



Dhow Financial Ltd

# CRDB BANK ANALYST REPORT INVESTMENT UPDATE

1st HALF 2013

**Results Review and  
Valuation Update**

# Legal Disclaimer

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The information in this report include forward-looking statements. These forward-looking statements include statements regarding the Bank's future performance are as per Dhow Financial Ltd projections and by their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future.

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**Analyst Disclosure:** Analyst/Firm Owns Shares in CRDB Bank PLC



**Dhow Financial Ltd**

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SECTION 1

# **EXECUTIVE SUMMARY**

# Fair –Value Target Price Expectations.

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- ❑ We raise our **Fair Value Estimate to Tshs 368 from our previous target of Tshs 346 ( up 6.4%)** due to upward revision in 2013 annual EPS forecasts from TZS 45.9 to 46.5.
- ❑ The June 2013 results come off a relatively weak quarter with declines in both Total Assets and Deposits, but we raised our target for profit after tax for 2013 to TZS 101.1 billion from TZS 99.9 billion due to expected strong growth in second half of the year.
- ❑ CRDB Stock trading has steadily risen from 2012 lows of 107.5 and currently trade at Tshs 270 after setting a high of TZS 325.
- ❑ We expect 2013E EPS at Tshs 46.5 on improving NIM, Fees & Trading income, lower operating costs and progressively declining credit costs.
- ❑ **Our Fair Value of Tshs 368** is derived using multiple valuation methodologies including Residual valuation, Discounted Cash to equity, DDM and Relative Valuation.

# Our Higher Price Target Catalysts

## Stock Rating: Strong Buy

Fair Value:	Tshs 368
Current Price:	Tshs 270
Upside Potential:	26.6%
Trailing P/E	7.3
Prospective P/E	5.8
Mkt. Cap.(Millions):Tshs	587,664
(Millions) :	\$ 365

## Key catalysts - 2013:

- Expect 18% loan and 17% customer deposit growth.
- Emphasis on efficiency, cost management, IT and non-funded revenue growth.
- Growth in demand for personal, micro- and SME-credit.
- Expected year end Declining trend in NPL & P&L Provisioning.

## Risks:

- Stiff Competition.
- High growth in operating expenses
- NPL trends.
- Continuing International financial crisis
- High cost of deposits
- Exposure to agriculture commodities

- While the ROE has improved marginally from 27.3% in 1<sup>st</sup> half 2012 to 27.4% in 1<sup>st</sup> half 2013, we expect further improvement for full year 2013 to 28.9%. Improving ROE will be the catalyst for re-valuation of stock, which we believe is currently underway.
- We believe this higher performance would be the catalyst for the mean reversion of valuation towards historic P/B median levels of 1.6X & P/E median level of 8.
- **Our Valuation view on CRDB Bank is based on:**
- Although NPL rose during the quarter, we still expected NPL decline by year end, since historically 2nd Quarter leads to cash flow stress for agriculture commodities and consequently high level of provisioning and write-offs. This benefit will start to be realized in coming quarters.
- Decline in funding costs pressures across the whole banking industry particularly from lower wholesale costs and inter-bank lending rates domestically from the high levels observed for much of 2012.
- Improving visibility on growth returning back to sustainable levels by 2013E;
- Cost reduction measures that would likely put the bank in an advantageous position after completion of current branch, employees and systems expansion.

# Expected PAT of 101 Billion in Full Year 2013

## 2013 RESULTS FORECAST

(Tshs in millions)

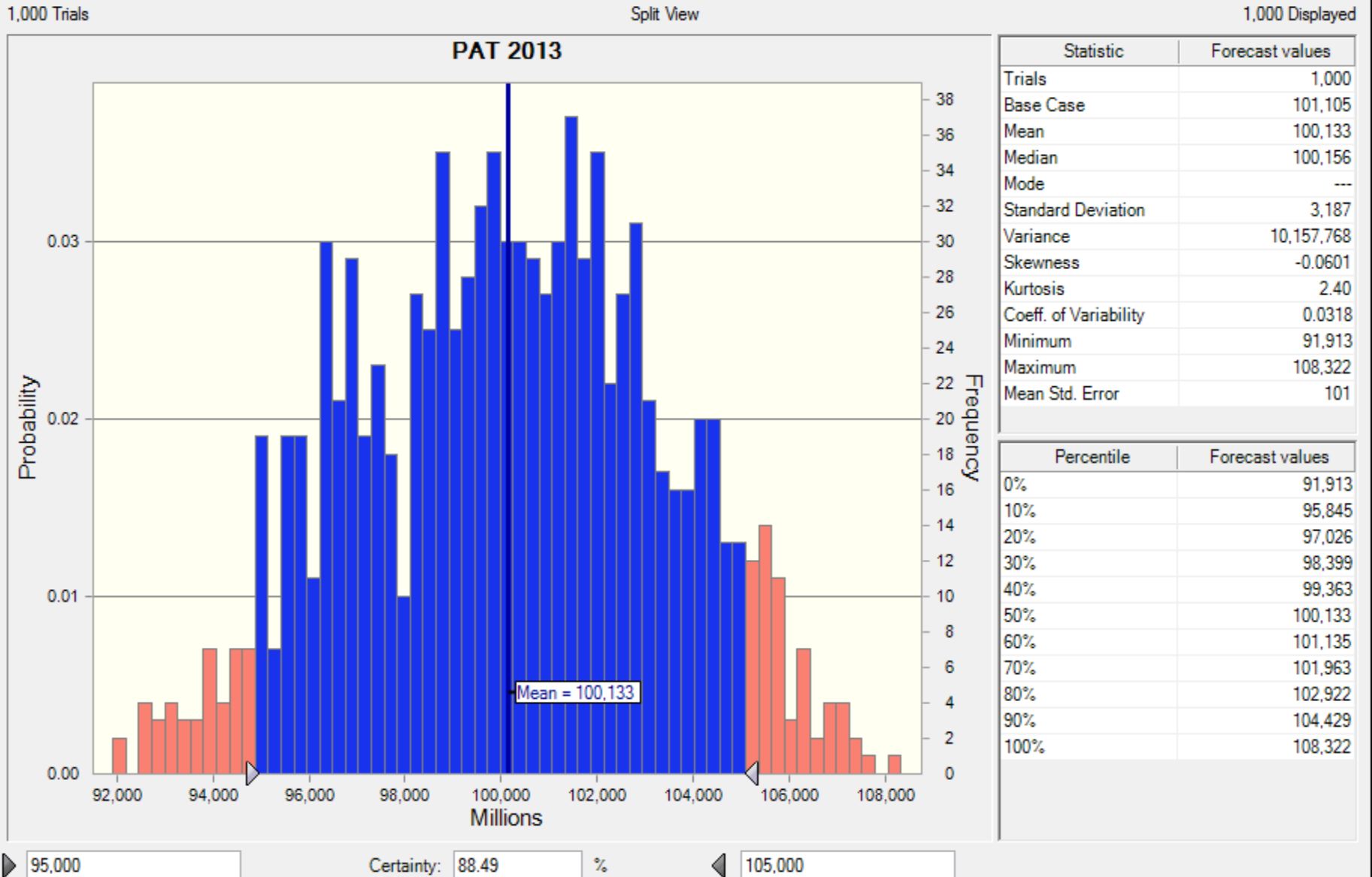
Using 2nd  
Quarter Results

Forecast  
2013

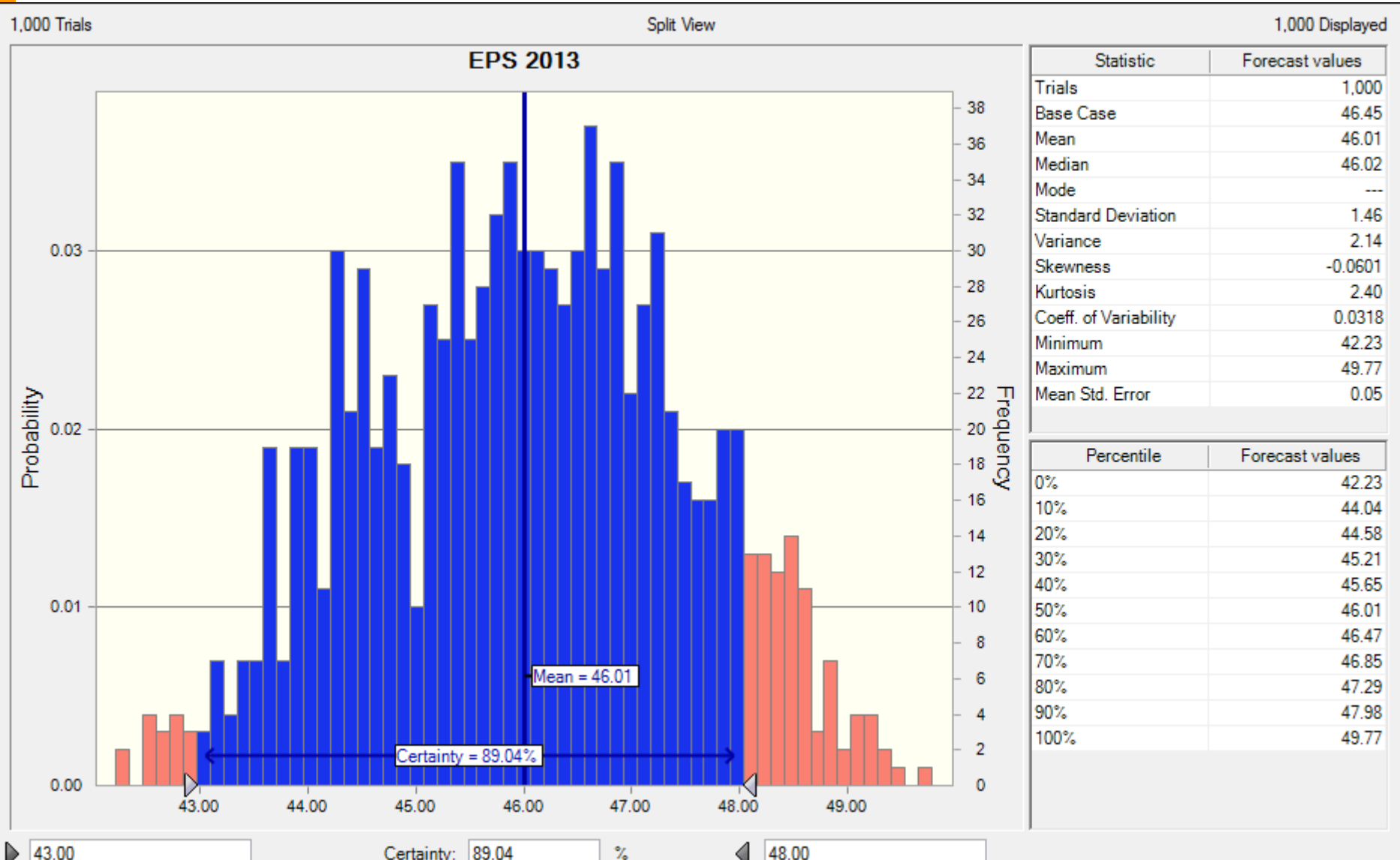
2013

Interest Income	302,008	309,110
Interest Expense	(57,079)	(62,754)
<b>Net interest income</b>	<b>244,929</b>	<b>246,355</b>
Impairment charge for credit losses	(26,486)	(32,422)
<b>Net interest income after provisioning</b>	<b>218,443</b>	<b>213,933</b>
Fees & Commissions income	92,460	92,228
Fees & Commissions expense	(708)	(400)
<b>Net fees &amp; commission income</b>	<b>91,753</b>	<b>91,828</b>
Foreign exchange income	25,060	25,182
Other operating income	1,502	3,130
<b>Non- Interest Expense</b>		
Salaries & Benefits	(84,621)	(93,886)
General and administrative expenses	(107,700)	(96,746)
<b>Operating expenses</b>	<b>(192,321)</b>	<b>(190,632)</b>
<b>Operating profit</b>	<b>144,436</b>	<b>143,441</b>
<b>Profit before exceptional items</b>	<b>144,436</b>	<b>143,441</b>
<b>Profit before taxation</b>	<b>144,436</b>	<b>143,441</b>
Taxation	(43,331)	(43,032)
Taxation rate (%)	30%	30%
<b>Profit after taxation</b>	<b>101,105</b>	<b>100,409</b>
<b>EPS</b>	<b>46.5</b>	<b>46.1</b>

# Tight Range for Expected PAT 2013



# 90% Probability of EPS between TZS 43 and TZS 48, with Mean of TZS 46.







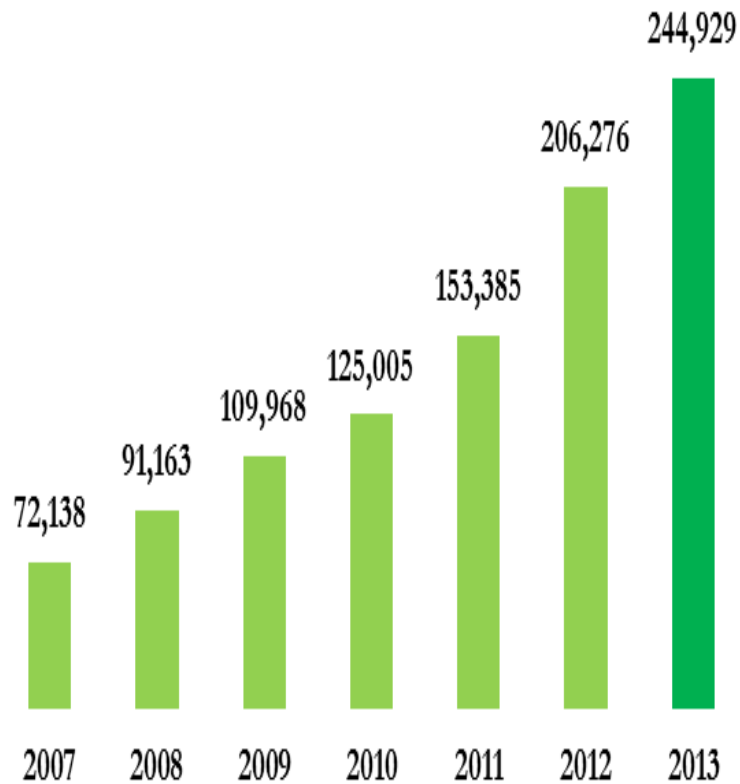
SECTION 2

**CRDB BANK PERFORMANCE  
REVIEW**

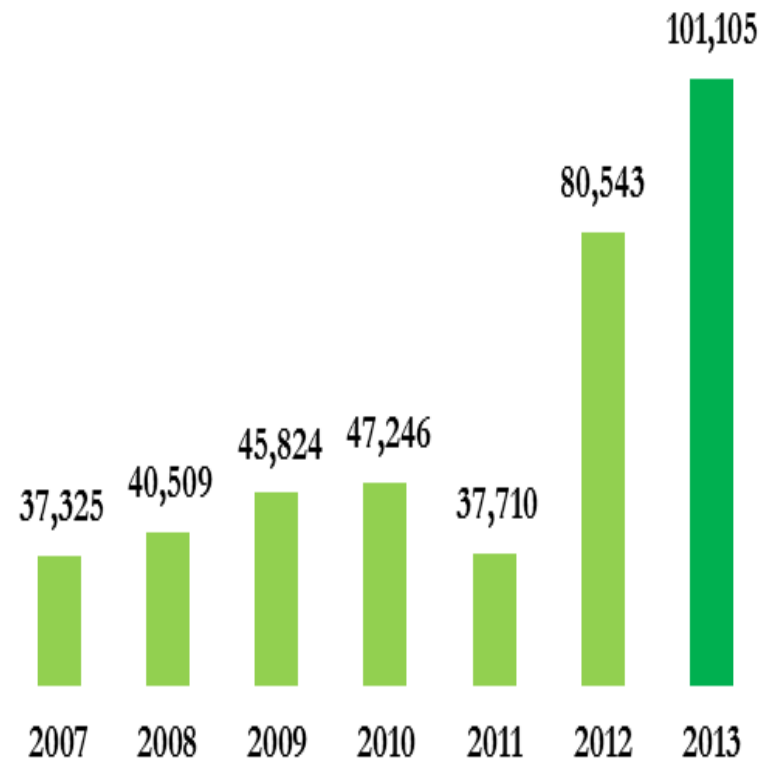
# Expected Strong Growth...continuing growth trajectory

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## Net Interest Income



## Net Income



Actual 2007-2012; Forecast 2013

# CRDB's mid-term equity story: a unique position in a high growth market

## Growth and size

- Banking revenue annual growth rates until 2017 are forecasted to be 15%-20%
- By 2017 volume of banking assets will reach 60-65% of GDP; even at this level it is still lower than many other African markets (evidence of further growth potential)
- CRDB is growing its Branch & ATM network aggressively and now with international expansion strategy.

## High profitability

- In terms of RoE-CoE ratio Tanzanian market is comparable to the most attractive emerging markets and surpasses almost all large fast growing markets.
- Profitability at CRDB starting to accelerate with returns from systems and distribution network expansions

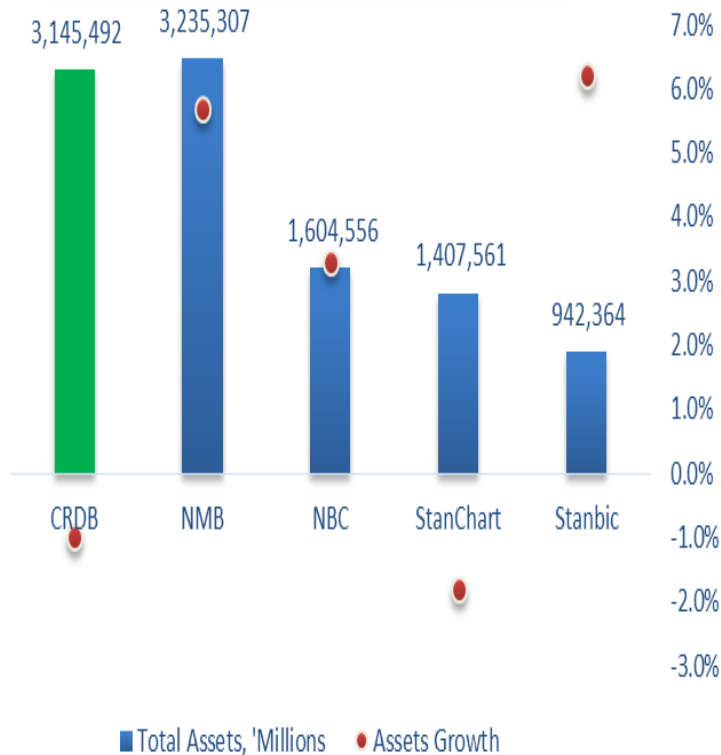
## Favourable industry structure

- High asset concentration – 3 largest banks account for a more than 50% of assets with CRDB Bank leading
- CRDB in first position on assets, deposits and loans, second in capital, profits, branches, ATM's and geographical coverage.
- Long history and relationship with Agriculture sector – currently challenged but a positive long term.

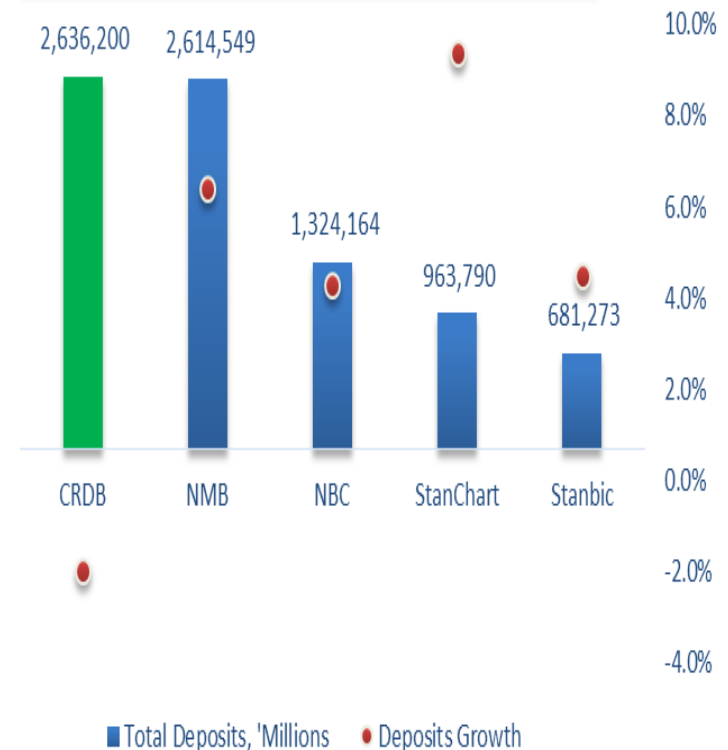
**High growth potential for CRDB Bank as a leader of the Tanzanian banking system**

# Assets and Deposits Growth Challenging in 2nd Quarter, Trend Reversal Expected for Year-end

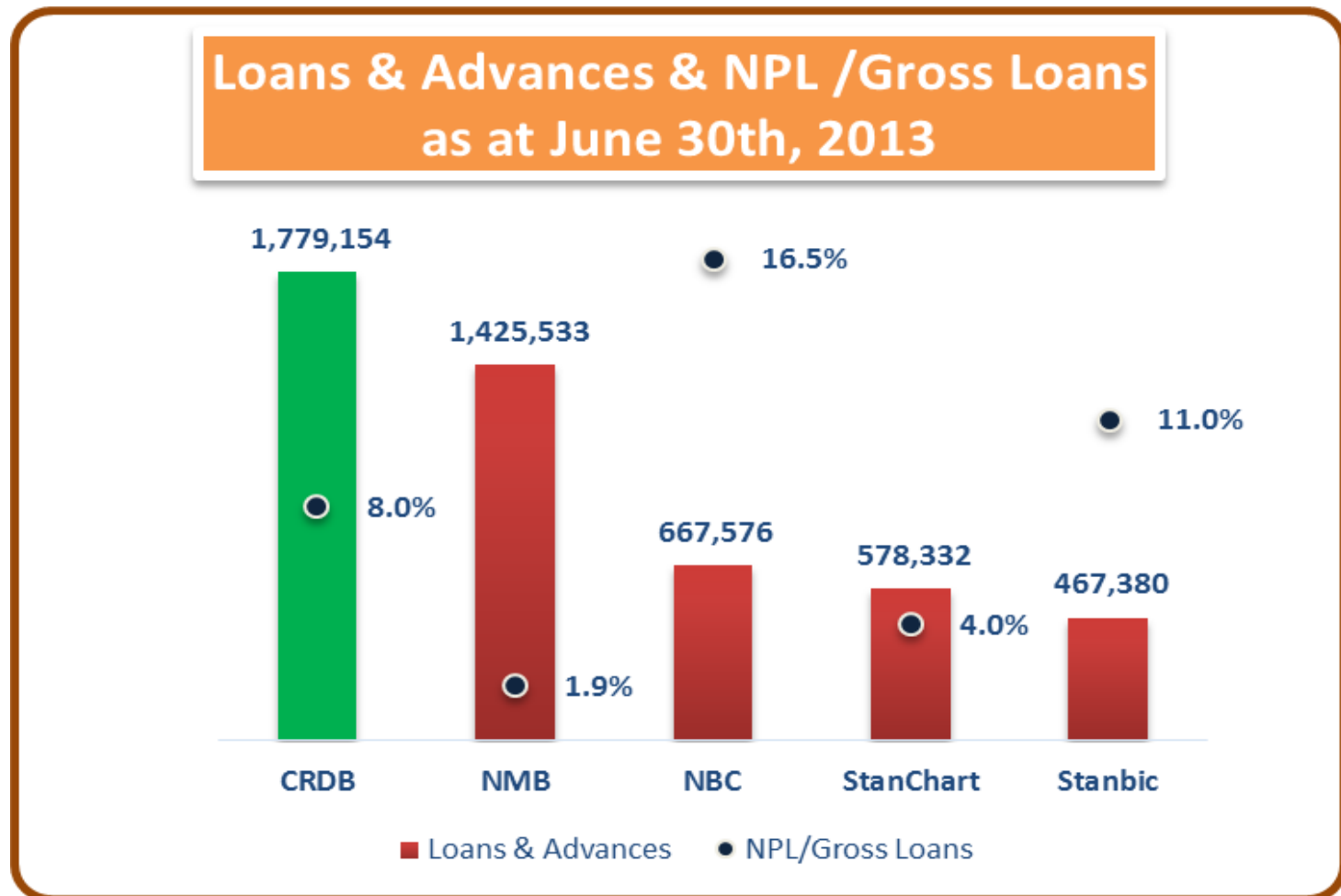
Total Assets and Assets Growth  
as at June 30th, 2013



Total Deposits and Deposits Growth  
as at June 30th, 2013

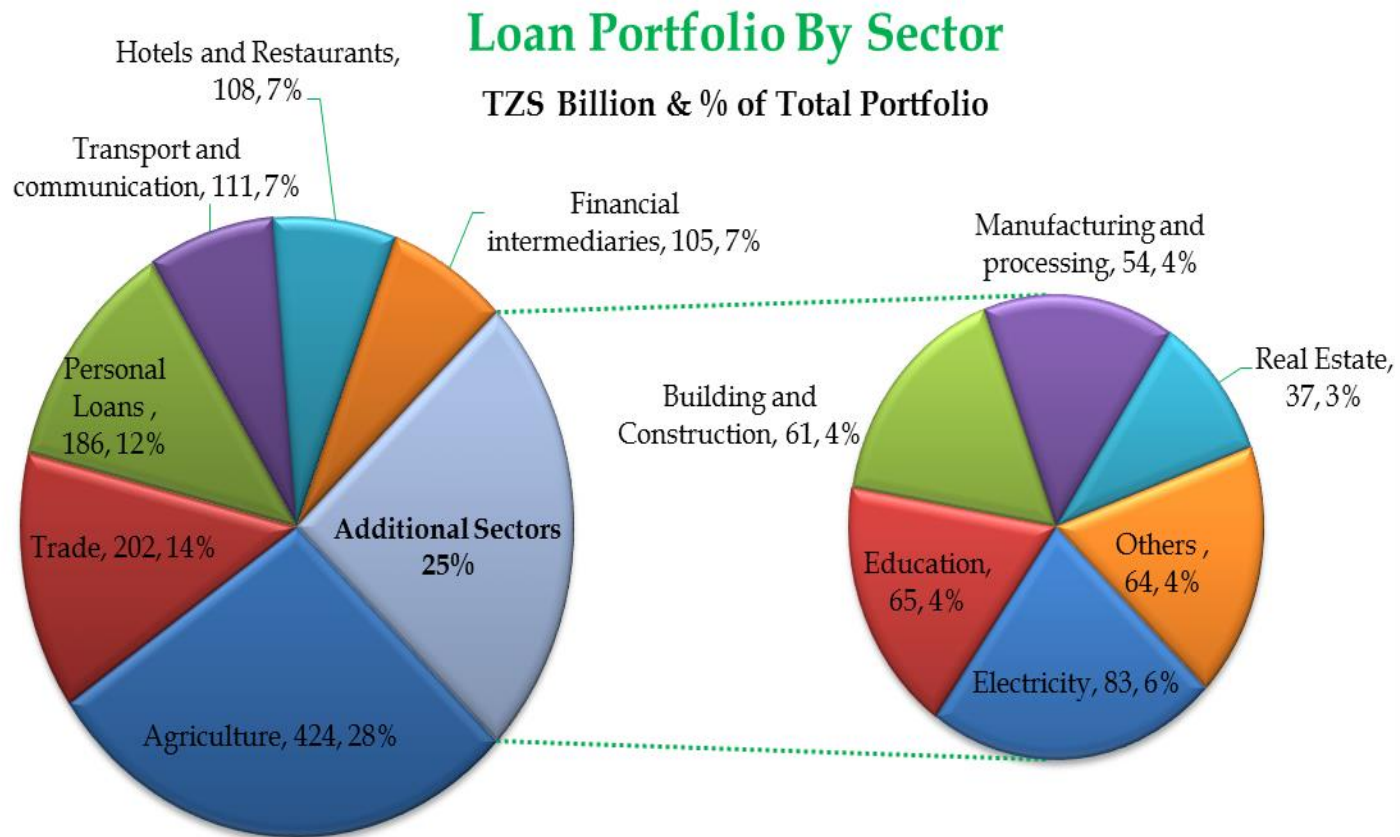


# NPL an Industry Wide Problem, but CRDB Leading in Loan Book Size.



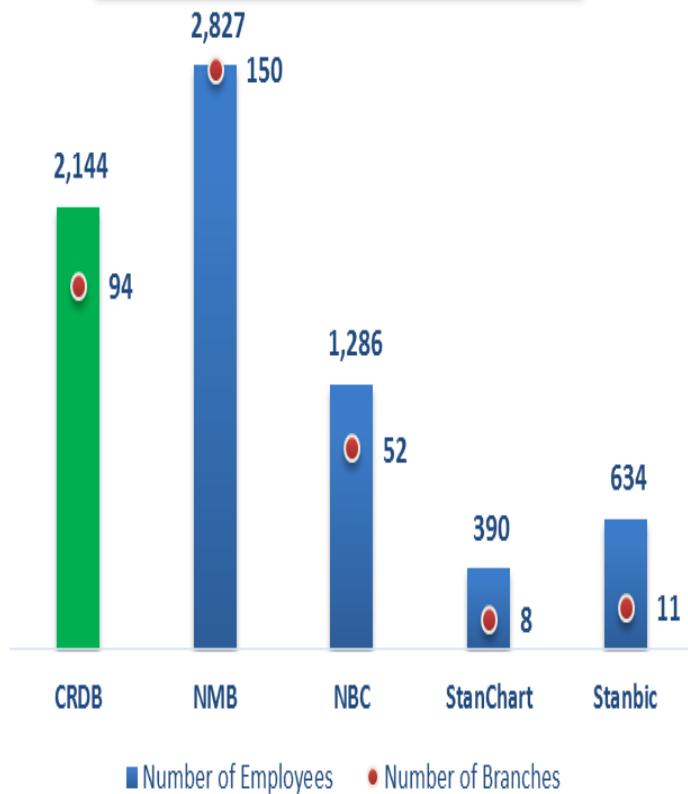
# Portfolio Composition

## ....as at December 2012



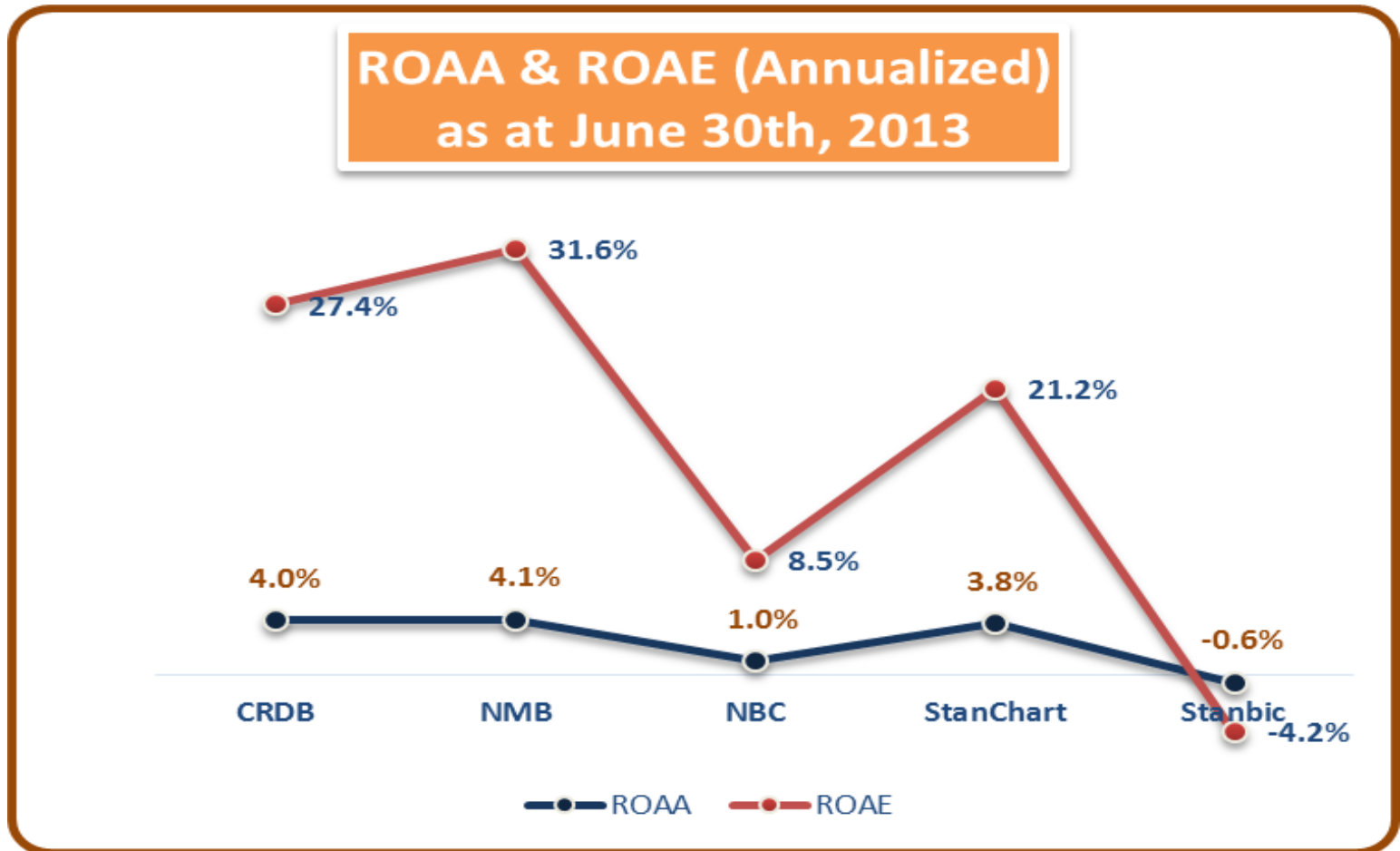
# Strong Growth in Distribution Channels

Total Employees and Branches  
as at June 30th, 2013



- 11 new Branches - Branch network grown to 94 by June 2013, from 83, a year ago. 276 staff added to payroll.
- Over 30 new ATMs installed including depository ATM's.
- The number of merchants with the Bank's POS devices grew to 700 in the year.
- The Bank's Card business offering grew with the introduction of e-commerce services.
- Offerings for premier customers were greatly improved.
- The Bank also started to roll out new cash back services for card holders.
- CRDB Bank introduced e-statement services.

# ROAA and ROAE Quite Healthy and in line with Expectations





# 1st Half 2013 Historical & Projected Income Statement

(Tshs in millions, except per share figures)

	Fiscal Year	1st Half			Projected Fiscal Year		
	31/12/2012	6/30/13A	6/30/12A	LTM	31/12/2013	31/12/2014	31/12/2015
Interest Income	261,741	147,195	122,669	286,267	302,008	348,024	398,531
Interest Expense	(55,465)	(29,883)	(27,490)	(57,858)	(57,079)	(56,095)	(64,927)
Net Interest Income	206,276	117,312	95,179	228,409	244,929	291,929	333,604
Impairment Losses	(26,403)	(16,211)	(16,755)	(25,859)	(26,486)	(28,650)	(33,806)
Non-Interest Income	98,469	54,255	43,395	109,329	118,315	139,822	165,393
Non-Interest Expenses	(170,640)	(93,151)	(70,937)	(192,854)	(192,321)	(227,763)	(259,163)
<b>Operating Income/(Loss)</b>	<b>107,702</b>	<b>62,205</b>	<b>50,882</b>	<b>119,025</b>	<b>144,436</b>	<b>175,338</b>	<b>206,028</b>
Income Tax Provision	(27,159)	(19,177)	(12,720)	(33,616)	(43,331)	(52,602)	(61,808)
<b>Net Income</b>	<b>80,543</b>	<b>43,028</b>	<b>38,162</b>	<b>85,409</b>	<b>101,105</b>	<b>122,737</b>	<b>144,219</b>
Minority Interest	–	–	–	–	–	–	–
<b>Net Income to Common</b>	<b>80,543</b>	<b>43,028</b>	<b>38,162</b>	<b>85,409</b>	<b>101,105</b>	<b>122,737</b>	<b>144,219</b>
Weighted Average Diluted Share	2,176.5	2,176.5	2,176.5	2,176.5	2,176.5	2,176.5	2,176.5
<b>Diluted EPS (Calculated)</b>	<b>37.0</b>	<b>19.8</b>	<b>17.5</b>	<b>39.2</b>	<b>46.5</b>	<b>56.4</b>	<b>66.3</b>
<b>Growth Rates &amp; Margins</b>							
Interest Income Growth		20.0%			15.4%	15.2%	14.5%
Interest Expense Growth		8.7%			2.9%	(1.7%)	15.7%
Impairment Losses Growth		(3.2%)			0.3%	8.2%	18.0%
Net Interest Margin	78.8%	79.7%	77.6%	79.8%	81.1%	83.9%	83.7%
Operating Income Margin	29.9%	30.9%	30.6%	30.1%	34.4%	35.9%	36.5%
Net Income Margin	22.4%	21.4%	23.0%	21.6%	24.1%	25.2%	25.6%
Impairment Losses as a % of Int	10.1%	11.0%	13.7%	9.0%	8.8%	8.2%	8.5%
EPS Growth	113.6%	12.8%		6.0%	25.5%	21.4%	17.5%
NAV per Share	156.41	153.83			176.04	206.23	242.89



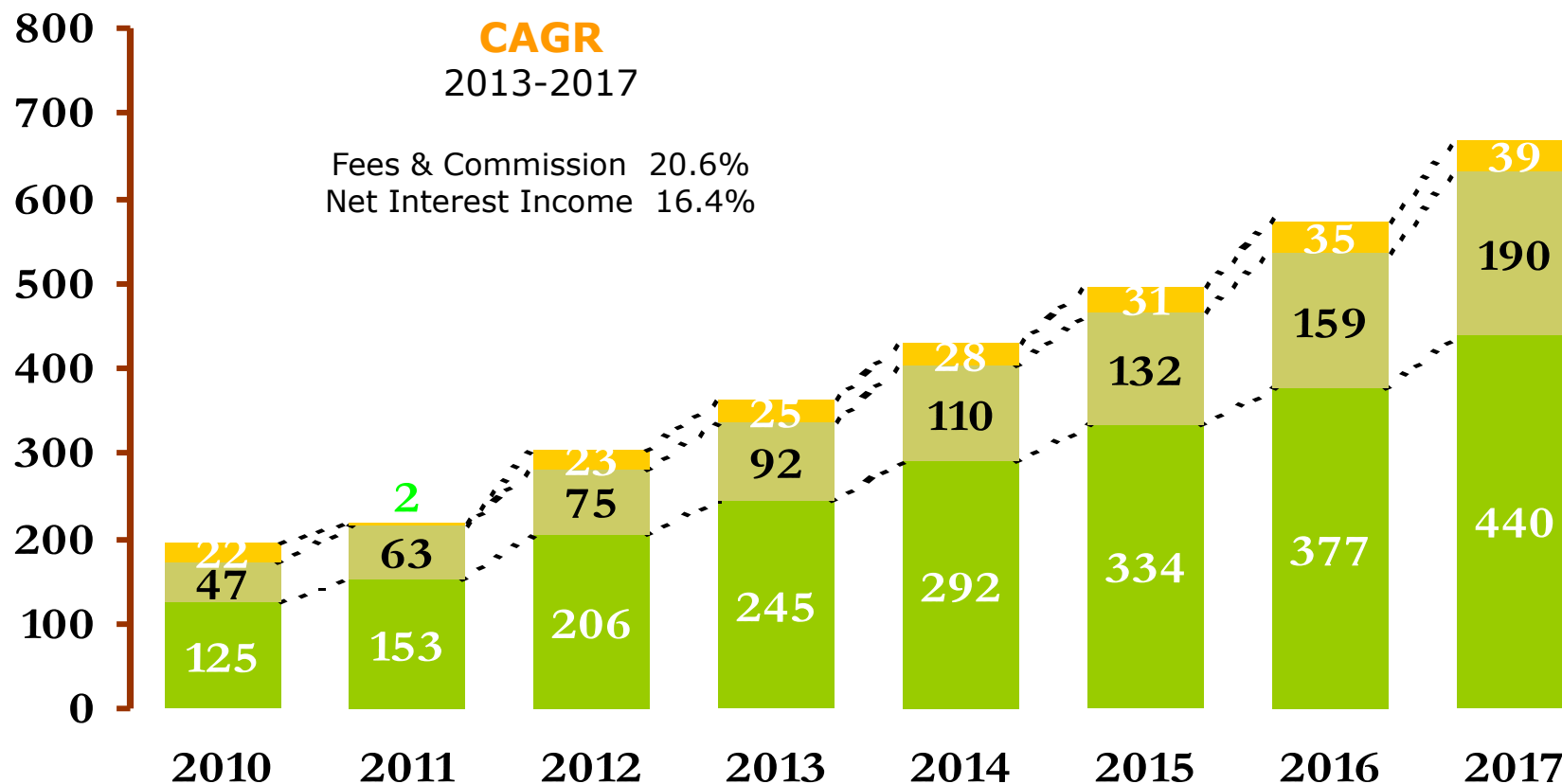
SECTION 4

**CRDB BANK FORECASTED  
FINANCIALS**

# CRDB Projected Revenue Growth - 2013-2017

Billions of Tshs

■ Net Interest Income 
 ■ Net Fees & Commission 
 ■ Foreign exchange Income



## CRDB Statement of Financial Position (Tshs million)

	ACTUAL			PROJECTED				
	2010	2011	2012	2013	2014	2015	2016	2017
<b>Assets</b>								
Cash & Balances with Bank of Tanzania	348,538	447,450	472,641	548,264	614,055	681,601	756,577	847,367
Balances with Other Banks and financial institutions	295,413	210,702	137,082	164,498	189,173	217,549	250,182	287,709
Loans, Advances and Overdrafts	1,153,527	1,474,869	1,839,340	2,207,208	2,604,505	3,073,316	3,626,513	4,279,286
Allowance for Probable losses	(30,179)	(45,607)	(32,475)	(48,559)	(65,113)	(67,613)	(72,530)	(77,027)
Investment in Government Securities	426,546	493,735	527,618	606,761	697,775	802,441	922,807	1,061,228
Cheques, Items for Clearing/Interbranch float	0	0	0					
Deferred income tax asset	0	0	0	0	0	0	0	0
Intangible assets	12,121	14,062	15,221	15,221	15,221	15,221	15,221	15,221
Property, Plant and Equipment	52,635	61,755	77,757	89,421	100,151	112,169	125,629	138,192
Investment in other securities	1,200	1,522	1,200	1,200	1,200	1,200	1,200	1,200
Other assets	45,423	55,153	36,432	50,048	52,841	47,727	43,627	56,974
<b>Total assets</b>	<b>2,305,224</b>	<b>2,713,641</b>	<b>3,074,816</b>	<b>3,634,062</b>	<b>4,209,809</b>	<b>4,883,612</b>	<b>5,669,227</b>	<b>6,610,149</b>
<b>Liabilities</b>								
Deposits from other banks	16,830	2,901	135,580	135,580	135,580	135,580	135,580	135,580
Customer Deposit	2,019,394	2,408,676	2,591,033	3,083,329	3,592,079	4,184,772	4,875,259	5,704,053
Other liabilities	28,079	47,300	30,771	32,002	33,282	34,613	35,998	37,438
<b>Total liabilities</b>	<b>2,064,303</b>	<b>2,458,877</b>	<b>2,757,384</b>	<b>3,250,911</b>	<b>3,760,941</b>	<b>4,354,965</b>	<b>5,046,837</b>	<b>5,877,071</b>
Paid up Share Capital	54,413	54,413	54,413	54,413	54,413	54,413	54,413	54,413
Share Premium	18,765	18,765	18,765	18,765	18,765	18,765	18,765	18,765
Retained earnings	166,264	178,821	239,566	305,284	371,003	450,782	544,524	655,213
Regulatory/Other reserves	1,479	2,765	4,688	4,688	4,688	4,688	4,688	4,688
<b>Shareholders funds</b>	<b>240,922</b>	<b>254,764</b>	<b>317,432</b>	<b>383,150</b>	<b>448,869</b>	<b>528,648</b>	<b>622,390</b>	<b>733,079</b>
<b>Total liabilities and shareholders funds</b>	<b>2,305,224</b>	<b>2,713,641</b>	<b>3,074,816</b>	<b>3,634,062</b>	<b>4,209,809</b>	<b>4,883,612</b>	<b>5,669,227</b>	<b>6,610,149</b>

### Impairment losses on Loans & advances Calculation

	2010	2011	2012	2013	2014	2015	2016	2017
<b>Opening allowances for probable losses</b>	<b>32,668</b>	<b>30,179</b>	<b>45,607</b>	<b>45,607</b>	<b>48,559</b>	<b>65,113</b>	<b>67,613</b>	<b>72,530</b>
<b>Impairment losses on loans &amp; advances</b>	<b>20,357</b>	<b>31,216</b>	<b>26,403</b>	<b>26,486</b>	<b>28,650</b>	<b>33,806</b>	<b>32,639</b>	<b>32,095</b>
Amounts utilised and other changes	(22,846)	(15,788)	(39,535)	(23,535)	(12,095)	(31,306)	(27,721)	(27,598)
<b>Closing allowances for probable losses</b>	<b>30,179</b>	<b>45,607</b>	<b>32,475</b>	<b>48,559</b>	<b>65,113</b>	<b>67,613</b>	<b>72,530</b>	<b>77,027</b>
<i>Allowances for LL/Total Loans</i>	<i>2.62%</i>	<i>3.09%</i>	<i>1.77%</i>	<i>2.20%</i>	<i>2.50%</i>	<i>2.20%</i>	<i>2.00%</i>	<i>1.80%</i>
<i>Annual Impairments/Loans &amp; advances</i>	<i>1.76%</i>	<i>2.12%</i>	<i>1.44%</i>	<i>1.20%</i>	<i>1.10%</i>	<i>1.10%</i>	<i>0.90%</i>	<i>0.75%</i>
Non performing loans & advances	132,675	134,783	124,586	110,360	130,225	153,666	181,326	213,964
Coverage ratio of NPL	22.75%	33.84%	26.07%	44.00%	50.00%	44.00%	40.00%	36.00%
NPL /Total Loans	11.50%	9.14%	6.77%	5.00%	5.00%	5.00%	5.00%	5.00%

# CRDB Statement of Comprehensive Income (Tshs million)

	ACTUAL			PROJECTIONS				
	2010	2011	2012	2013	2014	2015	2016	2017
Interest Income	160,039	188,357	261,741	302,008	348,024	398,531	451,801	527,501
Interest Expense	(35,034)	(34,972)	(55,465)	(57,079)	(56,095)	(64,927)	(75,214)	(87,391)
<b>Net interest income</b>	<b>125,005</b>	<b>153,385</b>	<b>206,276</b>	<b>244,929</b>	<b>291,929</b>	<b>333,604</b>	<b>376,587</b>	<b>440,110</b>
Impairment charge for credit losses	(20,357)	(31,216)	(26,403)	(26,486)	(28,650)	(33,806)	(32,639)	(32,095)
<b>Net interest income after provisioning</b>	<b>104,648</b>	<b>122,169</b>	<b>179,873</b>	<b>218,443</b>	<b>263,279</b>	<b>299,797</b>	<b>343,948</b>	<b>408,015</b>
Fees & Commissions income	47,062	62,806	75,171	92,460	110,952	133,143	159,771	191,726
Fees & Commissions expense	(471)	(892)	(566)	(708)	(849)	(1,002)	(1,122)	(1,257)
<b>Net fees &amp; commission income</b>	<b>46,591</b>	<b>61,914</b>	<b>74,605</b>	<b>91,753</b>	<b>110,103</b>	<b>132,141</b>	<b>158,649</b>	<b>190,469</b>
Foreign exchange income	22,081	1,549	22,782	25,060	28,067	31,436	35,208	39,433
Other operating income	2,060	1,365	1,082	1,502	1,652	1,817	1,998	2,198
<b>Non- Interest Expense</b>								
Salaries & Benefits	(47,683)	(59,016)	(76,051)	(84,621)	(100,216)	(114,032)	(130,474)	(152,733)
General and administrative expenses	(63,563)	(76,968)	(94,589)	(107,700)	(127,548)	(145,131)	(166,058)	(194,388)
Operating expenses	<b>(111,246)</b>	<b>(135,984)</b>	<b>(170,640)</b>	<b>(192,321)</b>	<b>(227,763)</b>	<b>(259,163)</b>	<b>(296,533)</b>	<b>(347,121)</b>
<b>Operating profit</b>	<b>64,134</b>	<b>51,013</b>	<b>107,702</b>	<b>144,436</b>	<b>175,338</b>	<b>206,028</b>	<b>243,271</b>	<b>292,994</b>
<b>Profit before exceptional items</b>	<b>64,134</b>	<b>51,013</b>	<b>107,703</b>	<b>144,436</b>	<b>175,338</b>	<b>206,028</b>	<b>243,271</b>	<b>292,994</b>
<b>Profit before taxation</b>	<b>64,134</b>	<b>51,013</b>	<b>107,703</b>	<b>144,436</b>	<b>175,338</b>	<b>206,028</b>	<b>243,271</b>	<b>292,994</b>
Taxation	(16,888)	(13,303)	(27,159)	(43,331)	(52,602)	(61,808)	(72,981)	(87,898)
<i>Taxation rate (%)</i>	<i>26.3%</i>	<i>26.1%</i>	<i>25.2%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>	<i>30.0%</i>
<b>Profit after taxation</b>	<b>47,246</b>	<b>37,710</b>	<b>80,544</b>	<b>101,105</b>	<b>122,737</b>	<b>144,219</b>	<b>170,290</b>	<b>205,096</b>
Ordinary dividends payable	<b>(17,412)</b>	<b>(19,589)</b>	<b>(26,118)</b>	(35,387)	(42,958)	(50,477)	(59,601)	(71,784)
Retained profit/loss	29,834	18,121	54,426	65,718	79,779	93,743	110,688	133,312
<b>Payout ratio</b>	<b>36.9%</b>	<b>51.9%</b>	<b>32.4%</b>	<b>35.0%</b>	<b>35.0%</b>	<b>35.0%</b>	<b>35.0%</b>	<b>35.0%</b>
Year end shares outstanding	2,176.5	2,176.5	2,176.5	2,176.5	2,176.5	2,176.5	2,176.5	2,176.5
Weighted average shares outstanding	2,176.5	2,176.5	2,176.5	2,176.5	2,176.5	2,176.5	2,176.5	2,176.5
<b>Earnings per share</b>	<b>21.71</b>	<b>17.33</b>	<b>37.01</b>	<b>46.45</b>	<b>56.39</b>	<b>66.26</b>	<b>78.24</b>	<b>94.23</b>
<b>EPS Growth Rate</b>	<b>3.1%</b>	<b>-20.2%</b>	<b>113.6%</b>	<b>25.5%</b>	<b>21.4%</b>	<b>17.5%</b>	<b>18.1%</b>	<b>20.4%</b>
Dividends per share	<b>8.00</b>	<b>9.00</b>	<b>12.00</b>	<b>16.26</b>	<b>19.74</b>	<b>23.19</b>	<b>27.38</b>	<b>32.98</b>
<b>DPS Growth Rate</b>	<b>14.3%</b>	<b>12.5%</b>	<b>33.3%</b>	<b>35.5%</b>	<b>21.4%</b>	<b>17.5%</b>	<b>18.1%</b>	<b>20.4%</b>

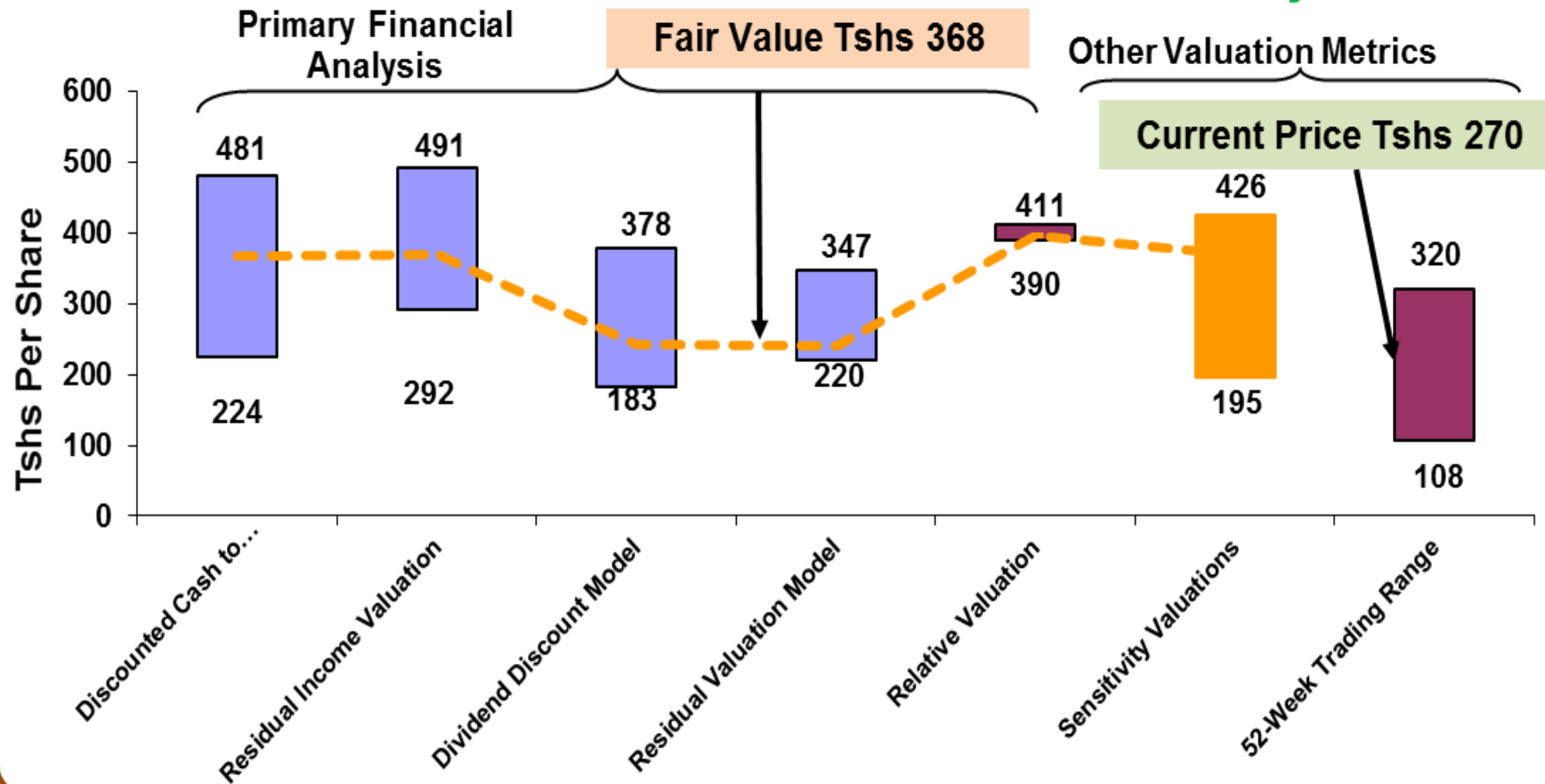


## SECTION 4

# CRDB BANK VALUATION AND SENSITIVITY ANALYSIS

# Fair Value Estimate of Tshs 368/Share

## CRDB Bank PLC Valuation Summary



# Cost of Equity

- Cost of Equity used to discounted future cash flows & residual income of 18.4% .
- An above market beta of 1.05 used.
- Interest rates – Treasury & Inter-bank have been highly volatile last 6 months.
- Latest Auction Results;
  - 364 T-Bill (9/10/2013) – YTM of 15.71%
  - 10 Year T-Bond (17/10/2013) – YTM of 15.96%

## CRDB Cost of Equity

Share price (Tshs)	270.0
Par value (Tshs)	25
Number of Shares Outstanding (In Millio	2,177

### Current cost of equity:

<i>Risk free rate</i>	15.96%
<i>Equity risk premium</i>	2.32%
<i>Beta</i>	1.05
<b>Cost of equity</b>	<b>18.40%</b>

Market capitalisation (Tshs Millions)	587,664
Market capitalisation (USD Millions)	365
Exchange Rate	1,610



## CRDB Bank PLC Valuation (Tshs million)

	2013E	2014E	2015E	2016E	2017E	Terminal Value
<b>Basic Value Assumptions:</b>						
Assumed long term growth rate	13.00%					
Assumed long term ROE	23.00%					
Cost of Equity	18.40%					
<b>Inputs from forecasts:</b>						
Profit after taxation	101,105	122,737	144,219	170,290	205,096	231,758
<b>Cash flow to/(from) equity</b>	<b>35,387</b>	<b>42,958</b>	<b>50,477</b>	<b>59,601</b>	<b>71,784</b>	<b>81,115</b>
Retained Earnings	65,718	79,779	93,743	110,688	133,312	
Opening shareholders' funds	291,314	347,764	405,911	478,171	562,789	661,295
Return on opening shareholders' funds	34.71%	35.29%	35.53%	35.61%	36.44%	23.00%
Cost of equity	18.40%	18.40%	18.40%	18.40%	18.40%	18.40%
<b>Implied Residual Income</b>	<b>47,515</b>	<b>58,762</b>	<b>69,548</b>	<b>82,326</b>	<b>101,565</b>	<b>110,107</b>

### VALUATION MODEL 1: DISCOUNTED CASH TO EQUITY MODEL

Discounted cash to equity value:		Value Distribution
NPV five year free cash flow	152,137	19.1%
NPV terminal value	646,170	80.9%
<b>Value of shareholders' funds</b>	<b>798,307</b>	<b>100.0%</b>
Shares issued (million)	2,177	
<b>Value per share</b>	<b>366.78</b>	
Share price	270.00	
<b>Premium/(discount)</b>	<b>-26.39%</b>	

### VALUATION MODEL 2: RESIDUAL INCOME VALUATION MODEL

Residual income valuation:		Value Distribution
Opening shareholders' funds	291,314	36.1%
PV five year residual income	209,513	26.0%
PV terminal value (ex incremental investment)	257,279	31.9%
PV terminal value (incremental investment)	48,043	6.0%
<b>Value of shareholders' funds</b>	<b>806,149</b>	<b>100.0%</b>
Shares issued (million)	2,177	
<b>Value per share</b>	<b>370.38</b>	
Share price	270.00	
<b>Premium/(discount)</b>	<b>-27.10%</b>	

## VALUATION RATIOS

EPS - 2011	17.3
EPS - 2012	37.0
EPS - 2013	46.5
DPS - 2011	9.0
DPS - 2012	12.0
DPS - 2013	16.3
NAV - 2011	117.1
NAV - 2012	145.8
NAV - 2013	176.0
Price Per Share - Current	270.0

Trailing P/E	7.30
<b>Prospective P/E - 2013</b>	<b>5.81</b>
Trailing Dividend Yield	3.3%
Prospective Dividend Yield	6.0%
P/BV - Trailing	1.9
P/BV - Prospective	1.5

### VALUATION RATIOS AT FAIR VALUE

<b>Average Intrinsic Value</b>	<b>369</b>
<b>Trailing P/E at Average Intrinsic Value</b>	<b>10.0</b>
<b>Prospective P/E at Average Intrinsic Value</b>	<b>7.9</b>

### Sensitivity Analysis - Discounted Cash to Equity Model

		Long Term Growth Rate			
		12%	13%	14%	15%
Cost of Equity	17%	409	497	644	937
	18%	340	396	481	623
	18%	340	396	481	623
	20%	253	281	319	372
	21%	224	245	273	309

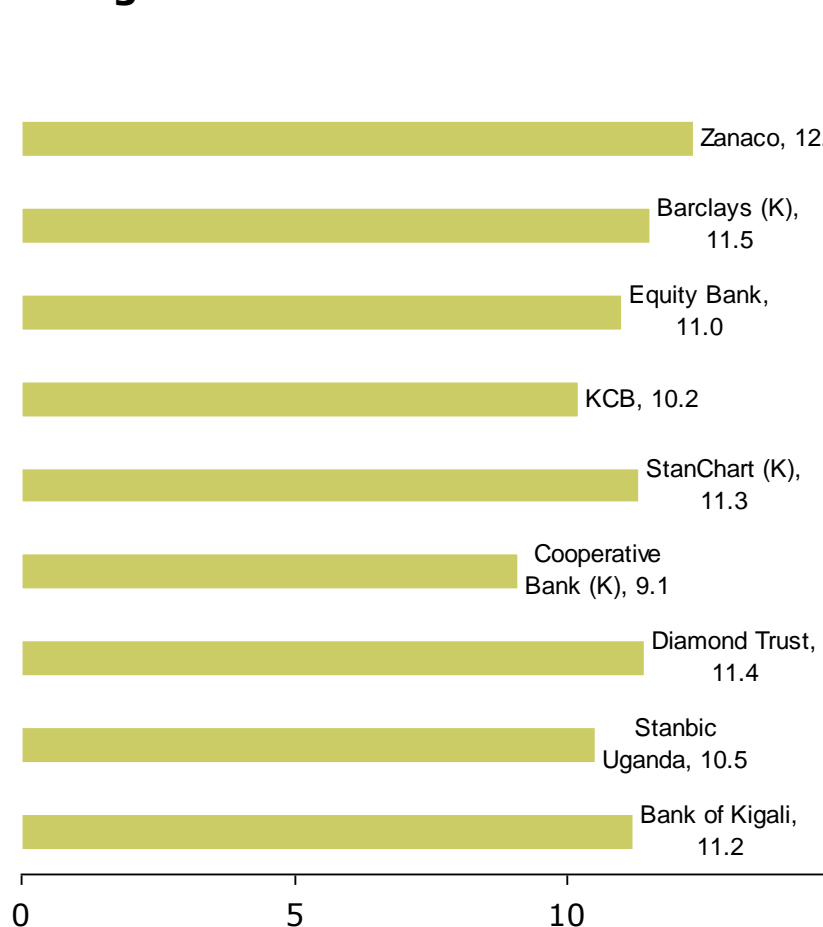
### Sensitivity Analysis - Residual Income Valuation Model

		Long Term Growth Rate			
		12%	13%	14%	15%
Cost of Equity	17%	416	430	451	491
	18%	377	385	397	415
	18%	377	385	397	415
	20%	316	320	324	330
	21%	292	294	298	301

# Valuation Ratios – CRDB Highly Under-valued

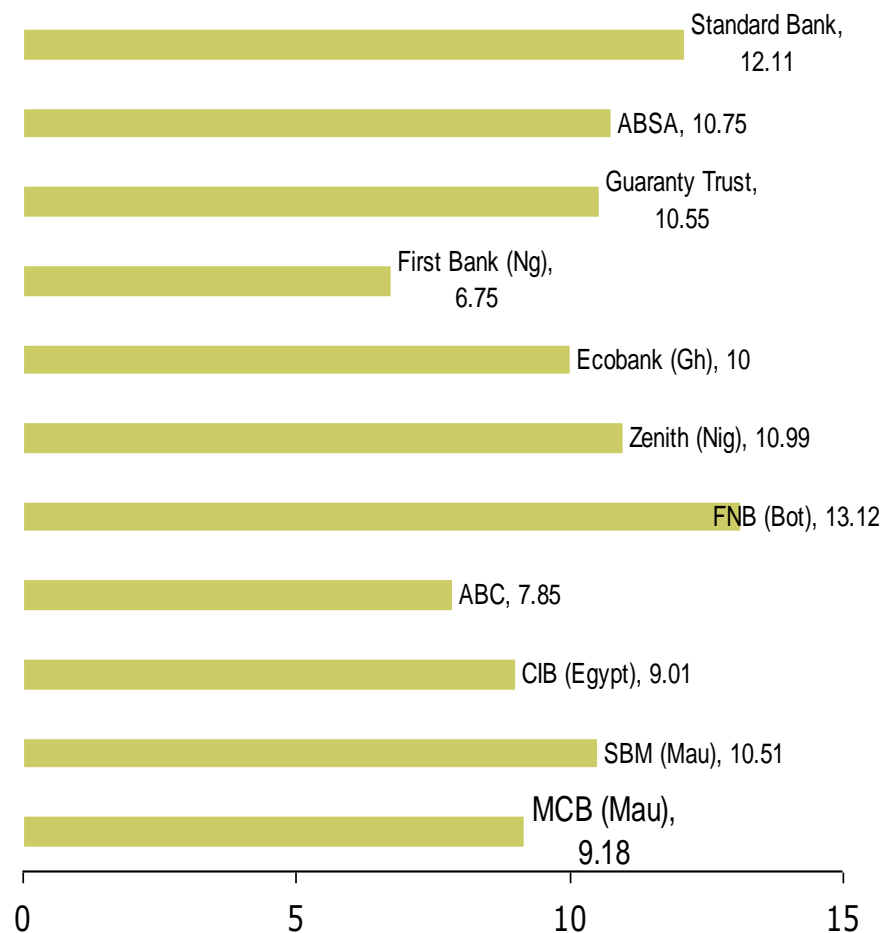
- Trailing EPS (2012) of Tshs 37 and Avg. Regional P/E of 10.9, giving a Relative Value of **Tshs 403.3**

## Regional Peers



**Average P/E Ratio = 10.9**

## Selected African Banks



**Average P/E Ratio = 10.07**