kufikia 133. Matawi mapya 8 yalifunguliwa mwaka 2009. Haya ni matokeo ya mkakati wetu kwa kutoa huduma za kifedha kwa watazania wengi iwezekanavyo. Mtandao wa ATM uliongezeka kutoka ATM 167 mwaka 2008 hadi kufikia 281 mwishoni mwa mwaka 2009. Idadi ya wastani ya matumizi ya ATM ilizidi milioni mbili kwa mwezi. Mafanikio haya yanastahili pongezi.

Nguvu kazi yetu ilikua zaidi kuliko ilivyopangwa. Wafanyakazi wapya 439 walijiriwa na kuongeza idadi ya wafanyakazi kutoka 2039 mwaka 2008 hadi 2478 mwaka 2009. Ongezeko hili ni mojawapo ya hatua ya kupunguza msongamano wa wateja ndani ya benki na kutoa huduma bora kwa wateja wetu.

Mwaka 2010 tunatarajia kupunguza ongezeko la nguvu kazi na badala yake tutaelekeza nguvu katika mafunzo na maendeleo kwa wafanyakazi. NMB imezindua mpango wa kuendeleza mafunzo ya kuandaa vijana wahitimu wa vyuo ili kuendeleza ubora wa nguvukazi. Kwa mwaka 2009, Wafanyakazi waliokuwepo walipata muda wa mafunzo ya wastani wa siku 4.8. Ili kuhakikisha tunaendeleza nguvu kazi, NMB imeanzisha kituo cha mafunzo kwa ajili ya wafanyakazi wake.

Management Team:

Seated from left:

Mr. Arjan Molenkamp,
Mr. John Ncube, Mr. Danny Van Det
and Mr. Kees Verbeek,

Standing from left:

Mr. Waziri Barnabas, Mr. Ben Christiaan (CEO)
and Mr. Kabeho Solo



NMB continued to develop new products for new markets. Most notably, we added NMB Mobile to our product portfolio on July 21, 2009. NMB Mobile allows customers to manage their finances conveniently. A total of 161,093 customers signed up to the service by the end of 2009. NMB's focus on serving the agricultural sector has made direct financing accessible to cooperative societies dealing in cashew nuts, coffee, sunflower and paddy via warehouse receipt financing as well as outgrowers schemes for tea, tobacco, sugarcane and barley. NMB played an important role in fertilizer distribution by financing many primary cooperative societies of tobacco farmers to enable them to buy the necessary inputs as well as by managing the Government voucher system.

As part of our modernization project, NMB is set to acquire a new ICT platform to meet its business requirements. Project implementation of a new world class banking system will begin in 2011.

2010 will be a challenging year for NMB and for the financial sector as a whole. There will be downward pressure on margins and new competitors will enter the market. Nevertheless I am confident that NMB will continue to grow and strengthen its position on the market.

Ben Christiaan
Chief Executive Officer

Tunaamini kuwa mafunzo endelevu kwa wafanyakazi wetu itawafanya waweze kukabiliana na changamoto na kupata ujuzi mpya unaohitajika katika mazingira ya kibenki inayobadilika kila mara.

NMB iliendelea kubuni huduma mpya kwa ajili ya masoko mapya. Zaidi ya yote, tulianzisha NMB Mobile Julai 21, 2009. NMB Mobile inamruhusu mteja kupata huduma za kibenki kwa urahisi. Hadi mwisho wa mwaka 2009, jumla ya wateja 161,093 walikuwa wamejiunga na huduma hiyo.

Mtizamo wa NMB katika sekta ya kilimo umewezesha vyama vya ushirika vya korosho, kahawa, alizeti na mpunga pamoja na mipango ya kuwasaidia wakulima wa chai, tumbaku, miwa na shayiri kupata mikopo ya moja kwa moja kupitia stakabadhi za maghala.

NMB imekuwa katika mstari wa mbele katika usambazaji wa mbolea kwa kutoa fedha kwa vyama vya msingi vya ushirika vya wakulima wa tumbaku ili waweze kununua pembejeo muhimu na vilevile kusimamia mfumo wa serikali wa vocha. Kama sehemu ya mradi wetu wa maendeleo, NMB imejipanga kuboresha teknolojia ya mawasiliano (ICT) ili kutimiza mahitaji yake ya biashara. Utekelezaji wa mradi huu utanza mwaka 2011.

Mwaka 2010 utakuwa wenye changamoto zaidi kwa NMB na sekta yote ya fedha kwa ujumla. Kutakuwa na kushuka kwa pato la kibiashara na washindani wapya wataingia kwenye soko. Hata hivyo, ninayo imani kwamba NMB itaendelea kukua na kuimarisha nafasi yake katika soko.

Ben Christiaan
Mtendaji Mkuu

Branch Network/Mtandao wa matawi

Branch Network

NMB continued the strategy of enlarging its footprint to reach as many Tanzanians as possible. NMB has by far the largest branch network in the country. During the year under review, 8 new branches were opened in Zanzibar, Mkuranga, Misenyi, Chato, Rorya, Namanga, Namtumbo and Bukombe. That brings the total number of branches to 133. In addition to opening new branches, several existing branches were fully refurbished or relocated to new buildings.

The number of staff in our branch network grew by more than 300. The increase was connected to the opening of the new branches and the need to strengthen staff numbers in existing branches. This increase was necessary to manage rapid growth in customers and transactions. New and existing members of staff receive continuous training in customer service and efficiency.

Mtandao wa matawi

NMB iliendeleza mkakati wake wa kuwafikia Watanzania wengi iwezekanavyo. NMB ina mtandao mpana wa matawi nchini. Katika mwaka uliopita matawi 8 mapya yalifunguliwa. Matawi hayo yalifunguliwa Zanzibar, Mkuranga, Misenyi, Chato, Rorya, Namanga, Namtumbo na Bukombe. Ufunguzi huu unaifanya NMB kuwa na jumla ya matawi 133. Pamoja na kufungua matawi mapya, matawi kadhaa yaliyopo yalifanyiwa marekebisho au kuhamishiwa kwenye majengo mapya.

Idadi ya wafanyakazi katika mtandao wetu wa matawi iliongezeka kwa zaidi ya wafanyakazi 300. Ongezeko hilo liliendana na ufunguzi wa matawi mapya na haja ya kuimarisha idadi ya wafanyakazi katika matawi yaliyopo. Ongezeko hili lilikuwa ni la lazima, ili kuweza kuhimili ongezeko la kasi la wateja na shughuli. Wafanyakazi wapya na wale wa zamani wamekuwa wakiendelea kupata mafunzo ya namna ya kutoa huduma kwa wateja kwa ufanisi.



Corporate Social Responsibility/Uwajibikaji Kwa Jamii

Corporate Social Responsibility

As a corporate citizen, NMB acknowledges that it must give due consideration to the environment in which it operates.

NMB always strives to provide its services to the public very competitively, in places where many people, including those in remote and rural areas can easily access them. As a responsible institution, NMB is also keen to improve the wider environment in which it operates.

As part of its policy the bank donates to specific sectors in the country, particularly education, health and sports, as well as providing disaster relief. Every year, NMB allocates around one per cent of its net profit to donations as part of its corporate social responsibility.

In its 2009 programme NMB donated items worth more than TZS 500 million to beneficiaries in the specified sectors. Also during the year 2009 and early 2010 NMB gave assistance to victims of various disasters in the country, including landslide in Same District, Kilosa floods in Morogoro Region and the Mbagala explosions in Dar es Salaam.

To ensure equitable sharing of benefits, NMB ensures that all regions receive donations made under the corporate social responsibility programme.



Uwajibikaji kwa Jamii

Kama benki kubwa nchini, NMB inatambua kwamba ni lazima itoe kipaumbele kwa jamii inayoizunguka.

Daima NMB inajitahidi kutoa huduma zake kwa umma katika hali ya ushindani sana, katika maeneo yenye watu wengi, ikiwa ni pamoja na wale wanaoishi vijijini ambao wana shida katika upatikanaji huduma kwa urahisi. Kama taasisi inayowajibika, NMB pia inapenda kuboresha hali katika mazingira inayofanyia kazi.

Kama sehemu ya sera yake, NMB imeendelea kusaidia sekta maalum nchini, hasa elimu, afya na michezo, pamoja na kutoa msaada katika maeneo kunakotokea maafa. Kila mwaka, NMB hutenga karibu asilimia moja ya faida yake halisi baada ya kodi kwa ajili ya kusaidia jamii.

Mwaka 2009, NMB katika mpango wake wa kusaidia jamii ilichangia vifaa mbalimbali vyenye thamani zaidi ya TZS 500 milioni kwa walengwa katika sekta maalum. Pia katika mwaka 2009 na mwanzoni mwa 2010, NMB ilitoa msaada kwa waathirika wa majanga mbalimbali nchini, ikiwa ni pamoja na waathirika waliofukiwa na maporomoko ya udongo katika wilaya ya Same, waathirika wa mafuriko ya Kilosa, Mkoani Morogoro na waathirika wa milipuko ya mabomu, huko Mbagala, Dar es Salaam.

Ili kuhakikisha usawa, NMB inatoa misaada kwa mikoa yote chini ya mpango huu wa kusaidia jamii.



NMB Foundation for Agricultural Development

In 2009 shareholders at the 9th AGM were informed about the establishment of the NMB Foundation for Agricultural Development (NFAD). NFAD has been established with financial support of the Rabobank Foundation. NFAD is mandated to support capacity building and empowering of farmers and their cooperatives across the country, thereby increasing and sustaining rural incomes of members of cooperative societies.

NFAD will participate in building commercially viable agro-based cooperatives and work with farmers (and members) to improve the management as well as the technical and financial capacities of their cooperatives. NFAD expects to achieve a number of goals:

- Supporting the development of cooperatives and their integrated marketing system
- Boosting their income through good governance
- Increasing productivity
- Building a better market for their products, enabling them to secure better prices

The bottom line is sustainable and bankable cooperatives, which will improve farmers' income.

NFAD has developed a capacity building programme to strengthen the cooperatives in respect of governance, efficiency, effectiveness and creating economies of scale, with the aim of improving their sustainability and bankability. All tools needed for the smooth running of the organization have been prepared and implemented.

The foundation became operational in October 2009 when it appointed its first Managing Director.

NMB Foundation Kwa ajili ya Maendeleo ya Kilimo

Katika mkutano wa tisa (9) wa mwaka 2009, wanahisa walirifiwa kuhusu kuanzishwa kwa "NMB Foundation for Agricultural Development" (NFAD). NFAD imeanzishwa kwa msaada kutoka Rabobank Foundation. NFAD imepewa jukumu la kusaidia kujenga uwezo na mamlaka ya kuwawezesha wakulima na vyama vya ushirika nchini kote, na hivyo kuongeza kipato vijijini na kuendeleza kuimarisha mapato ya wanachama wa vyama vya ushirika.

NFAD itashiriki katika ujenzi wa kibiashara katika sekta ya kilimo na kazi ya vyama vya ushirika na kufanya kazi na wakulima ili kuboresha usimamizi wa pamoja wa kiufundi na kifedha katika vyama vya ushirika. NFAD inatarajia kufikia malengo yafuatayo:

- Kusaidia maendeleo ya vyama vya ushirika na mfumo wa masoko jumuishi.
- Kuongeza mapato yao kwa njia ya utawala bora.
- Kuongeza tija.
- Kuandaa soko bora kwa mazao yao, na hivyo kuwawezesha kupata bei nzuri.

Lengo ni kufanya vyama viwe na uwezo kukopesheka na kuboresha mapato ya wakulima.

NFAD imeanzisha mpango wa kujenga uwezo na kuimarisha vyama vya ushirika kwa nyanja ya utawala bora, na kujenga uchumi wa shughuli ndogo ndogo, kwa lengo la kuboresha shughuli zao na kuzifanya kuwa endelevu na uwezo wa kukopesheka. Zana zote zinazohitajika kwa ajili ya kuweka sawa haya zimeandaliwa na kutekelezwa.

NFAD ilianza kazi rasmi Oktoba 2009 baada ya uteuzi wa mkurugenzi wake wa kwanza.



Corporate Governance/Utawala Bora

Corporate Governance

NMB believe in adopting the best practices in Corporate Governance. The Board, management and NMB employees are committed to upholding the core values of transparency, integrity, honesty and accountability, which are fundamental to the attainment of good governance and excellent performance in any organization.

Good corporate governance principles are accepted as the drivers of improved corporate performance throughout the world. Responsibility for overseeing the proper implementation of good corporate governance rest with the directors.

NMB directors are committed to adhering to the system in the future to secure even better performance. In so doing, they continued to strengthen good governance systems by reviewing policies, establishing appropriate board committees and ensuring the board and its committees meet regularly to perform their respective duties.

Appointment of directors

Appointments to the NMB board of directors is regulated by the memorandum and articles of association of the company as well as the guidelines issued by the Bank of Tanzania (BOT) for appointments to the boards of banking and financial institutions in Tanzania, pursuant to the Banking and Financial Institutions Act 2006. Shareholders with more than a 10% stake in the share capital of the NMB are entitled to nominate one director for every 10% of the shares held by them. The position of public shareholders' representative is appointed on the basis of an advertisement in local papers inviting Tanzanians with the requisite qualifications to apply for the directorship.

The names are presented to the AGM for ratification and appointments are submitted to BOT for approval. In the existing shareholding structure, the Government of Tanzania is entitled to nominate three directors, while the consortium of Rabobank, NICOL, TCCIA Investment Co. Ltd and Exim Bank is entitled to nominate 4 directors. The public shareholders are entitled to nominate two directors. During the year, the above-mentioned groups were fully represented, except for the public shareholders, whose second director was appointed towards the end of 2009 (with the consent of the shareholders at the 9th AGM) and was cleared by the BOT to commence his duties in January 2010.

Utawala Bora

NMB inaamini kwenye kanuni za utawala bora. Bodi, uongozi na wafanyakazi wa NMB wamejipanga kusimamia maadili na msingi thabiti wa uwazi, uadilifu, uaminifu na uwajibikaji, ambao ni msingi wa kufikia utawala na utendaji bora katika shirika lolote.

Wote tunakubaliana kwamba kanuni za utawala bora huchangia uendeshaji mzuri wa utendaji bora duniani kote. Wajibu wa kusimamia utekelezaji mzuri wa uongozi bora ni wa wakurugenzi.

Wakurugenzi wa NMB wamejipanga vyema ili kupata utendaji bora zaidi siku zijazo. Kwa kufanya hivyo, wao wameendelea kuimarisha mfumo wa utawala bora na kupitia upya sera, kuanzisha kamati za bodi na kuhakikisha bodi na kamati zake zinakutana mara kwa mara kufanya kazi zao husika.

Uteuzi wa wakurugenzi

Uteuzi wa wakurugenzi wa bodi ya NMB unaongozwa na katiba ya benki (Memorandum and Articles of Association) na miongozo toka Benki Kuu ya Tanzania (BOT) kwa ajili ya uteuzi wa bodi ya benki na taasisi za fedha Tanzania, kulingana na sheria ya taasisi za fedha na benki ya mwaka 2006. Wanahisa wenye zaidi ya hisa 10% wana mamlaka ya kumchagua mtu ambaye anaweza kuwa mkurugenzi.

Uteuzi wa Wakurugenzi wanaowakilisha wanahisa binafsi hutangazwa kwenye magazeti ya ndani ili kutoa wito kwa Watanzania wenye uwezo kuwasilisha maombi yao kwa ajili ya nafasi ya ukurugenzi.

Majina yao huwasilishwa kwenye mkutano mkuu wa mwaka kwa ajili ya kuridhiwa na uteuzi wao huwasilishwa Benki Kuu (BOT) kwa ajili ya kupitishwa. Katika mfumo wa hisa uliopo, Serikali ya Tanzania ina haki ya kuteua wakurugenzi watatu, wakati Rabobank, NICOL, TCCIA Investment Co. Ltd na Exim Bank kwa pamoja wana haki ya kuteua wakurugenzi 4. Wanahisa binafsi wana haki ya kuteua wakurugenzi wawili. Katika kipindi kilichopita, makundi yaliyotajwa hapo juu yote yaliwakilishwa kikamilifu, isipokuwa kwa wanahisa binafsi, ambao mkurugenzi wao wa pili aliteuliwa mwishoni mwa 2009 (kwa idhini ya wanahisa kwenye Mkutano Mkuu wa 9) na kuidhinishwa na Benki Kuu na kuanza kazi yake Januari 2010.

Board and committee meetings/Mikutano ya bodi na kamati

Board and committee meetings

NMB Board of Directors

In 2009 the Board of Directors was made up of eight non-executive directors. The board continued to assume its responsibility for reviewing the business plan and suggested changes that included developing the strategic direction of the bank given the prevailing circumstances, as well as recruitment and development of key human resources. The board was also responsible for managing the bank's risk profile. The Board meets at least once a quarter to perform the above duties.

The Board committees act on behalf of the Board to direct the bank effectively by accelerating the decision-making process. The four Board committees are: the Board Executive Committee (BEC), the Board Audit, Risk and Compliance Committee (BARCC), the Board Human Resources and Remuneration Committee (BHRRC) and the Board Credit Committee (BCC).

During the year under review, the Board and its committees met to discuss and decide on the business activities. The meeting frequency is given in brackets: Board of Directors (7), Board Executive Committee (6), Board Audit Risk and Compliance Committee (4), Board Human Resources and Remuneration Committee (5) and Board Credit Committee (9). Members of the Board and respective committees were as shown in the table below:

S/No.	Name	Main Board	BEC	BARCC	BCC	BHRRC
1.	Misheck Ngatunga	Chairman	Chairman		Chairman	
2.	Felix Mosha	Member	Member		Member	Chairman
3.	Arnold Kuijpers	Member	Member		Member	Member
4.	Jos van Lange	Member		Chairman		
5.	Mike Laiser	Member		Member		Member
6.	Protase Tehingisa	Member		Member		Member
7.	Yona Killagane	Member		Member		
8.	Margaret Ikongo	Member				Member

Mikutano ya bodi na kamati zake

Bodi ya Wakurugenzi ya NMB

Mwaka 2009, Bodi ya Wakurugenzi iliundwa na wakurugenzi wanane wasio watendaji. Bodi iliendelea na wajibu wake wa kupitia upya mpango wa biashara na ushauri ikiwemo kuendeleza mabadiliko ya uongozi wa kimkakati wa benki, kama vile ajira na maendeleo ya rasilimali muhimu. Bodi pia ilikuwa na wajibu wa kusimamia benki kwenye shughuli za kibenki kulingana na miongozo ya usimamizi wa mabanki. Bodi hukutana angalau mara moja kwa robo ya mwaka kufanya majukumu yaliyoelezwa hapo juu.

Kamati za Bodi kwa niaba ya Bodi huongoza benki kwa ufanisi na kufanya maamuzi ya haraka inapobidi. Bodi ina kamati nne, ambazo ni; Kamati ya Utendaji (BEC), Kamati ya Ukaguzi, Usimamizi na Uhakiki Mikopo (BARCC), Kamati ya Rasilimali Watu na Marupurupu (BHRRC) na Kamati ya Mikopo (BCC).

Katika kipindi hicho, Bodi na Kamati zake walikutana kujadili na kuamua juu ya shughuli za biashara. Mikutano imekuwa ikifanyika kama inavyoonyeshwa katika mabano: Bodi ya Wakurugenzi (7), Kamati ya Utendaji (6), Kamati ya Ukaguzi, Usimamizi na Uhakiki Mikopo (4), Kamati ya Rasilimali Watu na Marupurupu (5) na Kamati ya Mikopo (9). Wajumbe wa Bodi na Kamati husika walikuwa kama inavyoonekana katika jedwali lifuatalo:

S/No.	Jina	Bodi Kuu	BEC	BARCC	BCC	BHRRC
1.	Misheck Ngatunga	Mwenyekiti	Mwenyekiti		Mwenyekiti	
2.	Felix Mosha	Mjumbe	Mjumbe		Mjumbe	Mwenyekiti
3.	Arnold Kuijpers	Mjumbe	Mjumbe		Mjumbe	Mjumbe
4.	Jos van Lange	Mjumbe		Mwenyekiti		
5.	Mike Laiser	Mjumbe		Mjumbe		Mjumbe
6.	Protase Tehingisa	Mjumbe		Mjumbe		Mjumbe
7.	Yona Killagane	Mjumbe		Mjumbe		
8.	Margaret Ikongo	Mjumbe				Mjumbe

Directors' training/Mafunzo kwa wakurugenzi

Directors' training

The board organised a course for NMB directors during the year under review. The training was conducted by the Eastern and Southern Africa Management Institute (ESAMI) and discussed several issues including corporate governance and risk management in banks. More training programmes are planned in the future to familiarize directors with modern issues affecting the banking industry in Tanzania and globally.

Relationship with Auditors

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

Annual General Meeting

NMB was listed on the Dar es Salaam Stock Exchange in November 2008. The first Annual General Meeting as a public company was held in Dar es Salaam on April 17, 2009. The meeting discussed the normal business agenda of the AGM. The 2010 AGM will be held on May 29, 2010 at Mlimani City Halls, Dar es Salaam.

Shareholders profiles

On September 30th 2005 the Tanzanian Government sold 49% of its shares in NMB to a consortium led by Rabobank. In 2008, it sold another 21% of its shares to the public (inclusive of the 5% shares reserved for NMB staff) through an Initial Public Offering (IPO). The current shareholding split as of 31st December 2009 is as follows:

Name of shareholder	Number of shares held	Percentage of shares held
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A "Rabobank Nederland" (Rabobank)	174,500,000	34.9%
Treasury Registrar	150,000,000	30.0%
Public shareholders	105,000,000	21.0%
National Investment Company Limited (NICOL)	33,000,000	6.6%
Exim Bank Tanzania Limited	29,000,000	5.8%
TCCIA Investment Company Limited	8,500,000	1.7%
Total	500,000,000	100%

Mafunzo kwa wakurugenzi

Bodi iliandaa kozi moja kwa wakurugenzi wa NMB. Mafunzo yalien-deshwa na Chuo cha Uongozi Mashariki na Kusini mwa Afrika (ESAMI).

Masuala kadhaa yalijadiliwa ikiwa ni pamoja na utawala bora na usima-mizi mzuri na kinga ya dharura kwa benki. Mipango zaidi ya mafunzo inatarajiwa kufanyika katika siku zijazo kwa wakurugenzi kuhusu masuala ya kisasa yanayo athiri sekta ya benki Tanzania na kimataifa.

Uhusiano na Wakaguzi

Kamati ya Ukaguzi, Usimamizi na Uuhakiki mikopo pamoja na Bodi yote walikuwa na mikutano na wakaguzi wa nje kujadili malipo kwa kazi ya ukaguzi, wajibu wa wakaguzi na mambo mbalimbali katika kipindi hicho.

Mkutano Mkuu wa Mwaka

Hisa za NMB zilirodheshwa kwenye Soko la Hisa la Dar es Salaam (DSE) mwezi Novemba 2008. Mkutano wa kwanza wa mwaka kama kampuni ya umma ulifanyika Dar es Salaam tarehe 17 Aprili 2009. Mkutano huo ulijadili ajenda ya kawaida ya biashara kama ilivyo ada kwa mikutano ya mwaka. Mkutano mkuu wa mwaka huu utafanyika tarehe 29 Mei 2010, katika ukumbi wa Mlimani City, Dar es Salaam.

Maelezo ya Wanahisa

Septemba 30 2005 serikali ya Tanzania iliua asilimia 49 ya hisa za Benki ya NMB kwa washirika walioongozwa na Radobank. Mwaka 2008, serikali ikauza tena hisa nyingine za asilimia 21 kwa wananchi wa kawaida (ikiwa ni pamoja na tengo la asilimia 5 kwa wafanyakazi wa NMB) kupitia soko la awali (IPO). Mgawanyo wa sasa wa wabia hadi Disemba 31, 2009 ni kama ifuatavyo:

Jina la mwanahisa	Idadi ya hisa zinazoshikiliwa	Asilimia ya hisa zinazoshikiliwa
Coöperatieve Centrale Raiffeisen-Boerenleenbank BA "Rabobank Nederland" (Rabobank)	174,500,000	34.9%
Serikali ya Jamhuri ya Muungano Tanzania	150,000,000	30.0%
Wanahisa binafsi	105,000,000	21.0%
National Investment Company Limited (NICOL)	33,000,000	6.6%
Benki ya Exim Tanzania Limited	29,000,000	5.8%
TCCIA Investment Company Limited	8,500,000	1.7%
Jumla	500,000,000	100%



Rabobank Group

Rabobank is a full-range financial services provider operating on the basis of co-operative principles. Its origins are in the local loan co-operatives that were founded in the Netherlands more than 110 years ago by enterprising people who had virtually no access to the capital market. The local Rabobank branches that evolved from this have a strong tradition in the agricultural sector and in small and medium-sized enterprises.

Rabobank serves more than 9 million private individuals and corporate clients in the Netherlands, not to mention a growing number abroad. It employs over 60,000 people and is represented in over 40 countries.

Rabobank has the highest credit rating (AAA) awarded by the well-known international rating agencies Moody's and Standard & Poor's. In terms of Tier I capital, the organization is among the world's fifteen largest financial institutions.

For more information, please visit www.rabobank.com



The National Investments Company Limited (NICOL) was registered in 2001 as a public limited liability company to enhance the participation of Tanzanians in the mainstream economy. It provides a platform and an opportunity for Tanzanians to pool their financial resources as capital for large investments in various sectors in the country. NICOL is a public company and is listed on the Dar es Salaam Stock Exchange (DSE).

The policies and objectives of NICOL are:

- To provide an opportunity for interested Tanzanians to participate in commercial enterprises in the country.
- To promote empowerment of Tanzanians who, if taken individually, cannot raise enough capital to participate meaningfully in large economic ventures but taken together can raise large capital resources.
- To provide a vehicle for collective ownership of commercial enterprises by Tanzanians capable of generating returns to its shareholders.
- To position itself as a Tanzanian entity for joint ventures and other investment arrangements with foreign investors in a range of sectors in Tanzania.

Kundi la Rabobank

Kundi la Rabobank ni mtandao wa huduma za kifedha ambao unafanya kazi katika misingi ya ushirika. Asili yake ni mikopo ya vijijini ambayo iligundulika huko Uholanzi zaidi ya miaka 110 iliyopita kwa kuwahasisha watu ambao hawakuwa na uwezo wa kuyafikia masoko ya mijini. Benki ya vijijini ya Rabobank chimbuko lake ni hilo ambapo ilijikita katika sekta ya kilimo na kampuni ndogo na za kati.

Rabobank ni kati ya mabanki makubwa nchini Uholanzi. Benki hii imetoa ajira kwa watu 60,000 ambapo inawakilishwa katika zaidi ya nchi 40 tofauti duniani.

Kundi la Rabobank lina kiango cha juu cha tathmini ya mikopo (AAA) inayotolewa na taasisi za Moody's na Standard & Poor's. Kwa mujibu wa taasisi hizo, kundi la Rabobank ni miongoni mwa taasisi kubwa 15 za kifedha ulimwenguni zenye ubora huo.

Kwa maelezo zaidi, tembelea www.rabobank.com

NICOL

Kampuni ya Taifa ya Uwekezaji (NICOL) ilisajiliwa mwaka 2001 ikiwa ni kampuni yenye hisa kwa lengo la kuwawezesha Watanzania kushiriki katika maendeleo ya uchumi. NICOL inatoa fursa na jukwaa kwa Watanzania kutumia rasilimali za kifedha walizonazo na kuwa kama mtaji kwa uwekezaji mkubwa katika sekta mbalimbali nchini. NICOL ni kampuni ya umma iliyoorodheshwa katika Soko la Hisa la Dar es Salaam (DSE).

Sera na majukumu ya NICOL ni kama ifuatavyo:

- Kutoa fursa kwa watanzania wenye dhamira kushiriki katika shughuli za kibiashara nchini.
- Kuwainua na kuwawezesha Watanzania wafanyabiashara wadogo kufikia ngazi ya kati, ikizingatiwa kuwa mmoja mmoja hawawezi kuwa na mitaji ya kuwekeza miradi mikubwa yenye maana, bali wakiungana wanapata mitaji mikubwa.
- Kutoa njia ya umiliki wa pamoja wa miradi ya kibiashara ya Watanzania ambao inaweza kuwaletea faida.
- Kujiweka katika nafasi ya kuwa taasisi ya Tanzania inayohamasisha miradi ya pamoja na taratibu za uwekezaji mwingineo na wawekezaji kutoka nje katika sekta tofauti.



Exim Bank Tanzania Ltd

Exim Bank is a locally established and privately owned commercial bank. The Bank started its operations in 1997, as a result of the liberalization of the banking and financial sector in Tanzania. It has recorded remarkable growth since its inception, and is now one of the top 10 banks in the country in terms of asset base and profitability.

Exim Bank is also a member of the Global Banking Alliance for Women, a worldwide group of banks sharing best practices meant to accelerate global growth and development of women's businesses and wealth creation. It is the first and only member bank from Tanzania.

For more information, please visit www.eximbank-tz.com



TCCIA Investment Company Ltd

The TCCIA Investment Company Limited is a public limited liability company. The Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) established it as part of efforts to boost self-financing aimed at enabling its members to meaningfully participate in the ownership and control of the economy. The company serves as a vehicle through which TCCIA members pool their financial resources together to buy shares in state-owned business enterprises under privatization. It also ventures into buying stocks through the DSE. The company's mission is to act as a vehicle for collective ownership of business enterprises by its members. Most of the company's shareholders own small and medium-sized enterprises, spread all over the country.

For more information, please visit www.tccia.com



Government of Tanzania

After the IPO of September 2008, the Government of Tanzania still holds 30% of the shares of NMB. It holds these shares through the Treasury Registrar in the Ministry of Finance.

Public shareholders

The Government of Tanzania sold a 21% stake in NMB to the public, through the IPO in September 2008. 5% was reserved for NMB staff, 16% was sold to the Tanzanian public. (The latter was split in 3.2% for Tanzanian institutions and 12.8% for Tanzanian individuals.) NMB currently has over 27,000 (public) shareholders.

Exim Bank Tanzania Ltd

Benki ya Exim ni ya kitanzania inayomilikiwa kibiashara. Benki hii ilianza shughuli zake mwaka 1997 ikiwa ni matokeo ya kuanzishwa kwa soko huria katika sekta ya benki nchini Tanzania. Imekua kwa haraka mno tangu ilipoanzishwa na hadi sasa ni miongoni mwa benki 10 zinazoongoza nchini katika misingi ya mali na faida.

Exim Bank pia ni mwanachama wa Muungano wa Kibenki Ulimwenguni wa Wanawake, kundi la mabanki yanayobadilishana uzoefu bora katika kuchochea maendeleo ya wanawake duniani kwa njia ya kuwatajirisha. Hii ndiyo benki pekee nchini Tanzania ambayo ni mwanachama.

Kwa maelezo zaidi tembelea www.eximbank-tz.com

TCCIA Investment Company Ltd

Kampuni ya Uwekezaji ya TCCIA ni kampuni inayojitegemea na yenye hisa. Chama cha Wafanyabiashara, Viwanda na Kilimo (TCCIA) kilianza kujiwezesha chenyewe kifedha ili kuweza kuwapa nguvu wanachama wake kuchangia vya kutosha katika umiliki na uthibiti wa uchumi wa Tanzania. Kampuni hii inasimama kama daraja ambapo wanachama wanakusanya rasilimali zao pamoja na kununua hisa kwenye taasisi za serikali ambazo zimebinafishwa.

Hali kadhalika TCCIA hununua hisa kupitia DSE. Mpango wa kampuni hii nikuwa tegemeo katika uendeshaji wa shughuli za pamoja za uwekezaji kwa wanachama wake. Wanachama wake wengi ni wenye kumiliki hisa kidogo na za kati, waliosambaa nchi nzima.

Kwa maelezo zaidi www.tccia.com

Serikali ya Tanzania

Baada ya ubinafsishaji zaidi mwezi Septemba 2008, serikali ya Tanzania imeendelea kumiliki asilimia 30 ya hisa za NMB kupitia Wizara ya Fedha.

Hisa za wananchi

Serikali ya Tanzania iliua asilimia 21 ya hisa zake NMB kwa wananchi kupitia soko la hisa Septemba 2008. Asilimia 5 ya hisa ziliuzwa kwa wafanyakazi wa NMB na asilimia 16 kwa Watanzania wengine. Kwa sasa NMB ina zaidi ya wanahisa 27,000.

Economic Outlook for Tanzania/Mwelekeo wa uchumi wa Tanzania

Economic Outlook for Tanzania

Tanzania's growth slowdown

The global financial crisis had a significant impact on the Tanzanian economy in 2009. The crisis led to decline in export (growth) trade and lower investment levels, resulting in a decline in GDP growth from around 7.5% in 2008 to an estimated 5% in 2009. The fiscal deficit widened to almost 3% of GDP and interest rates fell sharply. This did not, however, prevent weakened private sector credit growth. The currency rate remained stable. In response, the Government of Tanzania increased its spending and monetary 'easing' to support aggregate demand.

In order to help the private sector to cope with the financial constraints, the Government announced an economic rescue package in June 2009. The package contained specific measures to support affected sectors and protect rural livelihoods. Furthermore, the Government pursued a fiscal policy aimed at stimulating domestic demand, with education, infrastructure, and health continuing to receive the largest budgetary allocations. As part of the harmonisation of fiscal policies in East Africa, Tanzania reduced the VAT rate from 20% to 18%. Increased deficit was financed largely by continued high levels of foreign financing (mostly grants and some concessional borrowing), but public debt remained low at about 27% of GDP.

In addition to the global crisis, Tanzania faced a serious drought affecting the northern parts of the country. This drought and the persistent infrastructure weaknesses added to the slowdown and increased upward pressures on food prices. For the longer term, growth will require resumption of increased foreign direct investment inflows, loans to address infrastructure constraints and the return of tourists. As a result resumption of previous growth rates in 2010 is not expected, as the economy will lag behind the global recovery.

Mwelekeo wa uchumi wa Tanzania

Kushuka kwa ukuaji wa uchumi

Mtikisiko wa uchumi wa dunia ulileta madhara makubwa katika uchumi wa Tanzania mwaka 2009. Hali hiyo ilisababisha kushuka kwa ukuaji wa biashara ya nje na uwekezaji nchini, kulisababisha pia kupungua kwa ukuaji wa pato la Taifa kutoka karibu 7.5% mwaka 2008 na kufikia 5% mwaka 2009. Kuna upungufu wa karibu 3% ya pato la Taifa na riba ziliporomoka maradufu. Hata hivyo, haikuweza kuzuia ukuaji wa sekta binafsi. Thamani ya fedha ya Tanzania iliendelea kuimarika. Katika kukabiliana na hili, Serikali ya Tanzania iliongeza matumizi ya fedha na kurahisisha upatikanaji wa huduma.

Katika kusaidia sekta binafsi kukabiliana na vikwazo vya fedha, Serikali ilitangaza mpango wa kuokoa uchumi Juni 2009. Msaada huo ulilenga kuchukua hatua maalum ili kusaidia sekta zilizoathirika na kulinda maisha ya watu vijijini.

Aidha, Serikali ikaendeleza mikakati yake katika kuboresha sera ya fedha kwa lengo la kuchochea mahitaji ya ndani, kwa sekta ya elimu, miundombinu na afya kuendelea kupokea asilimia kubwa ya bajeti ya taifa. Kama sehemu ya kuoanisha sera za fedha kwa nchi za Afrika Mashariki, Tanzania imepunguza kiwango cha VAT kutoka 20% hadi 18%.

Kuongezeka kwa upungufu huo kuligharamiwa kwa kiasi kikubwa na ongezeko kubwa la mtiririko wa fedha za kigeni (nyingi kama misada na baadhi ikiwa mikopo nafuu), lakini madeni ya umma yaliendelea kuwa chini ya pato la Taifa kwa 27%.

Pamoja na mtikisiko wa uchumi, Tanzania ilikabiliwa na ukame mkubwa maeneo ya Kaskazini. Ukame huo pamoja na miundombinu duni kumeendelea kuongeza kushuka kwa uzalishaji na kuongezeka kwa bei ya chakula. Kwa mipango ya muda mrefu, ukuaji uchumi utahitaji kuongezeka kwa uwekezaji wa moja kwa moja wa kigeni, mikopo ya kushughulikia vikwazo vya miundombinu na kurejea kwa watalii. Kwa matokeo hayo inamaanisha kwamba, ukuaji uliotarajiwa mwaka 2010 huenda usifikiwe, uchumi utabakia nyuma ya viwango vya kimataifa.

Economic Outlook/Mwelekeo wa uchumi wa Tanzania

Economic Outlook

The financial sector as a whole was not greatly affected by the global crisis and remained well capitalized and profitable. Credit growth increased rapidly over the last several years and the 2009 slowdown in the economy increased credit risks, particularly for institutions with less diversified portfolios. Moreover, many banks are exposed to credit risk with respect to large individual borrowers who dominate their portfolios. This makes them vulnerable to credit risk, for which there is a relatively low level of provisions.

Thus, in 2009, risks in lending increased, although the portfolio of non-performing loans increased only modestly. Private credit growth slowed sharply during 2009, but the economic rescue package helped to maintain the flow of credit to the agricultural sector. A collapse of the market infrastructure for cash crops was prevented by Government-issued compensations for write-offs and restructurings of bank debts designed to support traders in cotton and coffee. As a result, small-scale farmers were still able to sell their crops through these traders. Commercial banks began extending seasonal crop financing again, based on the Government's support. Despite these successes, structural pressures related to food security (drought) and infrastructure weaknesses continue to be felt and need to be addressed from a longer-term perspective.

Kilimo Kwanza

The Government of Tanzania revisited the agriculture sector by redefining its role in national development. Agriculture accounts for over 80% of the economic activities as well as employment of the population.

Agriculture productivity per active person in Tanzania continues to fall short as compared to industrial production and services. In the past four years agricultural output grew on average by 4% (3.4% in 2009), against average annual GDP growth of 6%. The sector's output represents 26% of GDP, which means that measured productivity per agricultural worker is only a third of the average in the economy as a whole.

Mwelekeo wa uchumi wa Tanzania

Sekta ya fedha kwa ujumla haikuathirika sana na mtikisiko wa uchumi na ilibaki kuendelea kuwa imara katika kimtaji na faida. Lakini mtikisiko wa kiuchumi wa mwaka 2009 ulipunguza kasi ya utoaji mikopo hususani mabenki yasiyo na wigo mpana wa utoaji mikopo. Benki nyingi zimekuwa zikikopesha wateja wakubwa zaidi. Hii inawafanya wawe kwenye hatari zaidi ya kupoteza fedha kutokana na kuyumba kwa uchumi.

Hivyo, katika mwaka 2009, hatari katika mikopo iliongezeka, ingawa kwingineko mambo ya mikopo hayakuongezeka. Mikopo binafsi ilipungua kwa mwaka 2009, lakini juhudi za serikali zilisaidia kuokoa uchumi kwa kudumisha mtiririko wa mikopo katika sekta ya kilimo. Kudhoofika kwa miundombinu ya soko la mazao ya biashara, kuliokolewa na serikali kwa kudhamini fidia ya kufuta madeni hayo. Benki za biashara zilizoathirika zilianza msimu kwa kutoa mikopo tena baada ya kusaidiwa na Serikali.

Pamoja na mafanikio hayo, changamoto zinazohusiana na upatikanaji wa chakula (ukame) na udhaifu wa miundombinu na kutafutiwa ufumbuzi wa muda mrefu

Kilimo Kwanza

Serikali ya Tanzania imekuja na mpango wa kuinua kilimo kama mojawapo ya wajibu wake katika maendeleo ya taifa. 80% ya wataanzania wano tegemea kilimo kwa maisha yao.

Tija ya kilimo kwa kila mwananchi Tanzania, imeendelea kupungua ikilinganishwa na uzalishaji viwandani na kwenye sekta ya huduma. Ndani ya miaka minne iliyopita, uzalishaji kwenye kilimo ulikua kwa wastani wa 4% (3.4% mwaka 2009), chini ya pato la Taifa wa wastani wa 6%. Sekta hii inawakilisha 26% ya pato la Taifa (GDP), ambayo ina maana kwamba kipimo cha tija kwa mfanyakazi wa kilimo ni theluthi moja ya wastani katika uchumi kwa ujumla.

Economic Outlook/Mwelekeo wa uchumi wa Tanzania

Kilimo Kwanza (Swahili for 'Agriculture First') is the Government initiative aimed at improving agricultural productivity and transforming an industry still dominated by hand-hoe techniques into one that uses modern tools and techniques to increase output. The initiative attempts to ignite a green revolution. The present programme will be financed domestically, initially by the Government. Kilimo Kwanza does not rely on explicit donor approval and expertise as previous programs did. Furthermore, the initiative endeavours to establish links between small-scale farmers and larger counterparts in agriculture. Rather than relying on foreign direct investment, investments in technology and hardware will be financed by appealing to local private investors. The Agriculture First program seeks to activate the largely unused potentials of economies of scale in the agriculture.

Kilimo Kwanza could build on and add new vigour to the Agricultural Sector Development Strategy (ASDS), which dates from 2001. Its aim is to achieve a steady 5% annual agricultural growth rate and a change from non-market subsistence to commercial market-oriented agriculture. So far, ASDS has had limited success; growth rates have often fallen short of targets and 80% of Tanzanians continue to be largely engaged in subsistence farming, far from using new technologies and tractors.

Government expenditure on agriculture is expected to initially increase from 6% to 10% of national budget. Announced measures include an enlarged agricultural input subsidy programme (Government will subsidise around half of seed and fertiliser input costs for over 2 million farmers); price support in the cotton sector; government guarantees for restructuring of commercial loans to agriculture, among other sectors, and a capital injection to the Tanzania Investment Bank to finance agriculture.

Kilimo Kwanza was launched in mid-2009. It is expected that its impact will be seen in the next few years.

Kilimo Kwanza ni mpango wa Serikali wenye lengo la kuleta mapinduzi ya kijane katika kilimo na iwe ni mojawapo ya sekta yenye kutumia vifaa vya kisasa na yenye tija kubwa zaidi. Kilimo kwanza kinalenga kuleta mapinduzi ya kilimo. Mpango wa sasa utafadhiliwa kwa fedha za ndani.

Kilimo Kwanza hakiweki mkazo wakupata pesa za wafadhili wala utaalamu kama mipango ya awali ilivyofanywa. Mpango huu, unategemea kuwa kiungo kati ya wakulima wadogo na wakubwa katika kilimo. Pamoja na uwekezaji wa nje msisitizo pia inawekwa katika teknolojia na vifaa na wawekezaji binafsi wa ndani. Mpango wa 'Kilimo Kwanza' unataka kilimo kwa ujumla kuendeshwa katika misingi kuinua uchumi wa taifa kupitia sekta ya kilimo.

Lengo la Kilimo Kwanza na Mkakati wa Maendeleo ya Sekta ya Kilimo (ASDS), ni kufikia ukuaji wa 5% katika sekta ya kilimo kila mwaka hasa kwa mabadiliko ya soko la mazao ya chakula kuingia kwenye yale ya kilimo cha kibiashara. Hadi sasa, ASDS imekuwa na mafanikio kidogo, ambapo viwango vya ukuaji vimeshuka chini ya malengo na 80% ya Watanzania bado wanaendelea kwenya kilimo cha kujikimu mbali na kutumia teknolojia mpya na matrekta.

Matumizi ya Serikali juu ya kilimo yanatarajiwa kuongezeka kutoka 6% hadi 10% ya bajeti ya taifa chini ya mpango wa kilimo kwanza.

Serikali imetangaza hatua madhubuti za kuongeza ruzuku ya pembejeo (Serikali itatoa ruzuku karibu nusu ya gharama za mbegu na pembejeo kwa wakulima zaidi ya milioni 2), kusaidia bei katika sekta ya pamba, serikali kuweka dhamana kwa ajili ya marekebisho ya mikopo ya biashara na kilimo, kati ya sekta nyingine, ni mtaji kwa Benki ya Uwekezaji Tanzania katika kufadhili kilimo.

Mpango wa Kilimo Kwanza ulizinduliwa katikati ya mwaka 2009. Inatarajiwa kwamba faida za mpango huu itaanza kuonekana katika miaka michache ijayo.



Report of the Directors

Report of the Directors

For the year ended 31 December 2009

1 The Directors submit their report together with the audited financial statements for the year ended 31 December 2009, which disclose the state of affairs of National Microfinance Bank Plc ('the Bank').

2 Incorporation

The Bank is incorporated in Tanzania under Companies Act as a public limited liability company.

3 Mission and Vision

The Bank's mission and vision is to provide access to a full range of financial services for the rural and (peri) urban population in Tanzania and its current and prospective client base, in a sustainable and viable way. Special attention will be given to Micro and Small Enterprises (MSEs), Small and Medium Enterprises (SMEs), rural enterprises and agriculture. In order to achieve its mission and vision, the Bank has formulated a pillar of three values namely:-

- Customer value: to become recognised as the leading rural bank in Tanzania;
- Financial value: to generate sufficient profits to remain financially sustainable; and
- Employee value: to be a challenging employer for its workforce providing ample opportunities for their career development.

4 Principal Activities

The Bank is engaged in taking deposits on demand, provision of credit facilities and other commercial banking services and is licensed under the Banking and Financial Institutions Act, 2006.

5 Composition of the Board of Directors

The Directors of the Bank at the date of this report and who have served since 01 January 2009, except where otherwise stated, are:-

Directors

No	Name	Position	Nationality	Date of appointment
1	Mr Misheck Ngatunga	Chairman	Tanzanian	(Appointed 17 April 2009)
2	Mr Mike Laiser	Member	Tanzanian	
3	Mr Protase Tehingisa	Member	Tanzanian	
4	Mr Arnold Kuijpers	Member	Dutch	
5	Mr Jos van Lange	Member	Dutch	
6	Mr Felix Mosha	Member	Tanzanian	
7	Mr Yona Killagane	Member	Tanzanian	
8	Mrs Margaret Ikongo	Member	Tanzanian	

Alternate Directors

No	Name	Position	Nationality	Date of appointment
1	Mr Aristabus Musiba	Member	Tanzanian	(Appointed 17 April 2009)
2	Mr Gerard van Empel	Member	Dutch	
3	Mr Amani Sinare	Member	Tanzanian	

6 The Bank's secretary as at 31 December 2009 was Mrs Lilian R. Komwihangiro.

Report of the Directors

Report of the Directors Continued

7 Corporate Governance

The Board of Directors consists of eight Directors and three Alternate Directors. None of the directors hold executive positions in the Bank. The Board takes overall responsibility for the Bank, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

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

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

Board Executive Committee

No	Name	Position	Qualifications/Discipline	Nationality
1	Misheck Ngatunga	Chairman	Economist/Banker	Tanzanian
2	Felix Mosha	Member	Economist	Tanzanian
3	Arnold Kuijpers	Member	Economist/Banker	Dutch

Board Audit, Risk and Compliance Committee

No	Name	Position	Qualifications/Discipline	Nationality
1	Jos van Lange	Chairman	Economist/Banker	Dutch
2	Mike Laiser	Member	Economist	Tanzanian
3	Protase Tehingisa	Member	Lawyer	Tanzania
4	Yona Killagane	Member	Certified Public Accountant	Tanzanian

Board Human Resources and Remuneration Committee

No	Name	Position	Qualifications/Discipline	Nationality
1	Felix Mosha	Chairman	Economist	Tanzanian
2	Mike Laiser	Member	Economist	Tanzanian

Report of the Directors

Board Human Resources and Remuneration Committee (Continued)

No	Name	Position	Qualifications/Discipline	Nationality
3	Protase Tehingisa	Member	Lawyer	Tanzania
4	Arnold Kuijpers	Member	Economist/Banker	Dutch
5	Margret Ikongo	Member	Chartered Insurer	Tanzanian

Board Credit Committee

No	Name	Position	Qualifications/Discipline	Nationality
1	Misheck Ngatunga	Chairman	Economist/Banker	Tanzanian
2	Felix Moshia	Member	Economist	Tanzanian
3	Arnold Kuijpers	Member	Economist/Banker	Dutch

During the year, there were four ordinary board meetings and three extraordinary board meetings.

8 Capital Structure

The Bank's capital structure for the year under review is shown below:-

Authorised

625,000,000 ordinary shares of TZS 40 each.

Called up and fully paid

500,000,000 ordinary shares of TZS 40 each.

9 Management

The Management of the Bank is under the Chief Executive Officer assisted by the following:-

- Chief Operating Officer
- Chief Financial Officer
- Chief Human Resources Officer
- Chief Credit Management Officer
- Chief Information Officer and
- Chief Commercial Officer

Shareholders of the Bank

10 Shareholders of the Bank

The total number of shareholders during the year 2009 is estimated to be 27,000 shareholders

None of the Directors are holding significant shares.

The shareholding of the Bank is as shown below:

Name of the Shareholder	31 December 2009 No. of Shares	Shareholding
Rabobank	174,500,000	34.9%
Treasury Registrar	150,000,000	30%
Public	105,000,000	21%
National Investment Company (NICOL)	33,000,000	6.6%
Exim Bank (Tanzania) Limited	29,000,000	5.8%
Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA)	8,500,000	1.7%
	500,000,000	100%

11 Stock Exchange Information

In 2008 the Bank was listed with Dar Es Salaam Stock Exchange. The share price at the year end was TZS 810. In 2009 the performance of the Bank's shares in the secondary market was as follows: Market capitalization as at 31 December 2009 was TShs 405,000 million.

12 Future Development Plans

The Bank will continue to improve its profitability through the introduction of innovative products, focusing on value-added customer services and selective expansion of its branches while carefully managing both costs and risks. The Bank will continue to focus on improving productivity and introducing new products to the market.

13 Results And Dividend

During the year the Bank had a net profit for the year of TZS 47,550 million (2008: TZS 48,707 million).

The Directors propose payment of a dividend of TZS 31.40 per share, amounting to TZS 15.7 billion out of 2009 profit. In 2008, a dividend of TZS 30 per share, amounting to TZS 15 billion was approved and paid.

14 Performance for the year

The following achievements were recorded in the year:-

- The Bank recorded a profit before tax of TZS 68,038 million (2008: TZS 70,935 million);
- Deposits increased to TZS 1,459,398 million (2008: TZS 1,200,484 million); and
- Total assets increased to TZS 1,669,333 million (2008: TZS 1,384,268 million)

The audited financial statements for the year are set out on pages 11 to 56.

Risk Management and Internal Control

15 Risk Management and Internal Control

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

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

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

The Board assessed the internal control systems throughout the financial year ended 31 December 2009 and is of the opinion that they met accepted criteria.

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

16 Solvency

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

17 Employees' Welfare

Management and employees' relationship

There was continued good relation between employees and management for the year 2009. There were no unresolved complaints received by Management from the employees during the year. A healthy relationship continues to exist between management and trade union.

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

Training facilities

When presenting its annual budget for the year 2009, the Bank put aside a sum of TZS 2,164 million for staff training in order to improve employee's technical skills and hence effectiveness. Training programs have been and are continually being developed to ensure employees are adequately trained at all levels. All employees have some form of annual training to upgrade skills and enhance development.

Medical assistance

All members of staff and their spouses up to a maximum number of four beneficiaries (dependants) for each employee were availed medical services by the Bank.

Related Party Transactions

Persons with disabilities

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

Employees benefit plan

The Bank pays contributions to publicly administered pension plans on mandatory basis which qualifies to be a defined contribution plan. The average number of employees during the year was 2,478 (2008: 2,039)

18 Related Party Transactions

All related party transactions and balances are disclosed in note 31 to these financial statements.

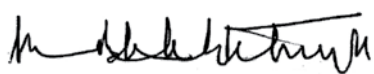
19 Donations

The Bank did not make any donations to political organization during the year. Donations made to charitable and other organizations during the year amounted to TZS 500 million (2008: TZS 515 million).

20 Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office and are eligible for re-appointment. A resolution proposing an appointment of the Bank's auditors for the year ending 31 December 2010 will be put to the Annual General Meeting.

By order of the Board



Misheck Ngatunga - Chairman



Date

Statement of Directors' Responsibilities

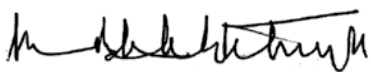
Statement of Directors' Responsibilities

For the year ended 31 December 2009

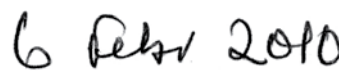
The Directors are required by the Tanzania Companies Act, 2002 to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of its profit or loss for the year. The Directors are also obliged to ensure that the Bank keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and the requirements of Tanzania Companies Act, 2002. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its profit in accordance with International Financial Reporting Standards (IFRS). The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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



Misheck Ngatunga - Chairman



Date

Report of the Independent Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of National Microfinance Bank Plc, which comprise the balance sheet as at 31 December 2009, the profit and loss account, statement of total comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As described in the Statement of Directors' Responsibilities, the Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Tanzania Companies Act 2002. 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.

Auditor's 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 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 accompanying financial statements give a true and fair view of the state of the Bank's affairs as at 31 December 2009 and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Tanzania Companies Act 2002.

Report on other Legal and Regulatory Requirements

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

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


PRICEWATERHOUSECOOPERS
Certified Public Accountants
Dar es Salaam

Signed by Michael M Sallu

30/3/2010

Date

Financial Statements

Financial Statements

For the year ended 31 December 2009

Profit and Loss Account

	Notes	2009 TZS'Millions	2008 TZS'Millions
Interest and similar income	5	141,359	134,507
Interest and similar expenses	6	(13,841)	(11,806)
Net interest income		127,518	122,701
Loan impairment charges	18	(7,025)	(6,222)
Net interest income after loan impairment		120,493	116,479
Fee and commission income	7	32,781	21,864
Fee and commission expense		(1,357)	(782)
Net fee and commission income		31,424	21,082
Foreign exchange income	8	4,142	3,761
Other operating income	9	4,849	6,926
Operating expenses	10	(92,870)	(77,313)
Profit before income tax		68,038	70,935
Income tax expense	12	(20,488)	(22,228)
Profit for the year		47,550	48,707
Other comprehensive income		-	-
Total comprehensive income for the year		47,550	48,707
Earnings per share			
Basic and diluted earnings per share (TZS)	13	95.10	97.41
Dividend per Share (TZS)	14	31.40	30.00

Balance Sheet

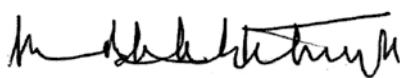
Financial Statements

For the year ended 31 December 2009

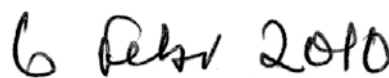
Balance Sheet

	Notes	2009 TZS'Millions	2008 TZS'Millions
Assets			
Cash and balances with Bank of Tanzania	15	333,380	178,586
Government securities held-to-maturity	16	523,084	436,662
Loans and advances to banks	17	96,160	155,901
Loans and advances to customers	18	672,580	570,578
Investment securities held-to-maturity	19	-	746
Other assets	20	8,357	13,958
Current income tax		1,872	1,356
Intangible assets	22	1,279	924
Property and equipment	21	31,855	24,125
Deferred income tax	25	766	1,432
Total Assets		1,669,333	1,384,268
Liabilities			
Deposits from customers	23	1,459,398	1,200,484
Other liabilities	24	17,696	24,095
Total Liabilities		1,477,094	1,224,579
Shareholders' Equity			
Share capital	26	20,000	20,000
Retained earnings		170,034	134,250
Regulatory reserve		2,205	5,439
Total Shareholders' Equity		192,239	159,689
Total Equity And Liabilities		1,669,333	1,384,268

The financial statements on pages 11 to 56 were approved by the Board of Directors and signed on its behalf by:



Misheck Ngatunga - Chairman



Date

Statement of Changes in Equity

Financial Statements (continued)

Statement of Changes in Equity

	Share capital TZS'Millions	Retained earnings TZS'Millions	Regulatory reserve TZS'Millions	Total TZS'Millions
Year ended 31 December 2008				
At start of year	20,000	99,240	2,742	121,982
Profit for the year	-	48,707	-	48,707
	20,000	147,947	2,742	170,689
Dividends paid	-	(11,000)	-	(11,000)
Transfer to regulatory reserve	-	(2,697)	2,697	-
At end of year	20,000	134,250	5,439	159,689
Year ended 31 December 2009				
At start of year	20,000	134,250	5,439	159,689
Profit for the year	-	47,550	-	47,550
	20,000	181,800	5,439	207,239
Dividends paid	-	(15,000)	-	(15,000)
Transfer from regulatory reserve	-	3,234	(3,234)	-
At end of year	20,000	170,034	2,205	192,239

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

Cash Flow Statement

Financial Statements (continued)
For the year ended 31 December 2009

Cash Flow Statement

	Notes	2009 TZS'Millions	2008 TZS'Millions
Cash flows from operating activities			
Interest receipts		150,503	133,164
Interest payments		(13,921)	(11,806)
Net fee and commission receipts		31,424	21,082
Other income received – forex and other income		8,991	10,686
Payments to employees and suppliers		(92,643)	(82,958)
Income tax paid		(20,337)	(22,229)
Cash flows from operating activities before changes in operating assets and liabilities		64,017	47,939
Changes in operating assets and liabilities:			
- loans and advances		(103,101)	(215,467)
- cash reserve requirement		(84,600)	(27,500)
- other assets		-	(10,390)
- customer deposits		258,895	187,660
- other liabilities		7,896	5,821
- deposits from other banks		(6,536)	(5,665)
Net cash from/(to) operating activities		136,571	(17,602)
Cash flows from investing activities			
Investment in government securities		50,332	22,924
Investment securities held to maturity		714	1,429
Purchase of property and equipment	21	(20,622)	(12,783)
Purchase of intangible assets	22	(1,024)	(692)
Proceeds from sale of property and equipment		8	199
Net cash received from investing activities		29,408	11,077
Cash flows from financing activities			
Dividends paid		(15,000)	(11,000)
Net cash used in financing activities		(15,000)	(11,000)
Net increase/(decrease) in cash and cash equivalents		150,979	(17,525)
Cash and cash equivalents at start of year		273,151	290,676
Cash and cash equivalents at end of year	27	424,130	273,151

Notes to the Financial Statements

1 General Information

The Bank is as a public limited liability company and is incorporated and domiciled in the United Republic of Tanzania. The address of its registered office is as follows:

NMB House
Azikiwe Street/Jamhuri Street
PO Box 9213
Dar es Salaam

The Bank is listed on the Dar es Salaam Stock Exchange (DSE).

2 Summary of 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 periods presented, unless otherwise stated.

(a) Basis of preparation

The Bank's financial statements for the year 2009 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB. Additional information required by the Tanzania Companies Act 2002 is included where appropriate.

The financial statements comprise the profit and loss account, the balance sheet, statement of changes in equity, cash flow statement and the notes. The measurement basis applied in the preparation of these financial statements is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Tanzania shillings (TZS) and the amounts are rounded to the nearest million, except where otherwise indicated.

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

(i) Standards amendments and interpretations effective on or after 1 January 2009

The following standards, amendments and interpretations, which became effective in 2009 are relevant to the Bank:

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IFRS 7	Improving disclosures about financial instruments	1 January 2009
IFRS 8	Operating segments	1 January 2009
IAS 1	Presentation of financial statements	1 January 2009

Notes to the Financial Statements

(a) Basis of preparation (Continued)

(ii) Standards and interpretations issued but not yet effective

The following standards and interpretations have been issued and are mandatory for the Bank for periods beginning on or after 1 July 2009 or later periods and are expected to be relevant to the Bank.

Standard/ interpretation	Content	Applicable for financial years beginning on/after
IAS 39	Financial instruments: Recognition and measurement – eligible hedged items	1 July 2009
IFRIC 17	Distribution of non-cash assets to owners	1 July 2009
IFRIC 18	Transfers of assets from customers	1 July 2009
IFRS 9	Financial instruments part 1: Classification and measurement	1 January 2013

The Directors have assessed the relevance of the new standard and interpretations, and amendments to existing standards with respect to the Bank's operations and concluded that they will not have any material impact on the Bank's financial statements.

(b) Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognised within 'interest income' or 'interest expense' in the profit and loss account using the effective interest method.

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

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

(c) Fee and commission income

Fees and commission are generally recognised on an accrual basis when the service has been provided. Commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

(d) Foreign currency translation

Transactions are recorded on initial recognition in Tanzania Shillings, being the currency of the primary economic environment in which the Bank operates (the functional currency). Transactions in foreign currencies during the year are converted into the Tanzania shillings using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

(e) Financial assets

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

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so classifying eliminates or significantly reduces a measurement inconsistency. Derivatives are also categorised as held for trading.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and advances to customers fall under this classification.

(iii) Held-to-maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where the Bank decides to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available for sale.

(iv) 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.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on the trade-date being the date on which the Bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value, and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when they are extinguished - that is, when the obligation is discharged, cancelled or expires.

Loans and receivables and held-to-maturity assets are subsequently carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' are included in the profit and loss account in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative fair value adjustments recognised in equity is included in the profit and loss account as gains and losses from investment securities.

Interest calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Bank's right to receive payment is established.

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

(f) Impairment of financial assets

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 initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

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

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

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

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

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

(g) Income tax

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the period determined in accordance with the Tanzanian Income Tax Act.

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

(g) Income tax (continued)

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

(h) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(i) Property and equipment

Premises and equipment are stated at historical cost less depreciation. Depreciation is provided on the straight line basis so as to write down the cost of assets to their residual values over their useful economic lives, at the following rates:-

	%
Building	5.0
Motor vehicles	25.0
Furniture, fittings and equipment	20.0
Computer equipment and software	33.3

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. 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 other operating expenses in the profit and loss account.

(j) Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with Bank of Tanzania, Government Securities and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the Bank of Tanzania.

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

(l) Employee benefits

(i) Retirement benefit obligations

The Bank has a statutory requirement to contribute to the Parastatal Pension Fund (PPF), which is a defined contribution scheme. The Bank contributes 15% of the required 20% of gross emoluments to the scheme and the contributions are recognised as an expense in the period to which they relate. The Bank has no legal or constructive obligation to pay further contributions if PPF does not hold sufficient assets to pay all employees the benefit relating to the employees service in the current and prior periods.

(ii) Other entitlements

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(m) Offsetting financial instruments

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

(n) Acceptances and letters of credit

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

(o) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(p) Segment reporting

In the financial year 2009, segment reporting by the Bank was prepared for the first time in accordance with IFRS 8, 'Operating Segments'.

Segment information for 2008 that is reported as comparative information for 2009 has been restated to conform to the requirements of IFRS 8.

Following the management approach to IFRS 8, operating segment are reported in accordance with the internal reporting provided to the Bank's Management Team (the chief operating decision-maker), which is responsible for allocating resources to the reportable segments and assessing its performance. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8. The Bank has three business reporting segments which are Retail Banking, Corporate Banking and Treasury segments.

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

(p) Segment reporting (continued)

The segment information provided to the Bank's Management Team for the reportable segments for the year ended 31 December 2009 is as follows (all amounts in TZS million):

	Treasury		Corporate Banking		Retail Banking		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Interest income	49,022	58,589	23,910	15,250	68,427	60,668	141,359	134,507
Interest expense	(38,944)	(48,281)	(13,425)	(7,300)	38,528	43,775	(13,841)	(11,806)
Net Interest Income	10,078	10,308	10,485	7,950	106,955	104,443	127,518	122,701
Credit impairment charges	-	-	(1,293)	(1,152)	(5,732)	(5,070)	(7,025)	(6,222)
Non-interest income	4,142	3,761	3,640	739	32,633	27,270	40,415	31,769
Non-interest expenses	(9,768)	(3,697)	(9,325)	(2,514)	(73,777)	(71,102)	(92,870)	(77,313)
Operating profit	4,452	10,372	3,507	5,023	60,079	55,541	68,038	70,935
Income tax provision	(1,341)	(1,840)	(1,056)	(321)	(18,091)	(20,067)	(20,488)	(22,228)
Profit after tax	3,111	8,532	2,451	4,702	41,988	35,474	47,550	48,707
Total assets	878,128	612,896	245,621	224,674	545,584	546,698	1,669,333	1,384,268
Total liabilities	191,572	159,689	955,617	695,431	522,144	529,148	1,669,333	1,384,268

3 Financial Risk Management

The Bank's activities expose it to variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

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

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

3 Financial Risk Management (continued)

3.1 Credit risk

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

3.1.1 Credit risk measurement

Loans and advances

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components (i) the 'probability of default' by the client or counterparty on its contractual obligations; (ii) current exposures to the counterparty and its likely future development, from which the Bank derive the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

These credit risk measurements, which reflect expected loss (the 'expected loss model'), are embedded in the Bank's daily operational management. The operational measurements can be contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the balance sheet date (the 'incurred loss model') rather than expected losses.

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

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

Bank's rating Description of the grade

1	Current
2	Especially Mentioned
3	Sub-standard
4	Doubtful
5	Loss

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

3.1.2 Risk limit control and mitigation policies

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

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

Some other specific control and mitigation measures are outlined below.

(a) Collateral

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

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

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise the credit loss the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured.

(b) Credit-related commitments

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

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

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

3 Financial Risk Management (continued)**3.1 Credit risk (continued)****3.1.3 Impairment and provisioning policies**

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment.

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

	31 December 2009		31 December 2008	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
Micro and Small Enterprises (MSEs)	83,828	4,926	61,480	1,350
Consumer	318,298	6,943	249,066	5,678
Small and Medium size Enterprises (SMEs)	41,575	2,260	58,824	585
Corporate	245,621	2,469	210,764	1,943
	689,322	16,598	580,134	9,556

In assessing the level of impairment, management determines whether objective evidence of impairment exists under IAS 39, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position; and
- Deterioration in the value of collateral.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

The Bank makes a general provision for credit losses based on the probability of losses using historic default ratios.

The regulatory provision is derived from each of the five rating classes as shown below:

	31 December 2009		31 December 2008	
	Loans and advances	Impairment provision	Loans and advances	Impairment provision
Bank's rating	%	%	%	%
1. Current	90	2	72	6
2. Especially mentioned	2	2	24	9
3. Sub-standard	1	6	1	5
4. Doubtful	1	13	1	28
5. Loss6	77	2	52	
	100	100	100	100

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

3.1 Credit risk (continued)

3.1.4 Maximum exposure to credit risk before collateral held

	2009 TZS Million	2008 TZS Million
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to banks	96,160	155,901
Government securities held to maturity	523,084	436,662
Investment securities held to maturity	-	746
Loans and advances to customers:		
Loans to individuals:		
- Consumers	390,617	303,518
- Term loans	-	-
Loans to corporate entities:		
- Large corporate customers	242,772	208,821
- Small and medium size enterprises (SME's)	39,191	58,239
Other assets	8,357	13,958
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees, outstanding letters of credit and indemnities	3,175	341
Commitments to extend credit	53,631	29,725
	<u>1,356,987</u>	<u>1,207,911</u>

The above table represents a worse case scenario of credit risk exposure to the Bank at 31 December 2009 and 2008, without taking account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, of the total maximum exposure 61% is derived from loans and advances to banks and customers (December 2008: 60%); 38% represents investments in debt securities (December 2008: 36%). Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and advances portfolio and debt securities. 80% of the loans and advances portfolio are considered not past due (December 2008: 72%).

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

3 Financial Risk Management (continued)

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

(a) Geographical sectors (continued)

	Tanzania	Europe	America	Others	Total
Credit risk exposures relating to on-balance sheet assets are as follows:					
Loans and advances to banks	66,960	17,613	11,587	-	96,160
Government securities held to maturity	523,084	-	-	-	523,084
Loans and advances to customers:					
Loans to individuals:					
- MSEs 83,828	-	-	-	83,828	
- Customer loans	306,789	-	-	-	306,789
Loans to corporate entities:					
- Corporate customers	242,772	-	-	-	242,772
- SMEs 39,191	-	-	-	39,191	
Other assets	8,357	-	-	-	8,357
As at 31 December 2009	1,270,981	17,613	11,587	-	1,300,181
As at 31 December 2008	1,143,565	17,488	16,792	-	1,177,845

(b) Industry sectors

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

	Financial institutions	Manufacturing	Trading and commercial	Transport and communication	Wholesale and retail trade	Agriculture	Individuals	Others	Total
Loans and advances to banks	96,160	-	-	-	-	-	-	-	96,160
Government securities held to maturity	523,083	-	-	-	-	-	-	-	523,084
Loans and advances to customers:									
Loans to individuals:									
- MSEs 7,137	-	29,170	1,501	18,385	24,085	-	3,550	83,828	
- Consumer loans	-	-	-	-	-	-	306,789	-	306,789
Loans to corporate entities:									
- Corporate customers	1,900	81,017	145,116	75,000	34	3,722	-	67,165	242,772
- SMEs	19,157	20,034	-	-	-	-	-	39,191	
Other assets	-	-	-	-	-	-	-	8,357	8,357
As at 31 Dec. 2009	628,280	100,174	194,320	76,501	18,419	27,807	306,789	79,702	1,300,181
As at 31 Dec. 2008	624,305	128,894	128,140	2,673	22,050	13,243	244,582	13,958	1,177,845

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

3.2 Market risk

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

The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Banks Assets and Liability Committee (ALCO) and heads of department. Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

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

3.2.1 Foreign exchange risk

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

Foreign exchange sensitivity analysis

The Bank maintains minimal currency positions throughout the year and these are driven primarily by customer flows. The Bank's balance sheet is denominated mostly in TZS with less than 5% of the balance being denominated in foreign currencies. Accordingly, no stress testing is done for any currency mismatches with the understanding that any mismatch can be squared out in the market.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at 31 December 2009. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency (all amounts expressed in millions of Tanzania Shillings).

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

3 Financial Risk Management (continued)

3.2.1 Foreign exchange risk (continued)

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

As at 31 December 2009	TZS	USD	EURO	GBP	Total
Assets					
Cash and balances with Bank of Tanzania	329,040	3,341	924	75	333,380
Loans and advances to banks	59,740	31,813	4,360	247	96,160
Government securities held to maturity	523,084	-	-	-	523,084
Loans and advances to customers	672,568	12	-	-	672,568
Other assets	8,128	82	74	73	8,357
Total financial assets	1,592,560	35,248	5,359	395	1,633,562
Liabilities					
Deposits from customers	1,431,840	26,991	560	7	1,459,379
Other liabilities	14,124	3,539	27	6	17,696
Total financial liabilities	1,445,964	30,530	587	12	1,477,094
Net on-balance sheet financial position	163,298	4,717	4,791	384	173,189
Credit commitments	53,887	3,230	38	8	57,162
As at 31 December 2008	TZS	USD	EURO	GBP	Total
Total financial assets	1,305,174	47,680	3,317	291	1,356,431
Total financial liabilities	1,178,203	45,805	3,317	34	1,224,578
Net on-balance sheet financial position	126,971	1,875	2,780	257	131,853
Credit commitments	29,676	55	322	13	30,066

3.2.2 Interest rate risk

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

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

3.2.2 Interest rate risk (continued)

	Up to 1 month TZS'Millions'	1-3 months TZS'Millions'	3-12 months TZS'Millions'	1-5 years TZS'Millions'	Over 5 TZS'Millions'	Non-interest bearing TZS'Millions'	Total TZS Millions'
As at 31 December 2009							
Assets							
Cash and central banks balances	-	-	-	-	-	333,380	333,380
Government securities held to maturity	44,248	108,117	307,641	19,705	26,975	16,398	523,084
Loans and advances to banks	70,132	5,000	5,934	-	-	15,094	96,160
Loans and advances to customers	20,732	34,401	168,413	446,162	250	2,610	672,580
Investment securities:							
– Held to maturity	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	8,357	8,357
Total financial assets	<u>135,112</u>	<u>147,518</u>	<u>481,988</u>	<u>465,867</u>	<u>27,225</u>	<u>375,851</u>	<u>1,633,561</u>
Liabilities							
Deposits from customers	225,078	352,466	429,331	452,427	-	96	1,459,398
Other borrowed funds	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	17,696	17,696
Total financial liabilities	<u>225,078</u>	<u>352,466</u>	<u>429,331</u>	<u>452,427</u>	<u>-</u>	<u>17,792</u>	<u>1,477,094</u>
Total interest repricing gap	<u>(89,966)</u>	<u>(204,948)</u>	<u>52,657</u>	<u>13,440</u>	<u>27,225</u>	<u>358,059</u>	<u>-</u>
As at 31 December 2008							
Total financial assets	179,244	95,152	442,959	388,992	27,163	250,758	1,384,268
Total financial liabilities	82,083	146,613	124,286	60,748	-	970,538	1,384,268
Total interest repricing gap	97,161	(51,461)	318,673	328,244	27,163	(719,780)	-

Interest rate risk sensitivity

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

Sensitivity period	Weighted average	NIB Funding	Net position	Impact
Less than 30 days	920,129	22,083,102	(21,162,973)	(212)
1 year	<u>221,828,930</u>	<u>359,494,650</u>	<u>(137,665,720)</u>	<u>(1,377)</u>

3.3 Liquidity risk

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

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

3.3.3 Non-derivative cash flows (continued)

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, central bank balances, items in the course of collection and treasury and other eligible bills; loans and advances to banks; and loans and advances to customers. In the normal course of business, a proportion of customer loans contractually repayable within one year will be extended. The Bank would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources such as asset-backed markets.

3.3.4 Off-balance sheet items**(a) Loan commitments**

The dates of the contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers and other facilities (Note 28), are summarised in the table below.

(b) Financial guarantees and other financial facilities

Financial guarantees (Note 28) are also included below based on the earliest contractual maturity date.

As at 31 December 2009

	No later than 1 year TZS'Millions	1 – 5 years TZS'Millions	Over 5 years TZS'Millions	Total TZS'Millions
Outstanding letters of credit, guarantees and indemnities	3,532	-	-	3,532
Commitments to extend credit	53,631	-	-	53,631
Total	57,163	-	-	57,163
As at 31 December 2008				
Outstanding letters of credit, guarantees and indemnities	341	-	-	341
Commitments to extend credit	29,725	-	-	29,725
Total	30,066	-	-	30,066

3.4 Capital management

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

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

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

The BoT requires each bank or banking group to: (a) hold the minimum level of the regulatory capital of TZS 5 billion, and (b) maintain a ratio of total regulatory capital to the risk-weighted asset (the 'Basel ratio') at or above the internationally agreed minimum of 12%.

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

3.4 Capital management (continued)

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

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Prepaid expenses and deferred charges are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

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

The table below summarises the composition of regulatory capital and the ratios of the Bank for the year ended 31 December 2009 and year ended 31 December 2008. During those two periods, the Bank complied with all of the externally imposed capital requirements to which they are subject.

	2009 TZS'M	2008 TZS'M
Tier 1 capital		
Share capital	20,000	20,000
Retained earnings	170,034	134,250
Prepaid expenses and deferred charges	(2,230)	(2,362)
Total qualifying Tier 1 capital	187,804	151,888
Tier 2 capital		
Regulatory reserve	2,205	5,439
Total qualifying Tier 2 capital	2,205	5,439
Total regulatory capital	190,009	157,327
Risk-weighted assets		
On-balance sheet	734,831	512,357
Off-balance sheet	57,355	30,063
Total risk-weighted assets	792,186	542,420
	Required ratio 2009	Bank's ratio 2009
	%	%
Tier 1 capital	10%	23.71%
Tier 1 + Tier 2 capital	12%	23.99%

The increase of the regulatory capital in the period of 2009 is mainly due to the contribution of the current-year profit.

The increase of the risk-weighted assets reflects the expansion of the business in 2009.

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

4 Critical Accounting Estimates and Judgements

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

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

a) Impairment losses on loans and advances

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

b) Held to maturity investments

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

c) Premises and equipment

Critical estimates are made by the directors in determining depreciation rates for premises and equipments and their residual values. The rates are set out in note 2(i) above.

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

5 Interest and Similar Income

	2009 TZS'Millions	2008 TZS'Millions
Loans and advances to customers	93,531	75,917
Government securities	42,303	51,388
Loans and advances to banks	5,525	7,202
	141,359	134,507

6 Interest and Similar Expenses

Savings deposits	13,447	11,310
Time deposits	392	351
Borrowings from other banks	2	145
	13,841	11,806

7 Fees and Commission Income

Commissions	25,725	14,004
Fees	7,056	7,860
	32,781	21,864

8 Foreign Exchange Income

Bills negotiated	303	393
Drafts and transfers	382	410
Foreign currency trading	3,453	2,955
Others	4	3
	4,142	3,761

9 Other Operating Income

Rent received	28	36
Miscellaneous income	4,659	6,320
Share offering	155	412
Profit on sale of property and equipment	7	158
	4,849	6,926

10 Operating Expenses

Staff costs (Note 11)	35,072	31,303
Administrative expenses	35,968	29,849
Depreciation and amortization	8,324	6,692
Management contract expenses	2,971	1,330
Travelling expenses	3,753	1,615
Repairs and maintenance	5,129	4,443
Auditors' remuneration	261	209
Directors' remuneration:		
- Fees	88	56
- Others	167	54
Other expenses	1,137	1,762
	92,870	77,313

11 Staff Costs

Salaries and allowances	26,476	20,459
Other emoluments	8,596	10,844
	35,072	31,303

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

12 Income Tax Expense (continued)

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

	2009 TZS'Millions	2008 TZS'Millions
Profit before income tax	68,038	70,935
Tax calculated at the statutory income tax rate of 30%	20,411	21,280
Tax effect of:		
Items resulting in increase tax charge	92	150
Prior year deferred tax and corporate tax adjustment	(15)	798
Income tax expense	20,488	22,228

13 Earnings Per Share

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

	2009 TZS'Millions	2008 TZS'Millions
Net profit attributable to shareholders	47,550	48,707
Weighted average number of shares in issue (Note 30)	500	500
Basic and diluted earnings per share	95.10	97.41

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

14 Dividend Per Share

As a liability, dividends are not recognised until they have been ratified at the Annual General Meeting. The Directors propose payment of a dividend of TZS 31.40 per share, amounting to TZS 15,700 million out of 2009 profit. In 2008, dividend of TZS 30 per share, amounting to TZS 15,000 million was approved and paid.

15 Cash and Balances with Bank of Tanzania

	2009 TZS'Millions	2008 TZS'Millions
Cash in hand	115,857	96,406
Balances with Bank of Tanzania		
- local currency	51,434	1,275
- foreign currency	1,139	554
Statutory Minimum Reserves (SMR)	164,950	80,351
	333,380	178,586

The SMR deposit is not available to finance the Bank's day-to-day operations and is hence excluded from cash and cash equivalents for the purpose of the cash flow statement (See Note 27). Cash in hand and balances with Bank of Tanzania are non-interest bearing.

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

16 Government Securities Held-to-maturity

Treasury Bills and Bonds:

	2009 TZS'Millions	2008 TZS'Millions
Maturing within 91 days	159,540	19,015
Maturing after 91 days	300,466	352,816
	460,006	371,831
Recapitalization Bonds	30,993	28,975
LART Bonds	15,688	15,688
Interest receivable	16,397	20,168
	523,084	436,662

Loans and Advances Realisation Trust (LART) Bonds attract an interest rate of 11%. This is received on a quarterly basis. Interest on re-capitalization bonds is received semi-annually at a variable rate of 12.6% maximum and a minimum of 7% computed as a weighted average of interest rate on Treasury Bills over the last six months. Treasury bills and bonds are debt securities issued by the Government of the United Republic of Tanzania at an effective rate of 9.69%.

17 Loans and Advances to Banks

	2009 TZS'Millions	2008 TZS'Millions
Placement with local banks	45,640	99,766
Placement with banks abroad	35,932	34,280
Cheques and items for clearing from other banks	14,588	21,855
	96,160	155,901

18 Loans and Advances to Customers

	2009 TZS' Millions	2008 TZS'Millions
Loans to customers	664,297	571,340
Staff loans	24,881	8,794
Gross loans and advances	689,178	580,134
Less: allowance for impairment	(16,598)	(9,556)
	672,580	570,578

Movements in provision for impairment of loans and advances by class is as follows; (Amounts are in TZS Millions)

	MSEs	Individual (retail) customers Consumer	SMEs	Corporate entities Corporate	Total
Balance at 1 January 2009	1,350	5,678	585	1,943	9,556
Increase in provision for loan impairment	1,265	2,809	1,675	1,276	7,025
Adjustments	-	17	-	-	17
At 31 December 2009	2,615	8,504	2,260	3,219	16,598
Balance at 1 January 2008	396	2,639	149	150	3,334
Increase in provision for loan impairment	954	3,039	436	1,793	6,222
Write offs	-	-	-	-	-
At 31 December 2008	1,350	5,678	585	1,943	9,556

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

19 Investment Securities held to Maturity

	2009 TZS'Millions	2008 TZS'Millions
BIDCO bond	-	714
Interest receivable	-	32
	-	746

BIDCO bond attracted semi annual interest at a rate of 10.45% per annum.

20 Other Assets

Service fees receivable	3,322	2,413
Prepayments	2,362	2,128
Other debtors	3,944	12,183
Derivative financial instrument	-	32
Less: impairment provision	(1,271)	(2,798)
	8,357	13,958

21 Property and Equipment

	Buildings TZS' Millions	Fixtures Motor vehicles TZS' Millions	Capital fittings and equipment TZS' Millions	Work in Progress TZS' Millions	Total TZS' Millions
Year ended 31 December 2009					
Opening net book value	10,060	653	10,378	3,034	24,125
Additions	3,434	364	4,659	12,165	20,622
Adjustments	-	38	(38)	(5,236)	(5,236)
Disposals	-	(7)	-	-	(7)
Depreciation charge	(1,498)	(382)	(5,769)	-	(7,649)
Closing net book value	11,996	666	9,230	9,963	31,855

At 31 December 2009

Cost 17,943	3,033	30,125	9,563	60,665	
Accumulated depreciation	(5,946)	(2,367)	(20,895)	-	(29,209)
Net book value	11,996	666	9,230	9,563	31,855

At 1 January 2008

Cost 14,508	3,037	25,972	3,034	46,551	
Accumulated depreciation	(4,448)	(2,384)	(15,594)	-	(22,426)
Net book amounts	10,060	653	10,378	3,034	24,125

Year ended 31 December 2008

Opening net book value	3,819	665	11,952	880	17,316
Additions	6,635	482	3,512	2,154	12,783
Adjustments	-	-	(15)	-	(15)
Disposals	-	-	(38)	-	(38)
Depreciation charge	(394)	(494)	(5,033)	-	(5,921)
Closing net book value	10,060	653	10,378	3,034	24,125

At 31 December 2008

Cost	14,508	3,037	25,987	3,034	46,566
Adjustments	-	-	(15)	-	(15)
Accumulated depreciation	(4,448)	(2,384)	(15,594)	-	(22,426)
Net book value	10,060	653	10,378	3,034	24,125

None of the premises and equipments has been pledged as security for liabilities (2008: None).

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

22 Intangible Assets

Movement during the year

	2009 Computer software TZS'Millions	2008 Computer software TZS'Millions
At start of year	924	988
Additions	1,024	692
Amortisation	(669)	(756)
At end of year	1,279	924

At 31 December

Cost	5,288	4,264
Accumulated amortisation	(4,009)	(3,340)
Net book amount	1,279	924

23 Deposits from Customers

Current accounts	955,617	739,556
Personal accounts	488,552	444,161
Time deposit accounts	8,549	11,331
Special deposits	6,680	5,436
	1,459,398	1,200,484

24 Other Liabilities

Accrued expenses	5,481	7,169
Bills payable	2,240	8,096
Sundry liabilities	9,975	8,830
	17,696	24,095

25 Deferred Income Tax

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

	2009 TZS'Millions	2008 TZS'Millions
At start of year	(1,432)	(1,970)
Profit and loss account credit - (Note 12)	636	401
Profit and loss account prior year - (Note 12)	30	137
At the end of year	(766)	(1,432)

Deferred income tax asset and deferred income tax credit to the income statement are attributed to the following items:

	1 January 2009 TZS'Millions	Prior period profit and loss TZS'Millions	Credited to profit and loss TZS'Millions	31 December 2009 TZS'Millions
Deferred income tax asset				
Property and equipment	(2,074)	30	(710)	(2,754)
Revaluation of staff loan	(637)	637	-	-
Provisions	1,279	(637)	1,346	1,988
	(1,432)	30	636	(766)

26 Share Capital

Authorised

	2009 TZS'Millions	2008 TZS'Millions
625,000,000 ordinary shares of TZS 40 each	25,000	25,000
	25,000	25,000
Called up and fully paid		
500,000,000 ordinary shares of TZS40 each	20,000	20,000
	20,000	20,000

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

27 Analysis of Cash and Cash Equivalents as Shown in the Cash Flow Statement

	2009 TZS'Millions	2008 TZS'Millions
Cash and balances with Bank of Tanzania (Note 15)	333,380	178,586
Less: Statutory Minimum Reserves	(164,950)	(80,351)
Government securities (Note 16)	159,540	19,015
Loans and advances to banks (Note 17)	96,160	155,901
	<u>424,130</u>	<u>273,151</u>

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

28 Off Balance Sheet Financial Instruments, Contingent Liabilities and Commitments

In common with other banks, the bank conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	2009 TZS'Millions	2008 TZS'Millions
Contingent liabilities		
Guarantees and Indemnities	3,175	-
Overdraft	53,631	29,725
Unpaid Deposit Interest	-	5
Acceptances and letters of credit	357	336
	<u>57,163</u>	<u>30,066</u>

Nature of contingent liabilities

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The bank expects most acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Legal claim

Various employees have sued the bank for unfair dismissal. Furthermore, various loan customers are suing the bank. The amounts claimed in both situations are not material.

29 Effective Interest Rates of Financial Assets and Liabilities

The effective interest rates for the principal financial assets and liabilities at 31 December 2009 and 2008 were in the range of the following:

	2009	2008
Government securities	9.69%	12.24%
Deposits with banking institutions	4.28%	4.59%
Loans and advances to customers	15.49%	16.43%
Customer deposits	0.89%	0.96%

30 Company Share Holding

The shareholding of the Bank is as shown below:

Name of the Shareholder	31 Dec.2009 No. of Shares	Shareholding
Rabobank	174,500,000	34.9%
Treasury Registrar	150,000,000	30%
Public	105,000,000	21%
National Investment Company (NICO)	33,000,000	6.6%
Exim Bank (Tanzania) Limited	29,000,000	5.8%
Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA)	8,500,000	1.7%
	<u>500,000,000</u>	<u>100%</u>

Notes to the Financial Statements

Summary of Significant Accounting Policies (continued)

31 Related Party Transactions

Advances to customers at 31 December 2009 include loans to key management personnel as follows:

	2009 TZS'Millions	2008 TZS'Millions
At start of year	130	108
Advanced during the year	167	38
Repaid during the year	(121)	(16)
At end of year	176	130

At 31 December 2009 there were no loans issued to companies controlled by directors or their families.

Key management compensation

	2009 TZS'Millions	2008 TZS'Millions
Salaries and other short-term benefits	2,855	1,330

Key management personnel are described as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly, including any director of the Bank.

Transactions with Rabobank

Based on a shareholders agreement, a total of TZS 2,971 million (2008: TZS 1,330 million) was paid to Rabobank during the year as management and technical assistance expenses.

Directors' remuneration

Fees and other emoluments paid to directors of the Bank during the period amounted to TZS 187 million (2008: TZS 110 million).

Notice of the 10th Annual General Meeting

Notice of the 10th Annual General Meeting of the Members of National Microfinance Bank Plc

Notice is hereby given that the 10th Annual General Meeting of NMB shareholders will be held at Mlimani City Hall in Dar es Salaam on Saturday, May 29th, 2010 at 10.00 a.m. The agenda will be as follows:

- 10.1 Notice and Quorum
- 10.2 Adoption of the Agenda
- 10.3 Confirmation of the Minutes of the 9th Annual General Meeting held on 17th April 2009
- 10.4 Matters arising from the previous minutes
- 10.5 To receive, consider and adopt the Directors' Report and Audited Financial Statements for year ended 31st December 2009
- 10.6 Dividend declaration for the financial year 2009
- 10.7 To receive and approve the proposed Directors' remuneration
- 10.8 To receive and approve the resignation and appointment of Directors to fill two vacant positions on the Board
- 10.9 To receive and approve appointment of external auditors for the financial year 2010
- 10.10 Any other business

Important Notes:

1. Members wishing to attend the meeting must come with a copy of his/her depository receipt or share certificate and his/her identification card or bank card.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his/her behalf in accordance with the provisions of the Amended Articles of the company. The proxy form must be deposited at the Registered Office of the company not later than 10.00 am Thursday 27th May 2010.

Taarifa ya mkutano mkuu wa 10 wa wanahisa wa benki ya NMB

Taarifa inatolewa kwamba mkutano mkuu wa 10 wa mwaka wa wanahisa wa NMB utafanyika katika ukumbi wa Mlimani City Dar es Salaam saa 4 asubuhi siku ya Jumamosi, Mei 29, 2010. Ajenda itakuwa kama ifuatavyo:

- 10.1 Matangazo na Akidi
- 10.2 Kupitisha ajenda za mkutano
- 10.3 Kuthibitisha kumbukumbu za mkutano mkuu wa 9 uliofanyika tarehe 17 Aprili 2009
- 10.4 Yatokanayo na mkutano wa 9 wa wanahisa
- 10.5 Kupokea, kujadili na kupitisha ripoti ya wakurugenzi na taarifa za fedha kwa mwaka ulioishia 31 Desemba 2009
- 10.6 Kuidhinisha gawio kwa mwaka unaoishia 31 Desemba 2009
- 10.7 Kupokea na kuidhinisha malipo ya wakurugenzi
- 10.8 Kupokea maombi ya kustaafu ya wakurugenzi na kuteua wakurugenzi wawili kujaza nafasi zilizo wazi katika bodi
- 10.9 Kupokea na kuthibitisha uteuzi wa wakaguzi wa hesabu kwa mwaka unaomalizika 31 Desemba 2010
- 10.10 Mengineyo

Maelezo Muhimu

1. Mwanachama anayetaka kushiriki kwenye mkutano atalazimika kuja na nakala ya stakabadhi ya malipo ya hisa au cheti cha umiliki wa hisa pamoja na kitambulisho au kadi ya benki.
2. Mwanachama anaruhusiwa kushiriki na kupiga kura au kumtuma mwakilishi kwa mujibu wa sheria ya makampuni zilizofanyika marekebisho. Fomu ya uwakilishi (proxy) ni lazima ifike kwenye ofisi iliyosajiliwa kabla ya Alhamisi, 27 Mei 2010 saa nne asubuhi.

Notice of the 10th Annual General Meeting

Notice of the 10th Annual General Meeting of the Members of National Microfinance Bank Plc

3. Members wishing to attend the meeting will have to attend at their cost. Copies of the annual report and proxy forms will be available in the branches.
4. Directors have recommended payment of a dividend of TZS 31.40 per share, amounting to TZS 15.7 billion out of 2009 profit. In 2008, a dividend of TZS 30 per share, amounting to TZS 15 billion was approved and paid.

Date of announcement: 13th April 2010

The register will close on 10th May 2010

Shares trading cum div: 13th April to 3rd May 2010

Shares start trading ex-div: 4th May 2010

Payment of dividend: on or about 7th June 2010

By order of the Board



Lilian R. Komwihangiro, (Mrs)
Company Secretary

April 13th, 2010

Taarifa ya mkutano mkuu wa 10 wa wanahisa wa benki ya NMB

3. Wanachama wanaotaka kushiriki kwenye kikao watashiriki kwa gharama zao. Nakala ya taarifa ya mwaka itapatikana matawini.
4. Bodi ya wakurugenzi inapendekeza kwa mkutano mkuu wa 10 malipo ya TZS 31.40 kwa kila hisa kama gawio kutokana na faida ya mwaka 2009. Gawio lililopendekezwa na kulipwa kwa mwaka 2008 lilikuwa ni TZS 30 kwa kila hisa.

Tarehe ya tangazo: 13 Aprili 2010

Daftari la wanahisa kufungwa: 10 Mei 2010

Hisa kuuzwa pamoja na gawio : 13 Aprili hadi 3 Mei 2010

Hisa kuuzwa bila gawio: kuanzia 4 Mei 2010

Malipo ya gawio kwa wanahisa: kuanzia tarehe 7 Juni 2010

Kwa amri ya Bodi ya wakurugenzi



Lilian R. Komwihangiro, (Mrs)
Katibu wa Kampuni

13 Aprili 2010