



ANALYST'S NOTES ON CRDB AND NMB Q4 2022 FINANCIAL RESULTS

PERFORMANCE OVERVIEW

Tanzania's two largest banks, CRDB and NMB, have reported strong 4th quarter financial results. NMB saw a remarkable 49% growth in profit before tax, reaching TZS 620.9 Bln, while CRDB recorded a 29% increase, reaching TZS 498 Bln in profit before tax.

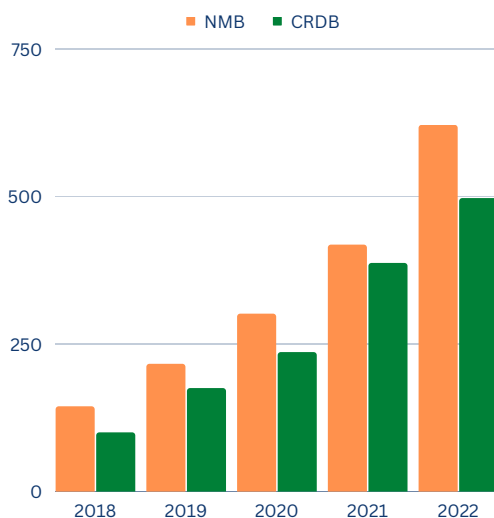
NMB and CRDB both reported solid earnings per share growth in 2022. NMB's EPS rose 47% to TZS 858 from TZS 584, while CRDB's EPS grew 31% to TZS 134.5 from TZS 102.4. Over the past five years, NMB's EPS grew 326% and CRDB's increased by 441%.

Both NMB and CRDB recorded double-digit growth in their interest income. NMB reported a 17% increase, and CRDB saw a 20% rise in its interest income.

NMB saw an increase in their operating expenses, reporting a 9% rise to TZS 496.4 Billion from TZS 454.5 Billion in 2021, while CRDB's operating costs decreased 4% to TZS 550 Billion from TZS 572.7 Billion.

	CRDB	NMB
Current Price (TZS)	390	3,240
Date Established	1996	1997
Date Listed	2009	2008
IPO Price (Tshs)	150	600
Historical Price Range	95-510	600-4,780
Market Cap (Tshs)	1,019 Bln	1,550 Bln
Issued Shares (Mln)	2,611.8	500
Market Symbol	CRDB	NMB
Daily Turnover (Tshs)	162.2Mln	50.6Mln
Daily Volume	463,574	20,248
DPS (2022) *(Estimated)	47	283.14
PE (x) - TTM	2.9x	3.77x
PB (x)	0.68x	0.92x
ROE (p.a.)	26%	25%
Dividend Yield (12Mo)	12.05%	9.1%
Financial Year end	31-Dec	31-Dec

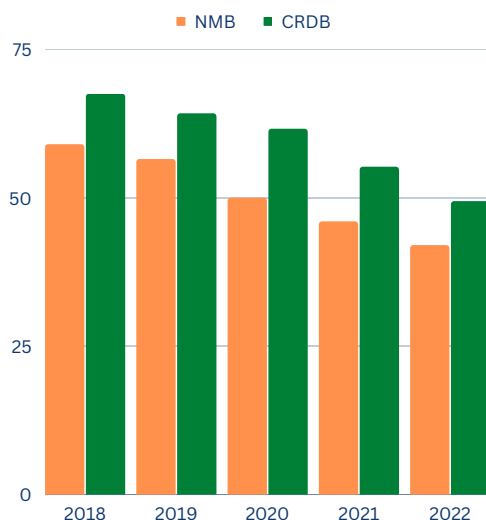
Profit Before Tax



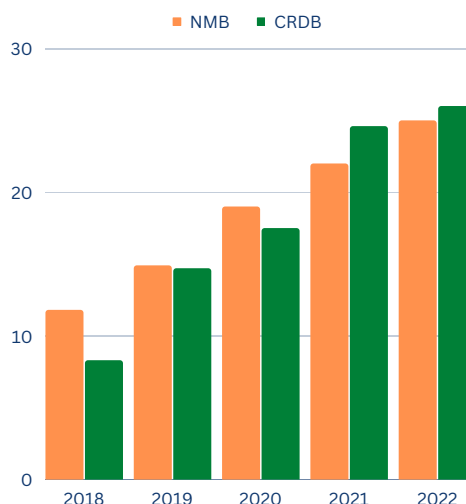
Operating Costs



Cost to Income Ratio



Return on Equity

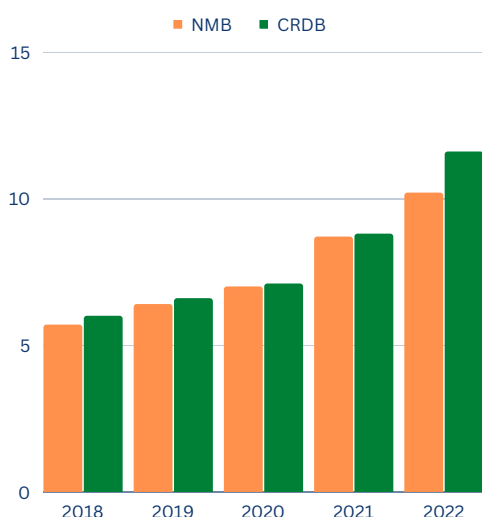


Both banks' cost-to-income ratios are within regulatory guidelines, with CRDB's ratio at 49%, down 11% from 55% the previous year, and NMB's ratio at 42% as of December 2022.

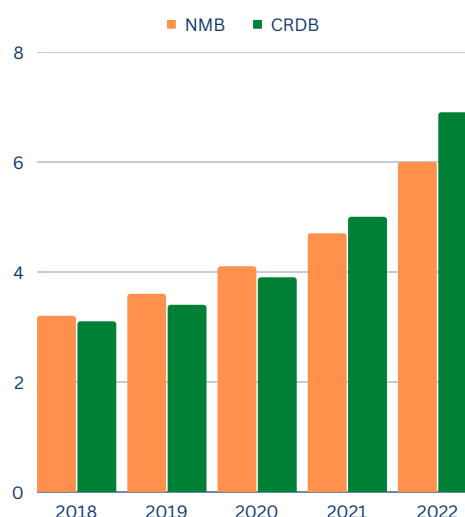
NMB and CRDB account for almost half of the assets in the Tanzanian banking sector, which saw further growth in the 4th quarter. NMB's assets expanded by 17.6%, largely driven by a 29% growth in loans to TZS 6 Trillion, totaling TZS 10.2 Trillion. CRDB's loans increased by 36% to TZS 6.8 Trillion and the bank was the largest assets holder with TZS 11.6 Trillion in total assets at the end of the quarter.

Deposits of both banks have risen alongside the growth in assets. CRDB saw a surge in deposits of 26% to reach TZS 8.1 Trn, while NMB's deposits increased by 13% to TZS 7.3 Trn. Both banks seem to have a more aggressive lending approach, with CRDB's loan-to-deposit ratio at 85.9% and 83% for NMB, both exceeding the 80% threshold set by the central bank.

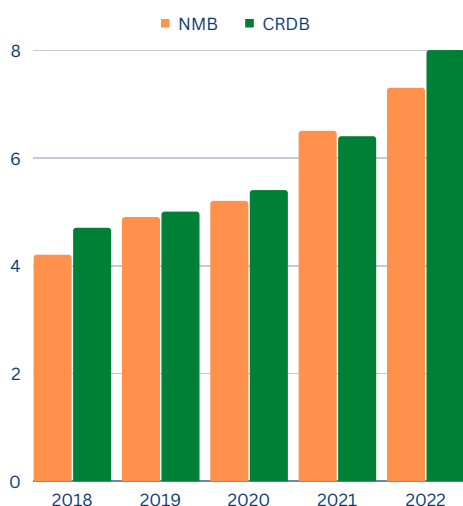
Total Assets



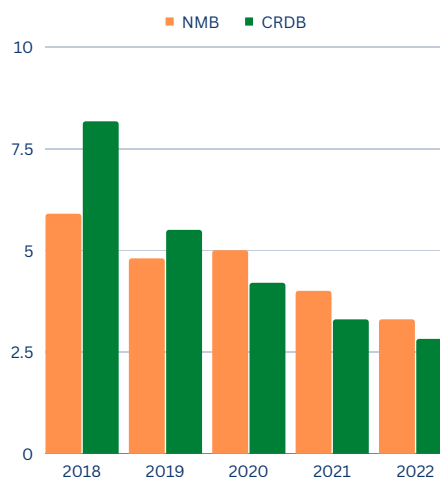
Loans



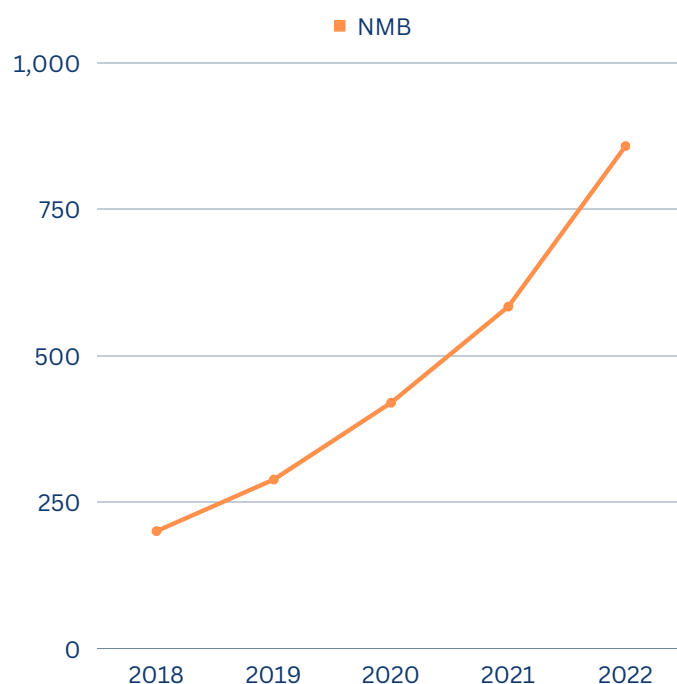
Customer Deposits



NPL to Total Loans



EARNINGS PER SHARE



CRDB AND NMB COUNTERS PERFORMANCE AT THE DAR ES STOCK EXCHANGE

During 2022, CRDB Bank was the most active stock on the Dar es Salaam Stock Exchange, with 33% of total turnover being generated through trading of 932,137,784 shares valued at Tshs 43.60 billion (\$18.68mn). CRDB's share price rose 39% over the course of the year, closing at 390 per share on January 30, 2023 compared to its opening price of 280 in January 2022.

NMB Bank, the second most active stock on the exchange, saw 24% of total turnover and a 51% gross price gain. 24,853,959 shares were traded, worth Tshs 31.87 billion (\$13.66mn), and NMB's share price closed on January 30, 2023 at 3,100 per share compared to its opening price of 2,000 in January 2022, representing a 55% increase year-to-date.

These two top-performing stocks accounted for nearly 60% of the overall turnover among the 22 domestically listed primary stocks in 2022.

	TURNOVER (TZS)	VOLUME	EXPECTED DIVIDEND (TZS)	%PRICE CHANGE YTD
CRDB	43.60 Bln	932 Mln	47	+39%
NMB	31.87 Bln	24. 8 Mln	283.14	+51%

OUTLOOK

The NMB and CRDB banks are expected to provide attractive dividends to investors this year, due to their strong earnings. NMB has a dividend payout ratio of 33%, with earnings per share of TZS 858, resulting in an estimated dividend per share of TZS 283.14. CRDB has a 35% dividend payout ratio and earnings per share of TZS 134.50, translating to an estimated dividend per share of TZS 47.

The adoption of agency banking and more relaxed regulations from the Bank of Tanzania has reduced banks' operational costs, leading to an increased focus on third-party services and digitalization for financial inclusion. The Bank of Tanzania is working to reduce loan risks, resulting in NPL ratios of 3.3% and 3.1% for NMB and CRDB, respectively.

According to the Bank of Tanzania, the banking sector is well-capitalized, liquid, profitable, and resilient to shocks, with assets and deposits continuing to grow due to a better business climate and technological advancements. In the period between November and December of 2022, liquidity in banks was maintained at adequate levels, private sector credit growth was high at around 21%. Moreover, the ratio of non-performing loans has declined to 5.8%, down from 8.5% in the same period in 2021, and which will stimulate lending to the private sector and lower borrowing costs.

Both domestic and foreign investors are showing increased interest in Tanzania, which is expected to positively impact the major income streams of the banking sector, including loan growth and fees generated from fund transactions and foreign exchange.

FOR MORE INFORMATION

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