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**Offer Supplement**

**NMB Bank Plc**

**Medium Term Note Programme**

May 2019

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## **Important Notice**

NMB Bank Plc (the “Issuer” or “NMB” or the “Bank”), prepared an Information Memorandum (“IM”) dated May 03, 2016 relating to the issuance of a shelf medium debt securities (“Notes”). The Notes may rank as senior unsecured obligations of the Issuer or subordinated obligations of the Issuer. The aggregate principal amount of Notes outstanding will not at any time exceed Tanzania Shillings two hundred billion (TZS 200,000,000,000). Interest on the Notes of a particular series shall be calculated and payable in accordance with the terms and conditions of the Notes (“Terms and Conditions”) as supplemented by the relevant Pricing Supplement.

The first tranche of the Notes was issued in May 2016 of an aggregate amount of Tanzania Shillings forty-one billion four hundred and eight million four hundred and four thousand (TZS 41,408,404,000). The second tranche was issued in December 2017 of aggregate amount twenty-three billion three ninety six million (TZS 23,396,000,000).

The remaining tranches will be issued in registered form in denominations specified in the relevant Pricing Supplement.

This Supplemental Information Memorandum contains the updated terms of the IM and must be read in conjunction with the specified IM and relevant Pricing Supplement.

The sale or transfer of Notes by Noteholders will be subject to the rules of the Dar es Salaam Stock Exchange PLC (“DSE”), and where applicable, the prevailing Central Securities Depository Rules and the Terms and Conditions of the Notes. There are currently no other restrictions on the sale or transfer of Notes under Tanzania law. In particular, there are no restrictions on the sale or transfer of Notes by or to non-residents of Tanzania.

The Notes have not been and will not be registered under any other securities legislation in any other country other than Tanzania.

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## Definitions and Abbreviations

“ALCO”	means the Assets and Liability Committee;
“ATM”	Means the Automated Teller Machine;
“Bank of Tanzania” or “BoT”	means the Bank of Tanzania established pursuant to the Bank of Tanzania Act, 2006 of the Laws of Tanzania;
“Bank” or “NMB” or “the Issuer” or “Company”	means NMB Bank Plc;
“Board” or “Directors” or “Board of Directors”	means the Board of Directors of the Bank;
“Capital Markets and Securities Authority” or “CMSA”	means the Capital Markets and Securities Authority set up pursuant to the provisions of Capital Markets and Securities Act (Chapter 79 of the Laws of Tanzania);
“CSR”	means Corporate Social Responsibility;
“DSE”	means the Dar es Salaam Stock Exchange PLC;
“EXCO”	means Executive Management Committee;
“Government”	means the government of Tanzania;
“ICT”	means Information and Communications Technology;
“IFRS”	means International Financial Reporting Standards;
“Information Memorandum” or “IM”	means this information memorandum dated 03 May 2016 which will apply to all Notes issued under the Programme on or after the Programme Date;
“Interest”	means the amount of interest payable in respect of each Nominal Amount of the Notes as determined in accordance with specific Pricing Supplement;
“Nominal Amount”	means in relation to any Note, the total amount, excluding interest owing by the Issuer under the Note, as specified in the applicable Pricing Supplement;
“Noteholders”	means a person in whose name a Note is registered in the Register as at the relevant date or, in the case of joint holders, the first-named thereof;
“Notes”	means the notes comprising the up to Tanzania Shillings two hundred billion (TZS 200,000,000,000) Notes issued pursuant to the provisions of the Agency Agreement;
“POS”	Means the Point Of Sale;
“Pricing Supplement”	means, in relation to a Tranche a pricing supplement supplemental to the Information Memorandum issued for the purpose of specifying the relevant issue details of such Tranche;
“Relevant Authorities”	means the Bank of Tanzania, CMSA and the DSE;
“Series”	means a Series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number;
“SMEs”	means small and medium enterprises;
“Tanzania Shillings” or “Shilling” “Tshs” or “TZS”	denotes the lawful currency of Tanzania;

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“Tanzania”	means the United Republic of Tanzania and “Tanzanian” shall be construed accordingly;
“the Act” or “the Companies Act”	means the Companies Act, 2012;
“Tier 1 Capital”	means core capital (as defined in the Banking and Financial Institutions Act, 2006);
“Tier 2 Capital”	means supplementary capital (as defined in the Banking and Financial Institutions Act, 2006);
“Tranche”	means, in relation to a Series, those Notes of that Series that are issued on the same date, at the same issue price and in respect of which the first payment of interest is identical;
“UJVC”	Means the Upanga Joint Venture Company;
“US\$” or “USD”	denotes the lawful currency of the United States of America.

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# 1 Salient Features of the Programme

The updated information set out in this section of the offer supplement is not intended to be comprehensive. In order to gain a comprehensive understanding of all necessary subject matter and information, this offer supplement should be read in its entirety and in conjunction with the IM.

The interpretation and definitions of the terms and abbreviations used in this summary are set out in the glossary of the IM.

**Table 1: Summary of the Programme**

		<b>Section B – the Programme</b>																																								
B.1	<b>Issuer</b>	NMB Bank Plc																																								
B.3	<b>Placing Agent</b>	NMB Bank Plc																																								
B.4	<b>Sponsoring Stockbroker</b>	Orbit Securities Limited																																								
B.9	<b>Selected historical key consolidated financial information</b>	<p>The table below sets out extracts from the consolidated financial statements set out in Section 2 of the offer supplement.</p> <table border="1"> <thead> <tr> <th><b>Financial year 31 December</b></th> <th><b>2018</b></th> <th><b>2017</b></th> <th><b>2016</b></th> </tr> <tr> <th></th> <th><b>TZS ‘M</b></th> <th><b>TZS ‘M</b></th> <th><b>TZS ‘M</b></th> </tr> </thead> <tbody> <tr> <td>Net Interest Income</td> <td>490,940</td> <td>465,221</td> <td>446,799</td> </tr> <tr> <td>Net Non-Interest Income</td> <td>166,282</td> <td>135,337</td> <td>129,864</td> </tr> <tr> <td>Total Operating Income</td> <td>549,458</td> <td>491,106</td> <td>546,423</td> </tr> <tr> <td>Profit Before Tax</td> <td>144,362</td> <td>139,814</td> <td>223,752</td> </tr> <tr> <td>Loans and Advances to customers</td> <td>3,241,401</td> <td>2,771,732</td> <td>2,774,464</td> </tr> <tr> <td>Total Deposits due to customers</td> <td>4,315,220</td> <td>4,272,058</td> <td>3,737,211</td> </tr> <tr> <td>DPS (TZS)</td> <td>64</td> <td>64</td> <td>104</td> </tr> <tr> <td>Basic and Diluted EPS (TZS)</td> <td>201</td> <td>191</td> <td>312</td> </tr> </tbody> </table>	<b>Financial year 31 December</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>		<b>TZS ‘M</b>	<b>TZS ‘M</b>	<b>TZS ‘M</b>	Net Interest Income	490,940	465,221	446,799	Net Non-Interest Income	166,282	135,337	129,864	Total Operating Income	549,458	491,106	546,423	Profit Before Tax	144,362	139,814	223,752	Loans and Advances to customers	3,241,401	2,771,732	2,774,464	Total Deposits due to customers	4,315,220	4,272,058	3,737,211	DPS (TZS)	64	64	104	Basic and Diluted EPS (TZS)	201	191	312
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B.10	<b>Selected key historical financial ratios</b>	The table below sets out extracts key performance measures from 2016-2018 calculated based on the consolidated audited financial statements.																																																						
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## 2 Summary of Financial Information

The Issuer's financial information set out below has, unless otherwise indicated, been derived from its audited consolidated financial statements as at and for the years ended 31 December 2016 to 2018, in each case prepared in accordance with IFRS as issued by the International Accounting Standards Board. Such summary should be read in conjunction with the financial statements and related notes.

### 2.1 Consolidated Statements of Profit and Loss and Other Comprehensive Income

**Table 2: Statements of financial performance**

<b>Year ended 31 December</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>In millions</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>
Interest and similar income	600,555	585,512	548,993
Interest and similar expense	(109,615)	(120,291)	(102,194)
<b>Net interest income</b>	<b>490,940</b>	<b>465,221</b>	<b>446,799</b>
Loan impairment charges	(135,256)	(130,996)	(30,240)
<b>Net interest income after loan impairment charges</b>	<b>353,635</b>	<b>334,225</b>	<b>416,559</b>
Fees and commission income	203,003	154,880	143,622
Fees and commission expense	(36,721)	(19,543)	(13,758)
<b>Net fees and commission income</b>	<b>166,282</b>	<b>135,337</b>	<b>129,864</b>
<b>Total operating income</b>	<b>549,458</b>	<b>491,106</b>	<b>546,423</b>
Foreign exchange income	20,861	17,389	15,419
Other income	7,647	4,155	6,057
Employee benefits expenses	(166,149)	(154,686)	(148,691)
General and administrative expenses	(183,043)	(167,372)	(167,372)
Depreciation and amortization	(55,904)	(31,228)	(31,228)
<b>Profit before income tax</b>	<b>144,362</b>	<b>139,814</b>	<b>223,752</b>
Income tax expense	(43,401)	(44,205)	(67,599)
<b>Profit for the year</b>	<b>100,961</b>	<b>95,609</b>	<b>156,153</b>
Other comprehensive income, net of tax	182	67	(46)
<b>Total comprehensive income for the year</b>	<b>101,143</b>	<b>95,676</b>	<b>156,107</b>
<b>Attributable to:</b>			
<b>Owners of the parent</b>	<b>100,692</b>	<b>95,387</b>	<b>155,804</b>

Year ended 31 December	2018	2017	2016
In millions	TZS	TZS	TZS
Non-controlling interest	451	289	303
<b>Total comprehensive income for the year</b>	<b>101,143</b>	<b>95,676</b>	<b>156,107</b>
Basic and diluted earnings per share (TZS)	201	191	312

Source: NMB audited financial statements

- Net Interest income for the last three years increased at a compounded average growth rate of 5% mainly due to overall growth in loan portfolio in particular corporate loans, salary workers loans product and SME loans and attractive yields on Government securities held.
- Net non-funded income increased at compounded average growth rate of 13% for the last three years due to increase in customer deposits and loans and growth in foreign exchange trading volumes stimulated by campaigns on retail and wholesale foreign exchange transactions in our entire network of branches in recent years.
- The increase in interest income and non-funded interest income over the last three years is regarded as reasonable increment and is mainly attributable to growth of business.

## 2.2 Consolidated Statements of Financial Position

Table 3: Statement of financial position

As at 31 December	2018	2017	2016
In millions	TZS	TZS	TZS
<b>Assets</b>			
Cash and balances with Bank of Tanzania	1,070,422	1,156,332	950,181
Placements and balances with other banks	174,391	242,731	137,241
Loans and advances to customers	3,241,401	2,771,732	2,774,464
Investment securities held to maturity	724,943	422,732	318,833
Investment securities available for sale	0	496,367	405,364
Goodwill	15,242	870	719
Equity investments	2,920	1,740	1,740
Other assets	84,755	64,733	49,193
Current tax assets	13,066	1,905	891
Intangible assets	21,241	19,901	15,461
Property and Equipment	265,700	277,156	256,680
Deferred tax assets	62,132	43,338	27,513
<b>Total assets</b>	<b>5,676,213</b>	<b>5,499,527</b>	<b>4,938,280</b>
<b>Equity and Liabilities</b>			
<b>Liabilities</b>			
Deposits due to other banks	20,770	149	11,176
Deposits from customers	4,315,220	4,272,058	3,737,211
Current income tax		-	-

As at 31 December	2018	2017	2016
In millions	TZS	TZS	TZS
Other liabilities	107,149	87,994	78,506
Provisions	3,519	2,784	2,648
Borrowings	301,388	352,803	336,930
Subordinated debt	70,972		
<b>Total liabilities</b>	<b>4,819,018</b>	<b>4,699,915</b>	<b>4,182,344</b>
<b>Capital and reserves</b>			
Share capital	20 000	20 000	20 000
Retained earnings	799,128	749,880	707,334
Regulatory Reserve	-	-	12,972
General risk reserve	33,725	26,849	26,385
Fair valuation reserve	881	(127)	(194)
Other reserve	-	-	(13,282)
<b>Total shareholders' equity</b>	<b>853,734</b>	<b>796,602</b>	<b>753,215</b>
<b>Non-controlling interests</b>	<b>3,461</b>	<b>3,010</b>	<b>2,721</b>
<b>Total equity</b>	<b>857,195</b>	<b>799,612</b>	<b>755,936</b>
<b>Total equity and liabilities</b>	<b>5,676,213</b>	<b>5,499,527</b>	<b>4,938,280</b>

Source: NMB audited financial statements dated 2018

## 2.2.1 Analysis of Borrowings

As at 31 December 2018, the Company had borrowings totalling TZS 301 billion (2017: TZS 352 billion) as outlined below:

**Table 4: Summary of borrowings**

Name of Lender	Currency	Amount outstanding in TZS ' million	Tenor	Effective Interest Rate per annum
European Investment Bank ("EIB")	TZS	25 000	Up to seven years	8.37%
EIB	USD	7 607	Up to seven years	3.25%
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. ("Netherlands Development Finance Company")	USD	29 900	Up to 1 year	5.3%
FMO loan	USD	48 300	Up to six years	5.5%
	USD	46 000	Up to six years	5.5%
Triodos B.V.	TZS	28 332	Up to 1 year	14.4%
NMB Bond	TZS	41 400	Up to three years	13%
	TZS	23 309	Up to three years	13.5%
Tanzania Mortgage Refinance Company Limited ("TMRC")	TZS	1 700	Up to four years	11.5%
	TZS	5 000		11.5%

International Finance Corporation (IFC)	TZS	44 654	Up to three years	
			Up to five years	10.5%
	<b>Total</b>	<b>301 388</b>		
	Interest	3 127		

Source: NMB audited financial statements as at 31 December 2018 for the year ended 31 December 2018

All facilities were advanced to NMB on an unsecured basis except for TMRC which are 125% secured by specific debenture over the portfolio of mortgage loan and treasury bonds

## 2.3 Consolidated Statements of Cash flows

**Table 5: Statements of cash flows**

Year ended 31 December	2018	2017	2016
In millions	TZS	TZS	TZS
Cash flow from/(used in) operating activities	(213 710)	701 199	112 896
Tax paid	(68 480)	(61 072)	(70 880)
Net cash generated from/(used in) operations	(282 190)	640 127	42 016
<b>Cashflows from investing activities</b>			
Proceeds from government securities	791 522	691 669	519 207
Investment in government securities	(608 848)	(886 571)	(570 864)
Purchase of property and equipment	(25 530)	(45 295)	(82 720)
Purchase of intangible assets	(11 930)	(10 550)	(9 825)
Proceeds on disposal of property and equipment	365	223	390
Net cash utilised in investing activities	145 579	(250 524)	(143 812)
<b>Cashflows from financing activities</b>			
Proceeds from borrowings	114 565	50 428	138 153
Principal paid on borrowings	(83 730)	(66 612)	(55 021)
Interest paid on borrowings	(28 765)	(24 085)	(13 109)
Dividends paid	(32 000)	(52 000)	(52 000)
Net cash (used in)/generated from financing activities	(29 930)	(92 269)	18 023
Net increase/(decrease) in cash and cash equivalents	(166 541)	297 228	(83 773)
Cash and cash equivalents at the beginning of the year	1 002 394	697 580	784 965
Cash and cash equivalents at the end of the year	6 861	7 480	(3 612)

<b>Year ended 31 December</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>In millions</b>	<b>TZS</b>	<b>TZS</b>	<b>TZS</b>
<b>Analysis of cash and cash equivalents at end of the year:</b>			
Cash in hand	402 709	358 322	248 191
Balances with Bank of Tanzania	265 614	401 341	312 148
Deposits and balances due from banking institutions	174 391	242 731	137 241

Source: NMB audited financial statements as at 31 December 2018

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## 3 Description of NMB Bank Plc

### 3.1 Overview

As at the date of this Supplemental Information Memorandum, NMB Bank Plc was the largest bank in Tanzania by market capitalisation<sup>1</sup>, providing banking services to individuals, small to medium sized corporate clients, as well as large businesses.

NMB operates through three principal business units: Treasury, Wholesale Banking and Retail Banking.

Highlights for the year ended 31 December 2018

- total assets of TZS 5,676 billion (2017: TZS 5,499 billion) and a profit after tax of TZS 98 billion for the year ended on 31 December 2018 (2017 TZS 93 billion);
- total loans and advances increased from TZS 2,771 billion in 2017 to TZS 3,241 billion in 2018;
- total customer deposits grew from TZS 4,272 billion in 2017 to TZS 4,315 billion in 2018;
- NMB operated 223 branches, present in 124 of 134 administrative districts, 766 ATMs, and 4 Banks on Wheels (BOWs) and over 6,000 agents. NMB also offers mobile and internet banking options;
- increased market capitalisation with share price of TZS 600 per share in 2008 and TZS 2,340 per share as at the 31<sup>st</sup> December 2018; and
- consistent dividend policy with a proposed dividend per share of TZS 66 (2017: TZS 64).

### 3.2 History of NMB

NMB was established under the NMB Bank Limited Incorporation Act of 1997, following the restructuring of the former National Bank of Commerce. Three new entities were created at the time, namely: NBC Holding Limited, National Bank of Commerce (1997) Limited and National Microfinance Bank Limited.

In 1997, NMB's mandate was limited to the provision of payment services as well as offering savings accounts with limited lending capabilities.

In 2005, the Government of the Tanzania privatized the Bank when it sold part of its shareholding (49%) to a consortium led by the Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. ('Rabobank Group').

In 2008, the Tanzanian Government sold an additional 21% of its shareholding to the public through an initial public offer.

Following the growth the bank achieved in serving diverse sectors and business segments beyond microfinance, NMB officially changed its name from National Microfinance Bank Plc to NMB Bank

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<sup>1</sup> NMB, DSE

Plc after it was resolved by shareholders at the 17<sup>th</sup> Annual General Meeting (AGM) held on 3 June 2017.

The Bank continues to be listed on the Dar es Salaam Stock Exchange and boasts a diverse investor base.

### 3.3 NMB Group Structure

#### 3.3.1 Share capital and ownership

NMB has 625,000,000 (2017: 625,000,000) authorized ordinary shares with a par value of TZS 40 each of which 25,000,000,000 (2017: 25,000,000,000) are issued and fully paid up.

As at 31 December 2018, the Bank's shareholders were as outlined below:

**Table 6: Shareholders**

Shareholder	% Shareholding
Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A "Rabobank Nederland" Rabobank	34.9
Treasury Registrar (Government of Tanzania)	31.8
National Investment Company Limited (NICOL)	6.6
SCBT NOMINEES SCB Consumer Banking RE Mr Aunali F Rajabali And Sajjad F Rajabali	5.0
SCBT NOMINEE RE: SSB+T AC RE: SQM Frontier Africa Master Fund Ltd - SQM1	1.9
SSB+T AC RE Morgan Stanley Institutional Fund Inc Frontier Emerging Markets Portfolio MGGQ	1.2
SCB (T) NOMINEE LTD SCB MAURITIUS RE Banque Pictet And Cie Sa A/C Patrick Schegg	1.0
SCBT NOMINEE RE SSB+T AC RE Morgan Stanley Galaxy Fund-MS6E	1.3
Kuwait Investment Authority	0.7
SCB MAURITIUS RE: Pinebridge Sub-Saharan Africa Equity Master Fund Class E	0.7
General Public	14.9
<b>Total</b>	<b>100</b>

Source: NMB Management

#### 3.3.2 Subsidiaries and affiliates

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Bank's subsidiaries and associates which are listed below have share capital consisting solely of ordinary shares and are incorporated and operate within Tanzania which is also their principle place of business.

**Table 7: Subsidiaries and affiliates**

Name	% shareholding
Upanga Joint Venture Company Limited (UJV)	32.64%
Ohio Street Properties Limited (OSP)	99%
Tanzania Mortgage Refinance Company Limited (TMRC)	15.06%

Source: NMB Management

### 3.4 Description of the Bank's Business

NMB is the largest commercial bank in Tanzania both when ranked by customer base and branch network. It provides a wide array of related financial services in the areas of personal and business banking.

The Bank is licensed by the Bank of Tanzania as a commercial bank to provide financial services in the fields of retail banking, with its registered office at NMB House, Ohio/Ali Hassan Mwinyi Road, P.O. Box 9213 Dar es Salaam.

NMB is organized into three principal business units: Wholesale Banking, Retail Banking and Treasury.

As at 31 December 2018, Wholesale Banking contributed -48% to the overall profitability of the Bank with Retail Banking and Treasury contributing 128% and 52% respectively.

The following table shows the contribution of the different divisions within NMB to its major financial indicators as at 31 December 2018. The Bank's subsidiaries are in early stages of commencing commercial operations. Consequently, the segment information presented below relates only to the Bank.

**Table 8: Divisions contribution within NMB**

TZS millions	Treasury	Wholesale Banking	Retail Banking	Agribusiness	UJVC	Total
<b>Interest income</b>	100 234	75 618	409 122	16 664	-	601 638
<b>Interest expense</b>	(6,740)	(41,146)	(56,058)	(5,671)	(1,083)	(110 698)
<b>Net Interest Income</b>	93,494	34,472	353,064	10,993	(1,083)	<b>490 940</b>
<b>Operating profit</b>	75,558	(69,689)	185,648	(49,876)	2,721	<b>144 362</b>
<b>Profit after tax</b>	52,098	(48,051)	128,006	(34,390)	3,298	<b>100 961</b>
<b>Segment assets, liabilities and equity</b>						
<b>Total Assets</b>	2 280 442	716 511	2 547 557	137 253	56 171	<b>5 676 213</b>
<b>Total Liabilities and equity</b>	1 357 096	1 298 511	2 947 962	78 194	56 171	<b>5 676 213</b>

#### 3.4.1 Wholesale Banking Business

The Wholesale Banking business line includes corporate banking (large corporate customers and parastatals), government banking (central and local government), institutional banking (insurance,

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pension funds, NGOs, governmental agencies) and agribusiness (crop financing), supported by a specialised transactional services team. In the financial year ended 31 December 2018, gross loans and advances to customers grew by an estimated 17% year on year to TZS 3, 241 billion (2017: TZS 2, 771 billion), with the Wholesale Banking loan portfolio representing an estimated 28% of the Bank's total gross loans and advances of TZS 3, 241 billion. The Bank relies on its nationwide branch network and a full range of electronic banking services for payments and collections to serve its corporate customers.

The Bank's Wholesale Banking products include:

- Short / long term lending solutions (largest single name exposure limit in market)
- Transactional solutions (nationwide payments / collections)
- Electronic banking, internet banking, payroll
- Treasury and trade finance
- Deposits / investments

### **3.4.2 Retail Banking**

Retail Banking has traditionally been and continues to be, NMB's core line of business. NMB's Retail Banking business provides a full range of lending, transactional and savings solutions through personal banking (including civil servants) and micro-small and medium sized enterprises banking product lines. In the financial year ended 31 December 2018, gross loans and advances to consumers (mostly salaried backed loans based on deduction codes) grew by an estimated 21% year on year to TZS 2,319 billion (2017: TZS 1,917 billion), with the loan portfolio representing an estimated 72% of the Bank's total gross loans and advances of TZS 3,241 billion.

The Bank relies on its extensive branch network to offer a full range of financial services to its customers with the main products being:

- Salary Worker Loans
- Personal loans
- Short-term loans
- Mortgages
- SME loans
- Micro enterprise loans

### **3.4.3 Treasury**

Treasury business is subdivided into ALM which manages assets and liabilities of the bank and Global markets which manages the bank's forex risk and interest rate risk exposures as well as engaging in both forex and government securities trading activities. With an excellent team of Treasury sales supported by specialized transactional services, treasury serves a wide range of clients including the government, individuals, small to large corporates and institutions.

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In the financial year ended 2018 income from trading activities increased to TZS 21 billion from TZS 18 billion in 2017. Government securities portfolio stood at TZS 779 billion from TZS 973 billion in 2017. This coupled with low interest rates environment in 2018 saw total treasury income decline to TZS 115 billion from TZS 134 billion. Treasury remained the second largest after retail in contributing to the bank's total income and profits.

In 2018 Treasury added two new lines of services, Custody services and Advisory Services. Custody services unit engages in securities safekeeping and record keeping, asset servicing, transaction processing and settlement while Advisory services subunit will assist SMEs and corporates with capital raising & optimization, M&A advisory as well as strategic & financial advisory.

Treasury main products include;

- Foreign exchange
- Government securities (Treasury bills and bonds)
- Securities services (safe keeping/ records keeping/ servicing/settlement/ transaction processing)
- Advisory services (capital raising & optimisation/ M&A/ strategic & financial advisory)

### **3.5 Information Technology**

NMB recognizes the strategic importance of banking technology in terms of its impact on banking operations and the Bank is currently leveraging technology to help build economies of scale, reduce transaction costs and better serve its customers.

NMB has a strong tradition of pioneering innovative product initiatives in the market and the Bank intends to continue to leverage on the opportunity that technology presents. In particular, the Bank:

- has introduced mobile banking with *NMB Mobile* in Tanzania
- offer real-time account data online nationwide
- had built an electronic payments ecosystem: ATMs, POS, cards, partnerships with MNOs
- The Bank has implemented the following key technology initiatives to improve efficiency and customer service
- Upgrade to new core banking system ("Flexcube") in 2011; overhaul of previous banking platform
- Upgrade to new 'Tier 3 data center' Q2 2015; the first in Tanzania
- Participation in Tanzania Automated Clearing House (TACH) initiative
- Creation of centralized loan processing facility
- Introducing NMB smartphone app
- +134 branches are connected to fiber and have wireless fail over
- Increasing the proportion of electronic transactions to over 50%

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The Bank's information technology systems are managed by the ICT & operations division which is tasked with building and operating the required infrastructure to facilitate and process all customer transactions centrally and in the branches.

The Bank is committed to investing in information technology and has a dynamic team that focuses on developing new platforms as well as addressing risks associated with offering financial services products through mobile or internet platforms.

### **3.6 Competition**

The Tanzanian financial sector is made up of the following as defined by the Bank of Tanzania:

- (i) Banks: institutions authorized to receive money on current account subject to withdrawal by cheque
- (ii) Financial institutions: institutions licensed by Bank of Tanzania and authorized to engage in banking business not involving the receipt of money on current account subject to withdrawal by cheque
- (iii) Foreign exchange bureaus: registered by the Bank of Tanzania and entrusted with the task of changing money over the counter under the Foreign Exchange Act, 1992 and Foreign Exchange (Bureaux de Change) Regulations, 1999 as amended.

According to annual report 2017 from Bank of Tanzania directorate of bank supervision, in 2017 there were 37 commercial banks, 11 community banks, 3 financial institutions, 5 deposit taking microfinance banks, 2 development finance institutions, 2 representative offices, 1 mortgage refinance company, 1 housing finance company, 3 financial leasing companies and 2 credit reference bureaux<sup>2</sup>. Also, there were 821 bank branches across Tanzania, with NMB operating 223 of them (27%).

### **3.7 Risk Management**

The Board accepts final responsibility for the risk management and internal control systems of the Bank. The Board has delegated the day-to-day risk management to the executive committee which has implemented a risk management framework that guides the conduct of the Bank's operations.

The Bank's risk management strategy is aimed at maintaining strong and robust financials in order to build a sustainable franchise. In particular, it focuses on:

- Safeguarding the Bank's identity and reputation
- Protection of profits and profit growth
- Maintaining solid balance sheet ratios

The executive committee has delegated day to day responsibility for implementing the Bank's risk management policy and overseeing the Bank's risk management function to an independent risk management department. This division, working in conjunction with the Bank's business lines, identifies, monitors, measures and reports on the various operational risks which include credit risk, operational risk, product approval, liquidity and market risk.

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<sup>2</sup> Bank of Tanzania

EXCO recognises that the primarily responsibility for monitoring and mitigating operating risk lies firstly with the individual business units (Wholesale Banking, Retail Banking and Treasury), secondly with the risk management division which checks the efficacy of the business units' controls and lastly with the internal audit function that reports on any failures in the system.

### 3.7.1 Credit Risk Policy

The Bank's lending activities are guided by the Bank's credit risk policy and in line with Bank of Tanzania guidelines. In determining the level of risk that the Bank is willing to take, the management has developed a risk appetite statement that sets out the principles, objectives and measurements to utilise NMB's resources efficiently. It seeks to manage credit risk and loan portfolio deterioration.

The Bank has developed an automated credit decision making system for micro-finance loans (credit scoring) and also implemented a centralized disbursements, loan monitoring and Collections Centre for retail loans. The credit scoring system already in place for micro loans including Agri MSE has significantly improved TAT.

Works in progress currently are to automate credit application end to end processes for SMEs and Large Agribusiness which will go hand in hand with automated collateral management module which will improve TAT, audit trail, easy of retrieval and quality.

The table below indicates the Bank's industry sectoral distribution of loans and advances to clients:

**Table 9: Loans and advances to customers by sector (Bank)**

As at December 31	2018	%	2017	%
	TZS million		TZS million	
Financial institutions	0	0%	18 351	1%
Manufacturing	106 421	3%	206 869	7%
Trading and commercial	365 364	11%	273 001	10%
Transport and communication	102 984	3%	119 258	4%
Wholesale and retail	644 185	20%	301 569	11%
Agriculture	91 939	3%	79 879	3%
Individuals	1,810,997	55%	1 438 844	51%
Others	164 646	5%	381 617	14%
<b>Total</b>	<b>3 286 536</b>	<b>100%</b>	<b>2 819 388</b>	<b>100%</b>

Source: NMB audited financial statements for the year ended 31 December 2018

The Bank has a well-diversified portfolio of assets with no single obligation larger than the prescribed regulatory limit.

**Table 10: Off balance sheet credit exposure to customers by sector (Bank)**

As at December 31	2018	%	2017	%
	TZS m		TZS m	
Financial institutions	5 356	1%	-	0%
Manufacturing	52 464	10%	62 169	13%
Trading and commercial	92 352	17%	256 090	52%

Transport and communication	28 306	5%	40 534	8%
Wholesale and retail	103 479	19%	53 833	11%
Agriculture	14 588	3%	40 566	8%
Individuals	-	0%	575	0%
Others	245 822	45%	42 878	9%
<b>Total</b>	<b>542 367</b>	<b>100%</b>	<b>496 646</b>	<b>100%</b>

Source: NMB audited financial statements for the year ended 31 December 2018

### 3.7.2 Market Risk

The Bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, and foreign exchange rates. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in the Bank's treasury department and monitored regularly. Regular reports are submitted to the Bank's ALCO and heads of department.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with clients or with the market.

Non-trading portfolios primarily arise from the interest rate management of the Bank's retail and corporate banking assets and liabilities.

### 3.8 Going Concern

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements included in the Reporting Accountants Report have been prepared on a going concern basis. The Board has reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future.

### 3.9 Regulatory Environment

Banks and financial institutions are regulated by the Bank of Tanzania and have to adhere to the following regulations:

1. Banking and Financial Institutions (Licensing) Regulations, 2014
2. The Banking and Financial Institutions (Capital Adequacy) Regulations, 2014
3. The Banking and Financial Institutions (Foreign Exchange Exposure Limits) Regulations, 2014
4. The Banking and Financial Institutions (Consolidated Supervision) Regulations, 2014

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5. The Banking and Financial Institutions (Credit Concentration and Other Exposures Limits) Regulations, 2014
  6. The Banking and Financial Institutions (Disclosures) Regulations, 2014
  7. The Banking and Financial Institutions (External Auditors) Regulations, 2014
  8. The Banking and Financial Institutions (Internal Control and Internal Audit) Regulations, 2014
  9. The Banking and Financial Institutions (Liquidity Management) Regulations, 2014
  10. The Banking and Financial Institutions (Management of Risk Assets) Regulations, 2014
  11. The Banking and Financial Institutions (Physical Security Measures) Regulations, 2014
  12. The Banking and Financial Institutions (Prompt Corrective Actions) Regulations, 2014
  13. The Banking and Financial Institutions (Microfinance Activities) Regulations, 2014

Additionally, NMB is a listed company and has to adhere to rules and regulations set out by the CMSA and the DSE.

### **3.10 Capital Adequacy**

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the BoT, for supervisory purposes. The required information is filed with the BoT on a quarterly basis.

As set out in the Banking and Financial Institutions (Capital Adequacy) Regulations, 2014:

- Every bank shall commence operations with and maintain at all times a minimum core capital of not less than fifteen billion shillings (TZS 15,000,000,000) or such higher amount as the Bank may determine.
- Every bank or financial institution shall maintain at all times a minimum core capital and total capital of not less than twelve and one half per cent (12.5%) and fourteen and one half per cent (14.5%) respectively of its total risk-weighted assets and off balance sheet exposures.

Commercial banks however have a three-year moratorium to comply with the increased capital adequacy requirements.

The Bank's regulatory capital as managed by its finance department is divided into two tiers:

- Tier 1 capital: share capital, retained earnings and reserves created by appropriations of retained earnings. Prepaid expenses and deferred charges are deducted in arriving at Tier 1 capital; and
- Tier 2 capital: qualifying subordinated loan capital and general provision which are held against future, presently unidentified losses and are freely available to meet losses which subsequently materialise.

The risk-weighted assets are measured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted

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for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

During the year ended 31 December 2018, the Bank complied with all of the externally imposed capital requirements to which it is subject.

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## **4 Board of Directors, Corporate Governance and Management**

### **4.1 The Structure of the Board**

As at the date of this Supplemental Information Memorandum, the Board of Directors comprised eight non-executive directors and one executive director (the Managing Director of the Bank). The Board takes overall responsibility for the Bank, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet quarterly, with additional meetings convened as necessary. The Board delegates the day to day management of the business to the Managing Director assisted by the management team. The management team is invited to attend board meetings and facilitate the effective control of all the Bank's operational activities, acting as a medium of communication and coordination between all the various business units.

### **4.2 Corporate Governance**

The Bank is committed to the principles of effective corporate governance. The Directors also recognise the importance of integrity, transparency and accountability. During the year the Board had the following board sub-committees to ensure a high standard of corporate governance throughout the Bank.

The Bank is led by independent members of the Board who, by their skills and diversity, contribute to the efficient running of the Bank. The Board is responsible for the overall corporate governance of the Bank, ensuring that appropriate controls, systems and practices are in place.

The Board regularly undergoes self-assessment and evaluation under the guidance of an independent party in order to improve the internal governance of the Board and its Committees.

#### **4.2.1 Board Committees**

The Board Committees act on behalf of the Board to direct the Bank effectively and accelerate the decision-making process. These committees that assist the Board execute its mandate, include:

##### **Board Executive Committee**

The Committee assists the Board in fulfilling its oversight responsibilities in accordance with the Articles of Association of the Company. The Committee exercises the powers of the Board in managing the business and affairs of the Company during the intervals between Board meetings, when action by the Board is necessary or desirable but convening a special Board meeting is not warranted or practical.

##### **Board Audit, Risk and Compliance Committee**

The Committee assists the Board in fulfilling its oversight responsibility relating to the integrity of the bank's financial statements and financial reporting process, systems of accounting and financial controls, the annual external audit of financial statements, reporting and internal controls, performance of the Internal Audit, Risk and Compliance Functions, compliance with legal and regulatory requirements, adequacy of the risk management function, the oversight responsibility on planning and

conduct of audits to determine that the bank's financial statements and disclosures are complete and accurate and are in accordance with International Financial Reporting Standards and applicable laws, rules and regulations.

#### **Board Human Resources & Remuneration Committee**

The primary function of the Committee is to assist the Board of Directors in fulfilling its oversight responsibility to shareholders by ensuring that there are appropriate Human Resources policies and strategies that provide the Company with the capability to achieve its short and long term business objectives. This includes recruiting high calibre talent, training, developing employees and maintaining a high-performance culture and employee engagement that will drive organization success.

The Bank has in place processes and procedures for determining remuneration to Directors. Management normally provides a proposal of fees and other emoluments paid to directors after having conducted a market survey. This survey is presented to the Board before being table at the annual general meeting for final approval.

#### **Board Credit Committee**

The Committee assists the full Board and provides oversight in the management of credit risk by reviewing continuously the credit portfolio, credit standards and credit policy and approving individual credit facilities where in excess of limits delegated to management.

Below is a summary of the board committees and the members as at 31 December 2018:

**Table 11: NMB's board credit committees – 31 December 2018**

	Main Board	Board Executive Committee	Board Audit, Risk and Compliance Committee	Board Human Resources And Remuneration Committee	Board Credit Committee
Professor Joseph Semboja	Chairman	Chairman			
Leonard Mususa	Member		Member		Chairman
Christine Glover	Member	Member		Member	Member
Jos van Lange	Member		Chairman		
Mathias Magwanya	Member	Member		Member	
George Mulamula	Member		Member		Member
Margaret Ikongo	Member		Member	Chairman	
Ineke Bussemaker (MD)					

Source: NMB Audited Financial Statements for the year ended 31 December 2018

Below is a summary of the board committees and the members as at 31 December 2017:

**Table 12 : NMB's board credit committees – 31 December 2017**

	Main Board	Board Executive Committee	Board Audit, Risk and Compliance Committee	Board Human Resources And Remuneration Committee	Board Credit Committee
Professor Joseph Semboja	Chairman	Chairman			
Leonard Mususa	Member		Member	Member	
Albert Jonkergouw	Member	Member		Member	Member
Jos van Lange	Member		Chairman		
Mathias Magwanyana	Member	Member			Member
Protase Tehingisa	Member			Member	Member
Margaret Ikongo	Member		Member		Chairman
Ineke Bussemaker (MD)	Chairman				

Source: NMB Annual Report for the year ended 31 December 2017

### Company Secretary

The company secretary provides support and guidance to the Board in matters relating to governance and ethical practices. The company secretary is also responsible for induction programs of new directors, keeping board members abreast of relevant changes in legislation and governance principles.

### 4.2.2 Codes and Regulations

NMB complies with applicable legislation, regulations, standards and codes, with the Board continually monitoring regulatory compliance

### 4.2.3 Shareholders responsibilities

The shareholders' role is to appoint the Board of Directors and the external auditors. This role is extended to holding the Board accountable and responsible for efficient and effective corporate governance.

### 4.2.4 Strategy

The Board is responsible for appointing the executive management, adopting a corporate strategy, policies and procedures and monitoring operational performance including identifying risks impacting the Company.

### 4.2.5 Sustainability and Social Responsibility

The Bank encourages its employees' initiatives on participating in the CSR activities. Various activities were carried out during the year including providing school desks, hospital beds and in-kind support in

case of natural or other disasters. The Bank launched financial fitness program with the objective of teaching secondary school students basic skills on financial management.

### 4.3 Directors' Qualifications and Experience

**Table 13: Directors' qualifications and experience**

Name	Date of Birth	Nationality	Profession	Date of appointment
Prof. Joseph Semboja	24 April 1951	Tanzanian	Economist	Re-appointed on 3 June 2017
Albert Jonkergouw	26 January 1958	Dutch	Auditor	Resigned on 2 June 2018
Jos van Lange	06 June 1956	Dutch	Economist/Banker	Re-appointed on 4 June 2016
Leonard Mususa	25 September 1953	Tanzanian	Certified Public Accountant	Appointed on 6 June 2015
Margaret Ikongo	08 June 1957	Tanzanian	Chartered Insurer	Re-appointed on 3 June 2017
Protase Tehingisa	24 May 1947	Tanzanian	Lawyer	Retired on 14 November 2018
Mathias Magwanya	3 January 1968	Tanzanian	Auditor	Nominated on 8 November 2017 Appointment ratified on 2 June 2018
Ineke Bussemaker	23 February 1958	Dutch	Banker	Appointed on 6 June 2015 Resigned on 31 December 2018
George Mulamula	4 April 1956	Tanzanian	Computer Scientist	Appointed on 2 June 2018
Christine Glover	29 November 1952	South African	Investment Manager	Appointed on 2 June 2018
<b>Company Secretary</b>				
Lilian Komwihangiro	31/10/1973	Tanzanian	Lawyer	15 January 2003

The Directors and the Company Secretary can be reached at NMB Head Office, Ohio/Ali Hassan Mwinyi Road, P.O. Box 9213, Dar es Salaam.

#### **Prof. Joseph J. Semboja – Board Chairman**

Prof. Semboja was appointed to join the NMB Board of Directors on 2 May 2012. He is an acknowledged leader in the field of development economics, with extensive research experience in the areas of growth and poverty reduction. Within the Sahara region he is widely known for his contribution in institutional development and for promoting research and capacity for policy development and implementation. He has an extensive network of individuals and institutions operating in differing

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environments both nationally and internationally. He holds a B.A and M.A from the University of Dar es Salaam, M.SC and Ph.D. from the University of Illinois, Urbana-Champaign.

Prof. Semboja has chaired several organizations including; Tanzania Sisal Board, Business Times Ltd and Akiba Commercial Bank. He also sat in the boards of Southern African Regional Poverty Network (SARPN), REPOA, National Productivity Council (NPC), Tanzania Revenue Authority (TRA), Advisory Council for Scientific Research Development Problems (RAWOO) based in the Hague, Holland, Bank of Tanzania, Small Entrepreneurs Loans Facility Project (SELF), Tanzania Social Action Fund (TASAF), Institute of Finance Management (IFM), NMB Bank (NMB) (resigned when privatized).

**Ms. Ineke Bussemaker – Managing Director**

Ms. Bussemaker was the Managing Director of NMB, a role she formally assumed on 25 May 2015. She was appointed a Director of NMB at an AGM in June 2015 for the duration of her term at NMB as Managing Director. Prior to her current position, she was the Head of Payment Services & Savings for Rabobank where she was responsible for all product development and operations of payment products and savings in The Netherlands. Ms. Bussemaker has 30 years of experience in banking having held senior positions in corporate banking, as country manager and in transaction banking at Citigroup and ABN Amro and has worked in the United Kingdom, Denmark, Ireland and the Netherlands.

She holds a Masters in Business Administration (MBA) in Business & Information Technology from the Rotterdam School of Management and a Bachelor's degree in Mathematics from the University of Leiden in The Netherlands. She speaks fluent Dutch and English and is conversant in French and German.

**Mr. Protase Tehingisa – Non-executive Director**

Mr Tehingisa was appointed to the NMB Board in 2003 and his work experience includes a stint as a State Attorney in the Attorney General's Chambers (1971), a Corporation Counsel in the Tanzania Legal Corporation (1971-1974) and various positions in the Legal and Secretariat Department of the East African Development Bank (EADB) in Kampala, Uganda (1974-2003) which department he headed as Secretary/Counsel for nine years, till his retirement in 2003.

Mr. Tehingisa, holds an LL.B (Hons.) degree from the University of Dar es Salaam obtained in 1971. He has also attended various courses, including mining development law at the University of Buenos Aires, Argentina (1973), Commercial Lawyers Course with the Crown Agents, United Kingdom (1982), Development Lawyers' course at the IDLI, Rome, Italy (1985) and a Diploma in Management at Ashridge Management College, United Kingdom (1995).

**Jos van Lange – Non-executive Director**

Mr. Jos van Lange is an Economist by profession and is currently the Chief Executive Officer of Rabo Real Estate Group, an international real estate company of Rabobank formed by the merger of several real estate companies. Prior to this role, Mr. van Lange was the Director of Retail Banking of Rabobank in the Netherlands.

As of 1st December 2006, when the Rabobank's acquisition of Bouwfonds was finalized, Mr. Van Lange was appointed Chief Financial & Risk Officer of Rabo Bouwfonds, the newly formed international real estate company. Jos van Lange has been a Director of Rabobank Nederland (Senior Executive Vice President) since 1st February 2002.

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### **Ms. Margaret Ikongo – Non-executive Director**

Ms. Ikongo is an Insurance professional and has worked in the insurance field since 1983. She joined the NMB board in April, 2009. Ms. Ikongo currently works for the Ministry of Finance and prior, she was serving as the Managing Director at the National Insurance Corporation (T) Ltd. Ms. Ikongo is an associate member of Chartered Insurance Institute – UK and professional member of Association of Tanzania Insurers.

She holds a Post Graduate Diploma in Finance Management from the Institute of Finance Management-Dar es Salaam. She is currently pursuing professional courses in International Diploma in Risk Management at the Institute of Risk Management- UK and Masters in Business Administration at the Open University of Tanzania.

### **Mr. Albert Jonkergouw – Non-executive Director**

Mr. Jonkergouw was appointed to join the NMB Board of Directors on 28 May 2011. He is currently responsible for managing investments in Africa within Rabo Development NV and has 16 years' experience in retail and wholesale banking (internationally) within Rabobank Netherlands.

Before joining Rabo Development, Mr. Jonkergouw was the Global Head International Audit Services within Rabobank and prior to joining Rabobank, Mr. Jonkergouw held senior positions in auditing in different banks in South Africa.

Mr. Jonkergouw holds two university degrees in Accounting and Auditing and is member of NOREA (Netherlands Order of Registered IT Auditors) and the South African Institute of Professional Accountants (IPA). As from 2010 he is also a certified member of the Nyenrode Business University Non-Executive Director Board program. He also served in various boards abroad.

### **Christine Glover - Non-executive Director**

Ms. Glover was appointed to join the NMB Board of Directors in June 2018. With over 30 years' strategic and operational experience in housing and development finance, she has held several leadership roles in the reputable firms where she was responsible for among other things designing financial housing products for the low-income sector, project managing housing development and structuring institutions such as banks and investment vehicles. Until November 2017, Ms. Glover was the head of development impact funds, a position she had held since October 2007.

Ms. Glover holds a Masters in City and Regional Planning from the University of Cape Town and a Honours degree in Art and Architectural History from the University of South Africa.

### **Leonard C. Mususa – Non-executive Director**

Mr Mususa is an Accountant by profession, registered with the National Board of Accountants and Auditors as a Fellow Certified Public Accountant (Tanzania) and a Fellow of the Association of Chartered Certified Accountants. Until 30 June 2014, Mr Mususa was the country senior partner at PricewaterhouseCoopers, Tanzania a position he held since 2000. He also served as Head of Assurance Risk and Quality in the PWC Africa Central region covering nine countries, and the Head of Risk, Independence and Quality in East Africa market covering six countries.

Mr Mususa is currently engaged on an assignment for the Prime Minister's office and the World Bank to review the observance of financial reporting and auditing standards in Tanzania in all key sectors of the economy. He is also a board member of the CEO Roundtable, a forum that brings together top CEOs in Tanzania with the aim of engaging policy makers on matters relating to the Tanzania economy.

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Mr Mususa is also a board member of various companies including Reliance Insurance Tanzania Limited, ARM Cement Limited, Nation Media Group and AutoXpress Tanzania Limited.

**Mathias Magwanya - Non-executive Director**

Mr. Mathias C. Magwanya has twenty years' experience in auditing and has carried out various due diligence assignments. He holds a Bachelor of Commerce in Accounting from the University of Dar es Salaam and Master of Business Administration in Corporate Management from Mzumbe University.

He currently works as Chief Internal Auditor of TANROADS and is a member of the Institute of Internal Auditors - Tanzania. Mr. Magwanya was nominated by the Government of Tanzania to replace Mr. Mike Laiser on 8th November 2017

**Dr. George Mulamula– Non-executive Director**

Dr. George Mulamula is currently the founder and CEO of the Dar Teknohama (ICT) Business Incubator (DTBi) for entrepreneurship & innovation hosted at the Commission for Science & Technology, the only tech incubator in the country. He is also the Senior Government Advisor on ICT entrepreneurship & innovation for an enabling environment and eco-system. He is currently managing a health delivery drone programme in the Lake Victoria Region and is also the coordinator for Mwanza Region Lake Victoria Challenge for Drones with the World Bank Group. Prior to that he was the first Principal Deputy Chief Executive Officer of the Rwanda Development Board (RDB) and Senior Advisor in the Ministry of Commerce & Industry in Rwanda and worked on their SME and Entrepreneurship Policy. He was also the Senior ICT Advisor in the Government of Rwanda and in that capacity, the Lead Policy Advisor on the Rwanda National Information Communication Infrastructure Policy Plan II and WSIS Document preparation.

George Mulamula was for over 8 years the first Africa Senior Technical Expert in Intellectual Property (IP) Automation with the World Intellectual Property Organization (WIPO), based in Geneva, Switzerland and worked with Sub-Sahara African Governments on the utility of ICT in IP innovation. He also was a catalyst in transforming the African Advanced Level Telecommunications Institute in Nairobi, Kenya to be a Centre of Excellence for the International Telecommunications Union. He has been a guest lecturer at Carnegie Mellon University (Kigali Campus) and taught at KIST in Kigali, Rwanda. He has run ICT companies and has written extensively on ICT, Technology Transfer for Sustainable Development, including lecturing at Higher Learning Institutions in East Africa. Dr. Mulamula is a Mentor and Coach for entrepreneurs and has conducted pitching sessions around the country and outside the country like Malaysia, Botswana, Kenya, Thailand, USA, including at Global Entrepreneurship Summits; USA GIST boot camps in Tanzania & South Africa; Unreasonable East Africa and Demo Africa in Uganda & Kenya. He is the Chair of the Tanzania Airtel Fursa judging team for the national youth entrepreneurship growth; a Board Member of Demeter - a MIT Startup which is going global; on the Advisory Board of the Global Learning XPrize in California (USA); a member of the Tanzania National Financial Sector Deepening Trust Board (FSDT) and Bima Challenge Judges; Chair of the Tanzania National Financial Registry Steering Committee for Data repository; member of the Tanzania National ICT Think Tank; Commissioner on the Tanzania National ICT Commission; Advisor for the GIZ Innovation Factory Tanzania chapter, Board member of the largest bank in

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Tanzania - NMB Bank and Senior Advisor to Regional Local Governments on digital transformation and the use of data analytics for economic development.

#### **Ms. Lilian Komwihangiro – Company Secretary**

Ms. Komwihangiro joined NMB in 2003, having previously worked as a legal consultant for Maajar, Rwechungura and Kameja Advocates, FK Law Chambers and PricewaterhouseCoopers. She has twenty years of working experience in the legal field and is also an Advocate of the High Court of Tanzania.

Ms. Lilian Komwihangiro holds a Bachelor of Laws degree and Master of Laws in commercial and business law, both from the University of Dar es Salaam. She also holds an MBA in Executive Management from the Eastern and Southern African Management Institute (ESAMI).

#### **4.3.1 Board Resignations**

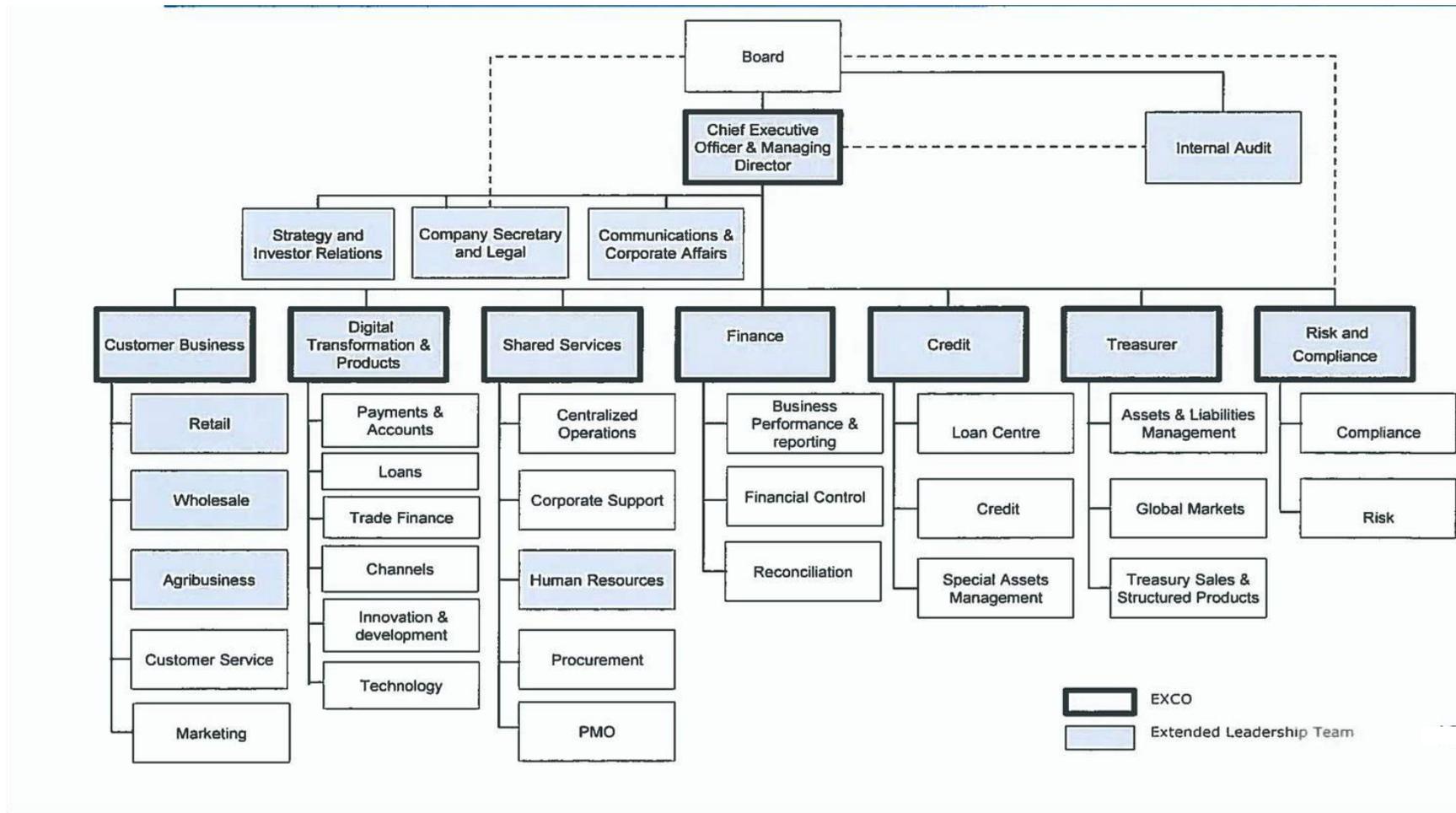
- At the AGM held in June 2018, it was resolved that the retirement of Albert Jonkergouw who had completed his term from the Board be accepted.
- At the AGM held in June 2018, resolved that Ms. Christine Glover be appointed to join the Board of Directors to replace Mr. Albert Jonkergouw.
- At the AGM held in June 2018, resolved that the Government of Tanzania (through the Treasury Registrar) shall nominate a candidate to replace Mr. Protase Tehingisa, who has completed his term, before the next AGM and nomination of the candidate shall then be ratified at the 2019 AGM. Meanwhile in the interim, Mr. Protase Tehingisa continue to serve in the capacity of Director until the nominee is identified.
- At the AGM held in June 2018, it was resolved that the Shareholders ratify Mr. Mathias Magwanya's appointment to the Board of Directors who replaced Mr. Mike Laiser who resigned during the year.
- At the AGM held in June 2018, it was resolved that Mr. George Mulamula be appointed to join the Board of Directors

#### **4.3.2 Directors Declaration**

As at the date of application for listing and for a period of at least 2 years prior to that date:

- a. no petition under bankruptcy laws is or has been pending or threatened against any Director in any jurisdiction;
- b. there are and have been no criminal proceedings in which any Director was convicted of fraud or any criminal offence or where a Director was named subject of pending criminal proceedings nor are there any criminal or other offences or actions pending against me either within or outside Tanzania;
- c. and no Director have been, the subject of a ruling of a court of competent jurisdiction (in any jurisdiction) or governmental body, that permanently or temporarily prohibits or prohibited me from acting as an investment adviser, director or employee of a stockbroker, dealer, a director or employee of any financial institution or from engaging in any type of business practice or activity;
- d. no Director held any shares of the Company in each of the listed classes; and
- e. there were no contracts existing between the Directors and the Issuer.

### 4.3.3 Management and Related Information



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#### **4.3.4 Key management committees**

The senior management team executes its mandate through key management committees whose objectives are to implement the bank's strategy. These committees include:

##### **Executive Management Team**

The EXCO team's objective of is to steer and oversee the management of the Bank at all levels. EXCO has the mandate to formulate the Bank's strategy and vision for implementation by various departments, & recommend the strategy and vision for Board approval.

##### **Assets & Liabilities Committee**

The objective of the Asset and Liability Committee is to achieve sustainable and stable profits for NMB within a framework of acceptable financial risks and controls. ALCO is authorized to manage the balance sheet and financial risks of the businesses within prescribed policies and limits. It is also authorized to delegate day-to-day management of asset liability Management functions to individuals.

##### **Credit Committees (Loan Portfolio Quality, Wholesale and Retail)**

The credit committees were established to ensure the prudent management of the extension of credit facilities to customers, in accordance with the credit risk policies and procedures applicable to NMB.

##### **Management Risk and Compliance Committee**

The objective of the management risk and compliance committee is to ensure that the areas of high risk from regulators, compliance risk and audit reports are addressed in time to improve the risk management and controls in the Bank.

##### **Operational Risk Committee**

This committee is a standing committee involving Risk Department and Operations Department personnel and Management, whose main purpose is to serve as a forum to align and properly coordinate the actions and activities of the two departments with a view towards forging a better control environment and customer experience at NMB. The Committee has the authority to review the operation of branches and provide the necessary guidance to branches where required.

##### **Other committees include**

- Management Human Resources Disciplinary Committee – the objective of this committee is to ensure fairness in the implementation of the disciplinary code to staff.
- Management tender committee – this committee's objective is to review, consider and approve all purchases made above the amount of TZS 100 million.
- Product and Processes Approval Committee - mandate is to review and approve the commissioning or deployment of a new product and new operational processes.
- Projects Committee - oversees execution and successful conclusion of the projects initiated and that these projects deliver value to the business.

## 4.4 Executive Management

The senior management team comprises of professional executives with experience in their relevant fields. The members of this team are as indicated in the table below:

**Table 14: Executive management as at 31 December 2018**

Name	Role
Ineke Bussemaker	Managing Director (The title of Chief Executive Officer was changed to Managing Director at an annual general meeting in June 2014. She was also appointed as an executive director of the Board, by virtue of position)
Ruth Zaipuna	Chief Financial Officer
Ag. Salie Mlay	Business Head, Retail Banking
Filbert Mponzi	Business Head, Wholesale Banking
Saif Ahmed	Business Head, Agribusiness
Ag. Emmanuel Akonaay	Business Head, Human Resources
Aziz Chacha	Treasurer
Juma Kimori	Chief Internal Auditor
Pete Novat	Chief Digital Transformation and Products
Tom Borghols	Chief Credit Officer
Victor Rugeiyamu	Chief Risk & Compliance officer

### **Ineke Bussemaker - Managing Director**

See Section 4.3 Directors' Qualifications and Experience for profile

### **Ruth Zaipuna - Chief Financial Officer**

Ruth joins NMB Bank from Standard Chartered Bank as Chief Financial Officer. Ruth started her career at PwC where for a decade she specialized in auditing banks and other institutions; in her time at PwC Ruth climbed the ranks to the role of Assurance Director. August 2011, Ruth left the audit firm for the position of the Executive Director Finance and Chief Financial Officer at Standard Chartered Bank. Last year July 2017, she took on additional responsibilities combining her role in Tanzania with that of Business Finance Lead for the East African cluster, overseeing and leading the bank's business finance activities in Tanzania, Kenya and Uganda.

Besides her position at Standard Chartered Bank, Ruth has been leading the Tanzania Bankers Association (TBA) Tax Group assisting the industry to sort tax issues with the Tanzania Revenue Authority and the Parliamentary Budget Committee. Ruth is also an Independent Non-Executive Director for Tanzania Portland Cement Company Limited (TPCC), the leading cement producing company in Tanzania and listed on the Dar es Salaam Stock Exchange.

Ruth is an Associate Certified Public Accountant (CPA (T)). She holds a Master of Business Administration (MBA) in Finance and a Bachelor of Commerce (BCom) degree in Accounting both at the University of Dar es Salaam.

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### **Pete Novat - Chief Digital Transformation and products**

Pete Novat is the Chief Digital Transformation and Products of NMB responsible for providing NMB clients in Tanzania a full range of financial products and services, delivered with unmatched convenience and an exceptional client experience. Pete directs NMB's digital delivery Channel network of ATMs and its award-winning digital banking platform that support millions of NMB's clients, including mobile banking users. Prior to his appointment as Chief Digital, Pete was the Chief Operating Officer for 4 years responsible for leading NMB Operations, Shared Services and Technology.

Pete has extensive financial services experience, having worked in the industry since the late 1990s. He spent 9 years at NBC Bank leading the team of Technology professionals before joining NMB in February 2013. Pete holds a Bachelor Degree (Hon) in Electronics and Communication Science from University of Dar es Salaam and a Certificate of Programme for Management Development (PMD) from Gibson Institute of Business Science (GIBS), SA. Communication Science from University of Dar es Salaam and a Certificate of Programme for Management Development (PMD) from Gibson Institute of Business Science (GIBS), SA.

### **Mr. Aziz Chacha - Treasurer**

Aziz Chacha joined NMB as the bank's Treasurer in September 2011 from Barclays Bank Tanzania where he had worked as the Country Treasurer. He holds an MBA from Manchester Business School of the University of Manchester, United Kingdom and currently serves in the Tanzania Bankers Association (TBA) financial markets technical committee.

He has a wealth of experience in Treasury risk management, Treasury technology, capital markets/corporate finance, capital planning and balance sheet management and is a certified member of ACI-Financial Markets headquartered in France.

### **Tom Borghols - Chief Credit Officer**

Tom Borghols is the Chief Credit Officer of NMB, responsible for Credit, Special Assets and the bank's newly established Loan Centre, which manages the centralized processing of loans, including central disbursement. Tom has over 30 years banking experience having worked with ABN AMRO Bank, Fortis Bank and Rabobank.

In his career he has held positions in the commercial and in the risk area, both in corporate and in retail banking. Working his way up from Relationship Manager to Branch Manager and Country Manager, Tom started his career in his native country The Netherlands, moved to Curacao in the Caribbean, and then to Kenya, Rwanda, Zambia. Prior to joining NMB five years ago, he had worked with the Banque Populaire du Rwanda and thereafter he was appointed to position of Director Risk at Zambia National Commercial Bank (ZANACO).

Tom holds a Masters Degree in International Law.

### **Juma Kimori - Chief Internal Auditor**

Juma joined NMB Bank from Barclays Bank as Chief Internal Auditor, reporting to the MD and the Board as of May, 2018.

Before joining us, he worked for Barclays Bank Tanzania (BBT) since April 2011 as the Chief Internal Auditor (CIA) reporting to the Board Audit Committee (BAC), having been with BancABC since December 2009 as the Country Head of Internal Audit. Prior to BancABC, Juma worked with PriceWaterhouseCoopers for 3.5 years as Senior Associate in the Assurance Lines of Service, specializing in Financial Services audits.

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He was then promoted to Director within Barclays and appointed as the Barclays Internal Audit (BIA) Regional Director effective January 2016. In this role, Juma provided oversight and leadership to the Audit teams covering Barclays Botswana, Barclays Tanzania, Barclays Zambia, Barclays Mozambique, Barclays Mauritius, and Barclays Seychelles. Juma has almost 12 years' experience in the audits of Finance, Corporate Credit, Retail Credit, Payment Operations, Branch Operations, and Corporate Governance. Juma has experience in delivering Internal Audit professional papers both within and outside Tanzania.

#### **Victor Rugeiyamu - Chief Risk & Compliance Officer**

Victor Rugeiyamu was appointed to the position of Chief Risk and Compliance Officer in April 2018. Prior to this appointment he acted in the capacity of the bank's Head of Risk, managing the Risk Department of the bank, a responsibility he had since he first joined NMB in 2009. In his capacity as the Chief Risk and Compliance Officer, Victor is responsible for oversight of the bank's Enterprise Risk Management (ERM) framework as well as the management of the bank's overall risk posture and appetite. He is also responsible for overseeing NMB's Compliance, Market Risk, Enterprise Risk, Operational Risk, IT Risk and Credit Risk teams as well as its Forensics Department.

With almost 20 years' worth of experience working in the financial services industry, Victor has held a number of positions in the brokerage and banking industries, on the commercial side as well as in Compliance and Risk. A native of Tanzania, he began his career in the United States immediately after completing his undergraduate degree where he served as a trader for DLJ/Credit Suisse First Boston Direct before later moving to banking at Wachovia Bank N.A.

Victor holds a Bachelor of Arts Degree (Honors) in Economics from Belmont Abbey College in North Carolina U.S.A. and an MBA in Finance and Banking from the University of North Carolina at Charlotte U.S.A.

#### **Salie Mlay- Ag. Business Head, Retail Banking**

Salie Andrew Mlay is a seasoned retail banker with over 20 years of experience in retail banking. A thought leader in retail banking business. Salie joined NMB since its establishment in 1997 and has held different roles including branch manager and zonal manager, a role he held before his appointment to act as the Business Head, Retail Banking.

Salie holds a post graduate diploma in Business Administration from Institute of Finance Management (IFM) and an MBA in Banking from the University of London.

#### **Filbert Mponzi – Business Head, Wholesale Banking**

Filbert has 16 years' experience in banking. Joined NMB Bank plc from NBC limited, a member of Barclays Africa Group and recently Absa Group, where he served as Retail Banking Director, where he successfully drove the strategy to include Personal and Mass segments and pioneered the Distribution Optimization (Branches, ATMs and introduction of Agency Banking).

Prior to joining NBC Limited, he held different senior positions within NMB Bank including Head of MSME, Business Banking, and Head of Corporate Banking (Large local, MNCs and Emerging Corporates). He brings a wealth of experience in Retail Banking, MSME, Corporate, and Agri Business. Filbert is also a member of the Board of Trustees of Social Action Trust Fund (SATF) an NGO helping Most Vulnerable Children to become productive members of the society. He also sitting as member of Investment Committee in SME Impact Fund.

Filbert is an Associate Certified Public Accountant (ACPA (T)) and holds a Bachelor of Commerce in Accounting (Hons) from University of Dar es salaam, and MBA from Eastern and Southern African Management Institute

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(ESAMI). Filbert also attended senior leadership courses in Harvard Business School (HBS) (USA) and Gordon Institute of Business Science (GIBS) in South Africa.

#### **Saif Ahmed – Business Head, Agribusiness**

Saif Ahmed has over 24 years' experience in Corporate and SME Banking, Investment Banking, Commercial Agribusiness, FMCG and Consulting across East & West Africa, Asia and Europe. He also serves as a member of the Board of Directors and Technical Advisory Committee member of several banking and agribusiness related private & public associations including NGOs both locally and internationally. Prior to joining NMB in 2016, Saif worked with Equity Bank Ltd, Kenya where he served as General Manager of Agribusiness across 6 East African countries. He has a vast experience in several agribusiness value chains of tea, coffee, fruits, vegetables, edible nuts etc.

Saif holds a Bachelor's degree in Accounting and Economics, an MBA in Finance and Agribusiness Management from India and a Certificate in Agriculture Finance from Kenya School of Monetary Studies.

#### **Emmanuel Akonaay – Ag. Business Head, Human resources**

Emmanuel Jonathan Akonaay joined the bank in July 2014 and has been serving as the Acting Head – Human Resources reporting to the Managing Director at NMB since November 2018. In his role he is responsible for driving the execution of the People strategy in line with the bank's vision and providing the necessary guidance to the HR team in strategy implementation.

Prior to the current appointment, Emmanuel was a Head – HR Shared Services where he was responsible for designing and implementing staff welfare policies and employee relations in addition to leading optimal HR support functions

Emmanuel joined NMB from Ernst & Young where he served as the country Head of Human Resources function where he was responsible to drive the country HR agenda in talent acquisition, development and retention. Prior to joining EY Emmanuel served Barclays Bank Tanzania as HRBP and Reward Manager responsible for execution of country's compensation & Benefits and as a strategic HR business partner.

Emmanuel is a certified Reward & HR practitioner who holds a Bachelor of Arts from University of Dar es Salaam, is currently pursuing his MBA at ESAMI.

## **4.5 Employees**

The Bank continues to believe that its employees are its greatest resource and as such, every effort is taken to support the employees through various initiatives. The Bank is an equal opportunity employer and uses an objective recruitment process to ensure that the best available person is appointed to a position at any given time.

The Bank endeavours to ensure that training, career development and promotion of persons with disabilities should, as far as possible, be identical to those of other employees.

Initiatives that support employees include: Training facilities: the Bank spent TZS 2.9 billion on staff training in order to improve employees' technical skills and improve efficiency and effectiveness in delivering on commitments to customers. All employees receive some form of annual training to upgrade skills and enhance development.

Employees' benefits include:

- Medical assistance – all staff and their spouses and four dependants are covered under a Bank-sponsored medical scheme

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- Financial assistance – loans are available to staff subject to qualification of pre-set criteria and approval of management. These loan products include advances, car and personal loans.

As at 31 December 2018, the Bank had 3,450 employees (2017: 3,371).

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## **5 Growth prospects for NMB**

The Bank's future prospects remain positive based on its strong financial position and positive outlook for the Tanzania economy. GDP growth is expected to remain in the 5-7% range while the rate of inflation and balance of payments should stabilise around current levels.

We believe a stable monetary policy combined with continued investment and private consumption should bode well for the banking sector as a whole and NMB in particular. The Bank has made investments in its infrastructure and is implementing initiatives that are aimed at strengthening NMB's market position in Wholesale Banking, Retail Banking and Treasury.

NMB's robust financial position and strong results make it well positioned to take advantage of opportunities in the growing Tanzanian market. The Bank has a broad mix of wholesale, SME, agriculture and personal banking customers supported by appropriate branch network and alternative distribution channels that are supported by a robust technology platform. These should all support the Bank's business in the short to medium term.

## 6 General Information

### 6.1 Authorisation

The Bank has obtained all necessary consents, approvals and authorisations in connection with the issue of the Notes, including but not limited to a resolution of the Board of Directors of the Bank passed on 7 February 2015, the third Tranche was subsequently approved by a resolution from ALCO on 10 July 2018.

### 6.2 Share Capital

As at 31 December 2018, NMB's paid up share capital and reserves were TZS 853 billion, which was above the CMSA eligibility minimum requirement of TZS 50 million. It is expected that these levels will be maintained above TZS 50 million as long as the Notes remain outstanding.

### 6.3 Significant or Material Changes

Save as disclosed in this Supplemental Information Memorandum, there has been no significant change in the financial or trading position of the Bank since the most recent financial statements presented in the Reporting Accountants Report.

### 6.4 Disposals and Acquisitions

As at the date of this Supplemental Information Memorandum, there was no acquisition or disposal of material assets otherwise than in the ordinary course of business.

### 6.5 Material Litigation

We have provided below a summary of material litigation which the Issuer was subject to as at as at 31 December 2018:

**Table 15: Material litigation – 31 December 2018**

	Case No	Reference Name	Case Description	Estimated Claim Value (TZS)
<b>COURT OF APPEAL</b>				
1	Appeal No.13 of 2014	TRA	The Bank is challenging decision of the Tax Revenue Appeal Tribunal on the treatment of bad and written off debts	366,677,195/=
<b>HIGH COURT</b>				
1	Land Case No. 297 of 2017	Philbert Krisantus Mpepo	The applicant prays for injunctive and declaratory order	250,000,000/=
2	Land Case No. 171 of 2017	Michael Nyangoga	the plaintiff prays for payment of Compensation for breach of contract, and rescind the contract for guarantee	200,000,000/=

3	Commercial Case No. 39 of 2018	Coca Cola Kwanza Ltd	Plaintiff sues the bank for Payment of Tzs 150 Million being performance guarantee in favour of Zen Cliff who has failed to distribute goods	150,000,000/=
4	Commercial Case No. 123 of 2017	Maxima Clearing and Forwarding	Plaintiff company is seeking compensation for lost remuneration after the bank opened an account in their company name	300,000,000/=
5	Commercial Case No. 157 of 2018	Light and Hurry Enterprises Limited	The applicant is suing NMB for divulging his account information to third part hence resulting to Garnishee which caused business hardship	150,000,000/=
<b>COMMISSION FOR MEDIATION AND ARBITRATION</b>				
1	CMA/DSM/ILA/R.440/18	Abdallah Kinenekejo	Complainants challenge their termination and claim compensation	369,884,192/=
<b>DISTRICT &amp; RESIDENT MAGISTRATE'S COURT</b>				
1		Tanzania Education Publishers Ltd	The plaintiff claims for compensation for loss of business caused by the banks negligence on LC.	205,340,708.4
2	Civil Case N. 213 of 2018	Adamu Abokor Mohamed	Plaintiff suing the bank for Tzs. 150 million for delay in refunding him the purchase price.	150,000,000/=
3	Civil Case No. 22 of 2017	Bernard Mbilinyi	The plaintiff claims against the bank for specific damages for being evicted from a house he purchased from the bank.	124,000,000/=
4	Civil Case No. 76 of 2018	Anna Warioba	Plaintiff sues the bank for Tzs 200 million in damages following wrongful posting of her photo and testimonial in NMB ads	200,000,000/=
5	Land Case No. 05 of 2018	The registered trustees of Catholic Tabora	Applicant claims to be the owner of the NMB Mihayo Branch building	100,000,000/=
6	Civil Case No. 213 of 2018	Adam Abakor Mohamed	Applicant the purchaser of the auction property is demanding damages of Tzs 150M for failure to occupy the premises	150,000,000/=

In the Directors' opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss.