

Maendeleo Bank AGM HIGHLIGHTS June 2024



MAENDELEO BANK 10th ANNUAL GENERAL MEETING HIGHLIGHTS

On June 22nd, 2024, Maendeleo Bank held its 10th Annual General Meeting. Here are some key takeaways from the event.

KEY STRENGTHS

1. The bank's net profits increased by 65.85% from TZS 1.42 billion in 2022 to TZS 2.35 billion in 2023. The growth was mainly fueled by a 43.18% increase in its non funded income due to an increase in the number of accounts, a 7% increase in customers from 69,895 in 2022 to 75,000 in 2023, the growth of bancassurance business and a 51.47% decrease in impairment losses from TZS 3.10 billion in 2022 to TZS 1.51 billion in 2023.
2. The bank continued to improve its performance as far as Key Performance Indicators are concerned with its Non-performing loan (NPL) ratio having reduced from 5.2% in 2022 to 4.95% in 2023 in line with the Central Bank's NPL ratio of 5% while the bank's cost to income ratio fell from 67% to 58% during the same period which is 300 basis points from the Central Bank's 55% cost to income ratio threshold.
3. Total assets recorded a 17% growth from TZS 107.12 billion in 2022 to TZS 124.89 billion in 2023. The growth was mainly funded by a deposits growth of 16.65% to TZS 90.79 billion in 2023 while loans and advances to customers have increased by 22.14% to TZS 74.09 billion in 2023 with the main beneficiaries of the loans being Micro Small and Medium Enterprises (MSMEs)
4. Uptake of the digital channels improved with agent banking collecting about TZS 5.0 billion customer's deposits monthly from TZS 4.0 billion in 2022, signaling a 25% increase while concurrently the number of agents increased by 56% from 1,300 in 2022 to 1,820 agents in 2023. Maendeleo's ATMs network also increased after NMB Bank joining the Umoja switch with over 300 ATMs bringing the total number of ATMs in the network to over 1,000.
5. In an effort to level up from being a community bank to a commercial bank with a national wide presence the bank has decided to pay out a script dividend of TZS 43 per share which was approved by shareholders but is yet to be approved by the Central Bank as the bank's cost to income ratio exceeds the 55% threshold. The script dividend should see the company fully retain its financial resources and help increase its core capital to TZS 15 billion. Furthermore, the bank has engaged in preliminary discussions with Uchumi Commercial Bank on the prospects of merging, to which Maendeleo's shareholders have approved, Uchumi's Commercial Bank is set to seek approval from its shareholders in its annual general meeting set for the 26th June 2024.

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KEY CHALLENGES

1. Cost of funding remains elevated which is evident with the 3.62% decrease in its net interest income to TZS 9.55 billion brought about by a 8.93% increase in interest expenses to TZS 6.42 billion compared to a slower interest income growth 1.06% to TZS 15.98 billion. The reason behind its high cost of funding its disadvantageous position in the competitive landscape of acquiring customer deposits compared to larger banks which puts the bank in a position where it has to offer higher deposit rates to retain customers and attract new customers. Additionally the high interest rate environment coupled with the fact that Maendeleo Bank is a community bank serving a risky customer profile i.e. MSME means that it carries a higher business risk thus the cost of borrowing tends to be much higher than what larger banks and or banks serving a low risk customer profile would get.
2. Due to their community bank status quo, it has become much more difficult for the bank to secure business agreements with high value clients particularly in the corporate and private banking segment thus limiting the bank from additional revenue in the form of interest income and foreign exchange income.

ESG HIGHLIGHTS

During 2023, the Bank spent TZS 213.0 million during the year for Corporate Social Responsibility (CSR) activities. A total of TZS 120.0 million was raised through Maendeleo Bank Marathon, Hatua ya Faraja. The Bank decided to extend its support to two health cases with critical need; first, re-equipping the Neonatal Care Unit at KCMC with Infant Radiant Warmers to be useful for maintaining the body temperature of premature newborn infants (Watoto njiti) thus reducing neonatal mortality, a destructively life-taking challenge in the health sector. Second; to build Mtoni Lutheran Diaconia Centre, which specializes on taking care of children with mental disabilities (autism) from different parts of the Tanzania. The TZS 120 Million was distributed equally between the two centres.

OUTLOOK

The Bank will rollout Internet banking services for both corporate and retail, and recruit value adding agency banking outlets by at least 500 agents during the year with improved agency utilization level from 78% currently to 85% by December 2024.

In an effort to increase its national presence the bank has initiated discussions with the Bank of Tanzania to seek approval for being uplifted from the Community bank category to National Commercial bank with ability to open branches in upcountry regions. In this regard, the bank plans to open a first branch out of Dar es Salaam in Arusha within 2024 along with 4 more service centers.

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