Equity Research Note:
Credit Expansion and Bank Valuation in Tanzania

Evidence from CRDB & NMB

Kadoo Securities Research | Banking Sector Insight | 2026

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Credit Cycle Driven Bank Valuation

Executive Summary

While market commentary has largely attributed the rise in bank share prices to dividend expectations, our analysis suggests that the rally is primarily driven by Tanzania's expanding credit cycle and macro liquidity conditions rather than short term dividend yield considerations.

Recent market pricing implies that investors expect strong future earnings growth from banks operating in Tanzania. This expectation is supported by sustained expansion in private sector credit and money supply, which have historically translated into higher loan growth and improved profitability for commercial banks. As financial intermediaries, banks benefit directly from credit expansion through increased lending activity, stronger net interest income, and improved return on equity.

Although dividend expectations remain an important component of investor sentiment, current valuation levels suggest that dividend yield alone does not fully explain recent price movements. For example, even under a conservative dividend expectation of approximately TZS 85 to 90 per share, the implied dividend yield at prevailing market prices remains relatively modest. This indicates that investors may be pricing future earnings expansion and long-term dividend growth, rather than focusing solely on current income returns.

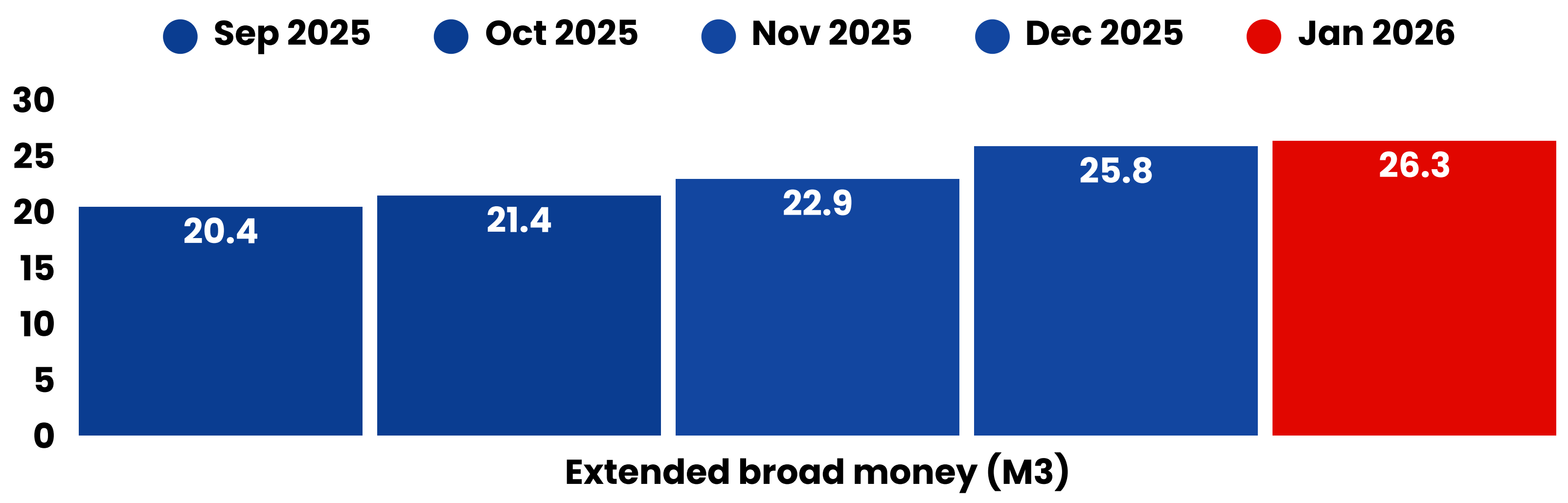
Our analysis further shows that Tanzania's banking sector operates within a favorable macroeconomic environment characterized by strong credit growth relative to many regional peers. Cross-country comparisons reveal that banking sectors in economies experiencing higher credit expansion tend to command higher valuation multiples. Tanzania's credit growth of approximately 23 percent places it among the stronger banking markets in the region, supporting current valuation levels for major banks such as CRDB and NMB.

The Logic Chain

Money Supply Growth
↓
Credit Expansion
↓
Loan Growth
↓
Bank Earnings Growth
↓
Higher Valuation Multiples (P/E Expansion)

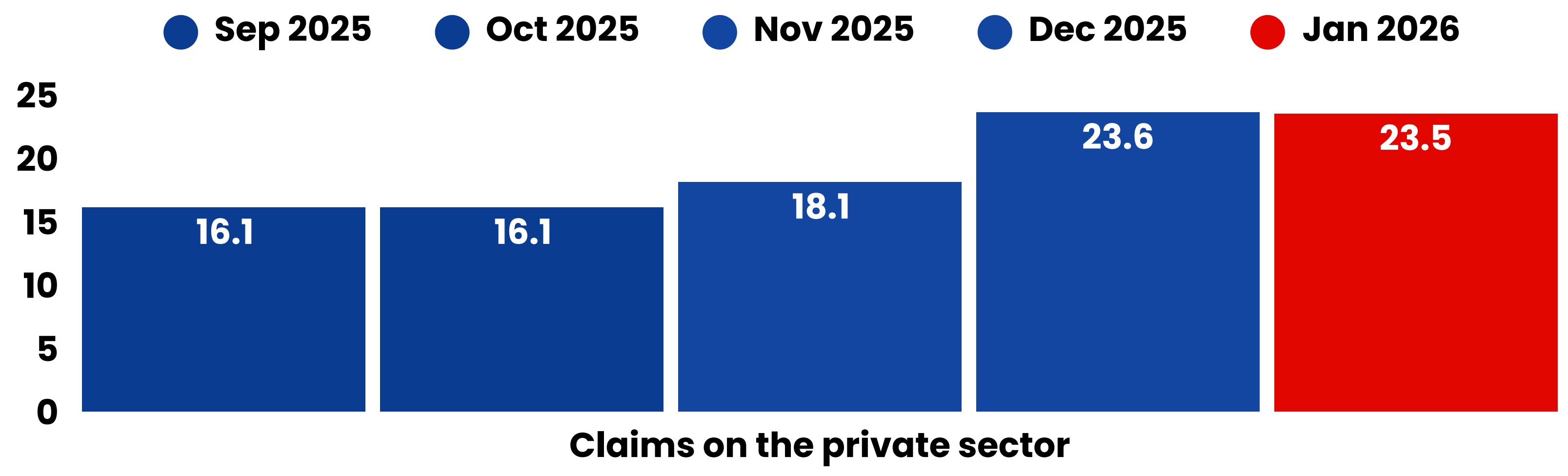
Macro Economic Fundamentals

Extended broad money (M3) - Annual % Growth



- Tanzania's broad money supply growth accelerated from 20.4% in September 2025 to 26.3% in January 2026, indicating strong liquidity expansion within the financial system.
- Rising money supply typically reflects increased deposit growth and financial system liquidity, which provides banks with a larger funding base for lending activities.

Private Sector Credit - Annual % Growth



- Private sector credit growth increased significantly from 16.1% in September 2025 to approximately 23.5% by January 2026, reflecting strong demand for financing across the economy.
- Credit expansion directly translates into loan book growth for commercial banks, which is a key driver of net interest income and overall profitability.

Money Supply Growth → *Credit Expansion*

Benchmarking Loan Growth

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Market Growth

Source: Bank of Tanzania Monthly Economic Review

Benchmark (YoY %)	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
M2 Growth	8.2	17.7	12.1	11.9	9.2	29.6
M3 Growth	5.7	15.5	11.6	14.1	11.1	25.8
Claims on Private Sector Growth	3.1	10	22.5	17.3	12.4	23.6

CRDB Market Growth Comparison

Outperformance

Percentage Points (PP)	**2021**	**2022**	**2023**	**2024**	**2025**
CRDB Deposits vs M3 Growth	3.8	14.9	-6.3	12.4	9.6
CRDB Loans vs Private Sector Credit	18.3	13.9	5.5	10.3	9

Money Supply Growth → *Credit Expansion* → *Loan Book Growth*

- Tanzania's money supply growth has accelerated significantly in recent years, with M3 growth increasing from 11.1% in 2024 to 25.8% in 2025, indicating strong liquidity expansion in the financial system.
- Private sector credit growth followed a similar trend, rising from 12.4% in 2024 to 23.6% in 2025, reflecting improving demand for financing across the economy.
- The synchronized rise in liquidity and credit expansion provides a supportive macroeconomic environment for commercial bank lending activity and earnings growth.
- CRDB's deposit growth has consistently outpaced system liquidity expansion, exceeding M3 growth by 3.8 percentage points in 2021, 14.9 points in 2022, and 9.6 points in 2025, indicating strong deposit mobilization capabilities.
- The bank's loan growth has also significantly exceeded overall private sector credit growth, outperforming system credit expansion by 18.3 percentage points in 2021 and 9.0 points in 2025.
- This consistent outperformance suggests that CRDB is gaining market share within Tanzania's banking sector, benefiting disproportionately from the ongoing credit expansion cycle.
- The bank's ability to grow deposits and loans faster than the broader market supports sustained earnings growth and strengthens the case for higher valuation multiples relative to peers.

Benchmarking Loan Growth

NMB Market Growth Comparison

Outperformance

Percentage Points (PP)	2021	2022	2023	2024	2025
NMB Deposits vs M3 Growth	8.5	2.6	-1.8	1.9	4
NMB Loans vs Private Sector Credit	3.2	6.7	10.9	-2.2	-0.8

Performance (2025)

Source: Bank of Tanzania Monthly Economic Review

M2 Growth (YoY)	29.60%
M3 Growth (YoY)	25.80%
Private Sector Credit Growth	23.60%

Money Supply Growth → *Credit Expansion* → *Loan Book Growth*

- NMB's deposit growth has generally remained in line with or slightly above system liquidity growth, outperforming M3 growth by 8.5 percentage points in 2021 and 4 percentage points in 2025, indicating stable deposit mobilization capacity.
- However, deposit growth moderated in certain periods, including a slight underperformance of -1.8 percentage points in 2023, reflecting normal cyclical variations in liquidity flows.
- On the lending side, NMB's loan growth has been more volatile relative to overall private sector credit expansion, significantly outperforming system credit growth in 2022 and 2023 before underperforming slightly in 2024 and 2025.
- This pattern suggests that while NMB remains a major participant in Tanzania's credit expansion cycle, its lending growth has been more closely aligned with broader system trends rather than consistently gaining market share.
- Despite this moderation, sustained credit expansion in the Tanzanian economy continues to provide a supportive earnings environment for NMB, reinforcing the role of the macro credit cycle in driving banking sector profitability.
- The evidence suggests that while both banks benefit from Tanzania's expanding credit cycle, CRDB appears to be gaining market share within the system, whereas NMB's growth profile more closely tracks overall sector credit expansion.

Sustainable Growth Analysis - CRDB

	2020	2021	2022	2023	2024	2025
CRDB BANK						
ROE	17.50%	24.00%	26.00%	26.60%	27.70%	29.30%
EPS (TZS)	63	103	134	162	211	277
DPS (TZS)	22	36	45	50	65	85*
Payout Ratio	35.00%	35.00%	33.58%	30.86%	30.81%	30.69%
Retention Ratio	65.00%	65.00%	66.42%	69.14%	69.19%	69.31%
Sustainable Growth Rate (SGR)	11.37%	15.60%	17.27%	18.39%	19.17%	20.31%
Actual Asset Growth		22.97%	31.97%	14.48%	25.35%	33.04%
Growth Gap (Actual - SGR)		7.37%	14.70%	-3.91%	6.19%	12.73%

- CRDB's profitability improved significantly over the period, with return on equity rising from 17.5% in 2020 to 29.3% in 2025, reflecting stronger earnings generation and improved operational efficiency.
- With payout ratios remaining broadly stable at around 30–35%, the bank retained a large portion of earnings to support balance sheet expansion.
- As a result, CRDB's sustainable growth rate increased from 11.4% in 2020 to over 20% by 2025, indicating a significantly stronger capacity to fund growth internally.
- However, actual asset growth exceeded the sustainable growth rate in several years, including 2021, 2022, 2024 and 2025, suggesting that the bank has expanded more aggressively during periods of strong credit demand.
- This pattern indicates that CRDB's balance sheet expansion has been supported not only by internal capital generation but also by favourable macro credit conditions in Tanzania.

Money Supply Growth → *Credit Expansion* → *Loan Book Growth* → Bank Earnings Growth

Sustainable Growth Analysis - NMB

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	2020	2021	2022	2023	2024	2025
NMB BANK						
ROE	19.00%	22.00%	26.00%	29.00%	25.00%	27.00%
EPS (TZS)	421	584	863	1,090	1,294	1,500
DPS (TZS)	137	196	286	361	429	500
Payout Ratio	32.57%	33.54%	33.13%	33.12%	33.15%	33.34%
Retention Ratio	67.43%	66.46%	66.87%	66.88%	66.85%	66.66%
Sustainable Growth Rate (SGR)	12.81%	14.62%	17.39%	19.39%	16.71%	18.00%
Actual Asset Growth		23.00%	17.89%	19.00%	12.78%	25.10%
Growth Gap (Actual - SGR)		8.38%	0.50%	-0.39%	-3.94%	7.10%

- NMB has maintained consistently strong profitability, with return on equity averaging around 25–29 percent over the period, reflecting strong earnings generation and operational efficiency.
- With a stable payout ratio of approximately 33 percent, the bank has retained about two thirds of its earnings, providing a steady internal capital base to support balance sheet expansion. As a result, NMB's sustainable growth rate increased from 12.8 percent in 2020 to approximately 18 percent by 2025, indicating solid internal capacity to grow without relying on external capital.
- Unlike CRDB, NMB's actual asset growth has generally remained closer to its sustainable growth rate, suggesting that the bank's expansion strategy has been more closely aligned with internally generated capital. Periods where asset growth fell slightly below the sustainable growth rate likely reflect normal cyclical adjustments in lending activity and credit demand. Overall, the analysis indicates that NMB's growth profile is more balanced and closely aligned with system-wide credit expansion, reinforcing its role as a stable participant in Tanzania's banking sector credit cycle.

Money Supply Growth → *Credit Expansion* → *Loan Book Growth* → Bank Earnings Growth

Dividend Yields

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CRDB Bank PLC

	2020	2021	2022	2023	2024	End Period
DVPS	22	36	45	50	65	85*
Share Price	195	280	395	460	670	3,020
Dividend Yield	11.30%	12.90%	11.40%	10.90%	9.70%	2.80%

NMB Bank PLC

	2020	2021	2022	2023	2024	End Period
DVPS	137	196	286	361	429	500*
Share Price	2,340	2,000	3,020	4,500	5,350	14,260
Dividend Yield	5.90%	9.80%	9.50%	8.00%	8.00%	3.50%

Government Instruments

	2020	2021	2022	2023	2024	End Period
1 year T bill Yields	7.30%	5.00%	5.60%	9.20%	12.90%	6.20%
2 year T bond Yields	10.50%	9.20%	8.80%	9.50%	12.80%	10.10%

- Historically, Tanzanian bank stocks offered double-digit dividend yields, with CRDB yielding between 10–13% during 2020–2023 and NMB yielding 8–10% over the same period.
- However, despite rising share prices, dividend yields have declined sharply to approximately 2.8% for CRDB and 3.5% for NMB at current market prices.
- At the same time, government securities continue to offer significantly higher yields, with 1-year Treasury bills around 6.2% and 2-year Treasury bonds around 10.1%.
- The substantial yield gap suggests that current bank valuations cannot be explained by dividend income alone, as investors seeking yield would find more attractive returns in government securities.
- Instead, current market pricing appears to reflect expectations of future earnings growth driven by strong credit expansion in the banking sector.
- This evidence reinforces the central thesis that the recent rally in Tanzanian bank stocks is driven primarily by expectations of credit-driven earnings growth rather than short-term dividend yield considerations.

Money Supply Growth → *Credit Expansion* → *Loan Book Growth* → Bank Earnings Growth

Valuation Multiples

As of March 13th 2026

Peer Comparison

Bank	Country	P/E Ratio
NMB Bank	Tanzania	9.51x
CRDB Bank	Tanzania	10.9x
KCB Group	Kenya	4.2x
Equity Group	Kenya	4.9x
NCBA Group	Kenya	6.3x
Co-op Bank	Kenya	6.3x
Zenith Bank	Nigeria	3.9x
GTCO (GTBank)	Nigeria	6.9x
Absa Group	South Africa	8.75x
Standard Bank	Malawi	10.8x

Peer Statistics

Metric	P/E Ratio
Mean	7.25x
Median	6.6x
Minimum	3.9x
Maximum	10.9x

Tanzanian banks are premium-valued, but not necessarily expensive.

In fact, the market might be paying premium because they expect an increase in future potential earnings.

Therefore, the premium relative to peers may represent a structural re-rating rather than overvaluation.

Money Supply Growth → *Credit Expansion* → *Loan Book Growth* → Bank Earnings Growth → Higher Valuation Multiples

Credit Growth & Bank Valuation Correlation

As of March 13th 2026

Country	Credit Growth	Money Supply Growth	Avg Bank P/E	Banks
Malawi	46.80%	42.70%	10.8	Standard Bank
Tanzania	23.50%	25.80%	10.2	NMB Bank, CRDB Bank
South Africa	9.10%	8.30%	8.8	Absa Group
Kenya	6.30%	7.50%	5.4	KCB Group, Equity Group, NCBA Group, Co-op Bank
Nigeria	0.60%	9.30%	5.4	Zenith Bank, GTCO

Observation

Higher credit & money supply growth correlates with higher P/E multiples.

Nigeria's near-flat credit growth (0.6%) corresponds to the lowest bank valuations.

Data Sources (as of):

Malawi: Reserve Bank of Malawi, December 2025

Tanzania: Bank of Tanzania, January 2026

South Africa: South African Reserve Bank, January 2026

Kenya: Central Bank of Kenya, January 2026

Nigeria: Central Bank of Nigeria, November 2025

The regional comparison supports the thesis that Tanzanian bank valuation premiums are largely driven by strong credit expansion and favourable liquidity conditions rather than short-term dividend considerations

Money Supply Growth → *Credit Expansion* → *Loan Book Growth* → Bank Earnings Growth → Higher Valuation Multiples

Investment Implications

- Tanzania's banking sector currently benefits from strong macro liquidity conditions and accelerating private sector credit growth, creating favourable conditions for sustained loan book expansion.

- Banks are direct beneficiaries of the credit cycle, as credit expansion supports higher lending volumes, improved net interest income, and stronger earnings growth.

- Evidence from CRDB and NMB indicates that bank balance sheet growth is closely linked to system-wide credit dynamics, reinforcing the importance of macro credit conditions in determining banking sector performance.

- CRDB appears to be leveraging the credit cycle more aggressively, with loan growth consistently exceeding system credit expansion, suggesting ongoing market share gains.

- NMB's lending growth closely tracks overall private sector credit expansion, reflecting a more balanced growth profile aligned with sector trends.

- Despite the recent rally in bank share prices, current dividend yields remain significantly below government bond yields, indicating that investor positioning is primarily driven by expectations of future earnings growth rather than dividend income.

Money Supply Growth → *Credit Expansion* → *Loan Book Growth* → Bank Earnings Growth → Higher Valuation Multiples

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