

Investment note

Offer Highlights

Opening date	July 23, 2007
Closing date	Aug 29, 2007
Total shares on offer (bn)	4.7
Shares outstanding post offer (bn)	10.8
Current Market Price (N)	18.92
Public Offer Price (N)	14.90
Market Cap. post offer (Nbn)	204.4
Market Cap. post offer (US\$bn)	1.6
Current EPS based on LTM PAT up to June 2007 (N)	1.10
2008 Forecast EPS (N)	1.12
2008 Forecast DPS (N)	0.65
2008 dividend yield at offer price (%)	4.0
2008 Forward P/E at offer price	13.3
2007 Return on average equity (%)	21.2
12-month price target (N)	28.00

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Investment Summary

A rapidly growing bank powered by young and dynamic management.

- Access Bank's success story can be traced to the appointment of a new management team 2002, the majority of which are former employees of Guaranty Trust Bank.
- The new focus and can do attitude infused into the culture of the bank has been largely responsible for its impressive performance. A marginal player 5 years ago, Access Bank is now Nigeria's 8th largest lender by assets.

Strong in corporate banking and treasury services ...

- With 70% of revenues attributed to corporate banking, treasury operations and trade finance, Access Bank is emerging as a major player in the corporate banking arena.
- The bank has also developed strong competencies in currency trading and project finance. Over the last 12 months, it has strengthened this capacity with strategic new hires at the executive management level to drive the growth of its commercial and investment banking operations.

...and building robust consumer banking franchise.

- Access Bank plans to set up 100 new branches by April 2008 as part of an aggressive expansion into the consumer banking business. It is currently partnering with the Holland based ING group to build up its retail operations.

Raising capital to fund new growth objectives.

- The bank is currently raising N70bn through an offer for subscription of 4.7 billion shares of 50k each at N14.90 per share. The proceeds will be deployed into branch expansion (domestic and international), ICT and additional working capital to support the bank's enlarged operations.
- Access Bank has outlined a new set of ambitious target over the next five years, which includes becoming one of the top 3 financial services groups in Nigeria and the leading project & structured finance bank in the country.

Recent performance has been impressive.

- The audited results for the full year ended March 31, 2007 reveals that assets grew by 88% over the previous year, while gross earnings and profits before exceptional items grew by 108% and 149% respectively. More recently, the results for the 3 months up to June 2007 showed 102% increase in gross earnings to N 11.1bn and 159% increase in profit before tax to N 4.1bn.

Relatively cheap given its current growth rate and compared to its peers.

- Access Bank's current P/E (at offer price) based on latest twelve-month PAT(LTM PAT up to June 2007) of 13.6x is lower than its peer average of 33.8x. Its 2008 forward P/E of 13.3x (after considering the additional shares to be raised from the offer) is equally lower than its peer average of 22.0x.
- Profit after tax projected to grow at a compound annual rate of 57% over the next 3 years.
- The ongoing share offering is at a 21% discount to the current market price.



Income Statement

Year ended March 31	2007A ¹	2008E ²	2009E ²	2010E ²
	<i>N'billion</i>	<i>N'billion</i>	<i>N'billion</i>	<i>N'billion</i>
Gross Earnings	27.88	66.96	92.15	118.39
Interest and discount income	16.89	47.92	69.25	88.85
Interest expense	-4.95	-19.52	-30.38	-38.08
Net interest income	11.94	28.39	38.87	50.77
Loan loss expense	-1.78	-3.35	-4.85	-6.22
Fee, commission and other income	10.99	19.05	22.89	29.55
Operating expenses	-13.11	-26.65	-33.05	-43.19
Profit before tax	8.04	17.43	23.87	30.9
Tax	-1.96	-4.18	-5.73	-7.42
Profit after tax	6.08	13.25	18.14	23.49
Dividend	-2.79	-7.66	-11.7	-16.41
Transfer to reserves	3.29	5.59	6.43	7.08
Shareholders' funds	28.39	100.56	107	114.08
Number of shares in issue ³ (billion)	6.98	11.79	12.06	12.06
EPS(N)	0.87	1.12	1.51	1.95
DPS(N)	0.40	0.65	0.97	1.36
Dividend yield at offer price	-	4%	7%	9%
Ratios				
Gross revenue growth	109%	140%	38%	28%
PAT/Gross earnings	22%	20%	20%	20%
Effective tax rate	24%	24%	24%	24%
ROAE	21%	21%	17%	21%
P/E at offer price	17.1	13.3	9.9	7.6
P/E at market price	21.7	16.9	12.5	9.7

Notes

1 Actual

2 Forecast

3 Number of shares in issue for 2008, 2009 and 2010 are based on total number of shares expected at each financial year-end, including conversion of portion of debts to equity.

Source: Offer Prospectus, Afrinvest Research.



Comparable Operating Statistics of Selected Banks

	A	A1	B	C	D	E	F	G	H	I
Company	Total Loans (=N= Bn)	Average Loans (=N= Bn)	Total Deposits (=N= Bn)	Non-Perf. Loans (NPL) (=N= Bn)	Interest Income (=N= Bn)	Interest Expense (=N= Bn)	Net Int. Income (=N= Bn) (D - E)	Loans / Deposits (A/B)	Net Int. Margin (F/A1)	NPL/Total Loans (C/A)

Top Tier

First Bank of Nigeria	191.7	176.7	449.2	17.3	40.7	10.0	30.7	42.7%	17.4%	9.0%
Union Bank of Nigeria	149.4	130.8	411.5	28.3	47.2	16.3	30.8	36.3%	23.6%	19.0%
United Bank for Africa Plc	119.7	94.9	776.1	15.1	57.7	27.0	30.7	15.4%	32.4%	12.6%
Zenith Bank	204.1	164.8	392.9	2.3	37.3	10.5	26.8	51.9%	16.3%	1.1%
Intercontinental	277.1	224.9	467.9	12.9	51.7	17.2	34.5	59.2%	15.3%	4.6%
GTBank	118.8	103.3	294.5	2.4	32.0	13.3	18.7	40.3%	18.1%	2.0%
Oceanic Bank	105.8	92.8	310.3	4.3	28.9	12.5	16.4	34.1%	17.7%	4.1%

Mean	166.7		443.2	11.8	42.2	15.3	27.0	40.0%	20.1%	7.5%
Median	149.4		411.5	12.9	40.7	13.3	30.7	40.3%	17.7%	4.6%

Middle Tier

Diamond Bank	84.0	64.1	151.3	4.4	14.9	4.6	10.2	55.5%	16.0%	5.3%
Access Bank	118.3	89.6	205.2	10.7	16.9	5.0	11.9	57.6%	13.3%	9.1%
Ecobank	54.7	38.5	84.0	1.7	11.1	2.9	8.2	65.1%	21.3%	3.1%
IBTC	56.2	34.4	55.5	12.1	7.1	2.4	4.7	101.3%	13.6%	21.6%
Fidelity	46.7	31.3	81.9	8.0	7.7	3.2	4.5	57.0%	14.5%	17.1%
Platinumhabib Bank	41.8	30.8	109.3	6.0	8.3	4.3	4.0	38.3%	13.0%	14.3%
FCMB	26.3	19.4	70.3	7.4	5.5	2.8	2.8	37.4%	14.2%	28.2%
Skye Bank	87.4	50.3	125.5	19.7	14.3	6.1	8.2	69.6%	16.3%	22.6%

Mean	515.4		883.1	70.1	85.8	31.2	54.6	60.2%	15.3%	15.1%
Median	55.4		96.7	7.7	9.7	3.7	6.4	57.3%	14.4%	15.7%



Comparable Valuation Statistics of Selected Banks

Company	Share Price (=N=)	Shares Outstanding (Bn)	SHF (=N= Bn)	Current Market Cap. (=N= Bn)	BV/ Share (=N=)	LTM EPS (=N=)	2008 Forward EPS (=N=)	2009 Forward EPS (=N=)	LTM PE	2008 Forward P/E	2009 Forward P/E	P/ BV
Top Tier												
First Bank*	52.08	10.5	62.3	545.7	5.95	1.74	2.22	2.88	29.9x	23.5x	18.1x	8.8x
Union Bank of Nigeria	43.71	9.6	100.1	421.8	10.4	1.66	2.61	3.39	26.4x	16.7x	12.9x	4.2x
United Bank for Africa*	54.89	8.5	41.7	465.0	4.9	2.35	3.59	4.67	23.3x	15.3x	11.8x	11.2x
Zenith Bank	63.00	9.3	93.8	583.7	10.1	1.93	2.82	3.67	32.7x	22.3x	17.2x	6.2x
Intercontinental Bank*	25.63	10.7	156.9	274.8	14.6	1.44	1.47	1.91	17.8x	17.5x	13.4x	1.8x
GTBank*	33.66	10.0	47.3	336.6	4.7	1.32	1.54	2.00	25.5x	21.9x	16.8x	7.1x
Oceanic Bank*	29.52	11.6	37.7	343.7	3.2	1.36	1.58	2.06	21.7x	18.7x	14.4x	9.1x
Mean						1.69	2.26	2.94	25.3x	19.4x	14.9x	6.9x
Median						1.66	2.22	2.88	25.5x	18.7x	14.4x	7.1x
Middle Tier												
Diamond Bank	19.00	9.4	35.0	178.6	3.7	0.60	0.96	1.25	31.7x	19.8x	15.2x	5.1x
Access Bank	18.92	7.0	28.4	132.0	4.1	1.10	1.13	1.55	17.3x	16.7x	12.2x	4.7x
Ecobank	8.30	21.7	29.3	179.7	1.4	0.24	0.44	0.53	34.6x	18.8x	15.7x	6.1x
IBTC	11.00	12.5	32.7	137.5	2.6	0.46	0.56	0.73	23.7x	19.6x	15.1x	4.2x
Fidelity Bank	11.99	16.5	25.7	197.4	1.6	0.23	0.33	0.43	51.1x	36.5x	28.1x	7.7x
PlatinumHabib Bank	28.90	6.4	28.4	185.8	4.4	0.80	1.40	1.68	36.3x	20.6x	17.2x	6.5x
FCMB	16.00	9.5	25.2	152.0	2.6	0.45	0.68	0.81	35.5x	23.6x	19.7x	6.0x
Skye Bank	12.00	7.5	25.6	90.0	3.4	0.50	0.81	0.97	24.1x	14.8x	12.4x	3.5x
Mean						0.47	0.74	0.91	33.8x	22.0x	17.6x	5.6x
Median						0.48	0.74	0.89	29.8x	20.1x	16.1x	5.3x

Notes

* Forward EPS based on estimated shares expected to be in issue after ongoing capital raising exercises. Forward P/E of other companies based on current issued shares.

Access Bank share prices are under technical suspension for ongoing/proposed recapitalisation exercises. IBTC share price is also fixed at N11.00 due to proposed merger.

Forward EPS is based on PAT and shares expected to be in issue at the end of each financial year. (Year ends for banks may differ).

Prices as at August 6, 2008.

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