



NMB Tanzania – The Case of Agriculture Financing by a Transformed Public Bank

Experiences shared by Rabobank



Gerard van Empel

April 14 2011



Rabobank's share into the partnership

Board representation

Management services

Technical assistance

Study tours

Hardware support

geared towards
transforming NMB
into a leading bank
for Tanzania with a
rural orientation

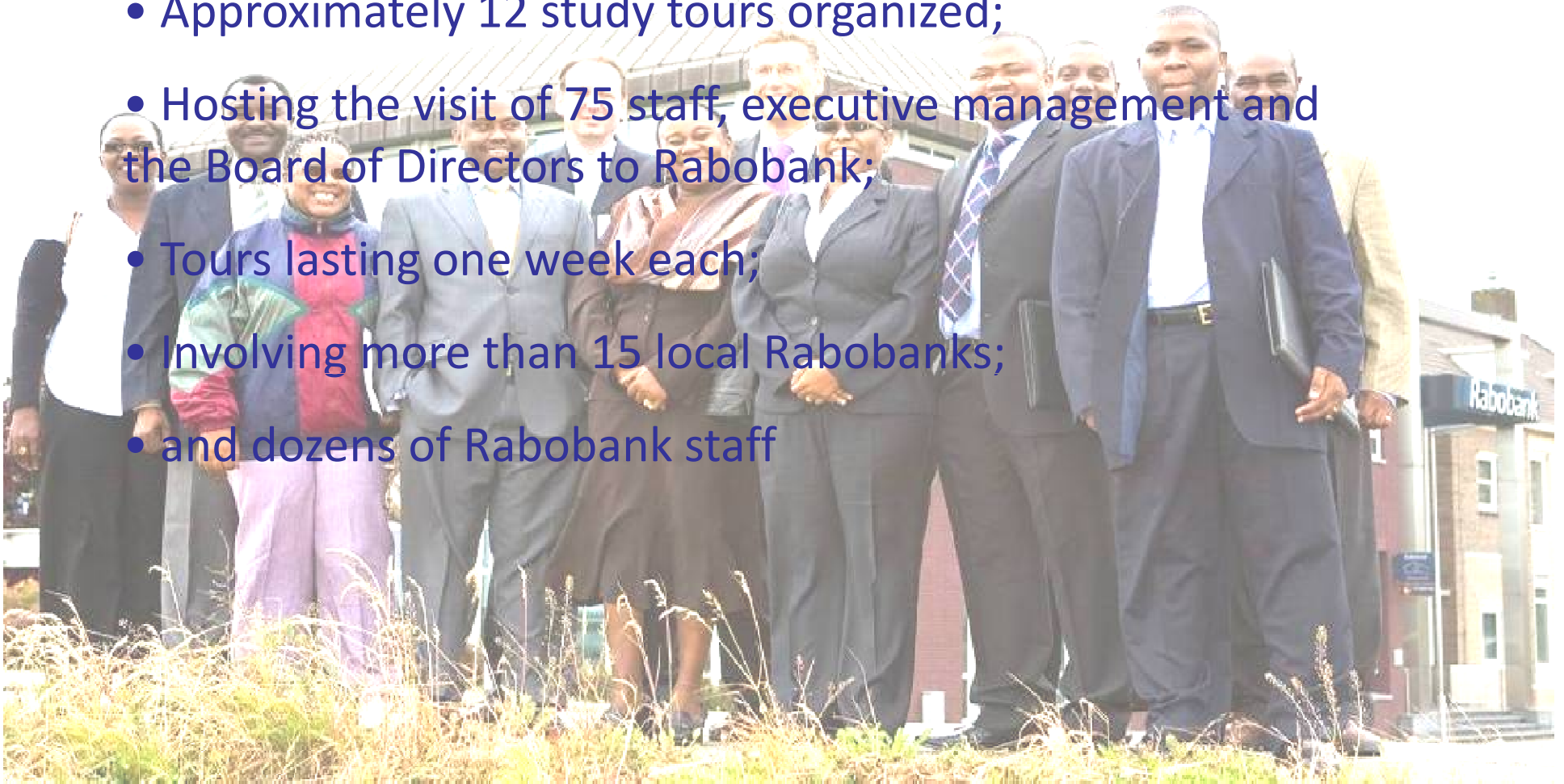
Technical Assistance Provided ...

- some 75 Rabo consultants have visited NMB
- clear trend from generic organizational support to more content driven knowledge transfer
- most prominent support in product development, credit and branch management



Study tours

- Approximately 12 study tours organized;
- Hosting the visit of 75 staff, executive management and the Board of Directors to Rabobank;
- Tours lasting one week each;
- Involving more than 15 local Rabobanks;
- and dozens of Rabobank staff

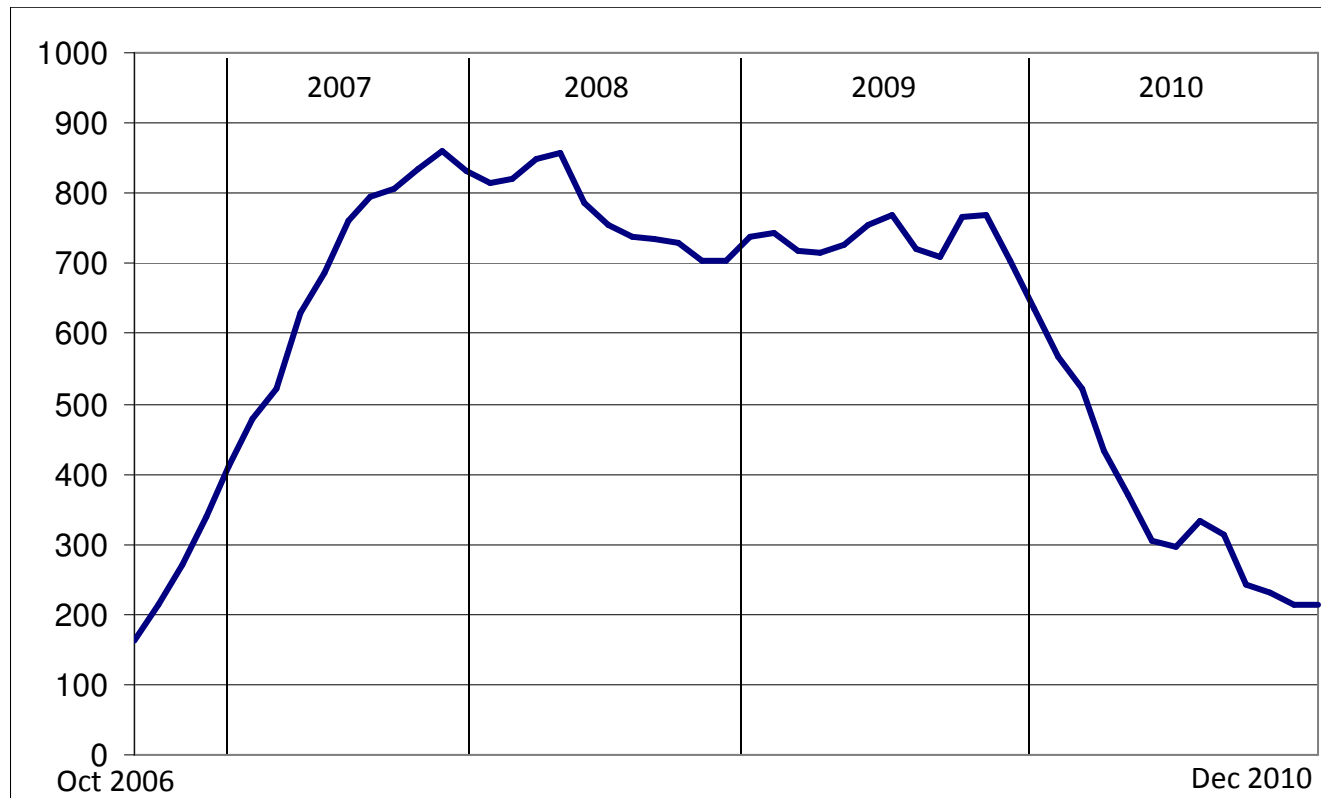


Hardware support



163 Rabobank ATMs shipped to
NMB since 2007

Technical assistance: overview of volumes



Total technical assistance provided by Rabo Development on a 12 month moving average basis

NMB 2005 versus NMB 2010, some key non-financials



- 600,000 customers
- few products

- appr. 100 branches

- 1500 staff

- IT: decentral Easybank

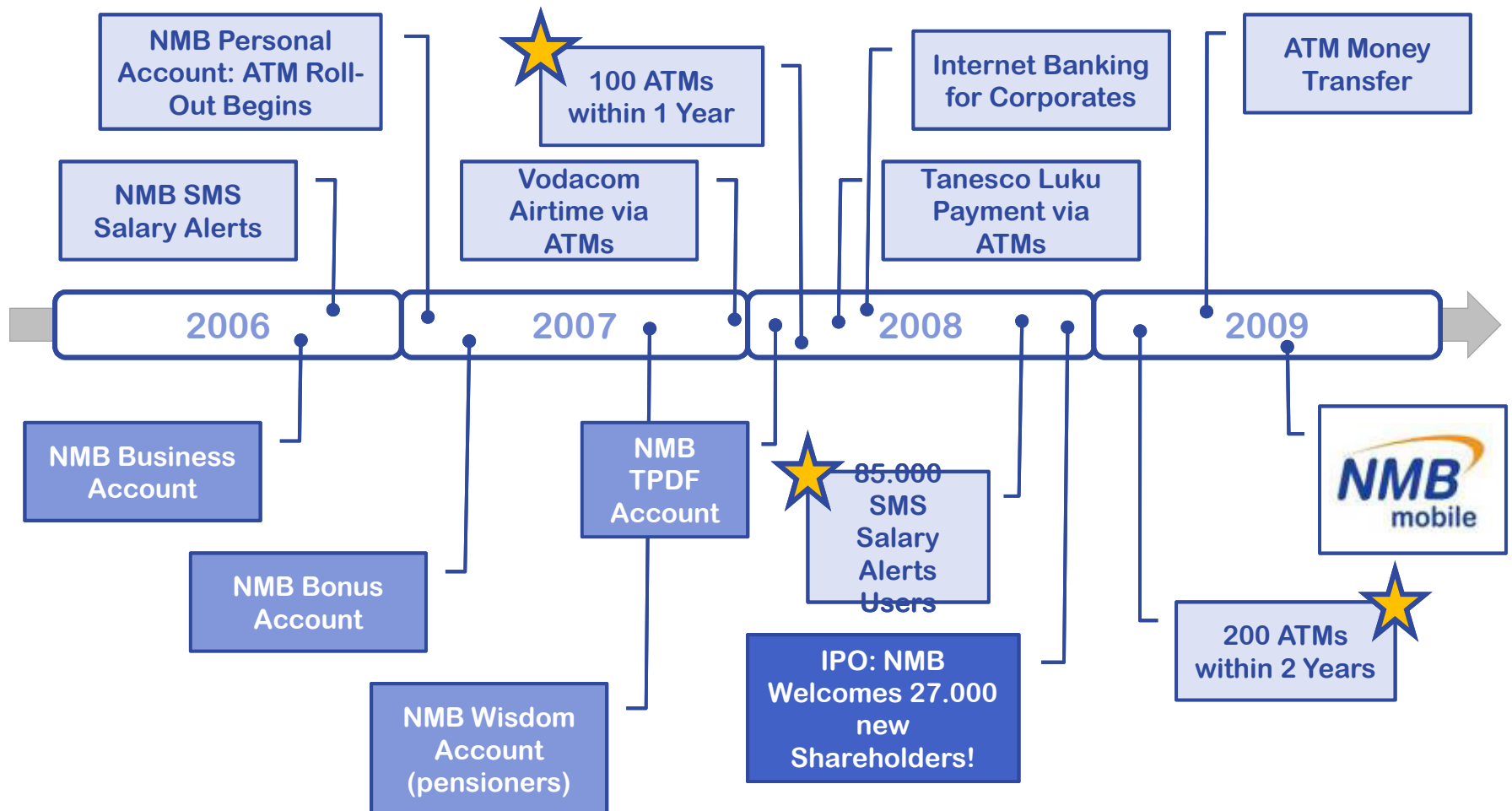


- 1,400,000 customers
- Almost full product range for various market segments, strong entrance into agri markets and corporate banking

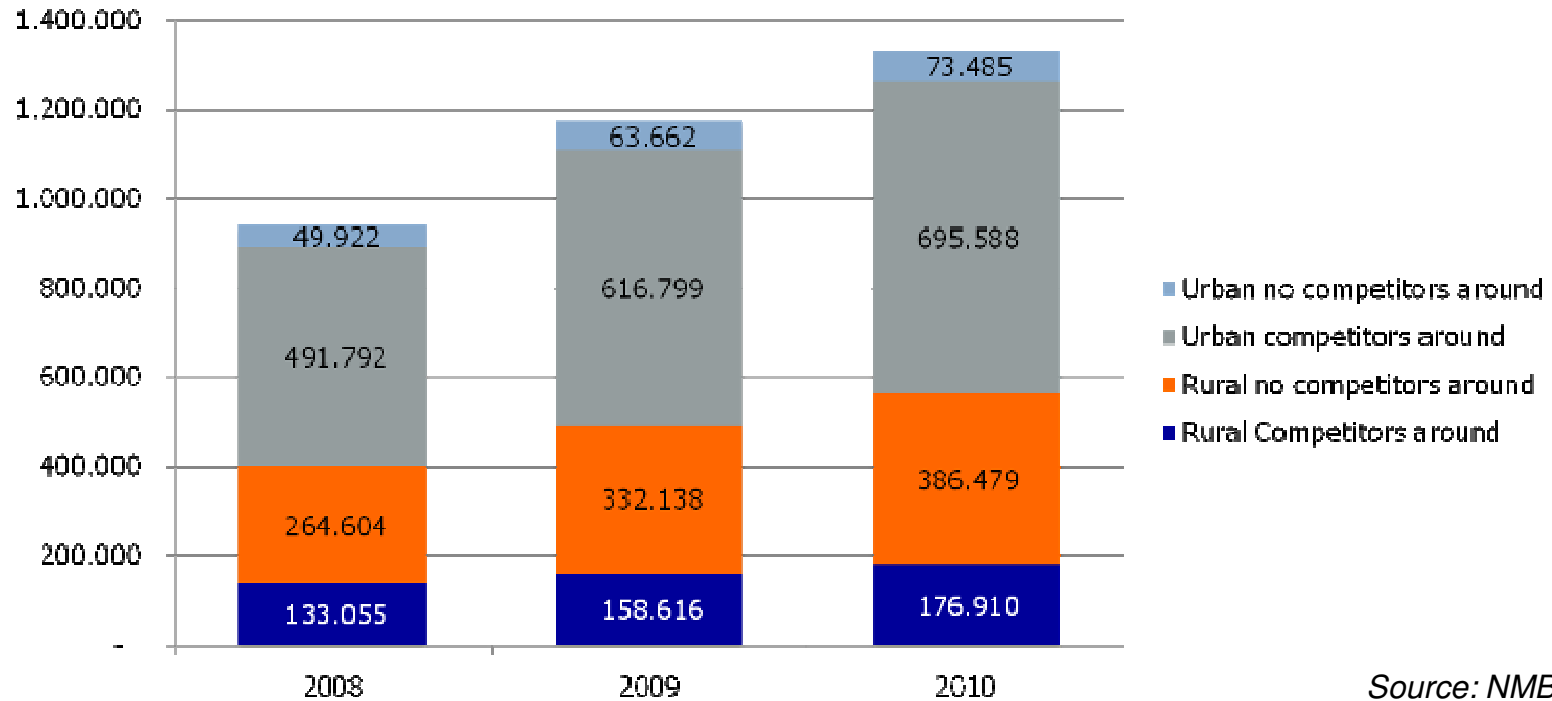
- appr. 140 branches
380 ATMs
mobile banking
internet banking
truck banking (pilot)

- 2800 staff
- IT: towards central FlexCube platform

NMB Innovation and Milestones



Private Individuals



42% of overall growth of individuals reached since 2008
 % Growth in 'unique' districts is larger (R 46% vs. 33%; U 47% vs. 41%)
 Majority of customers in urban districts

Corporate Clients

Number of NMB's Corporate Clients

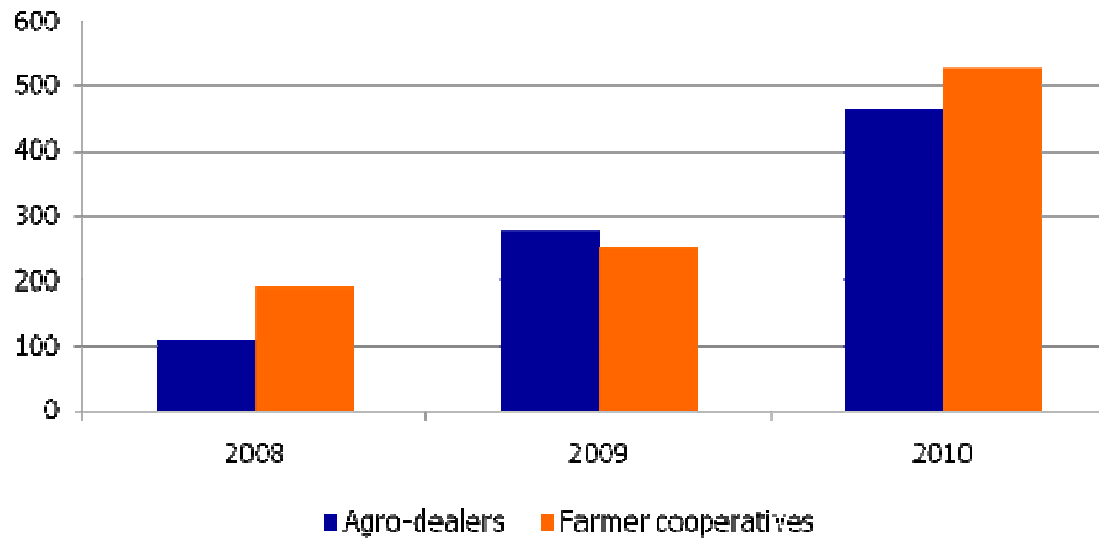


Source: NMB

Corporate banking activities at NMB started in 2008
Step increase in the number of corporate clients

Cooperatives | Agro dealers

Number of cooperatives and Agro dealers financed by NMB

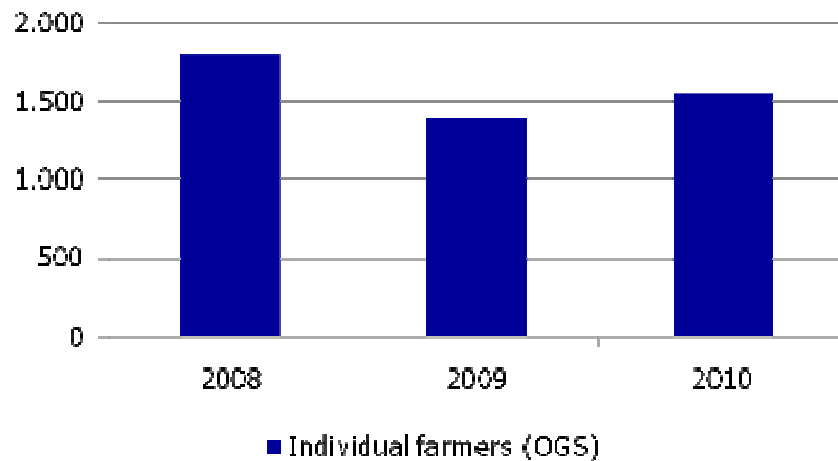


Source: NMB

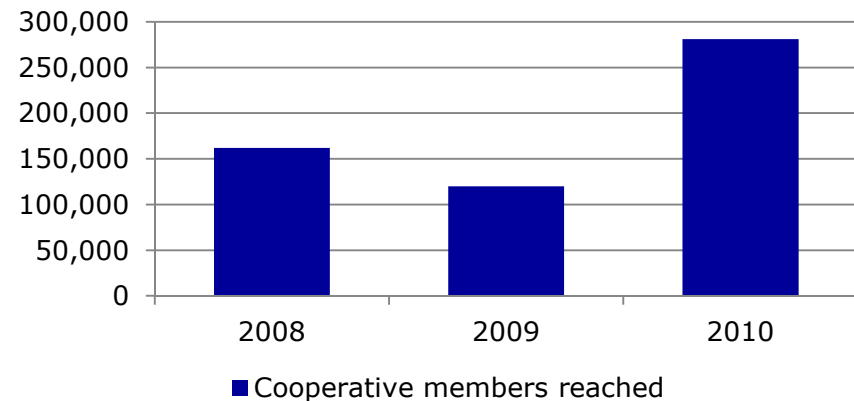
Increasing number of primary cooperatives financed
Increasing number of agro dealers (farm inputs) financed

Individual Farmers

Individual farmers (OGS)



Cooperative members reached indirectly

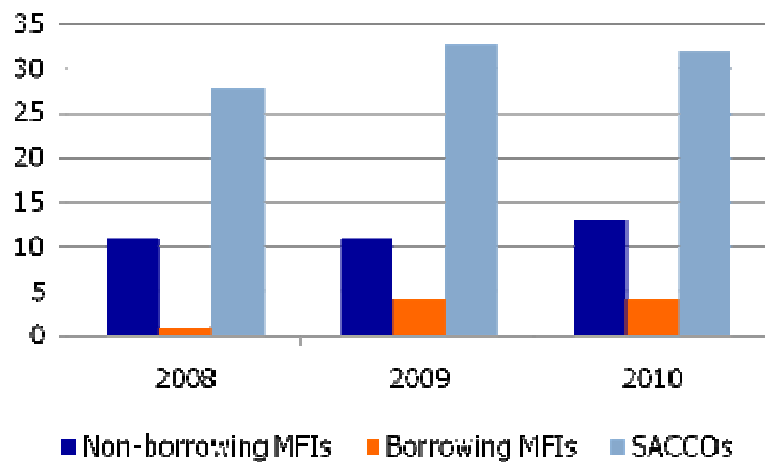


Source: NMB

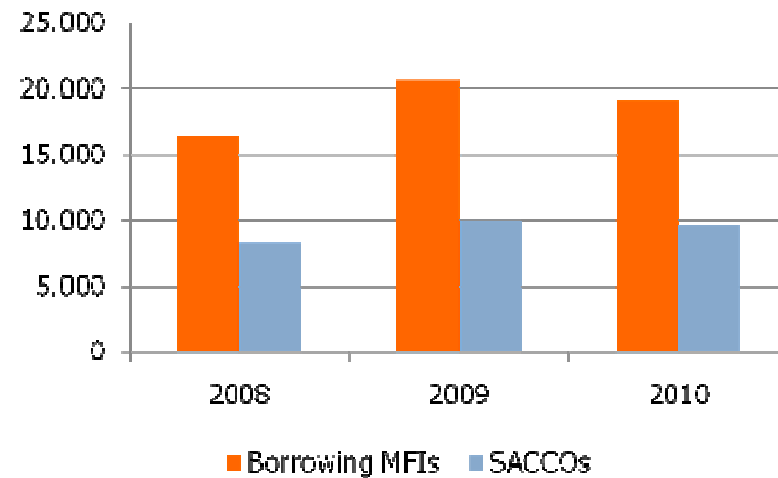
1500 farmers financed directly (outgrowers)
280,000 farmers reached via cooperatives

NBFIs: SACCOs and MFIs

Customers - NBFIs



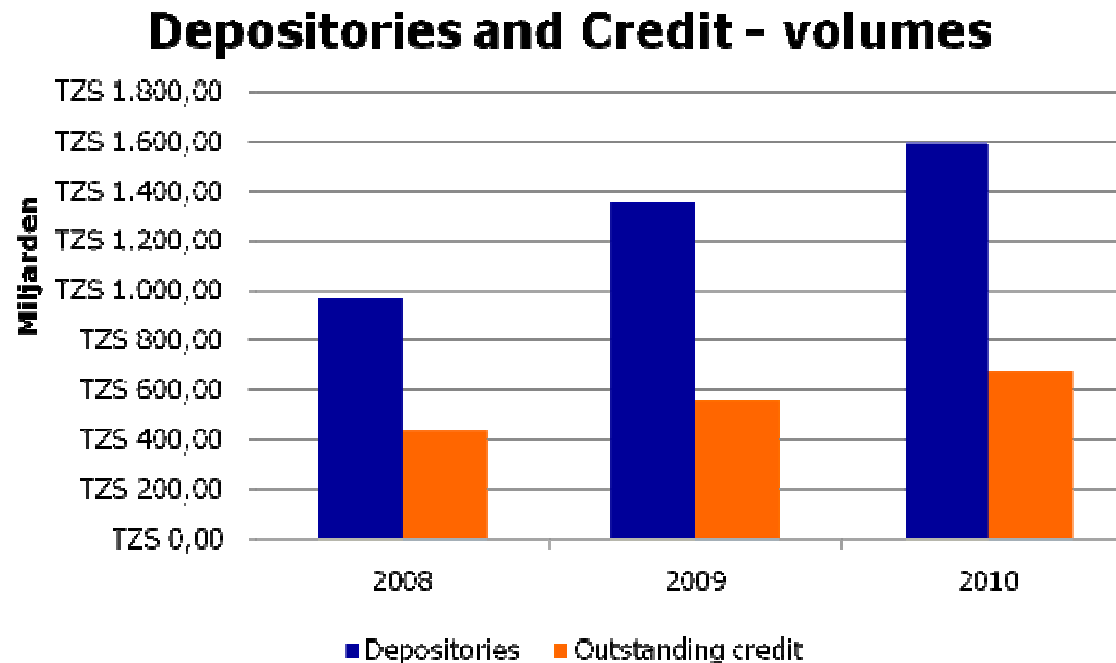
Indirectly reached individuals via NBFIs



Source: NMB

>30 SACCOs financed by NMB and 4 MFIs
 Approximately 30,000 individuals indirectly reached via non-bank financial Institutions (NBFIs)

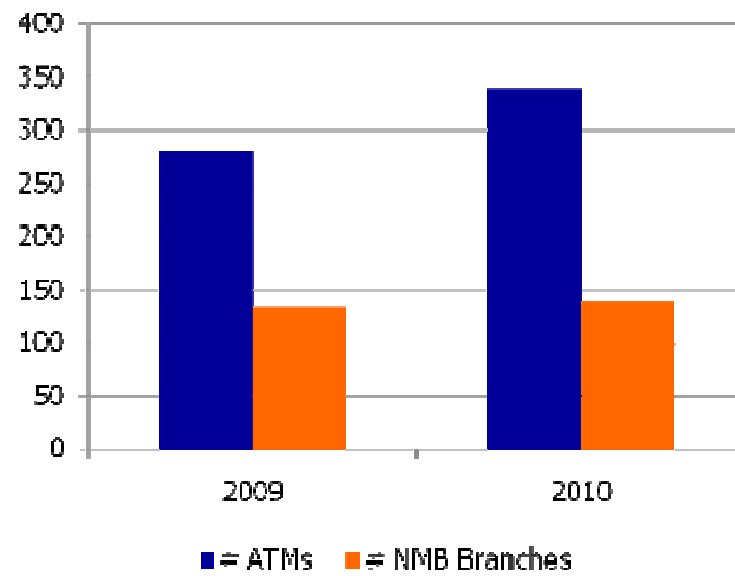
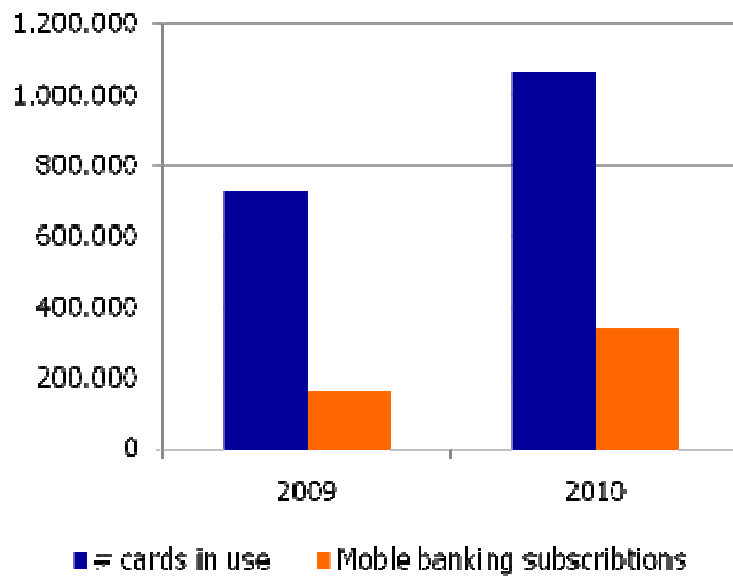
Product uptake: credit & deposits



Source: NMB

Steep growth in both deposits and credit
Funding is not a problem
L/D ratio is low and decreasing

Cards, mobile subscriptions, ATMs and branches



Source: NMB

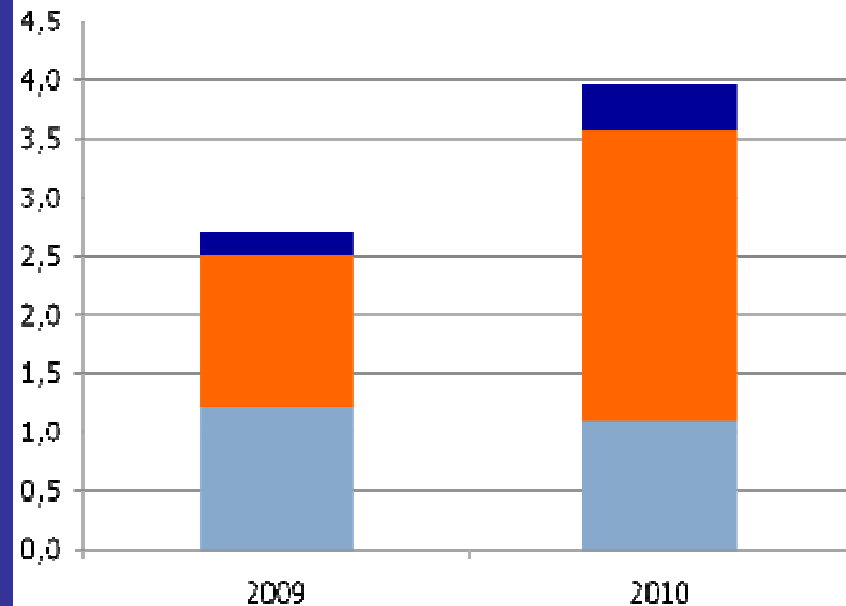
Usage of technology increases
Branches relatively stable as of 2009

Transactions per account

The total number of transactions per account increased >35 % in all areas.

On average:

- 2009: 2.7 per month per account
- 2010: 4.0 per month per account
- The number of Teller transactions decreased overall.
- ‘Technological’ transactions show a significant increase.



■ Average = transactions per account per month Teller
■ Average = transactions per account per month ATM
■ Average = transactions per account per month Mobile

Source: NMB

Increased usage of the payment network



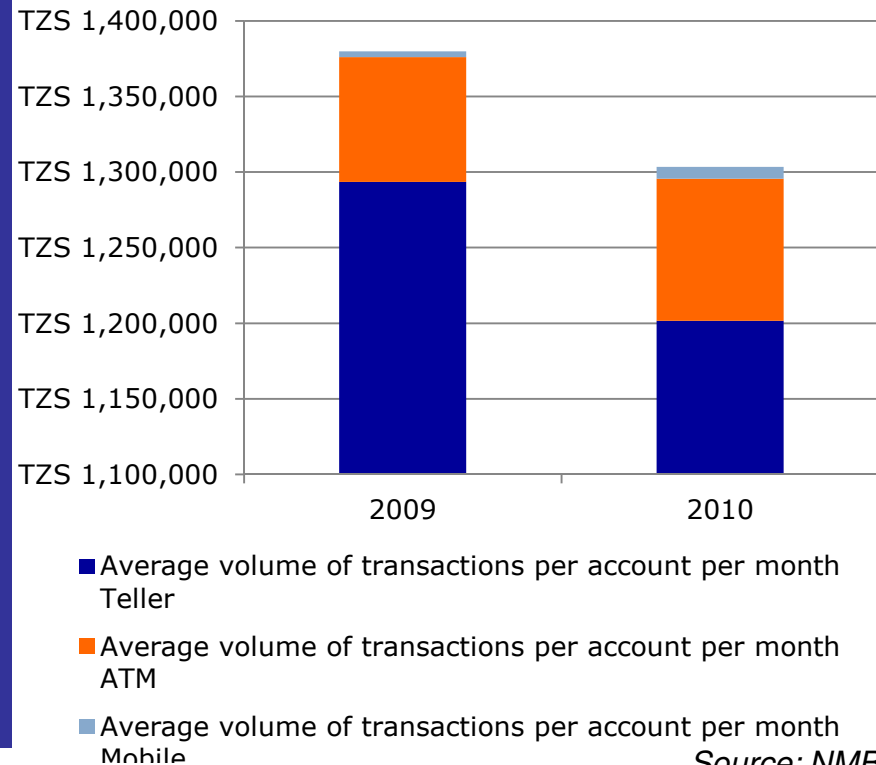
Transactions per account

Total transaction volume decreased 6% over all.

On average:

•2009: TZS 1,379,950 per month per account

•2010: TZS 1,303,522 per month per account (- 6%)



Decreased volume of teller transactions per account
Increased volume in ATM and mobile transactions per account





Agriculture Finance Achievements

Agribusiness potential in TZ

44Mn Hectares – Arable land (25% being utilized)

Contributes over 30% to GDP

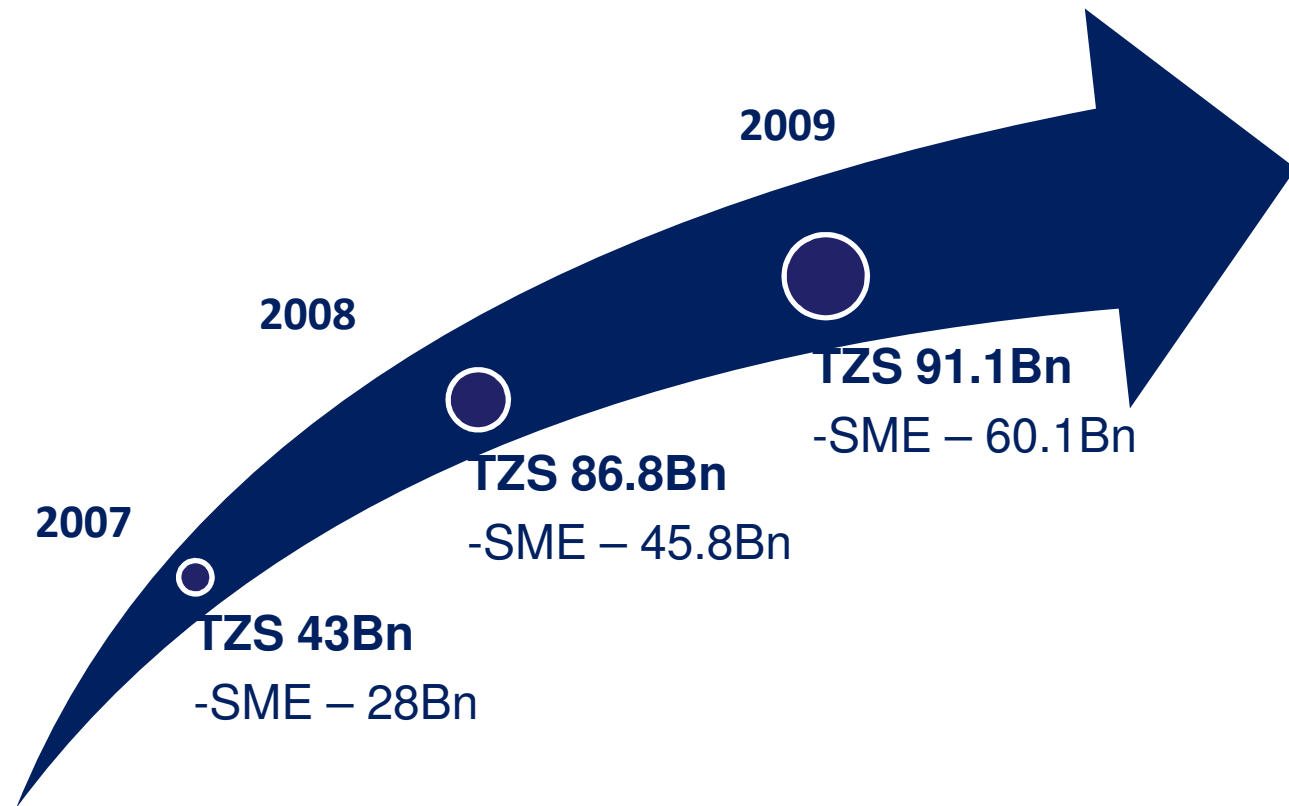
75% of the population earn living from agriculture

10.3% current commercial banks lending in Agriculture

1% out of 29.4 hectares suitable for irrigation is being irrigated



Agri finance achievements 2009... Lending volume by sector



Agri finance achievements 2009...



39.4% Agriculture Production – out grower schemes
21.0% Agriculture Marketing – Warehouse Receipt
39.6% Inputs Importation and Processing –
LC/Credits



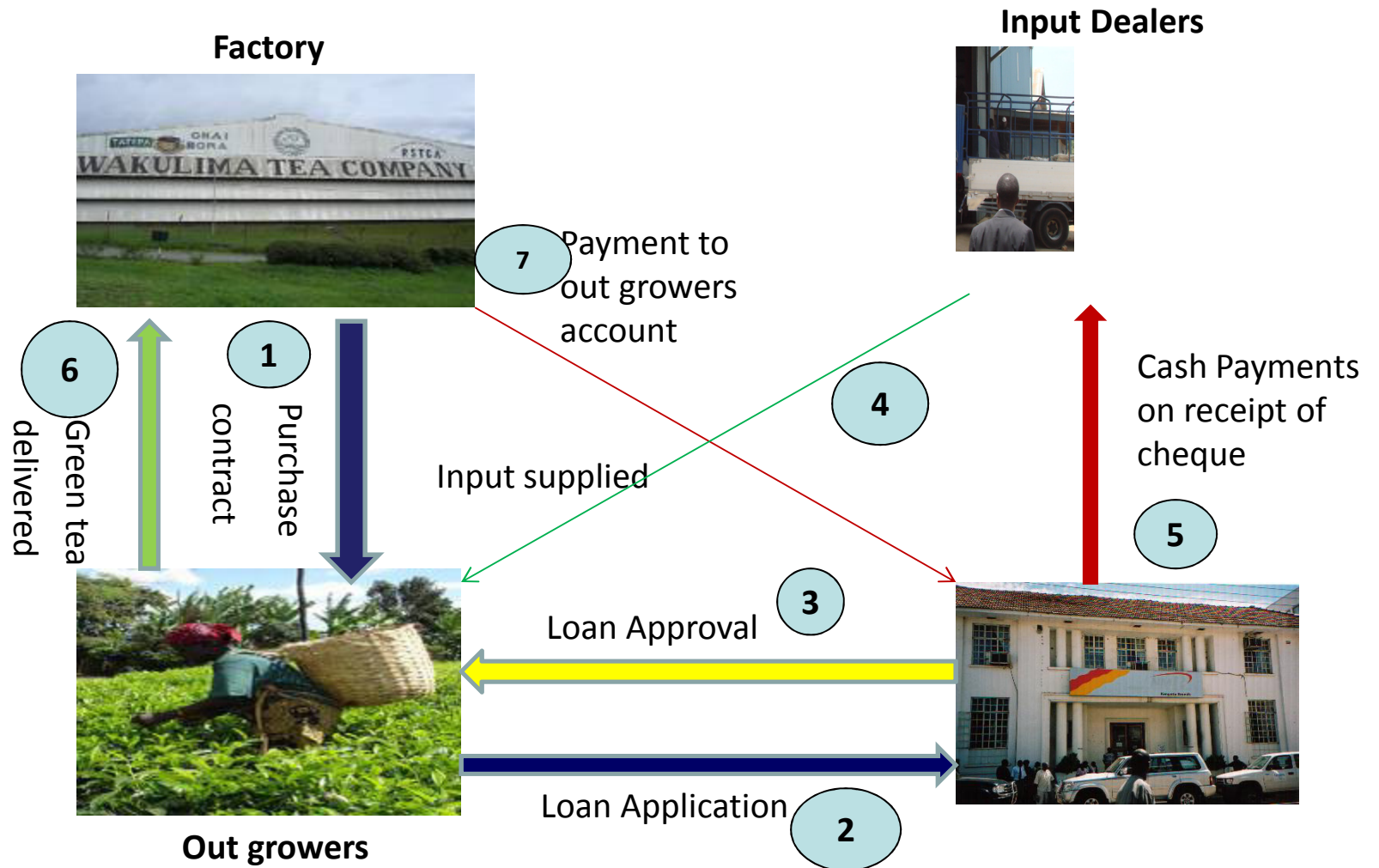
492,000 Farmers financed (Tobacco, Coffee, Cashew,
Paddy, Tea, Barley & Sunflower)
472 AMCOs & Primary Cooperative Societies



NMB partnered with

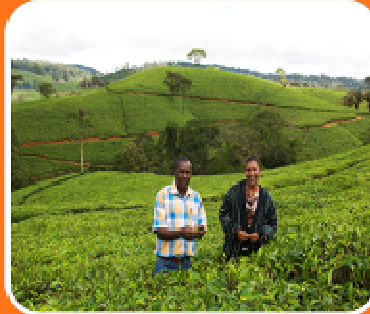
- Alliance for Green Revolution in Africa
- Financial Services Deepening Trust
- Private Agriculture Sector Support
- Techno Serve
- Rabobank Foundation

Outgrower schemes...



TOTAL PORTFOLIO – TZS 35.96Bn (Tea, Tobacco, Barley & Sugar cane)

Outgrower schemes KSFs



**-Reliable
Buyer**
**-Contract
Farming**

**Farmers/
Farmer
Groups**

**Tri-partite
agreement**

Outgrower schemes lessons learned

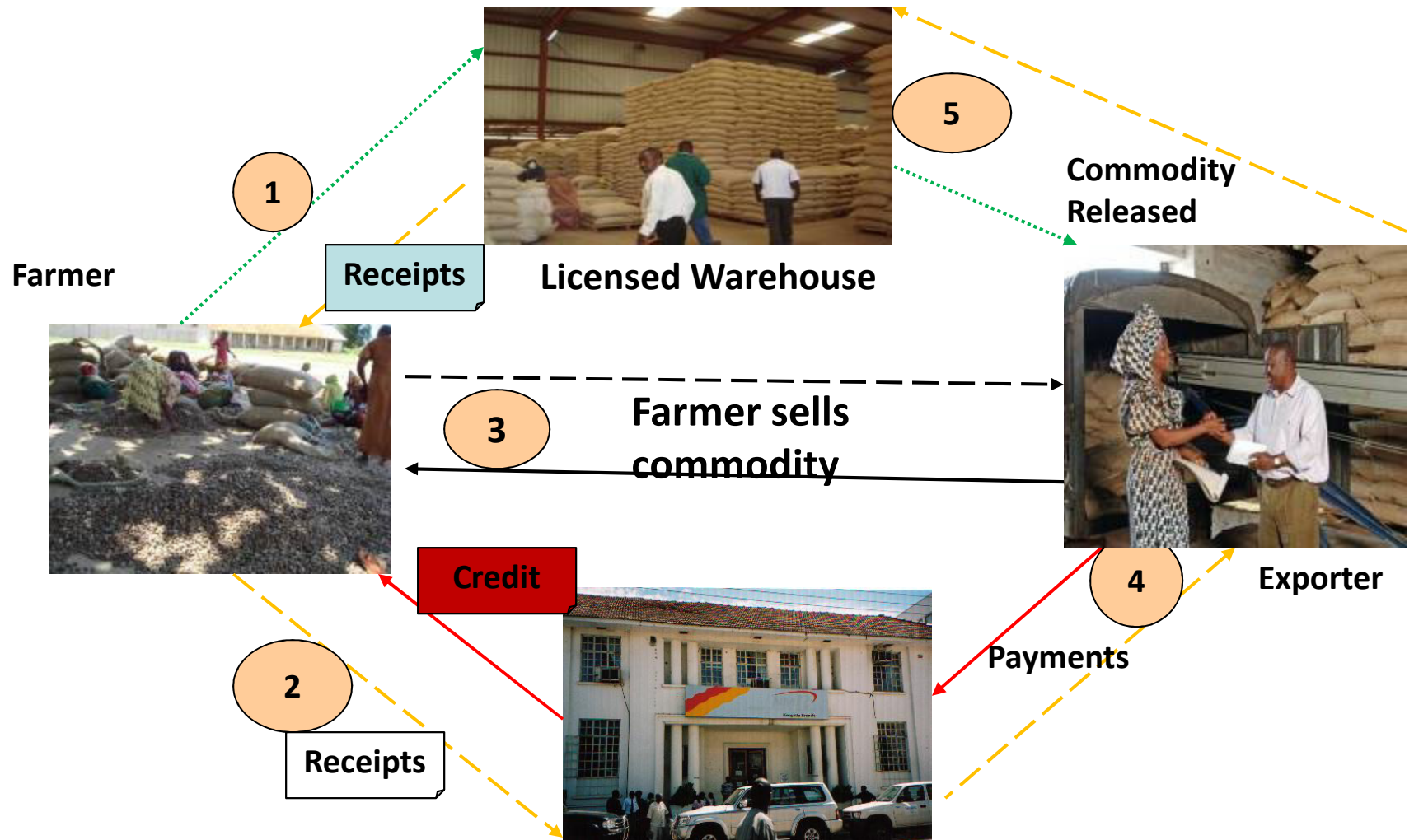


Buyers
must be
financially
stable

Farmers
must
provide
some
collateral

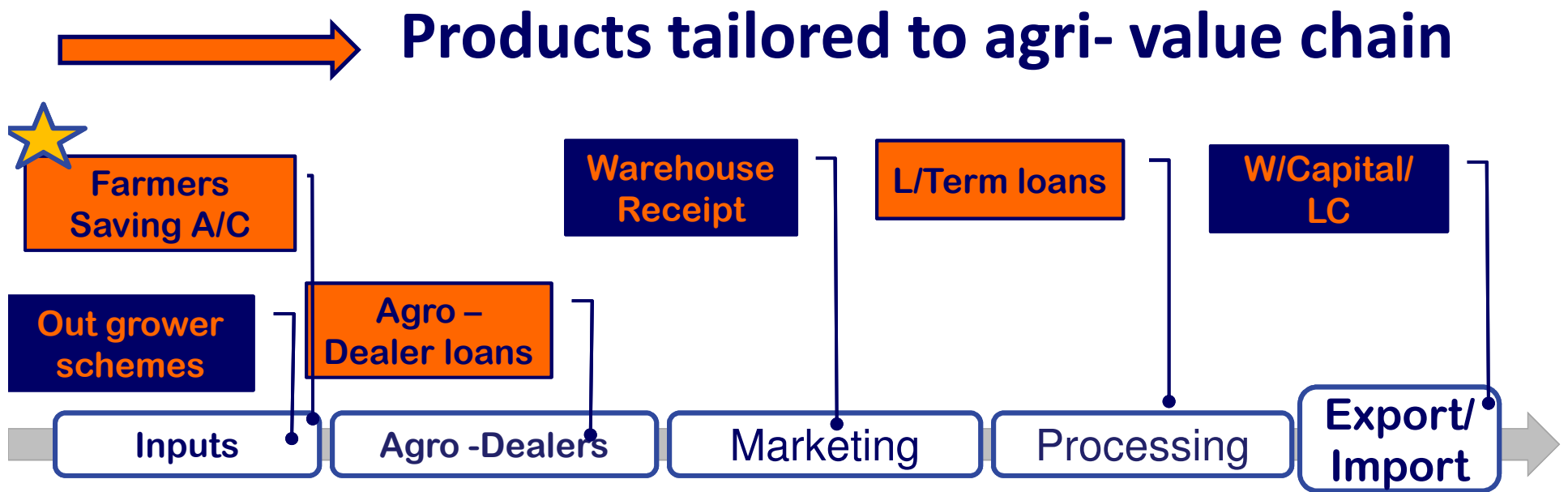
Contract
farming
mandatory

Warehouse Receipt Financing



TOTAL PORTFOLIO WRS – TZS 19.4BN (Cashew, Coffee, Paddy, Sunflower)

Objectives 2010



Economic Impact Assessment

NMB has:

- 34% of all commercial bank branches
- 43% of all ATMs countrywide
- 44% of all depository accounts in Tanzania
- 21% of all Tanzanian depositories in terms of volume
- 14% of all credit provided in Tanzania in terms of volume

NMB has impact

NMB contributed positively to the economic wellbeing of:

- 1.4 million individuals
- 50,000 entrepreneurs
- 280,000 farmers
- Average household size of 5.7
→ 8 million people benefit (18% of population)

→ All in a financially healthy and sustainable manner!

Unique customers, no other banks:

- More than 450,000 (+115,000 since 2008) customers in unique areas: 2.5 mln individuals (h.h. size of 5.7)
- 9,700 MSME financed in unique areas

Significant large share of NMB in:

- commercial bank activities
 - formal financial services
 - rural outreach in terms of numbers
- Volumes relatively low in rural areas, but growing

NMB's strengths: # customers, deposits and financial infra-structure

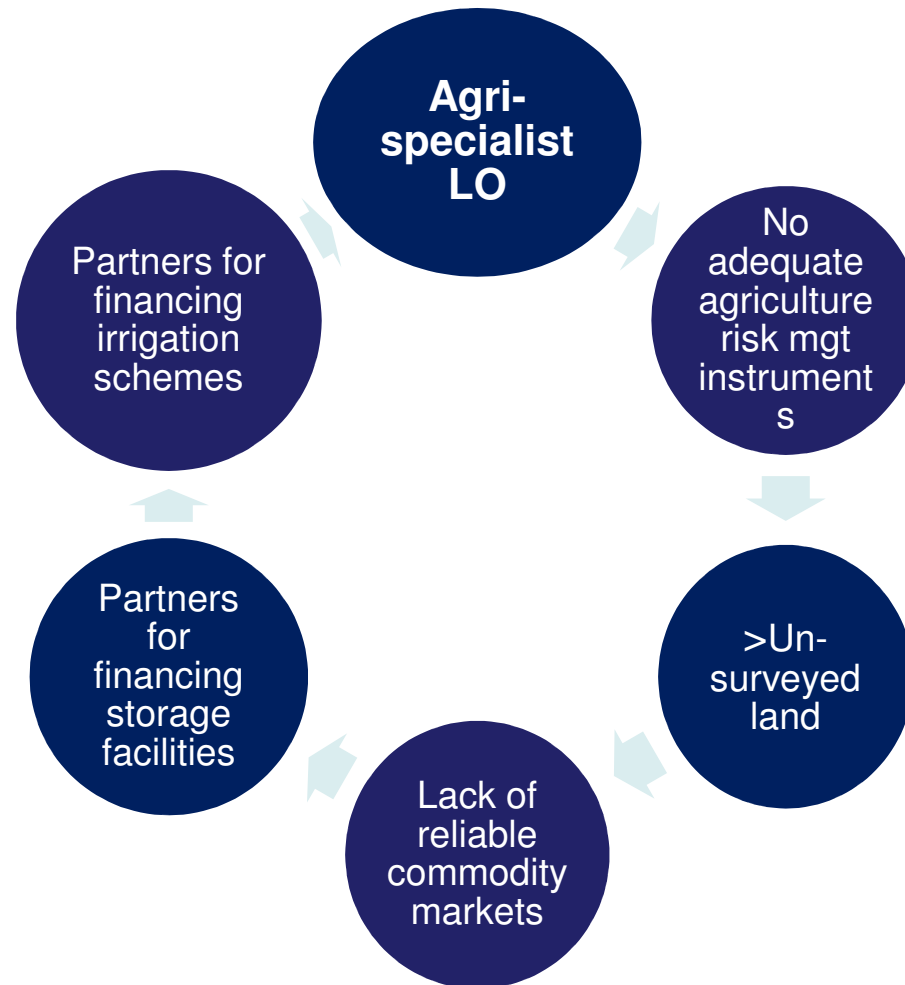
NMB has impact on:

- | | |
|---------------------------------|--------------------------------|
| • Family's financial resilience | • Employment |
| • Security | • Productivity |
| • Financial literacy | • Access to Education |
| • Income and business growth | • Access to Healthcare |
| | • Economic activity and growth |





Challenges going forward...



Key priorities going forward

