



TANZANIA MORTGAGE REFINANCE COMPANY LIMITED.

Incorporated in Tanzania under the Companies Act, Cap 212 (Act No. 12 of 2002)
(Registration Number 74792)

INFORMATION MEMORANDUM

11TH MAY 2018

**In Respect of
Tanzania Shillings One Hundred and Twenty Billion
(TZS 120.0 Billion) Medium Term Note Programme**

This Information Memorandum is issued in compliance with all applicable laws including the Companies Act, Cap 212 (Act No. 12 of 2002), Capital Markets and Securities Act, Cap 79 (Act No. 5 of 1994 (As Amended)) and the Dar es Salaam Stock Exchange Plc Rules, 2016



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1. Caution Statement

This information Memorandum has been prepared in compliance with the capital market and securities (Guideline for the issuance of corporate bonds and commercial papers), 1999 and the companies act, Cap 212 of the law of the United Republic of Tanzania (Act No. 12 of 2002).

A copy of this Information Memorandum has been delivered to the Capital market and Securities authority (CMSA) for approval and to the Registrar of Companies (BRELA) for registration. Approval of this Information Memorandum by the CMSA is not taken as an indication of the merits of the TMRC or its application. The securities offered in this Information Memorandum have not been approved or disapproved by the CMSA.

Prospective investors should carefully consider the matters set forth under the caption “Risk Factors” under part 17 of this information Memorandum. If you are in doubt about the content of this Information Memorandum, you should consult your investment advisor, stock broker, lawyer, banker or any other financial consultant. The Directors of the Issuer, whose names appear on Section 6.2 (Board of Directors) of this Information Memorandum, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with facts and does not omit anything likely to affect the importance of such information.

This Information Memorandum has been drawn up in compliance with the requirements of the Tanzanian statutes and regulations and in accordance with the regulations and requirements of the CMSA and the DSE.

The distribution of this Information Memorandum and the offering or sale of the Medium Term Notes shall be in the United Republic of Tanzania. Persons into whose possession this Information Memorandum comes are required by the Issuer, the Placing Agent and the Lead Arranger to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of the Medium Term Notes and on the distribution of this Information Memorandum, refer to Section 19 (Subscription and Sale) of this Information Memorandum.

This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Placing Agent to subscribe for, or purchase any Notes under the Medium Term Note Programme.

Signature:



Director's Name:

Mr. Ammish Owusu-Amoah

Date:

18th May, 2018

Signature:



Director's Name:

Mr. Oscar Philemon Mgaya

Date:

18th May, 2018

Transaction Advisers



Lead Arranger, Placing Agent and Sponsoring Broker



ABENRY & COMPANY
Advocates Patent and Trademark Attorneys

Legal Advisor



Reporting Accountant



Receiving Bank



Registrar and Fiscal Agent

2. Preface

Under this Medium Term Note Programme (**Programme**), the Issuer may from time to time issue debt securities (Notes). The Notes may rank as senior unsecured and subordinated obligations of the Issuer. The aggregate principal amount of Notes outstanding will not at any time exceed Tanzania Shillings One Hundred and Twenty Billion (TZS 120.0 Billion). The Issue will be in various tranches with the first tranche of Tanzania Shillings Twelve Billion (TZS 12.0 Billion) being issued starting in 2018 and the balance in various tranches (series) within a period of five years. Interest on the Notes of a particular series shall be calculated and payable in accordance with the Terms and Conditions of the Notes as supplemented by the Relevant Pricing Supplement.

The Notes, unless previously redeemed, will be redeemed in full in accordance with the provisions of the Relevant Pricing Supplement.

The Notes will be issued in registered form in denominations of TZS 1,000,000 and in integral multiples of TZS 1,000,000 in excess thereof, subject to a minimum subscription amount of TZS 1,000,000. The Senior Unsecured Notes and the Subordinated Notes shall rank as specified in the Summary of the Programme as well as under Terms and Conditions.

The register of Noteholders will be maintained by Azania Bank Ltd who are the Fiscal Agent, Registrar, Paying and Calculation Agent.

The sale or transfer of Notes by Noteholders will be subject to the rules of the Dar es Salaam Stock Exchange (DSE) and where applicable, the prevailing Central Depository Rules and the Terms and Conditions of the Notes. There are currently no other restrictions on the sale or transfer of Notes under Tanzania law. In particular, there are no restrictions on the sale or transfer of Notes by or to non-residents of Tanzania.

The Notes have not been and will not be registered under any other securities legislation in any other country other than Tanzania.

A copy of this Information Memorandum has been filed with the Registrar of Companies in Dar es Salaam, in accordance with the requirements of the Companies Act Cap 212 (R.E) of the Laws of Tanzania.

The Notes to be issued under the Programme shall be placed with investors and thereafter be available for secondary trading on the Dar es Salaam Stock Exchange PLC.

Applications for participation shall be processed through the Placing Agent, details of which are provided in this Information Memorandum in Section 19 (Subscription and Sale). The Notes may not be offered or sold, directly or indirectly and neither this document nor any other Information Memorandum, offering circular or any prospectus, form of application, advertisement, other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations of that country or jurisdiction.

3. Disclaimer and Statements

- a) The Issuer, having made all reasonable enquiries, confirms that this Information Memorandum contains all information with respect to itself and to the Notes to be issued by it which is material in the context of the programme. The Issuer further confirms that the information contained in this Information Memorandum is true and accurate in all material respects and is not misleading, that the intentions and opinions expressed in this Information Memorandum are held, and that there are no other facts

the omission of which would make any such information or the expression of any such opinions or intentions misleading in any material respect.

- b) The Issuer has given an undertaking to the mandated Lead Arrangers that if at any time during the duration of the programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Information Memorandum which is capable of affecting the assessment of the Notes and whose inclusion in or removal from this Information Memorandum is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Information Memorandum or publish a replacement Information Memorandum and shall file such amendment, supplement or replacement Information Memorandum with the Dar es Salaam Stock Exchange PLC and shall supply to the Placing Agent, the Trustee and the Dar es Salaam Stock Exchange PLC such number of copies of such supplement hereto as such Placing Agent, the Trustee and the Dar es Salaam Stock Exchange PLC may reasonably request.
- c) Neither this Information Memorandum nor any other information supplied in connection with the programme is intended to provide the complete basis of any credit or other evaluation, nor should it be considered as a recommendation by the mandated Lead Arrangers and Sponsoring Broker that any recipient of this Information Memorandum or any other information supplied in connection with the Programme should purchase any Notes. Each investor contemplating purchasing any Notes should make their own independent investigation of the financial condition and affairs, and their own appraisal of the creditworthiness of the Issuer. Neither this Information Memorandum nor any other information supplied in connection with the Programme constitutes an offer or invitation to any person by or on behalf of the Lead Arranger and Sponsoring Broker to subscribe for or to purchase any Notes.
- d) The Bank of Tanzania (BOT) has given a letter of no objection for the establishment of the Programme by the Issuer. As a matter of policy, the BOT does not assume responsibility for the accuracy of any statements, opinions, reports or recommendations made in this Information Memorandum. Receipt of a no objection from the BOT of the Programme should not be taken as an indication of the merit of the Issuer or of the Notes.
- e) Application has been made to the Capital Markets and Securities Authority (CMSA) for approval of this Information Memorandum and listing of the securities on the Dar es Salaam Stock Exchange PLC and the CMSA has granted the approval. As a matter of policy, the CMSA does not assume responsibility for the accuracy of any of the statements made or opinions or reports expressed or referred to in this Information Memorandum. Approval by the CMSA of the programme and or listing should not be taken as an indication of the merit of the Issuer or of the Notes.
- f) The Dar es Salaam Stock Exchange PLC has no objection to the Issuer listing the Notes on the DSE. The DSE assumes no responsibility for the accuracy of the statements made or opinions or reports expressed or referred to in this Information Memorandum. Admission by the Dar es Salaam Stock Exchange PLC of the Notes should therefore not be taken as an indication of the merits of the Issuer or of the Notes.
- g) The Sponsoring Broker has relied on information provided by the Issuer and accordingly, does not provide assurance for the accuracy or completeness of the information contained in this Information Memorandum and therefore does not accept any liability or responsibility in relation to information contained in the Information Memorandum.
- h) The delivery of this Information Memorandum does not, at any time, imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof, or that any

other information supplied in connection with the programme is correct as of any time subsequent to the date indicated in the document containing the same.

- i) No person has been authorised to give any information or make any representation other than those contained in this Information Memorandum and, if given or made, such information or representation should not be relied upon as having been authorised by or on behalf of the Issuer.
- j) The distribution of this Information Memorandum and the offer or sale of the Notes may be restricted by law in certain jurisdictions. Persons who are in possession of this Information Memorandum are cautioned to inform themselves and observe any such restriction.

4. Documents Incorporated by Reference

This Information Memorandum should be read and construed in conjunction with:

- a) All supplements to this Information Memorandum circulated by the Issuer from time to time in accordance with the undertakings given by the Issuer in the Trust Deed and as further described in the second paragraph in the section headed Disclaimers and Statements.
- b) Each Pricing Supplement relating to a Series or Tranche of Notes issued under this Information Memorandum.
- c) The audited annual financial statements (and notes thereto) and any unaudited interim financial statements published subsequent to such annual financial statements of the Issuer for the three financial years prior to each issue of Notes under this Issue.

Legal Advisor's Opinion

Abenry & Company, Advocates., the Legal Advisors to the Issuer, have given and not withdrawn their written consent to the inclusion in this Information Memorandum of their legal opinion and the references to their names, in the form and context in which they appear and have authorized the contents of their letter set out in this Information Memorandum.

Reporting Accountants' Report

This Information Memorandum contains a statement from PricehouseWaterCoopers (PWC) the Reporting Accountants, which constitutes a statement made by an expert in terms of the Companies Act and have not withdrawn their consent to the issue of the said statement in the form and context in which it is included in this Information Memorandum.

The financial statements provided in the Accountants Report are the information that has been audited in this Information Memorandum.

5. Selling Restrictions

- a) General: The Placing Agent will comply with all applicable laws and regulations governing public issuance of securities in Tanzania.
- b) The approval of the CMSA has been obtained for the issue and offering of the Notes in Tanzania. The sale or transfer of listed Notes by Noteholders will be subject to the rules of the DSE, BOT, the Conditions and the provisions of the Agency Agreement. There are no other restrictions on the sale or transfer of Notes under Tanzanian law. In particular, there are no restrictions on the sale or transfer of Notes by or to non-residents.

6. Corporate information

6.1 Contacts

Registered Office	Tanzania Mortgage Refinance Company Limited Golden Jubilee (PSPF) Towers - Main Tower, 15 Floor, Ohio Street P.O Box 7539, Dar es Salaam, Tanzania Tel: +255222133868 Email: info@tmrc.co.tz
Chief Executive Officer	Oscar Mgaya Tanzania Mortgage Refinance Company Limited P.O Box 7539, Dar es Salaam, Tanzania Tel: +255222133868 Email: info@tmrc.co.tz
Chief Finance Officer	Oswald Urassa Tanzania Mortgage Refinance Company Limited P.O Box 7539, Dar es Salaam, Tanzania Tel: +255222133868 Email: info@tmrc.co.tz
Company Secretary	Eugenia Shayo Tanzania Mortgage Refinance Company Limited P.O Box 7539, Dar es Salaam, Tanzania Tel: +255222133868 Email: info@tmrc.co.tz
Financial Calendar	Financial year end 31 December
Auditors	RSM Eastern Africa Certified Public Accountants 16th Floor, Golden Jubilee Towers (PSPF) Ohio Street P.O. Box 79586, Dar es Salaam, Tanzania
Legal Counsel	Abenry & Company, Advocates Golden Jubilee Towers-Ohio Street P.O. Box 3761, Dar es Salaam, Tanzania
Bankers	BancABC Tanzania Uhuru Heights P.O.Box 31, Dar es Salaam, Tanzania

6.2 Board of Director

Name	Age	Position	Nationality	Address
Ammish Owusu Amoah	56	Chairman	Ghanaian	P.O Box 7539, Dar es Salaam
Charles Singili	60	Director	Tanzanian	P.O Box 7539, Dar es Salaam
Felix Maagi	48	Director	Tanzanian	P.O Box 7539, Dar es Salaam
David Lusala	40	Director	Tanzanian	P.O Box 7539, Dar es Salaam
Dr Charles Kimei	65	Director	Tanzanian	P.O Box 7539, Dar es Salaam
Charles Itembe	45	Director	Tanzanian	P.O Box 7539, Dar es Salaam
Tom Borghols	61	Director	Dutch	P.O Box 7539, Dar es Salaam
Dana Botha	58	Director	South African	P.O Box 7539, Dar es Salaam
Godfrey Ndalahwa	42	Director	Tanzanian	P.O Box 7539, Dar es Salaam
Theobald Sabi	42	Director	Tanzanian	P.O Box 7539, Dar es Salaam
Oscar Mgya	50	Chief Executive Officer	Tanzanian	P.O Box 7539, Dar es Salaam
Eugenia Shayo	41	Company Secretary	Tanzanian	P.O Box 7539, Dar es Salaam

6.3 Transaction Advisors

Lead Arranger; Placing Agent and Sponsoring Broker	Legal Advisors
Orbit Securities Company Limited Stock Brokers/Dealers, Investment Advisers & Fund Managers P.O. Box 70254 Tel: +255 22 2111758/ Fax:+255 22 2113067 Dir: +255 22 211758 Email: gideon.ligate@orbit.co.tz	Abenry & Company, Advocates Golden Jubilee Towers-Ohio Street P.O. Box 3761 Dar es Salaam Tanzania Office: (+255) 22 2129461, 2129462 Email: lucy.sondo@abenry.com
Reporting Accountants	Receiving Bank
PricewaterhouseCoopers Pemba House, 369 Toure Drive, Oysterbay Box 45 Dar es Salaam Office: +255 22 2192339 Email: kiambi.patrick@pwc.com	BancABC 5 th Floor Uhuru Heights Account name: Tanzania Mortgage Refinance Co. Ltd Account Number: 1737204016 Bibi Titi Mohamed Street P.O Box 31 Dar es Salaam Office: +255 22 2111990 Fax: +255 22 2112402

7. Definitions and Abbreviations

Unless otherwise stated and as the context allows, the words in the first column have the meaning stated opposite them in the second column throughout this Information Memorandum, its appendices and enclosures. Words in the singular include the plural and vice versa. Words signifying one gender include the other gender and references to a person include references to juristic persons and associations of persons.

Agency Agreement	Means the agreement pursuant to which (a) the Issuer covenants and agrees to perform the functions of the Note Agents as set out in the Agency Agreement and (b) the Note Trustee appoints the Issuer to be each of the Note Agents upon the occurrence of an Event of Default and any other agreement for the time being in force appointing Successor Note Agents, together with any agreement for the time being in force amending or modifying any such agreements.
Applicable Laws	Means any laws or regulations (including any foreign exchange rules or regulations) of any Governmental or other regulatory authority which may govern the Issue within the United Republic of Tanzania, the Conditions of the Notes and the Notes issued thereunder in accordance with which the same are to be construed.
Appointee	Means any delegate or agent appointed pursuant to the provisions of the Trust Deed.
Authorised Officer	Means the Chief Executive Officer of the Issuer (or any other legal representative of the Issuer acting on its behalf as authorised by the Issuer's Board of Directors).
Books closed period	Means the period which is ten days prior to each Interest Payment Date until the redemption in full of the Notes.
Business Day	Means a day which is (i) a business day within the meaning of the DSE Rules, and (ii) (for the purposes of payment or calculation of Interest) a date on which banks are open for general business in Tanzania.
BOT or Bank of Tanzania	Means the Bank of Tanzania, established and operating pursuant to the Bank of Tanzania Act, Cap 197 (Act No. 4 of 2006).
BRELA	Means the Business Registrations and Licensing Agency
Calculation Agent	Means the person at its Specified Office appointed or acting as Calculation Agent pursuant to the Agency Agreement and the Conditions and/or, if applicable, any Successor Calculation Agent at its Specified Office.
Capital Markets and Securities Authority or CMSA	Means the Capital Markets and Securities Authority set up pursuant to the provisions of The Capital Markets and Securities Act, Cap 79 (Act No. 5 of 1994 as amended by Act Number 4 of 1997 of the Laws of Tanzania).
CDS Account	Means an account opened and maintained with a Central Securities Depository in accordance with the Dar es Salaam Stock Exchange PLC Rules, 2016
CDS Rules	Means the operational and procedural rules issued or to be issued by the DSE with respect to operation of CDS Accounts and trading in immobilised securities.
Companies Act	Means the Companies Act, Cap 212 of the Laws of Tanzania.
Conditions	Means the terms and Conditions to be endorsed on the dematerialized Notes as set out in Terms and Conditions of the Notes of this Information Memorandum.
Directors or Board	Means the Directors of the Issuer whose names are set out under Section 6.2 of this Information Memorandum.
DSE	Means Dar es Salaam Stock Exchange PLC,

Enforcement Notice	Means a notice issued by the Note Trustee to the Issuer declaring all amounts payable under the Notes to be immediately due and repayable; and demanding that the Issuer immediately repay the outstanding principal amount of the Notes (including all accrued interest thereon).
Event of Default	Means any one of the circumstances described in Condition 10.11 (Events of Default).
Extraordinary Resolution	Means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of the AGM by a majority consisting of not less than two-thirds of the persons voting.
Fixed Rate Note	Means a Note in respect of which interest is to be calculated and paid on a fixed rate basis as provided in Condition 10.6 (Interest) and the Relevant Pricing Supplement.
Floating Rate Note	Means a Note in respect of which interest is to be calculated and paid on a floating rate basis as provided in Condition 10.6 (Interest) and the Relevant Pricing Supplement.
Interest	Means the amount of interest payable in respect of each Principal Amount of the Notes as determined in accordance with Condition 10.6 (Interest).
Interest Determination Date	Means the date on which the Floating Rate Notes Rate of Interest or the Fixed Rate Notes Rate of Interest is determined by the Calculation Agent in accordance with Condition 10.6 (Interest).
Interest Rate	Means either the Floating Rate Notes Rate of Interest or the Fixed Rate Notes Rate of Interest determined in accordance with Condition 10.6 (Interest).
Issue	Means Senior Unsecured Fixed Rate Notes denominated in Tanzania Shillings in an aggregate amount of Tanzania Shillings One Hundred and Twenty Billion (TZS120.0 Billion). Floating rates Notes may be considered in subsequent tranches.
Issue Date	Means the date upon which the relevant Tranche of the Notes is issued and as provided in the summary of the Notes.
Issue and Paying Agent	Means the person at its Specified Office appointed or acting as Issue and Paying Agent pursuant to the Conditions and the Agency Agreement or, if applicable, any Successor Issue and Paying Agent at its Specified Office.
Issue Price	Means the price at which the Notes are issued by the Issuer (being, at the election of the Issuer, at par or at a discount to, or premium over their nominal amount as specified in the Relevant Pricing Supplement).
Issuer	Means the Tanzania Mortgage Refinance Company Limited or the Company or TMRC.
Last Day to Register	Means 1700 hours Tanzania time on the last Business Day before the first day of a Books Closed Period.
Liabilities or Liability	Means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis.
Note Agent	Means the Issue and Paying Agent, the Calculation Agent, the Registrar, the Transfer Agent or any of them and their respective Successors from time to time.
Noteholder	And (in relation to a Note) holder means a person in whose name a Note is registered in the Register as at the relevant date or, in the case of joint holders, the first named thereof.

Notes	Means the notes comprising the TZS 120.0 Billion Fixed Rate Notes issued pursuant to the Agency Agreement and subject to the provisions of the Trust Deed. Floating rates Notes may be considered in subsequent tranches.
Payment Account	Means the account (if any) denominated in Tanzania Shillings in the name of the Issuer and held with BancABC for the purpose of making payments to the Noteholders in accordance with Bond Agreement (Payments to Noteholders).
Placing Agents	Means Orbit Securities Company Limited.
Principal Amount	Means the nominal amount of each Note endorsed on the Notes in respect of that Note.
Prudential Guidelines	Means the Prudential Guidelines for banking institutions licensed under the Banking and Financial Institutions Act, Cap 342 (Act No. 5 of 2006) of the Laws of Tanzania issued by the BOT pursuant to the provisions of the said Act.
Register	Means the register of Noteholders, which the Issuer will maintain or will procure to be maintained by the Registrar at its Specified Office in accordance with the Conditions and the Agency Agreement.
Registrar	Means the person at its Specified Office appointed or acting as registrar pursuant to the Conditions and the Agency Agreement or, if applicable, any Successor Registrar at its Specified Office.
Relevant Authorities	Means the BOT, BRELA, CMSA and DSE
Senior Creditors	Means all such persons who are: unsubordinated creditors of the Issuer, subordinated creditors of the Issuer other than those whose claims are expressed to rank and do rank, <i>pari passu</i> or junior to the claims of the Noteholders under the Notes;
Specified Office	Means, in relation to any Note Agent, either the office identified with its name in the Conditions or any other office notified to any relevant parties pursuant to the Agency Agreement.
Senior Notes	Means the Notes issued with the status and other conditions set out in section 10 (4) a of this Information Memorandum.
Subordinated Notes	Means the Notes issued with the status and other conditions set out in section 10 (4) a of this Information Memorandum.
Successor	Means, in relation to the Note Agents, such other or further person, as may from time to time be appointed pursuant to the Conditions and the Agency Agreement as a Note Agent.
Tanzania	Means the United Republic of Tanzania and Tanzanian shall be construed accordingly.
Transfer Agent	Means the person at its Specified Offices appointed or acting as Transfer Agent pursuant to the Conditions and the Agency Agreement or, if applicable, any Successor Transfer Agent at its Specified Office.
TZS	Means Tanzania Shillings, the legal currency of Tanzania.
Written Resolution	Means a resolution in writing signed by or on behalf of holders of Notes who for the time being are entitled to receive notice of a meeting who together hold not less than three quarters in value of the principal amount of the Notes then outstanding whether contained in one document or several documents in like form, each signed by or on behalf of one.

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8. Summary of the Notes

8.1 Summary of the issue

The following overview is qualified in its entirety by the remainder of this Information Memorandum. The expressions used in this overview have the definitions ascribed to them in the Terms and Conditions of the Senior Unsecured Notes unless otherwise defined in this Information Memorandum.

Issuer or Company:	Tanzania Mortgage Refinance Company
Description:	Medium Term Note (MTN) Programme under which Fixed Rate, Senior Unsecured Notes may be issued. Floating rates Notes may be considered in subsequent tranches.
Programme Size:	Up to TZS 120.0 Billion, aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Placing Agreement.
Minimum Subscription Amount:	TZS 1,000,000.00 (As specified in the Relevant Pricing Supplement).
Currency:	The Notes will be denominated in Tanzania Shillings (TZS)
Mandated Lead Arrangers:	Means Orbit Securities Company Limited.
Lead Sponsoring Broker:	Orbit Securities Company Limited
Issue and Paying Agent, Calculation Agent and Registrar:	Azania Bank Ltd
Note Trustee:	Azania Bank Ltd
Receiving Bank:	BancABC Tanzania Ltd
Legal Advisors:	Abenry & Company, Advocates.
Reporting Accountants:	PriceWaterhouseCoopers, Certified Public Accountants
Method of Issue:	The Notes will be placed on a syndicated or non-syndicated basis. The Notes will be issued in series (each a Series) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest, issue price, and interest rate), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a Tranche) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, interest rate, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the pricing supplement (the Pricing Supplement).
Issue Price:	Notes may be issued on a fully paid basis at their nominal amount or at a discount or premium to their nominal amount. Partly paid Notes may be issued, the issue price of which will be payable in instalments.
Form of the Notes:	The Notes will be issued as dematerialized Notes.
Initial Delivery of the Notes:	The Notes will be uploaded into the CDS accounts on the Issue Date.
Maturities:	Any maturity subject to compliance with all relevant laws, regulations and directives. Unless otherwise permitted by the then current laws, regulations and directives, Subordinated Notes will have a maturity of not less than five years.

Specified Denomination:	The Notes will be issued as dematerialized Notes in denominations of TZS1,000,000 or in Tanzania Shilling equivalent and integral multiples of TZS 1,000,000 or in Tanzania Shilling equivalent in excess thereof, subject to a minimum subscription amount of TZS 1,000,000 or in Tanzania Shilling equivalent.
Fixed Rate Notes:	Fixed interest will be payable on the date or dates in each year specified in the Relevant Pricing Supplement.
Floating Rate Notes:	<p>Floating Rate Notes will bear interest determined separately for each Series as follows:</p> <ul style="list-style-type: none"> • by reference to 91 day, 182 day or 364 day Treasury Bill (or such other Benchmark as may be specified in the Relevant Pricing Supplement) as adjusted for any applicable margin; or • In any other manner as may be specified in the Relevant Pricing Supplement.
Other Notes:	Terms applicable to any other type of Notes that the Issuer and any Placing Agent(s) may agree to issue under the Programme will be set out in the Relevant Pricing Supplement.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the Relevant Pricing Supplement. Interest will be paid on semi-annually basis. Quarterly interest payment may be considered in subsequent tranches.
Redemption:	The Relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable.
Redemption by Instalments:	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Optional Redemption:	The Relevant Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and, if so, the terms applicable to such redemption.
Status of the Notes:	Senior Notes will constitute senior unsecured and subordinated obligations of the Issuer and will constitute subordinated obligations of the Issuer as further described in Terms and Conditions of the Notes.
Use of Proceeds:	General Corporate purposes and to further strengthening the capital base.
Allotment Policy:	The Notes will be allotted on a pro rata basis based on the amount applied for. If the offer is undersubscribed all applicants will be allotted their application in full.
Events of Default:	The terms and conditions of the Notes will contain events of default provisions as set out in Terms and Conditions.
Taxation:	All payments in respect of the Notes will be made subject to withholding or deduction for or on account of any taxes imposed within the United Republic of Tanzania.
Listing:	The Notes will be listed on the Dar es Salaam Stock Exchange PLC. As specified in the Relevant Pricing Supplement, a series of Notes may be unlisted.

	Governing Law:	The Notes will be governed by and construed in accordance with the laws of Tanzania.
	TMRC Bond Bank of Tanzania Risk Weight	The notes has been assigned risk weight of 20% by Bank of Tanzania.

8.2 Use of Proceeds

The proceeds of the issue pursuant to this Information Memorandum will be used by TMRC for general corporate purposes. TMRC intends to source for funding from the capital markets for on lending to primary mortgage lenders at competitive rates. This is therefore expected to boost the mortgage market and homeownership in Tanzania.

8.3 Timetable

	Event	Date
	Approvals from CMSA	11 th May, 2018
	Application Lists Open	28 th May, 2018
	Application Lists Close	08 th June, 2018
	Date of Allocation	12 th June, 2018
	Announcement Date	14 th June, 2018
	Settlement Date	19 th June, 2018
	Dispatch of Notes Certificates	25 th June, 2018
	Commencement of Trading	27 th June, 2018

8.4 Frequently asked questions

What are Medium Term Note Programmes?

Medium Term Note (MTN) Programmes enable companies to offer debt securities on a regular and/or continuous basis. As compared to other forms of debt securities, MTN's tend to have their own type of settlement procedures and marketing methods, which are similar in some respects to those of commercial paper. Although MTN's typically have maturities of between two to five years, they are not required to have medium terms. In fact, it is common for companies to issue both short term and long term securities under an MTN Programme.

Who develops MTN Programmes?

The MTN programmes are developed by investment banks or such other agency licensed by the CMSA.

Why would a company have a MTN Programme

Like a shelf registration statement, an MTN Programme enables a company to sell a wide range of debt securities without having to complete the CMSA's registration or review process for each issuance it might want to undertake. In addition, an MTN Programme uses a master set of disclosure documents, agreements with selling agents or dealers, and issuing and paying agency agreements to help minimize the new documentation that is needed for each offering.

What types of issuers establish MTN Programmes

MTN programmes typically are used by large companies that have an ongoing need for capital. Several financial institutions and industrial companies have an MTN Programme.

What types of securities normally are sold through MTN Programmes

Historically, the most common type of security issued under an MTN Programme is a fixed rate, non-redeemable debt security. However, MTN Programmes typically include other types of debt securities, including floating rate, zero coupon, amortizing, multi-currency, subordinated or indexed securities. A common reference rate for floating rate securities issued under MTN Programmes is the Treasury Bill Rates.

What types of offerings are completed using MTN Programmes?

In light of the convenience offered by shelf registration and MTN Programmes, issuers use MTN Programmes: to effect small and medium sized offerings of debt securities to investors that seek specific terms (known as reverse inquiry trades); to effect large syndicated offerings of debt securities that might, in the absence of an MTN Programme, be offered through a shelf takedown; to offer structured Notes, such as equity linked, currency linked, and commodity linked securities among others.

What offering documents are used in an MTN Programme?

The issuer's registration statement for an MTN Programme typically consists of: a universal shelf registration statement for debt and other securities; or a shelf registration statement providing only for debt securities; or an Information Memorandum pertaining to the MTN Programme itself; Preliminary and Final Pricing Supplement, product supplement and press releases.

Are MTNs sold on a firm commitment basis or a best efforts basis?

This varies. The arranger's obligation is to sell the MTN securities on a best efforts basis. In addition, large syndicated MTN offerings often are carried out on a firm commitment basis. In both cases, the MTN arranger is usually regarded as an underwriter.

What is the role of the arranger of an MTN Programme?

The arranger of an MTN Programme serves a variety of roles, including: serving as principal selling agent for the MTN securities; advising the issuer as to potential financing opportunities in the MTN market; communicating to the issuer any offers from potential investors to buy MTNs; advising the issuer as to the form and content of the offering documents, including the types of securities to be included; helping the issuer draft the offering documents and related Programme agreements; coordinating settlement of the MTN securities with the issuer, the trustee, and the paying agent; and making a market in the issued and outstanding securities issued under the Programme should there exist such a need.

What types of interest payments are available?

MTNs are issued with a variety of interest payment schedules that range from traditional semi-annual payments to custom tailored frequencies such as semi-annually.

What is disclosed in a Pricing Supplement for a MTN offering?

For a simple debt security, very little information is required in the Pricing Supplement. The Pricing Supplement will include the final terms of the offering, such as: the title of the securities; the issue date; the maturity date; the interest rate; the redemption dates, if any; the underwriter or selling agent; and the selling agents' compensation for the offering.

What are the tax implications of investing in MTN's?

As with all fixed income securities, investors are responsible for declaring all interest payments received from an investment in MTN's.

Can I obtain physical certificates for my MTN investment?

No. The MTN will be issued in a dematerialized form and as such there will be no physical Note Certificate.

9. Key Investment Considerations

TMRC wishes to raise TZS 120.0 Billion through a Medium Term Note Programme Issuance. TMRC has received approval from the relevant regulatory authorities for the Issue to proceed on terms set out in this Information Memorandum. The investment considerations in the following section do not constitute a guarantee neither are they indicative of future returns. Potential investors are advised to consult with their investment, legal and tax advisors to determine the suitability of an investment in the Medium Term Note Programme, and the appropriate amount, if any, of an investment of this nature.

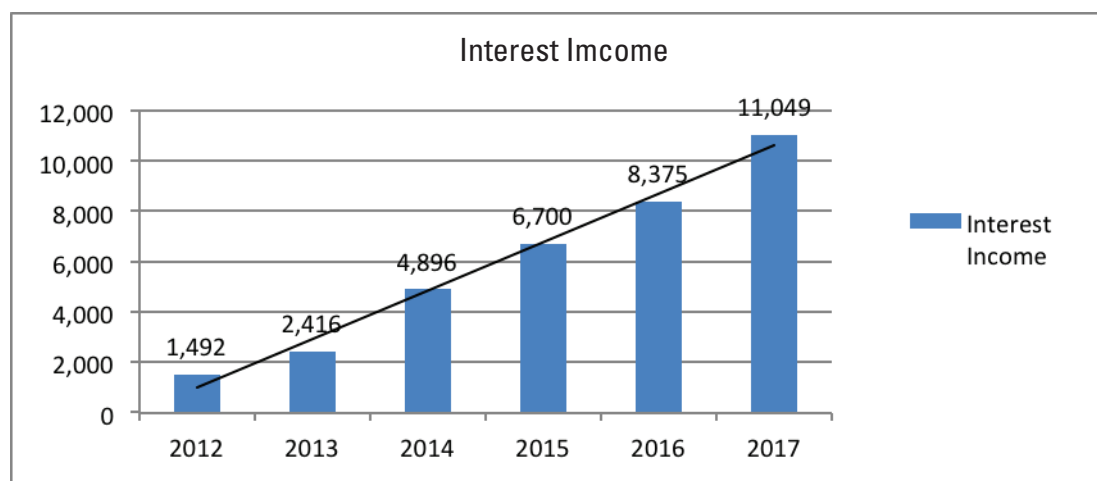
9.1 Track record of growth

TMRC's success over the years can be seen in the rapid growth of the company's statement of comprehensive income and statement of financial position.

The Company has recorded an impressive growth in interest income, net interest income and refinance and pre finance mortgages over the last five financial years, with each financial indicator growing at compounded annual growth rate of 47%, 19% and 40% respectively during the period 2012 to December, 2017.

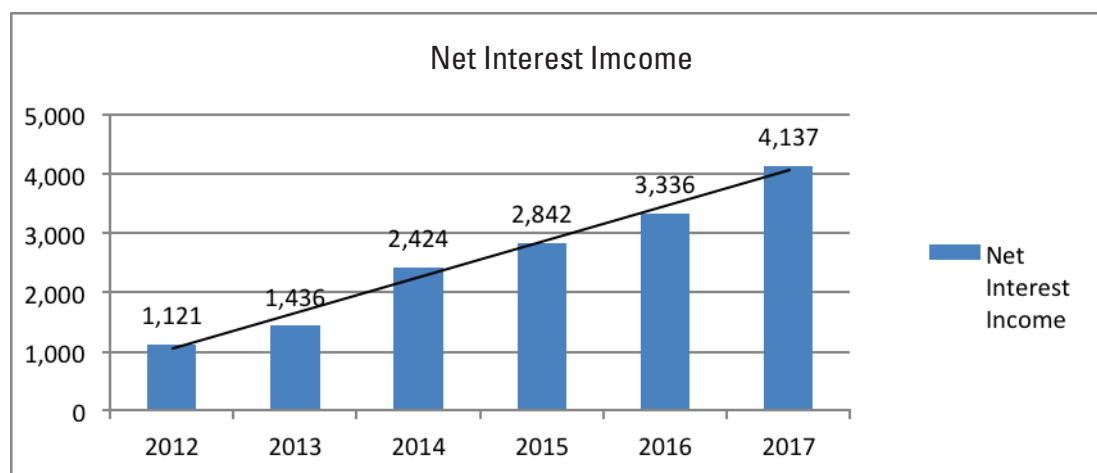
Interest Income

Interest income has significantly grown since 2012, with a fairly stable interest expenses and CAGR of 40% of interest income between 2012 to 2017.



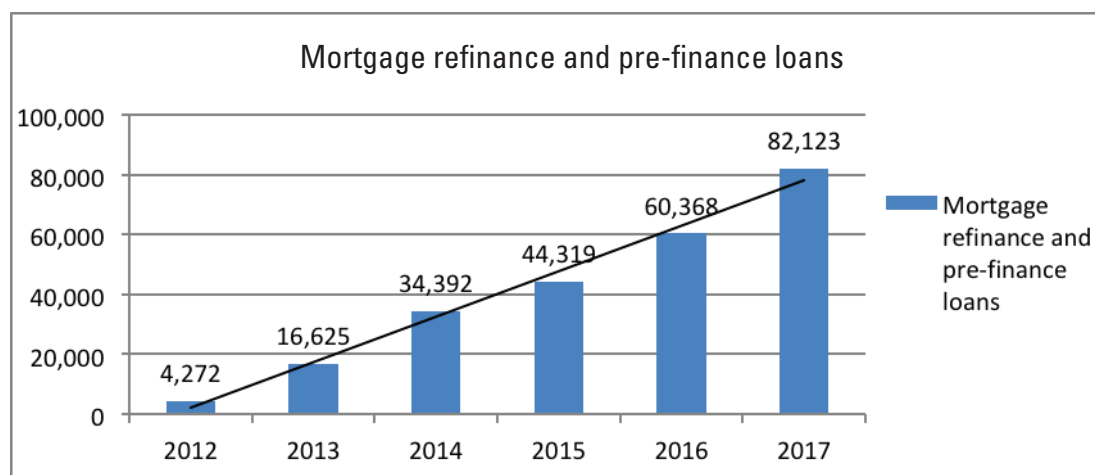
Net Interest Income

Net interest income in the last five years grew at an impressive CAGR of 24%, as TMRC have established a firmer ground on their business.



Mortgage refinance and pre finance loans

Mortgage refinance and pre finance loans grew at a CAGR of 64% mainly bolstered by an increased up take by member banks.



9.2 Strong and robust Board and Management structures

The Board is committed to ensuring that the business is run in a professional, transparent, just and equitable manner so as to protect and enhance shareholder value whilst satisfying the interests of all other stakeholders. The principles and standards established by the Board have been developed with close reference to guidelines on corporate governance issued and best international practices. The Board members have a broad range of skills, expertise and experience and each brings independent judgment and valuable contribution to the business. The Directors' abridged biographies appear in Section 15.3(Directors) of this Information Memorandum.

The roles and responsibilities of the Chairman of the Board and the Chief Executive Officer remain distinct and separate. The Chairman provides overall leadership to the Board without limiting the principles of collective responsibility for Board decisions. The Chief Executive Officer is responsible to the Board and takes responsibility for the effective and efficient running of the company on a day to day basis.

A significant factor in the Company's ongoing success is the strength of the management team. Members of the management team bring together a vital combination of leadership skills and extensive experience from both local and international exposure.

9.3 Mortgage Sector Development in Tanzania

TMRC currently has 13 borrowing members (all of which are now offering mortgage loans), and has already extended loans worth TZS 81.10 billion to ten (10) of its member banks and four (4) non member banks. As at 30 September 2017, refinancing and pre-financing mortgages advanced by TMRC to its member and non member banking institutions was equivalent to 17.40 percent of the total outstanding mortgage debt.

TMRC's contribution to the growth of the housing market is expected to significantly increase over the coming years as the new financing will build on the achievements of the ongoing Housing Finance Project (HFP) which is playing a key role in developing the mortgage market.

In the five years that TMRC has been operational, a significant impact has been noted in the mortgage market. The number of banks offering mortgage loans has grown from only 3 banks in 2010 to 31 banks on 30th September, 2017, and mortgage repayment period increased from the maximum of 7 years that was previously offered to 15 - 25 years that banks offer now.

The Medium Term Note will serve as a secure source of long term funding at an attractive rate for TMRC given that the mortgage growth rate in year on year from September 2016 to September 2017 was 11%.

The long term funds raised will assist in reducing any maturity mismatch risk for commercial banks and increase opportunities for the commercial banks to avail mortgage loans to their customers at affordable interest rates. This in turn will help to improve the affordability of mortgages by extending the range of qualifying borrowers which will result in the expansion of the primary mortgage market and home ownership in Tanzania.

9.4 Liquidity

Each Tanzania Shillings denominated tranche of the Medium Term Notes will be listed and quoted on the DSE where there will be an established secondary market for the sale of each tranche of the Medium Term Notes.

9.5 Diversification of asset classes

The Medium Term Notes will give investors an opportunity to diversify their portfolio composition as well as overall risk reduction.

10. Terms and Conditions of the Notes

The following are the terms and conditions of the Notes (the Conditions) which will be deemed to be endorsed upon each Note in the Medium Term Note Programme.

The Notes are issued subject to conditions between the Issuer and the Note Trustee. The holders of the Notes (Noteholders) are deemed to have notice of and are entitled to the benefit of all the provisions which are binding on them or on the Note Trustee on their behalf. Copies of the Note Documents are available for inspection at the Specified Offices of the Issuer.

The rules of interpretation specified therein shall have the same meanings or apply where used in the Conditions and the Relevant Pricing Supplement, unless the context otherwise requires or unless otherwise stated.

10.1 Form and Denomination

The obligations of the Issuer in respect of each Note constitute separate and independent obligations which each Noteholder is entitled to enforce subject to these Conditions and the Note Documents. The Notes are issued in Tanzania Shillings, are in registered form and are in denominations of TZS1,000,000 and integral multiples of TZS 1,000,000 in excess thereof, subject to a minimum subscription amount of TZS 1,000,000 as specified in each Relevant Pricing Supplement. The Notes will be issued as Dematerialized Securities in line with the Dar es Salaam Stock Exchange CDS Rules.

The Notes will attract interest at a fixed rate (Fixed Rate Notes) as specified in the Relevant Pricing Supplement. Floating rate may be considered in the future.

10.2 Title

Entries in the Register in relation to a Note constitute conclusive evidence that the person so entered is the registered owner of the Note, subject to rectification for fraud or error. No Note will be registered in the name of more than two persons. A note registered in the name of more than one person is held by those persons as joint owners. Notes will be registered by name only without reference to any trusteeship. The person whose name is entered on the Register as the Noteholder is deemed, except as ordered by a court of competent jurisdiction or as required by statute, to be and may be treated as the absolute owner of the Note in all circumstances, whether or not payment under the Note is overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof).

10.3 Transfer of Notes

All Notes will be issued as dematerialized securities within the meaning of the Central Securities Depository Rules of the DSE.

10.4 Status of the Notes

- a) Senior Unsecured Notes:** Unless otherwise specified in the Relevant Pricing Supplement, the Senior Unsecured Notes will constitute direct, unconditional, subordinated and, subject to the Negative Pledge contained therein, unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain debts preferred by law) equally with all other unsecured obligations (other than subordinated obligations (if any) of the Issuer from time to time outstanding;
- b) Subordinated Notes:** Unless otherwise specified in the Relevant Pricing Supplement, the Subordinated Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which (a) rank *pari passu* among themselves and (b) are subordinated to the claims of the Senior Creditors;

“Senior Creditors” means all such persons who are;

- i. Unsubordinated creditors of the Issuer; and
- ii. Subordinated creditors of the Issuer other than those whose claims are expressed to rank and do rank, *pari passu* or junior to the claims of the Noteholders under the Notes.

The holder of a Subordinated Note may not exercise a claim or plead any right of set off, counter claim or retention (whether before or after the winding up of the Issuer), in respect of any amount owed by it to the Issuer against any amount owing by the Issuer to it, arising under or in connection with the Subordinated Notes, and each such holder shall be deemed to have waived all such rights of set off, counter claim or retention. If any of the rights and claims of such Noteholder are discharged by set off, such Noteholder will immediately pay an amount equal to the amount of such discharge to the Issuer, or as applicable, the liquidator in winding up of the Issuer as the case may be, and until such time as payment is made, such Noteholder will hold a sum equal to such amount in trust for the Issuer, or if applicable, the liquidator in winding up of the Issuer. Accordingly, such discharge will deem not to have taken place.

10.5 Financial covenants of the Issuer

- a) Security:** The notes are unsecured.
- b) Negative Pledge:** The Issuer agrees that, as long as any Senior Notes remain outstanding, it shall not create or permit to subsist any mortgage, charge, lien, pledge or other security interest upon or with respect to any of its undertakings, assets or revenues to secure any future indebtedness evidenced by Notes, bonds or other securities which are or which are capable of being, at the request of the Issuer quoted, listed or dealt in for the time being on any stock exchange or any other similar generally recognized market for securities unless the Senior Notes are secured equally and rateably therewith. The terms of the Subordinated Notes will contain no negative pledge
- c) Other Financial Covenants:** The Issuer covenants to the Note Trustee as follows:
- i. Its assets shall be maintained in good condition and where applicable, comprehensively insured for the full market value at all times.
 - ii. It shall, as soon as the same become available, deliver to the Note Trustee a copy of the audited accounts together with a copy of the management letter (if any) addressed by the Auditors to the directors of the Issuer.

10.6 Interest

- a) Payment of interest:** The Notes bear interest on their outstanding Principal Amount from the relevant Issue Date at the Interest Rates and Interest Periods determined in the preceding sections. Interest on each Note will be payable in arrears on the dates indicated in the Relevant Pricing Supplement commencing on the Issue Date specified in such Pricing Supplement (each an “Interest Payment Date”) until the Principal Amount of each Note is repaid in full.

If any Interest Payment Date falls on a day which is not a Business Day, the next following Business Day shall be substituted for such day, unless such Business Day falls in the next calendar month, in which case the immediately preceding Business Day shall be substituted therefore.

In these Conditions, "Business Day" means any day, other than a Saturday, Sunday or public holiday in Tanzania as defined in the Public Holidays Act Cap 35 (R.E) 2002 (as amended) of the Laws of Tanzania, and on which commercial banks are open for business and foreign exchange markets settle payments in Dar es Salaam.

The period beginning on and including the "Issue Date", to but excluding, the first Interest Payment Date, and each successive interest period from and including an Interest Payment Date to but excluding the next Interest Payment Date is an "Interest Period".

b) Interest Rate

i. Fixed Rate Notes:

Each Fixed Rate Note will bear interest on its Principal Amount from (and including) the relevant Issue Date at the rate of interest (expressed as a percentage per annum) (the Fixed Rate Notes Rate of Interest) equal to the Rate of Interest specified in the Relevant Pricing Supplement, payable in arrears on the Interest Payment Dates specified in the Relevant Pricing Supplement.

Each Fixed Rate Note shall cease to bear interest from the date of its redemption unless, upon due presentation thereof, payment of any Principal Amount due thereunder is improperly withheld or refused. In such event, interest will continue to accrue at the Fixed Rate Notes Default Rate as specified in the Relevant Pricing Supplement.

ii. Floating Rate Notes:

Each Floating Rate Note will bear interest on its Principal Amount from (and including) the relevant Issue Date at the rate of interest (expressed as a percentage per annum) (the Floating Rate Notes Rate of Interest) equal to the sum of the applicable Floating Rates Note Reference Rate (hereinafter defined) plus the Floating Rate Notes Margin (hereinafter defined) specified in the Relevant Pricing Supplement, payable in arrears on the Interest Payment Date(s) specified in the Relevant Pricing Supplement.

The Calculation Agent will on the first day of the Interest Period for which Floating Rate Notes Rate of Interest will apply (the Interest Rate Fixing Date) determine the value of the relevant benchmark or index (the Floating Rate Notes Reference Rate) plus the relevant margin (the Floating Rate Notes Margin) and aggregate them to form the applicable Interest Rate. The Floating Rate Notes Reference Rate and the Floating Rate Notes Margin will be specified in the relevant Pricing Supplement. The Floating Rate Notes Rate of Interest payable from time to time for each Interest Period in respect of the Floating Rate Notes will be determined by the Calculation Agent (unless otherwise specified in the Relevant Pricing Supplement) two Business Days before each Interest Payment Date and in the case of the first Interest Period, two days prior to the relevant Issue Date.

Each Floating Rate Note shall cease to bear interest from the date of its redemption unless, upon due presentation thereof, payment of any Principal Amount due thereunder is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate (if any) as specified in the Relevant Pricing Supplement.

c) Calculation of Interest: The Interest payable in respect of any Note for any Interest Period shall be calculated by multiplying the product of the Interest Rate and the outstanding Principal Amount of such Note by the Day Count Fraction, unless Interest (or a different formula for its calculation) is specified in the Relevant Pricing Supplement in respect of such Interest Period, in which case the Interest payable in respect of such Note for such Interest Period shall be the amount specified in the Relevant Pricing Supplement (or be calculated in accordance with such formula).

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition:

- i. if "Actual/364" or "Actual/Actual" is specified in the Relevant Pricing Supplement, the actual number of days in the Interest Period divided by 364 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 364);
- ii. if "Actual/364 (Fixed)" is specified in the Relevant Pricing Supplement, the actual number of days in the Interest Period divided by 364;
- iii. if "Actual/360" is specified in the Relevant Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- iv. if "30/360", "360/360" or "Bond Basis" is specified in the Relevant Pricing Supplement, the number of days in the Interest Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30 day months (unless (A) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30 day month, or (B) the last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month)).

For the purpose of any calculation of Interest pursuant to these Conditions (unless otherwise specified in the Conditions or the Relevant Pricing Supplement), (A) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (with halves being rounded up), (B) all figures shall be rounded to seven significant figures (with halves being rounded up) and (C) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes "unit" means the lowest amount of the currency.

d) Notification of Rate of Interest and Interest: As soon as practicable after an Interest Determination Date, the Calculation Agent will cause the Interest Rate, the Interest payable in respect of each Interest Period and the relevant Interest Payment Dates and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, or Optional Redemption Amount to be notified to the Note Trustee, the Issuer, the Noteholders, any other Note Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange so require, such exchange as soon as possible after their determination but in no event later than the fourth Business Day after all such determinations are complete.

Where any Interest Payment Date or Interest Period is subject to adjustment pursuant to Condition 10.6 (Notices), the Interest and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) and such amendment will be promptly notified to the Note Trustee and to the Noteholders in accordance with Condition 10.16(Notices).

If the Notes become due and payable under an Event of Default, the accrued Interest and the Interest

Rate payable in respect of the Notes shall nevertheless continue to be calculated in accordance with this Condition but no publication of the Interest Rate or the Interest so calculated need be made. The calculation and determination of the Interest Rate or the Interest by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

e) *Certificates to be Final:* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 10.6 (Interest), by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on all parties and (in the absence of the aforesaid) neither the Note Trustee nor the Calculation Agent shall be liable to the Issuer or the Noteholders in connection with the exercise or failure to exercise by the Note Trustee or the Calculation Agent any of their respective powers, duties and discretions pursuant to such provisions.

f) *Accrual of Interest:* Each Note will cease to accrue interest from the date of its redemption unless, upon due presentation thereof, payment of the Principal Amount is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- i. the date on which all amounts due in respect of such Note have been paid by the Issuer to the Noteholder (if no Issue and Paying Agent has been appointed under the Agency Agreement); and
- ii. the date on which all amounts due in respect of such Note have been received by the Issue and Paying Agent and notice to that effect has been given in accordance with Condition 10.16 (Notices) or individually.

10.7 Payments

a) *Method of Payment to Noteholders*

- i. Payment of amounts due on the final redemption of the Notes (the Final Redemption Amount) will be made in accordance with the prevailing BOT Rules.
- ii. Payments of amounts due on any prepayment of the Notes (the Early Redemption Amount) will be made in accordance with the prevailing BOT Rules.
- iii. Interest and Principal Amounts due on redemption shall only be payable to Noteholders registered as such on the Last Date to Register immediately preceding the relevant Interest Payment Date or relevant Redemption Date (as the case may be).
- iv. Subject to Condition 10.7 (a) (i), payment of Interest and Principal Amounts shall be made by the Issue and Paying Agent via electronic funds transfer to the account designated for the purpose by the Noteholder. In the event that for any reason, payment by means of electronic funds transfer is not possible, payment will be made by cheque in the manner set out in the remainder of this Condition 10.7 (Payments).
- v. Cheques in payment of Interest and Principal Amounts shall be drawn on the Issuer or the Issue and Paying Agent and issued by the Issuer or the Issue and Paying Agent as the case may be. Payment of cheques shall be a valid discharge by the Issuer of the obligation upon it to pay Interest or the Redemption Amount on redemption, as the case may be. Cheques shall be dated with the relevant Interest Payment Date or Redemption Date, as the case may be, and shall therefore be payable on that date.
- vi. Payments made by cheque will be made by a Tanzania Shillings cheque and posted by registered post to the address (as recorded in the Register) of the relevant Noteholder on the Business Day not later than the relevant due date for payment unless prior to the relevant Last Day to Register the relevant Noteholder has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated Tanzania Shillings account maintained by such

Noteholder with a bank in Nairobi in which case payment shall be made on the relevant due date for payment by transfer to such account.

- vii. If a cheque is not collected within two Business Days of the date for collection set forth in these Conditions, the cheque shall be posted by registered post to the Noteholder entitled thereto at the address set out in the Register (or to such other address as may have been duly notified in writing to the Issuer and Paying Agent by the Noteholder in accordance with these Conditions not later than the relevant Last Day to Register).
- viii. Neither the Issuer nor any of the Note Agents (if any Note Agent is different to the Issuer) or the Note Trustee will be responsible for any loss in transmission of any cheque posted by way of registered post and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques so posted.
- ix. All payments of Principal Amounts and Interest in respect of the Notes are subject in all cases to any applicable laws, fiscal or otherwise in the place of payment, but without prejudice to the provisions of Condition 10.9 (Taxation). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- x. If at any time a partial payment of any Principal Amount and (or) Interest is made in respect of any Note, the Registrar shall endorse the Register with a statement indicating the amount and date of such payment.

b) Payments on Business Days and Late Payments

- i. Where payment is to be made by electronic funds transfer to a Noteholder's account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following Business Day) will be initiated on the due date for payment.
- ii. Where payment is to be made by cheque, the cheque will be posted by registered post (i) on the Business Day immediately preceding the due date for payment.
- iii. If (otherwise than by reason of the application of Conditions 10.7 (b) (i) and 10.7 (b) (ii) (a) payment of a Principal Amount is withheld or refused when due in respect of any Note, or (b) any Interest is not paid when due (the defaulted amounts mentioned in (a) and (b) above being referred to in this Condition as Defaulted Amounts) then interest shall accrue on each such Defaulted Amount at the Default Rate and shall be paid to the person who is shown as the Noteholder on the relevant Record Date. "Default Rate" means the aggregate of (a) Fixed Note Rate of Interest or (b) the Floating Rate Note Rate of Interest (as the case may be) plus a Default Rate Margin.

c) Interpretation of Principal Amount: Any reference in these Conditions to a Principal Amount in respect of the Notes shall be deemed to include as applicable:

- i. The Final Redemption Amount(s) of the Notes;
- ii. The Optional Redemption Amount(s) of Notes; and
- iii. Any premium and any other amount which may be payable by the Issuer under or in respect of the Notes.

d) Currency of Accounts and Payments: The currency of account and for any sum due from the Issuer hereunder is the Tanzania Shilling, or any successor currency.

10.8 Redemption and purchase of Notes by the Issuer

a) Final Redemption: Unless previously redeemed or purchased and cancelled, each Note shall be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Relevant Pricing Supplement (and which, unless otherwise provided in the Relevant Pricing Supplement, is its nominal amount) on the Maturity Date specified in the Relevant Pricing Supplement.

b) Redemption at the option of the Issuer

- i. If the Issuer has specified in the Relevant Pricing Supplement that he has an option to redeem any Notes, the Issuer may after the expiry of two years from the relevant Issue Date and, in addition, after giving: (a) not less than thirty nor more than ninety days' irrevocable notice to the Noteholders in accordance with Condition 10.16 (Notices); and (b) not less than seven Business Days before giving such notice, having given irrevocable notice to the Registrar and Note Trustee; redeem the Principal Amount specified in such notice under the Notes then outstanding on the date specified by the Issuer in such notice (the "Option Redemption Date") at the Optional Redemption Amount specified in, or determined in the manner specified in, the Relevant Pricing Supplement together with Interest accrued to (but excluding) the Option Redemption Date.
- ii. In the case of a partial redemption of Notes, the Notes to be redeemed (the Redeemed Notes) will be selected individually not more than thirty days prior to the date fixed for redemption (such date of selection being referred to below as the "Selection Date") by lot drawn in such place and in such manner as the Registrar deems appropriate, subject to compliance with any applicable laws and the requirements of any stock exchange on which the Notes are listed, or any other regulatory requirements. In the case of a partial redemption, the notice referred to in Condition 10.16(Notices) shall contain a list of the serial numbers of Notes relative to the Redeemed Notes.
- iii. All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.
- iv. Where only a portion of a Note is being redeemed, redemption shall be in accordance with prevailing BOT rules on partial redemption and the Noteholder's account shall reflect the unredeemed balance upon redemption.
- v. So long as the Notes are listed on a stock exchange and the rules of the relevant stock exchange and/or the CMSA so require, the Issuer shall, once in every year in which there has been a partial redemption of the Notes, cause to be published in a leading newspaper of general circulation in Tanzania and/or as specified by the CMSA and (or) such stock exchange, a notice specifying the aggregate nominal amount of the outstanding Notes.
- vi. For the purpose of Condition 8 (b) (and unless otherwise stated in these Conditions), the Notes will be redeemed at the Early Redemption Amount calculated as follows: (a) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or (b) in the case of Notes with either a Final Redemption Amount which is or may be less or greater than the Issue Price, to be determined in the manner specified in the Relevant Pricing Supplement or, if no such amount or manner is so specified in the Relevant Pricing Supplement, at their nominal amount.
- vii. Purchases. The Issuer may at any time purchase Notes at any price in the open market or otherwise. In the event of the Issuer purchasing Notes, such Notes may (subject to any approvals required from the relevant stock exchange and/or the CMSA or to any restrictions under any applicable laws) be held, resold or, at the option of the Issuer, cancelled in terms of and in accordance with these Conditions.

The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorum at meetings of the Noteholders or for the purposes of Condition 10.17 (Meetings of Noteholders Modification and Waiver).

- c) General: Cancellation:** All Notes purchased by or on behalf of the Issuer may be cancelled by the Issuer. Notes cancelled as aforesaid may not be reissued or resold and the obligations of the Issuer in respect of such Notes shall be wholly discharged.

10.9 Taxation

All payments in respect of the Notes will be made with deduction for, or on account of, any present or future taxes, duties, assessments or Governmental charges of whatever nature (Taxes) imposed or levied by, or on behalf of, Tanzania, or any political sub division of, or any authority in, or of, Tanzania having power to tax, where such withholding or deduction of Taxes is required by law.

The Issuer (or the Issuer and Paying Agent, as the case may be) will deduct withholding tax at the prescribed rate on all interest payments to Noteholders other than any Noteholder who (a) is exempt from such deduction under the provisions of the Income Tax Act (Chapter 332 of the Laws of Tanzania) and (b) has provided evidence of such exemption to the reasonable satisfaction of the Issuer.

10.10 Prescription

The Notes will become void unless presented for payment of Principal Amount within a period of six years and for payment of Interest within a period of six years after the Relevant Date (hereinafter defined) thereof. "Relevant Date" means the date on which such payment first becomes due, except that if the full amount of the moneys payable has not been duly paid by or on account of the Issuer on or prior to such date, it means the date on which notice to that effect is duly given to Noteholders in accordance with Condition 10.16 (Notices). The amounts due under such void Notes will be dealt with in accordance with the provisions of BOT on unclaimed financial assets.

10.11 Events of default

An Event of Default shall have occurred in the case of Notes, if:

- a) Non-payment:** the Issuer fails to pay any Principal Amount which is due in respect of the Notes or the Issuer is in default with respect to the payment of Interest on any of such Notes and such default continues for a period of seven(7) Business Days (provided that the Issuer shall not be in default if, during such period, it satisfies the Note Trustee that the amounts not paid were not paid (i) in order to comply with any applicable laws or order of any court or competent jurisdiction or (ii) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or acceptability given at any time during such period by independent advisers acceptable to the Note Trustee); or
- b) Breach of other obligations:** the Issuer is in default in the performance, or is otherwise in breach, of any warranty, covenant, obligation, undertaking or other agreement under the Notes (other than non-payment under the Notes) and such default or breach (if capable of remedy) is not remedied within thirty (30) Business Days (or such longer period as the Note Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer and, if applicable, by the Note Trustee; or
- c) Cross default:** (i) any indebtedness of the Issuer, (a) becomes due and payable prior to the due date for payment thereof by reason of any default by the Issuer or (b) is not repaid at maturity as extended by the period of grace, if any, applicable thereto or (ii) any guarantee given by the Issuer in respect of any indebtedness of any other person is not honoured when due and called, provided that the aggregate principal amount of such financial indebtedness referred to in (i) or (ii) exceeds TZS120.0 Billion; or

- d) *Bankruptcy:*** the Issuer shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be placed into liquidation or winding up or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganisation under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, manager, liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer or in respect of its property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Issuer commences proceedings with a view to the general adjustment of its indebtedness, which event in any such case is (in the sole opinion of the Note Trustee), materially prejudicial to the interests of the Noteholders; or
- e) *Substantial Change in Business:*** the Issuer makes or threatens to make any substantial change in the principal nature of its business as presently conducted which is (in the sole opinion of the Note Trustee) materially prejudicial to the interests of the Noteholders; or
- f) *Maintenance of Business:*** the Issuer fails to take any action as is required of it under the applicable laws or otherwise to maintain in effect its corporate existence or fails to take any action to maintain any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is (in the sole opinion of the Note Trustee) materially prejudicial to the interests of the Noteholders and such failure (if capable of remedy) is not remedied within thirty (30) Business Days (or such longer period as the Note Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer; or
- g) *Material compliance with applicable laws:*** the Issuer fails to comply in any material respect with any applicable laws to enable it lawfully to exercise its rights or perform or comply with its obligations under the Note Documents; or
- h) *Invalidity or Unenforceability:*** (i) the validity of the Notes or the Note Documents is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes or the Note Documents (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (ii) it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes or the Note Documents and the Note Trustee is of the opinion (determined on its sole discretion) that such occurrence is materially prejudicial to the interests of the Noteholders; or
- i) *Government Intervention:*** (a) all or any substantial part of the undertaking, assets and revenues of the Issuer is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local Government or (b) the Issuer is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets or revenues and, following the occurrence of any of the events specified in Condition 10.11 (i) (a), the Note Trustee is of the opinion (determined on its sole discretion) that such occurrence is materially prejudicial to the interests of the Noteholders; in which event the holders of Notes may, by Extraordinary Resolution of such holders, direct the Note Trustee to give written notice to the Issuer at the Specified Office of the Issue and Paying Agent, effective upon the date of receipt, declaring the Notes to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount, together with accrued Interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

10.12 Regulatory consent

The Note Trustee and the Noteholders will not without the prior written consent of the Relevant Authorities:

- a) Purport to retain or set off at any time any amount payable in respect of the Notes against any amount otherwise payable by any of them to the Issuer except to the extent that payment of such amount in respect of the Notes would be permitted at such time under the Conditions;

- b) Amend or waive or concur in amending or waiving the terms of the Note Documents whereby the subordination of the Notes or any part thereof might be terminated, impaired or adversely affected; or
- c) Attempt to obtain repayment of the whole or any part of the amounts payable in respect of the Notes otherwise than in accordance with the terms of the Note Documents.

10.13 Trust

Any amounts paid by or for the account of the Issuer or received or recovered by the Note Trustee or any Noteholder and any distributions of any kind or character in respect of the Notes received or recovered by the Note Trustee or any Noteholder otherwise than in accordance with the provisions of the Note Documents shall be held in trust by the Note Trustee, or any Noteholder to return the same to the Issuer, or where applicable, the liquidator or other similar such officer.

10.14 Location of register

The Register shall be kept at the offices of the Registrar. The Register shall contain the name, address and bank account details of the registered Noteholder, the Principal Amount of the Note issued to such Noteholder, the date of such issue and the serial number of Note issued. The Registrar shall not be bound to enter any trust into the Register or to take notice of any or to accede to any trust executed, whether expressly or implied, to which any Note may be subject.

The Register shall be open for inspection during the normal business hours of the Registrar to any Noteholder or any person authorized in writing by any Noteholder, the CMSA and the DSE on which the Notes will be listed.

10.15 Agents and specified offices

The names of the Issuer and the initial Issue Agent, Paying Agent, Transfer Agent, Replacement Agent, Registrar and Note Trustee and their initial Specified Offices are set out in the following section:

Issuer	Tanzania Mortgage Refinance Company Golden Jubilee (PSPF) Towers - Main Tower 15th Floor, Ohio Street, P.O.Box 7539, Dar es Salaam, Tanzania Telephone:+255 22 2133868 Attention: Oswald Urassa
Issue and Paying Agent, Calculation Agent, Replacement and Transfer Agent and Registrar:	Azania Bank Limited Mawasiliano Tower, P. O. Box 9271,, Dar es Salaam, Tel: +255 22 2412025-7, Fax: +255 22 2412028 www.azaniabank.co.tz Attention: Charles Itembe
Note Trustee	Azania Bank Limited Mawasiliano Tower, P. O. Box 9271, Dar es Salaam, Tel: +255 22 2412025-7, Fax: +255 22 2412028 www.azaniabank.co.tz

The Issuer is entitled to appoint additional or other Note Agents or note trustees and/or approve any change in the Specified Office through which any Note Agent or the Note Trustee acts in accordance with the provisions of the Note Documents.

Any variations to the Note Agents or the Note Trustee shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than thirty and not more than forty five days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 10.16 (Notices). A copy of the notice shall be sent to the CMSA and the DSE on which the Notes are listed.

10.16 Notices

Notices to the Noteholders will be deemed to be validly given if made by fax, electronic mail, delivered to them, or sent by registered post to them, and:

- a) In the case of notices that are posted to holders of Notes, the notices will be valid if mailed to their registered addresses appearing on the Register. Any such notice shall be deemed to have been given on the seventh Business Day after the day on which it was posted;
- b) In the case of any communication made by fax, the notice will be deemed to have been validly given when on the date following transmission (provided that the sender produces, if requested to do so, a fax transmission report showing that the entire communication was received by the intended recipient); or
- c) In the case of delivery, the notice will be deemed to have been validly given when such communication or document is left with or delivered to the intended Noteholder at its address as recorded on the Register,
- d) In case of electronic transmission, the notice will be deemed to have been validly given when such electronic communication is sent to the intended Noteholder provided that a communication or document which is received after 1700 Hours on a Business Day, or on a day which is not a full Business Day, in the place of receipt shall be deemed to be delivered on the next full Business Day in that place.
- e) All notices regarding the Notes shall be published in a leading newspaper expected to be of national circulation in the Republic of Tanzania. Any such notice will be deemed to have been given on the date of the first publication in the newspaper.
- f) Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Note Agents.

10.17 Meeting of Note holders, modification and waiver

The meeting of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of modification of the Notes shall be convened by Noteholders by notifying TMRC to effect payment within a specified time.

10.18 Governing law and jurisdiction

- a) The Notes is governed by, and shall be construed in accordance with, the laws of the United Republic of Tanzania.
- b) The Issuer agrees for the benefit of the Note Trustee and the Noteholders that the courts of Tanzania shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Notes (respectively, "Proceedings" and "Disputes").

Service of any summons or any other notice of legal process shall be received by the Issuer at its Specified Office.

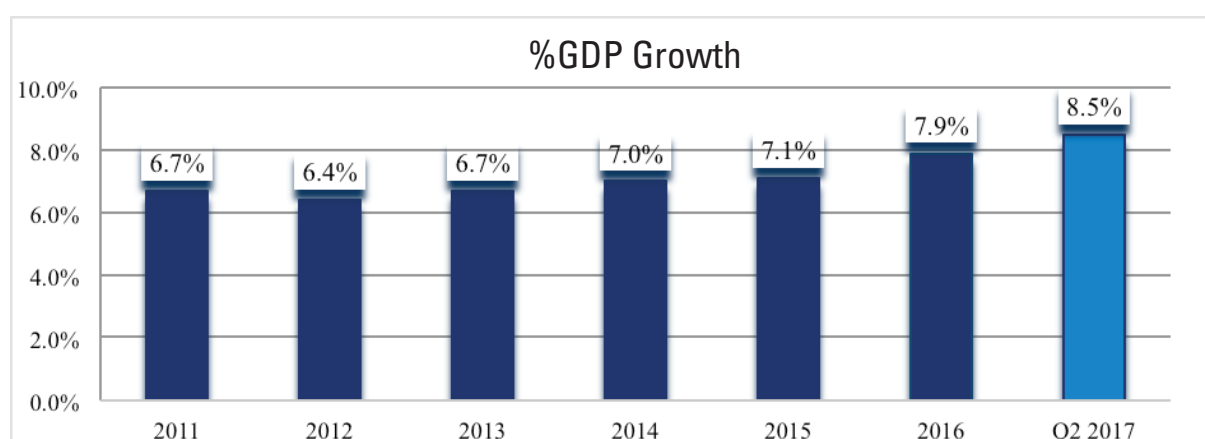
11. ECONOMIC OUTLOOK AND OVERVIEW OF THE FINANCIAL SECTOR

11.1 Overview of the Economy

During Q2 2017, the quarterly Gross Domestic Product (GDP) increased at a growth rate of 8.5% compared to 7.9% 5.8% recorded in the corresponding period of 2016. The increase was as a result of strong performances in sectors, such as; Transport and Storage which grew at 19.8% compared to 30.6%; Mining and Quarrying which grew at 18.0% compared to 20.5% in the corresponding quarter of 2016. Manufacturing grew by 9.3% while Construction grew by 8.8%.

Net government borrowing from the banking system remained subdued due to a build-up of Government deposits at the Bank of Tanzania as a result of improved revenue collection. External debt amounted to USD 16,399.8 million as at the end of September 2016 decline by USD 71.4 million when compared to August 2016. This decrease was due to the repayment of maturing instalments of non-concessional loans and private sector loans. The graphs below show the annual GDP growth from 2011 to 2016.

Figure 1: GDP Annual Growth



Source: Bank of Tanzania and Tanzania National Bureau of Statistics

According to the World Bank, the prospects of the economy lean on:

- Investing in infrastructure;
- Improving the business environment;
- Increasing agricultural productivity and value addition; and
- Improving service delivery to build a healthy and skilled workforce.

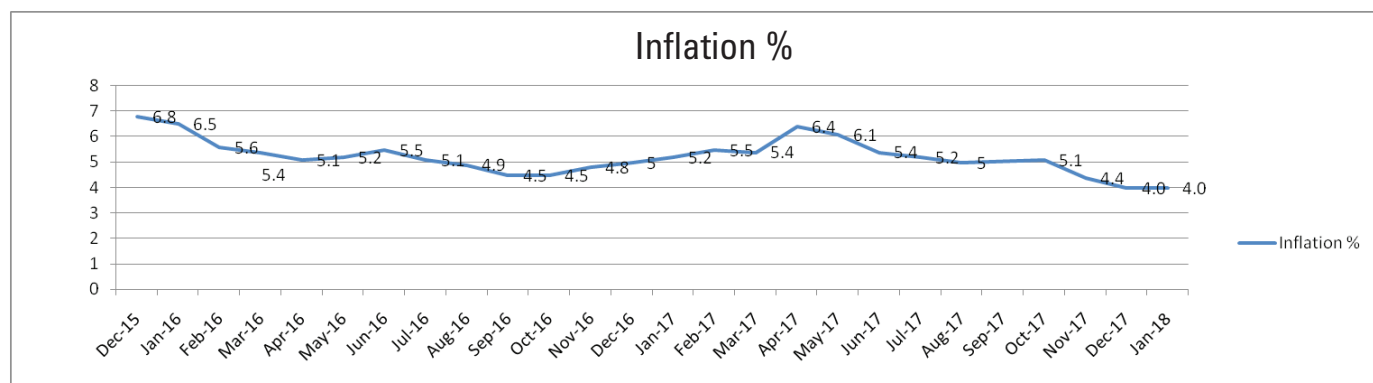
11.2 Macro Indicators

11.2.1 Inflation

In March 2018, twelve-month headline inflation stood at 3.9% compared to 4.1% in February 2018; 4% and 4.4% in November and December 2017 respectively, 2017 continuing its downward trend from April 2017 where it was 6.4%. The continuing downward trend of headline inflation was mainly driven by the decline in food and non-alcoholic beverages.

The Monthly headline inflation rate increased slightly by 0.5% in November compared to October 2017. Between December 2015 and August, 2017, annual headline inflation was on a downward trend owing to a decline in the prices of food crops until May 2017 where there was a slight increase and thereafter remaining within the 5% range. The following graph depicts the movement in inflation between December 2015 and November 2017:

Figure 2: Inflation rates between December 2015 and January 2018



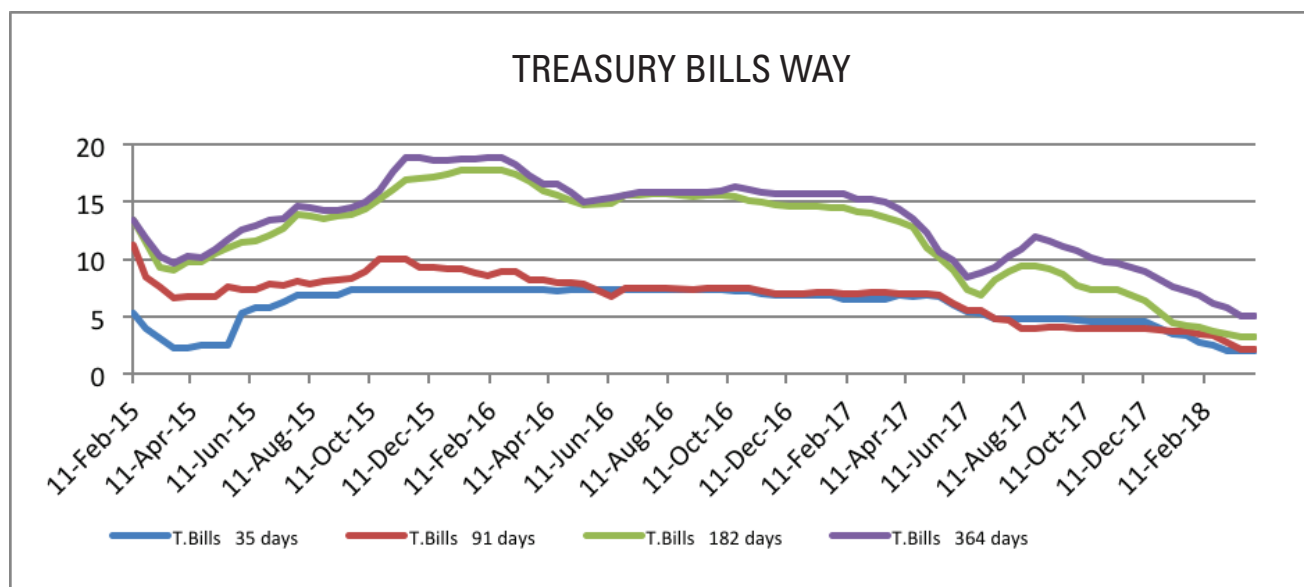
Source: National Bureau of Statistics - Tanzania

11.2.2 Short term interest rates

In March 2018, two auctions of Treasury bills were conducted primarily for financing of the Government budget. Total tender size was valued at TZS 280.4 billion compared to 338.0 billion compared with TZS 279.0 billion in the preceding month previous year which two auctions were conducted. Both auctions were oversubscribed, as value of bids amounted to TZS 663.3 billion. Successful bids amounted to TZS 309.5 billion compared with TZS 341.1 billion sold in three auctions in preceding month.

Weighted average yield to maturity for a 91 day T-bill decreased by 405 bps from 7.2% in March, 2017 to 3.16% in April 2018. The 182 day T-bill decreased by 104.5bps from 13.61% in March 2017 to 3.16% in April 2018, whereas a 364 day T-bill declined by 99.1bps from 15% in March 2017 to 5.09% in April 2018. The downward trend in Treasury bills has put pressure on bank lending rate leading to decline from the highest level of 15% to current level of 9% applicable mainly to large borrowers.

Figure 3: Treasury bill rates between December 2015 and April 2018



Source: Bank of Tanzania

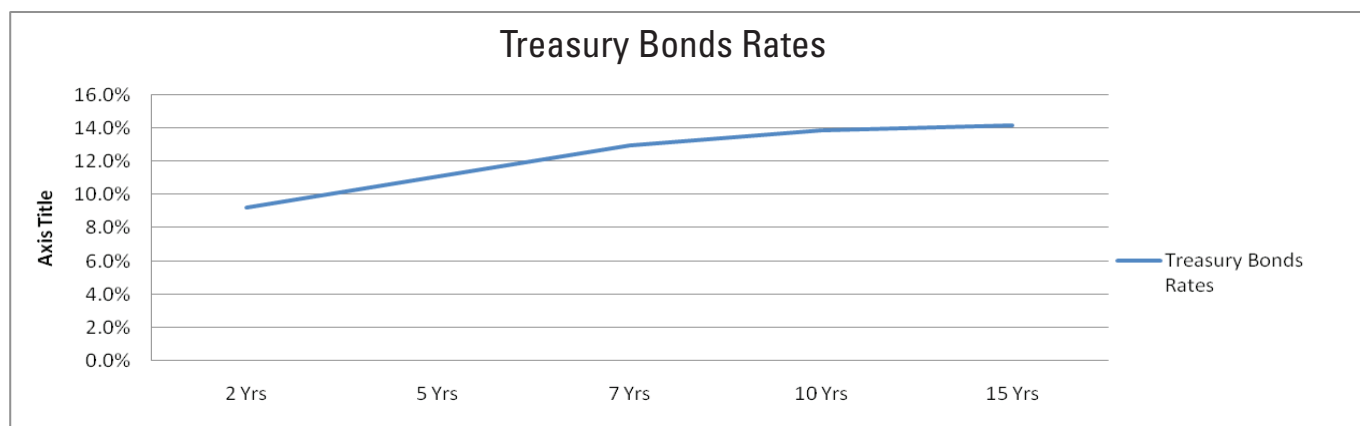
11.2.3 Medium and long term rates

In line with auction calendar of Government bonds for Q1 of 2018, a 2, 5, 7, 10 and 15 year Treasury bonds worth TZS 84 billion, TZS 180.0 billion, TZS 100.0 billion, TZS 222.4 billion and TZS 97.8 billion, respectively, were offered for sale in period covering January to March, 2018. All auctions were oversubscribed.

Successful bids amounted to TZS 84.0 billion, TZS 180.0 billion, TZS 150 billion, TZS 222 billion and TZS 180 billion, respectively.

Weighted average yield to maturity for a 2 year bond decreased by 840.4bps from 17.61% in February 2017 to 9.21% in March, 2018, 5 year bond decreased by 686.4 bps from 17.92% in April 2017 to 11.06% in March, 2018, 7 year bond decreased by 546.2 bps from 18.17% in March 2017 to 12.96% in March, 2018, 10 year bond decreased by 469.8 bps from 18.56% in March 2017 to 13.86% in March, 2018 and a 15 year bond yield decreased by 422.9bps from 19.76% in April 2017 to 14.65% in January 2018.

Figure 4: Treasury bond rates as at March, 2018

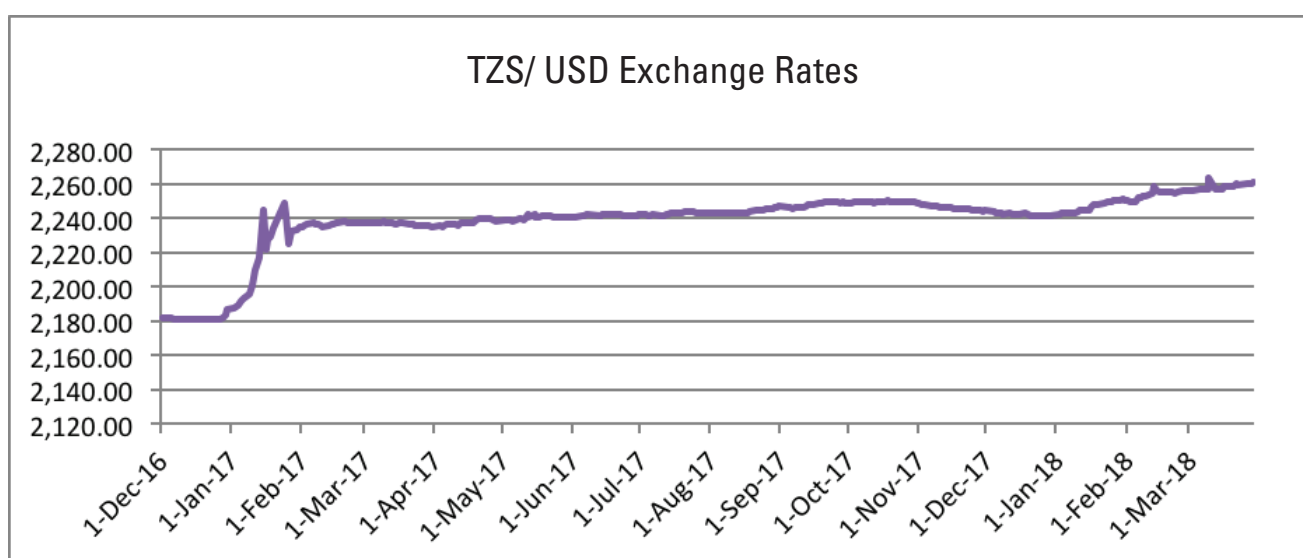


Source: Bank of Tanzania

11.2.4. Foreign exchange rates

Transactions in the interbank foreign exchange market amounted to USD 181.7 million in March, 2018 compared to USD 97.5 million in December, 2016. The Bank of Tanzania participated in the market by purchasing a total of USD 200.09 million in December 2016 compared to USD 219.23 million in November 2016. The shilling remained fairly stable against US dollar throughout the year 2017. On average, the Tanzania Shilling traded at TZS 2258.15 against the dollar in March 2018 compared with TZS 2181.44 against the dollar in the corresponding year. The trend in exchange rates between the Tanzania Shilling and US\$ during the period December 2016 to March 2018 is as follows:

Figure 5: Foreign Exchange Rates (TZS/USD)



Source: Bank of Tanzania

During the year ending December 2016, the balance of payments significantly improved to a surplus of USD 305.5 million compared to a deficit of USD 199.1 million in the corresponding period in 2015. The improvement was mostly a result of a substantial fall in imports and an increase in exports. Gross foreign official reserves stood at USD 4,325.6 million at the end of December 2016. The reserves were sufficient to cover about 4.2 months of projected imports of goods and services, excluding those financed by foreign direct investment. Meanwhile, gross foreign assets of banks amounted to USD 768.2 million.

12. Mortgage Market Overview

12.1 Key sector players and Competition

As of December 2017, a total of 31 banking institutions were offering mortgage loans and this number is set to increase as more banking institutions are expected to launch mortgage loan products. Currently, the mortgage market in Tanzania is dominated by seven lenders who accounted for approximately 70% of the mortgage market. Stanbic Bank, Bank M, CRDB, Azania Bank, Commercial Bank of Africa, NIC Bank, and First National Bank had a market share of 18%, 16%, 11%, 8%, 7%, 6% and 5% respectively. Details of the top 10 mortgage lenders, their portfolios sizes and market share as at December 2017 are as shown by the following table.

Table 1: Mortgage lenders, portfolio size and market share as at 31st December 2017

S/No	Mortgage Lender	No. of Accounts	Amounts in TZS Billion	% Market Share
1	STANBIC BANK (T) LTD	182	60.74	17.61%
2	BANK M TANZANIA PUBLIC LIMITED COMPANY	30	53.79	15.60%
3	CRDB BANK PLC	301	38.43	11.14%
4	AZANIA BANK LIMITED	554	28.03	8.13%
5	COMMERCIAL BANK OF AFRICA (T) LIMITED	161	23.94	6.94%
6	NIC BANK TANZANIA LIMITED	16	19.88	5.77%
7	FIRST NATIONAL BANK TANZANIA LIMITED	94	16.4	4.75%
8	BANK OF AFRICA TANZANIA LIMITED	113	11.9	3.45%
9	KCB BANK TANZANIA LIMITED	57	9.37	2.72%
10	DCB COMMERCIAL BANK PLC	814	8.57	2.48%
11	NMB BANK PLC.	62	7.76	2.25%
12	BARCLAYS BANK (T) LIMITED	57	7.46	2.16%
13	I & M BANK TANZANIA LIMITED	37	7.13	2.07%
14	EQUITY BANK TANZANIA LIMITED	16	5.82	1.69%
15	LETSHEGO BANK (T) LIMITED	119	5.74	1.66%
16	AFRICAN BANKING CORPORATION (T) LTD	41	5.57	1.62%
17	NBC LIMITED	43	5.14	1.49%
18	STANDARD CHARTERED BANK (T) LTD	21	4.7	1.36%
19	EXIM BANK TANZANIA LIMITED	37	4.28	1.24%
20	AKIBA COMMERCIAL BANK LTD	600	3.85	1.12%
21	EFC M.F.B TANZANIA LIMITED	152	2.88	0.84%
22	AMANA BANK LIMITED	32	2.64	0.77%

23	PEOPLES BANK OF ZANZIBAR	17	2.36	0.68%
24	TIB CORPORATE BANK LIMITED	13	1.76	0.51%
25	DIAMOND TRUST BANK (T) LTD.	3	1.73	0.50%
26	YETU MICROFINANCE PLC	547	1.63	0.47%
27	CITIBANK TANZANIA LIMITED	11	1.55	0.45%
28	TIB DEVELOPMENT BANK LIMITED	10	1.03	0.30%
29	INTERNATIONAL COMMERCIAL BANK (T) LTD.	1	0.39	0.11%
30	MUCOBA BANK PLC	32	0.31	0.09%
31	CHINA COMMERCIAL BANK LIMITED	1	0.09	0.03%
	TOTAL	4,174	344.84	100.00%

Source: BOT

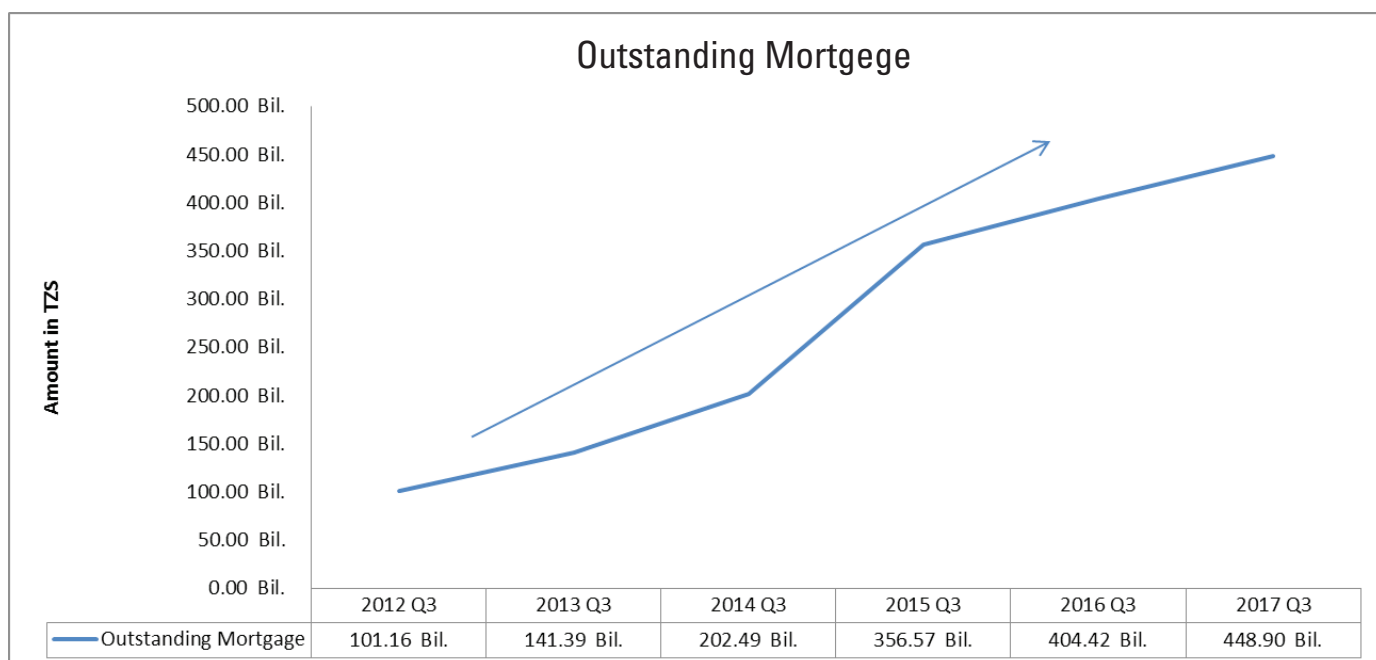
12.2 Market growth rate

The mortgage market in Tanzania has been growing steadily as witnessed by the increased pace of investments in the housing sector. The mortgage market in Tanzania registered an annual growth rate of 6 percent from December 2016 to December 2017. Total lending by banking institutions for the purpose of residential housing was TZS 344.8 billion as of December 2017. A CAGR increase of about 34% from TZS 113.01 Billion in 2012 to TZS 344.8 Billion in December, 2017. The increase in mortgage amounts and number of mortgage loans has been attributed to the following factors:

- Favourable interest rates;
- Increased awareness on mortgage loans among borrowers and public awareness campaigns by major banks;
- Extended tenor of mortgages; and
- Increased competition as new lenders enter the market

Trends in mortgage lending in terms of number of loans in December 2012 to December 2017 are as shown by the following table:

Table 2: Growth in mortgage Loans (update to December 2017)



Source: BOT

12.3 Sector challenges

According to the Ministry of Lands, Housing and Human Settlements Development, the country has a housing deficit of 3.0 Million units. The housing shortage has been increasing in line with Tanzania's increasing population. Previous studies have established that between 1964 and 1969, there was a shortage of approximately 21,000 housing units in urban areas. The housing shortage increased to 25,000 units at the end of the second five year development plan (1969 to 1974) and to 300,000 units in 1982. It is currently estimated that the shortage of housing in Tanzania is more than 3.0 Million units with the majority of this shortfall being in urban areas. According to the Development Finance and Pensions Supervision Department of the BOT, the current housing shortage has led to houses being sold at inordinately high prices which majority of the populace cannot afford. However, real estate firm, Knight Frank projects that housing prices will gradually decrease as the supply of houses increases. The Ministry of Land, Housing and Human Settlements Development has noted that most banks in Tanzania have been slow at venturing into mortgage financing while overall lending rates have remained high. The Ministry opines that market interest rates of between 15% and 20% are very high and unaffordable for mortgage seekers. In summary, the following have been identified as the key challenges that face the mortgage market in Tanzania:

- Insufficient stock of housing developments that can qualify for mortgages: The country has historically not had mortgage facilities and thus property development has mainly been carried out by individuals who rely on personal savings as the source of finance. The supply of housing has been a challenge despite the fact that from the demand side, there are immense opportunities that exist in the housing development space for the keen property developer;
- High cost of land development: As a result of poor town planning, access to sizeable parcels of land for housing development is scarce. The inefficiencies within the Local Government of not being able to deliver the required infrastructure (roads, water, lighting and sewerage) in a timely manner leads to additional costs being incurred by developers who have to factor in the cost of developing sites in the overall project cost;
- Rapid urbanization has seen large populations migrating from the rural areas to the urban areas leading to pressure on the existing housing units in urban areas;
- High interest rates charged on mortgages coupled by low disposable income and savings levels leads to low affordability levels;
- Low outreach of mortgages since majority of the commercial banks don't advance mortgage loans;
- Funding mismatch between mortgage assets and mortgage liabilities (availability of long term finance);
- Numerous court injunctions associated with land and mortgage facilities since land and title registration is a challenge in Tanzania; and
- Low levels of financial literacy especially with regard to the benefits of taking mortgage loans as opposed to saving to build or buy property.

12.4 Sector outlook

Demand for housing is expected to remain high but it will be slowed down by inadequate supply of affordable housing and high interest rates. To alleviate the housing shortage problem, The Government of Tanzania is pursuing a policy of working in partnership with the private sector and through the National Housing Corporation to stimulate the supply of housing and access to finance for borrowers. In addition, new legislation concerning mortgages and condominiums was enacted and new mortgage regulations have come into force to help protect financial markets and provide consumers with confidence when borrowing. The Ministry of Lands and the BOT are working jointly in a unique partnership with the World Bank to address the housing supply and demand side issues facing the mortgage sector in Tanzania. Private sector involvement has been more pronounced as the National Housing Corporation was granted a new mandate with fresh commercially aware management and TMRC was incorporated to assist banking institutions access long term loans for onward lending to their customers.

The construction of new houses by the National Housing Corporation over three years will have a positive effect on the mortgage market as most of these houses will be intentionally priced at affordable rates. In addition, new schemes such as the Public Servants Housing Scheme (which includes employees from all

parastatal organizations and Government agencies) which is expected to build 50,000 affordable houses in five years will boost the mortgage market even further. Pension funds are also actively engaged in the mortgage market since most of them are constructing houses for their members who are at liberty to use their pension as a deposit or down payment for the mortgage loans. This initiative is expected to further boost the mortgage market in Tanzania.

13. Banking Sector Overview

13.1 Industry structure

The banking sector in Tanzania comprises of commercial banks, non bank financial institutions, regional unit banks and foreign exchange bureaus. As at 30th September, 2017, the banking sector comprised of 40 full-fledged commercial banks, 3 Development Financial Institutions, 11 community banks, and 4 microfinance institutions.

13.2 Regulation

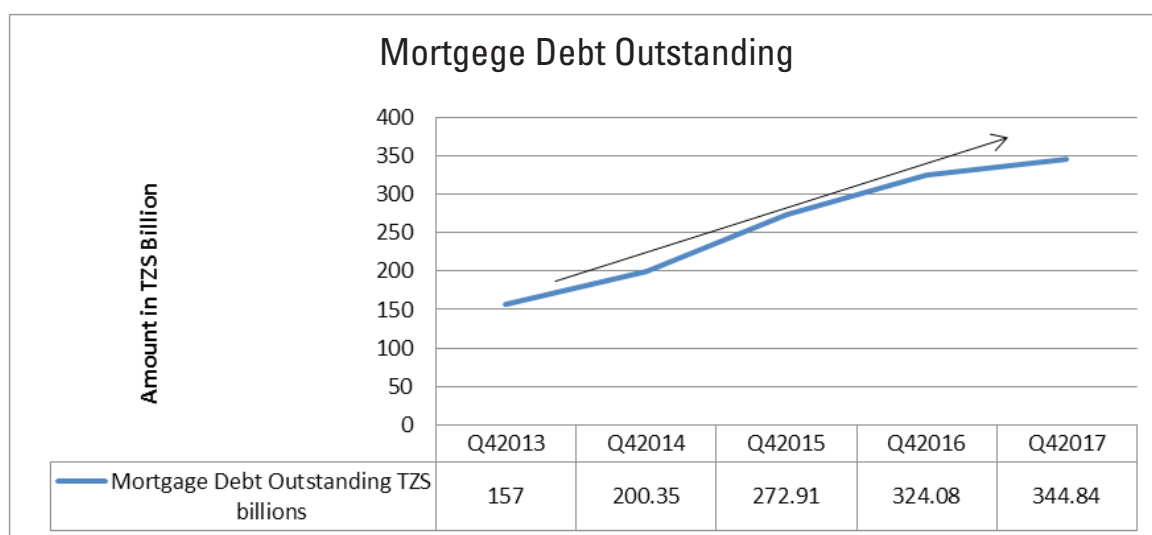
The Bank of Tanzania is mandated to supervise banks and financial institutions, through the following Acts:

- The Bank of Tanzania Act, 2006, which expressly specifies functions and objectives among others as to the regulation and supervision of banks and financial institutions in Tanzania; and
- The Banking and Financial Institutions Act, 2006 (BFIA) which consolidated the law relating to business of banking, seeks to harmonize the operations of all financial institutions in Tanzania, to foster sound banking activities, to regulate credit operations and provide for other matters incidental to or connected with those purposes.

13.3 Industry performance

- According to Bank of Tanzania (BOT) Quarterly Economic Review for December 2017, Tanzania's banking assets grew by 9.2% in December 2017 from January 2017 compared to a compounded annual growth rate (CAGR) of 21% recorded between 2005 and 2015. Banking assets to Gross Domestic Product (GDP) were around compared to 31% at the end of September 2017 and September 2015 and 22% in 2005.
- Loan growth has remained low as most banks scales down lending on account of increasing non-performing loans. The loan-to-deposits ratio was 81.9% in December 2017 compared to 90.8% in September 2017 and 85.4% as of March-2016. The ratio grew from 71.2% in January 2013. There has been some growth since 2010. The banking sector's healthy liquidity buffers provide some reassurance against these vulnerabilities, with liquid assets around 29% of total assets in March 2016.
- Liquidity remained high as evidenced by the interbank overnight lending rate which has declined from the highest level of 11.33% in January 2017 to current level of just over 1% in April 2018.

Table 3: Growth in mortgage Loans to December 2017



Source: BOT

13.4 Recent developments in the banking sector

Distribution channels

Banks in Tanzania rely heavily on branch outlets which are mostly located in the economic capital of Tanzania which is Dar es Salaam and other major towns. This clearly shows that use of alternative delivery channels is low. A company known as Umoja Switch Company Limited, which is specialized in ATM connectivity, has established a centralized ATM network in the country. This network brings together smaller banks that do not have the capacity to individually implement a credible stand-alone ATM network.

Another emerging delivery channel of financial service in the market is mobile banking. Various banks are at different levels in the implementation of either mobile or internet banking. This is likely to be a major delivery channel as banks embrace new technologies.

Financial reforms

On the recommendations of the Presidential Commission and the enactment of the Banking and Financial Institutions Act of 1991, the banking sector was liberalized and opened up to new foreign and domestic private bank entry. This Act was repealed and replaced by the Banking and Financial Institutions Act 2006. Specifically, banking sector reforms drew on the need to restructure and modernize the banking industry in order to foster competition and enhance financial development necessary for sustaining broader macroeconomic stability and long term economic growth. By emphasizing private participation in the banking industry and the economy in general, the main thrust of the financial sector reform program was one of increasing savings and improving the allocation and operational efficiency of the financial system which was characterized by state owned banks and other financial institutions.

The financial sector reforms which also led to the adoption of international best standard regulations accelerated the structural transformation of the Tanzanian banking sector, placing it at the centre of economic policy management and private sector led growth. As a result, since the early 1990s, the banking sector in Tanzania has witnessed marked growth, enthused by the privatization of formerly state owned banks and removal of operating obstacles and entry barriers in the industry. The large wave of foreign bank entry into the Tanzanian banking industry is testimony of the incentives created by the policies of open doors to foreign bank participation.

Improved supervisory and regulatory framework

With the adoption of internationally accepted banking regulations, Tanzania now boasts a stronger regulatory and supervisory regime. Hence, the improvement in the supervisory and regulatory framework has engendered a relatively stronger and stable financial sector owing to prudent banking practices and compliance with internationally accepted accounting procedures. In this regard, the level of capitalization is at par with best international practice as prescribed under the Basel I accord. Bank soundness indicators have also improved remarkably.

14. Business Overview

14.1 Background

TMRC is a licensed non deposit taking financial institution wholly owned by Tanzanian banks that was established for the exclusive purpose of supporting the banks in mortgage financing through the provision of mortgage refinancing facilities to the banks. The institution was incorporated on 29 January 2010 under the Tanzania's Companies Act and commenced operations in November 2011. The institution's mandate is restricted to mortgage refinancing and therefore does not engage in commercial banking related activities such as deposit taking and consumer lending. TMRC is currently funded by equity from its member banks and a loan advanced by the World Bank but channelled through the BOT. TMRC intends to source for funding from the capital markets for on lending to primary mortgage lenders at competitive rates. This is therefore expected to boost the mortgage market and homeownership in Tanzania.

14.2 Key milestones

Since inception, TMRC has made the following achievements.

S/No.	Activity	Date
1.	Recruited more members from 5 in 2011 to 11 in 2013	Jan 2013
2.	TMRC moved to its own permanent offices	Jan 2013
3.	Approval for accepting Non – borrowing members' subscription	May 2013
4.	Restructuring of the project to allow pre-financing and use of Treasury bonds as collateral	May 2013
5.	Obtained 5% discount on WB/BOT loan to fund TMRC loan portfolio	May 2013
6.	Engaged NHC to invest in TMRC to indicate Government commitment to TMRC	May 2013
7.	Acquisition of IT infrastructure for office use	June 2013
8.	Achieved Breakeven	July 2013
9.	Started being Profitable Q 3	Sept 2013
10.	Additional Capital of TZS 2.07 billion through the Right Issue	Q 3 of 2013
11.	Refinance and Pre-finance loan of TZS 16.45 bn	Sept 2013
12.	I&M Bank Tanzania Ltd joins as 12th member by investing TZS 500 mil	June 2014
13.	TMRC bond issue market report and Information Memorandum preparation	Sept 2014
14.	Total Refinance & Pre-finance loan of TZS 34.1 bn at end of Q3	Sept 2014
15.	NHC joins as 13th member after investing TZS 1.1 bn	November 2015
16.	Shelter Afrique joins as 14th member by investing TZS 1.6 bn	March 2015
17.	Recovered all cumulative losses of 2011 to 2013	March 2015
18.	Approval of 100% disbursement on pre-financing	March 2015

19.	Received Additional financing of US \$ 40 million from World Bank	May 2015
20.	Commissioning of TMRC Mortgage Refinance Information System (MRIS)	September 2015
21.	Draft Information Memorandum submitted by NIC Capital	September 2015
22.	Recruitment of PWC as Reporting Accountants towards TMRC bond issue	August 2016
23.	Exhausted initial US \$ 30 million from World Bank	July 2016
24.	Participated in training banks on mortgage lending with the view to standardize mortgage origination process	July 2016
25.	Approval to lend to non-members	August 2016
26.	TMRC pricing change	August 2016
27.	First Housing Finance (Tanzania) Limited joins as the 15 th members by investing TZS 1 billion	March 2017
28.	First Private placement of TMRC Bond with GEPI and PPF amounting to TZS 2 billion	October 2017
29.	Second Private Placement of TMRC Bond with Workers Compensation Fund (WCF) amounting to TZS 2 billion	December 2017
30.	Finalisation of the Information Memorandum for Public Issuance of TMRC Bond	December 2017

14.3 Vision and mission statements

Vision

TMRC's vision is "To become the most preferred secondary market intermediate for mortgage financing in Tanzania".

Mission

TMRC's mission is "To expand home ownership in Tanzania by providing long term mortgage financing to primary mortgage lenders".

Motto

TMRC's motto is "Home ownership through financial intermediation".

Charter

TMRC is a licensed non deposit taking institution that is licensed by BOT for the purpose of conducting its business and by the CMSA for the purpose of bond issuance. The Charter of TMRC reflects its unique role of being a single purpose vehicle and restricts the Company from undertaking banking related activities such as deposit mobilization, commercial loan refinancing or personal lending. However, this restriction was waived to allow TMRC to offer pre financed mortgage loans. This Charter ensures that TMRC will focus on supporting the growth of the mortgage market and the bond market by limiting its activities to issuance of bonds to mobilize funds for refinancing of mortgages.

14.4 Products

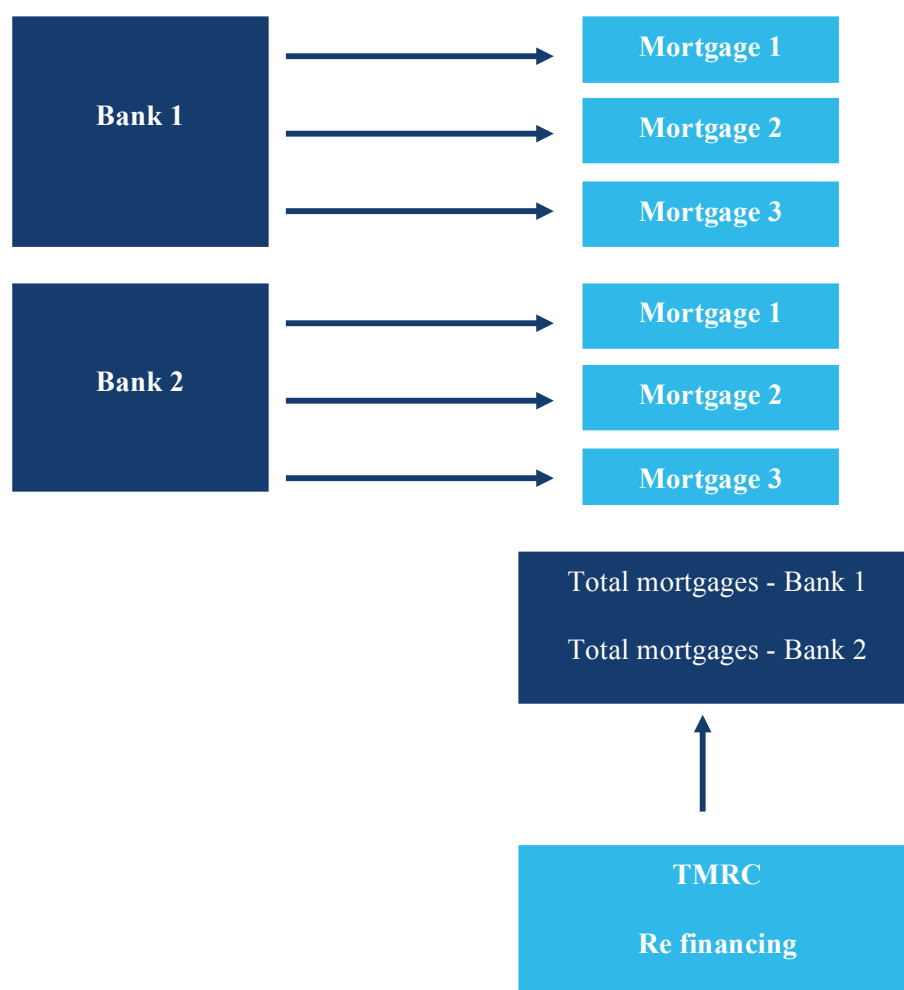
TMRC offers two loan products namely mortgage re financing and mortgage pre financing:

Mortgage refinancing

Under the mortgage refinancing arrangement, a primary mortgage lender advances a loan to a borrower who makes regular repayments (instalments) to repay the loan principal and interest. The borrower also provides collateral in the form of a mortgage over the property to be purchased, constructed, refinanced and orrenovated. Later on, the primary mortgage lender presentsits mortgage portfolio to TMRC for refinancing. Therefore, mortgage refinancing entails primary mortgage lenders originating and funding

their mortgage portfolios using short term funding which they later on present to TMRC for refinancing. Refinancing loans are secured against first ranked fixed charge debentures and a first ranked floating charge specific debenture in favour of TMRC over specified primary mortgage lender's loan portfolios to cover for no less than 125% of value of the refinance loans.

Figure 1: Mortgage re financing



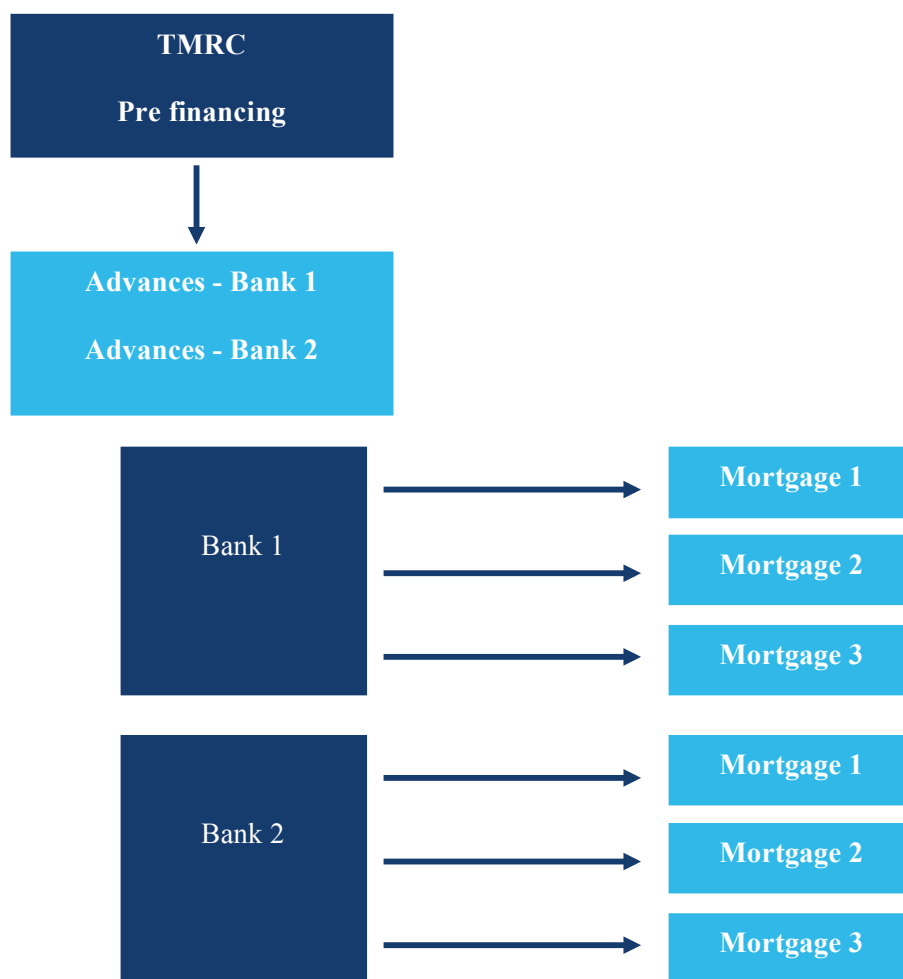
Source: TMRC

Mortgage pre financing

Mortgage pre financing enables TMRC to make advances to banking institutions so that they can directly fund their mortgage business. In return, the primary mortgage lenders provide TMRC with Treasury bonds as collateral and cover for the amount advanced. The primary mortgage lenders requesting for funding are able to do so by providing written instructions to TMRC. TMRC provides the primary mortgage lenders with confirmations of advances, reflecting the terms of the associated advance and commitments.

Pre financing loans are secured on a portfolio of Treasury bonds with a coverage ratio of 105% and minimum remaining tenure that is longer than the maturity of the respective Treasury bonds years from the date of disbursement. The primary mortgage lenders are required to execute legal transfer of the Treasury bonds pledged to TMRC as collateral to the TMRC central depository system account held at the BOT and the transfer must be executed prior to disbursement. The primary mortgage lenders are obligated to maintain an ongoing Treasury bond coverage ratio of 105%.

Figure 2: Mortgage pre financing



Source: TMRC

14.5 Employees

As at 31st December, 2017, TMRC had a total workforce of 16 permanent staff of which 7 were female and 9 were male. There was no temporary staff. The breakdown by department is shown by the following table:

Table 4: Employees

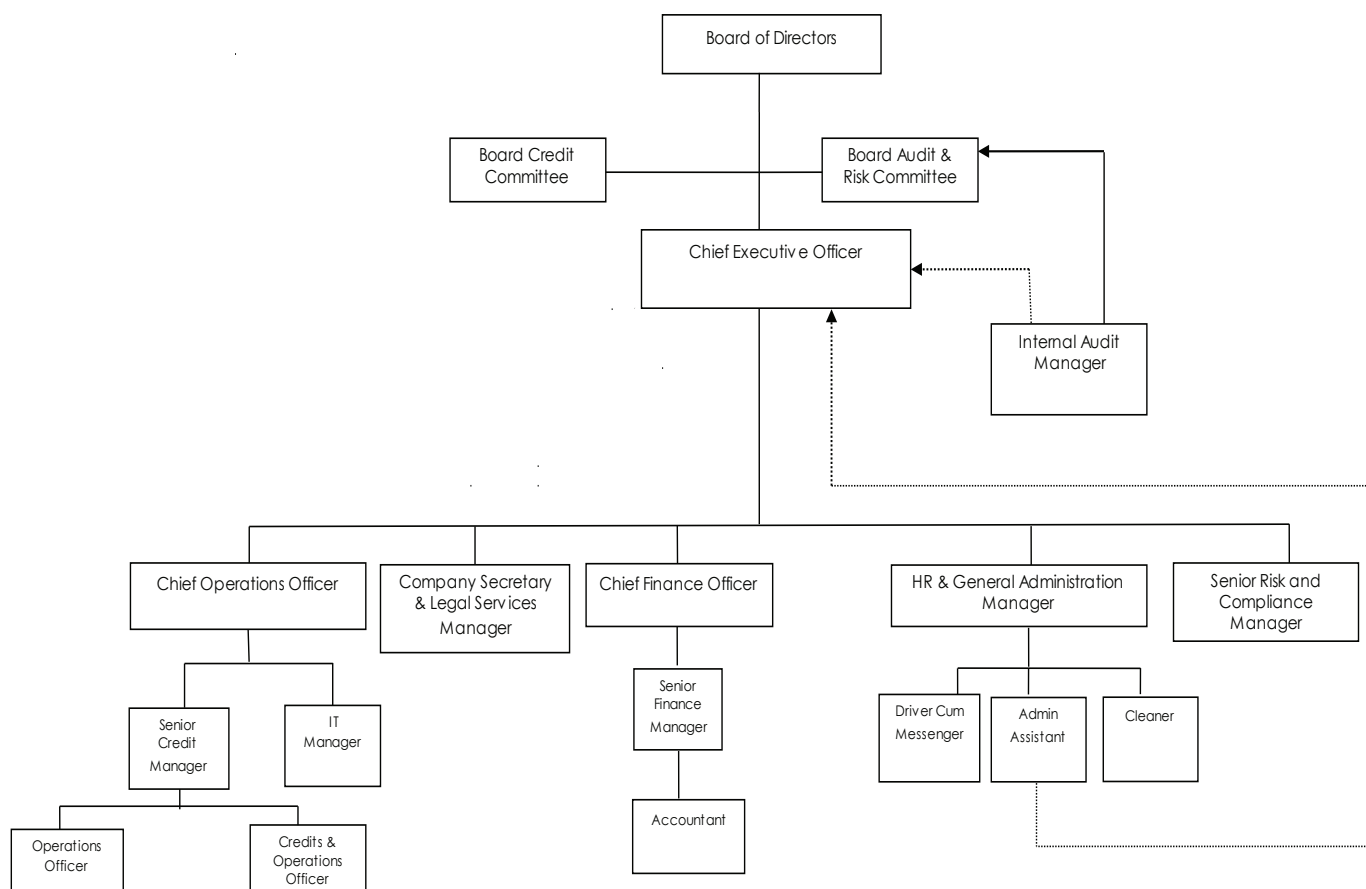
Department	Permanent	Casual	Total
Chief Executive Officer's office	1	-	1
Finance	3	-	3
Legal	1	-	1
Operations and IT	6	-	6
Risk & Compliance	1	-	1
Internal Audit	-	-	-
Human Resources and Admin	4	-	4
TOTAL	16	-	16

Source: TMRC Audited Financial 2017

14.6 Organizational structure

The current high level functional organisational structure of TMRC is as shown by the following chart.

Figure 3: Functional organization chart



Source: TMRC

14.7 Senior management

The summary profiles of the company's management are as follows:

Table 5: Senior management

TMRC Senior Management	
Oscar Mgaya, Chief Executive Officer	Oscar Mgaya joined Tanzania Mortgage Refinance Company (TMRC) in January 2011 as Chief Operations Officer. Oscar has over 18 years of commercial real estate and financial services experience. Prior to joining TMRC, Oscar was Director of Real Estate for Limited Brands in Ohio (U.S.A.). Oscar previously worked for JP Morgan Chase and General Electric Company. Oscar received both his Bachelor of Arts degree in Finance/Management, as well as his Masters of Arts degree in Management at Walsh University. He is also a Certified Leasing Specialist (CLS).
Oswald Urassa, Chief Finance Officer	Oswald Urassa joined TMRC in January 2011 from NMB where he headed the Treasury department for three years. He has over 20 years' experience in financial accounting, capital markets, research and banking. Oswald worked with the Institute of Finance Management (IFM) as Senior Lecturer and as Head of Finance and Operations at the DSE. Mr. Urassa holds a Bachelor of Commerce degree majoring in Accountancy from the University of Dar es Salaam and Masters in Business Administration (MBA) from University of Birmingham, UK. He is also Fellow Certified Public Accountant (FCPA) registered by the National Board of Accountants and Auditors of Tanzania (NBAA) as well as Certified Commonwealth Corporate Governance Trainer.

TMRC Senior Management	
Shabani Mande, Chief Operations Officer	Shabani Mande Joined Tanzania Mortgage Refinance Company (TMRC) in July 2011 as Head, Information Technology. Shabani has accumulated over twelve years of management experiences in Information and Communication Technology (ICT). He has joined TMRC from Tanzania Postal Bank where he was Director, Information and Communication Technology. He also worked with Barclays Bank Tanzania, during its second coming in year 2000, Tanzania Telecommunication Company (TTCL) and Dar es Salaam Water and Sewerage Corporation (DAWASCO) as Information Technology Manager. Shabani has a Bachelor of Science degree in Electronic Science & Communication from the University of Dar es Salaam and is a Practitioner Certified Microsoft Systems Engineer.
Anna-Maria Shija, Senior Risk and Compliance Manager	Anna-Maria Shija joined TMRC in March 2013 from NBC where she worked for four years, heading the Wholesale Credit Risk and Compliance and Risk and Control Units. She has seven years' experience in Auditing and Credit Risk Management. Anna Maria worked with Deloitte and Touché as Audit Senior and NBC as Head of Wholesale Credit Risk and Compliance and Risk and Control Units. Ms. Shija holds a Bachelor of Commerce degree majoring in Accountancy from the University of Dar es Salaam. She is also a Certified Public Accountant (CPA) registered by the National Board of Accountants and Auditors of Tanzania (NBAA).
Irene Mbilinyi Internal Audit Manager	Irene Mbilinyi joined TMRC in March 2018 from Exim Bank (T) Ltd where she worked for 5 years as Internal Audit Manager. She has over 10 years' experience in internal auditing obtained at Exim Bank. Ms. Irene holds a Bachelor of Commerce degree majoring in Accountancy from the University of Dar es Salaam and Masters in Business Administration (MBA) from Mzumbe University, Tanzania. She is also a Certified Public Accountant (CPA) registered by the National Board of Accountants and Auditors of Tanzania (NBAA) and a member of the Institute of Internal Auditors (IIA).
Ms. Eugenia Shayo, Company Secretary	Ms Eugenia Shayo was appointed to be the Company Secretary of TMRC since 01 st June, 2017. She holds a Bachelor's degree in Laws from University of Dar es Salaam and a post graduate diploma in law (Mediation and Arbitration) from the Institute of Social Works, 13 years of Legal practice experience and 11 years of banking experience. She has a combined unique ability in understanding business affairs of the banking industry. Ms Shayo has served in various senior positions in Banks such as the Senior Legal & Compliance Officer for BancABC Tanzania, Head of Credit Administration BancABC Tanzania and the Director of Legal, Credit & Company Secretary for Twiga Bancorp Limited. She is also an Advocate of the High Court of Tanzania.

Source: TMRC

14.8 Strategic initiatives

Under the current business plan period, TMRC seeks to focus on the following goals and objectives:

- Mobilising additional members to improve the company's capital base;
- Encouraging banks to increase their participation in granting housing loans to customers to provide an opportunity for TMRC to grow refinance loans. This will boost the mortgage market in Tanzania;
- Generating additional revenue, improving organization and management and creating a customer focused and performance based culture with view to improve shareholder value;
- Jointly marketing mortgage loans with primary mortgage lenders to improve their uptake;
- Developing messages to improve financial literacy on mortgage products in Tanzania;
- Initial mobilisation of funds through private placement of bonds with social security institutions (SSI); and
- Raising additional finance for on lending to primary mortgage lenders at competitive rates.

15. Shareholding and Corporate Governance

15.1 Shareholding structure

The shareholders of TMRC as at 31stDecember, 2017 are as shown by the following table:

Table 6: Shareholding structure

Institution	No. of shares	% stake
CRDB Bank PLC	2,400,000	13.20%
Azania Bank Limited	2,000,000	11.00%
Shelter Afrique	1,866,000	10.26%
NMB Bank PLC	1,800,000	9.90%
TIB Development Bank Limited (formerly Tanzania Investment Bank Limited)	1,500,000	8.25%
Exim Bank (Tanzania) Limited	1,200,000	6.60%
DCB Commercial Bank PLC	1,100,000	6.05%
National Housing Corporation	1,200,000	6.08%
BancABC Tanzania Limited	1,000,000	5.50%
Bank of Africa (Tanzania) Limited	1,000,000	5.50%
First Housing Finance (T) Ltd	616,523	3.39%
National Bank of Commerce Limited	1,000,000	5.50%
NIC Bank (Tanzania) Limited	500,000	2.75%
Peoples Bank of Zanzibar Limited	500,000	2.75%
I&M Bank (T) Limited	500,000	2.75%
TOTAL	18,082,523	100.0%

Source: TMRC

15.2 Corporate governance

Governance is the means by which the affairs of an institution are directed and managed thereby promoting corporate accountability and business aptness, so as to achieve an optimal shareholder value whilst simultaneously taking into consideration the interests of other stakeholders. It is premised on the principles of integrity, accountability, prudence and openness.

The Board of Directors of any institution are accountable for sound corporate governance vis a vis business strategy, practices and policies. TMRC is committed to good corporate governance policies and the Board Charter of the Company contains all the guidelines stipulated by the BOT Prudential Guidelines.

The primary responsibility of the Board of Directors of the Issuer is to provide governance and stewardship to the Company in accordance with the laws and regulations that govern it. It is the duty of the Directors to exercise their business judgment in the best interest of the Company. The Company's business is conducted by employees, managers and corporate officers led by the Chief Executive Officer with oversight from the Board. The Company is compliant with the guidelines on corporate governance practices by the Companies Act, Cap 212 and the Capital Markets and Securities Act, Cap 79 (Act No. 5 of 1994).

15.3 Directors

The summary profiles of the Directors of the Board of the company are as follows:

Table 7: Director Profiles

TMRC Board of Directors		
Name	Age	Profile
Ammish Owusu Amoah Director Chairman (Non-Executive and Independent)	56	Ammish Owusu Amoah is the Managing Director of Bank of Africa Tanzania Limited. Ammish has over eighteen years of experience in the banking sector across east and West Africa having worked for Standard Chartered Bank in Ghana as the Financial Business Support Manager, Head of Credit Services in West Africa and Head of Technology and Operations. Ammish also worked with Ecobank Transnational Incorporated as Group Head of Operations and was an integral member of the team that established the Ecobank shared service centre in Accra. Prior to taking up his current role at Bank of Africa Tanzania, Ammish served as Managing Director of Unibank.
Charles Singili (Non-Executive and Independent Director)	60	Charles Singili is the Managing Director of TIB Development Bank. Previously he worked as Managing Director, Azania Bank Limited and has previously worked with the BOT in the Directorate of Bank Supervision for a period of seven years before being seconded to National Bank of Commerce Limited as Director of Finance and Administration where he supported restructuring and privatization. He later briefly worked as the Deputy Director of Microfinance Operations with the BOT before being seconded to First Adili Bancorp (reorganized and renamed Azania Bank Limited). Charles has broad international experience in finance, credit management and corporate governance from various programs and seminars attended internationally. Charles is most notably responsible for pioneering the issuance of mortgage facilities to the public in his current role at Azania Bank Limited. Charles currently serves as the Vice Chairman of Tanzania Bankers Association, Board Member of the Advisory Council of the BOT Training Institute, Member of the Ministerial Advisory Board of the Tanzania Institute of Accountancy, Vice Chairman of the Umoja Switch Company Limited. Charles holds a Bachelor of Commerce in Accounting from the University of Dar es Salaam and is a Certified Public Accountant and is a member of the National Board of Accountants and Auditors.
David Lusala Director (Non-Executive and Independent)	40	David Lusala is the Head of Risk and Compliance at Exim Bank Tanzania. David has vast experience in the fields of corporate governance, risk management and business continuity. David has previously worked with Bank of Africa where he held various positions in banking operations, trade finance, treasury and operations. Prior to joining Exim Bank Tanzania, David also worked as a Compliance Officer of Whitebread one of UK's largest hospitality and leisure groups that is listed on the London Stock Exchange. David holds a Master of Business Administration from the University of Wales in the UK and a Bachelor of Science in Applied Accounting from Oxford Brookes University in the UK.
Dr Charles Kimei Director (Non-Executive and Independent)	65	Dr Charles Kimei is the Managing Director of CRDB Bank. Charles Joined CRDB Bank in 1998 and has vast experience in the banking industry. Prior to joining CRDB Bank, Charles was the Director of Banking Supervision at the BOT and had previously served as a Director of Economic Research and Policy and Manager, Economic Research and Statistics at the BOT. Charles holds a Doctor of Philosophy in Economics and Master of Arts in Economics both from Uppsals University in Sweden and a Bachelor of Science in Economics from Moscow State University in Russia.

TMRC Board of Directors		
Mr. Charles Itembe Director (Non-Executive and Independent)	45	Charles Itembe is a CEO of Azania Bank Ltd. Prior to this appointment, he worked with TIB Corporate Bank Ltd as Director of Treasury, CRDB Bank as Treasury Manager. Charles holds Master of Arts (Economic) and Bachelor of Arts (Economics) both from the University of Dar es Salaam and higher diploma in Banking from Milpark Business School, University of Cape Town, South Africa.
Tom Borghols Director (Non-Executive and Independent)	61	Tom Borghols is the Chief Risk Officer of NMB Bank Tanzania PLC. He is responsible of Credits; Special Assets; Operational, Market, IT and Fraud Risk and Compliance. He has over 30 years banking experience having worked with ABN AMRO Bank, Fortis Bank and Rabobank. Over the course of 30 years' experience, he has held positions in the commercial and in the risk area, both in corporate and in retail banking. Working his way up from Relationship Manager to Branch Manager and Country Manager, Tom started his career in his native Netherlands and moved to Curacao in the Caribbean, and then to Kenya, Rwanda and Zambia. He worked with the Bank Populaire du Rwanda, thereafter was appointed to position of Director Risk at Zambia National Commercial Bank (ZANACO). Tom holds a Masters Degree in International Law.
Dana Botha Director (Non-Executive and Independent)	58	Dana is the Group Head Corporate Banking and Specialized Finance at BancABC (Listed in Botswana – ABC Holdings Limited) where he is responsible for the management of the corporate banking and specialized finance portfolios across Botswana, Zambia, Tanzania, Mozambique and Botswana. Having previously worked with Absa Bank Limited, Barclays Bank Africa Regional Office and Absa Bank (Asia) Limited – Hong Kong, Dana has proven track record and has successfully managed businesses and business units of different sizes and complexities across various geographical areas such as Hong Kong, China and multiple countries in Sub Sahara Africa. He is well acquainted to working in multicultural, multinational and matrix environments. Dana holds MBL (Master in Business Leadership) and Bcom (Accountancy).
Godfrey Ndalohwa Director (Non-Executive and Independent)	42	Godfrey Ndalohwa is the Managing Director and Chief Executive Officer of the DCB Commercial Bank PLC. Prior to joining DCB, he worked with KCB as Head of Finance and Acting CEO. He also worked with Deloitte as an Auditor; National Bank of Commerce; Barclays Bank and Coca-cola Sabco in different countries including South Africa; Mozambique; Kenya; Ethiopia; Egypt and Uganda as Head of Finance and Strategy. Godfrey graduated in Bachelor of Commerce (BCom) from University of Dar es Salaam and currently he is pursuing an MBA at ESAMI. He is Certified Public Accountant with NBAA. Filing with BRELA is in progress.
Felix Maagi Director (Non-Executive and Independent)	48	Felix Maagi is a Certified Public Accountant (CPA) registered by the National Board of Accountants and Auditors in Tanzania (NBAA). He is also the holder of Bachelor of Commerce degree from the University of Dar es Salaam as well as MBA from ESAMI. He is currently Acting Director General of National Housing Corporation. He is also working as Director of Finance at NHC. Prior to joining NHC, he worked with PricewaterhouseCoopers (PWC) as Senior Auditor; Country Finance Manager at Coca-cola Tanzania; Finance Manager at Century Bottling Uganda and Director, Jobconnect Ltd in Tanzania.

TMRC Board of Directors		
Femi Adewole Director (Non-Executive and Independent)	56	Femi Adewole is currently Acting Managing Director of Shelter Afrique (SHAF), a pan African housing finance company in Nairobi. he has vast experience having worked with Hyde Housing Group, in London, UK; Guinness Trust High Wycombe, Bucks UK; Regional Director at Bedfordshire Pilgrims Housing Association and Group Operations Director at Notting Hill Group, UK. He has worked for Lagos CHOIS LLP as CEO before joining SHAF as Director Business Development and Operations. Femi holds BSc. and MSc. in Architecture from University of Ife, Nigeria; MSc. in Land Management from University of East London as well as MBA from University of Warwick.
Theobald Maingu Sabi Director (Non-Executive and Independent)	42	Mr. Theobald Sabi is the acting Managing Director of National Bank of Commerce Ltd (NBC). He is currently Director for Corporate and Investment Banking. Theobald joined NBC from Standard Chartered Bank where he was Head of Client Coverage for four years. prior to this appointment, he worked as Head of Sales and Credit Services and Business Finance Manager for ten years. He started his career with PriceWaterHouseCoopers (PWC) for two years before joining Standard Chartered Bank. Theobald is Fellow Chartered Certified Accountant (FCCA) as well as holder of BSc (Hons) Electrical Engineering from the University of Dar es Salaam.
Oscar Mgaya Chief Executive Officer (Executive Director)	50	Oscar Mgaya joined Tanzania Mortgage Refinance Company (TMRC) in January 2011 as Chief Operations Officer. Oscar has over 18 years of commercial real estate and financial services experience. Prior to joining TMRC, Oscar was Director of Real Estate for Limited Brands in Ohio (U.S.A.). Oscar previously worked for JP Morgan Chase and General Electric Company. Oscar received both his Bachelor of Arts degree in Finance/Management, as well as his Masters of Arts degree in Management at Walsh University. He is also a Certified Leasing Specialist (CLS).
Ms. Eugenia Shayo, Company Secretary	41	Ms Eugenia Shayo was appointed to be the Company Secretary of TMRC since 01st June, 2017. She holds a Bachelor's degree in Laws from University of Dar Es Salaam and a post graduate diploma in law (Mediation and Arbitration) from the Institute of Social Works, 13 years of Legal practice experience and 11 years of banking experience. She has a combined unique ability in understanding business affairs of the banking industry and she has been assisting the banks to meet its compliance obligations under relevant laws in a financial outlook and risks analysis. Ms Shayo has served in various senior positions in Banks such as the Senior Legal & Compliance Officer for BancABC Tanzania, Head of Credit Administration BancABC Tanzania and the Director of Legal, Credit & Company Secretary for Twiga Bancorp Limited. She is also an Advocate of the High Court of Tanzania.

Source: TMRC

15.4 Responsibilities of the Board

The Board's principal duty is to promote the long term success of TMRC by creating and delivering sustainable shareholder value. The Board Charter defines the governance parameter, within which the Board exists and operates, sets out specific responsibilities to be discharged by the Board, its committees and Directors collectively, as well as certain roles and responsibilities incumbent upon the Directors as individuals. A summary of the Board's responsibilities is as follows:

- Providing entrepreneurial leadership to the Company within a framework of prudent and effective controls which enable risk to be assessed and managed;
- Formulating strategy and ensuring that there are adequate policies, systems and structures to successfully implement the Company strategies;

- Monitoring the Company's performance against its strategic plans and objectives on an ongoing basis, as well as through mandatory quarterly meetings;
- Reviewing and approving the publication of financial statements;
- Selecting, appointing and appraising of senior executive officers who are qualified and competent to manage the affairs of the Company effectively;
- Approving the risk management framework and ensuring that there are adequate structures and systems to identify, measure, control and monitor the key risks facing the Group, including compliance related risks;
- Reviewing the effectiveness of the systems for monitoring and ensuring compliance with relevant laws, regulations, industry rules and standards;
- Developing the terms of reference of all Board Committees, and the reviewing of reports and minutes of those committee deliberations;
- Developing, reviewing and monitoring the Company corporate governance policies and practices; and
- Reviewing the Company's capital levels to ensure that there is adequate capacity for the planned growth and expansion within the strategic cycle, and approving major capital expenditure, acquisitions and divestitures.

15.5 Board Committees

Board Committees are appointed and delegated with authority to decide on certain issues and to recommend the more important ones to the Board for approval. The Board Audit and Risk Committee (BARC) is responsible for Internal audit and Risk Management issues of the Company. Currently, the risk management and internal audit functions are handled by BARC. However, at a later stage when the volume of transactions and scope of activities increases, TMRC will set up different Board committees to address various issues as well as separating audit and risk management functions into two separate Board Committees.

Board Audit and Risk Committee

The Board Audit and Risk Committee reviews the audits of the Company's operations as well as the effectiveness of the financial and internal controls. The Internal Auditor and External Auditors report directly to BARC. The committee is also responsible for ensuring that there is proper oversight of risks of the Company. The Board of Directors sets the risk appetite and tolerance level that is consistent with the Company's overall business objectives and risk principles. The BARC assists the Board of Directors by ensuring that there is effective oversight and development of strategies, policies and procedures to manage risks. Members of the BARC are as shown by the following table:

Table 8: BARC members

Name	Position
Dr Charles Kimei	Chairman
Charles Itembe	Director
Charles Singili	Director
David Lusala	Director
Femi Adewole	Director

Source: TMRC

Board Credit Committee

The Board Credit Committee is charged with the following responsibilities:

- Approving credit to member banks which exceed the management limit;
- Reviewing on a quarterly basis, the quality of the TMRC loan portfolio;
- Reviewing on an annual basis, the credit limits of member banks;
- Reviewing TMRC compliance with regulatory requirements in credit administration; and
- Assessing on an annual basis, the adequacy of the credit review process

Table 9: BCC members

Name	Position
Dana Botha	Chairman
Felix Maagi	Director
Theobald Sabi	Director
Godfrey Ndalahwa	Director
Tom Borghols	Director

Source: TMRC

15.6 Board meeting attendance

During the year 2017, the Board held four meetings.

Table 10: Board meeting attendance

Name	Position	Meetings Attended
Ammish Owosu Amoah	Chairman	4/4
Felix Maagi	Vice chairman	3/4
David Lusala	Director	3/4
Dr Charles Kimei/ Saugata Bandyopadhyay	Director	4/4
Charles Singili/ Bernard Mono	Director	3/4
Ineke Bussemaker/ Tom Borghols	Director	3/4
Dana Botha	Director	4/4
Godfrey Ndalahwa/ Steven Dede	Director	4/4
Theobald Sabi	Director	3/4
Charles Itembe/ Esther Mang'anya	Director	3/4
Femi Adewole/ Wagane Diouf	Director	4/4
Oscar Mgya	Chief Executive Officer	4/4
Eugenia Shayo	Company Secretary	3/4

Source: TMRC

15.7 Directors' remuneration

The remuneration of all Directors of TMRC is subject to approval by shareholders. Non Executive Directors agreed not to be paid any remunerations as they are using their respective employers' time for TMRC matters. Instead, they agreed to have professional indemnity cover for their services in TMRC. For directors representing Shelter Afrique, the company pays for their ticket and upkeep costs while attending Board and committee meetings. Executive Directors are on a contract and their remuneration is fixed by the Board of Directors. No remuneration has been paid to TMRC directors since inception and provision for their remuneration will be implemented in future periods.

16. Financial Overview

The TMRC audited financial statements during the period 2012 to 2017 are as outlined in the following sections.

16.1 Statement of comprehensive income

(TZS '000)	2012	2013	2014	2015	2016	2017
Interest Income	1,492,236	2,415,857	4,896,373	6,700,042	8,374,870	11,049,242
Interest Expense	-370,987	-979,518	-2,472,460	-3,858,001	-5,038,781	-6,912,188
Net Interest Income	1,121,249	1,436,339	2,423,913	2,842,041	3,336,089	4,137,054
Other Income	35,753	87,849	140,474	334,139	622,042	528,646
Gross Income	1,157,002	1,524,188	2,564,387	3,176,180	3,958,131	4,665,700
Operating Expenses	-1,494,847	-1,480,939	-1,787,978	-2,327,389	-3,012,486	-3,372,081
Finance costs	-1,557	-1,672	-2,892	-3,508	-7,527	-20,410
Profit before tax	-339,402	41,577	773,517	845,283	938,118	1,273,209
Tax credit	-175,437	263,298	-241,970	-297,747	-282,850	-394,055
Profit for the year	-514,839	304,875	531,547	547,536	655,268	879,154

Source: TMRC Audited Financial Statements

16.2 Statement of financial position

Table 11: Statement of financial position

(TZS '000)	2012	2013	2014	2015	2016	2017
ASSETS						
Cash and cash equivalents	75,077	123,436	368,832	512,071	182,593	75,459
Government securities	5,544,399	5,544,399	12,879,318	16,209,920	16,814,479	18,767,417
Investment Securities	3,559,913	6,983,374	633,625	491,844	1,577,519	475,717
Mortgage refinance and pre-finance loans	4,272,032	16,624,525	34,392,234	44,318,764	60,367,560	82,123,465
Other Receivables	144,787	96,125	186,991	267,349	682,722	817,685
Equipment	312,508	550,555	406,097	500,737	343,428	222,482
Intangible assets	2,685	118,489	69,924	1,178,847	724,259	290,017
Deferred Tax	-	263,298	21,329	-	-	-
Tax recoverable	19,890	19,890	-	2,449	-	-
Total Assets	13,931,292	30,324,091	48,958,350	63,481,981	80,692,560	102,772,242
LIABILITIES						
Loans and Borrowings	4,267,570	16,606,727	34,359,083	44,261,947	60,261,104	79,965,594
TMRC Corporate Bond	-	-	-	-	-	2,080,020
Trade and other payables	138,283	163,714	154,543	253,795	216,770	303,240
Deferred Tax	-	-	-	102,809	86,781	51324
Capital Grant & Deferred Revenue	-	403,338	262,864	1,314,432	789,494	305,893
Current Tax Payable	-	-	-	-	25,774	28,369
Total Liabilities	4,405,853	17,173,779	34,776,490	45,932,983	61,379,923	82,734,440
SHAREHOLDERS' EQUITY						
Share Capital	10,200,000	13,770,000	14,270,000	17,136,000	17,236,000	17,952,523
Share Premium	-	-	-	-	-	383,477

Proposed Dividends	-	-	-	-	262,156	351,661
Advance towards share capital	250,000	-	-	-	1,000,000	-
Retained Earnings	-924,561	-619,688	-88,140	349,889	611,947	963,608
Specific Reserve	-	-	-	109,507	240,561	416,392
Fair Value Loss	-	-	-	-46,398	-38,027	-29,859
Total Equity	9,525,439	13,150,312	14,181,860	17,548,998	19,312,637	20,037,802
Total Liabilities And Equity	13,931,292	30,324,091	48,958,350	63,481,981	80,692,560	102,772,242

Source: TMRC

16.3 Statement of cash flows

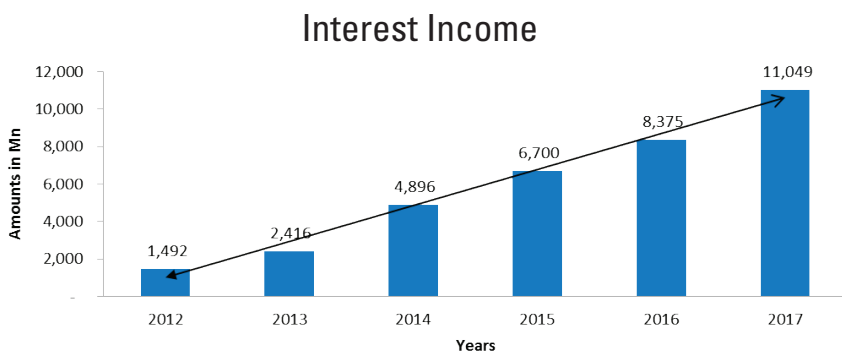
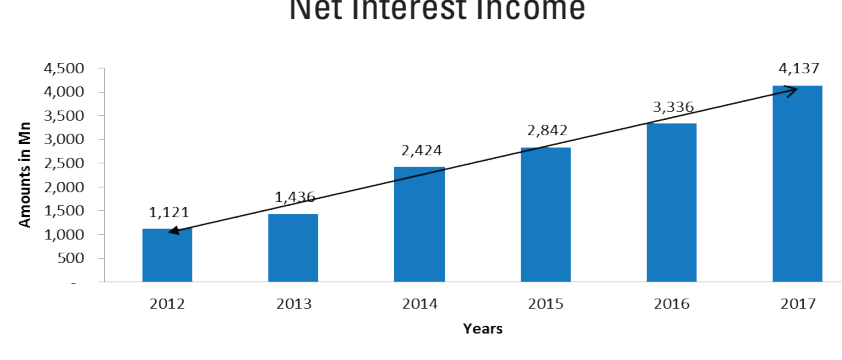
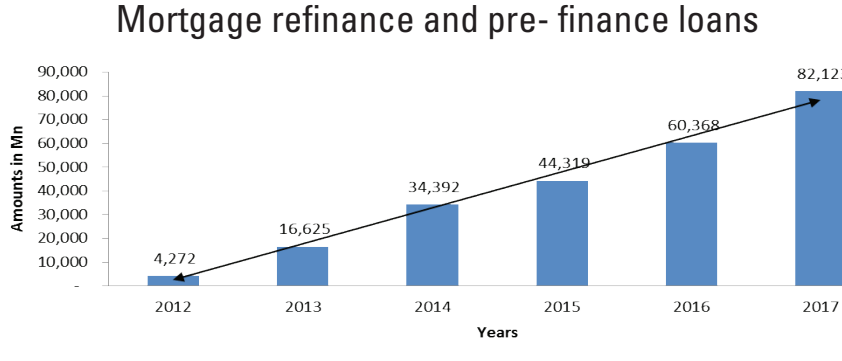
Table 12: Statement of cash flows

(TZS '000)	2012	2013	2014	2015	2016	2017
OPERATING ACTIVITIES						
Cash used in operations	-2,155,184	-12,176,429	-17,035,783	-9,025,124	-15,462,618	-20,142,713
Tax paid	-	-	19,890	-176,061	-270,656	-426,917
Net cash used in operating activities	-2,155,184	-12,176,429	-17,015,893	-9,201,185	-15,733,274	-20,569,630
INVESTING ACTIVITIES						
Investment in government securities	-1,175,605	-	-7,334,919	-3,330,601	-604,558	-1,952,938
Investment Securities	-1,575	-578,289	1,450,955	-80,956	36,375	121,802
Accrued Interest in government securities	-191,805	-	-	-	-	-
Purchase of equipment	-3,021	-10,909	-5,897	-274,330	-9,096	-24,212
Purchase of intangible asset	-	-	-	-1,301,774	-1,082	-
Disposals					5,050	-
Net Cash in Investing activities	-1,372,006	-589,198	-5,889,861	-4,987,661	-573,311	-1,855,348
FINANCING ACTIVITIES						
Proceeds from borrowings	1,742,081	12,339,157	17,752,356	9,902,864	15,999,157	21,500,000
Proceeds from Bond Issuance	-	-	-	-	-	2,000,000
Repayment of Borrowing	-	-	-	-	-	-2,000,000
Proceeds from issue shares	2,000,000	1,500,000	500,000	2,866,000	100,000	100,000
Proceeds from advance towards share capital	250,000	-		1,340,484	1,000,000	-
Proceeds from right issue of ordinary shares	-	2,070,000	-	-	-	-
Advance towards share capital converted into ordinary shares	-	-250,000	-	-	-	-
Payment of Dividend	-	-	-	-	-	-262,156
Net Cash from financing activities	3,992,081	15,659,157	18,252,356	14,109,348	17,099,157	21,337,844
Increase in Cash and Cash equivalents	464,891	2,893,530	-4,653,398	-79,498	792,572	-1,087,134
Movement in cash and cash equivalents						
Start of period	1,994,494	2,459,385	5,352,917	699,519	620,021	1,412,593
Increase	464,891	2,894,400	-4,653,398	-79,498	792,572	-1,087,134
End of period	2,459,385	5,353,785	699,519	620,021	1,412,593	325,459

Source: TMRC

16.4 Financial highlights

The trends in key performance indicators are as highlighted in the following section.

<p>Interest Income</p> <p>Interest income has significantly grown since 2012, with a fairly stable interest expenses and CAGR of 40% of interest income between 2012 to 2017.</p>	<p style="text-align: center;">Interest Income</p>  <table border="1"> <thead> <tr> <th>Years</th> <th>Amounts in Mn</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>1,492</td> </tr> <tr> <td>2013</td> <td>2,416</td> </tr> <tr> <td>2014</td> <td>4,896</td> </tr> <tr> <td>2015</td> <td>6,700</td> </tr> <tr> <td>2016</td> <td>8,375</td> </tr> <tr> <td>2017</td> <td>11,049</td> </tr> </tbody> </table>	Years	Amounts in Mn	2012	1,492	2013	2,416	2014	4,896	2015	6,700	2016	8,375	2017	11,049
Years	Amounts in Mn														
2012	1,492														
2013	2,416														
2014	4,896														
2015	6,700														
2016	8,375														
2017	11,049														
<p>Net Interest Income</p> <p>Net interest income in the last five years grew at an impressive CAGR of 24%, as TMRC have established a firmer ground on their business.</p>	<p style="text-align: center;">Net Interest Income</p>  <table border="1"> <thead> <tr> <th>Years</th> <th>Amounts in Mn</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>1,121</td> </tr> <tr> <td>2013</td> <td>1,436</td> </tr> <tr> <td>2014</td> <td>2,424</td> </tr> <tr> <td>2015</td> <td>2,842</td> </tr> <tr> <td>2016</td> <td>3,336</td> </tr> <tr> <td>2017</td> <td>4,137</td> </tr> </tbody> </table>	Years	Amounts in Mn	2012	1,121	2013	1,436	2014	2,424	2015	2,842	2016	3,336	2017	4,137
Years	Amounts in Mn														
2012	1,121														
2013	1,436														
2014	2,424														
2015	2,842														
2016	3,336														
2017	4,137														
<p>Mortgage re finance and pre finance loans</p> <p>Mortgage refinance and pre finance loans grew at a CAGR of 64% mainly bolstered by an increased up take by member banks.</p>	<p style="text-align: center;">Mortgage refinance and pre- finance loans</p>  <table border="1"> <thead> <tr> <th>Years</th> <th>Amounts in Mn</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>4,272</td> </tr> <tr> <td>2013</td> <td>16,625</td> </tr> <tr> <td>2014</td> <td>34,392</td> </tr> <tr> <td>2015</td> <td>44,319</td> </tr> <tr> <td>2016</td> <td>60,368</td> </tr> <tr> <td>2017</td> <td>82,123</td> </tr> </tbody> </table>	Years	Amounts in Mn	2012	4,272	2013	16,625	2014	34,392	2015	44,319	2016	60,368	2017	82,123
Years	Amounts in Mn														
2012	4,272														
2013	16,625														
2014	34,392														
2015	44,319														
2016	60,368														
2017	82,123														

17. Risk Factors

17.1 Risks relating to TMRC

Factors which may be material for the purpose of assessing the market risks associated with an investment in TMRC are described in the following section. The factors described represent the principal risks inherent in investing in the Company. Potential investors should also read the detailed information set out elsewhere in this Information Memorandum (including any documents available for inspection) and reach their own views prior to making any investment decision.

Credit Risk

Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with TMRC or if an obligor otherwise fails to perform as agreed. In general, the

largest source of credit risk is loans. Given the significant size of the loan portfolio in the statement of financial position of local banks, credit risk remains the largest risk type in the local banking sector. TMRC mitigates this risk through the following measures:

- TMRC adheres to an approved credit policy which defines the nature of business undertaken and the minimum risk acceptance criteria;
- TMRC only deals with creditworthy counter parties and obtains appropriate collateral though ability to pay is the primary consideration;
- TMRC structures the level of credit risk it undertakes by placing limits on amounts of risk accepted in relation to one borrower or a group of borrowers;
- TMRC undertakes regular analysis of the ability of borrowers to meet interest and capital repayment obligations and proactively takes remedial action where appropriate; and
- TMRC has no significant concentration of credit risk in any one sector, or customers having similar characteristics. Exposure is spread over diverse geographical and industrial sectors.

Liquidity Risk

Liquidity risk is the current or prospective risk to earnings and capital arising from TMRC's inability to meet its liabilities when they fall due. Liquidity is often triggered by consequences of other financial risks such as credit risk and market risk. TMRC addresses liquidity risk through the following measures:

- TMRC enters into lending contracts subject to availability of funds;
- TMRC has an aggressive strategy aimed at increasing the capital base;
- TMRC borrows from the market for short term liquidity requirements; and
- TMRC invests in short term liquid instruments, which can easily be sold in the market when the need arises.

Interest Rate Risk

TMRC is exposed to the volatility risk on the value of financial instruments that fluctuate due to changes in market interest rates, as funds are sourced at both fixed and floating rates. Interest rates on advances to customers and other risk assets are pegged to the TMRC's credit policy. The interest rates are adjusted from time to time in line with market movements. Interest rates are negotiated between TMRC and the customer with TMRC retaining the discretion to adjust the rates in line with changes in market trends. The interest rates, therefore, fluctuate depending on the movement in the market interest rates. TMRC also invests in fixed interest rate instruments issued by the Government of Tanzania through the BOT.

Operational Risk

Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that technology failure, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses. Operational risk exists in all products and business activities. To mitigate this risk, TMRC management ensures that:

- An effective, integrated operational risk management framework that incorporates a clearly defined organizational structure is maintained;
- Each department has defined roles and responsibilities for all aspects of operational risk management;
- Appropriate tools that support the identification, assessment, control and reporting of key risks are used;
- All information technology services systems architecture are highly scalable and require minimal lead time to increase capacity to match growth in demand; and
- Operational risk systems are subjected to independent reviews including testing from external reputable firms.

Reputational Risk

Reputational risk is the potential that negative stakeholder impressions or perceptions, whether true or not, regarding the TMRC's business practices, actions or inactions, will or may cause a decline in its value, brand, liquidity or customer base. It is a resultant effect of all other risks highlighted in this information

memorandum and therefore cannot be managed in isolation. Therefore, when all the other risks are managed well, this risk is substantially minimised. TMRC's reputation is an invaluable business asset essential for optimising shareholder value hence it is constantly under threat. TMRC's services and activities, including new ones, ensure the company's good reputation is always maintained or enhanced.

Ultimate responsibility for this risk rests with the Board of Directors and Senior Management who examine the company's reputational risk as part of their regular mandate. Their purpose is to ensure that all products, services, and activities meet the TMRC's reputational risk objectives in line with the Board of Director's approved appetite. In addition, every employee and representative of TMRC has a responsibility to contribute positively to the company's reputation. Senior Management and the Board of Directors receive periodic reports on the assessment of the company's reputational risk exposures that arise from its business activities so as to form a view on associated risks and implement corrective actions.

Every employee and representative of TMRC has a responsibility to contribute in a positive way towards the company's reputation. This is done through ensuring ethical practices are always adhered to, interactions with all stakeholders are positive, and ensuring compliance with applicable policies, legislation, and regulations. Reputational risk is most effectively managed when every individual works continuously to protect and enhance the company's reputation.

Strategic Risk

Strategic risk is the potential for loss arising from ineffective business strategies, improper implementation of strategies, sudden unexpected changes in TMRC's environment, or from lack of adequate responsiveness to changes in the business environment. TMRC faces several strategic risks from its environment which include:

- Macroeconomic changes;
- Competition from the financial industry and organisations providing similar services;
- Technological changes;
- Key legislative and regulatory changes;
- Major political events; and
- Human capital or social (demographic) trends and changes.

The Chief Executive Officer supported by Senior Management executes the approved strategic objectives on a day to day basis and actively monitors business performance against these objectives through periodic reviews. The business carries out business performance reviews periodically but at a minimum on a quarterly basis. The reviews are reported to the Board of Directors for information and advice, or action where significant deviations occur. These reports include identifying the key risks faced by TMRC and how they are being managed.

The Chief Executive Officer coordinates the strategic planning process for Senior Management intended to align individual business strategies to overall enterprise level strategies as approved by the Board of Directors. They include a comprehensive review and evaluation of the business strategies, competitive positioning, financial performance, execution of strategic initiatives, and key business risks. The frequency of strategic business reviews depends on the risk profile and size of the business (function). Each business head unit is responsible for directing strategies in their respective units and ensuring that such strategies are aligned to the overall strategy of TMRC. They are also responsible for monitoring, managing and reporting on the effectiveness and risks of their business' strategic objectives, and the progress they have made towards achieving these. They oversee the direction and trends of significant current and emerging risks related to their business units and that mitigating actions are taken where appropriate. TMRC's financial and non-financial performance including the key risks, are reported to the Board of Directors for review and action, where necessary.

Regulatory Risk

Regulatory risk is the risk of non-compliance with regulatory guidelines. Regulatory risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practice, or ethical standards issued by the regulator from time to time. Regulatory risk also arises in situations where the laws or rules governing certain products or activities of TMRC's clients may be ambiguous or untested. TMRC has a Compliance Officer who is tasked with monitoring ongoing legislative compliance.

Political Risk

Political risk is the risk of loss when investing in a given country caused by changes in the country's political structure or policies. Political risk may affect the nature of business which could impact the customer base.

17.2 Risks relating to the Notes generally

The Notes have features which entail particular risks for potential investors. Set out in the following section is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Note Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 7 of the Terms and Conditions of the Notes.

Mitigating factors: the Issuer has recruited an experienced Trustee for the Noteholders. As a result the Trustee is likely to give good guidance to the investors thereby minimizing the risk of sub optimal decision making by a body of investors.

Change of law

The Terms and Conditions of the Notes are based on Tanzanian law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to Tanzanian law or administrative practice after the date of issue of the relevant Notes.

Mitigating factors: The Government of Tanzania seeks to improve the attractiveness of the country as an investment destination. Accordingly, it is expected that any changes to the existing laws will seek to improve the overall business and investment environment.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult their legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk based capital or similar rules.

Mitigating factors: the Issuer's information memorandum has recommended that investors should seek professional advice where clarity is required.

17.3 Risk Management

The Board accepts final responsibility for the risk management and internal control systems of the Bank. The Board has delegated the day-to-day risk management to the executive committee which has implemented a risk management framework that guides the conduct of the Bank's operations.

The Bank's risk management strategy is aimed at maintaining strong and robust financials in order to build a sustainable franchise. In particular, it focuses on:

- Safeguarding the Bank's identity and reputation
- Protection of profits and profit growth
- Maintaining solid balance sheet ratios

The TMRC board of directors has delegated day to day responsibility for implementing the company's risk management policy and overseeing the company risk management function to an independent risk and compliance department.

This division, working in conjunction with the company business lines, identifies, monitors, measures and reports on the various operational risks which include credit risk, operational risk, Primary Mortgage Lenders (PML) exposure risk, liquidity and market risk.

17.4 Going Concern

The Board of Directors confirms that applicable accounting standards have been followed and that the financial statements included in the Reporting Accountants Report have been prepared on a going concern basis. The Board has reasonable expectation that the TMRC has adequate resources to continue in operational existence for the foreseeable future.

17.5 Regulatory Environment

TMRC is regulated by the Bank of Tanzania and have to adhere to the following regulations:

- i. The Banking And Financial Institutions (Tanzania Mortgage Refinance Company) Regulations, 2011
- ii. Banking and Financial Institutions (Licensing) Regulations, 2014
- iii. The Banking and Financial Institutions (Capital Adequacy) Regulations, 2014
- iv. The Banking And Financial Institutions (Mortgage Finance) Regulations, 2015
- v. The Banking and Financial Institutions (Disclosures) Regulations, 2014
- vi. The Banking and Financial Institutions (External Auditors) Regulations, 2014
- vii. The Banking and Financial Institutions (Internal Control and Internal Audit) Regulations, 2014
- viii. The Banking and Financial Institutions (Liquidity Management) Regulations, 2014
- ix. The Banking and Financial Institutions (Management of Risk Assets) Regulations, 2014
- x. The Banking and Financial Institutions (Physical Security Measures) Regulations, 2014
- xi. The Banking and Financial Institutions (Prompt Corrective Actions) Regulations, 2014

18. Taxation

18.1 Tax considerations

The comments in the following section are of a general nature based on taxation law and practice in Tanzania as at the date of this Information Memorandum and are subject to any changes thereafter. They relate only to the position of persons who are the absolute beneficial owners of the Notes. The comments do not purport to be a complete analysis of all tax considerations relating to the Notes and so should be treated with appropriate caution.

Interest Payments

Payment of interest on the Bonds will be made by the Issue and Paying Agent and Registrar in Tanzania. Withholding tax at the rate of 10% will be deducted from interest payments made to both resident and

non-resident Noteholders in terms of prevailing legislation as set out in the Income Tax Act (Chapter 332 of the Laws of Tanzania) which is subject to revision through changes in Government policy. The Issuer will not deduct withholding tax at the prescribed rate on interest payments to any Noteholder who (a) is exempt from such deduction under the provisions of the Income Tax Act and (b) has provided evidence of such exemption to the reasonable satisfaction of the Issuer and the Issue and Paying Agent. Non-residents may be entitled to a tax credit in their country of residence, either under domestic law or under the tax treaties referred to below.

Capital Gains

Sale or disposal of debt securities amounts to disposal of assets or inventory, in which case any gains realized would constitute either investment income or business income, subject to income tax. Currently securities listed to DSE does not attract capital gains tax. Tax status is subject to revision through changes in Government policy and budgetary announcements (through which most tax policy changes are announced) take place annually in June. Prospective investors are advised to consult the Tanzania Revenue Authority or their own professional advisers in connection with capital gains tax.

Tax Treaties

Tanzania has entered into double taxation treaties with Canada, Denmark, Finland, India, Italy, Norway, South Africa, Sweden and Zambia. Treaties with Burundi, Kenya, Rwanda, South Korea, Uganda and Zimbabwe have been signed but are not yet ratified.

19. Subscription and Sale

19.1 Application procedure

Application forms for issues of Notes may be obtained from the Lead Arrangers or Zan Securities Limited. Applications must be submitted directly to the Placing Agent by the date and time specified in this Information Memorandum. Successful applicants will be notified either by the Placing Agent on behalf of the Issuer and the Lead Arrangers, or by the Lead Arrangers on behalf of the Issuer, of the amount of Notes allotted to them immediately after the date of allotment.

19.2 Payment for Notes and delivery

Payment for Notes is to be made in full to BancABC, the designated Receiving Bank, in immediately available funds by the date and time specified in this Information Memorandum. The payments will be made via Real Time Gross Settlement (RTGS) system to the account and in the manner detailed in the Relevant Pricing Supplement. The Notes will be delivered to investors not later than by the date specified in the Relevant Pricing Supplement.

19.3 Secondary market trading of the Notes

Placing Agents, acting as principal or agent of the Issuer, may facilitate secondary market trading of the Notes through purchases and or sales of such Notes on a best effort basis. The transfer of a Note from a seller to a purchaser will be carried out in accordance with the transfer regulations set out in the Agency Agreement and subject to the rules of the DSE.

20. Legal Information

20.1 Incorporation

TMRC is a limited liability company, duly incorporated and validly existing under the laws of Tanzania. TMRC was incorporated on 29th January, 2010.

20.2 Authorised and issued share capital

TMRC has an authorised share capital of TZS 30 Billion divided into 30 Million ordinary shares of TZS 1,000 each. The total issued and fully paid share capital is TZS 18.34 Billion divided into 18.18 Million ordinary shares of TZS 1,000 each of which 2.30 million share were issued by way of rights issue in 2013 at a discount price of TZS 900 per share. In 2017, 0.616 million shares were issued to First Housing Finance Company Ltd at a premium price of TZS 1,622.00 per share. In 2016, TMRC commissioned a consultant to undertake share valuation exercise which came up with a new share price of TZS 1,622 per share.

20.3 Registered office address

The Registered office of the Company is 15th Floor, Golden Jubilee (PSPF) Towers, Ohio Street and P.O. Box 7539, Dar es Salaam.

20.4 Extracts of the Memorandum and Articles of Association

Memorandum of Association

Under Article 3 of the Memorandum of Association, the main objects of TMRC as stated are inter alia:

- a) To develop the housing mortgage finance market through the provision of medium and long term liquidity to mortgage lenders who must be banks and financial institutions as defined in the Banking and Financial Institutions Act;
- b) To promote mortgage bond issuance and develop mortgage backed products;
- c) To issue long term maturity bonds in the local or international capital markets through private or public placement;
- d) To act as an intermediary between mortgage lenders and the capital markets;
- e) To acquire marketable instruments evidencing indebtedness of the government or of any person, firm, association or company, in the form of government securities, or stocks, bonds, notes or debentures and by investing in equities of other companies;
- f) To borrow or raise money or secure the payment of money by the issue of or upon bonds, debentures, debenture stock, bills of exchange, promissory notes or other obligations or securities of the company, or by mortgage or charge of all or any part of the property or rights of the company, including its uncalled capital, or by mortgage or charge of all or any part of the property or rights of the company, including upon any stocks, securities or property mortgaged to or charged to or charged in favour of the company any such mortgage and with such powers as the company shall think fit.

Articles of Association

The articles of association of TMRC do not contain any provisions that would restrict and/or prohibit TMRC's ability to issue medium term notes.

20.5 Material contracts

TMRC has not entered into any material contracts other than in the normal course of business. The shareholders of TMRC have entered into shareholders' agreements whose details are set out as follows:

Shareholders and Subscription Agreement (Shareholders' Agreement)

This agreement was entered into between Exim Bank (Tanzania) Limited, CRDB Bank PLC, Tanzania Investment Bank Limited, Azania Bank Limited and the TMRC on 24 February 2010. Other than the shareholders' mentioned, there are additional shareholders that have subscribed to shares in TMRC and have consequently executed Deeds of Adherence to the Shareholders' Agreement. The additional shareholders and the respective dates when they executed the respective deeds of adherence hence becoming shareholders of TMRC are set out as shown by the following table:

Table 13: Shareholder Agreements

Name of shareholder	Date of execution of deed of adherence
CRDB Bank PLC	27 April 2010
Azania Bank Limited	02 May 2010
The National Microfinance Bank PLC (NMB)	22 June 2010
TIB Development Bank Limited	15 April 2011
Exim Bank Tanzania Limited	15 April 2011
African Banking Corporation Tanzania Limited (BancABC)	29 August 2011
DCB Commercial Bank	8 June 2012
National Bank of Commerce Limited (NBC)	8 June 2012
NIC Bank Limited	8 June 2012
BOA Bank Tanzania Limited	23 August 2012
Peoples Bank of Zanzibar	23 January 2013
I & M Bank Tanzania Limited	06 May 2014
National Housing Corporation (NHC)	16 March 2015
Shelter Afrique	15 March 2015
First Housing Finance Co. Ltd	01 st March 2017

Source: TMRC

The Shareholders' Agreement sets out the terms governing the relationship of the shareholders of TMRC. Under the agreement, only banks and financial institutions licensed in Tanzania may become shareholders of TMRC. The Shareholders' Agreement further provides that in the event of revocation of a banking license of any shareholder by the BOT, such shareholder shall be disqualified from being a shareholder in TMRC and shall, to the extent permissible under the law, be required to exit from TMRC.

20.6 Onerous covenants and default

The Shareholders' Agreement does not contain any onerous covenants or default clauses that would be onerous to the Company.

20.7 Related party agreements

TMRC has not entered into any related party agreements.

20.8 Loan and finance agreements

Sub Financing Agreement between the BOT and TMRC (Sub Financing Agreement)

TMRC has entered into a Sub Financing Agreement dated 10th December 2010 for the provision of US\$ 30 Million by the BOT to TMRC to be applied in extending loans to member banks that have subscribed to shares in TMRC for purposes of refinancing mortgage loans.

In line with the requirements of Article VI of the Sub Financing Agreement, TMRC has executed a debenture dated 15 March 2012 to secure a long term loan facility of United States Dollars Thirty Million (US\$ 30,000,000) charging by way of a fixed and floating charge the selected specific debts of TMRC and any rights accruing to, derived from to otherwise connected the assets charged in favour of BOT (the Debenture). According to clause 2.1 of the Debenture, the list of assets charged in favour of BOT are listed and fully described under schedule A of the Debenture.

Clause 3.3 of the Debenture requires that the security given shall only be subject to *pari passu* interests in respect of all bonds to be issued by TMRC.

20.9 Licenses and permits

Business Licence

TMRC has been issued with a business licence number 01664209 dated 23rd May 2014 issued by the Ministry of Trade and Industry licensing TMRC to conduct mortgage financing business. The said business licence is valid up to 30 June 2015.

Licence to conduct mortgage refinancing business

TMRC is licensed to conduct mortgage refinance business and has been issued with Licence Number MRC001 dated 31 May 2012 issued by the BOT subject to the provisions of the Banking and Financial Institutions Act, 2006 and the BOT's letter referenced FB.349/433/01 dated 6th April 2011.

In terms of the letter from the BOT dated 6th April, 2011, the approval granted to TMRC to carry on mortgage refinancing business is granted subject to the fulfilment of the conditions spelt out there in which form an integral part the BOT's approval. The conditions upon which the approval by the BOT has been granted as specified under the above mentioned letter are as follows:

- a) TMRC shall ensure that all subscribed shares have been fully paid by 15 April, 2011 except NBC's subscription of TZS 1,000 Million which should be fully paid within three months from the date of the BOT's approval;
- b) Exim Bank should submit the name of the current Chief Executive Officer to replace Mr. Chandramouli in the Board of Directors of TMRC in line the provisions of the memorandum and articles of association of TMRC;
- c) TMRC should align article 76 of the proposed memorandum and articles of association that specifies the number of directors as less than two and not more than ten with the draft TMRC regulations which prescribe a minimum of five directors;
- d) TMRC shall operate in accordance with the business plan and projections submitted to the BOT;
- e) TMRC's Board of Directors shall within thirty (30) days from the date of BOT's approval sign and submit legally binding memorandum of undertaking to ensure that they shall jointly and severally cause TMRC to operate in a safe and sound manner, place TMRC's interest ahead of their personal interests and that they will fully comply with the provisions of the Banking and Financial Institutions Act, 2006, Banking and Financial Institutions (TMRC) Regulations, 2011, Circulars, Guidelines and Directives issued by the BOT from time to time; and
- f) TMRC shall not accept deposits from the general public.

All these requirements as spelt out have been fulfilled.

Pursuant to Section 22 of the Banking and Financial Institutions (Licensing) Regulations, 2008 the Directors of TMRC have executed the required undertaking to fulfil his obligations towards maintaining a safe, sound and profitable institution and to ensure compliance with the provisions of the BOT Act, the Banking and Financial Institutions Act, the TMRC Regulations, and other laws, regulations, policies, circulars, orders and directives issued by the BOT from time to time.

20.10 Material litigation

Neither the Issuer nor any of its Directors is subject to any material litigation, prosecution or other criminal litigation instituted against it or any of its directors in Tanzania.

20.11 TMRC Private placement of Bonds with Social Security Institutions

As part of TMRC funding strategy, the company issued by way of private placement three bonds valued at TZS 4 billion to fund its lending operations to banks. The bond were placed with GEPF Retirement Benefit Fund (GEPF); PPF Pensions Fund (PPF) and Workers Compensation Fund (WCF). Pricing of the above bonds were benchmarked to 5 years Treasury Bond auction on 30th August 2017 with the Weighted Average Yield (WAY) of 13.959% plus a margin of 0.5% making the cost of funds for TMRC to be 14.459%.

20.12 Expenses of the Programme

The expenses of the programme and the listing which will be for the account of the Issuer are estimated at TZS 432.73 Million.

Table 14: Offer expenses

S/No	Professional fees and related costs	TZS
1.	Lead Arranger	19,167,500.00
2.	Sponsoring Brokers Fees/Placement	13,900,000.00
3.	Legal Advisor	22,467,200.00
4.	Reporting Accountant	121,599,203.35
5.	Registrar and Fiscal Agent	25,000,000.00
6.	Placing agents	60,000,000.00
7.	Marketing Expenses	10,000,000.00
8.	DSE Application fees	20,000,000.00
9.	DSE Annual Fee ¹	10,000,000.00
10.	CSD Processing Fee	10,000,000.00
11.	International Securities Identification Number (ISIN)	500,000.00
13.	CSD Receipt Printing (TZS 1,000.00 per receipt) ²	100,000.00
14.	CMSA Evaluation fee	109,995,000.00
14.	Miscellaneous Expenses	10,000,000.00
	Total	432,728,903.35

20.13 Directors declaration

As at the date of this Information Memorandum and for a period of at least two years preceding the same:

- None of the Directors of TMRC, nor any partnership or company associated with the said directors is or has been the subject of a filing of a petition under any bankruptcy law;
- None of the Directors of TMRC has been convicted in a criminal proceeding;
- None of the Directors of TMRC has been named a subject of a ruling of a court of competent jurisdiction or any governmental body, that permanently or temporarily prohibits them from acting as an investment adviser or as a Director or employee of a stockbroker, dealer, or any other financial service institution or from engaging in any type of business practice or activity;
- The Directors of TMRC whose names appear on Section 6.2(Board of Directors) of this Information Memorandum accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with facts and does not omit anything likely to affect the import of such information;
- No Director held any shares of the Company in each of the listed classes; and
- There were no contracts existing between the Directors and the Issuer.

20.14 Directors' statement as to funding for payment obligations

The funding obligations will be met by cash flows and profitability from the operations of the Issuer's business.

20.15 Director's statement as to liquidity requirement

The Directors of the Issuer confirm that as at the date of this Information Memorandum, the Issuer is in compliance with the liquidity ratios required under the Prudential Guidelines.

1. Fees for five years of the programme

2.Assumed 100 applicants of receipts to be printed

21. Statutory and General Information

21.1 Documents available for inspection

As long as any Note remains outstanding, copies of the following documents will, when published, be available for inspection at the Specified Offices of the Issuer, Fiscal Agent or Registrar in Dar es Salaam, Tanzania:

- a) The Memorandum and Articles of Association of the TMRC;
- b) The audited financial statements of the TMRC in respect of the financial years ended 31 December 2015, 2016 and 31 December 2017;
- c) The Board Resolution approving the Issue;
- d) Shareholders' resolution to approve the issue;
- e) The Reporting Accountants' report as reproduced in this Information Memorandum and their written consent to the issue of this Information Memorandum with their report included herein in the form and context in which it is so included;
- f) The Reporting Accountants' report proforma profit and loss, balance sheet and cashflow statements for the period ending December 2018;
- g) The legal opinion of Legal Counsel with respect to the validity of the Notes and the Note documentation and their written consent to the issue of this Information Memorandum with their report included herein in the form and context in which it is so included;
- h) A copy of the Placing Agreement between the Placing Agents and the Issuer;
- i) Trust Deed;
- j) The consents of the advisors to this transaction;
- k) A copy of this Information Memorandum;
- l) A copy of the approval of the CMSA in respect of this issue;
- m) A copy of a letter of no objection from the DSE; and
- n) A copy of a letter of no objection from the BOT, in respect of this Issue.
- o) Tax clearance certificate from TRA
- p) Confirmation of BRELA status of shareholders (BRELA Search)
- q) Copy of payment remittance
- r) Certificate of Incorporation

Copies of this Information Memorandum and copies of the Trust Deed and the Issue Agreement have been submitted to the CMSA and the DSE.

21.2 Changes in senior management

There are no planned or expected changes in TMRC's senior management during the twenty four months following this Issue.

21.3 Voting rights and control

All shareholders have equal voting rights and no preferential voting rights attach to any shares. The Issuer has a diverse shareholder base and is not directly or indirectly owned or controlled by any shareholder. As at the date of this Information Memorandum, there are no arrangements known to the Issuer the operation of which may result in change of control of the Issuer.

21.4 Directors' interest

As at the date of this Information Memorandum, no Director held an interest in the Company's ordinary issued share capital.

No payment has been made to any Director since incorporation of TMRC up to the date of this Information Memorandum to induce or qualify them to become a director or otherwise for services rendered in connection with the promotion or formation of the TMRC.

There are no existing or proposed contracts between any of the directors and the TMRC.

No options to purchase any securities of the TMRC have been granted to or exercised by a Director of the TMRC within the year preceding the date of this Information Memorandum.

As at the date of this Information Memorandum, there were no outstanding loans from the TMRC to Directors and their families.

21.5 Minimum subscription level

The Issuer seeks to raise a maximum of TZS 120.0 Billion under this Programme. The minimum subscription level shall be set out in the Relevant Pricing Supplement.

21.6 Application procedure

Application forms for issues of Notes may be obtained from the Issuer and the Arranger. Applications must be submitted directly to the Fiscal Agent. Successful applicants will be notified either by the Fiscal Agent on behalf of the Issuer and the Arranger, or by the Arranger on behalf of the Issuer, of the amount of Notes allotted to them immediately after the date of allotment.

21.7 Secondary market trading of the Notes

The transfer of a Note from a seller to a purchaser will be carried out in accordance with the DSE PLC Rules and subject to the Terms and Conditions.

21.8 Material changes in the business

There have been no interruptions in the company's business, which may have or have had during the recent past (covering at least the previous four months prior to the issuance of this Information Memorandum) a significant effect on the company's financial position.

21.9 Material change in the financial information

There has been no significant change in the financial or trading position of the Issuer which has occurred since the date of the last interim financial statements period.

21.10 Principal investments

The company has no major principal investment scheduled for the year 2018.

21.11 Other issues

The Issuer confirms that it has not made an issue in the preceding three months from the date of this Information Memorandum and does not propose to make another issue of similar debt securities simultaneously with the current issue.

21.12 Interest

Payment of interest on the Notes will be made by the Issue and Paying Agent in Tanzania. Public Notes are not tax exempt. Non-residents will be entitled to the same treatment.

21.13 Duties and Taxes

In accordance with current legislation, as long as the Notes are listed on the DSE, no stamp, registration or similar duties or taxes will be payable in Tanzania in connection with the issue, transfer or redemption of the Notes. This exemption is as per existing government policy and may also be subject to change.

21.14 General information

- a) There have been no bankruptcy, receivership or similar proceedings have been taken against any member of the TMRC;
- b) The board may exercise all the powers of the TMRC to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue income notes, bonds, debentures and other securities;

- c) The TMRC does not intend to carry on any other businesses that may be material with regard to the profit or loss, assets employed or any other factors affecting the current business;
- d) None of the Directors of the TMRC have in the last two years been the subject of a filing of a petition under any bankruptcy law;
- e) None of the Directors of the TMRC has been convicted in a criminal proceeding or has been a named subject of a ruling of a court of competent jurisdiction or any governmental body that permanently or temporarily prohibited him from acting as an investment adviser or as a director or employee of a broker or dealer, director or employee of any financial institution or engaging in any type of business practice or activity;
- f) There is no arrangement pursuant to which any future dividends of the TMRC have been waived or have been agreed to be waived;
- g) The Company's auditors have not resigned and RSM Eastern Africa, as the TMRC auditors, have not deposited a statement with the TMRC of circumstances which they believe should be brought to the attention of the members and creditors of the TMRC;
- h) No property and equipment of a material nature is expected to be replaced within two years from the conclusion of the Issue;
- i) There have been no transactions which are or were unusual in their nature and which were significant to the business of the TMRC during the current or immediately preceding year; and
- j) There is no agreement pursuant to which a Director has agreed to waive future emoluments.

22. Reporting Accountant's Report

**TANZANIA MORTGAGE REFINANCE COMPANY
2018 CORPORATE BOND ISSUE
FINANCIAL INFORMATION**



The Directors
Tanzania Mortgage Refinance Company Limited
PO Box 7539,
Dar es Salaam, Tanzania
13 April 2018

INDEPENDENT REVIEW REPORT ON HISTORICAL FINANCIAL INFORMATION

Report on the Historical Financial Information

We have reviewed the accompanying historical financial information of the Tanzania Mortgage Refinance Company Limited (the "Company") set out on pages 56 to 94, which comprises the Company's statements of financial position as at 31 December 2017, 31 December 2016 and 31 December 2015, and their respective statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Historical Financial Information

Management is responsible for the preparation and fair presentation of the historical financial information that gives a true and fair view in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of historical financial information that is free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying historical financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the historical financial information, taken as a whole, is not prepared in all material respects in accordance with International Financial Reporting Standards. This Standard also requires us to comply with relevant ethical requirements. A review of historical financial information in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained. Our review of the historical financial information also included review of the working papers of the external auditor of Tanzania Mortgage Refinance Company Limited (2015 to 2017: RSM Eastern Africa) and comparing the historical financial information to the audited financial statements from which the historical financial information was extracted.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on the historical financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the historical financial information does not give a true and fair view of the financial position of the Tanzania Mortgage Refinance Company Limited as at 31 December 2017, 31 December 2016, and 31 December 2015, and of its financial performance and cash flows for the respective years then ended, in accordance with International Financial Reporting Standards.

Report on Other Matters

The historical financial information has been extracted from the audited financial statements of the Tanzania Mortgage Refinance Company Limited for the years ended 31 December 2017, 31 December 2016 and 31 December 2015. Other than inclusion of additional disclosures and amendment of the presentation style of disclosures, there were no adjustments to the financial information previously presented in the audited financial statements.



Patrick Kiambi, TACPA

For and on behalf of PricewaterhouseCoopers

Certified Public Accountants

Dar es Salaam

TANZANIA MORTGAGE REFINANCE COMPANY

HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	2017 TZS'000	2016 TZS'000	2015 TZS'000
Interest income	1	11,049,242	8,374,870	6,700,042
Interest expense	2	(6,912,188)	(5,038,781)	(3,858,001)
Net Interest income		4,137,054	3,336,089	2,842,041
Other income	3	528,646	622,042	334,139
Total operating income		4,665,700	3,958,131	3,176,180
Operating expenses	4	(3,384,323)	(3,011,642)	(2,377,295)
Profit before income tax		1,281,377	946,489	798,885
Income tax expense	5	(394,056)	(282,850)	(297,747)
Profit for the year		887,321	663,639	501,138
Other comprehensive income		-	-	-
Total comprehensive income for the year attributable to the owners of the company		887,321	663,639	501,138
Basic and diluted earnings per share (TZS)	24	0.049	0.038	0.031
Dividends per share (TZS)	25	0.019	0.015	-

TANZANIA MORTGAGE REFINANCE COMPANY

HISTORICAL FINANCIAL INFORMATION

FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

STATEMENT OF FINANCIAL POSITION

	Note	2017 TZS'000	2016 TZS'000	2015 TZS'000
Assets				
Cash and bank balances	6	75,459	182,593	512,071
Government securities	7(a)	18,767,417	16,814,479	16,209,920
Investment securities	7(b)	475,717	1,577,519	491,844
Mortgage refinancing and pre-financing loan	8	82,123,465	60,367,560	44,318,764
Equipment	9	222,482	343,428	500,737
Intangible assets	10	290,017	724,259	1,178,847
Other receivables	11	817,685	682,722	267,349
Current tax recoverable		-	-	2,449
Deferred income tax	12	-	-	-
Total assets		102,772,242	80,692,560	63,481,981
Liabilities				
Deferred income tax	12	51,324	86,781	102,809
Loans and borrowings	13	79,965,594	60,261,104	44,261,947
TMRC Corporate Bond	13	2,080,020	-	-
Trade and other payables	14	303,240	216,770	253,795
Capital grant	19	305,893	789,494	1,314,432
Current tax payable		28,369	25,774	-
Total liabilities		82,734,440	61,379,923	45,932,983
Shareholders' equity				
Share capital	15	17,952,523	17,236,000	17,136,000
Share premium	15	383,477	-	-
Advance towards share capital	15	-	1,000,000	-
Proposed dividends		351,661	262,156	-
Specific reserves	20	416,392	240,561	109,507
Retained earnings		933,748	573,920	303,491
Total equity		20,037,802	19,312,637	17,548,998
Total equity and liabilities		102,772,242	80,692,560	63,481,981

TANZANIA MORTGAGE REFINANCE COMPANY
HISTORICAL FINANCIAL INFORMATION
FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

STATEMENT OF CHANGES IN EQUITY

	<u>Notes</u>	<u>Share capital</u>	<u>Advance towards share capital</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Specific reserve</u>	<u>Proposed dividend</u>	<u>Total</u>
		TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Year ended 31 December 2017								
At start of year		17,236,000	1,000,000	-	573,920	240,561	262,156	19,312,637
Profit and comprehensive income for the year		-	-	-	887,321	-	-	887,321
Transactions with owners								
Issue of ordinary shares		716,523	(1,000,000)	383,477	-	-	-	100,000
Dividends proposed - 2017		-	-	-	(351,661)	-	351,661	-
Dividends paid - final 2016		-	-	-	-	-	(262,156)	(262,156)
Transfer to specific reserve		-	-	-	(175,831)	175,831	-	-
		17,952,523	-	383,477	933,748	416,392	351,661	20,037,802
Year ended 31 December 2016								
At start of year		17,136,000	-	-	303,491	109,507	-	17,548,998
Profit and comprehensive income for the year		-	-	-	663,639	-	-	663,639
Transfer to specific reserves		-	-	-	(131,054)	131,054	-	-
Transactions with owners								
Issue of ordinary shares	15	100,000	-	-	-	-	-	100,000
Advance towards share capital	15	-	1,000,000	-	-	-	-	1,000,000
Proposed dividend	16	-	-	-	(262,156)	-	262,156	-
		17,236,000	1,000,000	-	573,920	240,561	262,156	19,312,637
Year ended 31 December 2015								
At start of year		14,270,000	-	-	(88,140)	-	-	14,181,860
Transfer to specific reserve		-	-	-	(109,507)	109,507	-	-
Profit and comprehensive income for the year		-	-	-	501,138	-	-	501,138
Transactions with owners								
Issue of ordinary shares	15	2,866,000	-	-	-	-	-	2,866,000
		17,136,000	-	-	303,491	109,507	-	17,548,998

TANZANIA MORTGAGE REFINANCE COMPANY
HISTORICAL FINANCIAL INFORMATION
FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015
STATEMENT OF CASH FLOWS

	<u>Notes</u>	<u>2017</u> <u>TZS'000</u>	<u>2016</u> <u>TZS'000</u>	<u>2015</u> <u>TZS'000</u>
Operating activities				
Cash used in operations	17	(15,346,171)	(10,992,02)	(8,578,683)
Tax (paid)/recovered		<u>(426,918)</u>	<u>(270,656)</u>	<u>(176,058)</u>
Net cash used in operating activities		<u>(15,773,089)</u>	<u>(11,262,67)</u>	<u>(8,754,741)</u>
Investing activities				
Purchase of intangible asset	10	-	(1,082)	-
Purchase of equipment	9	(24,212)	(9,096)	(235,620)
Proceeds from disposal		<u>-</u>	<u>5,050</u>	<u>-</u>
Net cash used in investing activities		<u>(24,212)</u>	<u>(5,128)</u>	<u>(235,620)</u>
Financing activities				
Proceed from borrowing		21,500,000	15,700,000	9,800,000
Repayment of interest		(6,627,677)	(4,739,624)	(3,755,137)
Repayment of borrowings		(2,000,000)	-	-
Proceeds from advance towards share capital	15	-	1,000,000	-
Proceeds from issue of ordinary shares	15	100,000	100,000	2,866,000
Proceeds from TMRC bonds issuance		2,000,000		
Payment of dividends		<u>(262,156)</u>		
Net cash generated from financing activities		<u>14,710,167</u>	<u>12,060,376</u>	<u>8,910,863</u>
Increase/(decrease) in cash and cash equivalents		<u>(1,087,134)</u>	<u>792,572</u>	<u>(79,498)</u>
Movement in cash and cash equivalents				
At the start of the year		1,412,593	620,021	699,519
Increase/ (decrease)		<u>(1,087,134)</u>	<u>792,572</u>	<u>(79,498)</u>
At the end of the year	6	<u>325,459</u>	<u>1,412,593</u>	<u>620,021</u>

TANZANIA MORTGAGE REFINANCE COMPANY
HISTORICAL FINANCIAL INFORMATION
FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of preparation

The historical financial information is prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS). It is presented in Tanzania Shillings, which is also the functional currency (see (c) below), rounded to the nearest thousand (TZS '000).

The preparation of historical financial information in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the company. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the historical financial information, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in paragraph (d).

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the company using valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account.

Fair values are categorized into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and revised standards

i. Adoption of new and revised standards

A number of amendments to standards and one interpretation became effective for the first time in the financial year beginning 1 January 2017 and have been adopted by the company. None of them has had an effect on the company's financial statements.

ii. New and revised standards that have been issued but are not yet effective

- The company has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1 January 2017.
- IFRS 15 Revenue from Contracts with Customers (issued in May 2014) - The new standard, effective for annual periods beginning on or after 1 January 2018, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.
- IFRS 16 Leases (issued in January 2016) - The new standard, effective for annual periods beginning on or after 1 January 2019, introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.
- IFRS 9 Financial Instruments (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition:
 - IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
 - For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
 - For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.
 - For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
 - The derecognition provisions are carried over almost unchanged from IAS 39

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and revised standards (continued)

The directors do not plan to apply any of the above until they become effective. The directors are in the process of assessing the impact of adopting these new standards when they become effective. The impact of IFRS 9 can be assessed in the context of the amounts recorded in the prospective financial information for the year ending on 31 December 2018 that forms part of this Reporting Accountants report.

c) Key sources of estimation uncertainty

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have not made assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year

d) Critical accounting judgements

In the process of applying the company's accounting policies, the company's management makes certain judgements that are continuously assessed based on prior experience and including expectations of future events that, under the circumstances are deemed to be reasonable as described below:

(i) Loan advances and interest receivables

Judgements made on whether there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the loan receivable.

The decision not to provide for non-recoverable loans is based on the fact that as at 31 December 2016, the refinance loan advances had mostly been given to member banks. Management believes that the loans will be recoverable in full as part of it is secured against the member banks' shareholding in the company as well as the respective mortgage portfolio issued by the bank. All loan repayment installments that had become due as at 31 December 2016 have been extended.

(ii) Government and investment securities

The directors have reviewed the company's loans and receivables financial assets in light of its capital maintenance and liquidity requirements and confirmed the company's positive intention and ability to hold those assets to maturity.

(iii) Non-financial assets

The company reviews its non-financial assets to assess the likelihood of impairment on an annual basis. In determining whether such assets are impaired, management makes judgments as to whether there are any conditions that indicate potential impairment of such assets.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Critical accounting judgements (continued)

(iv) Operating lease commitments

The company has entered into lease over its office premises. Management has determined that the company has not obtained substantially all the risks and rewards of ownership of these premises, therefore the leases have been classified as operating leases and accounted for accordingly.

e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), which is Tanzanian Shillings.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in statement of profit or loss and comprehensive income.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

f) Revenue recognition

Revenue mainly comprises of the interest on the outstanding loans advanced to the borrowers. The interest is computed on an accruals basis based on the rate of interest stated in the loan contract.

The company recognizes revenue when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measured until all contingencies relating to the transaction have been resolved. The company bases its estimates on historical results, taking into consideration the type of transaction and specifics of each arrangement.

Interest income is recognized in the year in which it is earned. The amount of revenue is measured using the effective interest rate method. Interest income is accrued by reference to time in relation to the principal amount outstanding and the effective interest rate applicable.

g) Cash and cash equivalent

Cash and cash equivalents includes cash in hand, deposits held at call with banks and financial assets with maturities of less than 3 months.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Equipment

All equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost can be reliably measured. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of profit or loss and comprehensive income during the financial year in which they are incurred.

Depreciation is calculated on a straight line basis, to write down the cost of each asset, to its residual value over its estimated useful life using the following annual rates:

Leasehold improvements	10%
Computers & equipment	33%
Office equipment	20%
Office furniture	20%
Motor vehicle	25%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining profit before tax.

i) Intangible assets

Computer software

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be three (3) years.

j) Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each statement of financial position date.

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Management determines all classifications of financial assets at initial recognition.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments

Financial assets

Financial assets and liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Management determines all classifications of financial assets at initial recognition.

The company's financial assets which include mortgage refinance loans, government securities, investment securities and other receivables fall into the following categories:

Loans and receivables: Financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are classified as current assets where maturities are within 12 months of the statement of financial position date. All assets with maturities greater than 12 months after the statement of financial position date are classified as non-current assets. Such assets are carried at amortized cost using the effective interest rate method. Changes in the carrying amount are recognized in the statement of profit or loss and comprehensive income.

Held-to-maturity: financial assets with fixed or determinable payments and fixed maturity where the management have the positive intent and ability to hold to maturity. Such assets are carried at amortized cost using the effective interest rate method. Changes in the carrying amount are recognised in the statement of profit or loss and comprehensive income.

Available-for-sale financial assets, which comprise non-derivative financial assets that are designated as available-for-sale financial assets, and not classified under any of the other categories of financial assets.

Purchases and sales of financial assets are recognised on the trade date i.e. the date on which the company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss and comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. Impairment of financial assets is recognised in the income statement under administrative expenses when there is objective evidence that the company will not be able to collect all amounts due per the original terms of the contract. Significant financial difficulties of the issuer, probability that the issuer will enter bankruptcy or financial reorganisation, default in payments and a prolonged decline in fair value of the asset are considered indicators that the asset is impaired.

Subsequent recoveries of amounts previously written off/impaired are credited to the statement of profit or loss and comprehensive income/statement of changes in equity in the year in which they occur.

Gains and losses on disposal of assets whose changes in fair value were initially recognised in the income statement are determined by reference to their carrying amount and are taken into account in determining operating profit/ (loss). On disposal of assets whose changes in fair value were initially recognised in equity, the gains/losses are recognised in the reserve, where the fair values were initially recognised. Any resultant surplus/deficit after the transfer of the gains/losses are transferred to retained earnings.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Financial instruments (continued)

Changes in fair value for available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss), which are recognised in the statement of comprehensive income. In the year of sale, the cumulative gain or loss recognised in other comprehensive income is recognised in the statement of profit or loss and comprehensive income as a reclassification adjustment.

Management classifies financial assets as follows:

Government securities are classified as held to maturity as the company has the intention and ability to hold these to maturity. These are carried at amortised cost.

Investment securities, other receivables and mortgage refinance loans are classified as loans and receivables and are carried at amortised cost.

Financial liabilities

The company's financial liabilities which include loans and borrowings and trade and other payables fall into the following category:

Financial liabilities measured at amortized cost: These include trade and other payables, and loans and borrowings. These are initially measured at fair value and subsequently measured at amortized cost, using the effective interest rate method.

Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the statement of profit or loss and comprehensive income under finance costs using the effective interest rate method.

Borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the statement of profit or loss and comprehensive income under finance costs.

Fees associated with the acquisition of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facilities will be acquired. In this case the fees are deferred until the drawn down occurs. If it is not probable that some or all of the facilities will be acquired the fees are accounted for as prepayments under trade and other receivables and amortized over the period of the facility.

All financial liabilities are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Financial liabilities are derecognized when, and only when, the company's obligations are discharged, cancelled or expired.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Current and deferred income tax

The tax expense for the year comprises of current and deferred tax. Tax is recognized in statement of profit or loss and comprehensive income, except that it relates to items recognised in equity. In this case, the tax is also recognised in equity.

Current Tax

Current tax is provided on the results for the year, adjusted in accordance with tax legislation.

Deferred tax

Deferred tax is provided using the liability method for all temporary timing differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary timing differences can be utilized.

m) Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to statement of profit or loss and comprehensive income on a straight-line basis over the period of the lease.

n) Retirement benefit obligations

The company and its employees contribute to the PPF Pension Fund (PPF), GEPF Retirement Benefit Fund (GEPF) and National Social Security Fund (NSSF), statutory defined contribution schemes registered under the Social Security Regulatory Authority Act (SSRA) of 2008. The company's contributions to this defined contribution scheme are charged to the statement of profit or loss and comprehensive income in the year to which they relate.

o) Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments.

p) Employee entitlements

Employee entitlements to gratuity and long term service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the statement of financial position date.

The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

q) Donor and Government funds

Funds from the World Bank and Government Funds are reported as Government Grants and recognized when there is reasonable assurance that the company will comply with the conditions attached to them and the grants will be received in order to comply with the disclosure requirements of International Accounting Standard (IAS) 20.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Donor and Government funds (continued)

(i) Operating grant

Operating grants are recognised in the statement of profit or loss and comprehensive income on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

(ii) Capital grants

Government grants related to assets, including non-monetary grants (such as land or other resources) are recorded at fair value. The grant is recognized in the statement of profit or loss and comprehensive income over the useful life of a depreciable asset.

r) Specific reserve

This relates to a specific reserve to cover the company from various risks and unforeseen losses by transferring 20% of the company's annual profit after tax.

s) Dividends

Dividends on ordinary shares are recognised as a liability in the year in which they are declared. Proposed dividends are accounted for as a separate component of equity until they have been declared at an annual general meeting.

t) Comparative

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

u) Segment reporting

The principle revenue generating activity is re/pre-financing mortgage loans offered to commercial banks in Tanzania. There are no dissimilarities in the economic characteristics of the services offered to these commercial banks in Tanzania based on the nature of the activity, the type of customer for the services, the methods used to provide services, location of the customers and the regulatory environment. Consequently, there are no separate operating segments identified for reporting according to IFRS 8.

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	2017	2016	2015
	TZS'000	TZS'000	TZS'000
1. Interest income			
Interest income on mortgage refinance loans	8,028,743	5,778,638	4,420,360
Interest income on government securities	2,915,368	2,497,681	2,177,470
Interest income on investment securities	56,157	79,068	88,656
Interest income on staff loans	48,974	19,483	13,556
	11,049,242	8,374,870	6,700,042
2. Interest expense			
Interest expense on TMRC Corporate Bond	80,020	-	-
Interest expense on loan from Bank of Tanzania	6,832,168	5,038,781	3,858,001
	6,912,188	5,038,781	3,858,001
3. Other income			
Loan facilitation fees	37,619	1,616	-
Gain from assets disposal	-	5,050	-
Insurance compensation	7,427	-	-
Capital grants amortization (Note 19)	483,601	524,938	288,916
Revenue grants amortization	-	90,438	45,223
	528,646	622,042	334,139
4.			
a) Operating expenses			
Staff costs (Note 4(b))	1,964,540	1,594,307	1,320,013
Travel expenses	73,152	59,256	43,510
Legal cost	18,642	35,674	34,200
Audit fees	25,000	26,853	20,957
Bank charges and commissions	4,865	2,527	3,508
Brokerage commission	-	963	976
Foreign exchange loss	5,151	4,805	2,345
Depreciation on equipment (Note 9)	142,904	166,405	179,690
Amortisation of intangible assets (Note 10)	434,242	455,670	192,851
Office rent	268,409	267,877	238,764
Telephone and fax	31,918	30,844	28,430
Insurance	26,480	28,242	15,623
Marketing and communications	24,117	20,544	17,941
Consultancy fees	8,429	54,084	51,675
IT license fees	176,844	151,710	33,914
Membership fees	24,364	25,828	15,287
Other operating expenses	155,266	86,053	177,611
	3,384,323	3,011,642	2,377,295
4. b) Staff costs			
Salaries and wages	1,394,263	1,172,821	941,166
Social security costs (defined contributions)	118,690	100,563	81,840
Provision for gratuity	143,514	119,435	81,820
Skills and Development Levy	73,091	66,265	54,640
Workers compensation contributions	16,100	13,716	5,534

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Leave expense	97,451	49,911	78,411
Staff Welfare	132	-	-
Training expenses	75,320	30,933	42,190
Medical expenses	45,979	40,663	34,412
	<u>1,964,540</u>	<u>1,594,307</u>	<u>1,320,013</u>

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION(CONTINUED)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	TZS'000	TZS'000	TZS'000
5.Income tax expense			
Current income tax	429,513	298,878	173,609
Deferred income tax (Note 12)	(35,457)	(16,028)	124,138
	<u>394,056</u>	<u>282,850</u>	<u>297,747</u>

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic rate as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	TZS'000	TZS'000	TZS'000
Profit before tax	1,281,377	946,489	798,885
Tax calculated at a tax rate of 30%	384,413	283,947	239,666
Tax effect of:			
Restriction on motor vehicle purchase	-	-	64,970
Permanently disallowed expenditure	9,643	931	14367
Under provision of deferred tax in prior years	-	(2,512)	(21,256)
Under provision of current tax in prior years	-	484	-
Tax charge/(credit)	<u>394,056</u>	<u>282,850</u>	<u>297,747</u>

The normal procedure for agreeing final income tax liability in Tanzania involves the company filing its final income tax returns with the Tanzania Revenue Authority (TRA) followed by TRA performing their own review of the company's submissions and issuing their notice of income tax assessments to the company. The final income tax liability as determined by TRA after their review may differ from the liability determined by the company and procedures are in place for the company to object and appeal against such assessments. It is common that a timeframe from the company's own submission of its final tax returns and for TRA performing their review and issuing of notice of final tax assessment may take several months or years.

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	2017	2016	2015
	TZS'000	TZS'000	TZS'000
6. Cash and bank balances			
Cash in hand	269	353	989
Cash at bank	75,190	182,240	511,082
	75,459	182,593	512,071

The company is minimally exposed to credit risk on cash and bank balances as these are held with financial institutions considered sound which are however not rated. The carrying amounts of the company's cash and cash equivalents are denominated in Tanzania Shillings.

For the purpose of the statement of cash flows, the year-end cash and cash equivalents comprise the following;

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Cash and bank balances	75,459	182,593	512,071
Financial assets with maturity of less than 91 days (Note 7)	250,000	1,230,000	330,687
	325,459	1,412,593	620,021

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
7. Investments			
a) Government securities			
Maturing within a year	2,929,736	421,389	4,102,532
Maturing within 2-3 years	7,633,384	2,369,830	2,096,701
Maturing within 3-5 years	1,120,720	8,424,507	4,269,021
Maturing within 5-10 years	4,022,475	2,616,260	5,578,460
Maturing after 10 years	3,061,102	2,982,493	163,206
	18,767,417	16,814,479	16,209,920

Government securities are made up of Treasury bonds existing as at year end and accrued interest as at 31 December 2017, 31 December 2016 and 31 December 2015 computed using effective interest rate. These investments are denominated in Tanzanian Shillings and attracted a weighted average on yield interest rate of (2017: 16.18%) (2016:14.9%), and (2015: 14.58%) per annum during the year.

The company is minimally exposed to credit risk on these securities as they are issued by the Government of the United Republic of Tanzania which is however not rated.

Movement in government securities during the year	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Government securities			
At start of year	16,814,479	16,209,920	12,879,318
Additions	1,240,980	511,254	3,743,270
Interest earned	2,915,368	2,497,681	2,177,470
Interest received	(2,203,410)	(2,404,376)	(2,590,138)
At year end	18,767,417	16,814,479	16,209,920

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7. Investments (continued)

b) Investment securities

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Deposits with financial institutions (at cost)	450,000	1,539,311	465,921
Accrued interest	25,717	38,208	25,923
	475,717	1,577,519	491,844

Investment securities are made up of investments in fixed deposits made with banks during the year. Accrued interest comprises of interest earned but not received as at the year end. The fixed deposit investments denominated in Tanzania Shillings attracted a weighted average interest rate of (2017: 15.50%), (2016:14.88%),(2015: 13.50%) per annum and United States Dollar (USD) denominated attracted a weighted average interest rate of (2016:3.50%) (2015: 3.50%) (2014:Nil) per annum during the year.

The company is minimally exposed to credit risk on the deposits as these are held with financial institutions considered sound which are however not rated.

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Movement in investment securities during the year			
At start of year	1,577,519	491,844	633,625
Additions	2,518,734	5,789,114	2,796,448
Redemptions	(3,620,536)	(4,703,439)	(2,938,229)
At end of year	475,717	1,577,519	491,844

As at the year end the investment securities are denominated in the following currencies

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Tanzania Shilling	475,717	1,466,360	275,189
US Dollar	-	111,159	216,655
	475,717	1,577,519	491,844

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Government and investment securities:			
Maturity profile of investments can be analysed as follows:			
Maturity within 91 days	250,000	1,230,000	107,950
Maturity after 91 days	18,993,134	17,161,998	16,593,814
Total	19,243,134	18,391,998	16,701,764

None of the Government or investment securities are either past due or impaired.

BOT TMRC Regulation 16(1) requires TMRC to not invest more than 40% of its financial resources in Treasury bonds and fixed deposits. As at year end, the total investment in treasury bonds and fixed deposits was 18.61% (2016: 22.8% and 2015: 26.3%).

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8. Mortgage refinance and pre-finance loans

Tanzania Mortgage Refinance Company Limited (TMRC) offers two products, namely refinance and pre-finance loans to banks which are Primary Mortgage Lenders (PML).

- i) Refinancing loans are secured against first ranked fixed charge debentures and a first ranked floating charge specific debenture in favor of TMRC over specified bank's mortgage loan portfolios to cover for no less than 125% of value of the refinance loans.
- ii) Pre-financing loans are secured on a portfolio of Treasury Bonds with coverage ratio of 105.3% and minimum remaining tenor longer than the maturity of the respective loans issued from disbursement date. PML are required to effect legal transfer of the Treasury Bonds pledged to TMRC as collateral to TMRC CDS account. The transfer must be effected prior to disbursement of funds. PML must maintain an on-going coverage ratio of 105.3%.

The company has issued mortgage refinance and pre-finance loans to the following banks during the year:

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Refinance			
Azania Bank Limited	9,200,000	6,700,000	4,200,000
Bank of Africa (Tanzania) Limited	5,750,000	2,750,000	-
DCB Commercial Bank Plc	1,500,000	1,500,000	1,500,000
BancABC Limited	1,400,000	1,400,000	1,400,000
CRDB Bank Plc	10,000,000	-	-
Commercial Bank of Africa	3,000,000	-	-
NMB Bank Plc	1,700,000	1,700,000	-
Barclays Bank (T) Limited	5,000,000	5,000,000	-
Accrued interest	571,324	265,482	113,659
Sub total	41,621,324	19,315,482	7,213,659
Pre-finance			
Azania Bank Limited	5,000,000	8,000,000	5,750,000
Bank of Africa (Tanzania) Limited	1,000,000	3,000,000	3,000,000
CRDB Bank Plc	2,000,000	2,000,000	-
CRDB Bank Plc	2,800,000	5,300,000	7,800,000
I&M Bank (T) Limited	2,000,000	2,000,000	-
DCB Commercial Bank Plc	17,000,000	17,000,000	17,000,000
NBC Bank (T) Ltd	3,250,000	3,250,000	3,250,000
KCB Limited	5,000,000	-	-
PBZ	3,000,000	-	-
Total accrued interest	452,142	502,078	305,105
Sub total	40,502,142	41,052,078	37,105,105
Total- refinance and pre-finance	82,123,465	60,367,560	44,318,764

The maturity of the principal amounts of the pre-finance and refinance loans exactly matches the borrowings from the Bank of Tanzania (Note 13). None of the pre-finance and refinance loans are either past due or impaired. Below is some information relating to the borrowers as at 31 December 2016:

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	Minimum capital		Actual capital		Net assets
	Tier 1	Tier 2	Tier 1	Tier 2	TZS 'Million
Azania Bank Limited	10%	12%	9.65%	11.04%	31,465
BancABC limited	10%	12%	14.06%	14.58%	52,456
Bank of Africa (Tanzania) Limited	10%	12%	15.10%	16.20%	72,006
Barclays Bank (T) Limited	10%	12%	21.37%	24.24%	90,089
CRDB Bank Plc	10%	12%	13.50%	17.70%	698,277
DCB Commercial Bank Plc	10%	12%	19.00%	20.00%	30,616
Exim Bank (Tanzania) Limited	10%	12%	17.64%	19.63%	205,117
I&M Bank (T) Limited	10%	12%	13.90%	19.58%	52,273
NBC Bank (T) Ltd	10%	12%	19.00%	21.00%	273,445
NMB Bank Plc	10%	12%	19.00%	20.00%	753,215

8. Mortgage refinance and pre-finance loans (continued)

The mortgage refinance loans in 2017 were made up of the following:

Name of Bank	Year Disbursed	Principal amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a.
Azania Bank Limited	2016	2,500,000	5 years	11.5
Azania Bank Limited	2015	1,700,000	3 years	11.5
Azania Bank Limited	2016	2,500,000	3 years	11.73
Azania Bank Limited	2017	2,500,000	3 years	11.5
BancABC limited	2014	1,400,000	3 years	11.5
DCB Commercial Bank Plc	2015	1,500,000	1.5 years	11.5
Bank of Africa (Tanzania) Limited	2016	5,750,000	3 years	11.73
NMB Bank Plc	2016	1,700,000	4 years	11.5
Barclays Bank (T) Limited	2016	5,000,000	5 years	12.5
FNB Bank Loan 2	2017	2,500,000	3 years	12.5
Exim Bank (Tanzania) Limited	2017	1,000,000	2 years	11.5
CRDB Bank Plc	2017	5,000,000	3 years	11.5
CRDB Bank Plc	2017	5,000,000	5 years	11.5
CBA Limited	2017	3,000,000	3 years	11.5
Total accrued interest	2016	571,324		
Subtotal		41,621,324		

The mortgage refinance loans in 2016 were made up of the following:

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Name of Bank	Year	Principal	Maturity period	Interest
	Disbursed	amount	from date of	rate % p.a.
		TZS '000	disbursement	
Azania Bank Limited	2016	2,500,000	5 years	11.5
Azania Bank Limited	2015	1,700,000	3 years	11.5
Azania Bank Limited	2016	2,500,000	3 years	11.73
BancABC limited	2014	1,400,000	3 years	11.5
DCB Commercial Bank Plc	2015	1,500,000	1.5 years	11.5
Bank of Africa (Tanzania) Limited	2016	2,750,000	3 years	11.73
NMB Bank Plc	2016	1,700,000	4 years	11.5
Barclays Bank (T) Limited	2016	5,000,000	5 years	12.5
Total accrued interest	2016	265,482		
Subtotal		19,315,482		

The mortgage refinance loans in 2015 were made up of the following:

Name of Bank	Year	Principal	Maturity period	Interest
	Disbursed	amount	from date of	rate % p.a.
		TZS '000	disbursement	
Azania Bank Limited	2011	2,500,000	5 years	8.84
Azania Bank Limited	2015	1,700,000	3 years	11.5
BancABC Limited	2014	1,400,000	3 years	11.5
DCB Commercial Bank Plc	2015	1,500,000	1.5 years	11.5
Total accrued interest		113,659		
Subtotal		7,213,659		

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION(CONTINUED)

8. Mortgage refinance and pre-finance loans (continued)

The mortgage pre-finance loans in 2017 were made up of the following:

Name of Bank	Year Disbursed	Principal amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a.
Azania Bank Limited	2015	2,800,000	3 years	11.50
Bank of Africa (Tanzania) Limited	2016	5,000,000	3 years	11.67
CRDB Bank Plc	2015	7,000,000	3 years	11.5
CRDB Bank Plc	2017	10,000,000	3 years	11.5
I&M Bank (T) Limited	2014	3,250,000	3 years	11.5
DCB Commercial Bank Plc	2016	2,000,000	3 years	11.5
NBC Bank (T) Ltd	2016	2,000,000	3 years	14.57
KCB Limited	2017	5,000,000	3 years	12.5
PBZ	2017	3,000,000	3 years	12.5
Total accrued interest		452,142		
Subtotal		40,502,142		

The mortgage pre-finance loans in 2016 were made up of the following:

Name of Bank	Year Disbursed	Principal amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a.
Azania Bank Limited	2016	2,500,000	3 years	11.73
Azania Bank Limited	2015	2,800,000	3 years	11.50
Bank of Africa (Tanzania) Limited	2016	5,000,000	3 years	11.67
Exim Bank (Tanzania) Limited	2013	3,000,000	3 years	11.51
CRDB Bank Plc	2014	5,000,000	3 years	11.5
CRDB Bank Plc	2014	5,000,000	3 years	11.5
CRDB Bank Plc	2015	7,000,000	3 years	11.5
Bank of Africa (Tanzania) Limited	2014	3,000,000	2.5 years	11.5
I&M Bank (T) Limited	2014	3,250,000	3 years	11.5
DCB Commercial Bank Plc	2016	2,000,000	3 years	11.5
NBC Bank (T) Ltd	2016	2,000,000	3 years	14.57
Total accrued interest		502,078		
Subtotal		41,052,078		

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The mortgage pre-finance loans in 2015 were made up of the following:

	Year Disbursed	Principal amount TZS '000	Maturity period from date of disbursement	Interest rate % p.a.
Azania Bank Limited	2013	2,500,000	3 years	11.55
Azania Bank Limited	2013	2,500,000	3 years	11.50
Azania Bank Limited	2015	2,800,000	3 years	11.50
Bank of Africa (Tanzania) Limited	2013	2,750,000	3 years	11.50
Exim Bank (Tanzania) Limited	2013	3,000,000	3 years	11.51
CRDB Bank Plc	2014	5,000,000	3 years	11.50
CRDB Bank Plc	2014	5,000,000	3 years	11.50
CRDB Bank Plc	2015	7,000,000	3 years	11.50
Bank of Africa (Tanzania) Limited	2014	3,000,000	2.5 years	11.50
I&M Bank (T) Limited	2014	3,250,000	3 years	11.50
Total accrued interest		305,105		
Subtotal		37,105,105		

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION(CONTINUED)

9. Equipment	Leasehold Improvements	Computers & Equipment	Office Equipment	Office Furniture	Motor Vehicle	Total
Year ended 31 December 2017	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Opening carrying amount	106,187	22,970	57,164	12,378	144,729	343,428
Additions	2,968	8,622	5,941	6,681	-	24,212
Assets written-off	-	-	(2,254)	-	-	(2,254)
Depreciation charge	(18,174)	(14,672)	(42,184)	(9,982)	(57,892)	(142,904)
Closing carrying amount	90,981	16,920	18,667	9,077	86,837	222,482
At 31 December 2017						
Cost or valuation	182,485	217,825	214,512	70,696	231,567	921,648
Accumulated depreciation	(91,504)	(200,905)	(116,991)	(61,619)	(144,730)	(699,166)
Net carrying amount	90,981	17,825	18,667	9,077	86,837	222,482
Year ended 31 December 2016						
Opening carrying amount	124,139	55,439	97,521	21,017	202,621	500,737
Additions	-	2,663	2,636	3,797	-	9,096
Depreciation charge	(17,952)	(35,132)	(42,993)	(12,436)	(57,892)	(166,405)
Closing carrying amount	106,187	22,970	57,164	12,378	144,729	343,428
At 31 December 2016						
Cost or valuation	179,517	209,203	217,148	64,015	231,567	901,450
Accumulated depreciation	(73,330)	(186,233)	(159,984)	(51,637)	(86,838)	(558,022)
Net carrying amount	106,187	22,970	57,164	12,378	144,729	343,428

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Year ended 31 December 2015

Opening carrying amount	142,091	76,780	135,965	33,060	18,201	406,097
Additions	-	38,710	4,053	-	231,567	274,330
Depreciation charge	(17,952)	(60,051)	(42,497)	(12,043)	(47,147)	(179,690)
Closing carrying amount	<u>124,139</u>	<u>55,439</u>	<u>97,521</u>	<u>21,017</u>	<u>202,621</u>	<u>500,737</u>

At 31 December 2015

Cost or valuation	179,517	206,540	214,512	60,218	323,146	983,933
Accumulated depreciation	<u>(55,378)</u>	<u>(151,101)</u>	<u>(116,991)</u>	<u>(39,201)</u>	<u>(120,525)</u>	<u>(483,196)</u>
Net carrying amount	<u>124,139</u>	<u>55,439</u>	<u>97,521</u>	<u>21,017</u>	<u>202,621</u>	<u>500,737</u>

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10. Intangible assets	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Cost			
At start of year	1,445,536	1,444,454	142,680
Additions	-	1,082	-
Capital grant (Note 19)	-	-	1,301,774
At end of year	1,445,536	1,445,536	1,444,454
Amortisation			
At start of year	721,277	265,607	72,756
Charge for the year	434,242	455,670	192,851
At end of year	1,155,519	721,277	265,607
Net book value	290,017	724,259	1,178,847

The capital grant relates to an accounting software (ACCPAC), Mortgage Refinance Information System (MRIS) and other intangible assets which were received from the World Bank through the Bank of Tanzania.

In the opinion of directors there is no impairment in the remaining value of intangible assets.

11. Other receivables	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Prepaid expenses	274,561	157,736	141,984
Staff receivables	543,124	524,986	125,365
	817,685	682,722	267,349

In the opinion of the directors, the carrying amounts of other receivables approximate to their fair value.

12. Deferred tax

Deferred tax is calculated, in full, on all temporary timing differences under the liability method using a principal tax rate of 30% (2015: 30%) (2014: 30%). The movement on the deferred tax account is as follows:

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
At start of year	86,781	102,809	(21,329)
(Credit)/Charge to income statement (Note 5)	(35,457)	(16,028)	124,138
At end of year	51,324	86,781	102,809

Deferred tax assets and liabilities, and the deferred tax charge/(credit) in the statement of profit or loss and comprehensive income are attributable to the following items:

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12. Deferred tax (continued)

	At start of the year	Charge/ (credit) to profit or loss	At end of the year
	TZS'000	TZS'000	TZS'000
Year end 31 December 2017			
Deferred income tax liability			
Excess capital allowance over depreciation	101,872	(30,423)	71,449
Deferred income tax asset			
Provision for staff leave and gratuity	(15,091)	(5,034)	(20,125)
	<u>86,781</u>	<u>(35,457)</u>	<u>51,324</u>
Year end 31 December 2016			
Deferred income tax liability			
Excess capital allowance over depreciation	126,646	(24,774)	101,872
Deferred income tax asset			
Provision for staff leave and gratuity	(23,837)	8,746	(15,091)
Net deferred tax liability	<u>102,809</u>	<u>(16,028)</u>	<u>86,781</u>
Year end 31 December 2015			
Deferred income tax liability			
Excess capital allowance over depreciation	6,815	119,831	126,646
Deferred income tax asset			
Provision for staff leave and gratuity	-	(23,837)	(23,837)
Tax losses carried forward	(28,144)	28,144	-
Net deferred tax liability	<u>(21,329)</u>	<u>124,138</u>	<u>102,809</u>
13. Loans and borrowings	2017	2016	2015
	TZS'000	TZS'000	TZS'000
The loans and borrowings are made up as follows:			
Current			
Loan from Bank of Tanzania	14,050,000	15,700,000	13,250,000
Accrued interest	216,151	402,092	167,093
	<u>14,266,151</u>	<u>16,102,092</u>	<u>13,417,093</u>
Non- current			
Loan from Bank of Tanzania	65,050,000	43,900,000	30,650,000
Accrued interest	649,443	259,012	194,854
	<u>65,699,443</u>	<u>44,159,012</u>	<u>30,844,854</u>
Grand total	<u>79,965,594</u>	<u>60,261,104</u>	<u>44,261,947</u>
TMRC Corporate Bonds (ii)	2,080,020	-	-

'The exposure of the company's borrowings to interest rate changes and the contractual repricing dates at the statement of financial position date are as mentioned below.

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13. Loans and borrowings (continued)

The Bank of Tanzania loans and corporate bond comprise the following:

2017:

Date received	Principal amount	Maturity period	Remaining months to maturity	Interest rate % p.a
1 May 2015	1,700,000	5 years	28 months	10.00%
4 June 2015	7,000,000	3 years	5 months	10.00%
8 October 2015	2,800,000	3 years	9 months	10.00%
16 March 2016	2,000,000	3 years	14 months	10.00%
27 June 2016	2,500,000	3 years	18 months	10.23%
27 June 2016	2,750,000	4 years	30 months	10.23%
5 July 2016	5,000,000	3 years	18 months	10.17%
15 July 2016	2,000,000	3 years	18 months	10.23%
2 November 2016	5,000,000	5 years	46 months	10.00%
2 November 2016	1,700,000	4 years	34 months	10.00%
14 November 2016	2,500,000	2 years	10 months	10.00%
30 January 2017	2,500,000	2 years	13 months	10.00%
28 February 2017	1,500,000	2 years	14 months	10.00%
30 March 2017	5,000,000	3 years	27 months	10.00%
7 March 2017	3,000,000	3 years	26 month	10.00%
13 April 2017	3,000,000	3 years	27 months	10.00%
24 May 2017	5,000,000	3 years	29 months	10.00%
28 May 2017	1,000,000	1 years	5 months	10.00%
15 June 2017	2,500,000	5 years	52 months	10.00%
14 July 2017	1,400,000	2 years	18 months	10.00%
13 August 2017	3,250,000	1 years	7 months	10.00%
22 September 2017	10,000,000	3 years	33 months	10.00%
25 September 2017	5,000,000	5 years	57 months	10.00%
19 October 2017	3,000,000	3 years	34 months	10.00%
	81,100,000			

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13. Loans and borrowings (continued)

2016:

Date received	Principal amount	Maturity period	Remaining months to maturity	Interest rate % p.a
31 March 2014	5,000,000	3 years	3 months	10.00%
15 July 2014	1,400,000	3 years	7 months	10.00%
14 August 2014	3,250,000	3 years	8 months	10.00%
8 September 2014	3,000,000	2.5 years	2 months	10.00%
26 September 2014	5,000,000	3 years	9 months	10.00%
28 February 2015	1,500,000	2 years	2 months	10.00%
1 May 2015	1,700,000	5 years	40 months	10.00%
4 June 2015	7,000,000	3 years	17 months	10.00%
8 October 2015	2,800,000	3 years	22 months	10.00%
17 March 2016	2,000,000	3 years	27 months	13.07%
27 June 2016	2,500,000	3 years	30 months	10.23%
27 June 2016	2,750,000	4 years	42 months	10.23%
5 July 2016	5,000,000	3 years	31 months	10.17%
15 July 2016	2,000,000	3 years	31 months	10.23%
30 July 2016	2,500,000	6 months	1 month	10.00%
28 August 2016	3,000,000	1 years	5 months	10.01%
2 November 2016	1,700,000	5 years	59 months	10.00%
2 November 2016	5,000,000	4 years	47 months	10.00%
14 November 2016	2,500,000	5 years	59 months	10.00%
	59,600,000			

2015:

Date received	Principal amount	Maturity period	Remaining months to maturity	Interest rate % p.a
15 November 2011	2,500,000	5 years	11 months	8.09
28 June 2013	2,500,000	3 years	6 months	10.00
28 June 2013	2,750,000	3 years	6 months	10.00
31 July 2013	2,500,000	3 years	7 months	10.05
30 August 2013	3,000,000	3 years	8 months	10.01
31 March 2014	5,000,000	3 years	15 months	10.00
15 July 2014	1,400,000	3 years	19 months	10.00
14 August 2014	3,250,000	3 years	20 months	10.00
8 September 2014	3,000,000	3 years	14 months	10.00
26 September 2014	5,000,000	3 years	21 months	10.00
28 February 2015	1,500,000	2 years	14 months	10.00
1 May 2015	1,700,000	3 years	52 months	10.00
4 June 2015	7,000,000	3 years	29 months	10.00
8 October 2015	2,800,000	3 years	34 months	10.00
	43,900,000			

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13. Loans and borrowings (continued)

The interest is payable quarterly effective from the date of disbursement of the loan. The loans from Bank of Tanzania are secured against a debenture issued by TMRC to cover the loans. This debenture ranks equally with all bonds to be issued by TMRC. Loans and borrowings are denominated in Tanzanian Shillings.

Undrawn facilities as at the statement of financial position date were as follows:

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Opening balance with Bank of Tanzania	76,365,431	92,065,431	15,497,031
Additional facility received during the year	-	-	86,368,400
Loan repayment during the year	2,000,000	-	-
Drawn amount during the year	(21,500,000)	(15,700,000)	(9,800,000)
Total undrawn amount at year end	56,865,431	76,365,431	92,065,431

(ii) TMRC Corporate Bond

On 22 September 2017, TMRC issued its first two private corporate bonds amounting to TZS 2 billion with gross coupon rate of 14.456% and was issued at par. The coupon on the bond is payable semi-annually. The bonds are secured by TMRC treasury bonds and not tradable in Dar es salaam Stock Exchange (DSE).

14. Trade and other payables

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Other payables	20,072	77,076	64,593
Accrued expenses	18,026	16,015	7,504
Gratuity payable	36,639	26,893	31,186
Deferred grant	181,964	47,698	90,438
Withholding tax payable	-	930	140
VAT payable	-	9,000	-
Provision for audit fees	16,093	15,746	11,665
Provision for staff leave	30,446	23,412	48,269
	303,240	216,770	253,795

In the opinion of the directors, the carrying amounts of the trade and other payables approximate to their fair value. The carrying amounts of the company's trade and other payables are denominated in Tanzania Shillings. The maturity analysis based on ageing of the trade and other payables as follows:

within three months	54,192	118,767	83,902
three to twelve months	249,048	98,003	169,893
	303,240	216,770	253,795

The company's liabilities as above will be settled by delivering cash.

Movement in provision for staff leave

At start of year	23,412	48,269	44,042
Additions	97,451	49,910	78,411
Redemptions	(90,417)	(74,767)	(74,184)
At end of year	30,446	23,412	48,269

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Movement in gratuity payable

At start of year	26,893	31,186	26,811
Additions	143,514	119,435	81,820
Redemptions	(133,768)	(123,728)	(77,445)
At end of year	36,639	26,893	31,186

	No. of ordinary shares	Issued and fully paid up capital TZS'000	Advance towards share capital TZS'000	Share premium TZS'000
15. Share capital				
At 1 January 2015	14,500,000	14,270,000	-	-
Issue of ordinary shares	2,866,000	2,866,000	-	-
At 31 December 2015	17,366,000	17,136,000	-	-
At 1 January 2016	17,366,000	17,136,000	-	-
Issue of ordinary shares	100,000	100,000	1,000,000	-
	17,466,000	17,236,000	1,000,000	-
At 1 January 2017	17,466,000	17,236,000	1,000,000	-
Issue for cash	100,000	100,000	-	-
Allotted shares	616,523	616,523	(1,000,000)	383,477
	18,182,523	17,952,523	-	383,477

The total number of authorized ordinary shares is 30,000,000 (2016: 30,000,000, 2015: 30,000,000) with a par value of TZS 1,000 each.

Issued and fully paid:

15,882,523 (2016: 15,166,000, 2015: 15,066,000, ordinary shares of TZS 1,000 each and 2016, 2015: 2,300,000 ordinary shares at a rights issue of TZS 900 each).

Advance towards share capital relates to amount received from M Mortgage Company Limited towards the purchase of shares in the company.

2017

As at 31 December 2017, the issued and paid up capital was increased from TZS 17,236,000,000 to TZS 18,952,523,000 by an issue for cash of 100,000 ordinary shares at a price of TZS 1,000 per share, and allotment of 616,523 shares from advance paid towards share capital at a price of TZS 1,623 per share. First Housing Finance Co. Ltd was admitted as a member of TMRC on 1 March 2017.

2016

The issued and paid up ordinary share capital of the company was increased during the year from TZS 17,136,000,000 to TZS 17,236,000,000 by the issuance of 100,000 ordinary shares of TZS 1,000 each.

2015

The issued and paid up ordinary share capital of the company was increased during the year from TZS 14,270,000,000 to TZS 17,136,000,000 by the issuance of 2,866,000 ordinary shares of TZS 1,000 each.

The distribution of share capital of the Company is as follows:

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FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

15. Share capital (continued)

	2017			2016			2015		
	Number of shares held	Holding %	TZS'000	Number of shares held	Holding %	TZS'000	Number of shares held	Holding %	TZS'000
CRDB Bank Plc	2,400,000	13%	2,280,000	2,400,000	13%	2,400,000	2,400,000	13%	2,280,000
Azania Bank Limited	2,000,000	11%	2,000,000	2,000,000	11%	2,000,000	2,000,000	11%	2,000,000
National Microfinance Bank	1,800,000	10%	1,740,000						
Tanzania Mortgage Refinance Company Ltd	-	-	-	1,800,000	10%	1,800,000	1,800,000	10%	1,740,000
TIB Development Bank Limited (formerly Tanzania Investment Bank Limited)	1,500,000	8%	1,450,000	1,500,000	9%	1,500,000	1,500,000	9%	1,450,000
Exim Bank (Tanzania) Limited	1,200,000	7%	1,200,000	1,200,000	7%	1,200,000	1,200,000	7%	1,200,000
DCB Commercial Bank Plc	1,100,000	6%	1,100,000	1,100,000	6%	1,100,000	1,100,000	6%	1,100,000
BancABC Tanzania Limited	1,000,000	5%	1,000,000	1,000,000	6%	1,000,000	1,000,000	6%	1,000,000
Bank of Africa (Tanzania) Limited	1,000,000	5%	1,000,000	1,000,000	6%	1,000,000	1,000,000	6%	1,000,000
National Bank of Commerce Limited	1,000,000	5%	1,000,000	1,000,000	6%	1,000,000	1,000,000	6%	1,000,000
NIC Bank (Tanzania) Limited	500,000	3%	500,000	500,000	3%	500,000	500,000	3%	500,000
Peoples Bank of Zanzibar Limited	500,000	3%	500,000	500,000	3%	500,000	500,000	3%	500,000
I&M Bank (T) Limited	500,000	3%	500,000	500,000	3%	500,000	500,000	3%	500,000
Shelter Afrique	1,866,000	10%	1,866,000	1,866,000	11%	1,866,000	1,866,000	11%	1,866,000
National Housing Corporation	1,200,000	7%	1,200,000	1,100,000	6%	1,000,000	1,000,000	6%	1,000,000
First Housing Finance o. Ltd	616,523	3%	1,000,000						
	18,182,523	100%	18,336,000	17,466,000	100%	17,236,000	17,366,000	100%	17,136,000

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HISTORICAL FINANCIAL INFORMATION
FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

NOTES TO THE HISTORICAL FINANCIAL INFORMATION(CONTINUED)

16. Dividends

At the forthcoming annual general meeting, a final dividend in respect of the year ended 31 December 2017 of TZS 19.51 per share amounting to TZS 354.68 million (2016: TZS 15.01 per share amounting to TZS 262.15 million and 2015: Nil) is to be proposed.

17. Cash used in operations

Reconciliation of profit before tax to cash used in operations:

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Profit before tax	1,281,377	946,489	798,885
Adjustments for:			
Depreciation on equipment (Note 9)	142,904	166,405	179,690
Amortisation of intangible assets (Note 10)	434,242	455,670	192,851
Amortisation of capital grants (Note 19)	(483,601)	(524,938)	(288,916)
Gain from assets disposal	-	(5,050)	-
Interest expense	6,912,188	5,038,781	3,858,001
Asset written-off	2,254	-	-
Changes in working capital:			
-Movement in investments	(1,831,138)	(568,183)	(3,411,557)
-Mortgage refinance loans	(21,755,905)	(16,048,796)	(9,926,530)
-Other assets	(134,962)	(415,373)	(80,358)
-Trade and other payables	86,470	(37,025)	99,251
	(15,346,171)	(10,992,020)	(8,578,683)

18. Related party transactions and balances

The company is owned by commercial banks in Tanzania. The percentage shareholding of each member bank is shown in Note 15.

The following balances and transactions arose from transactions carried out with related parties:

i) Loans to related parties	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Loans to shareholders (Note 8)	65,600,000	53,564,820	44,318,764
Loans to key management	292,821	275,025	35,008
ii) Investment securities with member banks (Note7)			
Fixed deposits with Banc ABC (Tanzania) Ltd	475,716	1,347,519	448,591
Fixed deposits with DCB Commercial Bank Ltd	-	230,000	43,253
	475,716	1,577,519	491,844
iii) Interest income from related parties			
Interest income derived from member banks (Note 1)			
- Interest income from mortgage refinance loans	6,852,373	5,675,898	4,420,360
- Interest income from fixed deposits	56,157	79,068	88,656
	6,908,530	5,754,966	4,509,016
Interest income from loans to key management	26,882	9,631	6,386

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION(CONTINUED)

18. Related party transactions and balances (continued)

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
iv) Key management compensation			
Salaries and other short term benefits	776,936	611,826	515,040
Pension costs: defined contribution scheme	92,744	67,248	41,760
	869,680	679,074	556,800

19. Capital grants

	789,494	1,314,432	
At start of year			262,864
Equipment	-	-	38,710
Intangible asset (Note 10)			1,301,774
	(483,601)	(524,938)	
Amortisation of capital grants (Note 3)			(288,916)
At end of year	305,893	789,494	1,314,432

Capital grants comprise of IT equipment and software (intangible asset) by using grant from the World Bank.

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
20. Specific reserve			
The movement in the specific reserve during the year is as follows:			
Opening balance	240,561	109,507	-
Addition	175,831	131,054	109,507
Closing balance	416,392	240,561	109,507

21. Commitments

Operating lease commitments			
Not later than 1 year	-	-	274,640
Later than 1 year but less than 5 years	-	-	-
	-	-	274,640

22. Risk management objectives and policies

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the company's financial performance.

Risk management is carried out by the management under policies approved by the Board of directors. Management identifies, evaluates and hedges financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

TANZANIA MORTGAGE REFINANCE COMPANY
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NOTES TO THE HISTORICAL FINANCIAL INFORMATION(CONTINUED)

(i) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions (including investment securities), government securities mortgage loans (pre-finance and refinance) and staff receivables (Note 11).

The required credit risk information is provided within the notes for the financial assets.

ii) Market risk

Interest rate risk

The company is not exposed to interest rate risk as all the financial instruments subject to interest are at fixed interest rate.

Foreign currency risk

The company is exposed to foreign currency risk on its investment in United States Dollar fixed deposits only. The net impact on the movement in exchange rates would not be significant to the company.

iii) Liquidity risk

Cash flow forecasting is performed by the finance department of the company by monitoring the company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed facilities at all times so that the company does not breach the borrowing limits or covenants on any of its borrowing facilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the company's management maintains flexibility in funding by maintaining availability under committed credit lines.

The tables below disclose the undiscounted cash flows based on contractual maturity.

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION(CONTINUED)

22. Risk management objectives and policies (continued)

Financial risk management (continued)

iii) Liquidity risk

	0 to 3 months	4 to 12 months	Over 1 year up to 5 years	Over 5 years	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
2017					
Liabilities					
Loans and borrowings	1,898,369	16,196,586	80,229,612	-	98,324,567
TMRC corporate bond	224,580	144,560	3,011,920	-	3,381,060
Trade and other payables	38,098	-	-	-	38,098
Total	2,161,047	16,341,146	83,241,532	-	101,743,725
2016:					
Liabilities					
Loans and borrowings	13,511,719	15,968,831	41,846,613	-	71,327,163
Trade and other payables	93,091	-	-	-	93,091
Total	13,604,810	15,968,831	41,846,613	-	71,420,254
2015:					
Liabilities					
Loans and borrowings	1,085,950	16,107,463	33,626,250	-	50,819,663
Trade and other payables	72,097	-	-	-	72,097
Total	1,158,047	16,107,463	33,626,250	-	50,891,760

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NOTES TO THE HISTORICAL FINANCIAL INFORMATION(CONTINUED)

23. Capital management

Internally imposed capital requirements

The company's objectives when managing capital are:

- ☐ to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk;
- ☐ to comply with the capital requirements set out by the company's bankers;
- ☐ to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- ☐ to maintain a strong asset base to support the development of business; and
- ☐ to maintain an optimal capital structure to reduce the cost of capital.

The company sets the amount of capital in proportion to risk. The company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by capital. Net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e. share capital and retained earnings). The gearing ratios as at 31 December were as follows:

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Total borrowings (Note 13)	82,045,614	60,261,104	44,261,947
Less: cash and cash equivalents (Note 6)	325,459	1,412,593	620,021
Net debt	81,720,155	58,548,511	43,641,926
Total equity	20,037,820	19,312,637	17,548,998
Gearing ratio	408%	305%	249%

The company's borrowings is composed of interest bearing loans from Bank of Tanzania. Total equity is made of member banks' contributions to capital adjusted by profit for the year.

The increase in gearing ratio in 2017 resulted primarily due to the additional TZS 21.50 billion (2016: TZS 15.70 billion and 2015: TZS 9.8 billion) long term loan received from Bank of Tanzania.

Externally imposed capital requirements

BOT TMRC Regulations 2011 requires the company to maintain at all times a minimum core capital, a minimum core capital to the value of its risk-weighted assets and off balance sheet exposures and a minimum ratio of total capital to the value of its risk-weighted assets and off balance sheet exposures. As at the year ends, the requirements were met as follows:

	Core capital		Tier 1		Tier 2	
	Minimum	Actual	Minimum	Actual	Minimum	Actual
	TZS'000	TZS'000	%	%	%	%
2017	6,000,000	19,460,000	10	99	12	99
2016	6,000,000	17,957,980	10	165	12	165
2015	6,000,000	17,588,997	10	219	12	219

TANZANIA MORTGAGE REFINANCE COMPANY
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NOTES TO THE HISTORICAL FINANCIAL INFORMATION(CONTINUED)

24. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

	2017	2016	2015
Basic and diluted	TZS'000	TZS'000	TZS'000
Profit attributable to equity holders of the Company (TZS '000)	887,321	663,639	501,138
Weighted average number of ordinary shares in issue during the period	18,054,262	17,646,000	16,163,000
Earnings per share (TZS '000)	0.049	0.038	0.031

25. Dividends per share

Dividends per share is calculated by dividing dividends by the weighted average number of ordinary shares outstanding during the period.

	2017	2016	2015
	TZS'000	TZS'000	TZS'000
Dividends proposed (TZS '000)	351,661	262,156	-
Weighted average number of ordinary shares in issue during the period	18,054,262	17,646,000	16,163,000
Dividends per share (TZS '000)	0.019	0.015	-

26. Fair value of financial assets and liabilities

	2017	Cost	2015	2017	Fair value	2015
	TZS'000	2016	TZS'000	TZS'000	2016	TZS'000
Assets						
Government securities	18,767,417	16,814,479	16,209,920	19,632,970	15,822,684	15,154,553
Investment securities	475,717	1,577,519	491,844	475,717	1,577,519	491,844
Mortgage refinance and pre-finance loan*	82,123,465	60,367,560	44,318,764	82,123,465	60,367,560	44,318,764
Other receivables	817,685	682,722	267,349	817,685	682,722	267,349
Total assets	102,184,284	79,442,280	61,287,877	103,049,837	78,450,485	60,232,510
Liabilities						
Loans and borrowings*	79,965,594	60,261,104	44,261,947	79,965,594	60,261,104	44,261,947
TMRC Corporate Bond*	2,080,020	-	-	2,080,020	-	-
Trade and other payables	303,240	216,770	253,795	303,240	216,770	253,795
Total liabilities	82,348,854	60,477,874	44,515,742	82,348,854	70,197,756	47,727,099

TANZANIA MORTGAGE REFINANCE COMPANY
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NOTES TO THE HISTORICAL FINANCIAL INFORMATION(CONTINUED)

The Company's business is to provide long-term source of funds to banks for the purpose of mortgage lending. The financing is obtained from the World Bank through the Bank of Tanzania at a fixed interest rate and lent out at the rate obtained plus a mark-up. There is no direct market that could be used for the purpose of obtaining market interest rates for fair valuation.

26. Fair value of financial assets and liabilities (continued)

The table below shows the sensitivity of the fair value of the mortgages, and loans and borrowings given an increase or decrease of 200 basis points to the original interest rates.

An increase in the interest rates by 200 basis points will cause a corresponding increase in the fair values of the loans and borrowings as shown in the table below.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
	TZS'000	TZS'000	TZS'000
Mortgage refinance and pre-finance loan	22,720,194	13,363,750	8,230,206
Loans and borrowings	18,559,594	11,728,450	7,367,077
TMRC Corporate Bond	1,417,965	-	-

27. Segment reporting

As explained under Significant accounting policies for segment reporting, there are no segments that should be disclosed under IFRS 8.

28. Country of incorporation

Tanzania Mortgage Refinance Company Limited (TMRC) was incorporated in Tanzania under the Tanzanian Companies Act, 2002 as a private limited liability company and is domiciled in Tanzania.

PROSPECTIVE FINANCIAL INFORMATION



The Directors

Tanzania Mortgage Refinance Company Limited

PO Box 9213

Dar es Salaam

Tanzania

13 April 2018

INDEPENDENT ASSURANCE REPORT ON PROSPECTIVE FINANCIAL INFORMATION

We have examined the accompanying prospective financial information of the Tanzania Mortgage Refinance Company Limited (the "Company") as set out on pages 97 to 100, which comprises the Company's statement of financial position for the year ending on 31 December 2018, the statement of profit or loss and other comprehensive income for the year ending on 31 December 2018, the statement of changes in equity for the year ending on 31 December 2018, the statement of cash flows for the year ending on 31 December 2018 and other explanatory notes. Our examination was conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000. Management is responsible for the preparation and presentation of the prospective financial information on the basis of the significant accounting policies and significant assumptions set out in Notes 1 and 2 of the prospective financial information. Ernst & Young were engaged by the Company for the implementation of International Financial Reporting Standard (IFRS) 9. It is our responsibility to provide the opinion required by the Capital Markets and Securities Authority.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the prospective financial information has not been properly compiled on the basis of the significant accounting policies and significant assumptions set out in Notes 1 and 2 of the prospective financial information. We do not provide an assurance conclusion on the assumptions.

Actual results are likely to be different from the prospective financial information since anticipated events frequently do not occur as expected and the variation may be material. Further, we emphasise that the prospective financial information is not intended to, and does not, provide all the information and disclosures necessary to give a fair presentation in accordance with International Financial Reporting Standards.

This prospective financial information has been prepared for inclusion in a prospectus for a Corporate Bond issue, and may, therefore, not be appropriate for another purpose.

Patrick Kiambi, TACPA

For and on behalf of PricewaterhouseCoopers

Certified Public Accountants

Dar es Salaam

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TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
PROSPECTIVE FINANCIAL INFORMATION
FOR THE YEAR ENDING ON 31 DECEMBER 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<u>2018</u>
	TZS'000
Interest income	16,534,757
Interest expense	(11,566,050)
Net Interest income	<u>4,968,707</u>
Other income	351,481
Total operating income	<u>5,320,188</u>
Impairment loss on financial assets	(694,778)
Operating expenses	(4,088,669)
Profit before income tax	<u>536,741</u>
Income tax expense	(161,022)
Profit for the year	<u>375,719</u>
Other comprehensive income	<u>-</u>
Total comprehensive income for the year attributable to the owners of the company	<u>375,719</u>
Basic and diluted earnings per share (TZS)	<u>0.021</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
PROSPECTIVE FINANCIAL INFORMATION
FOR THE YEAR ENDING ON 31 DECEMBER 2018

STATEMENT OF FINANCIAL POSITION

	<u>2018</u> <u>TZS'000</u>
Assets	
Cash and bank balances	46,097
Government securities	21,583,843
Investment securities	974,957
Mortgage refinance and pre-finance loan	146,884,423
Equipment	188,539
Intangible assets	77,661
Other receivables	841,766
Total assets	<u>170,597,286</u>
Liabilities	
Loans and borrowings	131,415,164
Trade and other payables	1,120,264
Current tax payable	-
TMRC Corporate Bond	16,000,000
Total liabilities	<u>148,535,428</u>
Shareholders' equity	
Share capital	19,952,523
Share premium	383,477
Specific reserves	496,587
Retained earnings	1,229,272
Total equity	<u>22,061,859</u>
Total equity and liabilities	<u>170,597,287</u>

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
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STATEMENT OF CHANGES IN EQUITY

	Share capital TZS'000	Share premium TZS'000	Advance towards share capital TZS'000	Retained earnings TZS'000	Specific reserve TZS'000	Proposed dividends TZS'000	Total TZS'000
Year ending on 31 December 2018							
At start of year	17,952,523	383,477	-	933,748	416,392	351,662	20,037,802
Profit and comprehensive income for the year	-	-	-	375,719	-	-	375,719
Transfer to specific reserve	-	-	-	(80,195)	80,195	-	-
Transactions with owners:							
Issue of ordinary shares	2,000,000	-	-	-	-	-	2,000,000
Proposed dividends	-	-	-	-	-	-	-
Payment of dividends	-	-	-	-	-	(351,662)	(351,662)
At end of year	19,952,523	383,477	-	1,229,272	496,587	-	22,061,859

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
PROSPECTIVE FINANCIAL INFORMATION
FOR THE YEAR ENDING ON 31 DECEMBER 2018

STATEMENT OF CASH FLOWS

	<u>2018</u>
	<u>TZS'000</u>
Operating activities	
Cash used in operations	(44,652,353)
Tax (paid)/recovered	(272,195)
Net cash used in operating activities	<u>(44,924,548)</u>
Investing activities	
Purchase of equipment and intangible assets	(106,371)
Proceeds from disposal	-
Net cash used in investing activities	<u>(106,371)</u>
Financing activities	
Proceeds from borrowings	43,000,000
Repayment of interest from borrowings	(11,273,486)
Proceeds from advance towards share capital	-
Proceeds from issue of ordinary shares	2,000,000
Proceeds from Corporate Bond issuance	12,000,000
Net cash generated from financing activities	<u>45,726,514</u>
Increase/(decrease) in cash and cash equivalents	<u>696,595</u>
Movement in cash and cash equivalents	
At the start of the year	798,507
Increase/ (decrease)	696,595
At the end of the year	<u>1,021,054</u>

NOTES

1. SIGNIFICANT ACCOUNTING POLICIES

The prospective financial information has been prepared in accordance with the significant accounting policies set out on pages 60 to 68 of this Reporting Accountant's report. The new and revised standards included in the significant accounting policies set out on pages 60 to 68 of this Reporting Accountant's report that become effective for annual periods beginning on or after 1 January 2018 have been adopted in the preparation of the prospective financial information.

2. SIGNIFICANT ASSUMPTIONS

- a. The Tanzania Mortgage Refinance Company (TMRC) Limited will issue new mortgage loans to banks amounting to TZS 55 billion in 2018. The issue will be fully funded by the proceeds of corporate bonds issue and the utilisation of undrawn borrowing from the Bank of Tanzania.
- b. The interest earned by TMRC will be at the rate of 11.5% (members) and 12.5% (non-members) per annum. The cost of capital in 2017 and 2018 will be maintained at the rate of 10% per annum for funds from the Bank of Tanzania and 14.46% for market sourced funds.
- c. The proceeds of the planned Corporate Bond issue will be received in November 2018 and the effective annual interest rate for the Bond will be 14.46%. The company will issue 4 billion private bonds to social security authorities at the end of the first quarter of 2018.
- d. The planned Corporate Bond issue will have NO options for conversion from debt to equity.
- e. TMRC will be able to utilise the undrawn balance of the borrowing with Bank of Tanzania to finance projected growth in the mortgage loan product in addition to the projected proceeds from the Corporate Bonds.
- f. TMRC will continue to have no non-performing loans and thus no requirement for an impairment provision.
- g. All the financial assets and financial liabilities of the TMRC will be held under a business model that results in amortised cost measurement.
- h. There are no off balance sheet items (e.g. undrawn credit commitments).
- i. The expected credit loss ratios arising from IFRS 9 adoption are 0.441% for credit exposures relating to mortgage refinance and pre-finance loans, 0.055% for credit exposures with the Bank of Tanzania and 4.815% for other corporate credit exposures.
- j. The current basis and rates of taxation, both direct and indirect, will remain the same.
- k. There will be no adverse consequences from the legal matters (with loan customers, current or past employees, or any other parties) in existence as of the date of preparing the prospective financial information.
- l. There will be no material change in accounting policies.
- m. Tanzania Mortgage Refinance Company Limited will continue to be managed by a competent Board and management team, adopting appropriate strategic frameworks, policies and procedures, and standards, while complying with all applicable laws and regulations.

3. DATE OF PREPARATION

The prospective financial information has been prepared as of April 2018.

KEY FINANCIAL RATIOS



The Directors
Tanzania Mortgage Refinance Company Limited
PO Box 2913
Dar es Salaam
Tanzania
13 April 2018

INDEPENDENT REASONABLE ASSURANCE REPORT ON KEY FINANCIAL RATIOS

We have completed our assurance engagement to report on the accompanying historical key financial ratios of the Tanzania Mortgage Refinance Company Limited as at 31 December 2017, 31 December 2016 and 31 December 2015 and for the respective years then ended.

Their key historical financial ratios are set out on page 104.

Management's Responsibilities

Management is responsible for the preparation and presentation of the historical key financial ratios in accordance with the basis of preparation described in Notes to the key financial ratios set out on pages 105 to 110.

Practitioner's Responsibilities

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance engagements other than audits or reviews of historical financial information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying key financial ratios of the Tanzania Mortgage Refinance Company Limited have not been prepared in all material respects, based on the criteria described in the Notes to the key financial ratios.

This key financial ratio information has been prepared for inclusion in a prospectus for a Corporate Bond issue, and may, therefore, not be appropriate for another purpose.

INDEPENDENT REASONABLE ASSURANCE REPORT ON KEY FINANCIAL RATIOS (CONTINUED)

Patrick Kiambi, TACPA

For and on behalf of PricewaterhouseCoopers

Certified Public Accountants

Dar es Salaam

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED

**KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015
BASED ON CAPITAL MARKETS AND SECURITIES AUTHORITY (CMSA) GUIDELINES**

	Note	Actual 2015	Actual 2016	Actual Dec-17
Earnings before interest and taxes (EBIT) Interest cover	D	100%	100%	100%
Operating cash flow to total debt percentage	E	-22%	-22%	-22%
Free cash flow to total debt percentage	F	-23%	-22%	-22%
Total free cash flow to total short term debt obligations	G	-62%	-61%	-108%
Net profit margin	H	7%	7%	8%
Post tax return before financing costs on capital employed	I	8%	8%	9%
Long term debt to capital employed ratio	J	71%	74%	78%
Total debt to equity ratio	K	248%	284%	362%
Funds from operations to total debt percentage	L	-22%	-22%	-22%
Free cash flow to debt repayment cover	M	-233%	-224%	-177%

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED
KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31
DECEMBER 2015

NOTES

A. SOURCE OF FINANCIAL INFORMATION USED FOR COMPUTATION OF RATIOS

The financial information used for computing the historical ratios has been extracted from the annual audited financial statements of the Tanzania Mortgage Refinance Company Limited.

B. BASIS FOR COMPUTATION OF RATIOS BASED ON CMSA REQUIREMENTS

1. Earnings before interest and taxes (EBIT) interest cover

EBIT interest cover = $\text{EBIT for the period} / (\text{interest payable for the period} + \text{any preference dividend payable for the period})$

2. Operating cash flow to total debt percentage

Operating cash flow to total debt ratio = $(\text{funds generated from operations in the period} / \text{average total debt during the period}) \times 100\%$

3. Free Cash flow to total debt percentage

Free cash flow to total debt = $(\text{free cash flows for the period} / \text{average total debt during the period}) \times 100\%$

4. Total free cash flow to total short term debt obligations

Total free cash flow to total short-term debt obligation = $(\text{total uncommitted cash flows for the period} / \text{total short-term debt obligations at the end of the period}) \times 100\%$

5. Net profit margin

Net profit margin = $(\text{net profit for the period} / \text{total sales for the period}) \times 100\%$

6. Post-tax return (before financing costs) on capital employed

Post-tax return (before financing costs) = $(\text{profit after tax but before financing costs for the period} / \text{average capital employed for the period}) \times 100\%$

7. Long-term debt to capital employed ratio

Long-term debt to capital employed ratio = $(\text{average long-term debt outstanding during the period} / \text{average equity} + \text{average long-term debt for the period})$

8. Total debt to equity ratio

Total debt to equity ratio = $(\text{average short-term debt outstanding} + \text{average long term debt outstanding during the period}) / \text{average equity for the period}$

9. Funds from operations to debt percentage

Funds from operations to debt = $(\text{funds generated from operations in the period} / \text{average total debt during the period}) \times 100\%$

10. Free cash flow to debt repayment cover

Free cash flow to debt repayment cover = $(\text{free cash flow for the period}) / (\text{interest payable} + \text{preference dividend} + \text{principal repaid during the period})$

NOTES (CONTINUED)

C. EXPLANATION OF COMPONENTS OF THE RATIOS BASED ON CMSA REQUIREMENTS

1. Average over the period is defined as the average of the opening and closing balances for that period.
2. Earnings Before Interest and Tax (EBIT) is after interest earned and income from investments during the period.
3. Interest payable for the period is defined as interest payable on all long-term and short-term debts for the period (i.e. interest paid and accrued).
4. Free cash flow is defined as operating cash flow for the period less income tax paid and net capital investment.
5. Total uncommitted cash flow is defined as free cash flow for the period plus any cash and cash equivalents at the end of the period.
6. Cash equivalents are defined as highly liquid assets, convertible into known amounts of cash without notice and have insignificant risk of changes in value owing to changes in interest rates. A reasonable cut-off for cash equivalents is represented by a three-month (or less) maturity from date of acquisition.
7. Total sales turnover for the period represents the total gross sales net of indirect taxes such as Valued Added Tax (VAT).
8. Profit after tax for the period is stated after exceptional items but before extraordinary items and interest payable.
9. Net profit is defined as the net profit for the period after the tax, extraordinary and exceptional items, and after charging depreciation on the gross carrying value of the fixed assets.
10. Capital employed is defined as shareholders' interest + minority interest + non-equity shares at liquidation value + long-term debt. Shareholders' interest is made-up of paid-up capital and all reserves (i.e. revenue and capital reserves including revaluation reserves).
11. Equity (net worth) represents the worth of the company after all obligations are met. Thus it may be defined as paid-up share capital plus all reserves (i.e. revenue and capital reserves, including revaluation reserves).
12. Total indebtedness represents both long-term debt and short-term debt. Long-term debts are any amounts outstanding on commitments that are repayable after more than one year. Short-term debt obligations at the end of the period are defined as:
 - ☐ Bank loans and overdrafts,
 - ☐ Current portions of long-term liabilities,
 - ☐ Other payables, but excluding accounts and notes payable (trade), taxes on income, dividends payable and other payables and accrued expenses which are of a non-financing nature.

TANZANIA MORTGAGE REFINANCE COMPANY LIMITED

KEY FINANCIAL RATIOS FOR THE YEARS ENDED 31 DECEMBER 2017, 31 DECEMBER 2016 AND 31 DECEMBER 2015

NOTES (CONTINUED)

D EARNINGS BEFORE INTEREST AND TAXES (EBIT) INTEREST COVER	Actual 2015 TZS' 000	Actual 2016 TZS' 000	Actual 2017 TZS' 000
Earnings before interest and tax			
Profit before income tax	798,885	938,118	1,281,377
Interest expense on borrowings	3,858,001	5,038,781	6,912,188
Earnings before interest and tax	4,656,886	5,976,899	8,193,565
Interest expense			
Interest expense on borrowings	3,858,001	5,038,781	6,912,188
EBIT interest cover	100%	100%	100%
E OPERATING CASH FLOW TO TOTAL DEBT PERCENTAGE			
Net cash generated from / (used in) operations	(8,754,741)	(11,262,676)	(15,346,171)
Average total debt			
Borrowings at start of year	34,359,083	44,261,947	60,261,104
Borrowings at end of year	44,261,947	60,261,104	82,045,614
Simple average total debt	39,310,515	52,261,526	71,153,359
Operating cash flow to total debt percentage	-22%	-22%	-22%
F FREE CASH FLOW TO TOTAL DEBT PERCENTAGE			
Free cash flows			
Cash generated from / (used in) operations	(8,578,683)	(10,992,020)	(15,346,171)
Income tax paid	(176,058)	(270,656)	(426,917)
Cash used in purchase of property and equipment	(235,620)	(9,096)	(24,212)
Cash used in purchase of intangible assets	-	(1,082)	-
Free cash flow	(8,990,361)	(11,272,854)	(15,797,300)
Average total debt			
Borrowings at start of year	34,359,083	44,261,947	60,261,104
Borrowings at end of year	44,261,947	60,261,104	82,045,614
Simple average total debt	39,310,515	52,261,526	71,153,359
Free cash flow to total debt percentage	-23%	-22%	-22%

G TOTAL FREE CASH FLOW TO TOTAL SHORT TERM DEBT OBLIGATIONS	Actual 2015	Actual 2016	Actual 2017
	TZS' 000	TZS' 000	TZS' 000
Uncommitted cash flows			
Cash generated from / (used in) operations	(8,578,683)	(10,992,020)	(15,346,171)
Income tax paid	(176,058)	(270,656)	(426,917)
Cash used in purchase of property and equipment	(235,620)	(9,096)	(24,212)
Cash used in purchase of intangible assets	-	(1,082)	-
Cash and cash equivalents at end of year	620,021	1,412,593	325,459
Total uncommitted cash flows	(8,370,340)	(9,860,261)	(15,471,841)
Current portion of borrowings at end of year	13,417,093	16,102,092	14,266,151
Total free cash flow to total short term debt obligations	-62%	-61%	-108%
H NET PROFIT MARGIN			
Profit for the year	501,138	655,268	887,321
Total income			
Interest and similar income	6,700,042	8,374,870	11,049,242
Foreign exchange income	-	-	-
Other income	334,139	622,042	528,646
Total income	7,034,181	8,996,912	11,577,888
Net profit margin	7%	7%	8%
I POST TAX RETURN (BEFORE FINANCING COSTS) ON CAPITAL EMPLOYED			
Post tax profit before financing costs			
Profit for the year	501,138	655,268	887,321
Interest expense on borrowings	3,858,001	5,038,781	6,912,188
Profit for the year before financing costs	4,359,139	5,694,049	7,799,509
Capital employed			
At start of year			
- Total equity	14,181,860	17,548,998	19,312,637
- Borrowings	34,359,083	44,261,947	60,261,104
Total capital employed at start of year	48,540,943	61,810,945	79,573,741
At end of year			
- Total equity	17,548,998	19,312,637	20,037,801
- Borrowings	44,261,947	60,261,104	82,045,614
Total capital employed at end of year	61,810,945	79,573,741	102,083,415
Simple average capital employed during the year	55,175,944	70,692,343	90,828,578
Post tax return before financing costs	8%	8%	9%

J	LONG TERM DEBT TO CAPITAL EMPLOYED RATIO	Actual	Actual	Actual
		2015	2016	2017
		TZS' 000	TZS' 000	TZS' 000
	Average long term debt			
	Borrowings at start of year	34,359,083	44,261,947	60,261,104
	Borrowings at end of year	44,261,947	60,261,104	82,045,614
	Simple average long term debt	39,310,515	52,261,526	71,153,359
	Capital employed			
	At start of year			
	- Total equity	14,181,860	17,548,998	19,312,637
	- Borrowings	34,359,083	44,261,947	60,261,104
	Total capital employed at start of year	48,540,943	61,810,945	79,573,741
	At end of year			
	- Total equity	17,548,998	19,312,637	20,037,801
	- Borrowings	44,261,947	60,261,104	82,045,614
	Total capital employed at end of year	61,810,945	79,573,741	102,083,415
	Simple average capital employed during the year	55,175,944	70,692,343	90,828,578
	Long term debt to capital employed ratio	71%	74%	78%
K	TOTAL DEBT TO EQUITY RATIO			
	Average total debt			
	Borrowings at start of year	34,359,083	44,261,947	60,261,104
	Borrowings at end of year	44,261,947	60,261,104	82,045,614
	Simple average total debt	39,310,515	52,261,526	71,153,359
	Average equity			
	Total equity at start of year	14,181,860	17,548,998	19,312,637
	Total equity at end of year	17,548,998	19,312,637	20,037,801
	Simple average total equity during the year	15,865,429	18,430,818	19,675,219
	Total debt to equity ratio	248%	284%	362%
L	FUNDS FROM OPERATIONS TO TOTAL DEBT PERCENTAGE	Actual	Actual	Actual
		2015	2016	2017
		TZS' 000	TZS' 000	TZS' 000
	Net cash generated from / (used in) operations	(8,754,741)	(11,262,676)	(15,773,088)
	Average total debt			
	Borrowings at start of year	34,359,083	44,261,947	60,261,104
	Borrowings at end of year	44,261,947	60,261,104	82,045,614
	Simple average total debt	39,310,515	52,261,526	71,153,359
	Funds from operations to total debt percentage	-22%	-22%	-22%

M FREE CASH FLOW TO DEBT REPAYMENT COVER

Free cash flows

Cash generated from / (used in) operations	(8,578,683)	(10,992,020)	(15,346,171)
Income tax paid	(176,058)	(270,656)	(426,917)
Cash used in purchase of property and equipment	(235,620)	(9,096)	(24,212)
Cash used in purchase of intangible assets	-	(1,082)	-

Free cash flow	(8,990,361)	(11,272,854)	(15,797,300)
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Debt repayment

Interest expense on borrowings	3,858,001	5,038,781	6,912,188
Repayment of principle component of borrowings	-	-	2,000,000

Total debt repayment	3,858,001	5,038,781	8,912,188
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Free cash flow to total debt repayment cover	-233%	-224%	-177%
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23. Legal Opinion



ABENRY & COMPANY
Advocates Patent and Trademark Attorneys

Our Ref: CO/TMRCL/LHS/466/17
12th April, 2018

Chief Executive Officer
Tanzania Mortgage Refinance Company Limited
15th Floor, Golden Jubilee Towers
Ohio Street/Kibo Street
P.O. Box 7539
Dar-es-Salaam.

Dear Sirs,

LEGAL OPINION IN RESPECT OF THE BOND ISSUANCE BY TANZANIA MORTGAGE REFINANCE COMPANY LIMITED (TMRC)

1. BACKGROUND AND PURPOSE

We, Abenry & Company, Advocates, have been engaged as Legal Advisers to advise Tanzania Mortgage Refinance Company Limited ("the Company" or "TMRC") in relation to the issuance of debt securities (Notes) to the tune of Tanzania Shillings One Hundred and Twenty Billion (TZS120,000,000,000) under a Medium Term Note Programme to be issued in tranches. The first tranche of the note programme will be Tanzania Shillings Twelve Billion (TZS 12,000,000,000). The Notes will be issued in registered form in denominations of Tanzania Shillings One Million (TZS1,000,000.00) and in integral multiples of Tanzania Shillings One Million (TZS.1,000,000.00) in excess thereof, subject to a minimum subscription amount of Tanzania Shillings One Million (TZS 1,000,000.00).

We are corporate legal advisors and Advocates of the High Court of Tanzania, and courts subordinate thereto, save for Primary Courts, practicing and qualified as such to practice in Tanzania and to advice upon the laws of Tanzania.

2. INTERPRETATION

2.1 Wherever used in this Opinion, unless the context otherwise requires, the following terms shall have the following meanings:

- 2.1.1 the term "**BOT**" shall mean the Bank of Tanzania;
- 2.1.2 the term "**Companies Act**" shall mean the Companies Act, Cap. 212;
- 2.1.3. the term "**CMS Act**" shall mean the Capital Markets and Securities Act, Cap 79;
- 2.1.4 the term "**CMSA**" or "the **Authority**" shall mean the Capital Markets and Securities Authority established under the Capital Markets and Securities Act, Cap 79;
- 2.1.5 the term "**DSE**" shall mean the Dar-es-Salaam Stock Exchange Plc; and

- 2.1.6 the term “**TMRC**” or “the **Company**” shall mean Tanzania Mortgage Refinance Company Limited, a private company incorporated in Tanzania on 29th January, 2010 and issued with a Certificate of Incorporation No.74792.
- 2.2 Unless otherwise provided, references herein to a specified paragraph shall be construed as a reference to a specified paragraph hereof. In this Opinion, the headings are inserted for convenience of reference only and shall not be used to define, interpret or limit the content hereof.
- 2.3 Terms and expressions referring the singular are deemed to include the plural and vice-versa.

3. REVIEWED DOCUMENTATION AND PROCEDURES

For the purpose of expressing the opinion hereinafter we have examined the following documents or copies thereof (or as referred to in the preceding section 2) and such other documents or instruments as we have considered necessary in connection with this opinion:

- 3.1.1 a certified copy of the Certificate of Incorporation of the Company No. 74792 issued on 29th January, 2010;
- 3.1.2 certified copies of the Memorandum and Articles of Association of the Company in their original form and as amended, the amended version reprinted and filed with the Registrar of Companies on the 16th day of June 2017 pursuant to a special resolution of the Company dated 24th August 2016;
- 3.1.3 the Companies Act, Cap. 212 of the Laws of Tanzania and as amended from time to time;
- 3.1.4 the CMS Act and related Guidelines including the Capital Markets and Securities (Guidelines for the issue of Corporate Bonds) 1999;
- 3.1.5 the following licences and approvals given to the Company for carrying on of its businesses:
- 3.1.5.1 certified copy of the Licence to conduct mortgage refinancing business number MRC 001 issued on the 31st May, 2012 issued by BOT;
- 3.1.5.2 certified copy of the Investment Adviser Licence No. 10053 dated 22nd December, 2014 issued by the Capital Market and Securities Authority;
- 3.1.5.3 certified copy of the Tax Payer Identification Number (TIN) Certificate Number 109- 336 -548 issued on 01st February, 2010 by Tanzania Revenue Authority;
- 3.1.5.4 certified copy of the Value Added Tax (VAT) Certificate Number 40 – 005280- Y issued on 01st March, 2017 by Tanzania Revenue Authority;
- 3.1.5.5 certified copy of the Business Licence Number 2240793 issued on the 30th June, 2017 and valid until 30th June, 2018 for the Mortgage Financing;
- 3.1.5.6 certified copy of the Certificate of Registration Number 2126542 issued by the Parastatal Pension Fund (PPF) as a contributing member;

- 3.1.5.7 certified copy of the Certificate of Registration of a factory/workplace dated 3rd August, 2016 issued by the Occupational Health and Safety Authority.
- 3.1.6 "Material" Contracts which the Company is a party;
- 3.1.7 a copy of the Lease Agreement to which TMRC is the Lessee dated 1st February, 2017;
- 3.1.8 certified copies of the Company's Board of Directors dated 21st May, 2014 as well as its Members' Resolution dated 15th December 2017 approving the Bond Issuance;
- 3.1.9 certified copy of the letter from the Capital Markets and Securities Authority ("CMSA") approving the issue;
- 3.1.10 certified copies of the Company's audited Financial Statements the years ended 2014, 2015 and 2016;
- 3.1.11 certified copy of the letter with reference number FB.56/235/03/06 of 16th February, 2018 from the Bank of Tanzania giving a no objection for the establishment of the Medium Term Note Programme by the Company;
- 3.1.12 certified copy of the letter Reference number CMSA/LAE/03/86/62/21 dated 07th May 2018 from the Capital Markets and Securities Authority approving this Information Memorandum and listing of the securities on the DSE;
- 3.1.13 certified copy of the letter reference number DSE/0031/BR.5 dated 21st May 2018 from the DSE approving the listing of the Notes on the DSE;
- 3.1.14 other documents as we have deemed prudent.
- 3.2 We have further made such other enquiries and examined such other official records at the Registrar of Companies as we have considered appropriate for the purposes of giving the Opinion set out below.
- 3.3 In expressing this opinion, we have examined and relied on originals, certified copies and copies (as the case may be) of the above-mentioned documents, whereby we have assumed:
 - 3.3.1 all signatures on all documents reviewed by us are genuine;
 - 3.3.2 all documents submitted to us as copies are true and complete copies of the originals thereof;
 - 3.3.3 each natural person signing any document reviewed by us had the legal capacity to do so;
 - 3.3.4 each natural person signing any document reviewed by us in a representative capacity had authority to sign in such capacity; and
 - 3.3.5 that the investment opportunities will not change.

4. OPINION

- 4.1 Based upon and subject to (1) the foregoing, (2) paragraph 4.2 of this Opinion, (3) any matters set out in the Information Memorandum, and (4) to any matters not made known to us, we are of the opinion that:
- 4.1.1 the Company is a private company limited by shares, duly incorporated in Tanzania pursuant to the provisions of the Companies Act, with power to execute, deliver and exercise its right and perform its obligations pursuant to the Programme, and such execution and performance have been duly authorized by appropriate corporate action;
 - 4.1.2 the rights and obligations of the Company contemplated by this Programme constitute valid and binding rights and obligations enforceable in accordance with their terms;
 - 4.1.3 the Programme has been duly and validly authorized by the Company and no other corporate action on the part of the Company is necessary to authorize the Programme;
 - 4.1.4 the Programme contemplated by the Company does not conflict with and does not and shall not result in the breach of applicable law, rule 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 Programme or have material adverse effect on the ability of the Company to perform its obligations under the Programme;
 - 4.1.5 the Programme is in compliance of the CMS Act and all other laws relevant and enforceable in Tanzania at the time of giving this Opinion;
 - 4.1.6 the transactions contemplated by the Programme and the performance by the Company of its obligations there under will not violate any law of Tanzania.
- 4.2 Based upon and subject as aforesaid, and without prejudice to the generality of the matters set out in paragraph 4.1 of this opinion, we are further of the opinion that:
- 4.2.1 Clauses 4.3 and 4.4 of the Memorandum of Association of the Company authorize the Company to promote mortgage bonds issuance and develop mortgage backed products and also issue long term maturity bonds in the local or international capital markets through private or public placement raise;
 - 4.2.2 all authorizations, approvals, consents, licenses, exemptions, fillings 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 including the CMSA approval and DSE approval *[have been obtained in proper form, and are in full force and effect all authorizations and approvals by CMSA and DSE required for the Programme under the respective Legislation and Rules have been obtained];*

4.2.1 the Company has entered into two (2) main Agreements as indicated below:

4.2.1.1 Sub-Financing Agreement between Bank of Tanzania (BOT) and Tanzania Mortgage Refinance Company Limited (TMRC) dated 30th May, 2015.

The Agreement is in respect of a loan extended by BOT to TMRC for the purpose of implementing the Housing Financing Project and activities set out in the Financing Agreement between the United Republic of Tanzania and the International Development Association (IDA). TMRC is to extend the proceeds of the loan to the member banks which have subscribed to the shares of TMRC when there is a demand from such banks.

4.2.1.2 Sub- Financing Agreement between Bank of Tanzania (BOT) and Tanzania Mortgage Refinance Company Limited (TMRC) dated 10th December, 2010

The Agreement is for a loan extended to TMRC by BOT for the purpose of and objectives set out in the Financing Agreement and in accordance with the Operations Manual agreed with IDA. TRMC is to extend the proceeds of the loan to the member banks which have subscribed to the shares of TMRC when there is a demand from such banks.

5. **LEASE AND LANDED PROPERTIES**

- 5.1 The Company and management has confirmed that there are no landed properties currently owned by the Company to date.
- 5.2 However, the Company has entered into a Lease Agreement with the Public Service Pension Fund (PSPF) for leasing office premises with a total area of approximately 434.90m² located on the fifteenth (15) floor of Golden Jubilee Towers, Dar-es-Salaam. The duration of the lease is two (2) years effective from 1st February 2017. These premises are used as the head office of the Company.

6. **INSOLVENCY**

- 6.1 The Company is solvent, except for the additional need for capital through this Programme.

7. **INSURANCE**

- 7.1 The Company has taken a total of five (5) insurance policies. These are:

S/N	INSURANCE POLICY	AMOUNT OF COVER	PREMIUM	INSURER	EXPIRY DATE
1.	Medical Insurance Policy	TZS 50,000,000 per person	As per debit notes or as may be revised for future periods of insurance.	Jubilee Insurance Company of Tanzania Limited	31 st August, 2018
2.	Private Motor Vehicle (Comprehensive Insurance Policy)	TZS. 150,500,000	TZS. 5, 369,000 (VAT inclusive)	Metropolitan Insurance Company Limited	16 th July, 2018
3.	Business Package Policy (Office furniture, office equipment, leasehold improvements, office computers)	USD. 134,31.55	USD. 1,007.33	Metropolitan Insurance Company Limited	Renewed until 2018.
4.	Engineering (Electronic Equipment)	USD 1,071.77	USD 1,264.69	Metropolitan Insurance Company Limited	24 th March, 2018
5.	Business Package Policy (a) Electronic Equipment	TZS. 8,027,796	TZS. 60,208.5	Metropolitan Insurance Company Limited	28 th March, 2018
	(b) All Risks	TZS.170,152,359.44	TZS. 255,728.55	Metropolitan Insurance Company Limited	28 th March, 2018

8. LITIGATION

There is no significant litigation, arbitration, prosecution or other civil or criminal legal action whatsoever in which the Company is involved that is taking place, pending or threatened that may adversely affect the Company in the Programme. The Company and management have confirmed that there are no warning letters from any authority or regulator that have been issued to the Company due to non-compliance

9. SECURITIES IN FAVOUR OF THE COMPANY

We have reviewed eighteen (18) Debentures that have been created in favour of TMRC. Below is a summary of the debentures that have been created to secure specified amounts:

S/N	PARTIES	TERM OF DEBENTURE	BRIEF DISCRIPTION OF THE DEBENTURE
1.	CRDB BANK PLC AND TMRC	Three (3) years starting from 29 th May, 2015.	CRDB Bank Plc has issued a debenture in favour of TMRC to secure Tanzania Shillings Seven billion (TZS. 7,000,000,000.00).
2.	PBZ AND TMRC	Three (3) years starting from 15 th September, 2017	PBZ has issued a debenture in favour of TMRC to secure Tanzania Shillings Three billion (TZS. 3,000,000,000.00).
3.	BANCABC AND TMRC	Two (2) years starting from 14 th July, 2017	BancABC has issued a debenture in favour of TMRC to secure Tanzania Shillings One Billion Four Hundred Million (TZS. 1,400,000,000.00).
4.	BACLAYS BANK TANZANIA LIMITED AND TMRC	Five (5) years starting from 18 th October, 2016	Barclays Bank Tanzania Limited has issued a debenture in favour of TMRC to secure Tanzania Shillings Five billion (TZS. 5,000,000,000.00).
5.	KCB BANK AND TMRC	Thirty-Four (34) months starting from 17 th May, 2017	KCB Bank has issued a debenture in favour of TMRC to secure Tanzania Shillings Five Billion (TZS 5,000,000,000.00).
6.	BOA BANK AND TMRC	Three (3) years starting from 20 th June, 2016	BOA Bank has issued a debenture in favour of TMRC to secure Tanzania Shillings Five Billion (TZS 5,000,000,000.00).
7.	DCB COMMERCIAL BANK AND TMRC	Three (3) years starting from 11 th July, 2016	DCB Commercial Bank has issued a debenture in favour of TMRC to secure Tanzania Shillings Two Billion (TZS. 2,000,000,000.00).
8.	I&M BANK AND TMRC	Three (3) years starting from 12 th August, 2014	I&M Bank has issued a debenture in favour of TMRC to secure Tanzania Shillings Three Billion Two Hundred and Fifty Million (TZS. 3,250,000,000.00).
9.	CBA AND TMRC	Three (3) years starting from 27 th March, 2017	CBA has issued a debenture in favour of TMRC to secure Tanzania Shillings Three Billion (TZS. 3,000,000,000.00).

10.	CRDB BANK PLC AND TMRC	Five (5) years starting from March, 2017	CRDB Bank Plc has issued a debenture in favour of TMRC to secure Tanzania Shillings Five Billion (TZS. 5,000,000,000.00).
11.	CRDB BANK PLC AND TMRC	Three (3) years starting from March, 2017	CRDB Bank Plc has issued a debenture in favour of TMRC to secure Tanzania Shillings Three Billion (TZS. 3,000,000,000.00).
12.	CRDB BANK PLC AND TMRC	Three (3) years starting from 21 st September, 2017	CRDB Bank Plc has issued a debenture in favour of TMRC to secure Tanzania Shillings Three Billion (TZS. 3,000,000,000.00).
13.	AZANIA BANK AND TMRC	Three (3) years starting from 22 nd September, 2016	Azania Bank has issued a debenture in favour of TMRC to secure Tanzania Shillings Two Million and Eight Hundred Million (TZS. 2,800,000,000.00).
14.	EXIM BANK AND TMRC	One (1) year starting from 28 th May, 2017	Exim Bank has issued a debenture in favour of TMRC to secure Tanzania Shillings One Billion (TZS. 1,000,000,000.00).
15.	NBC BANK AND TMRC	Three (3) years starting from 14 th February, 2016	NBC Bank has issued a debenture in favour of TMRC to secure Tanzania Shillings Two Billion (TZS. 2,000,000,000.00).
16.	BOA BANK AND TMRC	Three (3) years starting from 12 th July, 2016	BOA Bank has issued a debenture in favour of TMRC to secure Tanzania Shillings Two Billion Seven Hundred and Fifty Million (TZS. 2,750,000,000.00).
17.	AZANIA BANK AND TMRC	Three (3) years starting from 21 st October, 2016	Azania Bank has issued a debenture in favour of TMRC to secure Tanzania Shillings Two Billion Five Hundred Million (TZS. 2,500,000,000.00).
18.	AZANIA BANK AND TMRC	Five (5) years starting from 21 st October, 2016	Azania Bank has issued a debenture in favour of TMRC to secure Tanzania Shillings One Billion Seven Hundred Million (TZS. 1,700,000,000.00).

10. RESERVATIONS

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

11. CONSENT

We hereby consent to the inclusion of this legal opinion in the Information Memorandum to be issued by Tanzania Mortgage Refinance Company Limited in the form and text in which it is included.

12. CONCLUSION

This opinion is given to the Directors of Tanzania Mortgage Refinance Company Limited in connection with the Programme and not for any other purpose and according to the laws of Tanzania in force at the date hereof and we do not express any opinion in respect of any laws of any other jurisdiction. It may be relied upon only by Tanzania Mortgage Refinance Company Limited, the DSE and CMSA but not any other person unless our written consent has been sought and obtained.

Yours sincerely,



Lucy Sondo
SENIOR PARTNER

Appendix I: Bond Application Form



TANZANIA MORTGAGE REFINANCE COMPANY LIMITED.

TMRC BOND ISSUE

TZS 12.0 billion tranche of up to TZS 120 billion medium term note programme

This Application Form relates to the TMRC note programme amounting to TZS 12.0 billion. Prospective applicants should read the Information Memorandum before completing this form. A copy of the Information Memorandum (IM) may be obtained from any of the authorised selling agents listed in the Information Memorandum.

Offer for subscription of TMRC Bond notes for the minimum of TZS 1,000,000

OFFER OPENS: 28th May 2018

OFFER CLOSES: 8th June 2018

- 1 Please refer to the instructions on page 124 before completing this Application Form.
- 2 This form has to be completed at the premises of any authorised selling agents.
- 3 This form, once duly completed should be submitted, together with TZS Banker's cheque, TZS Direct Debit slip or TZS Cash in favour of "Tanzania Mortgage Refinance CO. Ltd Bond Issue", to African Banking Corporation (Tanzania) Limited "BancABC" Account number 1737204016
- 4 The Directors reserve the right to reject any application, in whole or in part, particularly if the instructions on page 1 and as set out in the attached IM are not complied with.
- 5 I/We understand that the TMRC Bond shall be transferred into the custody of the DSE Central Depository System (CDS), such that only the DSE CDS Receipts shall be issued to all successful applicants.

Applicant's statement:

TO: The Directors, TMRC, 15th Floor, Golden Jubilee Towers, Ohio Street, (P.O Box 7539), Dar es Salaam, Tanzania.

By signing the Application Form overleaf I/We the applicant(s) therein state that:

I/We the undersigned, confirm that, I/We have read the terms and conditions of Application as set out in the IM and agree to be bound by its contents

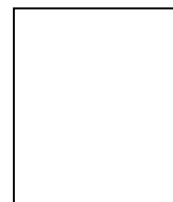
I/We declare that I/We have full capacity to contract and, where relevant, authority to sign on behalf of the Applicant, and hereby irrevocably apply for and request you to accept my/our application for the TMRC Bonds with minimum subscription of TZS 1,000,000.

I/We understand that my/our application may be refused in full or in part if we are not able to comply with the instructions of the offer.

I/We understand that in the event the offer is oversubscribed, the excess of the value of bonds applied for will be refunded to me/us as I/we have indicated overleaf

I/We agree to receive our new share depository receipt as indicated on the application form under 7 a.

Serial Number:	Agent/Broker Stamp& Signature:
Agent Code No:	
APPLICANT'S CDS A/C NO:	APPLICANT'S CDS ID NO:



1. **Applicant's Last Name or Company Name:** _____

First Name: _____ Middle Name: _____

ID Type: (Any/ Official): _____ ID Number: _____

Gender: (Tick as appropriate) ☐ Male ☐ Female

Applicant Type: ☐ Minor ☐ Company ☐ Individual

If you had already applied for these notes during this continuing Offer, Please show the serial number of your previous applications:

_____, _____, _____, _____, _____

NOTE: In case the Applicant is a Minor, the parent, guardian or sponsor should complete number 3.

2. Corporate Applicant: Name of Company _____ Incorporation Number: _____

NOTE: If the Applicant is a company then their legal representative should also complete number 3.

3. **Parent/Guardian/Sponsor/Legal Representative:**

Last Name/ Legal Representative _____

First Name: _____ Middle Name: _____

ID Type (Any / Official) _____ ID Number: _____

4. **Full mailing address and contact details for the applicant:**

P.O Box: _____ and/or street address: _____ Town/City: _____

Region: _____ Telephone: _____ E mail: _____

5. **Number of notes applied for:** _____ **Amount: TZS** _____

6. **Payment details (Tick as appropriate)**

☐ Cash ☐ Banker's cheque ☐ Direct Debit from my account as per details here below:

Bank name: _____ Branch name: _____ Account No. _____

Title of Account (Name of Account): _____

7. **Receipt of allocated notes, refund and any future dividends (tick as appropriate)**

a) Please send my DSE CDS Receipt through: ☐ My address or ☐ My Receiving Agent

b) Send refund if any to: ☐ My Receiving Agent or ☐ Credit my account, as per bank details under 6

c) Send my future dividends through: ☐ Mail Address or ☐ Credit my account, bank details above under 6

Signature: _____ **Date:** _____

Company Seal: _____

Full Name: _____

Serial Number: _____ Branch Code: _____

No. of notes Applied For: _____ Funds Submitted: TZS _____

Agent's Stamp and Signature: _____

INSTRUCTIONS

1. Each applicant must indicate at least three names in full and should provide two passport size photographs for each application form. That is one photograph is to be attached to the original application form and the other on the copy to be retained by the applicant himself / herself.
2. Please, refer to particulars of the Offer as set out in the attached IM. Applicants if necessary should consult their Licensed Dealing Members (LDMs), bankers, financial advisors or other investment and legal advisors regarding the completion of this form;
3. Only original Application Forms will be accepted. Photocopies, faxes or other reproductions will be rejected.
4. Postal applications will not be accepted; Each Applicant must indicate his/ her DSE CDS A/C and DSE CDS ID Numbers on the Application Form. All Authorised Receiving Agents will assist their customers to get their DSE ID and CDS A/C Numbers OR open New CDS A/C and New CDS ID Numbers for the new customers.
5. Applications are irrevocable and may not be withdrawn once submitted.
6. Applicants may submit as many applications as they wish as long as each of them independently meets the terms and conditions of the OFFER. For the second and subsequent applications, investors must insert the serial numbers of all earlier applications to assist the consolidation of all applications in the event of oversubscription. If multiple applications are received from a single applicant with different details, applications from such applicant will be considered null and void and no allotment of notes will be made to such applicant.
7. Any alterations on this Application Form (other than the deletion of alternatives), must be authenticated by the Applicant's full signature.
8. Subscribers will be required to produce acceptable identification and the receipt at the foot of the application form to receive subscription refunds and DSE CDS receipt;
9. Applications must be for a minimum of 100 notes and, thereafter in multiples of 100 notes
10. No documentary evidence of capacity needs to accompany this Application Form, but the Directors reserve the right to call upon any Applicant to submit such evidence in support of a person's authority to sign this Application Form either in their own, or in a representative capacity.
11. Each application must be accompanied by a TZS Bankers Cheque, TZS Direct Debit or TZS Cash and made payable to Tanzania Mortgage Refinance Co. Ltd or Receiving Agent within the acceptable time.
12. Minors are permitted to apply for notes with the assistance of a legal guardian who should sign the Application Form on their behalf followed by the statement "AS LEGAL GUARDIAN".
13. All successful Applicants will receive DSE CDS Receipts as proof of their bondholding in Tanzania Mortgage Refinance Co. Ltd.
14. Interest will not be paid to Applicants on application funds or refund monies.
15. In the event of a discrepancy between the number of notes applied and the value thereof, the Directors may in their sole discretion, adjust the number of notes to correspond with the value received for their application.
16. Receipt (foot of Application Form) should be retained by the Applicant and be presented to the Agent/Receiving Bank as evidence at the time of collecting DSE CDS receipt and/or refund cheque (if applicable).
17. Nominee companies may apply on behalf of principals. The number of securities applied for on each principal's behalf must be furnished and each Applicant will be treated as separate application and shall be subject to the terms and conditions of the IM. Nominees must disclose the names of the beneficial owners on whose behalf the notes are being bought.
18. If you wish to get a share certificate instead of DSE CDS Receipt, you are advised to contact your broker after the notes have been listed at the DSE. The broker will assist you to submit your application to withdraw from the DSE Central Depository System as per DSE Rules.
19. Any refunds will be done through Applicants bank account; and Refund Cheques will only apply for those who do not have bank accounts. Refund for minors will be paid through their parents / Guardian or Sponsors Address or Bank A/c. That is in case the minor doesn't have a bank account or Address.
20. A note on "mistakes": Any mistakes that may result into amendment costs; the amendment or correction costs will be charged at the source of the cause of the problem e.g. If the applicant did not complete the application form correctly, then at the time of correction the applicant will bear the cost of amendment. If it is the Receiving Agent who caused the problem, then the Receiving Agent will pay for the costs. Likewise to the DSE CDS Operators, or any other agent involved in the process etc.
21. Refund cheques for those who do not have Bank Accounts, should be collected immediately by the Applicants themselves from their respective Receiving Agents within three months after listing of notes at the DSE. Any cheque that goes "stale " uncollected shall be cancelled and a new cheque should be re-issued at the applicant's cost.

Authorised Placing Agents

Orbit Securities Company Limited P.O Box 70254, Dar es Salaam 4th Floor, Golden Jubilee Towers, Ohio Street, Tel: 255 22 2111758, Fax: 255 22 2113067 E-mail: orbit@orbit.co.tz	Core Securities Ltd P.O Box 76800, Dar es Salaam Fourth Floor – Elite City Building, Samora Avenue, Tel: +255 22 2123103, Fax: +255 22 2122562 E-mail: info@coresecurities.co.tz Website: www.coresecurities.co.tz
Tanzania Securities Limited P.O Box 9821, Dar es Salaam 7th Floor, IPS Building Samora Avenue/Azikiwe Street Tel: 255 (22) 2112807, Fax: 255 (22) 2112809 Mob: +255 718 799997 / +255 713244758 E-mail: info@tanzaniasecurities.co.tz Website: www.tanzaniasecurities.co.tz	Vertex International Securities Ltd P.O Box 13412, Dar es Salaam Annex Building - Zambia High Commission, Sokoine Drive/Ohio Street, Tel: 255 22 2116382 Fax: 255 222110387 E-mail: vertex@vertex.co.tz , operations@vertex.co.tz Website: www.vertex.co.tz
TIB Rasilimali Limited P.O Box 9373, Dar es Salaam 7th Floor, Samora Tower, Tel: 255 22 2111711, Fax: 255 22 2122883 Mob: +255 713 777818 / +255 784 777818 / +255 754283185 E-mail: rasilimali@africaonline.co.tz	SOLOMON Stockbrokers Limited P.O Box 77049, Dar es salaam Ground Floor - PPF House, Tel: 255 22 2124495/2112874, Fax: 255 22 2131969 Mob: +255 714 269090/+255 764 269090 E-mail: solomon@simbanet.net , info@solomon.co.tz Website: www.solomon.co.tz
Zan Securities Limited Viva Tower, 2nd Floor, Unit-15, Bibititi Road P.O Box 5366, Dar es salaam Tel: +255 22 2126415, Fax: 255 22 2126414 Mob: +255 786 344767, +255 755 898425 E-mail: info@zansec.com	ARCH Financial & Investment Advisory Limited P.O Box 38028 Dar es Salaam, 2nd Floor, Wing C, NIC Life House, Sokoine Drive/Ohio Street Tel. +255 22 732922396 Fax +255 22 732928489
E. A. Capital Ltd 6th Floor, IT Plaza, Ohio Street P.O Box 20650, Dar es salaam Tel +255 779740818 / +255 784461759 E-mail: EC@EACAPITAL-TZ.COM	Optima Corporate Finance Limited P.O Box 4441, Dar es Salaam Plot No 565 “B”, Senga Street , Mikocheni Tel: +255 684 856648 Email: gichohi@optimacorporate.co.tz
SMART Stock Brokers (T) Ltd P. O Box 1056878, Dar es Salaam, 1st Floor, Masdo House, Samora Avenue, Tel: +255 22 2138607 Email: info@smartstockbrokers.co.tz	Maxcom Africa Limited Mobile Banking P.O Box 31211, Dar es Salaam, First Floor, Sit 3-4, Millennium Tower, Tel. +255 757 244 424, +255 764 700 200 Email: infor@maxcomafrika.com
Victory Financial Services Limited ATC Building Ohio Street/Garden Avenue P.O Box 8706, Dar es Salaam Tel: +255 22 211 2691	Prudential Capital Group Limited 3rd Floor, Tancot House Sokoine Drive/Pamba Road P.O Box 8211, Dar es Salaam Tel: +255 687 89 49 93 Email: info@prudentialcapitalgroup.com
FIMCO Limited 5 Star Hall, Mbezi Beach, P.O. Box 70468 Dar es Salaam Tel: +255 767 211690	

