ISSN 1597 – 8842 Vol.1 No. 6

proshare

Analyst Report on First Inland Bank Plc

January 2008

Making Money in the Nigerian Stock Market

proshare

Analyst Report

In association with

INVESTIQ

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Investing in First Inland Bank Plc

Executive Summary

Proshare examined the volumes of data, information, analysis and records available directly and indirectly on the bank to access the investment implication of the offer for ordinary shares by the bank. We equally poured through primary data provided by the Nigerian Stock Exchange and the prospectus which were validated with discussions with fund managers and existing investors/stakeholders.

The analysis therefore represents our factual examination of data available to evaluate an investment decision in the bank's offer to new and existing investors.

We examined the risk and mitigating factors related to the investment and found it applicable to firms operating in the sub-sector of the Nigerian Stock Exchange, save for firm-specific risk related to First Inland Bank Plc's operations - rapid growth and expansion plans, loans portfolio and credit risk management, and the managements' ability to navigate the business of banking in the fiercely competitive market place where benchmarks continue to shift towards regional and global performance indicators.

The Nigerian capital market of which the report focuses has experienced consistent growth and baring any unforeseen events, is expected to continue to grow during the period under review; even as we expect necessary corrections to adjust for price movements in the market-driven by factors other than fundamentals.

The challenge of delays in obtaining certificates persist in the market even with emphasis given to electronic processing of certificates direct to the CSCS accounts and investors are advised to consider this as a factor in their investment decision and expectations.

We have highlighted certain aspects of the offer which investors might want to note in the "Fast Facts" on pages 4 - 6.

In the report, we utilized the enterprise valuation (EV) methodology to determine the stock price of First Inland Bank since the bank did not pay any dividends for FY 2007, and since none is projected for FY 2008.

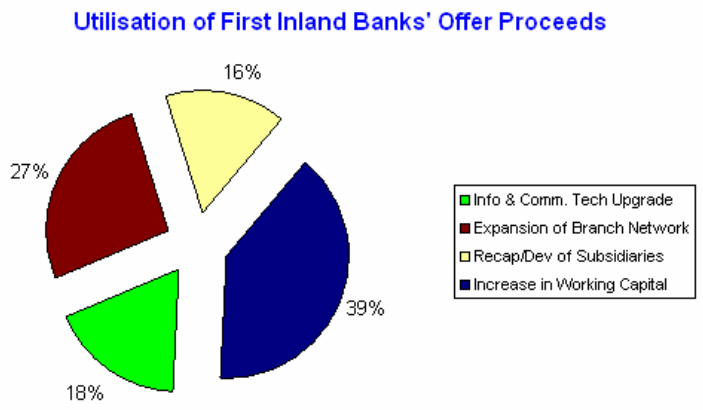
The report is presented in two broad sections – the analysis and the opinion. We encourage your feedback on this report for necessary stock updates and review. Thank you.

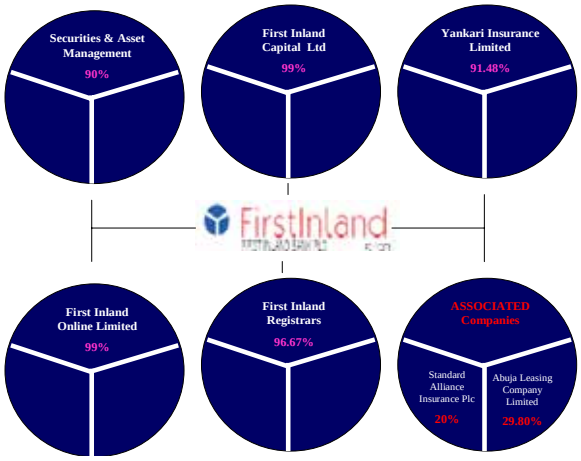
Yours Sincerely,

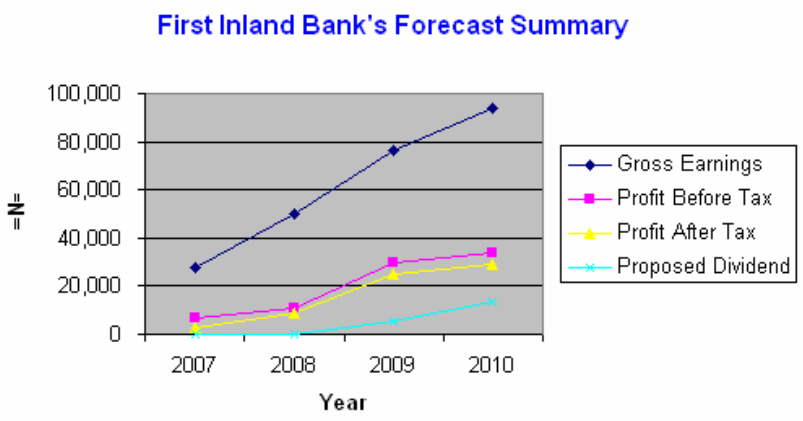
Olufemi AWOYEMI, FCA
Managing Consultant
For: **Proshare Board of Analyst**
January 18, 2008

1. The 'Offer' Fast Facts

Opening Date	January 03, 2008
Closing Date	January 31, 2008
Authorised Share Capital	N10bn of 16 bn Ordinary Shares of 50k each and 4bn Preference shares of 50k each.
Issued & Fully Paid	N4.844bn divided into 9,688,630,000 Ordinary Shares of 50k each.
Total Amount Being Raised	N93, 735,335,500 divided into 8.235bn Rights Issue, N47.5bn Ordinary shares and N38bn Irredeemable Non-Convertible Preference Shares, all of 50k each.
Number of Shares on Offer	*Hybrid offer of:*
Rights Issue:	968,863,000 Ordinary Shares of 50k each. @ **N8.50**k per share
Offer for Subscription	5,000,000,000 Ordinary Shares of 50k each. @ **N9.50**k per share
Offer for Subscription	4,000,000,000 Preference Shares of 50k each. @ **N9.50**k per share

Method of offer	Offer for Subscription Rights Issue to existing shareholders
Purpose: *The offer proceeds will be applied as follows:*	The purpose of the Offer is to finance the expansion of branch network, upgrade of Information Technology infrastructure, recapitalization/development of subsidiaries and working capital. An estimated net proceeds of N89,636,683,797.27 after the deduction of the total offer costs of N4.1bn (representing 4.37% of the total offer proceeds) is expected. 
Market Cap. @ (Pre & Post Offer)	N92,041,985,000.00 (*Pre*); **N**147, 777, 320, 500.00 (*Post*)
Business Combination	The business combination of First Inland Bank Plc [Formerly *Inland Bank (Nigeria) Plc*] with former *First Atlantic Bank Plc*, former *IMB International Bank Plc* and former *NUB International Bank Limited* was accounted for under the acquisition method of accounting.
Underwriting	N68,400,000,000.00 representing **80%** of the Offer (or 7.2bn ordinary shares at 50k each) is underwritten on firm basis in accordance with SEC's regulations, with underwriting commitments from eight (8) firms including First Inland Capital Ltd with N700m.

Status	The new shares now being offered for subscription shall rank pari passu in all respects with the issued ordinary shares of the Bank but does not qualify for dividend and bonus which will be declared for the Bank's financial year ending 30th April , 2008. The Irredeemable Non-Cumulative Convertible Preference shares shall rank for dividend before the Ordinary shares of the Bank..
Group Structure	First Inland Bank Plc wholly owns the subsidiaries, affiliates and associated companies (which are) illustrated below: 
Central Bank of Nigeria Status Report Commentary	The Bank's shareholders' funds were N22 billion and N18 billion as at 30 April 2007 and 28 February 2006 respectively. These balances fell short of the minimum capital requirements of licensed banks by the Central Bank of Nigeria. However, the bank is in the process of raising additional capital to shore-up the shareholders' funds.
Supplementary Allotment	In the event of over subscription, the excess monies not exceeding 25% of the oversubscription may be capitalized in line with SEC's Rules and Regulation (Rule 64 (4) (a)) and additional shares allotted subject to the approval of the Directors of First Inland Bank and SEC. The supplementary proceeds will be used for similar purposes as stated in the prospectus and a revised forecast and supplementary information shall be filed with the SEC. Allotment is expected to be announced on April 04, 2008 and excess/rejected monies returned.
Despatch of Share certificate	Share certificate in respect of shares allotted will be sent by electronic-transfer to the CSCS account of allottees not later than 15 working days from the date of allotment. *Investors without CSCS numbers will receive their certificates by registered post. Investors should indicate the name of their stockbroker and personal CSCS account number on the application form.* Based on the timetable released by the bank, dispatch of share certificates is expected to commence from April 17, 2008 and the listing of new shares on the floor of the exchange determined on April 28, 2008.
Indebtedness	As at the date of this Prospectus, First Inland Bank Plc had no outstanding debentures, mortgages, loans, charges or similar indebtedness other than those incurred in the ordinary course of business. The Bank had contingent liabilities amounting to N94.44 billion as at April 30, 2007 arising from acceptances, guarantees and other obligations for the account of customers (and customers' liability therefore).

Claims & Litigation	The Bank is currently involved in 297 cases, which are pending in various courts in Nigeria, 135 of which the Bank is defending and 162 instituted by the Bank. The total amount claimed in the 135 cases instituted against the Bank is approximately N8.6bn, US$7.37m (or N884m) and GBP 277,000 (or N69.25m); while the total amount claimed by the Bank in the 162 cases instituted by it is approximately N8.3bn and US$99,000 (or N11.88m). The Solicitors to the Offer are of the opinion that the contingent liability that may crystallize from the outstanding cases is unlikely to exceed the sum of N302.3m and U$7.37m (or N884m) and GBP277,000 (or N69.25m). The schedule of claims and litigation involving the Bank is available for inspection at the offices of the Joint Issuing Houses.
Forecast	 **2007** **2008** **2009** **2010** **Gross Earnings** 27,472 50,015 76,075 93,992 **Profit Before Tax** 6,426 11,113 29,404 34,011 Profit After Tax 2,649 8,891 24,994 28,909 **Proposed Dividend** 0 0 5,224 13,366
Status of Unclaimed Dividends	As at 30th April, 2007, First Inland Bank Plc had no unclaimed dividends in its books. However, outstanding balances on the unclaimed dividends inherited from the legacy banks that merged to form First Inland Bank Plc are as follows: **Legacy Bank** **Dividend No.** **Amount Outstanding(N)** Inland Bank Plc 3 to 5 1,019,829.48 IMB International Bank Plc 1 217,501.16 IMB International Bank Plc 2 662,362.09 IMB International Bank Plc 3 41,109.66 IMB International Bank Plc 4 1,455,664.59 NUB International Bank Ltd - - First Atlantic Bank Plc 1 727,802.47 **4,124,269.45** This amount is currently being kept in an account with First Inland Registrars Limited, the Registrars to the Bank. Shareholders that have unclaimed dividends should request for the dividend warrants from the Registrars.
Prospectus	http://www.proshareng.com/blog/?attachment_id=308 and http://www.firstinlandbankplc.net/offer/offer.asp
Registrars to the Issue	First Registrars Nigeria Limited Abebe Village Iganmu, Lagos

2. The Investment Analysis

OUTLINE

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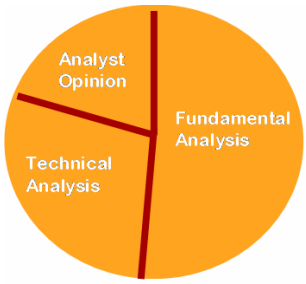


3. Fundamental Analysis

The Objective: To review the stock valuation by examining the company's financials and operations, especially earnings, growth potential, assets, debt, management, products, and competition through financial ratios arrived at by studying the balance sheet and profit & loss account over a number of years.

This analysis is more effective in fulfilling long – term growth objectives of shares, rather than their short – term price fluctuations.

In the Nigerian Stock Market, this has traditionally been the key focus of most players and it remains a guiding beacon as to what could possibly happen to a stock.

Our approach to fundamental analysis therefore takes into consideration only those variables that are directly related to the company itself, rather than the overall state of the market or technical analysis data, which are reviewed in the second part of this report.

Management

The company operates under a group structure managed by an 18-man Board of Directors comprising of accomplished professionals and entrepreneurs who have brought their complementary skills to bear on the future direction of the Bank.

The bank board has worked together since the consolidation of the four (4) banks and has been able to weave together their complimentary experience, leadership, corporate governance, and commitment to steer the affairs of the bank under the able leadership of the Board Chairman, Dr. Theo Chike Osanakpo, (SAN); an accomplished legal professional and former Pro-Chancellor and Chairman of the Governing Council of the Federal university of Technology, Owerri.

Since the merger, Dr. Osanakpo has been ably assisted by Olorogun O'tega Emerhor, OON; an accomplished banker of note and former chairman of First Atlantic Bank Plc; renowned for its innovativeness and customer service delivery.

The Managing Director/CEO, Mr. Okey Nwosu is a First Class Honours Petroleum Engineer and Chartered Accountant. A former MD/CEO of First Atlantic Bank Plc who has garnered extensive experience in banking to successfully steer the bank through its consolidation phase and prepare it for the many challenges of the Nigerian financial services landscape.

The banks' Non-Executive Directors are: Mrs. Agnes Ebubedike, Engr. Emmanuel O. Efobi (MON), Alh. Animashaun Adebayo Awelenje, Mr. Ernest Oji, Alh. Garba Mohammed Noma, Col. Ayegbeni Aaron Peters, Alh. Mohammed Hassan, Mr. Pat Bassey, Dr. I.I. Anyadiegwu, Mr. Kenneth E. Odogwu, and Alh. Mohammad Imam Yahaya (OFR).

The Executive Directors are: Mr. Dayo Fomoroti, Mr. Ocholi Kadiri Danjuma and Mr. Nuhu Danburam Abubakar. Kindly find below the statement of shareholding of the Board members in the bank:

S/N	Name	Direct	Indirect	%
1	Dr. Theo Chike Osanakpo (SAN)	8,000,000	583,412,928	6.10
2	Olorogun O'tega Emerhor, OON	91,780,885	171,381,700	2.72
3	Okey Nwosu	4,832,707	62,709,440	0.70
4	Dayo Famoroti	69,198,750	-	0.71
5	Danjuma Ocholi	40,100,000	-	0.41
6	Danburam Abubakar Nuhu	1,244,444	-	0.01
7	Agnes Ebubedike (Mrs)	100,259	-	0.00
8	Engr. Emmanuel O. Efobi, MON	41,868,687	183,880580	2.33
9	Alhaji Adebayo Animashaun Awelenje	873,333	-	0.01
10	Ernest Oji	75,887,419	-	0.78
11	Alhaji Garba Mohammed Noma	47,255	2,343,750	0.02
12	Col. Ayegbeni Aaron Peters (Rtd)	12,505,456	-	0.13
13	Alhaji Mohammed Hassan	700,000	-	0.01
14	Pat Bassey	27,040,426	6,250,000	0.34
15	Dr. Ishmael Ineanyichukwu Anyadiegwu	-	116,988,220	1.21
16	Kenneth Odogwu	-	55,704,515	0.57
17	Alhaji Muhammed I. Yahaya OFR, FCIB	5,358,254	-	0.06

* Dr. Theo C. Osanakpo (SAN) represents the interest of *Rivers State Government*
* Olorogun O'tega Emerhor represents the interest of *Standard Alliance In. Co. Plc*
* Engr. E.O.Efobi has beneficial interest in *Foby Engineering Ltd & SEO International Ltd*
* Dr. I.I. Anyadiegwu represents the interest of *Exclusive International Ltd*
* Kenneth Odogwu represents the interest of *Spennymoor Ltd & SIO Properties Ltd*
* Pat Bassey represents the interest of *Pesley Investments Ltd.*

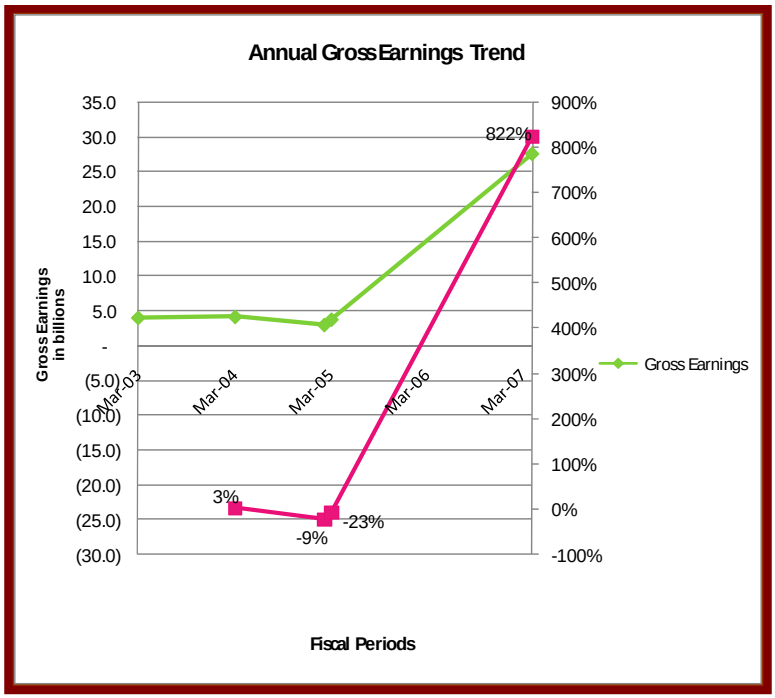
Revenue and Profitability

Gross Earnings Trend

For the fourteen (14) fiscal months ended April 30, 2007, gross earnings increased by N24.5 billion, or 821.8% compared to N2.9 billion, the gross revenue for the eleven (11) months fiscal period ended February 28, 2006.

The precipitous gross earnings growth for the FYE April 2007 resulted primarily from the merger of the 4 banks.

The gross earnings trend for the most recent five (5) fiscal years is highlighted in the graph below.



The dramatic growth in gross earnings between the fiscal year 2006 and fiscal year 2007 resulted from increases in the following earnings components:

- Treasury bills increased by N2.3 billion;
- Placement with local banks increased by N858 million;
- Interest on loans & advances increased by N9.5 billion;
- Commissions & other charges increased by N4.9 billion;
- Foreign exchange income increased by N545 million;
- Investment income increased by N91.5 million; and
- Sundry income increased by N908 million.

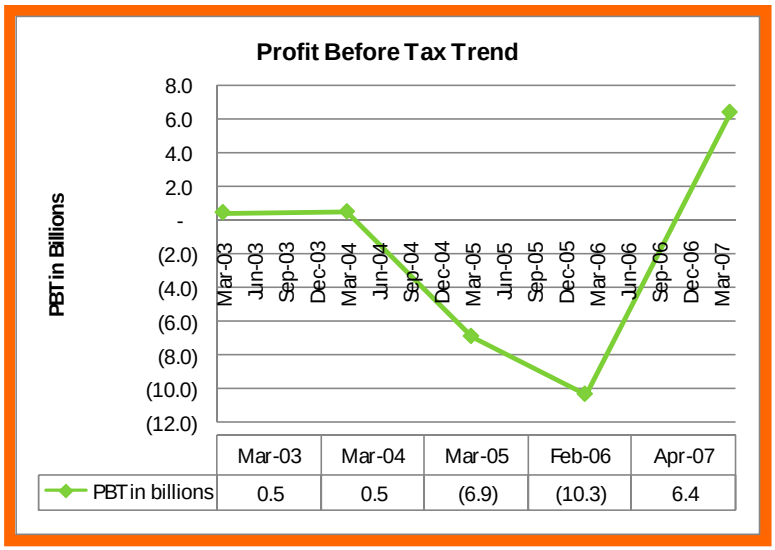
Additionally, N5.3 billion of loan loss recoveries was added to the reported gross earnings in FY 2007. If the recoveries are adjusted from gross earnings, the reported gross earnings will decrease to N22.1 billion from the reported N27.4 billion.

Profitability Trend

The company reported a pre-tax profit of N6.4 billion for the FY 2007 compared to a pre-tax loss of (N10.3) billion for the FY 2006. Comparatively the reported profit before taxes (PBT) represents an increase of N16.7 billion, or 162% relative to FY 2006.

The growth in PBT resulted from an 822% increase in gross earnings.

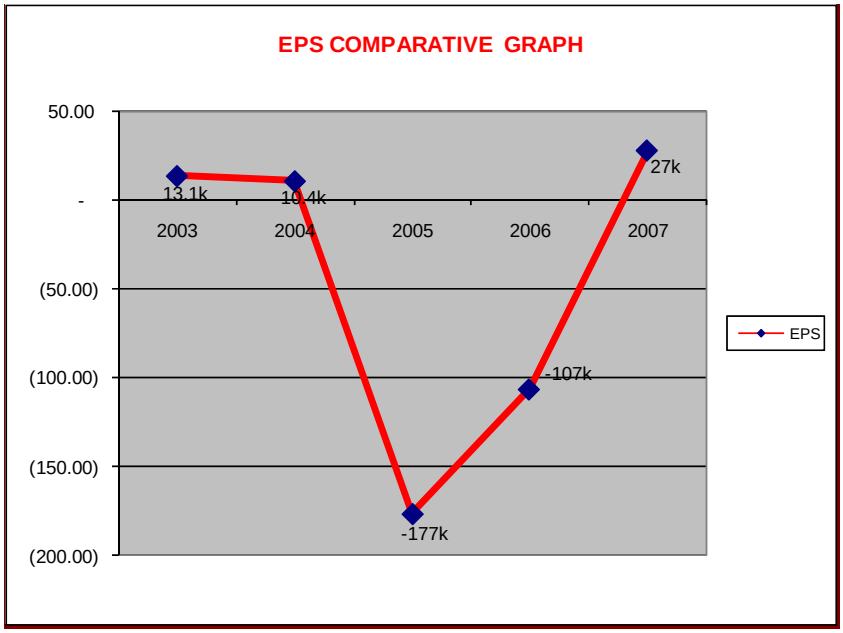
Historical financial statements revealed that the company reported negative PBT of N6.9 billion in FY 2005, and PBTs' of N527 million and N478 million respectively in FY 2004 and FY 2003. The large pre-tax loss for FY 2006 and 2005 were impacted by bad debt charges of N7.3 billion and N5.9 billion in the respective fiscal years.



Earnings per Share

EPS represents the portion of a company's earnings, net of taxes and preferred stock dividends that are allocated to each share of common stock. The higher a company's EPS, the better it is considered to have performed over the period.

Based on the financial statements for the most recent fiscal year ended April 30, 2007, First Inland Bank's EPS of 27k was below the industry average of 80k. As indicated in the graph below, the FY 2007 EPS of 27k represents an improvement compared to negative EPS of -177k and -107k respectively for FY 2005 and FY 2006. The negative EPS resulted because the Bank reported net loss of N10.3 billion and N7.07 billion respectively in FY 2005 and FY 2006.

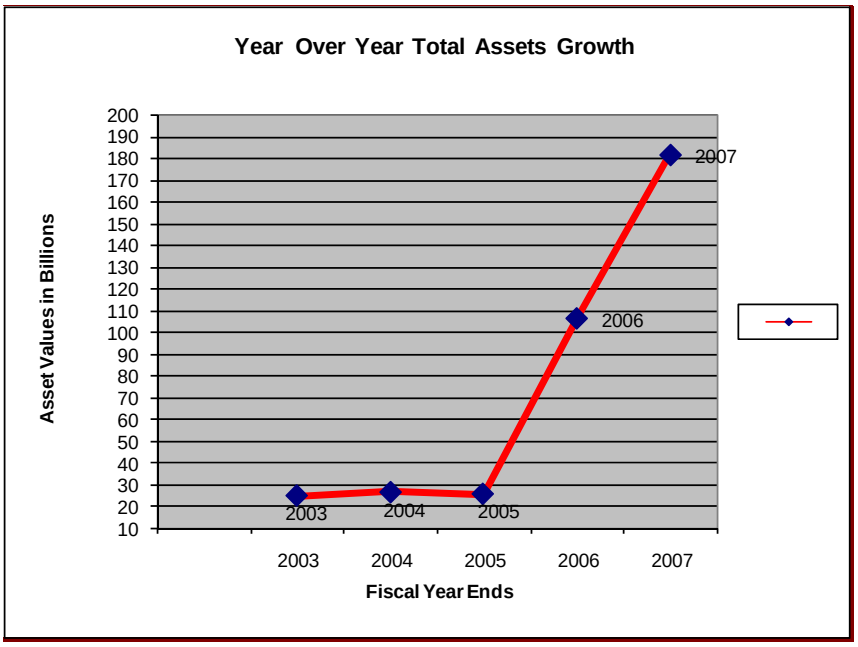


Asset Growth/Quality

The Bank has experienced a significant growth in its assets base. Since FY2003 the bank's total assets increased 640% from N24.5 billion to N181.3 billion in FY 2007. For the most recent FY ended April 30, 2007, total assets increased N75.1 billion, or 70.1% to N181.3 billion compared to N106.2 billion in FY 2006. The growth in total assets between FY 2007 and FY 2006 resulted primarily from increases in the following asset components:

Descrption	Amounts In billions	% of Total Increase	Yr over Yr % change
Cash & Short Term Funds	1.7	2%	12%
Due from Banks (Placements)	27.9	37%	2593%
Nigerian Govt. Treasury Bills	34.4	46%	520%
Fed. Govt. Bonds	4.7	6%	100%
Loans & Advances	1.6	2%	5%
Fixed Assets	1.6	2%	31%
Total Analyzed	71.9	96%	
Unanalyzed	3.2	4%	
Total increase in Assets	75.1	100%	

Additionally, in the most recent five years, total assets of the company has increased by 640% from N24.5 billion in FY 2003 to N181.3 billion in FY 2007as highlighted in the graph below.



In FY 2007, the bank's gross loans and advances was N50.08 billion. Of the reported gross loan amount, N18.8 billion, or 37.5% are non performing loans, N4.8 billion or 9.6% are interest in suspense, and N27.1 billion or 54.1% are performing loans.

Additionally, N16.3 billion or 60.4% of the non performing loan is considered lost and has been fully reserved. In light of the large historical loan loss reserve, it appears that the bank needs to strengthen their loan approval criteria.

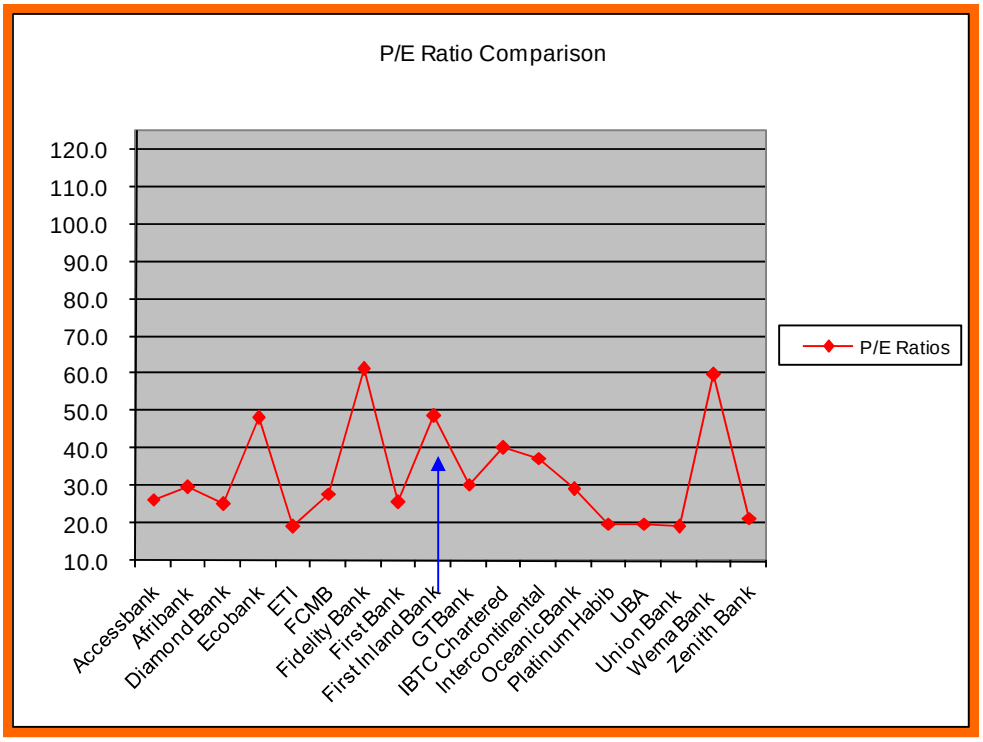
Price-Earnings (PE) *versus* Value-Earnings Ratio (VE)

The P/E ratio indicates a price investors are willing to pay per one naira of reported profits. It is a ratio that is helpful in determining valuation risk as regards to whether the stock price is too "high" or correctly valued.

It should be noted that the higher the P/E, the more probability a stock is overpriced. Companies with P/E ratios higher that their industry's average are considered expensive relative to their peers.

Based on the recent fiscal year financial statements and the stock price of N13.3k, the PE ratio for FirstInland Bank is 48.7. The current ratio is higher than 33, the average P/E for the banking industry. However, based on the offer price of N9.50k, the projected P/E ratio is 34.7, which is slightly above the industry average.

A comparative graph of FirstInland Bank's P/E ratio in relation to majority of the Banks in Nigeria is presented below.



To determine if the current price is overvalued, the stock price was compared to the value of the PEG. Based on the results of the most recent fiscal year end financial statements, the PEG is 0.60 using an average forward growth rate of 81.3% percent based on next year's expected growth rate. Although the bank projected an income growth rate of 235% for FY 2008, we estimate the growth rate at 81.2% based on the bank's historical financial trends.

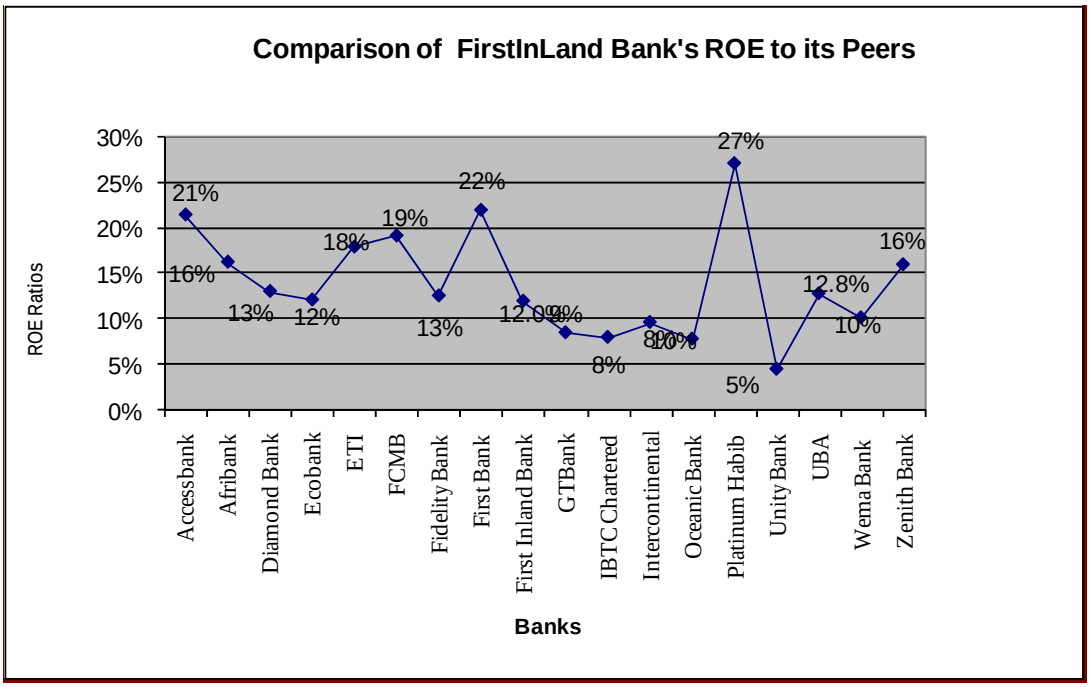
Since the PEG is less than 1%, it indicates that the stock price is not over valued since the rule of thumb for PEG, is that the stock prices for companies with PEG ratios less than one (1) are low relative to the company's future growth.

However, it is important to note that an investment decision should not only be based on a PEG ratio, because the PEG does not really explain the future prospect of a company. The PEG must be combined with other variables such as future growth plans of the bank, or strategies the bank is implementing to improve shareholder value.

Return on Common Equity (ROE)

ROE is an important accounting ratio used by investors to determine their return on investment. Stockholders invest to get a return on their money, and ROE conveys how well investors are doing from an accounting perspective.

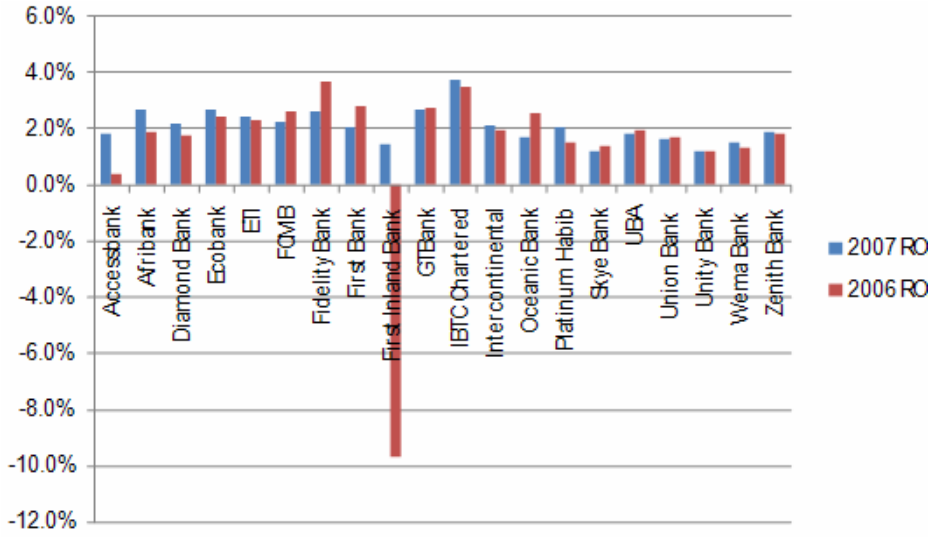
The ROE for FirstInland Bank Plc based on the most recent FYE April 30, 2007 is 12.1%, which is below the industry average of 14%. The analysis revealed that FirstInland Bank's ROE is in the upper quartile relative to other banks in Nigeria. The current year's ROE represents an improvement when compared to a negative ROE of -56.3% for the FY 2006. Highlighted below is a comparative ROE graph for majority of the banks in Nigeria.



Return on Total Assets (ROA)

The ROA indicates the overall effectiveness of an institution to generate profits from total investment in assets independent of the financing of those assets.

FirstInland Bank's ROA based on the latest fiscal year ended April 2007, was 1.5% compared to a negative ROA of -9.7% for the prior fiscal year. Although, the current ROA indicates a better utilization of assets, it is the slightly lower than the industry average of 2% as reflected in the graph below.



Operating Cash Flow (OCF) & Free Cash Flow (FCF)

The FCF represents cash flow actually available for distribution to investors after the company has made all investments in fixed assets, new products, and working capital necessary to sustain their continuing operation.

Most financial statement users focus on accounting profit, which is basically net income. However, the values of a company's operation depend on all the future expected free cash flows (FCF), defined as after tax operating profit minus the amount of investment in working capital and fixed assets necessary to sustain the business. Consequently, for management to make their companies more valuable, they must increase their FCF.

A review of the most recent four (4) FYE financial statements of FirstInland Bank (*compound of component parts*) reflects an institution with wide swings in operating cash flow (OCF) and free cash flow (FCF).

As noted in the schedule and graph below, the bank had positive FC in FY 2004 and FY 2007, but had negative OCF and FCF in FY 2005 and FY 2006. The negative OCF and FCF in FY 2005 and FY 2006 were due primarily to bad debt charges of N7.3 billion and N5.9 billion respectively for the mentioned fiscal years.

(All figures are in billions - FY NOPATs' are Gross of Bad Debt Provisions)

Financial Year	NOPAT	Depr. Expense	Operating Cash Flow (OCF)	Net Investment in operating Capital (i.e., Fixed Assets)	Free Cash Flow (FCF)
FY 2007	11,113	1,548	12,661	7,127	5,534
FY 2006	(8,180)	248	(7,932)	3,464	(11,396)
FY 2005	(4,973)	195	(4,778)	1,071	(5,849)
FY 2004	1,806	133	1,939	193	1,746
Note: NOPAT =EBIT (1 - Corporte tax rate)					

However, further and more comprehensive analysis of the financial statements revealed that the large bad debt charges were only in fiscal years 2005 and 2006. Since these appear to be non recurring events, it is safe to adjust them from the computation. if these bad debt charges are adjusted from the calculation, the resulting OCF and FCF will reflect significant improvements as indicated in the schedule below.

Financial Year	NOPAT	Depr. Expense	Operating Cash Flow (OCF)	Net Investment in operating Capital (i.e., Fixed Assets)	Free Cash Flow (FCF)
FY 2007	10,469	1,548	12,017	7,127	4,890
FY 2006	1,075	248	(827)	3,464	(4,291)
FY 2005	757	195	952	1,071	(119)
FY 2004	1,950	133	2,083	193	1,890
Note: NOPAT =EBIT (1 - Corporte tax rate)					

Capital Adequacy Ratio (CAR)

CAR measures a bank's capital strength. It determines the capacity of a bank to meet timed liabilities and other risk such as credit risk, operational risk, etc. Basically, a bank's capital is the "cushion" for potential losses, which protects the bank's depositors, or other lenders. Banking regulators in most countries define and monitor CAR to protect depositors, thereby maintaining confidence in the banking system.

CAR is similar to leverage; it is comparable to the inverse of debt-to-equity leverage formulations (although CAR uses equity over assets instead of debt-to-equity; since assets are by definition equal to debt plus equity, a transformation is required). The more capital a firm has, the more confident shareholders are that it will meet its obligations to them. However, capital alone is no guarantee of solvency, because a well capitalized firm can fail due to a lack of liquidity.

First Inland Bank's CAR is 11.9% for the FY 2007. The traditional rule of thumb is that financial institutions capital ratios should be in the range of 4% to 10%, depending on the size of the firm, its industry and the definition of capital being used.

Economic Value Added (EVA) Indicator

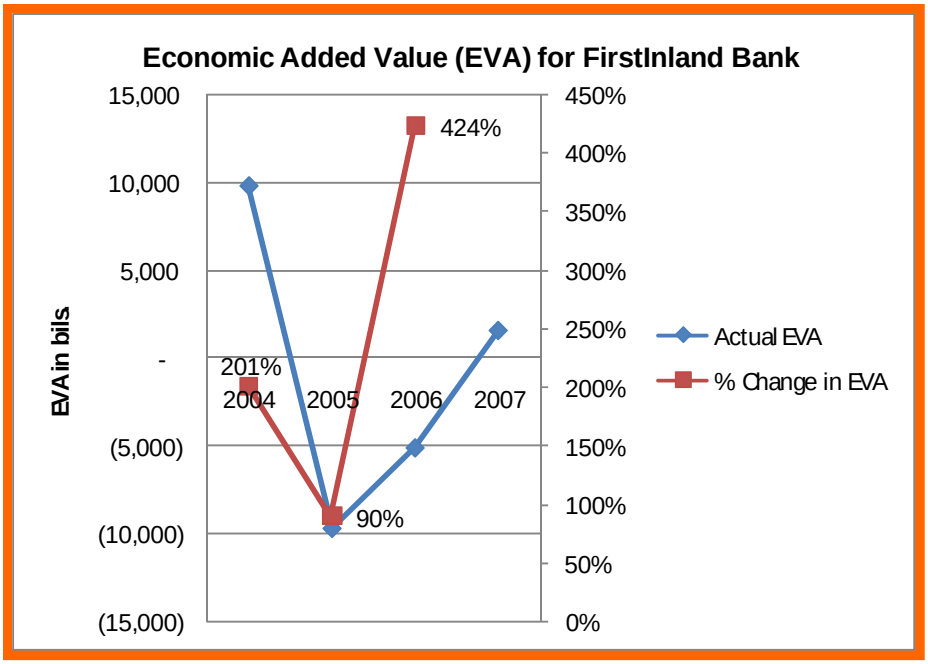
EVA is a financial indicator developed and popularized by the consulting firm Stern Stewart & Company. EVA helps mangers ascertain if a particular business unit is adding to stockholder value. Investors can use the EVA to spot stocks that are likely to increase in value. The cost of debt (interest expense) is deducted when calculating net income, but the cost of common equity is not taken into consideration. Therefore, economically net income overstates "true income". EVA overcomes this conventional accounting flaw because it considers the cost of equity. Basically, EVA is an estimate of the business's true economic profit for the year, since it represents the residual income that remains after the cost of all capital, including common equity capital, has been deducted from income.

For the most recent four fiscal years (FY 2004, FY 2005, FY 2006, & FY 2007), the EVA for First Inland Bank was positive for the FY 2007 and 2004, but negative for fiscal years 2005 and 2006 as shown in the schedule below.

All figures are in billion

Fiscal Yrs	Actual EVA	Adjusted EVA Net of Bad Debt Charges
2004	9,832	9,188
2005	(9,720)	(2,615)
2006	(5,121)	608
2007	1,579	1,723

The negative EVA for the FY 2006 and 2005 resulted from the bad debt charges of N7.3 billion and N5.9 billion respectively for the mentioned fiscal years. However, if the bad debt charges are adjusted from the calculation, the EVA improved as shown in the above schedule. Additionally, the graph below compares the numerical value change to the percentage change in EVA for the most recent 3 fiscal years.



Globally, Security Analysts have found that stock prices track EVA far more closely than other traditional indicators (EPS, ROE, etc). Investors should closely monitor the EVA of companies, because it basically reflects the net cash return on their invested capital. Companies that report consistent negative EVA, should be avoided by investors.

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4. Technical Analysis

The Objective: To review the stock valuation by relying on the assumption that market data, such as charts of price, volume, and open interest, can help predict future (*usually short-term*) market trends. Unlike fundamental analysis, the intrinsic value of the stock is not part of the consideration here.

More and more investors are beginning to appreciate and rely on technical analysis in reviewing stocks on the Nigerian Stock Exchange because of the proven fact that market psychology influences trading in a way that enables predicting when a stock will rise or fall.

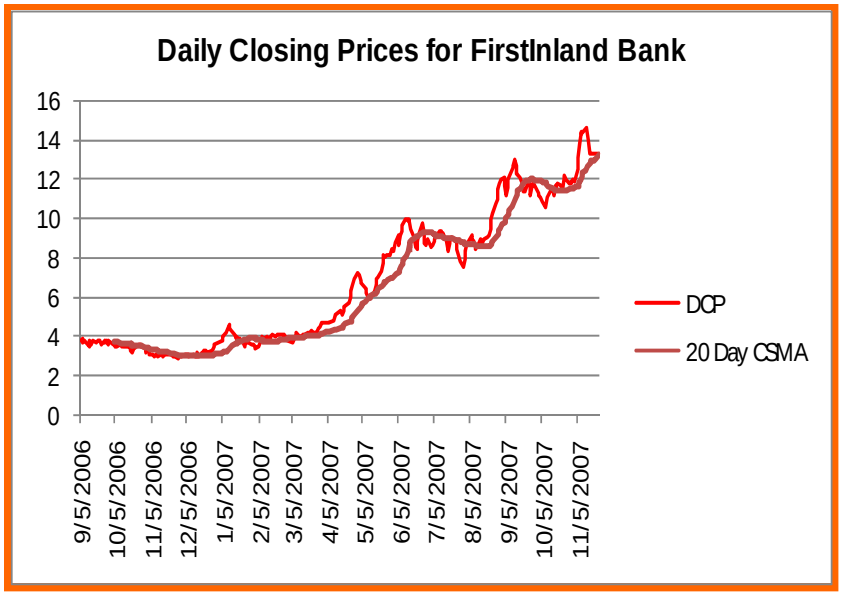
For that reason, technical analysis charts, produced by our technical analysts and published on the Proshare website are market timed based and predicated on the belief that technical analysis can be applied just as easily to the market as a whole as to an individual stock.

To this effect, we developed a quantitative measure of price action using a unique and practical method of easily predicting the buying and selling pressure on individual stocks as illustrated in the analysis/findings below.

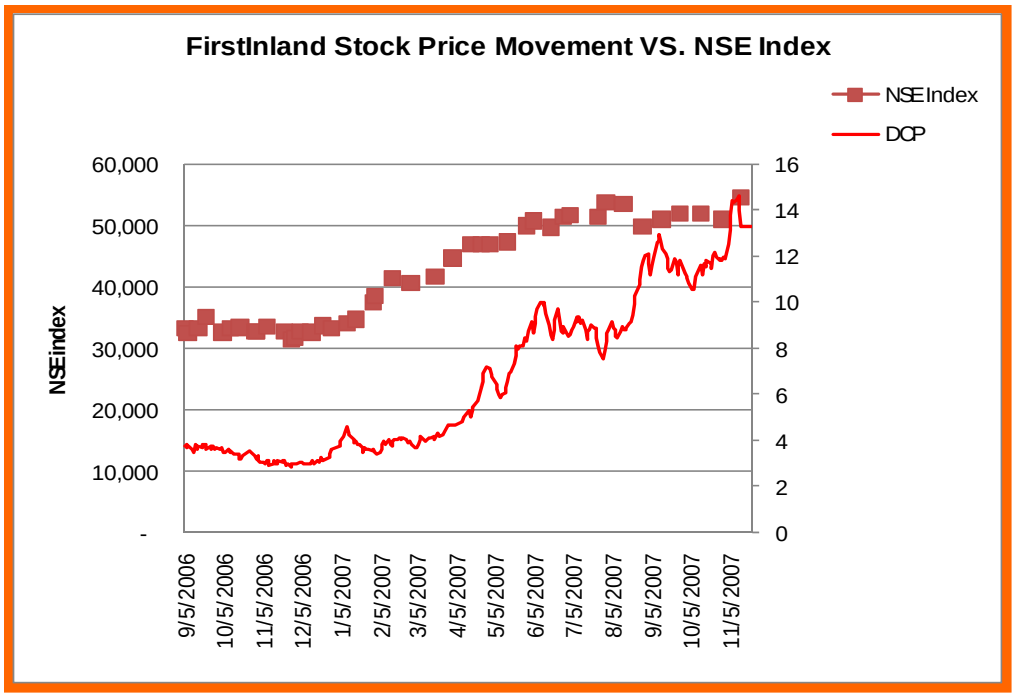
Most Recent Stock Performance of First Inland Bank Plc's Shares

A review of the daily price movement of First Inland Bank (FIB) stock price for the most recent fourteen (14) months through November 15, 2007 (the date the stock was suspended for the secondary offering), reveals a gain of N9.55k or 254.7% for the mentioned period.

The trading pattern indicates a stock with strong relative strength during the most recent 14 months. For the mentioned period, the stock traded above the 20 day CSMA for most of the period, falling below its 20 day CSMA for only two brief periods (July 16 through August 1, 2007, and September 19 through October 10, 2007) as reflected in the graph below. Upward trending stocks normally trade above their 20 day CSMA, or use the CSMA as a support.



A comparison of FIB stock price to the NSE index revealed that the stock outperformed the index for the most recent 14 months ended November 15, 2007. While the stock gained 254.7% as previously noted, the NSE index gained approximately 69%. Highlighted below is the comparative graph of the NSE index and FIB stock price for the 14 months through November 15, 2007.



Impact on Investors Portfolio (Hypothetical Illustration)

Analysis revealed that the portfolio of investors who purchased the shares of FIB approximately 12 months ago have experienced significant capital appreciation. To illustrate, a N1 million investment in FIB stock in November 2006 would have generated N2.75 million, or 275% as highlighted in the schedule below:

Description		Amounts in Actual Naira
Invested Capital	(a)	1,000,000
Unit price in January 2006	(b)	9.1
Total # of shares Purchased	(a÷b)	109,890.11
1 for 5 bonus shares issued in August 2007	(b)	21,978.02
Adjusted Total Number of Shares	(a + b)	131,868.13
Share Price at Closure	(c)	30.89
Total Current Portfolio	(a+b) x (c)	4,073,406.59
Less:		
Amount Invested		(1,000,000.00)
Less: (Round Trip transaction fees estimated @ 8%)		(325,872.53)
Total Naira Returns		2,747,534.07
Total % Return		**275%**

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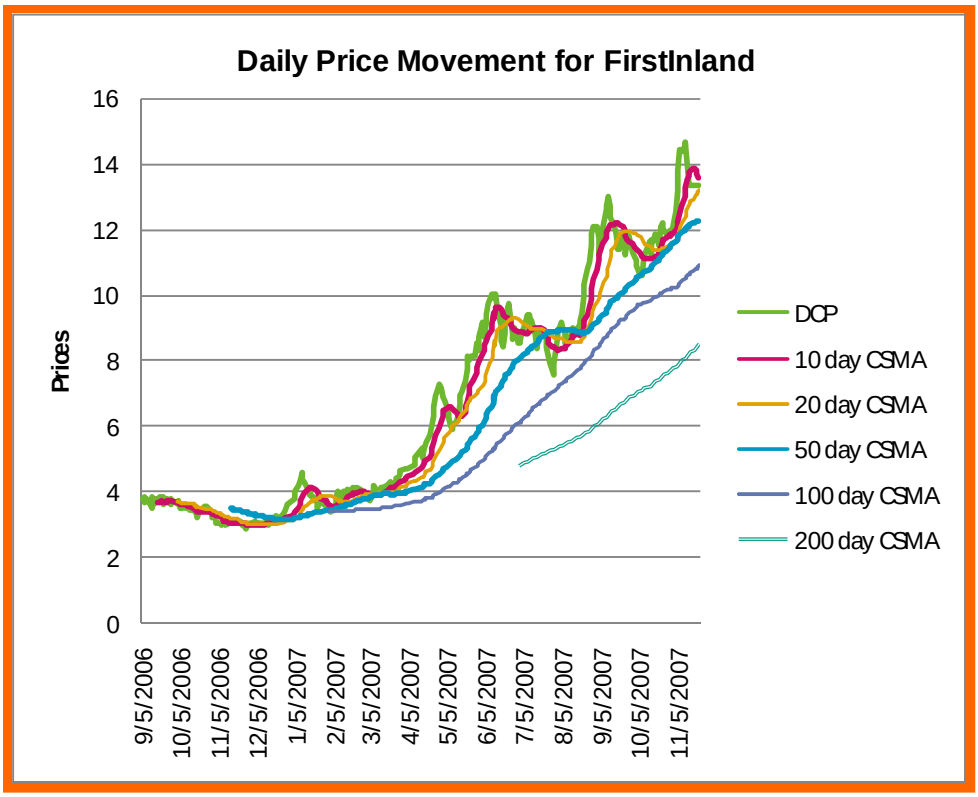
5. The Analyst Opinion

The shares of First Inland Bank Nigeria Plc are priced at N9.50 for the secondary offering. The offer price represents a discount of N3.80k, or 28.6% compared to N13.30k, the closing price at which the stock was halted on November 15, 2007 for the offering.

Prior to the stock's technical suspension for the secondary offering, the stock was trading below its 10 day cumulative simple moving average (CSMA) of N13.62k, but it traded above its 20 day, 50 day, 100 day, and 200 day cumulative simple moving averages (CSMAs') of N13.19k, N12.28k, N10.89k, and N8.51k respectively as highlighted in the schedule below.



At the offer price of N9.50k, the stock is below all its relevant CSMA's except the 200 day CSMA of N8.51k. Although we believe the stock price will not trade below the offer price, the following issues might slow any dramatic upward trend for the Bank's stock price:

- The creation of multiple over head price resistances since the offer price is below all the stock's pertinent cumulative simple moving averages
- An increase in the number of shares outstanding by 41% from 9.68 billion shares to 13.68 billion shares outstanding at the close of the offer.

Nevertheless, the stock has two (2) strong price supports below the price at N9.00k and N7.54k that will provide strong support for the stock price.

Using Fibonacci projections, the price targets highlighted in the schedule below are the exit points investors should consider as the price of the stock resumes trading.

Projected Fibonnaci Target	Price (=N=)
First Target - 23.7%	15.89%
Second Target - 38.2%	17.14%
Target Third 50%	18.68%
Fourth Target - 61.8%	21.18%

(Please note that the Fibonacci projected targets were calculated based on N14.64, the high of stock prior to its suspension

Stock Value

The Enterprise valuation (EV) methodology was utilized to determine the stock price of FirstInland bank since the Bank did not pay any dividends for FY 2007. Management noted that the bank can only pay dividend after fully writing off its Goodwill amortization and reversing its negative reserves.

Management estimates that the Goodwill will be fully amortized by FY2009. Since no dividend was paid, it was not possible to utilize the constant growth model for the stock price valuation.

EV is a measure of theoretical takeover price, and is useful in comparisons against income statement line items above the interest expense/income lines such as revenue and EBITDA. The enterprise value calculation indicates that the share price of FirstInland Bank is undervalued based on their offer price of N9.50k.

The current value of FirstInland Bank stock price is calculated at N13.46k using EV divided by the number of outstanding shares. However, using the valuation method of EV divided by the projected EBITDA, we calculated the target price for 2008 at N20.17k.

The Deduction of the Projected Target Price

For the FY 2007, the EBITDA was established at N11.35bn. Dividing the projected EBITDA by the enterprise value of N130.4 billion, generated a multiple of 11.49. The resulting multiple of 11.49 was multiplied by our projected forward EBITDA for 2008 of N24 billion to generate a forward enterprise value for 2008 of N276bn. The long-term debt of the Bank was then subtracted from the projected 2008 EV. The resulting figure was then divided by the projected number of shares outstanding (14bn) post the secondary offering.

The calculation yielded our projected 2008 price of N20.17k. Based on our calculated value, we are issuing a long-term BUY recommendation at the public offer price.

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6. Advice to Users of this Report

Proshare Nigeria is the country's premier investor relations/education and analyst services platform providing a critical role in ensuring that market confidence & safety is enshrined in the conduct of/and market reliance on the information and activities of firms quoted on the Nigerian Stock Exchange; as a wealth creator for the investing public.

In delivering this service, the firm works with and through organisations with distinct service competencies in stock investment analysis, investor tools and solutions and capital market practices; all designed to provide investors with a credible resource for intelligent decision making.

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We are always happy to receive your comments on how we can improve our services and make it more meaningful to the investing public.

Should you be interested in contacting us for further discussions on how such reports can be made more meaningful to you or your organisation/investment club; kindly contact us as follows:

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