



NATIONAL MICROFINANCE BANK PLC INVESTORS PRESENTATION

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NMB

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- NMB at a glance
- Economic overview and operating environment
- Strategic choices
- Main business lines
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NMB AT A GLANCE



NMB at a glance

Over 2.0 million customers

Largest bank in Tanzania by distribution network

Tzs 3.3 Trillion total assets, Tzs 134 bn PAT FY 2013

153 branches, presence in 109 of 138 administrative districts.

Currently leading provider of government transactional banking services

Full fledged wholesale, business and personal banking value propositions

Ranked in top 10 East African Banks



Recent history of the business

- Created in 1997 by an Act of Parliament, from the break up of the old National Bank of Commerce into NBC, CHC and NMB
- Privatised in 2005 with the sale of 49% of the shares to a consortium led by Rabobank Group, with government retaining 51%
- Listed in 2008 on the Dar es Salaam Stock Exchange (DSE) with government divesting a further 21% of its shareholding to the public.
- Transformed itself within 5 years into a full fledged retail bank, with full product range targeted at many segments.
- Ownership structure post IPO:
 - Rabobank 34.9%
 - Treasury Registrar 31.8% (to be sold down to 30%)
 - Public Shareholders 33.3% (including consortium members and staff shares)



Recent history of the business 2005- 2013

From:

- 100% GOT owned
- Restricted license, payment factory
- 600,000 customers
- 1,500 staff
- 0 ATMs
- 0 cards
- No mobile banking
- Limited product range
 - Savings accounts
 - Payments
- 100 branches
- Limited technology
- Maintenance mode

To:

Listed on DSE, 25,000 shareholders
Fully licensed commercial bank
Over 2,000,000 customers
2,800 staff
500 ATMs
Over 1.2 million cards
960,000 registered mobile banking users
Full product range

- Payments / Collections / Trade finance
- Lending
- Savings and deposits
- Treasury

153 branches
Real time online nationwide
Growth



NMB financial snapshot (USD millions)

	2013	2012	2011	CAGR
Total Assets	2,076	1,767	1,362	15%
Deposits	1,627	1,448	1,140	19%
Loans& Advances	1,017	851	710	20%
Revenues	275	234	168	28%
Expenses	142	126	96	22%
PBT	119	91	65	35%
PAT	84	62	45	36%

NMB

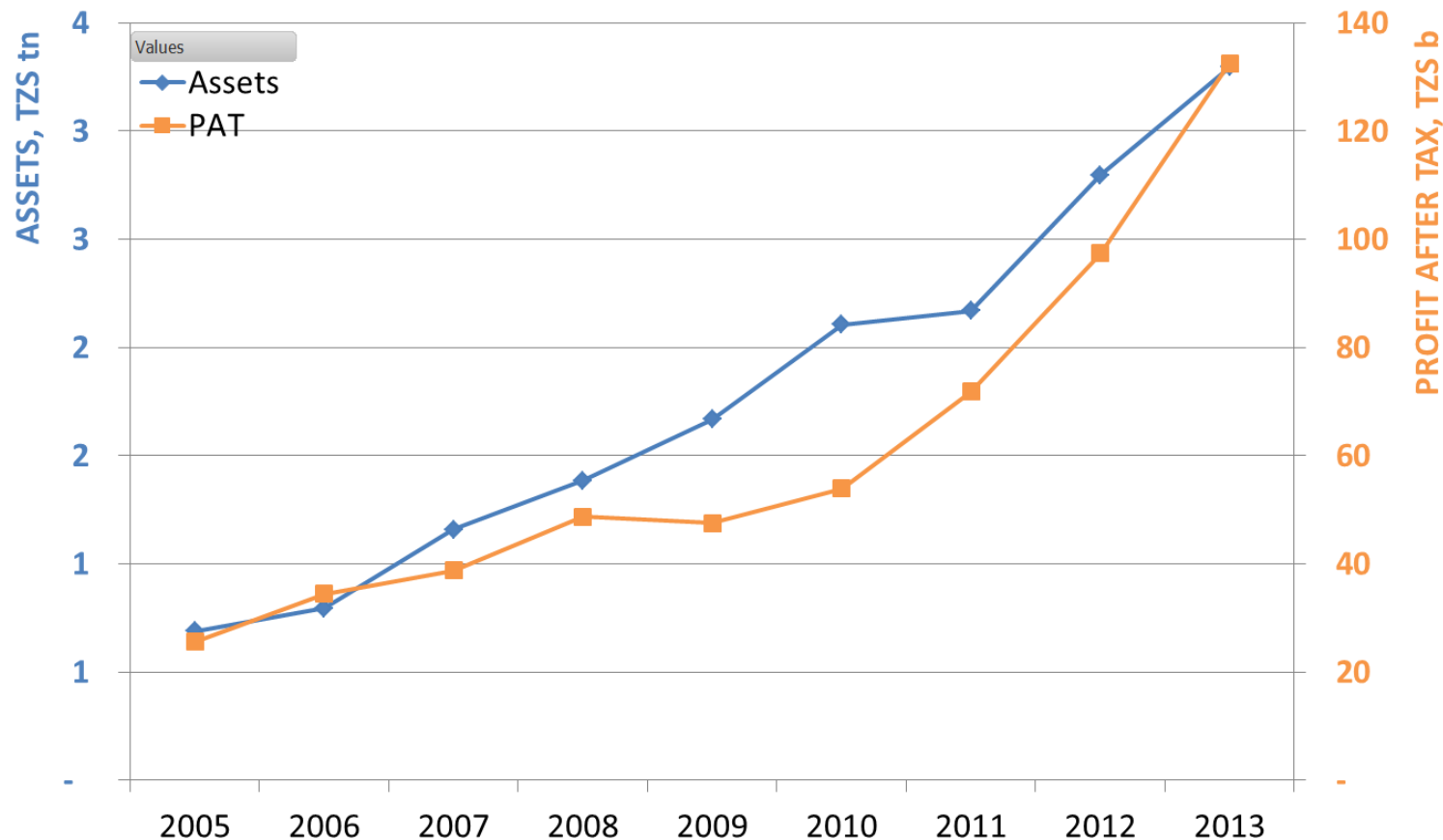
- 26% of banking industry revenues
- # 1 capitalization

Top 3 55% of banking industry revenue

Top 8 76% of banking industry revenue



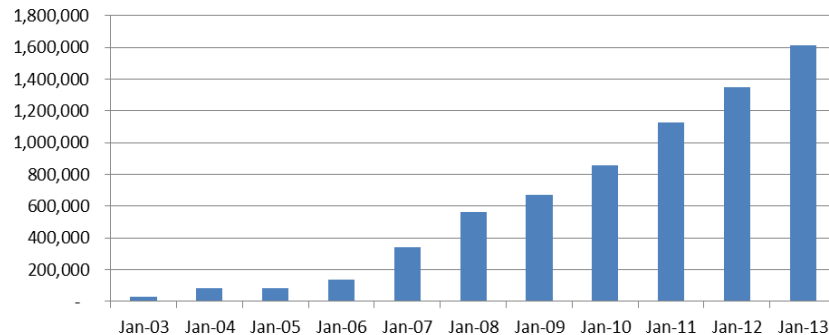
Assets vs Profit After Tax



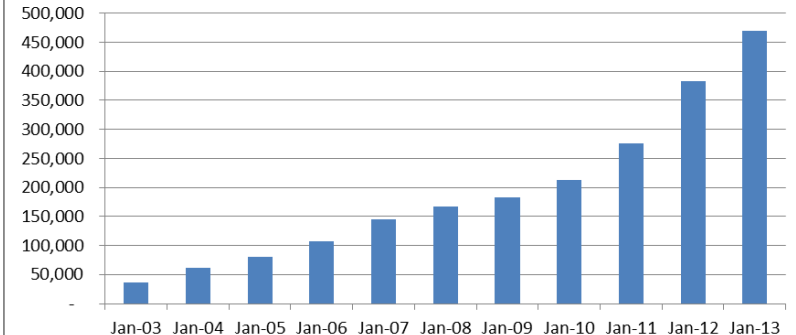
- Balance sheet more than tripled on size in 8 years (from TZS690b to TZS3.3t)
- Accelerating profitability (from TZS26b to TZS134b)

NMB History by numbers

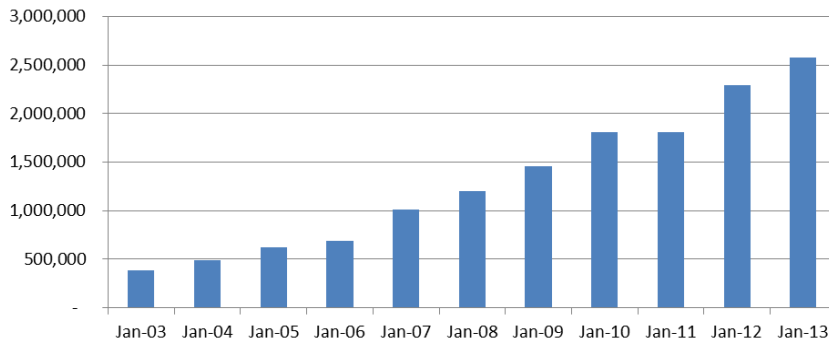
Loans (Growth 55 times)



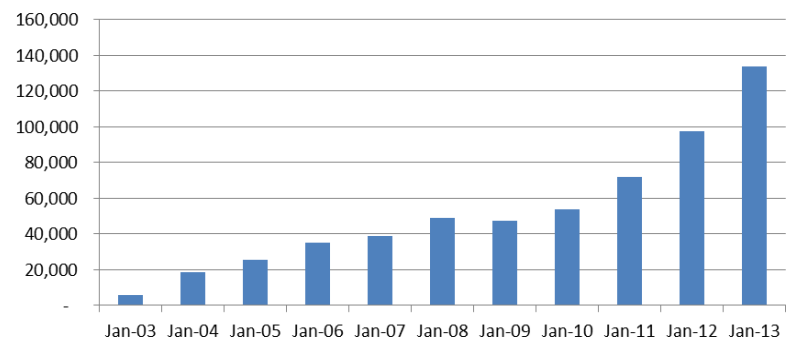
Revenue (Growth 13 times)



Deposits (Growth 7 times)



PAT (Growth 23 times)



Shareholders equity has grown 27 times from TZS 17 billion to TZS 456 billion



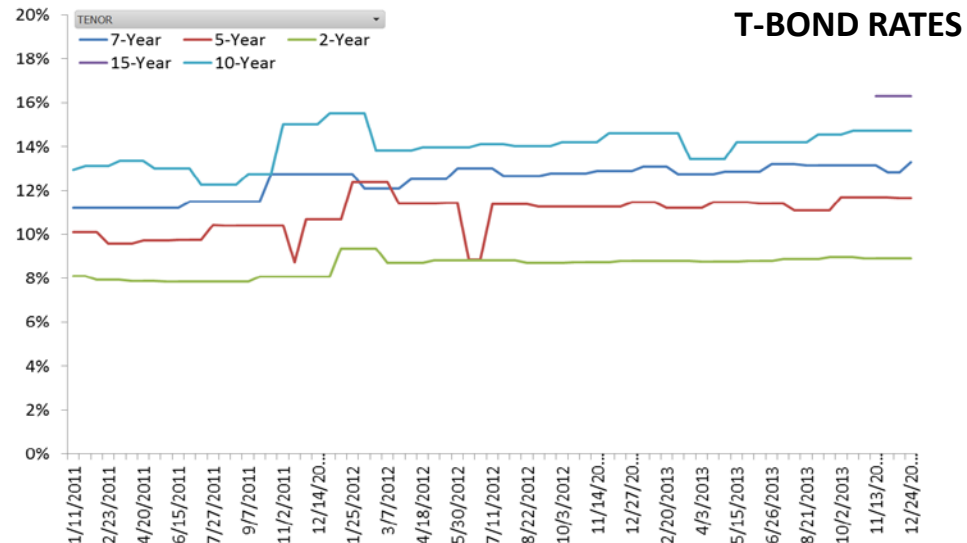
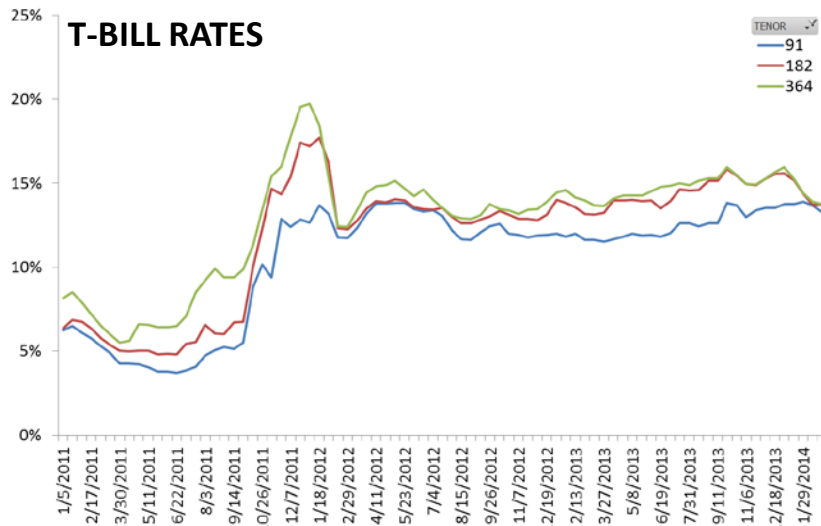
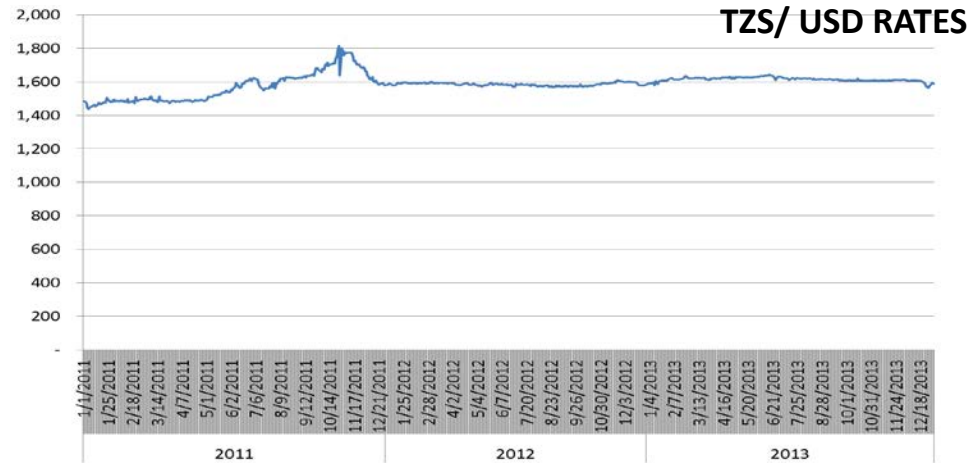
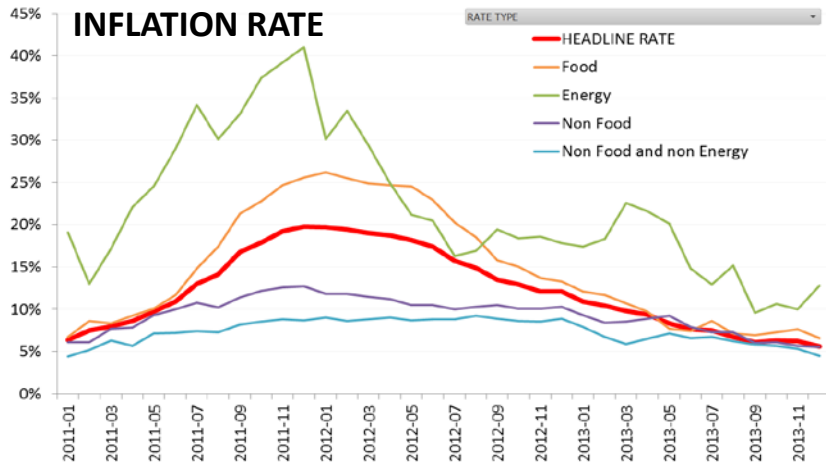
ECONOMIC OVERVIEW AND OPERATING ENVIRONMENT



- Stable political environment; but short term pre-election uncertainties
- Consistent GDP growth at 6 – 7% pa
 - Increasing fiscal deficit of 9.3% (6.7%)
 - High current account deficit (over 10% of GDP)
 - \$4.3 billion reserves, \$11.16 billion imports
- Tight monetary policy stance since late 2011
- Inflation peaked in 2011 at 19.8%, edging down to single digit (average 6% by end December 2013)
- TZS / USD has stabilized at around TZS 1625 / USD; tight BoT oversight
- Treasury bill and bond yields have remained stable through out the year at around 12%
- Vulnerabilities of the economy stem from uncertain donor flows, commodity prices (food, crude oil) and power supplies/tariffs
- Medium term prospects from significant oil and gas finds but revenues from gas only expected from 2020

Overall outlook remains positive

Fx and Inflation



Industry trends vs NMB

- Over 50 licensed banks operating in a USD 28 billion economy; 550 bank branches predominantly located in urban areas
- 8 banks represent 76% of the industry, top 3 represent 55%
- Further upside potential for the industry due to low penetration levels
 - 5.4 million or 13.9% of adult population are formally banked
 - 43.5% use non bank formal products (MNO's)
 - 30% of monetary base is outside the banks
 - Deposits to GDP about 35% (2006: 24%)
- 32% of industry deposits are estimated to be in foreign currencies
- Average deposit rates in industry trending up to 10%, while average lending rates edging down at 17%: margin compression
- Sector profitability indicates average ROA 9%, average ROE 12%



STRATEGIC CHOICES

Increased Competition

Vision: “To be the preferred financial services partner in Tanzania”

Mission: “Through innovative distribution and its extensive branch network, NMB offers affordable customer focused, financials

<i>Values:</i>	What drives us?	What binds us?	What guides us?
	-Eagerness	-Customer focus	-Integrity
	-Ownership	-Teamwork	-Compliance



Key segment/ product lines

Wholesale segments	Products	Agribusiness Segments	Products
<ul style="list-style-type: none"> • Corporate • Institutional • Government (local/ central) • Transactional services • Trade 	<ul style="list-style-type: none"> • Short& Medium Term Loans • Overdraft • Payments/ Collections • Documentary business 	<ul style="list-style-type: none"> • AMCOS • Commercial/ Corporate farms • Emerging farmers • Outgrowers 	<ul style="list-style-type: none"> • Warehouse receipt finance • Input finance • Crop Finance
Retail Segments	Products	Treasury	Products
<ul style="list-style-type: none"> • Personal Banking • Civil Servants • Micro& SME 	<ul style="list-style-type: none"> • SWL/ Payroll • Overdraft • Short term loans 	<ul style="list-style-type: none"> • Money Market • Foreign Exchange 	<ul style="list-style-type: none"> • Interbank • Fixed Income • Retail& Wholesale FX • Time deposits



MAIN BUSINESS LINES



Retail Banking

- Retail banking is the foundation of NMB
- Key segments served:

Individuals / Salaried	MSME / SACCOs
2.0 million customers of which 380,000 are civil servants	More than 54,000 MSME customers
37% of Tanzanians who have a bank account hold their account at NMB	Served through Arusha, Mbeya, Mwanza and Kariakoo business centres and supported through business clubs
Loan book of TZS 838bn, growth of 20% YOY	Loan book of TZS 286bn, growth of 23% YOY
NPL 1.6%	NPL 3%

Business lines: Retail

- Personal lending book to over 290,000 individuals, mostly civil servants, represents over 52% of total loan portfolio
- MSME lending book represents 20-25% of total portfolio
- Ongoing efforts to improve service delivery across the branch network
- Congestion reduced, following revised tariff sheet and increased use of ATMs, branch POS, and NMB Mobile; integration with M-Pesa and Tigo-Pesa
- Continued focus on liability generation up 17%, versus market at 8%
- Investments in new electronic solutions to accelerate personal banking growth (instant account opening, POS, Biometric, MPesa and Tigo-Pesa integration, Visa / Mastercard acquiring), and to address MNO competition at bottom of market.

Overall: Gradually improve customer service/ simplify existing offerings mainly through electronic solutions to accelerate retail TZS / FCY liability and customer growth; enhance self service channels for mass market



Retail service offering under “Jihudumie” campaign



it takes to do your banking services with NMB. Jihudumie

- Open your Chap Chap Instant Account/ NMB Personal Account-Instant and get your ATM card instantly
- Deposit your money through M-Pesa and Tigo Pesa agents
- Withdraw up to a maximum of TZS 1,000,000 from NMB ATMs
- Pay your bills with NMB mobile
- Access your account online

For more info call: +255 22 2161500
Terms and conditions apply

www.nmbtz.com

*Jihudumie campaign is an awareness campaign aimed at raising awareness of self-service channels available through NMB.

We have enabled our customers to do their banking wherever they are, whatever the time.

“Jihudumie” is a kiswahili word translating to “self-serve”



Business lines: Agriculture

- From non existent to being one of top 2 banks active on agriculture
- Total primary agriculture portfolio still small below USD 100 m (seasonal)
- Key activities
 - Key Products: Input finance, Warehouse receipt finance
 - 5 key crops: Cashew, Tobacco, Coffee, Paddy, Sugarcane
 - Supported by NMB Foundation and Rabobank Food& Agri Research (FAR)
 - Focus on AMCOS, Commercial/ Corporate farms; emerging farmers, outgrower schemes
- Challenges:
 - Fragmented sector
 - Operational intricacies
 - Outside influence
 - Higher than average NPL

Overall: Cautions but developing presence agriculture



Business lines: Wholesale

Wholesale Banking

- Wholesale banking increasing contribution to NMB
- Represents about 25% of NMB loan book, but probably already ranked #3 corporate bank in the market
- Focus on the nation's top corporates, non bank FIs, NGOs, and government entities
- Created new Transactional Banking and Institutional Banking teams, strengthened Treasury team
- Able to offer:
 - Short/ long term lending solutions (TZS 400 billion portfolio), TZS 105 billion single name exposure limit
 - Transactional solutions (nationwide payments / collections)
 - Electronic banking, internet banking, payroll
 - Foreign Exchange
 - Trade finance (Vanilla and oil imports)

Overall: Grow from lending focus to include liability generation, transactional and treasury activities.



Government Banking service

- Annual / bi-annual tender for local and central government banking services
- NMB won 6 out of 7 geographical lots
- Key Strength: Nationwide presence in 109 of 138 national administrative districts
- Seasonal deposit fluctuations in line with government budget; impacts overall deposit growth predictability
- Operational Developments:
 - Gradual migration to electronic solutions
 - Improved payroll processing through “single check” (90% of civil servants hold current account at NMB)
 - Gradual move to Internet banking for other non payroll payments

Overall: Defend GOT banking business, improve services through electronic solutions and relationship management; attract government institutions business (outside tender)



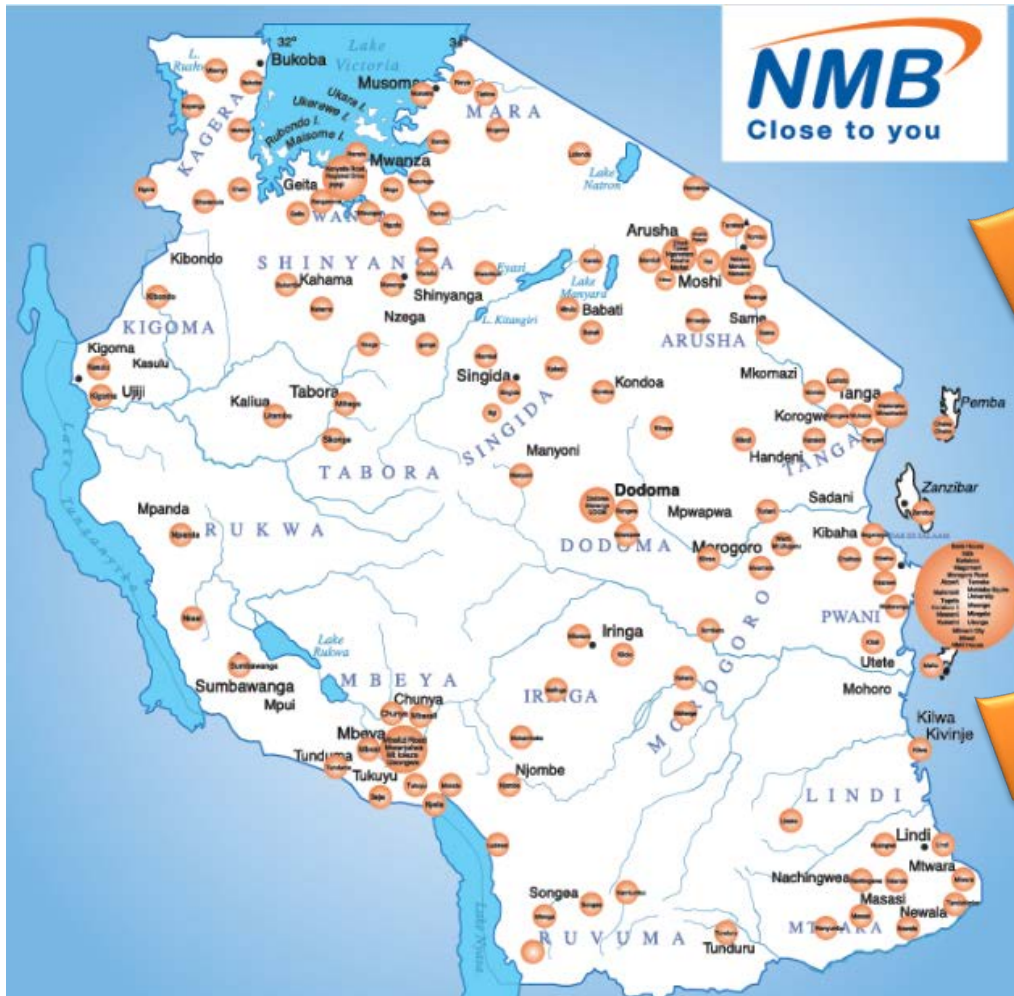
Leadership in distribution:

- Recent history
 - From 100 to 153 branches; 6 new branches in 2013
 - From 0 to 500 ATMs
 - 960,000 registered mobile banking users: the first bank led mobile payment platform
- Branch network profile:
 - 25% of total bank branches in Tanzania
 - 62% of NMB branches are in rural areas
 - By year end 2014 we will have 80 more branches than next largest bank (93)
 - National coverage (branch presence in 109 of 138 districts)

Overall: Consolidate “bricks and mortar” growth and develop alternative distribution channels, while upgrading existing premises.



Distribution



500 ATMS

153 branches



Ongoing Network improvements

	2011	2012	2013	2014
Starting branches	139	142	147	153
New branches	3	5	6	17 (Work in Progress)
Ending branches	142	147	153	170
Refurbishments	4	7	6	1
Relocations	1	1	5	3
Total branch construction projects	8	13	17	21

In addition: Accelerated branch renovation program (80 branches in 2 years) in 2014 and 2015.



Leadership in distribution:

- Alternative channels include:
 - 40% of all ATMs in Tanzania
 - Integration with M-Pesa& Tigo-Pesa (60,000 cash-in/ cash-out points)
 - Launch of branch POS and merchant POS
 - Possible agency banks model
 - Remote direct sales agents for Chap Chap instant account sales (200 agents)
 - Internet banking
 - Visa/ Mastercard planned for 2014

Overall: Consolidate “bricks and mortar” growth and develop alternative distribution channels, while upgrading existing premises.

ICT / Operations

- Leadership in technology:
 - Realtime on line nationwide
 - Mobile banking pioneers
 - ATM, POS, cards, Pesa Fasta (cardless ATM), M-Pesa and Tigo-Pesa
- Crossed over to new cutting edge core banking system (Flexcube) in 2011; move to tier 3 data centre environment
- 134 out of 153 branches are on fibre, all branches have wireless fail over
- Increasing ratio of electronic transactions to total transactions processed (over 50%)
- Increasing number of electronic transactions per customer
- Continued opportunity for productivity improvements (process redesign) – Loan Centre
- Number 1 card issuer with 1.2 million active proprietary cards
- Credit scoring

Overall: Consolidate existing platforms, develop alternative electronic distribution channels, seek productivity gains through low cost, high volume standardized processes.

Significant Projects (PMO)

- New headquarters construction& fitout
- New HQ Data center and ICT Infrastructure Remediation Project
- Accelerated branch renovation project (SURA MPYA)
- VISA/ Mastercard
- Tanzania Automated Clearing House (TACH)
- Treasury System Implementation(MYSIS)
- Infrastructure Remediation Project
- Business Continuity Management (BCM)
- Business Process re-engineering (Systems/ Processes/ People)
- Self-Service Channels
- KYC Remediation and AML Systems
- Loan Processing Centre and Credit Scoring

FINANCIAL PERFORMANCE



NMB Financial Performance 2013

	2013 TZS billions	2012 TZS billions	Change (Percentage)	2013 USD Millions	2012 USD Millions
Revenue	437	370	18%	275	234
NII (net interest income)	330	279	18%	208	176
NFI (net interest income)	107	91	18%	68	57
Cost	225	199	13%	142	126
Staff	100	76	31%	63	48
Opex	126	123	2%	79	78
Impairment	24	26	-8%	15	16
PBT	188	145	30%	119	91
PAT	134	97	37%	84	62
Loans and advances	1,614	1,346	20%	1,017	851
Deposits	2,583	2,290	13%	1,627	1,448



* Financials charges netted off against revenue

Market Comparables (December 2013)

	NMB	Top 3	Big 8	The Rest	Market
Ratios					
LDR	63%	63%	62%	90%	68%
NPL	2.6%	5%	6%	8%	6%
NIM	15%	12%	11%	9%	10%
C/I (operating)	53%	64%	60%	94%	73%
% Growth YOY					
Deposits	13%	12%	9%	5%	8%
Loans	20%	12%	11%	25%	15%
Revenues	18%	18%	13%	30%	15%
Expenses	13%	14%	12%	26%	16%
Profit	37%	25%	5%	-129%	13%



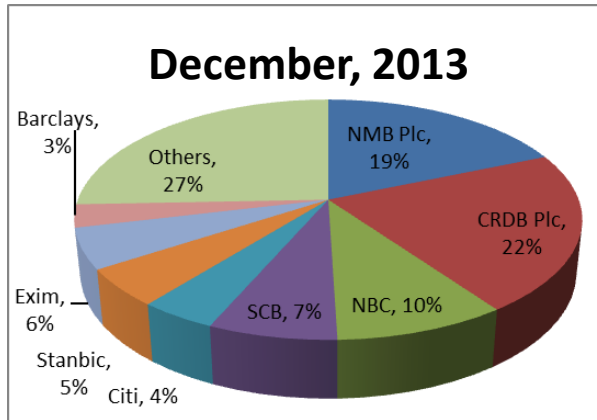
NMB Financial Performance 2013

- Revenues up 18% on good loan volume growth and increased rates
- NMB had industry leading Y-o-Y growth in profitability of 36%.
- Strong 2013 performance with 18% growth in income from prior year including a 18% rise in non-interest income.
- Continued efficiency gains (CIR was 53% down from 55%, 60% in 2012 and 2011 respectively)
- NPL closed at around 2.6% (industry average 6%)
- PBT and PAT up 37%
- ROE increased to 29%
- Still very low cost of funds
- Deposit growth at 13% recovering to market growth rates (amendment tariff sheet and deposit campaigns)

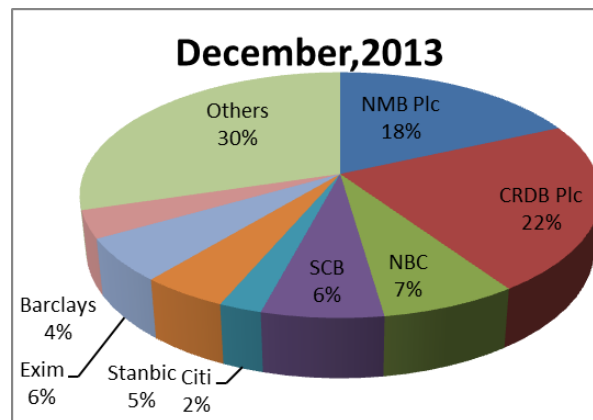


Market Share

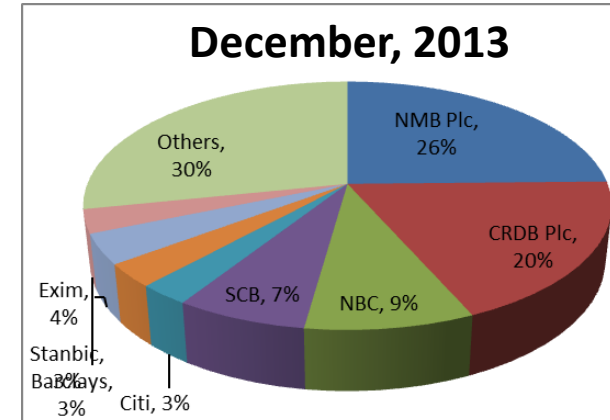
DEPOSIT MARKET SHARE



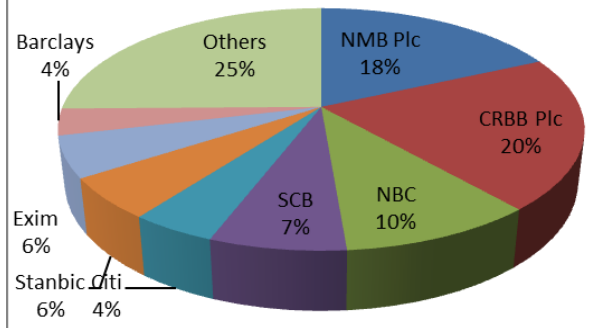
ADVANCES MARKET SHARE



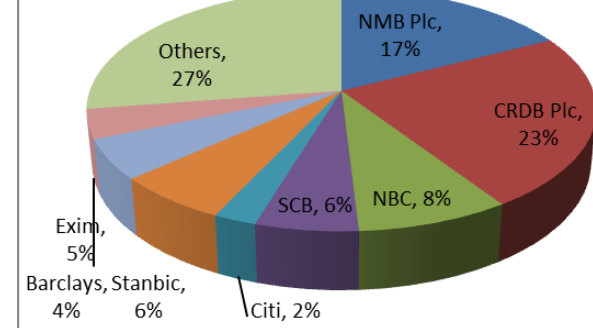
TOTAL OPERATING INCOME MARKET SHARE



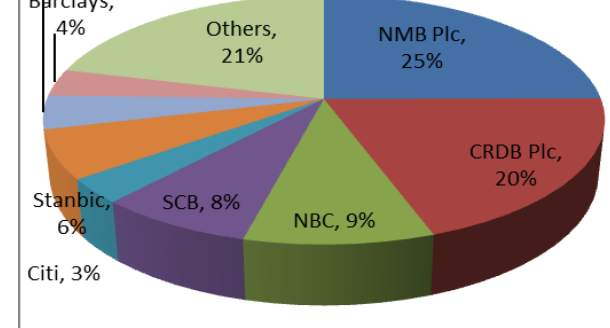
December, 2012



December, 2012



December, 2012



Financial

- Record profit up 37%
- Improved cost to income ratio at 53%

Process

- Improvement in control environment

People

- Progress made
- Still long journey ahead of us

Customer

- Growing faster than the market: Market share up
- Expanding product range

Risk / Compliance

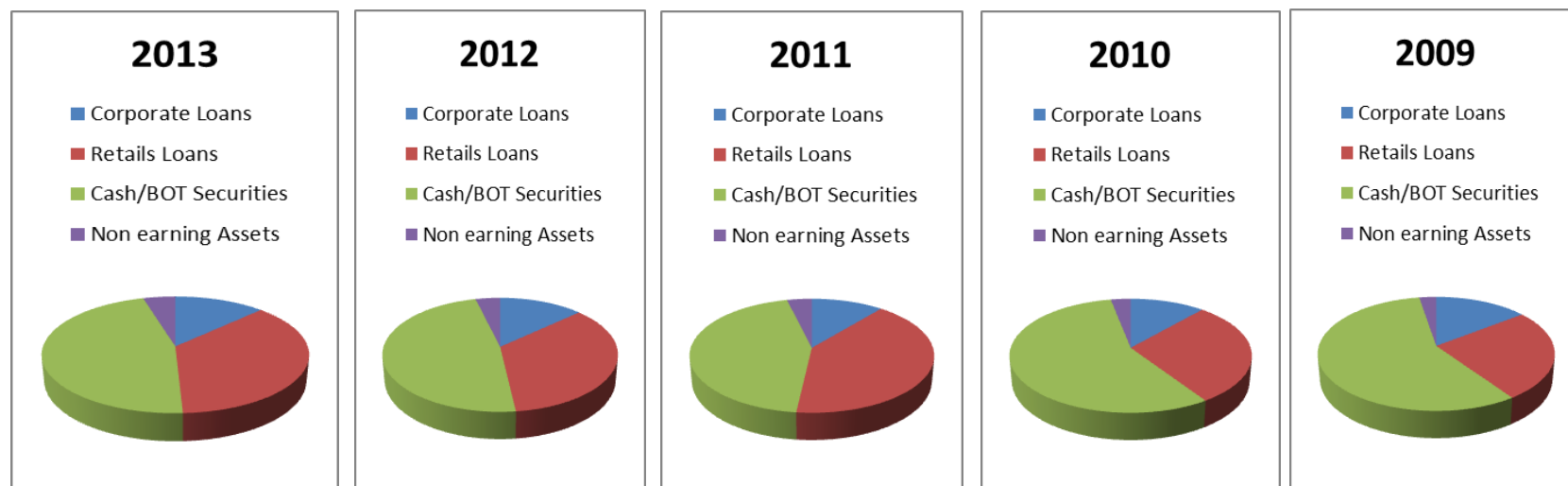
- NPL 2.6%, coverage ratio 89%
- KYC compliance and fraud risk still a concern

FUNDING & ASSET QUALITY



Balanced Asset structure

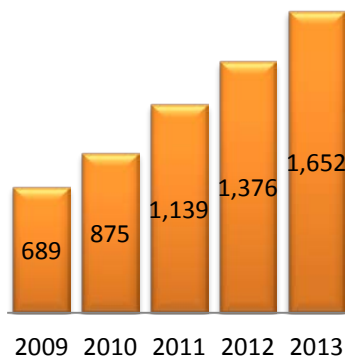
Fig in Tzs m	2013	2012	2011	2010	2009
Corporate& Agri Loans	412,547	370,249	236,543	240,629	243,152
Retails Loans	1,201,745	975,683	886,975	617,156	429,428
• <i>Personal Banking</i>	873,628	706,930	611,545	447,335	311,355
• <i>SME</i>	328,117	268,753	275,430	169,821	118,073
Cash/BOT Securities	1,519,429	1,342,067	964,923	1,185,497	952,624
Non earning Assets	146,465	107,879	81,809	63,799	44,129
Total	3,280,186	2,795,878	2,170,250	2,107,081	1,669,333



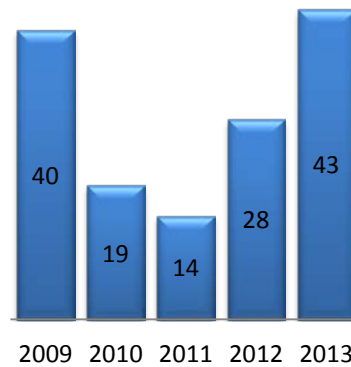
Quality Assets

Year	Gross L&A	NPL	Cumulative Impairment	Impairment charge for period (Net)
2009	689	40	17	7
2010	875	19	17	2
2011	1,139	14	16	12
2012	1,376	28	30	26
2013	1,652	43	38	24

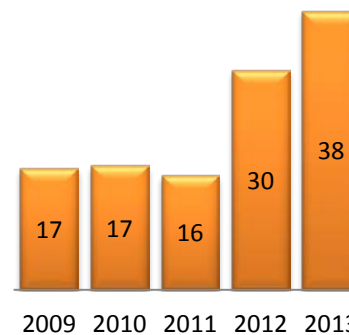
Gross L&A



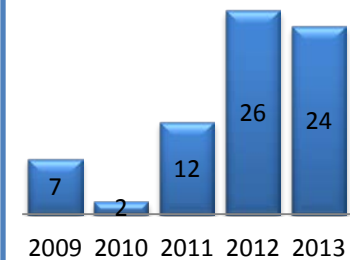
NPL



Cummulative Impairment

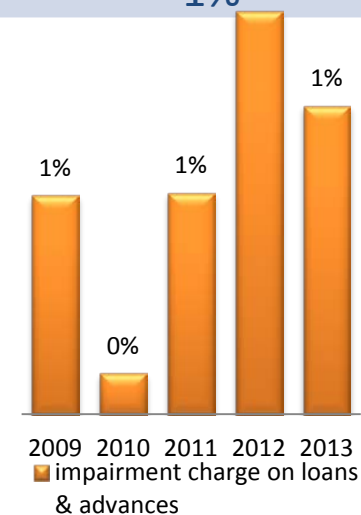
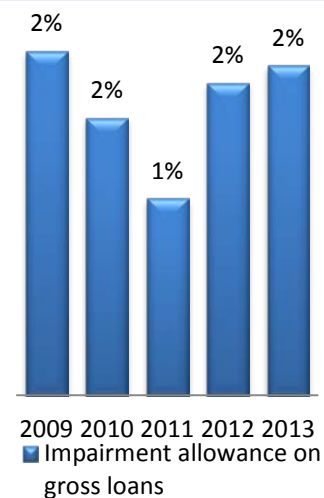
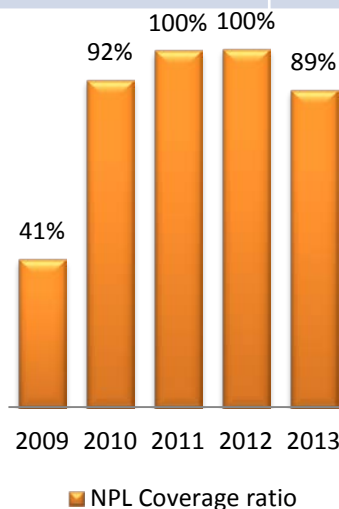
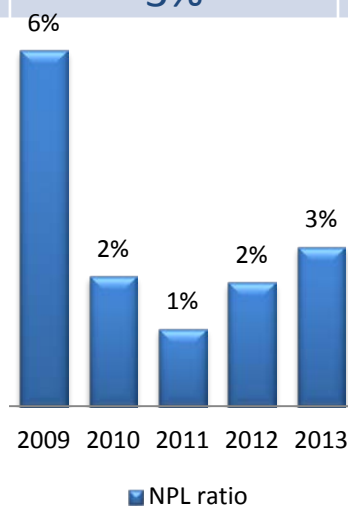


Impairment charge for period



Satisfactory impairment coverage

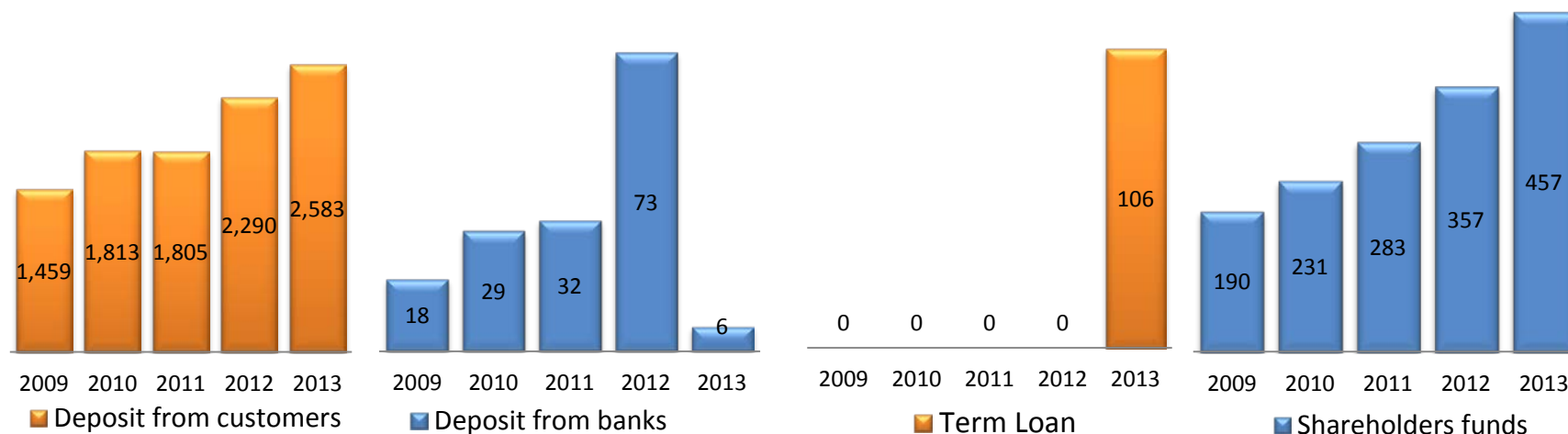
	NPL ratio	NPL Coverage ratio	Cumulative Impairment on gross loans	Impairment charge on gross loans (for the year)
2009	6%	41%	2%	1%
2010	2%	92%	2%	0%
2011	1%	100%	1%	1%
2012	2%	100%	2%	2%
2013	3%	89%	2%	1% ^{2%}



Diversified funding structure

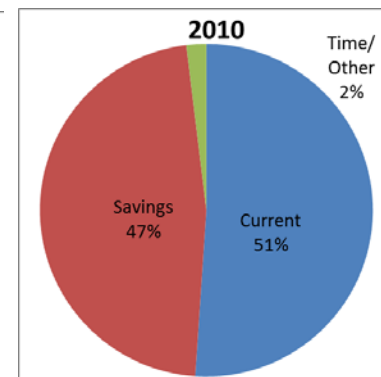
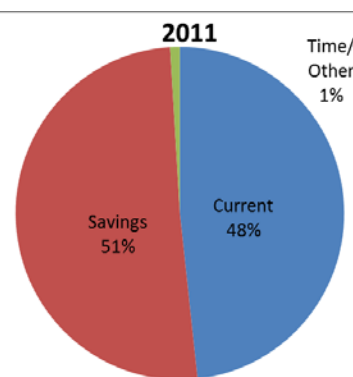
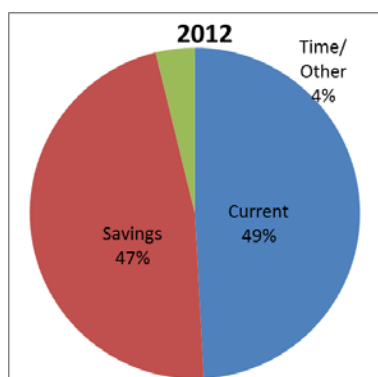
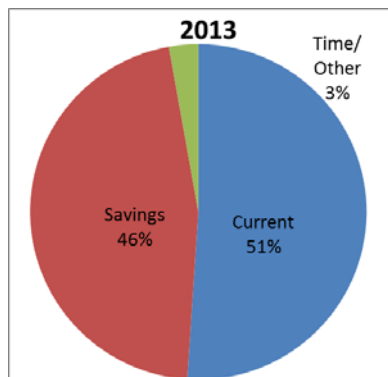
	Deposit from customers	Deposit from banks	Term Funding	Shareholders funds	Total
2009	1,459	18	-	190	1,667
2010	1,813	29	-	231	2,073
2011	1,805	32	-	283	2,119
2012	2,290	73	-	357	2,719
2013	2,583	6	106	457	3,045

*Term loans obtained from FMO



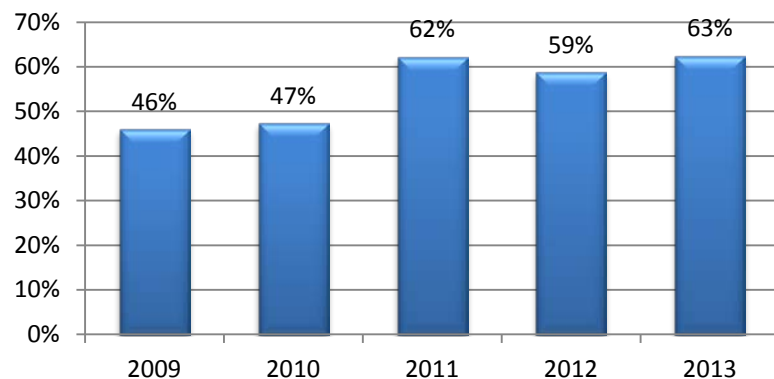
High proportion of core deposits

	2013	2012	2011	2010	2009
Current	1,318,661	1,125,420	871,366	925,695	955,617
Savings	1,191,448	1,076,908	916,079	851,955	488,552
Time/Other	72,516	87,651	17,254	34,997	15,229
Total	2,582,625	2,289,979	1,804,699	1,812,647	1,459,398

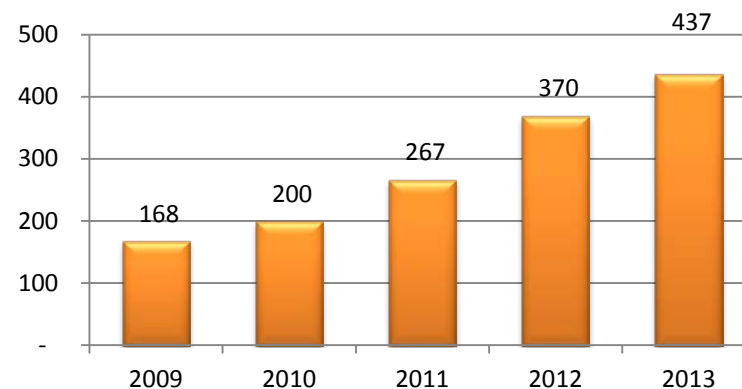


Solid earnings profile and ratios

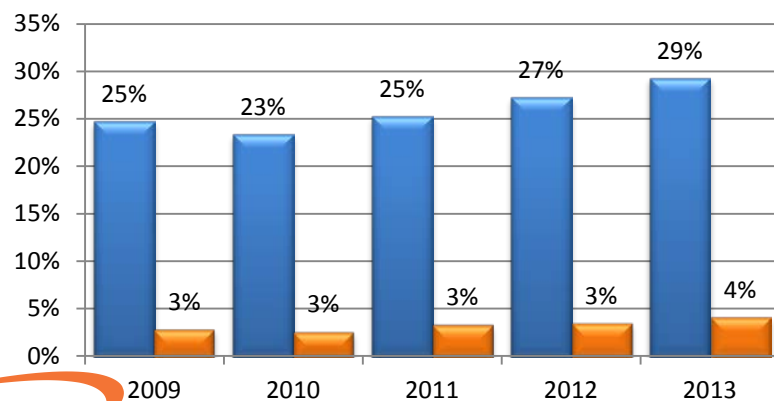
Loan to deposit ratio



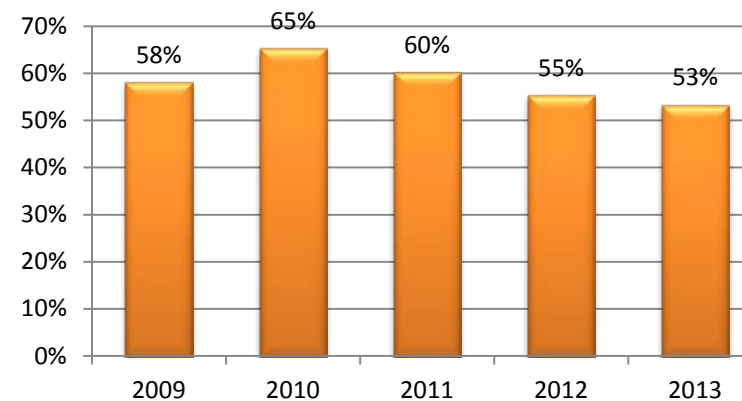
Income (TZS billion)



■ RoE ■ RoA



CIR

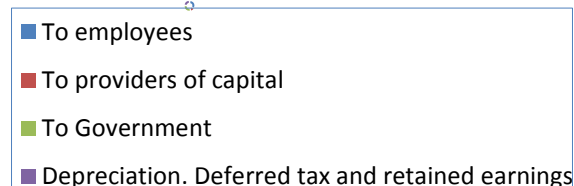
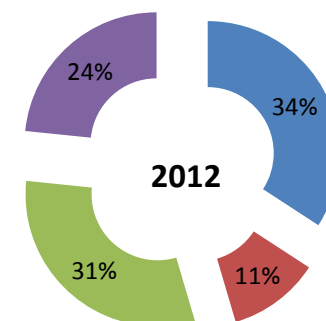
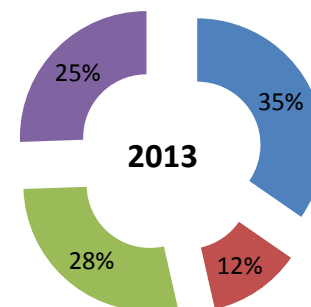


Conclusion: In line with Africa Best Practice

ECONOMIC IMPACT

Value added statement

VALUE ADDED	2013	2012
Income earned by providing banking service	448,064	368,486
Cost of service	(49,659)	(35,199)
Value added by banking service	398,405	333,287
Other income and expenditure	(110,599)	(111,107)
Total Value added	287,806	222,180
VALUE ALLOCATED		
To employees	99,675	75,955
To providers of capital	34,000	25,000
of which to Government	10,805	7,945
To Government	80,612	69,274
Income Tax	54,225	49,623
PAYE	20,632	14,203
Skills & development levy	4,706	4,557
To other stakeholders (sponsorship/Donations)	1,049	891
To growth		
Depreciation. Deferred tax and retained earnings	73,519	51,951
Total Value Allocated	287,806	222,180



Corporate Social Responsibility (CSR)

- 1% of PAT to CSR causes (2013 TZS 1.0b)
 - Schools (desks& used computers) (75 schools benefited)
 - Hospital (beds) (19 hospitals benefited)
 - Natural disasters (provided support to flood victims in Simanjiro and drought victims in Kishapu)
- Focus on
 - Financial literacy
 - 2012 focus was on schools. 2 schools per branch were adopted, 50,000 kids reached through program
 - 2013 focus is on M-SME through business clubs, 61 training sessions held reaching 6,500 MSMEs
 - NMB Foundation for Agricultural Development (NFAD)
 - NMB Foundation (budget of EUR 250,000 per year): training for agriculture cooperatives
 - NFAD trained close to 448 farmer organizations (PCSs, AMCOS, Associations and Groups). Through these programs some 5,828 individual influential farmers in organizations, 2,284 board members of organizations received direct training. These leaders represent over 77,893 members.
 - NFAD also continued assisting FO's improve their governance, efficiency and performance by providing training in the areas of good governance and administration; marketing and loan administration as well as financial literacy.



INVESTORS CONSIDERATIONS



Share Trading Performance (31st December 2013)

Date	NMB Share price
Share price on IPO	TZS 600
01 January 2013	TZS 1,120
Dec 31 st 2013	TZS 2,620
<i>12 month high (2013)</i>	<i>TZS 2,620</i>
<i>12 month low (2013)</i>	<i>TZS 1,120</i>
30th April 2014	TZS 2,840
Trading volume (2013)	15% of total market
Price earnings	9.8 times
Price to book	1.65 times



NMB Investor Summary

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Earning per share TZS	268	195	144	108	95
Earnings per share growth %	37%	36%	33%	14%	-2%
Dividends per share (Adj) TZS	90	68	50	36	31
Dividends per share growth %	32%	36%	40%	13%	5%
Total dividends (TZS billions)	45	34	25	18	16
Pay out Ratio (%)	34%	35%	35%	33%	34%
Dividend Yield (%)*	3%	6%	6%	5%	4%
NAV (TZS per share)	913	714	565	461	380
NAV Growth %	28%	26%	23%	21%	20%
Market Capitalisation (TZS billions)	1310	560	425	330	405

* Dividend Yield is down on account of the increases of share price



Investor perspective 2013

- Share price growth 134% from Tzs 1,120 in Jan 13 to 2,620 Dec 2013
- Current price as of 27th May 2014 was Tzs 3,220
- Total return to shareholder is dividend of Tzs 90 per share plus share appreciation of 417% on IPO
- Price/Earnings at 9.8 times at Dec 2013
- Price/Book is 1.65 times
- Return On Equity (ROE) 29%
- Net Asset Value (NAV) growth 28%

Dividend recommendations

- Board recommends a dividend payment of Tzs 90 per share which is 32% higher from Tzs 68 per share paid out of 2012 PAT
- Total proposed dividend amount will be Tzs 45 billion compared to Tzs 34 billion paid last year
- Dividend yield is 3.4% compared to market savings rates of 4% due to share price increase
- If the proposed dividend is paid our capital adequacy ratios will be 19%.
- The board has set a minimum CAR of 50% above the minimum regulatory requirement of 12% i.e 18%
- This recommendations enables the bank to retain enough capital to meet the capital expenditures ahead of us- SURA MPYA a 3 years program for about Tzs 60 billion, ICT Data Centre and new NMB HQ.
- Best practice in Africa indicates that typical dividend payout ratios of our peers are around 30%

CONCLUSIONS

Conclusion

- Solid performance of the bank
- Continued focus on long term sustainability through:
 - Liability generation and non interest income
 - Prudent risk and credit practices
 - Adequate capitalization
 - Operational and financial efficiency
 - Increased scrutiny of costs
 - Develop alternative distribution models
- Inherent risks remain:
 - Government banking services
 - Interest rate developments
 - Loan portfolio deterioration
 - Competitive pressures (banks, mobile network operators)
- Favorable outlook 2014

EUROMONEY

Best Bank 2013
Tanzania



The Banker

Best Bank of the Year 2013
Tanzania



Banker Africa

Best Commercial Bank 2014
East Africa



Tanzania Revenue Authority (TRA)

Certificate of Merit
Most Compliant Tax Payer



National Board of Accountants and Auditors (NBAA)

Best Financial Statements
of the Year 2013



Banker Africa

Best Bank in Tanzania 2013



Conclusion

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