

# CRDB BANK PLC

*The Bank that Listens*

**Investor Briefing 1<sup>st</sup> Quarter 2018**



## Operating Environment

- In year 2017, Tanzania's economic performance continued to record a strong growth with the real Gross Domestic Product (GDP) at 6.8% p.a and annual headline inflation rate closing at 3.9% as at March, 2018 compared to 4.0% recorded in December 2017.
- During the first two months of the quarter, the banking sector was challenged with tightening liquidity and high non-performing loans prompting curtail lending which resulted to low private sector credit growth.
- However, extended broad money supply (M3) reached 11.7% in February 2018, it was mostly attributed to increase in net foreign assets (NFA) of the banking system, following the Bank of Tanzania's net purchase of foreign exchange from the Government and banks through the interbank foreign exchange market.

## Banking Sector Landscape

- The banking industry continued to be competitive with innovative products and services to enhance accessibility and convenience of banking services to their customers.
- The total commercial banks operating in the market as at 31 March 2018 were 58.

# 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.

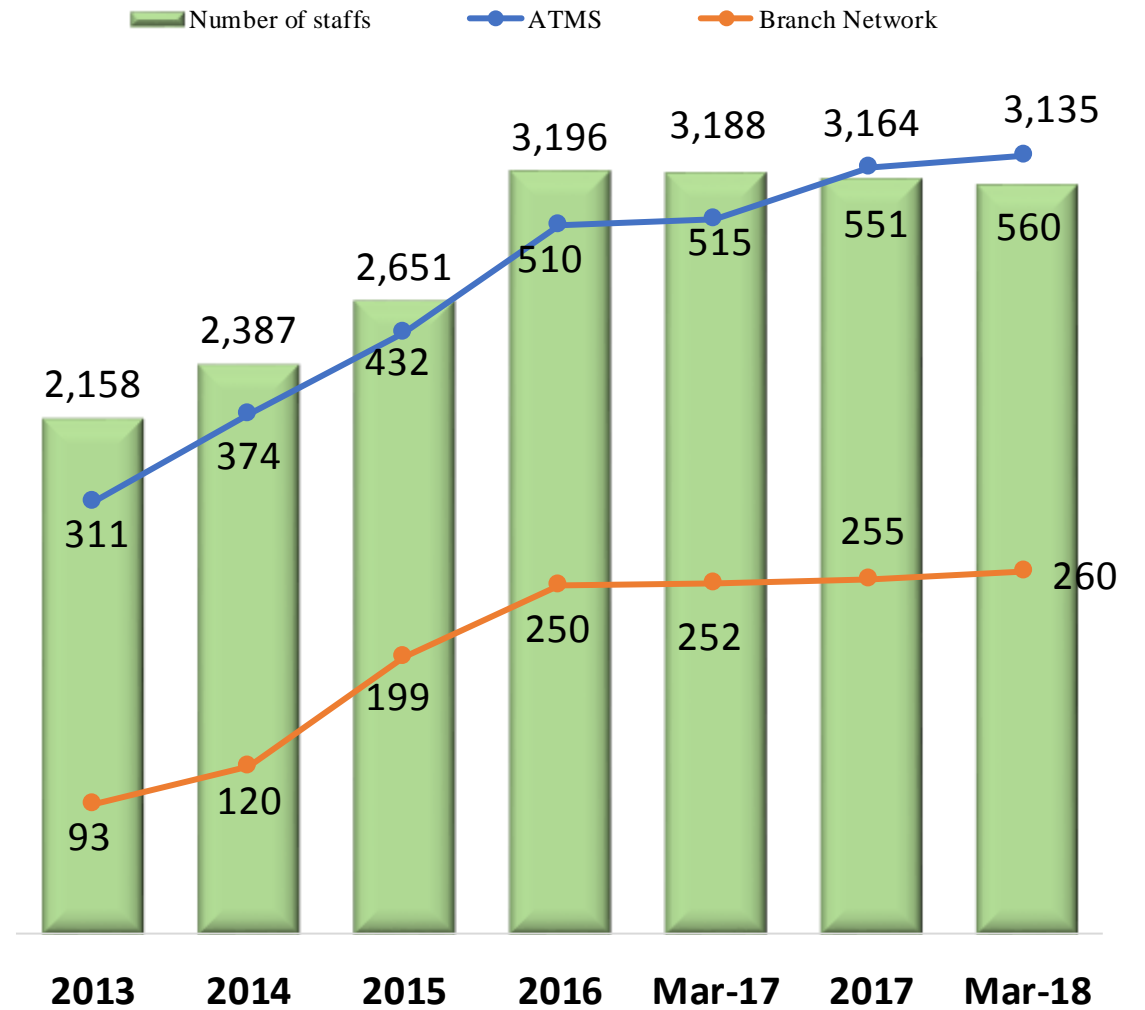
- Streamline KPIs and ensure proper cascading.
- Institute daily and weekly discussions on Performance Measurement with strong feedback culture.

## Major Milestones - 2017

- Introduction of new products and alternative banking channels.
- ICT systems and infrastructure enhancement; upgrade and stabilization of the Core Banking system (UB to FBE) and other related systems
- Acquisition of Communication Spectrum 3.5HZ from Tanzania Communication Regulatory Authority (TCRA).
- Expansion of physical and virtual networks.
- Establishment of Insurance Brokerage Company Ltd.
- Development of M-Wallet (mobile money Wallet) to extend banking services through mobile phones to the unbanked population.
- Development of shareholders voting system to be used during Bank Annual General Meeting (AGM) both for shareholders registration and voting.
- Moody's issued an update on the rating of the Bank in August 2017 which indicated that the Bank is still on the stable outlook (B1 and B2).

# CRDB Profile - March, 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
  - 551 ATMs including 18 Depository ATMs
  - 1,246 Merchants Network
  - 3,286 Agents (Fahari Huduma)
  - 398 Microfinance partner institutions.
  - CHINA DESK
  - INDIA DESK



# Shareholding Structure

NAME	31.03.2018		31.03.2017	
	SHARES	%	SHARES	%
<b>Above 10%</b>				
DANIDA Investment Fund	548,067,648	21.0	548,067,648	21.0
PPF Pension Fund	260,882,095	10.0	260,882,095	10.0
<b>Sub Total</b>	<b>808,949,743</b>	<b>31.0</b>	<b>808,949,743</b>	<b>31.0</b>
<b>Above 1% and less than 10%</b>				
CDC Group Plc / International Finance Corporation / JPMCB FBO Africa Capitalization Fund Ltd	130,692,741	5.0	130,692,741	5.0
Kimberlite Frontier Master Africa Fund LP RCKM	107,745,112	4.1	55,152,958	2.1
Mr. Aunali F Rajabali and Sajjad F Rajabali	107,655,562	4.1	106,706,104	4.1
National Social Security Fund - Uganda	100,000,000	3.8	-	-
LAPF Pension Fund	58,077,549	2.2	58,077,549	2.2
Duet Africa Opportunities Master Fund IC	37,583,840	1.4	37,583,840	1.4
Hans Aingaya Macha	32,764,200	1.3	32,764,200	1.3
National Health Insurance Fund	32,040,040	1.2	32,040,040	1.2
Western Zone Tobacco Growers Cooperative Union Ltd	30,000,000	1.1	30,000,000	1.1
CMG Investment Ltd	29,330,971	1.1	29,330,971	1.1
Mehar Singh Virdi	25,174,028	1.0	-	-
<b>Sub Total</b>	<b>683,950,144</b>	<b>26.5</b>	<b>632,920,396</b>	<b>24.2</b>
<b>Less than 1%</b>				
More than 28,000 shareholders	1,111,824,798	42.8	1,169,968,445	44.8
<b>Grand Total</b>	<b>2,611,838,584</b>	<b>100.0</b>	<b>2,611,838,584</b>	<b>100.0</b>

## Investment Ratios

Share Performance	March 2018	March 2017
Market Price Closing	TZS 170	TZS 185
Earning Per Share (EPS)	TZS 14.8	TZS 40.3
Price Earning Ratio (P/E)	11.5	4.6
Book Value (BV)	294.6	285.0
Price Book Value ratio (P/B)	0.6	0.7
Market Capitalisation (TZS billions)	444.0	483.2
Foreign Holding (%)	23.4	23.0

# **Bank Financial Performance as at 31<sup>st</sup> March, 2018**



# Performance Summary

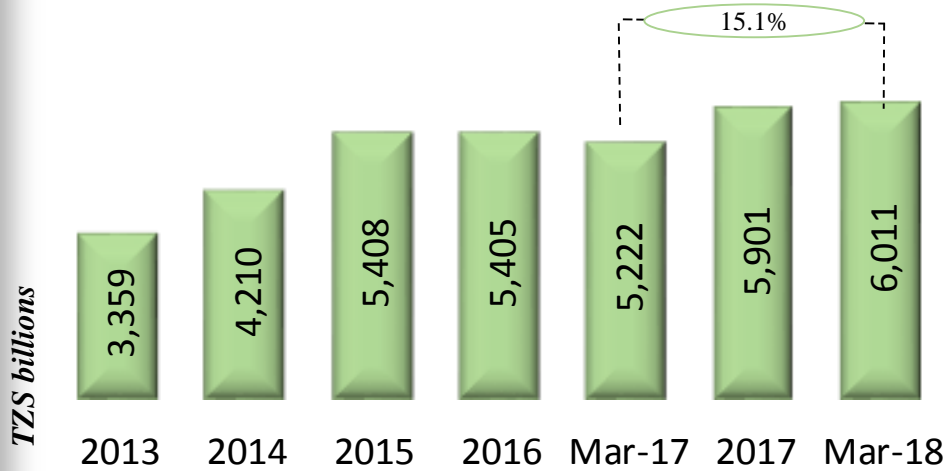
Income Statement Items (TZS Billion)	March 2018	March 2017	% Change
Interest Income	137.6	137.1	0.4
Interest Expenses	41.4	33.1	25.1
Net Interest Income	96.2	104.0	(7.5)
Net Fees and Commission	39.6	36.8	7.6
Net Foreign Exchange Income	7.3	10.6	(31.1)
Operating Expenses	100.1	92.4	8.3
Profit Before Tax	16.0	37.9	(57.8)
Profit After Tax	9.7	26.3	(63.1)
<b>Balance Sheet Items</b>			
Net Loans and Advances	2,839.2	3,147.9	(9.8)
Customer Deposits	4,367.8	3,752.7	16.4
Shareholder's Equity	769.5	744.4	3.4
Total Assets	6,011.0	5,221.8	15.1
Return on Average Asset	1.0%	2.8%	
Return on Average Equity	4.9%	14.0%	
NPL/Total Loans	12.7%	14.0%	

## Key Financial Ratios

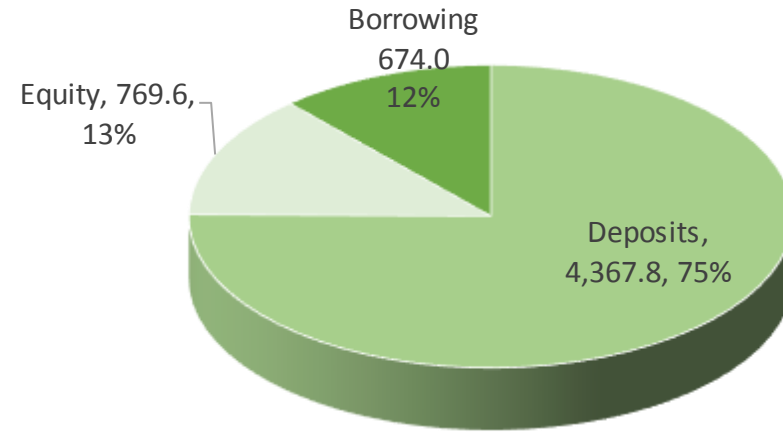
	March 2018	March 2017
Return on Equity	4.9%	14.0%
Cost to Income	68.1%	59.6%
Gross NPL to Gross Loans	12.7%	14.0%
NPL Coverage Ratio	12.8%	18.7%
Debt to Equity	47.0%	41.6%
Non funded income to total income	34.5%	32.9%
Cost of Funds	3.3%	3.1%
Net Interest Margin	8.9%	10.1%
Loans to Deposit Ratio	65.0%	83.9%
Growth of Net Loans and Advances	(9.8)%	(10.4)%
Growth of Customer Deposits	16.4%	(7.4)%
Yield on Investments	12.7%	13.3%
Return on Asset	1.0%	2.8%
Growth in Total Assets	15.1%	(7.0)%
Tier 1 Capital	15.0%	16.1%
Total Capital	18.8%	19.1%

# Financial Position - Balance Sheet

## Total Assets

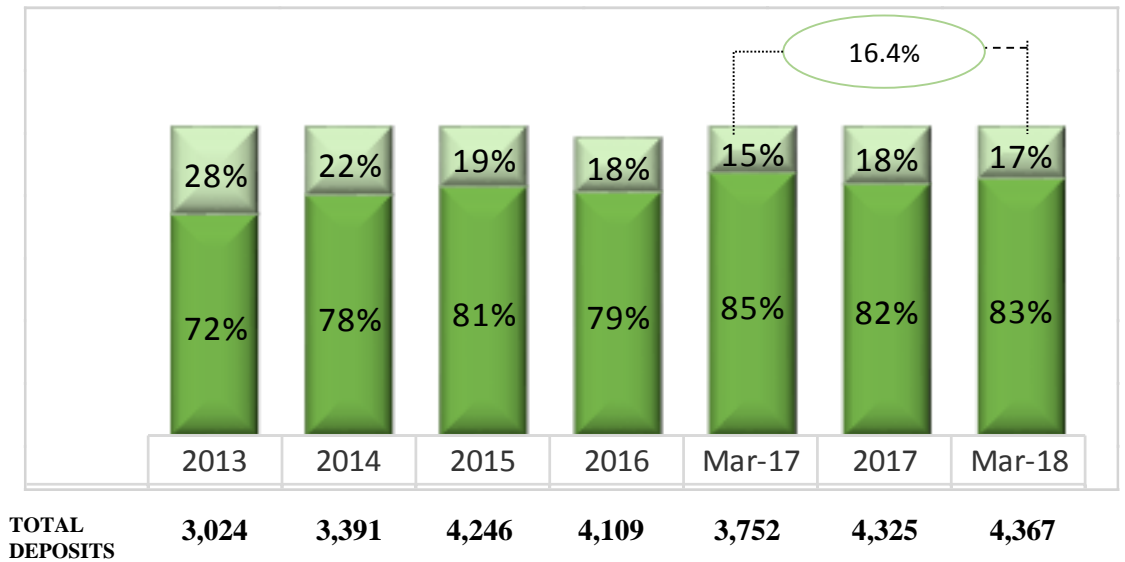


## Strong sources of funding – TZS billions



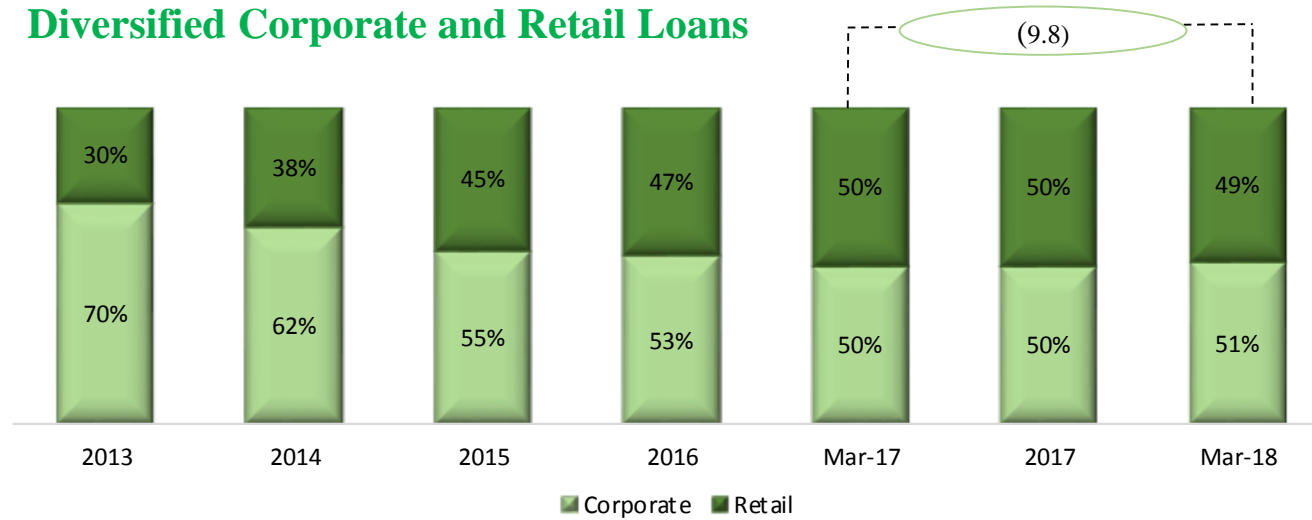
- Customer deposits account for 73% of total funding in the Balance Sheet.
- Borrowing includes subordinated debt of TZS 87.2 bn and other borrowings of TZS 586.8 bn.
- Low cost CASA base remain steady at 83% in March 2018 (March 2017: 85%) of total deposits with YoY increase of 16.4%.

## Funding Growth Through Deposit Mobilization



# Diversified Loans Portfolio (TZS in billion)

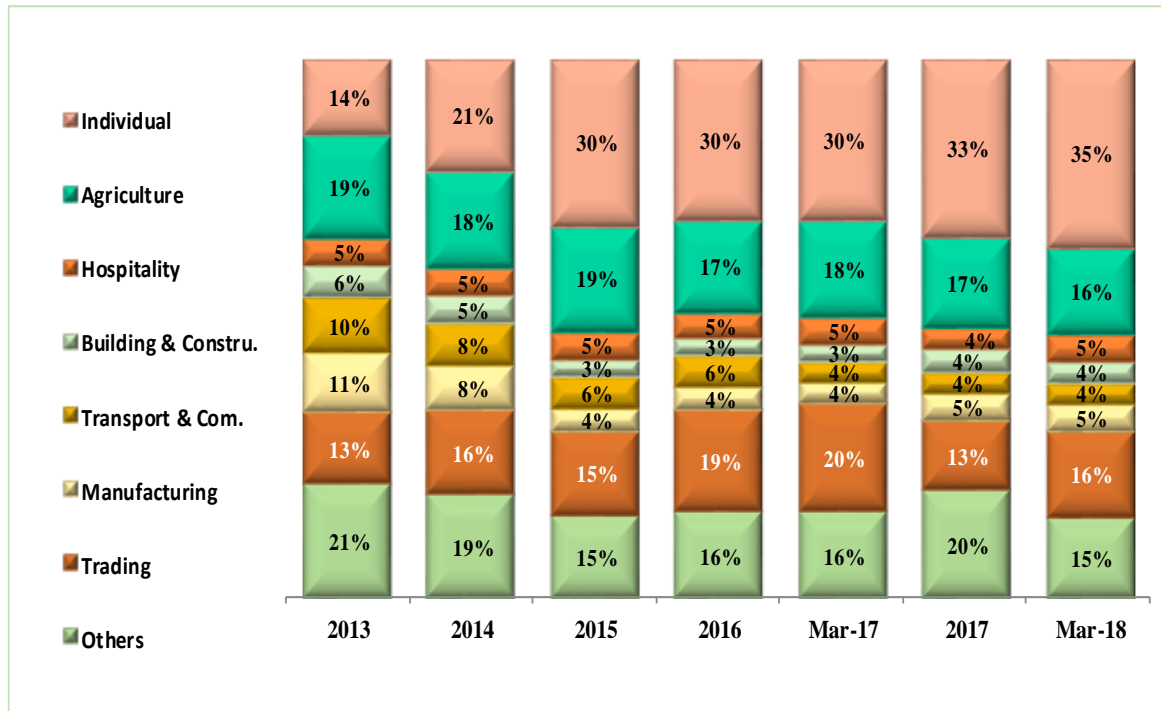
## Diversified Corporate and Retail Loans



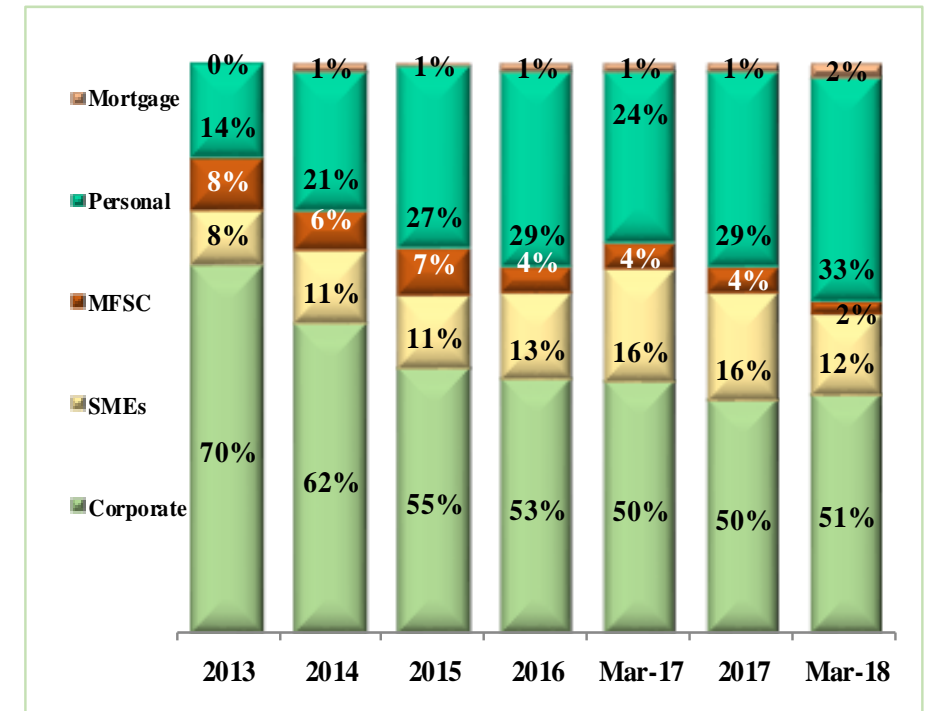
The Bank continued to maintain a strongly diversified portfolio in key economic segment and sectors.

During the quarter the bank loan portfolio growth slowed down in line with industry slowing down of credit to private sector as a result of tightening liquidity which started at the beginning of the year and increase in NPLs.

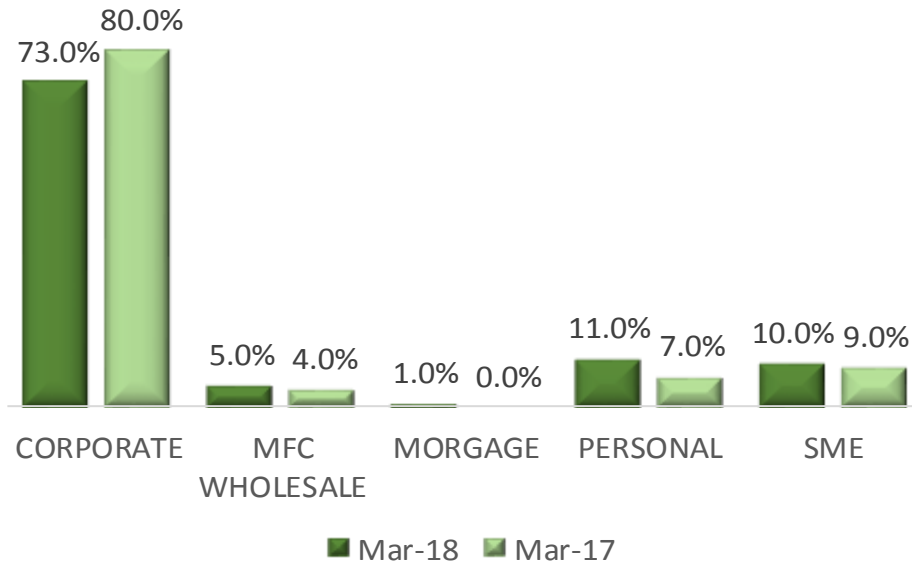
## Loan Portfolio among key sectors



## Loan Portfolio among key Segments



# NPL by Business Segment



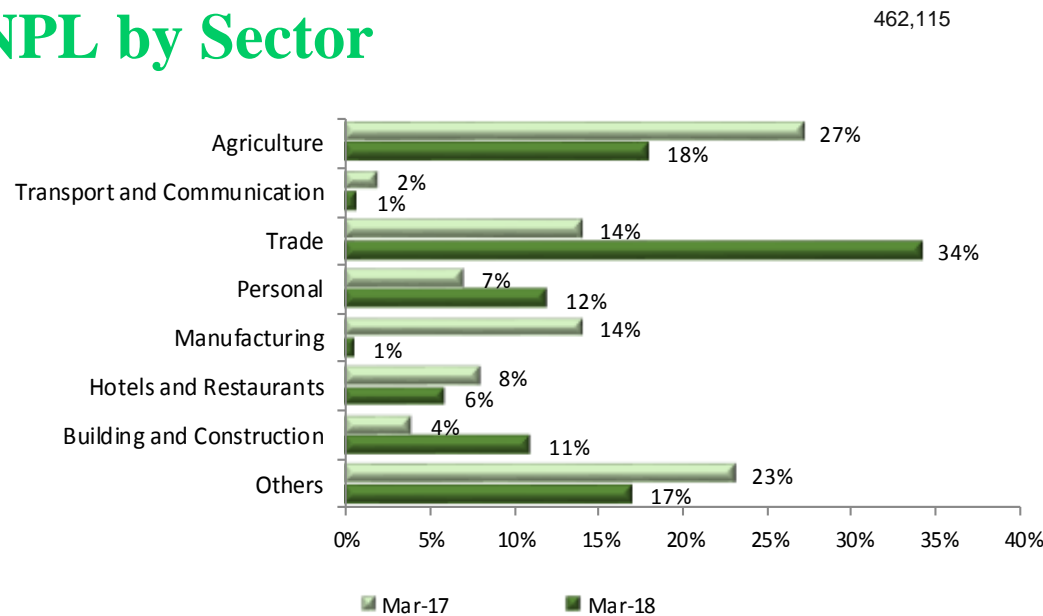
- Bank NPL was TZS 396.2 bn in March 2018 compared to TZS 462.1 bn in March 2017.

- Much effort has been put in lowering NPL figure as a result it reached 12.7% in March 2018 compared to 14.0% in March 2017.

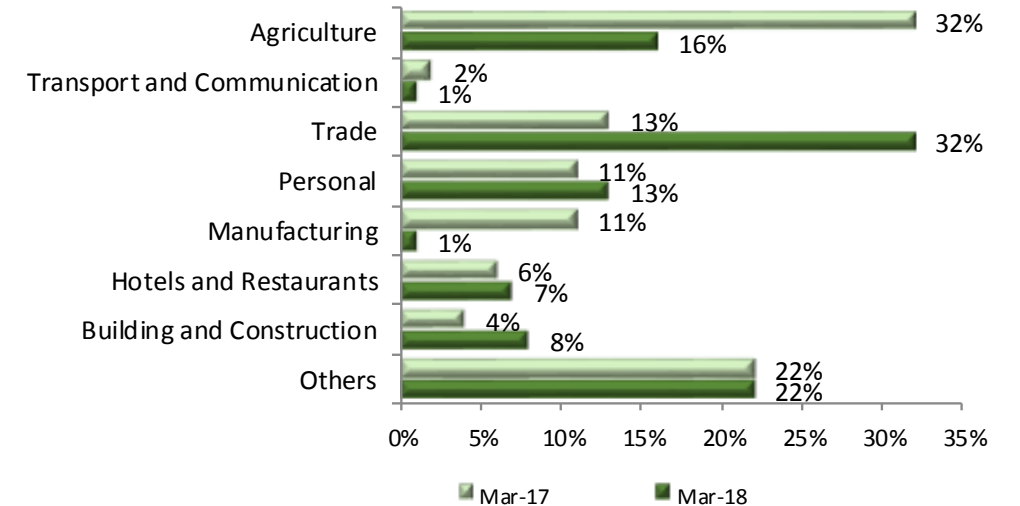
- NPL levels were mainly contributed by Corporate, Personal and SME affected by delayed payments and slow down in some sectors.

- Bank continues to work on turn around of affected customers.

# NPL by Sector

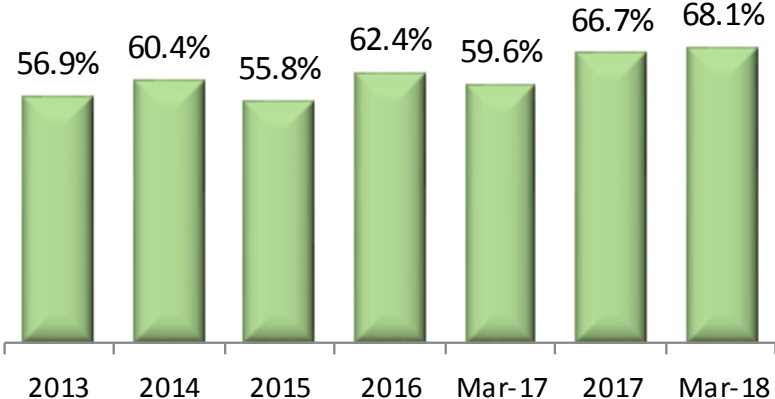


# Provision by Sector

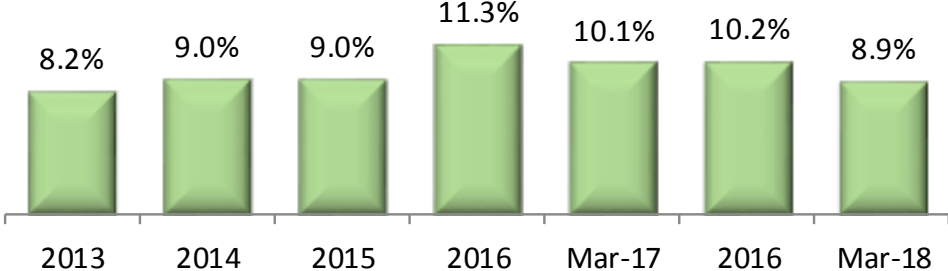


# Financial Ratios

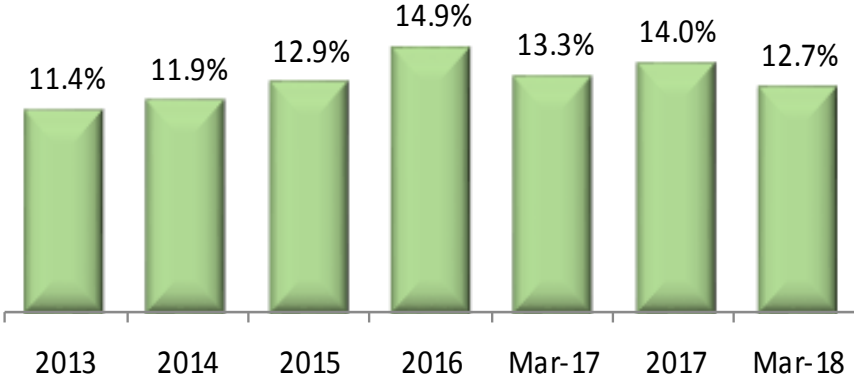
Cost to Income Ratio



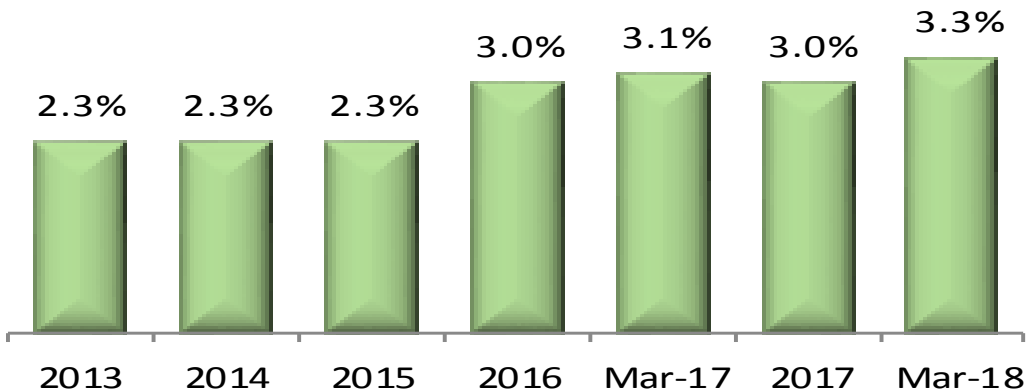
Net Interest Margin



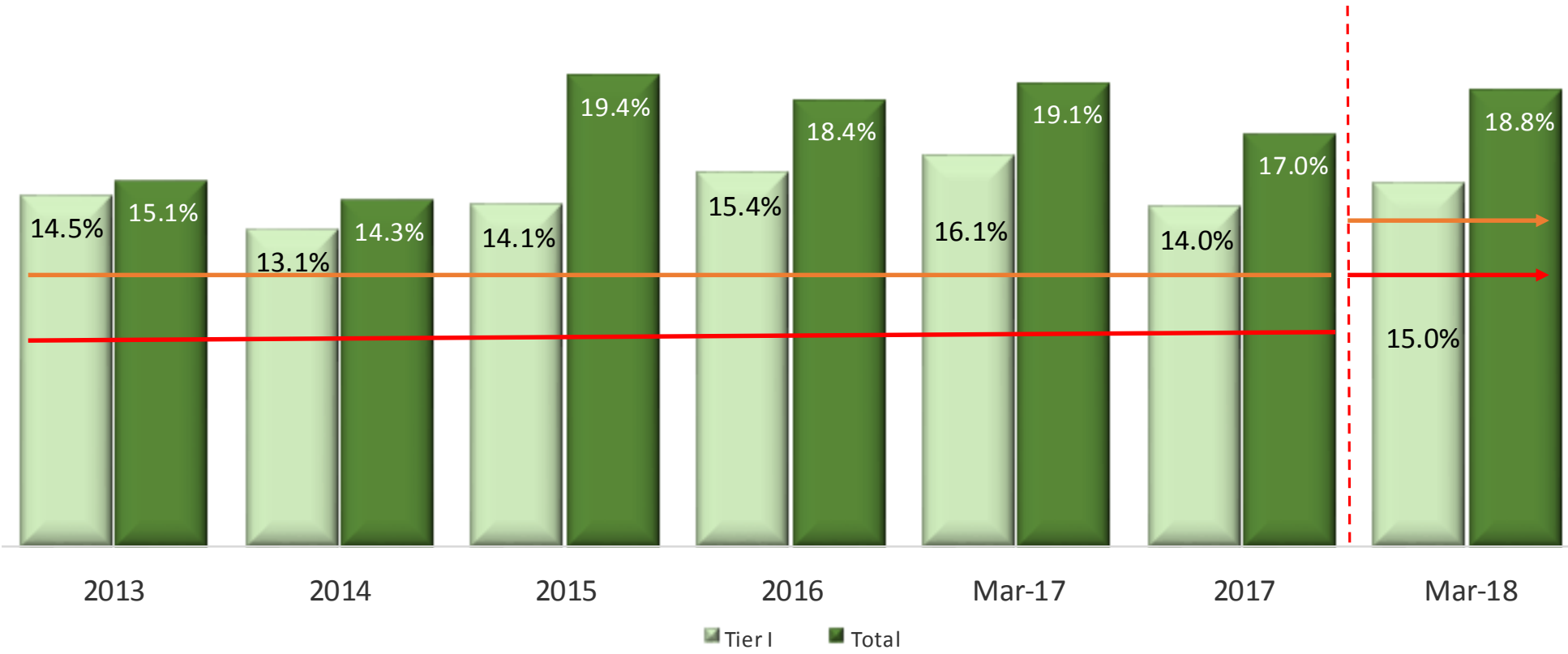
Yield on Investment



Cost of Funds



# Capital adequacy ratio



# 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. 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 5.1 billion as at March 2018.
- There were 398 partner MFIs as at 31<sup>st</sup> March, 2018.
- Total loans extended by the Bank to these institutions at the end of March 2018 stood at TZS 74.7 billion while total deposits mobilized by the subsidiary was TZS 64.2 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 356 Million as at 31<sup>st</sup> March 2018 compared to TZS 603 Million loss recorded 31<sup>st</sup> March 2017 .
- Total assets increased from TZS 150 billion in March 2017 to TZS 157 billion in March 2018.
- Total deposits grew from TZS 65 billion in March 2017 to TZS 84 billion in March 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 Jan to March 2018, the company made a profit after tax of TZS 853 million.

Gross Premium in Millions						
Details	2013	2014	2015	2016	2017	Q1 2018
Premium Sales	8,244	12,094	17,333	25,647	32,467	12,345

# 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%.

## 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  $\leq 10\%$

## CRDB Group in Tanzania & Regionally

## 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

## 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

**CRDB Bank received 7 awards in different categories.**

1. Best Local Trade Finance in Tanzania – Global Trade Review (GTR).
2. Certificate of Appreciation on financial contribution – Women’s Economic Empowerment Forum (WEEF) – The United Republic of Tanzania, Vice President’s Office.
3. Most Social Responsible Bank in Tanzania – East African Bankers Awards 2017.
4. Best SME Bank in Tanzania 2017 – East African Bankers Awards 2017.
5. Best Presented Financial Statements – National Board of Accountants and Auditors Tanzania Awards – 2017.
6. Best Presented Financial Statements – Financial Reporting (FiRe) Awards – 2017.
7. Most Innovative Bank in East Africa – Business Year Magazine – 2017.

Thank You