NATIONAL MICROFINANCE BANK PLC
Investor Presentation

On the occasion of the African Investment Conference
1 – 2 October 2012, Johannesburg
by Mark Wiessing, CEO

NMB

About NMB

I. Overview of NMB
- NMB at a glance
- Recent history
- Value propositions

II. Operating Environment
- Economy
- Banking sector

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- Financials
- L&A, deposits profile
- Loan quality

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I. Overview of NMB

NMB at a glance

- 1.6 million customers
- Largest bank in Tanzania
- $ 1,504 m total assets, $ 45m PBT (6/2012)
- 143 branches, present in 124 of 134 administrative districts
- Currently sole provider of government transactional banking services
- Full fledged wholesale, business and personal banking value propositions

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
- Privatized 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)

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Recent history of the business 2005 – 2011

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
1,600,000 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

143 branches
Real time online nationwide
Growth

NMB

NMB financial snapshot (USD millions)

	2010	2011	2012H1
Deposits	1,223	1,135	1,277
Loans and advances	584	710	768
Revenues	137	169	115
Expenses	83	97	61
PBT	53	65	45

- 25% of banking industry revenues
- 39% of banking industry profit

Key value propositions

	GOT (Central/Local)	Wholesale (Corporate, NGO/NBFI, Parastatals, Agribusiness)	Business (SME / MSE)	Personal (civil servants, salaried, traders)
Lending	-	√	√	√
Transactional • Payments / collections • Trade	√	√	√	√
Liabilities • Current / saving • Time deposits	√	√	√	√
Treasury (Money Market, Forex)	-	√	~	~

Business lines: Retail

Retail Banking

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

Individuals / Salaried	MSME / SACCOs	Agric / Amcos
Over 1.6 million customers	More than 54,000 MSME customers	2,500 individual farmers
40% of Tanzanians who have a bank account hold their account at NMB	31,000 individuals reached through SACCOs	275,000 households reached through 550 AMCOS
380,000 civil servants	Loan book growth 22% YOY	Warehouse receipt financing and input financing
Loan book of TZS 650n	Loan book of TZS 250bn	Key crops: Tobacco, Cashew, Coffee
		Seasonal crop financing can peak at TZS 100 bn

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Business lines: Retail

- Personal lending book to over 283,000 individuals, mostly civil servants, represents over 50% of total loan portfolio
- MSME lending book represents 10% 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
- Continued focus on liability generation, deposit growth 2012 1H 9% YOY, in line with market.
- Investments in new electronic solutions to accelerate personal banking growth (instant account opening, POS biometric, MNO integration, Visa / Mastercard acquiring), and to address MNO competition at bottom of market.

Overall: Gradually improve / simplify existing offerings mainly through electronic solutions to accelerate retail TZS / FCY liability growth

Business lines: Wholesale

Wholesale Banking

- Wholesale banking increasing contribution to NMB
- Represents only 20/25% of NMB's business, but probably already ranked 3 in corporate banking market
- Focus on the nation's top corporates, non bank FIs NGOs and government entities
- Created new Transactional Banking and Liabilities / NBFI / NGO teams
- Able to offer:
  - Short / long term lending solutions (largest single name exposure limit in market)
  - Transactional solutions (nationwide payments / collections)
  - Electronic banking, internet banking, payroll
  - Treasury and trade finance
  - Deposits / investments
  - Salaried workers' loans

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
- All transactional business and payroll flows through NMB
- Key Strength: Nationwide presence in 92% of government administrative districts
- Terms of tender can change year on year, business could be split in lots or on other considerations
- Seasonal deposit fluctuations in line with government budget; impacts overall deposit growth predictability
- Developments:
  - Gradual migration to electronic solutions
  - Improved payroll processing through “single check” (90% of civil servants hold current account at NMB)
  - Internet banking for other non payroll payments

Overall: Defend GOT banking business, improve services through electronic solutions and relationship management.

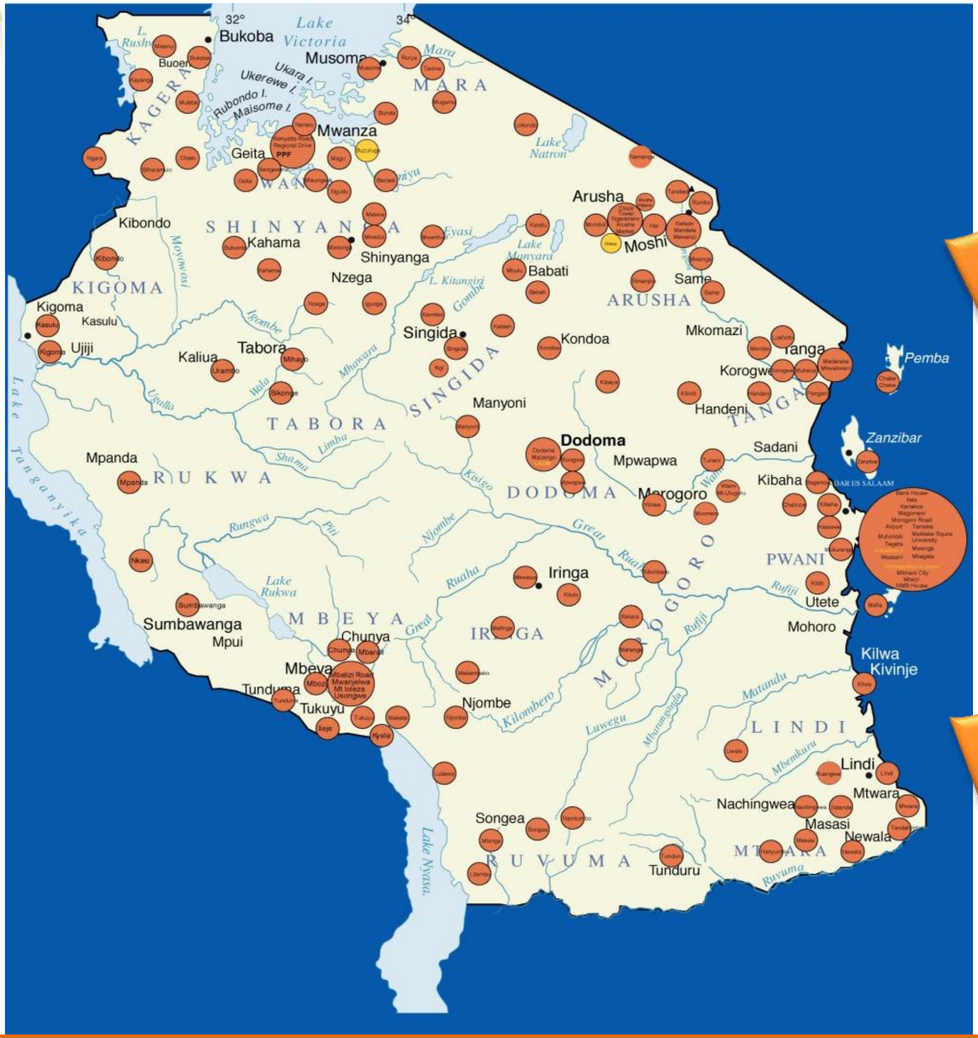
Distribution

Leadership in distribution:

- Over the last 5 years
  - From 100 to 143 branches
  - From 0 to 500 ATMs
  - 600,000 registered mobile banking users
- Branch network profile:
  - 27% of total 521 bank branches in Tanzania
  - 55% of NMB branches are in districts where there are no other banks
  - 60% of NMB branches are in rural areas
  - Double the number of branches of next largest bank
  - Sole bank in 76 districts
- Alternative channels include:
  - 43% of all ATMs in Tanzania
  - The first bank led mobile payments platform
  - Launch of branch POS and merchant POS

Overall: Consolidate "bricks and mortar" growth and develop alternative distribution channels.

Distribution



500 ATMs

143 branches

Technology

ICT / Operations

- Leadership in technology:
  - Realtime on line nationwide
  - Mobile banking pioneers
  - ATM, POS, cards, Pesa Fasta (cardless ATM)
- Crossed over to new cutting edge core banking system (Flexcube) in 2011
  - 120 out of 143 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.

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 retail and wholesale markets
- Exceed market growth rates
- Efficiency ratios to trend to market / Africa best practice
- Leadership in agriculture and government banking

II. Operating Environment

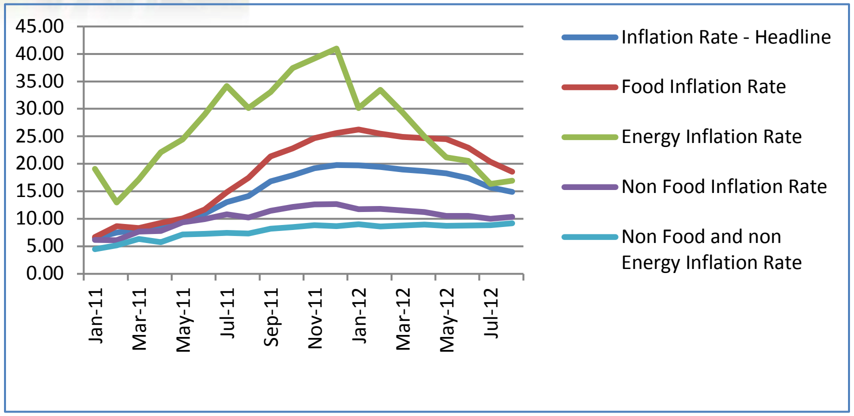
Tanzanian Economy

- 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 (15.7% in July 2012)
- TZS / USD volatility in 2011 has stabilized at just under 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
- Vulnerability of the economy to uncertain donor flows, commodity prices (food, crude oil) and power supplies/tariffs

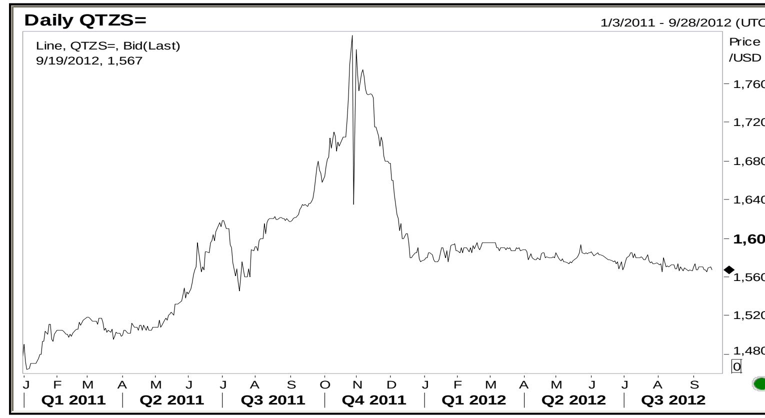
Overall marginally weaker environment but outlook positive

Fx and Inflation

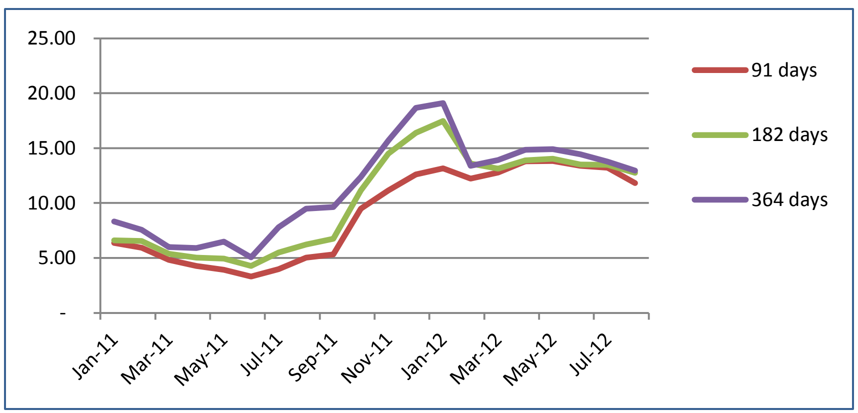
Inflation



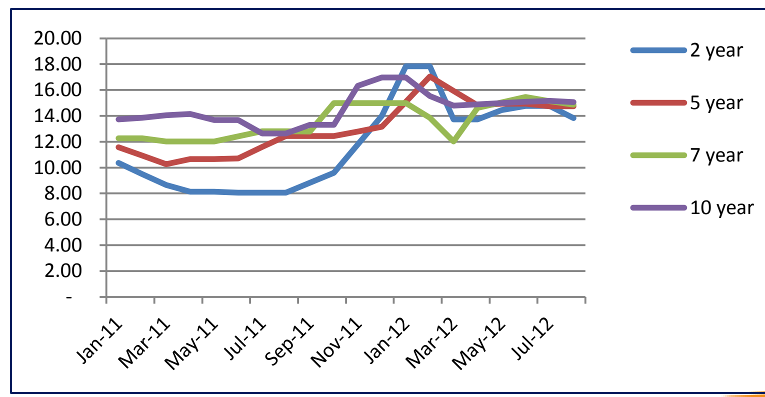
Weighted Average Rate



Treasury Bill Trend



Treasury Bond Trend



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Banking Sector Summary

- 49 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
  - 65% 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 1H 2012 (7%), 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%)

Increased Competition

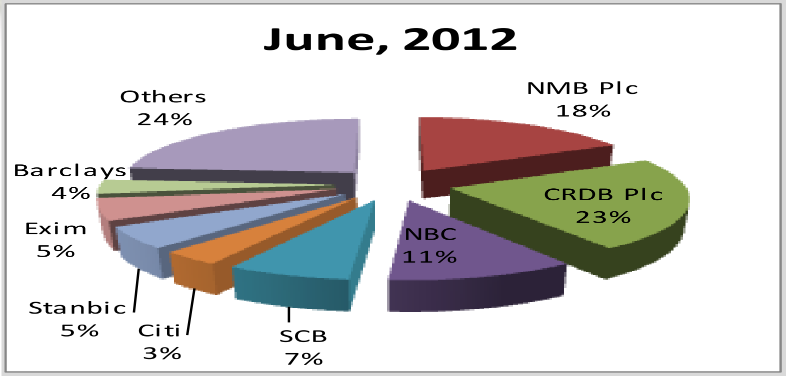
- Advent of mobile payments by MNOs (“trust account” values said to exceed TZS 200 billion)
- Mobile payments regulatory environment being developed
- Stiff competition on customer liabilities, industry average cost of funds up to 8%, marginal cost of funds may exceed Treasury Bill rates
- New / smaller banks willing to tolerate less than rational pricing on loans and deposits; 6 new banks since June 2011
- Agency banking not seen yet, but a distinct possibility, supported by regulators
- Harshest competition at the very top, and increasingly at the bottom of the pyramid
- Total bank branches grew from 487 to 521

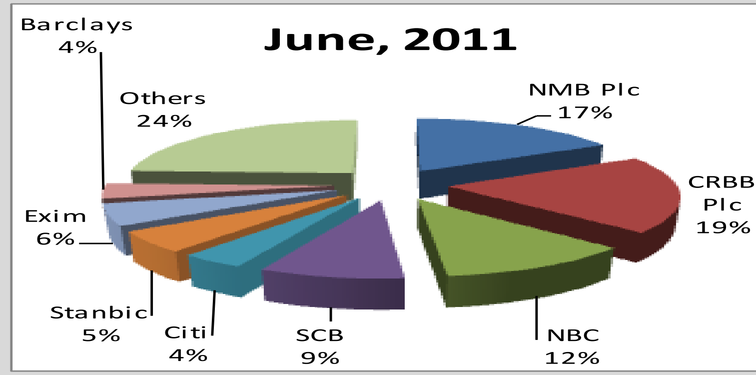
Market Comparables (June 2012)

	NMB	Top 3	Big 8	The rest	Market
Ratios					
LDR	61%	60%	63%	84%	68%
NPL	3%	8%	7%	7%	7%
NIM	11%	3%	1%	2%	4.4%
C/I (operating)	56	69	67	76	71
%Growth YOY					
Deposits	9	13	8	3	7
Loans	15	15	16	25	18
Revenues	41	19	15	-18	13
Expenses	35	30	27	62	23
Profit	48	2	-3	-18	-3

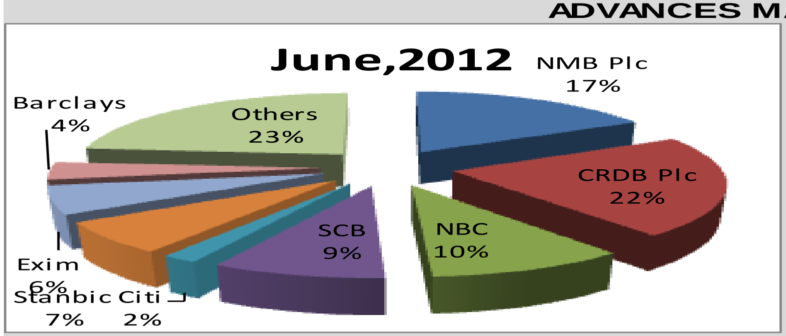
Market Comparables (June 2012)

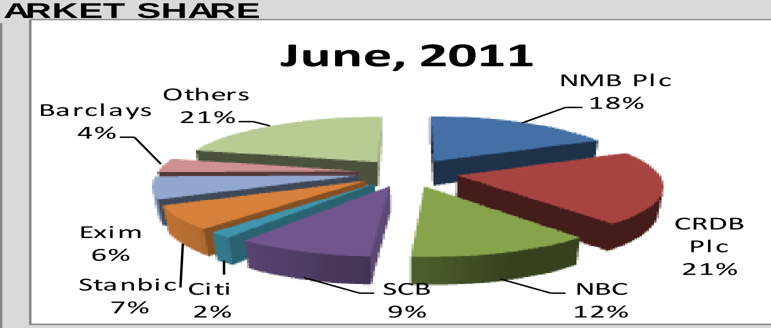
DEPOSIT MARKET SHARE



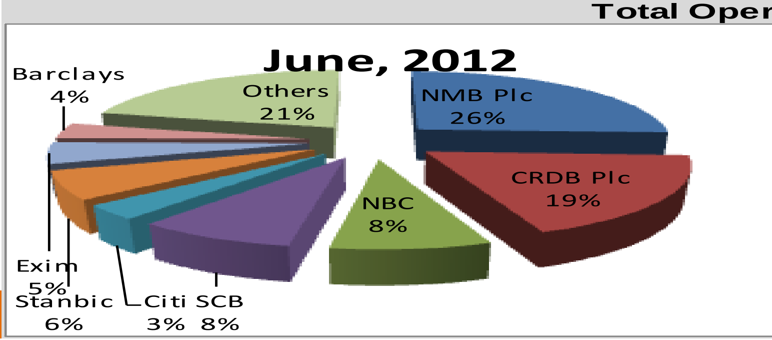


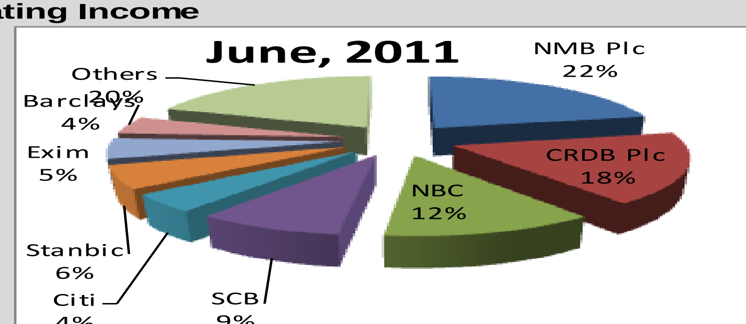
ADVANCES MARKET SHARE



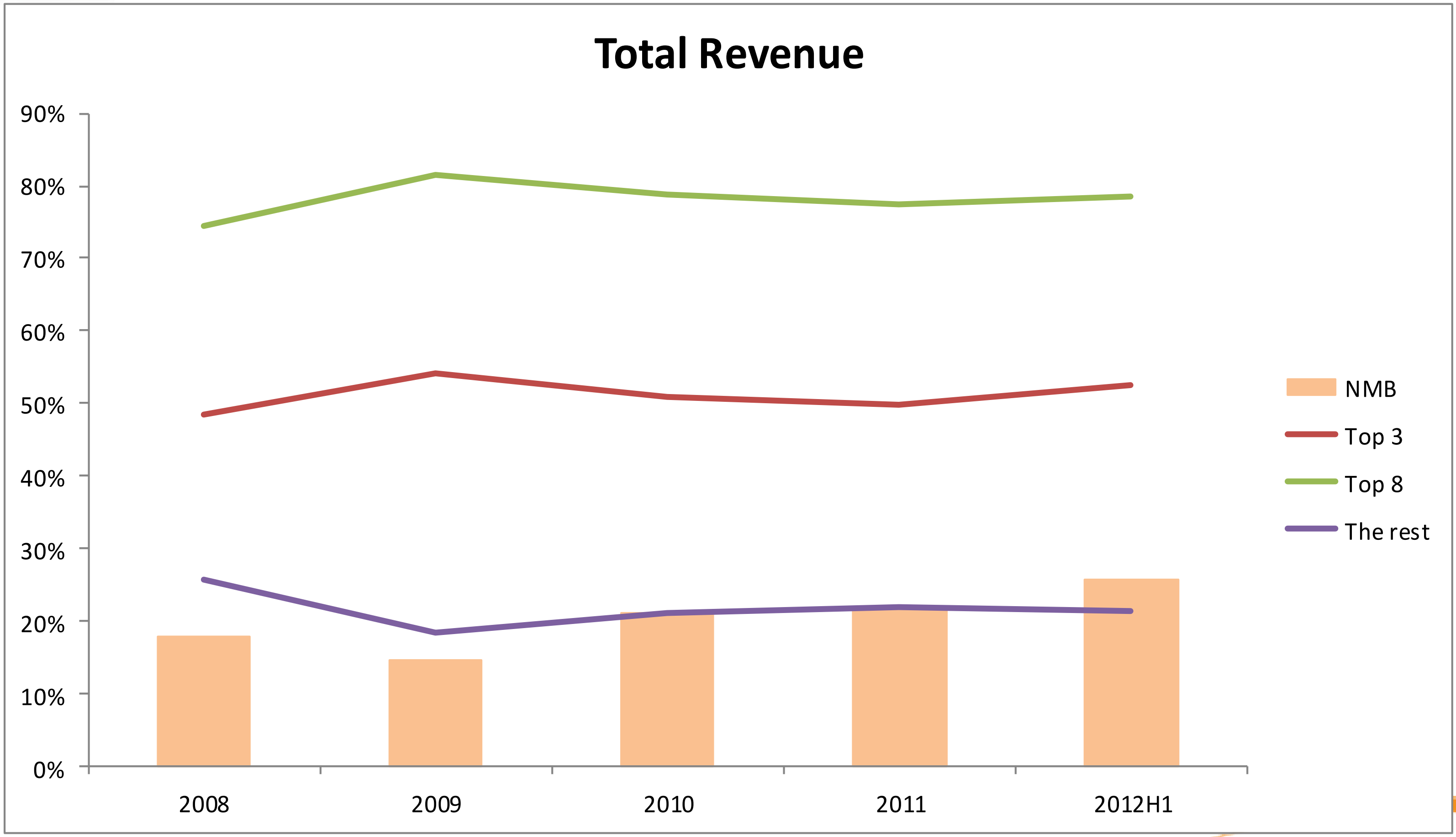


Total Operating Income

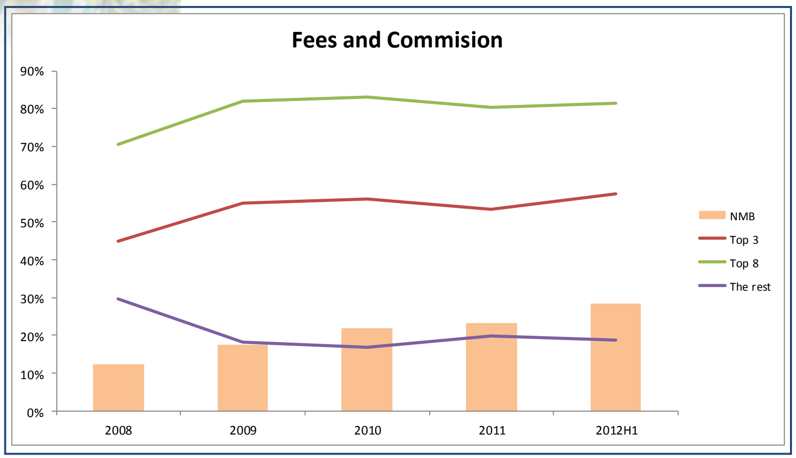


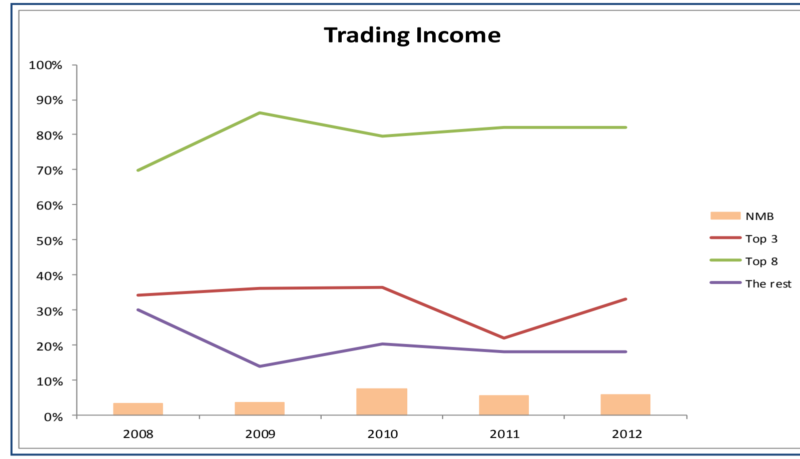


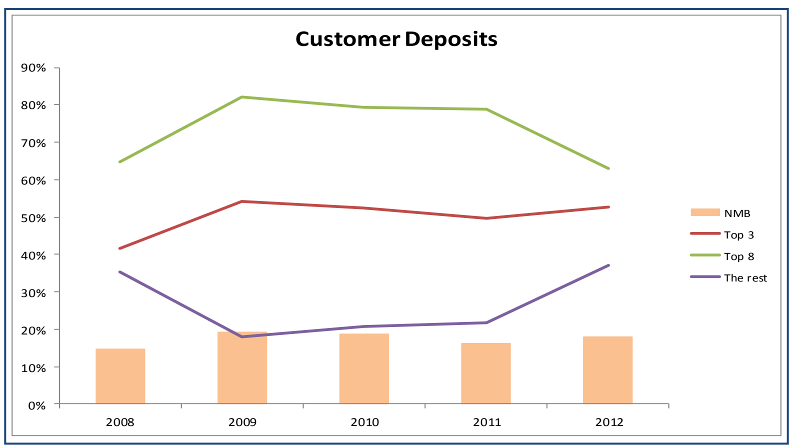
Market Comparables (June 2012)

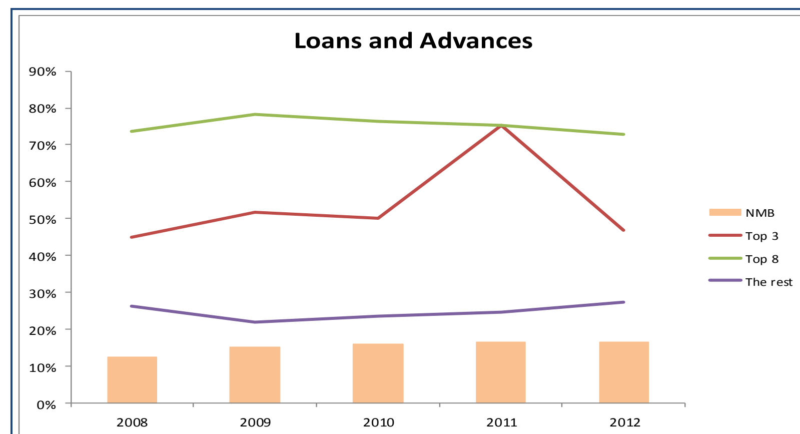


Market Shares Comparables (June 2012)









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III. NMB Performance

NMB Financial Performance 2011

	2011 (TZS billion)	2010 (TZS billion)	Change (Percentage)
Revenues	266.5	200.0	33%
• NII (net interest income)	184.2	130.4	41%
• NFI (non funded income)	82.3	69.6	18%
Cost	(152.0)	(119.9)	27%
• Staff	(63.6)	(46.5)	37%
• OPEX	(88.4)	(73.4)	20%
Impairment	(11.7)	(1.7)	588%
PBT	102.8	78.4	31%
PAT	71.9	53.9	33%
Loans & Advances	1,124	857.7	31%
Deposits	1,797.4	1,804	(0.4)%

NMB Financial Performance 2011

- Total income up 33% to TS 266.5 billion
- Total assets up 2% to TZS 2.15 trillion
- Customer deposits growth slow compared to market, including as a result of
  - Migration to MNO
  - Discouraging 3rd party – OTC remittances
- Trade offs on market share versus cost of funds
- Non interest income 32% of total income
- NPL ratio remains acceptable at 2%
- ROE remains at a commendable 25%
- Strong growth in loans and advances at 31%
- Loan to deposit ratio at 63% with continued scope for growth

NMB Financial Performance 1H 2012

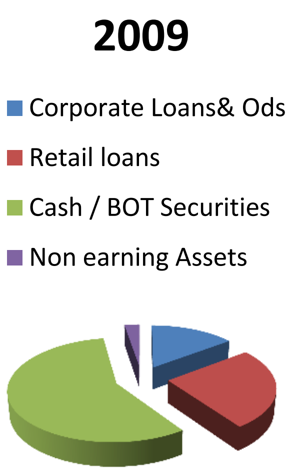
	2012 1H (TZS billion)	2011 1H (TZS billion)	Change (Percentage)
Revenues	180.7	128.3	41%
• NII (net interest income)	130.1	84.2	55%
• NFI (non funded income)	50.5	44.0	15%
Cost	95.4	70.9	35%
• Staff	41.1	31.0	33%
• Opex	54.3	39.9	36%
Impairment	11.1	6.0	86%
PBT	74.1	52.3	44%
PAT	51.8	35.1	48%
Loans & Advances	1,211.3	1,051	15%
Deposits	2,013.6	1,852.3	9%

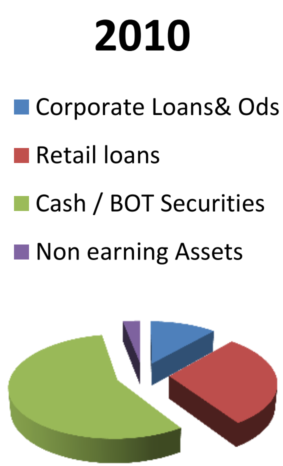
NMB Financial Performance 1H 2012

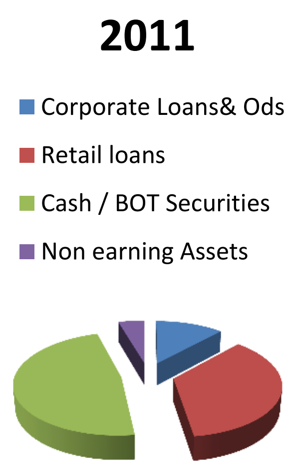
- Revenues up 41% on good loan volume growth and increased rates
- F&C slow in first half due to impact of delayed agro-voucher scheme, recognition of loan fees
- Staff cost up on once-off salary adjustment on top of usual inflationary adjustment
- Impairment up on account of volume increases and operational issues on installment deductions
- NPL edged up to 3.2% (industry average 7%)
- PBT and PAT up over 40%
- ROE increased to 33%
- Still very low cost of funds
- Deposit growth at 9% recovering to market growth rates (amendment tariff sheet and deposit campaigns)

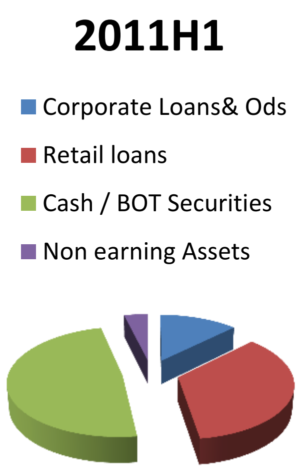
Balanced Asset structure

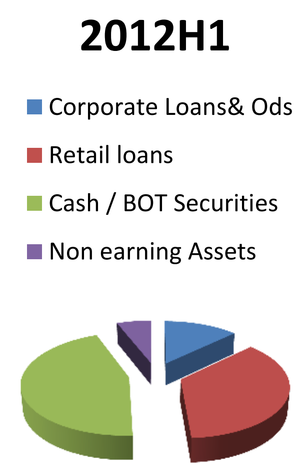
	2009	2010	2011	2011H1	2012H1
Corporate Loans& Ods	245,621	242,253	278,582	277,784	318,326
Retail loans	426,959	615,532	844,936	773,268	892,989
Cash / BOT Securities	952,624	1,185,497	952,133	1,066,869	1,006,160
Non earning Assets	44,129	63,799	90,794	83,871	133,610
Total	1,669,333	2,107,081	2,166,445	2,201,792	2,351,085





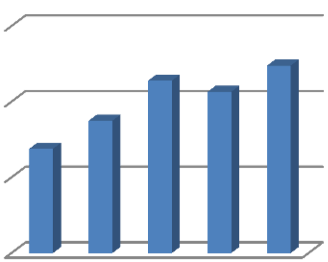




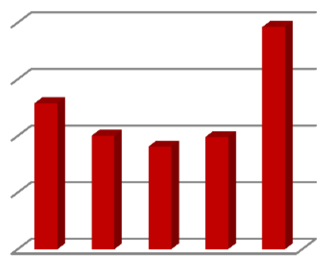


Quality Assets

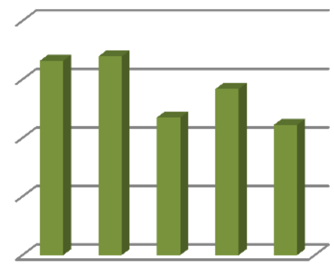
	Gross L&A	NPL	Cumulative Impairment	Impairment charge for period
2009	672,579	25,811	16,598	7,025
2010	857,786	32,288	16,965	1,674
2011	1,123,518	18,128	11,752	2,863
2011H1	1,051,052	19,840	14,182	5,981
2012H1	1,211,315	39,243	26,810	5,063



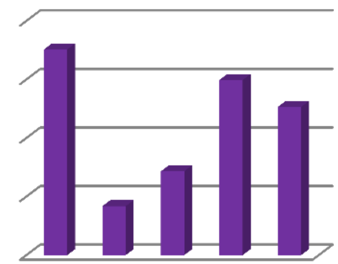
Gross L&A



NPL



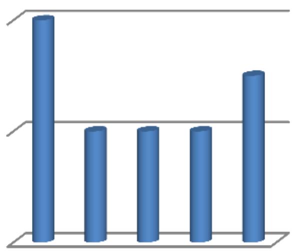
Cumulative Impairment



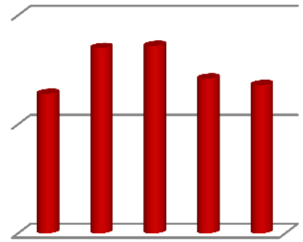
Impairment charge for period

Satisfactory impairment coverage

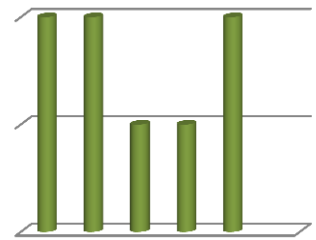
	NPL ratio (%)	NPL coverage ratio (%)	Impairment Allowance on gross loans & advances (%)	Impairment charge on loans & advances (%)
2009	4%	64%	2%	1%
2010	2%	85%	2%	0%
2011	2%	86%	1%	1%
2011H1	2%	71%	1%	1%
2012H1	3%	68%	2%	1%



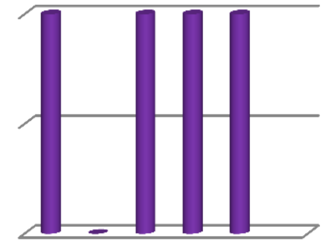
NPL ratio (%)



NPL coverage ratio (%)



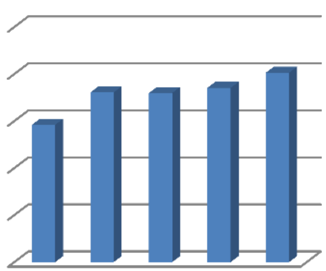
Impairment Allowance on gross loans & advances (%)



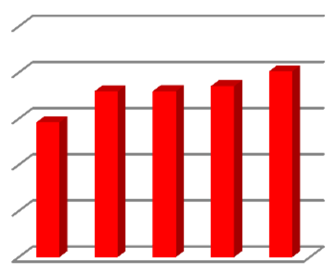
Impairment charge on loans& advances (%)

Diversified funding structure

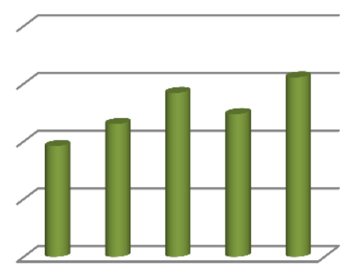
	Deposits from customers	Deposits from banks	Shareholder funds	Total
2009	1,459,719	0	192,239	1,651,958
2010	1,804,006	29,442	230,520	2,056,272
2011	1,797,479	31,970	284,359	2,113,808
2011H1	1,852,321	58,057	247,612	2,157,990
2012H1	2,013,684	2,236	311,247	2,327,167



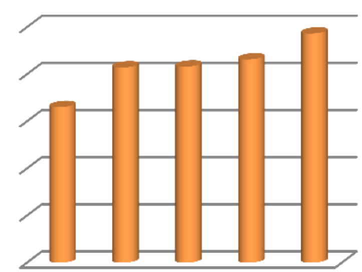
Deposits from customers



Deposits from banks



Shareholder funds

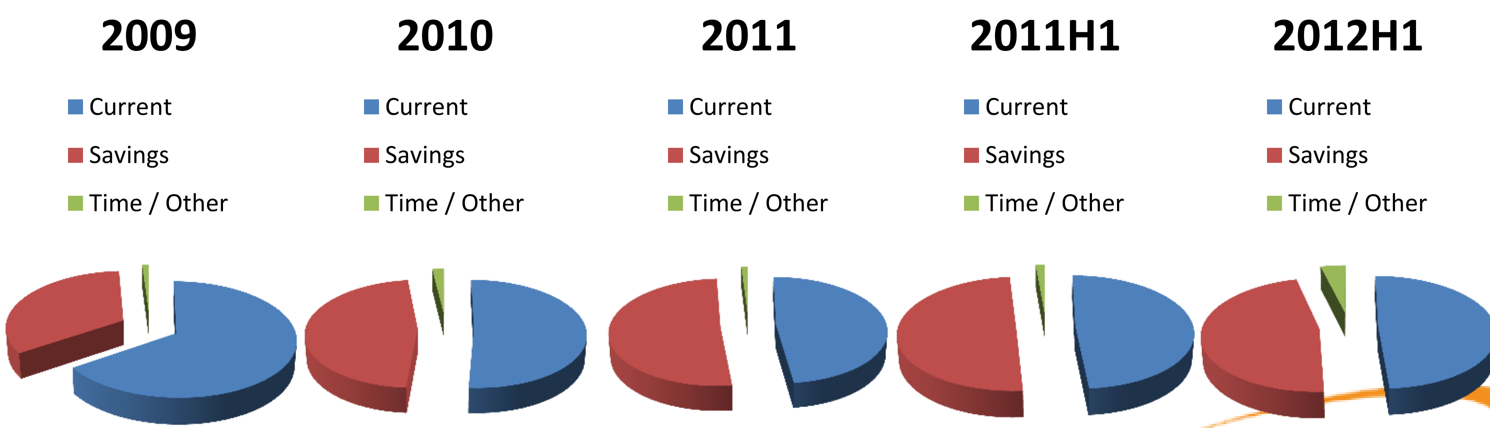


Total

NMB

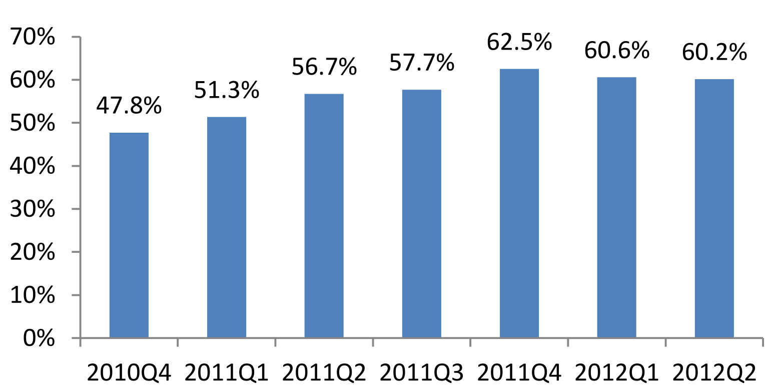
High proportion of core deposits

	2009	2010	2011	2011H1	2012H1
Current	955,849	921,282	864,146	903,067	987,405
Savings	488,637	847,894	915,476	923,728	947,964
Time / Other	15,232	34,830	17,857	25,526	78,315
Total	1,459,719	1,804,006	1,797,479	1,852,321	2,013,684

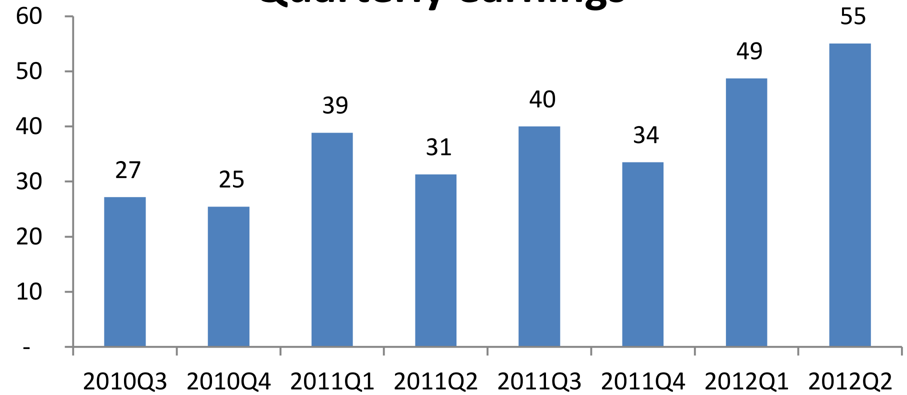


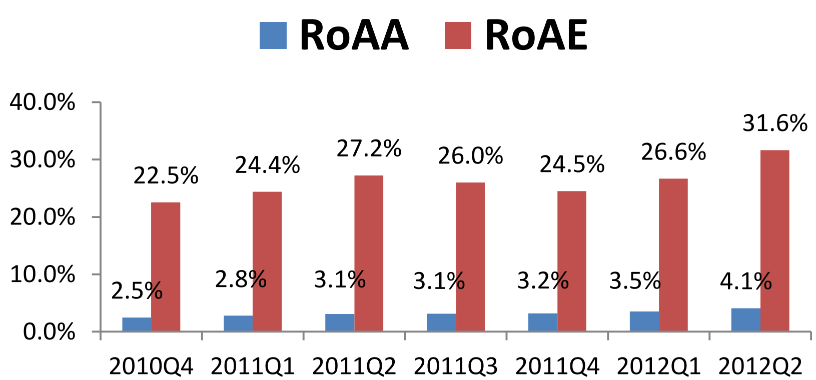
Solid earnings profile and ratios

Loan to deposit ratio

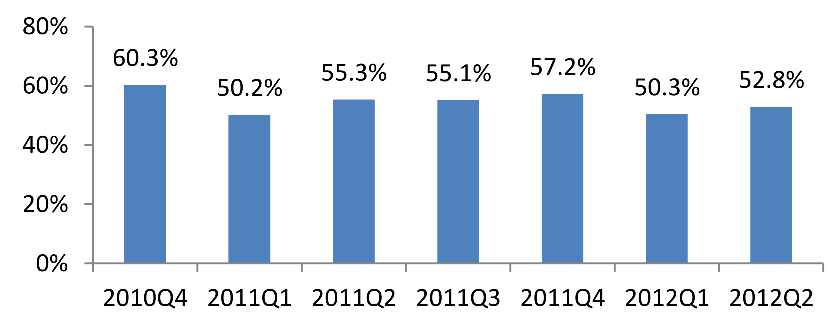


Quarterly earnings





CIR



NMB

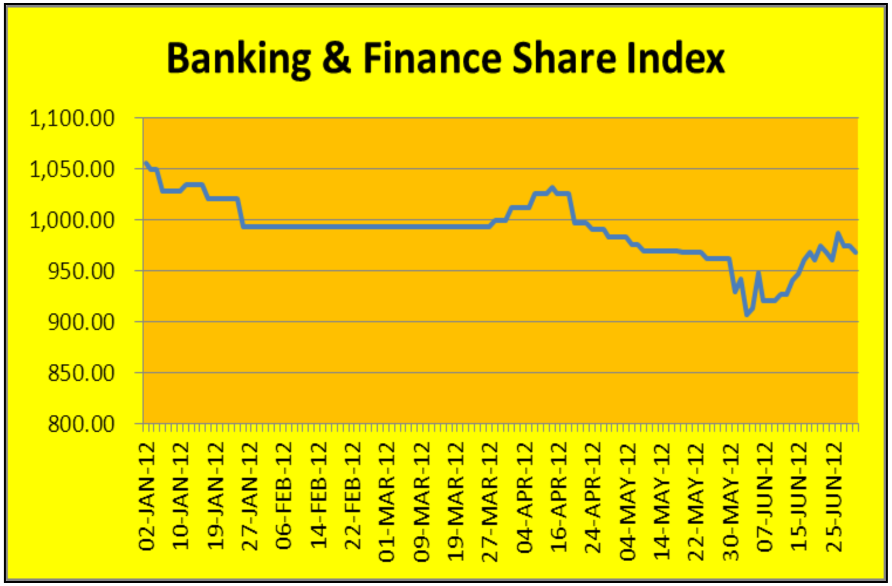
IV. Investment Considerations

NMB Investor Summary

	2008	2009	2010	2011
Earnings per share	97.4	95.1	108	143.68
Earnings per share growth %	25.40%	-2.4%	13.6%	33.03%
Dividends per share (Adj)	30.0	31.4	35.6	50
Dividend per share growth %	36.4%	4.7%	13.4%	40.4%
Total Dividends (TZS billions)	15	16	18	25
Pay-Out Ratio (%)	30.8%	33.0%	33.0%	34.0%
Dividend Yield (%)	3.1%	3.9%	5.5%	6%
NAV (Tshs per share)	320	384	462	568
NAV Growth rate	31.2%	20.0%	20.3%	22.94%
Market capitalization (TZS billions)	485	405	330	425

Share trading performance (30 June 2011)

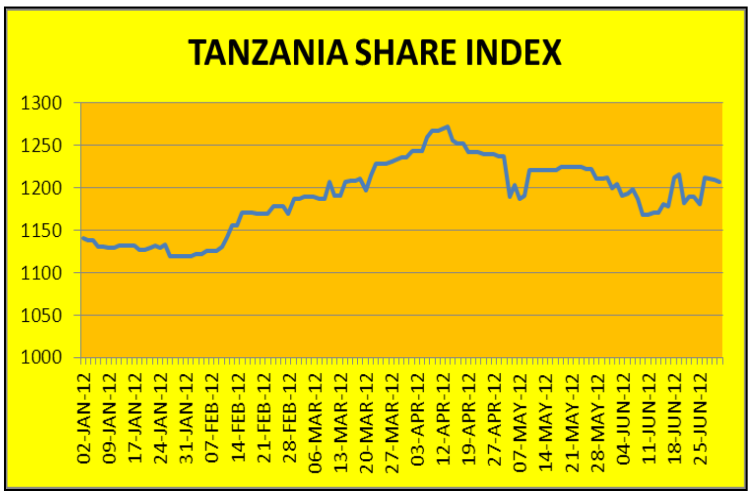
Date	Share price
2012 June 30th	TZS950
Share price on IPO	TZS600
12 month high	TZS960
12 month low	TZS830
Trading volume 2012H1	16.5% of total market
Price earnings	5 times
Price to book	1.5times

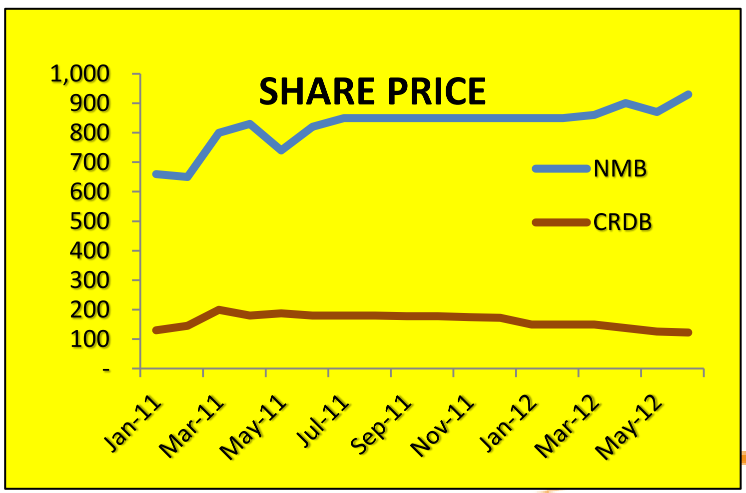


Dar es Salaam Stock Exchange

Foreign investment on the DSE

- Low liquidity but banks among most liquid counters
- Cheaper valuations compared to other African markets
- Possible upside from further opening up of DSE to EAC investors
- Maximum 60% foreign ownership per counter
- Institutional investors to own maximum 5% of issued shares of any company
- Portfolio investors may be required to prefund share purchases before the trade
- Limited custodians





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, productivity and distribution models
- Embed new core banking system
- Inherent risks remain:
  - Government banking services
  - Interest rate developments
  - Loan portfolio deterioration
  - Competitive pressures (banks, mobile network operators)
- Favorable outlook 2012 / 2013