

NMB Bank AGM UPDATES June 2024



NMB BANK 24th ANNUAL GENERAL MEETING HIGHLIGHTS

On June 7th 2024, NMB Bank Plc held its 24th Annual General Meeting. Here are some of the key takeaways from the event.

KEY STRENGTHS

1. During the 5 years between 2019 and 2023, the bank acquired over 3.12 million new customers over the 5-year period to close at 7.1 million customers as of 2023 as a result of initiatives taken by the bank that were aimed at increasing the number of customers such as: its rural banking initiative, expansion of its agency banking footprint, creation of new banking products such as NMB Kikundi and NMB Pesa that are aimed at meeting different customer expectations.
2. Net Loans compound annual growth rate (C.A.G.R) of 21.04% from TZS 3.59 trillion as of 2019 to TZS 7.71 trillion as of 2023 while customer deposits have grown by 14.55% C.A.G.R from TZS 4.92 trillion in 2019 to TZS 8.47 trillion in 2023 with the growth driven by initiatives such as Mass Account opening aimed at increasing customer deposits, cross-selling initiatives aimed at providing different banking products that solve different needs to the same customers and enhanced relationship management which has had a notable effect in growing the bank's wholesale banking division towards becoming the 3rd largest in the country.
3. The bank's profits have been able to grow from TZS 142 billion in 2019 to TZS 545 billion in 2023 due to increased efforts at maintaining operational efficiency which saw the bank's cost to income ratio fall from 56.9% in 2019 to 39% in 2023, increased branch productivity and credit risk enhancement that have been crucial in growing the bank's non-funded income and net interest income.
4. The bank's credit risk management remains efficient which is evident with the fall in the bank's non-performing loan ratio from 4.80% in 2019 to 3.20% in 2023 with the bank's loan loss ratio decline from 3.2% to 1.06% during the same period. Allowances for probable losses covering its non-performing loans stood at 104% as of the 1st quarter of 2024 implying that should there be actual defaults on the bank's loans, they will be fully covered and would not have great implications in the bank's balance sheet and or income statements in the foreseeable future.
5. Following these developments the bank has seen its shareholders equity grow from TZS 969 billion in 2019 to TZS 2.09 billion in 2023 with return on equity growing from 15% as of 2019 to 28.60% as of 2023 and dividends paid to investors grow from TZS 96 per share in 2018 to TZS 361.18 per share in 2023 which the TZS 361.18 dividend per share to be paid out from June 19th 2024.

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KEY CHALLENGES

1. Since the bank's disbursement of loans has been growing faster than that of deposit mobilization. The bank has been placed in a position where it has had to rely on borrowings to sustain the demand for loans which tend to have higher financing cost implications compared to deposits. Additionally, global markets that have an overall rise in interest rates on borrowings and deposits and this has resulted an increase in the banks cost of funds. However, initiatives have been put in place to ensure the bank deploys several deposit mobilization initiatives geared towards further fortifying its funding base and maintaining liquidity position within acceptable levels in order to sustain its growth.

DIGITAL HIGHLIGHTS

In an effort to deliver digital financial services and optimize operational costs several initiatives were to improve the banks digital footprint such as

- Revamping the NMB Mkononi Platform
- Upgrading its core banking system
- Server infrastructure update
- Updating its Software Defined Wide Network Area which enhances network performance, reliability, security, and operational cost efficiency

Additionally, from the digital financial offering front the bank has seen positive growth traction in the form of

- A 61% increase in digital transactions to 134 million in 2023
- A 6% growth in NMB-Mkononi subscribers to 4.95 million with 1 million daily active users recorded in 2023
- 8% increase in Internet banking transactions
- 924,000 new accounts opened digitally representing 84% of all new to bank retail customers
- 96% of customer transactions happening digitally
- TZS 86.9 billion revenue generated from NMB Mkononi

ESG HIGHLIGHTS

The bank continues to adhere to its sustainability agenda with some of the highlights from this segment including:

- The bank's growth in loans issued to Micro, Small and Medium Enterprises (MSMEs) grew by an 8% C.A.G.R from TZS 580 billion to TZS 775 billion between 2019 – 2023 while loans to the agricultural sector have seen a 40% C.A.G.R from TZS 155 billion to TZS 756 billion during the same period in to provide financing to Tanzania's significant contributors of GDP and employment.
- Over TZS 400 billion has raised via the issuance of sustainable bond dubbed the "Jasiri Bond" that aims at providing financing towards women and youth as well as any other projects that have a net positive effect on society.

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ESG HIGHLIGHTS

- Over TZS 1.5 trillion worth of loans have been disbursed towards projects that comply with sustainability and ESG related principles

OTHER AGENDAS

1. Due to its liquid position in the Dar es Salaam Stock Exchange, the bank does not see the need to perform a share split in order to boost liquidity in the market.

OUTLOOK

1. Invest in deposit mobilization initiatives: The bank will continue to increase its efforts in increasing deposits particularly by making banking services more accessible towards the financially excluded segments of the population. Flagship products such as NMB-Pesa where one can open an account with as little as TZS 1,000 without incurring any monthly maintenance charges has had a positive reaction in the market particularly with the rural population with average deposit per customer at TZS 8,000 compared to the minimum TZS 1,000.
2. Loan portfolio diversification: The bank will continue to diversify into wholesale banking and other economic segments such as agriculture and providing loans to MSMEs via utilizing relationship management initiatives particularly with the wholesale banking segment to ensure that corporate clients are provided with the products that best meet their needs and ensure customer retention while segments such as Agriculture will be provided with cost-friendly loan products.
3. Cost-optimization and prudence: The bank will continue to monitor its financing and operational costs by ensuring it mobilized cheap deposits and reduces its operating expenses via initiatives such as joining the Umoja Switch which allows for sharing of ATMs that are within the Switch which would increase the bank's market reach while lowering ATM operational costs.

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