

MAENDELEO BANK PUBLIC LIMITED COMPANY

(Incorporated under the Companies Act 2002 in the United Republic of Tanzania with Certificate of Incorporation No. 81006 dated 18 January 2011)

PROSPECTUS

Nominated Advisor

Consultants for Resources Evaluation Limited

Application under

The Capital Markets and Securities (Prospectus Regulations Requirements) (Amendment) Regulations 2010

and

The Capital Markets and Securities (Nominated Advisors) Regulations 2010.

for

Initial Public Offer by Maendeleo Bank PLC of 8,000,000 to be issued as fully paid ordinary shares at TZS 500 per share, representing 100% of the issued share capital of 8,000,000 ordinary shares of a nominal value of TZS 500 each. Of these shares, 7,028,000 shares have already been subscribed for in advance and will be allotted shares upon approval of the Prospectus. The remaining (972,000) shares will continue to be on offer for another 2 months until 15th October 2013 when another allotment will be made.

Offer opens: 16 August 2013

Offer closes: 15 October 2013

Expected date of initial allotment: 16 August 2013

Expected date of final allotment: 15 October 2013

Application has been made to the Enterprise Growth Market (EGM) segment of the Dar es Salaam Stock Exchange (DSE) for official listing of all the Company's ordinary shares. However, Promoters of the bank will be subjected to a 3-year lock-in period during which they will not be allowed to sell their shares.

While the bank will open its doors for business as soon as the Prospectus has been approved by the Authority and initial allotment made by the Directors. It will for 2 more months continue offering ordinary shares under the same Prospectus and the same IPO price of TZS 500 per share. In the event of an oversubscription during the extended offer period, the Directors have resolved to issue additional shares up to a maximum of 15% of the total shares on Offer.

**This Document is not for sale
12 August 2013**

CAUTIONARY STATEMENT

This document concerns an Offer for ordinary shares of Maendeleo Bank Limited under the Enterprise Growth Market of the Dar es Salaam Stock Exchange.

The Enterprise Growth Market (EGM) is designed primarily for small and medium size companies, start ups or companies with no track record to which a higher investment risk tends to be attached than to more established companies or companies with good track record. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, after consultation with an independent financial adviser.

A copy of this Prospectus together with the documents required by Section 434 of the Tanzanian Companies Act to be attached thereto, have been delivered to the Capital Markets and Securities Authority for approval and to the Registrar of Companies in Dar es Salaam Tanzania for registration pursuant to Section 49(1) of the Tanzanian Companies Act.

Permission has been granted by the Capital Markets and Securities Authority of Tanzania to introduce to the public the ordinary shares in Maendeleo Bank plc that are the subject of this Prospectus. The shareholders' register will be maintained and regularly updated by the Central Depositor Registry of the Dar es Salaam Stock Exchange. Though there will be no trading of the bank's shares at the DSE during the 3 years' lock-in period, the bank will otherwise comply with all corporate governance and continuing disclosure requirements of the DSE.

The securities that are the subject of the Prospectus have not been approved nor disapproved by the Capital Markets and Securities Authority. As a matter of policy, the Capital Markets and Securities Authority of Tanzania does not assume responsibility for the correctness of any of the statements made or opinions or reports expressed or contained in this Prospectus.

Approval of the Prospectus by the Capital Markets and Securities Authority is not to be taken as an indication of the merits of Maendeleo Bank plc (MBP) or its shares.

Prospective investors should carefully consider the matters set forth and discussed in Section II labelled 'Risk Factors' in this Prospectus.

MAENDELEO BANK PUBLIC LIMITED COMPANY

(Incorporated under the Companies Act 2002 in the United Republic of Tanzania
with Certificate of Incorporation No. 81006 dated 18 January 2011)

Issuer

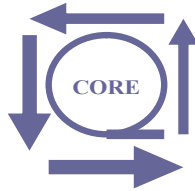
Maendeleo Bank Public limited Company

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Fax +255 22 2125505 Email: infor@elctcd.org

Web: www.elctcd.org

Nominated Advisor



Consultants for Resources Evaluation Limited

(CMSA Licensed Investment Advisor)

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P O BOX 76800 Dar es Salaam, Tanzania

Tel.: +255222123103 Fax: +255222122562

Email: fumbuka@coresecurities.co.tz info@coresecurities.co.tz

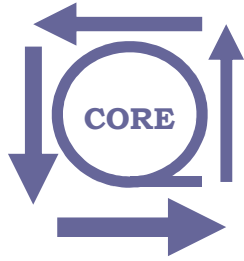
Website: <http://www.coresecurities.co.tz>

Legal Advisor



2nd Floor, NIC Life House Sokoine Drive/Ohio Street
P O BOX 3167, Dar es Salaam Tanzania

**DECLARATION OF CONSULTANTS FOR RESOURCES EVALUATION LIMITED,
THE NOMINATED ADVISOR**



Consultants for Resources Evaluation Limited
(Licensed CMSA Investment Advisor)

Suite, 4th Floor Elite City Building, Cnr. Samora Avenue/Morogoro Rd.
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Certificate of Incorporation No. 14054/ TIN 100-195-232 /VAT 10-008301-J

To the best of our knowledge and belief having made due and careful enquiry and considered all relevant matters under the Capital Markets and Securities (Nominated Advisors') regulations, 2010 and the DSE Rules for EGM Companies and in relation to this application for admission, this Nominated Advisor confirms that:

All applicable requirements have been complied with and, in particular:

SECTION A:

- a) The listing document complies with the DSE Rules for EGM Companies.
- b) The requirements of the First Schedule to the Capital Markets and Securities (Nominated Advisors) Regulations, 2010 have been complied with; and

SECTION B:

- a) It is satisfied that the applicant and its securities are appropriate to be listed on the EGM having made due and carefully enquiry and considered all relevant matters set out in the DSE Rules for EGM Companies and the Capital Markets and Securities (Prospectus Requirements) Amendment Regulations, 2010; and
- b) The Directors of the applicant have received advice and guidance from this Nominated Advisor as to the applicant's responsibilities and obligations under the law in order to facilitate due compliance by the applicant on an ongoing basis; and
- c) It will comply with the law as applicable to it in its role as a Nominated Advisor to this applicant.

L G FUMBUKA,
DIRECTOR

IMPORTANT NOTICE

When considering what action you should take, you are advised to consult your investment adviser, stockbroker, banker or other financial consultant.

This Prospectus is issued by the Directors of Maendeleo Bank PLC and includes information given in compliance with the requirements of ***the Capital Markets and Securities (Prospectus Regulations Requirements) (Amendment) Regulations 2010 and the Capital Markets and Securities (Nominated Advisors) Regulations 2010.***

The Directors of Maendeleo Bank PLC, being the persons named in Section X of this Prospectus have taken all reasonable care to ensure that the facts stated and the opinions expressed herein are true and accurate in all material respects, and there are no other material facts the omission of which would make any statement herein, whether of fact or opinion, misleading. All the directors of Maendeleo Bank PLC accept responsibility accordingly and have submitted commitment letters to the Authority in this regard.

The ordinary shares of Maendeleo Bank PLC have a nominal value of TZS 500 shillings and rank *pari-passu* with the right to participate in all future dividends to be declared and paid on the ordinary share capital of Maendeleo Bank PLC.

Application has been made to the Enterprise Growth Market (EGM) segment of the Dar es Salaam Stock Exchange (DSE) for official listing of all the Company's ordinary shares. However, Promoters of the bank will be subjected to a 3-year lock-in period during which they will not be allowed to sell their shares. In addition, the bank will continue offering shares to the general public - under this same Prospectus - and the fixed price of TZS 500 for 2 months until 15 October 2013.

Permission has been given by the Bank of Tanzania to allow Maendeleo Bank PLC to begin banking business in the category of non-bank financial institution (NBFI) immediately upon approval of this Prospectus by CMSA and the initial allotment of shares, subject only to attaining the minimum required core capital of TZS 2 billion.

The IPO Advisors, namely, the Nominated Advisor (Consultants for Resources Evaluation Limited); the Legal Advisor (Abenry and Company, Advocates); have given and have not withdrawn their written consents to act in the capacities stated, and to their names being stated in their respective capacities in this Prospectus.

This Prospectus may not be used for or in connection with any offer of MBP shares to, or solicitation by, anyone in any jurisdiction or in any circumstances where such offer or solicitation is not authorised or is unlawful. The distribution of this Prospectus outside of Tanzania may be restricted by law. Persons who come into possession of this Prospectus should seek advice on and observe all restrictions placed on them by the laws of the jurisdiction in which they are located. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

You may not and are not authorised to: (i) reproduce or publish this Prospectus; or (ii) distribute, disclose or pass on this presentation to any other person, in whole or in part, by any medium or in any form.

Forward-looking statements

This Prospectus includes “forward-looking statements” that express or imply expectations of future events or results. Forward-looking statements are statements that are not historical facts. These statements include, without limitation, financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future production, operations, costs, products or services, or statements regarding future performance. Forward-looking statements are identified by such words as “plans,” “expect,” “anticipates,” “believes,” “intends,” “estimates” and other similar expressions.

All forward-looking statements involve a number of risks, uncertainties and other factors. Although MBP believes that the expectations reflected in such forward-looking statements are reasonable, investors are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of MBP, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements contained in this document.

Factors that could cause or contribute to differences between the actual results, performance and achievements of MBP include, but are not limited to, political; economic and business conditions; industry trends; competition; commodity prices; changes in laws; and fluctuations in exchange rates, local and foreign inflation.

Accordingly, Investors should not place absolute or sole reliance on forward looking statements contained in this Prospectus and are advised to make their own inquiries with appropriate professional advisors before reaching a decision whether or not to make an investment in the bank’s shares.

The forward looking statements in this Prospectus reflect information available at the time of preparation. Subject to the requirements of the CMSA’s Prospectus Regulations as revised and the Rules of the Dar es Salaam Stock Exchange or other applicable law, MBP explicitly disclaims any obligation or undertaking publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in MBP’s expectations or to reflect events or circumstances after the date of this Prospectus. No statements made in this Prospectus regarding expectations of future profits are profit forecasts or estimates, and no statements made in this Prospectus should be interpreted to mean that MBP’s profits or earnings per share for any future period will necessarily match or exceed the historical published profits or earnings per share of MBP.

OFFER STATISTICS

DESCRIPTION	NUMBER OF SHARES	PAR	TZS
AUTHORISED SHARE CAPITAL	60,000,000	500	30,000,000,000
SHARES ON OFFER (INCL. ADVANCES PAID)	8,000,000	500	4,000,000,000
ADVANCES PAID TOWARD SHARE CAPITAL	7,028,000	500	3,514,000,000
SHARES ON OFFER (NOT YET PAID FOR)	972,000	500	486,000,000

At the date of this Prospectus, the bank has already collected the sum of TZS 3,514,000,000 from subscribers as advances towards share capital, for which 7,028,000 shares of TZS 500 each will be allotted by the Directors once the Prospectus is approved by CMSA.

The Directors have resolved, and Regulatory approval has been obtained from CMSA, to continue offering the remaining 972,000 ordinary shares of TZS 500 par value each - and the same IPO price - under the same Prospectus for an extended period of 2 months to 15 October 2013. A second allotment of shares will be made on that date.

In the event that there is an oversubscription of the shares on offer during the extended Offer period, the Directors have resolved, and Regulatory approval has been obtained from CMSA, to issue additional shares up to a maximum of 15% of all the shares on offer.

This means that in that extreme eventuality, the issued and paid up share capital of the bank shall be TZS 4,600,000,000 made up of 9,200,000 shares of TZS 500 each. All these shares will rank pari-passu with each other in all respects.

OFFER TIMETABLE

Offer begins:	16 August 2013
Offer closes:	15 October 2013
First allotment of Shares:	16 August 2013
Second allotment of shares	15 October 2013
Crediting of shares to the CDS accounts	18 October 2013
Refund cheques to Authorised Selling Agents listed on page 92 of this Prospectus	18 October 2013
Distribution of Depository Receipt	18 October 2013
Listing date and commencement of trading of MBP shares on the DSE	21 October 2013

The Offer shall continue until 15 October 2013 with a Green Shoe option of up to 15% of the shares on offer. Listing shall occur after the second allotment.

Although the bank's shares will begin trading on the EGM Segment of the DSE on 16 August 2013, the bank's Promoters shall not be allowed to trade their shares until after a 3-year lock-in period has elapsed. The Promoters are defined, as of the first allotment and again of the second allotment, as those investors who are either Directors of the bank, or those that have 1% or more of the bank's issued share capital, or those who are regarded by the Directors and reported to the Exchange after each allotment as being anchor shareholders.

DEFINITIONS and ABBREVIATIONS

In this document and in the accompanying Provisional Allotment Letter the following expressions shall have the following meanings unless the context otherwise requires:

“Banking Act” or ‘BAFI Act’	Shall mean the Banking and Financial Institutions Act, Cap. 342;
“BG”	British gas
“BoT” or “the Bank”	The Bank of Tanzania
CMS Act”	shall mean the Capital Markets and Securities Act, Cap 79;
“CMSA” or “the Authority”	The Capital Markets & Securities Authority
“Directors” or “the Board”	The members of the Board of Directors of Maendeleo Bank whose names appear on page 53 to 55 of this document.
“DSE”	The Dar es Salaam Stock Exchange
“ECD”	East and Coastal Diocese described in this document.
“EGM”	Enterprise Growth Market- a second tier window of the Dar es salaam Stock exchange for a startup companies.
“ELCT”	Evangelical Lutheran Church of Tanzania
“FDIs”	Foreign Direct Investment
“Final Allotment”	15 th October 2013
“GDP”	Gross Domestic Product
“Green shoe option”	An agreement that gives the underwriter the right to issue shares to investors who have subscribed for more shares than are on offer, subject to a stated limit above the offer shares
“IMF”	International Monetary Fund
“Initial Allotment”	Allotment to be made on 16 August 2013 to investors who had paid for their shares in advance.
“IPO”	Initial Public Offering
“LNG”	liquefied natural gas
“Lock-in Period”	A defined period, in this case 3 years, during which pre-defined investors (usually directors or promoters of the company)
“MBP” or “the Issuer”	Maendeleo Bank Public Limited Company

“MFIs”	Microfinance Institutions
“NBFI”	Non-Bank Financial Institution
“NGO ”	Non-Government Organisation
“Nominated Advisor”	Consultants for Resources Evaluation Limited
“Offer Price”	TZS 500 per share
“Official Listing”	The date, in this case 16 th August 2013, when shares on Offer in an IPO can be listed for sale at the DSE
“Ordinary Shares”	Ordinary shares of TZS 500 each in the share capital of the Company
“Oversubscription”	Money collected in an IPO that is more than the value of shares issued on offer
“Prospectus”	This Prospectus, dated 12 August 2013
“PSI”	Policy support instrument
Promoters	Investors who are either Directors of the bank, or those that have 1% or more of the bank’s issued share capital, or those who are regarded by the Directors and reported to the Exchange after each allotment as being anchor shareholders.
“Qualifying Shareholders”	All holders of ordinary shares qualifying shall be on the register of members of the Company
“Receiving Agents”	All Licensed Dealing members of the DSE. This includes Nominated advisors under the law
“Receiving Bank”	CRDB Bank Plc
“SACCOS”	The Savings and Credit Cooperatives Society
“SELF”	Small Enterprise Loan facility
“SMEs”	Small and Medium Enterprises
“TANESCO”	Tanzania National Electric Supply Company limited
“the Company” or “the bank”	Maendeleo Bank PIC
“TMRC”	Tanzania Mortgage Refinance Company
“TZS ”	Tanzania Shillings.

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LETTER FROM THE CHAIRMAN

Dear Investor,

“Maendeleo Bank – Together in Progress”

“Thus says the LORD, your Redeemer, the Holy One of Israel: I am the LORD your God who teaches you to profit, who leads you in the way you should go,”

(Isaiah 48:17).

We have finally secured approval by the Bank of Tanzania (BoT) and the Capital Markets & Securities Authority (CMSA) to go public with Maendeleo Bank and formally issue shares to its subscribers and invite applications from more investors.

The bank will open for business on 16 August 2013.

Vision

The Vision of the bank: “To become the premier bank in Tanzania, which is customer need driven with competitive returns to shareholders

The Mission

“To grow our business whilst investing on communities that we serve and improving the lives of our employees. We strive to provide competitive and innovative financial services to all stake holders and the society”

We welcome you and thank you for your interest in investing in the Maendeleo Bank. We are pleased to offer you the opportunity to invest in a project which we believe will deliver significant social and economic benefits to the community that the bank will serve.

Although Maendeleo Bank has been sponsored by members of the Eastern and Coastal Diocese (ECD) of the Evangelical Lutheran Church of Tanzania (ELCT), the broader goal is to provide banking services to all other unbanked and financially disadvantaged people in Tanzania. In doing so, our primary focus will be on banking products that can reach the average person in a cost-effective manner and within a worthwhile timeframe.

By owning shares in Maendeleo Bank, you will therefore be helping to secure banking services for your community. Our mutual success will be generated through your personal participation in mobilizing and contributing local capital which can be used to provide the needed blood (financial resources) for our economy

Maendeleo Bank plans to be the bank of choice for its members and their local communities, targeting to serve the entire cross section of families of low to high income people – individually or in organised groups such as youth or women’s groups, congregations, medium enterprises (SMEs), SACCOS and large scale

corporations. With time, the bank plans to scale up its services and grow its outreach to serve all types of Clients in corporate finance, development banking, international trade finance, and all aspects of modern banking. Depending on the task at hand, Maendeleo Bank will team up with all persons of goodwill and entities with shared values to further enrich its services and provide very good returns to investors.

I wish at this point share with you our Vision and the bank's roadmap for the next few years. This will enable us – together - to manage expectations of the bank's investors and potential stakeholders. As stated above, the founding of the bank was primarily result of what Christians of the ELCT in the Eastern and Coastal Diocese identified as one of the modern ways of overcoming the challenges facing them.

In cooperation with Church workers, Church Institutions, Leaders of the Laity, and the broad Diocesan congregations under the leadership of our Bishops, we explored the various possibilities, until we reached the decision of opening Maendeleo Bank.

We therefore regard the founders of the bank – essentially, the clergy, parishioners and religious institutions across the Diocese – as members of one “Family”. We see this family as the bedrock of the bank, the foundation upon which it is built and is expected to grow and prosper. We have assigned special responsibilities and invested shared expectations on this Family whose individual members are bedrocked on our Lord Jesus Christ as the unshakable firmament for all our legitimate activities.

The key responsibility of this Family was to raise the core seed capital of the bank. It is with great pleasure and pride for me to announce that this was done with high success using the Church's network, whereupon 7,028,000 shares of TZS 500 each were sold to raise a total of TZS 3.514 billion as the bank's initial capital.

This amount was approved by the Bank of Tanzania as being sufficient to enable the bank to open its doors to the family members and to the public in general and thereby begin offering services as a community bank.

We the founding members have resolved (and the regulatory authorities approved) to make this window of opportunity be continued for 2 more months from the start of our operations to allow other members of the general public to subscribe for the bank's shares at the same price of TZS 500 per share. During this time, other members of our family and the general public - to the extent that they share our values and are ready to be bound by the aspirations of the founding members – will also be free to subscribe for the shares at the same price.

We are required by the regulatory authorities – the Bank of Tanzania (BoT) and the Capital Markets & Securities Authority (CMSA) to prepare a feasibility study and business plan as part of the licensing pre-conditions. These show that the bank will experience a loss-making run of 2 years, expecting to break-even in the third year of operations.

This loss making experience is normal in banking and was to be expected, but it requires common understanding by all stakeholders and concerted management action to turn the bank round to profitability. One sure way of doing so is for the bank to open more branches and extends the bank's outreach. Experience shows that one-off costs of setting up a branch make *that* branch experience another period of loss making of its own but breaking even much earlier than the branches that preceded it.

In consultation with the CMSA and the DSE, your Board of Directors has determined that the bank will require lock-in of the bank's Promoters for a 3-years period of initial operations before attaining steady-state profitable operations. The Promoters are defined, as of the first allotment and again of the second allotment, as those investors who are either Directors of the bank, or those that have 1% or more of the bank's issued share capital, or those who are regarded by the Directors and reported to the Exchange after each allotment as being Church institutions

Why has Maendeleo Bank developed this concept? It's because your Board understands the importance of local communities to be proactively involved in their economic empowerment, working through a common purpose with a shared vision and shared values. At the same time, sheer fairness and the law require that investors may occasionally require an exit route whereby they can sell their investment to meet pressing needs, and come back for more shares when the situation has been stabilised. By helping to create successful communities on a sustainable basis, we will have empowered individual families and individual persons. The bank will thereby also have shared in your success.

We believe that success can only come among others through open and transparent leadership. Your Board further believes that it has carried out robust scanning of the bank's operational environment and concluded that the Business Plan it has adopted will bring effective results that are beneficial to the shareholders.

Finally, and most importantly, we identified and put together a strong Management team that will articulate the bank's Vision and Mission to fruition.

As we pray to God and look forward to a successful future for our members and fellow citizens, I humbly welcome you to join Maendeleo Bank both as shareholders and staunch users of its products and services

Yours sincerely,

Amulike S. K. Ngeliama,
Chairman of the Board of Directors

SECTION I

EXECUTIVE SUMMARY

This Offer for shares in Maendeleo Bank PLC is being made to the general public after approval by the Capital Markets and Securities Authority CMSA under The Capital Markets and Securities (Prospectus Requirements) (Amendment) Regulations 2010 and the Capital Markets and Securities (Nominated Advisors) Regulations 2010.

The offer is for 8,000,000 issued ordinary shares at TZS 500 per share, representing 100% of the issued share capital of 8,000,000 ordinary shares of a nominal value of TZS 500 each.

Offer opens: 16 August 2013

Offer closes: 15 October 2013

Expected date of first allotment: 16 August 2013

Expected date of second allotment: 15 October 2013

Expected date of first trading of the shares on the DSE: 15 October 2013

Although the bank's shares will begin trading on the EGM Segment of the DSE on 16 August 2013, the bank's Promoters shall not be allowed to trade their shares until after a 3-year lock-in period. The Promoters are defined, as of the first allotment and again of the second allotment, as those investors who are either Directors of the bank, or those that have 1% or more of the bank's issued share capital, or those who are regarded by the Directors and reported to the Exchange after each allotment as being Church institutions.

This Prospectus contains the following other particulars, to which the attention of prospective investors is drawn.

WHAT IS REQUIRED	DESCRIPTION	PAGE
Caution Statement	All prospective subscribers must read and understand this statement	(ii)
Directors Declaration	Where the Directors take individual and collective responsibility for the contents of this prospectus	(iv)
Important Notice	All prospective subscribers must read and understand this statement	(vi)
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Financial Information	Financials of the bank, being five years projections (the bank has no track record, being a startup. It includes pre- operations cost)	17-25
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SECTION II

RISK FACTORS

Prospective investors in the bank's shares should be aware that their investment is subject to normal risk factors that face businesses in general but more so for start-up banks. Though the bank's directors are also aware of these factors and have taken and will continue to take mitigating counter measures, investors should take appropriate advice before doing so. Your attention is also drawn to the caution statement on page (ii).

Exposure is a measure of banks' business; consequently, it approximates the amount a bank could theoretically lose rather than gauges the likelihood of losses.

Thus, banks must assess the level of risk associated with their exposure. The risks most pertinent to banks' exposure are credit risk, operational risks, foreign exchange risk, market risk, liquidity risk, and country risk.

Credit risk refers to the possibility that borrowers will not be able to pay what they owe. Market risk, also known as price risk, is the risk that the value of a bank's assets or liabilities will change as interest rates, exchange rates, or other prices vary. Liquidity risk involves the possibility that assets cannot be sold quickly without a big effect on their price. Country risk, which encompasses political, legal, and economic considerations, refers to the difficulties that banks may confront in collecting what is owed to them by residents in a specific country. Systemic risk is the possibility that the failure of one financial institution could trigger a chain reaction of defaults throughout the financial system. That risk is naturally a primary concern of regulators and policymakers. Operational risk refers to risks arising from operational problems such as fraud; thefts etc. resulting from non-observance of controls or inappropriate internal control system.

Those risks which are at the control of the bank will require the bank to have a clear and workable risk management strategy. With regard to risks with wider impact to the income, the regulators of the sector and policy makers have put in place mechanisms to mitigate such risks.

The Directors of the Bank consider the following to be the major risk factors that should be taken into consideration by potential investors.

- 1) Microfinance banking is a relatively new business in Tanzania. There are always inherent risks in new ventures because of some business environmental factors which may be unknown.
- 2) Given the increasing number of banks and non-financial institutions in the market the cost of doing business is expected to be high. Maendeleo Bank Limited's capacity to monitor and swiftly respond to competitor's actions will determine the Company's competitive position and performance in the market.
- 3) Microfinance is, by definition, focused on customers with limited purchasing power. This means, on one hand, that it has to operate at relatively high volume

to break even. On the hand, customers' ability to pay is easily disturbed by relatively small economic shocks such as loss of salaried employment or major markets.

- 4) Past experience has shown that investors on the DSE are driven to a large extent by the ability of the listed company to maintain an increasing level of dividends. In the case of a bank, profitability is measured in a slightly different way because the bank has to maintain a minimum ratio of advances/loans to risk capital. Before a dividend is paid or any distributions made that would lower the company's core capital, permission from BoT must be obtained. This may reduce or postpone the payment of dividends.
- 5) The bank's management is required by BoT regulations and by international accounting standards to disclose and comment on specific risk management techniques that the bank has put in place in anticipation of risks inherent in banking. The bank's ability to manage these risks is highly dependent on trained and experienced staff.
- 6) We cannot predict the effect on our business of the proposed amendments to the laws and regulations affecting NBFCs or the microfinance industry in Tanzania.

SECTION III
USE OF PROCEEDS

After paying for IPO costs, the Bank will utilize the net proceeds to enlarge the capital base.

The costs of the offer are:

EXPENDITURE	TZS
NOMAD FEES	15,000,000
LEGAL ADVISOR FEES	8,000,000
COST OF PUBLIC AND BOARD SENSITISATION, STATUTORY MEETINGS, PRINTING; ETC. (EST.)	15,000,000
CMSA PROSPECTUS EVALUATION FEES	7,028,000
DSE PROSPECTUS EVALUATION AND LISTING FEES	<u>5,000,000</u>
DSE CDS PROCESSING FEES (APPROX.)	2,800,000
TOTAL	<u>52,828,000</u>

SECTION IV
DIVIDEND POLICY

The declaration of dividends will be recommended by the Board of Directors and approved by the shareholders. While the Company will endeavour to pay dividends in line with investors' expectations, such payment will depend on a number of factors, including but not limited to the level of profits, capital requirements and overall financial condition of the Company.

Dividends payable will be subject to 5% withholding tax for both Tanzanian and non Tanzanians persons.

SECTION V

CAPITALISATION AND CHANGES IN BOOK VALUE

Maendeleo Bank PLC is a start-up company in terms of the CMSA's Enterprise Growth Market (EGM) and Nominated Advisor Regulations. As such, it does not have a track record.

The opening share capital of the bank shall comprise 8,000,000 ordinary shares of TZS 500 each, total value of TZS 4 billion (assuming the IPO is fully consummated).

The following Table summarises the opening position:

MAENDELEO BANK PLC – SHAREHOLDING STRUCTURE		
	No. of Shares	%ge
PROMOTERS		
UNITED EVANGELICAL MISSION	1,020,034	14.5%
ELCT-EASTERN AND COASTAL DIOCESE	650,000	9.2%
TUMAINI DAR ES SALAAM COLLEGE	200,000	2.8%
ALICE JOSEPH MWANDU	100,100	1.4%
CHURCH INSTITUTION- SEE BELOW	539,432	7.7%
DIRECTORS	32,500	0.5%
SUBTOTAL PROMOTERS	2,542,066	36.2%
OTHER SHAREHOLDERS – FREE FLOAT	4,485,934	63.8%
TOTAL AT THE FIRST ALLOTMENT	7,028,000	100.0%
EXPECTED COLLECTIONS TO 15 OCTOBER 2013	972,000	***
GRAND TOTAL AFTER IPO	8,000,000	***

***** = BREAKDOWN UNKNOWN AT THIS STAGE**

Church institution include: SACCOS; Jimbo (Diocese); Usharika (Parish); Mtaa (Sub-Parish); Diocesan Headquarters; and VICOBA (Village Community Bank).

The Articles of the company prohibit any one shareholder or group of shareholder working in common from owning more than 5% of the ordinary share capital of the Issuer.

SECTION VI

FINANCIAL INFORMATION INCLUDING 5-YEAR PROJECTIONS

INTRODUCTION: THE BUSINESS OF THE COMPANY

By way of background, the Clergy and Laity of ECD decided to establish a bank to provide financial services to the community, particularly to assist the low-income segments of Tanzanian society in a sustainable basis. With the development of market oriented systems, creation of sustainable mechanism for provision of financial services to the communities has become a critical element for creation of genuinely enabling environment for the society and poverty reduction.

The idea of establishing a bank emerged at the Annual General Assembly of 2008, where the Executive Committee of the Diocese was directed to proceed with the establishment of the proposed bank. The Committee promptly proceeded to form a steering committee made up of seasoned bankers and men of business and public integrity, who proceeded to appoint a professional consultant to prepare the necessary feasibility study and business plan.

The proposed Maendeleo Bank plans to be bank with target to serve low income people especially women and youth, Small and Medium Enterprises (SMEs), Large Corporations and SACCOS. The Proposed Bank plans to raise equity capital of TZS 3.514 billion to start initial operations, then raise additional capital of 486 million for the shares on offer i.e 972,000 shares so as reach TZS 4 billion by the end of the IPO. This bank will be a Public limited Company dedicated to addressing financial needs of micro and small enterprises, social enterprises and general public in profitable and sustainable manner. The proposed Bank is a regional bank with its head office to be located at Luther house, in Dar es Salaam.

The purpose of the offer

The sale of shares is intended to:

- Enlarge the capital of Maendeleo Bank Limited
- Enhance investors and general public awareness of the Bank
- Broaden direct share ownership among Tanzanians.
- Enable acquisition of technology and facilities for smooth operation of the bank

Vision

To become the premier bank in Tanzania, which is customer need driven with competitive returns to shareholders”.

All Maendeleo Bank employees will help accomplish this Vision by always:

- Providing unparalleled personal service.
- Proactively tailoring innovative banking solutions to fully meet each of our customer individual needs.
- Treating customers and colleagues with respect.

- Being accountable to customers and colleagues in all we do.

Mission

“To grow our business whilst investing on communities that we serve and improving the lives of our employees. We strive to provide competitive and innovative financial services to all stake holders and the society”

Objectives of the bank

- To mobilize financial resources from section of the society in the form of deposits and make them available to entrepreneurs with viable businesses especially those undertaken and/or owned by low income population
- To promote access to financial services by women and men entrepreneurs running micro, small and medium enterprises.
- To promote viable investment owned by the diocese sectors through making available loans and other financial services and investment advisory services.
- To support the efforts of the Government in the fight against persistent poverty particularly in the rural areas where financial services are hardly available.
- To become a sustainable and profitable bank so as to enhance public confidence and create return to investors.

Core principles

- The Bank expects its business to return value to the community from which they derive their revenue
- Management of the bank will consist of people with the highest level of integrity
- Management of the bank will be in the hands of professional managers. However the owners will require the management to operate banking business in harmony with the principles and values of honesty, integrity, sensitivity and excellent service.

Strategic Overview

The proposed Maendeleo Bank is a financial institution with a special client focus on micro entrepreneurs, small and medium enterprises, and corporate customers. The bank intends to be a;

- Savings account for small savers
- Microfinance lender to individuals, small & medium businesses
- Lender to SACCOS and other MFIs
- lenders to schools, health facilities and other sectors of the economy

- Money transfer bank
- Administrator of funds (Government, Donor and Private sector funds)
- Current account provider.

The key strategy for the growth of Maendeleo Bank Limited is to be a Regional Bank that can address needs of financial services to residents located within the constituency of the Eastern and Coast Diocese of the Evangelical Lutheran Church of Tanzania. The bank should also be able to identify itself with special financial and non financial needs social entrepreneurs. Maendeleo Bank will further position itself as a secular institution capable of providing services to all potential customers regardless of their religious or political affiliations. Linkage with big corporation will be a strategy for cross subsidization of the rich to the poor.

Maendeleo Bank is also seeking to provide the following services:

- Money transfer services
- Foreign exchange service
- Financial and Investment advisory services to institutions in the social sector.

Shareholding pattern and capital growth plan

Shareholding pattern

The proposed bank is expected to start with a paid up capital of TZS 3.514 billion to be licensed as a community bank which will serve the general public. The target is to have a bank with a regional outlook, with branches spread throughout Dar es Salaam and other locations of constituency of the diocese and a bank that will offer a variety of products including current accounts, foreign currency transactions, savings accounts, loans, leasing etc.

The authorized capital of the proposed Maendeleo Bank is TZS 30 billion to be divided into 60,000,000 shares valued at TZS 500 each. The capital is TZS 3.514 billion which was mobilized from members of the dioceses and its institutions.

Growth Plan

During the period of the business plan the proposed bank will strive to mobilize additional capital from the same categories of investors to the tune of TZS 500 million in order for the bank to expand its scope of operations. Additional TZS 500 million will be invested six months after the bank opens doors to the public and TZS 500 million by the end of third year of operations. An Individual shareholder (natural person) will not be allowed to own more than 5% of the core capital while ownership for legal persons has been capped at 20%. As a long term strategy, the proposed bank has an authorized capital of 30 billion.

Organization

The bank as mentioned above is a regional bank that aims to have a network of branches throughout the constituency of the diocese. Establishment of branch

networks will be based on results of feasibility studies which will be conducted before any branch is established.

The bank will start with one branch in Dar es Salaam. Dar es Salaam has been selected as a launching location of the bank's operations because it is both cost effective and financially viable to start the bank in Dar es Salaam. Based on feasibility studies, the proposed bank will be able to establish more branches within five years of operations.

The bank will be managed by management team of experienced bankers and microfinance experts, and a team of highly competent and dedicated staff. These will run the bank with the overall guidance of an equally competent and dedicated Board of Directors drawn from Banking and Microfinance and business community.

The Bank's Board of Directors which will initially consist of seven members, with a Chairperson, Vice Chairperson and Secretary, will have overall responsibility for the direction, supervision and monitoring of the performance of the Bank. It will approve all policies, recruit senior management and evaluate management's performance and compliance, approve budgets and business plans, delegate authority, review internal reports and ensure that all pertinent laws, regulations, regulatory authorities directives are observed.

The Board of Directors will establish auditing committees as further discussed below and other committees will be established as required. These Committees will be advisory and answerable to the full Board of Directors.

Board's Audit Committee

This committee shall consist of not less than three and not more than five Directors; one of whom must have an accounting expertise. The Committee will report directly to the Board. The internal audit functionally will report to the audit committee
The committee shall review and recommend to the full Board;

- a) policies and procedures with respect to internal audit and internal control;
- b) policies and procedures to safe guard the Bank's assets including cash in safes/strong rooms and in transit;
- c) and monitoring of compliance by the bank with BoT requirements and any other statutory compliances; and review external auditors report

Products

During the five years of implementing this business plan, Maendeleo Bank plans to offer five Main products as follows:

Deposits: These are deposits made to meet customer needs and preferences. The deposits will be in the form of savings accounts, fixed deposits, special accounts and current accounts

Lending: The bank targets to provide microfinance products such as wholesale loans to SACCOS; loans to individual; women groups; SMEs and Corporate customers.

Money transfer: Meeting customers' funds transfer needs, both within and outside the country.

Administration of funds: Administration, management and investment of funds from donors, the Government and International NGOs

Investment: Any excess liquidity will be invested wisely in well assured low risk assets as Treasury bills, Treasury Bonds and bank placements.

Market Assessment

The market assessment focused on the demand for banking services, which is influenced by the market's attractiveness, customer and competition dynamics, and the real estate environment. Critically, in this study we focused on the analysis of the market in terms of growth of assets of banks, market share, lending operations and capitalization of the banks. Some of the key issues addressed in this study included: Market analysis, how attractive is the bank's markets? Key market variables analyzed included future demand for various financial products and services (e.g., checking and savings accounts, consumer loans, etc.).

The product penetration in each trade area is also analyzed to assess relative market position. Customer analysis: Which customer segments are predominant in each market? Competitive analysis: What are the competitive dynamics in each market? Would the proposed bank have a competitive advantage or disadvantage by expanding its presence in the market? After getting answers to these questions and incorporating them in the business plan, the Board was convinced that the bank is ready for business.

THE BANK'S FINANCIAL INFORMATION AND PROJECTED PERFORMANCE

Maendeleo Bank Limited is a start-up, newly formed. It does not have any track record and its financials will be gauged only after its business plan has been put into implementation.

The following is a summary of the bank's pre-operational incurred to date:

PRE OPERATIONS COSTS AND EXPENSES-A	TZS
Fixed assets	
Lease hold improvement	80,000,000
Computers, printers and other accessories	40,000,000
Air conditioners	30,000,000
Generator	50,000,000
Office Furniture	50,000,000
Office machines and equipment	36,000,000
Motor Vehicle	50,000,000
IT system	200,000,000
ATM	100,000,000
Security systems (including safes)	65,000,000
<i>Sub Total</i>	<i>701,000,000</i>

Other pre-operational expenses-B		TZS
Legal and Professional fees		15,000,000
Utilities		16,200,000
Staff Uniforms		1,000,000
Staff Training		10,000,000
Directors Fees	500,000.00	3,500,000
Office rent.	3,000,000.00	9,000,000
Security Expenses	1,800,000	5,400,000
Cleaning		1,000,000
Fuel		2,000,000
Communications		600,000
Stationary		15,000,000
Recruitment expenses		5,000,000
Repair and maintenance Motor V/Cs		500,000
Staff Welfare		600,000
Marketing and promotion	12,000,000.00	36,000,000
Others		2,000,000
Sub Total		122,800,000
Grand total (A+B)		823,800,000

The Bank's business model

The following is a summary of the main factors that will impact on those financials.

The proposed Maendeleo Bank plans to be bank with target to serve low income people especially women and youth, Small and Medium Enterprises (SMEs), Large Corporations and SACCOS. The Proposed Bank plans to raise equity capital of TZS 3.514 billion start operations and raise additional the capital to TZS 486 million by the end of the IPO .This bank will be a Public Limited Company dedicated to address financial needs of micro and small enterprises, social enterprises and general public in profitable and sustainable manner. The proposed Bank is a regional bank with its head office to be located at Luther house, in Dar es Salaam.

The Evangelical Lutheran Church of Tanzania(ELCT), Eastern and Coast Diocese has proposed to establish the bank in order to provide financial services to the community particularly the low-income segments of the society in a sustainable basis in Tanzania. With the development of market oriented systems, creation of sustainable mechanism for provision of financial services to the communities has become a critical element for creation of genuinely enabling environment for the society and poverty reduction.

The proposed bank also provides an opportunity for ordinary Tanzanians to invest in a bank as shares of the bank have been mobilized from within the structures of the dioceses and its congregation. In order to allow many people to participate in the establishment of the bank, maximum shareholding for an individual has been set at 5% of the bank's paid up capital and an individual can invest as little as TZS 100,000.

Products

The focus of the proposed bank is to be a financial institution that is positioned to undertake the following activities as the bank's core business:

- Savings account for small savers
- Microfinance lender to individuals, small & medium businesses
- Lender to SACCOS and other MFIs
- lenders to schools, health facilities and other sectors of the economy
- Money transfer bank
- Administrator of funds (Government, Donor and Private sector funds)
- Current account provider

Lending will use world known microfinance methodologies such as solidarity lending methodology and Bank linkage model (linkage with SACCOS and other grassroots MFIs. SMEs, Schools and other customers will also have access to loans from the proposed bank.

Information technology

The bank will build a modern banking system at a cost that will ensure the bank is profitable and competitive in products it will offer to customers. The Bank will acquire an appropriate IT system that will facilitate efficient banking services. The bank also plans to start operating ATMs during first year of operations

Market and marketing

The core market of the bank shall be small and medium enterprises, SACCOS, corporate companies, the Government and donor funded projects. The marketing strategy will include the establishment of a corporate image that reflects Maendeleo Bank customer focus and products. Marketing campaign will focus on differentiating the bank from its competitors.

Financial Projections

The projected balance sheet of the proposed bank, indicate that assets of the bank will grow from TZS 4.775 by end of year one to TZS 18.4 billion by the end of year four. The proposed Bank will achieve profitability/breakeven point in year three of operations. Pre-Tax return on equity is projected at -15.7% in year one but expected to make positive returns in all subsequent year at 8.9% in year three and rising to 22.0 % by end of the fourth year of operations. The following are 4-year projections as per the bank's business plan. Other projections are made with respect to growth rates, rates of inflation, rates of exchange and other parameters.

The financial projections have been prepared based on the following assumptions

- 1. Capital:** The bank shall start operations with a paid up capital of Tshs 3.5 billion and additional equity shall be paid at the beginning of years two and three respectively. Growth rates in deposits will vary with growth in customers.
- 2. Pre-operational expenses:** These are costs associated with having the bank formally licensed, refurbishment of business premises including fixed assets, staff recruited and properly trained, and the necessary capital mobilized to enable the bank to start operations. Pre-operations expenses include costs of staff who will report two month prior to opening of the bank.
- 3. Staffing:** The bank will operate in year one with 17 employees who will be recruited on demand basis. Subsequent recruitments will be related to opening of new branches, and a staff turnover estimated at 15%.
- 4. Staff costs:** It has been projected that four core staff shall be in place two months before the banks open its doors to the public, while an additional 13 shall be in place one month before operations starts. Costs of staff at this stage are part of the pre-operations costs. The staff costs also include training and orientation of staff on the vision, mission, philosophy and day to day operations of the bank including development of products to be offered by the bank.
- 5. Cash:** Except for statutory, cash in vaults will be 1% to 3% of deposits.
- 6. Annual inflation rate** of 16%
- 7. Lending ratio:** The amount lent out will be between 60% to 80% of deposits.
- 8. Interest expense** has been based on rates between 4% and 10%.

The growth rates are normal for start ups because the base figures are small. It is like in economics, growth rates for countries like Tanzania can reach as high as 50%. This is possible because the base figures are small but the same cannot happen for mature countries such as USA. The same applies to companies. The business plan has already been approved by BOT and was the basis for the license.

PROPOSED MAENDELEO BANK LIMITED

PROJECTED STATEMENT OF COMPREHENSIVE INCOME

	Year 1	Year 2	Year 3	Year 4
Total Interest income	273,274,544	790,265,287	1,488,858,291	2,289,815,316
Interest expenses				
Deposit	44,657,404	173,368,920	371,189,513	574,262,814
Borrowing	0	0	0	0
Others	0	0	0	0
Total Interest Expenses	44,657,404	173,368,920	371,189,513	574,262,814
Net interest income	228,617,140	616,896,367	1,117,668,778	1,715,552,502
Provision for losses	49,282,681	104,529,631	177,650,096	238,902,226
Bad debt written off	0	0	0	0
Non-Interest income				
Commission income	51,733,178	131,382,373	240,833,346	345,981,755
Credit Insurance Income	10,089,621	24,998,641	45,324,329	64,748,182
Other Earned Income	8,650,000	3,900,000	1,200,000	1,125,000
Financial Revenue from Investments	130,223,607	195,090,722	310,447,715	440,846,622
Total Non-interest income	200,696,406	355,371,736	597,805,390	852,701,559
Non-Interest expenses				
Salaries and benefits	491,450,000	691,708,000	828,351,360	960,887,577
Depreciation	124,200,000	141,732,101	202,879,724	208,537,550
Operations expenses	176,880,000	196,336,800	217,933,848	241,906,571
Total Non-interest expenses	792,530,000	1,029,776,901	1,249,164,932	1,411,331,698
Operating income (losses)	(412,499,135)	(162,038,429)	288,659,140	918,020,137
Extra ordinary income	0	0	0	0
Net income /loss before tax	(412,499,135)	(162,038,429)	288,659,140	918,020,137
Income Taxes	0	0	0	141,252,514
Net income /loss before tax	(412,499,135)	(162,038,429)	288,659,140	776,767,623

**PROPOSED MAENDELEO BANK LIMITED
PROJECTED BALANCE SHEET**

	Year 1	Year 2	Year 3	Year 4
ASSETS				
Cash	101,271,755	265,634,625	477,070,515	677,169,253
Balances with Bank of Tanzania	150,091,964	359,643,959	650,103,999	889,420,657
Balances with other banks	43,402,181	113,843,411	204,458,792	290,215,394
In Tanzania	43,402,181	113,843,411	204,458,792	290,215,394
Abroad	-	-	-	-
Investment in debt securities	2,385,096,577	2,820,411,842	4,102,068,551	5,469,719,003
Treasury Bills	2,385,096,577	2,820,411,842	4,102,068,551	5,469,719,003
other securities	-	-	-	-
Loan advances and Overdrafts(net)	1,549,475,859	3,984,875,121	7,322,541,914	10,613,338,282
Loan advances	1,084,633,101	2,789,412,585	5,125,779,340	7,429,336,797
Overdrafts	464,842,758	1,195,462,536	2,196,762,574	3,184,001,485
Allowance for losses	(30,989,517)	(79,697,502)	(146,450,838)	(212,266,766)
Bank premises, furniture and equipment				
Leasehold improvement	80,000,000	80,000,000	80,000,000	80,000,000
Furniture and Equipment	621,000,000	708,660,506	1,014,398,621	1,113,868,140
Accumulated Depreciation	(124,200,000)	(265,932,101)	(468,811,825)	(437,349,375)
Other assets	-	-	-	-
Total Assets	4,775,148,819	7,987,439,860	13,235,379,729	18,484,114,589

LIABILITIES				
Deposit Liabilities other than banks	2,148,947,953	5,523,277,423	9,982,558,152	14,313,272,876
current accounts	644,684,386	1,656,983,227	2,994,767,446	4,293,981,863
savings accounts	752,131,784	1,933,147,098	3,493,895,353	5,009,645,507
time deposits	537,236,988	1,380,819,356	2,495,639,538	3,578,318,219
Deposits from other banks				
In Tanzania	214,894,795	552,327,742	998,255,815	1,431,327,288
Abroad	-	-	-	-
Other deposits	-	-	-	-
Total Deposits	2,148,947,953	5,523,277,423	9,982,558,152	14,313,272,876
Other liabilities				
CAPITAL				
Paid up capital				
Ordinary	3,200,000,000	3,200,000,000	3,700,000,000	3,700,000,000
Preference	-	-	-	-
Shareholders				
Share premium Account	-	-	-	-
Retained earning				
Capital reserves	(161,300,000)	(573,799,134)	(735,837,563)	(447,178,423)
Profit	(412,499,134)	(162,038,428)	288,659,140	918,020,136
Others	-	-	-	-
Total Equity	2,626,200,866	2,464,162,438	3,252,821,577	4,170,841,713
Total Liability and Capital	4,775,148,819	7,987,439,861	13,235,379,729	18,484,114,589
Off balance sheet commitments	-	-	-	-

PROPOSED MAENDELEO BANK

CASH FLOW PROJECTIONS

	Year 1	Year 2	Year 3	Year 4
Cash Flows from Operating Activities				
Net Operating Income	(412,499,134)	(162,038,428)	288,659,140	918,020,136
+ Depreciation and amortization	124,200,000	141,732,101	202,879,724	208,537,550
+ Loan loss provisions	49,282,681	104,529,631	177,650,096	238,902,226
- Cash Paid for Taxes	0	0	0	(141,252,514)
- Net change in accrued interest	0	0	0	0
+ Loan repayments received	1,343,333,352	4,705,237,057	9,559,696,221	15,093,054,624
- Loan disbursements	(2,920,248,956)	(7,224,368,787)	(13,063,708,154)	(18,643,480,440)
+ Minus Increase in Line-of-Credit Portfolio	0	0	0	0
Increase/(Decrease) in credit insurance reserves	9,146,582	27,910,823	55,448,380	86,543,149
(Increase)/Decrease in short-term invest.	(1,235,188,542)	(644,867,260)	(1,572,116,749)	(1,606,967,110)
Increase/(Decrease) in savings deposits	2,148,947,953	3,374,329,470	4,459,280,729	4,330,714,724
(Increase)/Decrease in other current assets	0	0	0	0
Increase/(Decrease) in accrued/(pre-paid) expenses	0	0	0	0
Increase/(Decrease) in other current liabilities	0	0	0	0
Increase/(Decrease) in other long-term liab.	0	0	0	0
Net Cash from Operating Activities	(893,026,064)	322,464,605	107,789,387	484,072,345
Cash Flows from Investing Activities				
(Increase)/Decrease in long-term invest.	0	0	0	0
(Increase)/Decrease in other assets	0	(87,660,506)	(305,738,116)	(339,469,519)
Net Cash from Investing Activities	0	(87,660,506)	(305,738,116)	(339,469,519)
Cash Flows from Financing Activities				
Increase/(Decrease) in borrowed funds	0	0	0	0
Increase/(Decrease) in Stock	900,000,000	0	500,000,000	0
(Dividend payments)	0	0	0	0
Donated Equity	0	0	0	0
Net Cash from Financing Activities	900,000,000	0	500,000,000	0
Net Cash (received)/paid for non-oper. Activities	0	0	0	0
Net change in cash and due from banks	6,973,936	234,804,100	302,051,272	285,855,340
Cash and Due from Banks, Beginning of the Period	137,700,000	144,673,936	379,478,035	681,529,307
Effect of Exchange Rate Changes Cash and Due from Banks, End of the Period	144,673,936	379,478,035	681,529,307	826,132,133

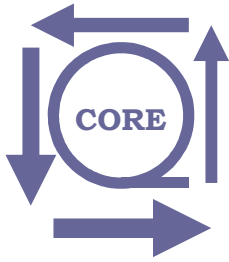
PROPOSED MAENDELEO BANK

FINANCIAL STATEMENT ANALYSIS

	Year 1	Year 2	Year 3	Year 4
Performing Assets	4,343,022,755	7,844,189,491	13,291,322,240	18,694,980,471
Average Performing Assets	2,730,610,215	5,405,837,076	9,697,644,822	14,558,701,600
Gross Return on Average Performing Assets	17.4%	21.2%	21.5%	21.6%
- Financing Costs *	1.6%	3.2%	3.8%	3.9%
= Gross Financial Margin	15.7%	18.0%	17.7%	17.6%
- Loan Loss Provisions *	1.8%	1.9%	1.8%	1.6%
Net Financial Margin	13.9%	16.1%	15.9%	16.0%
- Operating Costs *	29.0%	19.0%	12.9%	9.7%
= Operating Margin, pre-tax (ROA) *	-15.1%	-3.0%	3.0%	6.3%
- Adjustments to Operations	6.7%	3.7%	2.5%	2.2%
= Net Margin, pre-tax (Adjusted ROA) *	-21.8%	-6.7%	0.5%	4.1%
Operational Sustainability *	53%	88%	116%	141%
Financial Sustainability *	44%	76%	102%	123%
Adj. Pre-tax Return on Equity (AROE)	-24.9%	-14.5%	1.6%	16.2%

SECTIONS VII

NOMINATED ADVISOR'S COMMENTS ON FINANCIAL PROJECTIONS



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Certificate of Incorporation No. 14054/ TIN 100-195-232 /VAT 10-008301-J

We have carefully reviewed the business plan and financial projections of Maendeleo Bank PLC, for which the Directors have sole responsibility. We confirm that they have been prepared with due care and diligence and that they are in agreement with the underlying assumptions given to us (see below).

However, as these projections refer to an unknown future, we cannot guarantee that the assumptions will turn out as expected or that the intended targets will be attained.

L G FUMBUKA, FCCA MBA – Certified Public Accountant in Public Practice.
DIRECTOR

The financial projections have been prepared based on the following assumptions

- 1. Capital:** The bank shall start operations with a paid up capital of Tshs 3.5 billion and additional equity shall be paid at the beginning of years two and three respectively. Growth rates in deposits will vary with growth in customers.
- 2. Pre-operational expenses:** These are costs associated with having the bank formally licensed, refurbishment of business premises including fixed assets, staff recruited and properly trained, and the necessary capital mobilized to enable the bank to start operations. Pre-operations expenses include costs of staff who will report two month prior to opening of the bank.
- 3. Staffing:** The bank will operate in year one with 17 employees who will be recruited on demand basis. Subsequent recruitments will be related to opening of new branches, and a staff turnover estimated at 15%.
- 4. Staff costs:** It has been projected that four core staff shall be in place two months before the banks open its doors to the public, while an additional 13 shall be in place one month before operations starts. Costs of staff at this stage are part of the pre-operations costs. The staff costs also include training and orientation of staff on the vision, mission, philosophy and day to day

operations of the bank including development of products to be offered by the bank.

5. **Cash:** Except for statutory, cash in vaults will be 1% to 3% of deposits.
6. **Annual inflation rate** of 16%
7. **Lending ratio:** The amount lent out will be between 60% to 80% of deposits.
8. **Interest expense** has been based on rates between 4% and 10%.

The growth rates are normal for start ups because the base figures are small. It is like in economics, growth rates for countries like Tanzania can reach as high as 50%. This is possible because the base figures are small but the same cannot happen for mature countries such as USA. The same applies to companies. The business plan has already been approved by BOT and was the basis for the license.

SECTION VIII TANZANIA'S ECONOMIC OVERVIEW

Background: Global Economic Developments

In 2011, global economy growth rate slowed down to 3.9 percent from 5.3 percent in 2010 mainly due to weak consumer and business confidence in most of the advanced economies. In the United States, weaknesses in the housing sector contributed to lower output growth, while slow growth in the United Kingdom was mainly due to contraction in financial activities. Meanwhile, output contraction in Japan was associated with supply disruptions related to floods and weaker global demand.

Economic activities in the Euro Area continued to be affected by the sovereign debt crisis coupled with weak consumer and business confidence. Italy, Germany, Greece and Ireland recorded declines in output.

China and India also recorded declines in real GDP. While in India deterioration in business environment weakened investments, slow growth in China was attributed to lower export growth and a move to a more prudent monetary policy stance.

Sub-Saharan Africa expanded by 5.1% in 2011 despite civil conflicts in some countries coupled with supply shocks arising from drought. Growth was largely supported by conducive macroeconomic policies implemented in many countries across the region.

Global Inflation Developments

Global inflation rate increased to 4.8% in 2011 from 3.7% recorded in 2010 with all regions recording increases. Inflation rates went up in the advanced economies largely due to supply constraints and the rise in energy prices emanating from geopolitical tensions in some oil exporting countries. Likewise, rise in global food and fuel prices contributed to the inflationary pressures in Sub-Saharan Africa (SSA).

Regional economic developments

The Southern African Development Community (SADC)

The average real GDP growth in the SADC region decreased to 4.7 percent in 2011 from 5.5 percent recorded in 2010. With the exception of Mozambique, Zimbabwe, Madagascar, South Africa and Angola, all other countries recorded declines in output growth. Output increase in most of the countries was largely driven by agriculture, financial services, mining, transport and communication. In contrast, drought conditions coupled with higher global oil prices and poor performance in agriculture contributed to the slowdown in growth in some other countries in the region.

Inflation Development

The average inflation rate in the SADC region accelerated to 7.6 percent in 2011 from 6.9 percent recorded in 2010, largely on account of high food and energy prices. Inflation rates in most SADC member states increased with the exception of Angola, Mauritius and Mozambique.

The East African Community (EAC) Economic Development

Real GDP in the EAC region grew by 6.1 percent in 2011, compared to 5.9 percent recorded in 2010. Rwanda, Burundi and Uganda recorded increases in output growth, while growth slowed in Kenya and Tanzania. The slowdown in growth in Tanzania was largely due to drought conditions and electricity outage, while in Kenya, real GDP decline in growth was due to weak performance in agriculture, manufacturing, financial intermediation, wholesale and trade, transport and communication.

Inflation Development

The average inflation rate in the EAC region accelerated to 12.1 percent in 2011 from 4.0 percent recorded in 2010, largely on account of high food and energy prices. **Uganda** recorded the highest inflation rate in the EAC region largely due to an increase in food, energy and fuel prices. In **Kenya**, the rise in inflation was mainly on account of increase in oil prices and inadequate rainfall in the first half of 2011.

Similarly, in **Tanzania**, the inflation edged up from 5.5 percent in 2010 to 12.7 percent in 2011 mainly on account of high oil prices and rising prices of food items, emanating from unfavourable weather conditions in the EAC region. The increase in inflation rate in **Rwanda** and **Burundi** was also driven by rising food and fuel prices.

Intra-regional Trade Development

In 2011, Tanzania's trade with other E A C member states increased by 13.3 percent to USD 784.6 million compared to the amount recorded in the previous year. A surplus trade balance was recorded with Uganda, Rwanda and Burundi.

Major exports to the EAC region were rice, cement, tea and household utensils. Imports were textiles, paper and paper boards, wood and articles of wood. Meanwhile, Kenya remained the major trading partner accounting for about 71 percent of Tanzania's intra-EAC trade.

Tanzania's Economic Outlook

Although Tanzania is one of the world's poorest economies in terms of per capita income, it has achieved high growth based on gold production and tourism. The economy depends on agriculture, which accounts for more than one-quarter of GDP, provides 85% of exports, and employs about 80% of the work force. The World Bank, the IMF, and bilateral donors have provided funds to rehabilitate Tanzania's aging economic infrastructure, including rail and port infrastructure that are important trade links for inland countries. Recent banking reforms have helped increase private-sector growth and investment, and the government has increased spending on agriculture to 7% of its budget.

Continued donor assistance and solid macroeconomic policies supported a positive growth rate, despite the world recession. In 2008, Tanzania received the world's largest Millennium Challenge Compact grant, worth \$698 million. Dar es Salaam used fiscal stimulus and loosened monetary policy to ease the impact of the global recession. GDP growth in 2009-12 was a respectable 6% per year due to high gold prices and increased production.

Tanzania continues to do well in maintaining overall macroeconomic stability – which, along with institutional and policy reforms, has been a fundamental factor behind the strong economic growth rates. The main drivers of growth have been agriculture, manufacturing, wholesale and retail trade, transport and communication activities. The economy has also continued to record strong export growth. Tanzania's medium-term growth prospects are around 7%, significantly boosted by natural gas discoveries.¹

Nevertheless, underperformance in the agriculture sector – which employs 75% of the workforce – has been a key factor in jobless growth and chronic underemployment. Rapid aggregate GDP growth has not led to substantial reductions in poverty or improvements in overall socio-economic conditions for most of the population. Agricultural growth must be accelerated to achieve more effective poverty reduction.

The business environment could be further boosted by heightening Tanzania's attractiveness to local and foreign investors through strengthening its human resource base and reinforcing overall institutional capacity and efficiency. However, while fiscal consolidation has been successful, the increased accumulation of quasi-fiscal arrears (notably in the energy and transport sectors) is a concern. Finally, overall growth prospects in the medium term depend heavily on solving Tanzania's chronic energy crisis. Key risks to Tanzania's growth and fiscal outlook stem from heightened financial difficulties of the power utility Tanzania Electricity Supply Company (TANESCO). If left unaddressed, these risks could result in further power outages and an additional fiscal burden.

The newly found natural gas resources could provide impetus for future development. Wise management of the additional fiscal revenues is crucial to ensure inclusive sharing of windfall gains and benefits. In particular, resources from extractive industries should be used to develop other job-intensive sectors and avoid risks associated with jobless growth, which will require extensively upgrading the

country's legal and institutional framework and preparing sectoral investment plans. Timely completion of the ongoing constitutional review will also help ensure smooth elections in 2015.

With proven recoverable gas resources of about 33 trillion cubic feet (tcf), Tanzania could receive an estimated USD 10-15 billion in the next decade. These discoveries (which could lead to establishment of a liquefied natural gas [LNG] plant) continue to broaden foreign direct investment (FDI) prospects, further boosted by the country's proximity to fast-growing Asian economies (particularly India), which could be an attractive destination for LNG exports. For example, in 2012 the British Gas (BG) Group – already a major investor –revealed plans to step up its presence by investing USD 500 million in Tanzanian natural gas exploration.

Real GDP growth is projected at 6.9 % in 2013 and 7 % in 2014, driven mainly by investments in the natural gas sector as well as continued expansion of the services and manufacturing sectors. The ongoing implementation of the 532-kilometre natural gas pipeline project (valued at about USD 1.2 billion) from Mtwara to Dar es Salaam may also boost growth in the medium term. The services sector – which accounts for about 50% of GDP – is projected to grow by 8.5% in 2013 and a further 8.9% in 2014, driven by fast growth in trade and repairs (estimated growth 10.4% in 2013 and 11.2% in 2014), communications (estimated growth 19.2% in 2013 and 2014) and financial intermediation (estimated growth 10% in 2013 and 10.5% in 2014).

The industry and construction sector is projected to grow at 9.8% in 2013 and 10.2% in 2014, largely driven by manufacturing (estimated growth 11.3% in 2013 and 11.8% in 2014), transport (estimated growth 7.8% in 2013 and 8% in 2014) and construction (estimated growth 9.8% in 2013 and 9.6% in 2014).

The agriculture sector's mixed growth record (3.1% in 2011) is largely dependent on hard-to-predict rainfall patterns. Urgently required structural challenges include improving smallholder agriculture productivity and modernising the sector overall through such measures as supplying fertilisers and improved seeds, providing agriculture financing and scaling up investments for irrigation. The current structure of agricultural growth favouring large-scale production of rice, wheat and traditional export crops is a challenge. Accelerating agricultural growth in a wider range of sub-sectors is necessary to strengthen poverty reduction through growth. With these caveats in mind, the sector – which employs about 75% of Tanzania's labour force and contributes 27.7% of GDP – is optimistically projected to grow by 5.1% in 2013 and a further 5.2% in 2014.

Tanzania's overall growth prospects in the medium term depend heavily on improving its energy situation. Hydropower accounts for about 55% of energy sources and TANESCO continues to deliver power at high cost – not only because it needs to purchase expensive electricity generated by independent power producers in order to remedy the shortage, but also because it is plagued by inefficiencies in distribution and revenue collection. While energy generation stabilised somewhat in 2012, it worsened in early 2013 and the sector is currently considered on the brink of collapse. With financial arrears in the order of about 1.3% of GDP, TANESCO would need significant investment amounts to overhaul its antiquated production, transmission and distribution infrastructure. In Dar es Salaam (the major industrial

and commercial capital) alone, TANESCO needs to replace most of the transformers (over 35 years old) serving the city centre. Authorities view the successful completion of the Mtwara-Dar es Salaam gas pipeline project as a solution to the current problems thanks to the expansion of much-needed gas-to-electricity generation.

Macroeconomic Policy

Fiscal Policy

Tanzania's fiscal position has strengthened significantly after three consecutive years of difficulties, especially in meeting revenue targets, and growing fiscal deficits. Domestic revenue for fiscal year 2011/12 exceeded the budget target by about 4% – a notable improvement from the previous three fiscal years with collections 10% below target. The 2012/13 budget puts expenditures at TZS 15.1 trillion (Tanzanian shillings), an 11.8% increase over the TZS 13.5 trillion budgeted for 2011/12. The general composition of the budget has remained unchanged from the previous two fiscal years, with 70% of the budgeted resources allocated for recurrent expenditures and 30% for development expenditure. The 2012/13 budget was re-consolidated to manage expenditure growth and keep fiscal deficits within the levels recommended under the policy support instrument (PSI) framework of the International Monetary Fund (IMF).

The budgeted expenditure for 2012/13 is 28.4% of GDP, down from 32% of GDP in the 2011/12 budget. The planned deficit for 2012/13 is 3.9% of GDP, in line with the PSI, compared to over 9.1% of GDP in the previous two budgets. Domestic revenues are expected to increase from 6.9% of GDP in 2011/12 to 18% of GDP in 2012/13. Increased tax revenue performance and reduction in non-priority spending have been vital to the ongoing fiscal consolidation process. Infrastructure and social sector investments remain priorities.

Unlike in previous fiscal years, recurrent budget in 2012/13 will be fully covered by recurrent resources, the sum of domestic revenues and grants. With more than 70 000 new recruitments expected in education, health, agriculture and other sectors, the wage bill is likely to exceed the planned level of about 6.5 % of GDP. Tanzania aims to adhere to a cash budgeting system while avoiding inflationary financing of the deficit and keeping domestic and non-concessional external borrowing within allowable PSI limits.

Net domestic financing for 2012/13 is budgeted at 1% of GDP, in line with PSI, and planned non-concessional borrowing to finance the deficit is budgeted at around 3% of GDP. Fiscal targets continue to prioritize infrastructure and energy in order to address critical constraints to growth – the primary focus for most of the planned external non-concessional financing. One area of concern has been the increased accumulation of quasi-fiscal arrears, notably in the energy and transport sectors.

Monetary Policy

The Bank of Tanzania continued to implement a tight monetary policy to reduce inflationary pressures. In line with objectives of supporting economic growth and maintaining price stability, the annual growth rate of average reserve money was 11% by end-2012 – significantly lower than the 19% target in 2012 and 19.8%

growth in 2011. In addition, annual growth in extended broad money was 13.1% – lower than the Bank of Tanzania's 2012 target of below 19% and 2011 growth of 18.2%. The Bank of Tanzania maintained a constant 12% discount rate and its Lombard rate averaged 13.9% in 2012, with a maximum of 26.4% in January and a minimum of 4.9% in November. The overall savings deposit rate averaged 2.9% in 2012, while the overall lending rate averaged 15.5% in 2012.

In line with these developments in money supply and interest rates, private-sector credit grew 18.2% in 2012, slightly lower than the 20% target and significantly lower than the 27.2% growth recorded in 2011. Most of the credit was held in personal activities, trade, manufacturing, agriculture and transport and communication activities.

In 2012, the improved food supply and relatively stable energy situation (both important expenditure items in the CPI) coupled with prudent monetary policy helped ease inflationary pressures on the economy, with annual headline inflation falling consistently from a decade high of 19.8% in December 2011 to 12.1% in December 2012.

Headline inflation has nevertheless remained in the double digits, largely because of high food and energy prices. Core inflation (excluding food and energy) averaged 8.8% in 2012, with a maximum of 9.2% in August 2012 and a minimum of 8.6% in February 2012. Similarly, Tanzania enjoyed currency stability throughout 2012, with the weighted average exchange rate reported by the Bank of Tanzania fluctuating between TZS 1 574 and TZS 1 592 per US dollar throughout the year.

Looking ahead, the Bank of Tanzania has signaled its aim to increase its inflation forecasting capacity and shift gradually to interest rate targeting instead of monetary targeting. The exchange rate policy will remain determined by the market, with limited interventions to smooth short-term fluctuations.

The private banking sector in 2012 remained sound and profitable and capital adequacy ratios are above regulatory standards. The main challenges included an increase in non-performing loans and relatively high net rate interest margins. Certain areas remain to be addressed, such as prevention of money laundering and continued strong oversight of banking.

[Information in this section has been sourced from Bank of Tanzania (BoT)'s various monthly and quarterly bulletins, the BoT Annual Report for 2011 and Maendeleo Bank's business plan, the website www.africaneconomicoutlook.org hosted by African Development Bank and CORE's in-house research updated by final details of the Government budget for 2013/2014

The competitive banking landscape in East Africa

Banking sector reforms introduced at the beginning of the last decade contributed to a sharp acceleration in credit to the private sector across the EAC in recent years.

Countries across the region have successfully implemented measures to liberalize state-controlled banking systems, restructure loss-making institutions, write off nonperforming loans, and improve governance and financial sector supervision.

In turn, banks that had previously largely held government securities and foreign assets have steadily shifted their asset allocation toward domestic lending. While this expansion in private sector credit has taken place from a very low initial volume, the rate of growth during this period has been impressive. The annual growth in credit to the private sector during 2002–2010 averaged 28 percent in Uganda, 32 percent in Tanzania, and 15 percent in Kenya. As a result, credit to the private sector as share of GDP has increased over this period from 8 to 16 percent in Uganda, 6 to 16 percent in Tanzania, and 25 to 33 percent in Kenya.

There has also been acceleration in credit growth in both Rwanda and Burundi as stability has been restored, with credit to the private sector rising by an annual average of 20 percent since 2005.

Nevertheless, the level of financial intermediation in the region is low and access to financial services remains limited. As shown in figure 1, the mobilization of deposits by the banking system and the level of outstanding credit—especially outside the more developed Kenyan market—are both well below the levels in some middle-income emerging market economies.

Furthermore, less than a third of the population in Rwanda, Tanzania, and Uganda have access to the formal financial system, compared with nearly two-thirds of the population in South Africa, while more than half of the population in Rwanda and Tanzania has no access to financial services at all. Even in Kenya and Uganda, which compare more favorably to South Africa in terms of the level of financial inclusion, a large share of this reflects the segment of the population that utilize informal financial services.

The limited access to finance remains a key constraint on growth across the region, limiting the scope for smaller, less well-established firms to finance investment through the formal banking system.

How to improve access and increase the level of financial intermediation remains a key policy challenge. In a study¹ conducted by the staff of the International Monetary Fund (IMF), empirical analysis was made of competitiveness in the banking system of four out of the five East African Community (EAC) countries – the 5 minus Burundi. The results showed that the degree of competition is low due to a combination of structural and socio-economic factors.

¹ Assessing Bank Competition within the East African Community, IMF Working Papers, WP/12/32, by Sarah Sanya and Matthew Gaertner, January 2012

Current sector developments

By way of preview, the analysis ranks the countries in terms of banking sector competitiveness in the following order: Kenya, Tanzania, Uganda and Rwanda.

East Africa is exhibiting some level of resilience despite threats of high inflation and weakening currencies. This is mainly on the back of strong domestic demand and heavy investments and infrastructure development. IMF projects that; the African economy will expand by 5.25% in 2011 and accelerate to 5.75% in 2012. Export dependent countries especially in West and North Africa are set to record sustained growth.

However, political uncertainty remains a challenge. Import dependent countries especially in the East African region are set for major volatility as their currencies weaken. Inflationary risks amid solid expected growth, rising interest rates and the dangers of a sustained global slowdown may limit growth.

Interest rates in the region have been on upturn as governments tighten liquidity to counter rising inflation and weakening currencies. This coupled with the slowing growth due to the sharp rise in operating costs is expected to slow down appetite from credit in the near term as investors postpone their growth plans. Default rates are also expected to increase due to sustained inflation pressure. The sharp rise in rates has also increased losses on bonds as the mark-to-market value depreciates banks and regional banks as well.

Mobile banking has revolutionized banking in East Africa. It first took its leap in Africa after the launch of Kenya's Safaricom's M-Pesa money transfer in 2007 and its rise has been meteoric. As the list of African countries embracing mobile banking grows steadily, Kenya and South Africa are streets ahead in terms of market size and adoption, with an m-banking penetration rate of nearly 100% of the bankable penetration. The main driver for the m-banking has been its accessibility and the resultant lower costs relative to the traditional banking. Over 100 million mobile users in Africa use m-banking.

Apart from major urban areas, banks have a very low penetration with approximately 20% of the population being unbanked, in a country like Tanzania for instance, where the total population size is 46 million, the banked population is estimated to be around 13 million. On the Kenyan scene, banks, particularly Equity have partnered with Safaricom to leverage on its M-Pesa technology and reach out to the rural masses.

Economic growth has progressively slowed down through the year owing to persistent inflation, weak shilling and high energy and food prices. The drought experienced in parts of the country has occasioned high thermal consumption due to low capacities in dams.

Data as at January 2012	Kenya	Rwanda	Tanzania	Uganda
	%	%	%	%
Net loans to total asset	56	51	46	43
Total deposits to total liabilities	92	93	78	63
Total equity capital to total asset	15	14	12	14
Total revenue to assets	12	12	12	14
Cost of labor (personnel costs/total assets)	3	3	02	3
Finance (interest expense/ total deposit+money market funding)	4	3	3	3
Fixed capital (Other operating and administrative expenses/ total assets)	3	4	5	3
Return on assets (risk adjusted) (roa/std deviation of roa)	2.60	2.86	2.78	3.53
Return on equity (risk adjusted) (roe/std deviation of roe)	2.48	1.74	3.30	2.42
No of commercial banks	29	7	17	12
Memorandum item:				
Total assets (US\$ million) at _____	282.79	76.15	269.96	152.45

Sources: Bankscope date CORE's own Calculations, BoT _____

Subsequently, the rising crude oil imports have contributed significantly to the widening current account deficit resulting in the depreciation of the currencies. Though still exhibiting resilience year-on-year, the economy has exhibited a major weakness q/q which is expected to culminate in a 3.0% growth for the whole year. Dwindling returns by businesses pose a threat to the rate of capital formation. Fundamentals (esp. high production costs) are still supportive of high commodity prices in the near term.

However, Inflation is expected to peak at the current level of 19.72%. The current military operation in Somalia is set to take a toll on economic growth as focus shifts from development projects. Funding projects may become a big challenge if the current subscription on bonds is anything to go by. Most bond issues have recorded less than 25% subscription. The resultant budget deficits may occasion increased borrowing to further drive up the cost of funds thus slower economy growth.

Banking industry in Tanzania

The 2011 Annual Report of the BoT's Directorate of Bank Supervision shows that there were 45 licensed banks and financial institutions at the end of that year. These were very different in terms of core capital, as measured by the banks' net assets:

BANKS/FINANCIAL INSTITUTION CATEGORY	No.	TZS' M	%GE
TOP RANK BANKS - OVER TZS 60 BILLION EQUITY	10	1,549,807	77.2%
SECOND TIER BANKS - OVER TZS 15 BILLION	14	326,803	16.3%
THIRD TIER BANKS - TZS 4 BILLION	11	119,063	5.9%
BAFIS AND COMMUNITY BANKS - BELOW TZS 4 BILLION	10	10,984	0.5%
TOTALS	45	2,006,657	100.0%

Source: Annual Report of the BoT's Directorate of Bank Supervision

The Tanzanian Banking sector continued to depict strong performance and growth during 2011. Total Assets grew by 14.07% during the year while deposits registered a 16.21% increase. The sector also posted significant growth in terms of number of players, as the number of banking institutions increased from 42 in 2010 to 47 in 2011. These achievements occurred amidst challenges which faced the sector during the year 2011. Inflation remained high during most part of 2011, reaching the highest level of 19.8%. Exchange rate depicted volatility in most part of the year as the Shilling weakened against USD.

The Bank of Tanzania in collaboration with other stakeholders managed to take appropriate measures which ensured stability of the sector.

During the year, the banking sector continued to record significant developments. Introduction of e-banking including internet banking and sms-banking by a number of banking institutions underlined the increased use of technology for increasing financial access and financial deepening in Tanzania. This has increased the number of population accessing basic financial services such as money transfer, payment of bills, purchase of airtime etc.

E- Money services have registered tremendous growth and have revolutionized the payment system in Tanzania where customer transactions are accessed via mobile phones and such other mobile devices.

Further, the promulgation of legal and regulatory frameworks for Development Finance Institutions, Leasing Finance Companies, Islamic Banking products and Agency Banking will be an important catalyst in propelling further the development and growth of the banking sector in years ahead.

Bank of Tanzania is standing up to the challenge in keeping pace with the speed of innovations in the sector. The Bank is putting in place frameworks for regulation and supervision of new products and services, considering their benefits

including efficiency, convenience, reduced costs to customers while promoting financial inclusion and financial deepening.

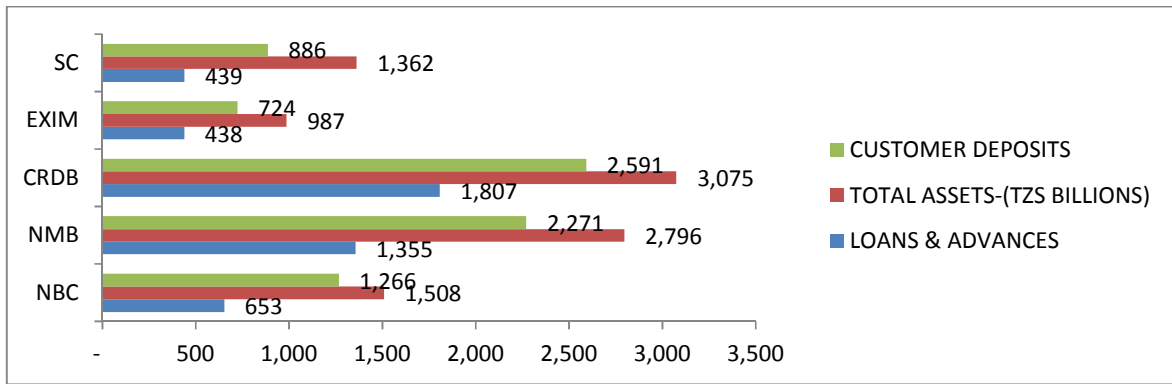
The outlook of the banking sector is promising with expansion of the sector through increasing number of players, branching and introduction and promotion of technology based services and products. On its part, Bank of Tanzania will continue to promote financial stability through effective regulation and supervision of the sector and maintaining safety and soundness of the banking sector and financial system as a whole. This will in essence entail keeping abreast with developments in the local and global economy and continued realignment of the legal, regulatory and supervisory practices to the best international practices.

Four new banks started reporting in 2011 – Advans Bank, Amana Bank, First National Bank (FNB) and Njombe Community Bank – which raised the number of banks to 45. Total bank assets in Tanzania expanded by TZS 2.6 trillion from TZS 15.3 trillion to TZS 17.9 trillion between 2010 and 2011, representing growth of 17%. The deposit base also grew by TZS 2.2 trillion (17%) from TZS 12.4 trillion to TZS 14.6 trillion during 2011. Lending by the 45 reporting banks expanded by TZS 1.7 trillion (28%) from TZS 5.9 trillion to 7.6 trillion during 2011, with most of the growth coming from existing banks.

New entrants added TZS 4 billion to the total by the end of the year. During the year, banks' investments in government securities fell by TZS 340 billion (14%) from TZS 2.37 trillion to TZS 2.0 trillion. Banks resorted to giving out more loans, reducing their appetite for government securities. The industry's total revenues grew by 22% to TZS 1.46 trillion from TZS 1.2 trillion and net profits increased by 31% from TZS 230 billion to TZS 302 billion.

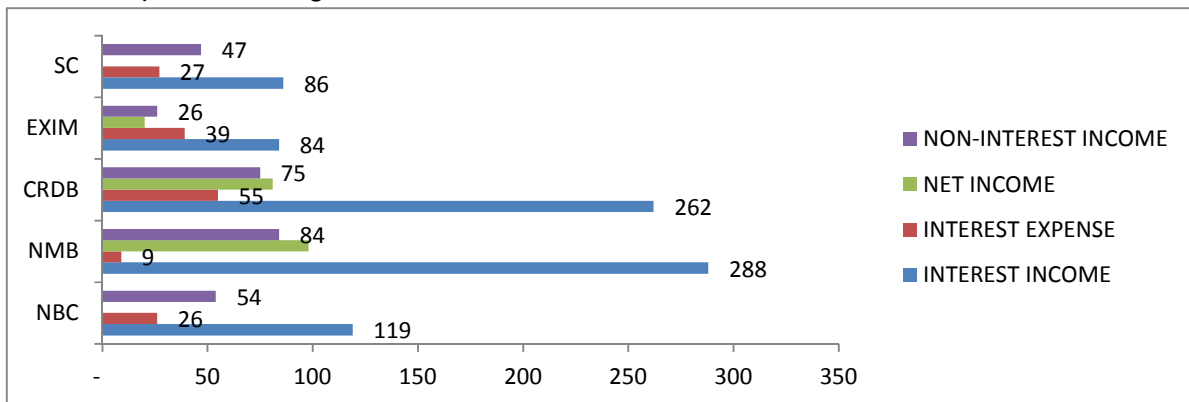
Four new entrants add TZS 58 billion in new paid-up share capital to the industry. During 2011 the industry's total paid-up share capital increased by TZS 116 billion (20%) with 50% of this increase coming from four new entrants into the banking sector - Advans Bank, Amana Bank, First National Bank (FNB) and Njombe Community Bank. They added TZS 57.7 billion to the industry's paid up share capital, represented 8.3% of the industry's total paid up share capital, and increased the number of reporting banks from 41 in 2010 to 45 in 2011. FNB, which invested TZS 28.6 billion, is currently ranked sixth on this indicator, while Amana Bank's TZS 21.5 billion put it in thirteenth position.

Figure 1: Value of Customer Deposits, Total Assets and Loans & Advances for Large banks for the year ended 31 December 2012-(TZS Billions)



Source: CORE Securities Limited

Figure 2: Comparisons of Interest Income, Non-interest income, Net Income and interest expense for large banks as at 31 December 2012



Source: CORE Securities Limited

Prudential Regulations and Guidelines

During the period under review, the Bank reviewed its prudential regulations in line with developments in the banking industry. In order to address the identified challenges, the Bank drafted new regulations on consolidated supervision and agency banking. Social Security Schemes Investment Guidelines were issued in April 2012. The objective of the Guidelines is to guide the Board of Trustees of the schemes to undertake investment decisions in line with best practices. The Guidelines also seek to ensure prudence and observance of principles of sound investment, including diversification of investment portfolios.

Regulations for Development Finance Institutions were published in the Government Gazette on 16th March, 2012. The regulations provide a framework for licensing and how to operate Development Finance Institutions in Tanzania.

The year 2011/12 witnessed a number of developments related to the legislative framework governing banking business in Tanzania and the Bank's governance. Two sets of legal Orders and one set of Regulations were published in the *Government Gazette* of 2nd March 2012, 16th March 2012 and 22nd June 2012, respectively. These were the Banking and Financial Institutions (Enhancement of

Capital adequacy for Banks) Order, 2012 (GN. No 68 of 2012); Banking and Financial Institutions (Development Finance) Regulations, 2012 (GN No. 99 of 2012) and Banking and Financial Institutions (Enhancement of Minimum Capital for Community Banks) Order, 2012 (GN No. 216 of 2012). These Orders and Regulations constitute a significant complement to the legislative framework governing capital adequacy for banks, and operations of institutions providing development finance in Tanzania.

Access to Financial Services

The Bank initiated the drafting of Agency Banking Regulations aimed at enabling banks to extend their outreach through non-banking retail outlets such as supermarkets, petrol stations and other outlets. Also, the regulations will provide a framework for conducting agency banking in Tanzania.

National Payment Systems

The Bank continued with the modernization of the National Payment Systems (NPS) aimed at developing and maintaining a strong and efficient financial markets infrastructure that promotes competition and innovation while maintaining safety and efficiency in payments, clearing and settlement systems.

Major tasks undertaken during the period include provision of payments clearing and settlement services, coordinating the development of the legal and institutional framework, and monitoring and regulating the NPS. The Bank also continued to provide settlement of interbank fund transfer services through TISS for both TZS and USD cheques. Enhancement was made on TISS to process settlement of MasterCard via SWIFT beginning February 2012.

In a bid to foster regional integration, TISS was upgraded to include a cross border functionality to enable it link with other East African Settlement systems so as to facilitate settlement of regional transactions on real time. Further, the agreement for implementation of the East African Cross Border Payment System was signed by the East Africa Central Banks (BOT, BOU and CBK) and respective countries' commercial banks in May 2012.

The Bank also continued to provide Electronic Fund Transfer (EFT) services for clearing high volume low value interbank payments such as salaries and recurrent expenses. Cheque capping limit of USD 10,000 was introduced in March 2012. The Bank provided settlement services for inter-bank payments emanating from card payments. These were processed through card switches, namely the VISA (Tanzania National Net Settlement Services), Umoja Switch which is owned by a consortium of local banks and MasterCard. The number of automated teller machines (ATMs) that were connected to these switches increased to 1,906 from 1,005 in 2010/11. The increase in the use of Point of Sale (POS) was mainly associated with the adoption of MasterCard instruments by CRDB bank Plc.

The Bank monitored the operations and conducted risk assessment of the country's payment systems to ascertain compliance to national and international standards. The Bank also facilitated the development of new payment instruments so as to promote cooperation, competition and innovation of safe and efficient payments.

The total number of mobile phone payment accounts operated by Vodacom (M-Pesa), MIC Tanzania (Tigo-Pesa), Zantel (Easy-Pesa), and Airtel (Airtel Money) were over 28 million with total Trust account balances of about TZS 161 billion. During the period under review, microfinance institutions started to utilise the mobile phone services to disburse and collect loans from their clients. Several banks introduced internet and mobile banking services as alternative payment channels. Examples of these products were PesaFasta (NMB), TPB Popote (TPB), and SimBanking (CRDB). Barclays, Citibank, CRDB, NBC, Standard Chartered, FBME, Bank M, UBA and Stanbic offered internet banking service. Source

In order to enhance the legal and regulatory framework of the National Payment Systems, the Bank finalised the development of the Mobile Payments Regulations and shared the draft with various stakeholders.

Credit Reference System

During the year, the Bank engaged a databank solution provider to design and establish a credit reference databank. The databank will facilitate sharing of credit information between lenders and thereby address impediments that have been contributing to the increase in non-performing loans in the banking sector as well as to reduce the cost of borrowing.

Management discussion of its marketing and deposit mobilization strategies

With regard how Maendeleo Bank should position itself, targeting micro, small and medium enterprises is a ration decision. This market is not well served by the existing banks and it is also ideal for Maendeleo Bank because it's consistent its obligation for supporting social development. It should also be noted that the size of corporate market is small and it does not make business sense to focus on such a narrow market.

The banking market has a unique feature, whereby foreign companies tend to bank with banks which originate or from their countries. For example Kenyan Companies will normally bank with KCB or South African Companies with Banks with South African origin or affiliation. The Government of Tanzania still do much of its business through NMB, minimizing the chance of new banks penetrating corporate markets.

Therefore, Maendeleo Bank should focus on micro, small and medium enterprises. The bank should also focus on SACCOS as its means to reach rural areas including constituency of Maendeleo Bank. The existing regulations will not restrict to lend SACCOS those outside Dar es Salaam because they are considered as a special case. Money transfer through mobile telephones provides yet another opportunity of reaching out customers outside the branch. Banks consider M-Pesa and Tigo as partners in expanding branchless banking rather than competitors

Branches and Outreach plan

At its inception, the bank will operate one branch to be based at the Head Office in Dar es Salaam. In the bid to extend services to the target market, Maendeleo Bank intends to open one additional branch within the business plan period. However, the opening of the new branch will depend on the bank's ability to raise additional one capital of Tanzania shillings one billion. The Bank will also link up with MFIs and SACCOS in a bid to reach the target market. SACCOS will only be linked in locations with an operating branch of the Bank while MFIs from within constituency of the promoters of the bank will be able to access wholesale funding facility for on-lending to low income people.

In order to reach more clients at the shortest period, the bank is expected to use solidarity group lending methodology, promote linkages with SACCOS and other grassroots MFIs. The SACCOS and other grassroots MFIs will be used in mobilization of savings and delivery and collection of loans.

Marketing

Maendeleo Bank will be a new bank in the market and as a new bank it will face the following challenges:

- To establish an attractive corporate image
- Develop more competitive products
- Promote banks products

The bank will need to respond quickly to customer's needs and develop unique products to meet them. The job of selling the banks products will go down to the direct contact sells efforts of Bank's staff. The key Bank's strategy to reach its customers will be to integrate product development, marketing and promotional efforts. Well in-advance of implementation of a promotional campaign, all front office staff will be trained in selling techniques and attributes of the product to be promoted or marketed.

In order to build a good image of the new bank in a consistent way the following documents/tools will be developed:

- **Marketing Strategy:** This will contain corporate brand strategy which will involve development of brand attributes and positioning statements; products strategy involving their development and differentiations; and products delivery and customer service strategy which will include staff training on customer services and customer oriented culture.
- **Marketing Guide:** The guide among others will include information on promotional checklist, display techniques, important data on the Bank and its marketing plan. The guide will also contain the Banks standard for colors, logos, font etc.

Treasury operations

Treasury function for a new bank is very crucial because it is an important part of the medium and long-term and risk management of the Bank: It is critical in the short term since the bank will have limited experience in investing prudently huge amounts of deposits in loans. The challenge is that the bank will need to invest the deposits and earn income. The bank's staff will be required to demonstrate high level skills in:

- Management of liquidity
- Interest rate risk management
- Pricing and investment

The number of money market instruments is limited; existing ones includes commercial paper, inter-bank lending and loan placements. Efficient treasury operations will aim at:

- Ensuring adequate availability of funds at competitive prices
- Financial Risks are identified and managed
- Excess funds get optimum returns
- The Bank gets best terms in its finances
- Effective communication on the finances of the bank to Directors, regulators and Shareholders.

In order to have efficient treasury operations, the bank will;

- Recruit a qualified Finance Manager with experience in treasury and treasury operations
- Have a Asset/Liability Management Policy
- Have a Treasury Manual
- Have a Management committee on treasury (ALCO) which will be chaired by the Managing Director.
- Design and implement funding policies, procedures and determine type of funding
- Source out corporate deposits
- Mobilize retail deposits
- Play pivotal roles in managing various risks associated with banking operations

Accounting Operations

The performance of the accounting operations depends on the availability of qualified accountants, tools, accounting manuals and high level of integrity accounting staff. In implementing this business plan the Bank will do the following:-

- Recruit highly qualified and Experienced Finance Manager
- Purchase and use an automated accounting system
- Develop budget monitoring and enforcement tool
- Develop and have in place fixed assets register
- Develop an Accounting Manual
- Regular in-house training for accounting staff

Internal Audit and External Audit

The bank plans to recruit a qualified and experience internal auditor to assist the Board and Management of the Bank in the discharge of their oversight management and operating responsibilities through independent audit designed to evaluate and promote the system of internal control including effective and efficient operations. The Internal Audit department will expand as the bank grows hence it will start as a one person department. The Audit Committee of the Board of Directors will review quarterly audit reports and report the same to the full Board.

For the internal audit function to assist the Bank achieve its objectives, the following actions will be taken:

- Develop an internal audit manual
- Develop internal audit reporting system
- Develop an internal audit quality assurance system
- Train staff in bank audit competencies

External auditors will be appointed by the Shareholders and perform their functions as mandated. The internal auditor will provide post external audit support by monitoring compliance by management observations of the external auditors. The Internal Auditor will also advice the Audit Committee on recommendations and observations of the external auditors.

Compliance

As a Public Company, MBP is required by the law to issue a Prospectus in order to collect subscriptions from the general public. In particular, MBP has to comply with the Capital Markets and Securities Act No. 79 of 1994 as revised. The applicable regulations are the following:

1. The Capital Markets and Securities (Prospectus Regulations Requirements) (Amendment) Regulations 2010
2. The Capital Markets and *Securities (Nominated Advisors) Regulations 2010*.

As a public company, the bank is required to provide an exit route for its members through the stock exchange. However, since the Company is a startup and lack track record, CMSA treats MBP as an EGM company and requires it to list under the EGM segment of the DSE. The Regulators require that the EGM Company appoints a Nominated Advisor (NOMAD) to pace it and guide it through then listing process as well as keep in contact with the company to ensure that it meets its post-listing obligations under the law.

According to the Capital Markets and Securities (Nominated Advisor) Regulations, the NOMAD shall at the time of listing satisfy itself that the EGM company has in place sufficient systems, procedures and controls in place, and to satisfy that the Directors of the EGM company understand their obligations under the law.

Subsequent to listing, the Regulations require the NOMAD to maintain ongoing responsibility on a continuous basis in respect to the EGM Company to ensure that the company meets its post-listing conditions until such times as it graduates to the main board market of the DSE.

Banking business is also governed by laws and regulations which addresses issues such as Ownership, Board and Management, lending, scope of operations, liquidity, risk management, anti-money laundering etc. In the Tanzanian context banking business is governed by Bank of Tanzania Act, 2006 and Banking and Financial Institutions Act, 2006. MBP is licensed by BoT as a community bank and, as such, it has to meet additional regulatory obligations issued by BoT over and above required by CMSA.

Maendeleo Bank also needs to comply with other statutory requirements of doing business such as Tax laws and regulations, Social Security Act etc
Maendeleo Bank will be required to comply with these laws and regulations hence the need to have well established compliance system.

The Bank will establish a compliance function monitoring plan and the function will be headed by the Finance Manager. The Finance Manager will assign one of the staff to closely monitor the level of compliance by the bank. Quarterly compliance monitoring reviews will be conducted internally by the bank. Internal audit reports, BOT supervision reports and External Auditors reports will continuously be used to improve the level of compliance.

Corporate Governance

The development of proper governance practices for the Bank is one of the prerequisites for maximizing shareholders value and achieving its mission. The Governance structure entails;

Legal framework: The bank,(having prepared the required Prospectus and upon receiving a no-objection certification from CMSA) has already been licensed under the Banking and Financial Institution Act, 2006 and will operate in compliance with Banking Business laws and regulatory requirements and other laws of the United Republic of Tanzania.

Board Composition: All members to the Board will be non-executive except the Managing Director. The positions of Board Chairperson, Vice Chairperson and chairpersons of Committees will be held by non-executive board members.

Board operations: Meetings processes, formation of committees and sub committees and delegation of authority will ensure effectiveness of the Board of Directors in creating a profitable and sustainable bank.

Shareholders control: This will be done through Annual General Meetings which will be venue for making major decisions and shareholders representation will be observed. The first AGM will form the Board but at the start of the bank the first board will be appointed by the major shareholders.

Deposit mobilization

Customers' savings are the lifeblood of any banking business from which business is undertaken and returns to investors made. Two major types of savings mobilization approaches have been taken into account –compulsory and voluntary savings. Compulsory savings are linked to loans products and are precondition for borrowers to access loans from Maendeleo Bank. All loan advances will be conditional upon the applicant having accumulated deposits of between 20% and 40% of loans requested, issued depending on the product.

Voluntary savings play a very crucial role in the growth of the bank hence making savings products flexible and accessible by the poor, rich, SMEs, Corporate companies which is the prime objective of Maendeleo Bank .The bank will provide attractive and flexible terms for customers who provide stable deposits for the bank. Maendeleo Bank will aggressively market its savings products in order to attract high level deposits and hence expand the scope of the operations.

Initially, five voluntary savings deposits will be offered which includes

- **Standard savings account:** Ordinary savings accounts will target individuals, micro and small businesses and medium scale businesses. The opening /minimum balance for this account shall be TZS 5000 and there will be no limit on frequency of withdrawal
- **Time deposits:** This account targets large and medium businesses, large institutions such as Universities etc. The minimum amount for opening this account shall be TZS 100,000 and no upper limit.
- **Agreed account:** A savings account with special agreed terms and conditions for withdrawal. The opening amount for this account shall be TZS 2,000,000, withdrawal and other conditions shall be as pre-agreed.
- **SACCOS and groups deposit account:** This is a special account for SACCOS, terms and conditions shall be negotiated but savings shall be on regular basis

Lending Operations

The lending operations of the Bank are based on the principles of deepening financial services for the poor, rural development, sustainability and profitability. The policy reflects this philosophy and specifies procedures for providing financial services to farmers, micro, small and medium enterprises in Tanzania. In addition, the policy and operations procedures aim at maintaining high quality loan portfolio at all times and create conducive environment social oriented enterprises in education and health sectors to access loan products. Between seventy and eight percent of the loan portfolio will be for Microfinance client base and the corporate.

The Bank's core business is to provide loans and other financial services to, small and medium -enterprises organized in groups or SACCOS, incorporated as companies or as individuals. In this regard the bank's loans portfolio will in the

medium term be composed of 50% micro credits. The sectoral distribution of loans shall be demand based, but measures shall be taken to minimize lending to more risky segments of the economy, and to diversify the portfolio.

Loan Policy

The Loan Policy to be developed by the bank shall provide an important tool for regulating lending operations, ensuring the lending is consistent with best practices, regulatory requirements and risks are mitigated and managed properly.

Micro entrepreneurs and other low income clients will be placed into solidarity groups or associations or SACCOS. Lending to such clients will use microfinance principles with focus on regular savings programs, short term loans-not exceeding one year, weekly or biweekly repayments schedules, step-up loans, peer pressure and use of chattels as collateral. Clients under the microfinance groups will also receive pre-loan training before any loan is issued and where possible they will be linked with training and technical services providers.

Small and Medium enterprises and individuals with high income will be required to meet the requirements of landed property securities. However, cash flow lending approach will be used for client with good credit history.

Efficient in processing and disbursement of loans will be one of the core principles of the bank. The bank will process loans with both high speed and accuracy.

Planned lending levels

During the implementation of the Business Plan, it is estimated that lending will be maintained at level not exceeding 80% of the Bank's deposits levels. The remaining funds will be invested in safe money market instruments particularly they will be invested in Treasury Bills, Bonds and Bank Placements.

Investments

The bank will invest all excess liquidity in low risk assets. The investment policy which will be established by the Board of Directors shall provide the basis for making decisions of such investments. The investment policy among others shall contain the following elements

(a) Cash

The bank will maintain adequate cash reserves to meet the needs of customers. This is estimated at 3% of total deposits.

(b) Primary reserves

In addition to vault cash, Maendeleo Bank shall maintain adequate reserves which together with cash shall not be less than 10% of total deposits.

(c) Fixed assets

The total value of movable assets shall not exceed that limit prescribed by the Bank of Tanzania.

SECTION IX

THE STATE OF MICROFINANCE IN TANZANIA

[This section discusses the state of Microfinance institutions in Tanzania and the regulatory framework. It has been based on documents sourced from the website of the Tanzania Microfinance Association www.tamfi.org and that of the bank of Tanzania www.bot-hq.org and from CORE's in-house research].

THE STATE OF MICROFINANCE IN TANZANIA

Background

Microfinance (or “financials services for the poor”), has emerged over the past 30 years from a narrow notion of microcredit – well-defined methodology to extend credit to target groups for enterprise development or some other specific purpose – to an ambitious and daring concept of building entire financial systems that serve low income and poor people.

In Tanzania, the history of microfinance starts way back in 1985 when the Government promoted and established the Presidential Trust Fund in mid 1990's. Other MFIs emerged such as PRIDE, FINCA, and YOSEFO.

In the late 1990s the Bank of Tanzania started specialized banks, commonly known as community banks and cooperative banks. These include Kilimanjaro Cooperative Bank, Mufindi Community Bank and Kagera Cooperative Bank.

Akiba Commercial Bank became the first Commercial Bank to venture into microfinance.

Typology of Microfinance Industry in Tanzania

The state of the microfinance industry in Tanzania may conveniently be discussed under the following heads:

- a. Microfinance service providers
- b. Apex organisations
- c. Training and other BDS Providers
- d. Outreach
- e. Access to and use of technology
- f. Problems and Challenges

A: Financial services providers

The Microfinance industry is still at the emerging stage and constitutes a diverse range of practitioners and practices. The pioneers of Microfinance in Tanzania are NGOS which started to emerge in the mid 1990s.

However, informal microfinance services providers have been in Tanzania for years these include ROSCAs, ASCAs, Burial associations, clan savings groups, etc.

Savings and Credit Societies (SACCOS) is another type of Microfinance services providers which have been active in both rural and urban areas. Banks have joined the Microfinance industry during the last 10 years.

Based on the background of the history of Microfinance in Tanzania, it is generally accepted to categorize microfinance institutions by the group under which the provider belongs. These are:

1. Informal financial services providers
2. Savings and Credit Societies
3. Microfinance Institutions registered as NGOs
4. Banks and Non Bank Financial institutions
5. Government or donor programs

Informal financial services providers

Informal providers are neither legally constituted nor regulated by any institution. These providers deliver savings, credit and micro insurance services. These are member owned and controlled by members themselves. Some of these are:

1. Rotating savings and credit Associations (ROSCA's)
2. Accumulated Savings Credit Associations
3. Burial Associations (micro insurance services)
4. Money lenders and traders
5. Self Help group (SHGs)
6. Village Community Banks (VICOBA/VSLA)

Savings and Credit Societies (SACCOS)

These comprise of formal mechanism whereby financial resources are mobilized from members, management is in the hands of members and its members constitute the main beneficiary. SACCOS are registered under the cooperatives law. SACCOS get funds for lending to members from internally mobilized savings and loans from Commercial banks, Community Banks and Government programs such as Small Enterprise Loan Facility (SELF).

Microfinance Institutions registered as NGOs

These organizations specialize in provision of financial services to micro entrepreneurs. They are registered as friendly societies under the Societies Ordinance, as trusts under the Incorporation of Trustee Ordinance Cap 378, or as limited liability companies under the Companies Act 2002, limited by shares or by guarantee.

These providers are not regulated under the Banking and Financial Institutions Act as banks or financial institutions but are of course regulated under their own laws which, in the main, are very basic and limited only to the filing of annual returns of members. Major ones include the following:

Under the Banking and Financial Institutions Act, the Bank of Tanzania has power to recognise these as "banks" and subject them to its prudential regulations. The

NGOs themselves find that as they grow to any stature and outreach, regulation by BoT is for their good and those of their members. The first such NGO Micro-finance Company was licensed by Bank of Tanzania in July 2011 and several of them are already lined up for the Transformation to become Microfinance Companies licensed by the Bank of Tanzania. The major NGOs are as follows:

Registered as friendly societies under the Societies Ordinance or the Incorporation of Trustees Ordinance Cap 378

- PRIDE Tanzania
- Presidential Trust Fund
- Poverty Africa (T)
- FINCA Tanzania
- Small Enterprise Development Agency (SEDA)
- Presidential Trust Fund (PYTF)
- Youth Self Employment Foundation (YOSEFO)

Registered as limited liability companies under the Companies Act 2002:

These are limited liability companies which specialize in Microfinance Services and are new players in the Tanzanian market. There are only 2 known ones at the moment, though more may be in circulation – our knowledge is limited by the lack regulatory disclosures:

- Tujijenge Tanzania Ltd
- K-Finance Ltd

Banks and Non Bank Financial institutions

These institutions, licensed under the BAFI Act and licensed by BoT, are in most cases driven by their own Boards to decide if they wish to engage in microfinance business. The extent to which they do that is determined whether their primary license is that of a commercial bank, a non-bank financial institution, a community bank, or a microfinance institution. They would then be required to comply with the relevant sections of the capital adequacy requirements

These entities provide a wide range of microfinance services to its clientele. The services include micro loans, savings products, wholesale credit funds to SACCOS, money transfer and micro lending. With regards to loan collateral they use chattel mortgage and peer pressure through solidarity groups. The institutions include;

- Akiba Commercial Bank
- CRDB
- Mufindi Community Bank
- National Microfinance Bank
- Mbinga Community Banks
- Dar es Salaam Community Bank
- Mwanga Community Bank
- Kilimanjaro Cooperative Bank
- Kagera Cooperative Bank and

- Tanzania Postal Bank

Wholesale MFIs

Wholesale microfinance is a new phenomenon in the industry of microfinance in Tanzania. Key players in wholesale microfinance products include Oiko Credit, Stromme East Africa Ltd, CRDB Microfinance Company and other some Commercial Banks.

Government programs/projects

Local government (i.e. District, Municipal, and City Councils) have established youth and women funds for lending. The councils are required by Law to set aside 10% of the revenue to provide loans to women and youth who want to establish or expand their businesses.

The Central Government through SELF Project and JK Funds charge subsidized interest. SELF Project is funded by a loan from African Development Bank (ADB) to the Government of the United Republic of Tanzania.

Apex Organizations

There are two Apex bodies for microfinance industry in Tanzania, namely, Tanzania Microfinance Association and SCCULT. For the past three years, two apex bodies TAMFI and Tanzania Microfinance Practitioners and Service Providers Ltd (the “Coalition”) existed. The two apex bodies merged on July 27th, 2010 and created a new TAMFI.

Institutional level

An inclusive network – more institutions are joining the organization a national network – present at all levels and in all regions and districts in the country. Have an effective and less costly mechanism and technology to attain the national presence a united voice – speak as one active internationally –strongly in East Africa, Africa and International areas increased collaboration among members benefit members- develop and deliver services that address important member’s needs/issues

Industry level

Leading in organizing the industry – want to see the industry become more organized Have a united voice Participate and be recognized in National issues and activities – have influence in decision making with regards to microfinance issues Increase in number of formalized and regulated MFIs

Membership of the new TAMFI is drawn from the existing members of the former two apex organization and new members who are going to be recruited by the interims Board of six members. Members are categorized as follows:

General Members

- Commercial Banks practicing/offering microfinance services
- Regional banks offering microfinance services
- Non-Governmental Organizations engaged in the provision of Microfinance services as core activity
- Companies offering microfinance services
- Financial cooperative
- Apex bodies representing informal financial services providers like VICOBA and COCOBA
- Community based organization offering microfinance services as core activity
- Whole sale Microfinance Organizations
- Business Development Service Providers offering direct services to Microfinance Institutions as major clients
- Micro insurance providers, Brokers and agents

Associate Members

- Professional networks or Associations which have interest in Microfinance activities
- Auditors, Accountants and Consultant firms engaged in Microfinance services
- Information communications and technology providers;
- Other local and international institutions or programs engaged in support if the microfinance industry

Training and other BDS Providers

In order for microfinance to grow and prosper, human resource development is crucial. Human resources development can be done through tailor made courses organized by MFIs, or through in-house training and through sending staff to microfinance training institutions. In the 1980s Tanzania had a bankers training centre – Amon Nsekela Bankers Training Institute which was providing training services to key bank operations skills such as tellers training, back office operation, credit management, bank subversion, etc.

The training institute was closed in the 1990s following restructuring and the ultimate privatization of the Bank. The Bank of Tanzania Training institute in Mwanza took over some of the courses offered by the then bankers training institute. However, Bank of Tanzania Training Institute has not been able to fill the gap. Microfinance training by then was only offered for SACCOS by Moshi Cooperative College (now Moshi University College of Cooperative and Business Studies), NGOs MFIs relied on in-house training or sending a few staff when donor funds were available.

Hence human resource has remained a big challenge for the Microfinance industry in Tanzania. There a few training institutions which provide training services to microfinance institutions these include Centre for Microfinance and Enterprise Development, Centre for Microfinance owned by Global Associates Consultants Limited, Institute of Continued Studies of the Moshi University College of Co-

operative and Business Studies and Tanzania Bankers Institute (introduction to Microfinance). By and large, human resource development remains a challenge to the Microfinance Industry in Tanzania.

Auditors are major players in providing support to the Microfinance industry. Currently there are no auditing companies which specialize in auditing microfinance. Audit services appropriate to microfinance helps to produce transparent and comparable financial statements. International audit companies such as Price waters Cooper's have the capacity to bring microfinance expertise form other parts of the world but their price is beyond the reach by majority of MFIs in the country. Trained Internal auditors are also hard to obtain since some of the local institutions provide specialized training in microfinance auditing.

Outreach

The financial sector in Tanzania is still small. A survey by Finscope in 2009 for the Financial Sector Deepening Trust revealed that Banks have reached only 12% of the potential market while 2% of the market is served by SACCOS and NGO MFIs. Majority of the poor in Tanzania are either served by informal financial services providers and some have no access to finance of any type.

Access to and use of technology

All regulated microfinance services provided have computerized IT system and some have ATM services. The use of computerized MIS systems is also common among NGO MFIs such as PRIDE, YOSEFO, FINCA, PTF, Tujijenge etc.

The majority of the NGO MFIs and all Community Banks use Bankers Realm, software developed by Crafts Silicon based in Nairobi, Kenya.

Problems and Challenges

Microfinance is now recognized as an effective tool for reducing poverty. It has shown a positive result in many countries, however, microfinance services have not yet developed down to reach rural communities in Tanzania. There is still a high concentration in few urban areas; there is still a huge mass of people deprived of financial services in Tanzania. At the same time there a number of challenges facing the microfinance industry in Tanzania

- Most microfinance institutions are concentrated in areas which have easy access to markets and also high density populations. They have not been able to build an upright approach to outreach the neediest rural masses
- Lack of pool of experts in Microfinance. Human resource development is major constraint to the industry due to limited number of business development services providers that can produce training to staff and board of directors
- Microfinance regulations 2005 which is expected to guide the industry is not friendly to microfinance services providers. Area of concern include

provisioning of current loans, limit of loan size of individual borrower is too small and stringent provisioning

- Over indebtedness of some borrowers caused by overcrowding of MFIs in few cities and towns with well developed markets and lack of credit reference bureau

Regulatory Environment

National Microfinance Policy

- The cooperative Development Policy, 2002
- The cooperative Societies Act, 2003
- The cooperative Societies Regulations, 2004
- Microfinance Regulations, 2005

The microfinance Regulations were approved by the Government on 25th March, 2005 comprising regulations for internal control and Internal Audit; Microfinance Companies, Micro credit Activities and Financial Cooperatives. .As of to date, the implementation of the Microfinance Companies and Financial Cooperatives Societies has not created positive results. NGOs MFIs and SACCOS have not transformed to Microfinance Companies or FICCOS respectively.

Therefore, Commercial Banks and Community Banks remain to be regulated institutions providing microfinance services in Tanzania. SACCOS receive some limited supervisory services governed by the Cooperative Act.

According to the Microfinance Policy, Government should not interfere on MFIs operations such as pricing, product development, loan terms, etc. Ministry of Finance has the responsibility of ensuring that microfinance programs are consistent with the policy.

However, the Government still plays a direct role in lending through JK Funds, Local Authorities Funds for Youth and Women and SELF Project. The main concern for the microfinance industry is that some of the Government funds offer subsidized interest for example JK Funds which in turn distort the market.

SECTION X DETAILS OF DIRECTORS

***Mr. Amulike S. K. Ngeliama (62 years)-Tanzanian- Chairman
(B.A Hons-Economics, University of Dar es salaam)***

Mr. Amulike Ngeliama has had a long career in banking, business administration and project management. He began his career in 1976 at CRDB, after which he has worked in the banking industry for more than 20 years. He has also worked with different SACCOS as Treasurer around the country; currently he is working as the Treasurer of Mtoni Lutheran Church SACCOS.

Mr Ngeliama acquired more experience in various professional pursuits, including in the role of Consultant and Investment Advisors. He has attended many professional certification courses, including that of DSE Floor Trader in 2009. In March 2011, Mr. Ngeliama attended and passed the CMSA's Dealers and Securities Training Program, which certifies him for an Authorised Dealer's Representative for licensing as Dealer in an authorised Stock Exchange.

***Ambassador Richard Elisante Mariki (69 years) -Tanzanian
(MSC Management Arthur D. Little Management Institute, Cambridge Mass-1978; B.A University of East Africa-Dar es salaam Campus-1969); Certificate in Investment Appraisal and Management (University of Harvard).***

Ambassador Richard Mariki is a long serving public servant. Professionally, he has and varied experience and held senior positions in banking, telecommunications, aviation insurance and the Mining industry. Ambassador Mariki is currently working with the Evangelical Lutheran Church Tanzania - East and Coastal Diocese as the Church's General Secretary.

Before joining his appointment to the Church's hierarchy, he worked with different entities in commerce, industry and Government. As a public servant, Ambassador Mariki worked in such sensitive institutions as the TRA's Revenue and Sales Tax department as well as in the External Finance Department at the Treasury. He joined the diplomatic service as Technical Cooperation and Minister Counselor in the Ministry of Foreign Affairs and International Cooperation in the rank of Ambassador.

Ambassador Mariki has also occupied Board positions as Chairman or member in respected companies and government agencies like the Tanzania Communication Regulating Authority, Economic and Social Research Foundation, National Insurance Corporation, Air Tanzania Corporation, TAZARA, National Bank of Commerce, East African Development Bank and Tanzania Revenue Authority (TRA).

He is currently Board member of Geita Gold Mines, the Investment Trust Board of the (ELCT-ECD) and Tumaini University College, Dar es Salaam.

***Naftal Mathayo Nsemwa (67 years) -Tanzanian
Postgraduate Diploma in Project Analysis (Institute of Social Studies, The Hague); Bachelor of Arts (Economics) (University of Dar es Salaam).***

Mr Nsemwa has worked with national institutions at the highest levels, including that of Director General – PPF. Before his appointment as DG in PPF, Mr. Nsemwa worked in the Tanzania Investment Bank (TIB) as Head of Credit Analysis; Director of Planning and Development; and Director of Projects Appraisal. At a critical moment of the TIB's corporate repositioning, Mr. Nsemwa was appointed by the board as Coordinator of the TIB Restructuring Programme. He has authored many technical papers and professional treatises, including presentations to such august forums as the Economic Development Institute (EDI) of the World Bank and to the Industrial Public Enterprise Reform about economic restructuring, privatisation reforms and divestiture of public enterprises in Tanzania.

Mr Nsemwa is currently Board member of NIKO Insurance Tanzania Limited and Kioo Limited, the leading manufacturer and distributor of container glass items. He is a past Chairman of the Azania Bancorp Ltd.'s Board of Directors; Vice Chairman of the Tanzania Re-insurance Ltd. Board of Directors; and a member of the Board of Directors of PTA - Reinsurance Ltd., a Regional re-insurance company based in Nairobi, Kenya.

Mr. Nsemwa is currently Managing Director of Interfini Consultants Limited.

***Reverend George Ernest William Kadiva (47 years) -Tanzanian
Bachelor of Commerce and Management University of Dar-es-Salaam in 1993;
Bachelor of Divinity, Makumira University in 2002, Master of Theology and Ecumenical Studies (Geneva University 2011)***

Reverend Kadiva is currently Pastor in Charge of ELCT-ECD Kijitonyama Parish. Prior to that, Pastor Kadiva occupied varied pastoral and lay positions, including that of Manager, Country General Trading and Marketing and Sales for the Guardian newspaper and the IPP Group. With increasing seniority in his Pastoral service, Reverend Kadiva was appointed Chaplain of the Azania Front Cathedral; Assistant General Secretary of the ELCT-ECD; and Deputy General Secretary Administration Operation and Estate Affairs

He has also attended numerous courses and seminars in Church leadership and Management Skills in Singapore Haggai Institute; Senior Managers; Course in "Governance and Accountability in Tanzania: an Overview of Civil Society" organized by the University of Dar-es-Salaam in 2000. He has written professional papers and research works that were presented in different forum and workshop in Tanzania and overseas.

Anna T. Mzinga (38 years)-Tanzanian
MBA – Finance, Open University of Tanzania (2009); Professional Savings and Credit Societies Management Course, Moshi University College of Cooperatives and Business Studies; Advanced Diploma in Accountancy - Institute of Finance Management (2000); Certified Public Accountant, CPA(T).

Ms Anna T. Mzinga is a professionally qualified accountant with senior-level experience in accounting, finance and project management. She is currently working with Benjamin William Mkapa HIV/AIDS Foundation as Grant Manager. Prior to holding that position, she worked with the Higher Education Student Loans Board Senior Accountant (2009-2010); with Dunduliza Company Limited in partnership with Desjardins International Development as a Director of Finance (2005-2009); and with the Open University of Tanzania as Assistant Accountant.

Felix Mlaki (40 years), Tanzanian
Masters of Business Administration (MBA), Edinburgh University Business School – Scotland, UK, 2003; Bachelor of Arts in Economics, Nairobi University, Kenya, 1999.

Mr. Mlaki is currently Executive Director of the Economics & Business Foundation (T) Ltd. Prior to that, he worked at Kenya Commercial Bank Tanzania as Director of Retail Banking; and Standard Chartered Bank Tanzania as General Manager – Shared Distribution.

He has also attended various courses and seminars such as Global Banking Services and Product Pricing – India; A Talented Manager – Kenya; Profit Management – USA; International Financial Leadership – USA; Service Excellence – Ghana; Global Wealth Management – UK; Building Value Leadership – Singapore; and Leadership for Growth - Indonesia.

He is a member of Tanzania Institute of Bankers and is registered as an International Business Executive.

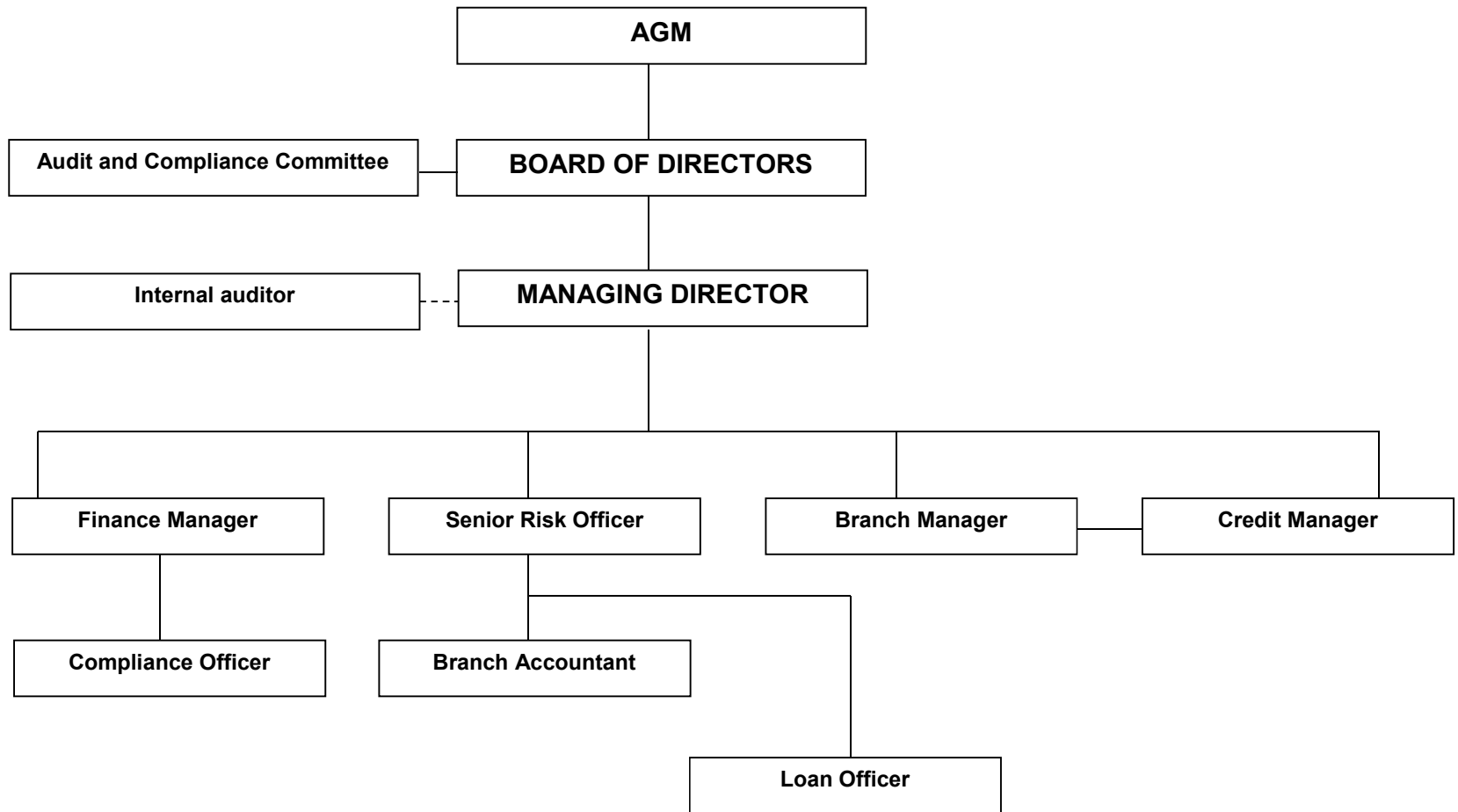
Dosca Kemilembe Mutabuzi (56 years) Tanzanian
Master of Business Administration (MBA) in Finance, University of Wales – UK, Bachelor of Laws (Ll. B), University of Dar es salaam.

Ms Dosca Mutabuzi is an Advocate of the High Court of Tanzania and a Notary Public and Commissioner for Oaths at the law firm Mutabuzi & Co. Advocates. She has also worked as State Attorney Grade III at the Attorney General's Chambers and at the Tanzania Legal Corporation – DSM

She is also a member of Tanganyika Law Society (TLS); Tanzania Women Lawyers Association (TAWLA); the East Africa Law Society; and the Eastern & Coastal Diocese Tender Board - ELCT

Ibrahim Mwangalaba (45 years) Tanzanian - Managing Director

Details are to be found under Management in the next Section XI



The Maendeleo Bank (MBP) Board of directors is the highest policy approval body and has the ultimate responsibility for the bank's operational. The Board plays an oversight role in the management of the overall risk profile of the Bank. Specifically, the major roles of the Board, among others include:

- Articulating and ensuring adherence to MB overall risk management strategy.
- Defining the Bank's appetite for the entire spectrum of risks.
- Appointment of management
- Take responsibility for ensuring the soundness of a bank
- Ensuring that appropriate corporate governance frameworks are established and operational.
- Endorsing and approving the risk management structure, policies, assigning roles and responsibilities and establishing authorization limits.
- Approving credits and trading limits beyond the approved authorization limits for individuals and committees.
- Periodically review controls to ensure that they remain appropriate, and make periodic assessments of the long-term capital maintenance.
- Obtain explanations where positions exceed limits, including reviews of credit granted to substantial shareholders, Directors and other related parties, significant credit exposures, and adequacy of provisions made.
- Ensure that an Internal Audit function includes a review of adherence to policies and procedures.
- Deliberation, approval and review of risk management policies and frameworks for the management of credit, operational, market and information technology risks in the Bank, which are subject to effective and comprehensive periodic reviews by Internal audit.
- Approval of financial products, credit programs and individual/business credit in line with the Bank's credit approval authority limits and within the necessary statutory requirements set by the regulatory/supervisory authorities.

Board Committees

The MBP Board of Directors shall execute its risk management responsibilities through its Board committees, i.e. the Board Audit and Risk Committee. The Board shall maintain a balance between Executive Directors and Non-executive Directors as far as the membership of the Board committees is concerned.

The Board Audit and Risk Committee

The Board of Directors shall constitute, from among its members, a committee on audit and Risk, consisting of not less than three persons who are not employed by

MBL, in any capacity, to perform such functions as the Board of Directors shall specify.

SECTION XI

DETAILS OF SENIOR MANAGEMENT

Ibrahim Mwangalaba (45 years) Tanzanian - Managing Director
Masters in Business Administration (MBA) in Finance, Bachelor of Commerce & Management - both from the University of DSM.

Mr Mwangalaba is the Managing Director of the bank and, before his appointment at Maendeleo Bank Limited; he worked at KCB Bank (T) Ltd as Head of Operations and Technology. He has also worked with CRDB and Mbeya Cement Company Limited for 6 years. He holds also an associateship diploma in banking of the Tanzania Institute of Bankers and professional level iv - Procurement and Supplies management- National Board for Material Management.

He is a member of Tanzania Institute of Bankers and Dar es Salaam University Marketing Association.

Damas Christopher Lubuva (34 years) Tanzanian-Finance manager
Advanced Diploma in Accountancy (IFM), CPA (T) in 2007.

For the past seven years he has been engaged in various professional duties, beginning with the position of Branch Controller at CRDB Bank, after which he became Chief Internal Auditor of Tanzania Women's Bank where by May 2009 was able to establish the Internal Audit Department. In that position, he carried out training of subordinates and prepared the bank's Internal Audit Charter, Internal Audit Manual and helped management in settling and formulating best internal control procedures and guidelines. As a senior member of the bank's management, he participated fully in the installation of the bank's software for use in producing effective report for Finance on the Core accounting system and its structures, Credit and Audit reports

Xavery Tumbo Mang'era (33 years) Tanzanian- Credit Manager
Bachelor of Accounting and finance in the Public Sector (Accounting, Finance and Investigation), Mzumbe University in 2007.

Mr Tumbo has, before joining the bank, worked with Access Bank (T) as Branch Manager, and prior to which he worked at EFC TANZANIA MFC LIMITED

Peter Benedict Tarimo (37 Years)-Tanzanian - Internal Auditor
(CPA (T), MSc (PSCM) –Mzumbe University Tanzania, BSc (Statistics and Mathematics)-University of Dar Es Salaam, Tanzania)

Peter Benedict Tarimo has over 10 years' experience in banking industry; he has worked with Dar es Salaam Community Bank from 2009 to 2011 as Head of Compliance, Akiba Commercial Bank (ACB) as Administrative Officer from 2008 to 2009, as Supervisor - Finance and Administration from 2005 to 2008 and a Finance and Administration officer from 2001 to 2005. He has also attended/participated various courses within his career such as risk management frameworks and policies, Bank of Tanzania prudential regulations, frauds and financial crimes and a member

of Global Association of Risk Professionals (GARP), National Board of Accountant and Auditors (NBAA) and Tanzania Institute of Bankers (T.I.O.B).

***George Richard Wandwalo (45 years)-Tanzanian- IT Manager
Post Graduate Diploma in Project Management-Cambridge UK under Dalc
Education Nairobi-Kenya-(2013), BSC Computer Science-University of North
Wes, USA-(2003).Higher Diploma in Management of Information System-(2002).***

George Richard Wandwalo has 7 years' experience in banking industry, Information system and construction industry. He has worked with KCB (T) LTD as IT Manager (2005-2012), Group Five Engineering (1989-2000) and Head of Computer department- Good Samaritan International School- (2003-2004)

SECTION XII

DETAILS OF NOMINATED ADVISOR

In this document we describe our firm and explain its track record with specific reference to our key areas of competence. A printed corporate profile brochure is also available.

With introduction of capital markets in Tanzania towards the end of the millennium, **CORE Securities Limited** was incorporated under Chapter 212 of the laws of the United Republic of Tanzania; with certificate of incorporation Number 33144 dated 11 December 1997. The company was initially licensed by the Capital **Markets and Securities Authority (CMSA)** in the category of investment advisor but later upgraded to the coveted category of dealer in securities. CORE Securities Limited was then admitted as member of the **Dar es Salaam Stock Exchange**, D-007.

By way of historical background a Company, called **CONSULTANTS FOR RESOURCES EVALUATION LIMITED**, was incorporated much earlier on 17 August 1987 with Certificate of Incorporation # 14054. Its main objectives are: to provide consulting services in capital markets operations; funds arrangement and management; corporate finance; economic and market studies; taxation, public finance and policy analysis; information technology; collective investment scheme; and organizational development and corporate planning.

In each of these key business segments, professional training is a key strength that we use in conjunction with our track record in the field.

This company, is popularly known as “CORE”, became fully operational in 1988 as an indigenous enterprise wholly under the control of Tanzanian nationals comprising 6 shareholders and several principals affiliated with academic or research institutions. All the company’s directors and senior staff are technical specialists in their own fields of endeavour. Depending on the job at hand, CORE can draw upon an impressive array of expertise completely in-house, or team up with professional colleagues in multidisciplinary consortia to suit the demands of the assignment.

The founding Directors and senior staff of CORE are the same who founded CORE Securities Limited in 1997. We could have used CORE to get the dealer’s license, but that would have involved amending the Articles as required by CMSA Regulations. By then the Company had cultivated a special niche in professional matters and the Directors decided to retain CORE in its registered form, but “borrowing” the acronym for the new securities dealing company!

That is how CORE Securities Limited came to be.

Subsequent re-organisation saw **CORE Securities Limited** (“CORE Securities”) reconstituted as the parent company (specialising in dealing matters, as licensed dealing member of the DSE) and Consultants for Resources Evaluation Limited (“CORE Consulting”) specialising in investment advisory matters (specialising in advisory matters and corporate finance, licensed by CMSA in the category of investment advisor).

The parent company is licensed by the CMSA in the category of Dealer in Dual Capacity (License: D.007). It is also licensed by the Bank of Tanzania as an Authorised Dealer in Government Securities. The subsidiary company is licensed by the Capital markets and Securities Authority (CMSA) in the category of Investment Advisor.

In 2008, we applied for and received provisional admission to the CMAC in Rwanda, to operate in its then over-the-counter market. Subsequently, OTC trading was stopped and CMAC become reconstituted as CMA when the Rwanda Stock Exchange became fully operational. In 2012 CORE Securities (Rwanda) Limited got full admission as a licensed dealing member of the RSE, the only Tanzanian-owned member firm. It is also licensed by the National Bank of Rwanda – the Nation’s central bank, Banki Nkuru y’u Rwanda – as a licensed participant in its central securities depository.

With this restructuring and further developments, CORE is now in a position to offer the full range of corporate finance, advisory and dealing services to its clients across the EA Region and beyond. Depending on the task at hand applications were made using the appropriate license but all matters handles under one roof with the full control of the same directors and senior staff.

Our motto is “***complete solution to business problems***”.

In line with this motto, CORE has cultivated mutually beneficial relationships with professionals outside our firm, from whom we can summon any additional know-how, goodwill or experience to supplement our in-house strength so as to be more responsive to the needs of the Client. These professionals include engineers, bankers, valuers, lawyers, technologists, university lecturers, economists, computer experts, scientists and researchers. From this co-operation CORE is able to bring to the market the latest fruits of science and scholarship without losing touch with the practical and proven.

These relationships support our commitment to provide up-to-date, comprehensive and cost- effective services to our clients. However, our organizational structure is designed to provide clients with the responsiveness and flexibility of a small firm but with the advantages of big-firm resources. Total responsibility for direction and quality control of projects lies with CORE’s directors, principals and senior staff to ensure clear and direct channels of communication. In short, CORE’s clients are assured of highly qualified teams of professionals with academic and field credentials that are generally unmatched.

Top management of our firm is vested in the 5-person Board of Directors while day-to-day executive and operational decisions are made by a core team that comprises five ADRs, three NOMADS and 2 CPAs, among other professionals. This team has delivered by far the largest output of capital markets transactions in Tanzania, including Arranging 4 IPOs, sponsoring 7 IPOs, the only cross-border trading and co-listing to the London Stock Exchange of a footsie-500 company, the only M&A transaction to date on the DSE and the first and only IPO under the DSE’s Enterprise Growth Market (EGM).

We present below an historical overview of representative areas of our firms' activities.

CORE Resources was awarded a contract by the World Bank to prepare for the National Board of Accountants and Auditors (1999) an updated set of accounting and auditing standards that would comply with international standards. These were produced in 2000, discussed and passed by the accounting profession as exposure drafts in 2001 and gazette by the NBAA in 2003 as the Nation's definitive standards until 2005 when Tanzania opted under SADC protocols, before wholesale adoption of IFRS.

CORE Resources was awarded a contract by the Treasury under funding from the European Development Fund in 2003 to study the customs arrangements on donor funded projects following some controversial repercussions in the use of VAT exemptions and the need felt at that time to harmonies the customs and tax regime in Tanzania. Following our recommendations, VAT exemptions and other differential customs treatment of government and donor funded expenditures were dropped.

CORE Securities was first licensed as Investment Advisor in 1997 and, in that category, participated in advising clients in the IPO's of Tanzania Breweries Limited (TBL), Tanzania Tea Packers Limited (TATEPA). When the Company's license was upgraded to that of Dealer, **CORE Securities** were Co- sponsoring Brokers in the TCC of IPO in the year 2000 and of Tanga Cement Company (in 2002).

For the Parastatal Sector Reform Commission (PSRC, from 1998 to date), CORE Securities have carried numerous **Privatization, Restructuring and Valuation Studies**: Motor Mart, Printpack, Coastal Salt Works, TRALLCO, TAFICO, Dar es Salaam RTC, Tanga RTC. CORE Securities are currently working on the restructuring of TANESCO in an international Consortium of consultants.

CORE Securities was contracted by the then Privatization Trust as Manager for the Trust, in which capacity CORE Securities were advising the Trust in its mission to cater for the general public in the divestiture of former parastatals. The procedure was that with each privatisation, a strategic investor was found to purchase majority control of a Parastatal, with the remaining shares (20% to 45%) remaining Government hands.

The Trust would then task us to find the best way of divesting these minority shares to individual citizens – using such methods as sale of shares on the DSE, placement of shares with selected investors, sales to management and staff, and so on. Eventually it was decided to convert the Privatisation Trust into the Unit Trust of Tanzania for the purpose of divesting the shares by means of collective investment schemes. The first such CIS, the Umoja Fund Unit Trust was a resounding success.

In July 2004, CORE Securities were Joint Sponsoring Brokers to the IPO of TanzaniteOne Limited on the Alternative Investment Market (AIM) of the London Stock Exchange. Working with William de Bröe PLC (licensed brokers of the London Stock Exchange and Vertex International); CORE Securities were able to attract a number of selected Tanzanian investors to participate in the IPO following special foreign exchange control dispensation

CORE Securities was appointed by PSRC as Lead Advisor for the IPO of the Dar es Salaam Airports Handling Company Limited (DAHACO, later renamed Swissport (T) Limited). This was the first time an indigenous firm had bid and won such a contract against international competition. The IPO was 5-time oversubscribed and the share price rose from TZS 225 at listing in June 2003 to TZS 680 on 31 October 2006. In addition to general coordination and management of the IPO, CORE Securities had specific responsibility for pricing the issue, structuring a stock-split, designing an employee share ownership scheme (ESOP) and finalising the Registry by making the final allotment upon its approval by the Regulator.

CORE Securities was appointed in 2003 by the Kenyan Company BidCo Soap & Oil Limited to be Sponsoring Broker for its TZS 10 billion mixed-and-floating 5 year bond, with Barclays Merchant Bank of South Africa as the Arranger. This was the first truly private-sector international DSE product, involving cross-regulation by the Bank of Tanzania and the Bank of England (the bond was guaranteed by the UK multinational Barclays Bank PLC). CORE Securities played a pivotal role in pricing and structuring the bond because the Issuer and most of the other Advisors were foreigners.

CORE Securities were appointed in 2004 by the East African Development Bank to be Sponsoring Broker for a TZS 10 billion fixed-rate bond. Although this was not the first bond for EADB on the DSE, the fact is that target investors had become more sophisticated were demanding an objective rating by a reputable agency to agree on the price. In the absence of such rating CORE Securities assisted by pegging the bond on of the 5-year T-Bond then current, plus a premium of 2 basis points.

CORE Securities was appointed by the International Finance Corporation (IFC), the “commercial” arm affiliate of the World Bank, to serve as their Brokers on the Dar es Salaam Stock Exchange, with specific task of advising upon the best exit mechanisms from their investment in Tanzania Breweries Limited that they made when TBL was first privatized. IFC has a venture-capital funding window that it uses by to give comfort to potential strategic investors, investing in privatizations that are seen to have an upside potential. Later, when the investee has been turned around, IFC are able to divest out, including outright sale of its shares on the DSE in an orderly manner, to avoid flooding the exchange with shares that would bring prices crashing down.

CORE Securities was appointed by the Kenyan Electricity Generating Company (KenGen) as Co-sponsoring Broker in a consortium of brokers from East Africa and South Africa. CORE Securities handled the Tanzanian leg of the mammoth IPO that had been planned to be the first of its kind in the Region’s capital markets industry. Unfortunately Governmental approvals could not be finalized in time, though the entire preparatory work had been done.

CORE Resources was appointed by PSRC early in 2006 to be Lead Advisor of the IPO of Tanzania Portland Cement Company Limited (TPCC). This is a subsidiary of the 4th largest cement maker in the world and the second cement company to be listed on the DSE (the first listing was that of Tanga Cement, owned by the 2nd largest cement maker in the world). With TZS 95 billion collected, this was the largest IPO in the history of Tanzania, larger than even the TZS 92 billion of the Umoja Fund IPO that had a 43% in-built Government subsidy. Its huge size

notwithstanding, the IPO was oversubscribed 350% times. An innovative pricing and allotment formula was proposed and approved by the Regulator.

In April 2007, we were appointed by the Presidential Parastatal Sector Reform Commission (PSRC) to be Sponsoring Broker in the initial public offer (IPO) of the National Microfinance Bank (NMB) and its subsequent listing on the Dar es Salaam Stock Exchange (DSE). It was successfully listed on 31st October 2008.

In April 2008, we were appointed Lead Advisor by this community bank that began as a special service provider for the city of Dar es Salaam controlled by the City Council and municipalities of Ilala, Kinondoni and Temeke. The bank successfully went public during the year and became the first bank to be listed on the DSE – just pipping NMB - on 16th September 2008

COREDEX MARKET INDICES

To cap it all, in our efforts to monitor growth of the market and appraise Clients on its performance, we have developed 2 stock- market indices. The first is the COREDEX Composite Index, value-weighted based on the free-float market capitalisation and the second is the **COREDEX Average Index**, a price weighted average index. Both indices are based on 15 October 1998 = 100 and are constituted similar to the JSE Composite Index (of the Johannesburg Stock Exchange) and the Dow Jones Average Index (of the New York Stock Exchange) respectively.

We were appointed by the Canadian multinational Barrick Group to be coordinating sponsors in Tanzania of the IPO listing on the London Stock of the Group's Tanzanian properties, incorporated as African Barrick Gold. This was by way of a private placement (since the Barrick Prospectus could not be approved by CMSA in time), after we had obtained dispensation from the Bank of Tanzania.

We successfully placed a good number of shares, using the global custodian services of Barclays Bank PLC Mauritius and are currently the sole brokers of ABG in Tanzania. Later, CORE was Lead Advisor and Sponsor of the successful crosslisting of ABG on the DSE, with Standard Chartered bank (T) as global Custodian.

TATEPA, 2010-2011 CORE was appointed as Financial Advisor to TATEPA's M&A transaction whereby the founding shareholders bought out the founding strategic investor and brought a London fund manager in its place. This was Tanzania's first ever business under the CMSA's M&A Regulations.

DCB Commercial Bank PLC, 2012 CORE were appointed Lead Advisors and Sponsor of the Dare es Salaam Community Bank (see above) rights issue that coincided with the bank's recapitalisation and extension of license to pan-territorial commercial banking

Regulatory licenses

- **CORE Securities** are licensed by the **Capital Markets and Securities Authority (CMSA)** as Dealing Members of the **Dar es Salaam Stock Exchange** – CORE Securities began in 1998 as Licensed Investment Advisors, “graduating” in 1999 as full stockbrokers. As LDM of the DSE, CORE Securities hold premier position in the DSE in terms of IPO’s arranged and sponsored (both for equity- and fixed-income securities. We are also the only firm to have ventured to nonconventional areas away from the beaten track: unit trusts & REITs, M&A transactions, structured finance and municipal bonds.
- CORE Securities are also licensed by the **Bank of Tanzania** since 2001 as dealers in Government securities. CORE Securities have a small but select clientele of high net-worth individuals and a manufacturing in the agri-business sector.
- CORE Securities (Rwanda) Ltd (owned 95% by CORE Securities) is an LDM of the Rwanda Stock Exchange, licensed by the CMA in Rwanda. It is also licensed by the National Bank of Rwanda as participant in the central bank’s central securities depository.

A BRIDGED CVS AND OVERVIEW PROFESSION STAFF

Here below are brief particulars of Directors and senior staff:

- **Mr George Fumbuka** is a UK Chartered Accountant and licensed by the NBAA as a Public Certified Accountant in Public Practice. He is the CEO of our firm with over 25 years’ experience in professional training, line management and consulting. He is a prolific trainer who has authored authoritative textbooks and monographs in accountancy and finance. He led a team of consultants (for the NBAA, financed by the World Bank) who wrote or updated all accounting and auditing standards in Tanzania in conformity with international accounting standards. He also holds a master’s degree in business administration (MBA) from Scotland’s University of Strathclyde Business School. He has been involved in all the financial reforms and capital market developments in Tanzania: having consulted by the PSRC, BoT, TIC, NBAA, CMSA and the Government. He was incharge of all the IPOs led by our firm: DCB Commercial Bank, Twiga Cement, Swissport (equities), plus the corporate bonds of Bidco Oil & Soap and EADB (corporate bonds)
- **Mr Yona Killagane** is another respected accountant who has played a great role in developing the finance and accountancy professions in Tanzania. He is currently managing director of the Tanzania Petroleum Development Corporation, which he joined after 3 years (1975-1977) on the academic staff of IDM Mzumbe. Mr Killagane, a Chartered Accountant with an MSc degree in finance from the University of Strathclyde in the UK, has participated as a technical resource person to all the CMSA’s IPOs. He has authored authoritative presentations on finance and financial reporting standards. He is currently on the Board of the Bank of Tanzania and sits on its Audit Committee.
- **Mr. Bonaventura Mlunde** is Director with special responsibility for fixed income securities. He is a seasoned banker who took early retirement after 24 years of work in various capacities - including senior positions as Director of Project Supervision &



Appraisal, Head of Business and before retirement Head of Finance & Administration - at Tanzania Development Finance Company Ltd (TDFL) Capital Finance Limited (CFL). Mr. Mlunde is B.Com graduate, CPA (T) and Fellow of the Chartered Institute of Management Accountants (FCMA).

- **Mrs. Mary Kessy:** a graduate of the Institute of Finance Management in Dar es Salaam, with an Advanced Diploma in Accountancy. She is also a holder of an MBA degree in finance from the same institution and a CPA (T). She is an Associate Director of firm with responsibility for bonds and money market products as well as overall head of Finance in the Company, ensuring assignments are completed and delivered within promised time and cost estimates, liaising with bankers, regulatory authorities and outsourced services. Mary is a fully qualified broker and an Authorised Dealer's Representative (ADR) of CORE
- **Mr Jonathan Swalala:** a graduate in agricultural economics and agri-business from SUA – the Sokoine University of Agriculture in Morogoro. He is a Grade school-teacher, a diploma holder with 5-years' experience teaching physics "A" and mathematics in secondary schools prior to embarking on graduate as economist. In this combination, Mr. Swalala plays a useful role for the firm studies providing interface between science and business, professional training and public sensitisation. Having attended and passed CMSA's Dealers Course, Mr. Swalala is a fully qualified broker and an Authorised (ADR) of CORE. He has noted coordination skills for interdisciplinary teams working on complex assignments.
- **Mrs. Nkunde Shoo** began initially as Secretary and Office Management Assistant but was able to advance herself to acquire a Higher Diploma in Business Administration from the College of Business Education. She also attended the DSE's Floor Traders' Course and qualified as a trader on the Exchange's automated trading system. She also attended various FIU regulatory courses and now serves as Compliance Officer.
- **Mr Edwine Mahenge** joined our Research Department after his B.Com Corporate Finance at the University of Dar es Salaam in 2010. He has since then cultivated as a significant research capability within the industry which is indispensable to our advisory services. Edwine attended the CMSA's NOMAD certification course in March 2013 and qualified as a Nominated Advisors Representative- NOMAD's representative.
- **Miss Sandra Felician** first worked for our Firm as an intern during her graduate studies at the Institute of Accountancy Arusha in 2012. Later she graduated with the Advanced Diploma in Banking and Finance, and then joined us as Associate Dealer in fixed-securities Back-office operations. Sandra attended the CMSA's dealers' course for Nominated Advisors and qualified as a NOMAD's representative in March 2013.

The full resources of the firm, comprising accountants, Back Office operators and Front Office dealing assistants, support these CORE professionals.

SECTION XIII

BANKERS, AUDITORS, COMPANY SECRETARY

<p>Company Secretary</p> <p>ELCT – EASTERN AND COASTAL DIOCESE Luther House, 1st Floor, Sokoine Drive. P. O. Box 837, Dar es Salaam, Tel: +255 (0)22 211 3246 Fax: +255 (0)22 212 5505 Email: dgspnf@elctecd.org or ckallebi@yahoo.com Website: www.elctecd.org</p>	 The logo features a blue globe with a white cross on the left, and the text "Evangelical Lutheran Church in Tanzania" in yellow on a blue background to the right.
<p>Lead Receiving Bank CRDB BANK PLC Head Quarters - Azikiwe Street, P.O.BOX 268, Dar es Salaam Tel: 022-2116714/2133067, General Line: 022-2117442-7 Fax: 022-2116714 Email: sbandyopadhyay@crdbbank.com</p>	 The logo consists of the letters "CRDB" in a stylized green font above the word "BANK" in a bold green font, with horizontal lines on either side. Below it is the tagline "The bank that listens" in a smaller green font.
<p>Auditor: Innovex Auditors 19 Kilimani Road, ADA Estate P.O.BOX 75297, Dar es Salaam Tanzania. Mob: +255 715- 111 000 Website: www.innovexdc.com</p>	<p>Innovex Auditors</p>

SECTION XIV

RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

There are no major areas of concern as the bank is only a start up. Shareholdings of individual directors are stated in the Directors Declaration on page (iii).

SECTION XV

SHAREHOLDINGS OF SUBSTANTIAL INVESTORS, DIRECTORS AND STAFF

MAENDELEO BANK PLC – SHAREHOLDING STRUCTURE		
PROMOTERS	No. of Shares	%ge
UNITED EVANGELICAL MISSION	1,020,034	14.5%
ELCT-EASTERN AND COASTAL DIOCES	650,000	9.2%
TUMAINI DAR ES SALAAM COLEDGE	200,000	2.8%
ALICE JOSEPH MWANDU	100,100	1.4%
CHURCH INSTITUTION- SEE BELOW	539,432	7.7%
DIRECTORS	32,500	0.5%
SUBTOTAL PROMOTERS	2,542,066	63.8%
OTHER SHAREHOLDERS – FREE FLOAT	4,485,934	36.2%
TOTAL AT THE FIRST ALLOTMENT	7,028,000	100.0%
EXPECTED COLLECTIONS TO 15 OCTOBER 2013	972,000	***
GRAND TOTAL AFTER IPO	8,000,000	***

***** = BREAKDOWN UNKNOWN AT THIS STAGE**

Church institution include: SACCOS; Jimbo (Diocese); Usharika (Parish); Mtaa (Sub-Parish); Diocesan Headquarters; and VICOBA (Village Community Bank).

The Articles of the company prohibit any one shareholder or group of shareholder working in common from owning more than 5% of the ordinary share capital of the Issuer.

SECTION XVI

LEGAL AND STATUTORY MATTERS

Offer statutory information

Particulars of the Offer

The Offer

8,000,000 issued ordinary shares at TZS 500 per share, representing 100% of the issued share capital of 8,000,000 ordinary shares of a nominal value of TZS 500 each. Of this amount TZS 3,514,000,000 has already been collected as advances toward share capital and will be allotted by the Directors immediately following CMSA approval of the Prospectus. The remaining 972,000 shares worth TZS 486,000,000 will continue to be offered for 2 more months after the first allotment and will be subject to a second allotment on 15 October 2013.

The public offer will open at 09.00 am on 16 August 2013 and end at the close of business on 15th October 2013 at 5.00 pm

Eligibility

This Offer is open to all members of the public.

Minimum level of subscription

Applications must be for a minimum of 100 shares and in multiples of 10 shares thereafter.

Allotment policy

Responsibility for allocation of shares that are the subject of this Offer lies with the Directors in consultation with the Nominated Advisor. In the event that there is an oversubscription, Regulatory approval has been obtained to issue more shares than offered, up to a maximum of 15% of the shares on offer. Excess amounts above that limit will be allotted strictly pro-rata.

Extension of the offer period

The Directors have resolved that the offer period will not be extended.

Withholding tax on securities income

The bank is required to act as an agent for the Tanzania Revenue Authority in deduction of withholding tax on dividends payable to its shareholders. The withholding tax rate is currently 5% of the gross dividends.

Experts' Consents

Consultants for Resources Evaluation Limited (*Nominated Advisor*), Abenry & Company, Advocates (Legal Advisor) have all given and not withdrawn their written consent to the inclusion of their names and reports, where applicable, and reference thereto in the form and context in which they appear in the Prospectus. None of these consents have been withdrawn prior to registration of this Prospectus with the Registrar of Companies.

Use of proceeds

After paying for IPO costs, the Bank will utilize the net proceeds to enlarge the capital base. The costs of the offer are:

EXPENDITURE	TZS
NOMAD FEES	15,000,000
LEGAL ADVISOR FEES	8,000,000
COST OF PUBLIC AND BOARD SENSITISATION, STATUTORY MEETINGS, PRINTING; ETC. (EST.)	15,000,000
CMSA FEES	7,028,000
DSE FEES	5,000,000
DSE PROCESSING FEES (APPROX.)	2,800,000
TOTAL	52,828,000

Authorisations

The bank has received authorisation from the Bank of Tanzania, vide their letter Ref.No.FC.56/433/04 dated 13rd February 2013 to open and operate banking business as a community bank.

Registration of Prospectus

A copy of this Prospectus was registered by the Registrar of Companies on 16 August 2013 in terms of Section 35 of the Companies Act and Section 131 of the Capital Markets and Securities Act 1994 (as amended).

Commissions

Applicants are not required to pay any commission.

Company statutory information

Directors

Name	Shares	Nationality	Address	Position
Amulike S. K. Ngeliama -	500	Tanzanian	P. O. Box 10943 Dar es Salaam	Chairman
Naftal Mathayo Nsemwa	20,000	Tanzanian	P. O. Box 5966 Dar es Salaam	Director
Anna T. Mzinga	0	Tanzanian	P. O. Box 16694 Dar es Salaam	Director
Ambassador. Richard Elisante Mariki	2,000	Tanzanian	P. O. Box 31284 Dar es Salaam	Director
Rev. Ernest William Kadiva	0	Tanzanian	P.O. Box 837 Dar es Salaam	Director
Felix Mlaki	0	Tanzanian	P. O. Box 33826 Dar es Salaam	Director
Dosca Kemilembe Mutabuzi	10,000	Tanzanian	P. O. Box 5539 Dar-es-Salaam	Director

Share Capital

The authorised share capital of the Company shall consist of TZS. 30,000,000,000 (thirty Billion Tanzanian Shillings) divided into 50,000,000 (fifty million) ordinary shares of TZS.500 (five hundred Tanzania Shillings) each and 10,000,000 (ten million) preference shares of 500 (five hundred Tanzania Shillings) each.

Advances towards share capital

The Company had mobilized 2,505 depositors for ownership of the bank to the tune of TZS 3.514 as shown in the matrix below. It is anticipated that these will be the initial members of the bank, plus any that subscribe during the Offer period.

MAENDELEO BANK PLC – SHAREHOLDING STRUCTURE		
PROMOTERS	No. of Shares	%ge
UNITED EVANGELICAL MISSION	1,020,034	14.5%
ELCT-EASTERN AND COASTAL DIOCESE	650,000	9.2%
TUMAINI DAR ES SALAAM COLLEGE	200,000	2.8%
ALICE JOSEPH MWANDU	100,100	1.4%
CHURCH INSTITUTION- SEE BELOW	539,432	7.7%
DIRECTORS	32,500	0.5%
SUBTOTAL PROMOTERS	2,542,066	36.2%
OTHER SHAREHOLDERS – FREE FLOAT	4,485,934	63.8%
TOTAL AT THE FIRST ALLOTMENT	7,028,000	100.0%
EXPECTED COLLECTIONS TO 15 OCTOBER 2013	972,000	***
GRAND TOTAL AFTER IPO	8,000,000	***

Details of external borrowings

The bank has made no borrowings.

Immovable and Intellectual properties

The bank has none. It will operate from rented premises.

Extracts from the Memorandum and Articles of Association

The key features of the Company's Memorandum and Articles of Association are as follows:-

Memorandum of Association

The Memorandum of Association set out the Company's main objects, the principal one is object number one which says:

“To carry on the business of micro-finance in all its departments, branches and agencies including:

- *Receiving deposits of money, including savings and time deposits.*
- *Lending money to individuals, small scale business, industrial, commercial, or agricultural micro enterprises, Savings and Credit Cooperatives Societies (SACCOS), Savings and Credit Associations, nongovernmental organisations against borrower's character and risk assessment such as prior credit performance, group guarantee or personal property or mortgages or real property, borrowing, raising or taking up money, accepting drafts, granting and issuing letters of credit and circular notes, bills of exchange and other debt instruments.*
- *Providing money transfer services*
- *Facilitating payment systems through operating current account and other accounts for individuals, Government Departments, NGOs, SMEs, companies, religious organizations and other institutions.*
- *Acquiring marketable instruments evidencing indebtedness of the government or of any person, firm, association or company, in the form of government securities, stocks, bonds, notes or debentures.*
- *Investing in equity of other companies which are engaged primarily in activities allied or relating to banking.*
- *Discounting or factoring commercial papers or accounts receivable.*
- *Buying and selling contracts, leases, chattel mortgages, or other evidences of indebtedness.*
- *Leasing of machinery and equipment or other movable property.”*

Articles of Association

Transferability of shares

The major provision reads as follows:-

“Subject to the restrictions of these Articles and in particular Article 4, and the provisions of the Banking Act shares shall only be transferable to investors who can be identified belonging to each class of shares by an instrument which must be lodged at the Registered Office accompanied by the certificate of the shares to be

transferred and such other evidence (if any) as the Board of Directors may require to prove the title of the intending transferor.”

Alteration of Capital

The Share capital of the Company can be increased by an Ordinary Resolution, as spelt out in Article 18 of the Articles which reads as follows:

“18. The Bank, at a Shareholders General Meeting may, from time to time whether all the shares for the time being authorised shall have been issued or all the shares for the time being issued shall have been fully called up or not, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts.”

Subject to the provisions of the Banking Act, the bank may from time to time by Ordinary Resolution:

- (1) Consolidate and divide its share capital into shares of larger or smaller amount than its existing shares, or*
- (2) Cancel any shares not taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.*
- (3) Divide its share capital or any part thereof into shares or smaller amounts than it is fixed by its Memorandum of Association by sub-division of its existing shares or any of them, subject nevertheless to the provisions of the Companies Act, 2002, and by Special Resolution.*
- (4) Reduce its share capital or any capital redemption reserve or share premium account in any manner authorised and subject to any conditions prescribed by the Companies Act, 2002.*

Votes of Members

The relevant provisions in the Articles of Association relating to the votes of member are as follows:-

- 33. At all General Meetings a resolution put to the vote of the meeting shall be decided on a show of hands, unless before or upon the declaration of the result of the show of hands a poll be demanded by the Chairperson or by at least two persons for the time being entitled to vote at the meeting, or by a Member or Members representing one-tenth of the total voting rights of all the Members holding shares conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right, and unless a poll be so demanded a declaration by the Chairperson of the meeting that a resolution has on a show of hands been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the minute book of the Company, shall be conclusive evidence of the*

fact, without proof of the number or proportion of the votes recorded in favour of or against such a resolution. The demand for a poll may be withdrawn.

34. *Subject as provided in Article 71, if a poll be demanded in manner aforesaid, it shall be taken at such a time (within fourteen days) and place and in such manner as the Chairperson shall direct, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.*
35. *No poll shall be demanded on the election of a Chairperson of a meeting or on any question of adjournment.*
36. *In the case of an equality of votes, whether on a show of hands or on a poll, the Chairperson of the meeting shall be entitled to a casting vote in addition to any other vote he may have.*
37. *The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business, other than the question on which a poll has been demanded.*
38. *Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote, and on a poll every member shall have one for each share which he is the holder.*
39. *A member in respect of whom an order has been made by any court having jurisdiction (whether in Tanzania or elsewhere) in matters concerning mental disorder may vote whether on a show of hands or on a poll by his receiver, curator bonis or other person authorised in the behalf appointed by that court, and such last mentioned persons may give their votes either personally or by proxy.*
40. *If two or more persons are jointly entitled to a share, then in voting upon any question the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other holders of the share, and for this purpose seniority shall be determined by the order in which the names stand in the register of Members.*
41. *Save as herein expressly provided, no Member other than a Member duly registered who shall have paid everything for the time being due from and payable to the Company in respect of his shares be entitled to vote on any question either personally or by proxy, or to be reckoned in quorum, at any General Meeting.*
42. *Votes may be given either personally or by proxy. On a show of hands a Member (other than a corporation) present only by proxy shall have no vote, but a proxy for or representative of a corporation may vote on a show of hands. A proxy need not be a member.*

General Meeting

The relevant provisions in the Articles of Association pursuant to the General Meeting are as follows:-

- a) *The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notice calling it and not more than fifteen months shall elapse between the date of one Annual General Meeting of the Company and that of the next.*
- b) *All general meetings other than annual general meetings shall be called extraordinary general meetings.*
- c) *The Directors may, whenever they think fit, convene extraordinary general meetings, PROVIDED THAT extraordinary general meetings may also be convened, in default, by such requisitions and in such manner as provided for by section 134 of the Act.*

Proceedings of General Meetings

The proceedings of the Company are governed by Clauses 10.1 to 10.6 of the Articles, which, Inter-alia, provide for quorum of three (3) Directors including at least two (2) from the majority shareholder. The Clauses reads as follows:

28. *Every general Meeting shall be called by twenty-one days notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be and of the day for which it is given, and shall specify the place, the day and the hour of the meeting and the nature of any special business that is to be transacted, and shall be given in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under the regulations of the Company, entitled to receive such notices from the Company.*

Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in these presents, be deemed to have been duly called if it is so agreed:-

- (a) *In the case of a meeting called as the annual general meeting, by all the Members entitled and vote thereat;*
 - (b) *In the case of any other meeting by a majority in number of the Members having a right to attend and vote at the meeting, being a majority together holding not less than 75 per cent in nominal value of the shares giving that right.*
- 31 *All business shall be deemed special that is transacted at an Extraordinary General Meeting, and all that is transacted at an Annual General Meeting shall also be deemed special, with the exception of declaring a dividend, the consideration of the account and balance sheets and the reports of the Directors and Auditors, and any other documents accompanying or annexed*

to the balance sheets, the election of Directors in place of those retiring and the appointment and fixing of the remuneration of the Auditors

32. *No business shall be transacted at any general meeting unless quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, 10 members entitled to attend the meeting and holding a total of not less than 50% of the shares if present shall be a quorum.*

Directors

The business of the Company is managed by the Directors who are eight (8) including the Managing Director and appointed as stipulated hereunder:

58. *The Annual General Meeting of the Company shall appoint the Board of Directors of the Company.*

According to Article 53, the first Directors of the Company are named in the particulars delivered to the Registrar of Companies pursuant to the provisions of Section 45 of the Companies Act.

Under Article 58, the Annual General Meeting of the Company has powers to appoint the Board of Directors of the Company. The Chairperson and Vice Chairperson are elected or appointed by the Board Directors. The General Manager is an ex officio member of the Board of Directors. Four members, excluding the General Manager, form a quorum for the transacting of business. Each cluster in the structure of the shareholding is represented by at least one director to the Board. No office-bearing politician is allowed to be elected as a member of the Board.

Vacation of Office of Directors

Articles 61 and 63 make provisions on how a director may cease to hold office as follows:

61. *No office-bearing politician shall be elected as a member of the Board*
62. *The office of any member of the Board shall be vacated, if the member:*
- (1) *without the consent of the Bank in a general meeting holds any other office of profit or gain under the Bank;*
 - (2) *becomes bankrupt; or*
 - (3) *becomes prohibited from being a director by reason of any order made under section 213 or 269 of the Companies Act, or by any other law for the land; or*
 - (4) *is found lunatic or becomes of unsound mind as assessed by a competent medical doctor; or*

- (5) *resigns his office by notice in writing to the company; or*
 - (6) *is directly or indirectly interested in any contract with the Company and fails to declare the nature of his interest in manner required by section 150 of the Companies Act, and the Banking Act: A director shall not vote in respect of any contract in which he is interested or any matter arising therefrom, and if he does so vote his vote shall not be counted; or*
 - (7) *is punished with imprisonment for a term exceeding six months without the option of a fine; or*
 - (8) *is a director of another Bank or a financial institution; or*
 - (9) *if he absents himself from the meetings of the Board for three consecutive sittings without special leave of absence from the members of the board and they pass a resolution that he has by reason of such absence vacated his office*
63. *A director may, by resolution of shareholders in General Meeting be removed before the expiration of his/her period of office.*

Dividend Policy

Pursuant to Articles 75 to 80 the Articles of Association, dividends are payable as follows:-

- 75. *Subject to any rights or privilege for the time being attached or any shares in the capital of the Bank preferential, deferred or other special rights in regard to dividends, the profit of the Bank which it shall from time to time be determined to distribute by way of dividend shall be applied in payment of dividends upon the shares of the Company in proportion to the amounts paid upon thereon respectively otherwise than in advance of calls, if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.*
- 76. *Subject to the provisions of the Companies Act, 2002 and the Banking and Financial Institutions Act, 2006, the Bank at the General Meeting may from time to time declare dividends, but no such dividend shall exceed the amount recommended by the Board of Directors.*
- 77. *With the sanction of a General Meeting, dividends may be paid wholly or in specie, and may be satisfied in whole or in part by the distribution amongst members in accordance with their rights of fully paid shares, stock or debentures or any other property or assets suitable for distribution as aforesaid. The Board of Directors shall have full liberty to make arrangements, and to issue all such certificates or documents of title as may in their opinion be necessary or expedient with a view of facilitating the equitable distribution amongst the members of any dividends or portions of dividends to be satisfied as aforesaid or to giving them the benefit of their proper shares and interests in the property, and no valuation, adjustment or arrangements so made shall be questioned by any shareholder.*

78. *The Board of Directors may, before recommending any dividend, set aside out of the profits of the Bank such sums as they think proper to a reserve fund or reserve account, which shall at the discretion of the Board of Directors be applicable for any purpose for which the profits of the Bank may lawfully be applied. The Board of Directors may also from time to time carry forward such sums as they may deem expedient in the interest of the Bank.*
79. *The Board of Directors may deduct from any dividend or other moneys payable in respect of any shares held by a member, all such sums or money (if any) as may be due and payable by him to the Bank.*
80. *Any dividend, installment of dividend or interest in respect of any shares shall be credited in an account maintained by the shareholder at any of the Bank's branches.*

Winding Up

The following are the relevant provisions in the Articles relating to the winding up of the Company. Article 95 reads as follows:-

If the Bank shall be wound up the liquidator may, with the sanction of an extraordinary resolution of the General Meeting and any other sanction required by the Companies Act, 2002, divide proportionally amongst the shareholders in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such divisions shall be carried out as between the shareholders. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustee upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any shares or other securities whereon there is any liability.

SECTION XVII
LEGAL OPINION

27th June 2013

The Directors
Maendeleo Bank PLC
Luther House, Sokoine Drive
P.O. Box 216 Dar es Salaam.

Ladies and Gentlemen,

**RE: LEGAL OPINION IN RESPECT OF AN INITIAL PUBLIC OFFER OF
SHARES OF MAENDELEO BANK LIMITED**

1. Background and purpose

We, Abenry & Company, Advocates, have been engaged as Legal Advisers to advise Maendeleo Bank Limited (“the bank” or “the Company”) in connection with the proposed Initial Public Offer by Maendeleo Bank Limited of 8,000,000 issued at TZS 500 per share, representing 100% of the issued share capital of 8,000,000 ordinary shares of a nominal value of TZS 500 each through the capital markets system in Tanzania.

We are Advocates of the High Court of Tanzania, qualified to practice and practicing as such in Tanzania and to advise upon the laws of Tanzania.

2. Interpretation

2.1 Wherever used in this Opinion, unless the context otherwise requires

2.1.1 The term “**Banking Act**” shall mean the Banking and Financial Institutions Act, Cap. 342;

2.1.2 the term “**BoT**” shall mean the Central Bank of Tanzania, established under the Bank of Tanzania Act, Cap 197;

2.1.3 the term “**CMSA**” or “the **Authority**” shall mean the Capital Markets and Securities Authority established under the Capital Markets and Securities Act, Cap 79;

2.1.4 the term “**CMS Act**” shall mean the Capital Markets and Securities Act, Cap 79;

2.1.5 the term “**Companies Act**” shall mean the Companies Act, Cap. 212;

2.1.6 the term “the **bank**” or “the **Company**” shall mean Maendeleo Bank Limited, a company incorporated in Tanzania on 18th January 2011, under Certificate of Incorporation No. 81006.

2.2 Unless otherwise provided, references herein to a specified paragraph shall be construed as a reference to a specified paragraph hereof. In this Opinion,

the headings are inserted for convenience of reference only and shall not be used to define, interpret or limit the content hereof.

- 2.3 Terms and expressions referring to the singular are deemed to include the plural and vice-versa.

3. Reviewed Documentation, Procedures and Assumptions

- 3.1. For the purpose of expressing the opinion hereinafter we have examined the documents hereunder-mentioned or copies thereof and such other documents or instruments as we have considered necessary in connection with this Opinion:
- 3.1.1 the Certificate of Incorporation of the Company, No. 81006 issued on 18th day of January, 2011; in the name of Maendeleo Commercial Bank Limited
 - 3.1.2 the Certificate of change of name of the Company No. 81006 issued on 28th day of February 2011; to Maendeleo Bank Limited
 - 3.1.3 the Memorandum and Articles of Association of the Company in their original form and as amended;
 - 3.1.4 the Certificate of Change of Name, No. 81006 issued 11 July 2013; to Maendeleo Bank Public Limited Company
 - 3.1.5 the Companies Act;
 - 3.1.6 the Banking Act;
 - 3.1.7 the CMS Act and related Regulations including the Capital Markets and Securities (Prospectus Requirements) Regulations, 1997;
 - 3.1.8 written permission by CMSA to introduce to the public, through the EGM of the Dar es Salaam Stock Exchange, the ordinary shares in Maendeleo Bank PLC that are the subject of this Prospectus;
 - 3.1.9 the Original Resolution of the Extraordinary General Meeting approving, inter alia, the Offer;
 - 3.1.10 the following licenses and approvals that have been given to the Company for conducting its businesses:
 - (a) BoT approval to the bank to carry on banking business as a Community Bank operating in Dar-es-Salaam subject to fulfillment of conditions: - putting in place and inspected by BoT for Business Premises, Securities Facilities, Processing Equipment Accounting and internal control systems. set forth in BoT's letter of even date ;

- (b) the TIN No. 120-610-066 issued by the Tanzania Revenue Authority;
- (c) The Lease Agreement dated 27th June 2013 entered into between the Company and the Registered Trustees of the Evangelical Lutheran Church in Tanzania Eastern and Coastal Diocese Investment Trust to which the Company is a tenant.

3.1.12 We have further made such other enquiries and examined such other official records at the Registrar of Companies as we have considered appropriate for the purposes of giving the Opinion set out below.

3.1.13 Unless otherwise stated or the context otherwise requires, words and terms defined in the Prospectus and issued by the Company in relation to the Offer bear the same meanings in this Opinion.

3.2 In expressing the opinion hereinafter, we have examined and relied on the originals or copies (as the case may be) of the documents mentioned in paragraph 3.1 above and we have assumed that:

3.2.1 The authenticity and completeness of all documents submitted to us as originals or copies, the genuineness of all signatures, the conformity to originals of all copies, and the accuracy of any translations;

3.2.2 That representation made to us by officers and agents of the Company are true in all material respects.

4. Opinion

4.1 Based upon and subject to: (1) the foregoing, (2) paragraph 4.2 of this Opinion, (3) any matters set out in this Prospectus, and (4) any matters not made known to us, we are of the considered opinion that:

4.1.1 the Company is incorporated in Tanzania pursuant to the provisions of the Companies Act, with powers to execute, deliver and exercise its rights and perform its obligations pursuant to the Offer, and that such execution and performance have been duly authorized by appropriate corporate action;

4.1.2 the rights obligations of the Company contemplated by the transactions constitute valid and binding rights and obligations enforceable in accordance with the terms thereof;

4.1.3 the Offer has been duly and validly authorized by the Company and no other corporate action on the part of the Company is necessary to authorize the Offer;

4.1.4 Save for the Articles which require amendments and which amendments are to be effected by the Company soon after the Offer,

the execution and consummation of the Offer contemplated by the Company do not conflict with, and shall not result in the breach of any applicable law, rule or regulation or any agreement or obligation to which the Company is a party or bound by, which would individually or in the aggregate impair the validity of the Offer or have material adverse effect on the ability of the Company to perform its obligations after the Offer;

4.1.5 Save as stated in paragraph 4.1.4 above, the Offer is in compliance of the CMS Act and all other laws relevant and enforceable in Tanzania at the time of giving this Opinion.

4.2 Based upon and subject as aforesaid, and without prejudice to the generality of the matters set out in paragraph 4.1 of this Opinion, we are further of the considered opinion that:

4.2.1 The current authorised Share Capital of the Company is TZS.30,000,000,000 divided into 60,000,000 shares of TZS.500 each of which 50,000,000 ordinary shares and 10,000,000 preference shares.

4.2.2 The Company was incorporated on 18th January 2011.

4.2.3 all authorizations, approvals, consents, licenses, exemptions, filings or registrations of/or with any governmental or public bodies or authorities of/or in Tanzania required in connection with the business of the Company have been obtained, are in proper form, and are in full force and effect;

4.2.4 all authorizations and approvals by BoT and CMSA required for the Offer under the respective Legislation and Rules have been obtained;

4.2.5 the existing capital of the Company is in conformity with applicable laws and has received all necessary authorizations;

4.2.6 the Company is relatively new and as such:

(a) there is no litigation, arbitration, prosecution or other civil or criminal legal action whatsoever in which the Company is involved that is taking place, pending or threatened that may adversely affect the Company in the Offer;

(b) the Company does not own any land or plant apart from the work related equipment such as computers;

(c) the company has not entered into any major agreements or contracts with respect to the proposed issue or securities;

4.2.7 no winding – up order has been issued against the Company or Receiver Manager or Liquidator appointed in respect of the Company;

- 4.2.8 none of the Advisors on this transaction has any shares in the Company at the date of issue of this Prospectus;
 - 4.2.9 there is no other agreement or arrangement concerning this Offer, save as disclosed in this Offer;
 - 4.2.10 There are no other material items not mentioned in the Offer which have been disclosed to us or of which we are aware with regard to the legal status of the Company and the Offer.
- 4.3 Based upon and subject as aforesaid, and without prejudice to the generality of the matters set out in paragraphs 4.1 and 4.2 of this Opinion, we are also of the Opinion that:
- 4.3.1 the Prospectus has been dated in accordance with sections 46 and 47 of the Companies Act;
 - 4.3.2 a copy of the Prospectus, together with the documents required under sections 46 and 47 of the Companies Act, have been delivered to the Registrar of Companies for registration in accordance with section 35 of that law, duly executed, and a statement to such effect appears on the face of the Prospectus;
 - 4.3.3 This Prospectus includes statements made by Consultants for Resources Evaluation Limited (Nominated Advisor) and ourselves - all of whom are experts for the purposes of section 48 of the Companies Act. In accordance with section 48 of the Companies Act, Consultants for Resources Evaluation and ourselves have given, and have not before delivery of a copy of the prospectus for registration withdrawn our consent to the issue of the Prospectus with the statements included in the form and context in which it is included and that we have given and we have not withdrawn his consent.
 - 4.3.3 An application has been duly made to, and approval duly granted by, CMSA in respect of the Offer pursuant to section 131 of the CMS Act.
- 4.4 In addition to the information required to be included by the Companies Act, the Prospectus includes such information as investors would reasonably require and expect to find herein, for the purpose of making an informed assessment of:
- (a) Financial position and prospects of the Company; and
 - (b) The rights attaching to Securities on Offer..

5. Reservations

We express no Opinion as to any law other than the laws of Tanzania in force, and as interpreted, at the date of this Opinion.

6. Consent

We consent to the inclusion of our Legal Opinion in the Prospectus to be issued in connection with the proposed Initial Public Offer by the bank in the form and context in which it appears. We confirm that we have given and as at the date of issue of the Prospectus have not withdrawn our consent to its issue and the inclusion of our Legal Opinion herein.

Yours sincerely,

Lucy Sondo
PARTNER

SECTION XVIII

INFORMATION AVAILABLE FOR PUBLIC INSPECTION

Copies of the following documents will be available for inspection at Maendeleo Bank Limited registered office, at any time during business hours on weekdays (official Tanzanian public holidays excluded) prior to closure of the offer at the close of business on 4th October 2013

1. Certificate of incorporation
2. MEMARTS
3. CMSA Approval Letter
4. BoT Approval Letter
5. Directors declarations
6. Consent letters from the advisers
7. Business Plan and Financial Projections
8. The signed legal opinion prepared by Abenry & Company Advocates
9. Consent letters from the advisers

LIST OF COLLECTING AGENTS

Tanzania Securities Limited

7th Floor, IPS Building
Samora Avenue/Azikiwe St.
P. O Box 9821, Dar es Salaam
Tel: +255 22 2112807
Fax +255 22 2112809
E-mail: info@tanzaniasecurities.co.tz

Rasilimali Limited

3rd Floor, CHC Building
Samora Avenue
PO Box 9373, Dar es Salaam
Tel: +255 22 2111711
Fax +255 22 2122883
E-mail: rasilimali@africaonline.co.tz

Vertex International Securities Limited

Annex Building
Zambia High Commission
Sokoine Drive/Ohio Street
PO Box 13412 Dar es Salaam
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Email:
sbandyopadhyay@crdbbank.com

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1. **African Banking Corporation Tanzania Limited**
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2. **Aureos Tanzania Managers Limited**
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3. **Barclays Bank Tanzania Limited**
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4. **Consultants for Resources Evaluation Limited**
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6. **Pangaea Securities (EA) Limited**
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7. **Rasilimali Limited**
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8. **Standard Chartered Bank (T) Limited**
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9. **Tanzania Securities Limited**
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10. **Solomon Stockbrokers Limited**
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Samora Avenue/Azikiwe
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- Ground Floor, PPF House
Samora Avenue/morogoro
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LIST OF LICENSED NOMINATED ADVISORS

Enterprise Growth Market Advisors Ltd

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TSL Investment Management Ltd

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ARCH Financial & Investment Advisory Limited

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Exim Advisory Services Ltd. (Fund Manager)

8th Floor, Office Academy Scheme Building
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Tel: +255 22 2134156
Fax: +255 22 2134157

APPLICATION FORM

A copy of the Prospectus to which this application is attached was registered in terms of section 35 of the Companies Ordinance (Cap. 212) and section 131 of the Capital Markets and Securities Act 1994 (as amended) on xxx (“the Prospectus”)

SERIAL NUMBER: 0000	CDS ACCOUNT NO.
	For Official use only

MAENDELEO BANK PLC
(Incorporated in the United Republic of)
(Incorporation number:81006)

APPLICATION FORM

For ordinary shares in terms of the public offer ofordinary shares at a price of TZS. 500 per share payable in full on application

Please refer to the instructions overleaf before completing this form.

This form, when completed, should be submitted, together with TZS cash or a TZS banker's cheque (crossed “not negotiable”) or TZS banker's draft in favour of “MBP” public offer, by hand to an authorized receiving agent mentioned below not later than the closing Business on Saturday 15 October 2013

Each application submitted must be in one name only and show one address. The directors of MBP reserve the right to accept or reject any application, in whole or in part, particularly if the instructions overleaf and as set out in this Prospectus are not properly complied with.

To the Directors, MBP:

I/We, the undersigned, confirm that, having read the Prospectus, hereby irrevocably apply for and request you to accept my/our application for the under mentioned number of ordinary shares in MBP at TZS 500 per ordinary share or any lesser number that may be allotted to me/us in terms of the Prospectus and subject to the Articles of Association of MBP.

I/We enclose a TZS banker's cheque/TZS banner's draft in favour of “MBP public offer”, for the appropriate amount due in terms of this application.

Dated:	2013	Telephone number:	CDS Account #:
Signature:			
Assisted by: (where applicable)			

Please complete in BLOCK LETTERS

Surname of individual or name of corporate body/institution (Circle appropriate title or fill in "Other title" if not listed)	Mr
	Mrs
	Miss
	Other title

All successful applicants will receive a share certificate as proof of their shareholding in MBP

First name in full (if an individual)

Collection instructions: please indicate (tick) - Posted to me at the given on the application form
 The share certificate or refund cheque (if any) should be - sent to the authorized receiving agent to wait collection

Passport number or identity card number (individuals only)

It is necessary to produce positive identification when collecting share certificates or refund cheques (if any). Share certificates and refund cheques (if any) will only be available for collection from the Bank

Postal address (preferably P O Box address) Share certificates and refund cheques (if any) will be sent to this address By registered post at the applicant's risk.	Postal address: () Bank Account Number: Bank Name: Branch Name:
Total number of ordinary shares applied for Note: Minimum number of 100 shares	Total amount of TZS cash, TZS. Banker's cheque or TZS banker's draft to cover ordinary shares applied for herein at TZS. 500 per ordinary share.
(Enter figures only – not words)	TZS (enter figures only – not words)
X	TZS 500

If a recognized nominee company, state number of principals covered by this form (a supporting schedule which discloses the number of shares applied for on behalf of each principal in respect of each application must appear in the space provided overleaf)

(Please detach along the perforation and retain this portion for your records)

Serial number: 0000

Name(s) of applicant or institution	Total shares required	Total funds submitted