

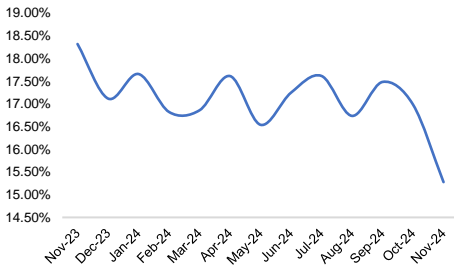
**MKCB Plc**  
**EARNINGS**  
**HIGHLIGHTS**  
Dec 2024



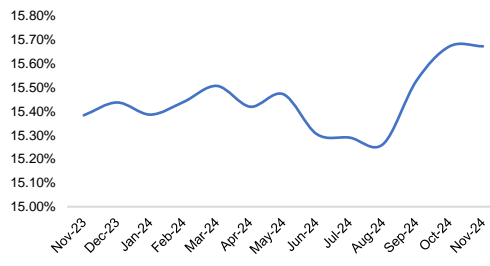
## MKOMBOZI BANK PLC FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDING DEC 2024

### INDUSTRIAL OVERVIEW

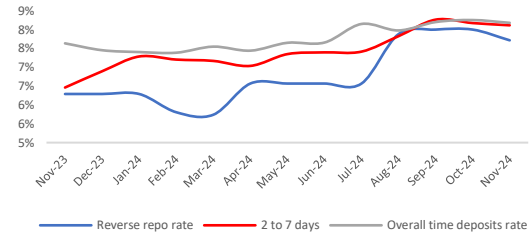
Annual Private Sector Credit Growth



Overall Lending Rate Trend



Interbank Cash Market, Reverse Repo & Overall Time Deposit Rates



### INCOME STATEMENT ANALYSIS

Profits before taxes decreased by 86.34%, from TZS 3.64 billion as of Sept 2024 to TZS 497 million as of Dec 2024.

#### Possible Reasons:

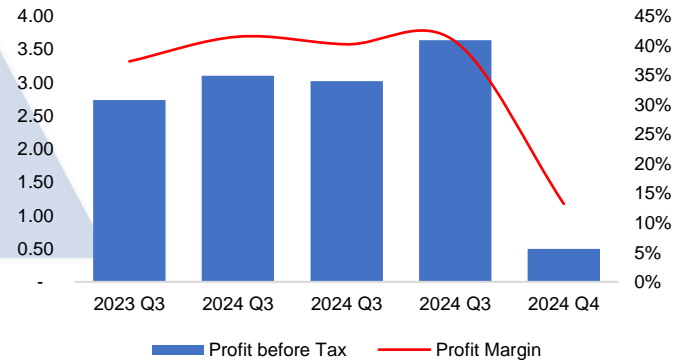
Net Interest Income fell by 73.79% QoQ from TZS 7.99 billion as of Q3'24 to TZS 2.09 billion as of Q4'24. This drop was brought about by a 51.81% QoQ drop in interest income amounting to TZS 4.67 billion despite a 0.57% growth in earning assets amounting to TZS 227.68 billion spearheaded by a TZS 6.07 increase in customer loans. We anticipate the sharp drop in interest income to result from poor timing management between loan maturities and re-disbursements and or a restructuring of the loan portfolio to allow for customers to enjoy lower interest expenses at the expense of the bank's shareholders. Interest expenses surged by 51.50% QoQ amounting to TZS 2.57 billion following an 88.49% growth in borrowings from TZS 7.27 billion in Q3'24 to TZS 13.70 billion in Q4'24.

Despite a 38.35% QoQ drop in operating expenses, net operating income dropped by 57.89% QoQ due to mismanagement of net interest income growth which resulted in lower profits.

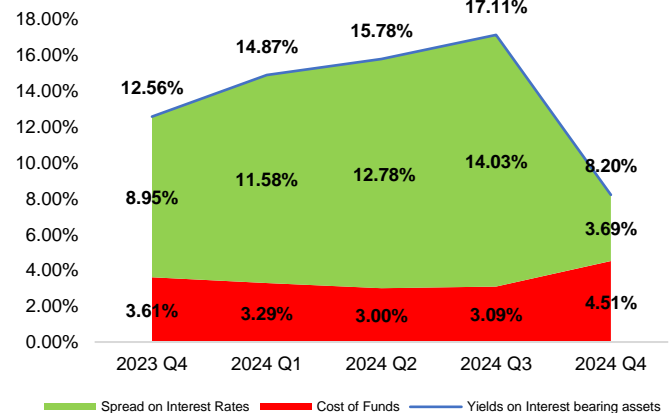
#### Improvements in the Income Statement:

Non-interest income grew 24.09% QoQ with the growth largely driven by a 150.71% QoQ growth in foreign exchange income amounting to TZS 1.06 billion even as the foreign currency situation changed during Q4'24 as well as a 33.36% QoQ increase in fees and commissions perhaps due to larger digital adaptation by customers towards their Sim and Agency Banking platforms.

MKCB Profitability Trend



MKCB Indicative Interest Rates



Income Statement Analysis Amounts in Billions TZS	Dec-23	Mar-24	Jun-24	Sept-24	Dec-24
Net Operating Income	7.33	7.48	7.51	8.94	3.76
Growth Rate	1.38%	1.96%	0.43%	19.06%	-57.89%
Operating Expenses	4.59	4.37	4.49	5.30	3.27
Growth Rate	1.41%	-4.85%	2.65%	18.10%	-38.35%

# MKOMBOZI BANK PLC FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDING DEC 2024

## BALANCE SHEET STATEMENT ANALYSIS

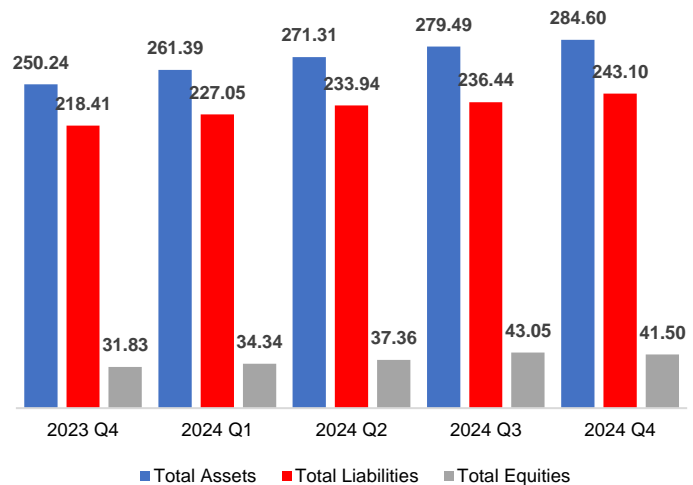
Total assets increased by 1.83% during the quarter ending Dec 2024, reaching TZS 284.60 billion in value.

### Reasons:

As of Q4'24, there was a 3.88% rise in net loans and advances to customers, totaling TZS 162.77 billion, largely due to increased lending to corporate clients and salaried workers. Additionally, interbank loan receivables saw a significant growth of 10.16%, reaching TZS 15.30 billion, as banks sought additional funding to enhance their ability to lend to customers.

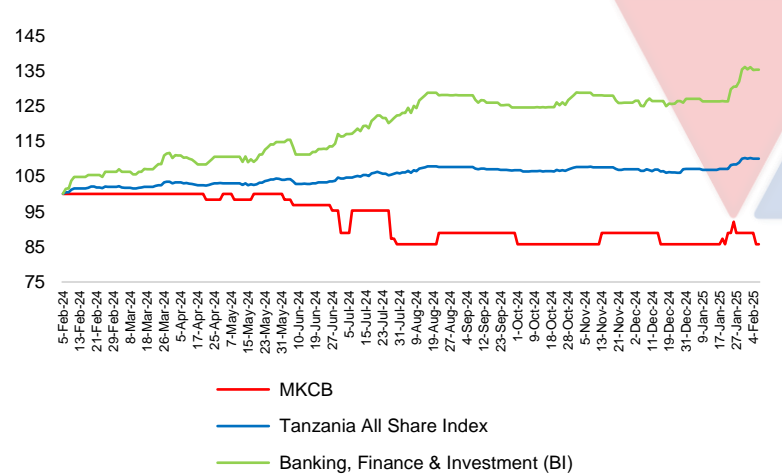
This asset growth was primarily supported by a 2.82% increase in liabilities, amounting to TZS 243.10 billion, which included an 88.50% rise in borrowings totaling TZS 13.70 billion, alongside a 0.77% increase in customer deposits. Meanwhile, shareholder equity decreased by 3.61% quarter-on-quarter, attributed to a 27.46% drop in capital reserves, which amounted to TZS 5.42 billion.

MKCB Balance Sheet Highlights in Billions TZS



## INVESTORS' CORNER

MKCB Vs TSI & BI Index 52-Week Returns  
Rebased at 100



### Supporting Fundamentals

Ticker	MKCB
Closing Price as of 6 <sup>th</sup> Feb 2025	TZS 540
Book Value per Share	TZS 1,761.75
P/B Ratio	0.31x
Trailing EPS <i>*based on Profits before taxes</i>	TZS 435.58
P/E Ratio	1.24x
ROE	24.72%
ROA	3.61%

## OUTLOOK

Mkombozi Bank's pre-tax profits grew 10.49% YoY to TZS 10.26B, driven by a 26.58% rise in net income amounting to TZS 22.61 billion due to 20.15% growth in interest income amounting to TZS 30.27 billion, while interest expenses increased by only 4.46% YoY to TZS 7.65 billion. However, non-interest income declined by 21.50% to TZS 7.36B, mainly from a 23.18% drop in fees & commissions (TZS 4.25B) and an 85.98% decline in other operating income (TZS 208M).

Despite prudent cost management, with OpEx rising just 2.43% YoY to TZS 17.42B, the cost-to-income ratio improved to 58.13% (from 62.44%). Asset growth was strong at 13.75% YoY, reaching TZS 284.60B, with earning assets increasing 7.05% to TZS 227.68B, funded by a 5.42% rise in deposits amounting to TZS 214.65, a 226.19% surge in borrowings amounting to TZS 13.7 billion, and 30.37% growth in shareholders' equity to TZS 41.49 billion.

Heading into Q4, the bank was on track to pay dividends, maintaining a 55% cost-to-income ratio and a 5% NPL ratio by Q3. However, poor Q4 results pushed the cost-to-income ratio to 58%, and while the NPL ratio improved to 4%, the bank remains ineligible to issue dividends. Challenges such as weak deposit mobilization in H2 2024 and a heavy reliance on borrowings, despite having a lower-than-sector average loan-to-deposit ratio, could expose the bank to higher funding costs in future quarters and thus placing the bank's previously mentioned competitive advantages at risk.

# MKOMBOZI BANK PLC FINANCIAL HIGHLIGHTS FOR THE QUARTER ENDING DEC 2024

## RATIO ANALYSIS

<b>Bank Ratios:</b>	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4
<b>Capital Structure:</b>								
Borrowings to Equity	16.02%	15.06%	20.29%	13.19%	12.23%	11.24%	16.88%	33.01%
Equity Multiplier	8.57	8.36	7.93	7.86	7.61	7.26	6.49	6.86
Equity to Assets Ratio	11.67%	11.97%	12.62%	12.72%	13.14%	13.77%	15.40%	14.58%
<b>Asset Quality:</b>								
NPL Ratio	9.00%	8.00%	8.00%	8.00%	9.00%	6.00%	5.00%	4.00%
NPL Coverage Ratio	271.70%	172.90%	133.30%	258.22%	342.99%	162.50%	242.09%	151.57%
Cost of Risk	5.73%	5.76%	5.31%	5.17%	4.53%	4.28%	4.11%	6.09%
<b>Management Quality:</b>								
Loan Growth	-7.79%	6.17%	6.19%	5.18%	4.83%	2.56%	9.12%	3.88%
Deposit Growth	2.47%	3.30%	2.38%	3.82%	2.27%	2.84%	-0.53%	0.77%
Earning to Total Assets	76.00%	80.00%	85.00%	85.00%	79.00%	77.00%	81.00%	80.00%
<b>Earnings Quality:</b>								
Profit before Tax Margins	23.11%	33.45%	35.31%	34.39%	36.15%	32.33%	33.81%	4.79%
Profit before Tax Growth	-0.79%	53.99%	15.77%	1.33%	13.41%	-2.71%	20.50%	-86.34%
Cost to Income Ratio	64.33%	60.23%	58.81%	67.00%	56.60%	54.22%	54.49%	76.85%
<b>Liquidity:</b>								
Loan to Deposits Ratio	63.00%	64.00%	67.00%	67.00%	69.00%	68.00%	75.00%	77.00%
Loan to Deposits & Borrowings	59.39%	61.08%	62.76%	64.27%	65.91%	65.77%	71.14%	71.28%

*Quarterly Revenue and Profit Data has been annualized*

## ANALYST'S NAMES & CONTACTS

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