



Offer Supplement

NMB Bank PLC

# Medium Term Note Programme

January 2022

## Important Notice

NMB Bank PLC (the “Issuer” or “NMB” or the “Bank”), prepared an Information Memorandum (“IM”) dated May 01, 2016 relating to the issuance of a shelf medium 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 first tranche of the Notes was issued in May 2016 of an aggregate amount of Tanzania Shillings forty-one billion four hundred and eight million four hundred and four thousand (TZS 41,408,404,000). The second tranche was issued in December 2017 of aggregate amount of Tanzanian Shillings twenty-three billion three ninety-six million (TZS 23,396,000,000). The third tranche was issued in July 2019 of an aggregate amount of Tanzania Shillings eight three billion three forty-nine million one hundred and ninety thousand (TZS 83,349,190,000).

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

This Supplemental Information Memorandum contains the updated terms of the IM and must be read in conjunction with the specified IM and relevant Pricing Supplement.

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.

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## Definitions and Abbreviations

“ALCO”	means the Assets and Liability Committee;
“ATM”	Means the Automated Teller Machine;
“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 NMB Bank PLC;
“Board” or “Directors” or “Board of Directors”	means the Board of Directors of the Bank;
“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);
“CSR”	means Corporate Social Responsibility;
“CSDR”	means CSD and Register Company Limited
“DSE”	means the Dar es Salaam Stock Exchange PLC;
“EXCO”	means Executive Management Committee;
“Government”	means the government of Tanzania;
“ICT”	means Information and Communications Technology;
“IFRS”	means International Financial Reporting Standards;
“Information Memorandum” or “IM”	means this information memorandum dated 01 May 2016 which will apply to all Notes issued under the Programme on or after the Programme Date;
“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;
“POS”	Means the Point Of Sale;
“Relevant Authorities”	means the Bank of Tanzania, CMSA and the DSE;
“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;
“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;

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“the Act” or “the Companies Act”	“the” 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;
“UJVC”	Means the Upanga Joint Venture Company;
“US\$” or “USD”	denotes the lawful currency of the United States of America.

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## 1. Salient Features of the Programme

The updated information set out in this section of the offer supplement is not intended to be comprehensive. In order to gain a comprehensive understanding of all necessary subject matter and information, this offer supplement should be read in its entirety and in conjunction with the IM.

The interpretation and definitions of the terms and abbreviations used in this summary are set out in the glossary of the IM.

**Table 1: Summary of the Programme**

		<b>Section B – the Programme</b>																																																		
B.1	<b>Issuer</b>	NMB Bank PLC																																																		
B.3	<b>Placing Agent</b>	NMB Bank PLC																																																		
B.4	<b>Sponsoring Stockbroker</b>	Orbit Securities Company Limited																																																		
B.9	<b>Selected historical key consolidated financial information</b>	<p>The table below sets out extracts from the consolidated financial statements set out in Section 2 of the offer supplement.</p> <table border="1"> <thead> <tr> <th><b>Financial year 31 December</b></th> <th><b>Sept 2021</b></th> <th><b>2020</b></th> <th><b>2019</b></th> <th><b>2018</b></th> </tr> <tr> <th></th> <th><b>TZS ‘M</b></th> <th><b>TZS ‘M</b></th> <th><b>TZS ‘M</b></th> <th><b>TZS ‘M</b></th> </tr> </thead> <tbody> <tr> <td>Net Interest Income</td> <td>497,858</td> <td>571,165</td> <td>522,375</td> <td>490,940</td> </tr> <tr> <td>Net Non-Interest Income</td> <td>184,923</td> <td>226,400</td> <td>169,153</td> <td>166,282</td> </tr> <tr> <td>Total Operating Income</td> <td>637,368</td> <td>723,132</td> <td>626,374</td> <td>549,458</td> </tr> <tr> <td>Profit Before Tax</td> <td>301,862</td> <td>301,280</td> <td>215,861</td> <td>144,362</td> </tr> <tr> <td>Loans and Advances to customers</td> <td>4,465,222</td> <td>4,108,789</td> <td>3,590,006</td> <td>3,241,401</td> </tr> <tr> <td>Total Deposits due to customers</td> <td>6,051,740</td> <td>5,325,450</td> <td>4,916,551</td> <td>4,315,220</td> </tr> <tr> <td>DPS (TZS)</td> <td>-</td> <td>139</td> <td>96</td> <td>64</td> </tr> <tr> <td>Basic and Diluted EPS (TZS)</td> <td>422</td> <td>420</td> <td>289</td> <td>201</td> </tr> </tbody> </table>	<b>Financial year 31 December</b>	<b>Sept 2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>		<b>TZS ‘M</b>	<b>TZS ‘M</b>	<b>TZS ‘M</b>	<b>TZS ‘M</b>	Net Interest Income	497,858	571,165	522,375	490,940	Net Non-Interest Income	184,923	226,400	169,153	166,282	Total Operating Income	637,368	723,132	626,374	549,458	Profit Before Tax	301,862	301,280	215,861	144,362	Loans and Advances to customers	4,465,222	4,108,789	3,590,006	3,241,401	Total Deposits due to customers	6,051,740	5,325,450	4,916,551	4,315,220	DPS (TZS)	-	139	96	64	Basic and Diluted EPS (TZS)	422	420	289	201
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B.10	<b>Selected key historical financial ratios</b>	<p>The table below sets out extracts key performance measures from 2018-2020 calculated based on the consolidated audited financial statements and 30th September 2021 published unaudited financial statements.</p> <table border="1"> <thead> <tr> <th><b>Financial year ended 31 December</b></th> <th><b>Sept 2021</b></th> <th><b>2020</b></th> <th><b>2019</b></th> <th><b>2018</b></th> </tr> </thead> <tbody> <tr> <td>Dividend yield (%)</td> <td>-</td> <td>6%</td> <td>4%</td> <td>3%</td> </tr> <tr> <td>Price: Earnings ratio (x)</td> <td>-</td> <td>5.7</td> <td>8.2</td> <td>12</td> </tr> </tbody> </table>	<b>Financial year ended 31 December</b>	<b>Sept 2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	Dividend yield (%)	-	6%	4%	3%	Price: Earnings ratio (x)	-	5.7	8.2	12																																			
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		Price to Book ratio (x)	-	1.04	1.20	1.36
		Return on average shareholders' equity	22%	18%	15%	11%
		Return on average assets	3%	3%	2%	2%
		Cost to income ratio	47%	51%	60%	59%
		Non-Performing Loans (NPLs)	3.8%	5%	7%	6%
		<b>Capital adequacy ratios* (Bank)</b>				
		Tier 1 capital ratio	-	19%	17%	17%
		Tier 1 + Tier 2 capital ratio	-	21%	19%	19%
		*Regulatory requirements for Tier I and total capital are 12.5% and 14.5% respectively				
		*Capital adequacy ratios are calculated before dividend payments				
		<b>Section F – Indicative Issuance Timetable</b>				
F.1	<b>Indicative issuance timetable for each Tranche of Notes</b>	<b>Tranche</b>	<b>Amount TZS '000</b>		<b>Indicative Offer Date*</b>	
		01	TZS 41,408,404		May 2016	
		02	TZS 23,396,000		December 2017	
		03	TZS 83,349,190		July 2019	
		04	TZS 25,000,000		[January 2022]	
		*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.				
		* the above Tranche 4 will have a green shoe option of upto TZS 15,000,000				

## 2. 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 2018 to 2020, 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 financial statements and related notes.

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

**Table 2: Statements of financial performance**

Year ended 31 December	Cumm Sept 2021	2020	2019	2018
In millions	TZS	TZS	TZS	TZS
Interest and similar income	596,020	712,648	653,195	600,555
Interest and similar expense	(98,162)	(141,483)	(130,820)	(109,615)
<b>Net interest income</b>	<b>497,858</b>	<b>571,165</b>	<b>522,375</b>	<b>490,940</b>
Loan impairment charges	(83,073)	(119,312)	(100,410)	(137,305)
<b>Net interest income after loan impairment charges</b>	<b>414,785</b>	<b>451,853</b>	<b>421,965</b>	<b>353,635</b>
Fees and commission income	195,720	284,812	215,816	203,003
Fees and commission expense	(10,797)	(58,412)	(46,663)	(36,721)
<b>Net fees and commission income</b>	<b>184,923</b>	<b>226,400</b>	<b>169,153</b>	<b>166,282</b>
<b>Total operating income</b>	<b>637,368</b>	<b>723,132</b>	<b>626,374</b>	<b>549,458</b>
Foreign exchange income	22,495	27,377	24,454	20,861
Other income	15,165	14,395	9,702	7,647
Employee benefits expenses	(178,034)	(195,515)	(182,579)	(166,149)
General and administrative expenses	(146,926)	(158,029)	(154,567)	(183,043)
Depreciation and amortization	-	(68,308)	(73,367)	(55,904)
<b>Profit before income tax</b>	<b>301,862</b>	<b>301,280</b>	<b>215,861</b>	<b>144,362</b>
Income tax expense	(90,897)	(90,980)	(71,122)	(43,401)
<b>Profit for the year</b>	<b>210,965</b>	<b>210,300</b>	<b>144,739</b>	<b>100,961</b>
Other comprehensive income, net of tax	7,913	(257)	168	182
<b>Total comprehensive income for the year</b>	<b>218,878</b>	<b>210,043</b>	<b>144,907</b>	<b>101,143</b>
<b>Attributable to:</b>				
<b>Owners of the parent</b>		209,712	144,787	100,692
<b>Non-controlling interest</b>		331	120	451
<b>Total comprehensive income for the year</b>	<b>218,878</b>	<b>210,043</b>	<b>144,907</b>	<b>101,143</b>
Basic and diluted earnings per share (TZS)	422	420	289	201

Source: NMB audited financial statements and 30<sup>th</sup> September 2021 published unaudited financial statements

## 2.2 Consolidated Statements of Financial Position

Table 3: Statement of financial position

As at 31 December	30 <sup>th</sup> Sept 2021	2020	2019	2018
In millions	TZS	TZS	TZS	TZS
<b>Assets</b>				
Cash and balances with Bank of Tanzania	1,477,857	1,047,488	1,341,140	1,070,422
Placements and balances with other banks	413,592	170,829	264,326	174,391
Loans and advances to customers	4,465,222	4,108,789	3,590,006	3,241,401
Investment securities held to maturity	867,924	1,275,291	744,527	724,943
Goodwill		28,962	17,027	15,242
Equity investments	2,920	2,920	2,920	2,920
Other assets	216,396	68,744	91,324	84,755
Current tax assets	-	11,536	-	13,066
Intangible assets	-	13,898	20,779	21,241
Property and Equipment	193,610	215,715	239,169	265,700
Deferred tax assets	-	85,314	76,788	62,132
<b>Total assets</b>	<b>8,185,584</b>	<b>7,058,336</b>	<b>6,417,427</b>	<b>5,676,213</b>
<b>Equity and Liabilities</b>				
<b>Liabilities</b>				
Deposits due to other banks	43,138	131,224	33,446	20,770
Deposits from customers	6,051,740	5,325,450	4,916,551	4,315,220
Current income tax	-	-	12,366	-
Other liabilities	69,215	116,879	108,304	107,149
Provisions	-	971	2,230	3,519
Borrowings	441,742	252,715	276,445	301,388
Subordinated debt	-	71,025	70,998	70,972
<b>Total liabilities</b>	<b>6,904,061</b>	<b>5,927,191</b>	<b>5,448,325</b>	<b>4,819,018</b>
<b>Capital and reserves</b>				
Share capital	20,000	20,000	20,000	20,000
Retained earnings	1,037,941	1,106,441	944,472	799,128
General risk reserve				33,725
Fair valuation reserve	-	792	1,049	881
Other reserve	-	-	-	-
<b>Total shareholders' equity</b>	<b>1,281,523</b>	<b>1,127,233</b>	<b>965,521</b>	<b>853,734</b>
<b>Non-controlling interests</b>	<b>3,912</b>	<b>3,912</b>	<b>3,581</b>	<b>3,461</b>
<b>Total equity</b>	<b>1,285,435</b>	<b>1,131,145</b>	<b>969,102</b>	<b>857,195</b>
<b>Total equity and liabilities</b>	<b>8,185,584</b>	<b>7,058,336</b>	<b>6,417,427</b>	<b>5,676,213</b>

Source: NMB audited financial statements and 30<sup>th</sup> September 2021 published unaudited financial statements

## 2.2.1 Analysis of Borrowings

As at 31 December 2020 the Company had borrowings totalling TZS 252 billion (2019: TZS 276 billion) as outlined below:

**Table 4: Summary of borrowings**

Name of Lender	Currency	Amount outstanding in TZS ' million	Tenor	Effective Interest Rate per annum
European Investment Bank ("EIB")	TZS	5,417	Up to seven years	8.51%
EIB	USD	1,472	Up to seven years	3.42%
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. ("Netherlands Development Finance Company") FMO loan	USD	39,593	Up to six years	4.49%
Triodos B.V.	TZS	16,999	Up to six year	14.4%
NMB Bond	TZS	83,349	Up to three years	10%
Tanzania Mortgage Refinance Company Limited ("TMRC")	TZS	11,700	Up to four years	11.5%
International Finance Corporation (IFC)	TZS	90,758	Up to five years	11.5%
	<b>Total</b>	<b>249,288</b>		
	Interest	3427		

Source: NMB audited financial statements as at 31 December 2020 for the year ended 31 December 2020

All facilities were advanced to NMB on an unsecured basis except for TMRC which are 125% secured by specific debenture over the portfolio of mortgage loan and treasury bonds

## 2.3 Consolidated Statements of Cash flows

**Table 5: Statements of cash flows**

<b>Year ended 31 December</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>In millions</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>
Cash flow from/ (used in) operating activities	(52,229)	561,708	(213 710)
Tax paid	(123,140)	(60,418)	(68 480)
Net cash generated from/ (used in) operations	(175,369)	501,290	(282 190)
<b>Cashflows from investing activities</b>			
Proceeds from government securities	560,401	641,480	791 522
Investment in government securities	(1,096,690)	(659,892)	(608 848)
Purchase of property and equipment	(18,755)	(12,649)	(25 530)
Purchase of intangible assets	(4,325)	(10,967)	(11 930)
Proceeds on disposal of property and equipment	174	292	365
Net cash utilised in investing activities			145 579
<b>Cashflows from financing activities</b>			
Proceeds from borrowings	50,000	88,349	114 565
Principal paid on borrowings	(73,857)	(113,426)	(83 730)
Interest paid on borrowings	(32,582)	(33,782)	(28 765)
Dividends paid	(48,000)	(33,000)	(32 000)
Net cash (used in)/generated from financing activities	(115,297)	(104,102)	(29 930)
Net increase/(decrease) in cash and cash equivalents	(313,572)	373,872	(166 541)
Cash and cash equivalents at the beginning of the year	1,232,544	858,732	1 002 394
Cash and cash equivalents at the end of the year	907,029	1,232,544	842,714
<b>Analysis of cash and cash equivalents at end of the year:</b>			
Cash in hand	661,689	498,231	402 709
Balances with Bank of Tanzania	57,781	450,813	265 614
Deposits and balances due from banking institutions	170,829	264,326	174 391

Source: NMB audited financial statements

## 3. Description of NMB Bank PLC

### 3.1 Overview

As at the date of this Supplemental Information Memorandum, NMB 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 2020

- total assets of TZS 7,098 billion (2019: TZS 6,556 billion) and had profit after tax of TZS 206 billion for the year ended on 31 December 2020 (2019: TZS 142 billion);
- total loans and advances increased from TZS 3,596 billion in 2019 to TZS 4,109 billion in 2020;
- total customer deposits grew from TZS 4,922 billion in 2019 to TZS 5,325 billion in 2020;
- NMB operated 226 branches, 753 ATMs, and over 8,400 agents. NMB also offers mobile, internet banking, QR codes, and supports several cards products;
- increased market capitalisation with share price of TZS 2,340 per share as at 31<sup>st</sup> December 2020; and
- consistent dividend policy with a proposed dividend per share of TZS 137 for 2020 (2019: TZS 96).

### 3.2 History of NMB

NMB was established under the NMB 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.

Following the growth, the bank achieved in serving diverse sectors and business segments beyond microfinance, NMB officially changed its name from National Microfinance Bank PLC to NMB Bank PLC after it was resolved by shareholders at the 17<sup>th</sup> Annual General Meeting (AGM) held on 3 June 2017.

In 2020, the share transfer from Rabobank to Arise B.V. was successfully completed. Following regulatory approval from the Ministry of Finance and Planning (MOFP), the Bank of Tanzania (BOT), the Fair Competition Commission (FCC), Tanzania Revenue Authority (TRA), Business Registrations and Licensing Agency (BRELA), and the Capital Markets and Securities Authority (CMSA), RaboBank completed the transfer of 174,500,000 shares held in NMB to Arise B.V. who now own 34.9% of the shares in NMB.

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

<sup>1</sup> NMB, DSE

### 3.3 NMB Group Structure

#### 3.3.1 Share capital and ownership

NMB has 625,000,000 (2019: 625,000,000) authorized ordinary shares with a par value of TZS 40 each of which 500,000,000 (2019: 500,000,000) are issued and fully paid up.

As at 30 September 2021, the Bank's shareholders were as outlined below:

**Table 6: Shareholders**

Shareholder	% Shareholding
Arise B.V	34.90
Treasury Registrar (Government of Tanzania)	31.78
National Investment Company Limited (NICOL)	5.29
National Social Security Fund (NSSF Uganda)	4.68
Sajjad Fidahussein Rajabali	2.95
Aunali Fidahussein Rajabali	2.95
Public Service Social Security Fund (PSSSF)	1.56
Banque Pictet and Cie Sa A/C Patrick Schegg	0.99
Duet Africa Opportunities Master Fund	0.90
Zanzibar Social Security Fund	0.59
Umoja Unit Trust Scheme	0.56
TCCIA Investment Company Limited	0.52
General Public	12.33
<b>Total</b>	<b>100</b>

Source: NMB Management as at 30<sup>th</sup> September 2021

#### 3.3.2 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.

**Table 7: Subsidiaries and affiliates**

Name	% shareholding
Upanga Joint Venture Company Limited (UJV)	86.22%
Tanzania Mortgage Refinance Company Limited (TMRC)	7.81%

Source: NMB Management as at 30<sup>th</sup> September 2021

### 3.4 Description of the Bank's Business

With a balance sheet of over TZS 7 trillion as of 31st December 2020, NMB Bank PLC. is the leading financial institution in Tanzania. More than 4 million customers bank with us and we employ 3,465 full-time staff as at end of December 2020.

The bank offers a full suite of financial services and products to a wide range of our clientele in our Retail, Wholesale and Treasury business divisions.

The bank had 226 branches, 8,410 active agents (Wakala), 2 standalone Bureau de Change outlets, and 753 ATMs across the country as at end of December 2020.

The bank has received numerous local and international recognitions, including being awarded the “Best Bank in Tanzania” by Euromoney for eight years in a row (2013-2020) and the Safest Bank in Tanzania for the year 2020 by Global Finance Magazine.

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

The following table shows the contribution of the different divisions within NMB to its major financial indicators as at 31 December 2020.

**Table 8: Divisions contribution within NMB**

TZS millions	Treasury	Wholesale Banking	Retail Banking	UJVC	(Eliminations)/ Consolidations	Total
Interest income	109,409	73,396	530,172	-	(329)	712,648
Interest expense	(9,104)	(55,300)	(82,918)	(329)	6,168	(141,483)
Net Interest Income	100,305	18,096	447,254	(329)	5,839	571,165
Operating profit	91,052	(109,028)	313,719	3,462	2,0765	301,280
Profit after tax	63,362	(75,871)	218,312	2,423	2,075	210,300
Segment assets, liabilities and equity						
Total Assets	2,481,095	669,248	3,644,822	39,971	(79,437)	7,058,3367
Total Liabilities and equity	198,190	1,526,657	3,600,608	39,971	(79,437)	7,058,3367

Source: NMB Annual Report 2020

### 3.4.1 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.

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

### 3.4.2 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.

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

### 3.4.3 Treasury

Treasury business is subdivided into ALM which manages assets and liabilities of the bank and Global markets which manages the bank's forex risk and interest rate risk exposures as well as engaging in both forex and government securities trading activities. With an excellent team of Treasury sales supported by specialized transactional services, treasury serves a wide range of clients including the government, individuals, small to large corporates and institutions.

In 2018 Treasury added two new lines of services, Custody services and Advisory Services. Custody services unit engages in securities safekeeping and record keeping, asset servicing, transaction processing and settlement while Advisory services subunit will assist SMEs and corporates with capital raising & optimization, M&A advisory as well as strategic & financial advisory.

Treasury main products include;

- Foreign exchange
- Government securities (Treasury bills and bonds)
- Securities services (safe keeping/ records keeping/ servicing/settlement/ transaction processing)
- Advisory services (capital raising & optimisation/ M&A/ strategic & financial advisory)

## 3.5 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 Mkononi* in Tanzania.
- Has implement a new internet banking called NMB Direct for retail and whole customers
- Had built an electronic payments ecosystem: ATMs, POS, cards, partnerships with MNOs and Online bill payments
- 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
- +134 branches are connected to fiber and have wireless fail over
- Has supported the national payment system (BOT) initiatives by Participating in Tanzania Automated Clearing House, TIPS, among other initiatives.
- Has strengthen collaboration with the government technology agency by participating automation of government collections, expenditure, and other payment processes.
- Creation of centralized loan processing facility
- Increasing the proportion of electronic transactions to over 90%

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.

### 3.6 Competition

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

- a. Banks: institutions authorized to receive money on current account subject to withdrawal by cheque
- b. 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.
- c. 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, 2019 as amended.

According to annual report 2019/2020 from Bank of Tanzania directorate of bank supervision, in 2020 there were 35 commercial banks, 6 community banks, 5 microfinance banks, 2 development finance institutions, 1 mortgage refinance company, 1 housing finance company, 3 financial leasing companies, 2 credit reference bureaux and 3 bureaux de change with 38 branches<sup>2</sup>. Also, there were 960 bank branches across Tanzania, with NMB operating 226 of them (24%).

### 3.7 Risk Management

The Board accepts final responsibility for risk management and internal control systems of the Bank. The Board has delegated day-to-day risk management to the executive committee, which has implemented an enterprise risk management framework that sets out clear processes of risk management to protect the bank, its clients and customers.

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

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<sup>2</sup> Bank of Tanzania

- 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 policies 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 operating risks.

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 provides independent oversight and challenges and lastly with the internal audit function which provides independent assurance to Management and the Board over the effectiveness of governance, risk management and control over current, systemic and evolving risks.

### 3.7.1 Credit Risk Policy

The Bank's lending activities are guided by the Bank's credit risk policy and in line with Bank of Tanzania guidelines. In determining the level of risk that the Bank is willing to take for the various sectors and proactive management of sectoral lending concentrations, the management has developed a risk appetite statement that sets out the principles, objectives and measurements to utilise NMB's funding resources efficiently. It seeks to manage credit risk and loan portfolio concentration.

The Bank has developed an automated credit decision making system for micro-finance loans (credit scoring) and also implemented a centralized disbursement, loan monitoring and Collections Centre for retail loans. The credit scoring system already in place for micro loans including Agri MSE has significantly improved turnaround time. We have also internally developed an automated collateral management module which has significantly improved the audit trail, ease of information and documents retrieval and quality.

Works in progress currently is to automate credit application workflow and management end to end for corporate lending, SMEs and Large Agribusiness that will go hand in hand with automated internal risk rating and a risk based pricing tool which will improve the quality of our loan book even further through well informed decisions on credit risk and risk adjusted pricing considerations.

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

**Table 9: Loans and advances to customers by sector (Bank)**

As at December 31	2019	%	2020	%
	TZS million		TZS million	
Financial institutions	1,933,687	35%	1,904,108	32%
Manufacturing	327,713	6%	202,047	3%
Trading and commercial	362,464	7%	214,262	4%
Transport and communication	118,832	2%	76,244	1%
Wholesale and retail	354,923	6%	577,906	10%
Agriculture	100,512	2%	203,639	3%
Individuals	2,150,573	39%	2,829,529	47%
Others	163,535	3%	5,633	0%
<b>Total</b>	<b>5,512,239</b>	<b>100%</b>	<b>6,013,368</b>	<b>100%</b>

Source: NMB audited financial statements for the year ended 31 December 2020

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

**Table 10: Off-balance sheet credit exposure to customers by sector (Bank)**

As at December 31	2019	%	2020	%
	TZS m		TZS m	
Financial institutions	10,192	2%	11,201	2%
Manufacturing	48,745	7%	57,332	9%
Trading and commercial	303,844	47%	323,684	52%
Transport and communication	60,947	9%	25,421	4%
Wholesale and retail	108,946	17%	125,059	20%
Agriculture	-	0%	12,638	2%
Individuals	-	0%	-	0%
Others	119,980	18%	69,546	11%
<b>Total</b>	<b>652,654</b>	<b>100%</b>	<b>624,881</b>	<b>100%</b>

Source: NMB audited financial statements for the year ended 31 December 2020

### 3.7.2 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.

### 3.8 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.

### 3.9 Regulatory Environment

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

- Banking and Financial Institutions (Licensing) Regulations, 2014
- The Banking and Financial Institutions (Capital Adequacy) Regulations, 2014
- The Banking and Financial Institutions (Foreign Exchange Exposure Limits) Regulations, 2014

- d. The Banking and Financial Institutions (Consolidated Supervision) Regulations, 2014
- e. The Banking and Financial Institutions (Credit Concentration and Other Exposures Limits) Regulations, 2014
- f. The Banking and Financial Institutions (Disclosures) Regulations, 2014
- g. The Banking and Financial Institutions (External Auditors) Regulations, 2014
- h. The Banking and Financial Institutions (Internal Control and Internal Audit) Regulations, 2014
- i. The Banking and Financial Institutions (Liquidity Management) Regulations, 2014
- j. The Banking and Financial Institutions (Management of Risk Assets) Regulations, 2014
- k. The Banking and Financial Institutions (Physical Security Measures) Regulations, 2014
- l. The Banking and Financial Institutions (Prompt Corrective Actions) Regulations, 2014
- m. 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.

### 3.10 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 2020, the Bank complied with all of the externally imposed capital requirements to which it is subject.

## 4. Board of Directors, Corporate Governance and Management

### 4.1 The Structure of the Board

As at the date of this Supplemental Information Memorandum, the Board of Directors comprised of nine directors. 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 Chief Executive Officer 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.

### 4.2 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.

#### 4.2.1 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 table 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 30 September 2021:

**Table 11: NMB's Board Committees - 30 September 2021**

	Main Board	Board Executive Committee	Board Audit, Risk and Compliance Committee	Board Human Resources and Remuneration Committee	Board Credit Committee
Dr Edwin Mhede	Chairman	Chairman	n/a	n/a	n/a
Leonard Mususa	Member	n/a	Chairman	n/a	n/a
Christine Glover	Member	Member	n/a	Chairman	Member
Juma Kisaame	Member	Member	n/a	n/a	Member
Benson Mahenya	Member	n/a	Member	n/a	n/a
Dr. George Mulamula	Member	n/a	Member	n/a	n/a
Theresia Mihayo	Member	Member	n/a	Member	n/a
George Mandepo	Member	n/a	n/a	Member	Member
Hendrik Reisinger	Member	n/a	n/a	Member	Chairman

Source: NMB Management as at 30<sup>th</sup> September 2021

Below is a summary of the board committees and the members as at 31 December 2020:

**Table 12: NMB's Board Committees - 31 December 2020**

	Main Board	Board Executive Committee	Board Audit, Risk and Compliance Committee	Board Human Resources and Remuneration Committee	Board Credit Committee
Dr Edwin Mhede*	Chairman	Chairman	n/a	n/a	n/a
Leonard Mususa	Member	n/a	Chairman	n/a	Observer
Christine Glover	Member	n/a	Member	Member	Member
Juma Kisaame	Member	Member	Member	n/a	n/a
Mathias Magwanya	Member	n/a	Member	n/a	n/a
Dr. George Mulamula	Member	n/a	Member	n/a	n/a
Margaret Ikongo	Member	Member	n/a	Chairman	Member
George Mandepo	Member	Member	n/a	Member	Member
Hendrik Reisinger	Member	n/a	n/a	Member	Chairman

Source: NMB Annual Report for the year ended 31 December 2020

## 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.

### 4.2.2 Codes and Regulations

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

### 4.2.3 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.

### 4.2.4 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.

### 4.2.5 Sustainability and Social Responsibility

The Bank firmly believes in acting as a responsible corporate citizen by supporting the communities in which it operates to foster socio-economic development. Through the bank's Corporate Social Responsibility (CSR) arm, the bank has been consistently supporting the communities it serves. The bank's CSR agenda is underpinned by the key pillars of education, health, financial capability, and disaster recovery. The bank sets aside 1% of the after tax profit every year and allocates the funds towards implementation of various community support initiatives in line with its CSR pillars. The bank also recently launched the NMB Foundation to enhance the corporate social investment agenda by broadening impact to communities and further continue to spur transformation of the country.

### 4.3 Directors' Qualifications and Experience

**Table 13: Directors' qualifications and experience**

Name	Date of Birth	Nationality	Profession	Date of appointment
Dr. Edwin P. Mhede	05 December 1978	Tanzanian	Economist	Appointed on 05 June 2020
Juma Kisaame	10 May 1963	Ugandan	Banker	Appointed on 05 June 2020
Leonard Mususa	25 September 1953	Tanzanian	Certified Public Accountant	Re-appointed on 15 June 2019
Theresia Mihayo	30 October 1977	Tanzanian	Chartered Insurer	Appointed on 04 June 2021
Benson Mahenya	19 March 1968	Tanzanian	Auditor	Appointed on 04 June 2021
Dr. George Mulamula	04 April 1956	Tanzanian	Computer Scientist	Appointed on 02 June 2018
Christine Glover	29 November 1952	South African	Investment Manager	Appointed on 02 June 2018

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.

#### **Dr. Edwin P. Mhede – Board Chairman**

Dr. Mhede was elected Board Chairman, after being appointed to join the Board of Directors of NMB Bank PLC, on 5th June 2020. He is a development economist by training and professional practice, with over 15 years work experience in the Government, private sector development, and the banking industry, specifically in the areas of trade, economic policy analysis and management, international negotiations, industrial research and investments, and tax and customs administration.

Before assuming his current position of leadership service in NMB, Dr. Mhede held various technical and management roles in the Government to the level of Commissioner General of Tanzania Revenue Authority (TRA) and the Deputy Permanent Secretary of Trade and Investment at the Ministry of Industry, Trade and Investments (MITI). Dr. Mhede, who previously worked as Consultant for the World Bank Group, in the project of African Competitiveness in Light Simple Manufactured Products, and briefly researched and provided advisory input therefrom to Tanzania Agricultural Development Bank (TADB), is highly recognized for leading multifaceted economic programs for the growth of public and private sectors in Tanzania.

Dr. Mhede has published empirical economics papers in reputable scholarly journals. He earned his Ph.D. and M.A in Development Economics from the National Graduate Institute for Policy Studies (GRIPS) in Tokyo, Japan. He also holds a Bachelor of Science degree in Agricultural Economics and Agribusiness from Sokoine University of Agriculture (SUA) in Morogoro, Tanzania.

#### **Christine Glover – Non-executive Director**

Ms. Glover was appointed to join the NMB Board of Directors in June 2018. With over 30 years' strategic and operational experience in housing and development finance, she has held several leadership roles in the reputable firms where she was responsible for among other things designing financial housing products for the low-income

sector, project managing housing development and structuring institutions such as banks and investment vehicles. Until November 2017, Ms. Glover was the head of development impact funds, a position she had held since October 2007.

Ms. Glover holds a master's in city and Regional Planning from the University of Cape Town and a Honours degree in Art and Architectural History from the University of South Africa.

### **George N. Mandepo – Non-executive Director**

Mr. Mandepo has over 17 years of experience in Tanzania's legal sector and has successfully undertaken several advisory assignments in the field of business operations, primarily in litigation and arbitration, as well as other forms of alternative disputes resolutions (ADR). He currently works as Director of Arbitration in the Office of the Solicitor General where he heads a Division that is responsible for handling arbitration both domestically and internationally. He has participated in various sector committees for research, review and or formulation of various legislation and mainly in agricultural and mining sectors.

Mr. Mandepo has also rendered legal advice in the institutional restructuring and reformation of a number of public institutions. Regionally and internationally, he has been involved in various working groups and consultancies for the preparation of several legal instruments and rendering implementation advice.

Mr. Mandepo holds a Masters' Degree in Construction Law (LLM) from the University of Strathclyde and a Bachelor of Laws (LLB) from the University of Dar Es Salaam where he specialized in Company and Banking Laws.

### **Dr. George Mulamula – Non-executive Director**

Dr. George Mulamula is currently the CEO and founder of Technovate Advisory Services (TAS) which is dedicated to building the entrepreneurship ecosystem to foster knowledge transfer, skills capacity-building, and to catalyse job creation in Tanzania, with financial inclusion for the bottom of the pyramid. He also founded Dar Teknohama (ICT) Business Incubator which grew to be the largest technology incubator in East Africa.

Dr. Mulamula has wide experience in the private and public sectors within the areas of ICT, technology, entrepreneurship and Fin Tech support. He has held various advisory roles within the region and internationally, including being the Senior Government Advisor on ICT, Entrepreneurship in Tanzania. He also served as the Principal Deputy Chief Executive Officer of the Rwanda Development Board (RDB) and as Senior Advisor in the Ministry of Commerce and Industry in Rwanda. He was also the lead advisor for the Tanzania ICT Policy and Rwanda's NICI policy and helped draft ICT policies in the SADC region.

He has taught at various Higher Learning Institutions in the region and consulted with international and regional organizations. Dr. Mulamula has also written extensively on ICT, Technology Transfer for Sustainable Development.

Dr. Mulamula holds a PhD. in ICT Technology Transfer and a master's in computer science from the City University of New York.

### **Juma Kisaame - Non-executive Director**

Mr. Juma Kisaame was appointed to join the NMB Board of Directors in June 2020. He is the Chairman, Board of Directors of Uganda Revenue Authority and has wide experience across the financial sector, including in development financing (leasing, mortgages, and term finance), commercial banking, venture capital, debt recovery and asset management, and treasury management and reporting. He has also held other various board position.

Prior to his retirement in 2018, he was the Managing Director of dfcu Bank Ltd. since 2007, during which time he transformed the bank from a niche development Financial Institution into a robust retail operation. Mr. Kisaame also successfully turned-around the Eurafrican Bank from loss making into a sustainable profit-making institution. Among his other key achievements, Mr. Kisaame founded the Uganda Leasing Association in 2002 and currently holds the Presidency of the African Leasing Association.

Mr. Kisaame also pioneered the publications Lease Link and Afrolease News journals which are at the forefront of advocating lease development in Uganda and Africa at large.

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

Mr. Mususa was appointed to join the NMB Board of Directors in June 2015. He 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 (UK).

Mr. Mususa retired from PricewaterhouseCoopers (PwC) in June 2014, where he worked in various areas spanning 36 years, including transaction services, corporate governance, financial reporting, risk management and control. He served as Country Senior Partner of PwC (Tanzania) for 14 years. He also served in other roles as Head of Assurance Risk and Quality in the PwC Africa Central region (covering 9 countries) and Head of Risk, Independence and Quality in the East Africa Market Area (covering 6 countries).

Mr. Mususa also holds directorships in diverse companies in the financial, manufacturing, commerce and media sectors, including Tanzania Breweries PLC, Nation Media Group, Reliance Insurance Tanzania Limited and AutoXpress Tanzania Limited.

### **Hendrik Reisinger - Non-executive Director**

Mr. Reisinger was appointed to join NMB Bank's Board of Directors in June 2019. He is an economist and has over 25 years of experience in fields of banking and risk management, business analysis, and investment management.

In 1990, he joined Rabo International and has held positions in Area Management, Food & Agribusiness Research and Corporate Finance. In 2005, he was appointed as Senior Investment Manager, and in 2016 as Head of Investments, a position he held until 2018. As such he was responsible for negotiating and structuring the acquisition of minority equity participations in leading retail banks in China, Mozambique, Zambia, Rwanda and Uganda.

In 2018 Mr. Reisinger established his own private company providing financial advisory services and board room services. He is an experienced non-executive director with relevant experience in both Africa and Europe.

Mr. Reisinger holds a Master of Science Degree in Economic History from the University of Groningen and a Master of Science Degree in Business Economics from the University of Groningen.

### **Lilian Komwihangiro – Company Secretary and Head of Legal**

Mrs. Lilian R. Komwihangiro is the Company Secretary and Head of Legal of NMB. She 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) and is an Advocate of the High Court of Tanzania. Before joining NMB, Lilian worked as Legal Counsel in a number of law firms including the former Maajar, Rwechungura & Kameja Advocates, FK Law Chambers and as a Legal Consultant at PricewaterhouseCoopers.

#### **4.3.1 Board Resignations**

In the year 2020, the former Board Chairman, Prof. Joseph Semboja retired from the Board. Directors Dr. Edwin P. Mhede and Juma Kisaame were appointed and Director Margaret Ikongo re-appointed to the Board at the 2020 AGM. Dr. Edwin P. Mhede was also unanimously elected by the Board as Board Chairman and replaced Prof. Semboja.

Up to 30th September 2021, Mathias Magwanya and Margaret Ikongo resigned and were replaced by Benson Mahenya and Theresia Mihayo who were appointed at the 2021 AGM.

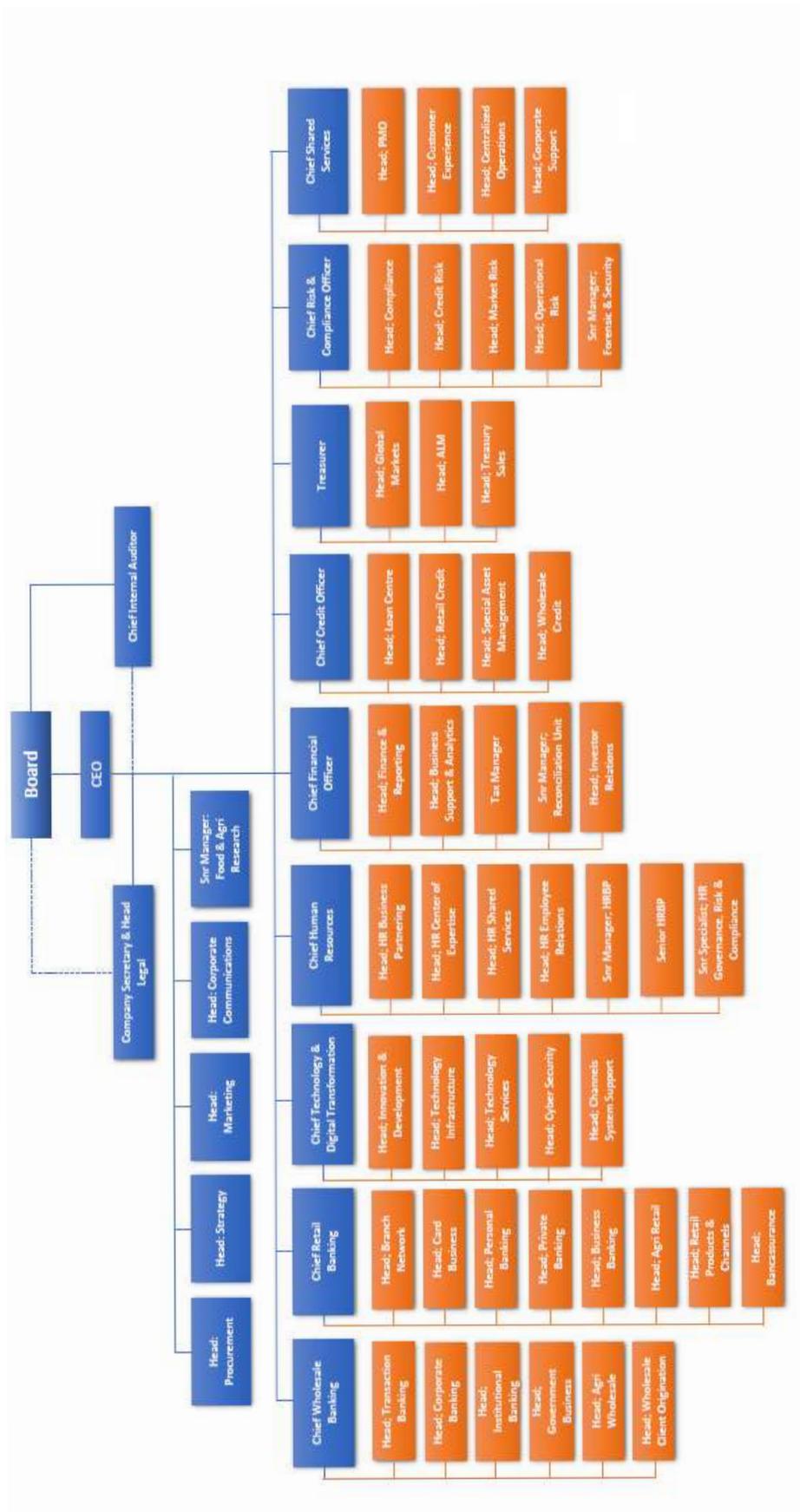
#### **4.3.2 Directors Declaration**

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

- no petition under bankruptcy laws is or has been pending or threatened against any Director in any jurisdiction;

- 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;
- 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;
- no Director held any shares of the Company in each of the listed classes; and
- there were no contracts existing between the Directors and the Issuer.

### 4.3.3 Management and Related Information



#### 4.3.4 Key management committees

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

##### **Executive Management Team**

The EXCO team's objective of 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 and 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.

## 4.4 Executive Management

The senior management team comprises of professional executives with experience in their relevant fields. The members of this team as of 30 September 2021 are as indicated in the table below:

**Table 14: Executive Management**

Name	Role
Ruth Zaipuna	Chief Executive Officer
Juma Kimori	Chief Financial Officer
Filbert Mponzi	Chief Retail Banking
Alfred Shao	Chief Wholesale Banking
Emmanuel Akonaay	Chief Human Resources Officer
Aziz Chacha	Treasurer
Benedicto Baragomwa	Ag. Chief Internal Auditor
Kwame Makundi	Ag. Chief Technology and Digital Transformation
Daniel Mbotto	Chief Credit Officer
Oscar Nyirenda	Ag. Chief Risk & Compliance Officer

### Ruth Zaipuna – Chief Executive Officer

Ruth Zaipuna is the Chief Executive Officer of NMB Bank PLC, responsible for driving the Bank’s corporate strategy to deliver sustainable business growth.

She started her career in 2002 at PricewaterhouseCoopers (PwC) where for a decade she specialized in the audit of banks and other financial institutions. At PwC, Ruth rose through the ranks to the level of Associate Director. Ruth demonstrated great professionalism and technical ability in her work and she was entrusted to lead some of the firm’s most complex assignments.

Ruth left the firm in August 2011 to take up the position of the Executive Director Finance and Chief Financial Officer at Standard Chartered Bank. In July 2017, she took on additional responsibilities combining her role in Tanzania with that of Business Finance Lead for the East African cluster, overseeing and leading the Bank’s business finance activities in Tanzania, Kenya, and Uganda.

Ruth joined NMB Bank from Standard Chartered Bank as Chief Financial Officer in June 2018. She was appointed to act in the CEO role in October 2019 and was confirmed in the position in August 2020.

Ruth is also an Independent Non-Executive Director for Tanzania Portland Cement Company Limited (TPCC), the leading cement producing company in Tanzania and listed on the Dar es Salaam Stock Exchange.

Ruth is an Associate Certified Public Accountant (ACPA (T)). She holds a Master of Business Administration (MBA) in Finance and a Bachelor of Commerce (B. Com) degree in Accounting, both from the University of Dar es Salaam.

### **Benedicto Baragomwa – Ag. Chief Internal Auditor**

Benedicto Baragomwa is currently the Acting Chief Internal Audit. He is a seasoned auditor with a wealth of experience spanning over 13 years in audit, financial risk management, strategy and corporate governance holding various senior positions within local and international firms, including assignments in Rabobank Netherlands.

He joined NMB Bank in 2014, as an Audit Manager. Prior to that, he worked as a Risk & Control Assurance Manager at Barclays Bank, currently known as Absa Bank, where he was responsible for risk management and controls.

Before joining Absa, he worked at KPMG East Africa as an Auditor and grew through the ranks to Senior Auditor responsible for financial services assurance by ensuring standards of quality and accuracy are maintained in audits and other financial reports.

He is a beneficiary of NMB Bank's talent development program that was coordinated in partnership with Rabobank whereby he was seconded to Rabobank Netherlands in 2016 for advanced leadership program.

Benedicto holds a master's degree in Economics and Finance from University of Bradford (UK) and a First-Class Bachelor's Degree in Accounting & Finance from Mzumbe University. He is an Associate Certified Public Accountant (ACPA) (T) and Certified Information Systems Auditor (CISA). He is also a professional member of the National Board of Accountants and Auditors Tanzania (NBAA), The Institute of Internal Auditors (IIA) and ISACA.

### **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. He holds an MBA from Manchester Business School of the University of Manchester, United Kingdom and currently serves in the Tanzania Bankers Association (TBA) financial markets technical committee. He has a wealth of experience in Treasury risk management, Treasury technology, capital markets/ corporate finance, capital planning and balance sheet management and is a certified member of ACI-Financial Markets headquartered in France.

### **Nenyuata Mejooli – Chief Shared Services**

Nenyuata Olekambaine Mejooli was appointed Chief Shared Services of NMB Bank in June 2019. She is a seasoned banker with 20 years' experience in Banking Operations, Operations risk, Quality assurance, and Business Process improvement and reengineering.

Nenyuata joined NMB from Standard Chartered Bank in 2007 as Manager Business Process and has since held several roles including Senior Operations Manager, Senior Manager Banking Operations, and Head of Banking Operations. She was also Head of Branch Network at NMB Bank PLC. prior her current role.

Nenyuata holds a Bachelor's of Science Degree in Electronics from Bangalore University India and an MBA from Dublin City University Ireland. Nenyuata is also PRINCE 2 Practitioner and holds a leadership certificate from Gordon Institute of Business Science (GIBS), South Africa. She is Female Future Program Tanzania, cohort 1 Alumni, a program which aims at preparing Tanzanian women to take higher leadership position.

### **Kwame Makundi – Ag. Chief Technology and Digital Transformation**

Kwame Makundi is acting Chief Technology and Digital Transformation. He joined NMB Bank PLC. in 2014 as Senior Manager Service Management. He was promoted to Head of Service Management in 2017, responsible for managing Service Desk, Network Operations Centre (NOC), Branch Technology, Product Lifecycle Management, and Core Banking Applications. In 2019, he was given additional responsibilities of overseeing the entire Channels Technologies and Services.

Kwame has extensive experience across various domains of IT operations, product development, and service management. Prior to joining NMB, he worked in the telecommunications industry for eight years in various managerial roles at Vodacom Tanzania, Sasatel, and Millicom Tanzania (Tigo).

Kwame earned his Bachelor of Computer Engineering and Information Technology degree from the University of Dar es Salaam and holds several advanced IT certifications including Technology Service Management, Solaris UNIX Operating Systems, Intelligent Networks, and VAS systems. He is currently pursuing his MBA at Stellenbosch University Business School.

### **Juma Kimori – Chief Financial Officer**

Juma Kimori was appointed as Chief Financial Officer in March 2021.

He joined NMB Bank Plc as the Chief Internal Auditor (CIA) in May 2018 reporting to the Board Audit, Risk and Compliance Committee (BARCC) functionally and administratively to the Chief Executive Officer (CEO). Kimori has accumulated more than 14 years' experience in banking, leadership, enterprise risk management, strategy formulation and execution, change management, Corporate governance and reporting.

Prior to joining NMB Bank, Kimori worked with Barclays Bank Tanzania as Chief Internal Auditor and Barclays Africa as Regional Director of Internal Audit for 7 years. He started his career with PricewaterhouseCoopers in 2006 prior to joining African Banking Corporation (BancABC) as the Country Head of Internal Audit.

Kimori holds a Bachelor of Commerce in Accounting from the University of Dar es Salaam. He is a member of the National Board of Accountants and Auditors Tanzania (NBAA) as an Associate Certified Public Accountant (ACPA). He is also a member of the Institute of Internal Auditors (IIA) and a Certified Facilitator for the IIA and has experience in delivering professional papers both within and outside Tanzania. Kimori is a Certified Director by the Institute of Directors Tanzania (IoDT) and a Board Member of the IIA Tanzania since 2015.

### **Oscar Nyirenda – Ag. Chief Risk and Compliance Officer**

Oscar Nyirenda is currently the Acting Chief Risk and Compliance responsible for overseeing the bank's Enterprise Risk Management (ERM) framework, as well as the management of the overall risk posture and appetite. He is also responsible for overseeing the bank's Compliance, Market Risk, Enterprise Risk, Operational Risk, IT Risk and Credit Risk teams as well as the Forensics Department.

He joined NMB Bank in 2020 as Head Credit Risk, the position which he is still double-hearting with his current role. Prior to this role, he worked for both local and international banks including Standard Chartered Bank, Exim Bank (T) Ltd, I & M Bank and, National Bank of Commerce (NBC), a journey of more than 14 years, holding different roles from junior to managerial positions. Throughout his career risk related portfolios, he acquired extensive experience, skills and desired understanding of Enterprise Risk Management Framework and the suitable balancing between risk and business decisions in a dynamic business ground including regulatory environment as banking sector.

Oscar holds Bachelor's degree in Commerce with specialization in Accounting from the University of Dar es Salaam and a Master's Degree in Accounting and Finance from Mzumbe University.

He is a Certified Public Accountant (CPA) (T) and a member of the National Board of Accountants and Auditors Tanzania (NBAA). He is also a Certified Banking and Credit Analyst (CBCA) by Corporate Finance Institute, Certified Corporate Credit Risk Management, (Anucana Business Communication Pvt Ltd) and holds Credit Skills Assessment Certification from Moody's.

### **Emmanuel Akonaay – Chief Human Resources**

Emmanuel Akonaay was appointed Chief Human Resources Officer in July 2020. He has extensive knowledge and expertise in Human Resources with exposure across diverse sectors including advisory, manufacturing, mining, and

banking. He is responsible for development and execution of Human Resource strategy in support of the overall business plan and strategic direction of the bank and providing the necessary guidance to the HR team in strategy implementation.

Emmanuel joined NMB Bank PLC. in 2014. Prior to his current role, Emmanuel was Head of HR Shared Services where he was overall responsible for designing and implementing staff welfare policies and employee relations in addition to leading optimal HR support functions.

Before joining NMB, Emmanuel worked at Ernst & Young as the country Head of Human Resources function where he was responsible to drive the HR agenda in strategic talent acquisition, development, and retention. Emmanuel has also worked at Absa Bank - formerly known as Barclays Bank Tanzania - as HR Business Partner and Reward Manager responsible for overseeing employee compensation and benefits and has also held various managerial positions at Bulyanhulu Gold Mine and Serengeti Breweries Limited.

Emmanuel is a certified Reward & HR practitioner and holds a Bachelor of Arts Degree from the University of Dar es Salaam. He is a certified Director by the Institute of Directors Tanzania (IoDT). Emmanuel is also currently pursuing his Master of Business Administration (MBA) from ESAMI.

### **Filbert Mponzi – Chief Retail Banking**

Mr. Mponzi was appointed as Chief Retail Banking in June 2019 and has over 17 years of banking experience. He re-joined NMB Bank PLC in June 2018 as Business Head Wholesale Banking from NBC limited, a member of Barclays Africa Group and recently ABSA Group, where he served as Retail Banking Director and successfully drove the strategy to include Personal and Mass segments and pioneered the Distribution Optimization (Branches, ATMs and introduction of Agency Banking).

Prior to joining NBC Limited, he held different senior positions within NMB Bank including Head of MSME, Business Banking, and Head of Corporate Banking (Large local, MNCs and Emerging Corporates). He brought in a wealth of experience in Retail Banking, MSME, Corporate, and Agri Business.

Filbert is also a member of the Board of Trustees of Social Action Trust Fund (SATF) an NGO helping Most Vulnerable Children to become productive members of the society. He is also a board member of Tanzania Mortgage Refinancing Company (TMRC).

Filbert is an Associate Certified Public Accountant (ACPA (T)) and holds an MBA from Eastern and Southern African Management Institute (ESAMI) and a Bachelor of Commerce in Accounting (Hons.) from University of Dar es Salaam. Filbert also attended senior leadership courses in Harvard Business School (HBS) (USA) and Gordon Institute of Business Science (GIBS) in South Africa.

### **Alfred Shao – Chief Wholesale Banking**

Alfred Shao joined NMB as Chief Wholesale Banking in February 2020. He has over 17 years' experience in Tanzania's banking and professional services spanning the areas of auditing, risk assessment, asset portfolio management, development of a bank's growth strategy, and building a motivated team.

Alfred started his professional career in 2003 as an audit trainee at Ernst & Young and quickly rose through the ranks to the position of senior auditor.

Between February 2006 and January 2020, he held various senior positions at Standard Chartered Bank and Stanbic Bank, including as Head of Internal Audit, Executive Director & Head of Commercial Banking, as well as Head of Business Banking.

Alfred is a certified accountant and holds a professional certificate from the Association of Chartered Certified Accountants (ACCA).

Alfred holds a Master of Business Administration (MBA) and Bachelor of Commerce Degree in Corporate Finance, both from the University of Dar es Salaam.

### **Daniel Mbotto – Chief Credit Officer**

Daniel is a seasoned banker with a wealth of experience spanning over 21 years holding various senior positions within local, international and regional banks, including assignments in the Seychelles and South Africa.

He joined NMB Bank in November 2020 as Chief Credit Officer. Prior to his current role, he held similar positions at Stanbic Bank, National Bank of Commerce (NBC), and ABSA Bank Tanzania, formerly Barclays Bank. Throughout his career, he has accumulated a deep understanding of the Tanzanian market and attained strong requisites as a credit expert.

He is a certified lender with advanced certified credit skills recognized by Omega CSA. Daniel holds a Bachelor's Degree in Business Management from the University of Mysore, India.

## **4.5 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 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 2020, the Bank had 3,465 employees (2019: 3,450). As at 30 September 2021, the bank had 3,483 employees.

## 5. 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 5-7% 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.

The Bank remains committed to serving and remaining relevant to its customers. To this end, the bank re-imagined its strategy, which is anchored on desire to provide transformative customer experience via innovation, putting forward winning propositions, and promoting financial inclusion and customers' well-being. To deliver this, the Bank already invests in world class technology and infrastructure, which allows it to provide convenience and accessibility to customers and remains committed to optimizing investments in technology to provide our customers with a superior customer experience.

The Bank is invested in the communities in which it operates. It is for this reason that we continuously promote the essence of shared growth with our customers and other stakeholders. We truly want our staff, shareholders and customers to thrive, as we believe that it is only through their success that the Bank can symbiotically continue to prosper as well.

## 6. General Information

### 6.1 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, the fourth Tranche was subsequently approved by a resolution from ALCO on 10 June 2021.

### 6.2 Share Capital

As at 31 December 2020, NMB's paid up share capital and reserves were TZS 1,127 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.

### 6.3 Significant or Material Changes

Save as disclosed in this Supplemental 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.

### 6.4 Disposals and Acquisitions

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

### 6.5 Material Litigation

We have provided below a summary of material litigation which the Issuer was subject to as at 30 September 2021:

**Table 15: Material litigation - 30 September 2021**

	Case No	Reference Name	Case Description	Estimated Claim Value (TZS)
<b>COURT OF APPEAL</b>				
1	Land Appeal No. 94 of 2015	Luhende Selemani Jumanne	The Appellant is aggrieved by the decision of the High Court dismissing its appeal on the sale of his mortgaged property	100,000,000
<b>HIGH COURT</b>				
	Civil Appeal No.200 of 2020	Kiareni Investment Ltd	The bank is appealing against the decision of RM which awarded TZS 250m damages to the contractor	250,000,000
<b>COMMISSION FOR MEDIATION AND ARBITRATION</b>				

1	CMA/DSM/ILA2019	Charles Ombuya	Ex-staff is complaining that he was unfairly terminated from employment	40,000,000
<b>DISTRICT &amp; RESIDENT MAGISTRATE'S COURT</b>				
1	Civil Case No. 119 of 2020	Nell Global Engineering	Bank is challenging Kisumu order for payment of Tzs. 31.4 to the customer for failure to issue a bank guarantee.	31,000,000
2	Civil Case No. 24 of 2019	Salim Majid Said	Purchaser of the auctioned property claims for refund of his purchase price and general damages to the tune of TZS 150m	50,000,000
3	Application No.408 of 2020	Fadhili Josiah Keesy	Purchase of the auctioned collateral demands refunds claiming that the bank sold him a wrong property	24,000,000
4	Application No.74 of 2021	Edward Nicolous Mshanga	The applicant is demanding the refund of purchase price plus interest after failing to take possession of the property purchased in an auction.	12,000,000
5	Application No.84 of 2021	Kazyoba Amri Ngallaba	Purchaser of the mortgaged property is seeking refund of Tzs 13m for failure to take possession of the purchased property.	13,000,000

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

## Authorised Placing Agents

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#### Expenses of the Issuance (Tranche 4)

The expenses of tranche 4 issuance and the listing which will be from the account of the Issuer are estimated at TZS 150.2 Million.

S/No.	Professional fees and related costs	TZS
1	CMSA Evaluation Fee	65,000,000
2	DSE Registration Cost	20,000,000
3	Placing Agents (1%)	35,000,000
4	CDS Processing Fee	10,000,000
5	CSD Receipt Printing (TZS 1,000 per receipt)	200,000
6	Miscellaneous Expenses	20,000,000
	<b>Total</b>	<b>150,200,000</b>

NMB Bank PLC



# Social Bond **Framework**

# Introduction

Harnessing the power of vast network, deep rooted local presence in Tanzania, spanning over 24 years, NMB Bank PLC (a Listed Company, incorporated in the United Republic of Tanzania) continues to build upon its legacy as a banking pioneer, advancing Tanzania's ambitions through financial services.

NMB Bank PLC has been playing a vital role in the financial sector and Tanzania economic development for over 24 years. Since its inception in 1997, the Bank has grown successfully into the largest and most profitable Bank in Tanzania. The Bank has a balance sheet size of over TZS 8.2 trillion as of 30th September 2021, with a customer base of more than 4 million customers and 3,483 full-time employees.

NMB Bank has played a significant role in the Country's economic development agenda and continues to support the country's growth aspirations. It has been pivotal in supporting the high growth sectors, as well as purposeful driving the financial inclusion agenda. The Bank offers a full suite of financial services and products to a wide range of our clientele in our Retail, Wholesale, and Treasury business divisions. NMB's products and services, including both conventional and specialized, involve Trillions of Shillings of domestic and international transactions, which significantly impact the Tanzania economy each year.

NMB Bank continues to leverage on its vast network to offer the best banking experience to its valued customers. With a footprint across 169 Districts, and a broad suite of digital channels, the Bank's vast network gives its clients the flexibility and convenience of banking. NMB has 225 branches, 9,758 active agents (Wakala) and 753 ATMs across the country as of 30th September 2021.

Owing to its proven track record of excellence and its strong commitment to innovation, the Bank has received numerous local and international recognitions, including being awarded the "Best Bank in Tanzania" by Euromoney for nine years in a row (2013-2021), the Safest Bank in Tanzania for the last two years by Global Finance Magazine, Best Retail Bank in Tanzania for the year 2021 by Global Banking and Finance Award, and Best Investment Bank in Tanzania for the year 2021 by World Economic Banking Award.

NMB is a licensed Investment Advisor by the Capital Markets and Securities Authority (CMSA) and the only commercial bank with a Medium-Term Note program in the market of TZS 200 Billion. Through this we have structured and mobilized funds in 3 different tranches to a tune of TZS 149 Billion from the public to finance bank's lending to the private sector.

NMB is committed to supporting the country's social-economic development agenda by;

- Promoting employment through job-creation
- Increasing women and youth participation in businesses and promoting gender equality
- Improving sustainability of the environment and natural resources
- Supporting growth and development of Agriculture sector
- Improving access to finance to widen financial inclusion; and
- Improving overall access to healthcare.



## NMB Bank's commitment to ESG

NMB Bank, through its efforts seek to fulfill its goal of being a strategic ally in the economic, environmental, and social development of Tanzania.

In recognition of our responsibilities as a vehicle for sustainable social-economic prosperity in Tanzania, our goals extend beyond economic and financial dimensions, to include environmental, social, and governance challenges. Observing the principles of sustainable banking, NMB Bank PLC, as a responsible financial intermediary, aims to promote the United Nations' Sustainable Development Goals (SDGs) through provision of products and services and our business operations, all undertaken with a sense of social and environmental responsibility and stewardship. NMB Bank PLC holds strong to our conviction in continuing to grow our business, while fulfilling broader development goals which include financial inclusion ranging from the underserved to the women, SMEs and retail segments. The Debut Jasiri Gender Bond issuance reaffirms NMB Bank's corporate citizenship practices towards sustainable development with positive impacts on women clients and is part of our broader ambition to meet the Sustainable Development Goals defined by the United Nations:



## Enhanced Value Propositions

Launch of Women Proposition – “Jasiri”: the women’s proposition was launched in recognition of the important role that women play in the social-economic development of Tanzania.

- The proposition aims to increase women's access to formal financial services through a package of banking services which are aimed at addressing their unique needs and helping them achieve their goals.
- The proposition forms a core part of the bank's women strategy and complements efforts to widen financial inclusion and address barriers to accessing financial services for women.

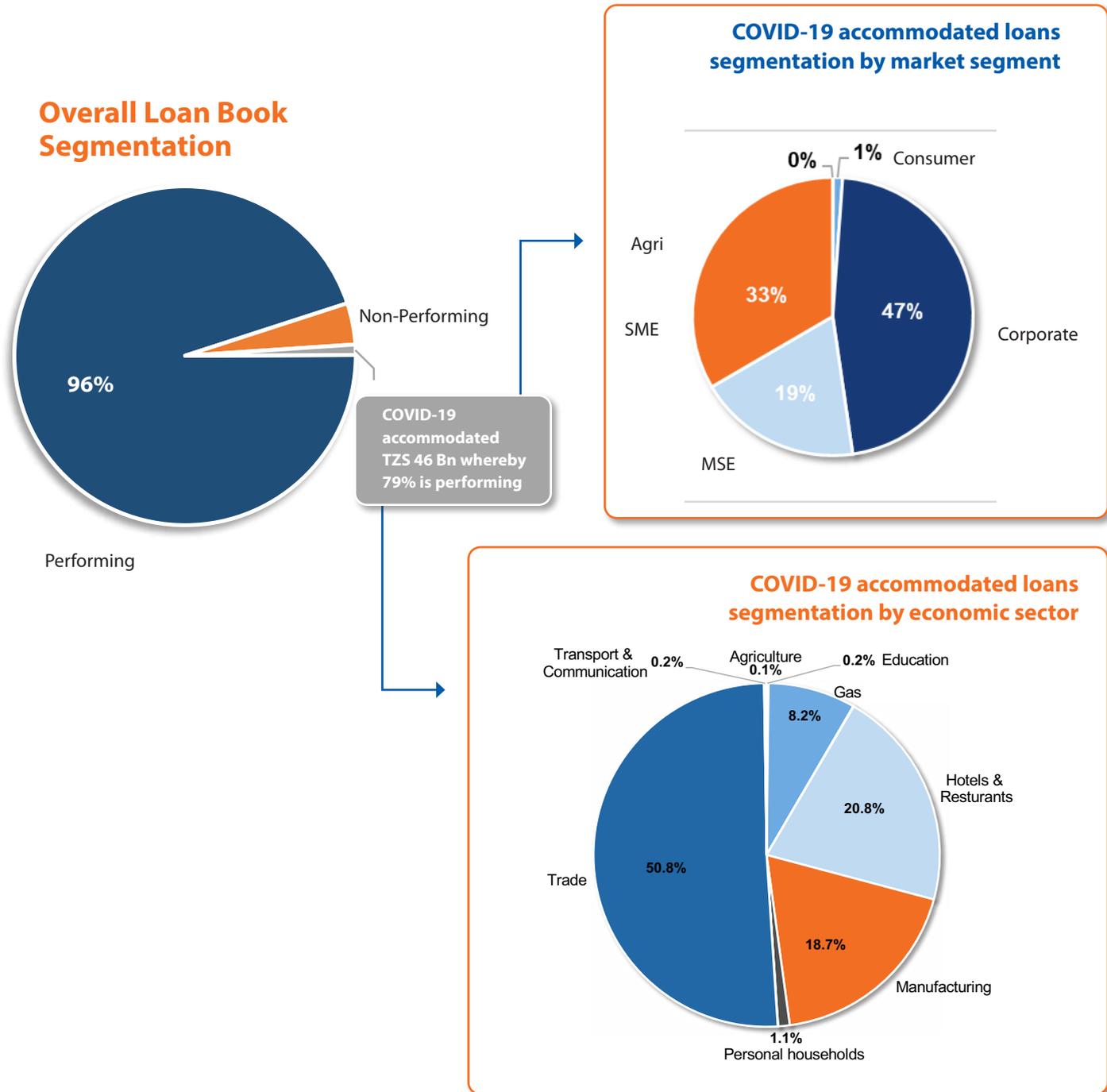
Youth Proposition Launch: The bank launched “Go na NMB”, the first-in-the-market youth-focused value proposition, which offers unique benefits for the youth in helping them build a more financially secure future. The initiative complements the Wajibu Proposition which aims to build financial literacy skills for the youth.

- This key initiative goes hand-in-hand with the bank's commitment to providing improved access to financial services (widening financial and digital inclusion), which further reiterates the bank's role of supporting Tanzania's social-economic development.

# Our Response to the COVID-19 Pandemic

In the context of the Covid-19 crisis, the Bank deployed an emergency response plan with the following goals:

- Support the employment sector notably for women and young people. The aim is to preserve (and create when possible) jobs and production tools of Small and Medium companies and micro-enterprises. To do so, NMB Bank PLC created a special COVID-19 relief fund, geared towards credit extension to businesses, economic activities and sectors adversely impacted by the COVID-19 Pandemic.



- Support Tanzania Government by providing funding (COVID Relief) for basic health care programs and health equipment and supplies. As part of its support to the Government in the fight against the spread of COVID-19, an overall package TZS 200 Million was extended in donation to the Government of Tanzania.

# Overview of NMB Bank's Social Bond Framework

## Rationale for NMB Bank to issue Social Bonds

NMB Bank's mission is to be the bank of choice, delivering innovative and transformative customer experience that promotes financial inclusion and well-being. The implementation of this mission "delivering human development and social inclusion", amongst the objectives of the strategy of NMB Bank is the support of efforts that lead to reduction of poverty, inequality and in a focused manner contribute to Tanzania's economic prosperity. Within its priorities, NMB Bank has the objective of financing Country's social projects, as well as strengthening the portfolio of its projects within sustainable development scope. Thus, the issuance of a Social Bond to finance social projects is a means for NMB Bank to further commit to the fight against social inequality and to contribute to economic and social development. NMB Bank's Social Bond issuances intend therefore to redirect financial flows towards strategic sectors, including, but not limited to: Access to Essential Services, Employment Generation, Socioeconomic Empowerment, Affordable Basic Infrastructure, Food Security and Sustainable Food systems. In that way, the most impacted SDGs are: 1. No poverty, 3. Good health and well-being, 4. Quality education, 5. Gender equality, 8. Decent work and economic growth, 10. Reduced inequalities and 11. Sustainable cities and communities.

NMB's Social Bond Framework is aligned with the ICMA Social Bond Principles as updated in 2021 and its four components, as detailed in the next sections

### 1. Use of Proceeds

- The net proceeds of any NMB Bank Social Bond issuance will be used to finance and/or refinance eligible social projects and assets selected from NMB's loan portfolio, as defined below.

### Eligible Asset Categories:

#### 1.1. Access to essential services

- Health systems development Investments to finance operation, maintenance, improvement, and development of healthcare institutions, this may include healthcare attention equipment and/or services, healthcare prevention equipment and/or services.

### Definitions of eligible projects and activities:

- Financing construction, operation, maintenance, improvement and/or purchase of equipment for public hospitals and other public healthcare institutions.
- Financing construction, maintenance, improvement and/or purchase of equipment for private hospitals and other private healthcare institutions which provide free or subsidized access to vulnerable communities<sup>1</sup> (living below poverty line, excluded and/or marginalized populations, People with disabilities, unemployed, Elderly, Sick and underserved).

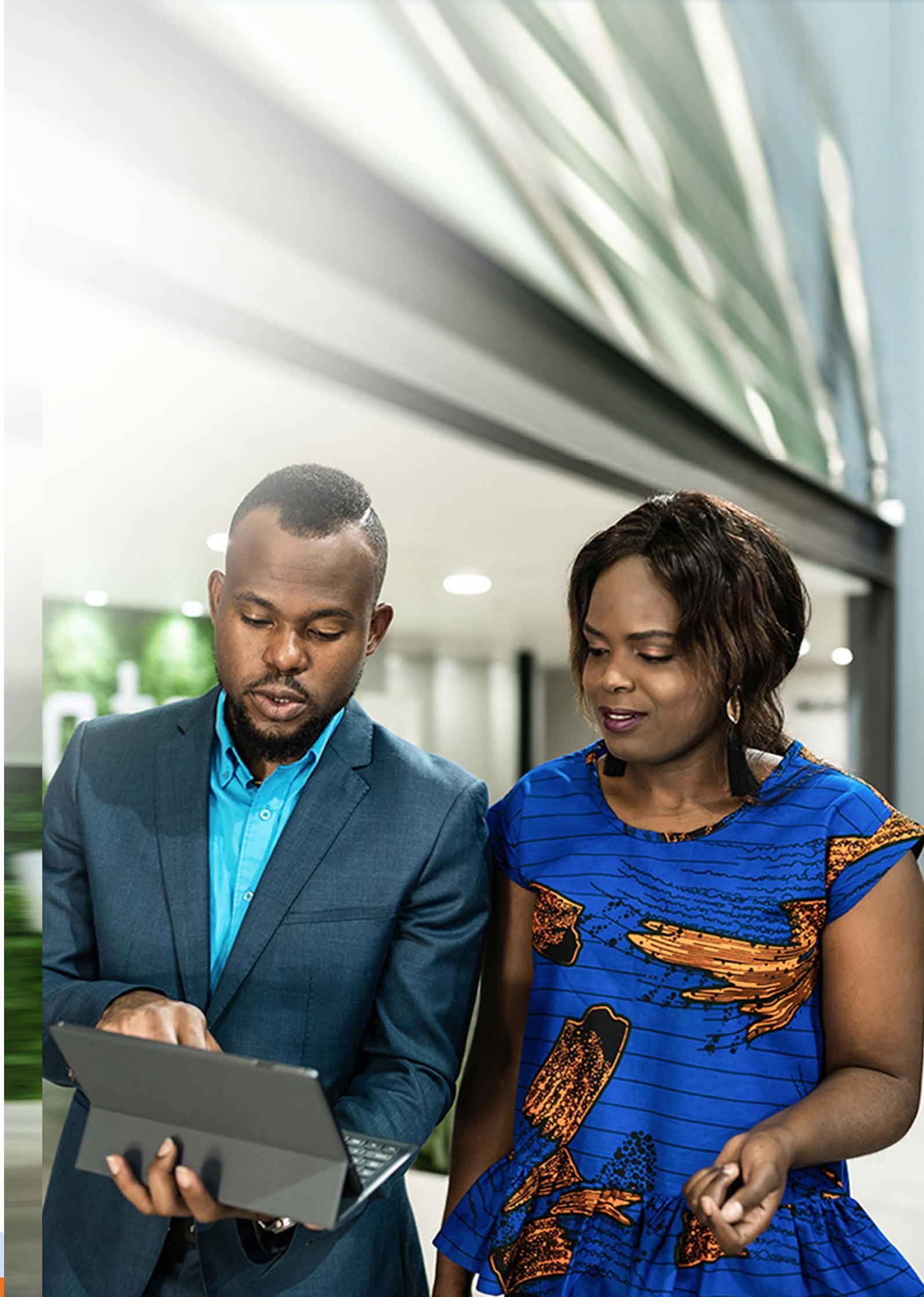
### Target Population:

- Underserved, owing to a lack of quality access to essential goods and services
- Sick, elderly or vulnerable people

This refers to [population segments that have a higher risk of being subjected to discrimination, violence, natural or environmental disasters, or economic hardship.

### Targeted SDGs:





### 1.2 Employment generation

- Proceeds under this category will be targeted at Micro, Small and Medium Enterprises (MSMEs) in order to generate employment and reduce inequalities

**Table 1: SMEs NMB’s definition - Enterprise size (Turnover)**

MSE: Turnover of up to TZS 150 million
SME: Turnover between TZS 150 million- TZS 15 billion
Corporates: Turnover above TZS 15 billion

#### Definitions of eligible projects and activities:

- Credit facilities, preferential interest rate loans for all SMEs, such as but not limited to (health, education, agriculture, manufacturing etc.).
- Long-term working capital and credit to balance cash flow and support unforeseen expenses to micro and small business.
- Poverty alleviation, employment programs and other programs that contribute directly to the stimulation of sustainable economic activity.

#### Target Population:

Micro, Small and Medium Enterprises (MSME’s)

#### Targeted SDGs:



### 1.3 Socio-Economic Empowerment

- Gender inclusion: Proceeds in this category can support SMEs, as defined by NMB Bank (Table 1 above) owned and/or controlled by women and boost the advent of new female entrepreneurs.

#### Definitions of eligible projects and activities:

- Credit facilities, preferential interest rate loans to increase productivity for SMEs controlled by women (SMEs with women with capital stock with more than 50% ownership).
- Long-term working capital and credit to balance cash flow and support unforeseen expenses for SMEs controlled by women.
- SMEs & MSMEs that offer products and services that specifically or disproportionately benefit Women
- Credit facilities to SMES & MSMEs that have 30-50% women as workforce

#### Target Population:

- Women

#### Targeted SDGs:



1.4 Food security and sustainable food systems

- Access to adequate food for low-income populations Investments and financing in the agricultural sector and food systems to end hunger, achieve food security and significantly enhance nutrition. For low-income population, we refer to the population that is living below the poverty line<sup>2</sup>

Definitions of eligible projects and activities:

- Small scale irrigation and agriculture value chain development – with a view to improve productivity of small-scale producers
- Provision of farm infrastructure and agriculture inputs for rural farmers
- Small scale fishing and aquaculture sectors of the Blue Economy in Zanzibar

Target Population:

- Farmers living in rural areas marked by food insecurity
- Small holder farmers

Targeted SDGs:



To be earmarked as eligible, Assets must meet the definition of Social Bond Assets and be financed by eligible types of financing within a specific period. The bank has a plan to have all the proceeds deployed within 18months of issuance. (the Lookback and Look-forward periods i.e., 2 years respectively). These include: Loans and advances to customers:

- MSE
- Other Consumer loans
- Salaries workers loans
- Corporate customers
- SMEs
- Agribusiness

As at December 31	2019	%	2020	%
	TZS million		TZS million	
Financial institutions	1,933,687	35%	1,904,108	32%
Manufacturing	327,713	6%	202,047	3%
Trading and commercial	362,464	7%	214,262	4%
Transport and communication	118,832	2%	76,244	1%
Wholesale and retail	354,923	6%	577,906	10%
Agriculture	100,512	2%	203,639	3%
Individuals	2,150,573	39%	2,829,529	47%
Others	163,535	3%	5,633	0%
Total	5,512,239	100%	6,013,368	100%

<sup>2</sup> NMB Bank Plc aligns with the World Bank’s definition of poverty line as those with income of less than USD 1.90 per day (in Purchasing Power Parity terms)

### Exclusionary criteria:

The Bank's Internal Non-Exhaustive Exclusion list which is in alignment with Country's legal requirements and IFC's exclusion list of project and activities) details a list of economic activities that should not be financed by the Bank.

In this regard, NMB Bank commits to not knowingly using the Proceeds of Social Bonds for the financing of assets/ projects included in the exclusionary criteria:

**Table 2: Activities and Projects Not Eligible for NMB Bank's Social Bond Portfolio**

1. Production or activities involving exploitative forms of forced labor or human trafficking.
2. Production or trade in any product or activity deemed illegal under Tanzania laws or regulations or international conventions and agreements.
3. Production or trade in weapons and munitions or other activities related to war industry.
4. Gambling, casinos and equivalent enterprises.
5. Trade in wildlife or wildlife products protected by national or international law or regulations.
6. Production or trade in radioactive materials.
7. Financing of Tobacco (specific for this framework)
8. Production or trade in unprotected asbestos fibers as well as their use.
9. Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest.
10. Production or trade in products that contain high toxic chemicals.
11. Production or trade in pharmaceutical products subject to gradual elimination or international bans.
12. Production or trade in pesticides or herbicides or any other agrochemical subject to gradual elimination or international bans.
13. Production or trade in ozone depleting substances subject to gradual elimination or international bans.
14. Production, trade or manufacture of illegal drugs or psychotropic substances.
15. Activities which, because of their nature, are deemed against NMB Bank's environmental policy (under Credit Policy) or Tanzania laws.
16. Activities which, because of their nature, are deemed against the ethical and moral principles established in the NMB Bank's Code of Conduct and complementary laws.
17. Projects for the generation of power or heat using fossil fuels, as well as projects that are directly linked to power or heat generated on the base of fossil fuels (specific for this framework).



## 2. Process for project evaluation and selection

NMB Bank’s Social Bond Framework guides the selection process for the Social Bond project portfolio, and fully reflects the guidelines set forth in the SBPs.

Projects are approved based on compliance with local laws and regulatory social requirements. Furthermore, projects will undergo an extensive internal credit review process.

The Evaluation and Selection Process is as follows:

The loan process consists of several stages that must be carried out to evaluate a potential eligible customer. It becomes an ongoing process if the customer is approved.

### A robust decision-making process defines how Social Bond Assets are approved:

Internal selection and evaluation process		Committee sign-off	Periodic Reviews
1	2	3	Confirmation
<p>At a minimum, on a quarterly basis, the business lines as owners of the projects/assets will make selection to match the eligibility criteria for either refinance or financing.</p> <p><b>Note:</b> Environmental and social risk assessment tools are integrated in our loan approval processes to assess E&amp;S risk profile of projects and customers.</p>	<p>Then the Loan Evaluation begins. Fundamental components at this stage include identifying the use of proceeds, classifying it into a segment, and accurately understanding the business and differentiating variables that make it successful at what it does.</p> <p>The Bank’s Environmental and Social Impact Management Policy (E&amp;S Policy) is the principal policy which will be used during the evaluation stage in mainstreaming environmental and social considerations. The Policy ensures the systematic assessment of environmental and social impacts and risks; and apply the Operational Safeguards to the entire portfolio of Bank operations.</p> <p>After selection, <b>Business Engagement Request</b> is developed that demonstrates the Bank’s interest to finance/invest in the identified asset.</p>	<p>In the approval stage, the Bank formally designates the applicant as creditworthy or not. To accomplish this, NMB Bank Plc has defined approval authority levels based on the amount. Approval decisions are made by either at:</p> <ul style="list-style-type: none"> <li>• Branch Mandate level</li> <li>• <b>Management Committee (Cred-Co)</b></li> <li>• <b>Board Credit Committee (BCC)</b> depending on the amount.</li> </ul> <p>Upon submission and approval of this request by the relevant committee, <b>Credit Appraisal</b> is submitted to either the Cred-Co or BCC accompanied by <b>social management plan</b> detailing the nature of the project and the intended positive impact expected from financing/investing in the particular project.</p>	<p>The respective Committee (Management/ Board) will then review the Social Bond Asset Portfolio and confirm the allocation to Social Bond Assets of the proceeds of Social Bond issuances.</p> <p><b>Note:</b> Social Bond Assets will be tracked with a special mark in the Bank’s IT system to ensure strong governance and oversight of the portfolio</p>
			<p><b>On-going</b></p> <p>The Bank will endeavor to conduct periodic peer reviews to check whether allocated assets meet eligibility criteria.</p> <p>The periodic reviews are done by the Credit Monitoring and Evaluation team</p>

This review processes is designed to provide feedback to enhance, improve and if necessary, adjust project’s operations to achieve positive impacts in line with desired outcomes. For refinancing projects sub-allocation of funds will be done by Treasury team from the available proceeds.

The following table shows typical impact metrics pe sector of investment that will be available to the Credit Committee (Cred-Co) and Board Credit Committee (BCC) when evaluating and selecting eligible projects:

**Table 3: Examples of Impact metrics (including, but not limited to)**

Project Category	Selected Output & Outcomes Indicators
Access to Essential Services	Number of people with access to better health services Number of health centres constructed and/or equipped
Employment Generation	Number of SMEs financed Number of Employment created through SME financing
Socio-Economic Empowerment	Number of female owned businesses financed Number of Employment created towards women Number of loans to women
Food security and sustainable food systems	Number of agri-businesses financed Number of small holder farmers engaged Number of farmers reached

- The **number of jobs created** and the **number of beneficiaries**, particularly with respect to **women** and **youth**, is a common evaluation metric running through all the Bank’s projects reviewed for selection

### 3. Management of Proceeds

The net proceeds of the outstanding bonds will be credited to a sub-account under Retail Business. Allocations and repayments will be monitored by Credit Administration department and shared to on a monthly basis to Treasury who will reported to the Executive Committee on quarterly basis. Disbursements will be made within a year, depending on when each project/business milestone is reached. These projects will be assigned a special code for ease of identification in the Bank's Business Intelligence (BI) reporting tool. However, outstanding proceeds will be adjusted to match allocations to eligible projects made during that period.

Where applicable, unutilized proceeds will be invested in accordance to the Bank's liquidity asset management investment policy until disbursement. This is mainly in short term money markets products from Sovereign, Supranational, Agencies, Development Banks and Financial Institutions. As a financial institution we have a high level of transparency and third-party assurance to verify the internal tracking method and the allocation of funds can be given by internal/external auditors. In case loans or investments are no longer eligible or have been repaid early, NMB will make an effort to replace these assets with other Eligible projects.

### 4. Reporting

#### 4.1 Allocation Reporting

On a quarterly basis Treasury will prepare a Social Bond Outstanding Report to update investors on the allocated assets. This report will provide the following information:

- the allocated assets including a breakdown of exposure by type of assets is maintained by Retail Business with the support of Credit Admin.
- Share of new financing and refinancing
- the total outstanding of social bond transactions
- unallocated proceeds

**Note:** The Report will be Publicly available via NMB Bank's Corporate Website

#### 4.2 Impact reporting:

On an annual basis, NMB Bank will provide an impact report. The methodologies and calculation model used to estimate the impact will be developed by an independent external consultant/Auditors.

- The results will be published via NMB Bank's Corporate Website

#### External Verification of Allocation and Impact Reporting

- Allocation report: Letter of attestation to be provided by the Bank's independent auditor
- Impact Reporting: To be verified by the SPO Provider

**Note:** Verification documents will be publicly available via NMB Bank's Corporate Website

### 5. External Review

As per Social Bond Principles, NMB Social Bond Framework will be reviewed by Sustainalytics which confirms this framework is well aligned with these principles. This Second Party Opinion will be available in our Corporate Channels [www.nmbbank.co.tz](http://www.nmbbank.co.tz)

Any material changes to this Framework will be submitted for review to the Second Party Opinion Provider.



