

CRDB BANK PLC

The Bank that Listens

Investor Briefing 2nd Quarter 2018



Macroeconomic Indicators and Operating Environment

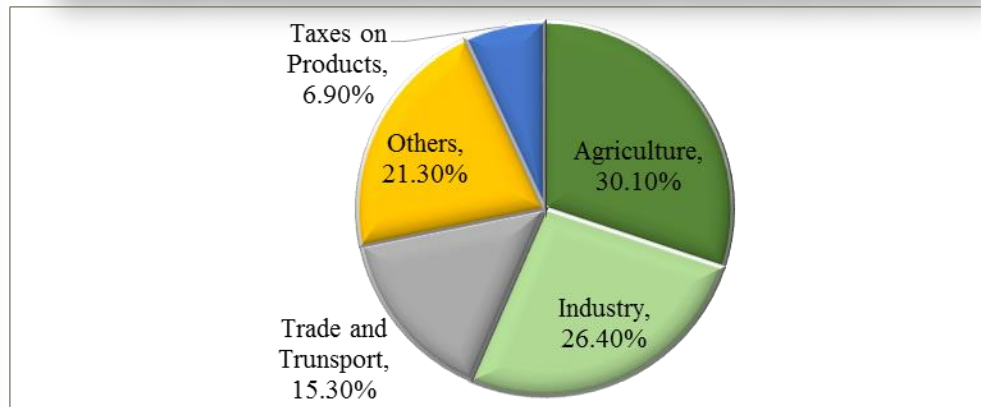
National Facts

Area	947,300sq km
Population (2016)	55.5 million
Official Language	Swahili and English
Capital City	Dodoma
Currency	Shilling
Nominal GDP (2017)	US \$52.3 billion
Nominal GDP Per Capita (2017)	US \$942.7

Macro Economic Indicators

Real GDP Growth rate 2017	7.0%
Inflation Rate	3.4%
Private Sector Growth	0.7%
Private Sector Credit	2.5%
Net External Debt	77.3%
Currency Depreciation against USD	10.4%
Foreign Reserve 2017- 2018	5-4 months of Imports

GDP Breakdown by Economic Activity 2017



Trade Structure

- Tanzania main exports are tourism, minerals, manufactured goods, crops, fish and fish products and horticultural products.
- The major imports include fuel and oils, transport equipment, machinery, construction materials, fertilizers, industrial raw materials and consumer goods.

Macroeconomic Indicators and Operating Environment

Business Environment

Extended broad money supply (M3) slowed to 4.8% in May, 2018 from 7.0% in April, 2018 and 5.2% in May 2017. The expansion in money supply continued to be supported by net foreign assets (NFA) of the banking system and credit to the private sector.

The banking industry continued to be competitive with innovative products and services to enhance accessibility and convenience of banking services to customers.

Total commercial banks operating in the market as at 30th June, 2018 were 56. After the Central Bank authorised the merger of Twiga Bancorp Limited, Tanzania Women Bank and TPB Bank Plc.

Bank of Tanzania (BOT) decreased prime rates from 16% to 12% so as to increase access to credit for private sector.

Financial inclusion has increased contributed to successful implementation of mobile banking.

The Banking sector is well capitalised, liquid and profitable, IMF Fifth Review – Policy Support Instrument Report – January 2017.

Assessed by international communities, ranked 139th from 189 countries in World Bank's Doing Business Report - 2016.



Key Investment Highlights in Tanzania

Economic Stability

- Consistence GDP at an average of 7% per annum for the last ten years.
- Sound economic policies introduced since second half of 1990s.
- Being among the fastest growing economies in Africa with high growth potential.
- Focus investment in industry, construction, services and information and communication sectors.

Rich Natural Resources

- Endowed with variety of natural resources including 1,424 km coastline, arable land, tourist attractions, minerals, oils and gas.
- Rich in minerals such as gold, iron etc. as well as precious gemstones such as emerald, tanzanite etc.
- Large natural gas reserve is one of the transformative factor in the economy.
- Conducive weather with surface water provide opportunity in agro-production and agro-processing, livestock farming and processing livestock products.

Strategic Location

- Connected directly to Indian Ocean giving trade links to Asia.
- Sits between the ocean and 6 landlocked countries (Uganda, DRC, Rwanda , Burundi, Zambia an Malawi.
- The country has 3 deep water ports (Dar es Salaam, Tanga and Mtwara) servicing the neighbouring countries.
- Natural transportation gateway for East and Central Africa with developed rail and road networks.

Peace and Political Stability

- It is one of the politically stable countries in Africa.
- Has never experienced any major internal strife.
- Citizens have sense of a common national identity without ethnic division.
- Have witnessed five transfers of leadership through free and fair election.
- Presidential terms are limited to two 2 terms, each with 5 years.

The strategic theme for year 2018 ‘Accelerating digital transformation’

1

Branch Transformation.

- Empower staff to provide excellent service to achieve distinctive customer experience.
- Enhance cross sales efforts to grow profitability and maintain market share.

2

Enhance Deposits mobilization.

- Focus on Global Development Organizations, Embassies, NGOs, project funds and cross-sell bank products.

3

Transform credit management.

- Innovatively revamp credit processes from origination to collection.
- Implement framework to enforce early warning signals
- Aggressive collection and recovery to contain growth of NPLs.

4

Modernize performance management.

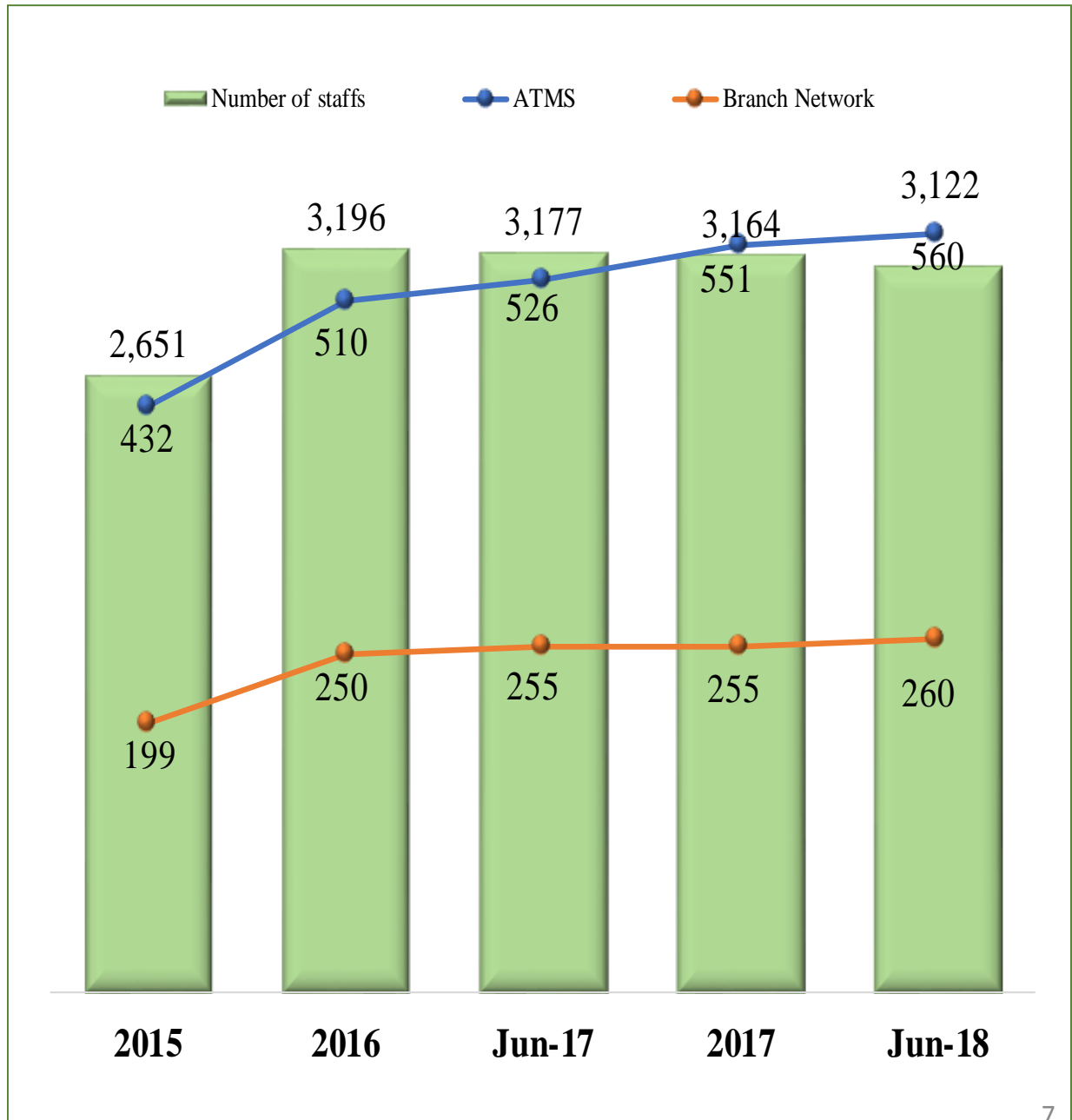
- Streamline KPIs and ensure proper cascading.
- Institute daily and weekly discussions on Performance Measurement with strong feedback culture.

Major Milestones – H1 2018

- Integration with government, institutional, and corporate payment systems to Bank systems; these included; Simbanking mobApp, Expronet, school, universities and colleges fees management systems and high education Loan processing.
- Expansion and optimization of alternative banking channels such as Fahari Huduma Agencies by increasing touch points to 4,234 agencies by June 2018.
- Implementation of E-collect system for credit management and call center tracking dashboard and allocation of cases.
- Establishment of Mvisa and Mpass components in CRDB to facilitate merchant payments processing via QR Code.
- Focus in digital transformation, 40 branches have gone digital allowing customers to initiate self service through POS at the branch counter.

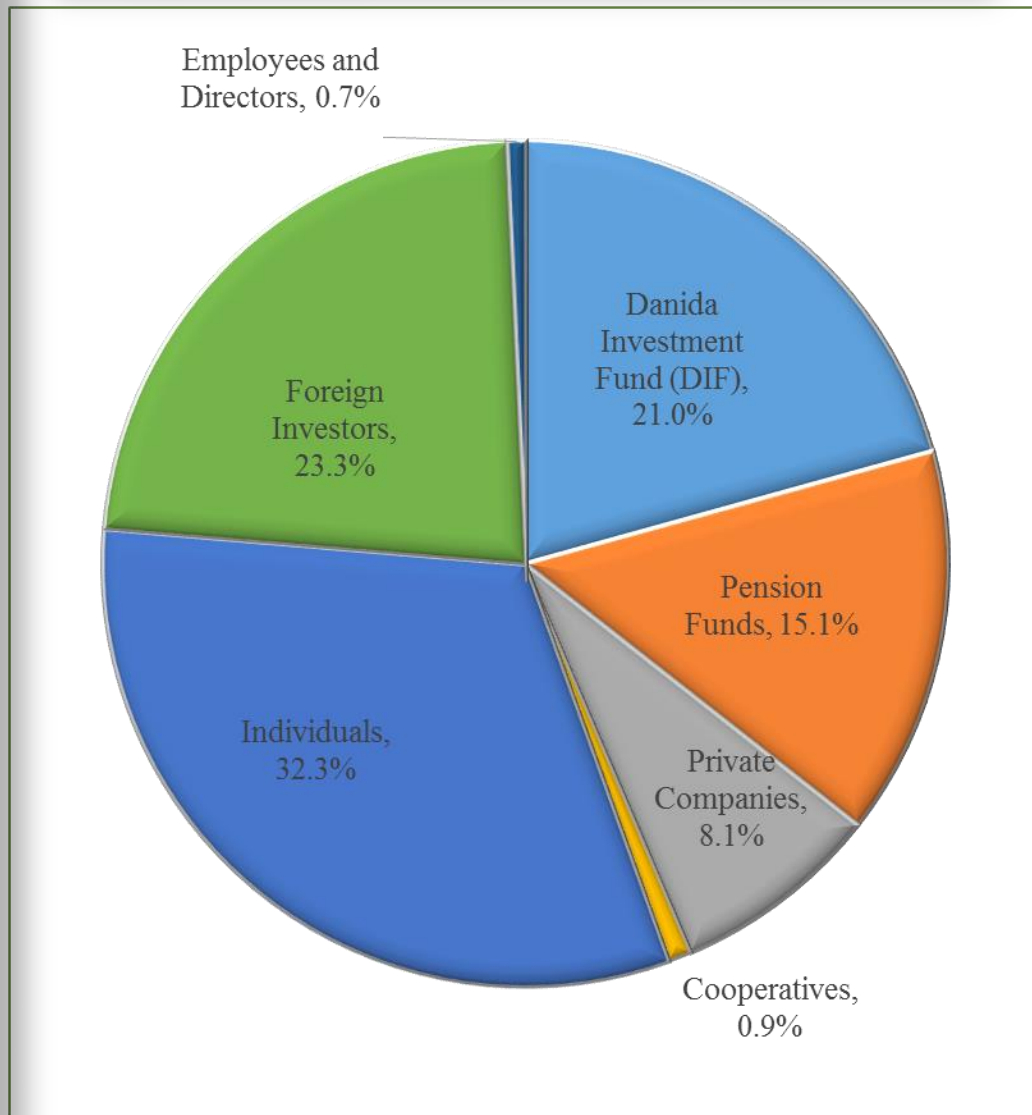
CRDB Profile end of June, 2018

- CRDB Bank PLC offers a comprehensive range of Corporate, Retail, Treasury, Premier, Agent Banking and Microfinance Services.
- Network footprint of:
 - 260 branches including mobile branches and service centers.
 - 560 ATMs including 18 Depository ATMs
 - 1,295 Merchants Network
 - 4,234 Agents (FahariHuduma).
 - 402 Microfinance partner institutions.
 - CHINA Desk
 - INDIA Desk



Shareholding Structure and Corporate Governance

Shareholding Structure as at 30th June, 2018



Corporate Governance

- The Board has twelve non executive directors including one independent director.
- Eight out of twelve Board Members, are elected by shareholders during the Annual General Meeting (AGM). Four of them are entitled to sit for Board Membership as their right on holding 5%-10% of fully and paid up shares. All elected and appointed directors are vetted and approved by the Central Bank.
- The Board meets on quarterly basis or more frequent as the business demand (extra ordinary meetings).
- The Board has four committees, Governance and Human Resource, Credit, Audit and Risk.
- Board receives detailed financial information and regular presentations from the management on the Bank's business performance; this enables directors to make informed decisions on governance, strategic, financial and operational issues.

Share Trading Performance

Item	30 th June, 2018
Current Price, TZS	160.0
Market Capitalization, TZS bn. (USD 187.5 ml.)	417.9
Average Daily Turnover TZS ml.	7.3
Common shares outstanding (Paid up Share Capital) TZS bn.	65.33
12- month high (July/Aug. 2017; Feb. 2018)	210
12-month low (November 2017)	150
<i>TZS/USD Exchange Rate of 2,227.71 as at 30th June, 2018 (Bank of Tanzania Rate)</i>	

Analyst Coverage



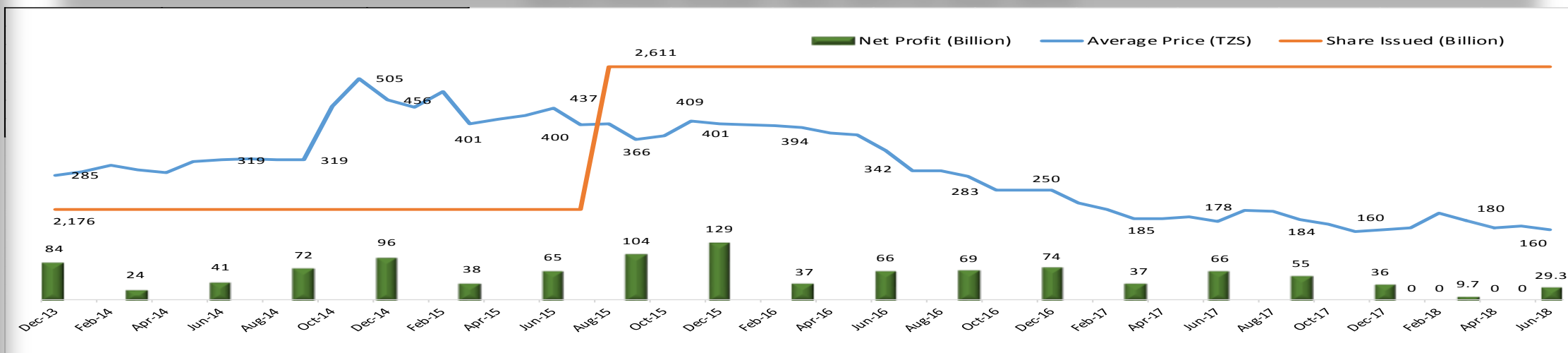
Recommendation: **SELL**
 Target Price: **TZS 155**
 Last Coverage Report: **February 2018**



**Hartland-Peel
 Africa Equity
 Research**
 (Established
 1990)

Recommendation: **UNDERVALUED**
 Target Price (2019F) : **TZS 360**
 Last Coverage Report: **April, 2018**

Share Price Trend – Dec 2013 to June 2018



Investment Ratios

Share Performance	June 2018	March 2018	Dec 2017	June 2017
Market Price Closing	TZS 160	TZS 170	TZS 160	TZS 175
Earning Per Share (EPS)	TZS 22.5	TZS 14.8	TZS 13.9	TZS 30.7
Price Earning Ratio (P/E)	7.1	11.5	11.5	5.7
Book Value (BV)	295.3	294.6	280.8	285.6
Price Book Value ratio (P/B)	0.5	0.6	0.6	0.6
Market Capitalisation (TZS billions)	417.9	444.0	417.9	457.1
Foreign Holding (%)	23.3	23.4	23.0	23.0

Bank Financial Performance as at 30th June, 2018

Performance Summary

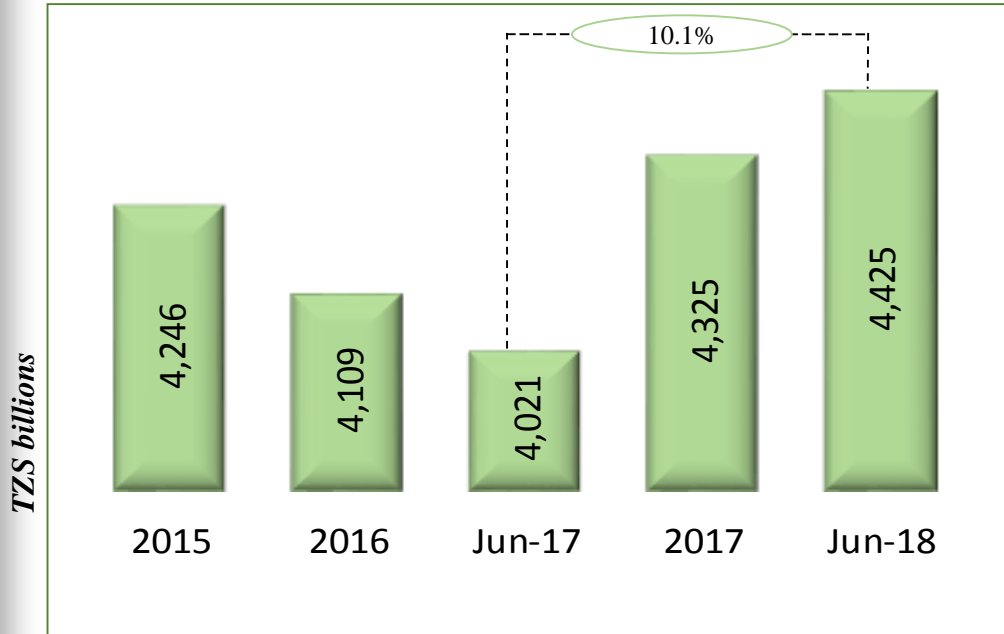
Income Statement Items (TZS Billion)	June 2018	March 2018	Dec 2017	June 2017	% Change June 2017 – June 2018
Interest Income	276.9	137.6	560.3	271.8	1.9%
Interest Expenses	78.6	41.4	150.6	72.5	8.4%
Net Interest Income	198.3	96.2	409.7	199.3	(0.5)%
Net Fees and Commission	89.4	39.6	164.2	72.5	23.3%
Net Foreign Exchange Income	14.9	7.3	37.4	17.8	(16.3)%
Operating Expenses	199.6	100.1	414.4	185.6	7.5%
Profit Before Tax	43.8	16.0	53.6	57.4	(23.7)%
Profit After Tax	29.3	9.7	36.2	40.0	(26.8)%
Balance Sheet Items					
Net Loans and Advances	3,006.9	2,839.2	2,893.8	3,047.4	(1.3)%
Customer Deposits	4,425.4	4,367.8	4,109.9	4,020.7	10.1%
Shareholder's Equity	771.3	769.5	733.5	745.9	3.4%
Total Assets	6,027.1	6,011.0	5,901.6	5,590.7	7.8%
Return on Average Asset	1.4%	1.0%	0.9%	2.1%	
Return on Average Equity	7.4%	4.9%	4.9%	10.8%	
NPL/Total Loans	13.1%	12.7%	12.4%	13.4%	

Key Financial Ratios

	June 2018	March 2018	Dec 2017	June 2017
Return on Equity	7.4%	4.9%	4.9%	10.8%
Cost to Income	66.4%	68.1%	66.7%	64.3%
Gross NPL to Gross Loans	13.1%	12.7%	12.5%	13.4%
NPL Coverage Ratio	69.0%	12.8%	59.0%	51.3%
Debt to Equity	45.0%	47.0%	92.1%	46.1%
Non funded income to total income	36.5%	34.5%	38.0%	33.0%
Cost of Funds	3.1%	3.3%	3.0%	3.1%
Net Interest Margin	9.2%	8.9%	10.2%	9.4%
Loans to Deposit Ratio	74.5%	65.0%	73.3%	79.0%
Growth of Net Loans and Advances	(1.3)%	(9.8)%	(10.9)%	(12.9)%
Growth of Customer Deposits	10.1%	16.4%	5.3%	(0.4)%
Yield on Investments	12.2%	12.7%	14.0%	12.6%
Return on Asset	1.4%	1.0%	0.9%	2.1%
Growth in Total Assets	7.8%	15.1%	9.2%	(0.4)%
Tier 1 Capital	14.7%	15.0%	14.0%	15.0%
Total Capital	18.2%	18.8%	17.0%	18.1%

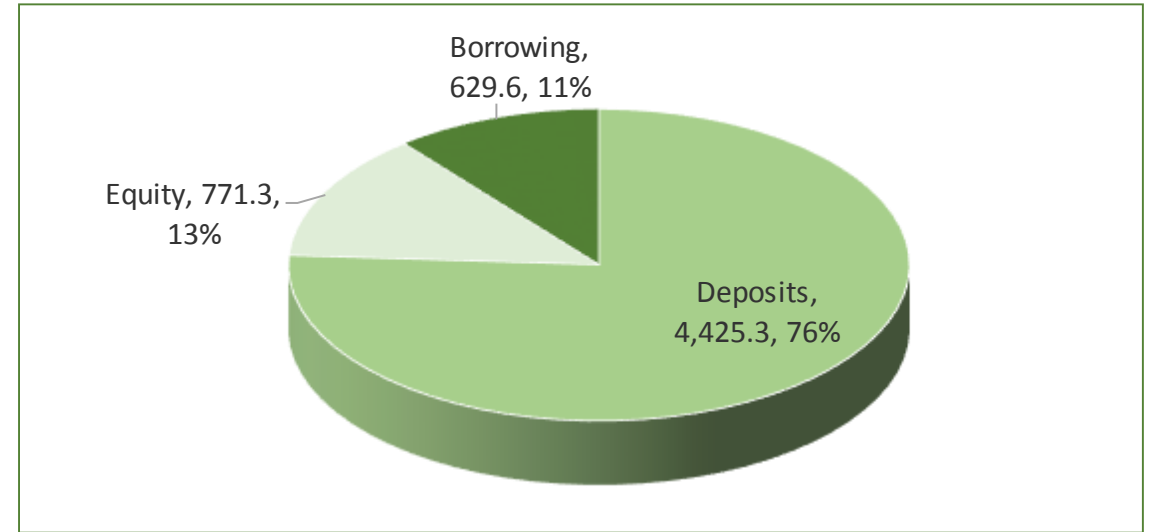
Financial Position – Deposit Structure

Total Deposit Growth

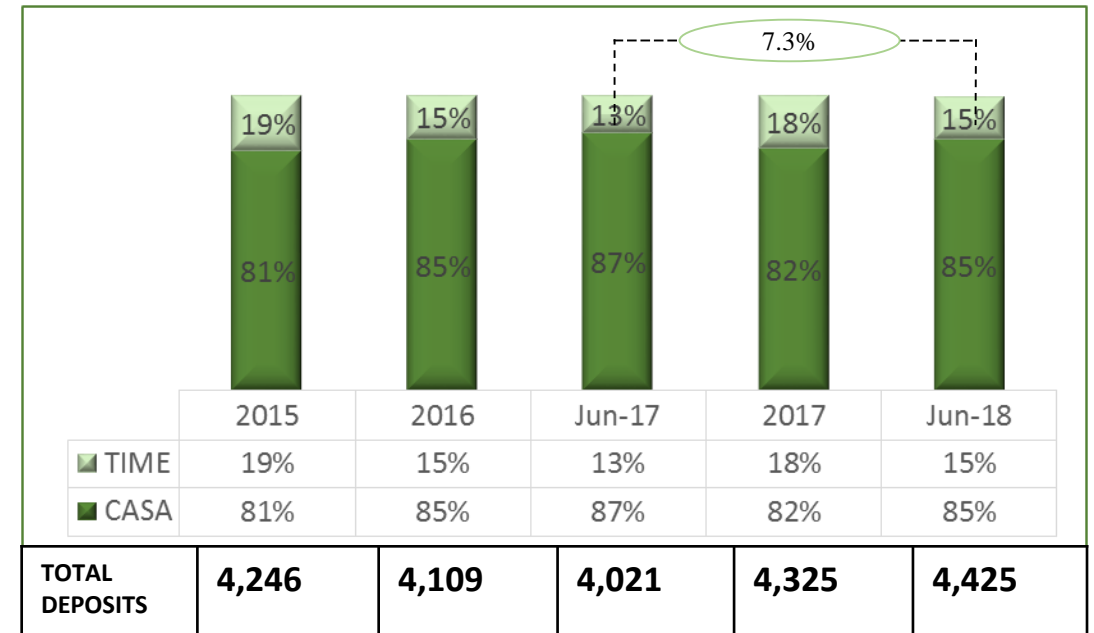


- Customer deposits account for 76% of total funding in the Balance Sheet.
- Borrowing includes subordinated debt of TZS 89.4 bn and other borrowings of TZS 540.2 bn.
- CASA base was at 85.3% in June 2018 (June 2017:87.0) of total deposits with YoY increase of 7.3%.

Strong sources of funding – TZS billions

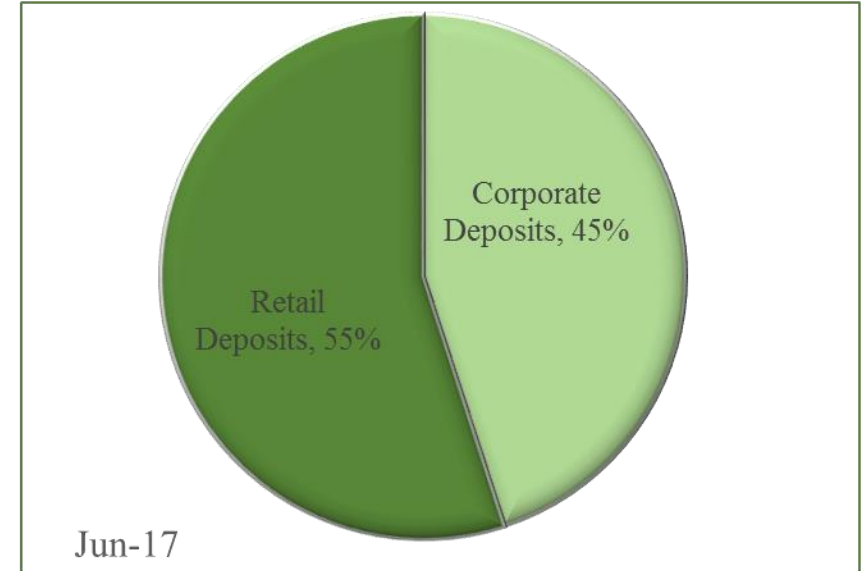
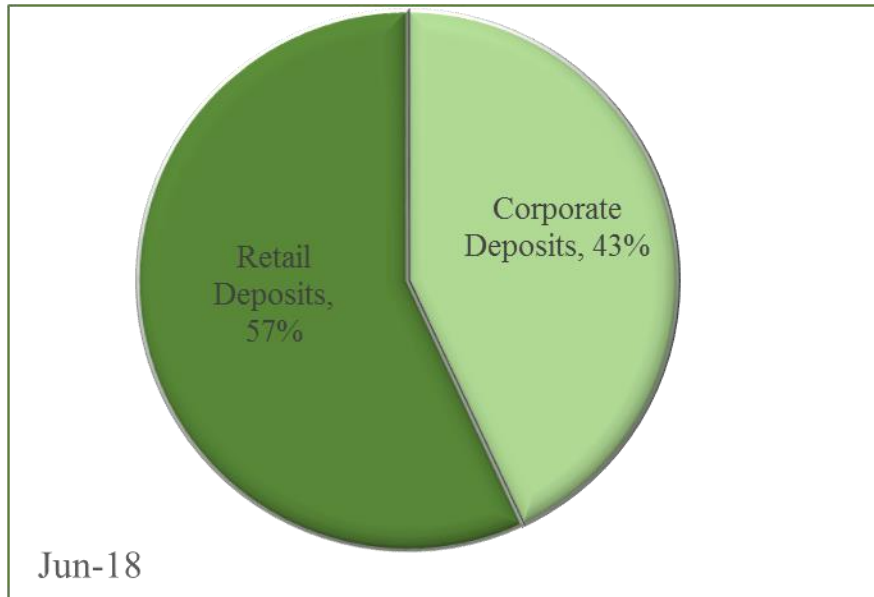


Funding Growth Through Deposit Mobilization

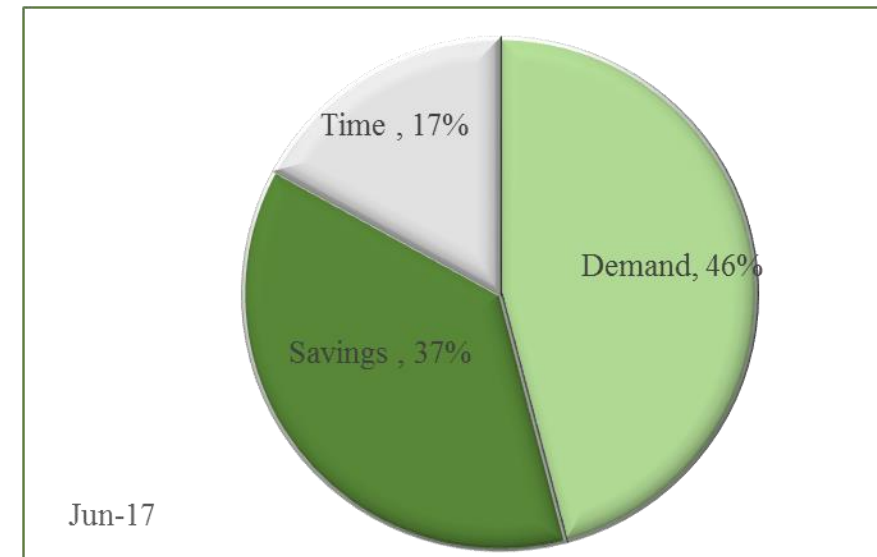
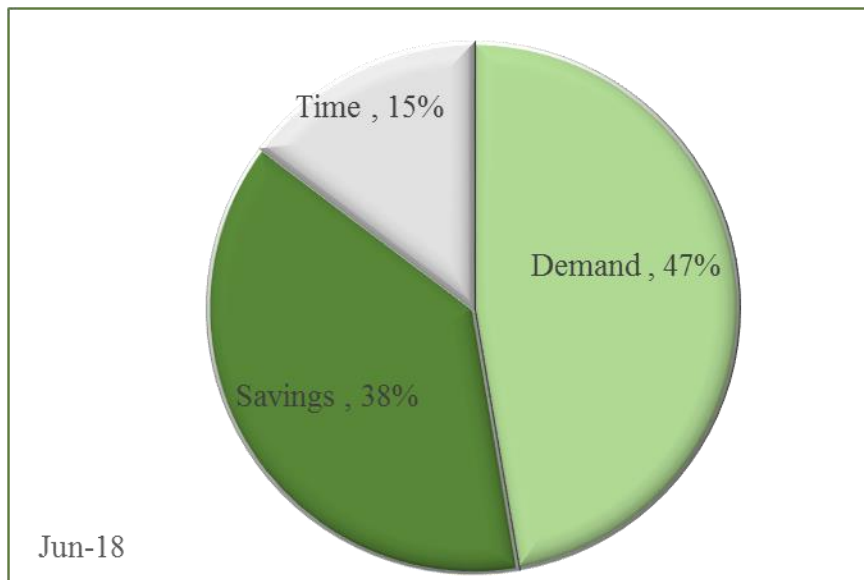


Financial Position – Deposit Structure Cont...

Customer Deposit Segmentation

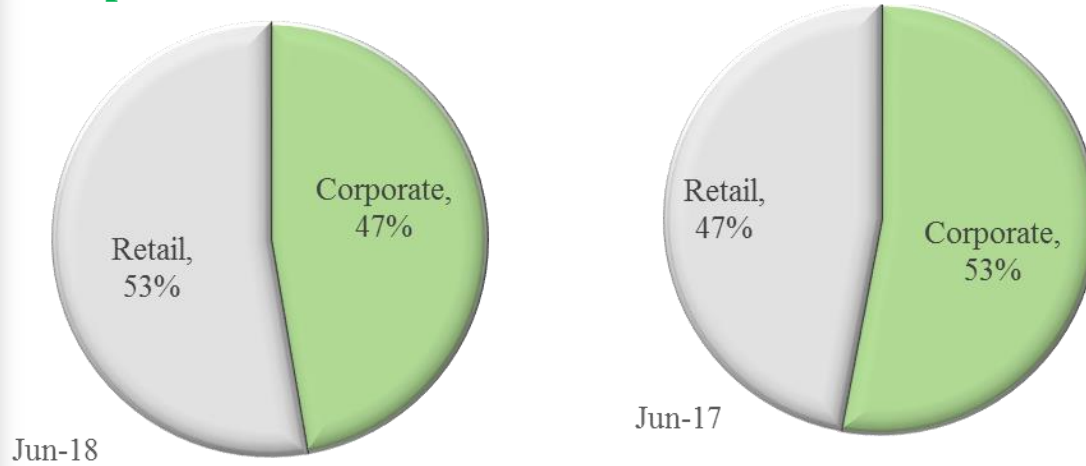


Deposits Composition



Diversified Loan Portfolio

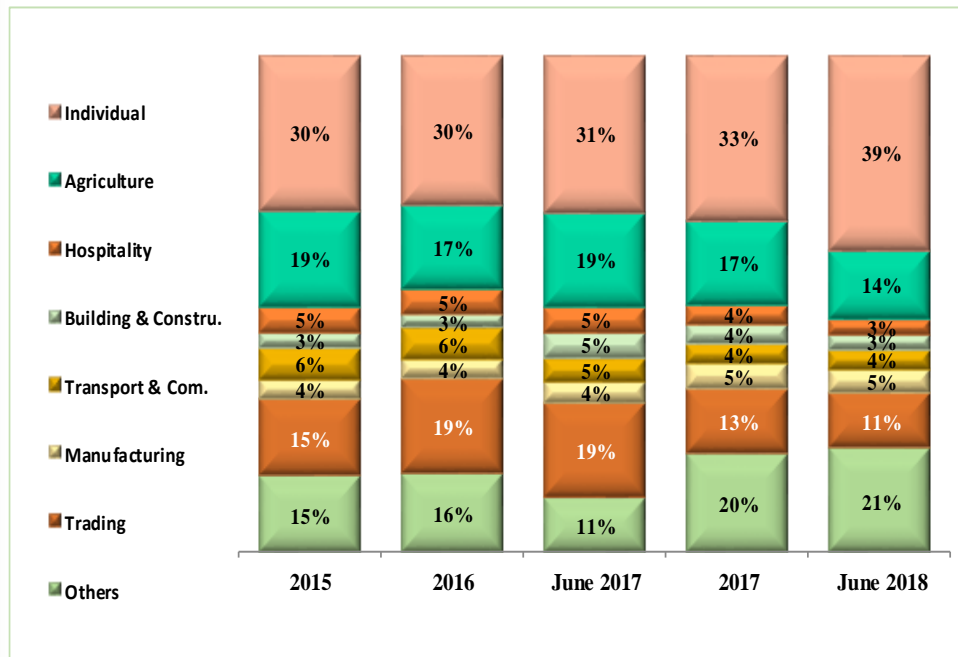
Corporate and Retail Loans



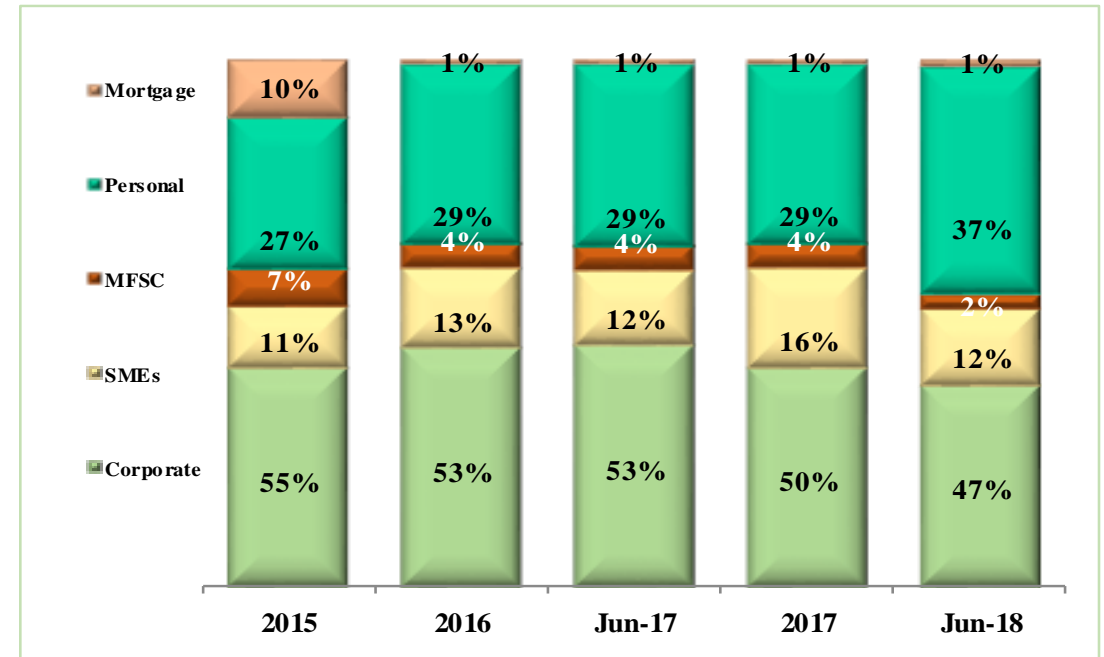
Description

- Loan portfolio segmented into corporate and SMEs, MFSC, Personal and Mortgage.
- Interest rates are in the 16% - 23% range.
- Introduced new service, salary advance loans, credit card.
- Focus on Retail loans.
- The Bank continued to maintain a strongly diversified portfolio in key economic segment and sectors.

Loan Portfolio Among Key Sectors

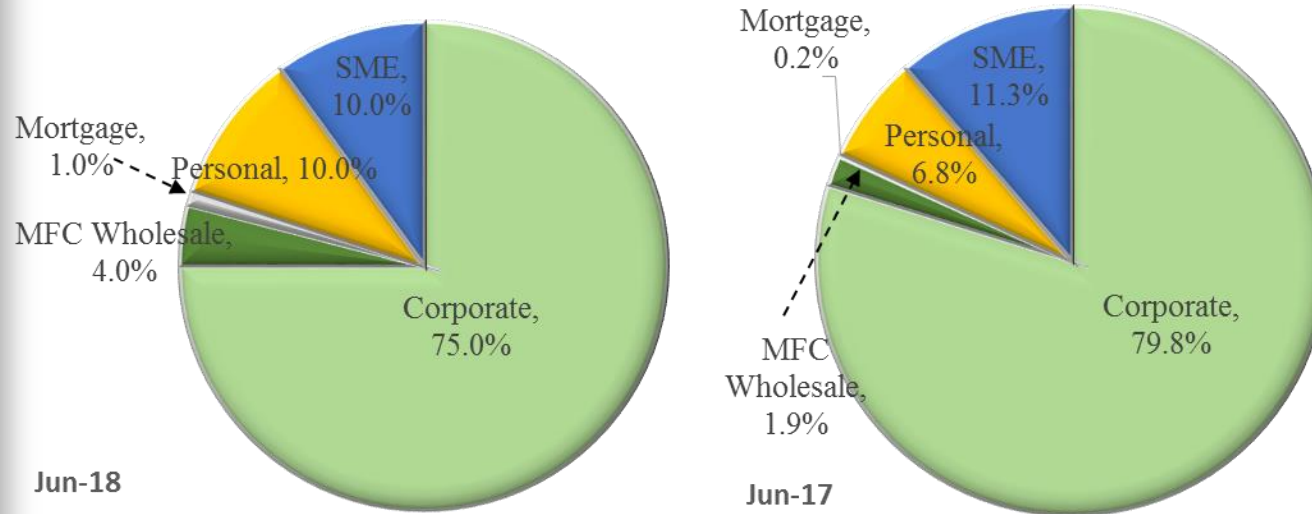


Loan Portfolio Among Key Segments



Loan Portfolio Cont...

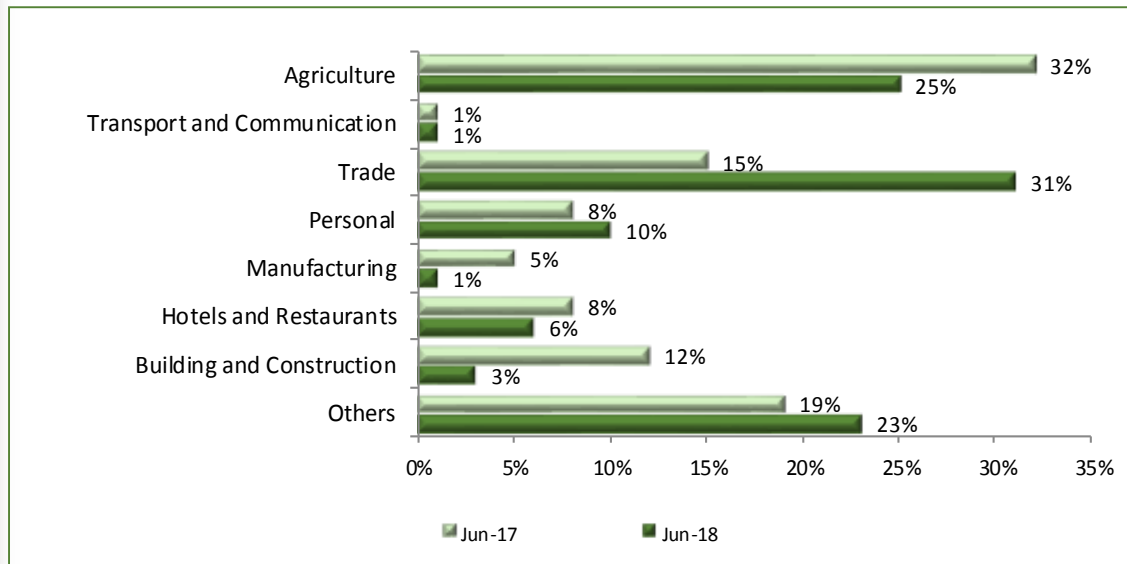
NPL By Business Segment



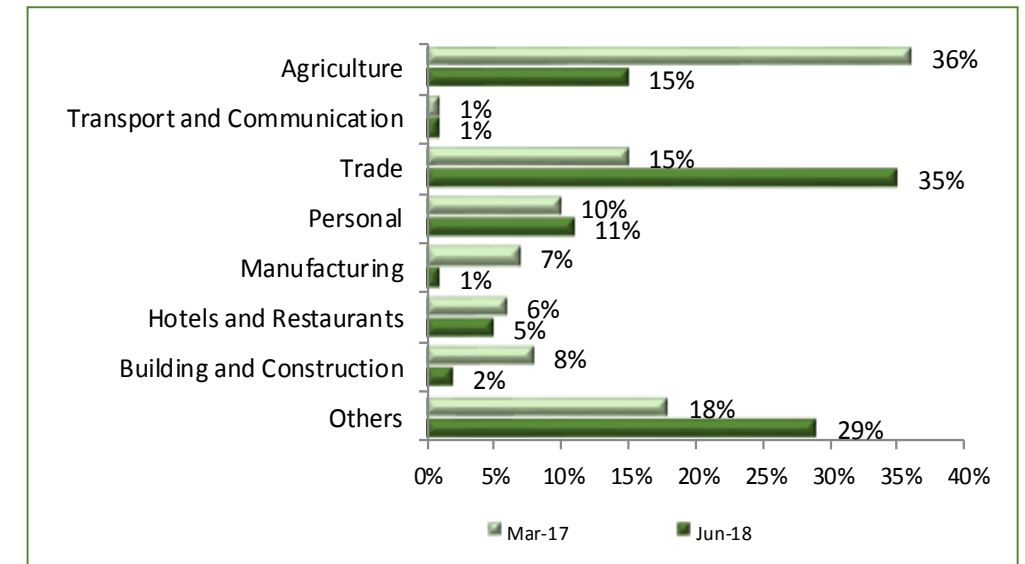
Description

- Bank NPL was TZS 436.7 bn in June 2018 compared to TZS 430.7 in June 2017.
- Much effort in lowering NPL figure has been set as a result of 13.1% as at June 2018.
- NPL levels were mainly contributed by Corporate and SME borrowers. Personal loans was much affected by delayed payments and still few ghost workers and fake certificate workers.
- Bank continues to work on turn around of affected customers.
- NPL coverage ratio as at June 2018 was 69%.

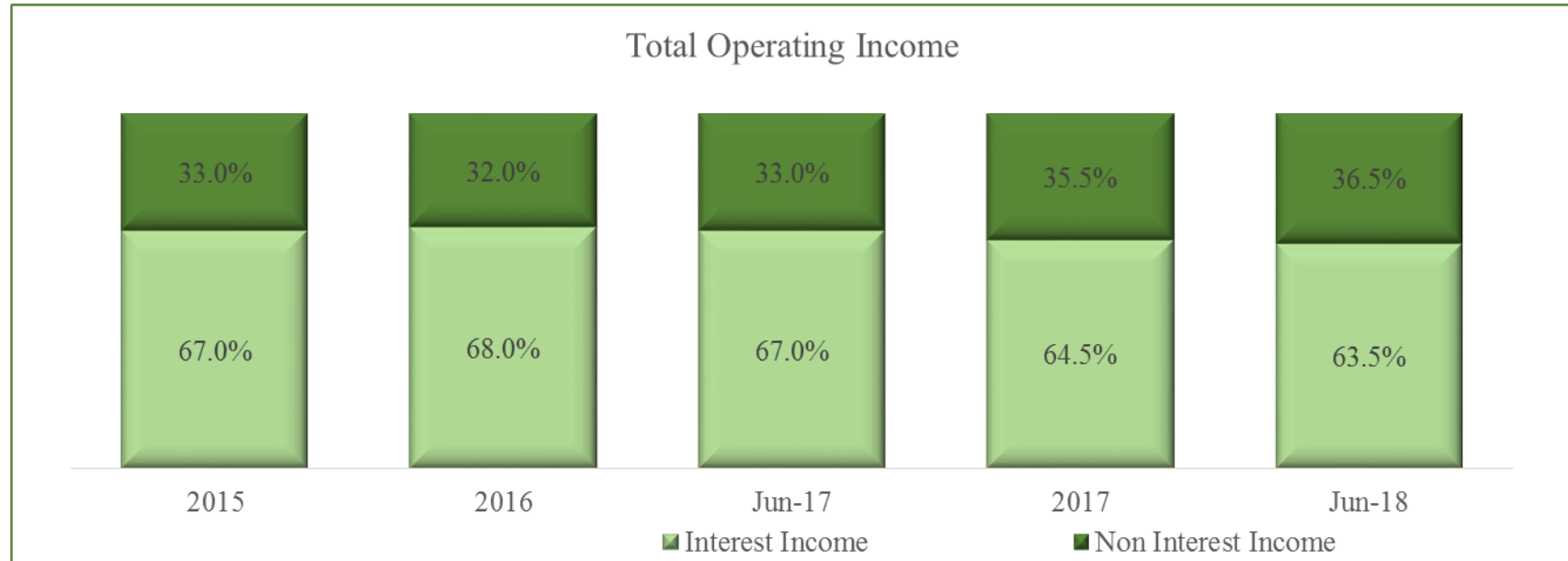
NPL By Sector



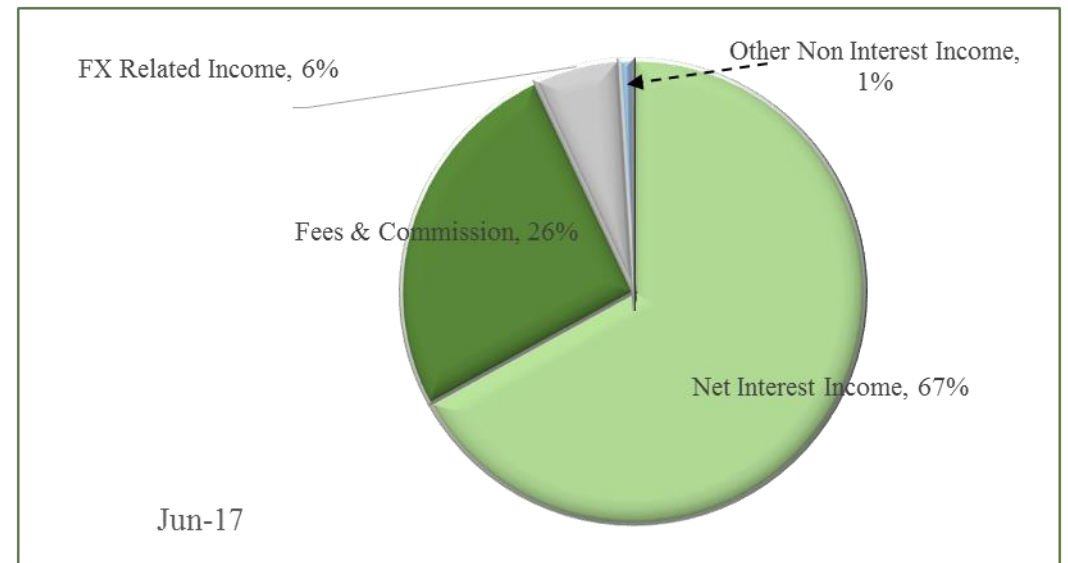
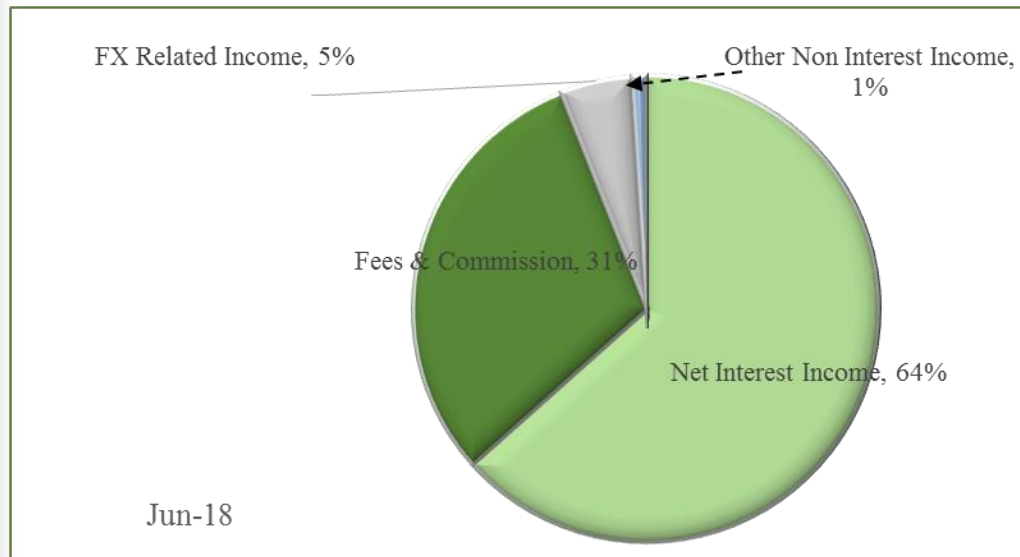
Provision By Sector



Income Statement Highlights

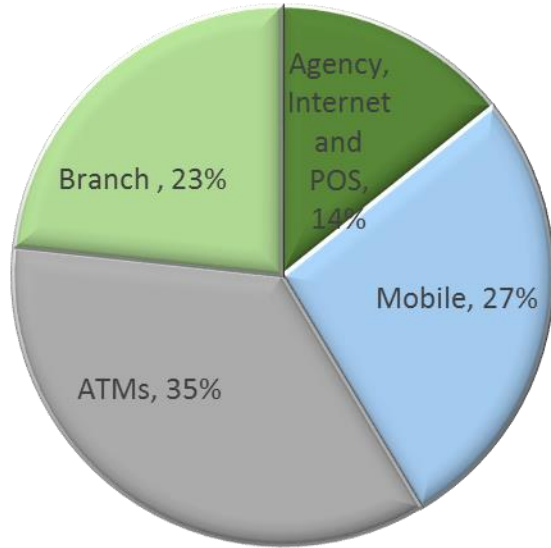


Composition of Total Operating Income

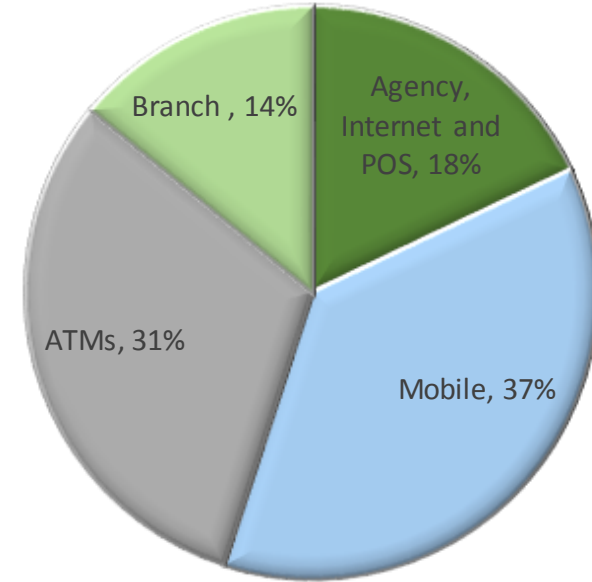


Transaction Performed Outside the Bank

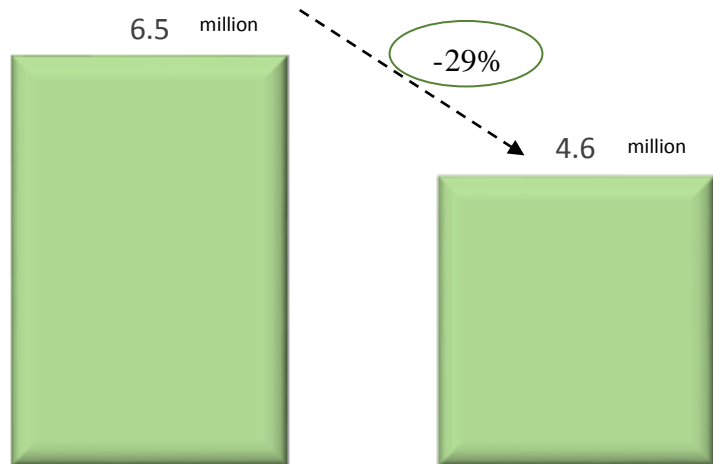
Jun-17



Jun-18



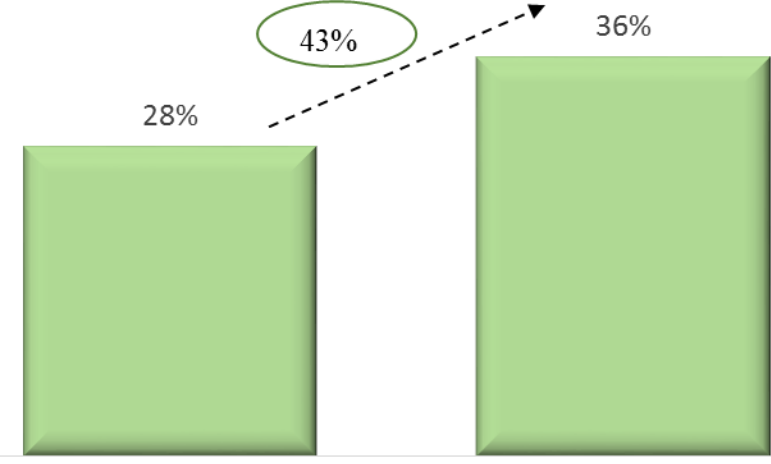
Number of Branch Transactions



1H 2017

1H 2018

Deposit Mobilised Through Agent Banking

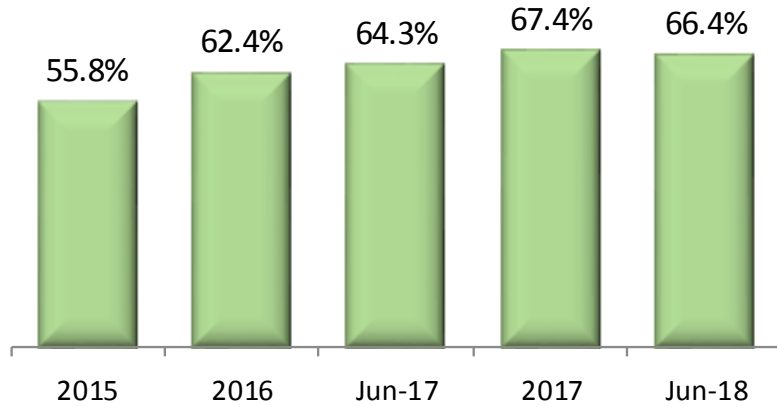


1H 2017

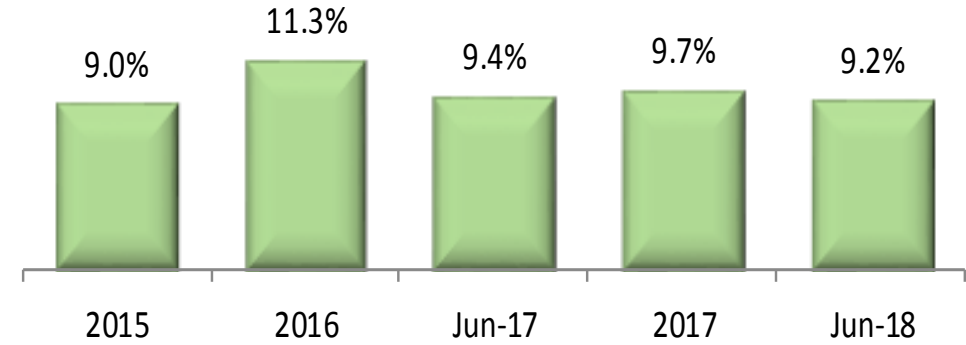
1H 2018

Financial Ratios

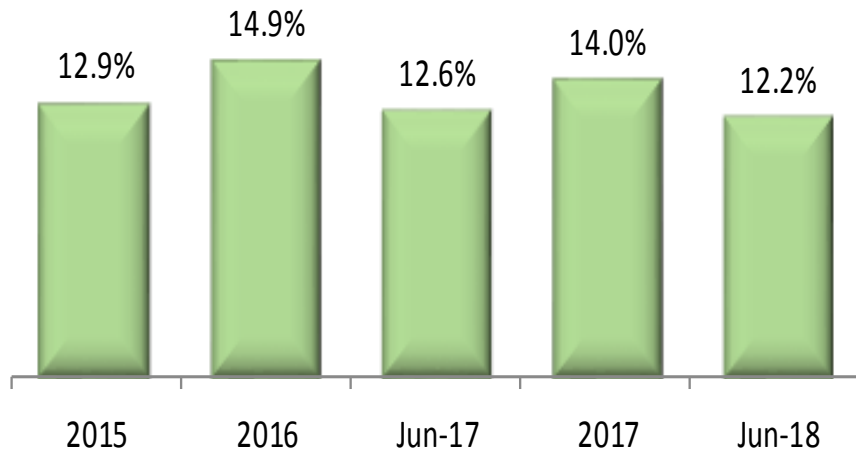
Cost to Income Ratio



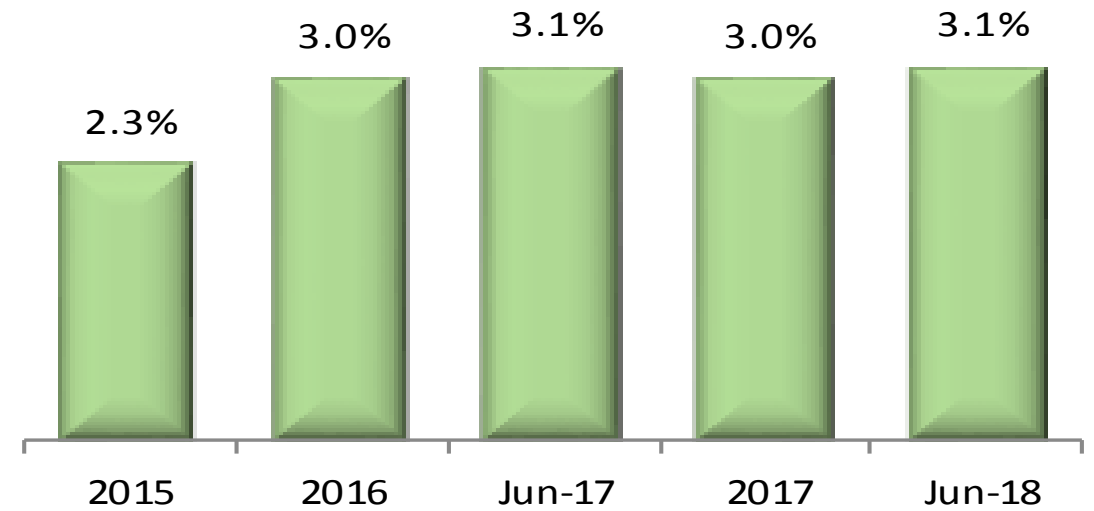
Net Interest Margin



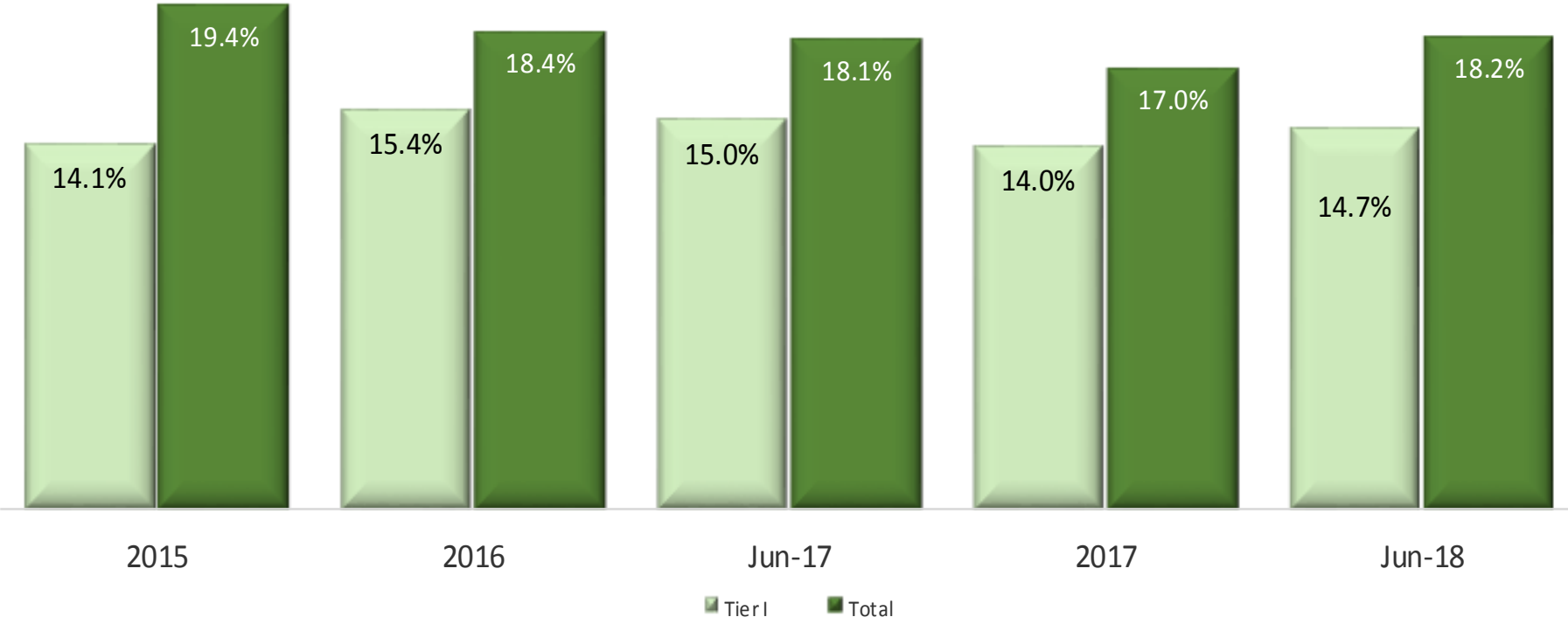
Yield on Investment



Cost of Funds



Capital Adequacy Ratio



□ Note: Statutory Minimum Ratio as per BOT
Tier I ---- 12.5%
Total ---- 14.5%



Subsidiaries of CRDB Bank Plc

CRDB Microfinance Services Company Limited

- Offers Microfinance products through its subsidiary by partnering with Microfinance institutions (MFIs) which are mainly SACCOS and direct retail lending. Products offered include - microfinance loans and deposits on behalf of the parent company, information and communication technology solutions and business support.
- The subsidiary made a loss of TZS 5.6 billion as at 30th June 2018.
- There were 402 partner MFIs as at 30th June , 2018.
- Total loans extended by the Bank to these institutions at the end of June 2018 stood at TZS 74.4 billion while total deposits mobilized by the subsidiary grew to TZS 75.6 billion.
- The new outlets opened in 2015 – 2016 from grants extended to this subsidiary were transferred to the parent company in order to comply with regulatory requirements.
- This significantly contributed to the fall in profitability of the subsidiary.

CRDB Bank Burundi S.A.

- The Bank has a subsidiary in Burundi, which operates three branches in Bujumbura.
- The subsidiary recorded a profit of TZS 1.4 billion as at 30th June 2018 compared to TZS (0.2) billion loss recorded as at 30th June 2017 .
- Total assets increased from TZS 154 billion in June 2017 to TZS 201 billion in June 2018.
- Total deposits grew from TZS 74 billion in June 2017 to TZS 86 billion in June 2018.

CRDB Bank Plc Subsidiaries cont.

CRDB Insurance Broker Company

- CRDB Insurance Broker Company is CRDB Bank Plc 100% owned subsidiary company.
- The insurance business has been operated under Microfinance Service Company as Insurance Agency since 2011 and Insurance Broker from 2014. In June 2016 CRDB MFSC Insurance was transformed to CRDB Insurance Broker Ltd.
- The company is engaged in provision of insurance brokerage services including underwriting all types of insurance e.g. life and general insurance business.
- During the period January to June 2018, the company made a profit after tax of TZS 964.48 million.

Gross Premium in Millions						
Details	2013	2014	2015	2016	2017	June 2018
Premium Sales	8,244	12,094	17,333	25,647	32,467	22,237.30

CRDB Targeted Position for the Year 2018

Market position

- Substantial strengthening of the bank's competitive position in all key products.
- Maintain leading market position in total assets, loans & advances, and public deposits.
- Target market share of banking industry assets of at least 20%.

Qualitative indicators

- Leading skills and capabilities in the market – customer service & IT
- Strong corporate culture
- Highly qualified employees
- Effective and reliable system and processes
- Strong brand and loyal customers

CRDB Group in
Tanzania &
Regionally

Financial results

- After tax profits increasing to TZS 86.2 billion
- Cost to Income Ratio reduced from 66.7% to 61%
- Return on Equity $\geq 10\%$
- Non Performing Loans $\leq 10\%$

International markets

- 3-5% of net income to come from international operations.
- Build foothold in East African markets.
- Target market share of at least 5% in Burundi.

CRDB Bank Awards and Recognition in 2017 and 2018

- Tanzania Safest Bank Award 2017 – Global Finance.
- Best Local Trade Finance in Tanzania – Global Trade Review (GTR).
- Certificate of Appreciation on financial contribution – Women’s Economic Empowerment Forum (WEEF) – The United Republic of Tanzania, Vice President’s Office.
- Most Social Responsible Bank in Tanzania – East African Bankers Awards 2017.
- Best SME Bank in Tanzania 2017 – East African Bankers Awards 2017.
- Best Presented Financial Statements – National Board of Accountants and Auditors Tanzania Awards – 2017.
- Best Presented Financial Statements – Financial Reporting (FiRe) Awards – 2017.
- Most Innovative Bank in East Africa – Business Year Magazine – 2017.
- Banker Africa East Africa Awards 2018 – Best SME Bank - East Africa.
- AfDB (*African Development Bank*) Awards 2018 – Best Regional Bank in East Africa.



Thank You

Investor Relations

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