

The Business Year Talks to Dinesh Arora, CEO, Exim Bank Tanzania Ltd.

THE BUSINESS YEAR:

During the first quarter of 2014 your profits rose by 42% YoY. What are the main drivers of this growth for Exim Bank?

DINESH ARORA: Several factors have contributed to Exim's exponential growth .

'Exim Bank Tanzania' has been an interesting story of 'growth by self-evolution'. The bank is quite uniquely placed in the banking space - occupied by 50 + players, with some of the big International names having direct or indirect presence.

Despite being an indigenous entity, the bank has been able to create its own niche in a short span of 16 years, attaining 5th position in terms of 'Total Assets', on a sustained basis for the last few years. The bank enjoys a very strong brand, built over its ability to facilitate convert 'opportunities into reality' by providing faster turnaround on banking services. It is also known as being one of the most Innovative banks in the Country - having many **1sts** to its Credit. Be it pioneering introduction of Credit Cards in the Country (in affiliation with MasterCard International), or be it facilitating the exchequer in automated collections at the prestigious 'Tanzania National Parks' (TANAPA Cards) or being the 1st Tanzanian bank to establish a banking foot print overseas, having established its 1st wholly owned Subsidiary in 'Union of Comoros', it has been remaining at the forefront when it comes to adding value to its patrons.

With a view to ensure a sustainable growth and remain amongst the leaders in the Industry, the bank has embarked upon a 'Transformation Drive' - laying focus on 3 key pillars viz. 'People', 'Processes' & 'Technology'. The idea is to **attract the best talent** in the Industry & retain, support with the **best in class Technology** and build in **strong processes** for efficiencies and improved controls.

Some of the best, globally, have been sought assistance as Advisors to take us through this process. Am happy to share that the progress so far has been quite good and we hope to accomplish the task by Q4/15. The medium term Vision is to be a 'Strong Regional Bank with Best Practices'!

Beginning 2014, we have started seeing the desired impact of these initiatives. With effective funds management, the Net Interest Margins improved during the quarter. The Non Interest Income also fared very well, led by Treasury & Forex gains and supported by fee income from Non fund business & alternate channels. It is noteworthy that this is despite a quantum jump in the Ops costs arising due to the initiatives as shared earlier.

We are quite hopeful of sustaining this performance for the rest of the year that will further strengthen our spirits towards our Vision.

What are the main challenges currently faced by the country's banking sector?

Tanzania being a developing economy has its natural challenges. Some of those directly impacting the Industry could be defined under: '**Resources** – People / Technology', '**Enabling environment** – an efficient legal system & the Credit Information bureau' and '**Preventive & Compliance** – tackling financial crimes' etc.

Competition is a generic challenge for any operating environment. It seems to be more intense here as revealed by a recent survey by 'EY' – highlighting 50+ banks managing an asset base of \$ 11 bio vs 40 odd banks managing \$ 27 bio in the neighboring 'Kenya'. May be a subtle indication towards consolidation!

Some of the recent steps by the GoT and the Regulator viz. opening up of doors for more than one Credit Reference Bureau etc. are welcome steps towards further strengthening the sector on risk mitigation and compliance.

Can you elaborate on the bank's local and international expansion strategies?

The bank has 27 branches within Tanzania spread across 16 Regions / Centres, supported by 55 ATMs, including 29 off-site ATMs. 'Dar es Salaam' alone has 10 branches of the bank at some of the most strategic locations across the City. The bank has two wholly owned subsidiaries in the 'Union of Comoros' & ' Republic of Djibouti' with '4' & '1' branches respectively. This gives a total 63 footprints through the conventional 'brick & mortar' model.

With digitalization transforming each facet of the human life at a much faster pace than before, it is imperative to factor this phenomenon in the distribution strategy of the bank. While the bank is in a process of crafting its 'Distribution Strategy' for the year 2015, the focus shall largely be to further tap the potential within the existing markets. The bank shall be endeavoring to establish its base at some of the key centers viz. Dodoma, Kahama etc., while further broad basing the presence at the key business centres viz. Dar es Salaam, Arusha & Mwanza etc.

We are also keeping a close eye on the developments in the Region, viz. opening up of the 'CAC' (Capital Account Convertibility) within the East African Region etc. and shall be remaining open for an Organic / in-organic growth at an opportune time, upon completion of the 'Transformation Drive'.

What are the main strategic points for your 2016 Vision?

Building upon our ability to provide a faster turnaround and a loyal customer base, the bank had revamped its branch management structure earlier during the year, to be more 'sales centric'. Common back office activities are being centralized so that the branches shall be able to devote

much of their time understanding the needs of the customer and service them in the manner they want.

We have envisioned to be the 'Leader in Payments' as also to increase our market share in 'CASA' by 50 % from the existing nearly 5 % to about 7%;

We have sourced a state of the art 'switch' solution on an outsourcing model, to provide the right platform to not only remain very contemporary with the digital world of banking, but for introducing value added digital solutions matching to the local needs, with ease of implementation.

The relationship model of managing our Corporate, HNI & SE clients is expected to give us that competitive edge so as to give a boost to our market share on low cost deposits. Some novel offerings for Corporates & Retail clients are in the offing – soon to be introduced;

SNAPSHOT

A story of 'Growth through Self Evolution'

First bank in Tanzania to introduce MasterCard-affiliated credit cards

First Tanzanian bank to have established footprint overseas

2016 vision of increasing market share of retail deposits by 50%

Current market share of around 5%