



UNITED BANK FOR AFRICA PLC

RC 2457

Analyst Report

March 2007



Proshare

.. Intelligent Investing

Proshare Analyst Report

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Investing in UBA Plc

Executive Summary

Proshare examined the volumes of data, information, analysis and records available directly and indirectly on the bank as far as it could to validate the prospectus released by the bank on its hybrid offer – Offer for subscription and Rights issue. We equally poured through primary data provided by the Nigerian Stock Exchange which were validated with discussions with fund managers and officers of the company.

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 UBA's operations - rapid growth and expansion plans, loans portfolio and credit risk management which could result into higher non-performing loan loss provisioning, and the managements' ability to navigate the business of banking in the fiercely competitive market place.

The capital market of which the report focuses has experienced consistent growth and barring any unforeseen events, is expected to continue to grow during the period under review.

Our analysis identified the nature of this investment decision as a long term investor type one; and this is clearly explained in the analyst opinion on page 15.

The report is presented in two broad sections – the analysis and the opinion. We encourage your feedback for our continued monitoring of the stock and business model. Thank you.

Yours Sincerely,

Proshare Board of Analyst
Signed



1. The 'Offer' Fast Facts

Opening Date	March 01, 2007
Closing Date	April 09, 2007
Authorised Share Capital	N6 Billion of 36bn Ord. shares @50k each
Number of Shares on Offer	1.1274 billion Ordinary shares @50k each, par value 0.4236 million ordinary shares @50k each par value (Rights Issue)
Offer Unit Price	N 35.00k (Payable in full on Application) N 34.00k (Rights issue to existing Investors in the ratio of 1:20 held)
Units of Sale	Minimum 500 ordinary shares and multiples of 100 thereafter

Method of offer	Offer for subscription & Rights												
Joint Issuing Houses	<ul style="list-style-type: none"> ● UBA Global Markets Limited; ● BGL Securities Limited 												
Purpose: <i>The offer proceeds will be applied as follows:</i>	<p>UBA intends to use the proceeds of the hybrid offer to expand its existing businesses in line with its growth plans. The allocation is as follows:</p> <p style="text-align: center;">Utilisation of Offer Proceeds</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td>Dom. & Int. Branch Roll-Out</td> <td>60%</td> </tr> <tr> <td>Branch Upgrade</td> <td>17%</td> </tr> <tr> <td>ATM Roll-Out</td> <td>8%</td> </tr> <tr> <td>Non-ATM Electronic Channels</td> <td>8%</td> </tr> <tr> <td>Operating Resources</td> <td>4%</td> </tr> <tr> <td>Office/Process Automation</td> <td>3%</td> </tr> </table>	Dom. & Int. Branch Roll-Out	60%	Branch Upgrade	17%	ATM Roll-Out	8%	Non-ATM Electronic Channels	8%	Operating Resources	4%	Office/Process Automation	3%
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Group Structure	<p>UBA Plc wholly owns international branches of UBA Plc in New York and Cayman Islands. The Bank also owns 51% shareholding in UBA Ghana. The Bank also has 8 direct and 3 indirect subsidiaries as illustrated below:</p> <p style="text-align: right; font-size: small;">* the remaining 0.1% of these shareholdings are held in trust for UBA Plc</p>												
Market Cap. @ (Pre & Post Offer)	N321,851,280,000:00 N350,381,400,000:00 (Including the Rights issue)												



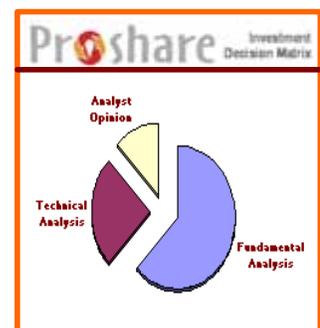
Status	The new shares to be issued shall rank <i>pari passu</i> in all respects with the issued ordinary shares of the company.								
Despatch of Share certificate	Share certificate in respect of shares allotted will be sent through registered post not later than 15 working days from the day of allotment. <i>Investors can also receive their certificates electronically by indicating the name of the stockbroker and personal CSCS account number on the application form.</i>								
Authorised Share Capital and status Post-Offer	<p>N6 bn comprising 12 bn Ordinary Shares of 50 kobo each:</p> <p style="text-align: center;">Analysis of Authorised Share Capital</p> <table border="1"> <caption>Analysis of Authorised Share Capital</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Already Allocated @ Offer Date</td> <td>71%</td> </tr> <tr> <td>Current IPO</td> <td>13%</td> </tr> <tr> <td>Unallocated Authorised Shares</td> <td>16%</td> </tr> </tbody> </table>	Category	Percentage	Already Allocated @ Offer Date	71%	Current IPO	13%	Unallocated Authorised Shares	16%
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Quotation	An application has been made to the Council of The Stock Exchange for admission to its Daily Official List for the total 1.6 billion Ordinary Shares now being offered for subscription and Rights.								
Claims & Litigation	The Bank stated categorically that it is presently involved in 403 cases. The bank is of the opinion that the contingent liability arising from the cases pending against the bank is not likely to exceed an estimate of N500 million.								
Underwriting	At the instance of the issuer, this offer will not be underwritten.								
Additional information	<p>Post Merger Share Adjustment Full disclosure of the merger share adjustments made between UBA, STB and CTB in the event of the crystallisation of certain liabilities, as contained in the scheme of merger document, was acknowledged in the prospectus.</p> <p>Convertible Loan Agreement IFC, the private sector arm of the World Bank Group, announced that it had granted the bank a \$50 million convertible loan in March 20, 2007.</p> <p>New Branch Opened</p> <ul style="list-style-type: none"> • The Governor of CBN, Prof. Chukwuma Soludo, declared open the new office of United Bank for Africa Plc, at the Rockefeller Plaza, located in the heart of New York's financial district on March 12, 2007 • There is the possibility that a London operational office may be actualised before the year runs out. 								
Prospectus	Additional information can be obtained at http://www.ubaoffer.com/								
Reporting Accountants	PricewaterhouseCoopers, 252E Muri Okunola Street, Victoria Island, Lagos								
Auditors	Akintola Williams Deloitte, 235 Ikorodu Road, Ilupeju, Lagos								
Solicitors to Offer	G. Elias & Co, 6 Broad Street, Lagos								
Registrars	Union Registrars Limited, 2 Burma Road, Apapa, 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, though 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 a 15-man Board of Directors comprising of professionals with varied backgrounds applicable to the businesses they have under management.

The Chairman of the Board, Chief Ferdinand Alabraba, a renowned business leader recently took over from Mr. Kehinde Sofola, (SAN) who retired at the last AGM after overseeing the successful merger of the old UBA with STB.

The Group Managing Director, Mr. Tony Elumelu, MFR, is a research economist and distinguished banker credited with the successful turnarounds of some banks during the very difficult periods of the banking transition phase from distress to the consolidation phase.

His management team is considered to be very experienced in change management, dynamic engagements with stakeholders and highly innovative products and services.

The Non-Executive Directors are: Chief Israel Ogbue, Mrs. Ada R. Okwechime, Mr. Willy Kroeger (*German*), Mrs. Runa Alam (*American*), Mr. Paolo Di Martino, Alhaji Garba Ruma, Mr. Adekunle A. Olumide and Chief Kola Jamodu, former Minister for Industries and ex-CEO of PZ industries Ltd.

The Executive Directors are: Mr. Phillips Oduoza, Mr. Godwin Ize-Iyamu, Mr. Victor Osadolor, Mrs. Suzanne Iroche, Mrs. Faith Tuedor-Mathews and Mr. Chika Mordi, former MD/CEO of Continental Trust Bank Limited.

Kindly find below the statement of shareholding of the Board members in the bank:



Directors' Beneficial Interests

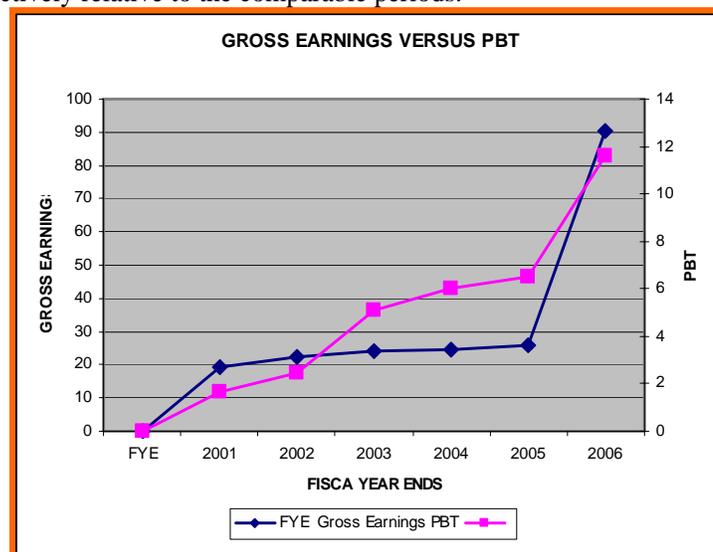
As at 31 December 2006, the interests of the Directors of UBA Plc in the issued share capital of the Bank as recorded in the Register of Members and as notified by them for the purpose of Section 275 (1) of the Companies & Allied Matters Act Cap 20 LFN 2004 are as follows:

Director	Direct Shareholding	Indirect Shareholding	(%) Percentage Holding
Chief Ferdinand Alabraba	5,000,000	-	0.0708%
Tony Elumelu MFR	25,470,000	-	0.3608%
Godwin Ize-Iyamu	-	2,400,000	0.0340%
Suzanne Iroche	-	-	0.0000%
Phillips Oduzoa	2,400,000	-	0.0340%
Victor Osadolor	8,400,000	-	0.1190%
Chika Mordi	8,200,000	-	0.1161%
Faith Tuedor-Matthews	6,600,000	-	0.0935%
Chief Israel Ogbue	240,000	449,858,986	6.3753%
Ada R. Okwechime	-	52,200,000	0.7394%
Willy Kroeger	-	-	0.0000%
Paolo Di Martino	-	73,440,000	1.0402%
Garba Ruma	-	-	0.0000%
Adekunle Olumide	35,526	-	0.0005%
Kola Jamodu	15,600	25,086	0.0006%

Revenue and Profitability

For the most recent five years ended 2005, UBA experienced uninterrupted earnings and profit growth as reflected in the graph below. However, the earnings and profit growth for the FYE September 2006 was impressive. Gross earnings for the fiscal year ended September 30, 2006 increased by N64.3 billion, or 246.5% to N90.4 billion from N26.089 billion the prior fiscal year. Profit before taxes (PBT) increased by N5.08 billion or 43.8% from N6.52 billion the prior fiscal year.

Comparatively for the four (4) fiscal years prior to the FYE September 2006, gross earnings increased by 6%, 1%, 7%, and 16% respectively relative to the prior like periods. Additionally, PBT for the mentioned fiscal years increased by 8.5%, 17.4%, 107.3%, and 46.8% respectively relative to the comparable periods.





Management attributed the 246.5% growth in gross earnings between the fiscal year 2006 and fiscal year 2005 to the following:

- Gross earnings for the fiscal year 2006 is post merger revenue (i.e., UBA and STB combined), while 2005 revenue relates to only UBA.
- Economies of scale and many other merger advantages contributed to the fiscal year 2006 earnings growth.
- The fiscal year 2006 gross earnings are for 18 months, while the fiscal year 2005 are for 12 months. However, management represented that on a 12 months basis the fiscal 2006 numbers out performs 2005 by more than 100%.

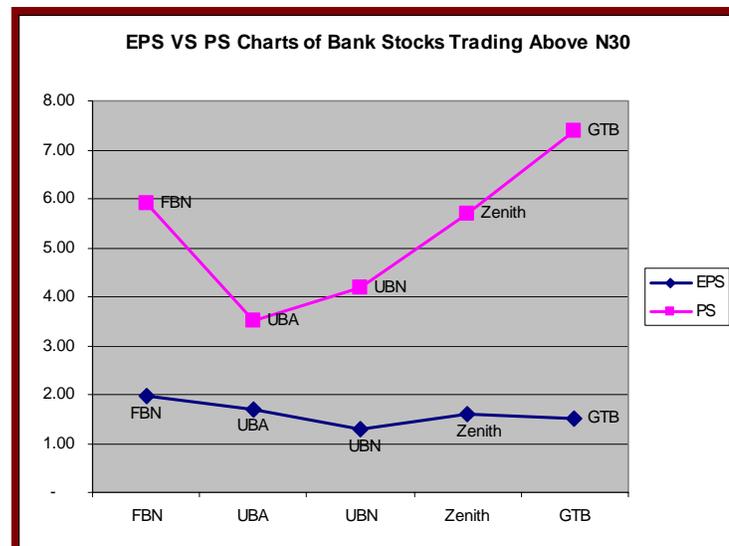
Earnings per Share versus Price to Gross Earnings

In terms of Earning per share, based on the most recent fiscal year for the top five banks in Nigeria, UBA is performing satisfactorily. UBA's EPS is 1.59 compared to an industry average of 1.35.

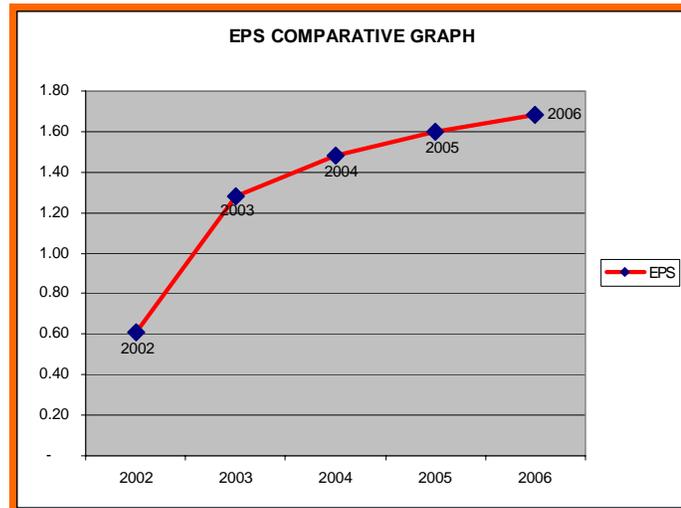
Reviewing the price to gross earnings ratio, UBA appears not be too richly priced compared to the top five bank stocks.

The Price to revenue (i.e., gross earnings) ratio for UBA is 3.5 compared to industry average of 5.3 as reflected in the graph below.

This ratio means that investors are paying N3.5 for each N1 of UBA's earnings. The ratio, though high, appears better than the industry average of 5.3 (based on the largest 5 banks)



Further, as can be gleaned from the graph below, the EPS of UBA has increased over the last 5 years as the bank has experienced continued revenue growth. **The PE ratio (which is Price to Net income) is about 23.**



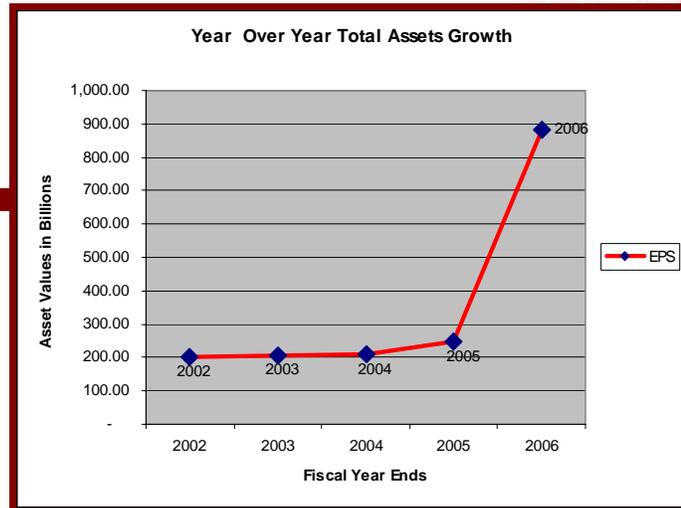
Asset Quality

UBA Plc experienced a very impressive growth in its asset base in 2006. The asset base increased to N884 billion an increase of N634 billion or 254% compared to N250 billion in 2005.

The growth in the asset base is probably due to (primarily) growth, scale of economies and many other merger advantages.

The growth in assets were noted primarily in

- Cash & short term funds (N368 billion),
- Treasury bills & government bonds (N147 billion), and
- Loans & advances (N42 billion).



In 2006, gross loans and advances was N119.7 billion. Of the stated amount, N104.6 billion or 84% were performing loans and N15 billion or 12% were non-performing. For the period only N1.9 billion, or 1.6% was actually written off.

Additionally, we observed that N332 billion or 70% of UBA cash & short-term funds are domiciled in banks outside Nigeria.

Return on Common Equity (ROE)

ROE is one of the most important accounting ratios. Stockholders invest to get a return on their money, and ROE tells how well investors are doing from an accounting perspective.

UBA Plc's ROE based on the most recent fiscal year financial statements was 27.8%, which is above the industry average of 20.52%.

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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, produced by our technical analysts, *InvestIQ*, and published weekly on the 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.

We developed a quantitative measure of price action using a unique and practical means of easily gauging buying and selling pressure in mind. Find below our findings.

Technical Analysis of the Stock Price of UBA

A review of the most recent 3 years daily chart of UBA stock reveals that the stock has performed exceptionally well since June 23, 2006.

However, as shown in UBA price chart below, it indicates that there was a 16 month period (November 2003 through May 2006) when the stock traded in a very tight range vacillating between N10 and N15.

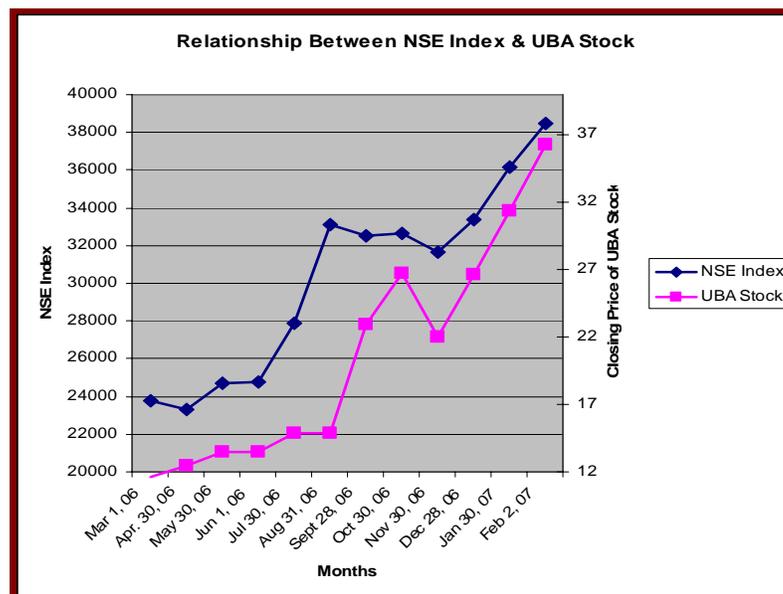
Nevertheless, since breaking above its consolidation price of N15 in July 2006, the stock has had a precipitous rise.





It appears that the 16 month period when the stock was in a tight trading range, majority of the listed companies in the NSE were not experiencing significant upward movement as reflected by the NSE all share index which was at the 23,500 level at the beginning of 2006. However, as of February 2, 2007, the index stood at 38,462.3, a 62% growth.

A comparison of the shares of UBA and the NSE index indicates that as the index increased, the shares of UBA moved in unison. However, the shares of UBA has outperformed the index gaining approximately 265% in one year (adjusted for the 1 for 5 bonus)



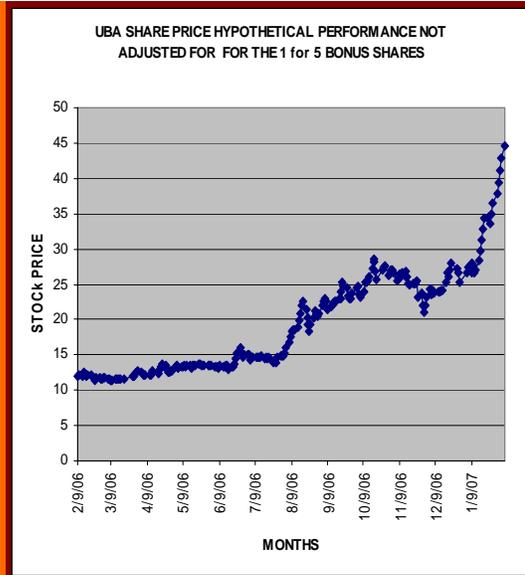
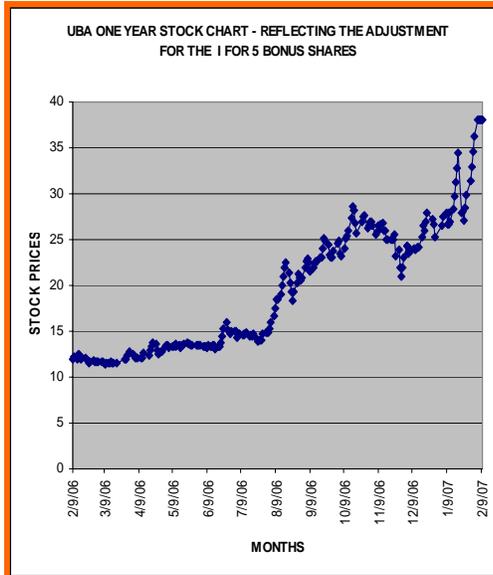
Although the stock did not have significant movements in 2004 and 2005, our analysis indicate that a N1 million naira investment in the stock of UBA in January 2004 is worth N5.4 million (adjusted for two 1 for 5 bonus considerations).

Most Recent 12 Months Stock Performance of UBA Shares

For the 12 months ended February 6, 2007, prior to the NSE halting UBA shares in preparation for the secondary offering, the shares of UBA had gained N25.79, or 211%. The N25.79 gain reflects the 1 for 5 bonus shares which became effective after the close of capital market on January 19, 2007.

Prior to the 1 to 5 bonus adjustment, the shares of UBA were trading at N34.44. The adjustment reduced the shares by approximately N6.58. If the shares of UBA are hypothetically adjusted to smooth out the effect of the 1 for 3 bonus, the shares of UBA would have closed at N44.53 reflecting a gain of N32.33, or 265% for the 12 month period ended February 6, 2007.

Highlighted below are two graphs reflecting the price movement of UBA shares. The first graph is the actual price movement reflecting the 1 for 5 bonus adjustment, and the second graph reflects the price movement with hypothetical smoothing of the effect of the bonus adjustment.



Based on the stock performance for the last 12 months,

Based on the stock performance for the last 12 months, N1 million invested in March 2006 would have yielded a return of N2.58 million or 258% as of when stock was halted in February 2007.

Description		Amounts in Actual Naira
Invested Capital	(a)	1,000,000
Unit price per share a year ago	(b)	11.58
Total # of shares Purchased	(a+b)	86,355.79
1 for 5 bonus shares issued in Jan. 2007	(b)	17,271.16
Adjusted Total Number of Shares	(a + b)	103,626.94
Share Price at Closure	(c)	37.99
Total Current Portfolio	(a+b) x (c)	3,936,787.56
Less:		
Amount Invested		(1,000,000.00)
Less: (Round Trip transaction fees estimated @ 9%)		(354,310.88)
Total Naira Returns		2,582,476.68
Total % Return		258%

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5. The Analyst Opinion

The shares of UBA are priced at N35 for the secondary offering representing a discount of N2.99, or 7.9% from its closing price of N37.99 (i.e. price at which NSE halted trading in the stock). Upon completion of the secondary offering and the resumption of trading, the 10 day SMA, 20 day SMA, and 50 day SMAs' will be N30.97, N30.93, and N27 respectively.

Technically, since the stock will resume trading above all its pertinent SMAs', it is supposed to trade higher. However, because the stock was discounted for the offering, some overhead resistance has been created. Therefore, the stock might notice some weakness at resumption of trading.

Additionally, the offering increases the number of shares outstanding and more float, which tends to slow the upward price movement as some buyers try to sell into the early price rally.

In spite of these noted issues, the stock has significant support at N34.57, a price that represents a double top formation break-out created on February 1, 2007.

If the N34.57 support is breached, the next two price supports are at N30 and N28.46 respectively.

Although the offer price is only N7 removed from N42, the DCF calculated value of the stock. **We believe investors should watch the price movement, and place less emphasis on the projected stock value of N42.**

The future price movement of this stock will depend primarily on management ability to create shareholders value by implementing the right strategies.

However, using Fibonacci the price target below are the exit points investors should consider as the price of the stock moves above the first resistance of N37.99.

(Please note that the Fibonacci targets were calculated based on the stock initial breakout of N28.66)

Fibonacci Target	Price	% Gain
First Target - 23.7%	36.405	4%
Second Target - 38.2%	38.22	9.20%
Target Third 50%	40.48	14%
Fourth Target - 61.8%	44.13	25%

It is our hope that the information and analysis contained herein would provide the basis for much more informed decision on the investment option.

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6. Contact Us

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