



PERFORMANCE OVERVIEW

NMB has released its financial report for the first quarter of 2023 and it shows remarkable success. The bank's profit after tax has increased by 21% from the same period last year, amounting to TZS 122.75 billion

In addition, the bank's overall income has seen substantial growth, reaching TZS 376.3 billion, which is a 21% increase from the previous year. The increase in income can be attributed to the bank's strong performance in net-interest income, which has grown by 15% YoY, and non-funded income, which has increased by 20% YoY.

The bank's interest income has experienced a significant 21.3% year-on-year growth, rising from TZS 224 billion to TZS 271.7 billion, driven by a consistent increase in loans and advances and strategic investments in government securities. The loans and advances grew by 9% YoY while the investment in government securities grew by 10.47% YoY, showcasing the bank's effective management of its investment portfolio.

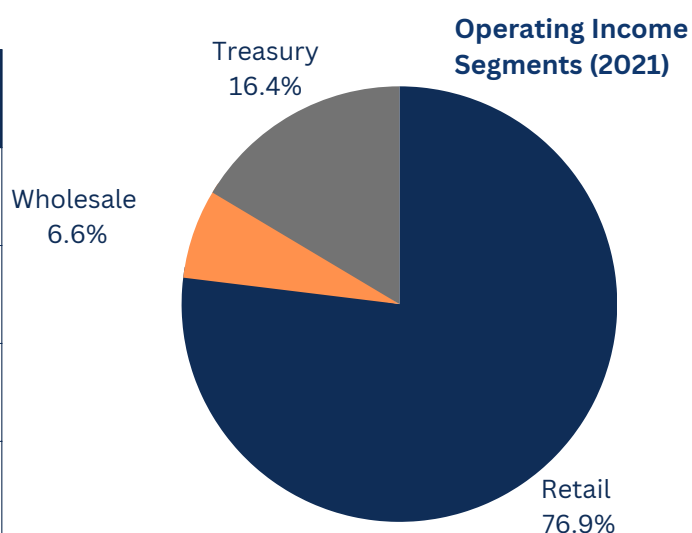
However, the bank's interest expenses have also increased by 54%, reaching TZS 56 billion from TZS 36.6 billion in the same quarter of the previous year. This increase in interest expenses may have been influenced by various factors, including changes in the market interest rates and a rise in the cost of funds.

KPI	BANKING INDUSTRY	NMB
NPL Ratio	5.2%	3%
ROA	3.2%	5%
ROE	13.8%	27%
Efficiency Ratio	53.9%	39%

The bank's non-funded income (NFI) has demonstrated a noteworthy growth of 20% year-on-year, increasing from TZS 87 billion to TZS 104.6 billion in the first quarter of 2023. The primary contributor to this growth has been foreign currency dealings gains, which rose by an impressive 57%, amounting to TZS 16 billion in Q1 2023.

In Q1 2023, there has been a rise in demand for foreign currency, specifically the USD, providing banks with a chance to increase profits by widening spreads. Banks generate revenue on foreign exchange transactions by charging a spread, which represents their profit margin, and is the difference between buying and selling prices of a currency pair.

Current Price (TZS)	3,560
Date Established	1997
Year Listed	2008
IPO Price	600 TZS
Historical Price Range (TZS)	600 - 4,780
Market Cap (TZS)	1,780 Bln
Market Cap (USD)	757.4 Mln
Issued Shares (Mln)	500
Market Symbol	NMB
Estimated DPS ***	283 TZS ***
Estimated Dividend Yield	7.95% ***
PE (x)	4.1
PB (x)	0.98
ROE	27%
NAV per Share	3,630.88



The bank has once again displayed remarkable operational efficiency by further improving its cost-to-income ratio to 39% from 42% in the previous year's corresponding period, well within the regulatory threshold of 55%.

Despite a slight increase in operating expenses, rising by 8.6% year-on-year to TZS 125 billion in the first quarter of 2023, the bank continues to manage its costs closely, seeking to optimize investments in strategic priorities while achieving further efficiency gains.



The bank remained focused on maintaining a strong balance sheet, demonstrating disciplined growth and enhancing customer relationships in core business segments while remaining highly liquid. The bank's loans and advances increased by 9% year-on-year to TZS 6.56 trillion due to robust credit portfolio growth in key market segments, such as Agribusiness, SME, and Personal Loans.

The bank's customer deposits experienced a slight growth of 0.86% year-on-year, amounting to TZS 7.4 trillion as of the end of March 2023, compared to TZS 7.38 trillion in March 2022. Despite the slow growth in customer deposits, the bank remains predominantly funded by deposits, with CASA (current account and savings account) continuing to be the core of the customer deposit base, constituting around 80% of the bank's total funding.

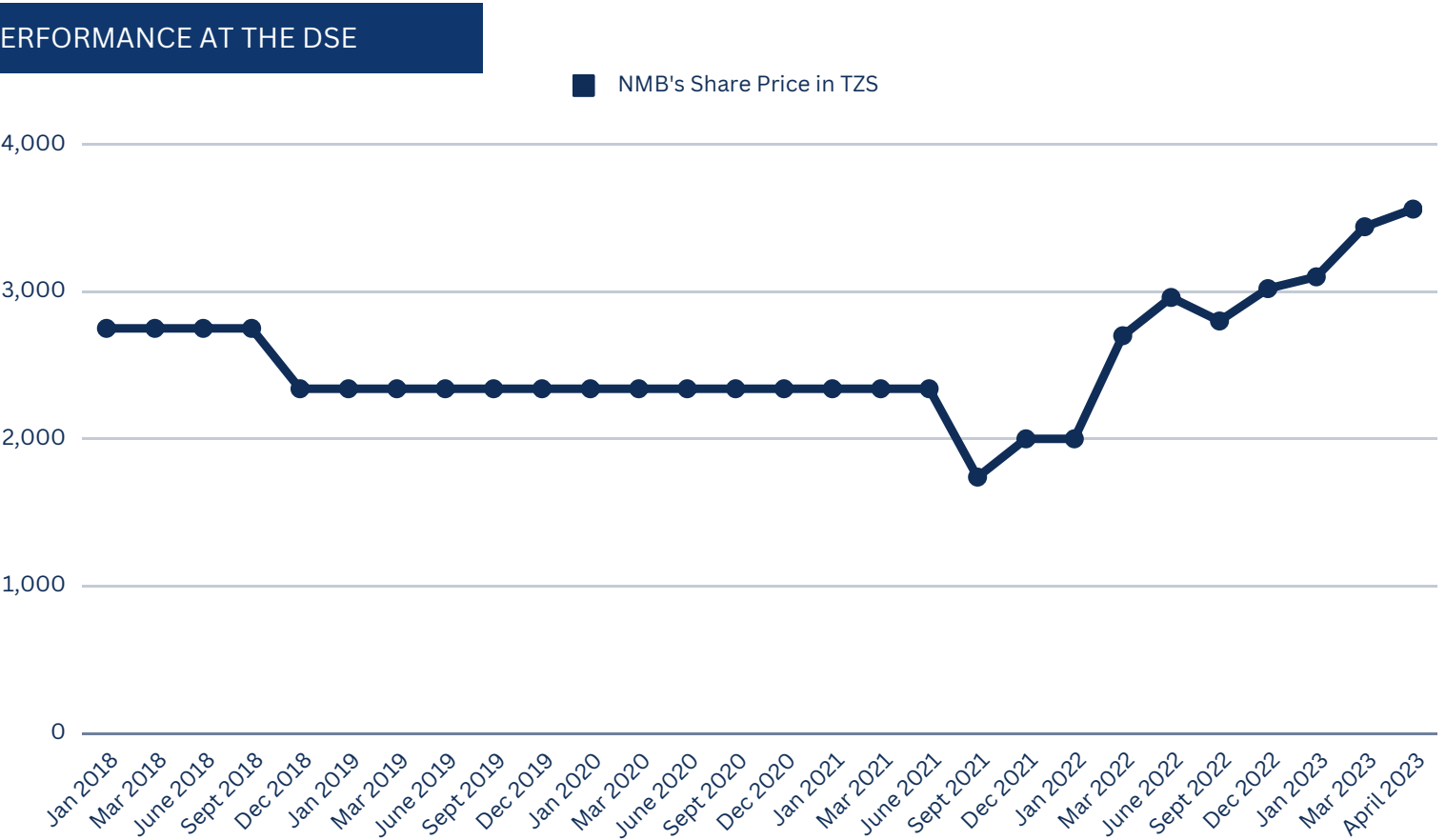
NMB's loans-to-deposits ratio is at 88%, which indicates that for every TZS 1 million it receives as a deposit, it lends out TZS 880,000, reflecting an aggressive risk appetite. The bank's total assets have reached TZS 10.7 trillion, which is a 4.75% year-on-year increase from TZS 10.2 trillion in the same period last year.

The bank's high loans-to-deposits ratio implies that it may have a high level of credit risk. However, this ratio may also suggest that the bank is confident in its ability to manage its loan portfolio and generate sufficient returns.

Despite a 37% increase in Impairment losses on loans and advances, which suggests that the bank is facing higher credit risk and potential repayment challenges, the quality of the bank's asset book remained good.

The bank's Non-Performing Loans (NPL) ratio was 3% as of March 2023, which is below the 5% regulatory threshold. This indicates that the bank has successfully managed its credit risks and is taking appropriate measures to mitigate potential losses.

By maintaining a good asset quality and effective risk management practices, the bank can continue to operate sustainably and achieve long-term growth.



In Q1 2023, NMB experienced a significant increase in its stock price, with its share price rising from TZS 3,020 at the opening of the quarter to TZS 3,500 at the end of the quarter, marking a 15% increase in capital gains. Currently, the stock is trading at TZS 3,560.

During the first quarter, NMB was among the most active counters, with 2.1 million NMB shares traded among investors, amounting to a turnover of TZS 7.5 billion.

NMB has a dividend payout ratio of 33%, which indicates that the bank distributes 33% of its earnings as dividends to shareholders. The bank's earnings per share (EPS) were TZS 858 (2022), which translates to an estimated dividend per share of TZS 283.

NMB places significant emphasis on increasing customer awareness of its transaction services and considers digital platforms a crucial element in service delivery. To this end, the bank made several improvements to its NMB Mkononi mobile banking app and online banking services in 2021, which resulted in more user-friendly interfaces and enhanced functionalities.

These improvements have led to an increase in users and strong growth in customer transactions on digital channels. In addition, NMB has expanded its agency banking base to around 10,194 agents across the country, enabling it to provide accessible banking services to customers nationwide. The bank's investment in its digital platforms and agency banking network positions it well for continued growth and success, given the growing preference for digital banking services.

The Tanzanian economy is currently growing at a rate of 5.2% due to prudent macroeconomic policies and a favorable business environment. As of March, Tanzania has the lowest inflation rate (4.7%) among East African countries, with Kenya and Uganda at 9.2% and 9%, respectively.

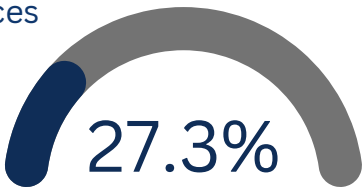
Credit to the private sector has increased by 22%, with agricultural activities receiving the highest growth due to a special loan facility introduced by the Bank of Tanzania. A 22% increase in credit to the private sector over the course of a year is generally considered a positive sign for an economy. It indicates that businesses and individuals are able to access financing more easily, which can stimulate economic growth by allowing them to invest in new projects, expand operations, or make purchases that they might not have been able to afford otherwise.

Loans to personal (micro, small, and medium enterprises) remain the primary driver of private sector credit growth, followed by trade, agriculture, and manufacturing. Personal loans continue to dominate the share of total outstanding credit, followed by trade, manufacturing, and agriculture.

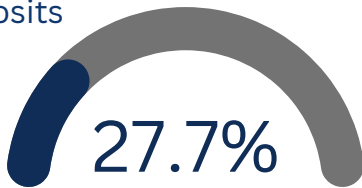
In light of these factors, NMB's growth prospects are positive. The bank's investment in digital platforms and agency banking network has positioned it well for continued success, given the growing preference for digital banking services. Furthermore, a stable political environment and a dynamic and expanding banking sector bode well for NMB's future growth. With all these factors in place, NMB is poised to continue being a leader in the banking industry in Tanzania.

MARKET SHARE AS OF DECEMBER 2022

Loans & Advances



Customer Deposits



FOR MORE INFORMATION

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