

NATIONAL MICROFINANCE BANK PLC

INVESTOR PRESENTATION

On the occasion of the AGM of NMB

By Mark Wiessing
Chief Executive Officer
June 2013



The advertisement shows a smiling man in a white chef's uniform and a blue NMB-branded chef's hat. He is holding a silver platter with the word 'JISEVIA' on it. In his other hand, he is holding a collection of NMB service icons, including NMB ATM, NMB mobile, NMB Pesa Posta, and NMB m-pesa. The background is a light beige color.

Ili kukuwezesha kupata huduma kwa haraka, muda wowote na mahali popote, NMB inaendelea kubuni huduma unazoweza kuzipata bila kwenda katika tawi la NMB. Huduma hizo ni :-

Zipo katika menu yetu kukuhudumia wewe kilichobaki ni wewe kujisevia





Contents

- NMB at a Glance
- Operating Environment
- Financial Performance
- Investor Perspective
- Our Business
- CSR
- Conclusion





NMB at a Glance

1.8million customers

Largest bank in Tanzania by
distribution network

TZS2.8trn total assets, TZS 97b PAT (2012 FY)

149 branches, present in 124 of 134 administrative districts

Full fledged wholesale, business and personal banking value propositions





Recent history of the business 2005 – 2012

From:

- 100% GOT owned
- 600,000 customers
- 1,500 staff
- 0 ATMs
- 0 cards
- No mobile banking
- Limited product range
 - Savings accounts
 - Payments
- 100 branches
- Limited technology
- Lack of strategy / maintenance mode

To:

Listed on DSE, 25,000 shareholders
1,800,000 customers
2,700 staff
500 ATMs
Over 1.2 million cards
600,000 registered mobile banking users
Full product range

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

149 branches
Real time online nationwide
Growth





Economic overview

- Limited impact of global crisis
- Consistent GDP growth at 6 – 7% pa
 - Government revenues pressured by reduced donor flows; deficit of 6.7%
 - Accelerating current account deficit (over 10% of GDP)
 - \$3.5 billion reserves, \$10 billion imports (4 months cover)
- Tight monetary policy stance since late 2011
- Inflation peaked in 2011 at 19.8%, edging down (10% in December 2012)
- TZS / USD volatility in 2011 has stabilized at around TZS 1600 / USD
- Treasury bill and bond yields picked up significantly towards year end 2011 in line with inflation
- Continued tight money markets in 2012 but rates edging down below mid teens but still above inflation
- Vulnerability of the economy to uncertain donor flows, commodity prices (food, crude oil) and power supplies/tariffs
- Medium term prospects from significant oil and gas findings

Overall marginally weaker environment in 2012 but outlook positive





Banking Sector Summary

- 50 licensed banks operating in a USD 25 billion economy; 521 bank branches predominantly located in urban areas
- 8 banks represent 75% of the industry, top 3 represent 50%
- Further upside potential for the industry due to low penetration levels
 - 12% of bankable population are banked
 - 30% of monetary base is outside the banks
 - Deposits to GDP about 30% (2006: 24%)
- There was a slowdown in industry deposit growth in 2011 (15%) and in 2012 (12%), from highs in mid twenties
- 30% of industry deposits are estimated to be in foreign currencies
- Average deposit rates in industry trending up to 8%, while average lending rates edging down at 14%: margin compression
- Sector profitability reducing (average ROA 2.5%, average ROE 13.6%)



NMB Financial Performance 2012

	2012 (TZS billion)	2011 (TZS billion)	Change (Percentage)
Revenues	370	267	39%
• NII (net interest income)	279	185	51%
• NFI (non funded income)	91	81	12%
Cost	(199)	(152)	31%
• Staff	(76)	(64)	19%
• OPEX	(123)	(88)	39%
Impairment	(26)	(12)	116%
PBT	145	103	40%
PAT	97	72	35%
Loans & Advances	1,345	1,124	20%
Deposits	2,290	1,804	27%

* Financials charges netted off against revenue

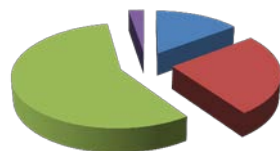




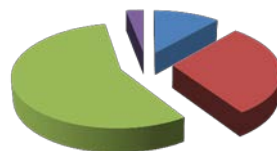
Balanced Asset structure

	2009	2010	2011	2012
Corporate Loans & Ods	245,621	242,253	278,582	373,433
Retail loans	426,959	615,532	844,936	1,011,070
Cash / BOT Securities	952,624	1,185,497	952,133	1,342,067
Non earning Assets	44,129	63,799	90,794	99,831
Total	1,669,333	2,107,081	2,166,445	2,796,346

2009



2010



2011



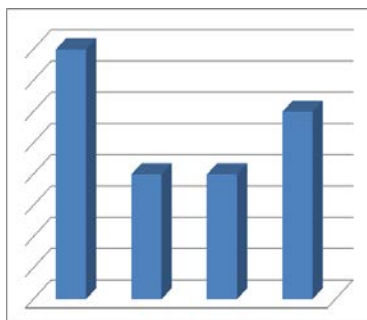
2012



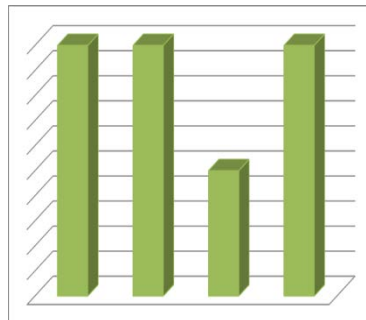


Satisfactory impairment coverage

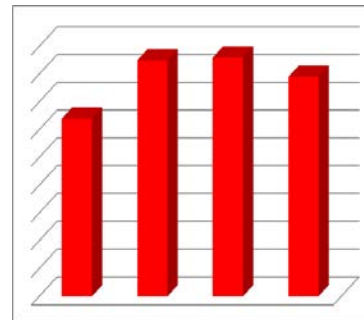
	NPL ratio (%)	NPL coverage ratio (%)	Impairment Allowance on gross loans & advances (%)	Impairment charge on net loans & advances (%)
2009	4%	64%	2%	1%
2010	2%	85%	2%	0%
2011	2%	86%	1%	1%
2012	2.4%	94%	2%	1%



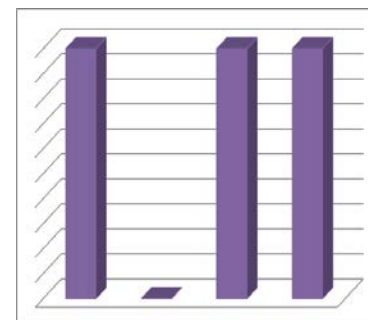
NPL ratio (%)



NPL coverage ratio (%)



Impairment Allowance on gross loans & advances (%)



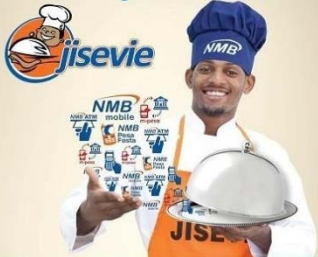
Impairment charge on loans & advances (%)



Market Comparable (December 2012)

	NMB	Top 3	Big 8	The rest	Market
Ratios					
LDR	61%	64%	62%	77%	66%
NPL	2.4%	7%	7%	5%	6%
NIM	10%	6%	2%	3%	0%
C/I (operating)	55%	66%	66%	94%	72%
%Growth YOY					
Deposits	27%	12%	9%	23%	13%
Loans	20%	18%	10%	27%	17%
Revenues	39%	25%	19%	19%	19%
Expenses	32%	24%	22%	27%	24%
Profit	36%	31%	18%	-65%	10%

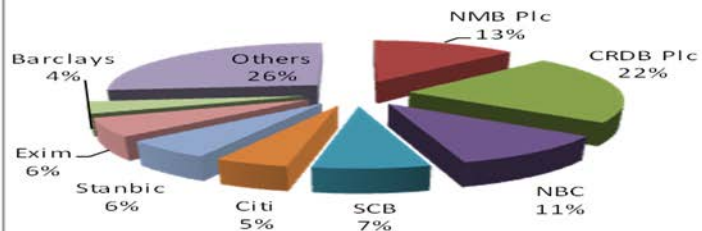




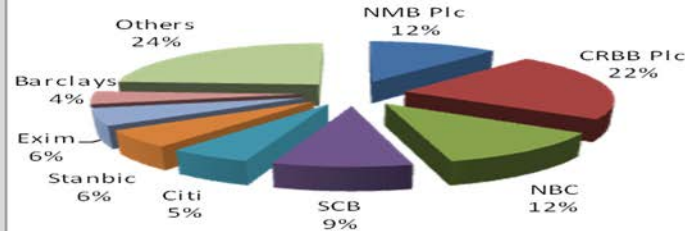
Market Share

DEPOSIT MARKET SHARE

December, 2012

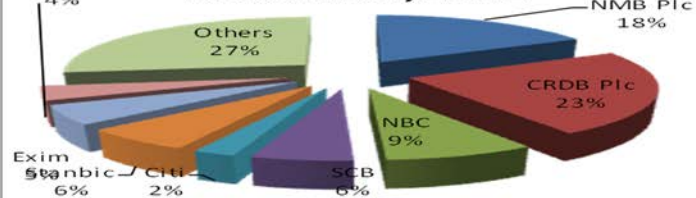


December, 2011

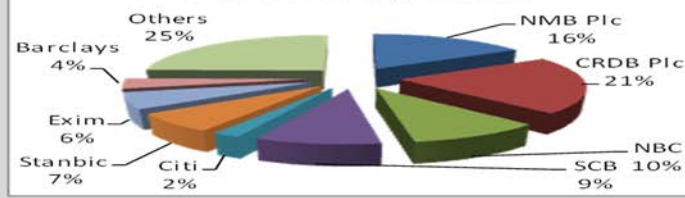


ADVANCES MARKET SHARE

December, 2012

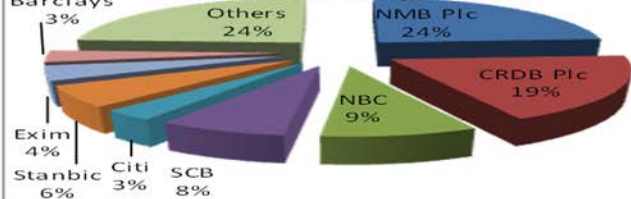


December, 2011

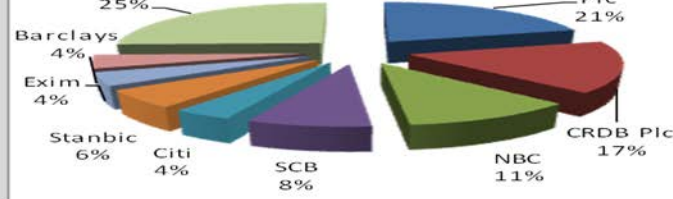


TOTAL OPERATING INCOME

December, 2012



December, 2011



- NMB steadily gaining market share





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Dividend recommendations

- Board recommends dividend of Tzs 68 per share which is 36% higher from Tzs 50 per share paid out of 2011 PAT
- Total dividend amount will be Tzs 34 billion compared to Tzs 25 billion paid last year
- This represents a payout ratio of 34.9% which is higher than 33.3% as prescribed in our Companies Articles of Associations
- Dividend yield is 6% compared to market savings rates of 4%
- If the proposed dividend is paid our capital adequacy ratios will be 20%.
- The board has set a minimum CAR of 50% above the minimum regulatory requirement of 12% i.e 18%
- Effective 2013 BOT will introduce a buffer of 2.5% on total capital requirement of 12% i.e 14.5% so the bank is well positioned to comply
- 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
- Best practice in Africa indicates that typical dividend payout ratios of our peers are around 30%





NMB Aspirations

- Sustainably / sufficiently profitable
- Perceived as the people's bank: broad based, affordable
- Urban / rural distribution
- Employee and customer satisfaction
- Use technology advantage to achieve benefit of scale at low cost
- Target lead position in the chosen markets
- Enhance link with Rabobank for technical assistance on a needs basis
- Grow at least at market growth rates
- Efficiency ratios to trend to market / Africa best practice by 2013
- Leadership in agriculture and government banking







Technology and Operations

ICT / Operations

- Leadership in technology:
 - Realtime on line nationwide
 - Mobile banking pioneers
 - ATM, POS, cards, Pesa Fasta (cardless ATM), M-Pesa intergration
- Crossed over to new cutting edge core banking system (Flexcube) in 2011
- 140 out of 149 branches are on fibre, all branches have wireless fail over
- Increasing ratio of electronic transactions to total transactions processed
- Increasing number of electronic transactions per customer
- Continued opportunity for productivity improvements (process redesign)
- Number 1 card issuer with 1.2 million active proprietary cards

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





Huduma ya *jisevie*



Huduma za kibenki
karibu yako zaidi...

www.nmbtz.com

NMB
Karibu yako



NMB



Distribution

- ***Leadership in distribution:***

- Over the last 5 years

- From 100 to 140 branches
- From 0 to 500 ATMs
- 600,000+ registered mobile banking users

- Network profile:

- 34% of all bank branches in Tanzania
- 43% of all ATMs in Tanzania
- 55% of NMB branches are in districts where there are no other banks
- 60% of NMB branches are in rural areas





Distribution

2011

- Constructed 8 additional branches
- ATMs grew to 450 by year end

2012

- We opened 5 new branches
- Maktaba Square, Tegeta, Mbezi beach, Uhamiaji Kurasini and UDOM

2013

- 2 New Branches, relocate 2 branches to new locations,
- Open 10 Quick Service branches(QSBs)
- 85 Additional ATMs
- 4 Bank on Wheels

Future

- Capex focused on branch refurbishment(Sura Mpya) and selected new branch locations.
- Continue exploration of new alternative channels





Corporate Social Responsibility-CSR

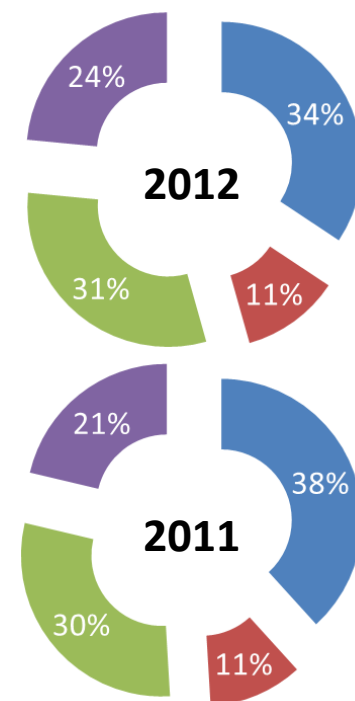
- CSR activities focused on agriculture, education and health
- About 1% of PAT applied to donations and sponsorships of worthy causes. . e.g Financial literacy, disaster support etc
- NMB Foundation for Agricultural Development building governance and skills for over 200 agricultural cooperatives, representing over 100,000 households.
- Future efforts to focus on building financial literacy in schools and for MSMEs.
- “NMB System” paid over TZS 120 billion in corporate and payroll taxes over the last 5 years; 2nd largest contributor to state revenues.
- Tax payer of the year award by TRA for the 2nd year running





Value Added Statement

TZS Millions	2012	2011
Value added		
Income earned by providing banking services	287,924	193,005
Cost of service	(35,199)	(19,584)
Value added by banking services	252,725	173,421
Non operating and other income and expenditures	(31,436)	(6,989)
	221,289	166,432
Value allocated		
To employees:	75,955	63,646
To providers of capital:	25,000	18,000
To government:	68,383	49,320
Income Tax	49,623	34,508
PAYE	14,203	11,641
Skills development levy	4,557	3,171
To expansion and growth:	51,951	35,466
	221,289	166,432



- To employees:
- To providers of capital:
- To government:
- To expansion and growth:





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
- Embed new core banking system and achieve productivity improvements
- Inherent risks remain:
 - Interest rate developments
 - Loan portfolio deterioration
 - Competitive pressures (banks, mobile network operators)
- Favorable outlook 2013



- Asante sana!
- Thank you!