



Investors Presentation 2018

What are we discussing today



Business Environment

CRDB Bank at a Glance

Strategy & Business Overview

Financial & Operating Performance

Business Environment

Tanzania economy continue to record strong performance, with real GDP growing by 6.7% in first three quarters (2017 – 6.4%) and projected at 7.3% in December 2018. Among sectors that contributed highly to the GDP growth include Agriculture (34.5%), Industry (26.4%) Infrastructure (16.8%) and business (10.1%) sectors.

Inflation Rate for the month of December 2018 decreased to 3.3% from 3.4% as recorded in September 2018, due to stable and slowdown in food and non-alcoholic beverage prices.

Extended broad money supply (M3) grew at an annual rate of 4.5% in December 2018 compared to 8% in December 2017. The expansion in money supply was supported by credit expansion both to the Government and the private sector.

Bank of Tanzania (BOT) reduced the discount rate from 9% to 7% in July 2018 so as to increase access to credit for private sector.

Financial inclusion has contributed to successful implementation of mobile banking extending coverage of financial services to the un-bankable population in remote areas across the country.

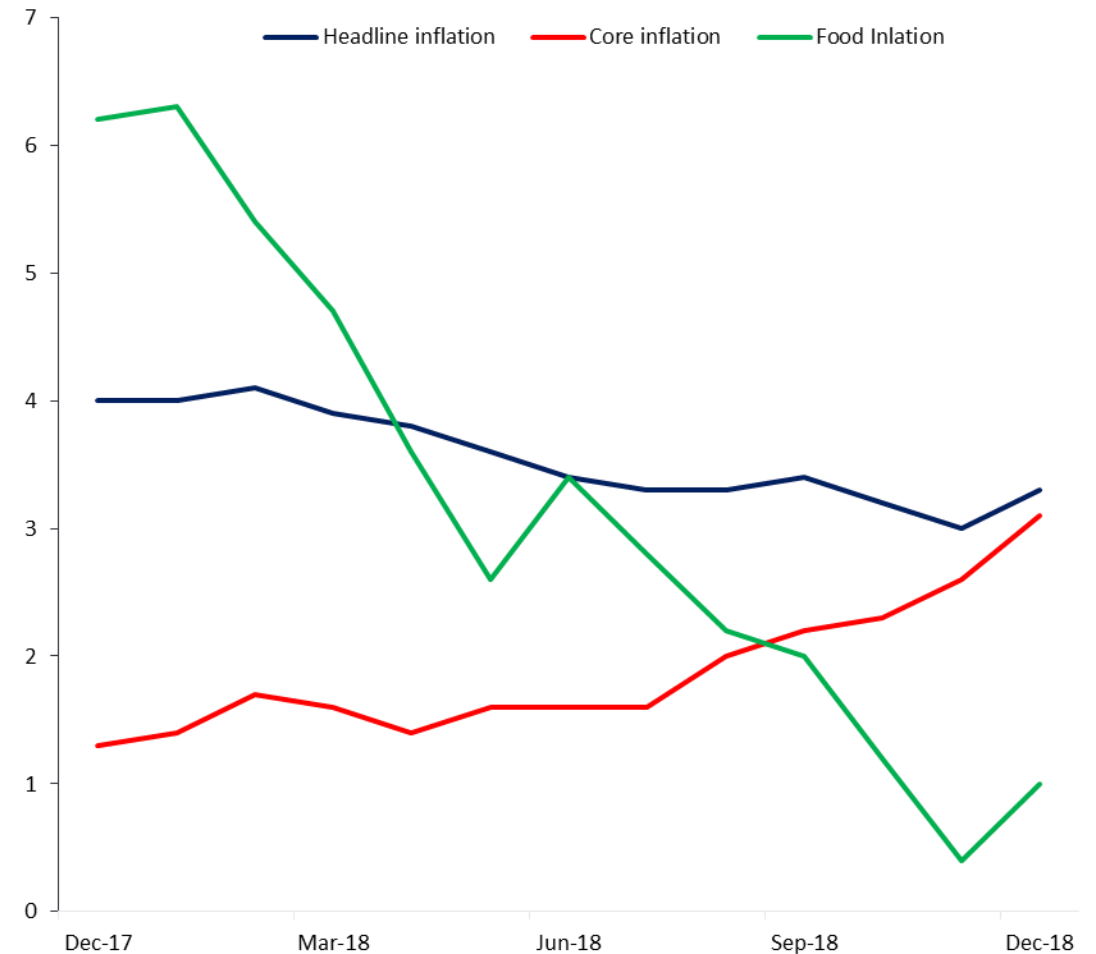
The overall Gross NPL ratio has declined to 10.4 % in December 2018 compared to 11.9%, in December 2017. However, the net profit for most banks have reduced due to the implementation of IFRS 9 which results to an increase in the provision amount.



Macroeconomic Updates: Inflation rate

- During the year 2018, headline inflation trended lower, averaging 3.5% compared with 5.3% in 2017
- The decline in the inflation rate followed a consistent slowdown in food inflation which accounts for about a third of the headline inflation
- However, double-digit energy and fuel inflation following higher global oil prices putting upward pressure on the headline inflation in 2H18 through higher transport inflation
- It is forecast that widening current account deficit will exert upward pressure on inflation rate in the coming months

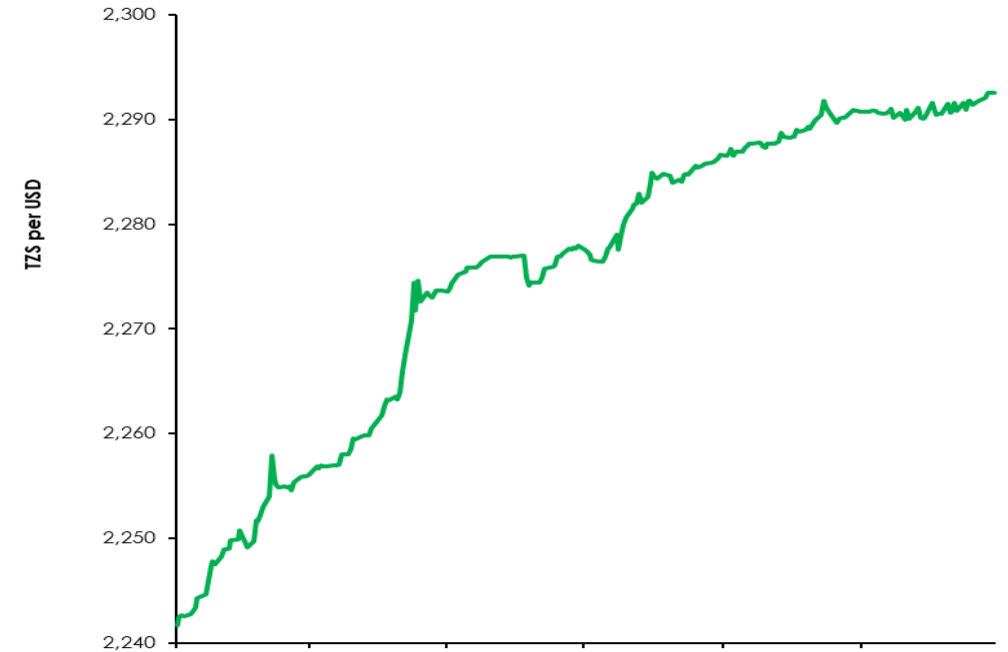
Tanzania Inflation in 2018



Macroeconomic Updates: Exchange Rate

- The Tanzanian shilling against dollar remained broadly stable during the year in consistent with monetary policy, streamlined fiscal measures, enhanced use of gas in electricity generation instead of oil, and substituted imported goods with local manufactured goods such as ceramic tiles.
- The exchange rate closed at TZS 2,281.2 against US dollar in 2018 compared to TZS 2,230.1 in December 2017.

Shilling Performance in 2018

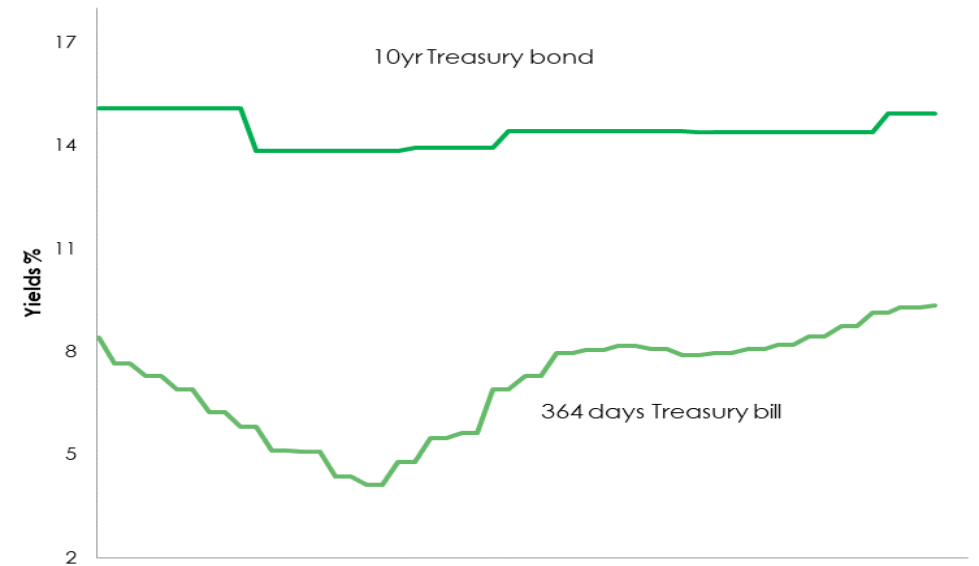


Source: Bank of Tanzania

Macroeconomic Updates: Interest Rate

- During 1H18, interest rates on Government securities were on the downward trend as investors' appetite for the high quality assets intensified amid poor asset quality of commercial banks
- However, with the ramp up in Treasury bonds supply during the 2H18 to meet growing budget deficit following a pipeline of public infrastructure projects while also looking to lengthen the public debt maturity profile, interest rates on the securities became under upward pressure
- It is projected that this pressure will spill over to the commercial lending rates in 2019

Weighted average yields on Treasury Securities



Source: Bank of Tanzania



*"The leading
Bank"*

CRDB Bank at a Glance

Leading Bank in Tanzania

Fully fledged financial services provider across sectors, Retail Banking, Premier Banking, Corporate (Wholesale), Global Markets & Trading, Insurance and Custodial Services

MARKET SHARE IN TANZANIA

Assets **20.2%**;
 Loans **19.7%**;
 Deposits **23.3%**

HUMAN RESOURCES

3,101 Employees

RETAIL BANKING FRANCHISE



231
Branches



5,457
CRDB
Agents



402 MFI
partners



552 ATMs
(18
Depository)



1,053
Merchants



Best in class
mobile and online
banking platforms

SHAREHOLDING STRUCTURE



DANIDA Investment
Fund



Pension Funds,
Cooperatives, Local
business people as well
as normal Tanzanians



International (IFC,
CDC, AfCap) and
Private Equity Funds

Awards and Accolades



Best SME Bank - East Africa – Banker Africa
East Africa Awards 2018.

Best Regional Bank in East Africa – AfDB
(African Development Bank) Awards 2018.

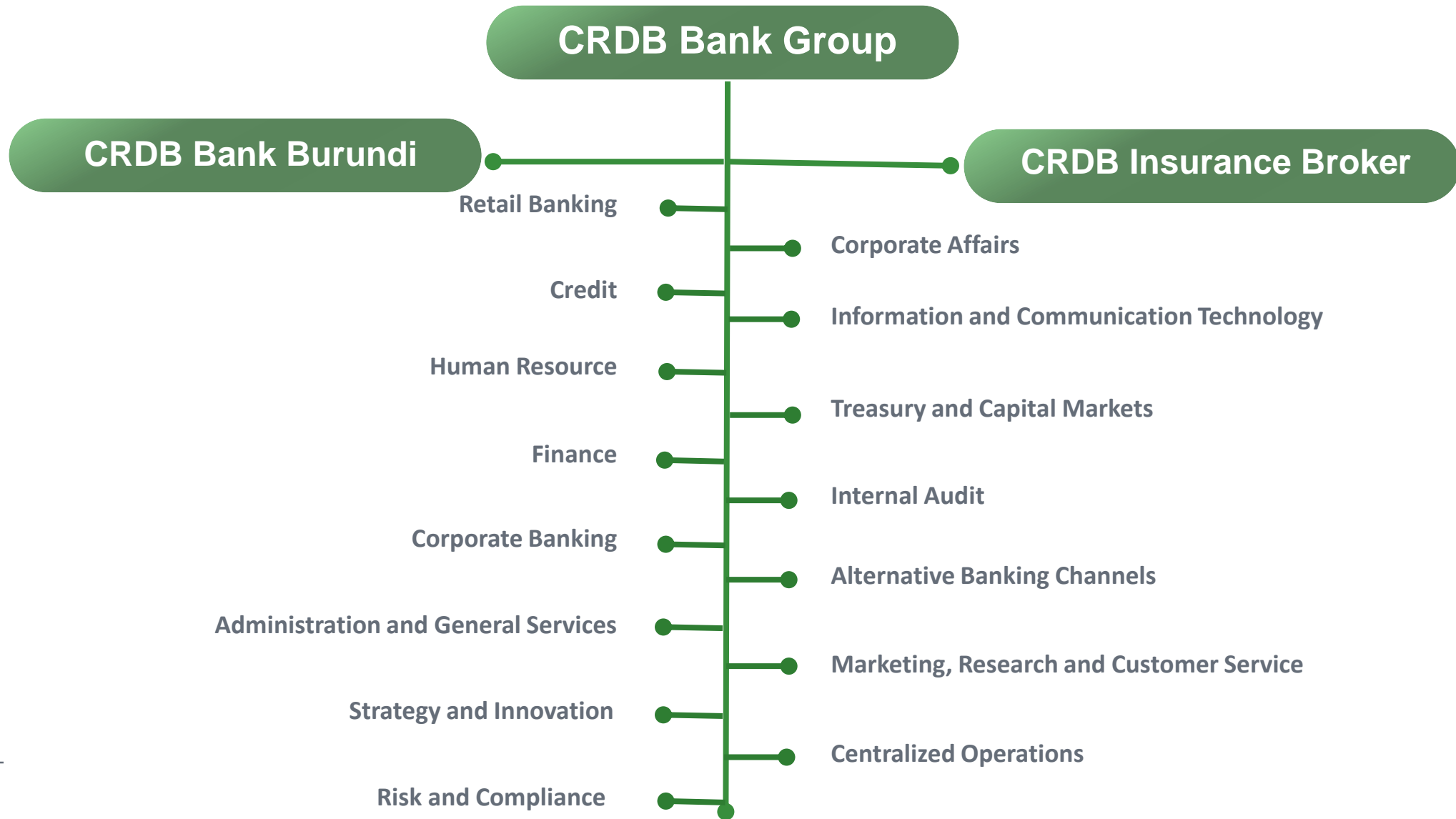
Best Private Bank Tanzania 2018 –
International Business Magazine Awards 2018.

Pan Africa Corporate Social Responsibility
Award 2018 - By The African Banking Awards
– EMEA Finance 2018.

Best MIM Company of the year – Banking
and Investment Segment - Dar es Salaam Stock
Exchange Plc Member's Award – 2018.

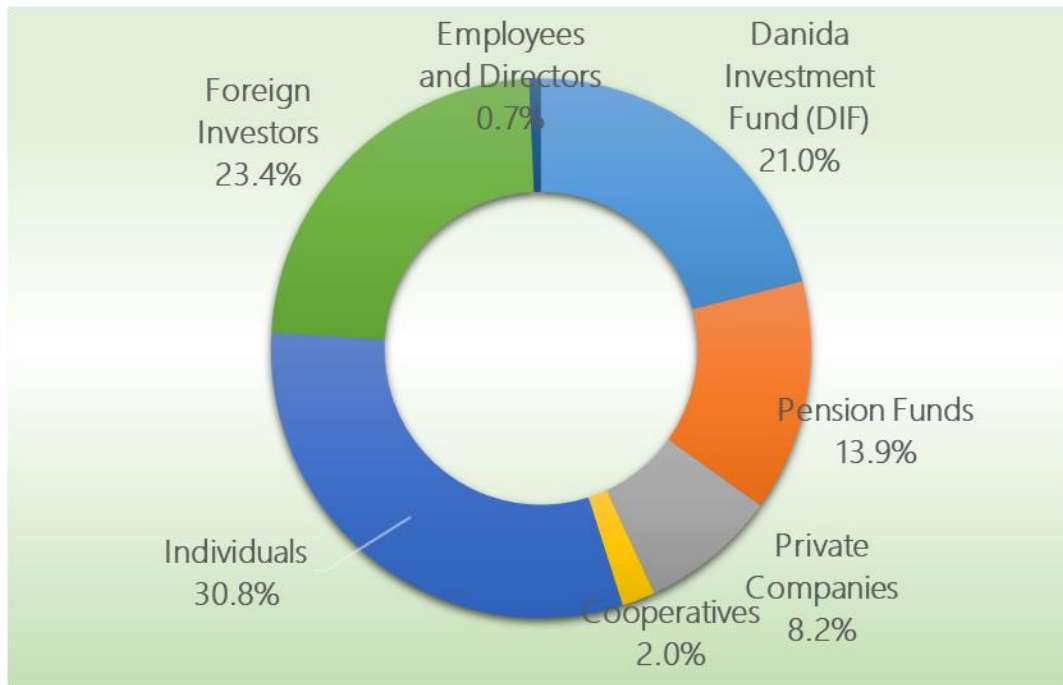
Best Custodian of the year – Dar es Salaam
Stock Exchange Plc Member's Award – 2018.

CRDB Bank Group Structure



Shareholding Structure and Corporate Governance

Shareholding Structure as at 31st December, 2018



Corporate Governance

- ❑ The Board has twelve non executive directors.
- ❑ 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 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 five committees; Governance and Human Resource, Credit, Audit, Risk and Nomination Committee.
- ❑ 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 Price Performance

Dec 2011 to Dec 2018



- Share price as at 31st Dec, 2018: TZS 150 same price close as at 31st Dec, 2012 being the lowest price for a period between year 2011 to 2018 and TZS 430 being the highest price marked mainly attributed by foreign investors appetite.
- Market Capitalisation as at December 2018 closed at TZS 391.78 billions.

Analyst Coverage



**Hartland-Peel
Africa Equity
Research**

**EXOTIX
PARTNERS**

EQUITY | Investment Bank

Recommendation: **UNDERVALUED**
Target Price (2019F) : **TZS 240**
Last Coverage Report: **Dec, 2018**

Recommendation: **HOLD**
Target Price: **TZS 155**
Last Coverage Report: **Nov. 2018**

Performance Investment Ratios

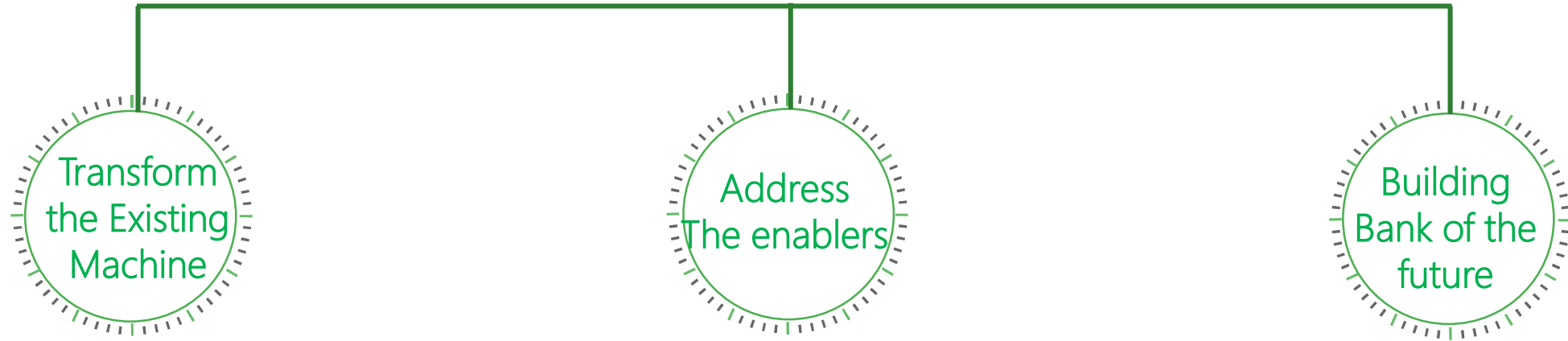
Share Performance	2018	2017	2016	2015
Market Price Closing (TZS)	150	160	250	405
Year High	200	250	405	500
Year Low	145	150	250	365
Earning Per Share (EPS –TZS)	24.8	13.9	26.6	53.9
Price Earning Ratio (P/E)	6.0	11.5	9.4	7.5
Book Value (BV)	292.9	280.8	270.9	263.2
Price Book Value ratio (P/B)	0.5	0.6	1.0	1.5
Market Capitalisation (TZS billions)	391.8	417.9	652.9	1,057.8
Foreign Holding (%)	23.4	23.0	23.0	22.0
Number of Shares	2,611,838,584	2,611,838,584	2,611,838,584	2,611,838,584
Dividend Yield (%)	N/A	3.1	4.0	4.2

A hand holding a glass jar filled with coins, with a green leaf resting on top. The background is a blurred green, suggesting an outdoor setting. The image is framed by a white, torn-paper-like border.

Deep Dive on *2018 Performance*

Strategy & Business Overview

CRDB 5 years Strategic Focus



2019 Strategic Focus:

Theme: 'Drive Digital Adoption'

- Enhance Deposits mobilization
- Modernize performance management

- Branch transformation
- Enhancement of credit management:

- Focus on digital transformation:

Major Milestones up to Dec 2018

Enhancement of credit management

- Implementation of credit containment strategy.
- Streamlining of credit processes.
- Strengthening of loan monitoring and collections through early warning systems and e-collect.
- Implementation of Credit Pro for personal loans processing to reduce turn around time.
- Launch of digital loan products to the market.

Branch transformation

- Enhancement of productivity through transforming branches to become more sales oriented.
- Upgrading of mini service centres to offer full banking services.
- Up skilling of staff to create a pool of universal bankers.

Focus on digital transformation

- All branches have gone digital allowing customers to initiate self service through POS at the branch counter.
- Enhancement of mobile banking (SimBanking) features to attract unbanked customers to drive financial inclusion.
- Integration with Government Electronic Payment Gateway (GePG) to facilitate government payments.
- Establishment of Mvisa and Mpass to facilitate merchant payments processing via QR Code.
- Core and peripheral system upgrades.
- Expansion and optimization of alternative banking channels such as Fahari Huduma Agencies by increasing touch points by over 5,000 CRDB Bank agents

Enhance Deposits mobilization

- All depository products reviewed to enhance value proposition.
- Network expansion to all districts in Tanzania.

Modernize performance management

- Implementation of HR Management Information System (HR-MIS)

Responsible Citizenship Outlook

Education

TZS 386MIn

Health

TZS 413MIn

Environment & others

TZS 35MIn



Financial & Operating Performance

Bank Financial Highlights

As at 31st Dec. 2018, Amount in TZS 000,000

Balance Sheet

Assets

	Dec-18	Dec-17	% Change from 2017
Net Loans	3,122,737	2,893,838	8%
Cash & Cash Equivalents	1,023,815	1,411,983	(27)%
Government Securities	1,238,082	1,104,547	12%
Other Assets	651,937	491,240	33%
Total Assets	6,036,571	5,901,608	2%

Deposits	4,663,638	4,325,871	8%
Borrowed Funds	448,207	565,296	(21)%
Other Liabilities	159,780	276,981	(42)%
Shareholder's Funds	764,946	733,460	4%
Total Liabilities and Capital	6,036,571	5,901,608	2%

Strong Balance Sheet

2% growth in Total Asset

8% increase in deposits

4% increase in Shareholder's Equity

Bank Financial Highlights

As at 31st Dec. 2018, Amount in TZS 000,000

Income Statement

	Dec-18	Dec-17	% Change from 2017
Interest Income	586,235	560,344	5%
Interest Expenses	-143,444	-150,628	(5)%
Net Interest Income	442,790	409,716	8%
Fees and Commission	174,482	163,296	6.9%
Net Foreign Exchange Income	31,103	37,331	(16.7)%
Total Income	648,375	610,343	6.2%
Operating Expenses	-447,885	-413,461	8.3%
Result before allowances	215,300	206,952	4%
Loan Impairment charges	-120,981	-168,867	(28)%
Operating Result	94,319	38,085	148%
Recovery	5,941	15,493	(62)%
Profit before income tax	100,260	53,578	87%
Income Tax	-35,533	-17,366	105%
Net Profit after Tax	64,727	36,212	79%

Improved Profitability

79% Increase in Profit after Tax

8% increase in Net Interest Income

28% decrease in Loan Impairment charges

Income Statement Highlights

Net Interest income

2018: 443bn

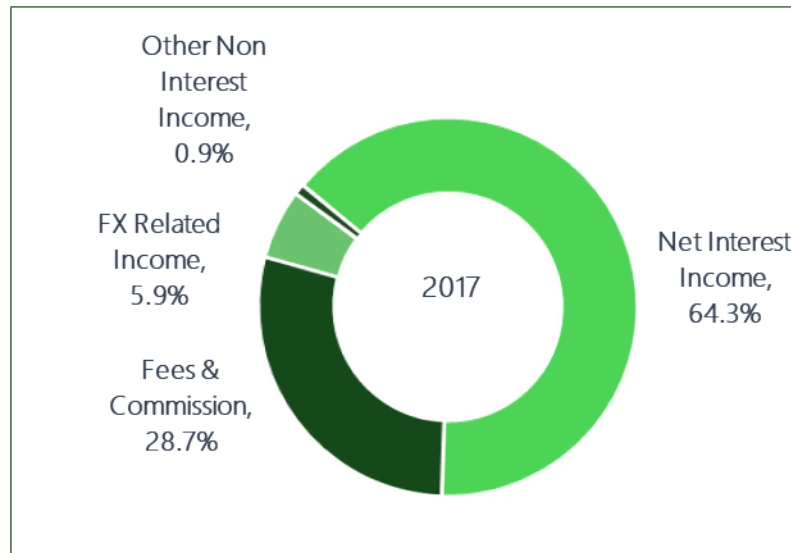
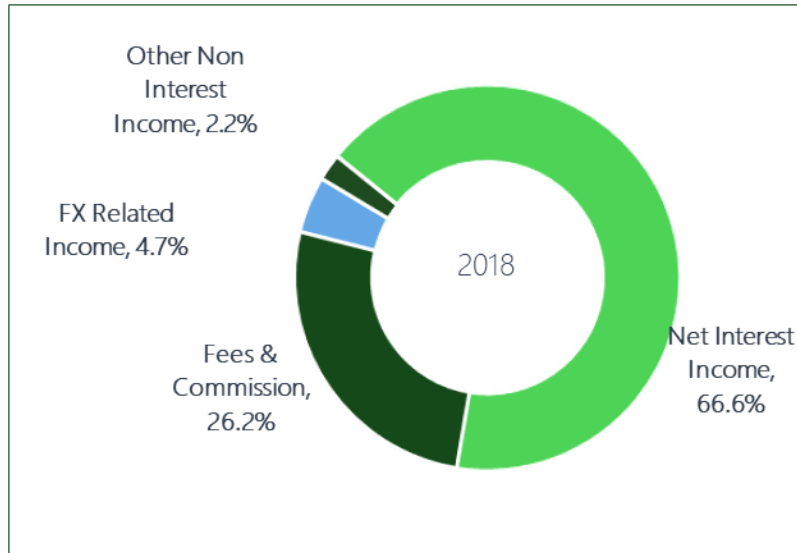
Growth +8%

Net Fees and Commission

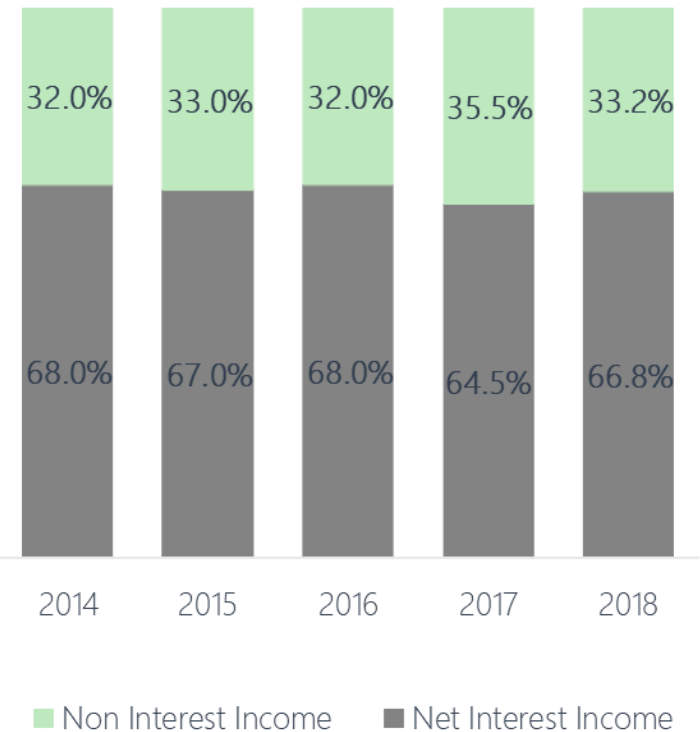
2018: 174bn

Growth +7%

Composition of Total Operating Income



Total Operating Income

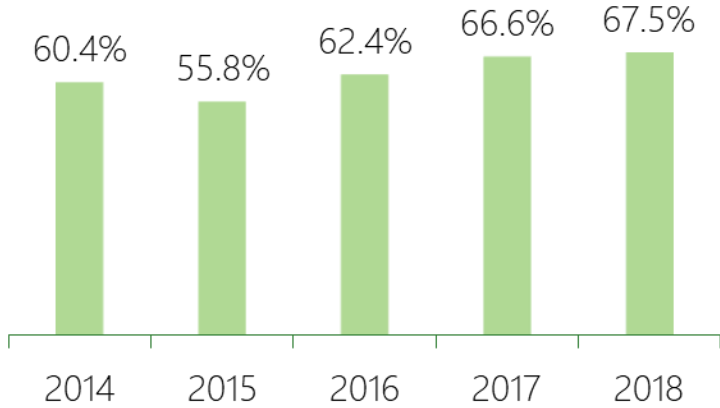


Performance Ratios

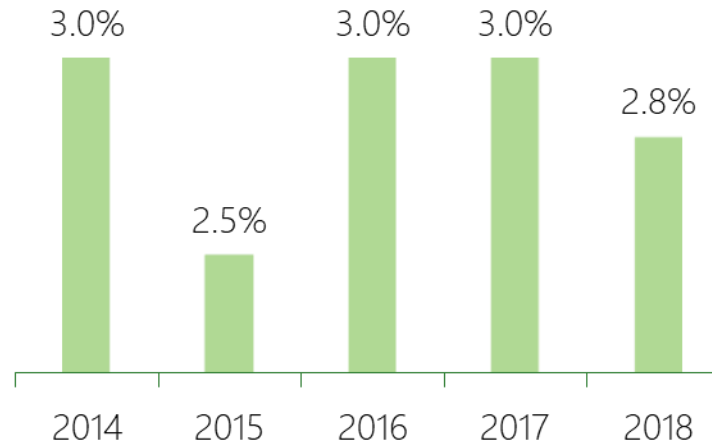
	2018	2017
Return on Equity	8.3%	4.8%
Cost to Income	67.5%	66.7%
Gross NPL to Gross Loans	8.2%	12.5%
NPL Coverage Ratio	76.0%	58.6%
Debt to Equity	36.9%	45.8%
Non funded income to total income	33.2%	38.9%
Cost of Funds	2.8%	3.0%
Net Interest Margin	9.4%	10.2%
Loans to Deposit Ratio	71.2%	70.7%
Growth of Net Loans and Advances	7.9%	(10.9%)
Growth of Customer Deposits	7.8%	5.3%
Yield on Investments	12.5%	14.0%
Return on Asset	1.7%	1.0%
Growth in Total Assets	2.3%	9.2%
Tier 1 Capital	12.9%	14.0%
Total Capital	14.7%	17.0%

Financial Ratios

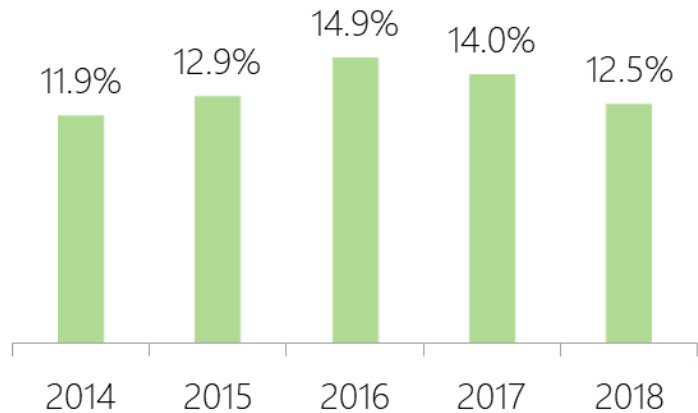
Efficiency Ratio



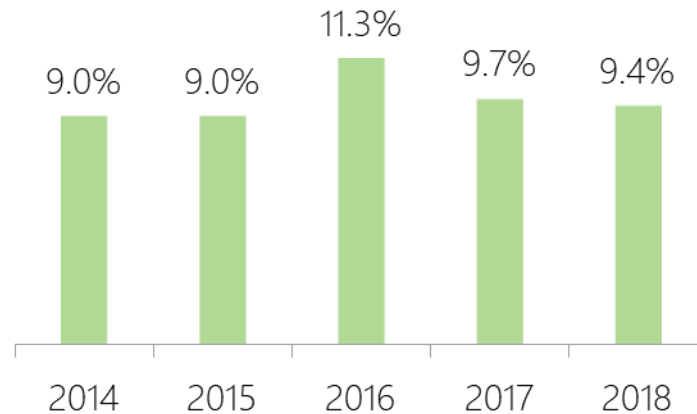
Cost of Funds



Yield on Investment



Net Interest Margin



Efficiency Ratio
67.5%

Cost of Funds
2.8%,

Yield on Investment
12.5%,

Net Interest Margin
9.4%

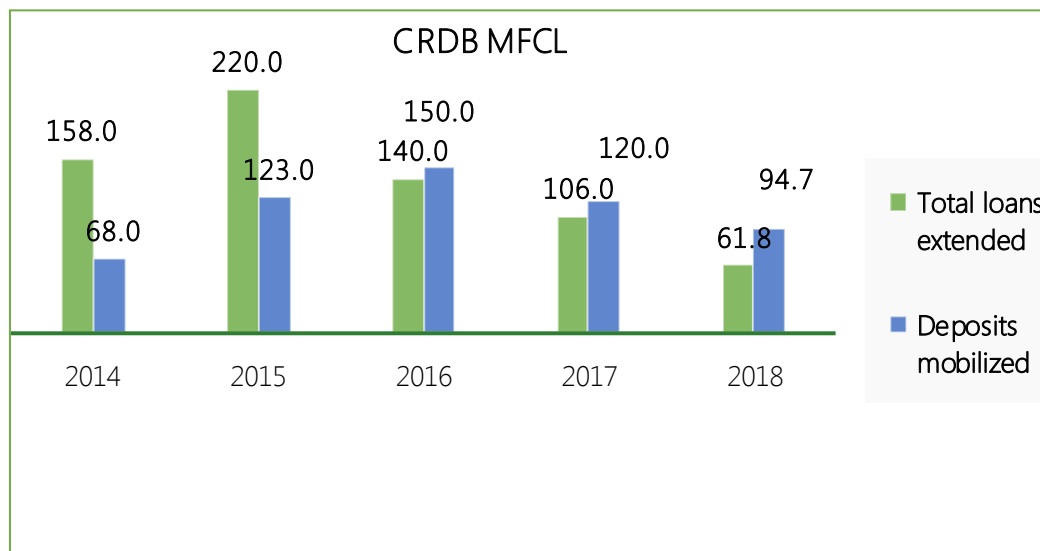
Subsidiaries of CRDB Bank Plc

CRDB Microfinance Services Company Limited

- Offers Microfinance products through its subsidiary by partnering with Microfinance institutions (MFIs) which are mainly SACCOS implementing direct retail microfinance and Bank – led mobile money solutions known as *SimAccount*.
- The new outlets (68 Mini Service Centers and 21 Service Centers) 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.

MFCL Performance

Figures in billions	2018	2017	Increase from 2017
PAT	-9.2	0.8	-1250%
MFI partner institutions	402	449	-10%
Total loans extended	61.8	106.0	-42%
Deposits mobilized	94.7	119.8	-21%



Subsidiaries of CRDB Bank Plc *Cont.*

CRDB Insurance Broker Company

- ❑ CRDB Insurance Broker Company is CRDB Bank Plc 100% owned subsidiary company.
- ❑ 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 December 2018, the company made a profit after tax of TZS 1.13 billion.

Gross Premium in Millions

Details	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Premium Sales	8,244	12,094	17,333	25,647	32,467	36,282

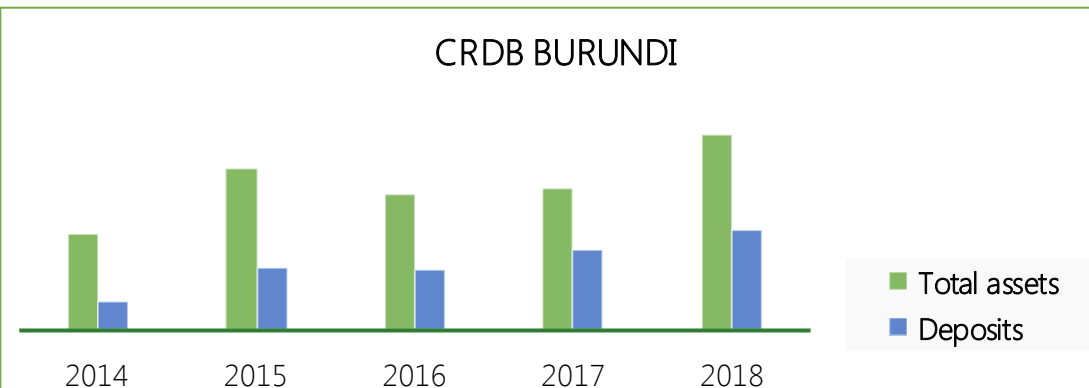
CRDB Bank Burundi

The Bank has a subsidiary in Burundi, which operates three branches in Bujumbura.

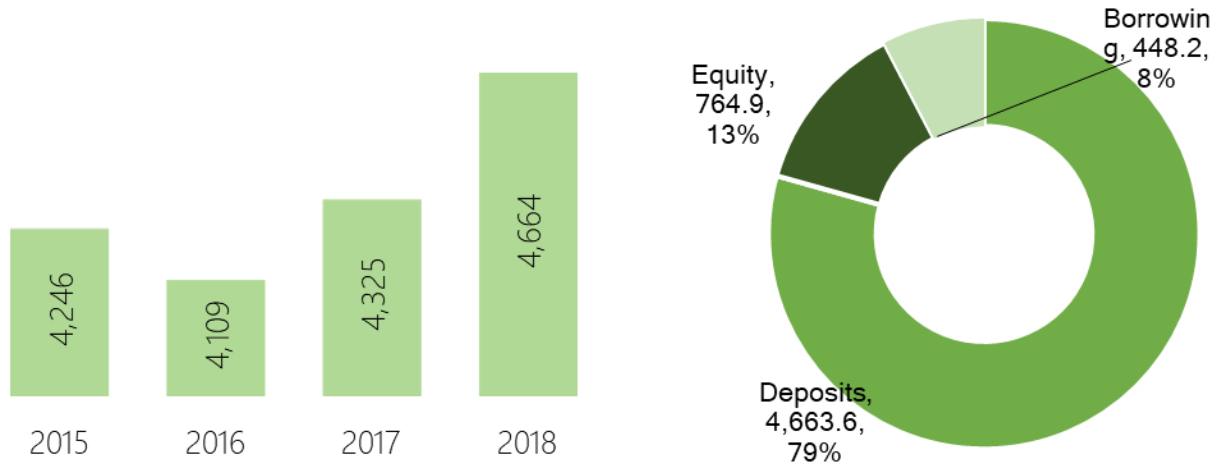
Burundi Performance Figures in billions

Details	2018	2017	Increase from 2017
Total assets	204.6	148.9	37%
Deposits	104.4	87.7	19%
PBT	2.6	3.5	-9%

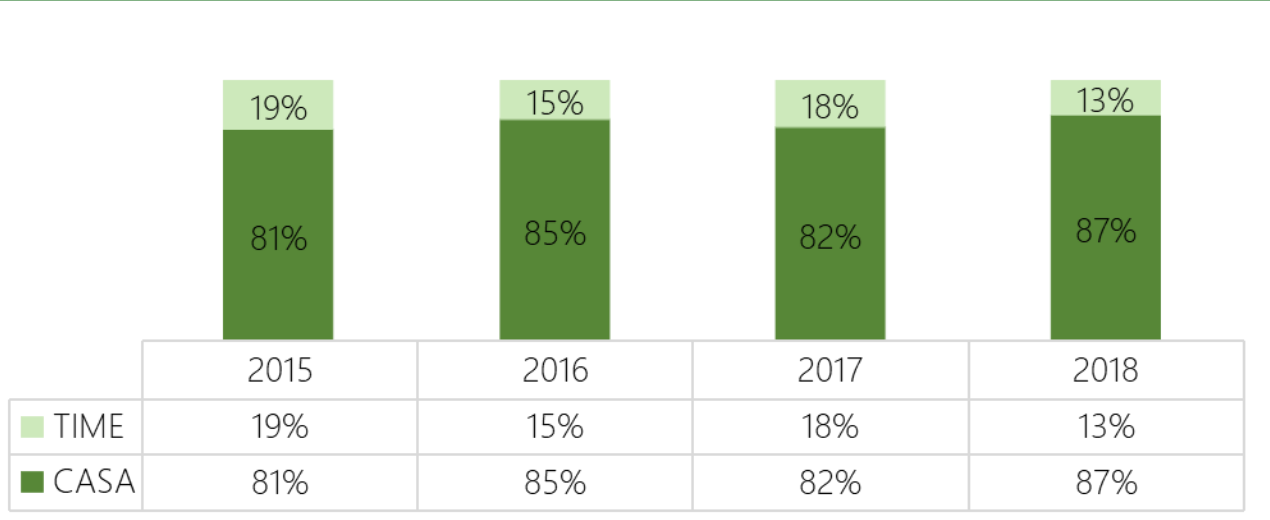
CRDB BURUNDI



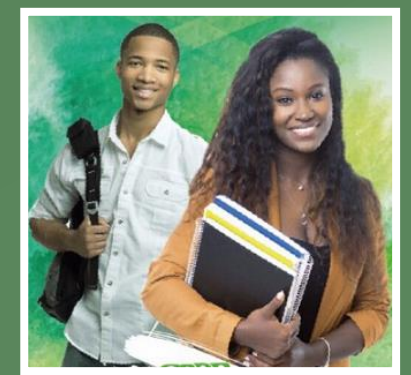
Strong Deposit Base



Funding Growth Through Deposit Mobilization

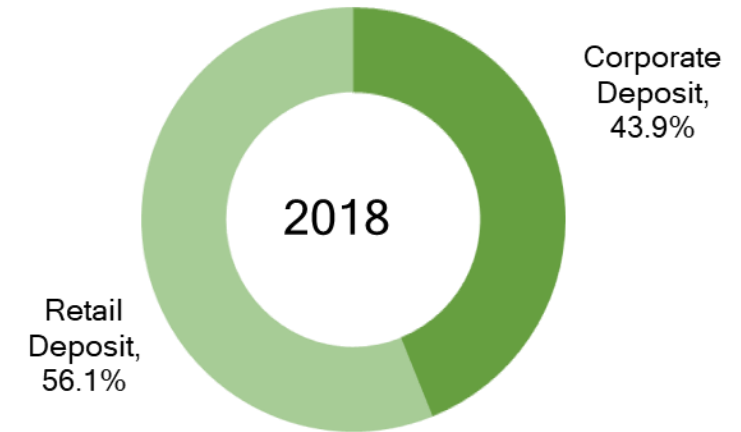
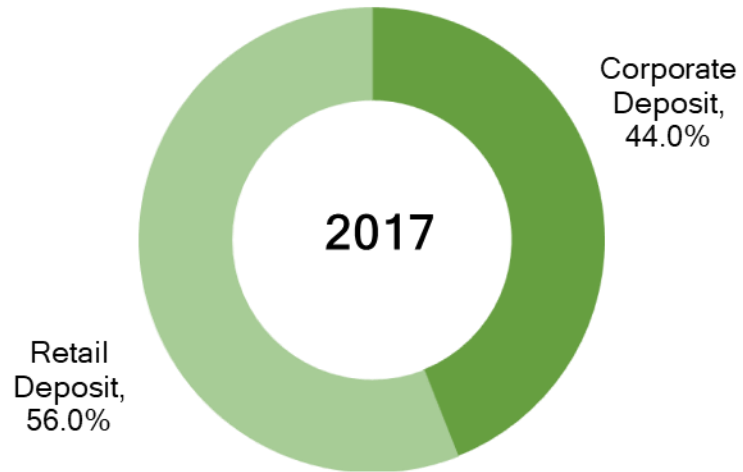


- ❑ Growth of 7.8% compared to M3 Of 3.2% while maintaining market share of 21%
- ❑ Customer deposits account for 79.4% of total funding in the Balance Sheet.
- ❑ CASA base was at 86.7% of total deposits in Dec. 2018 (Dec 2017:83.0%) with YoY increase of 12.9%.
- ❑ Borrowing includes subordinated debt of TZS 32.4 bn. and other borrowings of TZS 415.8 bn.

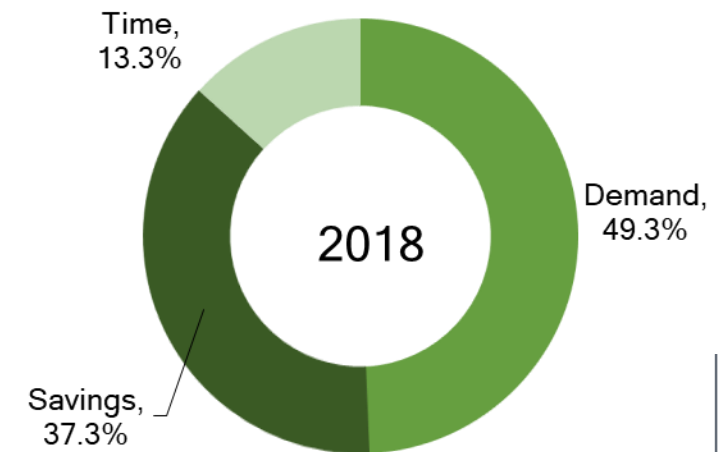
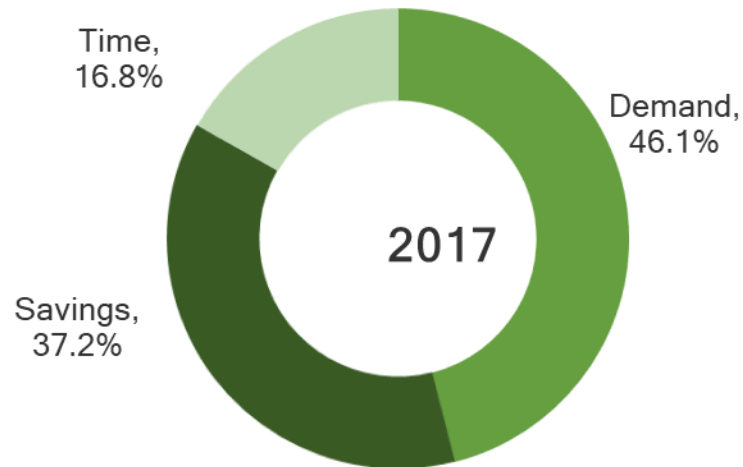


Strong Deposit Base *Cont..*

Deposit Segmentation



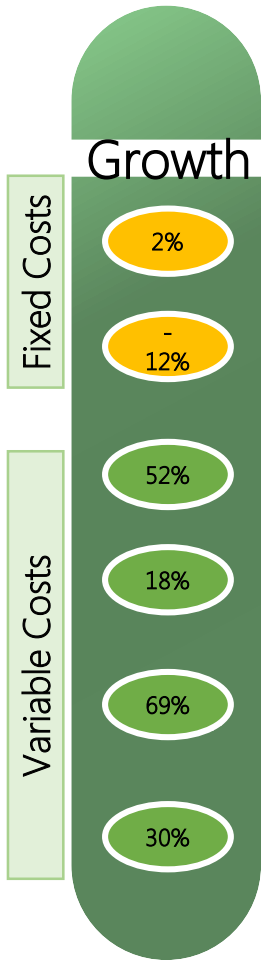
Deposit Composition



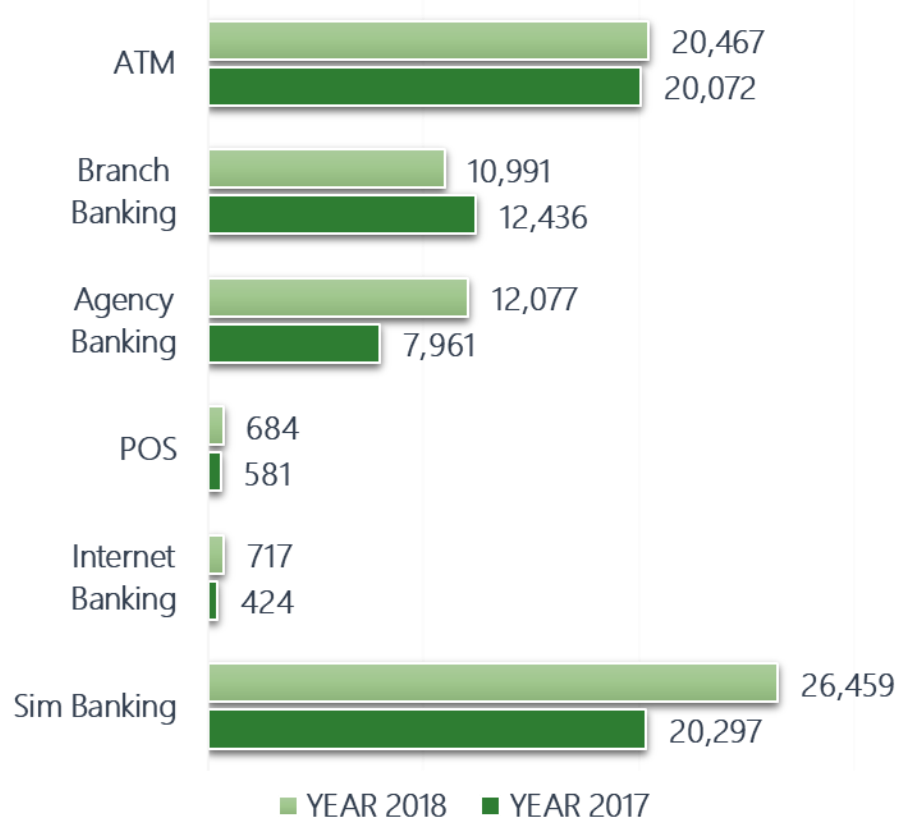


Going Digital

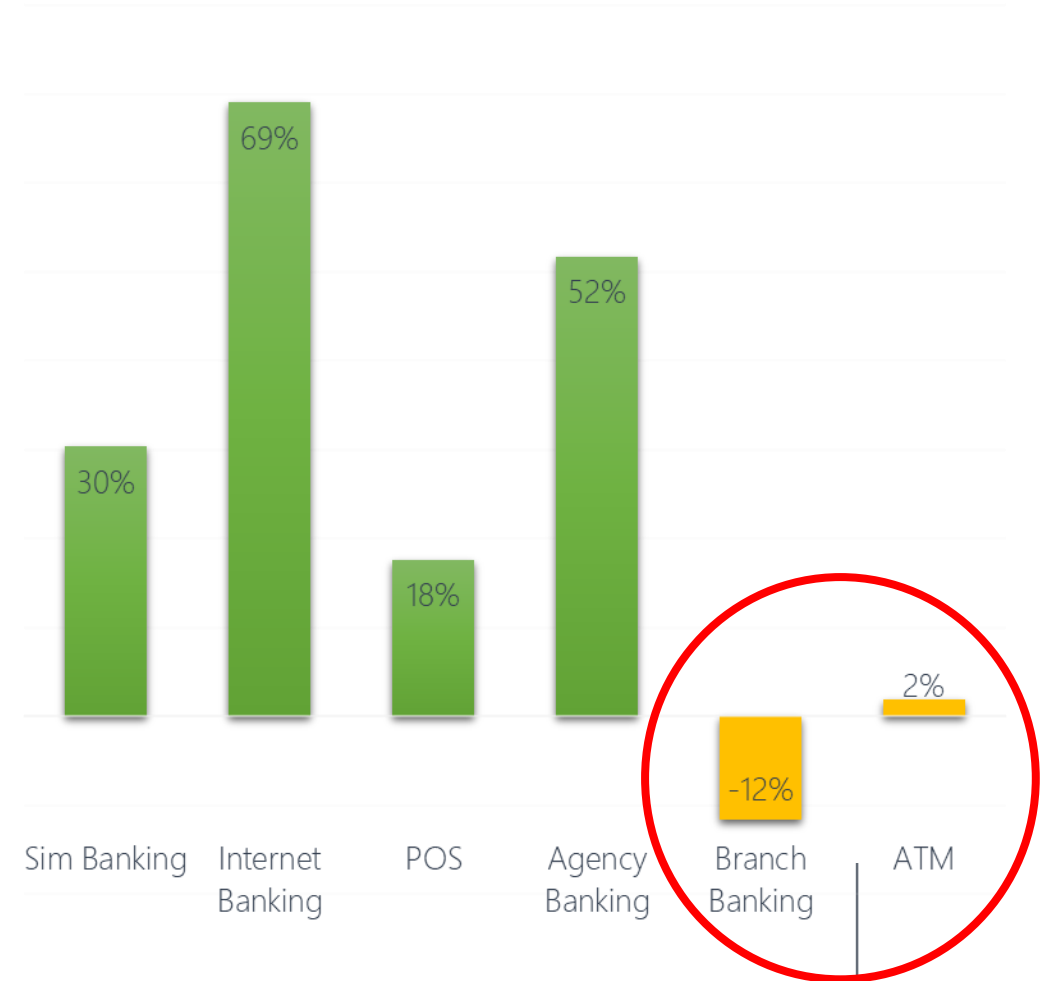
Digital Transformation



Branch and Alternative channel transactions '000'

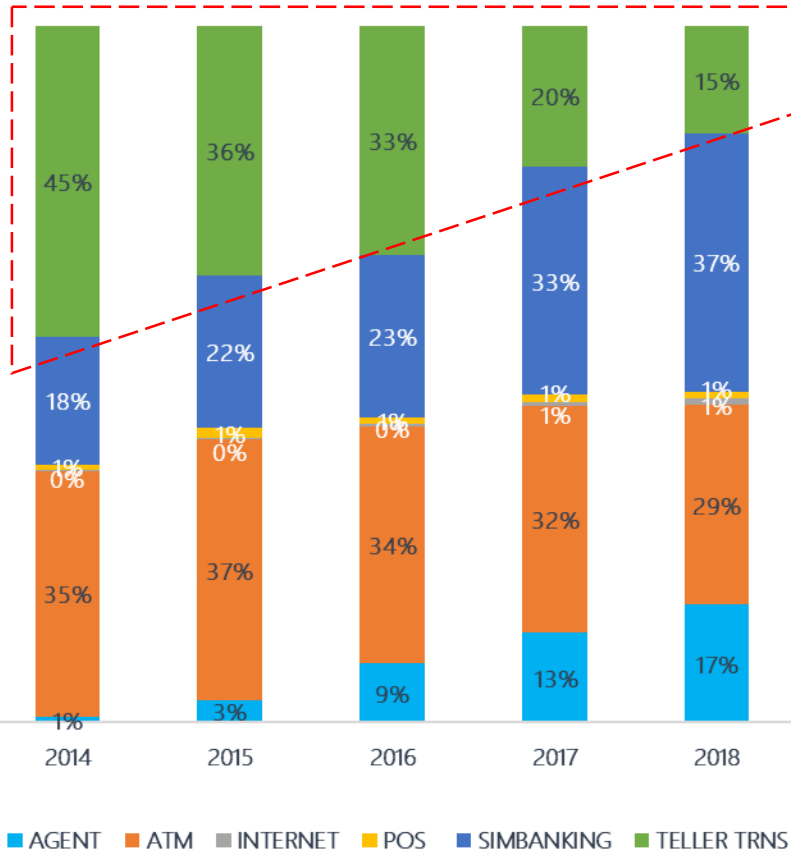
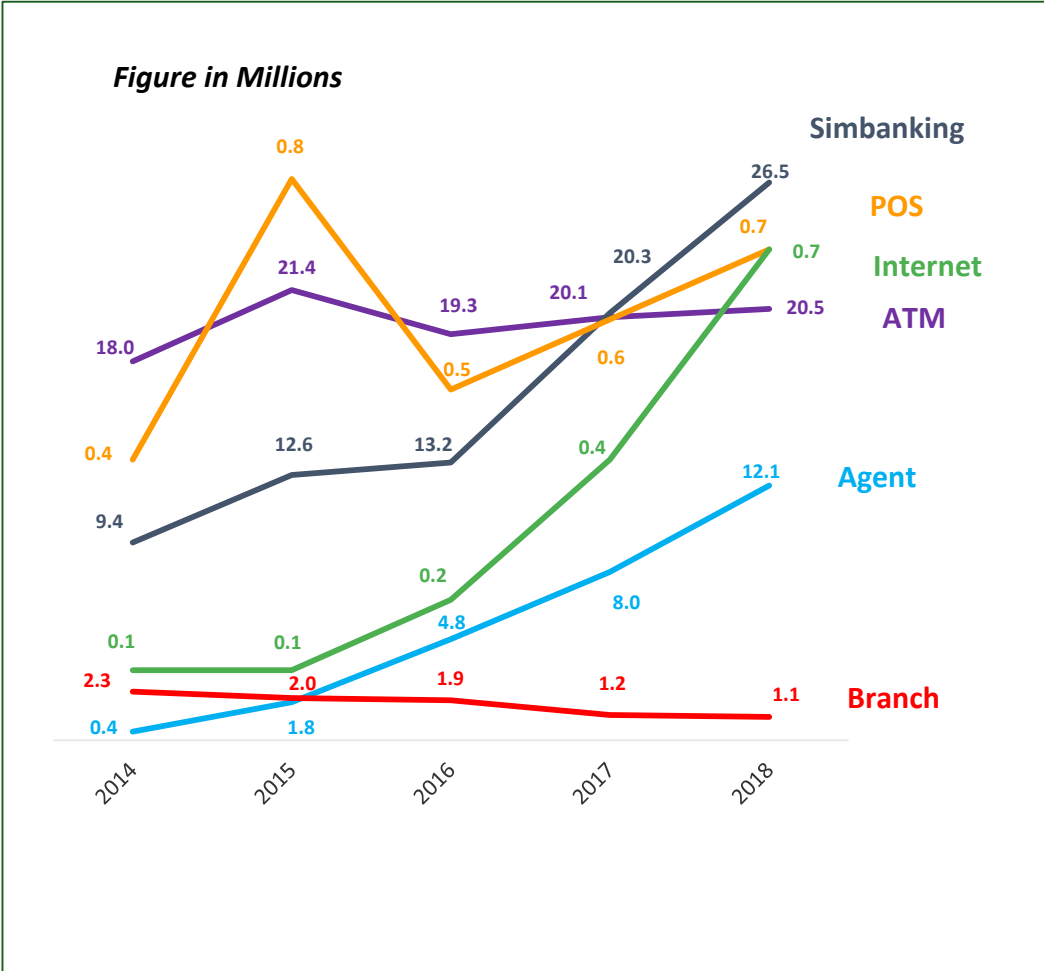


Branch and Alternative channel transactions growth



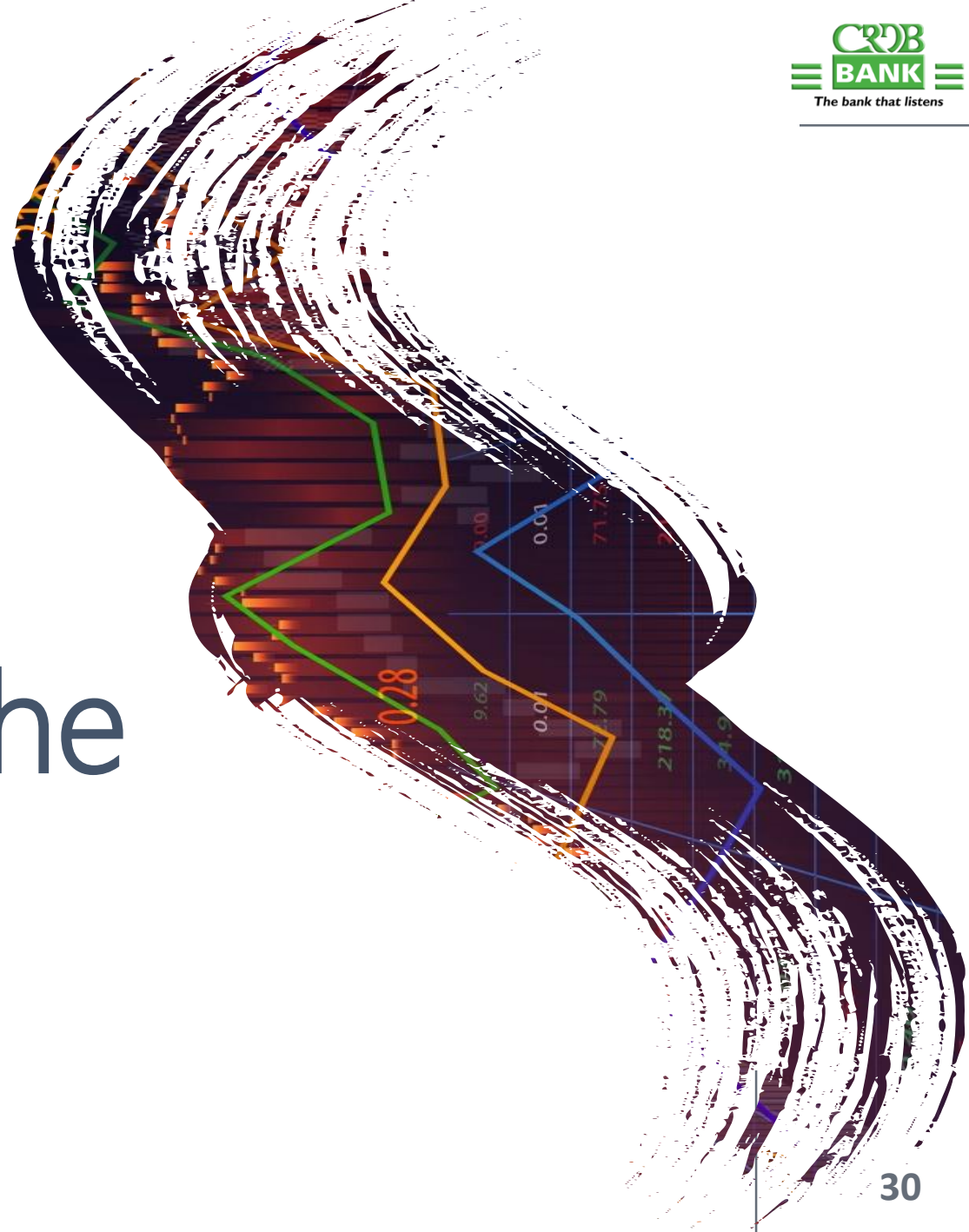
Digital Transformation *Cont.*

Digital Trans vs Traditional Banking Trans - 5 Year transformational trend

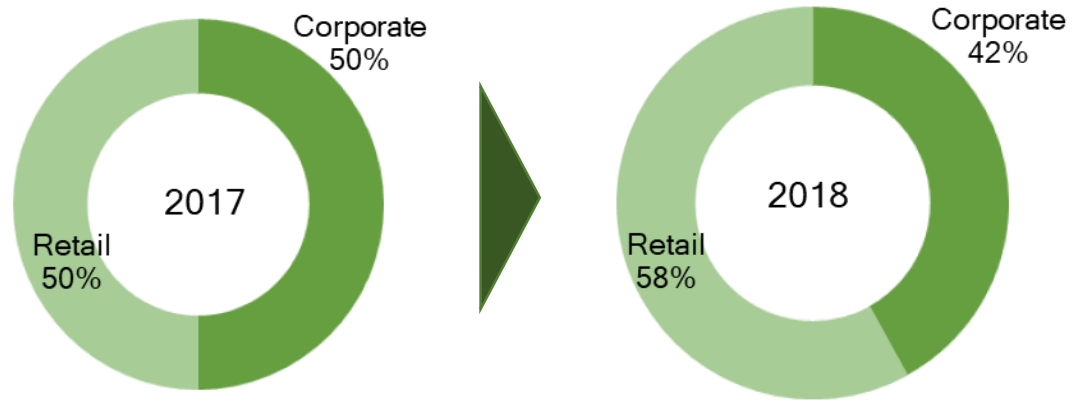


- ❑ Transforming the cost structure:
- ❑ By December 2018 - 85% of Bank transactions taking place outside the branch.
- ❑ Transforming the cost structure of the bank from the fixed cost to variable cost with minimum investments due to use of third part infrastructure.

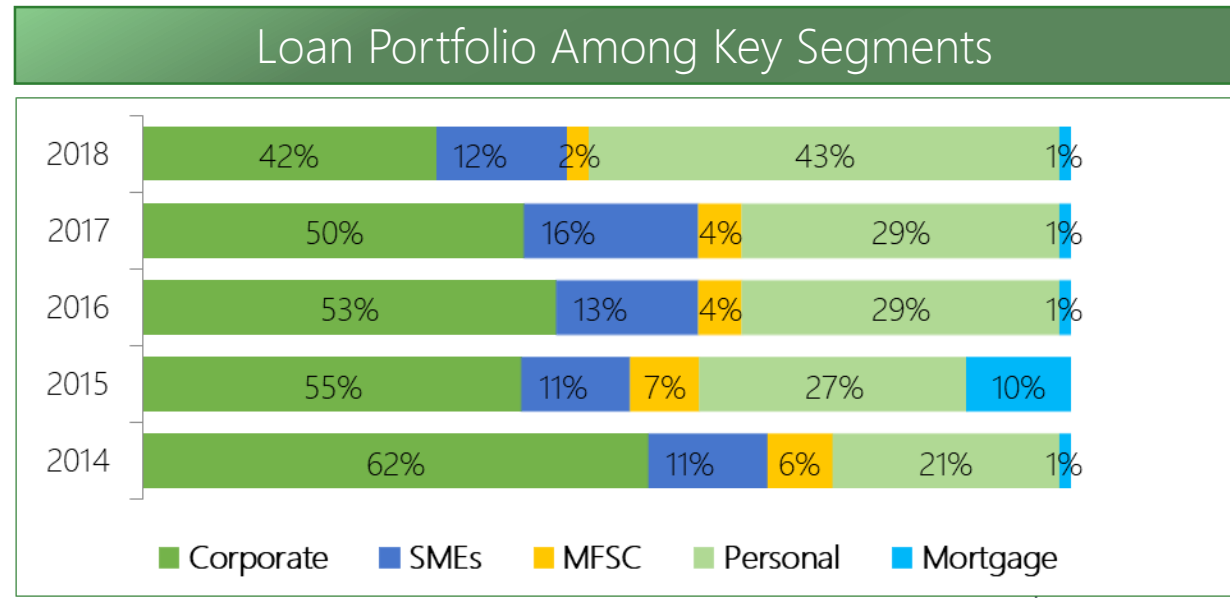
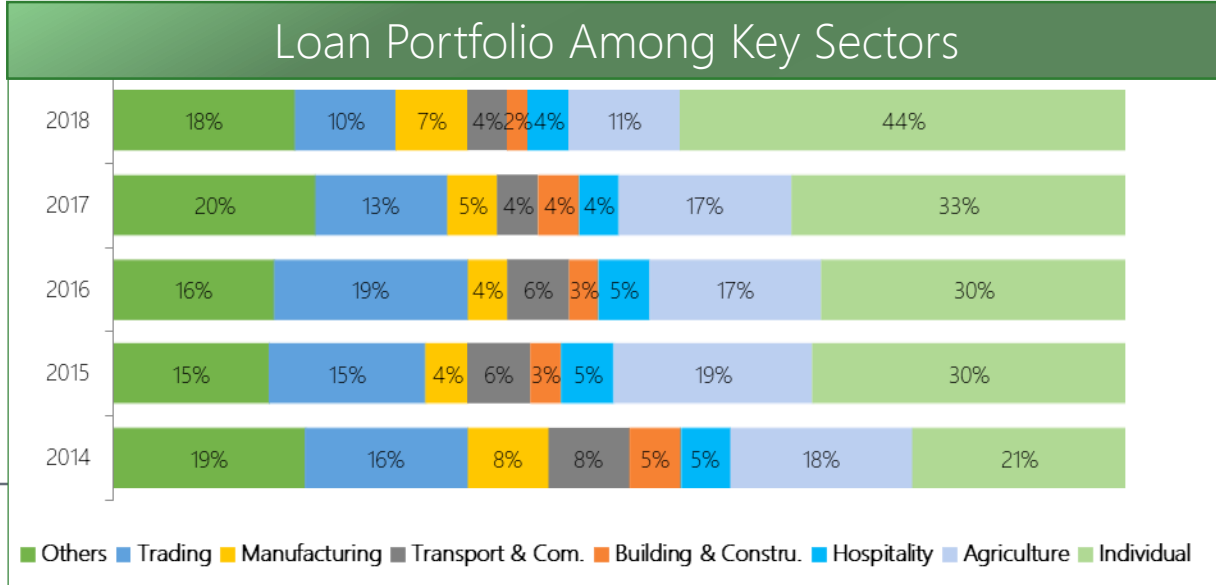
"Strengthening the *Foundation*"



Enhancement of Credit management



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



Improved Asset Quality

NPL Ratio

- 2018: 8.2%
- 2017: 12.6%

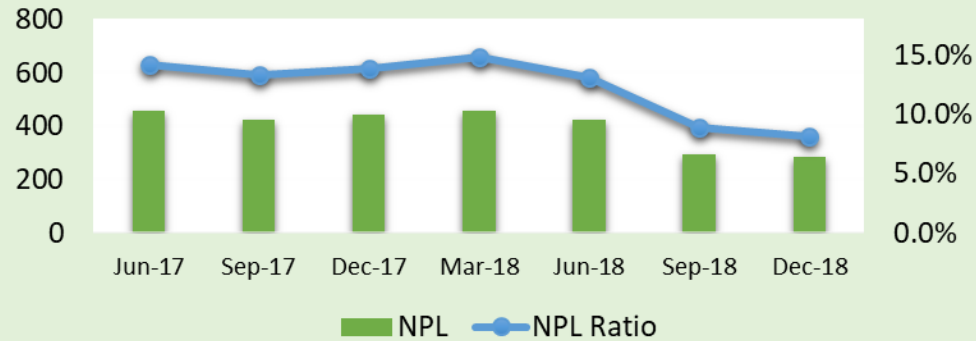
Coverage Ratio

- 2018: 68%
- 2017: 59%

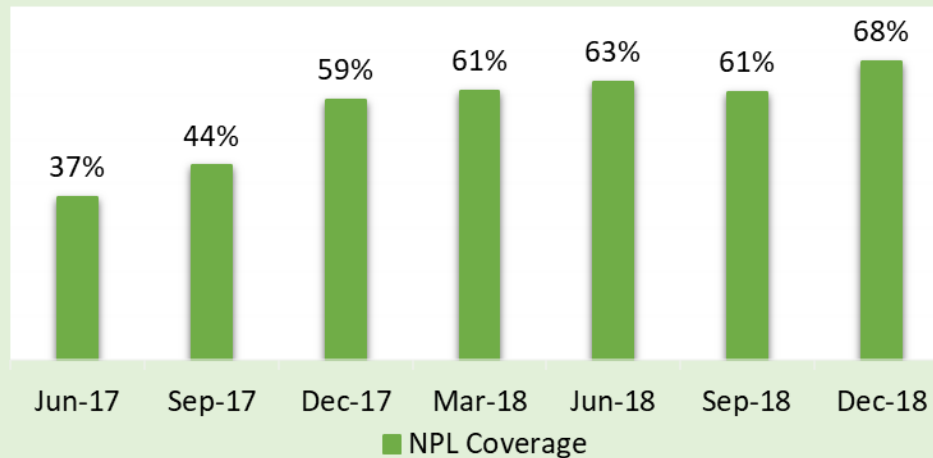
Cost of Risk

- 2018: 3.5%
- 2017: 4.9%

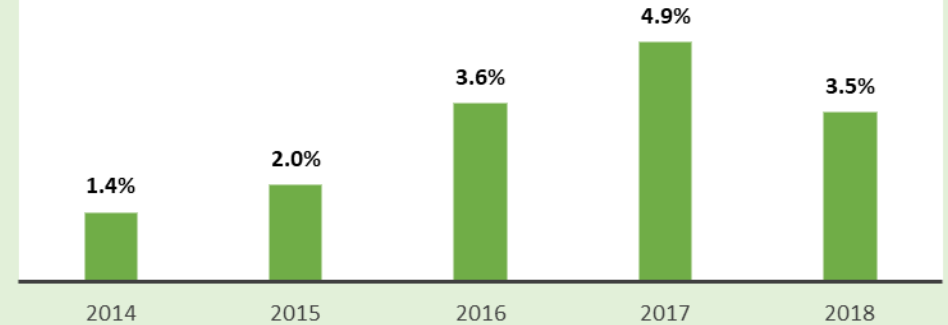
NPL Trend



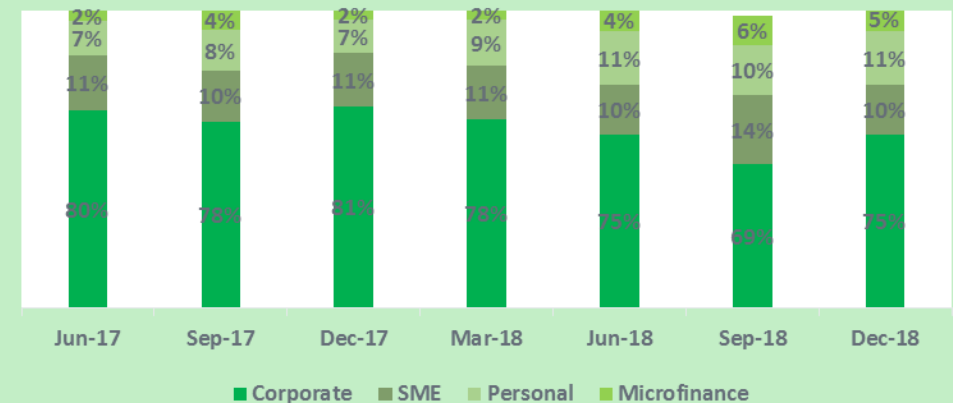
NPL Coverage



Cost of Risk

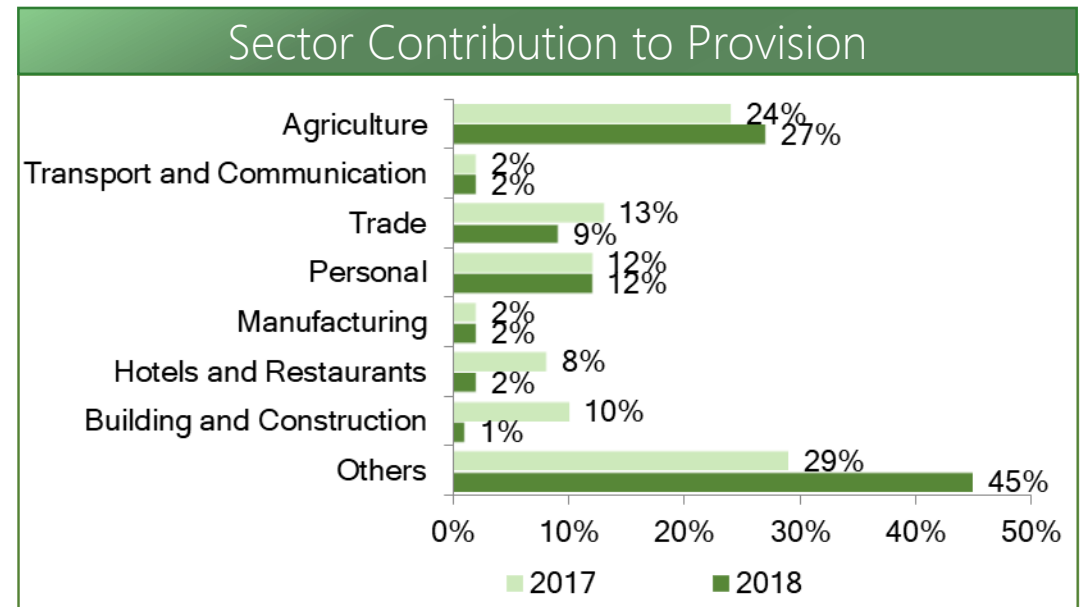
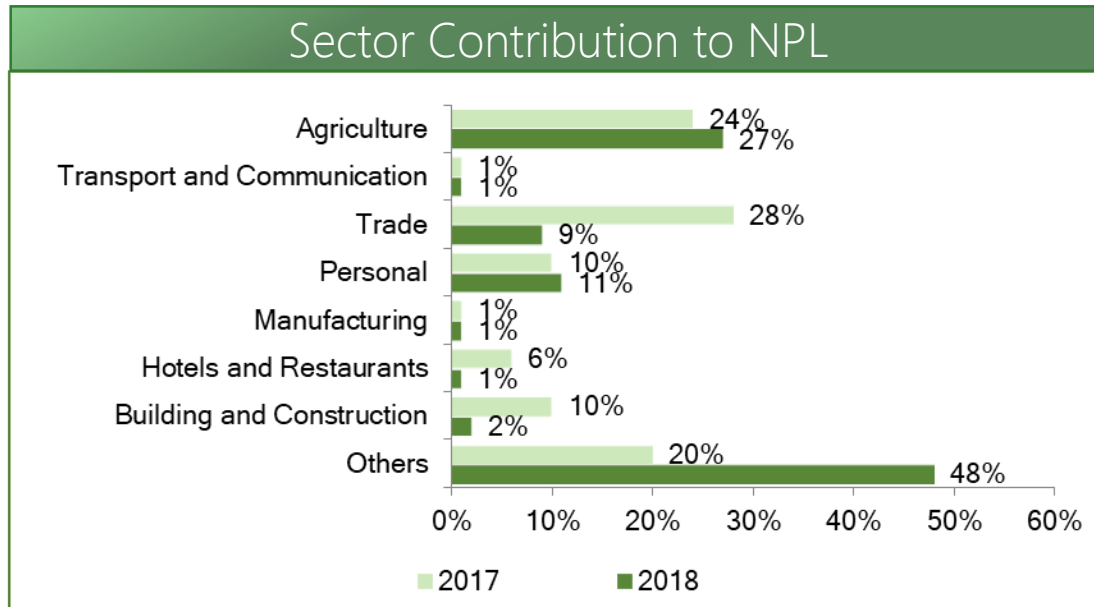


NPL per segment



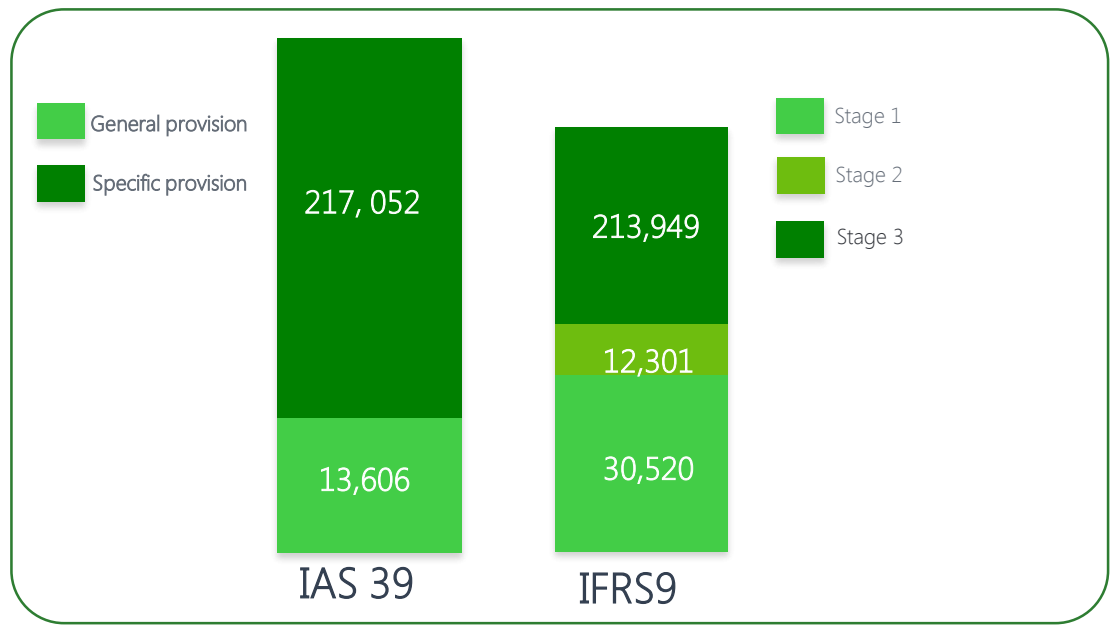
Improved Asset Quality *Cont.*

- ❑ Bank NPL was TZS 282.0 bn in Dec 2018 compared to TZS 393.4 in Dec. 2017.
- ❑ Much effort in lowering NPL figure has been set as a result of 8.2% as at Dec. 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 December 2018 was 68.0%.

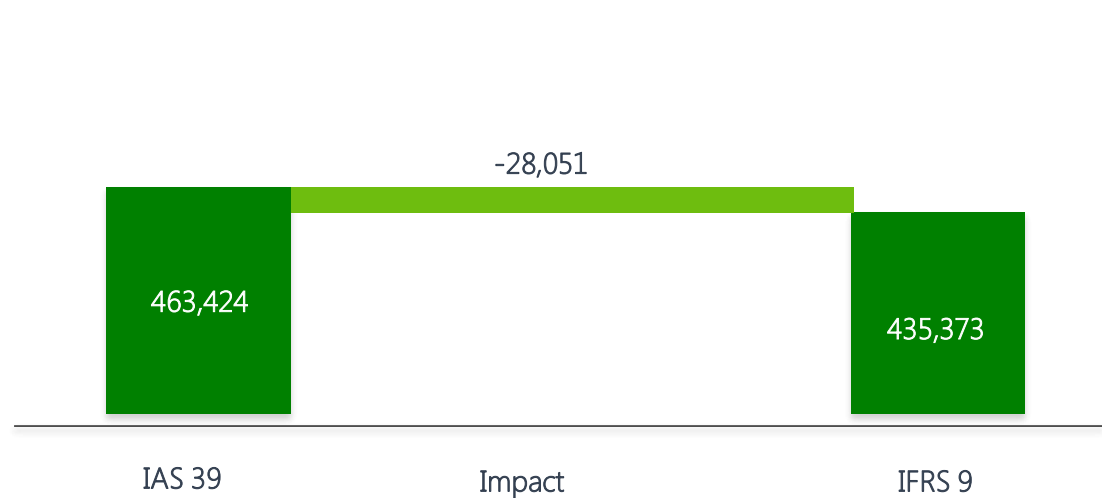


Impact of the application of IFRS 9 on customer provisions (detail by categories)

Impact on Provision reserve



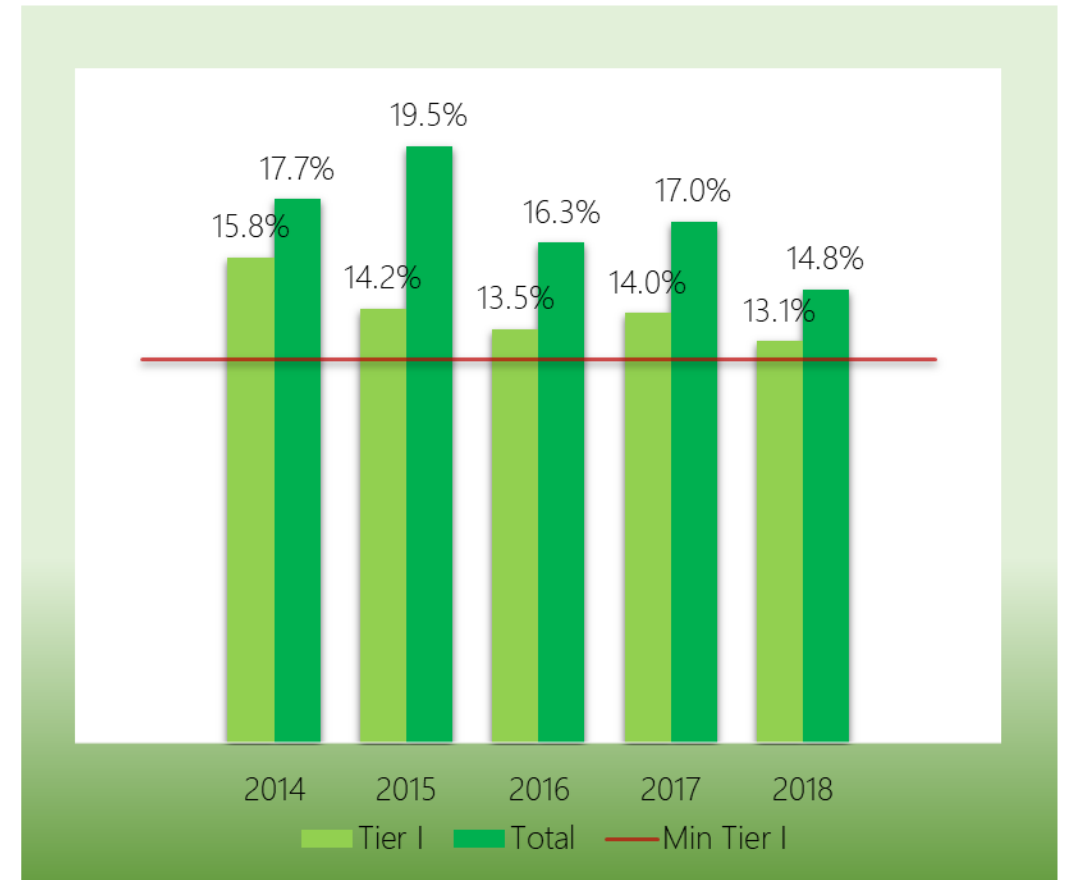
Impact on Shareholder's Equity (Retained Earnings)



Capital Adequacy Ratio



- ❑ The bank implemented full operational risk charge effective from August 2018 resulting into decrease in capital adequacy ratio (CAR).
- ❑ The implementation of operational risk resulted into increase in risk weighted assets of TZS 600bn
- ❑ The Bank continues to manage its capital through managing risk weighted asset growth and de-risking balance sheet



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

A hand is shown pouring a stream of coins into a glass jar. The coins are of various denominations, including silver and gold. The background is a blurred green, suggesting an outdoor setting. The image is framed by a white, brush-stroke-like border.

“We are Going Digital”

*Building the Bank of
The future.*

Strategic focus for FY2019

Operational efficiency - improve credit management and recovery, cost control, customer service, leadership and corporate governance

Business transformation in order to be the best bank for our target retail, business and corporate clients, by building an organization with omni-channel distribution network supported by digital innovation

Expansion of services and outreach across the country through alternative banking channels with emphasis on CRDB Bank Wakala.

Align corporate culture, staff skills set and investment in ICT to achieve our vision in line with the digital transformation

Enhance our corporate brand and visibility by finalizing construction of the new CRDB bank head office

Targeted Position for FY2019

Enhancement of credit management

- Leadership in profitability with best in class ROE.
- Grow customer base to above 4mn.
- Maintain market share of banking industry deposits of at least 21% (CASA 90%).

Branch transformation

- Cost to Income Ratio targeted at $\leq 58\%$.
- Non Performing Loans targeted at $\leq 5\%$.

Qualitative indicators

- A top decile (strong) organizational health index by Mckinsey & Company.
- B1 rating by Moody's.
- PCIDSS certification and "Safe bank" award by Global Finance.
- Market leading innovations across wide range of products and services (mobile banking, depository products, SimAccount, different card brands & agent banking).
- Empowered workforce and a positive environment that encourages workforce learning.
- Visionary and experienced senior management team.
- Largest integrated network - ATMs, Branch On Wheels, POS, Agents, service centres, physical branches, and virtual outlets (mobile & internet banking).

Enhance Deposits mobilization

- ROE $\geq 11\%$ for Burundi.
- Maintain deposit market share $\geq 6\%$ in Burundi (CASA 60%).





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YOU

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