

## IMPORTANT NOTICE

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. ANY SECURITIES TO BE ISSUED WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING INFORMATION MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your representation: This Information Memorandum is being sent at your request and by accepting the e-mail and accessing this Information Memorandum, you shall be deemed to have represented to us that you are outside the United States and are not a U.S. person (as defined in Regulation S under the Securities Act) and/or are not acting for the account or benefit of a U.S. person (as defined in Regulation S under the Securities Act) and that you consent to delivery of such Information Memorandum by electronic transmission.

Under no circumstances shall this Information Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities being offered, in any jurisdiction in which such offer, solicitation or sale would be unlawful. Recipients of this Information Memorandum who intend to subscribe for or purchase the Notes are reminded that any subscription or purchase may only be made on the basis of the information contained in this Information Memorandum. This Information Memorandum may only be provided to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

The final copy of the Information Memorandum will be available from the registered office of the Issuer, the Fiscal Agent, or the Placing Agent

You are reminded that this Information Memorandum has been delivered to you on the basis that you are a person into whose possession this Information Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Information Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

This Information Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Issuer or any person appointed by it to distribute the Information Memorandum nor any person who controls any of them nor any director, officer, employee nor agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Information Memorandum distributed to you in electronic format and the hard copy version available to you on request from the issuer or its appointed representatives.

# Medium Term Note Programme

A copy of this Information Memorandum has been delivered to the Authority for approval and the Registrar of Companies for registration.

The securities offered have not been approved or disapproved by the Authority.

Prospective investors should carefully consider the matters set forth under the caption “risk factors”.

May 03, 2016

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## Important Notices

Under this Medium Term Note Issuance Programme ("Programme"), the National Microfinance Bank Plc (the "Issuer" or "NMB" or the "Bank") may from time to time issue debt securities ("Notes"). The Notes may rank as senior unsecured obligations of the Issuer or subordinated obligations of the Issuer. The aggregate principal amount of Notes outstanding will not at any time exceed Tanzania Shillings two hundred billion (TZS 200,000,000,000). Interest on the Notes of a particular series shall be calculated and payable in accordance with the terms and conditions of the Notes ("Terms and Conditions") as supplemented by the relevant Pricing Supplement.

The Notes, unless previously redeemed, will be redeemed in full in accordance with the provisions of the relevant Pricing Supplement.

The Notes will be issued in registered form in denominations specified in the relevant Pricing Supplement.

The register of Noteholders will be maintained by NMB Plc as the Fiscal Agent and Stanbic Bank Tanzania Limited as Registrar.

The sale or transfer of Notes by Noteholders will be subject to the rules of the Dar es Salaam Stock Exchange PLC ("DSE"), and where applicable, the prevailing Central Securities Depository Rules and the Terms and Conditions of the Notes. There are currently no other restrictions on the sale or transfer of Notes under Tanzania law. In particular, there are no restrictions on the sale or transfer of Notes by or to non-residents of Tanzania.

The Notes have not been and will not be registered under any other securities legislation in any other country other than Tanzania.

A copy of this Information Memorandum has been filed with the Registrar of Companies in Dar es Salaam, in accordance with the requirements of the Companies Act, Act No. 12 of 2002 (Cap. 212 [R.E] 2002) of the laws of Tanzania.

Applications for participation shall be processed through the Placing Agent. The Notes may not be offered or sold, directly or indirectly, and neither this document nor any other Information Memorandum, offering circular or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations of that country or jurisdiction.

## DISCLAIMER AND STATEMENTS

The Issuer, having made all reasonable enquiries, confirms that this Information Memorandum contains all information with respect to itself and the Notes to be issued by it which is material in the context of the Programme. The Issuer further confirms that the information contained in this Information Memorandum is true and accurate in all material respects and is not misleading, that the intentions and opinions expressed in this Information Memorandum are held, and that there are no other facts, the omission of which, would make any such information or the expression of any such opinions or intentions misleading in any material respect. The Bank and all its directors accept responsibility accordingly.

The Arrangers and the Placing Agent have relied on the information provided by the Issuer and the Issuer's professional advisors. Accordingly, the Arrangers and the Placing Agent do not vouch for the accuracy or completeness of the information contained in this Information Memorandum and therefore do not accept any liability or responsibility in relation to information contained in this Information Memorandum.

The Issuer has given an undertaking to the effect that, so long as any Note remains outstanding, in the event of any material adverse change in the financial condition of the Issuer which is not reflected in this Information Memorandum, it will prepare and send full particulars of such change to the Registrar (as defined in the Terms and Conditions of the Notes) who shall communicate the same to the Noteholders. Neither this Information Memorandum nor any other information supplied in connection with the Programme is intended to provide the complete basis of any credit or other evaluation, nor should it be considered as a recommendation by the Arrangers and Sponsoring Broker that any recipient of this Information Memorandum or any other information supplied in connection with the Programme should purchase any Notes. Each investor contemplating purchasing any Notes should make their own independent investigation of the financial condition and affairs, and their own appraisal of the creditworthiness of the Issuer. Neither this Information Memorandum nor any other information supplied in connection with the Programme constitutes an offer or invitation to any person by or on behalf of the Lead Arranger and Sponsoring Broker to subscribe for or to purchase any Notes.

The delivery of this Information Memorandum does not at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date indicated in the document containing the same.

Application has been made to the Capital Markets and Securities Authority ("CMSA") for approval of this Information Memorandum and listing of the securities on the DSE and the CMSA has granted the approval. As a matter of policy, the CMSA does not assume responsibility for the accuracy of any of the statements made or opinions or reports expressed or referred to in this Information Memorandum. Approval by the CMSA of the programme and or listing should not be taken as an indication of the merit of the Issuer or of the Notes.

The DSE has no objection to the Issuer listing the Notes on the DSE. The DSE assumes no responsibility for the accuracy of the statements made or opinions or reports expressed or referred to in this Information Memorandum. Admission by the DSE of the

Notes should therefore not be taken as an indication of the merits of the Issuer or of the Notes.

The Sponsoring Broker has relied on information provided by the Issuer and, accordingly, does not provide assurance for the accuracy or completeness of the information contained in this Information Memorandum and therefore does not accept any liability or responsibility in relation to information contained in the Information Memorandum.

No person has been authorized to give any information or make any representation other than that contained in this Information Memorandum and if given or made, such information or representation should not be relied upon as having been authorized by or on behalf of the Issuer, the Arranger or the Placing Agent.

The distribution of this Information Memorandum and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons who are in possession of this Information Memorandum are cautioned to inform themselves and observe any such restriction.

Applications for participation may be processed through the Placing Agent, details of which are provided in this Information Memorandum. The Notes may not be offered or sold, directly or indirectly, and neither this document nor any other Information Memorandum or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations of Tanzania (as defined below).

#### CAUTION STATEMENT

A copy of this Information Memorandum has been delivered to the CMSA for approval and approval has been granted. The directors of the Issuer, (whose names appear on section 8 (Board of Directors, Corporate Governance and Management) of this Information Memorandum, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with facts and does not omit anything likely to affect the import of such information.

Prospective investors should carefully consider the matters set forth under section 3 (Risk Factors) of this Information Memorandum.

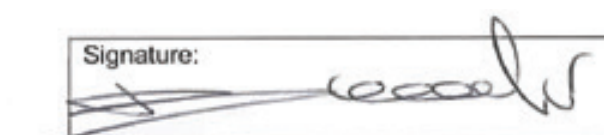
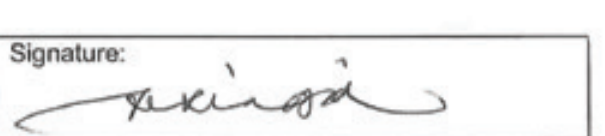
This document is important and requires your attention. If you are in any doubt as to the meaning of any information contained in this Information Memorandum or what action to take, please forthwith consult your banker, stockbroker, advocate, accountant, licensed investment adviser or other professionals.

The distribution of this Information Memorandum and the offering or sale of the Medium Term Notes in certain jurisdictions may be restricted by law. The Notes have not been and shall not be registered under any other securities legislation whether in Tanzania or any other country.

Persons into whose possession this Information Memorandum comes are required by the Issuer, the Placing Agent and the Arrangers to inform themselves about and to observe any such restrictions.

This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Placing Agent to subscribe for, or purchase any Notes under the Programme.

On behalf of National Microfinance Bank PLC:

Signature: 	Signature: 
Director's Name: I. Bussemaker	Director's Name: PROTASE TEHINGISA
Date: 9 <sup>th</sup> May 2016	Date: 9 <sup>th</sup> May, 2016

#### FORWARD-LOOKING STATEMENTS

This Information Memorandum includes 'forward-looking statements'. These statements contain words such as "anticipate", "believe", "intend", "estimate", "expect" and words of similar meaning. All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Bank's financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Bank's products and services) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Bank to be materially different from future results, performance or



achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Bank's present and future business strategies and the environment in which the Bank will operate in the future.

These forward-looking statements speak only as at the date of this Information Memorandum. Without prejudice to any requirements under applicable laws and regulations, the Bank expressly disclaims any obligations or undertaking to disseminate after the date of this Information Memorandum any updates or revisions to any forward-looking statements contained herein to reflect any change in their expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based.

## **FINANCIAL INFORMATION**

Financial information presented in this Information Memorandum is derived from the audited accounts of NMB for the five years ending 31 December 2015.

## **ROUNDING**

Some numerical figures included in this Information Memorandum have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain figures may not be an arithmetic aggregation of the figures that preceded them.

## **INCORPORATION OF DOCUMENTS BY REFERENCE**

This Information Memorandum should be read and construed in conjunction with the following documents which shall be deemed to be incorporated in and to form part of, this Information Memorandum and which shall be deemed to modify and supersede the contents of this Information Memorandum:

- (a) All supplements to this Information Memorandum circulated by the Issuer from time to time in accordance with the undertakings given by the Issuer in the Agency Agreement and as further described in the section headed "Supplemental Information Memorandum";
- (b) Each Pricing Supplement (as defined below) relating to a Series or Tranche of Notes issued under this Information Memorandum; and
- (c) The audited annual financial statements (and notes thereto) and any audited interim financial statements published subsequent to such annual financial statements of the Issuer for the five financial years prior to each issue of Notes under this Programme,

The Issuer will provide free of charge to each person, on request, a copy of any of the documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded. Requests for such documents shall be directed to the Issuer at its respective office as set out in this Information Memorandum.

## **CONSENTS**

The firm of PricewaterhouseCoopers, Certified Public Accountants, acting as Reporting Accountant in respect of the Issue, has given and had not withdrawn its consent to the issue of this Information Memorandum with the inclusion in it of their reports in the form and context in which they are included.

The firm of East African Law Chambers, Advocates acting as transaction Legal Counsel in respect of the Issue, has given and not withdrawn its written consent to the issue of this Information Memorandum with the inclusion in it of their legal opinion in the form and context in which it is included.

## **SUPPLEMENTAL INFORMATION MEMORANDUM**

The Issuer hereby gives an undertaking to the Fiscal Agent, the Registrar, the Placing Agent and Sponsoring Broker that if at any time during the tenor of the Issue there is a significant change affecting any matter contained in this Information Memorandum the inclusion of which would reasonably be required by investors and their professional advisors and would reasonably be expected by them to be found in this Information Memorandum for the purpose of making an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Information Memorandum or publish a replacement Information Memorandum for use in connection with any subsequent offering of Notes. If the terms of the Issue are modified or amended in a manner which would make this Information Memorandum, as supplemented, inaccurate or misleading, a new Information Memorandum will be prepared by the Issuer.

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## Definitions and Abbreviations

"ALCO"	means the Assets and Liability Committee;
"Allotment Date"	means the date specified as such in each relevant Pricing Supplement on which Notes are allocated to successful investors;
"Applicable Laws"	means any laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority which may govern the Issue, the Conditions of the Notes and the Notes issued thereunder in accordance with which the same are to be construed;
"Arrangers"	means CfC Stanbic Bank Limited and Stanbic Bank Tanzania Limited;
"Bank of Tanzania" or "BoT"	means the Bank of Tanzania established pursuant to the Bank of Tanzania Act, 2006 of the Laws of Tanzania;
"Bank" or "NMB" or "the Issuer" or "Company"	means National Microfinance Bank Plc;
"Banking Act"	means the Banking and Financial Institutions Act, 2006 of the Laws of Tanzania;
"Board" or "Directors" or "Board of Directors"	means the Board of Directors of the Bank;
"Business Day"	means any day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for business in Dar es Salaam;
"Capital Markets and Securities Authority" or "CMSA"	means the Capital Markets and Securities Authority set up pursuant to the provisions of Capital Markets and Securities Act (Chapter 79 of the Laws of Tanzania);
"Closing Date"	means 5:00p.m. Dar es Salaam time on the date specified as such in the relevant Pricing Supplement, being the last date on which applications from potential investors will be accepted for that particular Series;
"Conditions"	means the terms and conditions set out in section 5 of this Information Memorandum and Schedule 3 of the Agency Agreement (Terms and Conditions of the Notes);
"CDS"	means central depository system maintained by the DSE through the Central Securities Depository;
"CSR"	means Corporate Social Responsibility;
"Currency"	Notes will be denominated in Tanzania Shillings or any successor currency or such other currency as specified in the relevant Pricing Supplement;
"DSE"	means the Dar es Salaam Stock Exchange PLC;
"Equity Linked Notes"	means a Note in respect of which interest is to be calculated and paid on an equity linked basis as provided in Condition 4(c) and the applicable Pricing Supplement;
"Earnings Linked Notes"	means a Note in respect of which interest is to be calculated and paid on an earnings linked basis as provided in Condition 4(d) and the applicable Pricing Supplement;
"Event of Default"	means any of the circumstances described in Condition 9 (Events of Default);

"EXCO"	means Executive Management Committee;
"Final Redemption Amount"	means the amount so specified in the relevant Pricing Supplement as the last amount to be paid on the particular Tranche of Notes;
"Fixed Rate Notes Margin"	means the margin which will be aggregated with the Reference Rate on Fixed Rate Notes, to determine the interest rate which will be applied to the Fixed Rate Notes. This margin will be specified in the relevant Pricing Supplement;
"Fixed Rate Notes"	means a Note in respect of which interest is to be calculated and paid on a fixed rate basis as provided in Condition 4(a) and the relevant Pricing Supplement;
"Floating Rate Notes Margin"	means the margin which will be aggregated with the Reference Rate on Floating Rate Notes, to determine the interest rate that will be applied to Floating Rate Notes. This margin will be specified in the relevant Pricing Supplement;
"Floating Rate Notes"	means a Note in respect of which interest is to be calculated and paid on a floating rate basis as provided in Condition 4(b) and the relevant Pricing Supplement;
"Government"	means the government of Tanzania;
"ICT"	means Information and Communications Technology;
"IFRS"	means International Financial Reporting Standards;
"Indebtedness"	shall be construed so as to include any actual obligation of the Issuer, whether incurred as principal or surety, for the payment or repayment of money, whether present or future;
"Information Memorandum"	means this information memorandum dated 03 May 2016 which will apply to all Notes issued under the Programme on or after the Programme Date;
"Interest Amount"	means the amount of interest payable in any Interest Period under any Tranche;
"Interest Commencement Date"	means the first date from which interest on a Tranche of Notes will accrue, as specified in the relevant Pricing Supplement;
"Interest Determination Date"	means the date on which the Floating Rate Notes Rate of Interest or the Fixed Rate Notes Rate of Interest is determined by the Calculation Agent in accordance with Condition 4 (Interest);
"Interest Payment Dates"	means the dates on which interest on the Notes will be paid as set forth in the relevant Pricing Supplement.
"Interest Period"	means the period beginning from and including the Issue Date of each Tranche, to but excluding the first Interest Payment Date, and each successive period from and including an Interest Payment Date, to but excluding the next Interest Payment Date;
"Interest Rate Fixing Date"	means the first day of the Interest Period for which an interest rate will apply;
"Interest Rate" or "Rate of Interest"	means either the Floating Rate of Interest or the Fixed Rate of Interest determined in accordance with Condition 4 (Interest);

"Interest"	means the amount of interest payable in respect of each Nominal Amount of the Notes as determined in accordance with Condition 4 (Interest);
"Issue Date"	means the date upon which the relevant Tranche of the Notes is issued;
"Issue Price"	means the price at which the Notes are issued by the Issuer (being, at the election of the Issuer, at par or at a discount to, or premium over their nominal amount as specified in the relevant Pricing Supplement);
"Issue"	means medium term notes denominated in Shillings (or such other currency specified in the applicable Pricing Supplement) in an aggregate amount of Tanzania Shillings two hundred billion (TZS 200,000,000,000);
"Material Adverse Effect"	means a material adverse change with regards to: <ul style="list-style-type: none"> <li>■ the financial condition of the Issuer taken as a whole; or</li> <li>■ the ability of the Issuer to perform its obligations under and in respect of the Notes; or</li> <li>■ the validity or enforceability of the Notes;</li> </ul>
"Maturity Date"	means the date as specified in each relevant Pricing Supplement on which the Principal Amount is due;
"MNO"	means a mobile network operator;
"Nominal Amount"	means in relation to any Note, the total amount, excluding interest owing by the Issuer under the Note, as specified in the applicable Pricing Supplement;
"Note Agents"	means the Issue and Paying Agent, the Calculation Agent the Registrar, or any of them and their respective Successors from time to time;
"Note Documents"	means the Agency Agreement and any other accompanying documents such as the relevant Pricing Supplement;
"Noteholders"	and (in relation to a Note) "holder" means a person in whose name a Note is registered in the Register as at the relevant date or, in the case of joint holders, the first-named thereof;
"Notes"	means the notes comprising the up to Tanzania Shillings two hundred billion (TZS 200,000,000,000) Notes issued pursuant to the provisions of the Agency Agreement;
"Opening Date"	means the date on which each Tranche of the Issue will open and applications will start being received by the Placing Agents;
"Placing Agent"	means Stanbic Bank Tanzania Limited, Orbit Securities Limited, EA Capital Limited or such other agents that may be appointed as placing agent;
"Placing Agreement"	means the agreement entered into by the Issuer with the appointed Placing Agents;

"Pricing Supplement"	means, in relation to a Tranche a pricing supplement supplemental to the Information Memorandum issued for the purpose of specifying the relevant issue details of such Tranche;
"Principal Amount"	means the nominal amount of each Note;
"Principal Repayment Date"	means the date(s) so specified in the relevant Pricing Supplement as the date(s) on which payment(s) of principal is/are due;
"Programme Date"	03 May 2016;
"Programme"	means the Tanzania Shillings two hundred billion (TZS 200,000,000,000.00) (or such other currency as specified in the applicable Pricing Supplement) medium term note programme as amended from time to time, under which the Issuer may from time to time issue Notes denominated in Tanzania Shillings;
"Rate of Interest"	means the rate of interest payable from time to time in respect of a Note which is specified and calculated in accordance with the Terms and Conditions and/or the relevant Pricing Supplement;
"Record Date"	means in the case of payments of interest or principal, 5.00 pm Dar es Salaam time 15 calendar days before the relevant Interest Payment Date for payment or such other date as may be agreed between the Fiscal Agent and Registrar (on behalf of the Noteholders) and the Issuer;
"Redemption Date"	means the date on which the principal amount due on the Notes is repaid;
"Reference Rate"	means the benchmark interest rate so specified in the relevant Pricing Supplement for each Tranche of Notes to be issued;
"Register"	means, in relation to the Notes, the record of depositors who are the holders of the Notes maintained by the DSE in accordance with the provisions of the Central Depositories Act 2003;
"Registrar"	means the person at its Specified Office appointed or acting as Registrar pursuant to the Conditions and the Agency Agreement or, if applicable, any Successor Registrar at its Specified Office;
"Relevant Authorities"	means the Bank of Tanzania, CMA and the DSE;
"Senior Creditors"	means all such persons who are; <ul style="list-style-type: none"> <li>▪ unsubordinated creditors of the Issuer;</li> <li>▪ subordinated creditors of the Issuer other than those whose claims are expressed to rank and do rank, pari passu or junior to the claims of the Noteholders under the Notes;</li> </ul>
"Senior Notes"	means the Notes issued with the status and other conditions set out in Condition 2.1 (Senior Notes) and "Senior Note" shall be construed accordingly;
"Series"	means a Series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number;
"SMEs"	means small and medium enterprises;

"Specified Office"	means in relation to the Note Agents, either the office identified with its name in the Conditions or any other office notified to any relevant parties pursuant to the Agency Agreement;
"Sponsoring Stockbroker"	means EA Capital Limited and Orbit Securities Limited;
"Status of Senior Notes"	Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer, all as described in Condition 2.1 (Senior Notes) and the relevant Pricing Supplement.
"Status of Subordinated Notes"	Subordinated Notes will constitute direct, unsecured and subordinated obligations of the Issuer, all as described in Condition 2.2 (Subordinated Notes) and the relevant Pricing Supplement.
"Status of the Notes"	Notes may be issued on a senior or subordinated basis, as specified in the relevant Pricing Supplement;
"Subordinated Notes"	means the Notes issued with the status and other conditions set out in Condition 2.2 (Subordinated Notes) and "Subordinated Note" shall be construed accordingly;
"Successful Applicants"	means those institutions or individuals that applied for Notes and were allocated Notes under the Issue on the Allotment Date;
"Successor"	means, in relation to any party appointed under the Issue, any successor to any one or more of them which shall become a party pursuant to the provisions of these presents and/or such other or further agent (as the case may be) in relation to the Notes as may from time to time be appointed as such, and/or, if applicable, such other or further specified offices as may from time to time be nominated, in each case by the Issuer and (except in the case of the initial appointments and specified offices made under and specified in the Conditions) notice of whose appointment or, as the case may be, nomination has been duly given to the Noteholders;
"Tanzania Shillings" or "Shilling" "Tshs" or "TZS"	denotes the lawful currency of Tanzania;
"Tanzania"	means the United Republic of Tanzania and "Tanzanian" shall be construed accordingly;
"the Act" or "the Companies Act"	means the Companies Act, 2012;
"Tier 1 Capital"	means core capital (as defined in the Banking and Financial Institutions Act, 2006);
"Tier 2 Capital"	means supplementary capital (as defined in the Banking and Financial Institutions Act, 2006);
"Tranche"	means, in relation to a Series, those Notes of that Series that are issued on the same date, at the same issue price and in respect of which the first payment of interest is identical;
"US\$" or "USD"	denotes the lawful currency of the United States of America.



# 1 General Description of the Programme

Under the Programme, the Issuer may from time to time issue Notes denominated in the currency specified in the applicable Pricing Supplement. The applicable terms of any Notes will be set out in the Terms and Conditions incorporated by reference into the Notes, as modified and supplemented by the relevant Pricing Supplement relating to the Notes and any Supplemental Information Memorandum. A summary of the Programme and the Terms and Conditions appear in section 5 of this Information Memorandum.

This Information Memorandum will only apply to Notes issued under the Programme in an aggregate nominal amount which does not exceed TZS 200,000,000,000 or its equivalent in such other currencies as Notes are issued. For the purpose of calculating the aggregate nominal amount of Notes issued under the Programme from time to time:

- The TZS equivalent of Notes denominated in another currency shall be determined at or about the time at which an agreement is reached for the issue of such Notes as between the Issuer and the relevant Placing Agent on the basis of the spot rate at such time for the sale of such TZS amount against the purchase of such currency or unit of account in the Dar es Salaam inter-bank foreign exchange markets, as quoted by the Issuer or by any leading bank selected by the Issuer; and
- The interest payable on Equity Linked Notes or Earnings Linked Notes (as defined in the Terms and Conditions) shall be calculated by reference to the market price per share or the earnings per share on the Calculation Date.

To the extent that Notes may be listed on the DSE, the DSE's approval of the listing of any Notes is not to be taken in any way as an indication of the merits of the Issuer or the Notes. DSE has not verified the accuracy and truth of the contents of the Programme and to the extent permitted by law; DSE will not be liable for any claim of whatsoever kind.

## 2 Salient Features of the Programme

The information set out in this section of the Information Memorandum is not intended to be comprehensive. In order to gain a comprehensive understanding of all necessary subject matter and information, this Information Memorandum should be read in its entirety.

The interpretation and definitions of the terms and abbreviations used in this summary are set out in the Glossary of Defined Terms and Abbreviations

		Section A – Introduction and Warnings																																																											
A.1	Introductions and warnings	The following information should be read as an introduction to the information memorandum (“Information Memorandum”) relating to the offering (the “Offer”) of up to TZS 200 000 000 000  Any decision by a prospective investor to invest in the Notes should be based on a consideration of the Information Memorandum as a whole. Prospective investors should therefore read the entire Information Memorandum and not rely solely on this summary																																																											
		Section B – the Programme																																																											
B.1	Issuer	National Microfinance Bank Plc																																																											
B.2	Arrangers	CfC Stanbic Bank Limited and Stanbic Bank Tanzania Limited																																																											
B.3	Placing Agent	Stanbic Bank Tanzania Limited, Orbit Securities Limited, EA Capital Limited or such other agents as appointed by the Issuer as placing agent																																																											
B.4	Sponsoring Stockbroker	EA Capital Limited and Orbit Securities Limited																																																											
B.5	Transaction Legal Counsel	East African Law Chambers																																																											
B.6	Reporting Accountants	PricewaterhouseCoopers, Certified Public Accountants																																																											
B.7	Fiscal Agent	National Microfinance Bank Plc																																																											
B.8	Registrar	Stanbic Bank Tanzania Limited																																																											
B.9	Selected historical key financial information of the Company	The table below sets out extracts from the consolidated financial statements set out in Section 4 of the Information Memorandum.  <b>Table 1: NMB - Key Performance Measures from 2011 to 2015</b> <table><tr><th></th><th>2015</th><th>2014</th><th>2013</th><th>2012</th><th>2011</th></tr><tr><td>Net Interest Income (TZS Million)</td><td>368,190</td><td>377, 226</td><td>329, 793</td><td>278, 576</td><td>185, 173</td></tr><tr><td>Non-Interest Income (TZS Million)</td><td>114,418</td><td>117,113</td><td>107,403</td><td>94,589</td><td>81,421</td></tr><tr><td>Total Operating Income (TZS Million)</td><td>469,599</td><td>470, 381</td><td>398, 306</td><td>333, 287</td><td>240, 560</td></tr><tr><td>Profit Before Tax (TZS Million)</td><td>215,853</td><td>223, 548</td><td>187, 863</td><td>144, 662</td><td>102, 736</td></tr><tr><td>Loans and Advances to customers (TZS Million)</td><td>2,457,282</td><td>1, 986,162</td><td>1,606,357</td><td>1,345,932</td><td>1,123,518</td></tr><tr><td>Total Deposits from customers (TZS Million)</td><td>3,564,770</td><td>3,005,585</td><td>2,577,946</td><td>2,288,074</td><td>1,804,495</td></tr><tr><td>DPS (TZS)</td><td>104</td><td>104</td><td>90</td><td>68</td><td>50</td></tr><tr><td>Basic and Diluted EPS (TZS)</td><td>300</td><td>311</td><td>268</td><td>195</td><td>144</td></tr></table>							2015	2014	2013	2012	2011	Net Interest Income (TZS Million)	368,190	377, 226	329, 793	278, 576	185, 173	Non-Interest Income (TZS Million)	114,418	117,113	107,403	94,589	81,421	Total Operating Income (TZS Million)	469,599	470, 381	398, 306	333, 287	240, 560	Profit Before Tax (TZS Million)	215,853	223, 548	187, 863	144, 662	102, 736	Loans and Advances to customers (TZS Million)	2,457,282	1, 986,162	1,606,357	1,345,932	1,123,518	Total Deposits from customers (TZS Million)	3,564,770	3,005,585	2,577,946	2,288,074	1,804,495	DPS (TZS)	104	104	90	68	50	Basic and Diluted EPS (TZS)	300	311	268	195	144
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B.10	Selected key historical financial ratios	<p>The table below sets out extracts key performance measures from 2011-2015 calculated based on the consolidated audited financial statements.</p> <p><b>Table 2: NMB - Key Performance Ratios from 2011 to 2015</b></p> <table><tr><th></th><th>2015</th><th>2014</th><th>2013</th><th>2012</th><th>2011</th></tr><tr><td>Dividend yield (%)</td><td>4%</td><td>3%</td><td>4%</td><td>6%</td><td>6%</td></tr><tr><td>Price: Earnings ratio (x)</td><td>8.0x</td><td>10.9x</td><td>9.8x</td><td>5.7x</td><td>5.9x</td></tr><tr><td>Price to Book ratio (x)</td><td>2.21x</td><td>3.00x</td><td>2.87x</td><td>1.57x</td><td>1.49x</td></tr><tr><td>Return on average shareholders' equity</td><td>24%</td><td>30%</td><td>32%</td><td>30%</td><td>28%</td></tr><tr><td>Return on average assets</td><td>4%</td><td>4%</td><td>4%</td><td>4%</td><td>3%</td></tr><tr><td>Cost to income ratio</td><td>57%</td><td>53%</td><td>53%</td><td>55%</td><td>57%</td></tr><tr><td>Non-Performang Loans (NPLs)</td><td>2%</td><td>3%</td><td>3%</td><td>2%</td><td>1%</td></tr><tr><td>Capital adequacy ratios* (Bank)</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Tier 1 capital ratio</td><td>20%</td><td>21%</td><td>22%</td><td>21%</td><td>22%</td></tr><tr><td>Tier 1 + Tier 2 capital ratio*</td><td>22%</td><td>22%</td><td>23%</td><td>22%</td><td>22%</td></tr></table> <p>*Regulatory requirements for Tier I and II are 10% and 12% respectively *Capital adequacy ratios are calculated before dividend payments</p>		2015	2014	2013	2012	2011	Dividend yield (%)	4%	3%	4%	6%	6%	Price: Earnings ratio (x)	8.0x	10.9x	9.8x	5.7x	5.9x	Price to Book ratio (x)	2.21x	3.00x	2.87x	1.57x	1.49x	Return on average shareholders' equity	24%	30%	32%	30%	28%	Return on average assets	4%	4%	4%	4%	3%	Cost to income ratio	57%	53%	53%	55%	57%	Non-Performang Loans (NPLs)	2%	3%	3%	2%	1%	Capital adequacy ratios* (Bank)						Tier 1 capital ratio	20%	21%	22%	21%	22%	Tier 1 + Tier 2 capital ratio*	22%	22%	23%	22%	22%
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		Section C - General																																																																		
C.1	Description of the Programme	TZS 200,000,000,000 Medium Term Note Programme																																																																		
C.2	Form of Notes	Book entry																																																																		
C.3	Denomination of Notes	Notes will be issued in such denominations as may be specified in the relevant Pricing Supplement																																																																		
C.4	Status of the Senior Notes	Unless otherwise specified in the relevant Pricing Supplement, the Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank pari passu among themselves and (save for certain debt preferred by law) equally with all other unsecured obligations (other than subordinated obligations (if any)) of the Issuer outstanding from time to time																																																																		
C.5	Status of Subordinated Notes	Subordinated Notes will constitute direct, unsecured and subordinated obligations of the Issuer, all as described in Condition 2.2 (Subordinated Notes) and the applicable Pricing Supplement																																																																		
C.6	Currency	Tanzania Shillings or, subject to all applicable laws, such other currency as specified in the applicable Pricing Supplement																																																																		
C.7	Programme Amount	Tanzania shillings two hundred billion (TZS 200,000,000,000)																																																																		
C.8	Issue price	To be specified in the applicable Pricing Supplement																																																																		
C.9	Use of proceeds	General corporate purposes as specified in the applicable Pricing Supplement																																																																		
C.10	Listing	As specified in the applicable Pricing Supplement																																																																		
C.11	Governing Law	The laws of Tanzania																																																																		
		Section D – Risk Factors																																																																		
	Key risk specific to the Issuer or its industry	<p>Country Risks</p> <ul style="list-style-type: none"><li>- The Tanzanian economy may be susceptible to volatility which may adversely affect the value and liquidity of the Notes</li><li>- Changes in the regulatory framework or increased regulation of the financial services industry in Tanzania could adversely affect NMB's business</li><li>- Tanzania's personal lending services market</li></ul>																																																																		

D.1	<b>Key risk specific to the Issuer or its industry</b>	<p>Risks relating to the Issuer may include:</p> <ul style="list-style-type: none"> <li>• The Issuer is subject to regulation and absence of a banking license would affect its ability to conduct its operations</li> <li>• Adverse changes in borrower credit quality and deterioration of the general economic environment could affect the Issuer's profitability</li> <li>• Volatility in market risks could adversely impact the value of the Issuer's assets, liabilities, revenues and expenses</li> <li>• A constraint in the Bank's liquidity may affect its ability to meet its obligations as and when they fall due</li> <li>• Portfolio concentration in certain sectors could adversely affect the Issuer's credit portfolio thereby affecting its financial condition and operational results</li> <li>• Adverse experience in the operational risks inherent in the Issuer's business could have a negative impact on its results of operations</li> <li>• The growth trend experienced in new markets and industries may not be sustainable</li> <li>• Litigation may adversely affect the business, results, operation and financial condition of the Issuer</li> <li>• The Issuer may be unable to attract and retain highly qualified professional personnel</li> </ul>															
D.2	<b>Key risks specific to the securities</b>	<p>Risks relating to the Notes may include:</p> <ul style="list-style-type: none"> <li>• Risks relating to the structure of a particular issue of Notes</li> <li>• The Notes may not be a suitable investment for all investors</li> <li>• The market price of the notes may be volatile</li> <li>• Legal investment considerations may restrict certain investments</li> </ul>															
<b>Section E – Statutory and General Information</b>																	
E.1	<b>Incorporation</b>	The Bank was incorporated in 1997 in Tanzania under the Companies Act, 2002 and became a public limited liability company in 2008 (certificate of incorporation number 32699)															
E.2	<b>Registered Office</b>	<p>National Microfinance Bank Plc</p> <p>Head Office</p> <p>Ohio/Ali Hassan Mwinyi Road</p> <p>P.O. Box 9213</p> <p>Dar es Salaam</p> <p>Tanzania</p>															
<b>Section F – Indicative Timetable</b>																	
F.1	<b>Indicative issue timetable for each Tranche of Notes</b>	<table> <tr> <th>Tranche</th><th>Amount TZS '000</th><th>Indicative Offer Date*</th></tr> <tr> <td>01</td><td>TZS 25 000 000</td><td>May 2016</td></tr> <tr> <td>02</td><td>TZS 75 000 000</td><td>October 2016</td></tr> <tr> <td>03</td><td>TZS 50 000 000</td><td>March 2017</td></tr> <tr> <td>04</td><td>TZS 50 000 000</td><td>March 2018</td></tr> </table>	Tranche	Amount TZS '000	Indicative Offer Date*	01	TZS 25 000 000	May 2016	02	TZS 75 000 000	October 2016	03	TZS 50 000 000	March 2017	04	TZS 50 000 000	March 2018
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02	TZS 75 000 000	October 2016															
03	TZS 50 000 000	March 2017															
04	TZS 50 000 000	March 2018															
<p><i>*the above Offer Dates are indicative and will be announced through the relevant Pricing Supplement. The dates may change at the discretion of the Issuer and will be communicated to the potential noteholders where appropriate, subject to obtaining approval from the relevant authorities.</i></p>																	

### 3 Risk Factors

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with any Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum (including any documents deemed to be incorporated by reference herein) and in the applicable Pricing Supplement and reach their own views prior to making any investment decision.*

#### General

This Information Memorandum identifies in a general way the information that a prospective investor should consider prior to making an investment in the Notes. However, a prospective investor should conduct its own thorough analysis (including its own accounting, legal and tax analysis) prior to deciding whether to invest in the Notes as any evaluation of the suitability for an investor of an investment in the Notes depends upon a prospective investor's particular financial and other circumstances, as well as on specific terms of the Notes. This Information Memorandum is not, and does not purport to be, investment advice. If a prospective investor does not have experience in financial, business and investment matters sufficient to permit it to make such a determination, the investor should consult with its financial adviser prior to deciding to make an investment on the suitability of the Notes.

Each prospective investor of Notes must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or, if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes. In particular, investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should therefore consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as underlying securities for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

#### 3.1 Risk Factors Related to Tanzania

The Issuer's operations are primarily in Tanzania which is considered a frontier market. Frontier markets are a subset of emerging markets that may be characterised by nascent economies in various stages of development. These economies present international investors with additional risks due to the lack of safeguards and infrastructure that investors traditionally find in more developed economies.

Compared to developed markets and some emerging markets, frontier markets could be susceptible to economic instability and, in certain cases, significant political and legal risks.

From time to time, the Tanzanian economy may have experienced volatility characterised by high interest rates, exchange controls, exchange rate volatility, high inflation, wage and price controls and sudden changes in investment and fiscal policies.

Any of these factors, as well as the volatility in the markets for securities, may adversely affect the value and liquidity of the Notes.

Accordingly, investors should exercise due care in evaluating the risks involved in investing in the Notes and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investments in

frontier markets are only suitable for sophisticated investors who fully appreciate the significance of the risks involved, and prospective investors are urged to consult with their own legal and financial advisors before making an investment in the Notes.

### **Changes in the Regulatory Framework or Increased Regulation of the Financial Services Industry in Tanzania Could Adversely Affect NMB's business**

Changes in regulations, which are beyond the Issuer's control, may have a material effect on the Bank's business and operations. The BoT introduced various new regulations in 2014 further amended in 2015 such as the Banking and Financial Institutions Capital Adequacy (Amendment) Regulations, 2015 to be read as one with the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 which specify the minimum core capital requirements for banks as fifteen billion Tanzania shillings.

These regulatory actions could affect the pricing of NMB's products and therefore reduce demand for them or otherwise adversely affect its businesses. Accordingly, the Bank cannot provide assurance that any such new legislation or regulations would not have an adverse effect on its business, results of operations or financial condition in the future.

Tanzania has not introduced Basel III however, the introduction and adoption of Basel III could further increase the cost of capital for banks which could adversely affect NMB's business.

### **Tanzania's personal lending services market could experience restricted growth**

Whilst Tanzania has experienced steady economic growth over the last decade, growth in income for the average Tanzanian has been relatively modest which may limit demand for banking services. Additionally, as with many African countries, difficulties in assessing credit worthiness of counterparties owing to limited or no information on credit scoring, may cause banks to charge extremely high rates in order to compensate for risk. This could therefore result in restricted growth of lending products or increase in non-performing loans ratio which could adversely impact a bank's financial performance.

## **3.2 Risk Factors Related to the Issuer**

Set out below are certain risk factors, which could affect the Issuer's future results and cause them to be materially different from expected results.

The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties the Issuer's business faces.

### **The Issuer is subject to regulation and absence of a banking license would affect its ability to conduct its operations**

The Issuer operates in a highly regulated industry and non-compliance with such prescribed regulations can result in sanctions by the BoT. The BoT could revoke a banking license if a bank fails to comply with the provisions of the Banking Act or any rules, regulations, orders or directions issued under the Banking Act or any condition of a license such as non-compliance to the capital adequacy ratios, the minimum capital requirements or contravention of the anti-money laundering requirements. Should the Issuer lose its license and not be able to conduct its normal business it would not be able to meet its obligations under the Notes.

The Issuer has a risk management system in place geared at mitigating the key regulatory risks facing the Bank. The Board and management evaluate the Issuer's risk areas, identify the key risks and ensure that the process of risk management and the systems of internal control are effective.

### **Adverse changes in borrower credit quality and deterioration of the general economic environment could affect the Issuer's profitability**

The Issuer's business is subject to inherent risks regarding borrower credit quality and recoverability of loans and amounts due from counterparties and the general condition of the operating environment. Each of these can change the level of demand for, and supply of, the Issuer's products and services.

The Issuer employs a wide range of credit risk mitigation strategies the most common being collateralising loans and advances. This security could be in the form of mortgages on residential properties, charges over business premises, inventory and accounts receivables or charges over financial instruments such as fixed income or equity securities. However, changes in the credit quality of the Issuer's borrowers and counterparties could reduce the value of the Issuer's assets, and increase provisions for bad and doubtful debts. Additionally,

changes in economic conditions may result in deterioration in the value of security held against lending exposures and increase the risk of loss in the event of borrower default.

### **Volatility in market risks could adversely impact the value of the Issuer's assets, liabilities, revenues and expenses**

The Issuer is exposed to various market risks including interest rates and exchange rates whose volatility could adversely impact on the value of its assets, liabilities, revenues or expenses. Despite the Issuer managing market risks through the matching of assets and liabilities with similar market risk characteristics at the time of originating transactions, there can be no assurance that changes in interest rates and currency exchange rates will not have a significant adverse effect on the Issuer's financial condition and operational results. In particular, NMB relies on the on-going availability of retail and Government deposit funding which is dependent on a variety of factors outside the Bank's control, such as general economic conditions, the confidence of retail depositors and to some extent the political situation. These or other factors could lead to a reduction in the Bank's ability to access retail and Government deposit funding on appropriate terms in the future.

Any loss in consumer confidence in the banking businesses of the Bank or change in Government policy could significantly increase the amount of retail and Government deposit withdrawals in a short space of time. Should the Bank experience an unusually high level of withdrawals, this may have an adverse effect on the Bank's business, financial position and results of operations.

### **A constraint in the Bank's liquidity may affect its ability to meet its obligations as and when they fall due**

Liquidity risk is a primary concern for any financial institution, particularly those involved in long-term funding of projects and investments. The Issuer manages its liquidity risk through regular monitoring of future cashflows, monitoring liquidity ratios against internal and regulatory requirements and reviewing assets and liabilities mismatches. In addition, the Issuer ensures it maintains a portfolio of highly marketable assets that can easily be liquidated into cash as protection against any unforeseen interruptions in cashflows. This notwithstanding, there can be no guarantee that maturity mismatches will not occur which could have Material Adverse Effect on the business, financial condition and operational results of the Issuer.

### **Portfolio concentration in certain sectors could adversely affect the Issuer's credit portfolio thereby affecting its financial condition and operational results**

The lending book of the Bank has exposure to a range of clients, assets, industries and geographies which in isolation or combination could result in concentration risk, including in relation to the salaried workers loans. For further information on personal lending refer to Risk Factors - Tanzania's personal lending services market.

### **Reputational risk**

NMB believes that the code of conduct, execution of its business ethically and the integrity of the Bank's reputation as important factors in attracting and retaining a significant percentage of the Bank's customers. Any adverse perception of the image of the NMB Group by its customers, or more widely by its counterparties, shareholders, investors or regulators could have an adverse impact on the capital, earnings and balance sheet of the Bank.

### **Adverse experience in the operational risks inherent in the Issuer's business could have a negative impact on its results of operations**

Operational risks are present in the Issuer's business, including the risk of loss resulting from inadequate or failed internal and external processes, documentation, people and systems or from external events. The Issuer's business is dependent on its ability to process accurately and efficiently a high volume of complex transactions across numerous and diverse products and services, in different currencies and subject to a number of different legal regimes. The Issuer's systems and processes are designed to ensure that the operational risks associated with its activities are appropriately controlled, but the Issuer realises that any weakness in these systems could have a negative impact on its results of operations during the affected period.



### **The growth trend experienced in new products and services may not be sustainable**

During the financial year ended 31 December 2015, the Bank's loans and advances increased by 23% (2014: 24%) owing to the introduction of new products and services. To minimise credit risk associated with these new markets and industries, the Bank focused on doing business with large corporates, quality SMEs and on the salaried workers loans. However, there can be no assurance that the growth trend in the new products will continue or if the credit mitigation strategy will capture 100% of the risks associated with the growth in the lending portfolio. As such, a reduction in the growth trend could adversely affect the company's profitability in the future.

### **Litigation may adversely affect the business, results, operation and financial condition of the Issuer**

The Issuer may encounter litigation in connection with its activities. A substantial legal liability could have a Material Adverse Effect on the business, results, operations, reputation or financial condition of the Issuer.

### **The Issuer May be Unable to Attract and Retain Highly Qualified Professional Personnel**

The success of the Issuer's operations relies on its ability to attract and retain highly qualified professional personnel. The Issuer's ability to attract and retain key personnel is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent.

### **The Issuer may face growing competition from other financial institutions and growth in technological innovations that could affect its ability to retain or grow market share**

The demand for banking services by Tanzanians is relatively low owing to limited access to banking products and services. A 2015 study by GSMA (Groupe Speciale Mobile Association), a body that represents interests of mobile operators worldwide, expects the economic contribution of the mobile industry in sub-Saharan Africa to be USD125 billion in 2016 compared to USD114 billion in 2015. This is mainly attributed to connecting previously unconnected people to the internet as well as mobile money transfer services. East Africa in particular has recorded significant growth of mobile money services, mainly because of expanding usage in Tanzania and Kenya, while uptake in many West African countries has been slow.

Additionally mobile network operators have partnered with banks to offer lending and savings products through the mobile phone platform allowing for further disintermediation. Increased innovation of financial products available from mobile network operators and growth of use of mobile phone transfer services could result in increased competition to the banking industry that could limit the Bank's ability to grow its customer base and hence adversely impact its future growth potential.

### **The Bank's business performance could be adversely affected if its capital is not managed effectively or as a result of changes to capital adequacy and liquidity requirements**

Managing the Bank's capital efficiently is critical to its ability to operate its businesses, and to grow organically. The Bank is required by the BoT to maintain adequate capital resources. The maintenance of adequate capital is also necessary for the Bank's financial flexibility in the face of continuing turbulence and uncertainty in the global economy. The Capital Adequacy Regulations issued in 2014 and amended in 2015 state that Tanzania regulated financial institutions must hold sufficient capital to survive liquidity stress. If in the opinion of the BoT a bank has failed to comply with the capital adequacy or liquidity requirements, the BoT could institute remedial measures to address the undercapitalisation. Such measures could result in actions or sanctions that could adversely affect the Bank's business including its operating results, financial condition and prospects. This, in turn, may affect the Bank's capacity to continue its business operations, pay future distributions, service the coupon on the notes or pursue acquisitions or other strategic opportunities, impacting future growth potential.

### 3.3 Risk Factors Related to the Issue

#### **Risks relating to the structure of a particular issue of Notes**

A range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of certain such features. Prospective investors of Notes should be aware that the range of Notes that may be issued under the Programme is such that the following statements are not exhaustive with respect to the types of Notes that may be issued under the Programme and any particular Series of Notes may have additional risks associated with it that are not described below. Investment in the Notes may involve complex risks related to factors which include equity market risks and may include interest rate, foreign exchange and/or political risks.

#### **The Notes may not be a suitable investment for all investors**

Each potential investor must determine the suitability of investing in the Notes in light of its own circumstances. In particular each potential investor should:

- Have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Information Memorandum or any Supplemental Information Memorandum;
- Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- Have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;
- Understand thoroughly the Conditions of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- Be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in notes which are complex financial instruments without consulting a financial advisor who will evaluate how such notes will perform under changing conditions, the resulting effects on the value of such notes and the impact this investment will have on the potential investor's overall investment portfolio.

#### **The market price of the notes may be volatile**

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results, adverse business developments, changes in the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes.

In particular the markets for emerging market securities, such as Tanzania, may be volatile and are to varying degrees, influenced by economic securities' market conditions in other emerging market countries which may not be in the same geographic region as Tanzania. Although economic conditions are different in each country, investor reactions to the developments in one country may affect securities of issuers in other countries, including Tanzania. Accordingly the market price of the Notes may be subject to significant fluctuations, which may not necessarily be related to the financial performance of the Issuer.

#### **Notes may be subject to optional redemption by the Issuer**

An optional redemption feature in the Notes may negatively affect their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a lower rate.

## Interest

Notes to be issued under the Programme may pay either (a) a fixed amount of interest, (b) a variable amount of interest or (c) no interest at all.

### *Fixed Rate Interest*

Securities bearing or paying a fixed rate of interest either will pay or, depending on the fulfilment of certain conditions, may pay a fixed amount of interest on specified interest payment dates. Investors who purchase Notes with a fixed rate of interest are exposed to the risk that market interest rates rise and the fixed amount of interest they receive is less than the amount they would have received had they invested in a Note with a floating rate of interest. The market value of Notes with a fixed rate of interest will decrease if potential investors perceive that they can achieve a greater return on an investment by investing in alternative products. If an investor holds a Note bearing a fixed rate of interest through to maturity, changes in the market interest rate may become less relevant to the value as the maturity date approaches.

### *Floating and Other Variable Rate Interest*

Notes bearing or paying a floating or other variable rate of interest either will pay or, depending on the fulfilment of certain conditions, may pay a variable amount of interest on specified interest payment dates.

Notes which bear or pay floating or other variable interest rates can be volatile investments. Investors who purchase Notes with a floating or other variable rate of interest will be exposed to the risk of a fluctuating rate of interest and consequently variable interest amounts. If floating or other variable rate securities are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features, the market value of those securities may be more volatile than that for securities that do not include these features.

Floating Rate Notes or other variable rate Notes may be subject to a maximum amount of interest, which may limit the total amount of interest that an investor may receive.

## Equity Linked Notes

Equity Linked Notes may be redeemed by the Issuer by payment of the par value amount or by payment of an amount determined by reference to the value of shares of the Issuer.

Accordingly, an investment in Equity Linked Notes may bear similar market risks to a direct investment in the Bank's ordinary shares and investors should take advice accordingly. Equity Linked Notes may bear or pay interest calculated by reference to the value of the Bank's shares.

## Capped variable rate Notes

The maximum amount of interest payable in respect of Notes that bear or pay interest with a capped variable rate will equal the sum of the reference rate and any specified margin subject to a specified maximum rate. Consequently investors in these Notes will not benefit from any increase in the relevant reference rate if, when added to the specified margin, such resulting rate is equal to or greater than the maximum specified rate. The market value of these Notes would typically fall the closer the sum of the relevant reference rate and any margin is to the maximum specified rate. The yield of Notes with a capped variable rate may be considerably lower than that of similar Notes without a cap.

## Change of Law

The Conditions of the Notes are based on Tanzanian law in effect as at the date of this Information Memorandum.

No assurance can be given as to the impact of any possible judicial decision or change to Tanzanian law or administrative practice after the date of this Information Memorandum.

## Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

## Subordinated Notes

The Issuer may issue Subordinated Notes. The obligations of the Issuer under Subordinated Notes constitute unsecured and subordinated obligations and will rank junior in priority of payment to unsubordinated obligations. In the event of insolvency or liquidation of the Issuer, such obligations will be subordinated to the claims of all unsubordinated creditors of the Issuer so that in any such event no amounts will be payable in respect of such obligations until the claims of all unsubordinated creditors of the Issuer have been satisfied in full. The Issuer expects from time to time to incur additional indebtedness or other obligations that will constitute senior indebtedness, and the Subordinated Notes do not contain any provisions restricting the Issuer's ability to incur senior indebtedness. Although the Subordinated Notes may pay a higher rate of interest than comparable Notes which are not so subordinated, there is a real risk that an investor will lose all or some of its investment should the Issuer become insolvent since its assets would be available to pay such amounts only after all of its Senior Creditors have been paid in full.

Subordinated Notes are intended to qualify as Tier 2 instruments within the meaning of the Banking and Financial Institutions Act, 2006 on capital adequacy requirements for financial institutions (including any provisions of the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014 "CAR"); to the extent that any provisions of the CAR are amended or replaced, the term "CAR" shall refer to such amended provisions or successor provisions.

The Issuer may redeem all or part of the Subordinated Notes at its option at any time prior to maturity upon the occurrence of certain regulatory events. If the Issuer redeems the Subordinated Notes, holders of such Notes may not be able to reinvest the amounts they receive upon redemption at a rate that will provide the same rate of return as did the investment in the Subordinated Notes.

In the event of the dissolution, liquidation, insolvency or other proceedings for the avoidance of insolvency of, or against, the Issuer, the obligations under the Subordinated Notes will be fully subordinated to the claims of other unsubordinated creditors of the Issuer. Accordingly, in any such event no amounts shall be payable in respect of the Subordinated Notes until in any such event no amounts shall be payable in respect of the Subordinated Notes until the claims of such other unsubordinated creditors of the Issuer have been satisfied in full. Accordingly, the Noteholders' rights under the Notes will rank behind all unsubordinated creditors of the Issuer in the event of the insolvency or liquidation of the Issuer.

The Issuer's payment obligations under the Notes will rank *pari passu* amongst themselves and with all claims in respect of existing and future instruments classified as Tier 2 capital of the Issuer and the payment of interest payments thereunder.

The only remedy against the Issuer available to Noteholders for recovery of amounts which have become due in respect of the Subordinated Notes will be the institution of legal proceedings to enforce payment of the amounts. In an insolvency or liquidation of the Issuer, any Noteholder may only claim amounts due under the Subordinated Notes after the Issuer has discharged or secured in full (i.e. not only with a quota) all claims that rank senior to the Subordinated Notes.

## Securities whose interest and/or redemption amount is calculated by reference to a formula

Where an issue of Notes references a formula in the applicable Terms and Conditions (which may be replicated in the applicable Pricing Supplement) or the Pricing Supplement as the basis upon which the interest payable and/or the amount payable on redemption is calculated, potential investors should ensure that they understand the relevant formula and if necessary seek advice from their own financial adviser.

In addition the effects of the formula may be complex with respect to expected amounts of interest and/or amounts payable and/or assets deliverable on redemption and in certain circumstances may result in increases or decreases in these amounts.

## Integral multiples of the Specified Denomination

If Notes are issued in one or more integral multiples of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than such minimum Specified Denomination in its account with the relevant securities exchange at the relevant time may not hold a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that its holding amounts to the Specified Denomination.

## **Taxation**

Potential purchasers and sellers of Notes should be aware that they may be required to pay stamp taxes or other documentary charges in accordance with the laws and practices of the country where the Notes are transferred and/or any asset(s) are delivered.

Potential purchasers who are in any doubt as to their tax position should consult their own independent tax advisers. In addition, potential purchasers should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

### **No Tax Gross-Up in respect of Certain Series of Notes**

If the applicable Pricing Supplement specify that no withholding tax gross-up is applicable, the Issuer is not obliged to gross up any payments in respect of the Notes and will not be liable for or otherwise obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, transfer, presentation and surrender for payment, or enforcement of any security and all payments made by the Issuer will be made subject to any such tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

## **3.4 Risk factors relating to the market generally**

### **The secondary market generally**

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

### **Market Price Risk**

The market prices of the Notes depends on various factors, such as changes of interest rate levels, the policy of central banks, overall economic developments, inflation rates or the supply and demand for the relevant type of Notes. The market price of the Notes may also be negatively affected by an increase in the Issuer's credit spreads, i.e. the difference between yields on the Issuer's debt and the yield of government bonds or swap rates of similar maturity. The Issuer's credit spreads are mainly based on its perceived creditworthiness but also influenced by other factors such as general market trends as well as supply and demand for such Securities.

### **Exchange rate risks and exchange controls**

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversion if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency equivalent value of the principal payable on the Notes and (c) the Investor's Currency equivalent market value of the Notes.

The Government of Tanzania has imposed exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

In addition, there is the risk that the Specified Currency is or becomes illiquid and/or subject to currency restrictions including conversion restrictions and exchange controls imposed by authorities with jurisdiction over the Specified Currency. The applicable Pricing Supplement may determine that payments under the Notes may be made in another currency as the Specified Currency due to certain currency restrictions or

the illiquidity of the Specified Currency. In such cases the Noteholders could be exposed to specific risks connected to the currency in which payments are actually made. Investors may also suffer disadvantages and losses due to the circumstance that they do not receive payment in the Specified Currency, e.g. if amounts in the Specified Currency are needed to fulfil own payment obligations in the Specified Currency.

Such currency risks generally depend on factors over which the Issuer and the Noteholders have no control, such as economic and political events and the supply of and demand for the relevant currencies. In recent years, rates of exchange for certain currencies have been highly volatile, and such volatility may be expected to continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations in the rate that may occur during the term of any Note.

### **Credit ratings may not reflect all risks**

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, revised or withdrawn by the assigning rating agency at any time. Credit ratings assigned to Notes do not necessarily mean that the Notes are suitable investment. Similar ratings do not address the marketability of any Notes or any market price. Any change in the credit ratings of Notes, or the Issuer, could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.

### **Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) Notes are legal investments for it, (b) Note can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.



## 4 Summary of Financial Information

The Issuer's financial information set out below has, unless otherwise indicated, been derived from its audited consolidated financial statements as at and for the years ended 31 December 2011 to 2015, in each case prepared in accordance with IFRS as issued by the International Accounting Standards Board. Such summary should be read in conjunction with the Reporting Accountants' Report, the financial statements and related notes.

### 4.1 Consolidated Statements of Profit and Loss and Other Comprehensive Income

Year ended 31 December	2015	2014	2013	2012	2011
	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
Interest and similar income	436 719	416 490	355 686	287 924	193 005
Interest and similar expense	(68 529)	(39 264)	(25 893)	(9 348)	(7 832)
<b>Net interest income</b>	<b>368 190</b>	<b>377 226</b>	<b>329 793</b>	<b>278 576</b>	<b>185 173</b>
Loan impairment charges	(13 009)	(16 589)	(23 766)	(25 851)	(11 752)
<b>Net interest income after loan impairment charges</b>	<b>355 181</b>	<b>360 637</b>	<b>306 027</b>	<b>252 725</b>	<b>173 421</b>
Fees and commission income	124 671	117 113	98 279	84 201	67 995
Fees and commission expense	(10 253)	(7 369)	(6 000)	(3 639)	(856)
<b>Net fees and commission income</b>	<b>114 418</b>	<b>109 744</b>	<b>92 279</b>	<b>80 562</b>	<b>67 139</b>
<b>Total operating income</b>	<b>469 599</b>	<b>470 381</b>	<b>398 306</b>	<b>333 287</b>	<b>240 560</b>
Foreign exchange income	21 992	17 620	8 378	9 086	7 437
Other income	23 931	9 250	6 646	1 302	6 845
Employee benefits expense	(130 649)	(116 693)	(99 675)	(75 955)	(63 646)
General and administrative expenses	(151 639)	(137 554)	(108 222)	(99 191)	(77 015)
Depreciation and amortization	(17 381)	(19 456)	(17 570)	(23 867)	(11 445)
<b>Profit before income tax</b>	<b>215 853</b>	<b>223 548</b>	<b>187 863</b>	<b>144 662</b>	<b>102 736</b>
Income tax expense	(67 040)	(69 036)	(54 225)	(47 340)	(30 947)
<b>Profit for the year</b>	<b>148 813</b>	<b>154 512</b>	<b>133 638</b>	<b>97 322</b>	<b>71 789</b>
Other comprehensive income, net of tax	(80)	(68)	-	-	-
<b>Total comprehensive income for the year</b>	<b>148 733</b>	<b>154 444</b>	<b>133 638</b>	<b>97 322</b>	<b>71 789</b>
Attributable to:					
Owners of the parent	148 899	154 771	133 713	97 354	71 809
Non-controlling interest	(166)	(327)	(75)	(32)	(20)
<b>Total comprehensive income for the year</b>	<b>148 733</b>	<b>154 444</b>	<b>133 638</b>	<b>97 322</b>	<b>71 789</b>
Basic and diluted earnings per share (TZS)	298	310	267	195	144

Source: NMB audited financial statements and the Reporting Accountants report dated 2016



- Net Interest income for the last five years increased at a compounded average growth rate of 15% mainly due to overall growth in loan portfolio in particular corporate loans, salary workers loans product and SME loans and attractive yields on Government securities held.
- Net non-funded income increased at compounded average growth rate of 11% for the last five years due to increase in customer deposits and loans and growth in foreign exchange trading volumes stimulated by campaigns on retail and wholesale foreign exchange transactions in our entire network of branches in recent years.
- The increase in interest income and non-funded interest income over the last five years is regarded as reasonable increment and is mainly attributable to growth of business.

## 4.2 Consolidated Statements of Financial Position

As at 31 December	2015	2014	2013	2012	2011
	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
<b>Assets</b>					
Cash and balances with Bank of Tanzania	972 106	807 402	545 308	521 658	430 243
Placements and balances with other banks	193 053	140 908	153 377	203 062	172 737
Loans and advances to customers	2 457 282	1 986 162	1 606 357	1 345 932	1 123 518
Investment securities held to maturity	672 540	736 352	820 744	617 347	361 943
Investment securities available for sale	729	774	-	-	-
Goodwill	13 282	-	-	-	-
Equity investments	1 740	1 740	1 740	1 200	1 200
Other assets	36 204	55 231	45 748	22 044	9 197
Property and equipment	194 217	126 695	88 040	70 316	60 894
Intangible assets	10 237	4 437	708	1 226	846
Current income tax	2 387	3 865	2 313	-	3 546
Deferred income tax	22 736	25 102	22 840	17 962	6 119
<b>Total assets</b>	<b>4 576 513</b>	<b>3 888 668</b>	<b>3 287 175</b>	<b>2 800 747</b>	<b>2 170 243</b>
<b>Equity and Liabilities</b>					
<b>Liabilities</b>					
Deposits due to other banks	1 600	5 244	6 080	72 657	31 970
Deposits from customers	3 564 770	3 005 585	2 577 946	2 288 074	1 804 495
Current income tax	-	-	-	6 015	-
Other liabilities	76 050	92 484	71 624	67 749	47 662
Provisions	3 229	4 552	3 450	1 872	854
Borrowings	265 753	204 095	160 811	-	-
<b>Total liabilities</b>	<b>3 911 402</b>	<b>3 311 960</b>	<b>2 819 911</b>	<b>2 436 367</b>	<b>1 884 981</b>
<b>Capital and reserves</b>					
Share capital	20 000	20 000	20 000	20 000	20 000
Retained earnings	618 165	545 862	436 023	336 310	262 230
Regulatory Reserve	24 676	-	-	-	1 726
Fair valuation reserve	(148)	(68)	-	-	-
<b>Total shareholders' equity</b>	<b>662 693</b>	<b>565 794</b>	<b>456 023</b>	<b>356 310</b>	<b>283 956</b>
<b>Non-controlling interests</b>	<b>2 418</b>	<b>10 914</b>	<b>11 241</b>	<b>8 070</b>	<b>1 306</b>
<b>Total equity</b>	<b>665 111</b>	<b>576 708</b>	<b>467 264</b>	<b>364 380</b>	<b>285 262</b>
<b>Total equity and liabilities</b>	<b>4 576 513</b>	<b>3 888 668</b>	<b>3 287 175</b>	<b>2 800 747</b>	<b>2 170 243</b>

Source: NMB audited financial statements and the Reporting Accountants report dated 2016

## 4.2.1 Analysis of Borrowings

As at 31 December 2015, the Company had borrowings totalling TZS 266 billion (2014: 201 billion) as outlined below:

**Table 3: Summary of borrowings**

Name of Lender	Currency	Amount outstanding in TZS ' Million	Tenor	Effective Interest Rate per annum
European Investment Bank ("EIB") Africa Re Centre, 5th floor Hospital Road, PO Box 40193, 00100 Nairobi	TZS	55,546	Up to six years	8.87%
EIB	USD	20,491	Up to seven years	3.2%
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V ("Netherlands Development Finance Company") FMO loan	USD	111,024	Up to 1 year	3.7%
	USD	75,565	Up to six years	3.95%
	<b>Total</b>	<b>262,626</b>		
	Interest	3,127		

*All facilities were advanced to NMB on an unsecured basis.*

### 4.3 Consolidated Statements of Cash flows

Year ended 31 December	2015	2014	2013	2012	2011
	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions	TZS' Millions
Cash flow from/(used in) operating activities	265 191	379 604	(107 526)	175 734	107 269
Tax paid	(63 196)	(72 850)	(67 431)	(49 623)	(34 508)
Net cash generated from/(used in) operations	201 995	306 754	(174 957)	126 111	72 761
<b>Cashflows from investing activities</b>					
Decrease in held to maturity government securities	63 812		-	-	-
Increase in available for sale government securities	(35)		-	-	-
Purchase of property and equipment	(83 683)	(61 541)	(34 685)	(33 739)	(22 300)
Purchase of intangible assets	(7 241)	(311)	(238)	(82)	(522)
Proceeds on disposal of property and equipment	73	337	226	74	32
Goodwill adjustment	(13 282)	-	-	-	-
Changes in non-controlling interest	(8 330)	-	-	-	-
Acquisition of shares in other companies	-	-	(540)	-	(600)
Net cash used in investing activities	(48 686)	(61 515)	(35 163)	(33 747)	(23 390)
<b>Cashflows from financing activities</b>					
Proceeds from borrowings	61 658	41 335	159 737	-	-
Interest paid on borrowings		(8 506)	(2)	-	-
Proceeds from issuance of shares to non-controlling interest	-	-	3 246	6 796	121
Dividends paid	(52 000)	(45 000)	(34 000)	(25 000)	(18 000)
Net cash (used in)/generated from financing activities	9 658	(12 171)	128 981	(18 204)	(17 879)
Net increase/(decrease) in cash and cash equivalents	162 967	233 068	(81 213)	74 160	31 492
Cash and cash equivalents at the beginning of the year	621 998	388 930	470 143	395 983	364 491
Cash and cash equivalents at the end of the year	784 965	621 998	388 930	470 143	395 983
<b>Analysis of cash and cash equivalents at end of the year:</b>					
Cash in hand	267 219	207 987	218 133	185 043	186 637
Balances with Bank of Tanzania	324 693	273 103	17 420	82 038	36 609
Deposits and balances due from banking institutions	193 053	140 908	153 377	203 062	172 737
	784 965	621 998	388 930	470 143	395 983

Source: NMB audited financial statements as at 31 December 2015 and the Reporting Accountants report dated 2016

## 5 Terms and Conditions of The Notes

The following are the Terms and Conditions (the **“Conditions”** and each a **“Condition”**) of the Notes. The Conditions may be supplemented, amended, modified or varied in accordance with the provisions of the relevant Pricing Supplement. The relevant Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these terms and conditions, replace or modify the following terms and conditions for the purpose of that Tranche of Notes.

The issue within the United Republic of Tanzania of Tanzania Shillings Two Hundred Billion (TZS 200,000,000,000.00 (or such other currency as specified in the applicable Pricing Supplement) medium term notes (the **“Notes”**) by the National Microfinance Bank Plc (the **“Issuer”**) was duly authorised pursuant to a resolution of the Board of Directors of the Issuer passed on 7 February 2015. The Notes are issued with the benefit of, and are subject to, an Agency Agreement dated 3 May 2016 (the **“Agency Agreement”**) between the Issuer as Issuer, fiscal and paying agent (the **“Fiscal Agent”**) and calculation agent (the **“Calculation Agent”**) and Stanbic Bank Tanzania Limited as the Registrar.

These Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

All capitalised terms that are not defined in these Conditions shall bear the meaning ascribed to them in the Agency Agreement and in the relevant Pricing Supplement, unless the context otherwise requires. Copies of the Agency Agreement and the relevant Pricing Supplement are available for inspection at the Specified Office of the Registrar. The Noteholders are deemed to have notice of, and are entitled to the benefit of, and are subject to, all the provisions of the Agency Agreement and the relevant Pricing Supplement.

All the Notes issued by the Issuer pursuant to the Agency Agreement and for the time being Outstanding are hereinafter referred to as the **“Notes”** and the term **“Note”** is to be construed accordingly.

In these Terms and Conditions and the relevant Pricing Supplement, unless inconsistent with the context or separately defined in the Agency Agreement or relevant Pricing Supplement, the following expressions shall have the following meanings:

**“Business Day”** a day other than a Saturday or Sunday or a public holiday on which commercial banks and foreign exchange markets are open for business in Tanzania.

**“CMSA”** means the Capital Markets and Securities Authority established under the Capital Markets and Securities Act, Chapter 79 of the laws of Tanzania (and includes any successor thereto (whether immediate or derivative).

**“Condition”** means a particular provision of these Terms and Conditions.

**“Currency of Notes”** means Tanzania Shillings or any successor currency (or such other currency as specified in the relevant Pricing Supplement);

**“Early Redemption Amount”** means the amount payable on early redemption of the Notes by the Issuer pursuant to the provisions of Condition 6 (Redemption and purchase).

**“Equity Linked Note”** means a Note in respect of which interest is to be calculated as provided in Condition 4(c) and the relevant Pricing Supplement.

**“Earnings Linked Note”** means a Note in respect of which interest is to be calculated as provided in Condition 4(d) and the relevant Pricing Supplement.

**“Event of Default”** means an Event of Default as defined in Condition 9 (Events of Default).

**“Extraordinary Resolution”** means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of the Agency Agreement by a majority consisting of not less than two-thirds of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than two-thirds of the votes given on such poll..

**“Final Redemption Amount”** means the amount of principal payable in respect of each Note upon final redemption thereof, as specified in the relevant Pricing Supplement.

**“Fixed Rate Note”** means a Note in respect of which interest is to be calculated as provided in Condition 4(a) and the relevant Pricing Supplement.

**“Floating Rate Note”** means a Note in respect of which interest is to be calculated as provided in Condition 4(b) and the relevant Pricing Supplement.

**“Interest Amount”** means the amount of interest payable in respect of each Principal Amount of the Notes as determined in accordance with Condition 4 (Interest).

**“Interest Commencement Date”** means the first date from which interest on the Notes will accrue, as specified in the relevant Pricing Supplement.

**“Interest Payment Date”** means each date on which interest is payable under the Notes specified as the Interest Payment Date(s) in the relevant Pricing Supplement or if no express Interest Payment Date(s) is/are specified in the relevant Pricing Supplement, each date which occurs after a period following the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

**“Interest Period”** means each period as indicated in the relevant Pricing Supplement commencing on and including the day of any Interest Payment Date and ending on but excluding the following Interest Payment Date provided that the first Interest Period shall (save as may otherwise be provided in the relevant Pricing Supplement) be from and including the Issue Date but excluding the first Interest Payment Date thereafter.

**“Issue Date”** means, in respect of any Note, the date of issue of that Note as specified in the relevant Pricing Supplement.

**“Issue Price”** means the price at which the Notes are issued by the Issuer (being, at the election of the Issuer, at par or at discount to, or premium to par or at such other price or such other basis as agreed and specified in the relevant Pricing Supplement).

**“Agents”** means collectively the Fiscal Agent, the Calculation Agent and the Registrar and/or such other or further person(s) appointed in the capacity of agent pursuant to the Agency Agreement.

**“Note Documents”** means the Agency Agreement and the Placing Agreement.

**“Notes”** means the medium term notes issued or to be issued by the Issuer in the Specified Denominations under the Programme and represented by the records maintained by the CDS.

**“Noteholders”** means the persons in whose name Notes are registered in the Register maintained by the Registrar pursuant to the Agency Agreement in respect of a particular Tranche or Series and **“holders”** shall be construed accordingly and, in addition, where the context so admits or requires.

**“Outstanding”** means in relation to the Notes, all the Notes issued other than:

- those which have been redeemed in full;
- those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption monies wherefore (including all interest accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions after such date) remain available for payment;
- those which have been purchased and cancelled as provided in Condition 6 (*Redemption and purchase*);
- those which have become void under Condition 8 (*Prescription*); provided that for each of the following purposes, namely:
- the right to attend and vote at any meeting of the Noteholders; and
- the determination of how many and which Notes are for the time being Outstanding for the purposes of Condition 13 (*Meetings of Noteholders, modifications and waivers*),

All Notes (if any) which are for the time being held by the Issuer (subject to any applicable law) or by any person for the benefit of the Issuer and not cancelled (unless and until ceasing to be so held) shall be deemed not to be Outstanding.

**“Payment Day”** means any day which is a Business Day and upon which a payment is due by the Issuer in respect of the Notes.

**“Placing Agent”** means the person at its Specified Office initially appointed as Placing Agent pursuant to the Placing Agreement, or if applicable, any Successor Placing Agent at its Specified Office;

**“Pricing Supplement”** means, in relation to a Tranche, a pricing supplement, supplemental to the Information Memorandum, issued for the purpose of specifying the relevant issue details of such Tranche and references in the Information Memorandum to the **“relevant Pricing Supplement”** shall, in relation to any Tranche of Notes, be references to the pricing supplement in respect of that Tranche.

**“Principal Amount”** means the nominal amount of each Note in respect of that Note.

**“Programme”** means the up to Tanzania Shillings Two Hundred Billion (TZS 200,000,000,000.00) (or such other currency as specified in the applicable Pricing Supplement) medium term Notes as amended from time to time, under which the Issuer may from time to time issue Notes denominated in Tanzania Shillings (or such other currency as specified in the applicable Pricing Supplement).

**“Rate of Interest”** or **“Interest Rate”** means the rate of interest payable from time to time in respect of a Note which is specified and calculated in accordance with the Terms and Conditions and/or the relevant Pricing Supplement.

**“Record Date”** means the fifteenth day before (and not including) each Payment Date unless otherwise provided in the relevant Pricing Supplement in which case **“Record Date”** shall have the meaning ascribed to that term in the relevant Pricing Supplement.

**“Register”** means the register maintained by the Registrar in terms of the Agency Agreement.

**“Regulations”** means the regulations concerning the transfer of Notes as the same may from time to time be promulgated by the Issuer and approved by the Registrar and detailed in this Agreement under Schedule 1 (Regulations Concerning the Transfer and Registration of Notes).

**“Senior Creditors”** means (a) all persons who are not expressly stated in any contract, agreement or other arrangement between the Issuer and such person, to be subordinated creditors of the Issuer and (b) all persons who are expressly stated in any contract, agreement or other arrangement between the Issuer and any such other person to be subordinated creditors of the Issuer (other than the Noteholders in their capacity as holders of the Notes) but whose claims are expressed to rank senior to amounts due under the Subordinated Notes.

**“Senior Notes”** means the Notes issued with the status and other conditions set out in Condition 2.1 and **“Senior Note”** shall be construed accordingly.

**“Subordinated Notes”** means the Notes issued with the status and other conditions set out in Condition 2.2 of and **“Subordinated Note”** shall be construed accordingly.

**“Series”** means, in relation to those Notes of that Tranche that are issued on the same date, issue price and in respect of which the first payment of interest is identical and which may otherwise have differing terms as stipulated in the relevant Pricing Supplement and **“Series”** shall be construed accordingly.

**“Specified Denominations”** means the denominations in which the Notes are issued and held being the minimum denominations specified in the relevant Pricing Supplement.

**“Stock Exchange”** means the DSE and references in these Terms and Conditions to the **“relevant Stock Exchange(s)”** shall, in relation to any Notes, be a reference to the exchange(s) on which such Notes are from time to time, or are intended to be, listed.

**“Terms and Conditions”** means the terms and conditions incorporated in this section headed **“Terms and**

**Conditions of the Notes**” and in accordance with which the Notes will be issued under the Programme and references to **“these Conditions”** shall mean the Terms and Conditions.

**“Tranche”** means a series of Notes comprising one or more Series that (except in respect of the first payment of interest and their issue price) have the identical terms of issue and are expressed to have the same Tranche number.

## **1. Form, Denomination and Title**

- (a) *Form of Notes and Denominations.* Each Note or a Series of Notes will be held in book entry form denominated in Currency of Notes.
- (b) *Title.* Title to the Notes shall pass upon the registration of transfers in accordance with the provisions of the Agency Agreement. The Issuer, the Fiscal Agent and the Registrar may (to the fullest extent permitted by applicable law) deem and treat the person in whose name such Note is registered as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof), and neither the Issuer, nor any agent of the Issuer shall be affected by notice to the contrary.
- (c) *Transfer.* A Note may be transferred in whole or in part in a Specified Denomination upon delivery of the form of transfer of such Note duly completed and stamped, if liable to stamp duty, and executed by the transferor or under its common seal or on its behalf under the hand of one of its officers duly authorised in writing, and upon the Registrar and/or the CDS being satisfied with the documents of title and the identity of the person making the request, and if the form of transfer is executed by some other person on behalf of the transferor or in the case of the execution on behalf of a corporation by its officers, the authority of that or those persons to do so, all subject to such reasonable regulations as the Issuer, CDS and the Registrar may prescribe.

All transfers of Notes and entries on the Register will be made subject to the detailed Regulations concerning transfers of Notes set forth in the Agency Agreement. The transfer of Notes will be subject to the requirements of the Stock Exchange on which the Notes are listed from time to time (if any).

- (d) *Registration and transfer – free of charge.* Both registration and transfer will be effected without charge to the Noteholder or transferee thereof, by the Registrar or otherwise on behalf of the Issuer, but upon payment (or the giving of such indemnity as the Registrar may require) in respect of any tax or other duty of whatever nature which may be levied or imposed in relation to it.
  - (e) *Closed periods.* No Noteholder may require the transfer of any Note (or any interest therein) to be registered during the period of 15 days ending on the due date for the payment of interest on the Note.
- *Future issues and further borrowing:* Nothing contained in the Note Documents or the Information Memorandum shall preclude the Issuer from, at any time, issuing further Notes or otherwise raising additional capital on these or any other terms and conditions.
  - *Restriction on transfers for Medium Term Notes:* Notwithstanding the provisions of Condition 1(b) (*Title*) and 1 (c) (*Transfer*), and subject to Condition 1(e) (*Closed periods*), the Notes shall only be transferable upon being listed at the DSE.



## 2. Status

### 2.1 Senior Notes

The Senior Notes constitute direct, general, unconditional, unsubordinated and subject to the provisions of Condition 3 (Negative Pledge), unsecured obligations of the Issuer and will at all times rank pari passu in all respects (including in priority of payment) among themselves and with all other present and future direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer, except for any obligations that may be preferred by provisions of law that are both mandatory and of general application.

### 2.2 Subordinated Notes

2.2.1 It is the intention of the Issuer that the Subordinated Notes should qualify as Tier 2 Capital. Subject to exceptions provided by provisions of law, the Issuer's obligations under the Subordinated Notes constitute direct, general and unsecured obligations of the Issuer and shall, in case of (a) the insolvency and winding up in Tanzania of the Issuer; or (b) dissolution of the Issuer in Tanzania, as the case may be, rank (a) equally inter se and (b) fully subordinated to the claims of Senior Creditors, provided that if at any time an order is made or a resolution is passed for the winding up of the Issuer, then any payment of any amount due under the Subordinated Notes which would fall due for payment while the Issuer is insolvent or in insolvent liquidation, will not fall so due and any such due amount will become due for payment only if and when and to the extent that the Issuer could make such payment in whole or in part and still be solvent thereafter.

2.2.2 For the purpose of Condition 2.2, the Issuer shall be considered solvent if both (i) it is able to meet the claims of Senior Creditors as they become due and (ii) its Assets exceed its Liabilities. A report as to the solvency of the Issuer by the Auditors or if the Issuer is being wound up, its liquidator, shall in the absence of proven error, be treated and accepted by the Issuer any Agent and the holders of Subordinated Notes as correct and sufficient evidence thereof.

#### **For the purposes of Condition 2.2:**

**“Assets”** means the non-consolidated gross assets of the Issuer as shown by the then latest published balance sheet of the Issuer but adjusted for contingency and for subsequent events and to such extent as two Directors of the Issuer, the Auditors or the liquidator of the Issuer (as the case may be) may determine to be appropriate.

**“Auditors”** means the auditors of the Issuer or, in the event of their being unable or unwilling promptly to carry out any action requested of them, such other firm of accountants as may be appointed or nominated by the Registrar.

**“Liabilities”** means the unconsolidated gross liabilities of the Issuer as shown and adjusted in like manner as for assets and the claim of any creditor of the Issuer which has been accepted by the liquidator in the winding up of the Issuer not being a creditor:

- i. whose right to repayment ranks or is expressed to rank postponed to or subordinate to that of unsubordinated creditors of the Issuer; or
- ii. whose debt is irrecoverable or expressed to be irrecoverable unless the persons entitled to payment of the Principal Amount and Interest Amount in respect of the subordinated Notes recover the amounts of such Principal Amount and Interest Amount which such persons would be entitled to recover if payment of such Principal Amount and Interest Amount to such persons were not subject to any condition.

- 2.2.3 In the case of Subordinated Notes, in the event the Issuer is unable, due to its failure to meet the solvency test prescribed in these Conditions, to make a payment of any Interest Amount on any Interest Payment Date, such Interest Amount shall be deferred ("**Deferred Interest**"). Deferred Interest shall not itself earn interest. The Issuer shall be obliged as and when it is deemed solvent for purposes of these Conditions, to pay Deferred Interest to holders of Subordinated Notes on an Interest Payment Date, after having made the payment of Interest Amount due for that Interest Payment Date.
- 2.2.4 The Issuer shall not pay or declare dividends on preference or ordinary shares, while Deferred Interest is outstanding on the Subordinated Notes.
- 2.2.5 The holder of a Subordinated Note may not exercise a claim or plead any right of set-off, counter claim or retention (whether before or after the winding up of the Issuer), in respect of any amount owed by it to the Issuer against any amount owing by the Issuer to it, arising under or in connection with the Subordinated Notes, and each such holder shall be deemed to have waived all such rights of set-off, counter claim or retention. If any of the rights and claims of such Noteholder are discharged by set-off, such Noteholder will immediately pay an amount equal to the amount of such discharge to the Issuer, or as applicable, the liquidator in winding up of the Issuer as the case may be, and until such time as payment is made, such Noteholder will hold a sum equal to such amount in trust for the Issuer, or if applicable, the liquidator in winding up of the Issuer. Accordingly, such discharge will be deemed not to have taken place.

### 3. Negative Pledge

So long as any of the Notes remain Outstanding, the Issuer will not create or permit to arise any mortgage, lien (other than a lien arising solely by operation of law and in the ordinary course of business), pledge or other security interest upon the whole or any part of its undertaking, assets or revenues present or future, to secure any borrowing in the form of, or represented by, bonds, notes or any securities, which borrowing is incurred or guaranteed by the Issuer and is now outstanding or hereafter existing without at the same time according to the Notes either the same security as granted to or is outstanding in respect of such liability, or such other security as shall be approved by an Extraordinary Resolution (as defined in Schedule 5 (*Provisions for Meetings of Noteholders*) to the Agency Agreement) of the Noteholders

### 4. Interest

The Rate of Interest from time to time payable in respect of the Notes shall be determined by the Fiscal Agent as follows:

(a) **Fixed Rate Interest:**

Each fixed rate Note will bear interest on its principal amount from (and including) the relevant Issue Date at the rate of interest (expressed as a percentage per annum) (the "Fixed Rate of Interest") equal to the Interest Rate specified in the relevant Pricing Supplement, payable in arrears on the Interest Payment Dates specified in the relevant Pricing Supplement..

(b) **Floating Rate Interest:**

Each fixed rate Note will bear interest on its principal amount from (and including) the relevant Issue Date at the rate of interest (expressed as a percentage per annum) (the "**Fixed Rate of Interest**") equal to the Interest Rate specified in the relevant Pricing Supplement, payable in arrears on the Interest Payment Dates specified in the relevant Pricing Supplement.

The Floating Rate of Interest payable from time to time for each Interest Period in respect of the Floating Rate Notes will be determined by the Calculation Agent (unless otherwise specified in the relevant Pricing Supplement) two Business Days before each Interest Payment Date and in the case of the first Interest Period the Interest Commencement Date. The Floating Rate of Interest (expressed as

a percentage per annum) shall be the aggregate of the Reference Rate and the relevant margin (the “**Margin**”) specified in the relevant Pricing Supplement. If the relevant Pricing Supplement specifies a Minimum Floating Rate of Interest for an Interest Period then the Floating Rate of Interest for such Interest Period shall in no event be less than such Minimum Floating Rate of Interest and/or if the relevant Pricing Supplement specifies a Maximum Floating Rate of Interest for any Interest Period then the Floating Rate of Interest for such Interest Period shall in no event be more than such Maximum Floating Rate of Interest.

The Calculation Agent will at the time the Floating Rate of Interest is determined as aforesaid calculate the Interest Amount for the relevant Interest Period. Each Interest Amount shall be calculated by applying the Floating Rate of Interest to the Specified Denomination, multiplying such sum by the applicable Day Count Fraction and rounding up the resultant figure to the nearest one whole number. For the purposes of this Condition 4(b) “**Day Count Fraction**” means, in respect of the calculation of an Interest Amount for any Interest Period (a) if “**Actual/365**” is specified in the relevant Pricing Supplement, the actual number of days elapsed in the Interest Period divided by 365; or (b) such other calculation method specified in the relevant Pricing Supplement.

The Calculation Agent (or such other Agent as is specified in the relevant Pricing Supplement) will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any Stock Exchange on which the relevant Floating Rate Notes are listed, as soon as possible after their determination but in no event later than the fourth Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to any Stock Exchange on which the relevant Floating Rate Notes are listed and to the Noteholders in accordance with Condition 12 (*Notices*).

(c) **Equity Linked Notes**

Each equity linked Note shall bear interest on its principal amount from (and including) the relevant Interest Commencement Date at the rate of interest (expressed as a percentage per annum) (the “**Equity-Linked Rate of Interest**”) equal to the Interest Rate specified in the relevant Pricing Supplement, payable in arrears on the Interest Payment Dates specified in the relevant Pricing Supplement.

(d) **Earnings Linked Notes**

Each earnings linked Note shall bear interest on its principal amount from (and including) the relevant Interest Commencement Date at the rate of interest (expressed as a percentage per annum) (the “**Earnings-Linked Rate of Interest**”) equal to the Interest Rate specified in the relevant Pricing Supplement, payable in arrears on the Interest Payment Dates specified in the relevant Pricing Supplement.

(e) **Certificates etc. binding:** All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for purposes of the provisions of this Condition 4 shall (in the absence of wilful deceit, bad faith or manifest error) be binding on the Issuer, the Fiscal Agent or, if applicable, the Calculation Agent, as the case may be, and on all Noteholders, and in the absence as aforesaid, no liability to the Issuer or the Noteholders shall attach to the Fiscal Agent or Calculation Agent (as the case may be) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions..

**5. Payments:**

(a) *Method of Payment*

- (i) Payments of amounts due on the final redemption of the Notes (the “**Final Redemption Amount**”) will be paid to the Noteholder thereof as appearing on the Register as at the close of business on the date on which such payment is to be made in accordance with the relevant Pricing Supplement.

- (ii) Payments of amounts due on any prepayment of the Notes (the “**Optional Redemption Amount**”) will be paid to the Noteholder thereof as appearing on the Register as at the close of business on the date on which such pre-payment is to be made.
  - (iii) Payments of instalments of principal (other than the Final Redemption Amount(s) and Early Redemption Amount(s)), interest and other amounts due in respect of the Notes will be paid to the Noteholder thereof as appearing on the Register as at the close of business on the fifteenth day before the due date for such payment (the “**Record Date**”).
  - (iv) Payments will be made to a designated Tanzania Shilling Bank account (or such other currency as specified in the applicable Pricing Supplement) maintained by the payee with a bank in Dar es Salaam on the relevant due date for payment by transfer to such account.
- (b) *Payments on Business Days and late payments*
- (i) If any day for payment of any amount of principal or interest in respect of any Note is not a Business Day, then the Noteholder thereof shall not be entitled to payment until the next following Business Day nor be entitled to any interest or other sums in respect of such postponed payment.
  - (ii) If (otherwise than by reason of the application of paragraph (i) above) (a) any payment of principal is withheld or refused when due in respect of any Note, or (b) any interest is not paid when due (the defaulted amounts mentioned in (a) and (b) above being referred to in this Condition as “**Defaulted Amount**”) then interest shall accrue on each such Defaulted Amount at the then prevailing Default Rate and shall be paid if the Defaulted Amount is an amount of principal, and to a person who is shown as the Noteholder on the relevant Record Date if the Defaulted Amount is an amount of interest. “**Default Rate**” means, in relation to a Note, the applicable Interest Rate plus a margin as specified applicable Pricing Supplement.
- (c) *Currency of account and payment.* The currency of account and for any sum due from the Issuer hereunder is the Tanzania Shilling (or such other currency as specified in the applicable Pricing Supplement).
- (d) *No dividends until default remedied:* The Issuer shall neither declare nor pay dividends on its ordinary shares while any Defaulted Amount is outstanding. All Defaulted Amounts shall be paid in full before the Issuer may declare or pay a dividend on its ordinary shares.

## 6. Redemption and purchase

- (a) *Final redemption.* Unless previously redeemed, or purchased and cancelled each Note shall be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the relevant Pricing Supplement (and which, unless otherwise provided in the relevant Pricing Supplement, is its nominal amount) on the Maturity Date specified in the relevant Pricing Supplement.
- (b) *Redemption of Notes at the option of the Issuer.* If the Issuer has specified in the relevant Pricing Supplement that it has an option to redeem any Notes, the Issuer may, subject to any conditions specified in the relevant Pricing Supplement, and, in addition, after giving not less than 30 nor more than 90 days’ irrevocable notice to the Registrar and the Noteholders in accordance with Condition 12 (*Notices*), redeem all or some of the Notes then Outstanding on a date specified by the Issuer (the “**Option Redemption Date**”) at the Optional Redemption Amount specified in, or determined in the manner specified in, the relevant Pricing Supplement together with interest accrued to (but excluding) the Option Redemption Date.

In the case of a partial redemption of Notes, the Notes to be redeemed (the “**Redeemed Notes**”) will be selected individually by lot drawn in such place and in such manner as the Registrar deems appropriate, subject to compliance with any applicable laws not more than 30 days prior to the date fixed for redemption. In the case of a partial redemption, the notice referred to in this Condition 6(b) shall contain a list of the book entries relating to the Redeemed Notes. .

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6.

Book entries in respect of the Redeemed Notes shall be deleted by the CDS (on instructions from the Registrar) in accordance with the provisions of the notice given by the Issuer as contemplated in this Condition 6(b) and condition 6 (e). Where only a portion of a Note is being redeemed, the CDS shall make the relevant book entry representing the unredeemed nominal amount of the Note.

- (c) *Early Redemption Amounts:* For the purpose of Condition 6(b) (and unless otherwise stated in these Conditions or the relevant Pricing Supplement), the Notes will be redeemed at the Early Redemption Amount calculated as follows:
  - (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
  - (ii) in the case of Notes with either a Final Redemption Amount which is or may be less or greater than the Issue Price, to be determined in the manner specified in the relevant Pricing Supplement or, if no such amount or manner is so specified in the relevant Pricing Supplement, at their nominal amount.
- (d) *Purchases:* The Issuer may at any time purchase Notes at any price in the open market or otherwise at any price. In the event of the Issuer purchasing Notes, such Notes may (subject to any approvals required from the Stock Exchange and/or the CMSA or to any restrictions under any applicable law) be held, resold or, at the option of the Issuer, cancelled in terms of and in accordance with these Conditions.

The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be Outstanding for the purposes of calculating quorum at meetings of the Noteholders or for the purposes of Condition 13 (*Meetings of Noteholders, modifications and waivers*).
- (e) *Cancellation:* All Notes purchased by or on behalf of the Issuer may be cancelled on not less than 30 Business Days’ written notice by the Issuer to the Registrar and CDS. The cancelled Notes may not be reissued or resold and the obligations of the Issuer in respect of such Notes shall be wholly discharged.
- (f) *General:* References in these Conditions to (i) “principal” shall be deemed to include any premium payable in respect of the Notes, Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount and all other amounts in the nature of payments of principal monies payable pursuant to this Condition 6 or any amendment or supplement to this Condition 6, and (ii) “interest” shall be deemed to include all Interest Amounts and other amounts payable pursuant to Condition 4 (*Interest*) or any amendment or supplement to Condition 4.

## **7. Taxation:**

- (a) All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (“**Taxes**”) imposed or levied by, or on behalf of, Tanzania, or any political sub-division of, or any authority in, or of, Tanzania having power to tax, unless such withholding or deduction of Taxes is required by law.
- (b) The Issuer will deduct withholding tax at the prescribed rate on all interest payments to Noteholders

other than any Noteholder who (i) is exempt from such deduction under the provisions of the Income Tax Act No. 11 of 2004 of the Laws of Tanzania and (ii) has provided evidence of such exemption to the reasonable satisfaction of the Issuer and the Fiscal Agent.

## 8. Prescription:

The Notes will become void unless presented for payment within a period of six years in the case of principal and six years in the case of interest after the Relevant Date (as defined below).

As used herein, the **"Relevant Date"** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly paid by the Issuer on or prior to such due date, it means the date on which notice to that effect is duly given to the Noteholders in accordance with Condition 11 (*Notices*).

## 9. Events of Default:

If any one or more of the following events (each an **"Event of Default"**) occurs and is continuing, namely:

- (a) default is made in the payment of any amount in respect of any of the Notes when and as the same ought to be paid in accordance with these Conditions unless:
  - (i) the failure to pay is caused by administrative or technical error; and
  - (ii) payment is made within 3 Business Days of its due date; or
- (b) the Issuer fails to perform or observe any obligation, condition or provision under the Notes (other than any obligation for the payment of any amount due in respect of any of the Notes) and, if capable of remedy, such default continues for a period of 30 days after written notice is given to the Registrar by any Noteholder specifying such default and requiring it to be remedied; or
- (c) any indebtedness (other than the Notes) in excess of TZS 20,000,000,000 (or the equivalent thereof in any other currency) or an amount equal to 20% of the total indebtedness of the Issuer at that time, whichever is the greater, becomes due and payable prematurely by reason of an event of default in relation thereto, or if any such indebtedness is not paid at maturity as extended by an applicable grace period, or if any guarantee or indemnity in respect of any such indebtedness of any person given by the Issuer is not honoured when due and called upon or within any applicable grace period as originally provided; or
- (d) the Issuer makes a conveyance, assignment or other arrangement for the benefit of its creditors or enters into a composition with its creditors, or a resolution is passed by the Issuer for its winding-up or dissolution except in connection with a merger or other reorganisation which has been previously approved by an Extraordinary Resolution of the Noteholders or, if not so approved, which proceeds on a basis judged acceptable to the Noteholders by a court of justice competent for the purpose, then the Noteholders may, further to an Extraordinary Resolution, by written notice to the Issuer at the Specified Office of the Registrar, effective upon the date of receipt, declare the Notes to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 6 (*Redemption and purchase*)), together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

## 10. Agents:

The names of the initial Fiscal Agent, Calculation Agent and Registrar and their initial Specified Offices are set out below.

**Fiscal Agent and Calculation Agent:**  
**Registrar:**

The National Microfinance Bank Plc  
Stanbic Bank Tanzania Limited

### Specified Office:

**Fiscal Agent and Calculation Agent**  
The National Microfinance Bank Plc

#### Head Office

Ohio/Ali Hassan Mwinyi Road  
P.O. Box 9213  
Dar es Salaam,  
Tanzania.

**Attention:** Chief Executive  
**Telephone No:** +255 22 2322000  
**Fax No:** +255 22 2112148  
**E-mail address:** nmbbond@nmbtz.com

### Registrar

Stanbic Bank Tanzania Limited  
Stanbic Centre  
Ali Hassani Mwinyi Road  
P. O. Box 724647  
Dar es Salaam, TANZANIA.

**Attn:** Chief Executive  
**Telephone No:** +255 22 2 196 301  
**Fax No:** +255 22 2 666 301  
**Email:** dcmeastafrica@stanbic.com

The Issuer is entitled to amend or terminate the appointment of any Agent provided that it will at all times, while any Note is Outstanding, maintain a Fiscal Agent, a Calculation Agent and a Registrar having a Specified Office in Dar es Salaam.

Any variation, termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 no more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 11 (*Notices*). A copy of the notice to Noteholders shall be sent to the CMSA.

In acting under the Agency Agreement and in connection with the Notes, each of the Agents is acting solely as agent of the Issuer and does not assume any obligation toward or relationship of agency or trust for or with any Noteholder or the owner of any interest in the Notes.

## 11. Notices:

Notices to the Noteholders will be deemed to be validly given if made by e-mail, fax, delivered to them, or sent by registered mail or (if posted to an overseas address) by airmail to them, and:

- (i) in the case of any communication made by fax, will be deemed to have been validly given when dispatched with a fax transmission report showing that the entire communication was received by the intended recipient in legible form at its fax number as recorded on the Register; or



- (ii) in any other case, will be deemed to have been validly given when such communication or document is left with or, as the case may be, 10 days after its being posted to the intended recipient at its address as recorded on the Register.

The Issuer shall also ensure that notices regarding the Notes are duly published in a manner that complies with the rules and regulations of the Stock Exchange which the Notes are listed.

The Registrar shall, upon and in accordance with the instructions of the Issuer but not otherwise, arrange for any notice which is to be given to the Noteholders and to the Stock Exchange be given in accordance with this Condition.

Notices given by any Noteholder shall be in writing and given by lodging the same at the Specified Office of the Registrar and the Registrar, as the case may require, issue that notice to the Issuer and/or any other Agent.

## **12. Meetings of Noteholders, Modifications and Waiver:**

The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or certain provisions of the Note Documents. Such a meeting may be convened by the Issuer or the Registrar or Noteholders holding not less than one-tenth in nominal amount of the Notes for the time being Outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing more than one-half in nominal amount of the Notes for the time being Outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the Interest Rate payable in respect of the Notes or altering the currency of payment of the Notes), the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding not less than two-thirds, or at any adjourned such meeting, one-quarter, in nominal amount of the Notes for the time being Outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders must be carried by a majority of not less than two-thirds of the votes cast and, if so carried, shall be binding on all the Noteholders, whether or not they are present at the meeting, and whether or not they vote in favour.

The Registrar and the Issuer may agree, without the consent of the Noteholders, to:

- (i) any modification (except as mentioned above) of the Note Documents which is not prejudicial to the interests of the Noteholders; or
- (ii) any modification of the Notes or the other Note Documents which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of Tanzanian law.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 11 (*Notices*) as soon as practicable. Any such modification shall also be notified to the CMSA.

## **13. Law and submission to jurisdiction:**

- (a) The Agency Agreement and the Notes are governed by, and shall be construed in accordance, with Tanzanian law and shall be subject to the exclusive jurisdiction of Tanzanian courts.
- (b) The Issuer hereby, for the benefit of the Noteholders, (i) agrees that any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Notes or the Agency Agreement may be brought before any competent court in Tanzania and irrevocably submits to the jurisdiction of such court.
- (c) Service of any summons, plaint, judgement or other notice of legal process shall be received by the Issuer’s registered office, presently Ohio/Ali Hassan Mwinyi Road, P.O. Box 9213, Dar es Salaam, Tanzania or, if different, such other address that the Issuer may advise.

- (d) Nothing in this Condition 14 (*Law and submission to jurisdiction* ) shall affect the right of any Noteholder to serve any summons, plaint, judgement or other notice of legal process in any manner permitted by applicable law and the Issuer hereby consents to service being effected in any such manner, whether by mail or otherwise.
- (e) To the extent that the Issuer itself may in any jurisdiction claim for itself or its assets immunity (to the extent that such immunity may now or hereafter exist, whether on the ground of sovereign immunity or otherwise) from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process (whether through service or notice or otherwise), and to the extent that in any such jurisdiction there may be attributed to itself or its assets such immunity (whether or not claimed), the Issuer irrevocably agrees for the benefit of the Noteholders not to claim, and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

## 6 Use of Proceeds

The net proceeds from each issue of Notes will be incorporated into the liabilities of the Issuer and used for on lending in accordance with the Bank's strategy, including but not limited to funding Retail Bank lending or as otherwise may be described in the applicable Pricing Supplement.

## 7 Description of National Microfinance Bank Plc

### 7.1 Overview

As at the date of this Information Memorandum, National Microfinance Bank Plc was the largest bank in Tanzania by market capitalisation<sup>1</sup>, providing banking services to individuals, small to medium sized corporate clients, as well as large businesses.

NMB operates through three principal business units: Treasury, Wholesale Banking and Retail Banking.

Highlights for the year ended 31 December 2015

- total assets of TZS 4,577 billion (2014: TZS 3,889 billion) and had profit after tax of TZS 149 billion for the year ended on 31 December 2015 (2014: TZS 155 billion);
- total loans and advances increased from TZS 1,986 billion in 2014 to TZS 2,457 billion in 2015;
- total customer deposits grew from TZS 3,006 billion in 2014 to TZS 3,565 billion in 2015;
- NMB operated 177 branches, present in 124 of 134 administrative districts, 600 ATMs, and 4 Banks on Wheels (BOWs) and over 60,000 MNO agents. NMB also offers mobile and internet banking options;
- increased market capitalisation with share price of TZS 600 per share in 2008 and TZS 2,100 per share as at the 4<sup>th</sup> April 2016; and
- consistent dividend policy with a proposed dividend per share of TZS 104 (2014:TZS104).

### 7.2 History of NMB

NMB was established under the National Microfinance Bank Limited Incorporation Act of 1997, following the restructuring of the former National Bank of Commerce. Three new entities were created at the time, namely: NBC Holding Limited, National Bank of Commerce (1997) Limited and National Microfinance Bank Limited.

In 1997, NMB's mandate was limited to the provision of payment services as well as offering savings accounts with limited lending capabilities.

In 2005, the Government of the Tanzania privatized the Bank when it sold part of its shareholding (49%) to a consortium led by the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. ('Rabobank Group').

In 2008, the Tanzanian Government sold an additional 21% of its shareholding to the public through an initial public offer.

The Bank continues to be listed on the Dar es Salaam Stock Exchange and boasts a diverse investor base.

### 7.3 NMB Group Structure

#### 7.3.1 Share capital and ownership

NMB has 625,000,000 (2014: 625,000,000) authorized ordinary shares with a par value of TZS 40 each of which 500,000,000 (2014: 500,000,000) are issued and fully paid up.

As at 31 March 2016, the Bank's shareholders were as outlined below:

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<sup>1</sup>NMB, DSE

**Table 4: Shareholders**

Shareholder	% Shareholding
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A "Rabobank Nederland" Rabobank	34.90%
Treasury Registrar (Government of Tanzania)	31.78%
National Investment Company Limited (NICOL)	6.61%
SCBT NOMINEES SCB Consumer Banking RE Mr Aunali F Rajabali And Sajjad F Rajabali	5.08%
SCBT NOMINEE RE:SSB+T AC RE: SQM Frontier Africa Master Fund Ltd - SQM1	1.27%
SSB+T AC RE Morgan Stanley Institutional Fund Inc Frontier Emerging Markets Portfolio MGGQ	1.24%
SCB (T) NOMINEE LTD SCB MAURITIUS RE Banque Pictet And Cie Sa A/C Patrick Schegg	0.99%
SCBT NOMINEE RE SSB+T AC RE Morgan Stanley Galaxy Fund-MS6E	0.99%
KUWAIT INVESTMENT AUTHORITY	0.70%
SCB MAURITIUS RE: Pinebridge Sub-Saharan Africa Equity Master Fund Class E	0.68%
General Public	15.75
<b>Total</b>	<b>100%</b>

**Source: NMB Management**

### 7.3.2 Subsidiaries and affiliates

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Bank's subsidiaries and associates which are listed below have share capital consisting solely of ordinary shares and are incorporated and operate within Tanzania which is also their principle place of business.

Name	% shareholding
Upanga joint venture company limited (UJV)	32.64%
Ohio Street Properties Limited (OSP)	99%
Tanzania mortgage refinance company limited (TMRC)	15.06%

### 7.4 Description of the Bank's Business

NMB is the largest commercial bank in Tanzania both when ranked by customer base and branch network. It provides a wide array of related financial services in the areas of personal and business banking.

The Bank is licensed by the Bank of Tanzania as a commercial bank to provide financial services in the fields of retail banking, with its registered office at NMB House, Ohio/Ali Hassan Mwinyi Road, P.O. Box 9213 Dar es Salaam.

NMB is organized into three principal business units: Wholesale Banking, Retail Banking and Treasury.

As at 31 December 2015, Wholesale Banking contributed 9% to the overall profitability of the Bank with Retail Banking and Treasury contributing 66% and 25% respectively.

The following table shows the contribution of the different divisions within NMB to its major financial indicators as at 31 December 2015. The Bank's subsidiaries are in early stages of commencing commercial operations. Consequently, the segment information presented below relates only to the Bank.

TZS millions	Treasury	Wholesale Banking	Retail Banking	Total
Interest income	99 815	75 036	263 862	438 713
Interest expense	(45 869)	(8 267)	(14 393)	(68 529)
<b>Net Interest Income</b>	<b>53 946</b>	<b>66 769</b>	<b>249 469</b>	<b>370 184</b>
<b>Operating profit</b>	<b>54 781</b>	<b>19 242</b>	<b>143 305</b>	<b>217 328</b>
<b>Profit after tax</b>	<b>37 882</b>	<b>13 307</b>	<b>99 099</b>	<b>150 288</b>
<b>Segment assets, liabilities and equity</b>				
Total Assets	1 926 664	639 665	2 013 762	4 580 091
Total Liabilities and equity	863 905	1 618 852	2 097 334	4 580 091

#### 7.4.1 Wholesale Banking Business

The Wholesale Banking business line includes corporate banking (large corporate customers and parastatals), government banking (central and local government), institutional banking (insurance, pension funds, NGOs, governmental agencies) and agribusiness (crop financing), supported by a specialised transactional services team. In the financial year ended 31 December 2015, gross loans and advances to customers grew by an estimated 15% year on year to TZS 846 billion (2014: TZS 738 billion), with the Wholesale Banking loan portfolio representing an estimated 33% of the Bank's total gross loans and advances of TZS 2,494 billion. The Bank relies on its nationwide branch network and a full range of electronic banking services for payments and collections to serve its corporate customers

The Bank's Wholesale Banking products include:

- 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

#### 7.4.2 Retail Banking

Retail Banking has traditionally been and continues to be, NMB's core line of business. NMB's Retail Banking business provides a full range of lending, transactional and savings solutions through personal banking (including civil servants) and micro-small and medium sized enterprises banking product lines. In the financial year ended 31 December 2015, gross loans and advances to consumers (mostly salaried backed loans based on deduction codes) grew by an estimated 28% year on year to TZS1,648 billion (2014: TZS 1,287 billion), with the loan portfolio representing an estimated 66% of the Bank's total gross loans and advances of TZS 2,494 billion. Current account balances owed to individuals also grew by 19% year on year to TZS 1,571 billion (2014: TZS 1,319 billion) on the back of deposit mobilization campaigns the Bank was running.

The Bank relies on its extensive branch network to offer a full range of financial services to its customers with the main products being:

- Salary Worker Loans
- Personal loans
- Short-term loans
- Mortgages
- SME loans
- Micro enterprise loans

### 7.4.3 Treasury

Treasury department engages asset-liability management as well as FX sales & trading and money market activities

It has been steadily increasing its contribution to the Bank's total income and profits.

#### FX sales & trading:

- Retail FX recorded strong performance in 2015, leveraging on imports by SMEs, international tourism and walk-in transactions at branches
- New income streams were created from the roll-out of Visa/MasterCard bank card service
- Institutional Banking continues to be the main driver of Wholesale FX income, coming from large transactions of project accounts and continued growth of the Institutional Banking portfolio. Increased Letters of Credit and Guarantees in 2014/5 has been a significant growth factor for Corporate FX and it is expected to drive volumes in this space amidst narrowing margins

#### Money markets & Fixed Income:

- Interbank Placements and Borrowing - Deposit mobilization campaigns both in Retail and Wholesale are expected to result in increased interbank placements
- Government Securities - The Bank's investment focus will be guided by our liquidity position. A sizable portion of maturing securities may be reinvested in 91 Day and 182 Day tenors in order to boost the Bank's Loan-Deposit Ratio (LDR)

## 7.5 Information Technology

NMB recognizes the strategic importance of banking technology in terms of its impact on banking operations and the Bank is currently leveraging technology to help build economies of scale, reduce transaction costs and better serve its customers.

NMB has a strong tradition of pioneering innovative product initiatives in the market and the Bank intends to continue to leverage on the opportunity that technology presents. In particular, the Bank:

- has introduced mobile banking with *NMB Mobile* in Tanzania
- offer real-time account data online nationwide
- had built an electronic payments ecosystem: ATMs, POS, cards, partnerships with MNOs
- The Bank has implemented the following key technology initiatives to improve efficiency and customer service
- Upgrade to new core banking system ("Flexcube") in 2011; overhaul of previous banking platform
- Upgrade to new 'Tier 3 data center' Q2 2015; the first in Tanzania
- Participation in Tanzania Automated Clearing House (TACH) initiative
- Creation of centralized loan processing facility
- Introducing NMB smartphone app
- +134 branches are connected to fiber and have wireless fail over
- Increasing the proportion of electronic transactions to over 50%

The Bank's information technology systems are managed by the ICT & operations division which is tasked with building and operating the required infrastructure to facilitate and process all customer transactions centrally and in the branches.

The Bank is committed to investing in information technology and has a dynamic team that focuses on developing new platforms as well as addressing risks associated with offering financial services products through mobile or internet platforms.



## 7.6 Competition

The Tanzanian financial sector is made up of the following as defined by the Bank of Tanzania:

- (i) Banks: institutions authorized to receive money on current account subject to withdrawal by cheque
- (ii) Financial institutions: institutions licensed by Bank of Tanzania and authorized to engage in banking business not involving the receipt of money on current account subject to withdrawal by cheque
- (iii) Foreign exchange bureaus: registered by the Bank of Tanzania and entrusted with the task of changing money over the counter under the Foreign Exchange Act, 1992 and Foreign Exchange (Bureaux de Change) Regulations, 1999 as amended.

As at the date of this Information Memorandum, there were 36 commercial banks, 12 community banks, 3 financial institutions, 1 development finance institution, 3 microfinance institutions, 1 mortgage refinancing company, 2 financial leasing companies, 261 foreign exchange bureaus and 1 representative office<sup>1</sup>. In 2015, there were 709 bank branches across Tanzania, with NMB operating 177 of them (25%).

## 7.7 Risk Management

The Board accepts final responsibility for the risk management and internal control systems of the Bank. The Board has delegated the day-to-day risk management to the executive committee which has implemented a risk management framework that guides the conduct of the Bank's operations.

The Bank's risk management strategy is aimed at maintaining strong and robust financials in order to build a sustainable franchise. In particular, it focuses on:

- Safeguarding the Bank's identity and reputation
- Protection of profits and profit growth
- Maintaining solid balance sheet ratios

The executive committee has delegated day to day responsibility for implementing the Bank's risk management policy and overseeing the Bank's risk management function to an independent risk management department. This division, working in conjunction with the Bank's business lines, identifies, monitors, measures and reports on the various operational risks which include credit risk, operational risk, product approval, liquidity and market risk.

EXCO recognises that the primary responsibility for monitoring and mitigating operating risk lies firstly with the individual business units (Wholesale Banking, Retail Banking and Treasury), secondly with the risk management division which checks the efficacy of the business units' controls and lastly with the internal audit function that reports on any failures in the system.

### 7.7.1 Credit Risk Policy

The Bank's lending activities are guided by the Bank's credit risk policy in conjunction with the Rabobank's risk management policy. In determining the level of risk that the Bank is willing to take, the management has developed a risk appetite statement that sets out the principles, objectives and measurements to utilise NMB's resources efficiently. It seeks to manage credit risk and loan portfolio deterioration. In 2014, the Bank developed an automated credit decision making system for micro-finance loans (credit scoring) and also implemented a centralised loan monitoring and collections centre for retail loans. The credit scoring system and loan monitoring centre are expected to further strengthen security, reduce turnaround time to customers' applications and consolidate credit information and timely identification of deteriorating assets.

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<sup>1</sup>Bank of Tanzania

The table below indicates the Bank's industry sectoral distribution of loans and advances to clients:

**Table 5: Loans and advances by sector (Bank)**

As at December 31	2015	%	2014	%
	TZS' Millions		TZS' Millions	
Financial institutions	489	0%	9 431	2%
Manufacturing	233 218	9%	291 115	15%
Trading and commercial	349 361	10%	114 502	6%
Transport and communication	125 550	5%	69 068	3%
Wholesale and retail	363 806	15%	252 237	13%
Agriculture	35 802	1%	41 134	2%
Individuals	1 404 592	57%	1 207 012	60%
Others	68 935	3%	22 890	1%
<b>Total</b>	<b>2 481 753</b>	<b>100%</b>	<b>2 007 389</b>	<b>100%</b>

Source: NMB Annual Report for the year ended 31 December 2015

The Bank has a well-diversified portfolio of assets with no single obligation larger than the prescribed regulatory limit.

**Table 6: Off-balance sheet credit exposure to customers by sector (Bank)**

As at December 31	2015	%	2014	%
	TZS' Millions		TZS' Millions	
Financial institutions	67 566	28%	2019	1%
Manufacturing	27 829	12%	43879	17%
Trading and commercial	1 503	1%	136 449	53%
Transport and communication	39 933	17%	25 183	10%
Wholesale and retail	84 007	35%	4 733	2%
Agriculture	5 203	2%	42 712	16%
Individuals	-	0%	2 165	1%
Others	11 597	5%	2 267	1%
<b>Total</b>	<b>237 638</b>	<b>100%</b>	<b>259 407</b>	<b>100%</b>

Source: NMB audited financial statements for the year ended 31 December 2015

## 7.7.2 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 Bank's 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.

## 7.8 Going Concern

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

## 7.9 Regulatory Environment

Banks and financial institutions are regulated by the Bank of Tanzania and have to adhere to the following regulations:

1. Banking and Financial Institutions (Licensing) Regulations, 2014
2. The Banking and Financial Institutions (Capital Adequacy) Regulations, 2014
3. The Banking and Financial Institutions (Foreign Exchange Exposure Limits) Regulations, 2014
4. The Banking and Financial Institutions (Consolidated Supervision) Regulations, 2014
5. The Banking and Financial Institutions (Credit Concentration and Other Exposures Limits) Regulations, 2014
6. The Banking and Financial Institutions (Disclosures) Regulations, 2014
7. The Banking and Financial Institutions (External Auditors) Regulations, 2014
8. The Banking and Financial Institutions (Internal Control and Internal Audit) Regulations, 2014
9. The Banking and Financial Institutions (Liquidity Management) Regulations, 2014
10. The Banking and Financial Institutions (Management of Risk Assets) Regulations, 2014
11. The Banking and Financial Institutions (Physical Security Measures) Regulations, 2014
12. The Banking and Financial Institutions (Prompt Corrective Actions) Regulations, 2014
13. The Banking and Financial Institutions (Microfinance Activities) Regulations, 2014

Additionally, NMB is a listed company and has to adhere to rules and regulations set out by the CMSA and the DSE.

## 7.10 Capital Adequacy

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 BoT, for supervisory purposes. The required information is filed with the BoT on a quarterly basis.

As set out in the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014:

- Every bank shall commence operations with and maintain at all times a minimum core capital of not less than fifteen billion shillings (TZS 15,000,000,000) or such higher amount as the Bank may determine.
- Every bank or financial institution shall maintain at all times a minimum core capital and total capital

of not less than twelve and one half per cent (12.5%) and fourteen and one half per cent (14.5%) respectively of its total risk-weighted assets and off balance sheet exposures.

Commercial banks however have a three-year moratorium to comply with the increased capital adequacy requirements.

The Bank's regulatory capital as managed by its finance 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 and general provision which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialise.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible 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.

During the year ended 31 December 2015, the Bank complied with all of the externally imposed capital requirements to which it is subject.

## 8 Board of Directors, Corporate Governance and Management

### 8.1 The Structure of the Board

As at the date of this Information Memorandum, the Board of Directors comprised eight non-executive directors and one executive director (the Managing Director of 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 quarterly, with additional meetings convened as necessary. The Board delegates the day to day management of the business to the Managing Director assisted by the management team. The management team is invited to attend board meetings and facilitate the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the various business units.

### 8.2 Corporate Governance

The Bank is committed to the principles of effective corporate governance. The Directors also recognise 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 Bank.

The Bank is led by independent members of the Board who, by their skills and diversity, contribute to the efficient running of the Bank. The Board is responsible for the overall corporate governance of the Bank, ensuring that appropriate controls, systems and practices are in place.

The Board regularly undergoes self-assessment and evaluation under the guidance of an independent party in order to improve the internal governance of the Board and its Committees..

#### 8.2.1 Board Committees

The Board Committees act on behalf of the Board to direct the Bank effectively and accelerate the decision-making process. These committees that assist the Board execute its mandate, include:

##### **Board Executive Committee**

The Committee assists the Board in fulfilling its oversight responsibilities in accordance with the Articles of Association of the Company. The Committee exercises the powers of the Board in managing the business and affairs of the Company during the intervals between Board meetings, when action by the Board is necessary or desirable but convening a special Board meeting is not warranted or practical.

##### **Board Audit, Risk and Compliance Committee**

The Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the bank's financial statements and financial reporting process, systems of accounting and financial controls, the annual external audit of financial statements, reporting and internal controls, performance of the Internal Audit, Risk and Compliance Functions, compliance with legal and regulatory requirements, adequacy of the risk management function, the oversight responsibility on planning and conduct of audits to determine that the bank's financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards and applicable laws, rules and regulations.

##### **Board Human Resources & Remuneration Committee**

The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibility to shareholders by ensuring that there are appropriate Human Resources policies and strategies that provide the Company with the capability to achieve its short and long term business objectives. This includes recruiting high calibre talent, training, developing employees and maintaining a high performance culture and employee engagement that will drive organization success.

The Bank has in place processes and procedures for determining remuneration to Directors. Management normally provides a proposal of fees and other emoluments paid to directors after having conducted a market survey. This survey is presented to the Board before being tabled at the annual general meeting for final approval.

### Board Credit Committee

The Committee assists the full Board and provides oversight in the management of credit risk by reviewing continuously the credit portfolio, credit standards and credit policy and approving individual credit facilities where in excess of limits delegated to management..

Below is a summary of the board committees and the members as at 31 December 2015:

	Board Executive Committee	Board Audit, Risk and Compliance committee	Board Human Resources And Remuneration Committee	Board Credit Committee
Professor Joseph Semboja	Chairman			
Jos van Lange		Chairman		
William Mlaki		Member		Chairman
Mike Laiser	Member	Member	Chairman	
Leonard Mususa		Member		Member
Margaret Ikongo			Member	
Protase Tehingisa			Member	Member
Albert Jonkergouw	Member		Member	Member
Ineke Bussemaker (Managing Director)	Member		Member	Member

Source: NMB Audited Financial Statements for the year ended 31 December 2015

Below is a summary of the board committees and the members as at 31 December 2014:

	Board Executive Committee	Board Audit, Risk and Compliance committee	Board Human Resources And Remuneration Committee	Board Credit Committee
Professor Joseph Semboja	Chairman			
Jos van Lange		Chairman		
William Mlaki		Member		Chairman
Mike Laiser	Member	Member	Chairman	
Anne Mbuguni		Member		Member
Margaret Ikongo			Member	
Protase Tehingisa			Member	Member
Albert Jonkergouw	Member		Member	Member
Mark Wiessing	Member	Member	Member	Member

Source: NMB Annual Report for the year ended 31 December 2014

### Company Secretary

The company secretary provides support and guidance to the Board in matters relating to governance and ethical practices. The company secretary is also responsible for induction programs of new directors, keeping board members abreast of relevant changes in legislation and governance principles..

## 8.2.2 Codes and Regulations

NMB complies with applicable legislation, regulations, standards and codes, with the Board continually monitoring regulatory compliance

## 8.2.3 Shareholders responsibilities

The shareholders' role is to appoint the Board of Directors and the external auditors. This role is extended to holding the Board accountable and responsible for efficient and effective corporate governance.

### 8.2.4 Strategy

The Board is responsible for appointing the executive management, adopting a corporate strategy, policies and procedures and monitoring operational performance including identifying risks impacting the Company.

### 8.2.5 Sustainability and Social Responsibility

The Bank encourages its employees' initiatives on participating in the CSR activities. Various activities were carried out during the year including providing school desks, hospital beds and in-kind support in case of natural or other disasters. The Bank launched financial fitness program with the objective of teaching secondary school students basic skills on financial management.

## 8.3 Directors' Qualifications and Experience

Name	Date of Birth	Nationality	Profession	Date of appointment
Prof. Joseph Semboja (Chairman)	24/04/1951	Tanzanian	Economist	2 June 2012
Ineke Bussemaker (Managing Director)	23/02/1958	Dutch	Banker	6 June 2015
Mike Laiser	28/12/1948	Tanzanian	Enterprise Development Economist	Re-appointed 2 June 2012
Protase Tehingisa	24/05/1947	Tanzanian	Lawyer	Re-appointed 6 June 2015
Jos van Lange	6/06/1956	Dutch	Economist/Banker	Re-appointed 2 June 2012
Margaret Ikongo	8/06/1957	Tanzanian	Chartered Insurer	Re-appointed 1 June 2013
William Mlaki	9/01/1947	Tanzanian	Economist/Banker	Re-appointed 1 June 2013
Albert Jonkergouw	26/01/1958	Dutch	Auditor	Re-appointed 7 June 2014
Leonard C. Mususa	25/09/1953	Tanzanian	Certified Public Accountant - Tanzania	6 June 2015
<b>Company Secretary</b>				
Lilian Komwihangiro	31/10/1973	Tanzanian	Lawyer	15 January 2003

The Directors and the Company Secretary can be reached at NMB Head Office, Ohio/Ali Hassan Mwinyi Road, P.O. Box 9213, Dar es Salaam.

#### Prof. Joseph J. Semboja – Board Chairman

Prof. Semboja was appointed to join the NMB Board of Directors on 2 May 2012. He is an acknowledged leader in the field of development economics, with extensive research experience in the areas of growth and poverty reduction. Within the Sahara region he is widely known for his contribution in institutional development and for promoting research and capacity for policy development and implementation. He has an extensive network of individuals and institutions operating in differing environments both nationally and internationally. He holds a B.A and M.A from the University of Dar es Salaam, M.Sc and Ph.D. from the University of Illinois, Urbana-Champaign.

Prof. Semboja has chaired several organizations including; Tanzania Sisal Board, Business Times Ltd and Akiba Commercial Bank. He also sat in the boards of Southern African Regional Poverty Network (SARPN), REPOA, National Productivity Council (NPC), Tanzania Revenue Authority (TRA), Advisory Council for Scientific Research Development Problems (RAWOO) based in the Hague, Holland, Bank of Tanzania, Small Entrepreneurs Loans Facility Project (SELF), Tanzania Social Action Fund (TASAF), Institute of Finance Management (IFM), National Microfinance Bank (NMB) (resigned when privatized).

#### Ms. Ineke Bussemaker – Managing Director

Ms. Bussemaker is the Managing Director of NMB, a role she formally assumed on 25 May 2015. She was appointed a Director of NMB at an AGM in June 2015 for the duration of her term at NMB as Managing Director. Prior to her current position, she was the Head of Payment Services & Savings for Rabobank where



she was responsible for all product development and operations of payment products and savings in The Netherlands. Ms. Bussemaker has 30 years of experience in banking having held senior positions in corporate banking, as country manager and in transaction banking at Citigroup and ABN Amro and has worked in the United Kingdom, Denmark, Ireland and the Netherlands

She holds a Masters in Business Administration (MBA) in Business & Information Technology from the Rotterdam School of Management and a Bachelor's degree in Mathematics from the University of Leiden in The Netherlands. She speaks fluent Dutch and English and is conversant in French and German.

#### **Mr. Mike Laiser – Non-executive Director**

Mr. Laiser is an enterprise development economist by profession, and his areas of expertise are SME and rural development, micro-finance, industrial development and management, as well as technology transfer. He spent 25 years working on SME development as a Manager and consultant in Tanzania and other SADC countries.

Mike Laiser is also the Director-General of Small Industries Development Organization (SIDO) and has chaired several organizations, such as Credit for Productive Activities for Women in Tanzania and Tanzania Youth for Employment Foundation. He has also been a consultant for UNIDO, ESAMI, SADC, SIDA and ECA.

#### **Mr. Protase Tehingisa – Non-executive Director**

Mr Tehingisa was appointed to the NMB Board in 2003 and his work experience includes a stint as a State Attorney in the Attorney General's Chambers (1971), a Corporation Counsel in the Tanzania Legal Corporation (1971-1974) and various positions in the Legal and Secretariat Department of the East African Development Bank (EADB) in Kampala, Uganda (1974-2003) which department he headed as Secretary/Counsel for nine years, till his retirement in 2003.

Mr. Tehingisa, holds an LL.B (Hons.) degree from the University of Dar es Salaam obtained in 1971. He has also attended various courses, including mining development law at the University of Buenos Aires, Argentina (1973), Commercial Lawyers Course with the Crown Agents, United Kingdom (1982), Development Lawyers' course at the IDLI, Rome, Italy (1985) and a Diploma in Management at Ashridge Management College, United Kingdom (1995).

#### **Jos van Lange – Non-executive Director**

Mr. Jos van Lange is an Economist by profession and is currently the Chief Executive Officer of Rabo Real Estate Group, an international real estate company of Rabobank formed by the merger of several real estate companies. Prior to this role, Mr. van Lange was the Director of Retail Banking of Rabobank in the Netherlands.

As of 1st December 2006, when the Rabobank's acquisition of Bouwfonds was finalized, Mr. Van Lange was appointed Chief Financial & Risk Officer of Rabo Bouwfonds, the newly formed international real estate company. Jos van Lange has been a Director of Rabobank Nederland (Senior Executive Vice President) since 1st February 2002.

#### **Ms. Margaret Ikongo – Non-executive Director**

Ms. Ikongo is an Insurance professional and has worked in the insurance field since 1983. She joined the NMB board in April, 2009. Ms. Ikongo currently works for the Ministry of Finance and prior, she was serving as the Managing Director at the National Insurance Corporation (T) Ltd. Ms. Ikongo is an associate member of Chartered Insurance Institute – UK and professional member of Association of Tanzania Insurers.

She holds a Post Graduate Diploma in Finance Management from the Institute of Finance Management- Dar es Salaam. She is currently pursuing professional courses in International Diploma in Risk Management at the Institute of Risk Management-UK and Masters in Business Administration at the Open University of Tanzania

#### **Mr. William Mlaki – Non-executive Director**

Mr. Mlaki is a professional Career Development Banker. He is currently the executive Director of Apex Business Links after retiring as the Managing Director of Tanzania Investment Bank.

Mr. Mlaki is also serves as the chairman of Board of Directors of PTA Bank (Eastern and Southern Africa Trade and Development Bank) and a Director of the Board of Trustee of the SADC Development Finance Resource Centre based in Gaborone, Botswana. He holds an MSc in Industrial and Agro –Industrial Management, and BA (Hons) in Economics.

#### **Mr. Albert Jonkergouw – Non-executive Director**

Mr. Jonkergouw was appointed to join the NMB Board of Directors on 28 May 2011. He is currently responsible for managing investments in Africa within Rabo Development NV and has 16 years' experience in retail and wholesale banking (internationally) within Rabobank Netherlands.

Before joining Rabo Development, Mr. Jonkergouw was the Global Head International Audit Services within Rabobank and prior to joining Rabobank, Mr. Jonkergouw held senior positions in auditing in different banks in South Africa.

Mr. Jonkergouw holds two university degrees in Accounting and Auditing and is member of NOREA (Netherlands Order of Registered IT Auditors) and the South African Institute of Professional Accountants (IPA). As from 2010 he is also a certified

member of the Nyenrode Business University Non-Executive Director Board program. He also served in various boards abroad.

#### **Leonard C. Mususa – Non-executive Director**

Mr Mususa is an Accountant by profession, registered with the National Board of Accountants and Auditors as a Fellow Certified Public Accountant (Tanzania) and a Fellow of the Association of Chartered Certified Accountants. Until 30 June 2014, Mr Mususa was the country senior partner at PricewaterhouseCoopers, Tanzania a position he held since 2000. He also served as Head of Assurance Risk and Quality in the PWC Africa Central region covering nine countries, and the Head of Risk, Independence and Quality in East Africa market covering six countries.

Mr Mususa is currently engaged on an assignment for the Prime Minister's office and the World Bank to review the observance of financial reporting and auditing standards in Tanzania in all key sectors of the economy. He is also a board member of the CEO Roundtable, a forum that brings together top CEOs in Tanzania with the aim of engaging policy makers on matters relating to the Tanzania economy. Mr Mususa is also a board member of various companies including Reliance Insurance Tanzania Limited, ARM Cement Limited, Nation Media Group and AutoXpress Tanzania Limited.

#### **Ms. Lilian Komwihangiro – Company Secretary**

Ms. Komwihangiro joined NMB in 2003, having previously worked as a legal consultant for Maajar, Rwechungura and Kameja Advocates, FK Law Chambers and PricewaterhouseCoopers. She has ten years of working experience in the legal field and is also an Advocate of the High Court of Tanzania.

Ms. Lilian Komwihangiro holds a Bachelor of Laws degree and Master of Laws in commercial and business law, both from the University of Dar es Salaam. She also holds an MBA in Executive Management from the Eastern and Southern African Management Institute (ESAMI).

### **8.3.1 Board resignations**

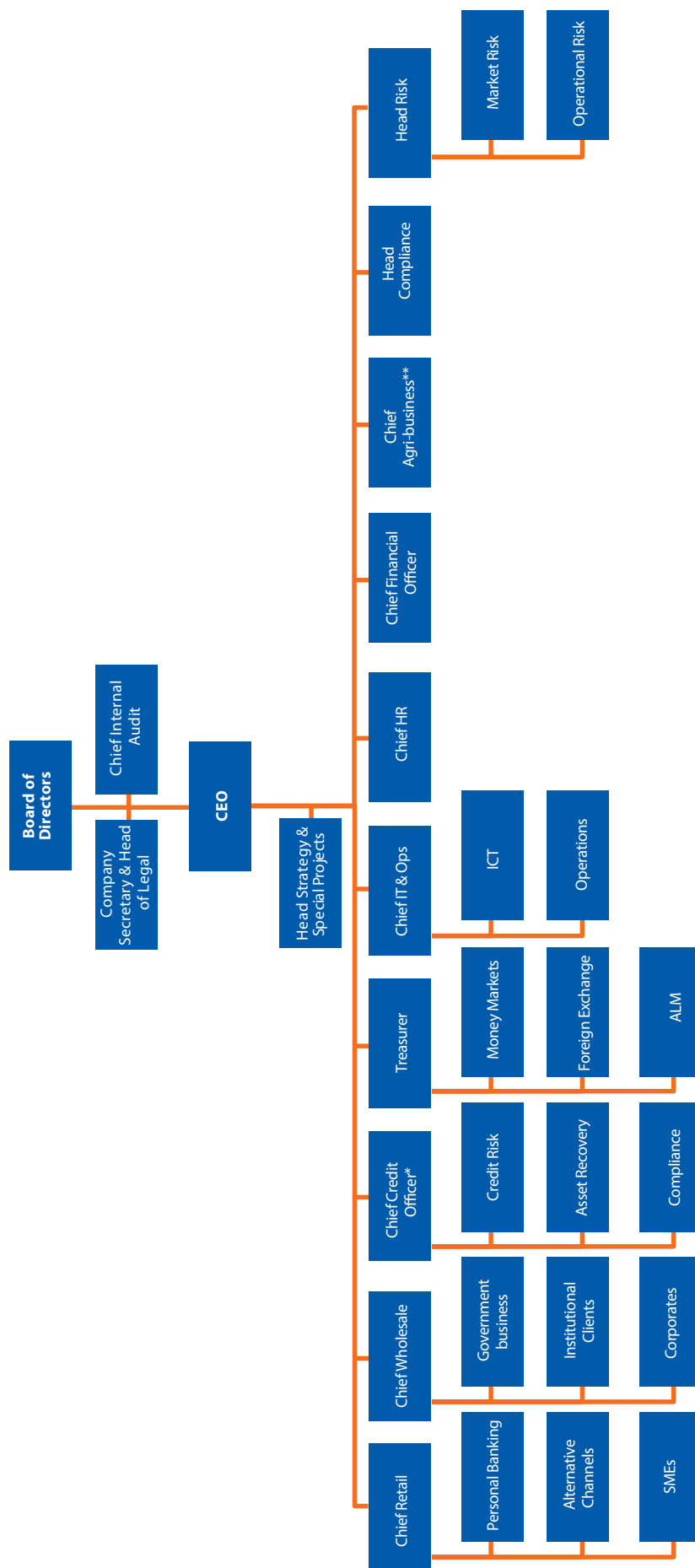
- At the AGM held in June 2015, it was resolved that the resignation of Mark Wiessing from the Board be accepted. Mark Wiessing was the Managing Director until April 2015 when he left to take up an executive position with Rabobank Brazil; and
- At the AGM held in June 2015, Anne Mbuguni tendered her resignation to the Board after completing her term.

### **8.3.2 Directors Declaration**

As at the date of application for listing and for a period of at least 2 years prior to that date:

- a. no petition under bankruptcy laws is or has been pending or threatened against any Director in any jurisdiction;
- b. there are and have been no criminal proceedings in which any Director was convicted of fraud or any criminal offence or where a Director was named subject of pending criminal proceedings nor are there any criminal or other offences or actions pending against me either within or outside Tanzania;
- c. and no Director have been, the subject of a ruling of a court of competent jurisdiction (in any jurisdiction) or governmental body, that permanently or temporarily prohibits or prohibited me from acting as an investment adviser, director or employee of a stockbroker, dealer, a director or employee of any financial institution or from engaging in any type of business practice or activity;
- d. no Director held any shares of the Company in each of the listed classes; and
- e. there were no contracts existing between the Directors and the Issuer.

### 8.3.3 Management and Related Information



\* As of 01 April 2016  
 \*\* Position vacant as of publishing of this document

### 8.3.4 Key management committees

The senior management team executes its mandate through key management committees whose objectives are to implement the bank's strategy. These committees include:

#### **Executive Management Team**

The EXCO team's objective is to steer and oversee the management of the Bank at all levels. EXCO has the mandate to formulate the Bank's strategy and vision for implementation by various departments, & recommend the strategy and vision for Board approval.

#### **Assets & Liabilities Committee**

The objective of the Asset and Liability Committee is to achieve sustainable and stable profits for NMB within a framework of acceptable financial risks and controls. ALCO is authorized to manage the balance sheet and financial risks of the businesses within prescribed policies and limits. It is also authorized to delegate day-to-day management of asset liability Management functions to individuals.

#### **Credit Committees (Loan Portfolio Quality, Wholesale and Retail)**

The credit committees were established to ensure the prudent management of the extension of credit facilities to customers, in accordance with the credit risk policies and procedures applicable to NMB.

#### **Management Risk and Compliance Committee**

The objective of the management risk and compliance committee is to ensure that the areas of high risk from regulators, compliance risk and audit reports are addressed in time to improve the risk management and controls in the Bank.

#### **Operational Risk Committee**

This committee is a standing committee involving Risk Department and Operations Department personnel and Management, whose main purpose is to serve as a forum to align and properly coordinate the actions and activities of the two departments with a view towards forging a better control environment and customer experience at NMB. The Committee has the authority to review the operation of branches and provide the necessary guidance to branches where required.

#### **Other committees include**

- Management Human Resources Disciplinary Committee – the objective of this committee is to ensure fairness in the implementation of the disciplinary code to staff.
- Management tender committee – this committee's objective is to review, consider and approve all purchases made above the amount of TZS 100 million.
- Product and Processes Approval Committee - mandate is to review and approve the commissioning or deployment of a new product and new operational processes.
- Projects Committee - oversees execution and successful conclusion of the projects initiated and that these projects deliver value to the business.

■

## 8.4 Executive Management

The senior management team comprises of professional executives with experience in their relevant fields. The members of this team are as indicated in the table below:

Name	Role
Ineke Bussemaker	Managing Director (The title of Chief Executive Officer was changed to Managing Director at an annual general meeting in June 2014. The was also appointed as an executive director of the Board, by virtue of position)
Waziri Barnabas	Chief Financial Officer
Abdumajid Nsekela (Acting)	Chief Retail Banking Officer
Richard Makungwa	Chief Wholesale Banking Officer
Aziz Chacha	Treasurer
Charles Kazuka (Jr)	Chief Human Resources Officer
Augustino Mbogella	Chief Internal Auditor
Pete Novat	Chief Operating Officer
Tom Borghols	Chief Credit Officer

### Ineke Bussemaker - Managing Director

See Section 8.6 Directors' Qualifications and Experience for profile

### Mr. Charles Kazuka (Jr) - Chief Human Resources Officer

Mr. Kazuka is the Chief Human Resources Officer of NMB, responsible for the delivery of the HR strategic framework for the bank. His mandate is to facilitate alignment of NMB's organization, people and culture to its strategic business plan, through the provision of services in all aspects of human resources management.

He has completed his dissertation for an MBA (Strategic Human Resources Management) from the University of Leicester in the UK. He has extensive Human Resources experience having spent 12 years in Senior HR Management roles in Tanzania and West Africa. He has worked with Barclays Bank Tanzania as Head of Human Resources and also worked in Barclays Ghana as the Human Resources Manager-Operations. Before joining NMB, he worked with BP as Head of Human Resources for Tanzania before expanding this scope to cover East Africa (Malawi, Zimbabwe, Mozambique, Zambia, Botswana and Namibia).

Additionally, Mr. Kazuka is a Board Member of the Association of Tanzania Employers (ATE) and also a member of the executive committee. With this vast experience in HR both in Tanzania and abroad, Mr. Kazuka brings invaluable Strategic HR expertise to NMB that will ensure that the organisational goals are met with the People Agenda being the bedrock to the bank's continued success.

### Mr. Waziri Barnabas - Chief Financial Officer

Mr. Barnabas is NMB's Chief Financial Officer (CFO) and was appointed by NMB Board as CFO on 1st November, 2009. He is responsible for finance and control, budgeting, taxation, management information systems and planning at NMB.

Prior to joining NMB, Mr. Barnabas joined NMB as Senior Manager Finance and Control on 25th August, 2008 from Barclays Bank Tanzania Ltd where he was the Financial Controller for over 3 years. Before Barclays Bank he had worked for Standard Chartered Bank (T) Ltd from 2001 to March 2005 as Head of Business Support in finance department.

Mr. Barnabas has over 15 years' experience in banking and has worked in various positions including financial and management accounting, treasury, taxation and has been a member of various senior management teams. He holds a Bachelor of Commerce (BCOM Accounting) from the University of Dar es Salaam and is a Certified Public Accountant - Tanzania (CPA-T).

### Mr. Pete Novat - Chief Operating Officer

He is responsible for strategic and operational day-to-day activities of ICT systems and infrastructure,

operations, business process management, corporate support (facilities Management, logistics and business continuity management) and larger strategic projects management.

Mr. Novat joined NMB as a Chief Information and Operations Officer in 2013. Before joining NMB, Mr. Novat was the Chief Information Officer (CIO) of National Bank of Commerce (NBC) where he worked for 9 years. Before joining NBC and before that he worked for Kinder Morgan and Sprint PCS in the USA where he was responsible for the delivery of larger projects and systems change at Kinder Morgan plants and Sprint PCS corporate offices of New Jersey, Texas City, New Orleans, Las Vegas and Houston respectively.

He has over 11 years' experience in corporate leadership, programme management, larger project management and banking of which 7 years has been at executive management level; and holds a Bachelor's Degree in Electronics & Communication Science.

#### **Abdulmajid Nsekela - Acting Chief Retail Banking Officer**

Abdulmajid Nsekela joined NMB Plc as the Senior Manager Personal Banking in 2008 and was promoted to the post of Head of Personal Banking in 2013. He is currently the Acting Chief Retail Banking Officer, a position he has held since December 2015. With over 18 years in the banking industry, Abdulmajid has a wealth of experience from working in different departments within banks. Prior to joining NMB Plc, he was a Senior Relationship Manager, Corporate Banking at CRDB Bank Plc.

Abdulmajid holds a Masters of Business Administration majoring in International Banking Finance (MBA-IBF) and a Graduate Diploma in Business Administration from Birmingham University. He is also an alumnus of the Institute of Finance management having specialized in Banking.

#### **Mr. Tom Borghols - Chief Credit Officer**

Mr. Borghols is the Chief Credit Officer of NMB. He joined NMB in March 2013. Mr. Borghols holds a Bachelor's Degree in Dutch Civil Law and a Master's Degree in International Law, both at the University of Leiden in The Netherlands. He is responsible for Credits, Special Assets, Operational, Market, IT and Fraud Risk and Compliance. He also heads the recently established loan centre where the centralised processing of loans takes place.

Mr. Borghols has an extensive background in banking, having worked with ABN AMRO Bank, Fortis Bank and with Rabobank. Over the course of 30 years' experience, he has held positions in the commercial and in the risk area, both in corporate and in retail banking. Working his way up from Relationship Manager to Branch Manager and Country Manager, Tom started his career in his native Netherlands and moved to Curacao in the Caribbean, and then to Kenya, Rwanda and Zambia. He worked with the Bank Populaire du Rwanda, thereafter was appointed to Director Risk at Zambia National Commercial Bank and subsequently joined NMB in March 2013.

Mr Borghols holds a Master's Degree in International Law.

#### **Mr. Richard Makungwa - Chief Wholesale Banking Officer**

Mr. Makungwa joined NMB as the Head of Corporate Banking in 2006 and was later appointed to the post of Chief Wholesale Banking in 2014. He has been in the Banking industry since 1995 and had previously worked and held various positions in Operations and Corporate Banking with Citibank Tanzania and CRDB Bank where he accumulated a wealth of experience in wholesale banking business.

Mr. Makungwa holds a Bachelor degree in Public Administration and an MBA in Marketing from the University of Dar es Salaam and a Bachelor of Laws degree from Tumaini University.

#### **Mr. Aziz Chacha - Treasurer**

Mr. Chacha joined NMB as the bank's Treasurer in September 2011 from Barclays Bank Tanzania where he had worked as the Country Treasurer. Aziz is also an alumnus of Inoorero University in Nairobi, Kenya (formerly Kenya School of Professional Studies) and is currently pursuing MBA studies at the Manchester Business School of the University of Manchester (UK).

Aziz is also the out-going Vice-President of the Tanzania's chapter of ACI - Financial Markets Association. He has a wealth of experience in treasury management and a certified member of ACI -Financial markets head quartered in France.

### **Augusto Mbogella - Chief Internal Auditor**

Mr Mbogella is NMB's Chief Internal Auditor appointed in 2013. He has over 18 years' experience of practice, training and consulting in internal audit, risk management and governance matters in East Africa and is a member of several professional association's boards and committees both locally and internationally.

Previously he worked with PWC and East African Development Bank. He is a Certified Internal Auditor (CIA), Certified Control Self Assessments (CCSA) professional and Fellow Certified Public Accountant (FCPA).

He holds an MBA from Eastern and Southern African Management Institute and Maastricht School of Management and a Bachelor of Commerce (Accounting) degree from the University of Dar es salaam.

## **8.5 Employees**

The Bank continues to believe that its employees are its greatest resource and as such, every effort is taken to support the employees through various initiatives. The Bank is an equal opportunity employer and uses an objective recruitment process to ensure that the best available person is appointed to a position at any given time.

The Bank endeavours to ensure that training, career development and promotion of persons with disabilities should, as far as possible, be identical to those of other employees.

Initiatives that support employees include: Training facilities: the Bank spent TZS 3.9 billion (2014:TZS3.7billion) on staff training in order to improve employees' technical skills and improve efficiency and effectiveness in delivering on commitments to customers. All employees receive some form of annual training to upgrade skills and enhance development.

### **Employees' benefits include:**

- Medical assistance – all staff and their spouses and four dependants are covered under a Bank-sponsored medical scheme
- Financial assistance – loans are available to staff subject to qualification of pre-set criteria and approval of management. These loan products include advances, car and personal loans.

As at 31 December 2015, the Bank had 3,162 employees (2014:3,009).



## 9 Growth prospects for NMB

The Bank's future prospects remain positive based on its strong financial position and positive outlook for the Tanzania economy. GDP growth is expected to remain in the 6-7% range while the rate of inflation and balance of payments should stabilise around current levels.

We believe a stable monetary policy combined with continued investment and private consumption should bode well for the banking sector as a whole and NMB in particular. The Bank has made investments in its infrastructure and is implementing initiatives that are aimed at strengthening NMB's market position in Wholesale Banking, Retail Banking and Treasury.

NMB's robust financial position and strong results make it well positioned to take advantage of opportunities in the growing Tanzanian market. The Bank has a broad mix of wholesale, SME, agriculture and personal banking customers supported by appropriate branch network and alternative distribution channels that are supported by a robust technology platform. These should all support the Bank's business in the short to medium term.

## 10 **Tanzanian Exchange Control**

The Foreign Exchange Act together with the regulations made thereunder regulate the foreign exchange market in Tanzania. It provides for the administration and management of dealings and other acts in relation to foreign currency. The Act through its Regulations continues to permit for conversion and or transfer through any authorized bank or dealer of Tanzania Shillings into foreign currency subject to fulfilling certain procedural conditions e.g. documentation and the reason or purpose of the conversion and or transfer.

## 11 Tanzanian Taxation

*The comments below are of a general nature based on taxation law and practice in Tanzania as at the date of this Information Memorandum and are subject to any changes thereafter. They relate only to the position of persons who are the absolute beneficial owners of the Notes. This does not purport to be a complete analysis of all tax considerations relating to the Notes and so should be treated with appropriate caution. Prospective investors should consult their own professional advisors concerning the possible tax consequences of purchasing, holding and/or selling Notes and receiving payments of interest, principal and/or other amounts under the Notes under the Applicable Laws of their country of citizenship, residence or domicile.*

### **Taxation of the Notes in general**

The Notes (and any interest thereon) are not exempt from taxation generally.

### **Withholding Tax**

Payments of interest on the Notes may be subject to withholding as provided for in the Income Tax Act No.11 of 2004 (the "Income Tax Act"). All payments in respect of the Notes will be made with deduction for or on account of withholding taxes imposed within Tanzania.

As set out in the Income Tax Act, withholding tax at the rate of 10% (ten per cent) will be deducted from interest payments made to Tanzanian resident and non-resident Noteholders.

Exemptions from withholding tax may be available on interest payments for Notes with a minimum maturity of 3 years. This exemption is as per existing government policy and also subject to change. If the exemptions are no longer applicable, the Issuer may choose to gross up for applicable withholding taxes.

Where a tax liability arises in respect of holdings of the Notes, non-resident investors may be entitled to a tax credit in their country of residence, either under domestic law or under the tax treaties referred to below.

### **Capital Gains**

Debt securities such as bonds and debentures are treated as tradable financial assets. Net gains on sale of such securities are treated as investment income which should be included in the determination of taxable income as provided by the Income Tax Act 2004. The total income of an entity is subject to a tax rate of 30% while for an individual the resident individual tax rates will be applied.

### **Stamp Duty**

Transactions relating to the Notes are not generally exempt from stamp duty (and other duties), but exemption may exist under government policy, which is subject to change.

### **Tax Treaties**

Tanzania has entered into double taxation treaties with Canada, Denmark, Finland, India, Italy, Norway, Sweden and Zambia. A three-way tax treaty between Kenya, Tanzania and Uganda, has been signed but is yet to come into force.

## 12 Subscription and Sale

The Notes will be offered by the Issuer through the Placing Agents in respect of any Series of Notes in accordance with the Placing Agreement between the Issuer and Placing Agents. Any agreement for the sale of Notes will, inter alia, make provision for the form and terms and conditions of the relevant Notes, the price at which such Notes will be purchased or offered for placement by such Placing Agents and the commissions or other agreed discounts (if any) or placement fees payable or allowable by the Issuer in respect of such purchase or placement activities and the form of any indemnity to the Placing Agents against certain liabilities in connection with the offer and sale of the relevant Notes. The Notes will be delivered to the subscriber for Notes in accordance with the Terms and Conditions. There will be no trading in the Notes prior to the designated Settlement Date. Capitalised words used in this section shall bear the same meanings as used in the Definition and Abbreviation section of this Information Memorandum and the Terms and Conditions, except to the extent that they are separately defined in this section or clearly inappropriate from the context. "Series or Series of Notes" means a series of Notes comprising one or more Tranches, whether or not issued on the same date, which (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number

### *Application procedure*

Application forms may be obtained from the Placing Agent, the Arrangers or any other appointed placing agent. Applications for the Notes must be submitted directly to any one of the Placing Agent or the Arrangers, so as to arrive no later than 5:00 p.m. (Tanzania time) on the date specified in the Pricing Supplement. Successful applicants will be notified by the Fiscal Agent of the amount of Notes allotted to them on the notification date specified in the Pricing Supplement.

### *Payment for the Notes and Delivery*

Payment for the Notes is to be made in full to the Fiscal Agent in immediately available funds by the date specified in the Pricing Supplement. The Notes will be delivered to investors by crediting the respective CDS accounts no later than 15 days after the Issue Date specified in the relevant Pricing Supplement.

## **SELLING RESTRICTIONS**

*General:* No action has been taken by the Issuer or the Placing Agent in any jurisdiction that would permit an offering of any of the Notes, or possession or distribution of any Transaction Documents, in any country or jurisdiction where action for that purpose is required.

Each Placing Agent shall comply with all relevant securities laws and regulations in each jurisdiction in which it offers, sells or delivers the Notes or has its possession or distributes any of the Transaction Documents.

The Notes will be available to the general public in Tanzania through secondary trading upon being listed on the DSE.

*United Republic of Tanzania:* The approval for issuance and offer of the Notes in Tanzania and the listing thereof has been obtained from the CMSA and DSE respectively. The sale or transfer of Notes by Noteholders will be subject to the Conditions and the provisions of the Agency Agreement. There are no other restrictions on the sale or transfer of Notes under the laws of Tanzania.

*United States:* The Notes have not been and will not be registered under the U.S. Securities Act, 1933 as amended (the "Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act ("Regulation S") or pursuant to an exemption from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S. The Placing Agents have represented and agreed that, except as permitted by the Placing Agreement, they have only offered and sold Notes, and will only offer and sell Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Placing Agreement), only in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. The Placing Agents agree that, at or prior to confirmation of sale of Notes, they will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

"The Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (as defined in the Placing Agreement), except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

*United Kingdom:* The Placing Agents have represented and agreed that:

- a) they have not offered or sold and will not offer or sell any Notes, prior to the expiry of six months from the Issue Date in respect of such Notes, to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of Public Offers of Securities Regulations 1995;
- b) they have complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 ("FSMA") with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- c) they have only communicated or caused to be communicated and will only communicate or cause to be communicated any invitations or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

## 13 General Information

### 13.1 Authorisation

The Bank has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes, including but not limited to a resolution of the Board of Directors of the Bank passed on 7 February 2015.

### 13.2 Incorporation

The Bank was incorporated on 23 September 1997 under the Companies Act, 2002 as a public limited liability company (incorporation number 32699).

### 13.3 Share Capital

As at 31 December 2015, NMB's paid up share capital and reserves were TZS 662 billion, which was above the CMSA eligibility minimum requirement of TZS 50 million. It is expected that these levels will be maintained above TZS 50 million as long as the Notes remain outstanding.

### 13.4 Licensing

The Company holds a licence to conduct banking business in Tanzania issued by the Bank of Tanzania.

### 13.5 Working Capital

The Directors believe there is sufficient working capital currently available for the Issuer to meet its on-going obligations.

### 13.6 Approvals

#### **Capital Markets and Securities Authority**

A copy of this Information Memorandum has been delivered to the Capital Markets and Securities Authority, and approval has been granted to offer the Notes for sale to the public in Tanzania.

#### **Listing of the Notes on the Dar es Salaam Stock Exchange**

The Issuer has obtained the approval of the Dar es Salaam Stock Exchange for the Notes to be admitted to the debt securities segment of the Dar es Salaam Stock Exchange.

#### **Registrar of Companies**

A copy of this Information Memorandum has been delivered to the Registrar of Companies.

### 13.7 Allotment

The allotment of the Notes shall be determined by the Issuer, the Arrangers and the Placing Agent.

The Issuer reserves the right to decline any application in whole or in part and, in the event of oversubscription, to make the allotment as it deems fit in accordance with the relevant Pricing Supplement and in consultation with the Arrangers and Placing Agents. Any applications not accepted will be given reasons for non-acceptance.

All applicants will be notified by email or telephone of their allotment and or non-acceptance by no later than the allotment and the announcement date specified in the relevant Pricing Supplement. Telephone communication will be followed by written notice to the successful investors on the allocation results.

### 13.8 Significant or Material Changes

Save as disclosed in this Information Memorandum, there has been no significant change in the financial or trading position of the Bank since the most recent financial statements presented in the Reporting Accountants Report.

### 13.9 Disposals and Acquisitions

As at the date of this Information Memorandum, there was no acquisition or disposal of material assets otherwise than in the ordinary course of business.

## 13.10 Material Litigation

We have provided below a summary of material litigation which the Issuer was subject to as at the date of this Information Memorandum:

REFERENCE		DESCRIPTION	ESTIMATED VALUE OF CLAIM (TZS )
High Court Cases			
1	High Court (DSM) Civil Case No. 9 of 2011 Nancy Shirima Mawele vs. NMB	NMB instructed the police to arrest plaintiff failing payment of a loan, following the arrest the suit was instituted. The plaintiff prays for an order of payment of TZS. 255,608,000/- being the damages and recovery costs for false imprisonment, loss of good business, embarrassment and punitive. Also interest rate of 24% per annum from the date of filling the suit and 12% per annum from the date of judgement.	255,608,000
2	High Court (DSM) Civil Case No. 148 of 2014 Mustapha Nyumbamkali & another vs. NMB	The plaintiff prays for damages to the tune of TZS. 13.5 Billion and 550,000,000.00	550,000,000.00
Resident Magistrates' Court Cases			
1	Resident Magistrates' Court (Iringa) Civil Case No. 12 of 2012 Yahaya Mzee Kapera vs. NMB	Plaintiff prays for damages to the tune of TSHS. 150,000,000/= for wrongful advertising his house on sale by Public Auction	150,000,000
2	Resident Magistrates' Court (Ruangwa) Civil Case No. 4 of 2013 Ruangwa District Council vs. NMB	The plaintiff prays for payment of TZS. 55,855,000 being allegedly funds withdrawn from their account without their consent and TZS. 20,000,000 as special damages and TZS. 70,000,000/= being general damages.	145,855,000
3	Resident Magistrates' Court (Arusha) Civil Case No. 71 of 2014 Ramadhani Sood vs NMB	The plaintiff prays for payment of TZS. 240,000,000 being compensation for libellous and defamatory publication by NMB	240,000,000
Commission For Mediation And Arbitration			
1	Commission for Mediation and Arbitration at DSM Raphael W.C Millinga & 5 others vs. NMB	The complainant prays to be paid ex-gratia lump sum	205,581,694

In the Directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss.

## 13.11 Conflicts of Interest

At the date of this Information Memorandum, there are no potential conflicts of interest between any duties to the Issuer of the members of its administrative, management or supervisory bodies and their private interests or other duties. However, it cannot generally be ruled out that such persons have interests at the time of the offer or issue of Notes; whether this is the case will depend upon the facts at the time of the offer or issue. A description of any potential conflicting interests that are of importance to an offer or issue of Notes will be included in the applicable Pricing Supplement, specifying the persons involved and the types of interests.



## 13.12 Expenses

	%	TZS
Advisors	0.90%	1 799 037 000
Regulatory fees		
CMSA prospectus appraisal fees	0.06%	110 000 000
DSE listing fees	0.01%	20 000 000
ISIN & CSD fees	0.00%	1 300 000
Marketing costs	0.02%	42 700 000
<b>Total*</b>	<b>0.99%</b>	<b>1 973 037 000</b>
*percent of total program of TZS 200,000,000,000		

## 13.13 Auditors

The auditors of the Bank are currently Deloitte & Touche, Certified Public Accountants (Tanzania), of 10th Floor, PPF Tower, corner of Ohio Street & Garden Avenue, P.O Box 1559, Dar es Salaam, Tanzania. The last audited accounts and financial statements were in respect of the 12-month period ending 31 December 2015, whereupon the auditors gave an unqualified audit opinion. The auditors have audited the Bank's annual accounts for the years 2009 to 2015 in accordance with International Accounting Standards.

## 13.14 Consents

PricewaterhouseCoopers, Certified Public Accountants (Tanzania), acting as Reporting Accountant, has given and has not withdrawn their consent to the issue of this Information Memorandum with the inclusion in it of its report in the form and context in which it appears.

East African Law Chambers, acting as Transaction Legal Counsel in respect of the Issue, has given and has not withdrawn its written consent to the issue of this Information Memorandum with the inclusion in it of its legal opinion in the form and context in which it appears.

## 13.15 Material Provisions of the Memorandum and Articles of Association

### Annual General Meetings

Pursuant to article 48 of the Articles of Association, the Company shall each year hold a general meeting as its annual general meeting in addition to any other meetings in the year and shall specify as such in the notice calling the meeting; not more than fifteen months shall have elapsed between the date of one annual general meeting and the next. The annual general meeting shall be at the registered office of the company or such other place in Tanzania as the Directors shall appoint.

### Borrowing Rights

The Company is duly authorised to borrow as outlined in article 103(t) of NMB's articles of association.

### Voting rights

Pursuant to article 66 of the Articles of Association, subject to any rights or restrictions for the time being attached to any class or classes of shares, every member shall have one vote for each share of which it is a holder.

### Election and removal of directors

The appointment 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) and the Capital Markets and Securities Authority, pursuant to the Banking and Financial Institutions Act 2006 and the Capital Markets and Securities Act 1994, respectively. Shareholders with more than a 10% stake in the share capital of NMB are entitled to nominate one director for every 10% of the shares held by them. The names are presented to the AGM for ratification and appointments are submitted to BOT for approval.

All non-executive directors are subject to retirement by rotation and re-election by shareholders periodically in accordance with the articles of association. Rotation is staggered to ensure continuity of experience and knowledge. The number of terms an individual may serve is not limited. The Companies Act 2002 requires that directors retire at the age of 70 years; however there is a provision in the law for re-election.

### 13.16 Material contracts

In 2005, the Bank entered into a management services & technical assistance agreement with Rabobank which covered the provision of management support services and technical support services that include but are not limited to providing training, assist in developing business plans, providing guidance on compliance. This contract was valid for three years and has been renewed on a rolling basis.

Additionally, the contract provides that the Managing Director and the Chief Risk Officer roles that are filled by Rabobank nominees. These nominees are recommended to the Board for approval.

The agreement was renewed in 2014.

### 13.17 Documents Available for Inspection

As long as any Note remains outstanding, copies of the following documents will, when published, be available for inspection at the Specified Offices of the Issuer in Dar es Salaam, Tanzania:

- a. a copy of constitutive documents;
- b. a copy of all required authorisations with respect to the issue;
- c. a copy of the Agency Agreement between the Issuer and the Issue and Paying Agent and Calculation Agent and Registrar;
- d. a copy of the Placing Agreement between the Placing Agents and the Issuer;
- e. a copy of the approval of the Capital Markets and Securities Authority in respect of this issue;
- f. a copy of the approval of the Dar es Salaam Stock Exchange;
- g. copies of audited financial statements for the five years ended 31 December 2015 and any audited financial statements for subsequent years; and
- h. a copy of the letter of “no objection” from the Bank of Tanzania in respect of this Issue.

## Appendix A: Legal Opinion

### **EALC** East African Law CHAMBERS

MEMBER OF BOWMAN GILFILLAN AFRICA GROUP  
PLOT NO. 18, RUKWA STREET,  
MASAKI, DAR ES SALAAM  
PO Box 38192, DAR ES SALAAM, TANZANIA  
TELEPHONE: +255 (0)222600854/7  
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EMAIL: INFO@EALC.CO.TZ  
WWW.EALAWCHAMBERS.COM

Our Reference: EALC/NMB/LO/01/15  
E-mail Address: s.ndikimi@ealc.co.tz

Your Reference:  
Date: 03 May 2016

CfC Stanbic Bank Limited  
Investment Banking: Arranger  
Purshottam Place  
3<sup>rd</sup> Floor, Chiromo Road,  
PO Box 72833-00200  
Nairobi, Kenya

Stanbic Bank Tanzania Limited  
2<sup>nd</sup> Floor, Stanbic Bank Centre, Plot 99A,  
Cnr of Kinondoni & Ali Hassan Mwinyi Road,  
P.O. Box 72467,  
Dar es Salaam.

(the “**Arrangers**”)

Dear Sirs,

**RE: LEGAL OPINION IN RESPECT OF THE PROPOSED MULTICURRENCY MEDIUM TERM NOTE PROGRAMME TO BE ISSUED BY THE NATIONAL MICROFINANCE BANK PLC (THE “BANK”/ “NMB”/ “ISSUER”).**

#### **1.0 INTRODUCTION**

- 1.1 We refer to the proposed issue by NMB of the Multicurrency Medium Term Note Programme (the “**Programme**”) upon the terms and conditions set out in the Agency Agreement dated on or about the date of this opinion between the NMB (as Issuer) and as fiscal agent and Stanbic Bank Tanzania Limited as registrar (the “**Agency Agreement**”). Terms defined in the Agency Agreement to which the Notes are constituted unless otherwise defined herein have the same meanings in this opinion.

- 1.2 In giving this opinion, we have relied on information obtained during the due-diligence investigation of the corporate standing of the Issuer and the business undertaking of the Issuer as set out in the Information Memorandum dated on or about the date of this opinion (the “**Information Memorandum**”).

## **2.0 SOURCES OF INFORMATION, DOCUMENTS AND THE LAWS EXAMINED**

The opinion given herein is based on documents and information reviewed in the course of the due-diligence investigation including but not limited to the statutory and non-statutory records of the Bank, records available at the Registrar of Companies, Registrar of Titles and specific legislation governing the Bank. We have reviewed to our satisfaction the following:

### **2.1 Documents**

- 2.1.1 The Information Memorandum dated on or about the date of this letter;
- 2.1.2 The Agency Agreement;
- 2.1.3 The Placing Agreement dated on or about the date of this letter between the Bank (as Issuer) and Stanbic Bank Tanzania Limited and Tanzania Securities Limited (as Lead Placing Agents);
- 2.1.4 (all the above collectively the “**Note Documents**”)
- 2.1.5 A copy of the extract resolution from the minutes of the meeting of the board of directors of the Issuer held on 7<sup>th</sup> February 2015 authorising, *inter alia*, the establishment of the Programme;
- 2.1.6 Original search reports from the Ministry of Lands, Housing and Human Settlements in respect of various properties registered in the name of the Issuer as detailed under schedule 1 herein;
- 2.1.7 A copy of the Issuer’s Memorandum and Articles of Association (the “**Memorandum and Articles**”);
- 2.1.8 A copy of the Certificate of Incorporation of the Issuer dated 23<sup>rd</sup> September, 1997 and the Certificate of Change of Name dated 12<sup>th</sup> June 2008;

- 2.1.9 A copy of the Licence No CBA 00032 dated 27<sup>th</sup> September 2005 issued by the Bank of Tanzania under the Banking and Financial Institutions Act. The license permits the Issuer to carry on banking business in Tanzania.
- 2.1.10 A copy of a summary of insurance policies issued in favour of the Issuer;
- 2.1.11 A summary of court cases and pleadings provided to us by the Issuer's legal counsel in which the Issuer is a party; and
- 2.1.12 a copy of the approval issued by the Capital Markets and Securities Authority ("**CMSA**") dated 2<sup>nd</sup> May, 2016 in connection with the Programme and the Information Memorandum.

## **2.2 Laws**

- 2.2.1 The Companies Act No. 12 of 2002 ("**Companies Act**");
- 2.2.2 The Capital Markets and Securities Act, Cap. 79 R.E [2002] (as amended);
- 2.2.3 The Capital Markets and Securities (Advertisements) Regulations, 1997;
- 2.2.4 The Capital Markets and Securities (Prospectus Requirements) Regulations, 1997 (the "**Regulations**");
- 2.2.5 The Capital Markets and Securities Authority Guidelines for the Issuance of Corporate Bonds and Commercial Paper Notes, 1999;
- 2.2.6 The Guidelines on Corporate Governance Practices by Public Listed Companies in Tanzania, 2002; and
- 2.2.7 The Central Depositories Act, 2003.

## **3.0 OPINION**

Subject to the assumptions set out in Schedule 1 (*Assumptions*) and qualifications set out in Schedule 2 (*Qualifications*), we are of the opinion that, so far as the present laws of Tanzania are concerned:

### **3.1 Corporate Standing of the Issuer**

- 3.1.1 The Issuer is a statutory body duly established and validly existing under the laws of Tanzania. The Issuer has perpetual corporate existence and the capacity to sue and to be sued in its own name.
- 3.1.2 The Issuer has the corporate power to own its assets and to carry on its business as it is currently being conducted as described in the Information Memorandum and to enter into contracts to which it is party, including the Note Documents, and to perform and observe its obligations under them.
- 3.1.3 The Issuer has taken all required actions on its part to authorise the execution, delivery, performance and observance of the Note Documents, and the said Note Documents have been properly entered into, executed and delivered by the parties thereto.
- 3.1.4 The Issuer has the required mandate under its Memorandum and Articles and powers under Tanzanian law to issue the Notes and enter into the Note Documents and has the necessary internal corporate approvals for the issuing of the Notes and for entering into the Note Documents.
- 3.1.5 As of the date of this opinion, there has been no change in the corporate status of the Issuer.

### **3.2 The Notes**

- 3.2.1 The creation, issue, sale, and delivery of the Notes have been duly authorised, and when duly effectuated, issued, delivered by the Issuer the Notes will constitute valid, enforceable and legally binding obligations of the Issuer in accordance with their terms except as the same may be limited by insolvency or other similar laws affecting creditors' rights.
- 3.2.2 The Note Documents have been duly authorised, executed and delivered by the Issuer and constitute valid, enforceable and legally binding obligations of the Issuer in accordance with their terms except as the same may be limited by insolvency or other similar laws affecting creditors' rights.
- 3.2.3 The Notes and their terms and conditions are in the proper legal form for enforcement against the Issuer and contain no provision which is contrary to law or public policy in Tanzania or which would not for any reason be upheld by the courts of United Republic of Tanzania.

- 3.2.4 The issue of the Notes has been duly authorised by the Issuer and the Notes constitute valid, enforceable, legally binding, direct and unconditional obligations of the Issuer in accordance with their terms and will at all times rank *pari passu* in all respects (including in priority of payment) among themselves and with all other present and future direct, general, unconditional, unsubordinated and unsecured obligations of the Issuer, except for any obligations that may be preferred by provisions of law that are both mandatory and of general application.
- 3.2.5 Neither the execution and delivery of the Note Documents, nor the execution of the transactions therein contemplated nor compliance with their terms and conditions will contravene any existing law, governmental rule, regulation or order of the United Republic of Tanzania.
- 3.2.6 No holder of the Notes and none of the parties to the Note Documents is or will become (or be deemed to have become) resident, domiciled or carrying on business or subject to taxation in Tanzania by reason only of the holding of the Notes or any enforcement of or receipt of any payment under the Note Documents.
- 3.2.7 Except as noted below, it is not necessary under the laws of the United Republic of Tanzania (a) in order to enable any person to exercise or enforce its rights under any of the Note Documents or the Notes, or (b) by reason of any such person being or becoming the holder of any of the Notes or party to the Note Documents or the performance by any such person of its obligations, thereunder, that any such person should be licensed, qualified or otherwise entitled to carry on business in Tanzania, nor will any such performance violate any law applicable in Tanzania. Brokers or dealers or investment advisors carrying on business as such in Tanzania require a license from the CMSA.
- 3.2.8 All authorizations and approvals by the CMSA and DSE required for the issue and listing respectively of the Notes have been obtained.
- 3.2.9 The Notes have been prescribed as a dematerialized security under the Central Depositories Act, 2003.
- 3.2.10 Neither the execution nor delivery of the Notes and the Note Documents by the Issuer nor the performance of its obligations under the Note Documents conflict with or will conflict in any respect with:
- (i) any present law, governmental rule, regulation or order in Tanzania; and
  - (ii) the Memorandum and Articles.
- 3.2.11 The submissions to jurisdiction by the Issuer contained in the Note Documents are valid and binding on the Issuer.



- 3.2.12 Save for registration of the Information Memorandum at the companies registry under section 49 of the Companies Act, there are no governmental or regulatory consents, approvals, authorisations or orders registration, filing or similar formalities required to be carried out in Tanzania by the Issuer in connection with the issuance of the Notes and the performance by the Issuer of its obligations under the Note Documents.

### **3.3 The Information Memorandum**

The Information Memorandum complies with the requirements of the Regulations and the statements therein relating to the laws of Tanzania are correct and not misleading.

### **3.4 Ownership of Properties and Other Assets**

We confirm that the Bank has good title to the properties listed in Schedule 3 (*List of Properties*) and Schedule 4 (*List of other Assets*) and that the relevant titles evidencing lawful ownership of such properties are in full compliance with the relevant laws and regulations of Tanzania and the said titles are in proper form for enforcement in the courts of Tanzania.

### **3.5 Material Litigation**

As of the date of this opinion, and to the best of our knowledge, having made reasonable inquiry with the Issuer and their lawyers in Tanzania, none of the directors of the Issuer are subject to any material litigation, prosecution or other criminal litigation instituted against any of them in Tanzania.

We confirm that subject to the material litigation disclosed herein under Schedule 6 (*Material Litigation*) provided by the Issuer, there are no material litigious claims, and/or actions involving the Issuer.

### **3.6 Material Agreements**

- 3.6.1 To the best of our knowledge and having relied on communications made to us the Issuer has entered into the following material contract as described under paragraph 9 of Part II of the Regulations:

- a) Finance Contract dated 27<sup>th</sup> June , 2013 between the European Investment Bank (as lender) and the Issuer (as borrower) for the sum of Euros Fifty Million (EUR 50,000,000) for purposes of financing of up to 50% of the total cost for projects to be carried out in Tanzania by private enterprises in agro industry, fishing, food

processing, manufacturing, construction industry, transport, tourism, private education and healthcare and related services;

- b) Management Services and Technical Assistance Agreement between the Issuer and Cooperative Centrale Raiffeisen-Boerenleenbank B.A. 'Rabobank Nederland';
- c) Agreement between the Issuer and the Government of the United Republic of Tanzania for the provision of banking services to the employees of the Government in Dodoma, Singida, Tabora and Kigoma regions relating to payment of salaries to central and local government authorities and pensioners; and
- d) Agreement between the Issuer and the Government of the United Republic of Tanzania for the provision of banking services for payment of salaries central government, local government authorities employees and pensioners in Lindi, Mtwara and Ruvuma regions and transfer of salaries for local government authorities.

3.6.2 The summary detail of the above mentioned agreements is as follows provided under Schedule 5 (*Summary of Material Contracts*).

3.6.3 Other than the above, there is no other agreement or arrangement pertaining to the contemplated Programme.

### **3.7 No Event of Default**

As far as we are aware, as of the date of this opinion, no event of default (howsoever described) has occurred or will occur as a result of the issue of the Notes or the execution of the Note Documents or the Issuer's compliance with the terms thereof.

### **3.8 Immunity**

Neither the Bank nor any of its property is entitled to immunity from any suit, pre-judgment attachment or restraint or enforcement of a judgment on grounds of sovereignty or otherwise in the courts of Tanzania in respect of proceedings against it.

### **3.9 Bankruptcy/ Receivership Proceedings**

To the best of our knowledge, information and belief and after due enquiry and confirmation from the company secretary of the Issuer, we confirm that no bankruptcy, receivership, or similar proceedings have been instituted against the Bank.

### **3.10 Tax payable**

- 3.10.1 The Notes (and any interest thereon) are not exempt from taxation generally.
- 3.10.2 Withholding tax at the rate of 10% (or other applicable rate as may be applicable from time to time) will be deducted from interest payments made to both resident and non-resident holders of Notes in terms of the prevailing legislation as set out in the Income Tax Act No 11 of 2004 (the "Income Tax Act").
- 3.10.3 Debt securities such as bonds and debentures are treated as tradable financial assets. Net gains on sale of such securities are treated as investment income which should be included in the determination of taxable income as provided by the Income Tax Act 2004. The total income of an entity is subject to a tax rate of 30% while for an individual the individual tax rates will be applied.
- 3.10.4 Tanzania has entered into double taxation avoidance treaties with Canada, Denmark, Finland, India, Italy, Norway, Sweden, South Africa and Zambia. A three-way tax treaty between Kenya, Tanzania and Uganda, has been signed but is yet to come into force.

### **3.11 Qualifications**

This opinion relates only to the laws of Tanzania. No opinion is expressed as to any other law or the validity or enforceability of any agreement in any other jurisdiction. It is given solely for the purposes of its publication in the Information Memorandum and may not be disclosed in whole or in part to any other person or otherwise quoted or referred to or relied upon for any other purpose without our express and prior written consent.

## **4.0 CONSENT**

We hereby consent to the inclusion of this legal opinion in the Information Memorandum to be issued by the Bank, in the form and text in which it is included. We confirm that we have not, prior to the date of the Information Memorandum, withdrawn our consent to the issue of the Information Memorandum containing this opinion.

Yours faithfully



**EAST AFRICAN LAW CHAMBERS**

per: Stella Ndikimi

## **SCHEDULE 1-ASSUMPTIONS**

For the purposes of this opinion we have assumed that:-

- 1.1 each party to the Note Documents (other than the Issuer) exists as a legal person, has the power to carry on its business and has been duly authorised to execute the Note Documents;
- 1.2 the Note Documents and the signatures and seals thereon are genuine and the copies of the documents we have examined conform to the original documents and no alteration, variation or modification has been made to them;
- 1.3 that all original documents supplied to us are complete, authentic and up to date, and that all copy documents supplied to us are complete and conform to the originals;
- 1.4 all information contained in the Information Memorandum and all information provided to us by the Issuer, the Placing Agents and their respective officers and advisers is true, accurate and up to date;
- 1.5 all factual statements including representations contained in the Note Documents are true and correct; and
- 1.6 there are no facts or circumstances in existence and no events have occurred which would render any of the Note Documents void or voidable or capable of rescission for any reason.
- 1.7 that each express submission to jurisdiction, and each express waiver of any objection that that party may now or in the future have to any proceeding being instituted or determined in a particular forum, by a party contained in the Note Documents constitutes a valid and legal submission or waiver (as the case may be) by that party (and is not subject to avoidance by any person) under all applicable laws other than the laws of Tanzania and in all applicable jurisdictions other than the jurisdiction of Tanzania and that, insofar as any obligations under such Note Documents fall to be performed in any jurisdiction other than Tanzania, its performance will not be illegal or ineffective by virtue of the laws of that jurisdiction.
- 1.8 that no party to the Note Documents has entered into it in consequence of bad faith or fraud, coercion, duress, misrepresentation or undue influence or on the basis of a mistake of fact or law or believing that Note Documents to be fundamentally different in substance or in kind from what it is;

- 1.9 that the Note Documents have been entered into by each of the parties thereto in good faith, for the purpose of carrying on its respective business, for its respective benefit and on arm's length commercial terms;
- 1.10 that the Note Documents have not been superseded, amended or repealed in any respect by any subsequent deletion, amendment or substitution of any of the provisions thereof since the original dates of signature thereof;
- 1.11 other than in Tanzania, any consent, licence, approval or authorisation of any person which is required in relation to the execution and delivery of the Note Documents and the performance and observance of the terms of the Note Documents by the parties thereto has been obtained;

We have found nothing to indicate that the above assumptions are not justified.

## **SCHEDULE 2- QUALIFICATIONS**

This opinion is subject to the following qualifications:

- 1.1 it is given only in relation to the Note Documents and as at the date hereof, there are no other factual circumstances which are not evident from the Note Documents or which have not been disclosed to us that may affect the opinions given herein of the enforceability of the Note Documents;
- 1.2 the expression 'valid and binding' in paragraph 3.2.4 above means that the obligations expressed to be assumed under the Documents are of a type which the Tanzanian courts will treat as valid and binding. It does not mean that these obligations will necessarily be enforced in all circumstances in accordance with their terms, as to which reference is made to the other qualifications expressed in this opinion.
- 1.3 except as explicitly stated herein, no opinion is expressed on matters of fact or in relation to any representation or warranty contained in Note Documents;
- 1.4 the opinions expressed herein are confined to matters of the laws of Tanzania existing as at the date hereof and no opinion is expressed as to the laws of any other jurisdiction;
- 1.5 if any obligation is to be performed in a jurisdiction outside Tanzania, it may not be enforceable in Tanzania to the extent that performance would be illegal or contrary to public policy under the laws of the other jurisdiction;
- 1.6 the enforceability of the obligations of any of the parties to Note Documents may be limited by bankruptcy, insolvency, reorganisation, moratorium, prescription or other laws affecting creditors' rights generally; and
- 1.7 any claim may be or become barred under the laws relating to the limitation of actions or may be or become subject to set-off or counter claim.

**SCHEDULE 3-LIST OF PROPERTIES AS AT 15 APRIL 2015 (LAND)**

<b>NATIONAL MICROFINANCE BANK PLC – LIST OF PROPERTIES AS AT 15<sup>TH</sup> APRIL 2015</b>			
<b>No.</b>	<b>TITLE NO.</b>	<b>PLOT NO.</b>	<b>BRANCH</b>
1.	CT22980	11-18	BAGAMOYO
2.	CT186019/12	12	BANK HOUSE
3.	CT54421	123 BLOCK A	CHALINZE
4.	CT19286	C & D BLOCK D	IFAKARA
5.	CT53569	760	KIBITI
6.	CT53273	1,2,3 & 757	KIBITI
7.	CT53079	759	KIBITI
8.	CT53040	755	KIBITI
9.	CT46023	16 BLOCK H	KILOSA
10.	CT19993	1 BLOCK G	MAFIA
11.	CT53906	577 BLOCK B	MAHENGE
12.	CT21138	53 BLOCK A	KILWA MASOKO
13.	CT717 MTW	95-108 BLOCK D	LIWALE
14.	CT31678	35-40 BLOCK C	NEWALA
15.	CT8902 – MBYLR	100 BLOCK A	TUNDURU
16.	CT10650	304 BLOCK B	BARIADI
17.	CT14508	36 BLOCK D	BIHARAMULO
18.	CT14095	35 BLOCK D	BIHARAMULO
19.	CT923 MZLR	BLOCK K	BUNDA
20.	CT14387	170 BLOCK E	GEITA
21.	CT8893	19 BLOCK G	KAHAMA
22.	CT033028/14	14 BLOCK K	KENYATTA RD & ZO (Mwz)
23.	CT14609	57 BLOCK A	MAGU
24.	CT14478	1B	MANONGA
25.	CT19748	NBC, NYALIKANGU	MASWA
26.	CT14594	97 BLOCK B	MUGUMU
27.	CT14340	34 & 36 BLOCK D	MWANUHUZI
28.	CT14341	130 BLOCK A	MWANUHUZI
29.	CT14140	63 BLOCK A	NGARA
30.	CT38-MZLR	NBC	NGUDU
31.	CT19376	3 & 7 BLOCK G	TARIME
32.	CT13822	1 BLOCK N	KASULU
33.	CT17269	144/1 BLOCK B	KIBAYA
34.	CT17271	144/2 BLOCK B	KIBAYA
35.	CT10392-DLR	56 BLOCK A	KIOMBOI
36.	CT10310-DLR	2 BLOCK EE	KONDOA
37.	CT118131/11	44 BLOCK A	MIHAYO
38.	CT14360	198 BLOCK B	SIKONGE
39.	CT14369	199 BLOCK B	SIKONGE
40.	CT14336	200 BLOCK B	SIKONGE
41.	CT10229	68 BLOCK E	CLOCK TOWER
42.	CT17702	70 BLOCK A	HAI
43.	CT1369	3 BLOCK G	KARATU
44.	CT17703	5 BLOCK J	KATESH
45.	CT252	8 & 9	KOROGWE
46.	CT16417	FARM 974	LOLIONDO



**NATIONAL MICROFINANCE BANK PLC – LIST OF PROPERTIES AS AT 15<sup>TH</sup> APRIL 2015**

No.	TITLE NO.	PLOT No.	BRANCH
47	CT16418	FARM 973	LOLIONDO
48	CT16419	FARM 976	LOLIONDO
49	CT12682	1 BLOCK 2	LUSHOTO
50	CT130512/6	6	MADARAKA
51	CT17270	34 BLOCK A	MOMBO
52	CT17268	163 BLOCK L	MOMBO
53	CT17688	206 BLOCK E	MUHEZA
54	CT7996	14 – 16 BLOCK D	MWANGA
55	CT056039/58	1 & 2 BLOCK D	NELSON MANDELA
56	CT1370	NBC	ROMBO
57	CT778	NBC	SAME
58	CT3377-DLR	5 & 6 BLOCK F	CHUNYA
59	CT8492-MBYLR	52-54 BLOCK D	ILEJE
60	CT8752-MBYLR	80 BLOCK DD	KYELA
61	CT3254-DLR	61 BLOCK H	LUDEWA
62	CT8518-MBYLR	567 BLOCK B	MAFINGA
63	CT8521-MBYLR	15 BLOCK BOMA	MAKETE
64	CT1238	11	IRINGA (MKWAWA BRANCH)
65	CT8522-MBYLR	195-200 BLOCK U	MBARALI
66	CT20369	10 BLOCK E	MPANDA
67	CT14288	N1,N2 & N3 BLOCK G	SONGEA
68	CT3970-DLR	37-40 BLOCK E	MAKAMBAKO
69	CT6715-DLR	5	KONGWA
70	CT2472	8&9, BLOCK G	CHUNYA
71	CT9354-MBYLR	PLOT No. 539 BLOCK A	MBINGA
72	CT1647MTW	PLOT No. 474 BLOCK J	NACHINGWEA
73	CT9275-MBYLR	PLOT No. 1 BLOCK E	LUDEWA
74	CT10638-DLR	PLOT No. 57, BLOCK B	KIOMBOI
75	CT56481	PLOT No. 34 BLOCK B	KISARAWA
76	CT18870	PLOT No. 5 BLOCK G	BABATI
77	CT10511-DLR	PLOT No. 4 BLOCK B	KONGWA
78	CT56250	PLOT No. 109 BLOCK H	MAFIA
79	CT1669 MTW	PLOT No. 6 BLOCK E	LIWALE
80	CT18871	PLOT No. 283 BLOCK B	PANGANI
81	CT15046	PLOT No. 120 BLOCK A	SENGEREMA
82	CT13847	PLOT No.32	URAMBO
83	CT15279	PLOT NO. 71 BLOCK C	MULEBA
84	CT21631	PLOT NO 1/1 BLOCK D	HANDENI
85	CT9135-DLR	PLOT NO. 1, 2 & 3, POST OFFICE AREA	MPWAPWA
86	CT8555-MBYLR	PLOT NO. 284, BLOCK V	RUJEWI (MBARALI BRANCH)
87	CT9568-MBYLR	PLOT NO. 130 BLOCK I	TUNDUMA
88	CT9567-MBYLR	PLOT NO. 9, BLOCK E	VWAWA (MBOZI BRANCH)
89	CT22618	OFFICE & RESIDENTIAL	NANSIO
90	CT16313	PLOT NO. 5 BLOCK B	KIBONDO
91	CT19927	PLOT NO. 7, 8 & 9	MASASI
92	CT22261	PLOT NO. 164 BLOCK K	MONDULI
93	CT22260	PLOT NO. 40 BLOCK C	MBULU

**NATIONAL MICROFINANCE BANK PLC – LIST OF PROPERTIES AS AT 15<sup>TH</sup> APRIL 2015**

No.	TITLE NO.	PLOT NO.	BRANCH
94	CT10867-DLR	PLOT NO. 2 BLOCK KK	MANYONI
95	CT105214	PLOT NO. 2338, BLOCK H	MBEZI DSM
96	CT81073	PLOT NO. 36 BLOCK B	KISARAWA
97	CT20882-MBYLR	No.209, BLOCK D, MBALIZI URBAN AREA	MBALIZI (USONGWE BRANCH)
98	CT49188 MLR	PLOT NO. 17 BLOCK A, MLIMANI AREA	CHATO
99	CT45402LR MWANZA	PLOT NO. 48 BLOCK C SANZULA, IGUNGA URBAN	IGUNGA
100	CT47481 LR MWANZA	PLOT NO. 10 & 12, KAYANGA, URBAN AREA	KAYANGA
101	CT48971 LR MWANZA	PLOT NO. 121, BLOCK D, RORYA DISTRICT	RORYA (TARIME)
102	CT7047 MTW	No.900, BLOCK C, MJI MPYA, TANDAHIMBA	TANDAHIMBA
103	CT6669 MTW	PLOT NO.1 BLOCK A MANGAKA URBAN	NANYUMBU (MTWARA)
104	CT133323	PLOT NO. 170 BLOCK A, SOKOINE AREA	MVOMERO
105	CT18056 LR MWANZA	PLOT NO. 504 BLOCK N MISUNGWI URBAN	MISUNGWI
106	CT44251 LR MOSHI	PLOT NO. 171 BLOCK D LONGIDO DISTRICT	NAMANGA (LONGIDO)
107	CT30426-MBYLR	PLOT NO. 708, BLOCK D NJOMBE URBAN	NJOMBE
108	CT30318-MBYLR	PLOT NO. 254, BLOCK E TUKUYU URBAN	TUKUYU
109	CT133324	PLOT NO. 219 BLOCK INST AREA, KIBAHA TOWNSHIP	KIBAHA (NEW PLOT)
110	CT25737-MBYLR	PLOT NO. 2 BLOCK E	LUDEWA
111	CT25736-MBYLR	PLOT NO. 403 BLOCK E	LUDEWA
112	CT25746-MBYLR	PLOT NO. 20 BLOCK BOMA	MAKETE
113	CT45674 LR MWANZA	PLOT NO. 20,22 & 24 BLOCK D	MWANUHUZI
114	CT40155	PLOT NO. 762, BLOCK A, BOMANG'OMBE URBAN AREA	HAI
115	CT40154	PLOT NO. 21, BLOCK 121, LUSHOTO DC	LUSHOTO
116	CT27303-MBYLR	PLOT NO. 7, BLOCK A, MAKAMBAKO URBAN	MAKAMBAKO
117	CT129854	PLOT NO. 104 BLOCK H, KILINDONI	MAFIA
118	CT125795	PLOT NO. 110, BLOCK H	MAFIA
119	CT33614-LR MOSHI	PLOT NO.154, BLOCK B, ORKESUMET TRADING CENTRE	SIMANJIRO
120	CT 9456-MBYLR	PLOT No. 2 & , BLOCK B, MARKET SQUARE, MBEYA	MBALINZI ROAD-MBEYA

**SCHEDULE 4-LIST OF OTHER ASSETS (VEHICLES)**

S/N	MAKE OF VEHICLE	TYPE/MODEL	REGISTRATION NUMBER	AGE (YRS) OF THE VEHICLE
1	TOYOTA ST. WAGON	GX	T544ANM	7
2	TOYOTA ST. WAGON	GX	T741ANK	7
3	TOYOTA ST. WAGON	PRADO	T549CLA	2
4	TOYOTA ST. WAGON	GX	T939ATB	6
5	TOYOTA ST. WAGON	GX	T624AQB	6
6	TOYOTA ST. WAGON	PRADO	T553CLA	2
7	TOYOTA ST. WAGON	VX	T157ANM	7
8	TOYOTA ST. WAGON	PRADO - Lx	T202CVH	1
9	TOYOTA ST. WAGON	PRADO - Lx	T173CVH	1
10	TOYOTA ST. WAGON	PRADO - Lx	T773DDG	0
11	TOYOTA ST. WAGON	PRADO - Lx	T771DDG	0
12	TOYOTA ST. WAGON	PRADO - Lx	T769DDG	0
13	TOYOTA ST. WAGON	HARDTOP	T552ATG	4
14	TOYOTA ST. WAGON	HARDTOP	T985ANP	10
15	TOYOTA ST. WAGON	HARDTOP	T729ANP	7
16	TOYOTA ST. WAGON	HARDTOP	T134ANQ	6
17	TOYOTA ST. WAGON	HARDTOP	T258ANP	7
18	TOYOTA ST. WAGON	HARDTOP	T772DDG	0
19	TOYOTA ST. WAGON	HARDTOP	T775DDG	0
20	TOYOTA ST. WAGON	HARDTOP	T774DDG	0
21	TOYOTA P/C DC	HILUX	T747BCA	3
22	TOYOTA P/C DC	HILUX	T760BCA	3
23	TOYOTA P/C DC	HILUX	T683BCF	3
24	NISSAN PATROL	S/WAGON	T879CHM	1
25	SUZUKI OMNI	S/WAGON	T885CHM	1
26	TOYOTA ST. WAGON	HARDTOP	T597CRC	0
27	TOYOTA ST. WAGON	FORTUNER	T746CTT	0
28	TOYOTA ST. WAGON	FORTUNER	T754CTT	0
29	TOYOTA ST. WAGON	FORTUNER	T737CTT	0
30	MOTORCYCLE	YAMAHA	T125CPC	0
31	MOTORCYCLE	YAMAHA	T120CPD	0
32	MOTORCYCLE	YAMAHA	T998CPB	0
33	TOYOTA ST. WAGON	HIACE	T962CUV	0
34	NISSAN PATROL	S/WAGON	T191CWG	0
35	TOYOTA ST. WAGON	HARDTOP	T675CBL	1
36	TOYOTA ST. WAGON	PRADO GX	T911ATJ	4
37	TOYOTA ST. WAGON	HARDTOP	T429ATG	4
38	NISSAN PATROL	S/WAGON	T542CHP	1
39	NISSAN PATROL	S/WAGON	T591CHU	1
40	TOYOTA P/C DC	HILUX	T740BCA	4
41	TOYOTA ST. WAGON	HARDTOP	T682CBL	2
42	TOYOTA ST. WAGON	HARDTOP	T732ANP	8
43	SUZUKI MARUTI S/W	MARUTI GYPSY	T446BNK	3
44	SUZUKI MARUTI S/W	MARUTI GYPSY	T330BNK	3
45	TOYOTA ST. WAGON	HARDTOP	T399BVJ	2
46	NISSAN PATROL	S/WAGON	T881CHM	2
47	NISSAN PATROL	S/WAGON	T888CHM	2
48	NISSAN PATROL	S/WAGON	T195CWG	1

S/N	MAKE OF VEHICLE	TYPE/MODEL	REGISTRATION NUMBER	AGE (YRS) OF THE VEHICLE
49	NISSAN PATROL	S/WAGON	T638CVM	1
50	NISSAN PATROL	S/WAGON	T465DDF	0
51	TOYOTA ST. WAGON	HARDTOP	T683CBL	2
52	SUZUKI MARUTI S/W	MARUTI GYPSY	T425BNK	3
53	SUZUKI MARUTI S/W	MARUTI GYPSY	T457BNK	3
54	SUZUKI MARUTI S/W	MARUTI GYPSY	T234BNK	3
55	TOYOTA P/C DC	HILUX	T759BCA	4
66	TOYOTA ST. WAGON	HARDTOP	T565ATG	5
57	NISSAN PATROL	S/WAGON	T529CHP	2
58	NISSAN PATROL	S/WAGON	T552CHP	2
59	NISSAN PATROL	S/WAGON	T525CHP	2
60	TOYOTA ST. WAGON	HARDTOP	T655CVD	1
61	NISSAN PATROL	S/WAGON	T645CVM	1
62	TOYOTA ST. WAGON	HARDTOP	T131ANQ	10
63	TOYOTA ST. WAGON	PRADO	T932ATA	5
64	TOYOTA ST. WAGON	HARDTOP	T699BVJ	2
65	MITSUBISHI CANTER	B/W/TRUCK	T441BJJ	3
66	NISSAN PATROL	S/WAGON	T518CHL	2
67	NISSAN PATROL	S/WAGON	T640CVM	1
68	NISSAN PATROL	S/WAGON	T636CVM	1
69	NISSAN PATROL	S/WAGON	T286CVM	1
70	NISSAN PATROL	S/WAGON	T466DDF	0
71	TOYOTA ST. WAGON	HARDTOP	T741ANP	7
72	TOYOTA ST. WAGON	HARDTOP	T671CBL	2
73	SUZUKI MARUTI S/W	MARUTI GYPSY	T384BNH	3
74	SUZUKI MARUTI S/W	MARUTI GYPSY	T634BNL	3
75	NISSAN PATROL	S/WAGON	T890CHM	2
76	NISSAN PATROL	S/WAGON	T533CHP	2
77	NISSAN PATROL	S/WAGON	T468DDF	0
78	SUZUKI MARUTI S/W	MARUTI GYPSY	T379BNK	3
79	SUZUKI MARUTI S/W	MARUTI GYPSY	T227BNK	3
80	MITSUBISHI CANTER	B/W/TRUCK	T449BJJ	3
81	TOYOTA ST. WAGON	HARDTOP	T685CBL	2
82	TOYOTA ST. WAGON	HARDTOP	T394BVJ	2
83	TOYOTA ST. WAGON	HARDTOP	T807BVJ	2
84	TOYOTA P/C DC	HILUX	T750BCA	4
85	NISSAN PATROL	S/WAGON	T874CHM	2
86	NISSAN PATROL	S/WAGON	T515CHL	2
87	NISSAN PATROL	S/WAGON	T188CWG	1
88	TOYOTA P/C DC	HILUX	T745BCA	4
89	SUZUKI ST. WAGON	ESCUDO	T999ANP	7
90	TOYOTA ST. WAGON	HARDTOP	T500BVJ	2
91	SUZUKI MARUTI S/W	MARUTI GYPSY	T241BNK	3
92	TOYOTA ST. WAGON	HARDTOP	T673CBL	2
93	SUZUKI MARUTI S/W	MARUTI GYPSY	T813BNL	3
94	SUZUKI MARUTI S/W	MARUTI GYPSY	T529BNM	3
95	NISSAN PATROL	S/WAGON	T717CHM	2
96	NISSAN PATROL	S/WAGON	T512CHL	2
97	NISSAN PATROL	S/WAGON	T519CHP	2
98	NISSAN PATROL	S/WAGON	T868CHM	2

S/N	MAKE OF VEHICLE	TYPE/MODEL	REGISTRATION NUMBER	AGE (YRS) OF THE VEHICLE
199	NISSAN PATROL	S/WAGON	T470DDF	0
100	TOYOTA ST. WAGON	HARDTOP	T947CVE	1
101	TOYOTA ST. WAGON	HARDTOP	T204ANP	8
102	TOYOTA ST. WAGON	HARDTOP	T913ANK	7
103	TOYOTA ST. WAGON	HARDTOP	T687CBL	2
104	TOYOTA ST. WAGON	HARDTOP	T484BVM	2
105	TOYOTA ST. WAGON	HARDTOP	T448BVJ	2
106	TOYOTA ST. WAGON	HARDTOP	T658CVD	1
107	SUZUKI MARUTI S/W	MARUTI GYPSY	T316BNK	3
108	SUZUKI MARUTI S/W	MARUTI GYPSY	T401BNH	3
109	SUZUKI MARUTI S/W	MARUTI GYPSY	T918BNK	3
110	TOYOTA P/C DC	HILUX	T753BCA	4
111	NISSAN PATROL	S/WAGON	T538CHP	2
112	NISSAN PATROL	S/WAGON	T197CWG	1
113	NISSAN PATROL	S/WAGON	T467DDF	0

## SCHEDULE 5- SUMMARY OF MATERIAL CONTRACTS

### 1. East & Central Africa PEFF Finance Contract

<b>Description of agreement and Facility and financial obligation</b>	Credit of EUR 50,000,000 for financing of up to 50% of the total cost for projects to be carried out in Tanzania by private enterprises in agro industry, fishing, food processing, manufacturing, construction industry, transport, tourism, private education and healthcare and related services.
<b>Parties</b>	European Investment Bank (as lender) The Company (as borrower)
<b>Signed by all parties, and date of execution</b>	Yes, 27 <sup>th</sup> June, 2013
<b>Duration, expiry and Renewal</b>	N/A
<b>Events of Default (if relevant)</b>	Change of Control which includes where i) any person gains control of the borrower; ii) the Government of Tanzania ceases to own 30% of the issued share capital; and iii) Rabobank ceases to own 30% of the issued share capital.
<b>CONSEQUENCES IN THE EVENT OF BREACHES</b>	Cancellation of undisbursed portion of the loan and repayment of the loan plus accrued interest and and other amount accrued or outstanding under the contract.
<b>ANTICIPATED TERMINATION PROVISIONS</b>	None
<b>TERMINATION NOTICE/PROCEDURE</b>	None
<b>Security (including guarantees, sponsor support, subordinations)</b>	Negative Pledge on the Company's present or future business, undertaking, assets or revenues (including any capital not paid-in). Prior written consent of the Borrower required before creating any security.
<b>Noteworthy warranties, indemnities and undertakings</b>	N/A
<b>Governing law</b>	Laws of England and Wales
<b>Other unusual / noteworthy provisions (including rights of first refusal)</b>	N/A

## 2. Management Services and Technical Assistance Agreement

<b>Description of agreement and Facility</b>	Agreement for appointment of Rabobank as Manager to provide management services and technical assistance services to the Company.
<b>Parties</b>	Cooperative Centrale Raiffeisen-Boerenleenbank B.A. 'Rabobank Nederland' and the Company
<b>Signed by all parties, and date of execution</b>	Yes
<b>Duration and Renewal</b>	Three years renewable
<b>Events of Default (if relevant)</b>	N/A
<b>CONSEQUENCES IN THE EVENT OF BREACHES</b>	N/A
<b>ANTICIPATED TERMINATION PROVISIONS</b>	Termination on lapse of contract period, if not renewed; termination by mutual consent, termination on Manager's misconduct or Rabobank shareholding falling below 25%.
<b>TERMINATION NOTICE/PROCEDURE</b>	Notice in writing
<b>Events of Default (if relevant)</b>	N/A
<b>Security (including guarantees, sponsor support, subordinations)</b>	None
<b>Noteworthy warranties, indemnities and undertakings</b>	N/A
<b>Governing law</b>	Tanzanian Law
<b>Other unusual / noteworthy provisions (including rights of first refusal)</b>	N/A



### 3. Contract for provision of banking services to the Government

<b>Description of agreement and Facility</b>	Provision of banking services to the employees of the Government in Dodoma, Singida, Tabora and Kigoma regions relating to payment of salaries to central and local government authorities and pensioners.
<b>Parties</b>	Government of Tanzania and the Company
<b>Signed by all parties, and date of execution</b>	Yes
<b>Duration and Renewal</b>	Intended completion date June 30, 2014 subject to renewal
<b>Events of Default (if relevant)</b>	Material change of ownership/ management
<b>Security (including guarantees, sponsor support, subordinations)</b>	None
<b>Noteworthy warranties, indemnities and undertakings</b>	N/A
<b>Governing law</b>	Tanzanian Law
<b>Other unusual / noteworthy provisions (including rights of first refusal)</b>	N/A

**4. Contract for provision of banking services to the Government**

<b>Description of agreement and Facility</b>	Provision of banking services for payment of salaries to central government, local government authorities employees and pensioners in Lindi, Mtwara and Ruvuma regions and transfer of salaries for local government authorities.
<b>Parties</b>	Government of Tanzania and the Company
<b>Signed by all parties, and date of execution</b>	Yes
<b>Duration and Renewal</b>	Intended completion date June 30, 2014 subject to renewal
<b>Events of Default (if relevant)</b>	Material change of ownership/ management
<b>Security (including guarantees, sponsor support, subordinations)</b>	None
<b>Noteworthy warranties, indemnities and undertakings</b>	N/A
<b>Governing law</b>	Tanzanian Law
<b>Other unusual / noteworthy provisions (including rights of first refusal)</b>	N/A

## SCHEDULE 6- SUMMARY OF MATERIAL LITIGATION

### HIGH COURT CASES

S/N	REFERENCE	DESCRIPTION	ESTIMATED VALUE OF CLAIM (TZS)	RISK FACTOR	PROBABLE LOSS (TZS)
1	High Court (DSM) Civil Case No. 9 of 2011 Nancy Shirima Mawele vs. NMB	NMB instructed the police to arrest plaintiff failing payment of a loan, following the arrest the suit was instituted. The plaintiff prays for an order of payment of TZS. 255,608,000/- being the damages and recovery costs for false imprisonment, loss of good business, embarrassment and punitive. Also interest rate of 24% per annum from the date of filling the suit and 12% per annum from the date of judgement.	255,608,000	80%	204,486,400
2	High Court (DSM) Civil Case No. 148 of 2014 Mustapha Nyumbamkali & another vs. NMB	The plaintiff prays for damages to the tune of TZS. 13.5 Billion and 550,000,000.00	550,000,000.00	80%	440,000,000

### RESIDENT MAGISTRATES' COURT CASES

S/N	REFERENCE	DESCRIPTION	ESTIMATED VALUE OF CLAIM (TZS)	RISK FACTOR	PROBABLE LOSS (TZS)
1	Resident Magistrates' Court (Iringa) Civil Case No. 12 of 2012 Yahaya Mzee Kapera vs. NMB	The plaintiff prays for damages to the tune of TSHS. 150,000,000/= for wrongful advertising his house on sale by public auction	150,000,000	80%	120,000,000
2	Resident Magistrates' Court (Ruangwa) Civil Case No. 4 of 2013 Ruangwa District Council vs. NMB	The plaintiff prays for payment of TZS. 55,855,000 being funds fraudulently withdrawn from their account without their consent and TZS. 20,000,000 as special damages and TZS. 70,000,000/= being general damages.	145,855,000	80%	116,684,000
3	Resident Magistrates' Court (Arusha) Civil Case No. 71	The plaintiff prays for payment of TZS. 240,000,000 being compensation for libellous and defamatory publication by NMB	240,000,000	50%	120,000,000

S/N	REFERENCE	DESCRIPTION	ESTIMATED VALUE OF CLAIM (TZS)	RISK FACTOR	PROBABLE LOSS (TZS)
	of 2014 Ramadhani Sood vs NMB				

**COMMISSION FOR MEDIATION AND ARBITRATION**

S/N	REFERENCE	DESCRIPTION	ESTIMATED VALUE OF CLAIM (TZS)	RISK FACTOR	PROBABLE LOSS (TZS)
1	Commission for Mediation and Arbitration at DSM Raphael W.C Millinga & 5 others vs. NMB	The complainant prays to be paid ex-gratia lump sum	205,581,694	50%	102,790,847

## **Appendix B: Reporting Accountant's Report**

**NATIONAL MICROFINANCE BANK PLC 2016 CORPORATE BOND ISSUE**

**HISTORICAL FINANCIAL INFORMATION**

**PRO FORMA FINANCIAL INFORMATION**

**KEY FINANCIAL RATIOS**

## **NATIONAL MICROFINANCE BANK PLC**

### **2016 CORPORATE BOND ISSUE FINANCIAL INFORMATION**

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The Directors  
National Microfinance Bank Plc  
PO Box 2913  
Dar es Salaam  
Tanzania

20 April 2016

## **INDEPENDENT REVIEW REPORT ON HISTORICAL FINANCIAL INFORMATION**

### **Report on the Historical Financial Information**

We have reviewed the accompanying historical financial information of the National Microfinance Bank Plc (the "Company") and its subsidiaries (together the "Group") set out on pages 3 to 107, which comprises the Group's and Company's statements of financial position as at 31 December 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010, and their respective statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Historical Financial Information*

Management is responsible for the preparation and fair presentation of the historical financial information that gives a true and fair view in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

#### *Practitioner's Responsibility*

Our responsibility is to express a conclusion on the accompanying historical financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the historical financial information, taken as a whole, is not prepared in all material respects in accordance with International Financial Reporting Standards. This Standard also requires us to comply with relevant ethical requirements.

A review of historical financial information in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained. Our review of the historical financial information also included review of the working papers of the auditor of National Microfinance Bank Plc and comparing the historical financial information to the audited and published financial statements from which the historical financial information was extracted.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the historical financial information.

## **Report on the Historical Financial Information (continued)**

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the historical financial information does not give a true and fair view of the financial position of the National Microfinance Bank Plc as at 31 December 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010, and of its financial performance and cash flows for the respective years then ended, in accordance with International Financial Reporting Standards.

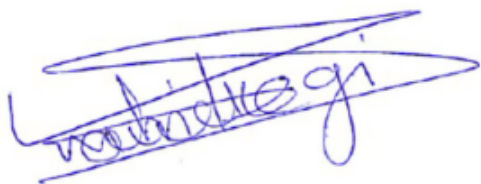
The historical financial information has been prepared for inclusion in a prospectus for a Corporate Bond issue, and may, therefore, not be appropriate for another purpose.

### **Report on Other Matters**

The historical financial information has been extracted from the audited and published financial statements of the National Microfinance Bank Plc for the years ended 31 December 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010. Other than inclusion of additional disclosures and amendment of the presentation style of disclosures, there were no adjustments to the financial information previously presented in the audited and published financial statements.

### **Consent for inclusion in the information memorandum issued by the National Microfinance Bank Plc**

We hereby consent to the inclusion of our name and our report in the Information Memorandum for the National Microfinance Bank Plc 2016 Corporate Bond issue.



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Patrick Kiambi, ACPA

**For and on behalf of PricewaterhouseCoopers**  
Certified Public Accountants  
Dar es Salaam



**NATIONAL MICROFINANCE BANK PLC**

**HISTORICAL FINANCIAL INFORMATION**

**FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

<b>CONSOLIDATED</b>	<b>Note</b>	<b>2014</b> <b>TZS Millions</b>	<b>2013</b> <b>TZS Millions</b>	<b>2012</b> <b>TZS Millions</b>	<b>2011</b> <b>TZS Millions</b>	<b>2010</b> <b>TZS Millions</b>
Interest and similar income	6 (a)	416,490	355,686	287,924	193,005	141,442
Interest and similar expenses	7	(39,264)	(25,893)	(9,348)	(7,832)	(11,032)
<b>Net Interest income</b>		<b>377,226</b>	<b>329,793</b>	<b>278,576</b>	<b>185,173</b>	<b>130,410</b>
Impairment charge on loans and advances	19	(16,589)	(23,766)	(25,851)	(11,752)	(1,674)
<b>Net interest income after impairment charge</b>		<b>360,637</b>	<b>306,027</b>	<b>252,725</b>	<b>173,421</b>	<b>128,736</b>
Fee and commission income	8 (a)	117,113	98,279	84,201	67,995	54,426
Fee and commission expense	8 (a)	(7,369)	(6,000)	(3,639)	(856)	(1,583)
<b>Net fee and commission income</b>		<b>109,744</b>	<b>92,279</b>	<b>80,562</b>	<b>67,139</b>	<b>52,843</b>
<b>Total operating income</b>		<b>470,381</b>	<b>398,306</b>	<b>333,287</b>	<b>240,560</b>	<b>181,579</b>
Foreign exchange income	9	17,620	8,378	9,086	7,437	12,489
Other income	10	9,250	6,646	1,302	6,845	4,257
Employee benefit expenses	11	(116,693)	(99,675)	(75,955)	(63,646)	(46,460)
General and administrative expenses	12 (a)	(137,554)	(108,222)	(99,191)	(77,015)	(65,432)
Depreciation and amortization	13	(19,456)	(17,570)	(23,867)	(11,445)	(8,361)
<b>Profit before income tax</b>		<b>223,548</b>	<b>187,863</b>	<b>144,662</b>	<b>102,736</b>	<b>78,072</b>
Income tax expense	14 (a)	(69,036)	(54,225)	(47,340)	(30,947)	(24,464)
<b>Profit for the year</b>		<b>154,512</b>	<b>133,638</b>	<b>97,322</b>	<b>71,789</b>	<b>53,608</b>
<b>Attributable to:</b>						
Owners of the parent		154,839	133,713	97,354	71,809	53,608
Non-controlling interests		(327)	(75)	(32)	(20)	-
<b>Profit for the year</b>		<b>154,512</b>	<b>133,638</b>	<b>97,322</b>	<b>71,789</b>	<b>53,608</b>

**NATIONAL MICROFINANCE BANK PLC**  
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**FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

<b>CONSOLIDATED (CONTINUED)</b>	<b>Note</b>	<b>2014</b> <b>TZS Millions</b>	<b>2013</b> <b>TZS Millions</b>	<b>2012</b> <b>TZS Millions</b>	<b>2011</b> <b>TZS Millions</b>	<b>2010</b> <b>TZS Millions</b>
Profit for the year		154,512	133,638	97,322	71,789	53,608
<b>Other comprehensive income, net of tax</b>						
<i>Items that may be subsequently reclassified to profit or loss:</i>						
Fair value loss on available for sale government securities	20 (b)	(68)	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>154,444</b>	<b>133,638</b>	<b>97,322</b>	<b>71,789</b>	<b>53,608</b>
<b>Attributable to:</b>						
Owners of the parent		154,771	133,713	97,354	71,809	53,608
Non-controlling interests		(327)	(75)	(32)	(20)	-
<b>Total comprehensive income for the year</b>		<b>154,444</b>	<b>133,638</b>	<b>97,322</b>	<b>71,789</b>	<b>53,608</b>
<b>Basic and diluted earnings per share (TZS)</b>	<b>15(a)</b>	<b>309.54</b>	<b>267.43</b>	<b>194.71</b>	<b>143.62</b>	<b>107.22</b>

**NATIONAL MICROFINANCE BANK PLC**

**HISTORICAL FINANCIAL INFORMATION**

**FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)**

<b>BANK</b>	<b>Note</b>	<b>2014</b> <b>TZS Millions</b>	<b>2013</b> <b>TZS Millions</b>	<b>2012</b> <b>TZS Millions</b>	<b>2011</b> <b>TZS Millions</b>	<b>2010</b> <b>TZS Millions</b>
Interest and similar income	6 (b)	417,603	355,686	287,924	193,005	141,442
Interest expense and similar charges	7	(39,264)	(25,893)	(9,348)	(7,832)	(11,032)
<b>Net Interest income</b>		<b>378,339</b>	<b>329,793</b>	<b>278,576</b>	<b>185,173</b>	<b>130,410</b>
Impairment charge on loans and advances	19	(16,589)	(23,766)	(25,851)	(11,752)	(1,674)
<b>Net interest income after impairment charge</b>		<b>361,750</b>	<b>306,027</b>	<b>252,725</b>	<b>173,421</b>	<b>128,736</b>
Fee and commission income	8 (b)	117,149	98,378	84,201	67,995	54,426
Fee and commission expense	8 (b)	(7,369)	(6,000)	(3,639)	(856)	(1,583)
<b>Net fee and commission income</b>		<b>109,780</b>	<b>92,378</b>	<b>80,562</b>	<b>67,139</b>	<b>52,843</b>
<b>Total operating income</b>		<b>471,530</b>	<b>398,405</b>	<b>333,287</b>	<b>240,560</b>	<b>181,579</b>
Foreign exchange income	9	17,620	8,378	9,086	7,437	12,489
Other income	10	9,250	6,646	1,302	6,845	4,257
Employee benefit expenses	11	(116,693)	(99,675)	(75,955)	(63,646)	(46,460)
General and administrative expenses	12 (b)	(137,592)	(108,053)	(99,112)	(76,965)	(65,059)
Depreciation and amortization	13	(19,456)	(17,570)	(23,867)	(11,445)	(8,361)
<b>Profit before income tax</b>		<b>224,659</b>	<b>188,131</b>	<b>144,741</b>	<b>102,786</b>	<b>78,445</b>
Income tax expense	14 (a)	(69,036)	(54,225)	(47,340)	(30,947)	(24,464)
<b>Profit for the year</b>		<b>155,623</b>	<b>133,906</b>	<b>97,401</b>	<b>71,839</b>	<b>53,981</b>
<b>Other comprehensive income, net of tax</b>						
<i>Items that may be subsequently reclassified to profit or loss:</i>						
Fair value loss on available for sale government securities	20 (b)	(68)	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>155,555</b>	<b>133,906</b>	<b>97,401</b>	<b>71,839</b>	<b>53,981</b>
<b>Basic and diluted earnings per share (TZS)</b>	<b>15(b)</b>	<b>311.11</b>	<b>267.81</b>	<b>194.80</b>	<b>143.68</b>	<b>107.96</b>

**NATIONAL MICROFINANCE BANK PLC**

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FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**STATEMENT OF FINANCIAL POSITION**

<b>CONSOLIDATED</b>		<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>Note</b>	<b>TZS Millions</b>	<b>TZS Millions</b>	<b>TZS Millions</b>	<b>TZS Millions</b>	<b>TZS Millions</b>
<b>Assets</b>						
Cash and balances with Bank of Tanzania	17	807,402	545,308	521,658	430,243	399,227
Placements and balances with other Banks	18	140,908	153,377	203,062	172,737	152,306
Loans and advances to customers	19	1,986,162	1,606,357	1,345,932	1,123,518	857,785
Investment securities - Held to Maturity	20 (a)	736,352	820,744	617,347	361,943	633,964
Investment securities - Available for Sale	20 (b)	774	-	-	-	-
Equity investments	21 (a)	1,740	1,740	1,200	1,200	600
Other assets	22 (a)	55,231	45,748	22,044	9,197	9,345
Property and equipment	23 (a)	126,695	88,040	70,316	60,894	49,641
Intangible assets	24	4,437	708	1,226	846	977
Current income tax	14 (b)	3,865	2,313	-	3,546	1,657
Deferred income tax	25	25,102	22,840	17,962	6,119	4,447
<b>Total assets</b>		<b>3,888,668</b>	<b>3,287,175</b>	<b>2,800,747</b>	<b>2,170,243</b>	<b>2,109,949</b>
<b>Liabilities</b>						
Deposits due to banks		5,244	6,080	72,657	31,970	29,442
Deposits due to customers	26	3,005,585	2,577,946	2,288,074	1,804,495	1,811,556
Current income tax	14 (b)	-	-	6,015	-	-
Other liabilities	27 (a)	92,484	71,624	67,749	47,662	37,599
Provisions	28	4,552	3,450	1,872	854	-
Borrowings	29	204,095	160,811	-	-	-
<b>Total liabilities</b>		<b>3,311,960</b>	<b>2,819,911</b>	<b>2,436,367</b>	<b>1,884,981</b>	<b>1,878,597</b>
<b>Capital and reserves</b>						
Share capital	30	20,000	20,000	20,000	20,000	20,000
Retained earnings		545,862	436,023	336,310	262,230	210,147
Fair value reserve	30	(68)	-	-	-	-
Regulatory reserve		-	-	-	1,726	-
<b>Capital and reserves attributable to owners of the parent</b>		<b>565,794</b>	<b>456,023</b>	<b>356,310</b>	<b>283,956</b>	<b>230,147</b>
<b>Non-controlling interest</b>		<b>10,914</b>	<b>11,241</b>	<b>8,070</b>	<b>1,306</b>	<b>1,205</b>
<b>Total equity</b>		<b>576,708</b>	<b>467,264</b>	<b>364,380</b>	<b>285,262</b>	<b>231,352</b>
<b>Total liabilities and equity</b>		<b>3,888,668</b>	<b>3,287,175</b>	<b>2,800,747</b>	<b>2,170,243</b>	<b>2,109,949</b>

**NATIONAL MICROFINANCE BANK PLC**

**HISTORICAL FINANCIAL INFORMATION**

**FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**STATEMENT OF FINANCIAL POSITION**

<b>BANK</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
		<b>TZS Millions</b>	<b>TZS Millions</b>	<b>TZS Millions</b>	<b>TZS Millions</b>	<b>TZS Millions</b>
<b>Assets</b>						
Cash and balances with Bank of Tanzania	17	807,402	545,308	521,658	430,243	399,227
Placements and balances with other banks	18	140,908	153,377	203,062	172,737	152,306
Loans and advances to customers	19	2,007,389	1,614,292	1,345,932	1,123,518	857,785
<i>Investment securities:</i>						
- Held to Maturity	20(a)	736,352	820,744	617,347	361,943	633,964
- Available for Sale	20(b)	774	-	-	-	-
Equity investments	21(b)	20,600	20,600	14,612	3,805	2,831
Other assets	22(b)	49,319	40,894	19,509	8,688	9,105
Property and equipment	23(b)	85,847	59,110	54,570	58,805	48,604
Intangible assets	24	4,437	708	1,226	846	977
Current income tax	14(b)	3,865	2,313	-	3,546	1,657
Deferred income tax	25	25,102	22,840	17,962	6,119	4,447
<b>Total assets</b>		<b>3,881,995</b>	<b>3,280,186</b>	<b>2,795,878</b>	<b>2,170,250</b>	<b>2,110,903</b>
<b>Liabilities</b>						
Deposits due to banks		5,244	6,080	72,657	31,970	29,442
Deposits due to customers	26(b)	3,006,640	2,582,625	2,289,979	1,804,699	1,812,647
Current income tax	14(b)	-	-	6,015	-	-
Other liabilities	27(b)	94,243	70,554	68,595	48,368	38,294
Provisions	28	4,552	3,450	1,872	854	-
Borrowings	29	204,095	160,811	-	-	-
<b>Total liabilities</b>		<b>3,314,774</b>	<b>2,823,520</b>	<b>2,439,118</b>	<b>1,885,891</b>	<b>1,880,383</b>
<b>Capital and reserves</b>						
Share capital	30	20,000	20,000	20,000	20,000	20,000
Retained earnings		547,289	436,666	336,760	262,633	210,520
Fair value reserve	30	(68)	-	-	-	-
Regulatory reserve		-	-	-	1,726	-
<b>Capital and reserves attributable to owners of the parent</b>		<b>567,221</b>	<b>456,666</b>	<b>356,760</b>	<b>284,359</b>	<b>230,520</b>
<b>Total liabilities and equity</b>		<b>3,881,995</b>	<b>3,280,186</b>	<b>2,795,878</b>	<b>2,170,250</b>	<b>2,110,903</b>

**NATIONAL MICROFINANCE BANK PLC**

**HISTORICAL FINANCIAL INFORMATION  
FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**STATEMENT OF CHANGES IN EQUITY**

<b>CONSOLIDATED</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Fair valuation reserve</b>	<b>Regulatory reserve</b>	<b>Total equity</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
	<b>TZS' Millions</b>	<b>TZS' Millions</b>	<b>TZS' Millions</b>	<b>TZS' Millions</b>	<b>TZS' Millions</b>	<b>TZS' Millions</b>	<b>TZS' Millions</b>
<b>Year ended 31 December 2014</b>							
At start of year	20,000	436,023	-	-	456,023	11,241	467,264
Profit/(loss) for the year	-	154,839	-	-	154,839	(327)	154,512
<b>Comprehensive income</b>							
Fair value loss on available for sale assets	-	-	(68)	-	(68)	-	(68)
<b>Total comprehensive income</b>	-	<b>154,839</b>	<b>(68)</b>	-	<b>154,771</b>	<b>(327)</b>	<b>154,444</b>
<b>Transactions with owners</b>							
Dividends paid - Final 2013	-	(45,000)	-	-	(45,000)	-	(45,000)
<b>At end of year</b>	<b>20,000</b>	<b>545,862</b>	<b>(68)</b>	-	<b>565,794</b>	<b>10,914</b>	<b>576,708</b>
<b>Year ended 31 December 2013</b>							
At start of year	20,000	336,310	-	-	356,310	8,070	364,380
Profit/(loss) and other comprehensive income for the year	-	133,713	-	-	133,713	(75)	133,638
<b>Transactions with owners</b>							
Additional capital contribution	-	-	-	-	-	3,246	3,246
Dividends paid - Final 2012	-	(34,000)	-	-	(34,000)	-	(34,000)
<b>At end of year</b>	<b>20,000</b>	<b>436,023</b>	-	-	<b>456,023</b>	<b>11,241</b>	<b>467,264</b>

**NATIONAL MICROFINANCE BANK PLC**

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**STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

<b>CONSOLIDATED (CONTINUED)</b>	<b>Share capital</b>	<b>Retained earnings</b>	<b>Fair valuation reserve</b>	<b>Regulatory reserve</b>	<b>Total</b>	<b>Non-controlling interest</b>	<b>Total equity</b>
	<b>TZS' Millions</b>	<b>TZS' Millions</b>	<b>TZS' Millions</b>	<b>TZS' Millions</b>	<b>TZS' Millions</b>	<b>TZS' Millions</b>	<b>TZS' Millions</b>
<b>Year ended 31 December 2012</b>							
At start of year	20,000	262,230	-	1,726	283,956	1,306	285,262
Profit/(loss) and other comprehensive income for the year	-	97,354	-	-	97,354	(32)	97,322
Transfer from regulatory reserve	-	1,726	-	(1,726)	-	-	-
<b>Transactions with owners</b>							
Additional capital contribution	-	-	-	-	-	6,796	6,796
Dividends paid - Final 2011	-	(25,000)	-	-	(25,000)	-	(25,000)
<b>At end of year</b>	<b>20,000</b>	<b>336,310</b>	-	-	<b>356,310</b>	<b>8,070</b>	<b>364,380</b>
<b>Year ended 31 December 2011</b>							
At start of year	20,000	210,147	-	-	230,147	1,205	231,352
Profit/(loss) and other comprehensive income for the year	-	71,809	-	-	71,809	(20)	71,789
Transfer to regulatory reserve	-	(1,726)	-	1,726	-	-	-
<b>Transactions with owners</b>							
Additional capital contribution	-	-	-	-	-	121	121
Dividends paid - Final 2010	-	(18,000)	-	-	(18,000)	-	(18,000)
<b>At end of year</b>	<b>20,000</b>	<b>262,230</b>	-	<b>1,726</b>	<b>283,956</b>	<b>1,306</b>	<b>285,262</b>
<b>Year ended 31 December 2010</b>							
At start of year	20,000	170,034	2,205	-	192,239	1,205	193,444
Profit and other comprehensive income for the year	-	53,608	-	-	53,608	-	53,608
Transfer from regulatory reserve	-	2,205	(2,205)	-	-	-	-
<b>Transactions with owners</b>							
Dividends paid - Final 2009	-	(15,700)	-	-	(15,700)	-	(15,700)
<b>At end of year</b>	<b>20,000</b>	<b>210,147</b>	-	-	<b>230,147</b>	<b>1,205</b>	<b>231,352</b>

**NATIONAL MICROFINANCE BANK PLC**

**HISTORICAL FINANCIAL INFORMATION  
FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

<b>BANK</b>	<b>Share capital TZS' Millions</b>	<b>Retained earnings TZS' Millions</b>	<b>Regulatory reserve TZS' Millions</b>	<b>Fair valuation reserve TZS' Millions</b>	<b>Total TZS' Millions</b>
<b>Year ended 31 December 2014</b>					
At start of year	20,000	436,666	-	-	456,666
Profit for the year	-	155,623	-	-	155,623
<b>Comprehensive income</b>					
Fair value loss on available for sale assets	-	-	-	(68)	(68)
<b>Total comprehensive income</b>	-	155,623	-	(68)	155,555
<b>Transactions with owners</b>					
Dividends paid - Final 2013	-	(45,000)	-	-	(45,000)
<b>At end of year</b>	<b>20,000</b>	<b>547,289</b>	<b>-</b>	<b>(68)</b>	<b>567,221</b>
<b>Year ended 31 December 2013</b>					
At start of year	20,000	336,760	-	-	356,760
Profit and total comprehensive income for the year	-	133,906	-	-	133,906
<b>Transactions with owners</b>					
Dividends paid - Final 2012	-	(34,000)	-	-	(34,000)
<b>At end of year</b>	<b>20,000</b>	<b>436,666</b>	<b>-</b>	<b>-</b>	<b>456,666</b>



**NATIONAL MICROFINANCE BANK PLC**

**HISTORICAL FINANCIAL INFORMATION**

**FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

**BANK (CONTINUED)**

**Year ended 31 December 2012**

At start of year	20,000						
Profit and total comprehensive income for the year		262,633	1,726	-	-	284,359	
Transfer from regulatory reserve	-	97,401	-	-	-	97,401	
Transactions with owners	-	1,726	(1,726)	-	-	-	
Dividends paid - Final 2011	-	(25,000)	-	-	-	(25,000)	

**At end of year**

	<b>20,000</b>	<b>336,760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>356,760</b>	
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**Year ended 31 December 2011**

At start of year	20,000	210,520	-	-	-	230,520	
Profit and total comprehensive income for the year	-	71,839	-	-	-	71,839	
Transfer to regulatory reserve	-	(1,726)	1,726	-	-	-	
Transactions with owners	-	(18,000)	-	-	-	(18,000)	
Dividends paid - Final 2010	-						

**At end of year**

	<b>20,000</b>	<b>262,633</b>	<b>1,726</b>	<b>-</b>	<b>-</b>	<b>284,359</b>	
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**Year ended 31 December 2010**

At start of year	20,000	170,034	2,205	-	-	192,239	
Profit and total comprehensive income for the year	-	53,981	-	-	-	53,981	
Transfer from regulatory reserve	-	2,205	(2,205)	-	-	-	
Transactions with owners	-	(15,700)	-	-	-	(15,700)	
Dividends paid - Final 2009	-						

**At end of year**

	<b>20,000</b>	<b>210,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>230,520</b>	
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**NATIONAL MICROFINANCE BANK PLC**

**HISTORICAL FINANCIAL INFORMATION  
FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010  
CONSOLIDATED STATEMENT OF CASH FLOWS**

		<b>2014</b> <b>TZS</b> <b>million</b>	<b>2013</b> <b>TZS</b> <b>million</b>	<b>2012</b> <b>TZS</b> <b>million</b>	<b>2011</b> <b>TZS</b> <b>million</b>	<b>2010</b> <b>TZS</b> <b>million</b>
<b>Cash generated from / (used in) operations</b>						
Tax paid	32(a)	379,604	(107,526)	175,734	107,269	167,918
Net cash generated from/(used in) operating activities	14(b)	(72,850)	(67,431)	(49,623)	(34,508)	(27,930)
		<u>306,754</u>	<u>(174,957)</u>	<u>126,111</u>	<u>72,761</u>	<u>139,988</u>
<b>Cash flows from investing activities</b>						
Purchase of property and equipment	23(a)	(61,541)	(34,685)	(33,739)	(22,300)	(24,664)
Purchase of intangible assets	24	(311)	(238)	(82)	(522)	(812)
Proceeds from sale of property and equipment		337	226	74	32	23
Acquisition of shares in other companies	21(a)	-	(540)	-	(600)	(600)
Net cash used in investing activities		<u>(61,515)</u>	<u>(35,163)</u>	<u>(33,747)</u>	<u>(23,390)</u>	<u>(26,053)</u>
<b>Cash flows from financing activities</b>						
Proceeds from borrowings	29	41,335	159,737	-	-	-
Interest paid on borrowings		(8,506)	(2)	-	-	-
Proceeds from issuance of shares to non-controlling interest		-	3,246	6,796	121	-
Dividends paid	16	(45,000)	(34,000)	(25,000)	(18,000)	(15,700)
Net cash (used in)/generated from financing activities		<u>(12,171)</u>	<u>128,981</u>	<u>(18,204)</u>	<u>(17,879)</u>	<u>(15,700)</u>
Net increase/(decrease) in cash and cash equivalents		233,068	(81,213)	74,160	31,492	98,235
Cash and cash equivalents at beginning of the year		388,930	470,143	395,983	364,491	266,256
Cash and cash equivalents end of the year	31	<u>621,998</u>	<u>388,930</u>	<u>470,143</u>	<u>395,983</u>	<u>364,491</u>
<b>Analysis of cash and cash equivalents at end of the year</b>						
Cash in hand		207,987	218,133	185,043	186,637	164,153
Balances with Bank of Tanzania		273,103	17,420	82,038	36,609	48,032
Deposits and balances due from banking institutions		140,908	153,377	203,062	172,737	152,306
		<u>621,998</u>	<u>388,930</u>	<u>470,143</u>	<u>395,983</u>	<u>364,491</u>

**NATIONAL MICROFINANCE BANK PLC**

**HISTORICAL FINANCIAL INFORMATION  
FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**BANK STATEMENT OF CASH FLOWS**

	<b>Note</b>	<b>2014 TZS' Millions</b>	<b>2013 TZS' Millions</b>	<b>2012 TZS' Millions</b>	<b>2011 TZS' Millions</b>	<b>2010 TZS' Millions</b>
<b>Cash generated from/(used in) operations</b>						
Tax paid	32(b)	367,686	(112,016)	179,680	106,713	170,149
Net cash generated from/(used in) operations	14(b)	(72,850) 294,836	(67,431) (179,447)	(49,623) 130,057	(34,508) 72,205	(27,930) 142,219
<b>Cash flows from investing activities</b>						
Purchase of property and equipment	23(b)	(49,623)	(21,501)	(20,082)	(21,249)	(24,664)
Purchase of intangible assets	24	(311)	(238)	(82)	(522)	(812)
Proceeds from sale of property and equipment		337	226	74	32	23
Acquisition of shares in other companies	21(b)	-	(5,988)	(10,807)	(974)	(2,831)
Net cash used in investing activities		(49,597)	(27,501)	(30,897)	(22,713)	(28,284)
<b>Cash flows from financing activities</b>						
Proceeds from borrowing	29	41,335	159,737	-	-	-
Interest paid on borrowings		(8,506)	(2)	-	-	-
Dividends paid	16	(45,000)	(34,000)	(25,000)	(18,000)	(15,700)
Net cash (used in)/generated from financing activities		(12,171)	125,735	(25,000)	(18,000)	(15,700)
Net increase/(decrease) in cash and cash equivalents		233,068	(81,213)	74,160	31,492	98,235
Cash and cash equivalents at the beginning of the year		388,930	470,143	395,983	364,491	266,256
Cash and cash equivalents end of the year	31	621,998	388,930	470,143	395,983	364,491
<b>Analysis of cash and cash equivalents at end of the year</b>						
Cash in hand		207,987	218,133	185,043	186,637	164,153
Balances with Bank of Tanzania		273,103	17,420	82,038	36,609	48,032
Deposits and balances due from banking institutions		140,908	153,377	203,062	172,737	152,306
		621,998	388,930	470,143	395,983	364,491

## NATIONAL MICROFINANCE BANK PLC

### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES

#### 1 REPORTING ENTITY

National Microfinance Bank PLC (the "Bank") is a public limited liability company and is incorporated and domiciled in the United Republic of Tanzania. The address of its registered office is:

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

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

The Bank has two subsidiaries namely; Upanga Joint Venture Company (UJVC) Limited and Ohio Street Properties (OSP) Limited (together the "Group").

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and Bank financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

##### (a) Basis of preparation

The consolidated and Bank financial statements of National Microfinance Bank Plc have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated and Bank's financial statements have been prepared under the historical cost convention unless otherwise explained in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and Bank's financial statements are disclosed in note 3.

##### (b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

###### i. *New standards, amendments and interpretations adopted by the Group and Bank*

The following new and revised IFRSs were effective from 1 January 2014. They had no impact on the amounts reported in these consolidated financial statements.

Standard or amendments	Key requirements
Amendment to IAS 32, 'Financial Instruments: Presentation' on offsetting financial assets and financial liabilities.	This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.
Amendment to IAS 36, 'Impairment of assets' on the recoverable amount disclosures for non-financial assets.	This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets. However, there has been no impairment.

# NATIONAL MICROFINANCE BANK PLC

## HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

#### i. New standards, amendments and interpretations adopted by the Group and Bank (continued)

Standard or amendments	Key requirements
Amendment to IAS 39, 'Financial instruments: Recognition and measurement'	Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39, novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria.
IFRC 21, 'Levies'	IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.
Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities	These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made to IFRS 12 to introduce disclosures that an investment entity needs to make.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group and Bank.

#### ii. New and revised IFRSs in issue but not yet effective and not early adopted by the Group and Bank

Standard or amendments	Key requirements	Effective Date
Annual improvements 2012	<p>These annual improvements amend standards from the 2010 - 2012 reporting cycle. It includes changes to:</p> <ul style="list-style-type: none"> <li>IFRS 8, 'Operating segments' which is amended to require disclosure of the judgements made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.</li> <li>IFRS 13, 'Fair value' which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial.</li> <li>IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.</li> </ul>	1 July 2014

# NATIONAL MICROFINANCE BANK PLC

## HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (b) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

##### ii. *New and revised IFRSs in issue but not yet effective and not early adopted by the Group and Bank (continued)*

Standard or amendments	Key requirements	Effective Date
Annual improvements 2012 (continued)	<ul style="list-style-type: none"> <li>IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.</li> </ul>	1 July 2014
Annual improvements 2014	<p>These annual improvements amend standards from the 2012 – 2014 reporting cycle. It includes changes to:</p> <ul style="list-style-type: none"> <li>IFRS 7 - Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.</li> <li>IAS 34 - Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.</li> </ul>	1 July 2016
Amendment to IAS 19, 'Employee benefits regarding employee or third party contributions to defined benefit plans.	The amendment applies to contributions from employees or third parties to defined benefit plans and clarifies the treatment of such contributions. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example employee contributions that are calculated according to a fixed percentage of salary. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives.	1 July 2014
Amendment to IFRS 11, Joint arrangements regarding acquisition of an interest in a joint operation.	This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.	1 January 2016

# NATIONAL MICROFINANCE BANK PLC

## HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (b) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

###### ii. *New and revised IFRSs in issue but not yet effective and not early adopted by the Group and Bank (continued)*

Standard or amendments	Key requirements	Effective Date
Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortization.	<p>This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.</p> <p>This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the asset are highly correlated.</p>	1 January 2016
Amendment to IFRS 10 and IAS 28 regarding the sale of contribution of assets between an investor and its associate or joint venture	These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.	1 January 2016
Amendment to IAS 27, 'Separate financial statements' regarding the equity method	The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 January 2016
IFRS 15, 'Revenue from contracts with customers'.	The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.	1 January 2017



## NATIONAL MICROFINANCE BANK PLC

### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

#### *ii. New and revised IFRSs in issue but not yet effective and not early adopted by the Group and Bank (continued)*

Standard or amendments	Key requirements	Effective Date
IFRS 9, 'Financial instruments'	The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.	1 January 2018

The Group and Bank is currently assessing the impact of the new standards and amendments on the disclosures in its financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group and Bank.

### (c) Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) other than for the years ended 31 December 2012, 31 December 2011 and 31 December 2010 in which the subsidiaries are not consolidated.

#### *1. Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.



## NATIONAL MICROFINANCE BANK PLC

### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Consolidation (continued)

#### *II. Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### *III. Disposal of subsidiaries*

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### *IV Separate financial statements*

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost less impairment.

### (d) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' or 'interest expense' in profit or loss 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.

## NATIONAL MICROFINANCE BANK PLC

### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Fee and commission income

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at fair value through profit or loss.

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. Loan syndication fees are recognised as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party - such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses - are recognised on completion of the underlying transaction.

### (f) Foreign currency translation

#### i. *Functional and presentation currency*

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Tanzania Shillings (TZS) rounded to the nearest million, which is the functional and presentation currency of all the group entities.

#### ii. *Transactions and balances*

Foreign currency transactions are translated into Tanzania Shillings using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currency are translated at the closing rate as at the reporting date. 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 or loss. All foreign exchange gains and losses are presented in profit or loss within 'Foreign exchange income or cost'.

### (g) Financial assets

The Group and Bank classify financial assets into the following categories: loans and receivables, held-to-maturity and available-for-sale financial assets. Management determines the appropriate classification of its financial assets at initial recognition.

#### (i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- (a) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the Group upon initial recognition designates as at fair value through profit or loss;
- (b) those that the Group upon initial recognition designates as available for sale; or
- (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

## NATIONAL MICROFINANCE BANK PLC

### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (g) Financial assets (continued)

Loans and receivables are initially recognised at fair value - which is the cash consideration to originate or purchase the loan including any transaction costs - and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the statement of financial position as loans and advances to customers, placement and balances with other banks, investment securities and other assets (excluding prepayments and deposits).

Interest on loans is included in the profit or loss and is reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the profit or loss as 'loan impairment charges'.

#### (ii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group management has the positive intention and ability to hold to maturity, other than:

- (a) those that the Bank upon initial recognition designates as at fair value through profit or loss;
- (b) those that the Bank designates as available for sale; and
- (c) those that meet the definition of loans and receivables.

Held-to-maturity investments are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

#### (iii) *Available for sale*

Available-for-sale financial assets are financial assets that are 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 or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income and cumulated in a separate reserve in equity, revaluation reserve, until the financial asset is derecognised. However, interest on government securities is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in profit or loss.

### (h) Recognitions of financial assets

The Group uses trade date accounting for regular way contracts when recording financial asset transactions. Financial assets that are transferred to a third party but do not qualify for derecognition are presented in the statement of financial position as 'Assets pledged as collateral', if the transferee has the right to sell or repledge them.

## NATIONAL MICROFINANCE BANK PLC

### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Such financial liabilities include deposits from banks or customers, other liabilities and borrowings.

### (j) Derecognition of financial assets and liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have been transferred, the Bank tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

Financial liabilities are derecognised when they have been redeemed or otherwise extinguished

### (k) Classes of financial instruments

The Group classifies the financial instruments into classes that reflect the nature of information and take into account the characteristics of those financial instruments. The classification made can be seen on the table below:

<i>Item on statement of financial position</i>	<i>Class</i>
<b><i>Financial assets</i></b>	
Cash and balances with Bank of Tanzania	Loans and receivables
Placement and balances with other banks	Loans and receivables
Loans and advances to customers	Loans and receivables
Government bonds and bills	Held-to-maturity
Treasury bond	Available for sale
Other assets excluding prepayments	Loans and receivables
Equity investments	Available for sale
<b><i>Financial liabilities</i></b>	
Deposits from banks	Financial liabilities at amortised cost
Deposits from customers	Financial liabilities at amortised cost
Other liabilities	Financial liabilities at amortised cost
Borrowings	Financial liabilities at amortised cost

### (l) Impairment of financial assets

#### (i) Assets carried at amortised cost

The Group assesses at the end of each reporting period 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.

## NATIONAL MICROFINANCE BANK PLC

### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (I) Impairment of financial assets (continued)

#### (i) Assets carried at amortised cost (continued)

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payment;
- 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 Group 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 Group 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 or loss.

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 or loss in impairment charge for credit losses.

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### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Impairment of financial assets (continued)

#### (ii) *Assets classified as available-for-sale*

The Group assesses at each end of reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

For debt securities, if any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the profit or loss.

#### (iii) *Renegotiated loans*

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the asset is considered to be past due and disclosed only if renegotiated again.

### (m) Off-setting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### (n) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less cost to sell or the value in use can be determined reliably. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised costs; the difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

#### *Borrowings costs*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### (p) Income tax

Income tax expense is the aggregate of the charge in profit or loss in respect of current and deferred income tax. Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Tanzania Income Tax Act, 2004.

Deferred income tax is provided in full using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the end of the reporting period 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 to the extent that the directors consider that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### (q) Provisions

Provisions are recognised when the Group 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. Provisions are not recognised for future operating losses.



## NATIONAL MICROFINANCE BANK PLC

### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Provisions (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### (r) Property and equipment

Property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent expenditures are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance are charged to profit or loss during the financial period in which they are incurred.

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
Motor vehicles	25
Furniture, fittings and equipment	20
Computer equipment	33.3

Leasehold improvements are depreciated over the life of the lease.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. 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 assets 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 income in the profit or loss.

### (s) Intangible assets

Acquired computer software licenses 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). Costs associated with maintaining computer software programmes are recognised as an expense when incurred.

### (t) 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, Investment securities and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with the Bank of Tanzania. Cash and cash equivalents are carried at amortised cost.



## NATIONAL MICROFINANCE BANK PLC

### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (u) Employee benefits

#### (i) Retirement benefit obligations

The Bank and its subsidiaries have a statutory requirement to contribute to the Parastatal Pension Fund (PPF) and National Social Security Fund (NSSF), which are defined contribution schemes. The Bank and its subsidiaries contribute 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 remaining 5% is deducted from employees. The Bank and its subsidiaries have no legal or constructive obligations to pay further contributions if the Funds do not hold sufficient assets to pay all employees the benefit relating to the employees service in the current and prior periods.

### (v) 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. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (w) Dividend

Dividend distribution to the Bank's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Bank's shareholders.

### (x) Earnings per share

The Group presents basic and diluted earnings per share (EPS) in the consolidated financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all potentially dilutive ordinary shares.

### (y) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Leases of property and equipment where the Group has substantially, all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other longterm payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

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### **HISTORICAL FINANCIAL INFORMATION**

**FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

### **NOTES (CONTINUED)**

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(z) Contingencies and commitments**

Transactions are classified as contingencies where the Bank and its subsidiary obligations depend on uncertain future events. Items are classified as commitments where the Bank and its subsidiaries commit themselves to future transactions if the items will result in the acquisition of assets.

#### *Financial guarantees*

Financial guarantees are initially recognised in the consolidated and Bank financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation.

#### *Acceptances and letters of credit*

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

### **(aa) Comparatives**

Except when a standard or an interpretation permits or requires otherwise, all amounts are reported or disclosed with comparative information.

## **3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

The Group 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 Group reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the profit or loss, the Group 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.

## **NATIONAL MICROFINANCE BANK PLC**

### **HISTORICAL FINANCIAL INFORMATION**

**FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

### **NOTES (CONTINUED)**

#### **3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

##### **b) Held-to-maturity investments**

The Group 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 Group evaluates its intention and ability to hold such investments to maturity. If the Group 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 and not amortised cost. If all held-to-maturity investments were to be so classified, the carrying value would decrease by TZS 4,227 million (2013: decrease by TZS 12,025 million, 2012: decrease by TZS 13,993 million, 2011: increase by TZS 148 million, 2010: decrease by TZS 27,670 million) with a corresponding entry in fair valuation reserve in shareholder's equity.

##### **c) Property and equipment, leased premises refurbishments and intangible assets**

Critical estimates are made by the Directors in determining the useful lives of property and equipment, leased premises refurbishment and intangible assets as well as their residual values.

##### **d) Taxes**

The Group is subjected to several taxes and levies by various government and quasi- government regulatory bodies. As a rule of thumb, the Group recognises liabilities for the anticipated tax /levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes /levies. Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

The recognition of deferred tax assets relies on an assessment of the probability and sufficiency of future taxable profit, future reversals of existing taxable temporary differences and ongoing tax planning and strategies. The judgment takes into consideration the effect of both positive and negative evidence, including historical financial performance, projections of future taxable income and future reversals of existing taxable temporary differences.

##### **(e) Impairment of available for sale equity investments**

The Bank and Group determine that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Bank and Group evaluate among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

## NATIONAL MICROFINANCE BANK PLC

### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

#### 3 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

##### (f) Provision for liabilities

The Bank and Group have provided for the liabilities arising out of contractual obligations (provisions on the statement of financial position). Professional expert advice is taken on establishing litigation provisions. Provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. When cases are at an early stage, accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists as a result of a past event, estimating the probability of outflows and making estimates of the amount of any outflows that may arise. As matters progress through various stages of the cases, Management together with legal advisers evaluate on an ongoing basis whether provisions should be recognised, and the estimated amounts of any such provisions, revising previous judgements and estimates as appropriate.

### SEGMENT REPORTING

The Bank's subsidiaries have insignificant level of operations (Note 21 (b)). Consequently, the segment information presented below relates only to the Bank.

The Bank has the following business segments: Treasury, Retail and Wholesale banking. The operating segments are reported in a manner consistent 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 their performances. All operating segments used by the Bank meet the definition of a reportable segment under IFRS 8.

The segment information provided to the Bank's Management Team for the reportable segments for the year ended 31 December 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010 is as follows (all amounts in TZS million):

2014	Treasury	Wholesale banking	Retail banking	Total
Interest income	113,176	65,975	238,452	417,603
Interest expense	(64,775)	15,853	9,658	(39,264)
<b>Net Interest Income</b>	<b>48,401</b>	<b>81,828</b>	<b>248,110</b>	<b>378,339</b>
Credit impairment charges	-	(4,954)	(11,635)	(16,589)
Non-interest income	16,885	11,712	108,053	136,650
Depreciation and amortisation	(1,946)	(3,891)	(13,619)	(19,456)
Staff costs	(11,669)	(23,339)	(81,685)	(116,693)
Other expenses	(13,759)	(27,518)	(96,315)	(137,592)
<b>Operating profit</b>	<b>37,912</b>	<b>33,838</b>	<b>152,909</b>	<b>224,659</b>
Income tax provision	(7,519)	(14,529)	(46,988)	(69,036)
<b>Profit after tax</b>	<b>30,393</b>	<b>19,309</b>	<b>105,921</b>	<b>155,623</b>
<b>Segment assets, liabilities and equity</b>				
Total assets	1,132,492	693,020	2,056,483	3,881,995
Total liabilities and equity	773,001	1,260,765	1,848,229	3,881,995

NATIONAL MICROFINANCE BANK PLC

HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

NOTES (CONTINUED)

4 SEGMENT REPORTING (CONTINUED)

	Treasury	Wholesale banking	Retail banking	Total
<b>2013</b>				
Interest income	109,054	50,235	196,397	355,686
Interest expense	(53,278)	5,657	21,728	(25,893)
<b>Net Interest Income</b>	55,776	55,892	218,125	329,793
Credit impairment charges	-	(6,310)	(17,457)	(23,767)
Non-interest income	8,383	15,140	83,880	107,403
Depreciation and amortization	(1,757)	(3,514)	(12,299)	(17,570)
Staff costs	(10,604)	(21,209)	(67,862)	(99,675)
Other expenses	(10,768)	(21,537)	(75,748)	(108,053)
<b>Operating profit</b>	41,030	18,462	128,639	188,131
Income tax provision	(11,826)	(5,321)	(37,078)	(54,225)
Profit after tax	29,204	13,141	91,561	133,906
<b>Segment assets, liabilities and equity</b>				
Total assets	936,636	611,170	1,732,380	3,280,186
Total liabilities and equity	517,743	961,311	1,801,132	3,280,186
<b>2012</b>				
Interest income	76,418	48,390	163,116	287,924
Interest expense	(31,074)	7,367	14,359	(9,348)
<b>Net Interest Income</b>	45,344	55,757	177,475	278,576
Credit impairment charges	-	(7,956)	(17,895)	(25,851)
Non-interest income	9,086	15,840	66,024	90,950
Depreciation and amortisation	(2,387)	(4,773)	(16,707)	(23,867)
Staff costs	(7,595)	(15,191)	(53,169)	(75,955)
Other expenses	(10,247)	(20,494)	(68,371)	(99,112)
<b>Operating profit</b>	34,201	23,183	87,357	144,741
Income tax provision	(21,488)	(12,302)	(13,550)	(47,340)
Profit after tax	12,713	10,881	73,807	97,401
<b>Segment assets, liabilities and equity</b>				
Total assets	1,371,510	395,233	1,029,135	2,795,878
Total liabilities and equity	428,279	619,239	1,748,360	2,795,878

**NATIONAL MICROFINANCE BANK PLC**

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**FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**4 SEGMENT REPORTING (CONTINUED)**

<b>2011</b>	<b><u>Treasury</u></b>	<b><u>Wholesale banking</u></b>	<b><u>Retail banking</u></b>	<b><u>Total</u></b>
Interest income	38,174	36,291	118,540	193,005
Interest expense	(26,725)	(14,275)	33,168	(7,832)
<b>Net Interest Income</b>	<b>11,449</b>	<b>22,016</b>	<b>151,708</b>	<b>185,173</b>
Credit impairment charges	-	(3,388)	(8,364)	(11,752)
Non-interest income	6,891	11,147	63,383	81,421
Depreciation and amortisation	(824)	(1,432)	(9,189)	(11,445)
Staff costs	(4,585)	(7,963)	(51,098)	(63,646)
Other expenses	(5,544)	(9,630)	(61,791)	(76,965)
<b>Operating profit</b>	<b>7,387</b>	<b>10,750</b>	<b>84,649</b>	<b>102,786</b>
Income tax provision	(2,640)	(1,925)	(26,382)	(30,947)
Profit after tax	4,747	8,825	58,267	71,839
<b>Segment assets, liabilities and equity</b>				
Total assets	964,923	375,965	829,362	2,170,250
Total liabilities and equity	316,329	864,146	989,775	2,170,250
<b>2010</b>				
Interest income	36,751	28,557	76,134	141,442
Interest expense	(25,912)	(15,310)	30,190	(11,032)
<b>Net Interest Income</b>	<b>10,839</b>	<b>13,247</b>	<b>106,324</b>	<b>130,410</b>
Credit impairment charges	-	687	(2,361)	(1,674)
Non-interest income	12,718	7,220	49,651	69,589
Depreciation and amortization	(881)	(995)	(6,485)	(8,361)
Staff costs	(4,893)	(5,528)	(36,039)	(46,460)
Other expenses	(6,852)	(7,740)	(50,467)	(65,059)
<b>Operating profit</b>	<b>10,931</b>	<b>6,891</b>	<b>60,623</b>	<b>78,445</b>
Income tax provision	(3,409)	(2,149)	(18,906)	(24,464)
Profit after tax	7,522	4,742	41,717	53,981
<b>Segment assets, liabilities and equity</b>				
Total assets	1,189,319	240,629	680,955	2,110,903
Total liabilities	263,784	925,695	921,424	2,110,903

All customers are based in Tanzania, except for interbank placements with corresponding banks. There was no income deriving from transactions with a single external customer that amounted to 10% or more of Bank's total income. Revenue and assets reported to the Bank's management team are measured in a manner consistent with that of the financial statements.

In arriving at segment net interest income, an internal allocation of interest income and interest expenses between businesses has been done to recognise and measure how much each source of funding and each user of funding is contributing to overall profitability of the Bank. Operating expenses for the bank have been allocated to the business using an internally agreed allocation ratio.

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### NOTES (CONTINUED)

## 5 FINANCIAL RISK MANAGEMENT

The Bank's subsidiaries do not have significant operations (Note 21 (b)). Their financial assets and liabilities mainly consist of loans from related parties that are eliminated on consolidation and other assets and liabilities that are not material to the Group. Consequently, the financial risk management information presented below relates only to the Bank.

Taking risk is core to the banking business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Bank's financial performance.

Risk management is carried out by the 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 and market risk.

### 5.1 Credit risk

The Bank takes on exposure to credit risk, which is the risk that a 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 the credit risk management team of the Bank and reported to the Board of Directors and heads of department regularly.

#### 5.1.1 Maximum exposure to credit risk before collateral held or other credit enhancement

	<b><u>2014</u></b> <b><u>TZS</u></b> <b>Millions</b>	<b><u>2013</u></b> <b><u>TZS</u></b> <b>Millions</b>	<b><u>2012</u></b> <b><u>TZS</u></b> <b>Millions</b>	<b><u>2011</u></b> <b><u>TZS</u></b> <b>Millions</b>	<b><u>2010</u></b> <b><u>TZS</u></b> <b>Millions</b>
Balances with the Bank of Tanzania	599,415	327,175	336,614	243,606	235,074
Placement and balances with other banks	140,908	153,377	203,062	172,737	152,306
Investment securities held-to-maturity	736,352	820,744	617,347	361,943	633,964
Investment securities available for sale	774	-	-	-	-
Loans and advances to customers:	2,007,389	1,614,292	1,345,932	1,123,518	857,785
Other assets (Excluding prepayments)	34,881	29,580	11,625	3,490	4,223
	<b><u>3,519,719</u></b>	<b><u>2,945,168</u></b>	<b><u>2,514,580</u></b>	<b><u>1,905,294</u></b>	<b><u>1,883,352</u></b>
<b>% of maximum credit risk</b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Loans and advances to customers:	57%	55%	54%	59%	46%
Investment in government securities	21%	28%	25%	19%	34%



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### NOTES (CONTINUED)

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.1 Credit risk (continued)

#### 5.1.1 Maximum exposure to credit risk before collateral held or other credit enhancement (Continued)

The Directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from loans and advances portfolio, debt securities and other assets based on the following:

- Proportion of total loans and advances to customers

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Current and especially mentioned	97%	97%	98%	97%	98%
Neither past due nor impaired	91%	87%	91%	79%	90%

- The Bank has introduced a more stringent selection process upon granting loans and advances;
- Investment in government treasury bills and treasury bonds has minimal credit risk; and
- When entering into new markets or new industries, in order to minimise the potential increase of credit risk exposure, the Bank focused more on business with large corporate enterprises, quality SMEs and Salaried Workers Loans.

#### 5.1.2 Credit risk measurement

##### *Loans and advances*

In measuring credit risk of loans and advances to customers and 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 derives the 'exposure at default'; and (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

For internal monitoring of the quality of the portfolio, the bank uses loan classification and provision based on requirements of the Bank of Tanzania. These credit risk measurements are therefore embedded in the Bank's daily operational management. The operational measurements are contrasted with impairment allowances required under IAS 39, which are based on losses that have been incurred at the end of reporting period (the 'incurred loss model').

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 customers are segmented into five rating classes based on the number of days past due as shown below:

<b>Bank's rating</b>	<b>Micro loans</b>	<b>Other loans</b>
Current	0	0 - 30
Especially mentioned	1 - 30	31 - 90
Sub-standard	31 - 60	91 - 180
Doubtful	61 - 90	181 - 270
Loss	91 or more	271 and more



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### NOTES (CONTINUED)

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.1 Credit risk (continued)

#### 5.1.3 Risk limit control and mitigation policies

##### *(a) Lending limits*

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.

##### *(b) 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.

Corporate loans, SME loans, Agriculture loans and MSE loans are generally secured while Salaried Workers loans are unsecured.

##### *(c) 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.

Undrawn commitments represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on undrawn commitments, 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 undrawn commitments 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.

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### NOTES (CONTINUED)

#### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 5.1 Credit risk (continued)

##### 5.1.4 Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at end of reporting period based on objective evidence of impairment.

In assessing the level of impairment, management determines whether objective evidence of impairment exists under IAS 39, based on the criteria detailed in Note 2 [i].

The impairment provision shown in the statement of financial position 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).

<b>Loans and advances to customers</b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>
	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>
<b>Gross</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>
Micro and Small Enterprises	154,376	139,901	121,524	108,154	116,699
Consumer	1,155,849	892,249	721,110	615,883	440,320
Corporate customers	506,660	429,709	373,433	243,956	247,019
Small and Medium Enterprises	<u>229,881</u>	<u>190,570</u>	<u>159,920</u>	<u>171,214</u>	<u>70,712</u>
	<b><u>2,046,766</u></b>	<b><u>1,652,429</u></b>	<b><u>1,375,987</u></b>	<b><u>1,139,207</u></b>	<b><u>874,750</u></b>
<b>Impairment provision</b>					
Micro and Small Enterprises	3,625	2,070	3,466	1,940	5,420
Consumer	9,860	18,621	14,180	7,720	7,581
Corporate customers	19,011	17,162	3,184	2,733	1,432
Small and Medium Enterprises	<u>6,881</u>	<u>284</u>	<u>9,225</u>	<u>3,296</u>	<u>2,532</u>
	<b><u>39,377</u></b>	<b><u>38,137</u></b>	<b><u>30,055</u></b>	<b><u>15,689</u></b>	<b><u>16,965</u></b>
<b>Net</b>	<b><u>2,007,389</u></b>	<b><u>1,614,292</u></b>	<b><u>1,345,932</u></b>	<b><u>1,123,518</u></b>	<b><u>857,785</u></b>

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.

A significant portion of loans and advances that are neither past due nor impaired (consumer loans) are Salaried Workers Loans for which no collateral is held.

In addition, the Bank makes portfolio impairment based on the probability of losses using historic default ratios.

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### NOTES (CONTINUED)

#### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 5.1 Credit risk (continued)

##### 5.1.4 Impairment and provisioning policies (continued)

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

<b>Bank's rating</b>	<b>2014 TZS</b>	<b>2013 TZS</b>	<b>2012 TZS</b>	<b>2011 TZS</b>	<b>2010 TZS</b>
	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>
<b>Loans and advances</b>					
1. Current	1,954,662	1,596,246	1,259,028	1,040,096	790,774
2. Especially mentioned	28,655	13,219	89,439	62,656	63,857
3. Sub-standard	20,468	18,177	12,384	19,367	6,123
4. Doubtful	18,421	9,915	5,504	9,114	5,249
5. Loss	24,560	14,872	9,632	7,974	8,747
	<b>2,046,766</b>	<b>1,652,429</b>	<b>1,375,987</b>	<b>1,139,207</b>	<b>874,750</b>
<b>BoT provision</b>					
1. Current	3,003	2,488	2,174	1,966	1,503
2. Especially mentioned	1,127	1,594	851	1,208	333
3. Sub-standard	1,816	2,065	1,145	1,260	788
4. Doubtful	4,233	4,524	3,183	1,871	1,162
5. Loss	24,602	15,121	11,433	11,110	10,112
	<b>34,781</b>	<b>25,792</b>	<b>18,786</b>	<b>17,415</b>	<b>13,898</b>

The regulatory provision requirement for all the years are as shown below

<b>Bank's rating</b>	<b>Micro loans (%)</b>	<b>Other loans (%)</b>
1. Current	2	-
2. Especially mentioned	25	5
3. Sub-standard	50	10
4. Doubtful	75	50
5. Loss	100	100

##### 5.1.5 Loans and advances

Loans and advances are summarised as follows:

	<b>Note</b>	<b>2014 TZS</b>	<b>2013 TZS</b>	<b>2012 TZS</b>	<b>2011 TZS</b>	<b>2010 TZS</b>
<b>Loans and advances to customers</b>		<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>
Neither past due nor impaired	5.1.5(a)	1,856,070	1,435,685	1,260,014	896,824	789,565
Past due but not impaired	5.1.5(b)	134,701	173,787	88,221	227,978	66,659
Individually impaired	5.1.5(c)	55,995	42,957	27,752	14,405	18,526
<b>Gross</b>		<b>2,046,766</b>	<b>1,652,429</b>	<b>1,375,987</b>	<b>1,139,207</b>	<b>874,750</b>
Less: allowance for impairment		(39,377)	(38,137)	(30,055)	(15,689)	(16,965)
<b>Net</b>		<b>2,007,389</b>	<b>1,614,292</b>	<b>1,345,932</b>	<b>1,123,518</b>	<b>857,785</b>
Portfolio allowance		(21,244)	(21,325)	(14,389)	(6,231)	(4,876)
Individually impaired		(18,133)	(16,812)	(15,666)	(9,458)	(12,089)
		<b>(39,377)</b>	<b>(38,137)</b>	<b>(30,055)</b>	<b>(15,689)</b>	<b>(16,965)</b>

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### NOTES (CONTINUED)

#### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 5.1 Credit risk (continued)

##### 5.1.5 Loans and advances (continued)

	<u>2014</u> <u>TZS</u> Millions	<u>2013</u> <u>TZS</u> Millions	<u>2012</u> <u>TZS</u> Millions	<u>2011</u> <u>TZS</u> Millions	<u>2010</u> <u>TZS</u> Millions
<b>Loan and advances to banks</b>					
Neither past due nor impaired	<u>140,908</u>	<u>153,377</u>	<u>203,062</u>	<u>172,737</u>	<u>152,306</u>

##### (a) *Loans and advances neither past due nor impaired*

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the Bank disclosed in Note 5.1.4.

Loans and advances that were neither past due nor impaired can be analysed as follows:

	<u>2014</u> <u>TZS</u> Millions	<u>2013</u> <u>TZS</u> Millions	<u>2012</u> <u>TZS</u> Millions	<u>2011</u> <u>TZS</u> Millions	<u>2010</u> <u>TZS</u> Millions
Micro and Small Enterprises (MSEs)	142,110	131,473	113,349	100,543	106,995
Consumer loans	1,045,105	719,929	633,002	410,259	400,620
Corporate customers	459,945	400,477	368,177	227,636	216,537
Small and Medium Enterprises (SMEs)	<u>208,910</u>	<u>183,806</u>	<u>145,486</u>	<u>158,386</u>	<u>65,413</u>
<b>Total</b>	<u>1,856,070</u>	<u>1,435,685</u>	<u>1,260,014</u>	<u>896,824</u>	<u>789,565</u>

95.5% (2013: 96.6%, 2012: 91.4%, 2011: 91.3%, 2010: 90.4%) of the loans and advances that were neither past due nor impaired fall under top grade of the internal rating system known as current.

A significant portion of loans and advances that are neither past due nor impaired (consumer loans) are Salaried Workers Loans for which no collateral is held. Loans and advances that were neither past due nor impaired have been included in the portfolio impairment assessment.

Placement and balances with other banks include bank balances and placements with both local and international banks. The local banks are subsidiaries of highly rated global banks. All international banks are also highly rated banks.

##### (b) *Loans and advances past due but not impaired*

Late processing and other administrative delays on the side of the borrower can lead to a financial asset being past due but not impaired. Therefore, loans and advances less than 181 days past due are not usually considered impaired (in some cases over 270 days if the loan is cash guaranteed), unless other information is available to indicate the contrary. Gross amount of loans and advances by class to customers that were past due but not impaired were as follow:

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NOTES (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

5.1.5 Loans and advances (continued)

(b) Loans and advances past due but not impaired (continued)

	Individual (retail) customers		Corporate customers		
	<u>MSEs</u>	<u>Consumer</u>	<u>Corporate</u>	<u>SMEs</u>	<u>Total</u>
	<u>TZS Millions</u>	<u>TZS Millions</u>	<u>customers</u>	<u>TZS Millions</u>	<u>TZS Millions</u>
			<u>TZS' Millions</u>		
<b>31 December 2014</b>					
Past due up to 30 days	2,447	72,581	4,326	11,937	91,291
Past due 31 - 60 days	1,174	12,757	2,581	1,867	18,379
Past due 61 - 90 days	747	2,200	-	1,678	4,625
Past due 91 - 180 days	4,181	12,512	2,578	1,135	20,406
<b>Total</b>	<b>8,549</b>	<b>100,050</b>	<b>9,485</b>	<b>16,617</b>	<b>134,701</b>
<b>31 December 2013</b>					
Past due up to 30 days	3,083	119,429	-	3,104	125,616
Past due 31 - 60 days	1,223	26,314	-	1,454	28,991
Past due 61 - 90 days	729	4,048	-	1,055	5,832
Past due 91 - 180 days	1,323	8,096	3,929	-	13,348
<b>Total</b>	<b>6,358</b>	<b>157,887</b>	<b>3,929</b>	<b>5,613</b>	<b>173,787</b>
<b>31 December 2012</b>					
Past due up to 30 days	3,367	58,993	2,108	1,304	65,772
Past due 31 - 60 days	1,013	13,006	-	-	14,019
Past due 61 - 90 days	548	2,039	-	-	2,587
Past due 91 - 180 days	1,060	4,783	-	-	5,843
<b>Total</b>	<b>5,988</b>	<b>78,821</b>	<b>2,108</b>	<b>1,304</b>	<b>88,221</b>
<b>31 December 2011</b>					
Past due up to 30 days	2,839	129,388	6,961	4,110	143,298
Past due 31 - 60 days	1,624	59,164	-	4,180	64,968
Past due 61 - 90 days	663	9,738	-	910	11,311
Past due 91 - 180 days	797	6,779	-	825	8,401
<b>Total</b>	<b>5,923</b>	<b>205,069</b>	<b>6,961</b>	<b>10,025</b>	<b>227,978</b>

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

**5.1.5 Loans and advances (continued)**

*(b) Loans and advances past due but not impaired (continued)*

	<b>Individual (retail) customers</b>		<b>Corporate customers</b>		
	<u>MSEs</u>	<u>Consumer</u>	<u>Corporate</u>	<u>SMEs</u>	<u>Total</u>
	<u>TZS</u>		<u>customers</u>	<u>TZS</u>	<u>TZS</u>
	Millions	TZS Millions	Millions	Millions	Millions
<b>31 December 2010</b>					
Past due up to 30 days	2,697	21,206	25,882	1,211	50,996
Past due 31 - 60 days	381	3,386	-	400	4,167
Past due 61 - 90 days	250	2,054	-	230	2,534
Past due 91 - 180 days	463	4,499	-	1,551	6,513
Past due 181 days – 270 days	6	-	-	-	6
Past due 271 days and above	2,443	-	-	-	2,443
<b>Total</b>	<b>6,240</b>	<b>31,145</b>	<b>25,882</b>	<b>3,392</b>	<b>66,659</b>

Loans and advances that are past due but not impaired have been included in the portfolio impairment assessment.

A significant portion of loans and advances that are neither past due nor impaired (consumer loans) are Salaried Workers Loans for which no collateral is held. Upon initial recognition of loans and advances, the fair value of collateral, if any, is based on valuation techniques commonly used for the corresponding assets. In subsequent periods, the fair value is updated by reference to market price or a valuation by professional valuers.

*(c) Loans and advances impaired*

The breakdown of the gross amount of impaired loans and advances by class is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	<u>TZS</u>	<u>TZS</u>	<u>TZS</u>	<u>TZS</u>	<u>TZS</u>
	Millions	Millions	Millions	Millions	Millions
MSEs	3,717	2,070	2,187	1,360	3,463
Consumer loans	10,694	14,433	9,287	3,937	8,555
Corporate customers	37,230	25,303	3,148	4,679	4,600
SMEs	4,354	1,151	13,130	4,429	1,908
<b>Gross amount</b>	<b>55,995</b>	<b>42,957</b>	<b>27,752</b>	<b>14,405</b>	<b>18,526</b>
Impaired amount	18,133	16,812	15,666	9,458	12,089
Collateral held	85,248	95,146			

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### **NOTES (CONTINUED)**

## **5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **5.1 Credit risk (continued)**

#### **5.1.6 Debt securities, treasury bills and other eligible bills**

The only investment securities held by the Bank are Treasury Bills and Treasury bonds issued by the Government and LART bond (Note 20 (a)). At the end of reporting period, these investments were not impaired. There are no credit ratings for these investments.

#### **5.1.7 Repossessed collateral**

Reposessed properties are usually sold as soon as practicable, with the proceeds used to reduce the outstanding indebtedness.

#### **5.1.8 Concentration of risks of financial assets with credit risk exposure**

The following tables break down the Bank's main credit exposure at their carrying amounts, as categorised by the geography (country of domicile) and industry sector of the counterparties.

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

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

*(a) Geographical sectors (continued)*

**31 December 2014**

**On-balance sheet**

Balances with the Bank of Tanzania  
Placement and balances with other banks  
Investment securities held-to-maturity  
Investment securities available for sale  
Loans and advances to customers:  
Loans to individuals:  
- MSEs  
- Consumer loans  
Loans to corporate entities:  
- Corporate customers  
- SMEs  
Other assets (Excluding prepayments)

	Tanzania TZS Millions	Europe TZS Millions	America TZS Millions	Others TZS Millions	Total TZS Millions
	599,415	-	-	-	599,415
	12,670	75,089	53,129	20	140,908
	736,352	-	-	-	736,352
	774				774
	150,751	-	-	-	150,751
	1,145,989	-	-	-	1,145,989
	487,649	-	-	-	487,649
	223,000	-	-	-	223,000
	34,881	-	-	-	34,881
	<u>3,391,481</u>	<u>75,089</u>	<u>53,129</u>	<u>20</u>	<u>3,519,719</u>
	10,017	-	-	-	10,017
	113,405	-	-	-	113,405
	<u>135,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,985</u>
	<u>259,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>259,407</u>

**Off-balance sheet**

Guarantees and indemnities  
Undrawn commitments  
Acceptances and letters of credit



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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

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

**(a) Geographical sectors (continued)**

**31 December 2013**

**On-balance sheet**

Balances with the Bank of Tanzania  
Placement and balances with other banks  
Investment securities held-to-maturity

Loans and advances to customers:

Loans to individuals:

- MSEs

- Consumer loans

Loans to corporate entities:

- Corporate customers

- SMEs

Other assets (Excluding prepayments)

	Tanzania TZS Millions	Europe TZS Millions	America TZS Millions	Others TZS Millions	Total TZS Millions
	327,175	-	-	-	327,175
	89,807	1,835	61,723	12	153,377
	820,744	-	-	-	820,744
	137,831	-	-	-	137,831
	873,628	-	-	-	873,628
	412,547	-	-	-	412,547
	190,286	-	-	-	190,286
	29,580	-	-	-	29,580
	2,881,598	1,835	61,723	12	2,945,168
	4,468	-	-	-	4,468
	76,490	-	-	-	76,490
	73,220	-	-	-	73,220
	154,178	-	-	-	154,178

**Off-balance sheet**

Guarantees and Indemnities

Undrawn commitments

Acceptances and letters of credit

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

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

*(a) Geographical sectors (continued)*

**31 December 2012**

**On-balance sheet**

Balances with the Bank of Tanzania  
Loans and advances to banks  
Investment securities held to maturity  
Loans and advances to customers:

Loans to individuals:

- MSEs

- Consumer loans

Loans to corporate entities:

- Corporate customers

- SMEs

Other assets (Excluding prepayments)

**Off-balance sheet**

Undrawn commitments

Acceptances and letters of credit

	<b>Tanzania TZS Millions</b>	<b>Europe TZS Millions</b>	<b>America TZS Millions</b>	<b>Others TZS Millions</b>	<b>Total TZS Millions</b>
	336,615	-	-	-	336,615
	145,659	8,403	37,279	11,721	203,062
	617,347	-	-	-	617,347
	118,058	-	-	-	118,058
	706,930	-	-	-	706,930
	370,249	-	-	-	370,249
	150,695	-	-	-	150,695
	11,625	-	-	-	11,625
	<u>2,457,178</u>	<u>8,403</u>	<u>37,279</u>	<u>11,721</u>	<u>2,514,581</u>
	39,735	-	-	-	39,735
	82,951	-	-	-	82,951
	<u>122,686</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>122,686</u>

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

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

*(a) Geographical sectors (continued)*

**31 December 2011**

**On-balance sheet**

Balances with the Bank of Tanzania  
Loans and advances to banks  
Investment securities held to maturity

Loans and advances to customers:

Loans to individuals:

- MSEs

- Consumer loans

Loans to corporate entities:

- Corporate customers

- SMEs

Other assets (excluding prepayments)

	<b>Tanzania TZS Millions</b>	<b>Europe TZS Millions</b>	<b>America TZS Millions</b>	<b>Others TZS Millions</b>	<b>Total TZS Millions</b>
Balances with the Bank of Tanzania	243,606	-	-	-	243,606
Loans and advances to banks	115,821	18,637	38,268	11	172,737
Investment securities held to maturity	361,943	-	-	-	361,943
Loans and advances to customers:					
Loans to individuals:					
- MSEs	105,886	-	-	-	105,886
- Consumer loans	611,545	-	-	-	611,545
Loans to corporate entities:					
- Corporate customers	236,543	-	-	-	236,543
- SMEs	169,544	-	-	-	169,544
Other assets (excluding prepayments)	3,490	-	-	-	3,490
	<b>1,848,378</b>	<b>18,637</b>	<b>38,268</b>	<b>11</b>	<b>1,905,294</b>
<b>Off-balance sheet</b>					
Guarantees and Indemnities	230	-	-	-	230
Undrawn commitments	47,829	-	-	-	47,829
Acceptances and letters of credit	11,338	-	-	-	11,338
	<b>59,397</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,397</b>

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

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

*(a) Geographical sectors (continued)*

**31 December 2010**

**On-balance sheet**

Balances with other banks  
Placements with other banks  
Government securities held to maturity  
Loans and advances to customers:  
Loans to individuals:  
- MSEs  
- Consumer loans  
Loans to corporate entities:  
- Corporate customers  
- SMEs  
Other assets (Excluding prepayments)

	Tanzania TZS Millions	Europe TZS Millions	America TZS Millions	Others TZS Millions	Total TZS Millions
	235,074	-	-	-	235,074
	126,251	15,852	10,197	6	152,306
	633,964	-	-	-	633,964
	113,426	-	-	-	113,426
	454,916	-	-	-	454,916
	243,161	-	-	-	243,161
	63,247	-	-	-	63,247
	4,223	-	-	-	4,223
	<u>1,874,262</u>	<u>15,852</u>	<u>10,197</u>	<u>6</u>	<u>1,900,317</u>
	154	-	-	-	154
	72,168	-	-	-	72,168
	<u>553</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>553</u>
	<u>72,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,875</u>

**Off-balance sheet**

Guarantees and Indemnities  
Undrawn commitments  
Acceptances and letters of credit

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

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

(b) *Industry sectors*

31 December 2014	Financial institutions TZS Millions	Manufacturing TZS Millions	Trading and commercial TZS Millions	Transport and communication TZS Millions	Wholesale and retail TZS Millions	Agriculture TZS Millions	Individuals TZS Millions	Others TZS Millions	Total TZS Millions
<b>On-balance sheet</b>									
Balances with the Bank of Tanzania	599,415	-	-	-	-	-	-	-	599,415
Placement and balances with other banks	140,908	-	-	-	-	-	-	-	140,908
Investment securities held-to-maturity	736,352	-	-	-	-	-	-	-	736,352
Investment securities available for sale	774	-	-	-	-	-	-	-	774
Loans and advances to customers:									
Loans to individuals:									
- MSE	1,116	1,771	8,411	1,088	122,533	1,471	8,838	5,523	150,751
- Consumer loans	8,282	15,163	7,102	7,532	4,503	3,723	1,089,730	9,954	1,145,989
Loans to corporate entities:									
- Corporate customers	-	263,317	72,807	59,362	10,877	34,176	41,707	5,403	487,649
- SMEs	33	10,864	26,182	1,086	114,324	1,764	66,737	2,010	223,000
Other assets (excluding prepayments)	-	-	-	-	-	-	-	34,881	34,881
	<b>1,486,880</b>	<b>291,115</b>	<b>114,502</b>	<b>69,068</b>	<b>252,237</b>	<b>41,134</b>	<b>1,207,012</b>	<b>57,771</b>	<b>3,519,719</b>
<b>Off-balance sheet</b>									
Guarantees and Indemnities	701	2,132	6,205	285	9	110	-	575	10,017
Undrawn Commitments	1,318	15,931	26,974	18,897	4,724	42,602	2,165	794	113,405
Acceptances and letters of credit	-	25,816	103,270	6,001	-	-	-	898	135,985
	<b>2,019</b>	<b>43,879</b>	<b>136,449</b>	<b>25,183</b>	<b>4,733</b>	<b>42,712</b>	<b>2,165</b>	<b>2,267</b>	<b>259,407</b>

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NOTES (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

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

(b) Industry sectors (continued)

31 December 2013	Financial institutions TZS Millions	Manufacturing TZS Millions	Trading and commercial TZS Millions	Transport and communication TZS Millions	Wholesale and retail TZS Millions	Agriculture TZS Millions	Individuals TZS Millions	Others TZS Millions	Total TZS Millions
<b>On-balance sheet</b>									
Balances with the Bank of Tanzania	327,175	-	-	-	-	-	-	-	327,175
Placement and balances with other banks	153,377	-	-	-	-	-	-	-	153,377
Investment securities held-to-maturity	820,744	-	-	-	-	-	-	-	820,744
Loans and advances to customers:									
Loans to individuals:									
- MSE	67	1,097	7,821	1,423	301	1,675	119,493	5,954	137,831
- Consumer loans	11,559	2,079	16,381	4,189	81	2,741	828,863	7,735	873,628
Loans to corporate entities:									
- Corporate customers	8,357	51,616	186,485	18,316	7,366	28,637	11,210	100,560	412,547
- SMEs	2,191	2,051	52,118	1,423	724	2,379	120,975	8,425	190,286
Other assets	-	-	-	-	-	-	-	29,580	29,580
	1,323,470	56,843	262,805	25,351	8,472	35,432	1,080,541	152,254	2,945,168
<b>Off-balance sheet</b>									
Guarantees and Indemnities	-	-	4,468	-	-	-	-	-	4,468
Undrawn Commitments	439	19,833	11,848	6,726	6,846	30,742	-	56	76,490
Acceptances and letters of credit	40	4,276	1,384	5,376	56,725	4,033	1,346	40	73,220
	479	24,109	17,700	12,102	63,571	34,775	1,346	96	154,178

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

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

*(b) Industry sectors (continued)*

31 December 2012	Financial institutions		Manufacturing		Trading and commercial		Transport and Wholesale communication and retail		Agriculture		Individuals		Others		Total	
	TZS	Millions	TZS	Millions	TZS	Millions	TZS	Millions	TZS	Millions	TZS	Millions	TZS	Millions	TZS	Millions
<b>On-balance sheet</b>																
Balances with the bank of Tanzania	336,614		-	-	-	-	-	-	-	-	-	-	-	-	336,614	
Loan and advances to banks	203,062		-	-	-	-	-	-	-	-	-	-	-	-	203,062	
Investment securities held to maturity	617,347		-	-	-	-	-	-	-	-	-	-	-	-	617,347	
Loans and advances to customers:																
Loans to individuals:																
-MSE	-		2,260		108,718		1,087		-		1,871		2,011		118,058	
-Consumer loans	-		-		-		-		-		-		647,764		706,930	
Loans to corporate entities:																
-Corporate customers	845		121,282		100,280		30,228		2,606		26,554		-		88,454	
-SMEs	2,320		2,834		88,750		1,850		653		39,857		-		14,431	
Other assets (excluding prepayments)	-		-		-		-		-		-		-		11,625	
<b>Off-balance sheet</b>																
Undrawn commitments	1,160,188		126,376		297,748		33,165		3,259		68,282		649,775		175,787	
Acceptances and letters of credit	-		10,585		5,872		398		-		22,567		-		313	
	-		8,973		20,829		150		-		5,912		-		47,087	
	-		19,558		26,701		548		-		28,479		-		47,400	
															122,686	

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NOTES (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.1 Credit risk (continued)

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

(b) Industry sectors (continued)

31 December 2011	Financial institutions	Manufacturing	Trading and commercial	Transport and communication	Wholesale and retail	Agriculture	Individuals	Others	Total
	TZS	TZS	TZS	TZS	TZS	TZS	TZS	TZS	TZS
On-balance sheet	Millions	Millions	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Balances with the Bank of Tanzania	243,606	-	-	-	-	-	-	-	243,606
Loan and advances to banks	172,737	-	-	-	-	-	-	-	172,737
Investment securities held to maturity	361,943	-	-	-	-	-	-	-	361,943
Loans and advances to customers:									
Loans to individuals:									
- MSEs	-	-	18,073	1,322	66,401	6,020	1,458	12,612	105,886
- Consumer loans	-	-	-	-	-	-	598,511	13,034	611,545
Loans to corporate entities:									
- Corporate customers	2,222	103,735	62,536	26,208	-	2,561	-	39,281	236,543
- SMEs	8,418	2,449	10,164	3,394	53,504	32,061	52,795	6,759	169,544
Other assets (excluding prepayments)	-	-	-	-	-	-	-	3,490	3,490
	788,926	106,184	90,773	30,924	119,905	40,642	652,764	75,176	1,905,294
<b>Off-balance sheet</b>									
Guarantees and Indemnities	-	-	-	-	-	-	-	230	230
Undrawn commitments	-	9,921	28,093	-	9,590	-	-	225	47,829
Acceptances and letters of credit	-	-	-	-	-	-	-	11,338	11,338
	-	9,921	28,093	-	9,590	-	-	11,793	59,397



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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.1 Credit risk (continued)**

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

*(b) Industry sectors (continued)*

<b>31 December 2010</b>	<b>Financial institutions</b>	<b>Manufacturing</b>	<b>Trading and commercial</b>	<b>Transport and communication</b>	<b>Wholesale and retail</b>	<b>Agriculture</b>	<b>Individuals</b>	<b>Others</b>	<b>Total</b>
	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>
	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>
<b>On-balance sheet</b>									
Balances with Bank of Tanzania	235,074	-	-	-	-	-	-	-	235,074
Placements with other banks	152,306	-	-	-	-	-	-	-	152,306
Government securities held to maturity	633,964	-	-	-	-	-	-	-	633,964
Loans and advances to customers:									
Loans to individuals:									
- MSEs	-	2,227	4,506	1,151	46,972	44,019	967	13,582	113,426
- Consumer loans	-	79	42	4	377	19	446,570	7,827	454,916
Loans to corporate entities:									
- Corporate customers	-	180,506	385	48,511	-	1,002	-	12,757	243,161
- SMEs	-	1,413	5,358	1,240	44,291	1,125	742	9,080	63,247
Other assets (excluding prepayments)	-	-	-	-	-	-	-	4,223	4,223
	<b>1,021,344</b>	<b>184,225</b>	<b>10,291</b>	<b>50,906</b>	<b>91,640</b>	<b>46,165</b>	<b>448,279</b>	<b>47,469</b>	<b>1,900,317</b>
<b>Off-balance sheet</b>									
Guarantees and Indemnities	-	-	154	-	-	-	-	-	154
Undrawn commitments	826	-	46,004	48	903	21,701	1,737	949	72,168
Acceptances and letters of credit	-	-	-	-	-	-	-	553	553
	<b>826</b>	<b>-</b>	<b>46,158</b>	<b>48</b>	<b>903</b>	<b>21,701</b>	<b>1,737</b>	<b>1,502</b>	<b>72,875</b>

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### **NOTES (CONTINUED)**

## **5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

### **5.2 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.

#### **5.2.1 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.

The tables below summarise the Bank's exposure to foreign currency exchange rate risk. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2 Market risk (continued)**

**5.2.1 Foreign exchange risk (continued)**

**31 December 2014**

**Assets**

Cash and balances with Bank of Tanzania  
Placements and balances with other banks  
Investment securities held-to-maturity  
Investment securities available for sale  
Loans and advances to customers  
Other assets (excluding prepayments)

**Total financial assets**

	<b>TZS TZS Millions</b>	<b>USD TZS Millions</b>	<b>EURO TZS Millions</b>	<b>GBP TZS Millions</b>	<b>Others TZS Millions</b>	<b>Total TZS Millions</b>
Cash and balances with Bank of Tanzania	683,995	120,593	2,361	452	1	807,402
Placements and balances with other banks	12,563	120,524	4,804	2,890	127	140,908
Investment securities held-to-maturity	736,352	-	-	-	-	736,352
Investment securities available for sale	774	-	-	-	-	774
Loans and advances to customers	1,836,143	171,246	-	-	-	2,007,389
Other assets (excluding prepayments)	34,877	4	-	-	-	34,881
<b>Total financial assets</b>	<b>3,304,704</b>	<b>412,367</b>	<b>7,165</b>	<b>3,342</b>	<b>128</b>	<b>3,727,706</b>

**Liabilities**

Deposits from customers  
Deposits from banks  
Long term borrowing  
Other liabilities (excluding non-financial other liabilities)

**Total financial liabilities**

**Net on-balance sheet financial position**

Deposits from customers	2,755,464	247,114	3,429	633	-	3,006,640
Deposits from banks	-	5,244	-	-	-	5,244
Long term borrowing	69,959	134,136	-	-	-	204,095
Other liabilities (excluding non-financial other liabilities)	92,292	492	4	6	-	92,794
<b>Total financial liabilities</b>	<b>2,917,715</b>	<b>386,986</b>	<b>3,433</b>	<b>639</b>	<b>-</b>	<b>3,308,773</b>
<b>Net on-balance sheet financial position</b>	<b>386,989</b>	<b>25,381</b>	<b>3,732</b>	<b>2,703</b>	<b>128</b>	<b>418,933</b>

**Off balance sheet position:**

Guarantee and Indemnities  
Undrawn commitments  
Acceptance and letters of credit

Guarantee and Indemnities	4,285	5,732	-	-	-	10,017
Undrawn commitments	89,800	23,605	-	-	-	113,405
Acceptance and letters of credit	55	133,084	2,846	-	-	135,985
	<b>94,140</b>	<b>162,421</b>	<b>2,846</b>	<b>-</b>	<b>-</b>	<b>259,407</b>

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2 Market risk (continued)**

**5.2.1 Foreign exchange risk (continued)**

**31 December 2013**

**Assets**

Cash and balances with Bank of Tanzania  
Placements and balances with other banks  
Investment securities held-to-maturity  
Loans and advances to customers  
Other assets (excluding prepayments)

**Total financial assets**

	<b>TZS TZS Millions</b>	<b>USD TZS Millions</b>	<b>EURO TZS Millions</b>	<b>GBP TZS Millions</b>	<b>Others TZS Millions</b>	<b>Total TZS Millions</b>
Cash and balances with Bank of Tanzania	508,542	30,062	5,832	872	-	545,308
Placements and balances with other banks	80,751	70,777	123	1,711	15	153,377
Investment securities held-to-maturity	820,744	-	-	-	-	820,744
Loans and advances to customers	1,519,178	95,114	-	-	-	1,614,292
Other assets (excluding prepayments)	29,487	93	-	-	-	29,580
<b>Total financial assets</b>	<b>2,958,702</b>	<b>196,046</b>	<b>5,955</b>	<b>2,583</b>	<b>15</b>	<b>3,163,301</b>

**Liabilities**

Deposits from customers  
Deposits from banks  
Long term borrowing  
Other liabilities (excluding non-financial other liabilities)

**Total financial liabilities**

**Net on-balance sheet financial position**

Deposits from customers	2,510,260	70,310	2,007	48	-	2,582,625
Deposits from banks	-	-	3,454	2,626	-	6,080
Long term borrowing	56,942	103,869	-	-	-	160,811
Other liabilities (excluding non-financial other liabilities)	69,144	28	-	-	-	69,172
<b>Total financial liabilities</b>	<b>2,636,346</b>	<b>174,207</b>	<b>5,461</b>	<b>2,674</b>	<b>-</b>	<b>2,818,688</b>
<b>Net on-balance sheet financial position</b>	<b>322,356</b>	<b>21,839</b>	<b>494</b>	<b>(91)</b>	<b>15</b>	<b>344,613</b>

**Off balance sheet position:**

Guarantee and Indemnities  
Undrawn commitments  
Acceptance and letters of credit

Guarantee and Indemnities	23	4,445	-	-	-	4,468
Undrawn commitments	63,650	12,840	-	-	-	76,490
Acceptance and letters of credit	-	69,068	3,272	880	-	73,220
	<b>63,673</b>	<b>86,353</b>	<b>3,272</b>	<b>880</b>	<b>-</b>	<b>154,178</b>

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2 Market risk (continued)**

**5.2.1 Foreign exchange risk (continued)**

**31 December 2012**

	<b>TZS TZS Millions</b>	<b>USD TZS Millions</b>	<b>EURO TZS Millions</b>	<b>GBP TZS Millions</b>	<b>Others TZS Millions</b>	<b>Total TZS Millions</b>
<b>Assets</b>						
Cash and balances with Bank of Tanzania	477,437	41,248	2,193	780	-	521,658
Loans and advances to banks	145,671	44,421	1,005	11,958	7	203,062
Investment securities held to maturity	617,347	-	-	-	-	617,347
Loans and advances to customers	1,310,464	35,468	-	-	-	1,345,932
Other assets	11,625	-	-	-	-	11,625
<b>Total financial assets</b>	<b>2,562,544</b>	<b>121,137</b>	<b>3,198</b>	<b>12,738</b>	<b>7</b>	<b>2,699,624</b>
<b>Liabilities</b>						
Deposits from customers	2,233,751	54,067	1,512	649	-	2,289,979
Deposits from banks	2,011	67,286	2,085	1,275	-	72,657
Other liabilities	68,208	-	-	-	-	68,208
<b>Total financial liabilities</b>	<b>2,303,970</b>	<b>121,353</b>	<b>3,597</b>	<b>1,924</b>	<b>-</b>	<b>2,430,844</b>
<b>Net on-balance sheet financial position</b>	<b>258,574</b>	<b>(216)</b>	<b>(399)</b>	<b>10,814</b>	<b>7</b>	<b>268,780</b>
<b>Off balance sheet position:</b>						
Undrawn commitments	39,735	-	-	-	-	39,735
Acceptance and letters of credit	82,951	-	-	-	-	82,951
	<b>122,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>122,686</b>

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**NOTES (CONTINUED)**

**5**

**FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2 Market risk (continued)**

**5.2.1 Foreign exchange risk (continued)**

**31 December 2011**

**Assets**

Cash and balances with Bank of Tanzania  
Loans and advances to banks  
Investment securities held to maturity  
Loans and advances to customers  
Other assets

	<b>TZS TZS Millions</b>	<b>USD TZS Millions</b>	<b>EURO TZS Millions</b>	<b>GBP TZS Millions</b>	<b>Others TZS Millions</b>	<b>Total TZS Millions</b>
	407,995	19,945	2,167	136	-	430,243
	112,843	55,793	1,236	2,854	11	172,737
	361,943	-	-	-	-	361,943
	1,121,894	1,624	-	-	-	1,123,518
	3,490	-	-	-	-	3,490
<b>Total financial assets</b>	<b>2,008,165</b>	<b>77,362</b>	<b>3,403</b>	<b>2,990</b>	<b>11</b>	<b>2,091,931</b>

**Liabilities**

Deposits from customers  
Deposits from banks  
Other liabilities

	1,763,573	39,899	958	269	-	1,804,699
	-	28,699	2,048	1,223	-	31,970
	42,507	-	-	-	-	42,507
<b>Total financial liabilities</b>	<b>1,806,080</b>	<b>68,598</b>	<b>3,006</b>	<b>1,492</b>	<b>-</b>	<b>1,879,176</b>
<b>Net on-balance sheet financial position</b>	<b>202,085</b>	<b>8,764</b>	<b>397</b>	<b>1,498</b>	<b>11</b>	<b>212,755</b>

**Off balance sheet position:**

Guarantee and Indemnities  
Undrawn commitments  
Acceptances and letter of credit

	230	-	-	-	-	230
	47,829	-	-	-	-	47,829
	11,338	-	-	-	-	11,338
<b>59,397</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>59,397</b>

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2 Market risk (continued)**

**5.2.1 Foreign exchange risk (continued)**

**31 December 2010**

**Assets**

Cash and balances with Bank of Tanzania  
Placements with other banks  
Government securities held to maturity  
Loans and advances to customers  
Other assets

	<b>TZS TZS Millions</b>	<b>USD TZS Millions</b>	<b>EURO TZS Millions</b>	<b>GBP TZS Millions</b>	<b>Total TZS Millions</b>
	376,516	21,701	880	130	399,227
	128,518	20,850	2,171	767	152,306
	633,964	-	-	-	633,964
	828,994	28,791	-	-	857,785
	4,223	-	-	-	4,223
<b>Total financial assets</b>	<b>1,972,215</b>	<b>71,342</b>	<b>3,051</b>	<b>897</b>	<b>2,047,505</b>

**Liabilities**

Deposits from customers  
Deposits from banks  
Other liabilities

	1,772,536	39,799	308	4	1,812,647
	29,442	-	-	-	29,442
	32,417	-	-	-	32,417

**Total financial liabilities**

	<b>1,834,395</b>	<b>39,799</b>	<b>308</b>	<b>4</b>	<b>1,874,506</b>
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**Net on-balance sheet financial position**

	<b>137,820</b>	<b>31,543</b>	<b>2,743</b>	<b>893</b>	<b>172,999</b>
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**Off balance sheet position:**

Guarantees and indemnities  
Undrawn commitments  
Acceptances and letters of credit

	154	-	-	-	154
	71,227	941	-	-	72,168
	553	-	-	-	553

	<b>71,934</b>	<b>941</b>	<b>-</b>	<b>-</b>	<b>72,875</b>
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## NATIONAL MICROFINANCE BANK PLC

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#### NOTES (CONTINUED)

#### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 5.2 Market risk (continued)

##### 5.2.1 Foreign exchange risk (continued)

##### Foreign exchange sensitivity analysis

The impact of fluctuation of Bank's post tax profit for the year resulting of foreign exchange movements, keeping all other variables held constant on translation of foreign currency dominated cash and balances with the Bank of Tanzania, placements and balances with other banks loans and deposits from customers and other banks is analysed in the table below

Year	% change in exchange rate	USD TZS Million	EURO TZS Million	GBP TZS Million
2014	10%	2,538	373	270
2013	10%	22	49	264
2012	10%	6	12	324
2011	10%	262	12	41
2010	10%	32	3	1

The effect of translation of placements and balances with other banks in other currencies (Kenyan shillings, Japanese Yen, Swiss Francs, Canadian dollars, Australian dollars, Norwegian Krona, Swedish Krona and South African Rand) is not considered to be significant.

##### 5.2.2 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 regularly by the Bank. The tables below summarise 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.



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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2 Market risk (continued)**

**5.2.2 Interest rate risk (continued)**

**31 December 2014**

**Assets**

Cash and balances with Bank of Tanzania  
Investment securities held-to-maturity  
Investment securities available for sale  
Placement and balances with other banks  
Loans and advances to customers  
Other assets (excluding prepayments)

Up to 1 month TZS Millions	1 - 3 months TZS Millions	3 - 12 months TZS Millions	1 - 5 years TZS Millions	Over 5 years TZS Millions	Non- interest bearing TZS Millions	Total TZS Millions
-	-	-	-	-	807,402	807,402
73,783	117,945	264,598	248,356	31,670	-	736,352
-	-	-	774	-	-	774
7,023	4,892	-	-	-	128,993	140,908
116,849	62,241	508,056	1,171,385	148,858	-	2,007,389
-	-	-	-	-	34,881	34,881
<b>197,655</b>	<b>185,078</b>	<b>772,654</b>	<b>1,420,515</b>	<b>180,528</b>	<b>971,276</b>	<b>3,727,706</b>

**Total financial assets**

**Liabilities**

Deposits from customers  
Deposit from banks  
Long term borrowing  
Other liabilities (excluding non-financial other liabilities)

67,851	242,583	301,894	33,022	-	2,361,290	3,006,640
-	5,244	-	-	-	-	5,244
-	14,294	46,398	127,138	16,265	-	204,095
-	-	-	-	-	92,794	92,794
<b>67,851</b>	<b>262,121</b>	<b>348,292</b>	<b>160,160</b>	<b>16,265</b>	<b>2,454,084</b>	<b>3,308,773</b>

**Total financial liabilities**

**Total interest repricing gap**

<b>129,804</b>	<b>(77,043)</b>	<b>424,362</b>	<b>1,260,355</b>	<b>164,263</b>		
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NOTES (CONTINUED)

5 FINANCIAL RISK MANAGEMENT (CONTINUED)

5.2 Market risk (continued)

5.2.2 Interest rate risk (continued)

31 December 2013

Assets

Cash and balances with Bank of Tanzania  
Investment securities held-to-maturity  
Placements and balances with other banks  
Loans and advances to customers  
Other assets (Excluding prepayments)

	Up to 1 month TZS Millions	1 - 3 months TZS Millions	3 - 12 months TZS Millions	1 - 5 years TZS Millions	Over 5 years TZS Millions	Non- interest bearing TZS Millions	Total TZS Millions
	-	-	-	-	-	545,308	545,308
	71,792	118,443	376,827	212,363	41,319	-	820,744
	81,543	-	-	-	-	71,834	153,377
	116,007	45,611	431,790	883,883	137,001	-	1,614,292
	18,920	115	10,545	-	-	-	29,580
<b>Total financial assets</b>	<b>288,262</b>	<b>164,169</b>	<b>819,162</b>	<b>1,096,246</b>	<b>178,320</b>	<b>617,142</b>	<b>3,163,301</b>

Liabilities

Deposits from customers  
Deposit from banks  
Long term borrowing  
Other liabilities (Excluding non-financial other liabilities)

	30,542	14,933	26,898	164	-	2,510,088	2,582,625
	5,905	-	175	-	-	-	6,080
	-	-	11,184	128,724	20,903	-	160,811
	-	-	-	-	-	69,172	69,172
<b>Total financial liabilities</b>	<b>36,447</b>	<b>14,933</b>	<b>38,257</b>	<b>128,888</b>	<b>20,903</b>	<b>2,579,260</b>	<b>2,818,688</b>
<b>Total interest repricing gap</b>	<b>251,815</b>	<b>149,236</b>	<b>780,905</b>	<b>967,358</b>	<b>157,417</b>		

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2 Market risk (continued)**

**5.2.2 Interest rate risk (continued)**

<b>31 December 2012</b>	<b>Up to 1 month TZS Millions</b>	<b>1-3 months TZS Millions</b>	<b>3-12 months TZS Millions</b>	<b>1-5 years TZS Millions</b>	<b>Over 5 years TZS Millions</b>	<b>Non-interest bearing TZS Millions</b>	<b>Total TZS Millions</b>
<b>Assets</b>							
Cash and balances with Bank of Tanzania	-	-	-	-	-	521,659	521,659
Investment securities held to maturity	35,894	126,002	259,342	155,239	40,870	-	617,347
Loan and advances to banks	128,200	15,490	-	-	-	59,372	203,062
Loans and advances to customers	200,738	56,609	286,892	742,023	59,670	-	1,345,932
Other assets (Excluding prepayments)	-	-	-	-	-	11,625	11,625
<b>Total financial assets</b>	<b>364,832</b>	<b>198,101</b>	<b>546,234</b>	<b>897,262</b>	<b>100,540</b>	<b>607,268</b>	<b>2,714,237</b>
<b>Liabilities</b>							
Deposits from customers	29,179	8,667	49,704	100	-	2,202,329	2,289,979
Deposit from banks	72,657	-	-	-	-	-	72,657
Other liabilities	-	-	-	-	-	68,208	68,208
<b>Total financial liabilities</b>	<b>101,836</b>	<b>8,667</b>	<b>49,704</b>	<b>100</b>	<b>-</b>	<b>2,270,537</b>	<b>2,430,844</b>
<b>Total interest repricing gap</b>	<b>262,996</b>	<b>189,434</b>	<b>496,530</b>	<b>897,162</b>	<b>100,540</b>		

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2 Market risk (continued)**

**5.2.2 Interest rate risk (continued)**

<b>31 December 2011</b>	<b>Up to 1 month TZS Millions</b>	<b>1-3 months TZS Millions</b>	<b>3-12 months TZS Millions</b>	<b>1-5 years TZS Millions</b>	<b>Over 5 years TZS Millions</b>	<b>Non-interest bearing TZS Millions</b>	<b>Total TZS Millions</b>
<b>Assets</b>							
Cash and balances with Bank of Tanzania	-	-	-	-	-	430,243	430,243
Investment securities held to maturity	27,866	61,592	204,793	41,346	26,346	-	361,943
Loan and advances to banks	47,607	29,583	-	-	-	95,547	172,737
Loans and advances to customers	64,571	85,180	238,942	700,066	34,759	-	1,123,518
Other assets	-	-	-	-	-	3,490	3,490
<b>Total financial assets</b>	<b>140,044</b>	<b>176,355</b>	<b>443,735</b>	<b>741,412</b>	<b>61,105</b>	<b>529,280</b>	<b>2,091,931</b>
<b>Liabilities</b>							
Deposits from customers	110,607	11,405	5,108	8,741	-	1,668,838	1,804,699
Deposit from banks	19,108	-	12,862	-	-	-	31,970
Other liabilities	-	-	-	-	-	42,507	42,507
<b>Total financial liabilities</b>	<b>129,715</b>	<b>11,405</b>	<b>17,970</b>	<b>8,741</b>	<b>-</b>	<b>1,711,345</b>	<b>1,879,176</b>
<b>Total interest repricing gap</b>	<b>10,329</b>	<b>164,950</b>	<b>425,765</b>	<b>732,671</b>	<b>61,105</b>		

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.2 Market risk (continued)**

**5.2.2 Interest rate risk (continued)**

<b>31 December 2010</b>	<b>Up to 1 month TZS Millions</b>	<b>1-3 months TZS Millions</b>	<b>3-12 months TZS Millions</b>	<b>1-5 years TZS Millions</b>	<b>Over 5 TZS Millions</b>	<b>Non-interest bearing TZS Millions</b>	<b>Total TZS Millions</b>
<b>Assets</b>							
Cash and central banks balances	-	-	-	-	-	399,227	399,227
Government securities held to maturity	41,647	163,625	360,179	11,399	57,114	-	633,964
Placements with other banks	90,150	-	15,000	-	-	47,156	152,306
Loans and advances to customers	11,940	9,999	229,289	602,255	4,302	-	857,785
Other assets	-	-	-	-	-	4,223	4,223
<b>Total financial assets</b>	<b>143,737</b>	<b>173,624</b>	<b>604,468</b>	<b>613,654</b>	<b>61,416</b>	<b>450,606</b>	<b>2,047,505</b>
<b>Liabilities</b>							
Deposits from customers	114,681	114,047	252,968	82,030	-	1,248,920	1,812,646
Deposits from Banks	14,682	-	14,760	-	-	-	29,442
Other liabilities	-	-	-	-	-	32,417	32,417
<b>Total financial liabilities</b>	<b>129,363</b>	<b>114,047</b>	<b>267,728</b>	<b>82,030</b>	<b>-</b>	<b>1,281,337</b>	<b>1,874,505</b>
<b>Total interest repricing gap</b>	<b>14,374</b>	<b>59,577</b>	<b>336,740</b>	<b>531,624</b>	<b>61,416</b>		

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### NOTES (CONTINUED)

#### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 5.2 Market risk (continued)

##### 5.2.2 Interest rate risk (continued)

##### 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 below. This assumes a 1% movement in interest rates over the period (amounts in TZS Million).

	Weighted average	Net Interest Bearing Funding	Net position	Impact
Sensitivity period				
2014				
Less than 30 days	6,745	129,804	123,059	1,231
Less than 1 year	<u>244,303</u>	<u>537,815</u>	<u>293,512</u>	<u>2,935</u>
2013				
Less than 30 days	315,672	251,815	(63,857)	(639)
Less than 1 year	<u>973,819</u>	<u>1,181,956</u>	<u>208,137</u>	<u>2,081</u>
2012				
Less than 30 days	10,407	262,996	252,589	2,526
Less than 1 year	<u>304,424</u>	<u>948,960</u>	<u>644,536</u>	<u>6,445</u>
2011				
Less than 30 days	5,039	10,329	5,290	53
Less than 1 year	<u>276,130</u>	<u>601,044</u>	<u>324,914</u>	<u>3,249</u>
2010				
Less than 30 days	3,937	14,374	10,437	104
Less than 1 year	<u>249,566</u>	<u>410,691</u>	<u>161,125</u>	<u>1,611</u>

##### 5.2.3 Price risk

The impact of fair value movements on the available for sale financial instruments is not material.

##### 5.3 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.

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#### NOTES (CONTINUED)

#### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 5.3 Liquidity risk (continued)

##### 5.3.1 Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by the Bank's Asset and Liability Committee (ALCO), includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in money markets to enable this to happen;
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- Monitoring statement of financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets (Notes 5.3.3).

##### 5.3.2 Funding approach

Sources of liquidity are regularly reviewed by Bank's Asset and Liability Committee to maintain a wide diversification by currency, geography, provider, product and term.

##### 5.3.3 Non-derivative cash flows

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of reporting period. The amounts disclosed in the table below are the contractual undiscounted cash flows. The impact of cash outflow due to interest is not significant as deposits which attract interest are bonus accounts, fixed deposits and junior accounts and have a short term to maturity. As year end, the interest bearing deposits were as follows:

	<u>2014</u> <u>TZS</u>	<u>2013</u> <u>TZS</u>	<u>2012</u> <u>TZS</u>	<u>2011</u> <u>TZS</u>	<u>2010</u> <u>TZS</u>
	Millions	Millions	Millions	Millions	Millions
Interest bearing deposits	<u>645,350</u>	<u>72,537</u>	<u>87,650</u>	<u>135,861</u>	<u>563,726</u>

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.3 Liquidity risk (continued)**

**5.3.3 Non-derivative cash flows (continued)**

	Up to1 month TZS Millions	1 - 3 months TZS Millions	3 - 12 months TZS Millions	Over 1 year TZS Millions	Total TZS Millions
<b>31 December 2014</b>					
<b>Liabilities</b>					
Deposits from customers	2,429,141	242,583	301,894	33,022	3,006,640
Deposits from banks	-	5,244	-	-	5,244
Long term borrowing	-	14,294	46,398	143,403	204,095
Other liabilities	92,794	-	-	-	92,794
<b>Total liabilities</b>	<b>2,521,935</b>	<b>262,121</b>	<b>348,292</b>	<b>176,425</b>	<b>3,308,773</b>
<b>31 December 2013</b>					
<b>Liabilities</b>					
Deposits from customers	2,540,630	14,933	26,898	164	2,582,625
Deposits from banks	6,080	-	-	-	6,080
Long term borrowing	-	-	11,184	149,627	160,811
Other liabilities	69,172	-	-	-	69,172
<b>Total liabilities</b>	<b>2,615,882</b>	<b>14,933</b>	<b>38,082</b>	<b>149,791</b>	<b>2,818,688</b>
<b>31 December 2012</b>					
<b>Liabilities</b>					
Deposits from customers	2,231,508	8,667	49,704	100	2,289,979
Deposits from banks	72,657	-	-	-	72,657
Other liabilities	68,208	-	-	-	68,208
<b>Total liabilities</b>	<b>2,372,373</b>	<b>8,667</b>	<b>49,704</b>	<b>100</b>	<b>2,430,844</b>
<b>31 December 2011</b>					
<b>Liabilities</b>					
Deposits from customers	1,779,445	11,405	5,108	8,741	1,804,699
Deposits from banks	19,108	-	12,862	-	31,970
Other liabilities	42,507	-	-	-	42,507
<b>Total liabilities</b>	<b>1,841,060</b>	<b>11,405</b>	<b>17,970</b>	<b>8,741</b>	<b>1,879,176</b>
<b>31 December 2010</b>					
<b>Liabilities</b>					
Deposits from customers	1,363,601	114,048	252,968	82,030	1,812,647
Deposits from banks	14,682	-	14,760	-	29,442
Other liabilities	32,417	-	-	-	32,417
<b>Total liabilities</b>	<b>1,410,700</b>	<b>114,048</b>	<b>267,728</b>	<b>82,030</b>	<b>1,874,506</b>



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### NOTES (CONTINUED)

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.3 Liquidity risk (continued)

#### 5.3.4 Assets held for managing liquidity risk

The Bank's assets held for managing liquidity risk comprise:

- Cash and balances with the Bank of Tanzania (excluding SMR);
- Treasury and other eligible bills; and
- Placements with other banks:

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.

### 5.4 Off-balance sheet items

#### (a) Undrawn commitments, outstanding letters of credit, guarantee and indemnities

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 34), are summarised in the table below.

#### (b) Financial guarantees and other financial facilities

Financial guarantees (Note 34) are also included below based on the earliest contractual maturity date.

No later than 1 year	2014 TZS Millions	2013 TZS Millions	2012 TZS Millions	2011 TZS Millions	2010 TZS Millions
Undrawn commitments	113,405	76,490	39,735	47,829	72,168
Acceptance and letter of credit	135,985	73,220	82,951	11,568	707
Guarantee and indemnities	10,017	4,468	-	-	-
<b>Total</b>	<b>259,407</b>	<b>154,178</b>	<b>122,686</b>	<b>59,397</b>	<b>72,875</b>

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### NOTES (CONTINUED)

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.5 Fair value of financial assets and liabilities

#### 5.5.1 Fair value estimation

IFRS 13 requires the Bank to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The Bank specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

**Fair value of the Group's and Bank's financial assets and financial liabilities that are measured at fair value on a recurring basis**

2014	TZS Millions	Hierarchy	Valuation technique
Treasury bonds	774	Level 2	Market approach

The available for sale equity investment in Tanzania Mortgage Refinance Company Limited (Note 21) is carried at cost for all years presented.

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The following table shows the fair value of financial assets and liabilities (by class) not measured at fair value:

<b>Year ended 31 December 2014</b>	<b>Total TZS Millions</b>
<b>Assets</b>	
Cash and balances with Bank of Tanzania	807,402
Placements and balances with other banks	140,908
Loans and advances to customers	2,007,389
Investment securities held-to-maturity	736,352
Other assets (excluding prepayments)	34,881
<b>Total</b>	<b><u>3,726,932</u></b>
<b>Liabilities</b>	
Deposit due to other banks	5,244
Deposits from customers	3,006,640
Borrowing	204,095
Other liabilities (excluding statutory liabilities)	92,794
<b>Total</b>	<b><u>3,308,773</u></b>
<b>Year ended 31 December 2013</b>	
<b>Assets</b>	
Cash and balances with Bank of Tanzania	545,308
Placements and balances with other banks	153,377
Loans and advances to customers	1,614,292
Investment securities held-to-maturity	820,744
Other assets (excluding prepayments)	29,580
<b>Total</b>	<b><u>3,163,301</u></b>
<b>Liabilities</b>	
Deposit due to other banks	6,080
Deposits from customers	2,582,625
Borrowing	160,811
Other liabilities (excluding statutory liabilities)	69,172
<b>Total</b>	<b><u>2,818,688</u></b>

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**NOTES (CONTINUED)**

**5 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**5.5 Fair value of financial assets and liabilities (continued)**

**5.5.2 Financial instruments not measured at fair value (continued)**

	<b>Total balance TZS 'Millions</b>
<b>Year ended 31 December 2012</b>	
Assets	
Cash and balances with Bank of Tanzania	521,658
Placements and balances with other banks	203,062
Loans and advances to customers	1,345,932
Investment securities held-to-maturity	617,347
Other assets (excluding prepayments)	11,625
<b>Total</b>	<b><u>2,699,624</u></b>
Liabilities	
Deposit due to other banks	72,657
Deposits from customers	2,289,979
Other liabilities (excluding statutory liabilities)	68,208
<b>Total</b>	<b><u>2,430,844</u></b>
<b>Year ended 31 December 2011</b>	
Assets	
Cash and balances with Bank of Tanzania	430,243
Placements and balances with other banks	172,737
Loans and advances to customers	1,123,518
Investment securities held-to-maturity	361,943
Other assets (excluding prepayments)	3,490
<b>Total</b>	<b><u>2,091,931</u></b>
Liabilities	
Deposit due to other banks	31,970
Deposits from customers	1,804,699
Other liabilities (excluding statutory liabilities)	42,507
<b>Total</b>	<b><u>1,879,176</u></b>
<b>Year ended 31 December 2010</b>	
Assets	
Cash and balances with Bank of Tanzania	399,227
Placements and balances with other banks	152,306
Loans and advances to customers	857,785
Investment securities held-to-maturity	633,964
Other assets (excluding prepayments)	4,223
<b>Total</b>	<b><u>2,047,505</u></b>
Liabilities	
Deposit due to other banks	29,442
Deposits from customers	1,812,647
Other liabilities (excluding statutory liabilities)	32,417
<b>Total</b>	<b><u>1,874,506</u></b>

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### NOTES (CONTINUED)

## 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 5.5 Fair value of financial assets and liabilities (continued)

#### 5.5.2 Financial instruments not measured at fair value (continued)

Most of the financial assets and liabilities are short term in nature and those which are long term bear interest at prevailing market rate therefore the carrying amounts approximate fair value.

Placements and balances with other banks - The balance includes inter-bank placements, balances with other banks and items in the course of collection.

Loans and advances to customers - The balance is net of impairment charges and includes all products offered by the Bank such as MSE, SME, Salaried Workers Loan, Personal loans, Corporate term loans and Overdrafts.

Investment securities held-to-maturity - The balance consists of government securities such as Treasury bills and bonds. It also includes recapitalisation bonds issued by the Government at the time of establishing the Bank.

Investment securities available for sale - The balance includes treasury bonds.

Deposits from customers - The balance covers both retail and corporate customers. The estimated fair value of deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand.

Deposits from banks - The balance includes inter-bank borrowings and deposits from other banks.

### 5.6 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial positions, 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 Bank of Tanzania requires each bank or banking group to:

- (a) hold a minimum level of Core Capital of TZS 15 billion;
- (b) maintain a ratio of core capital to the risk-weighted assets plus risk-weighted off balance sheet assets (the 'Basel ratio') at or above the required minimum of 10%; and
- (c) Maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.

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### NOTES (CONTINUED)

#### 5 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 5.6 Capital management (continued)

The Bank's regulatory capital as managed by its Finance 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 and general provision which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialise.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible 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. During periods presented, the Bank complied with all of the externally imposed capital requirements to which they are subject.

	<u>Note</u>	<u>2014</u> <u>TZS'</u> <u>Millions</u>	<u>2013</u> <u>TZS'</u> <u>Million</u>	<u>2012</u> <u>TZS'</u> <u>Million</u>	<u>2011</u> <u>TZS'</u> <u>Million</u>	<u>2010</u> <u>TZS'</u> <u>Million</u>
<b>Tier 1 capital</b>						
Share capital		20,000	20,000	20,000	20,000	20,000
Retained earnings		547,289	436,666	336,760	262,633	210,520
Less: Prepaid expenses	22 (b)	(14,438)	(11,314)	(7,884)	(5,198)	(4,882)
Less: Intangible assets	24	(4,437)	(708)	(1,226)	(846)	(977)
Less: Deferred tax assets	25	(25,102)	(22,840)	(17,962)	(6,119)	(4,447)
<b>Total qualifying Tier 1 capital</b>		<b>523,312</b>	<b>421,804</b>	<b>329,688</b>	<b>270,470</b>	<b>220,214</b>
<b>Tier 2 capital</b>						
General provision	5.1.5	21,244	21,325	14,389	6,231	4,876
Fair value reserve		(68)	-	-	-	-
<b>Total qualifying Tier 2 capital</b>		<b>21,176</b>	<b>21,325</b>	<b>14,389</b>	<b>6,231</b>	<b>4,876</b>
<b>Total regulatory capital</b>		<b>544,488</b>	<b>443,129</b>	<b>344,077</b>	<b>276,701</b>	<b>225,090</b>
<b>Risk-weighted assets</b>						
On-balance sheet		2,194,136	1,776,273	1,442,689	1,203,316	887,543
Off-balance sheet (Note 34)		244,867	154,178	122,676	49,677	72,875
Market risk		6,099	5,424	144	3,052	-
<b>Total risk-weighted assets</b>		<b>2,445,102</b>	<b>1,935,875</b>	<b>1,565,509</b>	<b>1,256,045</b>	<b>960,418</b>
	<b>Required ratio (%)</b>	<b>2014 Bank's ratio (%)</b>	<b>2013 Bank's ratio (%)</b>	<b>2012 Bank's ratio (%)</b>	<b>2011 Bank's ratio (%)</b>	<b>2010 Bank's ratio (%)</b>
Tier 1 capital	10	21	22	21%	22%	23%
Tier 1 + Tier 2 capital	12	22	23	22%	22%	23%

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<b>6</b>	<b>(a) INTEREST AND SIMILAR INCOME (GROUP)</b>	<b>2014 TZS' Millions</b>	<b>2013 TZS' Millions</b>	<b>2012 TZS' Millions</b>	<b>2011 TZS' Millions</b>	<b>2010 TZS' Millions</b>
	Loans and advances to customers	303,314	246,632	211,506	154,832	104,691
	Placements and balances with other banks	2,547	4,463	6,999	7,206	1,808
	Government securities	110,629	104,591	69,419	30,967	34,943
		<u>416,490</u>	<u>355,686</u>	<u>287,924</u>	<u>193,005</u>	<u>141,442</u>
	<b>(b) INTEREST AND SIMILAR INCOME (BANK)</b>					
	Loans and advances to customers	304,427	246,632	211,506	154,832	104,691
	Placements and balances with other banks	2,547	4,463	6,999	7,206	1,808
	Government securities	110,629	104,591	69,419	30,967	34,943
		<u>417,603</u>	<u>355,686</u>	<u>287,924</u>	<u>193,005</u>	<u>141,442</u>
<b>7</b>	<b>INTEREST AND SIMILAR EXPENSES (GROUP AND BANK)</b>					
	Deposits from customers					
	- Saving deposits	11,706	8,676	5,350	6,152	10,412
	- Current accounts	4,847	6,381	579	232	8
	- Time deposits	10,553	8,505	3,017	520	529
	Deposits due to other banks	1,703	1,255	402	928	83
	Borrowing	10,455	1,076	-	-	-
		<u>39,264</u>	<u>25,893</u>	<u>9,348</u>	<u>7,832</u>	<u>11,032</u>
<b>8</b>	<b>(a) FEES AND COMMISSION INCOME GROUP</b>					
	<b>Fees and commission income</b>					
	Credit related fees and commissions	34,478	28,047	15,455	14,581	11,704
	Government service fees	4,000	4,572	5,811	5,811	6,705
	Maintenance fees	17,897	17,778	15,258	8,878	9,695
	Teller withdrawal fees	7,975	5,926	6,019	6,027	4,382
	ATM fees and card issuing	22,072	20,907	20,558	15,401	12,581
	Commission - mobile banking	5,458	5,215	5,352	3,980	3,072
	Other fees	25,233	15,834	15,748	13,317	6,287
		<u>117,113</u>	<u>98,279</u>	<u>84,201</u>	<u>67,995</u>	<u>54,426</u>
	<b>Fees and commission expense</b>					
	Financial charges	<u>(7,369)</u>	<u>(6,000)</u>	<u>(3,639)</u>	<u>(856)</u>	<u>(1,583)</u>
	<b>Net</b>	<u>109,744</u>	<u>92,279</u>	<u>80,562</u>	<u>67,139</u>	<u>52,843</u>

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**NOTES (CONTINUED)**

<b>8</b>	<b>(b) FEES AND COMMISSION INCOME</b>	<b><u>2014</u> <u>TZS'</u></b>	<b><u>2013</u> <u>TZS'</u></b>	<b><u>2012</u> <u>TZS'</u></b>	<b><u>2011</u> <u>TZS'</u></b>	<b><u>2010</u> <u>TZS'</u></b>
	<b>BANK</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>
	<b>Fees and commission income</b>					
	Credit related fees and commissions	34,514	28,047	15,455	14,581	11,704
	Government service fees	4,000	4,572	5,811	5,811	6,705
	Maintenance fees	17,897	17,778	15,258	8,878	9,695
	Teller withdrawal fees	7,975	5,926	6,019	6,027	4,382
	ATM fees and card issuing	22,072	20,907	20,558	15,401	12,581
	Commission - mobile banking	5,458	5,215	5,352	3,980	3,072
	Other fees	25,233	15,933	15,748	13,317	6,287
		<u>117,149</u>	<u>98,378</u>	<u>84,201</u>	<u>67,995</u>	<u>54,426</u>
	<b>Fees and commission expense</b>					
	Financial charges	<u>(7,369)</u>	<u>(6,000)</u>	<u>(3,639)</u>	<u>(856)</u>	<u>(1,583)</u>
	<b>Net</b>	<u>109,780</u>	<u>92,378</u>	<u>80,562</u>	<u>67,139</u>	<u>52,843</u>
<b>9</b>	<b>FOREIGN EXCHANGE INCOME (GROUP AND BANK)</b>					
	Foreign exchange income	<u>17,620</u>	<u>8,378</u>	<u>9,086</u>	<u>7,437</u>	<u>12,489</u>
<b>10</b>	<b>OTHER INCOME</b>					
	Miscellaneous income	8,890	6,522	1,178	6,770	4,211
	Rental income	35	45	50	38	26
	Profit on sale of property and equipment	<u>325</u>	<u>79</u>	<u>74</u>	<u>37</u>	<u>20</u>
		<u>9,250</u>	<u>6,646</u>	<u>1,302</u>	<u>6,845</u>	<u>4,257</u>
<b>11</b>	<b>EMPLOYEE BENEFIT EXPENSES</b>					
	Salaries and allowances	77,543	63,991	47,344	44,444	34,120
	Pension costs - defined contribution plan	10,009	8,515	6,869	5,470	-
	Other emoluments	<u>29,141</u>	<u>27,169</u>	<u>21,742</u>	<u>13,732</u>	<u>12,340</u>
		<u>116,693</u>	<u>99,675</u>	<u>75,955</u>	<u>63,646</u>	<u>46,460</u>
<b>12</b>	<b>(a) GENERAL AND ADMINISTRATIVE EXPENSES GROUP</b>					
	Administrative expenses	92,842	72,645	61,002	52,371	44,803
	Management contract expenses	4,170	2,838	4,468	3,525	2,681
	Travelling expenses	10,017	7,874	5,689	4,936	3,397
	Repairs and maintenance	22,538	23,095	17,192	11,510	9,095
	Auditors' remuneration	435	375	356	345	320
	Directors' remuneration:					
	-Fees	178	102	87	72	155
	-Others	113	111	234	208	164
	Other expenses	<u>7,261</u>	<u>1,182</u>	<u>10,163</u>	<u>4,048</u>	<u>4,817</u>
		<u>137,554</u>	<u>108,222</u>	<u>99,191</u>	<u>77,015</u>	<u>65,432</u>



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12 (b) GENERAL AND ADMINISTRATIVE EXPENSES	2014 TZS' Millions	2013 TZS' Millions	2012 TZS' Millions	2011 TZS' Millions	2010 TZS' Millions
<b>BANK</b>					
Administrative expenses	92,842	72,645	61,002	52,371	44,430
Management contract expenses	4,170	2,838	4,468	3,525	2,681
Travelling expenses	10,017	7,874	5,689	4,936	3,397
Repairs and maintenance	22,538	23,095	17,192	11,510	9,095
Auditors' remuneration	435	375	356	345	320
Directors' remuneration:					
-Fees	178	102	87	72	155
-Others	113	111	234	208	164
Other expenses	7,299	1,013	10,084	3,998	4,817
	<u>137,592</u>	<u>108,053</u>	<u>99,112</u>	<u>76,965</u>	<u>65,059</u>

### 13 DEPRECIATION AND AMORTISATION (GROUP AND BANK)

Depreciation of property and equipment (Note 23)	18,696	16,504	18,595	10,792	7,632
Amortization of intangible assets (Note 24)	760	1,066	5,272	653	729
	<u>19,456</u>	<u>17,570</u>	<u>23,867</u>	<u>11,445</u>	<u>8,361</u>

### 14 INCOME TAX

#### (a) Tax expense (GROUP AND BANK)

Current income tax - current year	71,245	60,403	53,265	31,972	25,448
Current income tax - over/(under) provision in prior year	53	(1,300)	5,918	647	2,696
Deferred income tax - current year (Note 25)	(2,212)	(3,698)	(9,613)	(993)	(1,743)
Deferred income tax - under provision in prior year (Note 25)	(50)	(1,180)	(2,230)	(679)	(1,937)
	<u>69,036</u>	<u>54,225</u>	<u>47,340</u>	<u>30,947</u>	<u>24,464</u>

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

Tax rate reconciliation (GROUP)	2014 TZS' Millions	2013 TZS' Millions	2012 TZS' Millions	2011 TZS' Millions	2010 TZS' Millions
Profit before income tax	223,548	187,863	144,662	102,736	78,072
Tax calculated at the statutory income tax rate of 30%	67,064	56,359	43,399	30,821	23,422
<i>Tax effect of:</i>					
Depreciation on non-qualifying assets	302	310	86	63	284
Expenses not deductible for tax purposes	1,333	-	162	77	-
Under/(over) provision of deferred and current income tax in prior years	3	(2,480)	3,688	(32)	758
Income not subject to tax	-	(44)	(18)	3	(112)
Potential deferred tax not recognized – subsidiaries	334	80	23	15	112
<b>Income tax expense</b>	<u>69,036</u>	<u>54,225</u>	<u>47,340</u>	<u>30,947</u>	<u>24,464</u>

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<b>14</b>	<b>INCOME TAX (CONTINUED)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
		<b>TZS'</b>	<b>TZS'</b>	<b>TZS'</b>	<b>TZS'</b>	<b>TZS'</b>
		<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>
	<b>(a) Tax expense (GROUP AND BANK) (continued)</b>					
	<b>Tax rate reconciliation (BANK)</b>					
	Profit before income tax	224,659	188,131	144,741	102,786	78,445
	Tax calculated at the statutory income tax rate of 30%	67,398	56,439	43,422	30,836	23,534
	<i>Tax effect of:</i>					
	Depreciation on non-qualifying assets	302	310	86	63	284
	Expenses not deductible for tax purposes	1,333	-	162	77	-
	Under/(over) provision of deferred and current income tax in prior years	3	(2,480)	3,688	(32)	758
	Income not subject to tax	-	(44)	(18)	3	(112)
	<b>Income tax expense</b>	<b>69,036</b>	<b>54,225</b>	<b>47,340</b>	<b>30,947</b>	<b>24,464</b>

**(b) Tax recoverable/ (payable)**

**BANK AND GROUP**

At start of the year	2,313	(6,015)	3,546	1,657	1,872
Current tax charge for the year	(71,298)	(59,103)	(59,184)	(32,619)	(28,143)
Tax paid	72,850	67,431	49,623	34,508	27,930
Tax recoverable/(payable)	3,865	2,313	(6,015)	3,546	1,657

The subsidiaries were at loss position hence had no tax liability at 31 December 2014 (2013: nil, 2012: nil, 2011: nil, 2010: nil).

**15 (a) EARNINGS PER SHARE (GROUP)**

The calculation of the basic and diluted 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:

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	<b>TZS'</b>	<b>TZS'</b>	<b>TZS'</b>	<b>TZS'</b>	<b>TZS'</b>
	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>	<b>Millions</b>
Net profit attributable to shareholders	154,771	133,713	97,354	71,809	53,608
Weighted average number of shares in issue in millions (Note 30)	500	500	500	500	500
Basic and diluted earnings per share	309.54	267.43	194.71	143.62	107.22

**15 (b) EARNINGS PER SHARE (BANK)**

Net profit attributable to shareholders	155,555	133,906	97,401	71,839	53,981
Weighted average number of shares in issue in millions (Note 30)	500	500	500	500	500
Basic and diluted earnings per share	311.11	267.81	194.80	143.68	107.96

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

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#### 16 DIVIDEND PER SHARE

Details of dividend proposed and paid are provided below:

	For 2013 paid in <u>2014</u>	For 2012 paid in <u>2013</u>	For 2011 paid in <u>2012</u>	For 2010 paid in <u>2011</u>	For 2009 paid in <u>2010</u>
Dividend per share (TZS)	90	68	50	36	31
Dividend paid (TZS Millions)	<u>45,000</u>	<u>34,000</u>	<u>25,000</u>	<u>18,000</u>	<u>15,700</u>

The Bank has proposed a dividend of TZS 104 per share for the year ended 31 December 2014. Dividends are not recognised as a liability until they have been ratified at the Annual General Meeting.

#### 17 CASH AND BALANCES WITH BANK OF TANZANIA (GROUP AND BANK)

	<u>2014</u> TZS' Millions	<u>2013</u> TZS' Millions	<u>2012</u> TZS' Millions	<u>2011</u> TZS' Millions	<u>2010</u> TZS' Millions
Cash in hand	207,987	218,133	185,043	186,637	164,153
Balances with Bank of Tanzania					
- local currency	183,287	13,895	70,060	32,696	44,995
- foreign currency	89,816	3,525	11,978	3,913	3,037
Statutory Minimum Reserves (SMR)	<u>326,312</u>	<u>309,755</u>	<u>254,577</u>	<u>206,997</u>	<u>187,042</u>
	<u>807,402</u>	<u>545,308</u>	<u>521,658</u>	<u>430,243</u>	<u>399,227</u>

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 31). Cash in hand and balances with Bank of Tanzania are non-interest bearing.

#### 18 PLACEMENTS AND BALANCES WITH OTHER BANKS (GROUP AND BANK)

	<u>2014</u> TZS' Millions	<u>2013</u> TZS' Millions	<u>2012</u> TZS' Millions	<u>2011</u> TZS' Millions	<u>2010</u> TZS' Millions
Placement with local banks	7,579	81,543	144,507	103,030	119,106
Balances with banks abroad	128,238	63,572	46,611	56,916	26,055
Cheques and items for clearing from other banks	<u>5,091</u>	<u>8,262</u>	<u>11,944</u>	<u>12,791</u>	<u>7,145</u>
	<u>140,908</u>	<u>153,377</u>	<u>203,062</u>	<u>172,737</u>	<u>152,306</u>
<b>Current</b>	<u>140,908</u>	<u>153,377</u>	<u>203,062</u>	<u>172,737</u>	<u>152,306</u>

Maturity analysis is based on the remaining periods to contractual maturity from year end.

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19	<b>LOANS AND ADVANCES TO CUSTOMERS</b>	<b>2014</b> <b>TZS'</b> <b>Millions</b>	<b>2013</b> <b>TZS'</b> <b>Millions</b>	<b>2012</b> <b>TZS'</b> <b>Millions</b>	<b>2011</b> <b>TZS'</b> <b>Millions</b>	<b>2010</b> <b>TZS'</b> <b>Millions</b>
	<b>GROUP</b>					
	<b>Loans and advances to customers</b>					
	<b>Retail customers</b>					
	MSE customers	154,376	139,901	121,524	107,826	116,699
	Consumer loans	1,154,053	892,249	721,110	619,265	439,739
		<b>1,308,429</b>	<b>1,032,150</b>	<b>842,634</b>	<b>727,091</b>	<b>556,438</b>
	<b>Corporate Entities</b>					
	Large Corporate Entities	316,477	235,711	199,012	91,741	182,261
	SMEs	144,302	190,570	159,920	172,840	70,278
	Overdrafts	256,331	186,063	174,421	147,535	65,773
		<b>717,110</b>	<b>612,344</b>	<b>533,353</b>	<b>412,116</b>	<b>318,312</b>
	Gross loans and advances to customers	<b>2,025,539</b>	<b>1,644,494</b>	<b>1,375,987</b>	<b>1,139,207</b>	<b>874,750</b>
	Less: allowance for impairment	(39,377)	(38,137)	(30,055)	(15,689)	(16,965)
	Net loans and advances to customers	<b>1,986,162</b>	<b>1,606,357</b>	<b>1,345,932</b>	<b>1,123,518</b>	<b>857,785</b>
	Maturing:					
	Current	687,146	593,408	544,239	388,693	251,229
	Non-current	1,320,243	1,012,949	801,693	734,825	606,556
		<b>1,986,162</b>	<b>1,606,357</b>	<b>1,345,932</b>	<b>1,123,518</b>	<b>857,785</b>
	<b>BANK</b>					
	<b>Retail customers</b>					
	MSE customers	154,376	139,901	121,524	107,826	116,699
	Consumer loans	1,154,053	892,249	721,110	619,265	439,739
		<b>1,308,429</b>	<b>1,032,150</b>	<b>842,634</b>	<b>727,091</b>	<b>556,438</b>
	<b>Corporate Entities</b>					
	Large Corporate Entities	337,704	243,646	199,012	91,741	182,261
	SMEs	144,302	190,570	159,920	172,840	70,278
	Overdrafts	256,331	186,063	174,421	147,535	65,773
		<b>738,337</b>	<b>620,279</b>	<b>533,353</b>	<b>412,116</b>	<b>318,312</b>
	Gross loans and advances to customers	<b>2,046,766</b>	<b>1,652,429</b>	<b>1,375,987</b>	<b>1,139,207</b>	<b>874,750</b>
	Less: allowance for impairment	(39,377)	(38,137)	(30,055)	(15,689)	(16,965)
	Net loans and advances to customers	<b>2,007,389</b>	<b>1,614,292</b>	<b>1,345,932</b>	<b>1,123,518</b>	<b>857,785</b>
	Maturing:					
	Current	687,146	593,408	544,239	388,693	251,229
	Non-current	1,320,243	1,020,884	801,693	734,825	606,556
		<b>2,007,389</b>	<b>1,614,292</b>	<b>1,345,932</b>	<b>1,123,518</b>	<b>857,785</b>

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#### 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

The reconciliation of allowance account for losses on loans and advances to customers are as follows;

	<u>2014</u> <u>TZS'</u>	<u>2013</u> <u>TZS'</u>	<u>2012</u> <u>TZS'</u>	<u>2011</u> <u>TZS'</u>	<u>2010</u> <u>TZS'</u>
GROUP AND BANK	Millions	Millions	Millions	Millions	Millions
Balance at 1 January	38,137	30,055	15,689	16,965	16,598
Increase in allowance for loan impairment	16,589	23,766	25,851	11,752	1,674
Write-offs	(15,349)	(15,684)	(11,485)	(13,028)	(1,307)
<b>At 31 December</b>	<b>39,377</b>	<b>38,137</b>	<b>30,055</b>	<b>15,689</b>	<b>16,965</b>

#### 20 (a) INVESTMENT SECURITIES HELD TO MATURITY (GROUP AND BANK)

Treasury Bills and Bonds:	<u>2014</u> <u>TZS'</u>	<u>2013</u> <u>TZS'</u>	<u>2012</u> <u>TZS'</u>	<u>2011</u> <u>TZS'</u>	<u>2010</u> <u>TZS'</u>
	Millions	Millions	Millions	Millions	Millions
Maturing within 91 days	191,728	190,235	161,896	89,458	223,087
Maturing after 91 days	517,649	603,534	428,476	245,510	368,214
	709,377	793,769	590,372	334,968	591,301
Recapitalisation bond					
Maturing within 91 days	1,300	-	-	-	-
Maturing after 91 days	25,675	26,975	26,975	26,975	26,975
Loans and Advances Realisation Trust (LART) bond	-	-	-	-	15,688
	<u>736,352</u>	<u>820,744</u>	<u>617,347</u>	<u>361,943</u>	<u>633,964</u>
Current	456,326	567,062	421,238	294,251	565,451
Non-current	280,026	253,682	196,109	67,692	68,513
	<u>736,352</u>	<u>820,744</u>	<u>617,347</u>	<u>361,943</u>	<u>633,964</u>

Interest on recapitalisation bond 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 14.2% of (2013: 13.2%, 2012: 11.7%, 2011: 5.47%, and 2010: 6.03%).

There is no investment security pledged as collateral for borrowing.

GROUP AND BANK	<u>2014</u> <u>TZS'</u>	<u>2013</u> <u>TZS'</u>	<u>2012</u> <u>TZS'</u>	<u>2011</u> <u>TZS'</u>	<u>2010</u> <u>TZS'</u>
The movement in investment securities may be summarized as follows:	Millions	Millions	Millions	Millions	Millions
<b>At 1 January</b>	820,744	617,347	361,943	633,964	523,084
Additions	482,670	609,636	723,840	605,289	920,724
Matured securities	(567,062)	(406,239)	(468,436)	(877,310)	(809,844)
<b>At 31 December</b>	<b>736,352</b>	<b>820,744</b>	<b>617,347</b>	<b>361,943</b>	<b>633,964</b>

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#### 20 (b) INVESTMENT SECURITIES AVAILABLE FOR SALE (GROUP AND BANK)

The Group and Bank have invested in a 5-year treasury bond with a coupon rate of 9.18%. The movement in available for sale investment a security is as follows:

	<u>2014</u> TZS'	<u>2013</u> TZS'	<u>2012</u> TZS'	<u>2011</u> TZS'	<u>2010</u> TZS'
	Millions	Millions	Millions	Millions	Millions
At 1 January	-	-	-	-	-
Additions	842	-	-	-	-
Loss on fair valuation of securities	(68)	-	-	-	-
At 31 December	<u>774</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 21 (a) EQUITY INVESTMENTS (GROUP)

##### Available for sale investment

The Group has equity investment in Tanzania Mortgage Refinance Company Ltd (TMRC)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Amount (TZS Millions)	1,740	1,740	1,200	1,200	600
% Shareholding	15.06	15.06	11.48	14.63	21

TMRC is a private company and there is no quoted market price available for the shares. The investment is carried at cost.

#### 21 (b) EQUITY INVESTMENTS (BANK)

The Bank has equity investments in three companies shown below.

Company name	<u>2014</u> TZS'	<u>2013</u> TZS'	<u>2012</u> TZS'	<u>2011</u> TZS'	<u>2010</u> TZS'
	Millions	Millions	Millions	Millions	Millions
Upanga Joint Venture Company Limited (UJVC)	10,630	10,630	7,642	1,324	950
Ohio Street Properties Limited (OSP)	8,230	8,230	5,770	1,281	1,281
Tanzania Mortgage Refinance Company Ltd (TMRC)	<u>1,740</u>	<u>1,740</u>	<u>1,200</u>	<u>1,200</u>	<u>600</u>
	<u>20,600</u>	<u>20,600</u>	<u>14,612</u>	<u>3,805</u>	<u>2,831</u>

##### (i) Investment in a subsidiary

Company name	<u>Amounts – TZS' Millions</u>					<u>% Shareholding</u>
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	
Upanga Joint Venture Company Limited	10,630	10,630	7,642	1,324	950	32.64
Ohio Street Properties Limited	<u>8,230</u>	<u>8,230</u>	<u>5,770</u>	<u>1,281</u>	<u>1,28</u>	<u>50.00</u>
	<u>18,860</u>	<u>18,860</u>	<u>13,412</u>	<u>2,605</u>	<u>2,231</u>	

There are no contingent liabilities relating to the Bank's interest in the subsidiary and associate.

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**21 (b) EQUITY INVESTMENTS (BANK)**

**(i) Investment in a subsidiary (continued)**

The subsidiaries listed above have share capital consisting solely of ordinary shares and the proportion of ownership interests held equals to the voting rights held by group. The country of incorporation; the United Republic of Tanzania is also their principal place of business.

Ohio Street Properties owns 53.7% interest in Upanga Joint Venture Company Limited, hence the Bank owns, directly and indirectly, 59.49% interest in Upanga Joint Venture Company Limited.

There were no significant judgements and assumptions made in determining the Bank's interest in the subsidiaries.

Set out below is the summarised financial information for each of the two subsidiaries, Ohio Street Properties Limited ("OSP Limited") and Upanga Joint Venture Company Limited ("UJVC Limited").

**Summarised statement of financial position**

	<u>2014</u> <u>TZS</u> Millions	<u>2013</u> <u>TZS</u> Millions	<u>2012</u> <u>TZS</u> Millions	<u>2011</u> <u>TZS</u> Millions	<u>2010</u> <u>TZS</u> Millions
<b>OSP LIMITED</b>					
Current					
Total current assets	20	25	24	2	541
Current liabilities	(7)	(7)	(3)	(14)	(4)
Total net current assets	13	18	21	(12)	537
Non-Current					
Assets	16,308	16,308	11,538	1,916	1,375
Liabilities	-	-	-	-	-
Total non-current net assets	16,308	16,308	11,538	1,916	1,375
Total net assets	16,321	16,326	11,559	1,904	1,912
<b>UJVC LIMITED</b>					
Current					
Total current assets	8,499	9,502	5,177	1,423	1,502
Current liabilities	(157)	(504)	(5,164)	(39)	(19)
Total net current assets	8,342	8,998	13	1,384	1,483
Non-Current					
Assets	40,848	28,929	15,680	2,090	1,038
Liabilities	(21,227)	(7,935)	-	-	-
Total non-current net assets	19,621	20,994	15,680	2,090	1,038
Total net assets	27,963	29,992	15,693	3,474	2,521

**Summarised Statement of comprehensive income**

**OSP LIMITED**

Revenue	-	-	-	-	-
Finance costs	-	-	-	-	-
Administrative expenses	(5)	(4)	(4)	(12)	(15)
Operating expenses	-	-	(1)	-	(502)
Loss on foreign exchange	-	-	-	-	-
Tax expense	-	-	-	-	-
Loss after tax	(5)	(4)	(5)	(12)	(517)
Allocated to Non- Controlling interest	(3)	(2)	(3)	(6)	(259)

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#### 21 (b) EQUITY INVESTMENTS (BANK) (CONTINUED)

##### Summarised Statement of comprehensive income (continued)

	<u>2014</u> <u>TZS</u>	<u>2013</u> <u>TZS</u>	<u>2012</u> <u>TZS</u>	<u>2011</u> <u>TZS</u>	<u>2010</u> <u>TZS</u>
UJVC LIMITED	Millions	Millions	Millions	Millions	Millions
Revenue	776	-	-	-	-
Finance costs	(1,119)	-	-	-	-
Administrative expenses	(25)	(165)	(60)	(36)	(197)
Operating expenses	(274)	(99)	(1)	(1)	(1)
Loss on foreign exchange	(741)	-	-	-	-
Tax expense	-	-	-	-	-
Loss after tax	<u>(1,383)</u>	<u>(264)</u>	<u>(61)</u>	<u>(37)</u>	<u>(198)</u>
Allocated to Non- Controlling interest	<u>(324)</u>	<u>(73)</u>	<u>(29)</u>	<u>(14)</u>	<u>(80)</u>

##### Summarised Cash flows

##### OSP LIMITED

Net cash used in operations	(5)	-	(6)	(2)	(514)
Net cash used in Investing activities	-	(4,769)	(9,622)	(542)	(1,375)
Net cash generated from financing activities	-	4,770	9,650	5	2,429
Net (decrease)/ increase in cash and cash equivalents	<u>(5)</u>	<u>1</u>	<u>22</u>	<u>(539)</u>	<u>540</u>
Cash and cash equivalents at start of the year	<u>24</u>	<u>23</u>	<u>1</u>	<u>540</u>	<u>-</u>
Cash and cash equivalents at end of the year	<u>19</u>	<u>24</u>	<u>23</u>	<u>1</u>	<u>540</u>

##### UJVC LIMITED

Net cash used in operations	(4,906)	(600)	(2,333)	(287)	(1,130)
Net cash used in Investing activities	(11,919)	(12,132)	(11,615)	(935)	(638)
Net cash generated from financing activities	13,217	15,678	15,455	874	2,318
Net (decrease)/ increase in cash and cash equivalents	<u>(3,608)</u>	<u>2,946</u>	<u>1,507</u>	<u>(348)</u>	<u>550</u>
Cash and cash equivalents at start of the year	<u>4,655</u>	<u>1,709</u>	<u>202</u>	<u>550</u>	<u>-</u>
Cash and cash equivalents at end of the year	<u>1,047</u>	<u>4,655</u>	<u>1,709</u>	<u>202</u>	<u>550</u>

The proportion of ownership interest of non-controlling interest in each of the subsidiaries, which equals to the voting rights held, is shown in the table below;

Name of undertaking	Nature of business	% of ownership held by NCI				
		<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
UJVC Company Limited	Property development	40.51%	40.51%	40.51%	40.51%	40.51%
Ohio Street Properties	Property development	50.00%	50.00%	50.00%	50.00%	50.00%



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### NOTES (CONTINUED)

#### 21 (b) EQUITY INVESTMENTS (BANK) (CONTINUED)

##### (ii) Equity investment available for sale

The Bank has equity investment in Tanzania Mortgage Refinance Company Ltd (TMRC)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Amount (TZS Millions)</b>	1,740	1,740	1,200	1,200	600
<b>% Shareholding</b>	15.06	15.06	11.48	14.63	21

TMRC is a private company and there is no quoted market price available for the shares. The investment is carried at cost.

#### 22 (a) OTHER ASSETS (GROUP)

	<u>2014</u> <u>TZS'</u>	<u>2013</u> <u>TZS'</u>	<u>2012</u> <u>TZS'</u>	<u>2011</u> <u>TZS'</u>	<u>2010</u> <u>TZS'</u>
	Millions	Millions	Millions	Millions	Millions
Service fees receivable	3,893	1,861	1,752	3,196	2,014
Prepayments	14,439	11,314	7,884	5,198	4,882
Other receivables	36,867	32,566	12,465	651	3,169
Staff imprest	38	111	322	313	-
Less: impairment provision for other receivables	(6)	(104)	(379)	(161)	(720)
<b>Total (current)</b>	<b>55,231</b>	<b>45,748</b>	<b>22,044</b>	<b>9,197</b>	<b>9,345</b>

The movement in provision for impairment of other receivables is as follows:

	<u>2014</u> <u>TZS'</u>	<u>2013</u> <u>TZS'</u>	<u>2012</u> <u>TZS'</u>	<u>2011</u> <u>TZS'</u>	<u>2010</u> <u>TZS'</u>
	Millions	Millions	Millions	Millions	Millions
At start of the year	(104)	(379)	(161)	(720)	(1,271)
Release/(increase) of provision	98	275	(218)	559	551
<b>At end of the year</b>	<b>(6)</b>	<b>(104)</b>	<b>(379)</b>	<b>(161)</b>	<b>(720)</b>

#### 22 (b) OTHER ASSETS (BANK)

Service fees receivable	3,893	1,861	1,752	3,196	2,013
Prepayments	14,438	11,314	7,884	5,198	4,882
Other receivables	30,956	27,712	9,930	142	2,930
Staff imprest	38	111	322	313	-
Less: impairment provision for other receivables	(6)	(104)	(379)	(161)	(720)
<b>Total (current)</b>	<b>49,319</b>	<b>40,894</b>	<b>19,509</b>	<b>8,688</b>	<b>9,105</b>

The movement in provision for impairment of other receivables is as follows:

	<u>2014</u> <u>TZS'</u>	<u>2013</u> <u>TZS'</u>	<u>2012</u> <u>TZS'</u>	<u>2011</u> <u>TZS'</u>	<u>2010</u> <u>TZS'</u>
	Millions	Millions	Millions	Millions	Millions
At start of the year	(104)	(379)	(161)	(720)	(1,271)
Release/(increase) of provision	98	275	(218)	559	551
<b>At end of the year</b>	<b>(6)</b>	<b>(104)</b>	<b>(379)</b>	<b>(161)</b>	<b>(720)</b>

Other assets have not been pledged as security for liabilities.

## HISTORICAL FINANCIAL INFORMATION FOR THE YEARS ENDED 31 DECEMBER

## 23 (a) PROPERTY AND EQUIPMENT (GROUP)

The capital work in progress relates to the ongoing projects of branch remodelling and equipment for new headquarters.

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**NOTES (CONTINUED)**

**23 (a) PROPERTY AND EQUIPMENT (GROUP)  
(CONTINUED)**

<b>Year ended 31 December 2013</b>	<b>Owned building TZS' Millions</b>	<b>Leasehold improvements TZS' Millions</b>	<b>Motor vehicles TZS' Millions</b>	<b>Computers, furniture and equipment TZS' Millions</b>	<b>Capital work in progress TZS' Millions</b>	<b>Total TZS' Millions</b>
<b>COST</b>						
At 1 January 2013	24,305	15,917	5,049	69,239	20,000	134,510
Additions	65	-	364	6,539	27,717	34,685
Transfer from work in progress	3,060	5,166	2,165	4,176	(14,567)	-
Transfer to intangible assets	-	-	-	-	(310)	(310)
Adjustments	(13,990)	13,990	-	-	-	-
Disposal	-	-	(297)	(4,350)	-	(4,647)
<b>At 31 December 2013</b>	<b>13,440</b>	<b>35,073</b>	<b>7,281</b>	<b>75,604</b>	<b>32,840</b>	<b>164,238</b>
<b>DEPRECIATION</b>						
At 1 January 2013	7,545	7,025	3,556	46,068	-	64,194
Charge for the year	1,542	2,690	988	11,284	-	16,504
Adjustment	(7,149)	7,149	-	-	-	-
Eliminated on disposal	-	-	(270)	(4,230)	-	(4,500)
<b>At 31 December 2013</b>	<b>1,938</b>	<b>16,864</b>	<b>4,274</b>	<b>53,122</b>	<b>-</b>	<b>76,198</b>
<b>NET BOOK VALUE</b>						
At 31 December 2013	<b>11,502</b>	<b>18,209</b>	<b>3,007</b>	<b>22,482</b>	<b>32,840</b>	<b>88,040</b>

No property and equipment of the Group and Bank has been pledged as security for liabilities.

The capital work in progress relates to the ongoing projects of branch remodelling and equipment for new headquarters.

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**NOTES (CONTINUED)**

**23 (a) PROPERTY AND EQUIPMENT  
(GROUP) (CONTINUED)**

**Year ended 31 December 2012**

**COST**

At 1 January 2012	Owned building TZS' Millions	Leasehold improvements TZS' Millions	Motor vehicles TZS' Millions	Computers furniture, fittings and equipment TZS' Millions	Capital work in progress TZS' Millions	Total TZS' Millions
Additions	20,537	10,610	4,311	58,141	13,621	107,220
Transfer from work in progress	118	244	-	5,974	27,403	33,739
Write off	3,650	5,063	738	5,851	(15,302)	-
Transfer to intangible assets	-	-	-	-	(152)	(152)
Disposal	-	-	-	(727)	(5,570)	(5,570)
	-	-	-	-	-	(727)

**At 31 December 2012**

	<b>24,305</b>	<b>15,917</b>	<b>5,049</b>	<b>69,239</b>	<b>20,000</b>	<b>134,510</b>
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**DEPRECIATION**

At 1 January 2012	6,871	3,773	3,022	32,660	-	46,326
Charge for the year	674	3,252	534	14,135	-	18,595
Elimination on disposal	-	-	-	(727)	-	(727)

**At 31 December 2012**

	<b>7,545</b>	<b>7,025</b>	<b>3,556</b>	<b>46,068</b>	<b>-</b>	<b>64,194</b>
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**NET BOOK VALUE**

At 31 December 2012	<b>16,760</b>	<b>8,892</b>	<b>1,493</b>	<b>23,171</b>	<b>20,000</b>	<b>70,316</b>
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## HISTORICAL FINANCIAL INFORMATION

## NOTES (CONTINUED)

**[www.nmbtz.com](http://www.nmbtz.com)**

NATIONAL MICROFINANCE BANK PLC

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NOTES (CONTINUED)

23 (a) PROPERTY AND EQUIPMENT (GROUP)  
(CONTINUED)

Year ended 31 December 2010	Owned building TZS' Millions	Leasehold improvements TZS' Millions	Motor vehicles TZS' Millions	Computers furniture, fittings and equipment TZS' Millions	Capital work in progress TZS' Millions	Total TZS' Millions
<b>COST</b>						
At 1 January 2010	12,005	5,940	2,993	29,829	11,000	61,767
Additions	6,092	3,000	685	6,215	8,672	24,664
Transfers	(404)	-	-	914	(510)	-
Write off	-	-	-	-	(278)	(278)
Disposal	-	-	-	(557)	-	(557)
<b>At 31 December 2010</b>	<b>17,693</b>	<b>8,940</b>	<b>3,678</b>	<b>36,401</b>	<b>18,884</b>	<b>85,596</b>
<b>DEPRECIATION</b>						
At 1 January 2010	3,723	2,222	2,327	20,599	-	28,871
Charge for the year	1,322	651	348	5,311	-	7,632
Elimination on disposal	-	-	-	(548)	-	(548)
<b>At 31 December 2010</b>	<b>5,045</b>	<b>2,873</b>	<b>2,675</b>	<b>25,362</b>	<b>-</b>	<b>35,955</b>
<b>NET BOOK VALUE</b>	<b>12,648</b>	<b>6,067</b>	<b>1,003</b>	<b>11,039</b>	<b>18,884</b>	<b>49,641</b>

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**NOTES (CONTINUED)**

**23 (b) PROPERTY AND EQUIPMENT (BANK)**

<b>Year ended 31 December 2014</b>	<b>Owne building TZS' Millions</b>	<b>Leasehold improvement TZS' Millions</b>	<b>Motor vehicles TZS' Millions</b>	<b>Computers, furniture, fittings and equipment TZS' Millions</b>	<b>Capital work in progress TZS' Millions</b>	<b>Total TZS' Millions</b>
<b>Cost</b>						
At 1 January 2014	13,780	34,733	7,281	76,671	3,910	136,375
Additions	-	-	-	6,782	42,841	49,623
Transfer from work in progress	2,382	848	645	1,632	(5,507)	-
Adjustments	-	-	-	-	(4,178)	(4,178)
Disposal	-	-	-	(138)	-	(138)
<b>At 31 December 2014</b>	<b>16,162</b>	<b>35,581</b>	<b>7,926</b>	<b>84,947</b>	<b>37,066</b>	<b>181,682</b>
<b>Depreciation</b>						
At 1 January 2014	1,938	16,864	4,274	54,189	-	77,265
Charge for the year	1,697	3,337	1,270	10,724	-	17,028
Adjustment	46	199	207	1,216	-	1,668
Eliminated on disposal	-	-	-	(126)	-	(126)
<b>At 31 December 2014</b>	<b>3,681</b>	<b>20,400</b>	<b>5,751</b>	<b>66,003</b>	<b>-</b>	<b>95,835</b>
<b>Net book value</b>						
At 31 December 2014	<b>12,481</b>	<b>15,181</b>	<b>2,175</b>	<b>18,944</b>	<b>37,066</b>	<b>85,847</b>

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**NOTES (CONTINUED)**

**23 (b) PROPERTY AND EQUIPMENT (BANK)  
(CONTINUED)**

**Year ended 31 December 2013**

<b>Cost</b>	<b>Owned building TZS' Millions</b>	<b>Leasehold improvement TZS' Millions</b>	<b>Motor vehicles TZS' Millions</b>	<b>Computers, furniture, fittings and equipment TZS' Millions</b>	<b>Capital work in progress TZS' Millions</b>	<b>Total TZS' Millions</b>
At 1 January 2013	24,645	15,577	5,049	70,306	4,254	119,831
Additions	65	-	364	6,539	14,533	21,501
Transfer from work in progress	3,060	5,166	2,165	4,176	(14,567)	-
Transfer to intangible assets	-	-	-	-	(310)	(310)
Adjustments	(13,990)	13,990	-	-	-	-
Disposal	-	-	(297)	(4,350)	-	(4,647)
<b>At 31 December 2013</b>	<b>13,780</b>	<b>34,733</b>	<b>7,281</b>	<b>76,671</b>	<b>3,910</b>	<b>136,375</b>
<b>Depreciation</b>						
At 1 January 2013	7,545	7,025	3,556	47,135	-	65,261
Charge for the year	1,542	2,690	988	11,284	-	16,504
Adjustment	(7,149)	7,149	-	-	-	-
Eliminated on disposal	-	-	(270)	(4,230)	-	(4,500)
<b>At 31 December 2013</b>	<b>1,938</b>	<b>16,864</b>	<b>4,274</b>	<b>54,189</b>	<b>-</b>	<b>77,265</b>
<b>Net book value</b>						
At 31 December 2013	11,842	17,869	3,007	22,482	3,910	59,110



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**NOTES (CONTINUED)**

**23 (b) PROPERTY AND EQUIPMENT (BANK)  
(CONTINUED)**

<b>Year ended 31 December 2012</b>	<b>Owned building TZS' Millions</b>	<b>Leasehold improvements TZS' Millions</b>	<b>Motor vehicles TZS' Millions</b>	<b>Computers furniture, fittings and equipment TZS' Millions</b>	<b>Capital work in progress TZS' Millions</b>	<b>Total TZS' Millions</b>
<b>Cost</b>						
At 1 January 2012	20,877	10,270	4,311	58,481	11,532	105,471
Additions	118	244	-	5,974	13,746	20,082
Transfer from work in progress	3,650	5,063	738	5,851	(15,302)	-
Write off	-	-	-	-	(152)	(152)
Transfer to intangible assets	-	-	-	-	(5,570)	(5,570)
<b>At 31 December 2012</b>	<b>24,645</b>	<b>15,577</b>	<b>5,049</b>	<b>70,306</b>	<b>4,254</b>	<b>119,831</b>
<b>Depreciation</b>						
At 1 January 2012	6,871	3,773	3,022	33,000	-	46,666
Charge for the year	674	3,252	534	14,135	-	18,595
<b>At 31 December 2012</b>	<b>7,545</b>	<b>7,025</b>	<b>3,556</b>	<b>47,135</b>	<b>-</b>	<b>65,261</b>
<b>Net book value</b>						
At 31 December 2012	<b>17,100</b>	<b>8,552</b>	<b>1,493</b>	<b>23,171</b>	<b>4,254</b>	<b>54,570</b>

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**NOTES (CONTINUED)**

**23 (b) PROPERTY AND EQUIPMENT (BANK)  
(CONTINUED)**

**Year ended 31 December 2011**

**Cost**

At 1 January 2011

Additions

Transfer from work in progress

Write-off

Disposal

**At 31 December 2011**

**Depreciation**

At 1 January 2011

Charge for the year

Eliminated on disposal

**At 31 December 2011**

**Net book value**

At 31 December 2011

	Owned building TZS' Millions	Leasehold improvements TZS' Millions	Motor vehicles TZS' Millions	Computers furniture, fittings and equipment TZS' Millions	Capital work in progress TZS' Millions	Total TZS' Millions
At 1 January 2011	17,693	8,940	3,678	36,401	17,847	84,559
Additions	83	30	-	7,831	13,305	21,249
Transfer from work in progress	3,101	1,300	714	14,268	(19,383)	-
Write-off	-	-	-	-	(217)	(217)
Disposal	-	-	(81)	(19)	(20)	(120)
<b>At 31 December 2011</b>	<b>20,877</b>	<b>10,270</b>	<b>4,311</b>	<b>58,481</b>	<b>11,532</b>	<b>105,471</b>
<b>Depreciation</b>						
At 1 January 2011	5,045	2,873	2,675	25,362	-	35,955
Charge for the year	1,826	900	428	7,638	-	10,792
Eliminated on disposal	-	-	(81)	-	-	(81)
<b>At 31 December 2011</b>	<b>6,871</b>	<b>3,773</b>	<b>3,022</b>	<b>33,000</b>	<b>-</b>	<b>46,666</b>
<b>Net book value</b>						
At 31 December 2011	<b>14,006</b>	<b>6,497</b>	<b>1,289</b>	<b>25,481</b>	<b>11,532</b>	<b>58,805</b>

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NOTES (CONTINUED)

23 (b) PROPERTY AND EQUIPMENT (BANK) (CONTINUED)

Year ended 31 December 2010	Owned Buildings TZS' Millions	Leasehold improvement TZS' Millions	Motor vehicles TZS' Millions	Computers, furniture, fittings and equipment TZS' Millions	Capital work in progress TZS' Millions	Total TZS' Millions
<b>COST</b>						
At 1 January 2010	12,001	5,940	2,993	29,281	9,963	60,178
Additions	6,090	3,000	685	6,215	8,674	24,664
Transfer from work in progress	(402)	-	-	914	(786)	(274)
Disposal	-	-	-	(9)	-	(9)
<b>At 31 December 2010</b>	<b>17,689</b>	<b>8,940</b>	<b>3,678</b>	<b>36,401</b>	<b>17,851</b>	<b>84,559</b>
<b>DEPRECIATION</b>						
At 1 January 2010	3,723	2,222	2,327	20,051	-	28,323
Charge for the year	1,322	651	348	5,311	-	7,632
<b>At 31 December 2010</b>	<b>5,045</b>	<b>2,873</b>	<b>2,675</b>	<b>25,362</b>	<b>-</b>	<b>35,955</b>
<b>NET BOOK VALUE</b>						
At 31 December 2010	<b>12,644</b>	<b>6,067</b>	<b>1,003</b>	<b>11,039</b>	<b>17,851</b>	<b>48,604</b>

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### NOTES (CONTINUED)

24	INTANGIBLE ASSETS (GROUP AND BANK)	<u>2014</u> TZS'	<u>2013</u> TZS'	<u>2012</u> TZS'	<u>2011</u> TZS'	<u>2010</u> TZS'
	Movement during the year	Millions	Millions	Millions	Millions	Millions
	At start of the year	708	1,226	846	977	1,279
	Additions	311	238	82	522	812
	Transfer from WIP (Note 23)	4,178	310	5,570	-	-
	Adjustment	-	-	-	-	(385)
	Amortization	(760)	(1,066)	(5,272)	(653)	(729)
	<b>At end of year</b>	<b>4,437</b>	<b>708</b>	<b>1,226</b>	<b>846</b>	<b>977</b>
	<b>At 31 December</b>					
	Cost	16,914	12,425	11,877	6,226	5,703
	Accumulated amortization	(12,477)	(11,717)	(10,651)	(5,380)	(4,726)
	<b>Net book value</b>	<b>4,437</b>	<b>708</b>	<b>1,226</b>	<b>846</b>	<b>977</b>

### 25 DEFERRED INCOME TAX (GROUP AND BANK)

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:

	<u>2014</u> TZS'	<u>2013</u> TZS'	<u>2012</u> TZS'	<u>2011</u> TZS'	<u>2010</u> TZS'
	Millions	Millions	Millions	Millions	Millions
At start of year	22,840	17,962	6,119	4,447	767
Credit to profit or loss:					
Deferred income tax-current year (Note 14(a))	2,212	3,698	9,613	993	1,743
Under provision in prior year (Note 14(a))	50	1,180	2,230	679	1,937
<b>At end of year</b>	<b>25,102</b>	<b>22,840</b>	<b>17,962</b>	<b>6,119</b>	<b>4,447</b>

Deferred income tax asset and deferred income tax credit to the profit or loss are attributed to the following items:

	<u>1 January</u> TZS' Millions	<u>Credited to</u> <u>profit or loss</u> TZS' Millions	<u>31 December</u> TZS' Millions
<b>2014</b>			
<b>Deferred income tax asset</b>			
Property and equipment	5,240	841	6,081
Provisions	17,600	1,421	19,021
<b>Non-current</b>	<b>22,840</b>	<b>2,262</b>	<b>25,102</b>
<b>2013</b>			
<b>Deferred income tax asset</b>			
Property and equipment	4,635	605	5,240
Provisions	13,327	4,273	17,600
	<b>17,962</b>	<b>4,878</b>	<b>22,840</b>

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**NOTES (CONTINUED)**

**25 DEFERRED INCOME TAX (GROUP AND BANK) (CONTINUED)**

	1 January TZS' Millions	Credited to profit or loss TZS' Millions	31 December TZS' Millions
<b>2012</b>			
<b>Deferred income tax asset</b>			
Property and equipment	2,756	1,879	4,635
Provisions	3,363	9,964	13,327
	<b>6,119</b>	<b>11,843</b>	<b>17,962</b>
<b>2011</b>			
<b>Deferred income tax asset</b>			
Property and equipment	3,170	(416)	2,754
Provisions	1,277	2,088	3,365
	<b>4,447</b>	<b>1,672</b>	<b>6,119</b>
<b>2010</b>			
<b>Deferred income tax asset</b>			
Property and equipment	2,755	415	3,170
Provisions	(1,988)	3,265	1,277
	<b>767</b>	<b>3,680</b>	<b>4,447</b>

**26 DEPOSITS FROM CUSTOMERS**

	<b>2014</b> TZS' Millions	<b>2013</b> TZS' Millions	<b>2012</b> TZS' Millions	<b>2011</b> TZS' Millions	<b>2010</b> TZS' Millions
<b>GROUP</b>					
Deposits due to customers are composed of the following;					
Current accounts	1,318,928	1,313,982	1,123,515	871,162	940,735
Personal accounts	1,383,298	1,191,448	1,076,908	916,079	851,955
Time deposit accounts	303,359	72,516	87,651	17,254	18,866
	<b>3,005,585</b>	<b>2,577,946</b>	<b>2,288,074</b>	<b>1,804,495</b>	<b>1,811,556</b>
Current	2,972,563	2,577,782	2,287,974	1,795,754	1,729,526
Non-current	33,022	164	100	8,741	82,030
	<b>3,005,585</b>	<b>2,577,946</b>	<b>2,288,074</b>	<b>1,804,495</b>	<b>1,811,556</b>
<b>BANK</b>					
Current accounts	1,319,983	1,318,661	1,125,420	871,366	941,826
Personal accounts	1,383,298	1,191,448	1,076,908	916,079	851,955
Time deposit accounts	303,359	72,516	87,651	17,254	18,866
	<b>3,006,640</b>	<b>2,582,625</b>	<b>2,289,979</b>	<b>1,804,699</b>	<b>1,812,647</b>
Current	2,973,618	2,582,461	2,289,879	1,795,958	1,730,616
Non-current	33,022	164	100	8,741	82,030
	<b>3,006,640</b>	<b>2,582,625</b>	<b>2,289,979</b>	<b>1,804,699</b>	<b>1,812,647</b>

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27 OTHER LIABILITIES	<u>2014</u> <u>TZS'</u>	<u>2013</u> <u>TZS'</u>	<u>2012</u> <u>TZS'</u>	<u>2011</u> <u>TZS'</u>	<u>2010</u> <u>TZS'</u>
(a) GROUP	Millions	Millions	Millions	Millions	Millions
Accrued expenses	30,086	23,820	30,015	15,185	9,714
Refundable deposits	1,800	6,119	8,639	8,644	7,696
Bills payable	3,099	3,054	3,433	7,036	2,621
Deferred loan establishment fees	18,673	15,194	12,427	4,978	3,815
Sundry liabilities	38,826	23,437	13,235	11,819	13,753
Current	<u>92,484</u>	<u>71,624</u>	<u>67,749</u>	<u>47,662</u>	<u>37,599</u>
(b) BANK					
Accrued expenses	30,862	23,820	30,015	15,185	9,714
Refundable deposits	1,800	6,119	8,639	8,644	7,696
Bills payable	3,099	3,054	3,433	7,036	2,621
Deferred loan establishment fees	18,673	15,194	12,427	4,978	3,815
Sundry liabilities	39,809	22,367	14,081	12,525	14,448
Current	<u>94,243</u>	<u>70,554</u>	<u>68,595</u>	<u>48,368</u>	<u>38,294</u>

### 28 PROVISIONS (GROUP AND BANK)

Provision for losses from legal cases	<u>4,552</u>	<u>3,450</u>	<u>1,872</u>	<u>854</u>	<u>-</u>
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The amounts represent provision for certain legal claims brought against the Bank by third parties in the course of business. In the director's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided.

29 BORROWINGS (GROUP AND BANK)	<u>2014</u> <u>TZS'</u>	<u>2013</u> <u>TZS'</u>	<u>2012</u> <u>TZS'</u>	<u>2011</u> <u>TZS'</u>	<u>2010</u> <u>TZS'</u>
	Millions	Millions	Millions	Millions	Millions
Borrowings	201,072	159,737	-	-	-
Interest	3,023	1,074	-	-	-
	<u>204,095</u>	<u>160,811</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### (i) European Investment Bank loan

As at 31 December 2014 the Bank had a borrowing balance from EIB of TZS 68,479 million (2013: TZS 56,582 million) being accumulation of TZS loans payable semiannually within four to six years at effective interest rate of 8.94% (2013: 9.07%). The Bank also borrowed from EIB US dollars. As at 31 December 2014, the balance of USD 11.46 million (2013: Nil) equivalent to TZS 19,883 million (2013: Nil) being accumulation of various USD loans payable over a period of four to seven years at a floating rate based on 6 months LIBOR rate. The effective interest rate of the loan during the year was 3.2%. The loans were taken for the purpose of better Assets Liability management. The loans are unsecured

#### (ii) Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO) loan

The Bank borrowed from FMO loan in 2013 of USD 65 million repayable semi-annually and carries a floating rate based on one year LIBOR rate. The effective interest rate is 3.7%. The loan was taken for the purpose of better Assets Liability management. The loan is unsecured. As at 31 December 2014 the balance was USD 65 million, equivalent of TZS 112,710 million (2013: TZS 103,869 million).

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### NOTES (CONTINUED)

30 CAPITAL AND RESERVES	<u>2014</u> <u>TZS'</u> Millions	<u>2013</u> <u>TZS'</u> Millions	<u>2012</u> <u>TZS'</u> Millions	<u>2011</u> <u>TZS'</u> Millions	<u>2010</u> <u>TZS'</u> Millions
<b>(i) Share capital</b>					
<b>Authorised</b>					
625,000,000 ordinary shares of TZS 40 each	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
<b>Called up and fully paid</b>					
500,000,000 ordinary shares of TZS 40 each	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>

#### (ii) Retained earnings

Retained earnings consist of undistributed profits from previous years

#### (iii) Regulatory reserve

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.

#### (iv) Fair valuation reserve

The reserve is made up of fair valuation of available for sale financial assets and liabilities. This reserve is not available for distribution to shareholders.

#### Movement in fair valuation reserve is as follows;

	<u>2014</u> <u>TZS'</u> Millions	<u>2013</u> <u>TZS'</u> Millions	<u>2012</u> <u>TZS'</u> Millions	<u>2011</u> <u>TZS'</u> Millions	<u>2010</u> <u>TZS'</u> Millions
At 1 January	-	-	-	-	-
Decrease during the year	<u>(68)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December	<u>(68)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 31 CASH AND CASH EQUIVALENTS (GROUP AND BANK)

	<u>2014</u> <u>TZS'</u> Millions	<u>2013</u> <u>TZS'</u> Millions	<u>2012</u> <u>TZS'</u> Millions	<u>2011</u> <u>TZS'</u> Millions	<u>2010</u> <u>TZS'</u> Millions
Cash and balances with Bank of Tanzania (Note 17)	807,402	545,308	521,658	430,243	399,227
Less: Statutory Minimum Reserves (Note 17)	(326,312)	(309,755)	(254,577)	(206,997)	(187,042)
Placement and balances with other banks (Note 18)	<u>140,908</u>	<u>153,377</u>	<u>203,062</u>	<u>172,737</u>	<u>152,306</u>
	<u>621,998</u>	<u>388,930</u>	<u>470,143</u>	<u>395,983</u>	<u>364,491</u>

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and balances with Bank of Tanzania and Placement with other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Bank of Tanzania.

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**NOTES (CONTINUED)**

<b>32</b>	<b>(a) NOTES TO THE STATEMENT OF CASH FLOWS (GROUP)</b>	<b>Note</b>	<b>2014 TZS' Millions</b>	<b>2013 TZS' Millions</b>	<b>2012 TZS' Millions</b>	<b>2011 TZS' Millions</b>	<b>2010 TZS' Millions</b>
	<b>Operating activities</b>						
	Profit before taxation		223,548	187,863	144,662	102,736	78,445
	<i>Adjustment for:</i>						
	Depreciation and amortization	13	19,456	17,570	23,867	11,445	8,361
	Interest expense on borrowing	7	10,455	1,076	-	-	-
	Write off of property and equipment		-	-	152	-	-
	Gain on disposal of property and equipment	10	(325)	(79)	(74)	(37)	(20)
			253,134	206,430	168,607	114,144	86,786
	<i>Movement in working capital:</i>						
	Increase in Statutory Minimum Reserve		(16,557)	(55,178)	(47,580)	(19,955)	(23,092)
	Decrease/(Increase) in government securities		84,392	(203,397)	(255,404)	272,021	(110,880)
	Increase in available for sale government securities	20 (b)	(842)	-	-	-	-
	Increase in loans and advances to customers		(379,805)	(260,425)	(222,414)	(265,733)	(185,205)
	(Decrease)/Increase in other assets		(9,483)	(23,704)	(12,847)	148	(988)
	Increase/(decrease) in deposits from customers		427,639	289,872	483,579	(7,061)	352,158
	(Decrease)/increase in loans received from other banks		(836)	(66,577)	40,687	2,528	29,442
	Increase in other liabilities		20,860	3,875	20,088	10,323	19,697
	Increase in provisions		1,102	1,578	1,018	854	-
			379,604	( 107,526)	175,734	107,269	167,918
	<b>Cash generated from/(used in) operations</b>						



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NOTES (CONTINUED)

32 (b) NOTES TO THE STATEMENT OF CASH FLOWS (BANK)

	<u>Note</u>	<u>2014</u> TZS' Millions	<u>2013</u> TZS' Millions	<u>2012</u> TZS' Millions	<u>2011</u> TZS' Millions	<u>2010</u> TZS' Millions
<b>Operating activities</b>						
Profit before taxation		224,659	188,131	144,741	102,786	78,445
<i>Adjustment for:</i>						
Depreciation and amortization	13	19,456	17,570	23,867	11,445	8,361
Interest expense on borrowing		10,455	1,076	-	-	-
Write off of property and equipment		-	-	152	-	-
Gain on disposal of property and equipment	10	(325)	(79)	(74)	(37)	(20)
		254,245	206,698	168,686	114,194	86,786
<i>Movement in working capital:</i>						
Increase in Statutory Minimum Reserve		(16,557)	(55,178)	(47,580)	(19,955)	(23,092)
Decrease/(increase) in held-to-maturity government securities		84,392	(203,397)	(255,404)	272,021	(110,880)
Increase in available for sale government securities	20 (b)	(842)	-	-	-	-
Increase in loans and advances to customers		(393,097)	(268,360)	(222,414)	(265,733)	(185,205)
(Increase)/decrease in other assets		(8,425)	(21,385)	(10,821)	418	(749)
Increase/(decrease) in deposits from customers		424,015	292,646	485,280	(7,948)	353,249
Decrease/(Increase) in loans received from other banks		(836)	(66,577)	40,687	2,528	29,442
Increase in other liabilities		23,689	1,959	20,227	10,334	20,598
Increase in provisions		1,102	1,578	1,019	854	-
<b>Cash generated from/(used in) operations</b>		<u>367,686</u>	<u>(112,016)</u>	<u>179,680</u>	<u>106,713</u>	<u>170,149</u>

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**33 (a) FINANCIAL INSTRUMENTS BY CATEGORY (GROUP)**

<b>Financial assets</b>	<b>Loans and receivables TZS' Millions</b>	<b>Held-to- maturity TZS' Millions</b>	<b>Available for sale TZS' Millions</b>	<b>Total TZS' Millions</b>
<b>31 December 2014</b>				
Cash and balances with Bank of Tanzania	807,402	-	-	807,402
Investment securities held-to-maturity	-	736,352	-	736,352
Investment securities available for sale	-	-	774	774
Placement and balances with other banks	140,908	-	-	140,908
Loans and advances to customers	1,986,162	-	-	1,986,162
Equity investments	-	-	1,740	1,740
Other assets (excluding prepayment)*	40,792	-	-	40,792
	<b><u>2,975,264</u></b>	<b><u>736,352</u></b>	<b><u>2,514</u></b>	<b><u>3,714,130</u></b>
<b>31 December 2013</b>				
Cash and balances with Bank of Tanzania	545,308	-	-	545,308
Investment securities held-to-maturity	-	820,744	-	820,744
Placement and balances with other banks	153,377	-	-	153,377
Loans and advances to customers	1,606,357	-	-	1,606,357
Equity investments	-	-	1,740	1,740
Other assets (excluding prepayment)*	34,434	-	-	34,434
	<b><u>2,339,476</u></b>	<b><u>820,744</u></b>	<b><u>1,740</u></b>	<b><u>3,161,860</u></b>
<b>31 December 2012</b>				
Cash and balances with Bank of Tanzania	521,658	-	-	521,658
Investment securities	-	617,347	-	617,347
Placements with other banks	203,062	-	-	203,062
Loans and advances to customers	1,345,932	-	-	1,345,932
Equity investments	-	-	1,200	1,200
Other assets (excluding prepayment)*	14,160	-	-	14,160
	<b><u>2,084,812</u></b>	<b><u>617,347</u></b>	<b><u>1,200</u></b>	<b><u>2,703,359</u></b>
<b>31 December 2011</b>				
Cash and balances with Bank of Tanzania	430,423	-	-	430,423
Investment securities held-to-maturity	-	361,943	-	361,943
Placements with other banks	172,737	-	-	172,737
Loans and advances to customers	1,123,518	-	-	1,123,518
Equity investments	-	-	1,200	1,200
Other assets (excluding prepayment)*	3,999	-	-	3,999
	<b><u>1,730,677</u></b>	<b><u>361,943</u></b>	<b><u>1,200</u></b>	<b><u>2,093,820</u></b>

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**33 (a) FINANCIAL INSTRUMENTS BY CATEGORY (GROUP) (CONTINUED)**

31 December 2010	Loans and receivables TZS' Millions	Held to maturity TZS' Millions	Available for sale TZS' Millions	Total TZS' Millions	
<b>Financial assets</b>					
Cash and balances with Bank of Tanzania	399,227	-	-	399,227	
Government securities held-to-maturity	-	633,964	-	633,964	
Placements with other banks	152,306	-	-	152,306	
Loans and advances to customers	857,785	-	-	857,785	
Equity investments	-	-	600	600	
Other assets excluding prepayment*	4,463	-	-	4,463	
	<b>1,413,781</b>	<b>633,964</b>	<b>600</b>	<b>2,048,345</b>	
<b>Financial liabilities at amortised cost</b>	<b>2014 TZS' Millions</b>	<b>2013 TZS' Millions</b>	<b>2012 TZS' Millions</b>	<b>2011 TZS' Millions</b>	<b>2010 TZS' Millions</b>
Deposits from customers	3,005,585	2,582,625	2,289,979	1,804,699	1,812,647
Deposits from banks	5,244	6,080	72,657	31,970	29,442
Borrowings	204,095	160,886	-	-	-
Other liabilities (excluding non-financial other liabilities)**	90,895	70,242	67,362	42,507	32,417
	<b>3,305,819</b>	<b>2,819,833</b>	<b>2,429,998</b>	<b>1,879,176</b>	<b>1,874,506</b>

\*Prepayments are excluded from other receivables balance, as this analysis is only for financial instruments only.

\*\*Non-financial liabilities are excluded from other liabilities balance, as this analysis is for financial instruments only.

**33 (b) FINANCIAL INSTRUMENTS BY  
CATEGORY (BANK)**

<b>31 December 2014</b>	<b>Loans and receivables TZS' Millions</b>	<b>Held-to- maturity TZS' Millions</b>	<b>Available for sale TZS' Millions</b>	<b>Total TZS' Millions</b>
<b>Financial assets</b>				
Cash and balances with Bank of Tanzania	807,402	-	-	807,402
Investment securities held-to-maturity	-	736,352	-	736,352
Investment securities available for sale	-	-	774	774
Placement and balances with other banks	140,908	-	-	140,908
Loans and advances to customers	2,007,389	-	-	2,007,389
Available for sale investment	-	-	20,600	20,600
Other assets (excluding prepayment)*	34,881	-	-	34,881
	<b>2,990,580</b>	<b>736,352</b>	<b>21,374</b>	<b>3,748,306</b>
<b>31 December 2013</b>				
<b>Financial assets</b>				
Cash and balances with Bank of Tanzania	545,308	-	-	545,308
Investment securities held-to-maturity	-	820,744	-	820,744
Placement and balances with other banks	153,377	-	-	153,377
Loans and advances to customers	1,614,292	-	-	1,614,292
Equity investments	-	-	20,600	20,600
Other assets (excluding prepayment)*	29,580	-	-	29,580
	<b>2,342,557</b>	<b>820,744</b>	<b>20,600</b>	<b>3,183,901</b>

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**33 (b) FINANCIAL INSTRUMENTS BY CATEGORY (BANK) (CONTINUED)**

	<u>Loans and receivables</u> TZS' Millions	<u>Held to maturity</u> TZS' Millions	<u>Available for sale</u> TZS' Millions	<u>Total</u> TZS' Millions	
<b>31 December 2012</b>					
<b>Financial assets</b>					
Cash and balances with Bank of Tanzania	521,658	-	-	521,658	
Investment securities	-	617,347	-	617,347	
Placements with other banks	203,062	-	-	203,062	
Loans and advances to customers	1,345,932	-	-	1,345,932	
Available for sale investment	-	-	14,612	14,612	
Other assets excluding prepayment*	11,625	-	-	11,625	
	<b>2,082,277</b>	<b>617,347</b>	<b>14,612</b>	<b>2,714,236</b>	
<b>31 December 2011</b>					
<b>Financial assets</b>					
Cash and balances with Bank of Tanzania	430,423	-	-	430,423	
Investment securities held-to-maturity	-	361,943	-	361,943	
Placements with other banks	172,737	-	-	172,737	
Loans and advances to customers	1,123,518	-	-	1,123,518	
Available for sale investment	-	-	3,805	3,805	
Other assets excluding prepayment*	3,490	-	-	3,490	
	<b>1,730,168</b>	<b>361,943</b>	<b>3,805</b>	<b>2,095,916</b>	
<b>31 December 2010</b>					
<b>Financial assets</b>					
Cash and balances with Bank of Tanzania	399,227	-	-	399,227	
Government securities held-to-maturity	-	633,964	-	633,964	
Placements with other banks	152,306	-	-	152,306	
Loans and advances to customers	857,785	-	-	857,785	
Equity investments	-	-	2,831	2,831	
Other assets excluding prepayment*	4,223	-	-	4,223	
	<b>1,413,541</b>	<b>633,964</b>	<b>2,831</b>	<b>2,050,336</b>	
<b>Financial liabilities at amortised cost</b>					
	<b>2014 TZS' Millions</b>	<b>2013 TZS' Millions</b>	<b>2012 TZS' Millions</b>	<b>2011 TZS' Millions</b>	<b>2010 TZS' Millions</b>
Deposits from customers	3,006,640	2,582,625	2,289,979	1,804,699	1,812,647
Deposits from banks	5,244	6,080	72,657	31,970	29,442
Borrowings	204,095	160,811	-	-	-
Other liabilities (Excluding non-financial other liabilities)**	92,794	69,172	68,208	42,507	32,417
	<b>3,308,773</b>	<b>2,818,688</b>	<b>2,430,844</b>	<b>1,879,176</b>	<b>1,874,506</b>

\*Prepayments are excluded from other receivables balance, as this analysis is only for financial instruments only.

\*\*Non-financial liabilities are excluded from other liabilities balance, as this analysis is for financial instruments only.

# NATIONAL MICROFINANCE BANK PLC

## HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

#### 34 CONTINGENT LIABILITIES AND COMMITMENTS (GROUP AND BANK)

##### (a) Loan commitments guarantee and other financial facilities

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.

As at year end, the Bank had the contractual amounts of off-balance sheet financial instruments that commit it to extend credit to customers, guarantee and other facilities, as follows:-

	<u>2014</u> <u>TZS'</u>	<u>2013</u> <u>TZS'</u>	<u>2012</u> <u>TZS'</u>	<u>2011</u> <u>TZS'</u>	<u>2010</u> <u>TZS'</u>
	Millions	Millions	Millions	Millions	Millions
Guarantees and Indemnities	10,017	4,468	-	230	154
Undrawn Commitments	113,405	76,490	39,735	47,829	72,168
Acceptances and letters of credit	135,985	73,220	82,951	11,338	553
	<u>259,407</u>	<u>154,178</u>	<u>122,686</u>	<u>59,397</u>	<u>72,875</u>

##### *Acceptances and letters of credit*

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.

##### (b) Legal claims

Various employees have sued the Bank for unfair dismissal. Furthermore, various loan customers are suing the Bank. With an exception of amounts disclosed in Note 28, the amounts claimed in both situations are not material and professional advice indicates that it is unlikely that any significant loss will arise.

##### (c) Capital commitments (BANK)

The expenditure contracted in respect of new branches, branch remodeling, equipment and information technology as at the end of reporting period but not yet incurred is as follows:

	<u>2014</u> <u>TZS'</u>	<u>2013</u> <u>TZS'</u>	<u>2012</u> <u>TZS'</u>	<u>2011</u> <u>TZS'</u>	<u>2010</u> <u>TZS'</u>
	Millions	Millions	Millions	Millions	Millions
Information technology	36,674	28,613	14,952	10,893	8,770
New branches	1,632	5,292	5,800	1,500	4,300
Branch and business centers remodeling	10,418	24,960	23,730	10,980	8,605
Others including equipment, vehicles and furniture	17,372	8,614	10,594	15,373	7,992
	<u>66,096</u>	<u>67,479</u>	<u>55,076</u>	<u>38,746</u>	<u>29,667</u>

The Bank's management is confident that future net revenues and funding will be sufficient to cover this commitment.

# NATIONAL MICROFINANCE BANK PLC

## HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

#### 34 CONTINGENT LIABILITIES AND COMMITMENTS (GROUP AND BANK)

##### (c) Capital commitments (BANK) (continued)

The capital expenditure approved in respect of new branches, branch remodeling, equipment and information technology as at 31 December 2014 but not yet contracted is as follows:

	<u>2014</u> TZS' Millions
Information technology	22,876
New branches	3,400
Branch and business centers remodeling	16,700
Others including equipment, vehicles and furniture	7,376
	<u>50,352</u>

##### (d) Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:-

	<u>2014</u> TZS' Millions	<u>2013</u> TZS' Millions	<u>2012</u> TZS' Millions	<u>2011</u> TZS' Millions	<u>2010</u> TZS' Millions
Not later than 1 year	4,785	8,001	4,754	5,384	451
Later than 1 year and no later than 5 years	15,208	6,046	9,430	10,839	2,496
Later than 5 years	11,627	12,758	6,913	1,313	1,316
<b>Total</b>	<u>31,620</u>	<u>26,805</u>	<u>21,097</u>	<u>17,536</u>	<u>4,263</u>

#### 35 EFFECTIVE INTEREST RATES OF FINANCIAL ASSETS AND LIABILITIES

The effective interest rates for the principal financial assets and liabilities at year end were as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Government securities	14.2%	13.2%	11.71%	5.47%	6.03%
Deposits with banking institutions	2.9%	2.9%	3.68%	5.25%	1.43%
Loans and advances to customers	16.3%	14.5%	16.23%	14.47%	14.60%
Customer deposits	1.0%	0.3%	0.39%	0.38%	0.51%
Deposits from banks	2.6%	2.6%	2.94%	2.15%	1.68%

#### 36 RELATED PARTY TRANSACTIONS (GROUP AND BANK)

A number of banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions.

The volumes of related party transactions, outstanding balances at year end, and relating expense and income for the year are as follows:

**NATIONAL MICROFINANCE BANK PLC**

**HISTORICAL FINANCIAL INFORMATION**

**FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**36 RELATED PARTY TRANSACTIONS (GROUP AND BANK) CONTINUED**

*(a) Loans and advances to related parties*

At year end, there were no loans issued to companies controlled by the Directors or their families. Advances to customers at year end include loans to key management personnel as follows:

<b>Key management personnel</b>	<b><u>2014</u> TZS' Millions</b>	<b><u>2013</u> TZS' Millions</b>	<b><u>2012</u> TZS' Millions</b>	<b><u>2011</u> TZS' Millions</b>	<b><u>2010</u> TZS' Millions</b>
At start of year	1,085	830	580	251	176
Advanced during the year	370	320	342	371	178
Repaid during the year	<u>(263)</u>	<u>(65)</u>	<u>(92)</u>	<u>(42)</u>	<u>(103)</u>
At end of year	<u>1,192</u>	<u>1,085</u>	<u>830</u>	<u>580</u>	<u>251</u>
Interest income earned	<u>101</u>	<u>52</u>	<u>48</u>	<u>46</u>	<u>13</u>
<b>Related companies - subsidiaries</b>	<b><u>2014</u> TZS' Millions</b>	<b><u>2013</u> TZS' Millions</b>	<b><u>2012</u> TZS' Millions</b>	<b><u>2011</u> TZS' Millions</b>	<b><u>2010</u> TZS' Millions</b>
At start of year	7,935	-	-	-	-
Advanced during the year	13,393	7,935	-	-	-
Repaid during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	<u>21,328</u>	<u>7,935</u>	<u>-</u>	<u>-</u>	<u>-</u>
Interest income earned	<u>399</u>	<u>114</u>	<u>-</u>	<u>-</u>	<u>-</u>

No provisions have been recognized in respect of loans given to related parties (2013, 2012, 2011 and 2010: Nil). Mortgage loans issued to key management were secured and the rest were unsecured. These loans carry off- market interest rates ranging between 5% and 9% and are repayable on demand.

Loans and advances to related companies consist of the loan provided to Upanga Joint Venture Company Limited, a subsidiary of the Bank. The loan was neither past due nor impaired.

*(b) Deposits from related parties*

<b>Directors and key management personnel</b>	<b><u>2014</u> TZS' Millions</b>	<b><u>2013</u> TZS' Millions</b>	<b><u>2012</u> TZS' Millions</b>	<b><u>2011</u> TZS' Millions</b>	<b><u>2010</u> TZS' Millions</b>
Deposits at the beginning of the year	10	23	22	12	16
Deposits received during the year	1,491	830	865	1,208	196
Deposits repaid during the year	<u>(1,196)</u>	<u>(843)</u>	<u>(864)</u>	<u>(1,198)</u>	<u>(200)</u>
Deposits as at the end of the year	<u>305</u>	<u>10</u>	<u>23</u>	<u>22</u>	<u>12</u>
Interest expense	<u>5</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# NATIONAL MICROFINANCE BANK PLC

## HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

#### 36 RELATED PARTY TRANSACTIONS (GROUP AND BANK) - CONTINUED

	<u>2014</u> <u>TZS'</u> Millions	<u>2013</u> <u>TZS'</u> Millions	<u>2012</u> <u>TZS'</u> Millions	<u>2011</u> <u>TZS'</u> Millions	<u>2010</u> <u>TZS'</u> Millions
<i>(b) Deposits from related parties (continued)</i>					
<b>Related Companies - subsidiaries</b>					
Deposits at the beginning of the year	7,503	52,063	4,796	2,722	18
Deposits received during the year	27,757	932,110	226,243	134,167	694
Deposits repaid during the year	<u>(30,543)</u>	<u>(976,670)</u>	<u>(178,976)</u>	<u>(132,093)</u>	<u>(683)</u>
Deposits as at the end of the year	<u>4,717</u>	<u>7,503</u>	<u>52,063</u>	<u>4,796</u>	<u>29</u>
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The above deposits are unsecured, carry variable interest rate and are repayable on demand. Related companies included in this disclosure are Upanga Joint Venture Company Limited and Ohio Street Properties Limited.

#### *(c) Key management compensation*

Salaries and other short-term benefits	1,370	1,016	919	599	514
Post-employment benefits – defined contribution plan	<u>206</u>	<u>152</u>	<u>138</u>	<u>90</u>	<u>77</u>
	<u>1,576</u>	<u>1,168</u>	<u>1,057</u>	<u>689</u>	<u>591</u>

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. The compensation made to expatriates from Rabobank are included in the management service contract highlighted in part (d) below and therefore excluded in the above benefits.

#### *(d) Transactions and balances with Rabobank*

For all years presented, Rabobank owns a 34.9% stake in the equity of the Bank and has significant influence. Details of transactions and outstanding balances with Rabobank are shown below.

	<u>2014</u> <u>TZS'</u> Millions	<u>2013</u> <u>TZS'</u> Millions	<u>2012</u> <u>TZS'</u> Millions	<u>2011</u> <u>TZS'</u> Millions	<u>2010</u> <u>TZS'</u> Millions
Management fees charge for the year	4,170	2,838	4,468	3,585	2,681
Management fees outstanding at year end	1,366	1,424	1,477	702	2,427
Deposit/placements with Rabobank at year end	29,697	17,202	8,337	3,868	4,586
Deposit/placements by Rabobank at year end	-	-	-	17,413	-
Expenses paid on behalf of Rabobank expatriates	81	600	327	107	125



## NATIONAL MICROFINANCE BANK PLC

### HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

#### 36 RELATED PARTY TRANSACTIONS (GROUP AND BANK) CONTINUED

##### *(e) Transactions and balances with Government of Tanzania*

For all years presented, the Government of Tanzania owns a 31.8% stake in the equity of the Bank and has significant influence. Details of transactions and outstanding balances with the Government of Tanzania are shown below.

	<u>2014</u> <u>TZS'</u> Millions	<u>2013</u> <u>TZS'</u> Millions	<u>2012</u> <u>TZS'</u> Millions	<u>2011</u> <u>TZS'</u> Millions	<u>2010</u> <u>TZS'</u> Millions
Investments in government securities – year end	737,126	820,744	617,347	361,943	633,964
Interest income from government securities	110,629	104,591	69,419	30,967	34,943

The Bank also accepts deposits from various Government institutions and agencies which do not attract interest.

##### *(f) Directors' remuneration*

	<u>2014</u> <u>TZS'</u> Millions	<u>2013</u> <u>TZS'</u> Millions	<u>2012</u> <u>TZS'</u> Millions	<u>2011</u> <u>TZS'</u> Millions	<u>2010</u> <u>TZS'</u> Millions
Fees and other emoluments	291	213	321	280	319
Interest income from government securities	110,629	104,591	69,419	30,967	34,943

#### 37 EVENTS AFTER THE REPORTING PERIOD

There are no events after 31 December 2014 that have a material impact on the consolidated and Bank financial information.

## **PRO FORMA FINANCIAL INFORMATION**



The Directors  
National Microfinance Bank Plc  
PO Box 9213  
Dar es Salaam  
Tanzania

20 April 2016

## **INDEPENDENT ASSURANCE REPORT ON PRO FORMA FINANCIAL INFORMATION**

### **Report on the compilation of pro forma financial information included in a prospectus**

We have completed our assurance engagement to report on the compilation of the pro forma financial information of the National Microfinance Bank Plc by management. The pro forma financial information consists of the pro forma statement of financial position as at 31 December 2014, the pro forma statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and related notes as set out on pages 111 to 116. The applicable criteria on the basis of which management has compiled the pro forma financial information are described in Note 1 of the pro forma financial information.

The pro forma financial information has been compiled by management to illustrate the impact of the Corporate Bond issue explained in Note 1 of the pro forma financial information, on the financial position of the National Microfinance Bank Plc as at 31 December 2014, and its financial performance and cash flows for the year ended 31 December 2014 as if the transaction had taken place in November 2014. As part of this process, information about the National Microfinance Bank Plc financial position, financial performance and cash flows has been extracted by management from the National Microfinance Bank Plc audited and published financial statements for the year ended 31 December 2014.

#### *Management's responsibility for the pro forma financial information*

Management is responsible for compiling the pro forma financial information on the basis of the criteria described in Note 1 of the pro forma financial information.

#### *Practitioner's responsibilities*

Our responsibility is to express an opinion as required by the Capital Markets and Securities Authority about whether the pro forma financial information has been compiled, in all material respects, by management on the basis of the criteria described in Note 1 of the pro forma financial information.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance engagements to report on the compilation of pro forma financial information included in a prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the pro forma financial information on the basis of the criteria described in Note 1 of the pro forma financial information.

## **INDEPENDENT ASSURANCE REPORT ON PRO FORMA FINANCIAL INFORMATION (CONTINUED)**

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction in November 2014 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the criteria described in Note 1 of the pro forma financial information involves performing procedures to assess whether the criteria used by management in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the entity, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

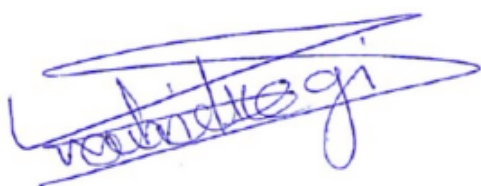
We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Opinion*

In our opinion, the pro forma financial information has been compiled, in all material respects, on the basis of the criteria described in Note 1 of the pro forma financial information.

### **Consent for inclusion in the information memorandum issued by the National Microfinance Bank Plc**

We hereby consent to the inclusion of our name and our report in the Information Memorandum for the National Microfinance Bank Plc 2016 Corporate Bond issue.



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Patrick Kiambi, ACPA

**For and on behalf of PricewaterhouseCoopers**  
Certified Public Accountants  
Dar es Salaam

**NATIONAL MICROFINANCE BANK PLC**

**PRO FORMA FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**BANK'S STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Unadjusted 2014 TZS million	Pro forma adjustments 2014 TZS million	Pro forma 2014 TZS million	Unadjusted 2013 TZS million
Interest and similar income	417,603	1,328	418,931	355,686
Interest expense and similar charges	(39,264)	(994)	(40,258)	(25,893)
<b>Net Interest income</b>	<b>378,339</b>	<b>334</b>	<b>378,673</b>	<b>329,793</b>
Impairment charge on loans and advances	(16,589)	-	(16,589)	(23,766)
<b>Net interest income after impairment charge</b>	<b>361,750</b>	<b>334</b>	<b>362,084</b>	<b>306,027</b>
Fee and commission income	117,149	131	117,280	98,378
Fee and commission expense	(7,369)	-	(7,369)	(6,000)
<b>Net fee and commission income</b>	<b>109,780</b>	<b>131</b>	<b>109,911</b>	<b>92,378</b>
<b>Total operating income</b>	<b>471,530</b>	<b>465</b>	<b>471,995</b>	<b>398,405</b>
Foreign exchange income	17,620	-	17,620	8,378
Other income	9,250	-	9,250	6,646
Employee benefit expenses	(116,693)	-	(116,693)	(99,675)
General and administrative expenses	(137,592)	(23)	(137,615)	(108,053)
Depreciation and amortization	(19,456)	-	(19,456)	(17,570)
<b>Profit before income tax</b>	<b>224,659</b>	<b>442</b>	<b>225,101</b>	<b>188,131</b>
Income tax expense	(69,036)	(133)	(69,169)	(54,225)
<b>Profit for the year</b>	<b>155,623</b>	<b>309</b>	<b>155,932</b>	<b>133,906</b>
<b>Other comprehensive income, net of tax</b>				
Items that may be subsequent reclassified to profit or loss:				
Loss on revaluation of available for sale government securities	(68)	-	(68)	-
<b>Total comprehensive income for the year</b>	<b>155,555</b>	<b>309</b>	<b>155,864</b>	<b>133,906</b>
Basic and diluted earnings per share (TZS)	311.11	0.62	311.73	267.81

**NATIONAL MICROFINANCE BANK PLC**

**PRO FORMA FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**BANK'S STATEMENT OF FINANCIAL POSITION**

	<b>Unadjusted 2014 TZS million</b>	<b>Pro forma adjustments 2014 TZS million</b>	<b>Pro forma 2014 TZS million</b>	<b>Unadjusted 2013 TZS million</b>
<b>Assets</b>				
Cash and balances with Bank of Tanzania	807,402	(681)	806,721	545,308
Placements and balances with other Banks	140,908	-	140,908	153,377
Loans and advances to customers	2,007,389	35,000	2,042,389	1,614,292
<i>Investment securities:</i>				
- Held to Maturity	736,352	15,270	751,622	820,744
- Available for Sale	774	-	774	-
Equity investments	20,600	-	20,600	20,600
Other assets	49,319	658	49,977	40,894
Property and equipment	85,847	-	85,847	59,110
Intangible assets	4,437	-	4,437	708
Current income tax	3,865	(133)	3,732	2,313
Deferred income tax	25,102	-	25,102	22,840
<b>Total assets</b>	<b>3,881,995</b>	<b>50,114</b>	<b>3,932,109</b>	<b>3,280,186</b>
<b>Liabilities</b>				
Deposits due to banks	5,244	-	5,244	6,080
Deposits due to customers	3,006,640	(1,583)	3,005,057	2,582,625
Other liabilities	94,243	394	94,637	70,554
Provisions	4,552	-	4,552	3,450
Subordinated debt	-	50,994	50,994	-
Borrowings	204,095	-	204,095	160,811
<b>Total liabilities</b>	<b>3,314,774</b>	<b>49,805</b>	<b>3,364,579</b>	<b>2,823,520</b>
<b>Capital and reserves</b>				
Share capital	20,000	-	20,000	20,000
Retained earnings	547,289	309	547,598	436,666
Fair value reserve	(68)	-	(68)	-
Capital and reserves attributable to owners of the parent	<b>567,221</b>	<b>309</b>	<b>567,530</b>	<b>456,666</b>
<b>Total liabilities and equity</b>	<b>3,881,995</b>	<b>50,114</b>	<b>3,932,109</b>	<b>3,280,186</b>

**NATIONAL MICROFINANCE BANK PLC**  
**PRO FORMA FINANCIAL INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**  
**BANK'S STATEMENT OF CHANGES IN EQUITY**

	Share capital TZS' Millions	Retained earnings TZS' Millions	Regulatory reserve TZS' Millions	Fair valuation reserve TZS' Millions	Total TZS' Millions
<b>Unadjusted</b>					
<b>At 1 January 2014</b>	20,000	436,666	-	-	456,666
Profit for the year	-	155,623	-	-	155,623
<b>Comprehensive income</b>					
Fair value loss on available for sale securities	-	-	-	(68)	(68)
<b>Transactions with owners</b>					
Dividends paid - Final 2013	-	(45,000)	-	-	(45,000)
<b>At 31 December 2014</b>	<b>20,000</b>	<b>547,289</b>	<b>-</b>	<b>(68)</b>	<b>567,221</b>
<b>Pro forma adjustments</b>					
Profit for the year	-	309	-	-	309
<b>At 31 December 2014 (Adjusted)</b>	<b>20,000</b>	<b>547,598</b>	<b>-</b>	<b>(68)</b>	<b>567,530</b>
<b>Unadjusted</b>					
<b>At 1 January 2013</b>	20,000	336,760	-	-	356,760
Profit for the year	-	133,906	-	-	133,906
<b>Transactions with owners</b>					
Dividends paid - final 2012	-	(34,000)	-	-	(34,000)
	<b>20,000</b>	<b>436,666</b>	<b>-</b>	<b>-</b>	<b>456,666</b>

**NATIONAL MICROFINANCE BANK PLC**

**PRO FORMA FINANCIAL INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2014**

**BANK'S STATEMENT OF CASH FLOWS**

	Unadjusted 2014 TZS Millions	Pro forma adjustments 2014 TZS Millions	Pro forma 2014 TZS Millions	Unadjusted 2013 TZS Millions
<b>Profit before tax</b>	224,659	442	225,101	188,131
Adjustment for:				
Depreciation and amortisation	19,456	-	19,456	17,570
Interest expense on borrowings	10,455	994	11,449	1,076
Gains on disposal of property and equipment	(325)	-	(325)	(79)
	<u>254,245</u>	<u>1,436</u>	<u>255,681</u>	<u>206,696</u>
<b>Movement in working capital:</b>				
Increase in Statutory Minimum Reserve	(16,557)	-	(16,557)	(55,178)
Decrease/(increase) in held-to-maturity securities	84,392	(15,270)	69,122	(203,397)
Increase in available for sale securities	(842)	-	(842)	-
Increase in loans and advances to customers	(393,097)	(35,000)	(428,097)	(268,360)
Increase in other assets	(8,425)	(658)	(9,083)	(21,385)
Increase/(decrease) in deposits from customers	424,015	(1,583)	422,432	292,646
Decrease in loans received from other banks	(836)	-	(836)	(66,577)
Increase in other liabilities	23,689	394	24,083	1,959
Increase in provisions	1,102	-	1,102	1,578
Cash generated from/(used in) operations	<u>367,686</u>	<u>(50,681)</u>	<u>317,005</u>	<u>(112,016)</u>
Tax paid	<u>(72,850)</u>	<u>-</u>	<u>(72,850)</u>	<u>(67,431)</u>
Net cash generated from/(used in) operations	<u>294,836</u>	<u>(50,681)</u>	<u>244,155</u>	<u>(179,447)</u>
<b>Cash flow from investing activities</b>				
Purchase of property and equipment	(49,623)	-	(49,623)	(21,501)
Purchase of intangible assets	(311)	-	(311)	(238)
Proceeds from sale of property and equipment	337	-	337	226
Acquisition of shares in other companies	-	-	-	(5,988)
Net cash used in investing activities	<u>(49,597)</u>	<u>-</u>	<u>(49,597)</u>	<u>(27,501)</u>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	41,335	-	41,335	159,737
Interest paid on borrowings and bond	(8,506)	-	(8,506)	(2)
Proceeds from issuance of corporate bond	-	50,000	50,000	-
Dividends paid	<u>(45,000)</u>	<u>-</u>	<u>(45,000)</u>	<u>(34,000)</u>
Net cash (used in)/generated from financing activities	<u>(12,171)</u>	<u>50,000</u>	<u>37,829</u>	<u>125,735</u>
Increase/(decrease) in cash and cash equivalents	233,068	(681)	232,387	(81,213)
Cash and cash equivalents at beginning of the year	388,930	-	388,930	470,143
<b>Cash and cash equivalents end of the year</b>	<u><b>621,998</b></u>	<u><b>(681)</b></u>	<u><b>621,317</b></u>	<u><b>388,930</b></u>
<b>Comprising:</b>				
Cash in hand	207,987	-	207,987	218,133
Balances with Bank of Tanzania	273,103	(681)	272,422	17,420
Deposits and balances due from banks	140,908	-	140,908	153,377
	<u><b>621,998</b></u>	<u><b>(681)</b></u>	<u><b>621,317</b></u>	<u><b>388,930</b></u>



## **NATIONAL MICROFINANCE BANK PLC**

### **PRO FORMA FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2014**

#### **NOTES**

##### **1. Basis of preparation**

The National Microfinance Bank Plc intends to launch a Corporate Bond in 2016. The proceeds of the Corporate Bond issue are expected to be received in June 2016. The Corporate Bond which will have NO options for conversion from debt to equity is expected to qualify as subordinated debt in line with the requirements of the Banking and Financial Institutions Act of Tanzania and the Banking and Financial Institutions Regulations of Tanzania. The effective annual interest rate for the Bond will be 1% above the 182 days treasury bills rate.

The pro forma financial information has been prepared to illustrate the effect of the Corporate Bond as if the proceeds from the issue were received in November 2014.

The pro forma financial information has been prepared in accordance with International Financial Reporting Standards (IFRS), the basis on which National Microfinance Bank Plc prepares its annual published financial statements. The significant accounting policies are set out on pages 14 to 28 of this Reporting Accountant's report.

The pro forma financial information has only been prepared for National Microfinance Bank Plc as a standalone entity. It does not include the effects of the subsidiary entities, Upanga Joint Venture Company Limited and Ohio Street Properties Limited.

The unadjusted financial information has been extracted from the annual audited and published financial statements of the National Microfinance Bank Plc for the year ended 31 December 2014.

The pro forma financial information has been compiled for illustrative purposes only. Because of its nature, it does not represent the entity's actual financial position, financial performance, or cash flows.

**NATIONAL MICROFINANCE BANK PLC**  
**PRO FORMA FINANCIAL INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**NOTES (CONTINUED)**

**2. Explanation of pro forma adjustments**

<b>Statement of profit or loss and other comprehensive income</b>	<b>TZS million</b>	<b>Explanation</b>
Interest and similar income	1,328	Interest income from additional loans and advances and investment securities
Interest expense and similar charges	(994)	Interest expense for the Corporate Bond
Fee and commission income	131	Loan commitment fees from additional loans and advances to customers.
General and administrative expenses	(23)	Expenses for issuance of Corporate Bond amortised over the life of the bond
<b>Profit before income tax</b>	<u>442</u>	
Income tax expense	(133)	Income tax on incremental profit
<b>Profit for the year</b>	<u>309</u>	
<b>Statement of financial position</b>		
<b>Assets</b>		
Cash and balances with Bank of Tanzania	(681)	Cash paid to cover issuance cost
Loans and advances to customers	35,000	Disbursement of loans from the proceeds of the Corporate Bond
Held to maturity investment securities	15,270	Investment of the balance from the proceeds of the Corporate Bond
Other assets	658	Unamortised portion of the Corporate Bond issuance costs
Current income tax	(133)	Income tax on incremental profit
<b>Total of adjustments to assets</b>	<u><b>50,114</b></u>	
<b>Liabilities and equity</b>		
Deposits due to customers	(1,583)	Settling of lending fees and interest income for incremental lending
Other liabilities	394	Deferred lending fees from additional loans and advances
Deferred facility fees		
Subordinated debt	50,994	Proceeds of the Corporate Bond issue and interest accrued thereon
Retained earnings	309	Incremental profit for the year
<b>Total of adjustments to liabilities and equity</b>	<u><b>50,114</b></u>	

## KEY FINANCIAL RATIOS



The Directors  
National Microfinance Bank Plc  
PO Box 2913  
Dar es Salaam  
Tanzania

20 April 2016

## **INDEPENDENT REASONABLE ASSURANCE REPORT ON KEY FINANCIAL RATIOS**

We have completed our assurance engagement to report on the accompanying historical key financial ratios of the National Microfinance Bank Plc as at 31 December 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010, and for the respective years then ended.

They key historical financial ratios are set out on pages 120 to 141.

### *Management's Responsibilities*

Management is responsible for the preparation and presentation of the historical key financial ratios in accordance with the basis of preparation described in Notes to the key financial ratios set out on pages 122 to 141.

### *Practitioner's Responsibilities*

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance engagements other than audits or reviews of historical financial information.

### *Our Independence and Quality Control*

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## **INDEPENDENT REASONABLE ASSURANCE REPORT ON KEY FINANCIAL RATIOS (CONTINUED)**

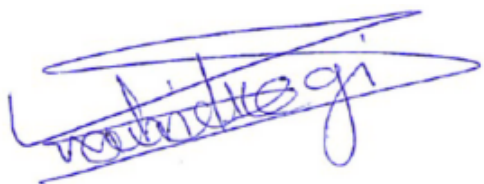
### *Conclusion*

In our opinion the accompanying key financial ratios of the National Microfinance Bank Plc have been prepared in all material respects, based on the criteria described in the Notes to the key financial ratios.

This key financial ratio information has been prepared for inclusion in a prospectus for a Corporate Bond issue, and may, therefore, not be appropriate for another purpose.

### **Consent for inclusion in the information memorandum issued by the National Microfinance Bank Plc**

We hereby consent to the inclusion of our name and our report in the Information Memorandum for the National Microfinance Bank Plc 2016 Corporate Bond issue.



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Patrick Kiambi, ACPA

**For and on behalf of PricewaterhouseCoopers**  
Certified Public Accountants  
Dar es Salaam

**NATIONAL MICROFINANCE BANK PLC**

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**BASED ON CAPITAL MARKETS AND SECURITIES AUTHORITY (CMSA) GUIDELINES**

	<u>Note</u>	<u>Actual</u> <u>2010</u> <u>Group</u>	<u>Actual</u> <u>2011</u> <u>Group</u>	<u>Actual</u> <u>2012</u> <u>Group</u>	<u>Actual</u> <u>2013</u> <u>Group</u>	<u>Actual</u> <u>2014</u> <u>Group</u>
Earnings before interest and taxes (EBIT) Interest cover	F	N/A	N/A	N/A	176	22
Operating cash flow to total debt percentage	G	N/A	N/A	N/A	(218%)	168%
Free cash flow to total debt percentage	H	N/A	N/A	N/A	(262%)	134%
Total free cash flow to total short term debt obligations	I	N/A	N/A	N/A	1,596%	1,428%
Net profit margin	J	25%	26%	25%	28%	28%
Post tax return before financing costs on capital employed	K	25%	28%	30%	27%	23%
Long term debt to capital employed ratio	L	N/A	N/A	N/A	16%	26%
Total debt to equity ratio	M	N/A	N/A	N/A	19%	35%
Funds from operations to total debt percentage	N	N/A	N/A	N/A	(218%)	168%
Free cash flow to debt repayment cover	O	N/A	N/A	N/A	(196)	23

# **NATIONAL MICROFINANCE BANK PLC**

## **KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

### **BASED ON BANK OF TANZANIA (BOT) REQUIREMENTS**

	<b>Note</b>	<b>Actual 2010 Group</b>	<b>Actual 2011 Group</b>	<b>Actual 2012 Group</b>	<b>Actual 2013 Group</b>	<b>Actual 2014 Group</b>
Shareholder's funds to total assets	P	11%	13%	13%	14%	15%
Non-performing loans to total gross loans	Q	2%	1%	2%	3%	3%
Loan to deposit ratio	R	48%	63%	60%	64%	67%
Earnings assets to total assets	S	78%	76%	77%	79%	74%
Deposit growth	T	24%	(0.4%)	27%	13%	17%
Asset growth	U	26%	3%	29%	17%	18%
Return on average total assets	V	3%	3%	4%	4%	4%
Return on average shareholder's funds	W	25%	28%	30%	32%	30%
Non-interest expense to gross income	X	57%	56%	53%	49%	50%
Net interest income to average earning assets	Y	9%	11%	15%	14%	14%
Regulatory capital (Tier 1 and Tier 2)	Z					
- Tier 1 capital		23	22	21	22	21
- Tier 2 capital		23	22	22	23	22

## NATIONAL MICROFINANCE BANK PLC

### KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

#### NOTES

##### A. SOURCE OF FINANCIAL INFORMATION USED FOR COMPUTATION OF RATIOS

The financial information used for computing the historical ratios has been extracted from the annual audited and published financial statements of the National Microfinance Bank Plc.

##### B. BASIS FOR COMPUTATION OF RATIOS BASED ON CMSA REQUIREMENTS

###### 1. Earnings before interest and taxes (EBIT) interest cover

EBIT interest cover =  $\text{EBIT for the period} / (\text{interest payable for the period} + \text{any preference dividend payable for the period})$

###### 2. Operating cash flow to total debt percentage

Operating cash flow to total debt ratio =  $(\text{funds generated from operations in the period} / \text{average total debt during the period}) \times 100\%$

###### 3. Free Cash flow to total debt percentage

Free cash flow to total debt =  $(\text{free cash flows for the period} / \text{average total debt during the period}) \times 100\%$

###### 4. Total free cash flow to total short term debt obligations

Total free cash flow to total short-term debt obligation =  $(\text{total uncommitted cash flows for the period} / \text{total short-term debt obligations at the end of the period}) \times 100\%$

###### 5. Net profit margin

Net profit margin =  $(\text{net profit for the period} / \text{total sales for the period}) \times 100\%$

###### 6. Post-tax return (before financing costs) on capital employed

Post-tax return (before financing costs) =  $(\text{profit after tax but before financing costs for the period} / \text{average capital employed for the period}) \times 100\%$

###### 7. Long-term debt to capital employed ratio

Long-term debt to capital employed ratio =  $(\text{average long-term debt outstanding during the period} / \text{average equity} + \text{average long-term debt for the period})$

###### 8. Total debt to equity ratio

Total debt to equity ratio =  $(\text{average short-term debt outstanding} + \text{average long term debt outstanding during the period}) / \text{average equity for the period}$

###### 9. Funds from operations to debt percentage

Funds from operations to debt =  $(\text{funds generated from operations in the period} / \text{average total debt during the period}) \times 100\%$

###### 10. Free cash flow to debt repayment cover

Free cash flow to debt repayment cover =  $(\text{free cash flow for the period}) / (\text{interest payable} + \text{preference dividend} + \text{principal repaid during the period})$



## NATIONAL MICROFINANCE BANK PLC

### KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

#### NOTES (CONTINUED)

#### C. EXPLANATION OF COMPONENTS OF THE RATIOS BASED ON CMSA REQUIREMENTS

1. Average over the period is defined as the average of the opening and closing balances for that period.
2. Earnings Before Interest and Tax (EBIT) is after interest earned and income from investments during the period.
3. Interest payable for the period is defined as interest payable on all long-term and short-term debts for the period (i.e. interest paid and accrued).
4. Free cash flow is defined as operating cash flow for the period less income tax paid and net capital investment.
5. Total uncommitted cash flow is defined as free cash flow for the period plus any cash and cash equivalents at the end of the period.
6. Cash equivalents are defined as highly liquid assets, convertible into known amounts of cash without notice and have insignificant risk of changes in value owing to changes in interest rates. A reasonable cut-off for cash equivalents is represented by a three-month (or less) maturity from date of acquisition.
7. Total sales turnover for the period represents the total gross sales net of indirect taxes such as Valued Added Tax (VAT).
8. Profit after tax for the period is stated after exceptional items but before extraordinary items and interest payable.
9. Net profit is defined as the net profit for the period after the tax, extraordinary and exceptional items, and after charging depreciation on the gross carrying value of the fixed assets.
10. Capital employed is defined as shareholders' interest + minority interest + non-equity shares at liquidation value + long-term debt. Shareholders' interest is made-up of paid-up capital and all reserves (i.e. revenue and capital reserves including revaluation reserves).
11. Equity (net worth) represents the worth of the company after all obligations are met. Thus it may be defined as paid-up share capital plus all reserves (i.e. revenue and capital reserves, including revaluation reserves).
12. Total indebtedness represents both long-term debt and short-term debt. Long-term debts are any amounts outstanding on commitments that are repayable after more than one year. Short-term debt obligations at the end of the period are defined as:
  - Bank loans and overdrafts,
  - Current portions of long-term liabilities,
  - Other payables, but excluding accounts and notes payable (trade), taxes on income, dividends payable and other payables and accrued expenses which are of a non-financing nature.

## NATIONAL MICROFINANCE BANK PLC

### KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

#### NOTES (CONTINUED)

#### D. BASIS FOR COMPUTATION OF RATIOS BASED ON BOT REQUIREMENTS

**1. Shareholders' fund to total assets percentage**

Shareholders' fund =  $(\text{Total equity} / \text{total assets}) \times 100\%$

**2. Non-performing loans to total gross loans percentage**

Non-performing loans to gross loans percentage =  $(\text{Non-performing loan} / \text{Gross loans and advances to customers}) \times 100\%$

**3. Loan to deposit percentage**

Loan to deposit percentage =  $(\text{Gross loans and advances to customers} / \text{deposits from customers}) \times 100\%$

**4. Earning assets to total assets percentage**

Earning assets to total assets percentage =  $(\text{Earning assets} / \text{Total assets}) \times 100\%$

**5. Deposit growth percentage**

Deposit growth percentage =  $(\text{Deposits from customers at the end of the year} - \text{Deposits from customers at the start of the year}) \times 100\% / (\text{Deposits from customers at the start of the year})$

**6. Assets growth**

Asset growth percentage =  $(\text{Total assets at the end of the year} - \text{Total assets at the start of the year}) \times 100\% / (\text{Total assets at the start of the year})$

**7. Return on average total assets**

Return on average total assets ratio =  $(\text{Profit after tax} / \text{Average total assets}) \times 100\%$

**8. Return on average shareholders' fund**

Return on average shareholders' fund =  $(\text{Profit after tax} / \text{Average shareholders fund}) \times 100\%$

**9. Non-interest expenses to gross income**

Non-interest expense to gross income ratio =  $(\text{Non-interest expenses} / \text{Gross income}) \times 100\%$

**10. Net interest income to average earning assets**

Net interest income to average earning assets =  $(\text{Interest and similar income} - \text{Interest and similar expense}) \times 100\% / (\text{average earning assets})$

**11. Tier 1 capital**

Tier 1 capital =  $(\text{Total qualifying tier 1 capital} / \text{Total risk weighted assets}) \times 100\%$

**12. Tier 2 capital**

Tier 2 capital =  $(\text{Total qualifying tier 2 capital} / \text{Total risk weighted assets}) \times 100\%$

## **NATIONAL MICROFINANCE BANK PLC**

### **KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

#### **NOTES (CONTINUED)**

#### **E. EXPLANATION OF COMPONENTS OF THE RATIOS BASED ON BOT REQUIREMENTS**

1. Average over the period is defined as the average of the opening and closing balances for that period.
2. Total equity/Shareholders' fund is defined as ordinary shareholders' capital, accumulated retained earnings and reserves attributable to the shareholders of the Bank.
3. Non-performing loans means any credit accommodation for which contractual repayment is ninety days or more past due or is classified as substandard, doubtful or loss and is placed on a non-accrual basis.
4. Gross loans and advances to customers is the principal amount of outstanding loan and overdraft advances to customers and interest income accrued thereon before consideration of impairment provision.
5. Earning assets are defined as assets held by the Group and/or Bank for which interest is earned. This includes placement and balances with other banks, investment in held-to-maturity government securities, investment in available for sale securities and loans and advances to customers.
6. Non-interest expenses consist of employees benefit expenses, general and administration expenses, depreciation and amortization expenses and fees and commission expenses.
7. Profit after tax for the period is stated after exceptional items but before extraordinary items and interest payable.
8. Net profit is defined as the net profit for the period after the tax, extraordinary and exceptional items, and after charging depreciation on the gross carrying value of the fixed assets.
9. Core capital or Tier 1 capital means permanent shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year-to-date losses, goodwill organization, pre-operating expenses, prepaid expenses, deferred charges, leasehold rights and any other intangible assets.
10. Supplementary capital or Tier 2 capital means general provisions which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialize, subordinated debts, cumulative and redeemable preferred stocks, and any other form of capital as may be determined and announced from time to time by the Bank of Tanzania.
11. Total risk weighted assets and off-balance sheet exposures means total assets and off-balance sheet exposures adjusted in relation to the risks of the different categories of assets and off-balance sheet exposures using risk adjustment factors prescribed by the Bank of Tanzania.
12. Off balance sheet exposure means all items not shown on the statement of financial position but which constitute credit risk or other risks as determined by the Bank of Tanzania; and such items include guarantees, acceptances, performance bonds, letters of credit, interest and exchange rate related items, and other off balance sheet items deemed by the Bank of Tanzania to constitute risks.

NATIONAL MICROFINANCE BANK PLC

KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

NOTES (CONTINUED)

F EARNINGS BEFORE INTEREST AND TAXES (EBIT) INTEREST COVER

Earnings before interest and tax

Profit before income tax (TZS Millions)

Interest expense on borrowings (TZS Millions)

Earnings before interest and tax (TZS Millions)

Interest expense

Interest expense on borrowings (TZS Millions)

Preference dividends (TZS Millions)

Interest expense (TZS Millions)

EBIT interest cover

	Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
Earnings before interest and tax	78,072	102,736	144,662	187,863	223,548
Profit before income tax (TZS Millions)	-	-	-	1,076	10,455
Interest expense on borrowings (TZS Millions)					
Earnings before interest and tax (TZS Millions)	78,072	102,736	144,662	188,939	234,003
Interest expense					
Interest expense on borrowings (TZS Millions)	-	-	-	1,076	10,455
Preference dividends (TZS Millions)	-	-	-	-	-
Interest expense (TZS Millions)	-	-	-	1,076	10,455
EBIT interest cover	N/A	N/A	N/A	176	22

**NATIONAL MICROFINANCE BANK PLC**

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**G OPERATING CASH FLOW TO TOTAL DEBT PERCENTAGE**

Net cash generated from / (used in) operations (TZS Millions)

Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
139,988	72,761	126,111	(174,957)	306,754

**Average total debt**

Borrowings at start of year (TZS Millions)

Borrowings at end of year (TZS Millions)

-	-	-	-	160,811
-	-	-	160,811	204,095

Simple average total debt (TZS Millions)

-	-	-	80,406	182,453
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**Operating cash flow to total debt percentage**

N/A	N/A	N/A	(223%)	162%
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**NATIONAL MICROFINANCE BANK PLC**

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**H FREE CASH FLOW TO TOTAL DEBT PERCENTAGE**

**Free cash flows**

Cash generated from / (used in) operations (TZS Millions)  
Income tax paid (TZS Millions)  
Cash used in purchase of property and equipment (TZS Millions)  
Cash used in purchase of intangible assets (TZS Millions)  
Cash used in acquisition of shares in other companies (TZS Millions)

	Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
	167,918	107,269	175,734	(107,526)	379,604
	(27,930)	(34,508)	(49,623)	(67,431)	(72,850)
	(24,664)	(22,300)	(33,739)	(34,685)	(61,541)
	(812)	(522)	(82)	(238)	(311)
	(600)	(600)	-	(540)	-

Free cash flow (TZS Millions)

113,912	49,339	92,290	(210,420)	244,902
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**Average total debt**

Borrowings at start of year (TZS Millions)  
Borrowings at end of year (TZS Millions)

-	-	-	-	160,811
-	-	-	160,811	204,095

Simple average total debt (TZS Millions)

-	-	-	80,406	182,453
---	---	---	--------	---------

**Free cash flow to total debt percentage**

N/A	N/A	N/A	(262%)	134%
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NATIONAL MICROFINANCE BANK PLC

KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

NOTES (CONTINUED)

I TOTAL FREE CASH FLOW TO TOTAL SHORT TERM DEBT OBLIGATIONS

Uncommitted cash flows

Cash generated from / (used in) operations (TZS Millions)  
Income tax paid (TZS Millions)  
Cash used in purchase of property and equipment (TZS Millions)  
Cash used in purchase of intangible assets (TZS Millions)  
Cash used in acquisition of shares in other companies (TZS Millions)  
Cash and cash equivalents at end of year (TZS Millions)

	Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
	167,918	107,269	175,734	(107,526)	379,604
	(27,930)	(34,508)	(49,623)	(67,431)	(72,850)
	(24,664)	(22,300)	(33,739)	(34,685)	(61,541)
	(812)	(522)	(82)	(238)	(311)
	(600)	(600)	-	(540)	-
	364,491	395,983	470,143	388,930	621,998
Total uncommitted cash flows (TZS Millions)	478,403	445,322	562,433	178,510	866,900
Current portion of borrowings at end of year (TZS Millions)	-	-	-	11,184	60,692
<b>Total free cash flow to total short term debt obligations</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>1,596%</b>	<b>1,428%</b>

NATIONAL MICROFINANCE BANK PLC

KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

NOTES (CONTINUED)

J NET PROFIT MARGIN

	Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
Profit for the year (TZS Millions)	53,608	71,789	97,322	133,638	154,444
<b>Total income</b>					
Interest and similar income (TZS Millions)	141,442	193,005	287,924	355,686	416,490
Fee and commission income (TZS Millions)	54,426	67,995	84,201	98,279	117,113
Foreign exchange income (TZS Millions)	12,489	7,437	9,086	8,378	17,620
Other income (TZS Millions)	4,257	6,845	1,302	6,646	9,250
Total income (TZS Millions)	212,614	275,282	382,513	468,989	560,473
<b>Net profit margin</b>	<b>25%</b>	<b>26%</b>	<b>25%</b>	<b>28%</b>	<b>28%</b>



**NATIONAL MICROFINANCE BANK PLC**

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**K POST TAX RETURN (BEFORE FINANCING COSTS) ON CAPITAL EMPLOYED**

**Post tax profit before financing costs**

Profit for the year (TZS Millions)	Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
Interest expense on borrowings (TZS Millions)	53,608	71,789	97,322	133,638	154,444
	-	-	-	1,076	10,455

Profit for the year before financing costs (TZS Millions)

	53,608	71,789	97,322	134,714	164,899
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**Capital employed**

At start of year

- Total equity (TZS Millions)	193,444	231,352	285,262	364,380	467,264
- Borrowings (TZS Millions)	-	-	-	-	160,811

Total capital employed at start of year (TZS Millions)

	193,444	231,352	285,262	364,380	628,075
--	---------	---------	---------	---------	---------

At end of year

- Total equity (TZS Millions)	231,352	285,262	364,380	467,264	576,708
- Borrowings (TZS Millions)	-	-	-	160,811	204,095

Total capital employed at end of year (TZS Millions)

	231,352	285,262	364,380	628,075	780,803
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Simple average capital employed during the year (TZS Millions)

	212,398	258,307	324,821	496,228	704,439
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**Post tax return before financing costs**

	25%	28%	30%	27%	23%
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**NATIONAL MICROFINANCE BANK PLC**

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**L LONG TERM DEBT TO CAPITAL EMPLOYED RATIO**

**Average long term debt**

Borrowings at start of year (TZS Millions)  
Borrowings at end of year (TZS Millions)

Simple average long term debt (TZS Millions)

**Capital employed**

At start of year

- Total equity (TZS Millions)  
- Borrowings (TZS Millions)

Total capital employed at start of year (TZS Millions)

At end of year

- Total equity (TZS Millions)  
- Borrowings (TZS Millions)

Total capital employed at end of year (TZS Millions)

Simple average capital employed during the year (TZS Millions)

**Long term debt to capital employed ratio**

	Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
	-	-	-	-	160,811
	-	-	-	160,811	204,095
	-	-	-	80,406	182,453
	193,444	231,352	285,262	364,380	467,264
	-	-	-	-	160,811
	193,444	231,352	285,262	364,380	628,075
	231,352	285,262	364,380	467,264	576,708
	-	-	-	160,811	204,095
	231,352	285,262	364,380	628,075	780,803
	212,398	258,307	324,821	496,228	704,439
	N/A	N/A	N/A	16%	26%

**NATIONAL MICROFINANCE BANK PLC**

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**M TOTAL DEBT TO EQUITY RATIO**

	Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
<b>Average total debt</b>					
Borrowings at start of year (TZS Millions)	-	-	-	-	160,811
Borrowings at end of year (TZS Millions)	-	-	-	160,811	204,095
Simple average total debt (TZS Millions)	-	-	-	80,406	182,453
<b>Average equity</b>					
Total equity at start of year (TZS Millions)	193,444	231,352	285,262	364,380	467,264
Total equity at end of year (TZS Millions)	231,352	285,262	364,380	467,264	576,708
Simple average total equity during the year (TZS Millions)	212,398	258,307	324,821	415,822	521,986
<b>Total debt to equity ratio</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>19%</b>	<b>35%</b>

**NATIONAL MICROFINANCE BANK PLC**

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**N FUNDS FROM OPERATIONS TO TOTAL DEBT PERCENTAGE**

Net cash generated from / (used in) operations (TZS Millions)

Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
139,988	72,761	126,111	(174,957)	306,754

**Average total debt**

Borrowings at start of year (TZS Millions)

Borrowings at end of year (TZS Millions)

-	-	-	-	160,811
-	-	-	160,811	204,095

Simple average total debt (TZS Millions)

-	-	-	80,406	182,453
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**Funds from operations to total debt percentage**

N/A	N/A	N/A	(218%)	168%
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**NATIONAL MICROFINANCE BANK PLC**

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**O FREE CASH FLOW TO DEBT REPAYMENT COVER**

**Free cash flows**

Cash generated from / (used in) operations (TZS Millions)  
Income tax paid (TZS Millions)  
Cash used in purchase of property and equipment (TZS Millions)  
Cash used in purchase of intangible assets (TZS Millions)  
Cash used in acquisition of shares in other companies (TZS Millions)

Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
167,918	107,269	175,734	(107,526)	379,604
(27,930)	(34,508)	(49,623)	(67,431)	(72,850)
(24,664)	(22,300)	(33,739)	(34,685)	(61,541)
(812)	(522)	(82)	(238)	(311)
(600)	(600)	-	(540)	-

Free cash flow (TZS Millions)

113,912	49,339	92,290	(210,420)	244,902
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**Debt repayment**

Interest expense on borrowings (TZS Millions)  
Repayment of principle component of borrowings (TZS Millions)

-	-	-	1,076	10,455
-	-	-	-	-

Simple average total debt repayment (TZS Millions)

-	-	-	1,076	10,455
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**Free cash flow to total debt repayment cover**

NA	NA	NA	(196)	23
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**NATIONAL MICROFINANCE BANK PLC**

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**P SHAREHOLDER'S FUNDS TO TOTAL ASSETS**

	Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
Total equity (TZS Millions)	231,352	285,262	364,380	467,264	576,708
Total assets (TZS Millions)	2,109,949	2,170,243	2,800,747	3,287,175	3,888,668
<b>Shareholders fund to total assets percentage</b>	<b>11%</b>	<b>13%</b>	<b>13%</b>	<b>14%</b>	<b>15%</b>

**Q NON-PERFORMING LOANS TO TOTAL GROSS LOANS**

Non-performing loans (TZS Millions)	18,526	14,405	27,752	42,957	55,995
Gross loans and advances to customers (TZS Millions)	874,750	1,139,207	1,375,987	1,644,494	2,025,539
<b>Non-performing loans to total gross loans percentage</b>	<b>2%</b>	<b>1%</b>	<b>2%</b>	<b>3%</b>	<b>3%</b>

**R LOAN TO DEPOSIT RATIO**

Gross loans and advances to customers (TZS Millions)	874,750	1,139,207	1,375,987	1,644,494	2,025,539
Deposits from customers (TZS Millions)	1,811,556	1,804,495	2,288,074	2,577,946	3,005,585
<b>Loan to deposit ratio</b>	<b>48%</b>	<b>63%</b>	<b>60%</b>	<b>64%</b>	<b>67%</b>
<b>Required loan to deposit ratio</b>	<b>&lt; 80%</b>	<b>&lt; 80%</b>	<b>&lt; 80%</b>	<b>&lt; 80%</b>	<b>&lt; 80%</b>

# NATIONAL MICROFINANCE BANK PLC

## KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

### NOTES (CONTINUED)

#### S EARNING ASSETS TO TOTAL ASSETS

##### Earning assets

Loan and advances to customers (TZS Millions)  
Investment in held-to-maturity government securities (TZS Millions)  
Investment in available-for-sale government securities (TZS Millions)  
Placements and balances with other banks (TZS Millions)

	Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
857,785	1,123,518	1,345,932	1,606,357	1,986,162	
633,964	361,943	617,347	820,744	736,352	
152,306	172,737	203,062	153,377	140,908	
1,644,055	1,658,198	2,166,341	2,580,478	2,864,196	
2,109,949	2,170,243	2,800,747	3,287,175	3,888,668	

##### Earning assets to total assets percentage

78% 76% 77% 79% 74%

#### T DEPOSIT GROWTH

Deposit from customers at the start of the year (TZS Millions)

1,459,398 1,811,556 1,804,495 2,288,074 2,577,946

Deposit from customers at the end of the year (TZS Millions)

1,811,556 1,804,495 2,288,074 2,577,946 3,005,585

##### Deposit growth percentage

24% (0.4%) 27% 13% 17%

#### U ASSET GROWTH

Total assets at the start of the year (TZS Millions)

1,669,333 2,109,949 2,170,243 2,800,747 3,287,175

Total assets at the end of the year (TZS Millions)

2,109,949 2,170,243 2,800,747 3,287,175 3,888,668

##### Asset growth percentage

26% 3% 29% 17% 18%

**NATIONAL MICROFINANCE BANK PLC**

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**V RETURN ON AVERAGE TOTAL ASSETS**

	<b>Actual 2010 Group</b>	<b>Actual 2011 Group</b>	<b>Actual 2012 Group</b>	<b>Actual 2013 Group</b>	<b>Actual 2014 Group</b>
Profit after tax (TZS Millions)	53,608	71,789	97,322	133,638	154,512
Average total assets					
Total assets at the start of the year (TZS Millions)	1,669,333	2,109,949	2,170,243	2,800,747	3,287,175
Total assets at the end of the year (TZS Millions)	2,109,949	2,170,243	2,800,747	3,287,175	3,888,668
Simple average total assets (TZS Millions)	1,889,641	2,140,096	2,485,495	3,043,961	3,587,922

**Return on average total assets**

<b>3%</b>	<b>3%</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>
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**W RETURN ON AVERAGE SHAREHOLDER'S FUND**

Profit after tax (TZS Millions)	53,608	71,789	97,322	133,638	154,512
Average shareholder's fund					
Shareholder's fund at the start of the year (TZS Millions)	193,444	231,352	285,262	364,380	467,264
Shareholder's at the end of the year (TZS Millions)	231,352	285,262	364,380	467,264	576,708
Simple average shareholder's fund (TZS Millions)	212,398	258,307	324,821	415,822	521,986
Return on average shareholder's fund	<b>25%</b>	<b>28%</b>	<b>30%</b>	<b>32%</b>	<b>30%</b>



NATIONAL MICROFINANCE BANK PLC

KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010

NOTES (CONTINUED)

X NON INTEREST EXPENSE TO GROSS INCOME

Non-interest expense					
Employee benefit expenses (TZS Millions)	46,460	63,646	75,955	99,675	116,693
General and administrative expenses (TZS Millions)	65,432	77,015	99,191	108,222	137,554
Depreciation and amortization expense(TZS Millions)	8,361	11,445	23,867	17,570	19,456
Fees and commission expense (TZS Millions)	1,583	856	3,639	6,000	7,369
Total non-interest expense (TZS Millions)	121,836	152,962	202,652	231,467	281,072
Gross income					
Interest and similar income (TZS Millions)	141,442	193,005	287,924	355,686	416,490
Fee and commission income (TZS Millions)	54,426	67,995	84,201	98,279	117,113
Foreign exchange income (TZS Millions)	12,489	7,437	9,086	8,378	17,620
Other income (TZS Millions)	4,257	6,845	1,302	6,646	9,250
Total income (TZS Millions)	212,614	275,282	382,513	468,989	560,474
Non-interest expense to gross income percentage	57%	56%	53%	49%	50%

**NATIONAL MICROFINANCE BANK PLC**

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**Y NET INTEREST INCOME TO AVERAGE EARNING ASSETS**

Net interest income					
Interest and similar income (TZS Millions)					
Interest and similar expenses (TZS Millions)					
Net interest income (TZS Millions)					
	Actual 2010 Group	Actual 2011 Group	Actual 2012 Group	Actual 2013 Group	Actual 2014 Group
	141,442	193,005	287,924	355,686	416,490
	(11,032)	(7,832)	(9,348)	(25,893)	(39,264)
	130,410	185,173	278,576	329,793	377,226
Earning assets at the start of the year					
Loan and advances to customers (TZS Millions)	672,580	857,785	1,123,518	1,345,932	1,606,357
Investment in held-to-maturity government securities (TZS Millions)	523,084	633,964	361,943	617,347	820,744
Investment in available-for-sale government securities (TZS Millions)	-	-	-	-	-
Placements and balances with other banks (TZS Millions)	96,160	152,306	172,737	203,062	153,377
Earning assets at the start of the year (TZS Millions)	1,291,824	1,644,055	1,658,198	2,166,341	2,580,478
Earning assets at the end of the year					
Loan and advances to customers (TZS Millions)	857,785	1,123,518	1,345,932	1,606,357	1,986,162
Investment in held-to-maturity government securities (TZS Millions)	633,964	361,943	617,347	820,744	736,352
Investment in available-for-sale government securities (TZS Millions)	-	-	-	-	774
Placements and balances with other banks (TZS Millions)	152,306	172,737	203,062	153,377	140,908
Earning assets at the end of the year (TZS Millions)	1,644,055	1,658,198	2,166,341	2,580,478	2,864,196
Simple average earning assets (TZS Millions)	1,467,940	1,651,127	1,912,270	2,373,410	2,722,337
<b>Net interest income to average earning assets</b>	<b>9%</b>	<b>11%</b>	<b>15%</b>	<b>14%</b>	<b>14%</b>

**NATIONAL MICROFINANCE BANK PLC**

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2014, 31 DECEMBER 2013, 31 DECEMBER 2012, 31 DECEMBER 2011 AND 31 DECEMBER 2010**

**NOTES (CONTINUED)**

**Z REGULATORY CAPITAL (TIER 1 AND TIER 2)**

**Tier 1 capital**

Share capital (TZS Millions)	Actual 2010 Bank	Actual 2011 Bank	Actual 2012 Bank	Actual 2013 Bank	Actual 2014 Bank
Retained earnings (TZS Millions)	20,000	20,000	20,000	20,000	20,000
Less: Prepaid expenses (TZS Millions)	210,520	262,633	336,760	436,666	547,289
Less: Intangible assets (TZS Millions)	(4,882)	(5,198)	(7,884)	(11,314)	(14,438)
Less: Deferred tax assets (TZS Millions)	(977)	(846)	(1,226)	(708)	(4,437)
	(4,447)	(6,119)	(17,962)	(22,840)	(25,102)

**Total qualifying Tier 1 capital (TZS Millions)**

	<b>220,214</b>	<b>270,470</b>	<b>329,688</b>	<b>421,804</b>	<b>523,312</b>
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**Tier 2 capital**

General provision (TZS Millions)	4,876	6,231	14,389	21,325	21,244
Subordinated debt (TZS Millions)	-	-	-	-	-
Fair value reserve	-	-	-	-	(68)

**Total qualifying Tier 2 capital (TZS Millions)**

	<b>4,876</b>	<b>6,231</b>	<b>14,389</b>	<b>21,325</b>	<b>21,176</b>
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**Total regulatory capital (TZS Millions)**

	<b>225,090</b>	<b>276,701</b>	<b>344,077</b>	<b>443,129</b>	<b>544,488</b>
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**Risk-weighted assets**

On-balance sheet (TZS Millions)	887,543	1,203,316	1,442,689	1,776,273	2,194,136
Off-balance sheet (TZS Millions)	72,875	49,677	122,676	154,178	244,867
Market risk (TZS Millions)	-	3,052	144	5,424	6,099

**Total risk-weighted assets (TZS Millions)**

	<b>960,418</b>	<b>1,256,045</b>	<b>1,565,509</b>	<b>1,935,875</b>	<b>2,445,102</b>
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	<b>Required ratio</b>				
Tier 1 capital	23%	22%	21%	22%	21%
Tier 2 capital	23%	22%	22%	23%	22%

## Appendix C: Audited accounts as at 31 December 2015

AUDITED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER, 2015 (Amounts in million shillings)				
	GROUP Current Year 31.12.2015	GROUP Previous Year 31.12.2014	BANK Current Year 31.12.2015	BANK Previous Year 31.12.2014
<b>A. ASSETS</b>				
1 Cash	267,219	207,987	267,219	207,987
2 Balances with Bank of Tanzania	704,887	599,415	704,887	599,415
3 Investments in Government securities	673,269	737,126	673,269	737,126
4 Balances with other banks and financial institutions	193,053	140,908	193,053	140,908
5 Cheques and items for clearing	-	5,091	-	5,091
6 Inter branch float items	-	-	-	-
7 Bills negotiated	-	-	-	-
8 Customers' liabilities for acceptances	-	-	-	-
9 Interbank loans receivables	-	-	-	-
10 Investments in other securities	-	-	-	-
11 Loans, advances and overdrafts (net of allowances for probable losses)	2,457,282	1,986,162	2,481,753	2,007,389
12 Other assets	84,846	83,544	65,365	77,632
13 Equity investments	1,740	1,740	41,379	20,600
14 Underwriting accounts	-	-	-	-
15 Property, Plant and equipment	194,217	126,695	153,166	85,847
<b>16 TOTAL ASSETS</b>	<b>4,576,513</b>	<b>3,888,668</b>	<b>4,580,091</b>	<b>3,881,995</b>
<b>B. LIABILITIES</b>				
17 Deposits from other banks and financial institutions	1,600	5,244	1,600	5,244
18 Customer deposits	3,550,440	2,973,013	3,553,541	2,974,068
19 Cash letters of credit	-	-	-	-
20 Special Deposits	14,330	32,572	14,330	32,572
21 Payment orders/transfers payable	-	-	-	-
22 Bankers' cheques and drafts issued	246	3,099	246	3,099
23 Accrued taxes and expenses payable	43,145	30,086	25,215	30,086
24 Acceptances outstanding	-	-	-	-
25 Inter branch float items	-	-	-	-
26 Unearned income and other deferred charges	-	-	-	-
27 Other liabilities	35,888	63,851	53,977	65,610
28 Borrowings	265,753	204,095	265,753	204,095
<b>29 TOTAL LIABILITIES</b>	<b>3,911,402</b>	<b>3,311,960</b>	<b>3,914,662</b>	<b>3,314,774</b>
<b>30 NET ASSETS/(LIABILITIES)</b>	<b>665,111</b>	<b>576,708</b>	<b>665,429</b>	<b>567,221</b>
<b>C. SHAREHOLDERS' FUNDS</b>				
31 Paid up share capital	20,000	20,000	20,000	20,000
32 Capital reserves	-	-	-	-
33 Retained earnings	469,352	391,350	470,613	391,666
34 Profit/(Loss) account	148,813	154,512	150,288	155,623
35 Others capital accounts	24,528	-68	24,528	-68
36 Minority interest	2,418	10,914	-	-
<b>37 TOTAL SHAREHOLDERS' FUNDS</b>	<b>665,111</b>	<b>576,708</b>	<b>665,429</b>	<b>567,221</b>
38 Contingent liabilities	237,638	259,407	237,638	259,407
39 Non performing loans & advances	51,701	55,995	51,701	55,995
40 Allowances for probable losses	36,224	39,377	36,224	39,377
41 Other non performing assets	1,493	6	1,493	6
<b>D. SELECTED FINANCIAL CONDITION INDICATORS</b>				
(i) Shareholders Funds to total assets	14.5%	14.8%	14.5%	14.6%
(ii) Non performing loans to total gross loans	2.1%	2.8%	2.1%	2.7%
(iii) Gross loans and advances to total deposits	69.9%	67.3%	70.6%	68.0%
(iv) Loans and advances to total assets	53.7%	51.1%	54.2%	51.7%
(v) Earnings assets to total Assets	72.7%	73.7%	74.0%	74.9%
(vi) Deposits growth	18.6%	16.5%	18.7%	16.3%
(vii) Assets growth	17.7%	18.3%	18.0%	18.3%

AUDITED STATEMENT OF PROFIT AND LOSS OR OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER, 2015 (Amounts in million shillings)				
	GROUP Current Year 31.12.2015	GROUP Previous Year 31.12.2014	BANK Current Year 31.12.2015	BANK Previous Year 31.12.2014
<b>1 Interest income</b>	<b>436,719</b>	<b>416,490</b>	<b>438,713</b>	<b>417,603</b>
2 Interest expense	-68,529	-39,264	-68,529	-39,264
<b>3 Net interest income (1 minus 2)</b>	<b>368,190</b>	<b>377,226</b>	<b>370,184</b>	<b>378,339</b>
4 Bad debts written off	-	-	-	-
5 Impairment Losses on Loans and Advances	-13,009	-16,589	-13,009	-16,589
<b>6 Non Interest income:</b>	<b>170,594</b>	<b>143,983</b>	<b>169,764</b>	<b>144,019</b>
6.1 Foreign currency dealings and translation gain/(loss)	21,992	17,620	26,430	17,620
6.2 Fee and commissions	124,671	117,113	124,671	117,149
6.3 Dividend income	-	-	-	-
6.4 Others operating income	23,931	9,250	18,663	9,250
<b>7 Non Interest expense:</b>	<b>-309,922</b>	<b>-281,072</b>	<b>-309,611</b>	<b>-281,110</b>
7.1 Salaries and benefits	-130,649	-116,693	-130,649	-116,693
7.2 Fees and commissions	-10,253	-7,369	-10,253	-7,369
7.3 Other operation expenses	-169,020	-157,010	-168,709	-157,048
<b>8 Operating income/(loss)</b>	<b>215,853</b>	<b>223,548</b>	<b>217,328</b>	<b>224,659</b>
9 Income tax expense	-67,040	-69,036	-67,040	-69,036
<b>10 Net income/(loss) after income tax</b>	<b>148,813</b>	<b>154,512</b>	<b>150,288</b>	<b>155,623</b>
11 Number of employees	3,163	3,009	3,163	3,009
12 Basic earnings per share	298	310	300	311
13 Diluted earnings per share	298	310	300	311
14 Number of branches	175	163	175	163
<b>SELECTED PERFORMANCE INDICATORS</b>				
(i) Return on average total assets	3.3%	4.0%	3.3%	4.0%
(ii) Return on average shareholders funds	22.4%	26.8%	22.6%	27.4%
(iii) Non interest expense to gross income	51.0%	50.1%	50.9%	50.1%
(iv) Net interest income to average earning assets	11.1%	13.2%	10.9%	13.0%

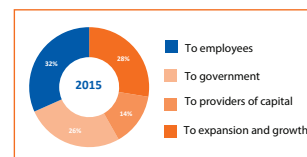
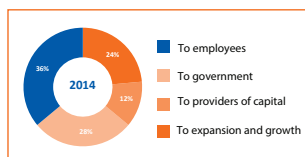
AUDITED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER, 2015 (Amounts in million shillings)				
	GROUP Current Year 31.12.2015	GROUP Previous Year 31.12.2014	BANK Current Year 31.12.2015	BANK Previous Year 31.12.2014
<b>I: Cash flow from Operating activities:</b>				
Net income/(loss)	215,853	223,548	217,328	224,659
Adjustment for:				
- Impairment/amortization	17,381	19,456	17,381	19,456
- Net change in loans and advances	-471,120	-379,805	-474,264	-393,097
- Gain/loss on sale of assets	148	-325	148	-325
- Net change in deposits	555,541	426,803	557,587	423,179
- Net change in short term negotiable securities	-	-	-	-
- Net change in other liabilities	-17,757	21,962	-19,357	24,791
- Net change in other assets	19,027	-9,483	19,314	-8,425
- Tax paid	-63,196	-72,850	-63,196	-72,850
- Others (SMR)	-53,882	-16,557	-53,882	-16,557
<b>Net cash provided (used) by operating activities</b>	<b>201,995</b>	<b>212,749</b>	<b>200,959</b>	<b>200,831</b>
<b>II: Cash flow from Investing activities:</b>				
Dividends received	-	-	-	-
Repayment of long-term debt	-	-	-	-
Purchase of fixed assets	-83,683	-61,541	-83,480	-49,623
Proceeds from sale of fixed assets	73	337	73	337
Purchase of non-dealing securities	-	-	-	-
Proceeds from sale of non-dealing securities	-	-	-	-
Others (Equity investment and Securities)	34,924	83,239	35,757	83,239
<b>Net cash provided (used) by investing activities</b>	<b>-48,686</b>	<b>22,035</b>	<b>-47,650</b>	<b>33,953</b>
<b>III: Cash Flow from Financing activities:</b>				
Repayment of long-term debt	-	-	-	-
Proceeds from issuance of long term debt	-	-	-	-
Proceeds from issuance of share capital	-	-	-	-
Payment of cash dividends	-52,000	-45,000	-52,000	-45,000
Net change in other borrowings	61,658	43,284	61,658	43,284
Others (Specify)	-	-	-	-
<b>Net cash provided (used) by financing activities</b>	<b>9,658</b>	<b>-1,716</b>	<b>9,658</b>	<b>-1,716</b>
<b>IV: Cash and Cash equivalents:</b>				
Net increase/(decrease) in cash and cash equivalents	162,967	233,068	162,967	233,068
Cash and cash equivalents at the beginning of the year	621,998	388,930	621,998	388,930
<b>Cash and cash equivalents at the end of the year</b>	<b>784,965</b>	<b>621,998</b>	<b>784,965</b>	<b>621,998</b>

The above extracts are from the Financial Statements of the Bank for the year ended December 31 2015, which have been prepared in accordance with International Financial Reporting Standards (IFRS) and Companies Act, CAP 212 Act No.12 of 2002. The Financial Statements were audited by Deloitte & Touche, Certified Public Accountants(T), and received an unqualified audit report.

The Financial Statements were approved by the Board of Directors and signed on their behalf by:

Joseph Semboja	Board Chairman
Ineke Bussemaker	Managing Director
Protase Tehingisa	Director
Date signed	25th March, 2016

NMB VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015 Value added is the wealth the bank has been able to create by providing clients with a quality, valueadded service.				
Tss 'Millions	2015	2014		
<b>Value added</b>				
Income earned by providing banking services	553,131	527,383		
Cost of service	(81,538)	(55,853)		
Value added by banking services	<b>471,593</b>	<b>471,530</b>		
Non operating and other income and expenditures	(106,235)	(110,722)		
	365,358	360,808		
<b>Value allocated</b>				
To employees:				
Salaries and other benefits	100,757	28%	85,008	24%
To shareholders:				
dividend to shareholders	52,000	14%	45,000	12%
of which to government	16,526	5%	14,301	4%
To government:				
Income Tax	67,040		69,036	
PAYE	24,828		23,485	
Skills development levy	5,064		8,200	
	96,932	27%	100,721	28%
To other stake holders(Sponsorship/Donations):				
	115,669	32%	130,079	36%
To expansion and growth:				
Depreciation,deferred tax and retained earnings	365,358	100%	360,808	
	341,352	100%	287,806	100%



## Appendix D: Form of Pricing Supplement



**ISSUE OF [Tranche number] [Aggregate Principal Amount of Tranche]  
[Title of Notes] UNDER THE UP TO [insert Aggregate Principal Amount]**

### MEDIUM TERM NOTE PROGRAMME

This document constitutes the applicable Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated 03 May 2016, as updated and amended from time to time. This applicable Pricing Supplement must be read in conjunction with such Information Memorandum. To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Information Memorandum, the provisions of this Pricing Supplement shall prevail.

1. Description of the Notes	
1.1 Issuer	National Microfinance Bank Plc
1.2 Status of the Notes	Senior, unsecured
1.3 Issue:	
a. Series Number*	NMB-FXD01/2016/03
b. Tranche Number	[01]
* explanation of the Series number	
1.4 Redemption/Payment Basis	[Redemption at par]
1.5 Principal Amount	TZS 20,000,000,000 (with a greenshoe option of upto TZS 5,000,000,000)
1.6 Form of Notes	Book-entry
1.7 Issue Date	[13 June 2016]
1.8 Trade Date	[09 June 2016]
1.9 Business Centre	[Dar es Salaam]
1.10 Specified Denomination of the Notes	[TZS 500 000]
1.11 Issue Price	[Par]
1.12 Interest Commencement Date	[13 June 2016]
1.13 Interest Termination Date	[13 June 2019]
1.14 Redemption Date	[13 June 2019]
1.15 Specified Currency	[TZS]
1.16 Applicable Business Day convention	Following
1.17 Fiscal Agent and Registrar	Fiscal Agent - NMB Plc Registrar - Stanbic Bank Tanzania Limited
1.18 Specified office	
Of the Fiscal Agent and Registrar	National Microfinance Bank Plc Head Office Ohio/Ali Hassan Mwinyi Road P.O. Box 9213, Dar es Salaam, Tanzania

Of the Issuer	Stanbic Bank Tanzania Limited Head Office Ali Hassan Mwinyi Road/Kinondoni P. O. Box 724647, Dar es Salaam, Tanzania
1.19 Final Redemption Amount	TZS 20,000,000,000 (with a greenshoe option of upto TZS 5,000,000,000)
1.20 Record Date	fifteenth day before (and not including) each Interest Payment Date
<b>2. Provisions relating to Interest Payable</b>	
2.1 Fixed Rate Note Provisions	
i. Fixed Rate of Interest	13% per annum payable [semi-annually] in arrear
ii. Interest Payment Dates	June and December in each year up to and including the Maturity Date
iii. Default Rate	Fixed Rate of Interest + 200 basis points
iv. Other terms relating to the method of calculating interest for the Fixed Rate Notes	Not applicable
<b>3. Provisions regarding Redemption</b>	
3.1 Redemption at the option of the Issuer	Applicable
If applicable,	
a. Optional Redemption Dates	Interest Payment Dates
b. Optional Redemption Amount(s) and method, if any, of calculation of such amount(s)	20% of the Principal Amount
c. Minimum period of notice (if different from Condition [*] ( <i>Redemption and Purchase</i> ))	Not applicable
d. If redeemable in part	
i. Minimum Redemption Amount	TZS 500,000,000
ii. Higher Redemption Amount	TZS 10,000,000,000
e. Other terms applicable on Redemption	None
<b>GENERAL</b>	
4. Other terms or special conditions	None
5. Board approval for issuance of the Notes	7 February 2015
6. Additional Selling Restrictions	None
7. Allotment policy	all applications for the minimum amount of TZS 500,000 will receive full (100%) allocation; any applications for amounts over TZS 500,000 will be allocated on a prorata basis

8. Settlement Procedures and Settlement Instructions	<ul style="list-style-type: none"> <li>■ For Qualified Institutional Investors (QIIs): same day funds on the settlement date to the Fiscal Agent</li> <li>■ For investors other than QIIs: evidence of payment should be submitted to the Authorised Selling Agent, the Issuer together with the duly completed Application Form</li> </ul>
9. Details of bank account(s) to which payments are to be made in respect of the Notes	10110000203
10. Last Day to Register, which shall mean that the "books closed period" (during which the Register will be closed) will be from each Last Day to Register to the applicable Payment Day until the date of redemption	15 days before the Payment Date
11. Method of Distribution	Public
12. Total Notes in issue (excluding the current issue)	Nil
13. Rights of Cancellation	<p>The Notes will be delivered to investors on the Settlement Date by registration in the CDS Account as book entry provided that:</p> <ul style="list-style-type: none"> <li>■ no event occurs prior to the settlement process being finalized on the Issue Date/Settlement Date which the Issuer (in its sole discretion) consider to be a force majeure event; or</li> <li>■ no event occurs which the Issuer (in its sole discretion) considers may prejudice the issue, the Issuer or the Notes,</li> </ul> <p>(each a Withdrawal Event).</p> <p>If the Issuer decides to terminate this transaction due to the occurrence of a Withdrawal Event, this transaction shall terminate and no party hereto shall have any claim against any other party as a result of such termination. In such event, the Notes, if listed, will immediately be de-listed.</p>
14. Tax	[Interest earned on the Notes is subject to 15% withholding tax (Attach copy of certificate of exemption where applicable).]
15. Material Change	[Save as disclosed in the Information Memorandum as read together with this applicable Pricing Supplement, there has been no significant change in the Issuer's financial position since the date of the Issuer's last audited financial statements.]
16. Responsibility Statement	[The Issuer and the Board of Directors accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Information Memorandum [and the supplemental Information Memorandum] referred to above, contains all information that is material in the context of the issue of the Notes.]

#### ADDITIONAL INFORMATION

17. Additional steps that may be taken following approval of the Extraordinary Resolution (in accordance with the Conditions)	Not applicable
18. Specify Agents and Specified Offices if new or other Agents appointed	Not applicable
<b>Salient Dates</b>	
Offer Opens	[8.00 am on Tuesday 10 May 2016]
Offer Closes	[5.00 p.m on Wednesday 08 June 2016]
Allotment Date	[10.00 a.m on Thursday 09 June 2016]
Notification Date (via email/telephone)	[2.00p.m on Friday 10 June 2016]
Payment Date	[2.00 p.m on Thursday 16 June 2016]
Issue Date	[Thursday 16 2016]
[CSD Account upload date]	[Friday 01 July 2016]
Authorised Signatories	



# Appendix E: Application Form For NMB Bond

## Application Form For NMB Bond



Serial Number: \_\_\_\_\_

## NMB BOND ISSUE

### TZS 20 billion tranche of the up to TZS 200 billion medium term note programme

#### APPLICATION FORM

(THIS APPLICATION FORM IS NOT FOR SALE)

Prospective applicants should read the Information Memorandum before completing this form. A copy of the Information Memorandum can be obtained from any of the Authorized Selling Agents (including any NMB Branch) listed in the Information Memorandum.

Offer for subscription of NMB Bond notes for a minimum amount of TZS 500,000

OFFER OPENS: 10 May 2016  
OFFER CLOSES: 8 June 2016

Please refer to the Terms and Conditions in the Information Memorandum as well as the instructions for completion of the Application Form, as set out below, before completing the same. Terms used herein shall be deemed to be as defined in the Information Memorandum dated 3 May 2016.

The Board of Directors of National Microfinance Bank Plc (the "Directors") shall reject any application, in whole or in part, if instructions as set out in the Information Memorandum and this Application Form are not complied with.

#### APPLICANT'S DECLARATION

By signing the Application Form overleaf I/We the applicant(s) therein state that:-

- I/We have full legal capacity to contract and, having read the Information Memorandum, hereby irrevocably apply for and request you to accept my/our application for the under mentioned application amount, or any lesser amount that may, in your sole discretion, be allotted to me/ us subject to the Terms and Conditions of the NMB Programme
- I/We authorise NMB to enter my/ our name in the register of members of Noteholders and to credit my CDS account with the Notes allocated to me/us and remit any refunds due to me/us via Electronic Funds Transfer or Cheque in accordance with the Terms and Conditions contained in the Information Memorandum.
- I/We authorise the Registrar to send my/ our Mortgage Request Form directly to the DSE and the financing bank where I/We have borrowed money to apply for these Notes.
- In consideration of your agreeing to accept this Application Form, I/we agree that, this application shall be irrevocable and shall constitute a contract which shall become binding to me/us upon dispatch by post or hand delivery.

#### GENERAL INSTRUCTIONS ON COMPLETION OF THE APPLICATION FORM

1. Please complete the Application Form in capital letters using black/blue ink. Ensure each letter is written clearly within each of the boxes provided. Incorrectly completed Application Forms will be rejected.
2. When completing this Application Form please bear in mind that Notes may not be applied for in the name(s) of a trust that has not been incorporated or a deceased's estate.
3. Trustees of unincorporated trusts, individual partners or executors may apply for Notes in their own name(s). Registered or incorporated trusts may apply in the registered or incorporated name. Limited liability partnerships may apply in their registered names.
4. Any alteration to the Application Form (other than deletion of alternatives) must be authenticated by the full signature of the Applicant(s) or Authorised Selling Agent.
5. The Authorised Selling Agent must sign against the company's official stamp.
6. Banker's cheque payments must be made payable in favour of "NMB Bond Issue" - "(Application Form serial number xxxx)" and crossed "Account Payee Only".
7. Your Application Form must be received in its entirety, duly signed and accompanied with the necessary evidence of payment or banker's cheque or Letter of Undertaking.
8. The completed Application Form may be mailed or hand delivered to the Authorised Selling Agents and must be received by the Authorised Selling Agent no later than 5:00pm on 8 June 2016.
9. If your Application Form is received by the Authorised Selling Agent after 5:00pm on 8 June 2016 it will be declined and the form together with the accompanying payment or evidence of payment will be returned as per the terms and conditions of the Offer.
11. Applications can only be made through the Issuer, Authorised Selling Agents, the Arrangers, the Receiving Bank and the Registrar as listed in the Information Memorandum.
12. The allocation process has been outlined in the Information Memorandum and the Pricing Supplement. No person can make any promises contrary to the allocation criteria.

Serial Number: \_\_\_\_\_

## Application Form for Bonds

### NMB BOND ISSUE Public Offer Application Form

Print Only Within Boxes

GOOD			BAD		
S	T	A	S	T	A

PLEASE COMPLETE IN CAPITAL/ BLOCK LETTERS USING BLACK/BLUE INK

#### A. CDS ACCOUNT NUMBER (MANDATORY) (IF NOT AVAILABLE, PLEASE FILL CDS ACCOUNT OPENING FORM)

CDS Account Number (No leading zeros)

(LI/LC/FI/FC)

#### B. APPLICATION & PAYMENT DETAILS

Amount Applied for (TZS)

Please Tick Where Applicable

Payment  
through Agent ☐

Direct to Issuer  
payments ☐

EFT/  
TISS ☐

LETTER OF  
UNDERTAKING ☐

BANKER'S  
CHEQUE ☐

Cheque Number/ TISS/ EFT/ Ref number

Bank Name (Abbreviated) (for EFT/TISS/Cheque Payments)

Branch Name

#### C. WHERE PURCHASE IS FINANCED (OPTIONAL)

☐ Tick if financed

Mortgage request form

Financing Bank (Abbreviated)

Branch Name

#### D. APPLICANT DETAILS

(i) Application Status: (Tick your status as applicable below)

Applicant Type:

Individual ☐

Joint ☐

East Africa Qualified  
Institutional Investor ☐

Foreign Qualified  
Institutional Investors ☐

Residence: East African Resident ☐

Non Resident ☐

Citizenship: Tanzanian ☐

Other East Africans ☐

International ☐

(ii) Primary Applicant Details: (Names as per ID/Passport)

Surname (Last Name)

First Name and Other Names (Leave space between names)

ID/ Passport Number (Copy of ID/ Passport must be attached )

Country of Issue

(iii) Joint Applicant's Details: (Names as per ID/Passport)

Surname (Last Name)

First Name and Other Names (Leave space between names)

ID/ Passport Number (Copy of ID/ Passport must be attached )

Country of Issue

(iv) Company name / QII / Corporate (As per Certificate of Registration/ Incorporation) A copy of the certificate must be attached

Registration / Incorporation Number

Country of Registration / Incorporation

☐ Tick here if applicant is exempt from withholding tax and attach a copy of exemption certificate

For Nominee Applicants Only (Tick the status as applicable below)

Citizenship of Beneficial Noteholder

☐ Tanzanian

☐ Other East Africans

☐ International

Nominee Account Name

Nominee Reference Number (Mandatory)

## Application form for Bonds

Serial Number: \_\_\_\_\_

### (v) Full Mailing Address and Contact Details for All Applicants (if applicable)

P.O. Box

Street Address

City/Town

Country

Telephone Number (Landline) International Format

Mobile Number (International Format)

Email Address (Personal) **Mandatory**

Fax Number (International Format)

### E. RECEIPT OF REFUND AND FUTURE PAYMENTS

1. Send refund if any via ☐ EFT through the authorized selling agent ☐ Electronic funds Transfer to the bank below
2. Send future interest & principal through ☐ Electronic Funds Transfer to the bank below (as per CDS account details if not, please include updated bank details below)

Please provide bank details for EFT/SWIFT Transfers

(New bank details must be confirmed either by attaching a voided cheque or attaching a bank statement)

Name of Bank (abbreviated)

Account Name

Name of Branch

Account Number

Swift Code (if outside Tanzania)

Country

### F. SIGNATURES : (COMPULSORY FOR ALL APPLICANTS)

Signature 1

Signature 2

Company Seal / Stamp

Date (DD/MM/YYYY) e.g. 27/07/2012

### G. SELLING AGENTS / NMB BRANCHES ONLY FOR OFFICIAL USE ONLY

Agent code/NMB Branch Code

Selling Agent's Name/NMB Customer Service Representative

Authorised Selling Agents Stamp/NMB Customer Service Representative

TEAR HERE

### H. INVESTOR'S RECEIPT

Serial No:

Name (Separate Names by one box)

Amount Paid (TShs)

CDS Account Number (No leading zeros)

(LI/LC/FI/FC)

Selling Agent's Name/NMB Teller's Name

Selling Agent/NMB Branch Stamp & Signature

Date

## Application Form for Bonds

DETAILED INSTRUCTIONS ON COMPLETION OF THE APPLICATION FORM: (Please also read general instructions on page 1)

- A. An Applicant must have a CDS Account to apply. If you do not have a CDS account, please apply to open a CDS account by completing the CDS account opening form and attaching it to this application form (ask any Authorized Selling Agent to assist). Please indicate the serial number of the Application Form on the CDS account opening form.
- LI - Local Individual
  - LC - Local Corporate
  - FI - Foreign Institutional
  - FC - Foreign Corporate
- B. The minimum amount you can invest is TZS 500,000 and thereafter in multiples of TZS 10,000. Enter the amount you wish to invest in boxes provided. Remember to abide by the minimum investment amount and the incremental amount as well.
- If your Authorised Selling Agent is making payment on your behalf, please tick the box for payment through agent. You need NOT fill in the remaining details under section "B".
  - If you would like to make your payment directly to the Issuer, NMB as your Authorised Selling Agent will place a tick in the appropriate mode of payment box labelled Bankers Cheque, EFT/ TISS or Letter of Undertaking.
  - The name of the bank, branch and cheque number or EFT/ TISS reference number/ Application Form serial number must be provided.
  - For direct to issuer payments, use the following details:  
**NMB BANK**  
**OHIO BRANCH**  
**ACC NO: 10110000203**
- C. If your investment or purchase of the NMB Bond is being financed by a bank, please complete the part on financing by ticking the box and entering the Mortgage Request form serial number financing bank's name and branch name. The Mortgage Request form and refund payment due, will be sent directly to the DSE and financing bank respectively.
- D. APPLICANT DETAILS
- (i) You are required to tick 3 boxes under the heading "Applicant Status"
    - Applicant Type: Tick the appropriate box that describes the type of applicant.
    - Residency Status: If you are a legal full time RESIDENT of East Africa, irrespective of your citizenship, tick the Box labelled "East African Resident", otherwise, tick the Non Resident box
    - Citizenship: Tick the box that defines your citizenship.
  - (ii) If you are applying for Notes as an individual (i.e. you are not a Corporate Investor), please fill out the details listed under the words "Primary Applicant's Details". Wherever possible, please ensure you enter your national identification number (or other identification number), or Passport Number and country of issue.
  - (iii) If you wish to include your spouse, relative or friend as a joint applicant on this form, please fill his/her details in the appropriate spaces under the heading "Joint Applicants Details", Please note:
    - ONLY ONE joint applicant is allowed
    - The joint applicant CANNOT be a Corporate Investor.
    - Please ensure the CDS account is similarly joint

Wherever possible, please ensure you enter the joint applicant's identification number, failing which, please enter his/her Passport Number and country of issue. At least ONE is mandatory.
  - (iv) If you are applying as a Company, Qualified Institutional Investor (QII) or Nominee applicant, please fill out all details required in this section. Details for this section may be obtained from the entity's Certificate of Incorporation/Registration. Please attach a photocopy of the certificate of Registration /Incorporation and your license if you are an institutional investor.  
 Nominee applications from bona fide registered nominee corporates will be accepted provided there is a unique account name/number provided for each application. For the avoidance of doubt, Nominee Accounts must be held for the benefit of a 3rd party eligible for applying for Notes in their own right. Any QII or Applicant with a withholding-tax exemption MUST ATTACH A COPY OF THE CERTIFICATE OF EXEMPTION.
  - (v) ALL APPLICANTS MUST COMPLETE THIS SECTION. ONLY ONE ADDRESS MAY BE ENTERED.  
 Please enter your FULL MAILING ADDRESS, including, where applicable, P.O. Box, and the City/Town and Country. A Street Address is optional but encouraged provided a valid mailing address is included. This address will be used for correspondence relevant to your noteholding, and it is vital that details herein are correct and accurate, please also provide us with your mobile number, landline telephone contact (if any) and e-mail address.

### E. RECEIPT OF REFUNDS

- (1) All residents will be refunded by EFT for the Notes not allotted. Please fill out your bank information in the boxes provided. Please note that the new bank details must be confirmed by either attaching a blank cheque that is clearly marked cancelled or provide a bank statement.
- (2) Any refunds paid back to East African Nationals outside Tanzania (with the exception of QII's that submit Letters of Undertaking) and Foreign Applicants will be by swift transfer in Tanzania Shillings, at the cost of the respective Applicant.

### F. ALL APPLICANTS MUST COMPLETE THIS SECTION.

Please read the instructions below carefully:

- Primary Applicants must sign in the box labelled "Signature 1" and Joint Applicants if any, must sign in the box labelled "Signature 2"
- Corporate Investors Applications must be signed by two authorised signatories/officials or one Director and an authorised signatory/official. Where the applicant is a Company registered under the Company's Act the company seal/stamp must be affixed in the space provided.
- Applications signed by thumbprint must have the thumbprint witnessed. The witness must sign next to the thumbprint and write down his/her full names and identification documents number.

## Appendix F: Advisors to the Transaction

Role	Company
Arrangers	Stanbic Bank Tanzania Limited and CFC Stanbic Bank Limited
Lead Placing Agents	Stanbic Bank Tanzania Limited, Orbit Securities Limited, EA Capital Limited or such other agent as appointed by the Issuer as placing agent
Co- Sponsoring Brokers	Orbit Securities Limited and EA Capital Limited
Fiscal Agent and Calculation Agent	National Microfinance Bank Plc
Registrar	Stanbic Bank Tanzania Limited
Transaction Legal Counsel	East Africa Law Chambers
Reporting Accountant	PricewaterhouseCoopers, Certified Public Accountants

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