

## NMB PLC FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDING SEPTEMBER 2023

### INCOME STATEMENT ANALYSIS

Net Profits were down by 2.17% from TZS 139.35 Billion in the 2<sup>nd</sup> Quarter of 2023 to TZS 136.32 Billion in the 3<sup>rd</sup> Quarter of 2023.

#### Possible Reasons:

Slower growth of net interest income after impairment by 1.1%, amounting to TZS 217.57 Billion. This was due to a 19.90% increase in interest expenses, amounting to TZS 62.14 Billion, perhaps brought about by increased deposits in NMB's high-interest-bearing Akiba plus fixed-income deposit accounts and a 6.86% increase in borrowings amounting to TZS 1.03 Trillion.

A 25.86% decrease in foreign currency income, amounting to TZS 14.96 Billion, perhaps due to the stabilization and reduction of spreads in foreign currency rates, particularly the US Dollar, and the scarcity of its reserves during the 3<sup>rd</sup> Quarter of 2023 compared to the 2<sup>nd</sup> Quarter.

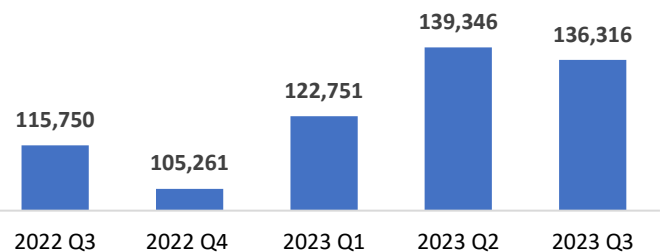
A 16.87% increase in its other operating expenses, amounting to TZS 59.78 Billion.

#### Improvements in NMB's income statement:

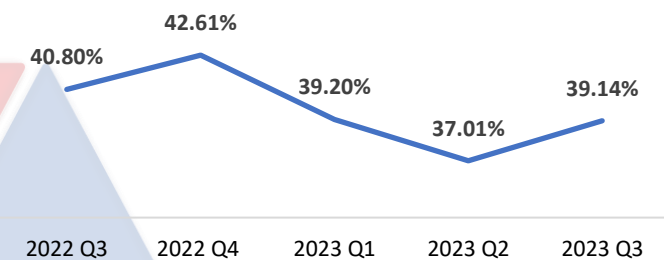
An improvement in net fees and commission margins from 95.24% as of June 2023 to 95.93% as of September 2023 due to a 5% increase in fees and commission income amounting to TZS 92.1 Billion and a 10% drop in its fees and commission expenses amounting to TZS 3.75 Billion.

A 55.98% increase in the bank's other operating income amounting to TZS 9.23 Billion.

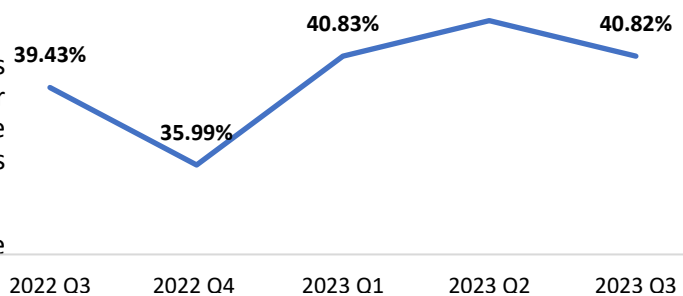
NMB NET PROFIT TREND IN MILLIONS TZS



NMB COST TO INCOME RATIO TREND



NMB NET PROFIT MARGIN TREND



### Other Performance Indicators:

Cost to income ratio stood at 39.14% as of September 2023 compared to 37.01% as of June 2023

Profit Margins have decreased from 42.40% as of June 2023 to 40.82% as of September 2023.

Income Statement Analysis Amounts in Millions TZS	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3
Net Income	293,568	292,507	300,670	328,653	333,909
Growth Rate	8.45%	-0.36%	2.79%	9.31%	1.60%
Operating Expenses	127,397	135,889	125,412	129,635	139,268
Growth Rate	8.27%	6.67%	-7.71%	3.37%	7.43%

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## BALANCE SHEET ANALYSIS

Assets have grown by 0.68% to reach TZS 11.53 Trillion in the 3<sup>rd</sup> Quarter of 2023 compared to TZS 11.45 Trillion in the 2<sup>nd</sup> Quarter of 2023, the slowest Quarterly growth since March 2021.

### Possible Reasons:

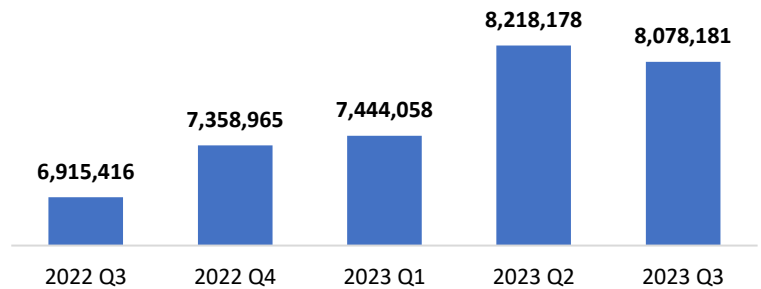
A 38.95% decline in balances with the Bank of Tanzania amounting to TZS 665.06 Billion, perhaps due to the decrease in its Statutory Minimum Reserve following a TZS 190.30 Billion drop in its customer deposits and a reduction in its foreign currency holdings with the Bank of Tanzania.

There was also a 38.58% decrease in interbank float items amounting to TZS 207 billion. However, these reductions were offset by a 5.67% increase in net loans and advances amounting to TZS 7.0 Trillion, a 229.62% increase in balance with other financial institutions amounting to TZS 169.24 Billion, and a 3.78% increase in its investments in government securities amounting to TZS 2.45 Trillion.

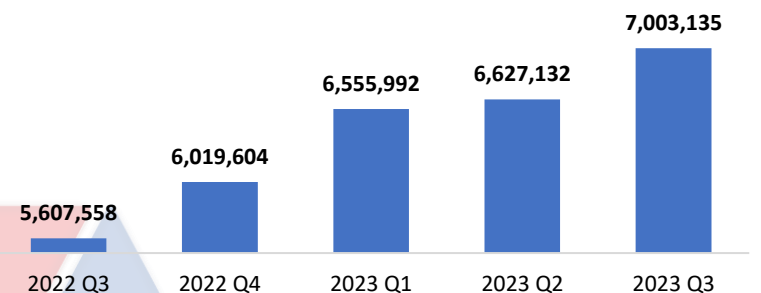
The total assets were mainly financed by a 7.53% increase in Shareholder's Equity, amounting to TZS 1.94 Trillion due to strong cumulative profitability.

Total Liabilities had dropped by 0.61%, amounting to TZS 9.58 Trillion, caused by a 1.70% decline in customer deposits. To mitigate the impact of the decline, the bank perhaps opted to increase its borrowings by 6.86%, amounting to TZS 1.03 Trillion, and further delay the payments of its outstanding taxes and other operating expenses by increasing the outstanding amount by TZS 30.61 Billion to reach TZS 124.61 Billion.

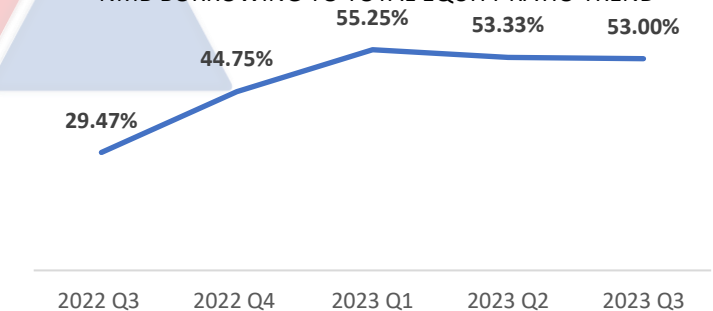
NMB CUSTOMERS DEPOSITS TREND IN MILLIONS TZS



NMB LOANS & ADVANCES TREND IN MILLIONS TZS



NMB BORROWING TO TOTAL EQUITY RATIO TREND



### Other Performance Indicators:

- Non-Performing Loan Ratio has decreased to 3.48% compared to 3.54% as of June 2023
- Loans as a percentage of deposits stood at 88% compared to 81% as of June 2023
- Shareholders Equity to Total Assets stood at 16.87% compared to TZS 15.79% as of June 2023

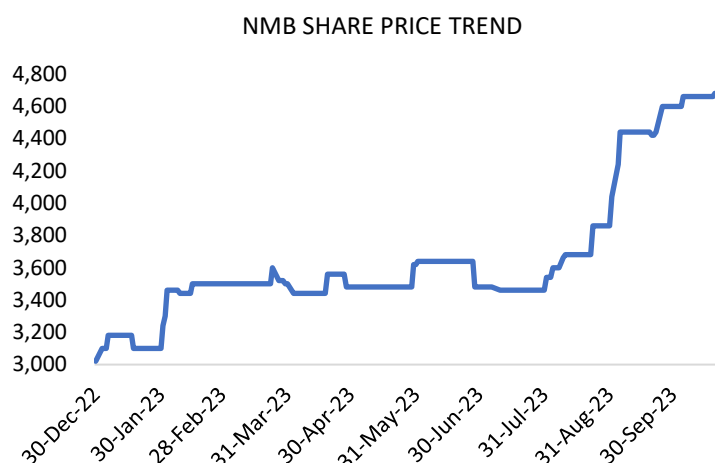
Balance Sheet Analysis Amounts in Millions TZS	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3
<b>Total Assets</b>	<b>9,457,779</b>	<b>10,234,552</b>	<b>10,720,920</b>	<b>11,450,449</b>	<b>11,528,022</b>
<b>Growth Rate</b>	<b>4.49%</b>	<b>8.21%</b>	<b>4.75%</b>	<b>6.81%</b>	<b>0.68%</b>
<b>Total Liabilities</b>	<b>7,874,038</b>	<b>8,544,522</b>	<b>8,905,478</b>	<b>9,642,156</b>	<b>9,583,494</b>
<b>Growth Rate</b>	<b>3.94%</b>	<b>8.52%</b>	<b>4.22%</b>	<b>8.27%</b>	<b>-0.61%</b>
<b>Equity</b>	<b>1,583,741</b>	<b>1,690,030</b>	<b>1,815,442</b>	<b>1,808,293</b>	<b>1,944,528</b>
<b>Growth Rate</b>	<b>7.35%</b>	<b>6.71%</b>	<b>7.42%</b>	<b>-0.39%</b>	<b>7.53%</b>

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## INVESTORS' CORNER

NMB's share prices have been on a bullish trajectory since the release of its 2<sup>nd</sup> Quarter results on 28<sup>th</sup> July 2023; the company's shares had seen a 35.26% increase in prices from TZS 3,460 to TZS 4,680 as of 25<sup>th</sup> October 2023, the day its 3<sup>rd</sup> Quarter results were released. Since the start of the year, the company's shares have increased by 54.97%.

We anticipate a short-run upswing in the bank's prices as the shares have already begun trading at new all-time highs of TZS 4,800, with outstanding bids exceeding outstanding offers at a ratio of 7.82:1 when the market closed as of 26<sup>th</sup> October 2023.



### Year to Date Share Price Performance

COUNTER	Opening Price as of 2 – Jan - 2023	Closing Price as of 26 – Oct – 2023	Capital Gain
NMB	TZS 3,020	TZS 4,680	▲ 54.97%

### Other Financial Indicators

NMB BANK	September 2023
Price to Book Value Ratio*	1.20x
Dividend Yield**	9.48%

\* Closing share price TZS 4,680 as of 26<sup>th</sup> October 2023, against book value per share of TZS 3,889.06 as of 30<sup>th</sup> September 2023

\*\* Dividend per Share declared on 2023 was TZS 286.25 which was compared against share price at the start of the year

## ANALYSTS' COMMENTARY

From a cumulative standpoint, NMB has already earned 92.30% of its 2022 full-year profits after recording a profit of TZS 398.41 Billion for the nine months ending 2023, a 23.12% increase from last year's cumulative profit of TZS 323.59 Billion.

With one quarter remaining, we anticipate the bank to sustain a positive growth trend in its earnings on a year-on-year basis compared to the 4<sup>th</sup> Quarter of 2022 due to its anticipated TZS 75 Billion sustainable bond issue + a TZS 25 Billion green shoe option whose proceeds are being collected up until the 27<sup>th</sup> October whose proceeds could be used to issue higher-interest loans to other individuals and institutions. Additionally, its USD 10 Million + USD 5 Million green shoe option private debt offering in New York could improve the bank's foreign currency reserve and allow it to source dollars at more favorable rates, which could be used to improve its income from foreign exchange trades.

However, these borrowings are likely to reduce the bank's interest rate spreads as the bank's weighted average interest rate expenses are likely to grow more rapidly compared to the bank's interest income rates, meaning that the bank's net interest income growth is likely to slow. Additionally, the bank's loss of over TZS 190.30 Billion in deposits compared to its TZS 376 Billion increase in loans and advances has increased its gross loan-to-deposit ratio to 88%, which indicates that unless the bank can grow its cheap customer deposits at a higher rate than it what it issues as loans, then the bank won't be able to counter its rising borrowing costs.

For further information please contact Us : 2124495 /2112874 /0764269090 /0714 269090

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