

Tanzania Market in Numbers



54 million

Total population

bankable
population:28million



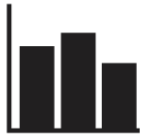
2/3

of the population resides in rural areas



4.7million

of bankable population have banks account/use bank services



#1

Highest percentage of population in Africa that has learned how to use mobile money

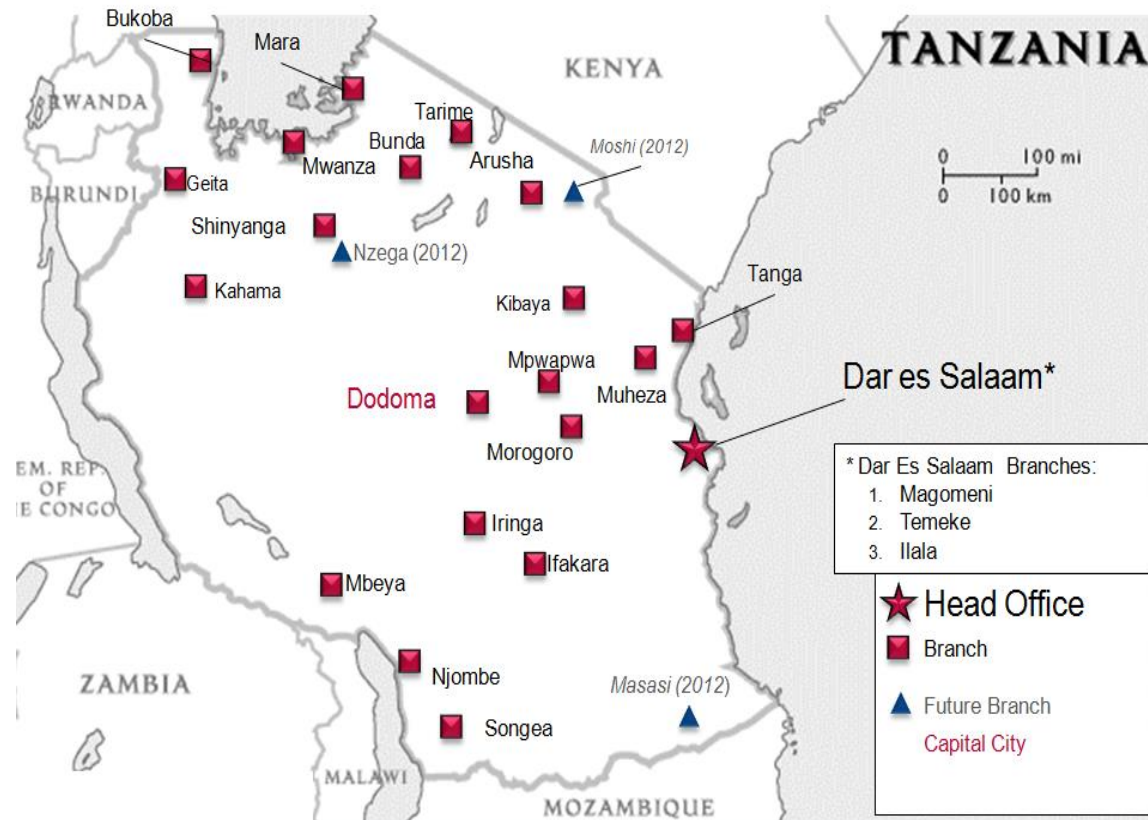


16.6million

of the population has a mobile money account

FINCA MFB Snapshot

- Incorporated: 1998
- Customer: 153,000
- # Branches: 24
- Branchless Channels:
 - Mobile Banking
 - Agency Banking (135+ agents)



Bond Market in Tanzania

FINCA Microfinance Bank

❑ Corporate Listed Bond in Tanzania

OUTSTANDING CORPORATE BONDS AS AT 22 MARCH 2017

BOND NO	ISIN	COUPON	MATURITY	DESCRIPTION	ISSUED DATE	MATURITY DATE	ISSUED AMOUNT(FACE VALUE)
NMB-2016/19.T1	TZ1996102442	13	3 Year Bond	CORPORATE BONDS	13/06/2016	13/06/2019	41,406,364,000
PTA-FXT01/15/05	TZ1996102137	14.03	5 Year Bond	CORPORATE BONDS	7/5/2015	30/04/2020	32,600,000,000
EXIM-2015/21.T1	TZ1996102335	15.56	6 Year Bond	CORPORATE BONDS	21/12/2015	21/12/2021	14,959,000,000
STAN/T.2	TZ1996100289	11.44	10 Year Bond	CORPORATE BONDS	22/10/2010	22/10/2020	10,000,000,000

- Statistics shows that while the bond market in the world is over 140% of the global GDP, In Tanzania the bond market is less than 7% of Tanzania's GDP and only 2% of it is the corporate bond.
- Therefore, while the bond market in Tanzania is that underdeveloped, there is a very strong need for the long term funding as well as long term investments.
- Major challenges of bond market in Tanzania includes issuance and set up costs, a lot of capital market requirements and covenants requirements, market infrastructure and knowledge and awareness of bond market.

Funding strategy for FINCA Microfinance Bank

FINCA Microfinance Bank

Amount in USD	FINCA Microfinance Bank Funding sources - Historical 2014-2017 and projection 2018-2021							
	2014	2015	2016	2017	2018	2019	2020	2021
Savings deposits	10,463,453	10,419,158	12,427,927	19,683,860	20,541,197	25,632,954	33,046,636	37,353,247
Notes payables	17,218,437	14,497,131	18,167,912	14,963,382	8,656,996	10,500,000	10,100,000	12,000,000
Equity	12,179,767	11,596,420	12,766,141	9,772,482	9,371,548	11,246,011	13,650,309	15,701,917
Bond issuance					8,000,000	16,000,000	24,000,000	32,000,000
Total funding	39,861,658	36,512,709	43,361,981	44,419,724	46,569,742	63,378,964	80,796,945	97,055,164
Other Liabilities	2,095,842	1,954,328	2,480,112	3,562,935	5,468,171	8,466,721	10,487,441	5,725,161
Total Liabilities and Equity	41,957,500	38,467,038	45,842,093	47,982,658	52,037,913	71,845,685	91,284,385	102,780,325
GLP	32,144,037	29,288,844	34,096,739	29,093,378	31,142,054	40,136,044	56,432,786	72,946,254
Cash	4,880,457	4,669,569	7,228,599	12,933,265	15,465,122	20,088,520	22,682,898	17,823,304
Other Assets	4,933,006	4,508,625	4,516,755	5,956,015	5,430,736	11,621,121	12,168,702	12,010,767
Total Assets	41,957,500	38,467,038	45,842,093	47,982,658	52,037,913	71,845,685	91,284,385	102,780,325

- ❑ The Bond issuance is planned to leverage local funding vs offshore borrowings as well as long vs short term financing
- ❑ The arrangement started back in 2016 with the following key partners
 - ✓ NICC and PCGL – the lead arrangers
 - ✓ PWC – the reporting accountant
 - ✓ Lawfiled – Legal advisors
 - ✓ CRDB – Trustee/registrar
 - ✓ ALCB – Anchor investor and also assisted to cover some of set up costs
 - ✓ USAID – Guarantor of investors

Ongoing and pending tasks

FINCA Microfinance Bank

Preparation

- This phase is complete

Due diligence and documentation

- The Joint Lead Transaction Advisors prepared the Information Memorandum for the Offer and made the subsequent submission to CMSA for approval. CMSA reverted with their feedback and the team is in the process of addressing the concerns raised prior to re-submission. We expect the resubmission to take place the week ending 13th April 2018.
- Other offer documentation to be submitted include:
 - Legal Opinion
 - Accountants report
 - Guarantee Agreement
 - Trust Deed
 - Agency Agreement
 - Pricing Supplement
- Following CMSA approval, FINCA will be required to run two advertisements in the dailies outlining the key features of the Offer

Investor roadshows and Offer Launch

- NICC and PCGL will sound off the Tanzanian markets by way of investor roadshows to determine appetite for the issue as well as structure preference.
- Following the investor roadshows, the Offer will be launched and remain open for a period of 10 working days

Summary of the Transaction Key Parties

FINCA Microfinance Bank

	FINCA (Issuer)	USAID (Guarantor)	ALCB Fund (Anchor Investor)
Motivation	<ul style="list-style-type: none"> Diversification of funding sources Increased brand visibility Likely to obtain better pricing due to the perceived liquidity. 	<ul style="list-style-type: none"> Incentivize local banks and financial institutions to begin lending to SME's in an effort to increase their bottom lines while promoting prosperity and security 	<ul style="list-style-type: none"> Encourage high impact businesses to tap the local capital markets, maximising local investment and reducing FX risks
Role	<ul style="list-style-type: none"> Issuer of Notes 	<ul style="list-style-type: none"> Work with investors, local financial institutions, and development organizations to design and deliver investment alternatives that unlock financing 	<ul style="list-style-type: none"> "Hand-holding" role including selection of advisers Provide of TA for reporting accountant and lawyers Prospective anchor investor in the bond
Value-add	<ul style="list-style-type: none"> Diversification of asset classes for local investors Public listing of the bond makes it an admissible investment for most fund managers. 	<ul style="list-style-type: none"> Private capital through the use of guarantees is accomplished at a fraction of the cost of conventional donor support and seeks to permanently replace short-term donor funding with long-term and sustainable, locally-generated, private capital 	<ul style="list-style-type: none"> Confidence to Issuer to go through lengthy process; patience!
Challenges	<ul style="list-style-type: none"> Delays from auditors in submitting working papers to reporting accountant Delays in publishing of audited accounts 	<ul style="list-style-type: none"> Delays with the Trustee and execution of relevant agreements 	<ul style="list-style-type: none"> Delays stemming from accountants/regulators Difference in legal terms between MIVs and capital markets In the meantime, market and economic conditions move on!
Lessons	<ul style="list-style-type: none"> Preparation for a capital market issuance is key Getting the right third party advisors is critical Public issuances can be a time consuming process 		<ul style="list-style-type: none"> Get the advisers right and ensure they are providing appropriate service