



Yetu Microfinance Bank PLC

(Incorporated under the Companies Act, 2002 with Certificate of Incorporation number SO. 104761 of 23rd December 2013)



Prospectus



Yetu Microfinance Bank PLC

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Prospectus

In respect of a Public Offer of 3,636,364 new ordinary shares of Yetu Microfinance Bank Public Limited Company at TZS 550 per share

Offer opens:	17 th February 2020
Offer closes:	17 th April 2020
Expected listing date:	25 th May 2020
Prospectus date:	17 th January 2020



Yetu Microfinance Bank PLC

(Incorporated under the Companies Act, 2002 with Certificate of Incorporation number SO. 104761 of 23rd December 2013)

Vision

To become a market leader in Microfinance, branchless banking and mobile banking in offering simple, innovative and value added products and services to the Micro and Small enterprises and the general public.

Mission

To help in improving access to finance, provide exceptional value to our clients and expand economic opportunities for people of Tanzania

We will also provide exciting and challenging career opportunities to our employees and create and enhance value for our shareholders.



Core Values

Integrity | Equal Opportunity |
Innovation | Ethics | Equitable Growth

CAUTIONARY STATEMENT

This prospectus has been prepared in compliance with the Capital Markets and Securities Act, Cap.79 of the Laws of the United Republic of Tanzania (Act No.5 of 1994) and the Companies Act, Cap.212 of the laws of United Republic of Tanzania (Act No. 12 of 2002).

Enterprise Growth Market (EGM) is designed primarily for small and medium sized companies, start-ups or companies with no track record to which a higher investment risk tends to be attached to than on 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 that decision only after careful consideration and, if appropriate, after consultation with an independent financial advisor.

A copy of this Prospectus has been delivered to the Capital Markets and Securities Authority for approval and the Registrar of Companies (BRELA) for Registration. The securities offered have neither been approved nor disapproved by the Authority. Prospective investors should carefully consider the matters set forth under the caption “Risk Factors” in section C of this Prospectus.

Prospectus in respect of a public offer of 3,636,364 new ordinary shares of Yetu Microfinance Bank PLC at TZS 550 per share.

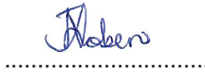
DECLARATION OF THE DIRECTORS

The Directors of Yetu Microfinance Bank PLC, whose particulars appear in section E in this Prospectus, collectively and individually accept responsibility for the information given and certify that to the best of their knowledge and belief there are no other facts, the omission of which, would have made any statement false or misleading, that they have made all reasonable enquiries to ascertain that this is true.

We confirm that none of the Directors individually or with others or in a company of which they were directors has been involved in bankruptcy, liquidation or other regulatory prohibitions.



DIRECTOR



SECRETARY

17/02/2020

DATE

DECLARATION OF TSL INVESTMENT MANAGEMENT LTD (THE NOMINATED ADVISOR)

This Nominated Adviser confirms that:

SECTION A:

To the best of its knowledge and belief having made due and careful enquiry and considered all relevant matters under the Capital Markets and Securities (Nominated Advisers') Regulations, 2008 and the DSE Rules 2016 for EGM Companies and in relation to this application for admission, all applicable requirements have been complied with and, in particular:-

- (a) the listing document complies with Rules 60-83 (Part V) of the DSE Rules for EGM Companies;
- (b) the requirements of First Schedule to the Capital Markets and Securities (Nominated Advisers) Regulations, 2008 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 careful enquiry and considered all relevant matters set out in the DSE Rules 2016 for EGM Companies and the CMS Nominated Advisers) Regulations 2008 and;
- (b) the directors of the applicant have received advice and guidance (from this Nominated Adviser and other appropriate professional advisers) 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 Adviser to this applicant.

Thomas Samkyi
CHIEF EXECUTIVE OFFICER
TSL INVESTMENT MANAGEMENT LTD

IMPORTANT NOTICE

This document is important and should be read in its entirety. If you are in doubt about the contents of this document or what action to take, you are advised to contact your Stockbroker, Investment Advisor, Financial Advisor, Banker or any other relevant professional advisor, who specializes in advising on the acquisition of shares and other securities.

The information given in this Prospectus is in compliance with the requirements of the Companies Act Cap. 212 (Revised Laws 2002) of the Laws of Tanzania, the Capital Markets and Securities Act No. 5 of 1994, as amended in 2010, the Regulations of the Capital Markets and Securities Authority (CMSA), Capital Markets and Securities (Prospectus Requirements) - Amended (Second Schedule) and the 2016 Rules of the Dar es Salaam Stock Exchange PLC (DSE).

This Prospectus has been prepared in respect of the issue of and subscription for the offer of shares and the subsequent listing of the shares along with existing listed shares in the EGM segment of the DSE as a result of the Board of Director's Resolution, in its extra ordinary meeting held on 4th May 2018.

The offer shares applied for, pursuant to the public offer, shall rank pari passu in all respects with the existing issued shares.

DIRECTORS' RESPONSIBILITIES

The Board of Directors of the Company, whose names appear in Section E: 5.10 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. The Board of Directors accepts responsibility for the information contained in this document.

LEGAL ADVISOR'S OPINION

Rajal Attorneys, the Legal Advisors, have given and not withdrawn their written consent to the inclusion in this prospectus of their Legal Opinion.

REPORTING ACCOUNTANT'S OPINION

This Prospectus contains the Reporting Accountant's (Mhasibu Consultants) opinion. The Reporting Accountant has given and not withdrawn its consent to the issue which is included in this Prospectus.

FORWARD LOOKING STATEMENT

This Prospectus contains “forward looking statements” relating to the Bank’s business. All statements, other than statements of historical fact are, or may be deemed to be forward-looking statements, including, without limitation, those concerning: strategy; the economic outlook for the industry; cash, costs, growth prospects and outlook for operations, individually or in the aggregate; and liquidity, capital resources, expenditure and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect current views concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “may”, “aim”, “expect”, “anticipate”, “intend”, “foresee”, “forecast”, “likely”, “should”, “would be”, “planned”, “estimated”, “potential” or similar words and expressions. Examples of forward-looking statements include statements regarding a future financial position or future profits, cash flows, corporate strategy, anticipated levels of growth, estimates of capital expenditures, acquisition strategy, future expansion projects or future capital expenditure levels and exchange rates, sales forecasts and parameters and other economic factors, such as interest rates and inflation. The Issuer cautions that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industry in which the Issuer operates may differ materially from those made in, or suggested by, the forward-looking statements contained in this Prospectus.

The prospective investors should keep in mind that any forward-looking statement made in this Prospectus is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of Yetu Microfinance Bank PLC not to develop as expected may emerge from time to time and it is not possible to predict all of them. The Issuer has no duty to and does not intend to update or revise the forward-looking statements contained in this Prospectus after the date of this Prospectus Information, except as may be required by law.

OFFER STATISTICS

Offer price per ordinary share	TZS	550
Number of shares offered for sale		3,636,364
Gross proceeds of the offer	TZS	2,000,000,200.00
Estimated net proceeds of the offer (after expenses)	TZS	1,822,000,200.00
Estimated Public Offering Cost	TZS	178,000,000.00
YETU Total authorized shares		50,000,000 ordinary shares
		10,000,000 preference shares
YETU authorized share capital	TZS	30,000,000,000
Number of issued & fully paid up shares before the offer		12,112,894
Issued & fully paid up capital before the offer	TZS	6,056,446,547
Number of issued & fully paid up shares after the offer		15,749,258
Issued & fully paid up capital after the offer		8,056,446,747
YETU's shares per value	TZS	500

IMPORTANT DATES-OFFER TIMETABLE

Offer begins:	17 th February 2020
Offer closes:	17 th April 2020
Allotment of Shares:	30 th April 2020
Announcement of Allotment	6 th May 2020
Crediting of shares to the CDS accounts	12 th May 2020
Refund cheques to Authorized Selling Agents	15 th May 2020
Printing of CSD receipts	20 th May 2020
Listing date and commencement of trading of YETU shares on the DSE PLC	25 th May 2020

CORPORATE INFORMATION

YETU MICROFINANCE BANK PLC

(Incorporated under the Companies Act 2002 in the United Republic of Tanzania with Certificate of Incorporation No.104761 dated 23rd December 2013)

ISSUER

Yetu Microfinance Bank PLC
2nd floor Mkunazini building,
P O Box 75379 Dar es salaam,
Kidongo Chekundu, Tanzania
Tel/ Fax: +255 22 2180914
Email: info@yetumfplc.co.tz
Website: www.yetumfplc.co.tz



Yetu Microfinance Bank PLC

COMPANY

Yetu Microfinance Bank PLC
2nd floor Mkunazini building,
P O Box 75379 Dar es salaam,
Kidongo Chekundu, Tanzania
Tel/ Fax: +255 22 2180914
Email: info@yetumfplc.co.tz
Website: www.yetumfplc.co.tz



Yetu Microfinance Bank PLC

AUDITOR

Tanna Sreekumar Grant Thornton
254 Alykhan Road, Upanga,
P O Box 948 Dar es Salaam, Tanzania
Tel: +255 22 2153137
Email: audit@tskgmt.co.tz



Grant Thornton

An instinct for growth™

TRANSACTION ADVISORS

NOMINATED ADVISORS

TSL Investment Management Ltd
6th Floor, IPS Building
Samora Avenue/ Azikiwe Street
P.O. Box 9821, Dar es Salaam, Tanzania



SPONSORING BROKER

Tanzania Securities Ltd
7th Floor, IPS Building
Samora Avenue/ Azikiwe Street
P.O. Box 9821, Dar es Salaam, Tanzania



REPORTING ACCOUNTANT

Mhasibu Consultants
Certified Public Accountants, Auditors & Tax consultants
Nkrumah street,
P. O. Box 78047, Dar es salaam,
Plot No.430/158
Tel: 0732991002,
Fax: +255-22-2124782
E-mail: mhasibuconsultants@mhasibu.com:
website:www.mhasibu.com



LEGAL ADVISOR

Rajal Attorneys
Plot No. 27, Block O Morogoro St. Ilala
P O Box 25087, Dar es Salaam, Tanzania
Email:allylawyers@yahoo.com



RECEIVING BANK

Yetu Microfinance Bank PLC
2nd floor Mkunazini,
Kidongo Chekundu
P.O. Box 75379, Dar es Salaam, Tanzania
Tel/Fax: +255222180914
Email: info@yetumfplc.co.tz
Website: www.yetumfplc.co.tz



SHARE REGISTRAR

CSD & Registry Company Limited,
2nd Floor, Kambarage House
6 Ufukoni Street.
P. O. Box 70081, Dar es Salaam, Tanzania
Tel: 255 22 292 2227
Email: info@csdr.co.tz
Website http://www.csdr.co.tz



LIST OF COLLECTING AGENTS:

MEMBERS OF THE DAR ES SALAAM STOCK EXCHANGE PLC

TANZANIA SECURITIES LIMITED

7th Floor, IPS Building, Samora Avenue / Azikiwe Street
P.O. Box 9821, Dar es Salaam
Tel: 255 (22) 2112807, Fax: 255 (22) 2112809
Mob: +255 718 799997 / +255 713 244758
E-mail: info@tanzaniasecurities.co.tz

CORE SECURITIES LIMITED

1st Floor, Karimjee Jivanjee Building 18 Sokoine Drive,
P.O. Box 76800, Dar es Salaam
Tel: +255 22 2123103, Fax: +255 22 2122562
E-mail: core@cats-net.com, fumbuka1953@yahoo.co.in

SOLOMON STOCKBROKERS LIMITED.

Ground Floor, PPF House,
Morogoro Rd./Samora Avenue,
P.O. Box 77049, Dar es Salaam
Tel: 255 22 2124495/2112874,
Fax: 255 22 2131969
Mob: +255 714 269090
E-mail: info@solomon.co.tz

TIB RASILIMALI LIMITED

7th Floor, Samora Tower,
Samora Avenue/Mansfield Street,
P.O. Box 9154,
Tel: 255 22 2111711
Fax: 255 22 2122883
Mob: +255 713 777818 / +255 784 777818 / +255 754 283185
E-mail: rasilimali@africaonline.co.tz

OPTIMA CORPORATE FINANCE LIMITED

1st Floor, Togo Tower Kinondoni Road,
P.O. Box 75886, Dar es Salaam
Mob: +255 (0)787 670359
E-mail: info@optimacorporate.co.tz

ORBIT SECURITIES COMPANY LIMITED

Offices: 4th Floor, Golden Jubilee. Towers, Ohio Street
P.O. Box 70254, Dar es Salaam
Tel: 255 22 2111758,
Fax: 255 22 2113067
E-mail: orbit@orbit.co.tz

VERTEX INTERNATIONAL SECURITIES LTD.

Annex Bldg. - Zambia High Commission
P. O. Box 13412, Dar es Salaam
Tel: 255 22 2116382
Fax: 255 22 2110387
E-mail: vertex@vertex.co.tz, operations@vertex.co.tz

LIST OF COLLECTING AGENTS (CONTINUED):

MEMBERS OF THE DAR ES SALAAM STOCK EXCHANGE PLC

ZAN SECURITIES LIMITED

2nd Floor, VIVA Towers, Bibi Titi Road,
P.O. Box 5366 Dar es Salaam
Info.dsm@zansec.co.tz
Tel: +255 22 2103433
Fax: +255 22 2103434

E.A. CAPITAL LIMITED

6th Floor, I.T. Plaza, Ohio Street,
Tel Num: +255769253511, +255657121102
Email: ck@eacapital- tz.com, ec@eacapital-tz.com
P.O. Box 20650, Dar es Salaam.

ARCH FINANCIAL & INVESTMENT ADVISORY LTD

2nd Floor, Wing C, NIC Life House Sokoine Drive/Ohio Street
P.O. Box 38028 Dar es Salaam
Tel: +255 (0)222 112844
Mob: +255 (0)732 922396
E-mail: info@archfia.or.tz archfia@gmail.com

SMART STOCK BROKERS LIMITED

1st Floor, Masdo House, Samora Avenue,
P.O. Box 105678, Dar es Salaam
Tel: +255 22 2138607, +255 767 983500
E-mail: info@smartstockbrokers.co.tz

PRUDENTIAL CAPITAL GROUP LIMITED

3rd Floor, Tancot House, Sokoine Drive and Pamba Road,
P. O. Box 8211, Dar es Salaam
Tel: +255 687 894 993
E-mail: adam.walwa@prudentialcapitalgrouptz.com

VICTORY FINANCIAL SERVICES LIMITED

ATC Building, Ohio Street/Garden Avenue,
P.O. Box 8706, Dar es Salaam

FIMCO LIMITED

Office #205 2nd Floor Jangid Plaza
Plot No. G6, Chaburuma Road, Off. Ali Hassan Mwinyi Road
Dar es Salaam, Tanzania. Phone: +255 22 292627 / +255 767 211690
Email: info@fimco.co.tz

COLLECTING BANKS

1. YETU MICROFINANCE BANK PLC

2nd FLOOR MKUNAZINI BUILDING, KIDONGO CHEKUNDU
PO Box 75379, DARESSALAAM, TANZANIA
Tel/Fax: +255222180914
Email: info@yetumfplc.co.tz
Website: www.yetumfplc.co.tz

2. TPB BANK

10th Floor LAPF Tower Bagamoyo Road
P.O. Box 9300, DAR ES SALAAM, TANZANIA
TEL: +255 22 2110621/2
FAX: +255 22 2114815
Email: info@tpbbank.co.tz

3. MAENDELEO BANK PLC

P.O. Box 268 DAR ES SALAAM, TANZANIA
TEL: +255 22 21110518
FAX: +255 22 2110595
Email: info@maendeleobank.co.tz

4. MKOMBOZI COMMERCIAL BANK PLC

P.O. Box 38448, DAR ES SALAAM, TANZANIA
TEL: +255 22 2137806/7
FAX: +255 22 2136775/ +255 22 213 7802
Email: info@mkombozibank.com

BRANCHES AND FINANCIAL SERVICES CENTRES OF YETU MICROFINANCE BANK PLC

HEAD OFFICE

Head Office

Kiungani Street, 2nd Floor Mkunazini Building
P.O. Box 75379 Dar es Salaam, Tanzania.
Tel: + 255 22 2180914, Fax: +255 22 2180914
Email: info@yetumfplc.co.tz
Website: www.yetumfplc.co.tz

BRANCHES

Mzizima Branch

Ground floor, Machinga Complex Building,
P.O. Box 75379 Dar es Salaam, Tanzania.
Tel: +255 22 2396868
Email: info@yetumfplc.co.tz

Mbagala Branch

Zakhem Street
P.O. Box 75379 Dar es Salaam, Tanzania.
Tel: +255 719 485447
Email: info@yetumfplc.co.tz

Mngeta Branch

KPL/SRI Building, Mngeta Village
P.O. Box 40 Ifakara, Tanzania.
Tel: +255 712 131897
Email: info@yetumfplc.co.tz

FINANCIAL SERVICES CENTRES

Kilwa Financial Service Centre

Lumumba Street, KilwaMasoko
P.O. Box 177 Kilwa, Tanzania.
Email: info@yetumfplc.co.tz

Ifakara Financial Service Centre

Mahenge Road
P.O. Box 40 Ifakara, Tanzania.
Tel: +255 654 115533
Email: info@yetumfplc.co.tz

Zanzibar Financial Service Centre

Mwanakwerekwe Shopping Centre
P.O. Box 1741 Zanzibar, Tanzania.
Tel: +255 673 851138
Email: info@yetumfplc.co.tz

Lindi Financial Services Centre

Ghana Street, Lindi
Tel: +255 713 373925
Email: info@yetumfplc.co.tz

Masasi Financial Service Centre

Rest Centre, Songea Road
Tel: +255 675 342779
Email: info@yetumfplc.co.tz
Malinyi Financial Services Centre
Malinyi old town
Tel: +255 677 025301
Email: info@yetumfplc.co.tz

Mngeta Financial Services Centre

KPL/SRI Building, Mngeta Village
P.O. Box 40 Ifakara, Tanzania.
Tel: +255 712 131897
Email: info@yetumfplc.co.tz

Ruaha Financial Services Centre

K-two
P.O. Box 40, Ifakara
Tel: +255 655 483009
Email: info@yetumfplc.co.tz

Kibaha Financial Centre

Mwembe Saba-ART Hotel Building

Tel: + 255 712130166

info@yetumfplc.co.tz

Pugu Financial Services Centre

Machinga complex, 3rd floor

Tel: +255 716 635908

Email: info@yetumfplc.co.tz

Mandela Financial Service Centre

Mandela road/Babekov building

Tel: +255 714 639900

Email: info@yetumfplc.co.tz

Lumo Financial Services Centre

Near Lumo Secondary School

Tel: +255 716 635908

Email: info@yetumfplc.co.tz

Amani Financial Service Centre

Muheza town

Tel: 0716316886

Email: info@yetumfplc.co.tz

Mngeta Agency

Zhakem Financial Services Centre

Zakhem Street

Mngeta Village

Cotaco Building

Kigamboni Financial Services Center

Kongowe Road

Email: info@yetumfplc.co.tz

P.O. Box 75379 Dar es Salaam, Tanzania.

Tel: +255 718 293149

Email: info@yetumfplc.co.tz

TERMS AND ABBREVIATIONS

Accountants' report	The report of the Reporting Accountants.
Application Form	The Share Application Form set out in Appendix 1 of this Prospectus.
Authorized receiving agents	Authorized licensed dealing members and banks in Tanzania, whose details are set out in the front pages of this Prospectus.
Bank	Yetu Microfinance Bank PLC.
Banking Act	Shall mean the Banking and Financial Institutions Act, No. 5 of 2006.
BOT	Shall mean the Central Bank of Tanzania, established under the Bank of Tanzania Act, No.4 of 2006.
Business Day	A day on which Yetu Microfinance Bank PLC is open for business in Tanzania.
CSDR	CSD & Registry Company Limited
Closing Date	The last date and time for submission of Application Forms for this offer for subscription, which is at 1500 hours on Thursday, 17 th April 2020
CMSA or Authority	Shall mean the Capital Markets and Securities Authority established under the Capital Markets and Securities Act, Cap 79.
CMS Act	Shall mean the Capital Markets and Securities Act, No.5 of 1994 as amended by Act No. 4 of 2010.
Companies Act	Shall mean the Companies Act, Cap. 212.
Company	Yetu Microfinance Bank Public Limited Company, a company incorporated in Tanzania on 23 rd December 2013 under Certificate of Incorporation No.104761.
Directors	The Directors of the Company whose names are given in section D of this Prospectus.
DSE	Dar es Salaam Stock Exchange PLC or the Exchange.
EPS	Earnings per Share
GDP	Gross Domestic Product
Green shoe option	An agreement that gives the issuer 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.
IAS	International Accounting Standards

TERMS AND ABBREVIATIONS (CONTINUED)

IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IPO	Initial Public Offer
PO	Public Offer
“YETU” or “the Issuer”	Yetu Microfinance Bank PLC.
MFIs	Microfinance Institutions
NGO	Non-Government Organization
NPL	Non-Performing Loans
Offer Price	TZS 550 per share
Opening Date	The first date for acceptance of applications for the offer of shares which is the 16 th day of September 2019.
Ordinary Shares	Ordinary shares of TZS 550 each in the share capital of the Company.
Oversubscription	Money collected in the IPO that is more than the value of shares issued on offer.
P/B	Price to Book ratio
P/E	Price Earnings ratio
Prospectus	This Prospectus, dated 31 st July 2019
ROE	Return on Equity
Rules	Dar es Salaam Stock Exchange PLC Rules, 2016.
SMEs	Small and Medium Enterprises
TZS	Tanzania Shilling
UNDP	United Nations Development Programme
YOSEFO	Youth Self Employment Foundation

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BOARD CHAIRMAN'S STATEMENT

Dear Prospective Investor,

On behalf of the Management and staff of Yetu Microfinance Bank PLC, it is my pleasure to welcome you to invest in Yetu Microfinance Bank PLC. I am delighted to present to you this Prospectus with respect to an offer of 3,636,364 shares of Yetu Microfinance Bank PLC, at a price of TZS 550 per share. The offer is open to both Tanzanian and non-Tanzanian investors.

Yetu Microfinance Bank is a public limited company that was incorporated under the Companies Act, 2002 on December 23, 2013 to take over the business of the Youth Self Employment Foundation (YOSEFO). YOSEFO was a credit only Microfinance Institution for 14 years before being transformed into a microfinance bank.

In 2015 Yetu Microfinance Bank PLC launched an Initial Public Offering (IPO) through the Enterprise Growth Market (EGM) Window of the DSE PLC and was able to raise TZS 3.1 billion. After a successful share sale, Yetu Microfinance Bank PLC was listed on the Dar es Salaam Stock Exchange PLC.

The company managed to secure a banking license on February 20th, 2017 after meeting licensing conditions including the minimum capital requirement of TZS 5 billion. At that time the company had a capital base of TZS 6.056 billion.

Since its establishment in 2014, Yetu Microfinance Bank PLC has grown to become one of the major players in financing Micro and Small Enterprises (MSMEs). Its success in recent years has been recognized by winning numerous prestigious awards. In 2017 and 2018 Yetu Microfinance Bank PLC was voted best listed company under the category of Enterprise Growth Market of DSE PLC. In 2017, the bank received a Citi Micro-Entrepreneurship Award as the Best Microfinance of the year. These accolades have been achieved as a result of the efforts of a professional, enthusiastic and highly motivated staff.

Since being listed on the Dar es Salaam Stock Exchange PLC, the company has grown by leaps and bounds. Its asset base has doubled to TZS 15 billion in 2018 from TZS 7 billion in 2014. As of the financial year 2018, its net loans and advances stood at TZS 12.6 billion. In 2018, the bank made TZS 708 million as net profit, from TZS 376 million in 2015, a compound annual growth of 23%.

The increase in profitability has not been without increase of return to shareholders. The bank paid dividends of TZS 42 per share (dividend yield of 7%) in 2016, and TZS 64 per share (dividend yield of 11%) in 2017 making Yetu Microfinance Bank PLC the bank with the highest dividend yield of all the local listed banks in the market. Its Return on Equity stood at 8.8% in 2018.

It is with these positive results that we come to you once again, with an offer to be part of the growth of Yetu Microfinance Bank PLC through being a shareholder in the bank. Yetu Microfinance Bank PLC is seeking an additional TZS 2 billion to increase its capital. These funds will enable us to expand to Ruvuma, Njombe and Mbeya Regions and thus reach more clients. Through our well-crafted strategy, we plan to consolidate ourselves as one of the top 5 Microfinance Banks in Tanzania.

On behalf of the Board, I would like to thank all of those who have contributed to this success, especially our loyal and valued customers.

We now invite the public to participate in the new Public Offer of Yetu Microfinance Bank PLC.

May God Bless you all.



Ernest Kanisius Ndimbo
CHAIRMAN

MANAGING DIRECTOR'S STATEMENT



Dear prospective Investors,

I take this opportunity to share my great pleasure with you and to state with pride that you are kindly invited to invest in our bank. Yetu Microfinance Bank PLC completed a transformation from being a Microfinance institution to a Microfinance Bank in just 20 months. The bank currently has a comprehensive set of products and services that are aimed at bringing the underserved and unserved populace into the banking system and providing competitive banking services to Small and Medium Enterprises (SMEs).

The financial year 2018 was the first full year of operations for your bank as we secured our banking license on 20th February 2017. The bank has been quite successful in positioning itself as a new generation bank, with focus on delivering financial services to all, particularly to the underserved and unserved population of Tanzania. In this regard, the bank currently has 3 branches and 16 financial services centers distributed in the Regions of Dar es Salaam, Lindi, Mtwara, Morogoro, Tanga, Coast and Mjini Magharibi, in Zanzibar. Also, the bank has opted for the use of technology in delivery of financial services through mobile banking, ATMs (Umoja Switch ATMs), and digital loans. In April 2018, the bank introduced a biometric teller system, a technology that allows people with low levels of literacy to bank with us honorably.

Before I share with you highlights of the bank's financial performance, I would like to inform you that we at Yetu Microfinance Bank PLC have a culture of sustained improvements through a positive approach to our customers and employees as well as a clear process orientation which enables the bank to ensure delivery of value-added products while observing the ethical values that the bank stands for. We are of the firm belief that such positive approach and ethical values would go a long way in ensuring a unique and differentiated customer experience. In the last 20 months, we have recruited over 80 employees from different backgrounds. The bank has made a substantial effort in training, development and employees' engagement, to ensure that a unique way of banking gets embedded amongst our people. As a new era bank, we strive hard to set new standards in customer experience, with extensive use of world class technology and sincerity in customer service. I am sure that this approach would enable our bank to deliver services that are affordable, simple, and accessible at any time and from anywhere. We believe in equal opportunities for personal and

professional growth for all, building a performance and knowledge-based employee team, which strengthens our ability to deliver on our stated goals.

Over the past three years, we witnessed addition of significant numbers in the customer base, while our liabilities and assets business grew at a brisk pace. In 2018 the bank closed the year with a total gross loan portfolio of TZS 14.5 billion which is more than substantial growth as compared to the value of TZS 6.1 billion in 2016. Our audited accounts of 2018 indicated a ROE of 8.8%.

For the years ahead, the focus of the bank is more on initiatives especially pertaining to setting-up of new teams as well as strengthening existing teams, and upgrading and coming up with new products, policies and processes. Strengthening the Support and Control functions shall continue to be the focus in **FY2019**, 2020 and 2021. New teams in departments like Collections, Projects, CPC, Branding and Marketing, have come up and shall start working at full pace in **FY2019**. Also, the teams involved in IT, Credit, Branch Operations & Monitoring, Risk, Compliance, Audit, HR & Training amongst others, have been further strengthened. This mission of strengthening the Support and Control functions to provide a smooth platform for Business Teams to operate, would have long term impact in streamlining the systems and processes, and which has already started making an impact, in terms of growth of business tractions.

We believe that good and effective Corporate Governance plays important role in achieving the corporate vision and mission of the organization. This is an area of strong focus and on behalf of the Board of Directors, I can assure our existing and prospective shareholders and other stakeholders, in particular our customers, that we are committed to the highest standards of Corporate Governance and transparency. For us the guiding principles of Corporate Governance framework have always been based upon compliance with Laws / Regulations in letter and spirit, adopting transparent systems, safeguarding the interests of Stakeholders and creating an environment of trust and confidence by means of transparent and timely disclosure of information. We believe in conducting fair business, and respect the needs of our community and all our stakeholders. The bank is well capitalized and well positioned to execute identified as well as emerging opportunities. The need for capital comes as a means to further expand our scope and dilute shares of our current shareholders in order to meet the existing regulation of a maximum of 20% per shareholder.

The bank is fully conscious of its obligations to the society and media in which it operates. We in the bank believe in building a strong foundation for the future, rendering the institution relevant for all times, present

and future, in pursuit of excellence. I extend my sincere gratitude to all initial shareholders who reposed trust and confidence in the bank and assisted in the bank's performance and plans. I expect the incoming shareholders will do likewise, and I thus look forward to your support and guidance in days to come once you join as a shareholder.

Looking ahead, I expect that the coming years would be exciting for the banking space as the economy would continue to grow due to the various economic reforms that have happened or are planned. We therefore, kindly invite all Tanzanians and non-Tanzanians to have a stake in Yetu Microfinance Bank PLC.

With Regards

A handwritten signature in blue ink, consisting of a stylized 'A' followed by a horizontal line and a small flourish.

Altemius Millinga
MANAGING DIRECTOR

EXECUTIVE SUMMARY

Yetu Microfinance Bank PLC is pleased to offer existing and new investors an opportunity to invest in the bank. The bank is offering 3,636,364 new ordinary shares at a price of TZS 550. The following constitutes some key features regarding the bank and the listing, but is by no means exhaustive.

Incorporation and status of the issuer

Yetu Microfinance Bank PLC (hereinafter referred to as “YETU”) is a public company limited by shares. It was incorporated in the United Republic of Tanzania, under the Companies Act, 2002, on December 23, 2013 with Certificate of Incorporation No. 104761. The company was incorporated primarily to take over the business of the Youth Self Employment Foundation (“YOSEFO”), established as a Trust under the Incorporation of Trustees Ordinance Cap 318, then providing grassroots financial services concerned mainly with lending to and business training of micro entrepreneurs. YOSEFO was a credit only Microfinance Institution for 14 years before being transformed into a Microfinance bank.

Initial Listing on the EGM Segment of the DSE PLC

In 2015 Yetu Microfinance Bank PLC launched an Initial Public Offering (IPO) through the Enterprise Growth Market (EGM) Window of the Dar es Salaam Stock Exchange PLC (DSE) and was able to raise TZS 3.1 billion. The main reasons for the IPO were to raise additional capital to enable YETU to become a microfinance bank and to give existing customers the opportunity to participate directly in the equity and future growth of the bank. The IPO was successful and on March 10th, 2016 Yetu Microfinance Bank PLC got listed on the DSE.

Obtaining Banking license from the Bank of Tanzania

The company secured a microfinance banking license on February 20th, 2017 after meeting licensing conditions including the minimum capital requirement of TZS 5 billion. At that time the company had a capital base of TZS 6.056 billion.

Offer and proposed price

Yetu Microfinance Bank PLC is now offering 3,636,364 additional ordinary shares at a price of TZS 550 per share. The price was established through valuation as per the report contained in Section B of this Prospectus.

Reasons for issuing additional shares

YETU wants to raise TZS 2,000,000,200/= (Two billion Two Hundred Shillings Only) for the following reasons:

- To enable the bank to comply with a regulatory requirement of maximum 20% holding per shareholder. Currently, YOSEFO holds 31% stake in the bank hence dilution of this shareholding is one of the reasons for the new public offer.
- To enable the bank to expand to Njombe, Iringa and Mbeya Regions.
- To enable the bank to increase its core capital.
- To provide an opportunity for the customers of the bank, Tanzanians and other investors generally to share in what the bank believes is a Tanzanian success story of microfinancing.

Performance of the bank to date

Since listing in the EGM segment of the DSE PLC, the bank has performed exceptionally well. In 2015, the bank made a Net Profit of TZS 376 million, which grew to TZS 1.3 billion in 2017. However, in 2018 net profit decreased by 45% to TZS 708 Million. The number of clients had almost doubled 55,750 by 2017 from 29,104 in 2014. YETU had 16 financial centers as of 2018 from just 7 in 2014 and has all along maintained a very low non-performing loans (NPL) ratio of around 5%.

The good performance of the bank has been due to the strong commitment of management and employees and the niche market that YETU operates in. The staff and management are committed to continuously improving the performance of the bank.

Dividend Payment

Shareholders who invested in the earlier IPO of YETU have been enjoying excellent returns from the bank. In 2016, the bank paid a dividend of TZS 42 and in 2017 the bank issued a dividend of TZS 64, making it the listed bank with the highest dividend yield in the year 2017.

Financial performance

Below is a summary of the financial performance for the periods shown, which should be read in conjunction with the Independent Reporting Accountant's report in Section H.

YETU MICROFINANCE BANK PLC:

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD OF THREE YEARS ENDED 31 DECEMBER 2018

		2018	2017	2016
	Note	TZS '000	TZS '000	TZS '000
Interest Income	1	5,027,399	4,842,509	3,878,722
Interest Expenses	2	(404,573)	(312,785)	(285,454)
Net Interest Income		4,622,826	4,529,724	3,593,269
Loan impairment reversal/ (charges)		(79,869)	19,995	(229,948)
Net interest income after loans impairment		4,542,957	4,549,719	3,363,321
Fees & Commission	3	617,919	600,925	431,867
Other operating income	4	216,093	269,231	216,837
Total non-interest income		834,012	870,156	648,704
Net Operating Income		5,376,969	5,419,875	4,012,025
Operating expenses				
Employee benefits expense	5	(1,934,470)	(1,691,528)	(1,305,581)
Operating Expenses	6	(2,346,031)	(1,788,171)	(1,450,317)
Depreciation and amortization		(128,299)	(128,222)	(139,834)
Total operating expenses		(4,408,800)	(3,607,921)	(2,895,732)
Profit/(loss) before taxation		968,169	1,811,955	1,116,293
Income tax (charge)/credit	7	(260,140)	(511,971)	(272,094)
Profit/(loss) for the year		708,029	1,299,984	844,199

YETU MICROFINANCE BANK PLC:
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		2018	2017	2016
ASSETS	Note	TZS '000	TZS '000	TZS '000
Cash on hand	8	273,805	365,395	47,867
Balances with Bank of Tanzania	9	107,999	0	0
Balances with other banks and financial institutions	10	642,769	1,908,880	2,681,019
Loans and advances (Net)	11	12,613,928	12,551,114	10,252,926
Other assets	12	873,260	271,163	242,205
Property, plant & equipment	13	382,978	397,277	314,864
Intangible assets	14	57,905	107,188	174,790
Deferred tax asset	15	0	0	54,284
Total Assets		14,952,645	15,601,018	13,767,956
LIABILITIES				
Customer deposits	16	2,232,915	3,349,781	3,473,942
Other liabilities	17	893,371	178,475	76,795
Income tax payable	18	39,258	152,171	80,622
Borrowings	19	4,000,000	3,650,000	2,541,667
Deferred tax liability	15	18,898	18,016	-
Total liabilities		7,184,442	7,348,443	6,173,026
SHAREHOLDERS' EQUITY				
Share capital	20	6,056,497	6,056,497	6,056,497
Retained earnings		1,511,458	1,847,449	1,245,448
YOSEFO Capital Grant		69,693	157,165	292,985
Regulatory reserve		-	66,617	-
General reserve		130,555	124,847	-
Total shareholders' equity		7,768,203	8,252,575	7,594,930
Total equity and liabilities		14,952,645	15,601,018	13,767,956

OFFER STATISTICS

ITEM	UNIT	AMOUNT
Offer price per ordinary share	TZS	550
Number of shares offered for sale	No.	3,636,364
Gross proceeds of the offer	TZS	2,000,000,200.00
Estimated net proceeds of the offer (after expenses)	TZS	1,822,000,200.00
Estimated Public Offering Cost	TZS	178,000,000.00
YETU Total authorized shares	No.	50,000,000 ordinary shares
		10,000,000 preference shares
YETU authorized share capital	TZS	30,000,000,000
Number of issued & fully paid up shares before the offer	No.	12,112,894
Issued & fully paid up capital before the offer	TZS	6,056,446,547
Number of issued & fully paid up shares after the offer	No.	15,749,258
Issued & fully paid up capital after the offer	TZS	8,056,446,747
YETU shares' par value	TZS	500

This Offer has a CMSA approval for a Green Shoe option of up to 100% of the shares on offer.

ESTIMATED PUBLIC OFFERING COSTS

ITEM	AMOUNT IN TZS
Nominated adviser fees	35,000,000.00
Legal advisers	5,000,000.00
Reporting accountant's fees	5,000,000.00
Receiving bank, collecting agents fee	40,000,000.00
DSE PLC listing	1,000,000.00
CMSA prospectus Evaluation fees	7,000,000.00
CSDR processing fees	10,000,000.00
Printing of CSD receipt TZS 1000 per CSD (est.)	5,000,000.00
Advertising costs	40,000,000.00
Printing of prospectus and cover design	20,000,000.00
Other expenses including education awareness	10,000,000.00
Total estimated PO cost	178,000,000.00

Authorized and issued share capital:

Yetu Microfinance Bank PLC has a total authorized share capital of TZS 30 billion consisting of 50million ordinary shares and 10million preference shares valued at TZS 500 each. Total issued ordinary share capital amounts to TZS 6,056,446,547. The additional 3,636,364 ordinary shares will be issued via a Public Offer at a price of TZS 550 per share.

- The total number of issued and paid up shares after the Offer will be 15,749,258.
- Fully paid up share capital after the Offer will be TZS 8,056,446,747.
- YETU's Market Capitalization at the Offer Price will be TZS 8,662,091,900.

SECTION A: OFFER DETAILS

1.1 The Offer Price

The Board has set the Offer Price at TZS 550 for each new Ordinary Share based on the current market price of Yetu Microfinance Bank PLC as traded on the Dar es Salaam Stock Exchange PLC. The price is at a discount relative to the valuation set out in Section B of this Prospectus.

1.2 Offer for Subscription

A total of 3,636,364 new ordinary shares are hereby offered to the public by Yetu Microfinance Bank PLC at a price of TZS 550 per share payable in full in accordance with the eligibility criteria outlined in sub-section 1.5 below.

1.3 Purpose of the Offer

The main purposes of the offer are to finance business expansion and to dilute the shareholding of some of the existing major shareholders of the company so as to meet the regulatory requirement of maximum of 20% of holding per shareholder. Currently, YOSEFO holds 31% of total shares.

1.4 Use of Net Proceeds

The net proceeds of TZS 1,822,800,200 from the sale of 3,636,364 shares will be used for the following:

- To enable the bank to expand to Njombe, Iringa and Mbeya Regions.
- To enable the bank to increase its core capital.

1.5 Eligibility

The offer to subscribe for shares is open to Tanzanians and non-Tanzanians, subject to Section 15 (1) and (2) of The Banking and Financial Institutions Act, 2006, that restrict ownership in banking and financial institutions as hereunder:

1. A person shall not own or control, directly or indirectly, a beneficial interest of more than twenty percent of the voting shares of any bank or financial institution, except as provided in this section.
2. Any transfer of ownership or control of a beneficial interest in shares of a bank or financial institution that results in ownership or control of five percent or more of voting shares shall be void unless the Bank has granted prior approval of the transfer.

1.6 Minimum number of shares per application

The minimum number of shares that may be applied for is 100 shares. Above this number, investors may apply in multiples of 10 shares.

Subject to the eligibility requirements in section 1.5 above, there is no maximum restriction on the total number of offer shares that may be applied for.

1.7 Allotment Policy

Subject to CMSA approval, in case of oversubscription, subscribers will be allotted in full for the number of shares applied for and there will be a Green Shoe option to retain proceeds up to 100% of the Offer size.

1.8 Rights and Transferability

The offered shares are issued subject to the Memorandum and Articles of Association of the bank and will rank *pari passu* with existing shares in respect of the voting rights, dividends, capital, and pre-emptive rights to subscribe to new issues of shares.

1.9 Dividend Policy

The declaration of dividends will be recommended by the Board of Directors and approved by the shareholders. This will depend on a number of factors, including but not limited to the profits, capital requirements and overall financial position of the bank. The current Dividend Policy is to pay out not less than 60% of profit after tax.

1.10 Tax Implications

Applicants should consult their own professional tax advisors in regard to the tax implications of subscribing for, holding and disposing of shares under the offer. The bank, its staff and advisors do not accept any responsibility or liability for any tax consequences to applicants subscribing for, holding and disposing of offer shares as a result of the offer. Holders of shares in companies listed on the DSE PLC are subject to a 5% withholding tax on dividends as opposed to 10% for unlisted banks. There is no stamp duty payable on transactions in shares listed on the DSE PLC compared to transactions outside the DSE PLC which are charged at 6%. Capital gains tax is also zero for DSE PLC transactions compared to 10% outside the Exchange.

1.11 Central Securities Depository Account

All applicants will have to have a CSD account for the purpose of subscribing for the offer shares. Those who do not have a CSD account will have to submit a duly completed and signed CSD account application form with any of the authorized collecting agents. The offer shares will be credited electronically to the holder's respective CSD account as per the timetable of principal events. All transfers of shares will be effected through the CSD account. It is the responsibility of the applicant to ensure that their CSD account details are correct.

1.12 Time Table & Application procedure

1.12.1 Time Table

- Applications for the shares will be open at 9am on the 16th day of September 2019 and will close at 4pm on 30th day of October 2019.
- Applications for the shares must be received by any of the Authorized Receiving Agents listed on page xi above, by not later than 4pm on **30th of October 2019**.
- An application has been made to list all the shares on the Dar es Salaam Stock Exchange PLC in the EGM Segment on 29th day of **November 2019**.

1.12.2 Application Procedure

The summarized procedures below should be read in conjunction with the detailed instructions for applying for Offer Shares as contained in this Prospectus, as well as the instructions on the Application Form.

Copies of this Prospectus and Application Forms are available to prospective investors during normal working hours on Business Days until 4:00 pm on the Closing Date from all collecting agents.

An applicant wishing to apply for offer shares must duly complete and sign the accompanying Application Form and return the same accompanied by proof of payment in TZS, by way of electronic funds transfer, cash or a banker's or authorized selling agent's cheque (as may be applicable) so that it is received by the receiving bank before the Closing Date. All such application forms must be accompanied by proof of payment by way of electronic funds transfer and/or mobile money payment, cash or an authorized cheque for the full amount due for the offer shares applied for by that applicant.

Late applications will not be considered. Acceptance of application will only be considered if received by the receiving bank or any of the collecting agents by the Closing Date and Time. Accordingly, neither the Lead Transaction Advisor nor the Company will accept any responsibility for any applications that are, or may be misdirected.

Applicants may make their applications for shares through the DSE PLC Platform by dialing *150*36# which has been designed for potential shareholders who may not be able to access normal banking systems or stock brokers. Upon making an application for share purchase, the applicant will receive a reference number which can then be used to make payments via M-Pesa by dialing *150*00# or other mobile payment platforms.

1.13 Application by/for Minors

Minors are permitted to apply for Offer Shares with the assistance of their parents or a legal guardian who should sign the Application Form on their behalf.

1.14 Payment Procedures

- Mobile money payment: Details for Max Malipo payment procedure are presented on the last page – Applications using mobile money.
- Applicants through other mobile money services - same procedure as for Max Malipo.
- Banker's cheque: Payment for the shares could be in the form of banker's cheques for values below TZS 10million. Banker's cheques must be drawn by a licensed bank which is a member of the BOT Clearing House, addressed to Yetu Microfinance Bank PLC, Public Offering Collection Account.
- TISS: Payment for shares could be made through TISS for values above TZS 10.0 million.
- Authorized cheque or cash should be made payable through Yetu Microfinance Bank PLC, Collection Account Number **001202000013** with the Account name **YETU IPO COLLECTION**, ACCOUNT NO:**001202000013**, SWIFT CODE**YETMTZTZXXX**, BIC**507991**.
- Cash Payment: Cash payments may also be made through Authorized Collecting Agents or may be deposited by the applicant to the dedicated collection account.
- All payments must be made in TZS.
- No interest will be payable by the receiving bank or the collecting agents on money paid for the Offer Shares.

1.15 Applicant's agreements

Signing an application form implies that each applicant:

- a) Has agreed that neither Yetu Microfinance Bank PLC, its advisors nor any of the authorized collecting agents shall be liable for delay should an application form not be received by the Closing Date; and that having had the opportunity to read this Prospectus, they shall be deemed to have had notice of all information and representations concerning Yetu Microfinance Bank PLC contained herein.
- b) Confirms that in making such application they are not relying on any information or representation in relation to Yetu Microfinance Bank PLC other than that contained in this Prospectus and accordingly agrees that no person responsible solely or jointly for this Prospectus or any part thereof shall have any liability for any other information or representation.

1.16 Acceptance and Settlement

TSL Investment Management Ltd who are the Nominated advisors and Yetu Microfinance Bank PLC, reserve the right to reject any application not complying in all respects with the terms and conditions spelt out in this Prospectus or if any Application Form is not completed as required, subject to CMSA approval.

Upon acceptance of any application, the bank and the nominated advisors will as soon as possible allot and thereafter the Registrar will transfer the ordinary shares concerned into the name of the applicant.

Applicants will receive allotted offer shares in electronic form by way of crediting their CSD Accounts with the allocated number of offer shares. If the applicant has indicated in the appropriate block on the Application Form that s/he wishes to collect the CSD Receipt or any refund cheque, the CSD Receipt and refund cheques will be forwarded to the Authorized Receiving Agent through whom his Application Form was submitted. No CSD Receipt or refund cheques will be released by the Authorized Receiving Agents at which the application was lodged unless the receipted and numbered original receipt/counterfoil of the Application Form is produced. Otherwise share certificates and refund cheques will be dispatched by ordinary mail to the postal addresses set out in the Application Forms at the applicant's risk. Interest will not be paid on any amounts refunded or indeed deposited at the time of application.

By signing the Application Form, an applicant agrees to accept transfer of such number of shares (not exceeding the number applied for) as shall be allotted to the applicant upon the terms and conditions of the Prospectus and subject to the Company's Memorandum and Articles of Association and agrees that the Bank may enter the applicant's name in the register of members of the company as the holder of such shares.

In the event of a discrepancy between the number of shares applied for and the value thereof, the Lead Advisors and the Bank may, in their discretion, adjust the number of shares to correspond with the value received for their application.

1.17 Rejection Policy

Yetu Microfinance Bank PLC in consultation with the Lead Transaction Advisors and CMSA, may reject any applications in the following cases, including but not limited to:

- Missing information in the application forms;
- Inaccurate Application forms;
- Offers applied are not in multiples set out in this Prospectus;
- Application form together with the application money paid in accordance with the sections above is not received by any authorized Collecting Agent within the dates and times stipulated in this Prospectus.

1.18 Refund Policy

All refunds shall be by way of electronic funds transfer to the bank account details provided in the application form or banker's cheque or bank draft in case the electronic transfer fails. No interest will be paid on any application monies refunded as a result of the oversubscription or whatsoever reason subject to the offer.

1.19 Underwriting

The offer is not underwritten.

1.20 Withdrawal of Offer

The Company reserves the right, in consultations with CMSA, not to proceed with the Offer at any time before the Public Offer opens.

1.21 Governing Laws

Any contract resulting from acceptance of any application to purchase shares of Yetu Microfinance Bank PLC, shall be governed by and construed in accordance with the Laws of the United Republic of Tanzania.

SECTION B: BASIS OF THE OFFER PRICE

2.1 The Basis and Offer Price

The Guideline Public Company method of comparables was used to determine an appropriate offer price of YetuMicrofinance Bank PLC. In the Guideline Public Company Method, public companies that are in the same or similar line of business as the subject company and are of similar size in terms of profitability and financial position as the subject company were identified. Then the stock trading prices for the guideline public companies as of the date of the valuation are used to estimate the value of the subject company. Since there is no microfinance bank that is listed on the Dar es Salaam Stock Exchange PLC, comparable banks that are listed on the Dar es Salaam Stock Exchange PLC (DSE PLC) were used as Yetu Microfinance Bank PLC is also listed on the DSE PLC. The Price to Book Value per share and Price to Earnings ratio per share multiples were used to value YetuMicrofinance Bank PLC.

Price to book Value: This approach tried to arrive at the value of YetuMicrofinance Bank PLC stock based on an average P/B value of YETU's historic average and the P/B multiple of the comparable companies. P/B is a ratio of the stock price to its book value per share. As a measure of net asset value per share, book value per share is usually viewed as appropriate for valuing companies composed chiefly of liquid assets. We computed the historic average of YETU Microfinance P/B value to be 0.95 times and that of comparable banks to be 1.

	MAENDELEO	MCB	MKCB	Average
P/B as of 31/12/18	0.84	1.45	0.71	1.00

	FY 2015	FY 2016	FY 2017	FY 2018	Average
YETU P/B	1.10	0.96	0.88	0.86	0.95

The Average P/B value is 0.97 times which brings a per share value of TZS 607.75

P/B Valuation Method	
Historical Average (times)	0.95
Comparable banks average (times)	1.00
Average (times)	0.97
Book Value per share (TZS)	623.69
Per share Value (TZS)	607.75

Price to Earnings ratio: This approach tried to arrive at the value of Yetu Microfinance Bank PLC by using the relationship of price to its earnings. This ratio was used because Earnings power is a chief driver of investment value, and EPS, the denominator in the P/E ratio, is perhaps the chief focus of security analysts' attention. The historical average of P/E of Yetu Microfinance Bank PLC and the P/E multiple of comparable companies were computed. The historic average of YETU's P/E value turned out to be 10.73 times and that of comparable banks to be 9.83 times.

	MAENDELEO	MCB	MKCB	Average
P/E as of 31/12/18	14.58	-5.59	20.51	9.83

	FY 2015	FY 2016	FY 2017	FY 2018	Average
YETU P/E	19.31	8.61	5.59	9.41	10.73

The average P/E value is 10.28 times which brings a per share value of **TZS 685.09**

P/E Valuation Method	
Historical Average (times)	10.73
Comparable banks average (times)	9.83
Average (times)	10.28
BV per share (TZS)	66.64
Per share Value (TZS)	685.09

2.2 Valuation

The P/B valuation gave a price of TZS 608 while the P/E valuation gave a value of TZS 685, which gives an average of TZS 646 per share. This can be rounded off to TZS 600.

	Value in TZS per Share
P/E Ratio Valuation	685.1
P/B Ratio valuation	607.8
Average	646.4
Rounded of	600.0

2.3 Price of Yetu Microfinance Bank PLC shares

Yetu Microfinance Bank PLC is currently trading at the DSE PLC TZS 550. As per the valuation above, it seems that Yetu Microfinance Bank PLC shares are trading at a discount. The Board of Directors has proposed to offer the new YETU shares at the same price of TZS 550 that is trading on the DSE PLC.

2.4 Shareholding structure

The authorized share capital of the Bank is TZS 30 billion divided into 50million ordinary shares and 10 million preference shares valued at TZS 500 each. So far, total issued ordinary share capital amounts to TZS 6,056,446,547/= constituting 12,112,894 ordinary shares.

Before the offer

	Name of shareholder	No. of shares	% stake
1	Registered Trustees of YOSEFO	3,755,579	31%
2	SIDI (France social investor)	1,900,000	16%
3	Founder Directors	1,230,350	10%
4	Former Employees of YOSEFO	903,585	7%
5	Clients/members of YETU	3,508,570	29%
6	General public	814,810	7%
		12,112,894	100%

After the offer

	Name of shareholder	No. of shares	% stake
1	Registered Trustees of YOSEFO	3,755,579	24%
2	SIDI (France social investor)	1,900,000	12%
3	Founder Directors	1,230,350	8%
4	Former Employees of YOSEFO	903,585	6%
5	Clients/members of YETU	3,508,570	22%
6	General public	4,451,174	28%
		15,749,258	100%

2.5 Directors' declaration of interest

Directors holding shares at the date of this Prospectus are the following:

Name	No of shares held
Ernest Kanisius Ndimbo	198,073
Dr. Esther Rossiner Mbise	84,532
Danford Nelson Mbilinyi	20,000
Happy Sambega	175,159
Mr. Cornelius Kasiya Kariwa	20,000
Valentine Vedasto	200
Julie Szantyr	-
Altemius Millinga	538,990
TOTAL	1,036,954

SECTION C: RISK FACTORS

I. RISKS RELATING TO ISSUER

1. Financial Risks

The bank's lending operations and revenue in general are subject to market fluctuations and our forecasts might not be accurate. Revenue and operating results can vary and have varied in the past, sometimes substantially, from quarter to quarter and year to year. When client businesses experience difficulties, our revenue become low, therefore, it is important that investors are aware of these fluctuations. In 2016 and 2017 revenue and profitability increased resulting in payment of dividends of TZS 41 and TZS 64 respectively. The results for 2018 were slightly lower than those of 2017 because businesses faced slowdown in revenue and thus reduced appetite for borrowing.

In order to comply with International Financial Reporting Standards (IFRS9), management is required to make judgments, estimates, and assumptions that affect the financial position, profits and cash flows. These management decisions could lead to risks in the following areas, among others:

- The facts and circumstances, as well as assumptions on which management bases these estimates and judgement and management's judgement regarding the facts and circumstances might change over time.

This could result in significant changes in the estimates and judgements and consequently, the reported financials, and could have an adverse effect on our business, financial position, profit and cash flow.

Current and future accounting pronouncements and other financial standards, might negatively affect/impact our financial results. The bank regularly monitor its compliance with applicable financial reporting standards, and review pronouncements and drafts thereof that are relevant to banking business and microfinancing in particular. As a result of new standards, changes to existing standards, changes of their interpretations, the bank might be required to change its accounting policies. This could lead to risks in the following areas, among others:

- Not being able to react in a timely manner to new accounting pronouncement and financial reporting standards concerning revenue recognition including IFRS9.
- Unpredictable changes in interpretation of standards.

2. Liquidity Risk

Liquidity risk relates to the ability of the bank to finance the short-term cash needs of its businesses without undermining ratios set by the Bank of Tanzania. The bank is yet to become a major player in deposit mobilization. In order to reach that level, the bank plans to increase its marketing budget and continue to push for recognition as a major player in the financial sector. The bank has a strategy in place to establish long term relationships with commercial banks as providers of funds for on lending and bridging of any liquidity gaps.

3. Strategic Risk

Strategic risks are those that arise from formulation of strategic plans, business plans and implementation of plans that are inappropriate and inconsistent with internal factors and the external environment which may in turn affect earnings, capital fund or viability of the business. To avert strategic risks, the Board of Directors and senior management carefully formulates strategic and business plans, with supportive corporate governance and putting in place internal infrastructure appropriate for implementation of the plans. Strategy performance implementation is reviewed from time to time based on new information or market dynamics.

II. RISKS RELATING TO MARKET

1. Macroeconomic risk

Uncertainties in the global and/or national economy, financial markets, social and political instability caused by various factors that may include terrorists' attacks, civil unrest, and international hostilities could lead to business disruption or negative impact on our business, financial position, profit and cash flows. The factors are difficult to predict and are beyond the bank's influence and control. Any of these factors could have a significant adverse effect on the local economy and beyond.

Laws, regulatory requirements and standards sometimes are very stringent and are hard to predict. The banking business activities and processes expose the bank to numerous and often conflicting laws and regulations, policies, standards or other requirements and sometimes even conflicting regulatory requirements, and to risks that could harm our business, financial position, profits and cash flows.

Non-compliance with applicable data protection and privacy laws or failure to adequately provide customer protection in respect to products and services could lead to civil liability and fines as well as loss of customers and damage the reputation of the bank. As a regulated financial institution, the bank is required to comply with laws and regulations that protect customers and promote fair business.

2. Business Operational Risks

Banking operations and Microfinance business in particular are subject to a number of significant operations risks that include fraud and fake loans. The bank might counter operations risks by implementing an effective internal control systems including, among others:

- Having in place a strong risk management department.
- Employees properly vetted to have people of good character/integrity.
- Dual control in every aspect of transactions.
- Dual access to customers through phone and visits in order to prevent fake loans.
- Staff training and setting standards of operations.

III. RISKS RELATING TO THE ISSUED SHARES

1. Loss of capital

Equity investment is coupled with volatility in share price depending on market forces and risks related to the particular sector of the listed company. In case of high market volatility or adverse movements in share prices, it is possible that counter parties may not honor their commitments, and any inability on the part of the market participants to pay the margins to the stock exchanges may be detrimental to the company's business, reputation and profitability. Investors should consult their stockbrokers, investment advisors, financial advisors, bankers or other relevant professional advisors who are capable of advising on the acquisition of shares.

2. Company Delisting

Noncompliance with the regulations and rules set by the relevant Authorities (CMSA and DSE) may lead to suspension of share trading and/or delisting of the shares. Also, material changes in the regulations that govern the industry could cause the Company's business to suffer and the price of the Company's Equity shares to decline. However, Yetu Microfinance Bank Plc maintains an open position within the tolerance limits prescribed by the BOT, CMSA and DSE, that are regularly reviewed and approved by the Board.

SECTION D: INDUSTRY AND BUSINESS OVERVIEW

4.1 The Economy

Overview: Tanzania's economy has averaged growth of about 6% – 7% for the past decade (Source: World Bank). Real GDP growth was estimated at 6.7% in 2018, down from 7.1% in 2017. The services sector was the main contributor (39.3%) to GDP. Private investment was the main demand-side contributor (63.9%). (Source: AfDB (African Economic Outlook), 2019)

The fiscal deficit increased to an estimated 3.9% of GDP in 2018 due to increased capital spending on infrastructure projects. Public debt increased to an estimated 39.3% of GDP in 2018 from 38.2% in 2017. External debt accounted for about 74.9% of total public debt in 2018. The risk of debt distress remains low because public external debt, at 34.5% of GDP, is mostly concessional. (Source: AfDB (African Economic Outlook), 2019))

Monetary policy was more accommodative in 2018 than in 2017. This increased domestic liquidity and reduced lending rates, led to greater private credit supply.

The medium-term outlook is positive, with growth projected at 6.6% in both 2019 and 2020, supported by large infrastructure spending. But the positive outlook faces several downside risks: growing private sector concerns about economic policy uncertainty and increased domestic arrears that could derail the government's fiscal consolidation and harm the private sector. (Source: AfDB (African Economic Outlook), 2019))

Currency: The Tanzanian shilling has been relatively stable since the year began, and this may be attributed to the closure of many forex bureaus which was aimed to plug loopholes for money laundering and associated illegal transactions. According to the Bank of Tanzania's (BOT) quoted exchange rates, the Tanzanian currency settled at TZS 2,289.51 to the USD as at the end of June 2019, a depreciation of 0.4% from the beginning of the year. The currency had maintained relative stability in 2018, having depreciated only slightly by 2% to settle at TZS/USD 2,281.23 as of 31st December 2018.

Interest rates: The Weighted Average Yield of the 182-day Treasury bill was 5.28% at the beginning of 2019 and at the end of June, it had declined marginally to 5.19% having experienced only slight fluctuations during the period. This is unlike in 2018 when interest rates dropped in the first half of 2018 before rebounding in the second half of the year. In January 2018, the 182-day Treasury bill weighted average yield (WAY) was 4.37% and this dropped to a low of 2.67% in May before rebounding and closing the year at 5.37%.

The Stock Market: During January-June 2019 the stock market indices continued to head southwards, as the DSEI and the TSI had lost 7% and 11% to settle to 1,892.27 and 3,301.22 points respectively as of the end of June, compared to their values at the start of 2019. The decline was a continuation from 2018, when they had both recorded losses, with the DSE index falling by 15% to settle at 2,041.39 as of the year end while the TSI, which only captures the domestic companies lost by 6% to settle at 3,691.36. Supply of shares continues to outstrip demand on most counters of the DSE as most companies have been reporting falling earnings.

Inflation: In January 2019, headline inflation stood at 3% and by June 2019, the rate had risen slightly to 3.7%. Both rates are below the BOT targeted upper level of 5%. It should be noted that in 2018 headline inflation averaged 3.53%, which was one of the lowest inflation rates for more than 10 years (Source: NBS). Headline inflation are projected to marginally increase to 5.2% in 2019 and settle at 5.1% in 2020 due to increased government spending (Source: AfDB (African Economic Outlook), 2019).

4.2 The Banking Industry

Banks and pension funds are preeminent in Tanzania's small financial sector. Financial sector assets are 36 percent of GDP, with banks (72 percent of system assets) and pension funds (26 percent of system assets) being systemic components. The banking system is concentrated and dominated by privately owned commercial banks¹⁸ domestic and 29 majority foreign-owned banks hold 92 percent of banking assets.

The supply of banking services is concentrated (the largest five and ten banks hold 54% and 71% of assets). Commercial banks hold 96 percent of assets, with the rest comprised of two development banks, seven community banks, and five microfinance banks (0.6%). Source (IMF Country Report No. 18/346, November 2018)

Microfinance banks in Tanzania include Yetu Microfinance Bank PLC, Finca Microfinance Bank, EFC Microfinance Bank, Hakika Microfinance Bank and Vision Fund Microfinance Bank. These are specialized banks that target the bottom of the pyramid of the banking industry. So far, Yetu is the only listed microfinance bank.

4.2.1 Banking network:

According to the 2014-2016 National Financial Inclusion Framework Report, Tanzanian banks had a total of 609 branches. Most of the branches were located in major cities of Dar es Salaam, Mwanza, Mbeya, Arusha and Moshi. The Finscope study of 2013 indicated that only 12.9% Tanzanians had a bank account and majority of them are those employed in the formal sector. In 2013 the Bank of Tanzania issued comprehensive agent banking guidelines that permitted for the first time licensed banks and financial institutions to appoint retail agents. Accordingly, the introduction of agent banking provided a mechanism through which banks can profitably extend their services to the previous unbanked or underbanked lower income individuals. During the same period many banks introduced mobile banking technology which increased the level of financial inclusion and reduced the tendency of banks to rely on brick and motor type of branches.

4.2.2 Performance of the banks:

Most banks in Tanzania remain profitable and sound, but recently there has been a business slowdown compared to previous years or relative to Kenya and other African countries. According to McKinsey Consulting, banks operating in Africa had average return on equity (ROE) of 15% in 2017. The Central Bank of Kenya reported that banks in Kenya registered average ROE of 24.6% on the basis of data for 2016. The ROE on investment for Yetu Microfinance Bank PLC in 2017 was 16% which was above the country average of 12.5%, which dropped to 8.8% in 2018.

4.2.3 Non-Performing Loans:

Recently, industry loan portfolio quality has been deteriorating rapidly, squeezing out profitability of the sector. Industry NPL ratio increased from 6.1% (2014) to 11.3% (2017) and 11.4% (2018), well above the recommended level of 5 percent. It is important to note that Yetu Microfinance Bank PLC was one of the few banks with NPL below the industry rate of 11.3 % in 2017. The average NPL of the Yetu Microfinance Bank PLC was 6% and the same rate has been maintained in 2018.

4.3 Microfinance industry:

This is the industry which dominate the financial sector with four types of service providers namely banks including specialized banks (microfinance banks), lending only microfinance institutions (MFIs), savings and credit cooperatives (SACCOSs) and community financial groups. The industry for many years has been dominated by informal providers or community groups such as village community banks (VICOBA), rotating savings and credit associations (ROSCAs), accumulated savings and credit associations (ASCAS) and burial associations. Some of these informal groups are linked to banks as they operate group accounts. Lending through the microfinance players is characterized by un-collateralized loans hence filling a gap for those who do not own title deeds. Microfinance players use alternative collaterals such as chattels or properties without title deeds and peer pressure though groups.

In 2018, Tanzania witnessed the passing of a Microfinance law which now places the supervision of the industry under the Bank of Tanzania. This is likely to bring order in the financial sectors by requiring all institutions licensed by the Bank of Tanzania to participate in the Credit Reference system. The law recognized community groups hence creating an opportunity for banks to tap into the huge deposits and loans potential of these groups.

SECTION E: YETU MICROFINANCE BANK PLC OVERVIEW

5.1 Background

Yetu Microfinance Bank PLC is a public limited company that was incorporated under the Companies Act 2002 on December 23, 2013 so as to take over the business of the Youth Self Employment Foundation (YOSEFO). YOSEFO was a credit only Microfinance Institution for 14 years before being transformed into a Microfinance bank. On 23 June, 2015 Yetu Microfinance Bank PLC launched an Initial Public Offering (IPO) through the Enterprise Growth Window (EGW) and was able to raise TZS 3.1 billion. On March 10th 2016 Yetu Microfinance Bank PLC got listed at the Dar es Salaam Stock Exchange PLC. The company managed to secure a banking license on February 20th, 2017 from BOT after meeting licensing conditions including the minimum capital requirement of TZS 5 billion. The current paid up capital of the bank is TZS 6.05 billion.

5.2 Our business focus

Yetu Microfinance Bank PLC's mission is to help in improving access to finance, provide exceptional value to our clients and expand economic opportunities for people of Tanzania. Also, to provide exciting and challenging career opportunities to our employees and create and enhance value for our shareholders. The objective is to build a customer centric new generation bank for the lower end market of the banking sector and to achieve healthy growth in profitability, consistent with the bank's risk appetite. The bank is committed to maintain the highest level of ethical standards, professional integrity, corporate governance and regulatory compliance. Our business philosophy is based on six core values: Innovation, equal opportunity, integrity, equitable growth and ethics.

5.3 Capital Structure

As of December 31st, 2018, the authorized share capital of the bank was TZS 30 billion. The paid-up capital of the bank as of the same date was TZS 6.025 billion and trading at Dar es Salaam Exchange PLC at TZS 550 per share. YOSEFO holds 31% of shares, SIDI (French Company) 16% of shares and small shareholders (majority with less than 1 percent) including former employees and directors of YOSEFO holds the remaining 53%. The shares are listed at the DSE PLC.

5.4 Distribution Network

Yetu Microfinance Bank PLC has its headquarters in Dar es Salaam. As of 2018, the bank's distribution network was three branches (Mzizima and Mbagala in Dar es Salaam and Mngeta in Morogoro region) and 16 Financial Service Centers. All branches and financial service centers are linked on an online real time basis. Customers across Tanzania are also served through multiple delivery channels such as mobile banking, POS and digital lending "kibindo". All the branches and Financial Services Centers are fitted with biometric teller system, technology friendly to lower end market of the financial sector. The bank's expansion plan takes into account the need to have presence in emerging major cities, emerging small towns and strong agricultural production areas. We aim at building strong customer base for both deposits and loan products. The bank is also a member of Umoja Switch hence its customers can access over 300 ATMs countrywide.

5.5 Corporate Structure

The Board of Directors consists of eight Directors including the Managing Director. Apart from the Managing Director, no other director holds an executive position in the bank. The Board has overall responsibility for the bank, including identifying key risk areas, considering and monitoring investment decisions, considering significant matters and reviewing the performance of management business plans and budgets. The Board is chaired by Mr. Ernest Ndimbo, labor and informal sector expert, other members include Happy Sambega (an Accountant), Dr. Esther Mbise (Lecturer, College of Business Education-CBE), Cornelius Kariwa (Lawyer), Danford Mbilinyi (Managing Director of Umoja Switch), Valentine Vedasto (Statistician) and Julie Szantyr (Social Development expert). The board has two committees, an Audit Committee and Risk, ICT and Credit Committee.

5.6 Management

The Managing Director, Mr. Altemius Millinga, has been a professional banker and Microfinance expert as a practitioner and consultant for over 30 years. He was the Executive Director of YOSEFO for 14 years, Executive Director of Opportunities Indoctrination Centers of Tanzania (OICT) for two years, Program Advisor at UNDP for two years and Microfinance Expert at ILO for 2 years. He holds a Master of Science in Economics (1994) of the University of Illinois, Urbana-Champaign USA and BA Economics of the University of Dar es Salaam (1986). Senior banking professionals with substantial experience in Tanzania head various departments and functions and report to the Managing Director. Given the professional expertise of the management team and the overall focus on recruiting and retaining the best talent in the Microfinance and banking industry, the bank believes that its people are a significant strength.

5.7 Technology

Yetu Microfinance Bank PLC operate in a highly automated environment in terms of information technology and communication systems. All bank's branches have online connectivity, which enables the bank to offer speedy transfers to its customers. Multi-branch access is also provided through the branch and Financial Services Centers Network, ATMs and Mobile banking "*yetu mobile*". The bank has fitted its branches and Financial Service Centers with biometric teller system that makes the bank hall to be honorably accessible to all. Android Support POS assist bank officers to open account to clients located in remote areas. This technology was introduced in August 2017. In May 2018 the bank introduced a digital loan facility to its customers named "Kibindo" which allows access to emergency loan facility by existing borrowers.

5.8 Business profile

Yetu Microfinance Bank PLC caters to a wide range of banking services covering mainly retail banking on credit side, deposit side and transactional /branch banking. The objective of the bank is to provide its target market customers a full range of financial products and banking services. The products are backed by best service and delivered to customers through branch and Financial Service Centers network, ATMs and Mobile banking. The bank's business segments include;

Micro enterprises: This is mainly for micro-entrepreneurs located in urban, peri-urban and rural areas. The main services demand includes short term loans of up to twelve months, deposits and money transfers.

Smallholder farmers: These are provided with full range of banking services but key to it are farm input loans, agro-asset loans (Greenhouse/tunnels, drip irrigation systems and small farm implements). Funding focus on value chains; currently the bank's focus is cashewnut value chain and next target is coffee value chain.

Housing: The bank is currently working in partnership with Microfinance Housing Fund Managed by Bank of Tanzania to deliver loans for house improvement in rural areas. The Fund has provided the bank with a long-term loan of TZS 3.5 billion.

Corporate entities: The bank is well positioned to offer high interest rates for corporations with interest to invest on our fixed accounts. The bank has inherited a long history of foreign borrowing for financing the loan portfolio. This experience gives the bank ability to work on high interest environment and operate profitably mainly through an appropriate cost structure and efficient utilization of resources.

Low- and middle-income households: These are target market for stable deposits and school fees loans. The bank has introduced in the market an accessible loan product for paying school fees.

Community Financial services groups: These include Village Savings and Loans Associations (VSLAs), Village Community Banks (VICOBA), Burial Associations, clan and family savings groups. These groups are targeted mainly for deposit mobilization.

5.9 OUR COMPETITIVE STRENGTHS



Established operational track record

We are one of the experienced banks in providing financial services to low end market of the banking sector. YOSEFO started operations in 1997 and on 1st October 2014 transferred the entire business to YetuMicrofinance Limited which was later re-named as YetuMicrofinance Bank PLC after listing and securing banking license.



Strong rural presence

The bank has established its presence in rural areas since 2007 whereas Mnetabranche represents typical rural branch. Rural areas are currently transforming particularly with Government's action on rural electrification and industrialization. These actions stimulate rural businesses including smallholder farming.



Strong Client relationship and reputation

We have built a reputation with our customer base as provider of Microfinance services. The bank enjoys the client base built by YOSEFO where over ten thousand are also shareholders of the bank.



Technology

Like any other small and medium company our adaptation rate of technology is high. The bank has a well-developed technology-based banking infrastructure that includes mobile banking, core banking system, biometric teller system and others.



Awards

In 2017 and 2018, Yetu Microfinance Bank PLC was voted as the best listed company in the Growth Enterprise Market (EGM). In 2017, the bank received Citi Micro Entrepreneurship Award as the Best Financial Institution of the year.

5.10 BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The Board of Directors consists of eight Directors including the Managing Director. Apart from the Managing Director, no other director holds an executive position in the bank, including having the responsibility of identifying key risk areas, considering and monitoring investment decisions, considering significant matters, and reviewing the performance of management business plans and budgets.

The following are the Board of Directors and Senior Management of Yetu Microfinance Bank PLC.

Board of Directors

Ernest Kanisius Ndimbo (67), Tanzanian - Chairman

M. Sc. Economics (Specialization -Labour Economics) from Donetsk State University in former Soviet Union.

Mr. Ernest held different positions in government offices before his retirement. He served in position of Director of Employment, Ministry of Labour and Employment, An Economist with the Labour Department Headquarters dealing with Employment Policies and Legislations Programs, acting Assistant Labour Commissioner Employment.

He has also attended various courses on Labour laws, Industrial relations, African population, Human Resources and Development planning in Africa, Managing rural community development projects, Second Ordinary Session of the Labour and Social Affairs Commission of the African Union and The Sessions of the International Labour Conference (ILC). He did different assignments on the following:- Coordinating the Labour Force Survey, Preparation of the 1997 National Employment Policy and the 2008 Revised Policy, served as a member in the Financial Sector Assessment Programme - Employment and Social Security Committee and Preparation of background information and proposed functions, responsibilities that led to the formation of the Employment Department

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Dr. Esther Rossiner Mbise (63), Tanzanian

Doctorate in Philosophy, Maastricht, the Netherlands 2013, Master of Philosophy, Maastricht School of Management, the Netherlands 2010, Master of Business Administration, University of Dar es Salaam 1991-1993, Bachelor of Science with Education, University of Dar es Salaam 1978-1981.

Dr. Mbise is currently a Lecturer at College of Business Education, Department of Marketing; she is a Co-Supervisor of PhD students in IMPDET Project under the University of Eastern Finland and Research Supervisor of Post graduate students. She has considerable experience in board management and governance having served and continues serving on several public, private and international boards. These include the CBE Executive Committee; and the CBE-Training Committee.

Dr Mbise has been responsible for many of CBE's portfolio of consultancy assignments, possessing respected Clients like the PPF Pensions Fund, the Public Sector Pension's Fund (PSPF); Bahi District Council the National Housing Corporation; and the Shinyanga Municipal Council. She has served as a Member of the CBE Master Worker's Council and participated in preparation of the College's Five-Year CBE Corporate Strategic Plan (2010/11-2014/15).

Dr Mbise has also attended courses in Financial Analysis for Microfinance Practitioners, in Nairobi, Kenya (2016); Workshop for Directors and CEOs of Banking Institutions, conducted by the Bank of Tanzania, Dar es Salaam (2015) and Seminar on International Standards, Financial Markets and Financial Institutions' Issues organized jointly by NBAA and BOT (2014).

Danford Nelson Mbilinyi (48), Tanzanian

MBA University of DSM, Postgraduate Diploma in Scientific Computing, and B.Sc. Education (Mathematics & Chemistry) - University of Dar es Salaam.

Mr. Danford Mbilinyi is currently the Chief Executive Officer (CEO) of the Umoja Switch Company Limited; before that he worked with Access Bank Tanzania Limited and with Twiga Bancorp Limited Tanzania as Senior Systems Analyst/programmer and Technical Staff respectively.

Also, he has experience of managerial duties in the capacity of Head of Department, Special Projects Manager and as Chief Executive Officer (CEO). He has attended several courses on effective oversight of companies and directorship such as Programming, Networking, Database and E-commerce integration, Course in Internet Database Programming in Delft University of Technology (TU Delft), Netherlands, Studying the Electronic Fund Transfer (EFT) services Kenswitch, PesaPoint, Nairobi, Kenya, BANKORM, Kampala Uganda and Johannesburg South Africa.

Happy Sambega (55), Tanzanian

National Diploma in Accountancy (NAD, by NBAA, Dar es Salaam School of Accountancy (DSA, 1990)

Ms. Happy Sambega has wide ranging professional experience in accounting, planning, finance and management. She Joined YOSEFO in 2002 as a Finance Officer and is currently YOSEFO's Head of Finance and Administration. Prior to that, she worked with the Dar es Salaam School of Accountancy as an Instructor and at the Dar es Salaam Regional Trading Company as an Accountant, being Head of the Credit Control section responsible for all creditors and debtors.

She has attended various courses such as Monitoring Performance in Microfinance organized by the Stromme Foundation; Planning and Forecasting; Product Development: Financial Ratios & Liquidity Management in Microfinance, conducted by Micro save Africa: Risk Management and Product Innovation, organized by the Center

for Microfinance; Strategy in Institutional Development, conducted by UNITUS; Credit Risk Management; and Assets and Liability Management. Having worked closely with donor agencies and development partners, Happy has considerable rapport and contacts with that Sector and knows their financial reporting arrangements.

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Mr. Cornelius Kasiya Kariwa (59), Tanzanian

Advocate Kariwa is an experienced practicing attorney, having started out on professional legal practice in 1994. He is Founder Partner and Managing Counsel of Kariwa & Co. Advocates that specializes in corporate law and labor Relations). Mr. Kariwa has held various positions in legal arena; he is the immediate Past Chairperson of the Association of Tanzania Employers (ATE) (Aug. 2008 – Nov. 2012) and also a former Executive Officer for the Association of Tanzania Employers Management consulting on Labour Laws and Industrial Relations for 6 years (1992 – 1998). He was also a member to various bodies such as NSSF Board – Vice Chairman (November 2008–March 2010) and Member – NSSF Board of Trustees 2008–2012 and a member to Board of Directors–Tanga Cement Ltd. (from 2007).

Mr. Kariwa has attended various courses including First African Courses for Owners Senior Managers of Enterprise – WISE, Nairobi 28th September – 9th October 1992 ILO sponsored program. Seminar on National and International Labour Standards Dar es Salaam, 9th – 13th May 1994. Workshop on Management of Employers Organizations in Africa Harare 16th– 20th September 1996.

He is a high-ranking member of the legal profession in Tanzania, an Advocate of the High Court of Tanzania; the Tanzania Court of Appeal and the East Africa Court of Appeal.

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Valentine Vedasto (34), Tanzanian

MSc. Economics, Open University of Tanzania; Bachelor of Arts in Statistics, University of Dar es Salaam.

Mr. Vedasto is statistician/Economist with vast experience in research, project planning and management, monitoring and evaluation, data interpretation, report writing and dissemination of findings. He is also conversant in statistical analysis package such as SPSS and STATA and has been dealing with national and international projects on socio economic and health.

He is currently working as a statistician at Kibaha Education Centre under the President's Office–Regional Administration and Local Government (PO–RALG) since June, 2012. Prior to that he was Acting Chief Planning officer, July 2015 to January 2016. Before joining Kibaha Education Centre, he was working with Standard Chartered Bank as Branch Operations Officer.

He was an Assistant to the Lead Consultant in monitoring and evaluation needs assessment and preparation of M& E Framework for the Ministry of Health, Zanzibar, 2014. He also participated in preparation of Strategic Plan for Planning Commission, Zanzibar, 2014.

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Julie Torres-Szantyr (38), French

Masters in Development Studies, Universite' Catholique de Louvain; Masters in Business and Finance, Degree in Economics and Management Dauphine University.

Ms. Julie has worked with SIDI society (Solidarite'Internationale pour le Development et l'Investissement) for the past 12 years. Currently she is working as Head of Operations responsible for SIDI's partnerships development since 2016. Prior to that she worked as Investment Officer.

She has necessary skills to analyze the financial, organizational and risk situation of a bank. She acquired these through the numerous MFI and bank due diligence she has carried out as well as through her experience in supervising SIDI's debt and equity investments to both MFIs and SMEs.

She had done follow up activities, cost accounting, reporting to the European Commission of a 1M Euro project to strengthen MFIs in underserved areas and enhance transparency in the Microfinance sector, in a dozen of African countries and Haiti.

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Altemius Millinga (60), Tanzanian

Bachelor of Arts in Economics, University of Dar es Salaam; Master of Science in Policy Economics, University of Illinois, Urbana-Champaign, USA;

Mr. Millinga is an acknowledged Microfinance consultant and practitioner who began his career as a credit officer before he co-founded Youth Self Employment Foundation which has now given birth to Yetu Microfinance Bank PLC and has been in-charge since 1998.

He has attended several capacity enhancing courses in local and international institutions including Grameen Bank (Bangladesh), Cranfield School of Management (UK), Georgetown University (USA) PMI Global Leadership Training and OTS Japan. His employment records include principal project officer-Presidential Trust Fund, Assistant Project Coordinator (ILO), Programme Advisor, UNDP and Executive Director, Opportunities Industrialization Centers of Tanzania (OICT - an affiliate of Opportunity Industrialization centers International of USA).

Mr. Millinga plays a major role in the development of Microfinance and the banking sector in Tanzania and consults for several local and international Microfinance institutions, governments and regional bodies. He is currently member of the Board of Directors of Tanzania Microfinance Association (TAMFI) and a local board member of SWISSAID Tanzania.

Details of Senior Management



Altemius Millinga, Tanzanian - Managing Director

Mr. Millinga is the Managing Director of Yetu Microfinance Bank PLC as detailed in the Directors' profiles.



Mr. Samwel Gikaro, Tanzanian- Finance Manager

MSc. Finance and Investment, Coventry University; Bachelor Degree in Accounting and Finance, Mzumbe University and CPA (T) 2013.

Mr. Gikaro is a Certified Public Accountant, CPA (T) and currently the Finance Manager. He started working as Branch accountant with Youth Self Employment Foundation (YOSEFO) 2013- 2014 in which position he was supervising transactions in the MIS (YOSEFO's integrated Management Information System).

Later, he worked as the Chief Internal Auditor with Yetu Microfinance Bank PLC 2014-2016. Mr. Gikaro has attended numerous seminars and short courses in-house and outside the country and various trainings prepared by the central bank and other professional bodies.



Mr. Fadhili Kassim, Tanzanian - Operations Manager

Masters of Business Administration, Tumaini University, 2010; Bachelor of Arts in Sociology, University of Dar es Salaam, 2009.

Mr. Fadhili joined YOSEFO as Branch Manager in 2011-2014 from the Presidential Trust Fund (PTF) and later in 2016 Yetu Microfinance Bank PLC as Operation Manager until to-date. Prior to that he was working with the Presidential Trust Fund as the Branch Manager 2004-2011.

Mr. Fadhili attended numerous courses inside and outside the country conducted by different professional associations and the Central Bank.



Angela Fanuel, Tanzanian - Chief Internal Auditor

Bachelor of Commerce and Management (Accounting), University of Dar es Salaam, 2008; CPA (T) 2015;

Angela joined Yetu Microfinance Bank PLC in April, 2017. Prior to that she was working with AAR as Internal Auditor for five years where she was responsible for Audit Planning (Risk based), Execution of audit works and preparations of Drafting of audit reports.

She also worked with Mekonsult 2008- October 2012; as Senior Associate in charge of Planning and execution of audit work; Drafting of audit financial and management reports, Reviewing and proposing adequate internal control system, field audit work and Proposal writing. Angela has attended various trainings including conducting Non-Federal Audits; Recipient and Agency Contracted Audits organized by USAID/Tanzania Dar es Salaam; Tools and Techniques for Auditors organized by Institute of Internal Auditors Tanzania (IIA Tanzania), Project Management Audit, Value for Money Audit, Procurement Audit, Contracting Audit and Fraud Auditing organized by Institute of Internal Auditors Tanzania (IIA Tanzania)



Joyceline Kobero, Tanzanian - Company Secretary

Bachelor of Law, University of Dar es Salaam 2005; Postgraduate Diploma in Human Resources Management, Institute of Finance Management; Advocate of the High Court of Tanzania; and a member of Tanganyika Law Society (TLS)

Ms. Joyceline Kobero joined YOSEFO in February 2014 as Company Secretary cum HR and later YetuMicrofinance Bank PLC in October, 2014 as Company Secretary working under Managing Director's office.

Prior to joining YETU Joyceline worked with the Lawyers Environmental Action Team (LEAT) as legal officer for three years having come from an NGO that gives legal aid to people living with HIV/AIDS (LASEHA) in the position of Legal Officer for one year. She began her legal practice in 2005 working for the law firm of Ngudungi & Company Advocates for 3 years.



Mr. Patrick Kihwele, Tanzanian - Acting ICT Manager

Mr. Kihwele joined the bank on July 2014. Before his current position, he worked with Uchumi Commercial Bank as an ICT Manager and Dar es Salaam Commercial Bank (DCB) as an ICT Administrator.

Mr. Kihwele has a vast experience in Project Management and participated in many ICT related projects in various banking institutions. He has over 10 years in banking Industry. He holds a BSc. in Computer Science and various certifications.

SECTION F: DETAILS OF THE NOMINATED ADVISORS

TSL Investments Management Limited (TIM) was initially a service line within Tanzania Securities Limited (TSL) dedicated to personal assets management largely targeting medium and high net worth investors. TSL, whose principal business since its incorporation in 1994 is securities brokerage and investment advisory services, got its first discretionary portfolio management license from the Capital Markets and Securities Authority (CMSA) in January 2011.

In order to streamline and focus, in September 2011 TSL decided to split its business into two independent entities. The securities brokerage and related services were maintained within the parent company (TSL) while the new subsidiary company (TIM) was tasked with asset management and investment advisory services. TSL transferred all the assets it had under management to TIM, which enabled TIM to get its Portfolio Management and Investment Advisory Services License from CMSA in February 2012.

TIM is a Fund Manager and Nominated Advisor (NOMAD) as licensed by the Capital Markets and Securities Authority. It is currently managing Discretionary/ Separately Managed Accounts (SMA) for both retail and institutional investors. It is also in the process of finalizing new service and product offerings that will meet the investment objectives of its range of clients.

Investment Philosophy

TIM is a value-oriented investment manager. Our philosophy is to purchase investments that we believe are undervalued relative to their intrinsic value and future prospects. We believe that this can be achieved through following an active and disciplined investment process underpinned by on proprietary fundamental research and analysis, clear definition of responsibility and accountability, and an optimal alignment of highly qualified people who are committed to our objective.

Research and Analysis

TIM has unrivalled and formidable research capabilities which enable us to make informed and insightful investment decisions that add value to our clients' investment objectives.

By investing with TIM, you get access to a business that consciously fosters a research-and-forecasting-based approach towards investment management. In addition to benefiting from extensive research platforms only specialized asset managers can afford, our clients have access to the TSL Group's specialized investment teams which possess extensive international credentials that we utilize to unlock new investment opportunities regionally and beyond.

Governance and personnel

The Tanzania Securities Limited Group (TSL Group) team has a wealth of experience and extensive knowledge in investment advisory, fund management, sponsoring brokerage, lead advisory, business valuation, marketing and selling among others. The TSL governance and organizational structure is set up to ensure a sound and efficient oversight and implementation of our strategies and operations.

TIM Board of Directors

Mr. Justin Massawe

Justin holds a B.A (Hons) Finance degree from the University of Central England, Birmingham UK, and MSc. (Finance) from the University of Strathclyde, Glasgow, UK. He is also a certified treasury dealer holding an ACI Dealing Certificate. For three years prior to joining Tanzania Securities Ltd in 2007, Justin was a Senior Dealer in Foreign Exchange and Money Market Instruments at the National Bank of Commerce (NBC). Justin has a significant corporate finance and banking sector experience in Tanzania.

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Mr. Andrew Massawe

Andrew Massawe has a BA degree in Business Administration specializing in Integrated Marketing Communications from the University of Westminster and a MSc in Information Systems and Technologies from City University in London. Andrew has over 15 years business and working experience in various sectors including Management, Marketing, Banking, Mining and IT

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Mr. Thomas Samkyi

An Associate of the London-based Chartered Institute for Securities and Investment (CISI), Thomas holds a Master’s degree in Agricultural Economics from the University of Florida (USA) as well as a Bachelor’s degree in Agriculture from the Sokoine University of Agriculture, Morogoro. His work experience includes successfully setting up a new development bank, turning around an existing loss-making financial institution, laying the ground work for establishment of a stock broking subsidiary of a financial institution, overseeing the credit delivery and treasury functions of a bank, and conducting research so as to inform investment decisions.

Thomas is currently the Chief Executive Officer of Tanzania Securities Limited (TSL) and Caretaker Chief Executive Officer of TSL Investments Management Limited (TIM). Prior to joining the TSL Group, he was the founding Managing Director of the Tanzania Agricultural Development Bank Limited (TADB).

Our Team

Our team comprises of professional staff that have in-depth expertise and crucial long-standing experience.

Mr. Thomas Samkyi

Mr. Thomas Samkyi is the Chief Executive Officer as detailed in the Directors' profiles.

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Mr. Gidion D. Mwangosi

Gidion is the Finance and Administration Manager of Tanzania Securities Limited (TSL) serving the entire TSL Group. He holds a Bachelors' Degree in Accounting and Finance (BAF) from Mzumbe University and he is currently writing his dissertation for Master of Science in Economics and Finance for Development (MSc E&F) from Bradford University (in collaboration with Mzumbe University). He is a Certified Public Accountant - CPA (T) issued by the National Board of Accountants and Auditors (NBAA) and is also Certified Securities Industry Dealer by the Capital Markets and Securities Authority (CMSA).

He possesses vast experience of over 6 years in accounting, finance, investment advisory, business analysis, regulatory compliance, financial management, research analysis and reporting, strategic planning and budgeting. He has served in various organizations including Citibank Tanzania Limited, First Housing Finance (Tanzania) Limited, Enterprise Growth Market Advisers and United Bank for Africa where he worked in different roles from Finance Officer, Performance Officer, Transaction Adviser, and Manager-Finance and Regulatory Reporting.

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Mr. Lawrence Sangawe

Lawrence is the Investments Management expert for TIM. He oversees the investment management and customer advisory services as well as bond placements. He has extensive experience in equities and bonds trading as well as in portfolio management. He has been involved in several transactions related to bond issuance, listing and valuation for corporates. His role includes drafting and review of prospectuses and preparing checklists for compliance checks. Lawrence holds a Master of Science degree in Accounting and Finance (MSc. A & F) from Mzumbe University, a Postgraduate Diploma in Financial Management (PGDFM) and an Advanced Diploma in Accounting (ADA). Lawrence has more than 10 years' relevant experience. He is certified by the CMSA as a Nominated Advisor (NOMAD) and as a Derivatives Market Trader.

Ms. Happy Msale

Happy is a CFA® Charter holder. She holds a Bachelor (Hons) of Commerce degree (majoring in Finance) from the Catholic University of Eastern Africa in Nairobi, Kenya. She is responsible for the Investment Research function at TIM, ensuring investment decision-making is premised on in-depth analytical insights. Before joining TSL Investment Management Ltd (TIM), she worked for Cornerstone Partners Limited, a Fund Management Company in Dar-es-Salaam as an Investor Relations Executive. There, she was responsible for Securities and Portfolio Analysis including researching the available securities in the market relative to the company’s investment guidelines, maintaining and developing relationships with issuers and administering and servicing issuers’ portfolios. Happy has attended courses on Developing Post Trade in the Tanzanian Market place and on Capital Raising and Deal Flow in Tanzania’s Capital Markets, both of which were provided by the London Stock Exchange Group. She has also attended various workshops including one by the Bank of Tanzania on developing the Government securities market.

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Mr. Abel Mwakasungula

Abel Mwakasungula CPA (T) is a Finance Officer at TSL Investment Management Ltd. Before joining TIM, he worked as a bank officer. Abel holds a Master of Science degree in Finance (MSc in Finance) from the University of Strathclyde, Glasgow, UK and a Bachelors’ Degree in Banking and Finance from the Institute of Finance Management.

SECTION G:

EXTRACTS FROM THE MEMORANDUM AND ARTICLES OF ASSOCIATION

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

7.1 Primary Objects:

To carry on the business of micro-finance and banking 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 societies, Savings and Credit Associations, non-governmental organizations 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
- Facilitate payment systems through operating current accounts 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 bank in the form of government securities, stocks, bonds or debentures
- Investing in equity of other companies which are engaged primarily in activities allied or related to banking
- Discounting or factoring commercial papers or accounts receivables
- Buying and selling contracts, leases, chattel mortgages or other evidences of indebtedness
- Leasing of machinery and equipment or other movable property.

7.2 Articles of Association

7.2.1 Transferability of shares

The major provisions read as follows:

Article 8: Depository Receipt issued by the Dar es Salaam Stock Exchange PLC shall be a prima-facie evidence of title to the shares issued in lieu of the Share Certificate.

Article 10: As long as the bank shall be listed and remain listed at the Exchange, all transfer of shares shall take effect in accordance with the Depository, Trading, Clearing and Settlement Rules of the Exchange. The bank shall adhere to all the Exchange's other posting-listing requirements whether or not these are enumerated herein, and the bank shall take immediate steps to seek members' approval to align these Articles with any new Rules of the Exchange.

Article 11: In the event of death or incapacitation of any shareholder, the depository receipt or share certificate shall be transmitted to heirs or next of kin in accordance with the rules and procedures determined by the DSE Rules 2016 and the CSD Rules 2017

7.2.2 Alteration of Capital

The relevant provisions in the Articles of Association pursuant to the Alterations of Capital are as follows:

Article 12 to Article 15

The Share capital of the Bank can be increased by an Ordinary Resolution, as spelt out in Article 12(1) of the Articles which reads as follows:

The bank may from time to time consolidate and divide its share capital into shares of larger or smaller amount than its existing shares.

7.2.3 Votes of Members

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

Article 32 to Article 42

General Meetings

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

Article 16 to Article 18

Article 16 reads; The Bank 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 notices calling it; and not more than fifteen months shall elapse between the date of the annual general meeting of the Bank and that of the next. Provided that so long as the bank shall hold its first annual general meeting within eighteen months of its incorporation, it need not hold it in the year of its incorporation or in the following year. The annual general meeting shall be held at the registered office of the Bank or at such other place in Tanzania as the Directors shall appoint and shall be held within four months following end of the bank's financial year.

Proceedings of General Meetings

The proceedings of the Bank are governed by Article 22 to Article 31 of the Articles, which, inter alia, provide for quorum of half of the members of the paid up issued capital including the proxies. The Articles read as follows:

Article 23: No business shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business. Save herein otherwise provided, fifty members entitled to attend the meeting and holding a total of not less than 30% of the shares if present shall be a quorum.

Directors

The business of the Bank is managed by 7 Directors, including the Managing Director. According to Article 44, the first Directors of the Bank are named in the particulars delivered to the Registrar of Companies pursuant to the provisions of Section 44 of the Companies Act.

Under Article 49, the Annual General Meeting of the Bank has powers to appoint the Board of Directors of the Bank in groups as follows:

1. Shareholders holding 10% of the shares shall nominate 1 director for each 10% of stock, up to a maximum of 2.
2. The remaining shareholders shall elect 2 directors by open vote at the AGM in a manner that the Board shall set.
3. All directors shall be fit and proper persons and shall have first to be cleared by BOT
4. The Chairperson is appointed by the Board of Directors but shall not be the CEO.

Vacation of Office of Director

Articles 53 to Article 54 and Article 59 make provisions on how a director may cease to hold office as follows:

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, 2002 or by any other law; or
- 4) is found lunatic or becomes of unsound mind; or
- 5) resigns his office by notice in writing to the bank; or
- 6) is directly or indirectly interested in any contract with the Bank and fails to declare the nature of his interest in manner required by section 150 of the Companies Act, 2002 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 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.
- 10) A branch Advisory Board member will automatically resign once he is transferred or has moved from jurisdiction of the Branch/District.

Dividend Policy

Articles 66 - 71

Subject to the provisions of the Companies Act, 2002 and the Banking and Financial Institutions Act, the bank at the General Meeting may from time to time declare dividends not less than 60% of the profits available for distribution

Winding Up

Article 88

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 Bank (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 H:

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE 2018 AUDITED ACCOUNTS

24th June 2019

The Directors
Yetu Microfinance Bank Plc
P. O. Box 75379,
Dar es Salaam
Tanzania.

Dear Sirs

REPORTING ACCOUNTANTS REPORT ON YETU MICROFINANCE BANK PLC

We are pleased to submit our Accountants Report in accordance with the requirements of the Capital Markets and Securities (Prospectus Requirements) Regulations, (hereafter referred to as “the Regulations”).

RESPONSIBILITY

We have reviewed the accompanying Statement of Financial Position of Yetu Microfinance Bank Plc for three years ended 31st December 2018 and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash flows for the period then ended. These financial statements are the responsibility of the bank's management. Our responsibility is to issue a report on these financial statements based on our review.

REVIEW PROCEDURES

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

OPINION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view in accordance with International Financial Reporting Standards.

Yours faithfully,

John M. Lyanga
MHASIBU CONSULTANTS
CERTIFIED PUBLIC ACCOUNTANTS

YETU MICROFINANCE BANK PLC:**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD OF THREE YEARS ENDED 31 DECEMBER 2018**

		2018	2017	2016
	Note	TZS '000	TZS '000	TZS '000
Interest Income	1	5,027,399	4,842,509	3,878,722
Interest Expenses	2	(404,573)	(312,785)	(285,454)
Net Interest Income		4,622,826	4,529,724	3,593,269
Loan impairment reversal/ (charges)		(79,869)	19,995	(229,948)
Net interest income after loans impairment		4,542,957	4,549,719	3,363,321
Fees & Commission	3	617,919	600,925	431,867
Other operating income	4	216,093	269,231	216,837
Total non-interest income		834,012	870,156	648,704
Net Operating Income		5,376,969	5,419,875	4,012,025
Operating expenses				
Employee benefits expense	5	(1,934,470)	(1,691,528)	(1,305,581)
Operating Expenses	6	(2,346,031)	(1,788,171)	(1,450,317)
Depreciation and amortization		(128,299)	(128,222)	(139,834)
Total operating expenses		(4,408,800)	(3,607,921)	(2,895,732)
Profit/(loss) before taxation		968,169	1,811,955	1,116,293
Income tax (charge)/credit	7	(260,140)	(511,971)	(272,094)
Profit/(loss) for the year		708,029	1,299,984	844,199

YETU MICROFINANCE BANK PLC:
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016, 2017, 2018

		2018	2017	2016
ASSETS	Note	TZS '000	TZS '000	TZS '000
Cash on hand	8	273,805	365,395	47,867
Balances with Bank of Tanzania	9	107,999	0	0
Balances with other banks and financial institutions	10	642,769	1,908,880	2,681,019
Loans and advances (Net)	11	12,613,928	12,551,114	10,252,926
Other assets	12	873,260	271,163	242,205
Property, plant & equipment	13	382,978	397,277	314,864
Intangible assets	14	57,905	107,188	174,790
Deferred tax asset	15	0	0	54,284
Total Assets		14,952,645	15,601,018	13,767,956
LIABILITIES				
Customer deposits	16	2,232,915	3,349,781	3,473,942
Other liabilities	17	893,421	178,525	76,845
Income tax payable	18	39,258	152,171	80,622
Borrowings	19	4,000,000	3,650,000	2,541,667
Deferred tax liability	15	18,898	18,016	-
Total liabilities		7,184,492	7,348,493	6,173,076
SHAREHOLDERS' EQUITY				
Share capital	20	6,056,447	6,056,447	6,056,447
Retained earnings		1,511,458	1,847,449	1,245,448
YOSEFO Capital Grant		69,693	157,165	292,985
Regulatory reserve		-	66,617	-
General reserve		130,555	124,847	-
Total shareholders' equity		7,768,153	8,252,525	7,594,880
Total equity and liabilities		14,952,645	15,601,018	13,767,956

	Share Capital	General reserve	Regulatory reserve	YOSEFO capital grant	Retained earnings	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Balance at 1st January 2018	6,056,447	124,847	66,617	157,165	1,847,449	8,252,525
Changes in accounting policy - adoption of IFRS 9	-	-	-	-	(324,938)	(324,938)
Restated balance at 1 January 2018	6,056,447	124,847	66,617	157,165	1,522,511	7,927,587
Addition/(Deletion) during the year	-	-	-	(50,368)	-	(50,368)
Transfer to deferred income	-	-	-	(37,104)	-	(37,104)
Transfer to general reserve	-	5,708	-	-	(5,708)	-
Transfer to regulatory reserve	-	-	(66,617)	-	66,617	-
Profit&Other Comprehensive income for the year	-	-	-	-	708,029	708,029
Dividend paid	-	-	-	-	(779,990)	(779,990)
Balance at 31st December 2018	6,056,497	130,555	-	69,693	1,511,458	7,768,153
Balance at 1st January 2017	6,056,447	-	-	292,985	1,245,448	7,594,880
Less: Transfer to deferred Income	-	-	-	(135,820)	-	(135,820)
Transfer to general reserve	-	124,847	-	-	(124,847)	-
Transfer to regulatory reserve	-	-	66,617	-	(66,617)	-
Profit for the year	-	-	-	-	1,299,984	1,299,984
Dividend paid	-	-	-	-	(506,519)	(506,519)
Balance at 31st December 2017	6,056,447	124,847	66,617	157,165	1,847,449	8,252,525
Balance at 1st January 2016	2,944,757	-	-	165,055	381,673	3,491,485
Add: Addition/(Deletion) during the year	3,111,690	-	-	252,404	19,576	3,383,670
Less: Transfer to deferred Income	-	-	-	(124,474)	0	(124,474)
Profit for the year	0	-	-	-	844,199	844,199
Balance at 31st December 2016	6,056,447	-	-	292,985	1,245,448	7,594,880

YETU MICROFINANCE BANK PLC:
STATEMENT OF CASHFLOWS
FOR THE PERIOD OF THREE YEARS ENDED 31ST DECEMBER 2018

		2018	2017	2016
	Note	TZS '000	TZS '000	TZS '000
Cash flows from operating activities				
Profit before taxation		968,169	1,811,955	1,116,293
Adjustments for:				
Prior year adjustment - IFRS9 implementation		(324,938)	-	-
Prior period adjustment		-	-	19,577
Depreciation and amortization		128,299	128,222	139,834
Net cash flow before changes in working capital		771,530	1,940,177	1,275,704
Change in loans and advances to customers		(62,814)	(2,298,188)	(1,420,469)
Change in other current assets		(602,098)	(28,957)	1,374,509
Change in customers deposits		(1,116,866)	(124,161)	250,514
Change in other creditors		714,896	(31,723)	(104,958)
Cash generated from operations before tax		(295,351)	(542,852)	1,375,300
Income tax paid		(372,171)	(368,122)	(342,141)
Net cash flow from operating activities		(667,522)	(910,974)	1,033,159
Cash flows from investing activities				
Purchase of property, plant & equipment		(64,717)	(143,033)	(259,137)
Net cash used in investing activities		(64,717)	(143,033)	(259,137)
Cash flows from financing activities				
Proceeds from borrowings		500,000	1,800,000	2,000,000
Repayment of borrowings		(150,000)	(691,667)	(833,283)
Capital Grants		(87,472)	(135,820)	127,930
Dividends paid		(779,990)	(373,118)	-
Net cash generated from financing activities		(517,462)	599,395	1,294,647
Net Cash Generated/(Used) for the year ended		(1,249,701)	(454,612)	2,068,669
Cash and cash equivalents as at 1st January		2,274,275	2,728,887	660,218
Cash and cash equivalents as at 31st December		1,024,574	2,274,275	2,728,887

YETU MICROFINANCE BANK PLC:
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD OF THREE YEARS ENDED 31st DECEMBER 2018

		2018	2017	2016
1	INTEREST INCOME:	TZS '000	TZS '000	TZS '000
	Interest on loans and advances	4,997,484	4,569,487	3,659,456
	Interest on fixed deposits	29,915	273,022	219,266
	Total	5,027,399	4,842,509	3,878,722
2	INTEREST EXPENSE			
	Interest on Customer deposits	38,073	22,366	-
	Interest on loans	366,500	290,419	285,454
		404,573	312,785	285,454
3	FEES & COMMISSION			
	Commissioned earned	71,844	10,268	6,255
	Fees	546,076	590,657	425,612
		617,919	600,925	431,867
4	OTHER OPERATING INCOME			
	Yosefo Grants	193,104	135,820	216,837
	Recoveries	22,989	133,411	-
	Total	216,093	269,231	216,837
5	EMPLOYEE BENEFITS EXPENSES			
	Salaries and wages	1,552,354	1,322,652	1,068,976
	Pension Fund	121,783	132,266	106,898
	NHIF medical employer contribution	26,575	28,198	32,069
	Staff life insurance	18,714	16,237	9,749
	Staff welfare	18,035	3,810	616
	Staff leave allowance	118,725	153,735	74,365
	Performance bonus	6,500	7,500	3,500
	Management fuel	10,700	-	-
	Staff transfer	17,486	-	-
	Staff communication	30,730	-	-
	Staff gratuity	12,867	27,130	9,409
		1,934,470	1,691,528	1,305,582

YETU MICROFINANCE BANK PLC:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD OF THREE YEARS ENDED 31st DECEMBER 2018

		2018	2017	2016
6	OPERATING EXPENSES	TZS '000	TZS '000	TZS '000
	Audit fee	42,480	38,639	17,376
	Workers compensation Fund	11,532	13,244	9,620
	Public Relation	4,546	5,980	14,021
	Training	105,391	64,325	86,462
	Printing and Stationary	142,066	71,419	74,446
	Repair and Maintenance	96,338	60,871	85,164
	Telephone, Internet and Postage	6,048	-	34,449
	Newspaper Expense	3,517	2,995	2,871
	Legal and Consultation Fee	88,031	25,743	37,695
	Travel Expenses	188,257	116,684	41,433
	Board Meeting Expense	24,767	23,920	7,414
	Consumables	87,232	63,217	48,469
	Security and Cleaning	166,951	80,690	50,711
	Skill Development Levy	55,477	57,446	45,625
	Subsistence Expenses	-	2,424	4,560
	Contribution and Subscription	13,912	3,049	1,470
	Fuel	32,185	32,963	59,466
	Field Transport	339,009	266,827	246,767
	Program Promotion	69,579	105,490	16,503
	Risk Mitigation	-	60,874	34,868
	Computerization Expenses	401,660	351,846	132,863
	Insurance expenses	57,092	26,202	3,119
	Recruitment of staff expenses	16,912	-	-
	Annual general meeting costs	6,343	-	-
	TRA project expense	22,476	-	-
	Withholding Tax on Expenses	-	-	6,303
	Cash Loss	-	-	4,821
	IPO Expense	-	-	41,144
	Rent	115,159	147,081	146,287
	Utility expenses	58,139	48,914	32,099
	Bank charges	3,399	6,397	5,383
	Mobile banking operation cost	2,775	7,115	60,359
	Loans w/off	-	-	98,549
	Publication and compliance expenses	54,850	53,474	-
	Special duty and overtime	19,752	-	-
	Other expenses	13,926	16,299	-
	Atm expenses	86,224	8,930	-
	Loan fees and commissions expenses	10,005	25,112	-
	Total	2,346,031	1,788,171	1,450,317

YETU MICROFINANCE BANK PLC:
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		2018	2017	2016
7	TAXATION	TZS '000	TZS '000	TZS '000
	Income tax expense/(credit)			
	The bank is still newly listed on the Dar Es Salaam Sock Exchange hence tax rate applied is 25%			
	Current income tax @ 25%	259,258	439,671	306,801
	Deferred tax expense/(credit)	882	72,300	-34,707
		260,140	511,971	272,094
	Income tax reconciliation			
	The tax on the bank's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:			
	Profit/(loss) before income tax	968,169	1,811,955	1,116,293
	Tax calculated at a tax rate of 25%	242,042	452,989	279,073
	Effect of (Non-deductible) / non-taxable items	18,098	58,982	(6,979)
		260,140	511,971	272,094

8	CASH BALANCES			
	Cash on hand	273,805	365,395	47,867
9	BALANCE WITH BANK OF TANZANIA			
	Clearing account	107,999	-	-
10	BALANCES DUE FROM OTHER BANKS AND FINANCIAL INSTITUTIONS			
	Banks in Tanzania	592,769	858,880	581,019
	Money market placements	50,000	1,050,000	2,100,000
		642,769	1,908,880	2,681,019

YETU MICROFINANCE BANK PLC:
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		2018	2017	2016
11	LOANS & ADVANCES TO CUSTOMERS (NET)	TZS '000	TZS '000	TZS '000
	Loans and Advances	13,651,068	13,237,155	11,262,813
	Staff loans	290,238	303,851	-
	Gross loans and advances	13,941,306	13,541,006	11,262,813
	Less: Provision for impairment	(1,327,378)	-989,892	-1,009,887
	Net loans and advances	12,613,928	12,551,114	10,252,926
	Maturity analysis			
	With maturity of 3 months or less	1,109,403	998,776	820,234
	With maturity of between 3 months and 1 year	9,285,719	9,554,786	8,817,516
	With maturity of more than 1 year	2,218,806	1,997,552	615,176
		12,613,928	12,551,114	10,252,926
	Maturity analysis is based on the remaining periods to contractual maturity from year end			
	The movement in allowance for impairment of loans and advances by class is as follows:			
		2018	2017	2016
		TZS '000	TZS '000	TZS '000
	At 1 January	989,892	1,009,887	779,939
	Effect on implementation of IFRS 9	324,938	-	-
	Current year charge	79,869	(19,995)	98,549
	Current year write off	(67,321)	-	229,948
	At 31 December	1,327,378	989,892	1,009,887
12	OTHER ASSETS			
	Mobile bank	180,863	67,789	97,715
	Prepaid expenses and staff advance	86,861	46,560	24,172
	Interest receivables	605,536	156,813	120,318
		873,260	271,163	242,205

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		Computers	Electrical	Furniture	Automotive	
		&accessories	equipment	&fittings		Total
13	PROPERTY AND EQUIPMENT	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
	<u>Cost</u>					
	At 1 January 2018	183,823	353,699	148,374	16,136	702,031
	Additions	17,206	30,643	16,868	-	64,717
	At 31 December 2018	201,028	384,342	165,242	16,136	766,749
	At 1 January 2017	80,926	334,388	127,549	16,136	558,998
	Additions	102,897	19,311	20,825	-	143,033
	At 31 December 2017	183,823	353,699	148,374	16,136	702,031
	At 1 January 2016	76,830	291,267	112,343	16,136	496,575
	Additions	4,096	43,121	15,206	-	62,423
	At 31 December 2016	80,926	334,388	127,549	16,136	558,998
	<u>Depreciation</u>					
	At 1 January 2018	81,242	167,635	47,682	8,195	304,754
	Charge for the year	37,104	25,670	13,339	2,904	79,016
	At 31 December 2018	118,346	193,305	61,021	11,099	383,770
	At 1 January 2017	61,084	134,110	42,384	6,556	244,134
	Charge for the year	20,158	33,525	5,298	1,639	60,620
	At 31 December 2017	81,242	167,635	47,682	8,195	304,754
	At 1 January 2016	51,312	105,500	30,217	3,362	190,391
	Charge for the year	9,772	28,610	12,167	3,194	53,743
	At 31 December 2016	61,084	134,110	42,384	6,556	244,134
	<u>Net Book Value</u>					
	At 31 December 2018	82,683	191,037	104,222	5,037	382,978
	At 31 December 2017	102,581	186,064	100,692	7,941	397,277
	At 31 December 2016	19,842	200,278	85,165	9,580	314,864

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		2018	2017	2016
14	INTANGIBLE ASSETS	TZS '000	TZS '000	TZS '000
	Cost			
	At 1 January	379,645	379,645	182,930
	Addition	-	-	196,715
	At 31 December	379,645	379,645	379,645
	Accumulated amortization			
	At 1 January	272,457	204,855	118,764
	Charge for the year	49,283	67,602	86,091
	At 31 December	321,740	272,457	204,855
	Net book value	57,905	107,188	174,790
15	DEFERRED TAX LIABILITY/(ASSETS)			
	Balance at the beginning of the year	-	(54,284)	(19,577)
	Charge/(credit) for the year	-	72,300	(34,707)
	Balance at the end of the year	-	18,016	(54,284)
	The deferred tax liability/(asset) arises from:			
	Accelerated capital allowance	-	13,017	3,203
	Other timing differences	-	4,999	(57,487)
		-	18,016	(54,284)
16	CUSTOMERS' DEPOSITS			
	Loan guarantee group special deposits	1,034,089	2,427,458	3,114,736
	Savings deposits	1,198,826	922,323	359,206
		2,232,915	3,349,781	3,473,942
17	OTHER LIABILITIES			
	Accrued expenses payable	111,074	33,725	43,238
	Accrued interest payable	-	2,812	33,607
	Dividends payable	782,347	141,988	-
		893,421		76,845

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18	INCOME TAX PAYABLE	2018	2017	2016
		TZS '000	TZS '000	TZS '000
	Opening balance	152,171	80,622	115,962
	Tax paid for current year	(372,171)	(287,500)	(226,179)
	Tax paid for previous year	-	(80,622)	(115,962)
		(220,000)	(287,500)	(226,179)
	Less: tax charge for current year	259,258	439,671	306,801
		39,258	152,171	80,622

19	BORROWINGS			
	BOT Loan	3,500,000	3,500,000	2,000,000
	OIKO Credit	-	-	541,667
	SELF Microfinance Fund	500,000	150,000	-
		4,000,000	3,650,000	2,541,667
	Current	500,000	150,000	541,667
	Non-current	3,500,000	3,500,000	2,000,000

BOT Loans

Purpose of the loan is to finance housing microfinance business activities of the bank. Loan 1 from BOT amounts to -TZS 2 billion for 60 months from 31 July 2016 to 27 July 2021 bearing an interest rate of 10% payable on a quarterly basis. Loan 2 from BOT amounts to -TZS 1.5 billion for 60 months from 22 September 2017 to 21 September 2022 bearing an interest rate of 10%. This rate will accrue on a daily basis and be payable on a quarterly basis effective from 21 December 2017.

Security- The loans are secured all time by specific debenture on Yetu Microfinance Bank PLC's performing loan portfolio with a value of at least 125% of the loan amount granted.

SELF Microfinance Fund.

Purpose is to finance microfinance business activities of the bank in Dar es Salaam. The loan is repayable with 12 months ending 17 May 2018 bearing interest rate of 11% per annum

OIKO Credit

The loan from OIKO was repaid in full during the year 2017.

YETU MICROFINANCE BANK PLC:
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		2018	2017	2016
20	SHARE CAPITAL	TZS '000	TZS '000	TZS '000
	Authorized:			
	60,000,000 ordinary shares of Tzs 500 each	30,000,000	30,000,000	30,000,000
	Issued and fully paid up:			
	12,112,894 ordinary shares of Tzs 500 each	6,056,447	6,056,447	6,056,447

21	CASH AND CASH EQUIVALENTS			
	Cash balance	273,805	365,395	47,867
	Balance with Bank of Tanzania	107,999		
	Deposits and balances due from other banks	592,769	858,880	581,019
	Financial institution maturing within 3 months	50,000	1,050,000	2,100,000
		1,024,573	2,274,275	2,728,886

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

22.1. Basis of Preparation

The Financial statements have been prepared under the historical cost convention of accounting modified to include revaluation of financial instruments wherever applicable. The bank prepares its financial statements under International Financial Reporting Standards (IFRS).

22.2. Revenue

Revenue includes interest income on loans & advances & it is recognized on time basis by reference to the principal outstanding and at the effective interest rate applicable.

Application Fees, Insurance fees etc. are recognized at the time of effecting the transactions.

22.3. Translation of foreign currencies

Transactions during the period which are denominated in foreign currencies are converted into Tanzania shillings using the rate ruling at the transaction date. Monetary assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Tanzania Shillings at the rate ruling on the balance sheet date. The resulting differences from conversion and translation are dealt with in the profit or loss in the period in which they arise.

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

22.4. Financial assets

The bank classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available for sale financial assets. The classification is done on the basis of following criteria: -

- Financial assets at fair value through profit or loss: - A financial asset is classified in this category if acquired principally or the purpose of selling in the short term or if so, designated by the management.
- Loans and receivables: - are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to debtor with no intention of trading the receivables.
- Held-to-maturity: - Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the bank management has the positive intention and ability to hold to maturity
- Available for sale: - Available for sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or change in interest rates, exchange rates or equity price.

Purchase and sales of financial assets are fair value through profit or loss, held to maturity and available for sale are recognized on trade date. Loans and receivables are recognized when cash is advanced to the borrowers. All financial assets are initially recognized at fair value plus transaction cost. Financial assets are de-recognized when the rights to receive cash flows from the financial assets have expired.

Subsequently, financial assets at fair value through profit or loss and available for sale, are carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest method.

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

22.5. Loans & Provision for Impairment

Loans and advances are recognized when cash is advanced to borrowers. They are categorized as originated loans and carried at amortized cost.

Provisions for loan impairment are established if there is objective evidence that the company will not be able to collect all amounts due according to the original contractual terms of the loans & as per the operational credit policy of the company. The amount of the provision is made as per the condition of the operational credit policy of the company.

When a loan is deemed uncollectible, it is written off against the related provision for impairment losses. Subsequent recoveries are credited to the provision for impairment losses in the statement of comprehensive income. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for impairment losses in the statement of comprehensive income.

22.6. Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a written down method at annual rates estimated to write off the property, plant and equipment over their expected useful lives. The annual rates used are:

Furniture and fittings, Electrical Equipment	12.5
Computers & Accessories, Software	33.0
Automotive	25.0

22.7. Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprises of balances with less than three months maturity from the date of acquisition, including cash and non-restricted balances with Bank of Tanzania.

22.8. Taxation

Income tax expense represents the sum of the current tax payable and the deferred taxation. Current taxation is provided on the basis of the profit for the year, as shown in the financial statement, adjusted in accordance with the Income Tax Act, 2004.

Deferred tax is provided on all temporary differences. Temporary differences are differences between the carrying amount of assets and liabilities for financial reporting purpose and their tax base.

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

22.8. Taxation (CONT'D)

The amount of deferred tax provided is based on the tax rate that has been enacted or substantially enacted by the balance sheet date and is expected to apply when the related deferred income tax is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

22.9. Provisions

Provisions are recognized when the company has a present legal or contractual obligation as a result of past events, which will result in an economic outflow and where a reliable estimate can be made of the amount of the obligation.

22.10. Employee benefits

All short-term employee benefits are provided for in the income statement on accrual basis. Further, employees are members of a defined benefit scheme, employees contribute ten percent of their salary and employer contributes ten percent of the employees' salary to the scheme. The employers' contribution is accounted for in the period it falls due.

22.11. Lease

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessee

Operating lease payments are recognized as an expense as per agreement terms.

Any contingent rents are expensed in the period they are incurred.

22.12. Statutory Reserves

As per the circular of BOT, for provision of non-performing assets, Bank is required to compute provision using both IAS-39 approach and BOT regulatory approach. IAS 39 provision should be charged to the income statement. In case IAS 39, provision is less than BOT provision, then a special non-distributable reserve should be immediately created through an appropriation of distributable reserves to eliminate the shortfall. This reserve should be termed as "Statutory Reserve"

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

22.13. Adoption of New and Revised International Reporting Standards

Standards and interpretations effective in the current year:

In the current year, the following standards and interpretations are effective for the current financial year and are relevant to the Bank's operations:

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for recognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods.

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

**22.13. Adoption of New and Revised International Reporting Standards
New Standards and Interpretations (Continued)**

Standards and interpretations effective in the current year (Continued)

IFRS 9 Financial Instruments (Continued)

IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognized.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after January 1, 2018. The bank has adopted the standard for the first time in the 2018 financial statements. The impact of the amendment is has been disclosed in "Statement of Changes in Equity".

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

22.13. Adoption of New and Revised International Reporting Standards

New Standards and Interpretations (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programs; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after January 1, 2018. The bank has adopted the standard for the first time in the 2018 financial statements. The impact of the standard is not material.

Standards and Interpretations early adopted

The Bank has chosen to not early adopt any standards and interpretations which are not mandatory.

Standards and interpretations not yet effective

At the date of authorization of these financial statements, several new, but not yet effective, Standards, amendments to existing Standards, and Interpretations have been published by the IASB. These Standards, amendments or Interpretations have not been adopted early by the bank.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations neither adopted nor listed below have not been disclosed as they are not expected to have a material impact on the bank's financial statements.

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

22.13. Adoption of New and Revised International Reporting Standards

Standards and interpretations not yet effective

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the bank is in the process of:

- Performing a full review of all agreements to assess whether any additional contracts will become lease contracts under IFRS 16's new definition of a lease.
- Deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices.
- assessing current disclosures for finance leases and operating leases as these are likely to form basis of the amounts to be capitalized as right-of-use assets
- Determining which optional accounting simplifications are available and whether to apply them.
- Considering the IT system requirements and whether a new leasing system is needed. This is being considered in line with implementing IFRS 9 so the Bank only have to undergo one set of system changes.
- Assessing the additional disclosures that will be required.

Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. Specifically, if it is probable that the tax authorities will accept the uncertain tax treatment, then all tax related items are measured according to the planned tax treatment. If it is not probable that the tax authorities will accept the uncertain tax treatment, then the tax related items are measured on the basis of probabilities to

22. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Uncertainty over Income Tax Treatments (Cont'd)

reflect the uncertainty. Changes in facts and circumstances are required to be treated as changes in estimates and applied prospectively.

The effective date of the interpretation is for years beginning on or after January 1, 2019.

It is unlikely that the interpretation will have a material impact on the bank's financial statements.

23 RISK MANAGEMENT

The bank's business involves taking on risks in a targeted manner and managing them professionally. The core functions of the bank's risk management are to identify all key risks for the bank, measure these risks, manage the risk positions and determine capital allocations. The bank regularly reviews its risk management policies and systems to reflect changes in markets, products and best market practice. The bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the bank's financial performance. The bank is exposed to different types of risks emanating from financial and non-financial factors. Risks faced by the bank have been categorized as Credit risk, market risk, liquidity risk and operational risk.

The bank's risk management policies are established to identify and analyses the risks faced by the bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered and the guidelines issued by the Bank of Tanzania.

The bank, through its training and management procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Risk management is carried out by the Credit/Risk/IT Committee under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk, market risk (foreign exchange risk, interest risk and price risk) and liquidity risk. In addition, internal audit is responsible for the independent review of risk management and the control environment.

23 RISK MANAGEMENT (CONT'D)

23.1. Credit risk

Credit risk is a risk of financial loss to the bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the bank's loans and advances to customers and other banks, and investment debt securities. For risk management reporting purposes, the bank considers and consolidates all elements of credit risk exposure.

23.1.1. Credit Risk Measurement

The bank reviews its loan portfolios to assess impairment at least on a monthly basis. In determining whether an impairment loss should be recorded in the statement of profit or loss, the bank makes judgments as to whether there is any observable data indicating that there is a measurable loss in the expected future payments in an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers, or national or local economic conditions that correlate with defaults on assets. Directors use estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

- For regulatory purposes and for internal monitoring of the quality of the loan portfolio, all the customers are segmented into five rating classes as shown below:

Number of days past due	Classification
0 - 5	Current
6 - 30	Especially mentioned
31 - 60	Sub-standard
61 - 90	Doubtful
More than 90	Loss

23.1.2. Risk limit control and mitigation policies

(a) Lending limits

The bank manages limits and controls concentrations of credit risk wherever they are identified, in particular, to individual counterparties and groups, and to industries. The bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary.

23 RISK MANAGEMENT (CONT'D)

23.1. Credit risk (Cont'd)

23.1.2. Risk limit control and mitigation policies (Cont'd)

(a) Lending limits (Cont'd)

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

(b) Collateral

The bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. Since the bank deal with micro and small medium enterprises it requests special deposits to be maintained to be done that act as security.

(c) Write-off policy

The bank writes off loans as and when the Board of Directors approves after accepting the recommendations by the management that the loans are irrecoverable. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure and has remained in loss category for four consecutive quarters.

23.1.3 Impairment and provisioning policies

The impairment provision shown in the statement of financial position at period-end is derived from each of the five internal rating grades. However, the majority of the impairment provision comes from the bottom two grades.

23.2. Market risk

The bank is exposed to market risk. Market risk arises from open positions in interest rate, currency and equity products. The board sets limits and reviews it at regular interval on the risk that may be accepted. Further the exposure is monitored on daily basis.

23.3. Liquidity risk

The bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loans drawn and guarantees, from margin and other calls on cash settlement. The board has set limit based on their experience of the minimum proportion of maturing funds available to meet and on the minimum level of inter-bank and other borrowing facility that should be in place to cover withdrawals at unexpected levels of demand.

23 RISK MANAGEMENT (CONT'D)

23.4. Interest rate risk

The bank is exposed to various risk associated with the effect of fluctuation in the prevailing levels of market interest rates on its financial position and cash flow. The bank has the discretion to change the rate on deposits, loans and advances in line with the changes in market trend. These measures minimize the bank's exposure to interest rate risk.

23.5. Currency risk

The bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rate. The bank is involved in foreign currency market only to the extent of buying and selling to the extent of required currency. The bank is not involved in foreign currency forward contracts and thus the risk is limited.

23.6. Operational risks

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market, liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risk arises from all the bank's activities.

The bank's objective is to manage the operational risk so as to balance the avoidance of financial losses and damage to the bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiate and creativity.

24. CAPITAL MANAGEMENT

The bank's objectives when managing capital, which is broader concept than the 'equity' on the face of the balance sheet, are:

- To comply with the capital requirements set by the regulator;
- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business. Capital adequacy and the use of regulatory capital are monitored daily by the bank's Management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Bank of Tanzania (BOT), for supervision purposes. The required information is filed with the BOT on a quarterly basis.

24. CAPITAL MANAGEMENT (CONT'D)

The Bank of Tanzania (BOT) requires each bank to:

- Hold a minimum level of core capital of TZS 5 billion;
- Maintain a ratio of core capital to the risk weighted assets plus risk weighted off balance sheet items at or above the required minimum of 10%; and
- Maintain total capital of not less than 12% of risk weighted assets plus risk weighted off balance sheet items.

The bank's regulatory capital as managed by its management is divided into two tiers:

Tier 1 capital: Share capital, retained earnings and reserves created by appropriation of retained earnings. Prepaid expenses and deferred charges are deducted in arriving at Tier 1 capital.

Tier 2 Capital: Qualifying subordinate loan capital, collective impairment allowances and unrealized gains arising on the fair valuation of equity instruments held as available for sale.

The risk weighted assets are ensured by means of a hierarchy of five risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

24. CAPITAL MANAGEMENT (CONT'D)

The table below summarizes the composition of regulatory capital and the ratios of the bank for the period ending on 31st December, 2018:

		2018	2017	2016
		TZS '000	TZS '000	TZS '000
Tier 1 capital				
Share capital		6,056,447	6,056,447	6,056,447
Retained earnings		1,511,458	1,847,449	1,245,448
Less prepaid expenses		(86,861)	(46,560)	0
Less intangible assets		(57,905)	(107,188)	(174,790)
Less: Deferred tax asset		-	-	(54,284)
Total qualifying Tier 1 Capital		7,423,139	7,750,148	7,072,821
Tier 2 capital				
General risk reserve		130,555	124,847	-
Total qualifying Tier 2 Capital		7,553,694	7,874,996	7,072,821
Total Regulatory capital		7,553,694	7,874,996	7,072,821
Risk weighted assets				
On balance sheet		13,364,696	14,459,994	10,378,703
Off balance sheet		-	-	-
Operational Risk		1,333,105	-	-
Total risk weighted assets		14,697,801	14,459,994	10,378,703
	BOT Required ratio	2018 Bank's ratio %	2017 Bank's ratio %	2016 Bank's ratio %
Tier 1 capital	10%	51%	54%	68%
Tier 2 capital	12%	51%	55%	68%

SECTION I:

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE FINANCIAL FORECASTS

24th June 2019

The Directors
Yetu Microfinance Bank Plc
P. O. Box 75379,
Dar es Salaam
Tanzania.

Dear Sirs,

INDEPENDENT REPORTING ACCOUNTANT'S REPORT ON THE PROFIT FORECAST

We have examined the profit forecast of Yetu Microfinance Bank Plc as set out on pages 88 to 90 of on the prospectus for four years from 31st December 2019 to 31st December 2022 in accordance with the International Standard on Assurance Engagements applicable to the examination of prospective financial information. Management is responsible for the forecast including the assumptions on which it is based.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that these assumptions do not provide a reasonable basis for the forecast. Further, in our opinion the forecast is prepared on the basis of the assumptions and is presented in accordance with the accounting policies normally adopted by Yetu Microfinance Bank Plc.

Actual results are likely to be different from the forecast results since anticipated events frequently do not occur as expected and the variation may be material. Accordingly, we express no opinion on whether or not the forecast will be achieved.

Yours faithfully,

John M. Lyanga
MHASIBU CONSULTANTS
CERTIFIED PUBLIC ACCOUNTANTS

A. ASSUMPTIONS

The assumptions used in the projections of YETU Microfinance PLC are:

- Not less than TZS 2.0 billion will be raised by YETU Microfinance Bank PLC through the intended Public Offer.
- Positive Deposit and loans growth rates to be maintained for the period.
- Other income sources will include commission on insurance, account maintenance fee, mobile money fee, etc.
- Provision stock will not exceed 5% of the outstanding portfolio.
- The bank will maintain liquidity ratio of above 30% to cater for demand liabilities and regulatory liquidity requirements.
- The bank will strive to maintain return on assets of above 7% p.a. throughout the period of projections.
- Group lending will be the major loans delivery method for YETU Microfinance Bank PLC.

B. STATEMENT OF FINANCIAL POSITION

	2018	Act. March 2019	Act. June 2019	Proj. Sept 2019	Proj. Dec 2019	Proj. 2020	Proj. 2021	Proj.2 022
ASSETS	TZS '000	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'
Cash on hand	273,805	386,677	377,614	420,532	340,853	391,981	450,778	518,395
Balances with Bank of Tanzania	107,999	255,550	238,432	289,473	274,196	301,616	363,145	399,459
Balances with other banks and financial institutions	642,769	598,869	1,391,650	1,402,783	1,421,163	1,355,762	1,491,338	1,440,472
Investment in Debt Securities		0	0	0	1,000,000	1,500,000	1,800,000	2,300,000
Loans and advances (Net)	12,613,928	12,404,698	13,259,958	13,868,583	14,823,248	16,413,853	17,806,056	20,319,831
Other assets	873,260	1,075,000	679,710	734,087	1,097,143	1,307,212	1,437,934	1,511,217
Property, plant & equipment	382,978	725,447	730,183	737,485	965,668	1,272,162	1,908,243	2,099,067
Intangible assets	57,905							

C. YETU MICROFINANCE BANK PLC STATEMENT OF LOSS AND PROFIT

	2018	Act. Cumm. March 2019	Act. June 2019	Act. Comm. June 2019	Proj. Sept 2019	Proj 2019	Proj. 2020	Proj. 2021	Proj. 2022
	TZS '000	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'	TZS '000'
Interest Income	5,027,399	1,274,549	2,653,854	2,653,854	3,980,780	5,307,707	6,210,017	6,831,019	7,855,672
Interest Expenses	-404,573	87,397	220,354	220,354	330,531	440,708	484,779	533,256	586,582
Net Interest Income	4,622,826	1,187,151	2,433,500	2,433,500	3,650,250	4,866,999	5,725,238	6,297,763	7,269,090
Loan impairment reversal/ (charges)	-79,869	-169,946	-188,954	-188,954	-377,91	-45,349	-128,122	-73,274	-132,304
Net interest income after loans impairment	4,542,957	1,017,205	2,244,546	2,244,546	3,612,459	4,821,650	5,597,116	6,371,037	7,401,394
Fees & Commission	617,919	138,799	300,630	300,630	450,945	601,260	667,398	734,138	807,552
Other operating income	216,093	26,281	45,216	45,216	67,824	90,432	100,379	110,417	121,459
Total non-interest income	834,012	165,080	345,846	345,846	518,769	691,691	767,777	844,555	929,011
Net Operating Income	5,376,969	1,182,285	2,590,392	2,590,391	4,131,227	5,513,342	6,364,893	7,215,592	8,330,405
Operating expenses									
Employee benefits expense	-1,934,470	-359,224	-745,739	-745,739	-1,118,609	-1,641,478	-1,789,211	-1,968,132	-2,164,946
Operating Expenses	-2,346,031	-752,658	-1,454,671	-1,495,992	-2,056,839	-2,592,452	-2,747,999	-3,022,799	-3,325,079
Depreciation and amortization	-128,299	-41,321	-83,445	0	-125,167	-166,889	-183,578	-201,936	-222,129
Total operating expenses	-4,408,800	-1,153,203	-2,283,855	-2,241,731	-3,300,615	-4,400,819	-4,720,788	-5,192,867	-5,712,154
Profit/(loss) before taxation	968,169	29,081	306,537	348,661	830,613	1,112,523	1,644,105	2,022,725	2,618,251
Income tax (charge)/credit	-260,140	-92,244	-89,399	-135,744	-203,615	-271,487	-411,026	-469,044	-588,411
Profit/(loss) for the year	708,029	-63,162	217,138	212,917	626,997	841,036	1,233,079	1,553,681	2,029,840

D. YETU MICROFINANCE BANK PLC CASHFLOW PROJECTIONS

	Actual March 2019 TZS '000'	Actual June 2019 TZS '000'	Proj. Sept 2019 TZS '000'	Proj. Dec 2019 TZS '000'	Proj. 2020 TZS '000'	Proj. 2021 TZS '000'	Proj. 2022 TZS '000'
Net Income (Loss)	368,975	357,594	844,213	1,453,138	1,644,105	1,876,177	2,353,642
Adjustments to Reconcile income:							
Net change in loans, advances,	(535,265)	(978,970)	650,825	230,434	(1,245,323)	(868,897)	(2,025,178)
Net change in deposits	470,448	80,024	339,484	1,720,601	2,227,671	911,557	1,251,759
Net change in short term securities	-	-	(2,000,000)	(1,000,000)	(500,000)	(300,000)	(500,000)
Net change in other liabilities	498,074	37,496	332,249	97,363	164,138	114,894	205,993
Net change in other assets	(80,001)	395,290	(54,377)	(363,056)	(210,069)	(130,721)	(73,284)
Depreciation and other adjustments	(105,321)	42,124		(92,244)	166,889		
Tax Paid		-			(271,487)	(411,026)	(469,044)
Net cash provided (used) by operating activities	616,911	(66,442)	112,394	2,046,237	1,975,924	1,191,983	743,889
Cashflows from investing activities							
Purchases of fixed assets	(20,419)	(16,958)	(7,302)	(161,536)	(424,054)	(636,081)	(190,824)
Purchases of investment securities	50,000	50,000		-	-	-	-
Proceeds from sales of investment securities	-	-	-	-	-	-	-
Net cash provided (used) by investing activities	29,581	33,042	(7,302)	(161,536)	(424,054)	(636,081)	(190,824)
Cashflows from financing activities							
Repayment of long term debt	-	-	-	-	-	-	-
Proceeds from issuance of long term debt	-	-	-	-	-	-	-
Proceeds from issuance of share capital	-	-	-	-	-	-	-
Proceeds from sale of fixed assets	-	-	-	-	-	-	-
Payment of cash dividends	-	-	-	-	-	-	-
Net change in other borrowings	(300,000)	800,000	-	-	(2,000,000)	-	-
Others			-	-			
Net cash provided (used) by financing activities	(300,000)	800,000	-	-	(2,000,000)	-	0
Cash and Cash Equivalents							
Net Increase/ (decrease) in cash and cash equivalents	346,492	766,599	105,092	1,884,701	(448,130)	555,902	553,065
Cash and cash equivalents at the beginning of the period	894,604	1,241,096	2,007,695	2,112,788	3,997,488	3,549,358	4,105,261
Cash and cash equivalents at the end of the year	1,241,096	2,007,695	2,112,788	3,997,488	3,549,358	4,105,261	4,658,326

SECTION J:

LEGAL OPINION IN RESPECT OF THE PUBLIC OFFER OF SHARES

UR ref; RAJAL/COR/GEN/94/2018

28th May 2019

The Managing Director
YETU Microfinance Bank PLC
P.O Box 75379
Dar es Salaam.

Dear Sir,

RE: LEGAL OPINION IN RESPECT OF RAISING ADDITIONAL CAPITAL OF TWO BILLION THROUGH PUBLIC OFFERING OF SHARES OF YETU MICROFINANCE BANK PLC TO THE GENERAL PUBLIC AND LISTING OF 3,636,364 SHARES ON THE DAR ES SALAAM STOCK EXCHANGE PLC

Background and Purpose:

- 1.1 We, RAJAL ATTORNEYS, Advocates of the High Court of Tanzania and subordinate courts thereto, save for primary courts, being advocates doing among other activities provision of the legal service on any issue relating to the laws of Tanzania. Currently, we have been engaged to act as Legal Advisors to advise YETU MICROFINANCE BANK PLC in relation to its intended Public Offering of its 3,636,364 ordinary shares to the general public on the terms and condition set out in the prospectus dated 31st July 2019, which the Company also intends to raise at least Tzs 2,000,000,000(Two billion) from the sale of the shares. That the Company interest to raise the shares capital was a result of the Board of Director's Resolution, in its extra ordinary meeting held on 4th May 2018, which on our part we have been supplied with the original copies and we have verified its authenticity.
- 1.2 This legal opinion has been issued in compliance with the provisions of the Capital Markets and Securities (Prospectus Requirements) Regulations, 1997, and other relevant laws. In this legal opinion, the Legal advisor intends to address the general Company's legal Status such as legality of its existence and establishment, the changes made (legality of those changes), status of litigation, general business affairs, assets and general compliance with the laws of Tanzania.
- 1.3 YETU Microfinance Bank PLC was incorporated on the 23rd December 2013 as YETU MICROFINANCE BANK LIMITED and later on 5th May 2014 changed its name to YETU MICROFINANCE LIMITED. On 8th October 2014, the Company through Board of Directors Meeting on a special resolution resolved to change its name from YETU MICROFINANCE LIMITED to YETU MICROFINANCE PUBLIC LIMITED COMPANY vide Certificate of Change of name No 104761
- 1.4 On 15th August 2016 changed its name to Yetu Microfinance Bank PLC after securing a microfinance bank license on February 20th, 2017

2.0 INTERPRETATION:

Wherever used in this opinion, unless the context otherwise requires;

- The term “Banking Act” shall mean the Banking and Financial Institutions Act, No. 5 of 2006;
- The term “BOT” shall mean the Central Bank of Tanzania, established under the Bank of Tanzania Act, No.4 of 2006
- The term “CMSA” or “the Authority” shall mean the Capital Markets and Securities Authority established under the Capital Markets and Securities Act, No.5 of 1994 and Capital Markets and Securities(Amendments)Act,2010.
- The term CMS Act, No. 5 of 1994 as amended by Act No.4 ,2010 and
- The term “Companies Act” shall mean the Companies Act, Cap 212, the laws of Tanzania.
- The term “Company” shall mean YETU Microfinance Bank Public Limited Company, a company incorporated in Tanzania.
- The Term “**MEMARTS**” shall mean Memorandum and Articles of Association.
- The word “Directors” includes any person occupying the position of Director.
- The term “**DSE**” shall mean Dar es Salaam Stock Exchange.
- The “Stock Exchange “or Exchange “shall mean the Dar es Salaam Stock Exchange PLC (DSE) or any other Stock Exchange approved under CMS Act.
- The “Member” Shall mean the registered holder of a share in the Company.
- The “Regulations” shall mean the Capital Markets and Securities (Prospectus Requirements) Regulations.
- Whenever the word “**Company** “is used the same shall mean “The bank “and vice versa.

- 2.1 Unless otherwise specifically provided and stated, references herein to a specified paragraph shall be construed as a reference to a specified paragraph hereof. In this legal advice, the headings are inserted to avoid unnecessary inconveniences of reference only and shall not be used to interpret, define or limit the contents hereof.

3.0 AUTHORISED AND ISSUED SHARE CAPITAL:

- 3.1 YETU Microfinance Bank PLC has an authorized share capital of TZS **30,000,000,000/=** divided into **100,000,000** ordinary shares of **TZS 250/=** each and **20,000,000** preference shares of **TZS 250/=** each. The total fully paid up share capital is **TZS 6,059,426,447** divided into **12,118,854** shares of **TZS 500** each.
- 3.2 The registered Office of the Company is located at Mkunazini Building on Plot No. 16, Block 77 Kiungani Street, Mnazi Mmoja Area, Within Ilala District, P.O Box 75379 Dar es salaam, Tanzania.

4.0 REVIEWED DOCUMENTS, STATUTES, PROCEDURES AND ASSUMPTIONS

4.1 In order to enable the Legal Advisor make a proper opinion in this regard as herein below indicated, we have examined various Company's documents which we considered necessary as follows; -

- (i) Banking License No. MFB 00005 dated 20th February 2017.
- (ii) Certificate of Incorporation No. 104761 dated 15th August 2016.
- (iii) Memorandum and Articles of Associations of YETU MICROFINANCE BANK PLC.
- (iv) Amended Memorandum and Articles of Association of YETU MICROFINANCE Bank PLC of 15th September 2016.
- (v) Certificate of Change of Names.
- (vi) The Companies Act CAP 212 RE 2002
- (vii) The Banking and Financial Institutions Act No. 5 of 2006.
- (viii) The Bank of Tanzania Act NO. 4 of 2006
- (ix) The Capital Market and Securities Act CAP 79 RE 2002.
- (x) The Capital Markets and Securities (Prospectus Regulations) of 1997.
- (xi) The Dar es Salaam Stock Exchange PLC Rules of 2016
- (xii) Company Directors' resolutions on the offer and the listing.
- (xiii) Taxpayer Identification Number (TIN) 125-181-317
- (xiv) Other compliance certificates, OSHA, Fire and safety and Workers' Compensation FUND (WCF)
- (xv) Business license.
- (xvi) The Employment and Labour Relations Act of 2007.
- (xvii) The Law of Contract Act CAP 345 RE 2002.

4.2 In expressing the opinion, we have examined and relied on the original and copies of the documents mentioned above and we have assumed that;

- (i) All the signatures appeared in the perused documents are genuine.
- (ii) That each natural person who signed the document had the legal status and authority to sign in that capacity.
- (iii) All documents submitted to us as originals are true and complete.
- (iv) All the documents submitted to us as copies are true and complete copies of the originals thereof.
- (v) The intended increase of the share capital will not change the operation of the company.
- (vi) All information received from the Company legal Secretary is true and it came from the accurate and reliable source.

4.3 Material Litigation

These are Civil and Criminal Cases which YETU MICROFINANCE Bank PLC is involved from one way or another. Currently, the Company has been involved in various cases, there are two (2) pending cases in various courts in Tanzania one (1) of which is a civil case and one (1) is a Criminal Case. Those cases are; -

Item	Case Number	Type of case	Status
1	LABOUR DISPUTE NO. CMA/MTW/LND101/2017 HASSAN MAKONO VS YETU MICROFINANCE BANK PLC	LABOUR DISPUTE The Complainant is complaining for the reinstatement and payment of compensation for unfair termination amounting to TZS 16,816,000/=	It is pending before CMA and it has been set for hearing on 1 st July 2019.
2.	Criminal Case No.120 of 2018 R vs Reuben Ndahani and Maria Mwalongo	Theft of the bank's money involving ex-employees	The matter is at Lindi District Court and set for hearing on 3 rd June 2019

5.0 Opinion:

5.1 Based on the laws and matters made known to us, we are of the considered opinion that;

- (i) The Company is a Public company duly incorporated in Tanzania and granted Certificate of Incorporation No. 104761 dated 15th August 2016 pursuant to the provisions of the Companies Act Cap 212 RE 2002; the Certificate is Valid to date. The Registered office of the Company is to date located at Mkunazini Building, on Plot No. 16, Block 77, Kiungani Street, Dar es Salaam Tanzania. It has been awarded a Certificate of Clearance from Tanzania Revenue Authority which expired on 31st December 2018, which is evidence that the Company is a good taxpayer.
- (ii) The Company is authorized under article 3 (a) of its Memorandum of Association to deal with all matters and activities which includes to receive deposits of money including saving and time deposit, lending money to individual, small scale business, industrial, agricultural micro enterprise, etc. but not limited to powers to execute, deliver and exercise its rights and perform its obligations pursuant to the Offer and the Listing, and that such execution and performance have been duly authorized by appropriate corporate action.
- (iii) That according to Article 4 of the Company's Articles of Association, the company is a Public limited liability company whereby invitation to the public to subscribe for any shares of the Company and issuance of shares certificate is not prohibited the right to transfer shares is not restricted and the number of members in the company is not limited, the Company shall also be regulated by DSE Rules after listing.

- (iv) The company was for the first time listed at the Dar es Salaam Stock Exchange on March 10th, 2016.
- (v) The rights and obligations of the Company contemplated by the transactions constitute valid and binding rights and obligations enforceable in accordance with the terms thereof.
- (vi) The Offer and Listing have 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 and listing
- (vii) The execution and consummation of the Offer and the Listing contemplated by the company do not conflict with, and shall not result in the breach of any applicable law, rules or regulations 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 and the listing or have material adverse effect on the ability of the company to perform its obligations after the offer and listing.

5.2 Without prejudice to the generality of the matters set out in this opinion, we are further of the considered opinion that;

5.3 The company was first incorporated as a private company. On October 8, 2014, the resolution was passed to change the Company's name to YETU MICROFINANCE PUBLIC LIMITED COMPANY in order to comply with Section 4(1) of Act which requires public companies to have the words "public limited company" as the last words of the name and later on 15th August 2016 to YETU MICROFINANCE BANK PLC after being granted an approval to carry out banking business as a microfinance bank subject to fulfillment of conditions set forth in the Bank of Tanzania letter dated 19th July 2016 which was construed as an integral part of the approval.

5.4 All authorizations, approvals, consents, 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.

5.5 All authorizations and approvals by CMSA and the Dar es Salaam Stock Exchange required for the offer and the Listing under the respective Legislation and Rules have been obtained.

6.0 Properties:

Save as otherwise disclosed in this opinion, the company does not own any property of which title disclosure is material to this opinion.

7.0 Material Agreements:

From the date of this opinion YETU MICROFINANCE BANK PLC has executed various agreements and has been a lawful tenant of the landed properties leased for office purposes to date, the following are those agreements; -

- a) The lease agreement between YETU MICROFINANCE BANK PLC with NURU NASSOR EL MOSTY for her building located at Plot No. 16, Bock 77, Kiungani Street, Dar es Salaam, which is Company's head office.
- b) The lease agreement between YETU MICROFINANCE BANK PLC and DAR ES SALAAM CITY COUNCIL for its space on MACHINGA COMPLEX BUILDING, ILALA Dar es Salaam, which is used for MZIZIMA BRANCH.
- c) The lease agreement between YETU MICROFINANCE BANK PLC and KILOMBERO PLANTATION LIMITED (KPL) for its building which is used for MNGETA BRANCH.
- d) The lease agreement between YETU MICROFINANCE BANK PLC and YOUTH SELF EMPLOYMENT FOUNDATION for its building located at MBAGALA Temeke Dar es Salaam which is used for MBAGALA BRANCH.
- e) YETU MICROFINANCE BANK PLC has 125 full time Employees. The employment Agreements have been properly executed and therefore enforceable as per terms and conditions stated therein.

8.0 Litigation/Legal Action:

- 8.1 Apart from the information given to us by the Company Legal Secretary which disclosed that the Company has only two (2) cases pending in the Courts, one civil case and another criminal case as stated on paragraph 4 herein above. Our search to the court registries has discovered the Company has no any other pending litigation, whether civil or criminal in which its involvement may affect the Company's process to offer and listing.
- 8.2 That, currently, there is no any winding up order has been issued by the Court or any other authority, either there is no any Receiver Manager has been appointed in respect of the Company. The Company is therefore in law at liberty and capable to proceed with its listing process.
- 8.3 The information we have received from the Company indicates that the Company does not have any joint venture agreement partnership or other profit-sharing arrangements with any other Company.
- 8.4 That, at the time this legal opinion is written, the Company did not register for any pending loan from any other company.
- 8.5 Save as specifically disclosed in this prospectus, there is no other contract, agreement or arrangement concerning the offer.
- 8.6 There are no other material facts and or items than those mentioned in this prospectus which have been disclosed to us or of which we are aware with as regards to the legal status of YETU MICROFINANCE BANK PLC, the Offer and the Listing.

9.0 Conclusion:

9.1 From what has been stated herein above, it is the opinion of the legal advisor that these are all information relating to YETU MICROFINANCE BANK PLC legal status and general compliance with the law. We therefore made the following conclusion;-

- a) That the Company has been legally established, it conducts its business legally and all other changes made in the Company to the current status have complied with laws of Tanzania.
- b) That the intended process of increasing the Company's capital by way of listing its shares and/or invite general public to buy its shares has complied with the conditions stated in the Company's Memorandum and Articles of Association, the Companies Act, the Capital Markets and Securities Act and all other relevant laws.
- c) That all consents and licenses from the government and any other authority necessary for the process of offer and listing of shares have been obtained.

9.2 This legal opinion is given pursuant to the instructions made to us by YETU MICROFINANCE BANK PLC and is made in compliance with the relevant laws in force in Tanzania at the time of instruction. The information state herein, is strictly only to issues stated herein and is not to be used to any other matter whether in connection herein or not.

Yours faithfully,

RAJAL ATTORNEYS
JAMAL, A. ADV.
(MANAGING PARTNER)

SECTION K: APPENDICES

Application form No.....

APPLICATION FOR SUBSCRIPTION OF SHARES OF YETU MICROFINANCE BANK PLC

In respect of a Public Offering (PO) of 3,636,364 ordinary shares of Yetu Microfinance Bank PLC.

COMPLETE IN CAPITAL LETTERS

A	CSD ACCOUNT NO.		AUTHORISED COLLECTING AGENT NO.

B	BANK DETAILS												
	Bank Name												
	Account No.												

C	APPLICANT (S)						
		First	Middle	Surname			
	Primary Applicant				Nationality		
	Joint Applicant -1				Nationality		
	Joint Applicant -2				Nationality		
	Corporate Applicant (Name)						
	Registration No.		Country of Registration				
	Contacts	P.O.Box		Tel		Email	
		P.O.Box		Tel		Email	
	ID Type			ID No.			

E	PAYMENT (Please tick the appropriate box)					
	Electronic	Cash	Mobile transfer	Sender's Phone No.		
	Banker's cheque No.			Bank guaranteed (state)		

I/ We, the Applicant (s), hereby certify that I am/ We are eligible to apply for and be allotted the offer shares on the basis of the criteria stated in section B of the prospectus published by Yetu Microfinance Bank PLC.

Signatures (s)

.....

.....

.....

Date (DD/MM/YR)

	APPLICATION FORM NO.....							
G	CUSTOMER RECEIPT							
	Name of Applicant (First/Middle/Last)							
	CDS No.					Shares Applied for		
	Date: DD/MM/YR							
	Receiving Agent					Signature and stamp		

REQUIREMENTS

1. All the applicants should have a CDS number. For the first-time applicants and who do not have a CDS
Number should contact an authorized agent to get a CDS number
2. The terms and conditions in the prospectus should be adhered to during the right issue period
3. Only original and well signed forms will be accepted. Also forms delivered via post office, faxes and photocopies will not be accepted as well.
4. The board can reject any application or can require more information from the applicants when it needs to do so.
5. All the sections in the form are compulsory and should be filled accordingly.



Yetu Microfinance Bank PLC

(Incorporated under the Companies Act, 2002 with Certificate of Incorporation number SO. 104761 of 23rd December 2013)

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Email: info@yetumfplc.co.tz

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Tel: +255 22 2396868
Email: infomzizima@yetumfplc.co.tz

Mbagala Branch

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Email: infombagala@yetumfplc.co.tz

Mngeta Branch

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Mngeta branch

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