

Key Macro Statistics

2009E GDP	US\$229.7bn
2009E GDP Growth	5.8%
2010E GDP Growth	4.6%
2009E Y/E CPI	12.4%
2009E Avg CPI	11.3%
2009 Y/E N:US\$ Rate	149.95
2010E N:US\$ Rate	145.00
2009 Avg Lending Rate	23.1%
2010E Avg Lending Rate	22.0%
2009E Population	150.9m
2009 External Reserves	US\$43.7bn
2010E External Reserves	US\$47.0bn

2009 Nigerian Equity Market Review

Global Financial Markets Remarkably Resilient in 2009

Following the market crash of 2008, global stock markets showed remarkable resilience in 2009 perhaps buoyed by slower than expected contraction in GDP for virtually all of the leading industrialized and emerging economies in 2009. This goes against the grain of widespread expectations of a prolonged global economic downturn whose impact has been less severe than anticipated. Through the use of stimulus packages, various governments were able to steer their respective economies out of recession. In fact, moves by America's large banking institutions to repay loans obtained under the TARP in the last quarter of 2009 buttresses this view amidst quick return to profitability.

Oil and Commodity Prices Rebounded; Hold Steady

As widespread expectations for a severe and sustained economic recession in the U.S and other major western nations proved somewhat overstated, oil and commodity prices recorded modest rebounds for much of 2009. In particular, crude oil prices traded up from the lows of Q1 2009 to settle around the \$70.0 mark for most of the year. This helped serve as a buffer to external shocks for several African countries, (particularly for major oil exporters such as Nigeria).

Nigerian Equities Were Down 33.8% for the Year

The pronounced market correction of 2008 continued well into 2009, just as concerted regulatory interventions helped to catalyze a robust equity market resurgence in Q2. Reforms to Nigeria's banking sector thereafter compounded a domestic liquidity squeeze (occasioned by a significant drop in government revenues), thereby dampening investor appetite for equities; Nigerian equities thus suffered another bad year in 2009.

Chart 1: Nigerian Market Overview 2008 - 2009

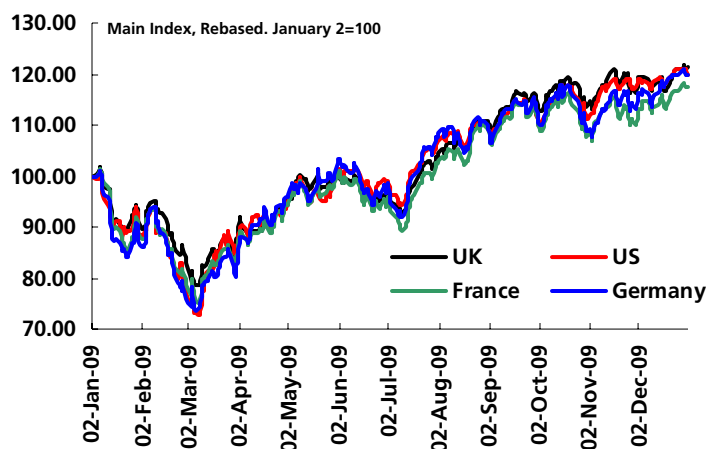
Data as at 31 December,	2008	2009	Change
Market Capitalization (Naira, bn)	6,957.5	4,989.4	-28.3%
Market Capitalization (US\$, bn)	49.3	33.3	-32.5%
NSE Index	31,450.8	20,827.2	-33.8%
Market Turnover (Naira, bn)	2,324.6	685.7	-70.5%
Market Turnover (US\$, bn)	17.8	4.6	-74.3%
Market Liquidity (%)	33.4	13.7	-21.3%

Source: Afrinvest Research

Globally, Stock Markets Surged

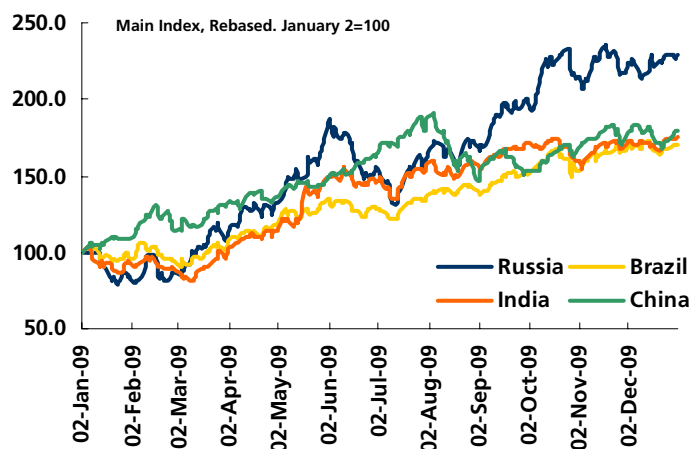
Amidst fears that severe restrictions to the supply of credit across the globe will lead to an economic slowdown in all major markets around the world, most stock markets were expected to suffer major declines in 2009. However, the reality was that global economic performance was better than expected. This may be attributed to the combined efforts of key finance/economic managers of the leading 20 economic nations (G-20) aimed at addressing this singular challenge. In addition, the utilization of stimulus packages by various governments helped to boost efforts and the eventual outcome. In line with widespread analyst expectations, emerging markets did actually outperform their developed market counterparts. Stock prices in the BRIC countries (Brazil, Russia, India and China) went on massive bull runs which saw them gain approximately 93.1%, on average, by the end of 2009. Prices in the major western markets (US, UK, Germany, France and Japan) also recorded gains, closing the year up an average of 22.7%. On the other hand, the reverse was the case for most African markets as Ghana, Nigeria and Kenya suffered losses of 45.1%, 33.6% and 7.8% respectively, while the likes of South Africa and Botswana saw gains of 28.9% and 2.9% respectively.

Chart 2: Major Western Markets (US, UK, France, Germany); January to December



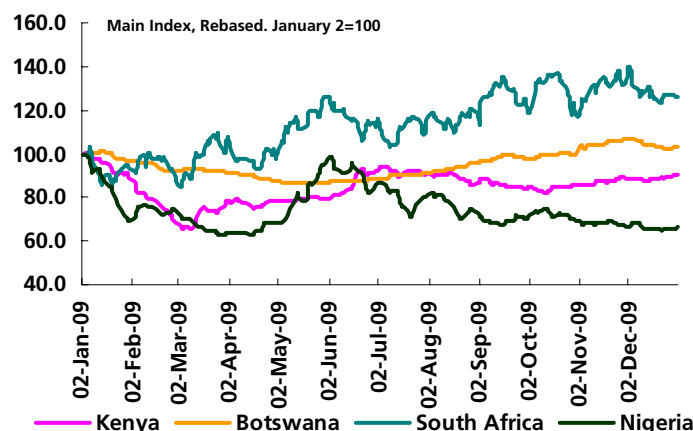
Source: Bloomberg, Afrinvest Research

Chart 3: Major Emerging Markets (BRIC); January to December 2010



Source: Bloomberg, Afrinvest Research

Chart 4: Nigeria vs. Major African Markets (January to December 2009)



Source: Bloomberg, Afrinvest Research



Nigeria Macroeconomics: 2009 Review/2010 Outlook

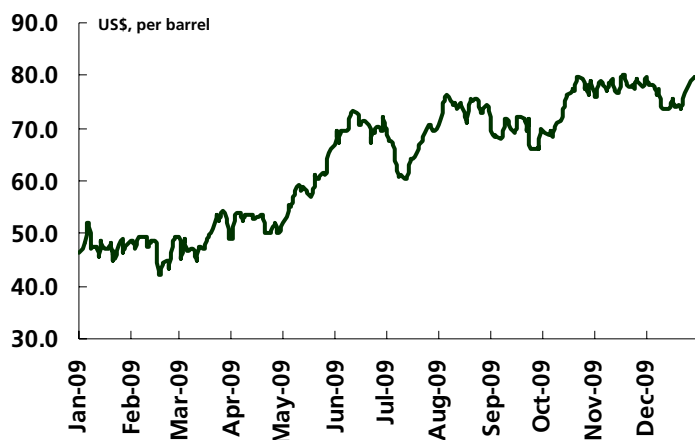
Still Overly Reliant on Petrodollars

Nigeria achieved average GDP growth in excess of 6.0% between 2003 and 2007 driven by record oil prices, unprecedented foreign capital flows and a stable macroeconomic environment. However, with the full blown onset of the global financial crises by mid 2008, resource-rich countries were exposed to huge external shocks arising from the sudden constriction in bank credit and private capital flows. Most major economies appeared to be on the verge of slipping into recession, evidenced by negative economic growth, record levels of unemployment and significant cut back in economic output. Against this backdrop and exacerbated by seemingly unending waves of destructive attacks on oil installations, Nigeria’s 2009 outlook was expectedly unfavourable. Our fears were confirmed as 2009 proved to be a very challenging year indeed. With a significant reduction in government revenues attributable to lower oil prices and even lower oil production volumes, governments across all levels had to resort to a combination of increased borrowing, enhanced tax collection and reduced expenditure to plug budget deficits. Recourse was also made to windfall oil savings which led to a US\$10.0bn reduction in Nigeria’s external reserves from US\$53.0bn in December 2008 to US\$43.3bn as at September 2009. In response, Standard and Poor’s (S&P) revised Nigeria’s sovereign rating down to ‘negative’ from ‘stable’ as lower oil prices and production levels impacted foreign reserves and government spending. Fitch on the other hand maintained a ‘BB-’ sovereign rating on Nigeria’s economy and the local currency citing impressive development of domestic debt market as a major factor.

Uneasy Calm Pervades the Sociopolitical Terrain; Remains A Key Risk

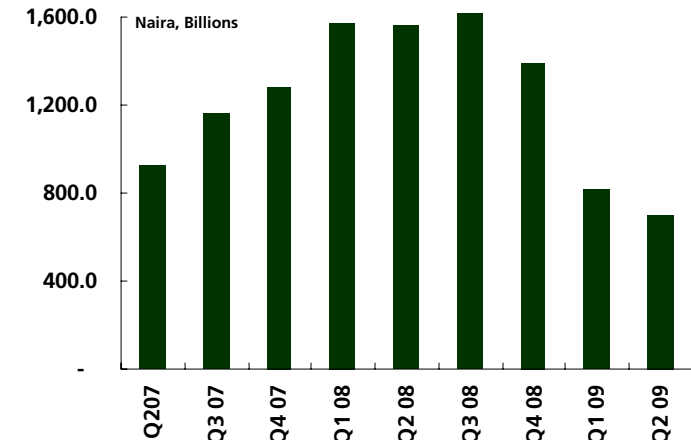
2009 saw a good measure of political stability with the resolution at the courts of pending legal disputes trailing the 2007 general elections. Sadly however, the cycle of ethno-religious violence resurfaced in some parts of the country, notably Jos and Minna in Plateau and Niger states respectively. A new dimension was added to ethno-religious tensions in Nigeria with the ‘Boko Haram’ disturbances across several cities in Northern Nigeria. Beginning in Bauchi, it spread to several neighboring states such as Borno, Kano and Taraba in a matter of days, before it was effectively quelled by a joint team of police men and the military. Violent agitation by Niger Delta militants caused severe disruptions to oil production as output dropped to below 1.0m barrels per day (bpd) from an annual estimate of between 2.1 and 2.3m bpd. This had a dampening effect on Nigeria’s macroeconomic performance on account of the contribution of oil receipts to government revenues and foreign exchange earnings.

Chart 5: Bonny Light Spot Prices (January to November 2009)



Source: Bloomberg, Afrinvest Research

Chart 6: Nigeria Quarterly Oil Revenues (2007 to 2009)



Source: CBN, Afrinvest Research



Despite widespread bureaucratic inertia, the current administration was able to buy itself some measure of relief through its novel amnesty program which has helped quell the violence and restore peace, albeit measured, to the restive Niger Delta. While the impact of the amnesty program has been largely positive, there are still concerns regarding its sustainability as the fundamental issues that resulted in the upsurge in violence have yet to be comprehensively addressed. It is however anticipated that the establishment of the Niger Delta ministry will accelerate Federal Governments commitment to addressing the infrastructure needs of the region.

Additionally, the continued health challenges of Mr. President who has been hospitalized in Jeddah, Saudi Arabia for just over 50 days since November 2009, the third in the last five months, raises questions on Nigeria's sociopolitical stability and increases the premium on country risk. The shroud of secrecy by the presidency continues to fuel widespread rumours and reports suggesting that he may have passed on or that his brain functions may have been severely impaired. This will potentially create huge problems in 2010 against the backdrop of a president on perpetual "sick leave" apparently remotely running the affairs of state from his hospital bed. Stepping into 2010 on this premise further compounds what were already grave concerns on the prospect of smooth political transition in 2011, as President Yar 'Adua's electoral reform agenda has practically unraveled.

Government Spending Remains Key Market Driver

In our 2009 Market Outlook Report, we had indeed expressed fears of a slowdown in GDP growth due to a significant decline in earnings from the country's principal foreign exchange source, a contraction in international financial market liquidity and an expected slowdown in global economic output. However, according to provisional figures from the CBN's 3rd Quarter Report, Nigeria achieved GDP growth of 6.1%, on the average, for the first three quarters of 2009, driven mostly by the non-oil sector.

On the contrary, Afrinvest Research believes that this may be slightly off the mark given the tough economic terrain encountered for much of 2009. The on-going CBN-induced banking sector reforms (culminating in a near total freeze on credit expansion) resulted in a major slowdown in economic activity in the last quarter of 2009. This was further exacerbated by the failure of government to actualize previously set milestones on energy infrastructure investment, particularly, the delivery of the much touted 6,000MW of electric power generation (this does not factor supply side dynamics - the dilapidated distribution and transmission infrastructure).

In addition, widespread political uncertainty surrounding the leadership vacuum created by the continued absence of Mr. President have combined to worsen Nigeria's macroeconomic environment. Business closures and massive job losses (particularly in the Banking Sector) place a further strain on Nigeria's already dismal economic output and worsens the abysmal



unemployment levels. The adverse impact of these on government revenues has been telling as a recourse to increased government borrowing, stricter and enhanced focus on taxation plus the reduction in planned spending have largely driven financial markets.

Transparency of Governance

The way the presidency has managed the information flow (or the lack thereof) regarding the state of President Yar 'Adua's health given his extended medical vacation abroad and the failure to meet the December 2009 target for 6,000MW of electricity generation are just two glaring examples of Government being deliberately economical with facts. These two situations confirm longstanding suspicions of severe shortcomings in transparency and disclosure in governance. The character of a government lacking public credibility in its official pronouncements is a new low in the management of the affairs of Nigeria and compounds the determination of a country risk premium amongst stakeholders. Given the renewed emphasis on corporate governance, we hold the view that custodians of Nigeria's public sector should be held accountable to the same or higher governance standards as is obtainable within the private sector.

In our 2009 Banking Sector report, we had also highlighted the need for structural reforms in two fundamental areas: the full deregulation of the oil industry and reform of Nigeria's electoral system. Although neither has happened, the Petroleum Industry Bill (PIB) which aims to reform the nation's oil industry appears to be making some progress in the National Assembly. If the PIB is passed into law, it is expected to address underlying inefficiencies within the energy sector, specifically seeing to the eradication of subsidies on imported petroleum products and increased participation of Indigenous players in the industry.

2010 Federal Budget: Higher Capex Proposed, Focus Still on Infrastructure

The 2010 budget proposal indicates a total spend of N4.1tn, representing a 32.0% increase on 2009 levels. The budget assumes an average oil price of \$57.0 per barrel, annual crude oil production of 2.1million barrels per day (mbpd), and an exchange rate of N150.0/\$1. This is expected to push the deficit to over 4.8% of GDP, breaching the 3.0% target Nigeria established for itself in the Fiscal Responsibility Act (2007).

About a third of this spending relates to capital projects, targeted at infrastructure, power and the development of the Niger Delta region with the balance of N3.0tn on recurrent expenditure. GDP growth is expected to come in at 6.1%, while inflation is expected to settle around the 11.2% mark. These assumptions appear reasonable in our view, but with perhaps potential downside risk due to leadership vacuum, excessive electioneering spend and sustainability of the amnesty program.



The increase in planned government spend is very much in line with expectation, given that 2010 is a pen-ultimate election year. However, governance across all levels usually grinds to a halt as incumbent governments resort to massive electioneering campaigns for re-election, or "selection" of candidates favoured by the incumbents, where the latter are ineligible to contest. We also expect that the return of relative peace and stability to the Niger Delta region should positively impact oil production. If oil prices hold stable in the \$70.0–\$80.0 range (and we expect it to, given the faster than expected economic recovery by western industrialized nations and the BRICs from recession), the outlook is stable with potential for further strengthening on the back of robust oil earnings. We therefore expect to see a stable Naira, with prospects for slight appreciation (say to N145.00). It is important to note though that a return to armed struggle by militants in the Niger Delta is a very real and distinct possibility as the amnesty program appears threatened by the absence of the president.

Chart 7: Federal Budget Summary, 2009 versus 2010

In Naira, billions unless stated	2009	2010
Federal Expenditure (Original Bills: 2009, 2010)	2,870.0	4,079.7
Statutory Transfers	140.7	180.3
Debt Service	283.6	517.1
Domestic	233.4	478.2
Foreign	50.2	38.9
MDAs	2,076.0	2,404.8
Recurrent Expenditure	1,649.0	2,011.5
Multi-Year Tariff Order	60.0	-
Pensions and Public Service Reform	200.0	171.2
Capex	796.7	1,370.8
MDG Spending	110.0	137.9
Federal Revenues	1,778.0	2,579.7
Surplus/(Deficit)	(1,092.0)	(1,500.0)
GDP (FGN Estimates)	20,286.0	31,250.0
Surplus/(Deficit) as share of GDP	-5.4%	-4.8%

Source: Budget Office of the Federation, Afrinvest Research

Also, the controversy surrounding the lack of a substantive head of government at the federal level poses a threat to timely passage into law of the 2010 appropriation bill, once passed by the national assembly as the Vice President does not have the constitutional powers to assent to the bill upon its passage. This scenario has begun to assume a worrying dimension as government remains Nigeria's major sources of domestic market liquidity. A speedy resolution of this constitutional impasse will augur well as it would help support targeted levels of GDP growth through timely budget disbursements.



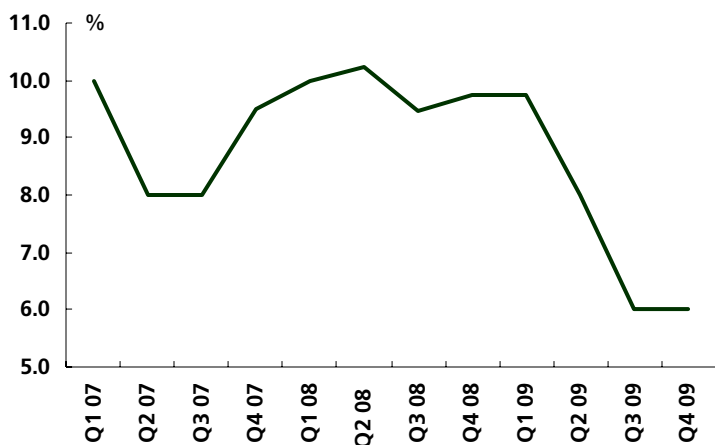
Interest Rates: Domestic Liquidity is Key

Despite concerted efforts by regulators (led by the CBN) to restore domestic market confidence and inject new liquidity into the banking system, interest rates (measured by inter-bank, prime and maximum lending rates) remained stubbornly ascendant. Notwithstanding these efforts, market participants appeared to take a cue from tighter global market credit conditions, with unsecured overnight inter-bank rates hovering around the 20.4% mark as at the end of June 2009. On the back of these rates, much of the credit pricing in the domestic market soared, with average prime lending rates rising to 19.1%.

However, with the announcement of the initial results of the banking sector audit review in mid August, it became clear that significant counter party distrust was responsible for much of the risk premium between the MPR and the interbank rates. Once this was addressed with clinical precision, the rates crashed to below 10.0%, hovering between 2.5% and 5.0% for much of Q4, 2009.

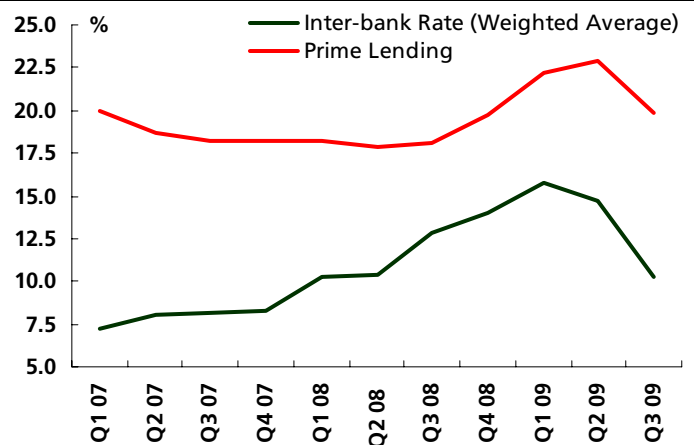
But this also led to a bifurcation of the banks by market participants with those banks given the all clear becoming the beneficiaries of a sudden flight to safety (a surge in deposits) while the 'bad' banks saw a systematic run on them. In the run up to December 2009 deadline for the adoption of a common reporting year end by banks, we expected to see interbank rates gradually climb to low teens on the back of increase drive for deposit mobilization. This was however not to be as the periodic injection of FAAC allocation provided the needed liquidity to keep the rates within the single digit band, even as the market continued to experience wide fluctuations.

Chart 8: CBN Benchmark Monetary Policy Rate (2007 to 2009)



Source: CBN, Afrinvest Research

Chart 9: Prime Lending and Inter-bank Rates (2007 to 2009)



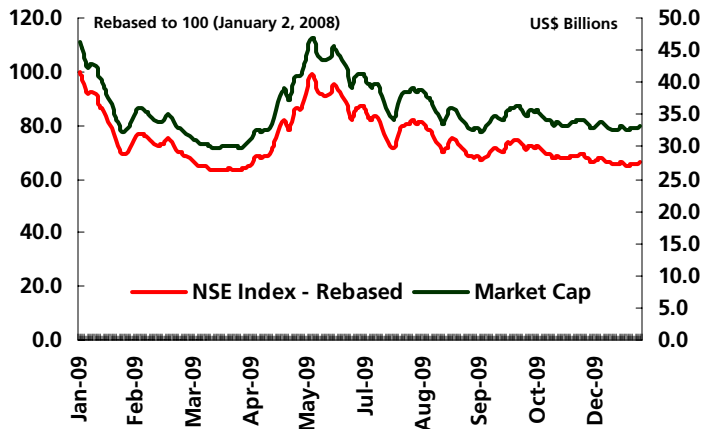
Source: CBN, Afrinvest Research



Equity Markets Moved In Tandem With Troubled Banking Sector

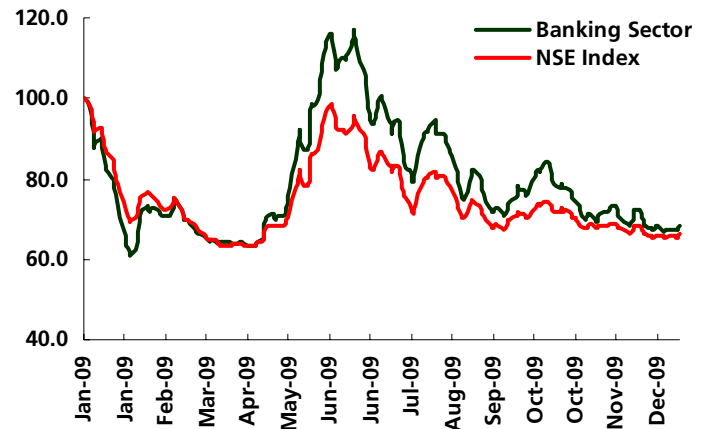
Widespread concerns on margin lending exposure by banks, and uncertainties surrounding the change of guards at the CBN heightened anxiety within the larger investor community. This prompted asset managers to review their portfolios in favour of fixed income securities hence the continued decline in equity market activity in Q1 2009. Following these developments, concerted efforts by the CBN aimed at reversing the trend culminated in an end to forbearance of losses emanating from stock market related loans, accompanied by reductions in commercial bank's Cash Reserve Ratio (CRR) to 1.0% from 4.0% and Liquidity Ratio (LR) to 25.0% from 40.0%. A cap was also placed on interest rates (15.0% for deposits and 24.0% for lending) after a meeting of the bankers' committee. Even though this was initially left to moral suasion, the CBN had to take a tough stance with threats of sanctions against erring banks given widespread non-compliance. It however subsequently reversed some of the fiscal policy directives issued earlier in the year having adjudged their impact on the larger economy as being delayed and therefore largely ineffectual. Beginning with the announcement of a full system audit of all banks to be undertaken by its inspectors, the CBN made an emergency cut to its benchmark Monetary Policy Rate (MPR), coupled with an upward review in the Net Open Position (NOP) of banks. Notwithstanding these efforts aimed at injecting new liquidity into the banking system, inter-bank rates remained stubbornly ascendant such that credit pricing in the domestic market soared, with average prime lending rates rising as high as 19.1%. When the result of the first round of the audit involving 10 banks became public, the market responded in near panic with the NSE Index losing about 9.0% in the week immediately following the August 14, 2009 pronouncement. Whatever short term gains that had been recorded earlier in the year was subsequently eroded due to the continued overhang on the remaining banks whose results were yet to be released. Upon release of the final results of the audit in early October, and subsequent disclosure of the financial health status by all banks as mandated by the CBN in the weeks following, the market thereafter assumed a trading range between 20,000 and 22,000 points.

Chart 10: NSE All Share Index and Market Capitalization (Jan to Dec 2009)



Source: NSE, Afrinvest Research

Chart 11: Banking Sector vs. NSE All Share Indices (Jan to Dec 2009)



Source: NSE, Afrinvest Research



2010 Outlook on Nigerian Banks: Asset Management Company, Sector Re-consolidation to Drive

In our previous reports (2009 Market Outlook and 2009 Banking Sector Reports), Afrinvest Research had consistently underscored the market premium placed on transparency above and beyond current statutory requirements. We also noted that various on-going efforts at developing recommendations for broad based capital markets reform in Nigeria included a requirement for significantly enhanced financial disclosure levels. These efforts which were entirely voluntary, failed to address the depth of stakeholder and wider market skepticism that greeted the financial position and performance of Nigerian banks' prior to the Sanusi Tsunami of August 2009.

Therefore, it was our belief that the market would gradually move to placing a premium on banks which demonstrated a clear shift towards enhanced transparency in financial reporting. Thus, the adoption of the International Financial Reporting Standard (IFRS) by several banks, notably Access Bank, First Bank and Union Bank came as no surprise. GTBank and Diamond Bank had already adopted and begun to report in this format in accordance with the requirements for their foreign GDR listings.

Following startling revelations by the CBN audit of toxic assets estimated at over N2.0 trillion (US\$13.3bn) sitting in the books of Nigerian banks, unprecedented levels of loan loss provisions were made on account of stock market and other related lending. The quality of risk management also came under severe scrutiny as did the role of the regulator. Stakeholders therefore now demand that regulatory agencies continually strengthen their capacity to effectively monitor and exert control over players in the Nigerian Banking space.

One positive effect of this exercise is that it has allowed Nigerian banks to effectively come clean on the true state of their balance sheets, and to provide clear visibility as to future profitability. This has also helped to douse widespread fears regarding the true state of health of the banking sector and to a limited degree, restore investor confidence. However, a lot of work remains yet undone as we expect that the quantum of losses incurred by the banks thus far has significantly impaired their potentials for any positive earnings in 2010.

With the coming on stream of the Asset Management Company of Nigeria (AMCON) slated for Q1, 2010, we expect that the complete take-over of whatever toxic assets may be left on the books of these banks will provide them the much needed liquidity and substantially free them up to commence lending to the larger economy once again. We believe that this is a necessary next step in the reform process as the CBN seeks to resolve issues surrounding capital adequacy, particularly for the troubled banks whose capital have been eroded.



With some semblance of a balance sheet in place (return of shareholders funds to positive territory), we are of the opinion that the stage would be set for the CBN to move to its next final phase of the reform program; a re-consolidation of the banking sector. The CBN has repeatedly expressed its desire to shrink the number of players within the sector down from 24 banks to a more administratively manageable number of about 15.

Therefore, in anticipation of the impending wave of M&A activity, we believe that plans by banks to raise additional capital in the form of corporate bonds provides them with an acquisition war chest or a more stable source of long term financing which will help in correcting mismatches in funding sources - long a bane of the industry.

Sovereign Bond Yields Have Soared

The fixed income market witnessed a surge in activity as investors sought to hedge against the losses in the equities market. According to data NSE, the total volume of bonds traded in 2009 grew by an estimated 65.3% to N16.7tn (US\$111.4bn) from N10.1tn (US\$67.4bn) in 2008 driven predominantly by Federal Government Bonds. Given the enhanced focus by banks on liquidity and safety, robust demand for FG bonds drove up bond prices, making yields attractive for most of the year.

However, new bond issuances by sub-nationals also seeking to plug budget deficits and finance key infrastructure investments saw four states: Lagos, Ogun, Imo and Kwara raise a total of N91.5bn in 2009 alone. Current estimates suggest that this class of issuers account for nearly 5.0% of total market share and even looks set to grow significantly in 2010 as the rules governing debt issuances by State Governments now permit them to issue bonds whose tenors exceed the tenure of the incumbent government. Whereas the judicious use of offer proceeds presents a key risk, we strongly believe that regulatory agencies have the capacity to enforce strict adherence to disclosures by intending issuers.

Corporate Bonds

More instructive though is our expectation of even more robust growth in the Nigerian fixed income market where we expect substantially increased levels of activity as a number of corporate bonds are slated for issue in 2010 led by the banking sector. Five banks, First Bank, UBA, GTBank, Diamond Bank and Zenith Bank are already proposing to raise up to a total of N1.7tn (US\$11.3bn) in tranches via shelf programs over a two-year period. This follows from the asset reallocation experienced following the crash in the equities market which resulted in a surge in bond market activity in 2009 as well as a determined focus to tap into the fixed income investment capacity of PFAs. We also expect companies in the non-financial space to begin to diversify their funding sources through the issuance of bonds which provide a cheaper financing option over the long term, as the prospect of equity issuances remains a challenge in the current environment.



However, the recent result of GTBank's bond offering wherein the company sought to raise N50.0bn (US\$333.4bn, via a 5-year tenured instrument, with a 13.0% coupon) but only succeeded in attracting N13.6bn (US\$90.7bn, implying a 27.2% success rate), suggests that domestic appetite for corporate bonds may have been grossly overestimated. Perhaps, this justifies the argument in favour of higher returns on corporate bonds given the risk profile of issuers in this asset class. Afrinvest Research estimates that coupons within the 15.0-16.0% bracket would be a more realistic valuation of the risk premium required by investors.

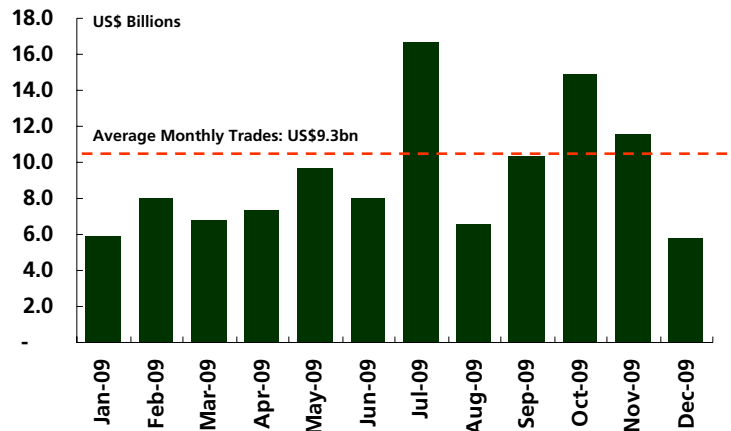
Chart 12: Nigeria Sovereign Bonds (December, 17 2009)

Bond Descriptions	Coupon (%)	Price	YTM*	Yield (%)
4th FGN 2012 Series 2	9.50	107.13	1.88	5.97
4th FGN 2014 Series 3	10.75	113.45	3.29	7.05
4th FGN 2012 Series 5	9.23	104.28	2.13	7.28
4th FGN 2014 Series 6	9.20	103.30	3.49	8.31
4th FGN 2017 Series 9	9.35	103.95	5.26	8.63
4th FGN 2012 Series 10	9.50	105.78	2.27	7.10
4th FGN 2014 Series 11	9.25	107.55	3.72	7.34
5th FGN 2013 Series 1	9.45	103.45	2.55	8.16
5th FGN 2018 Series 2	10.70	112.45	5.45	8.60
5th FGN 2010 Series 3	10.50	105.18	1.39	7.03
5th FGN 2013 Series 4	10.50	107.25	3.15	8.31
5th FGN 2028 Series 5	15.00	158.70	6.19	8.65
4th FGN 2012 Series 1	9.92	105.43	1.80	7.11
4th FGN 2028 Series 2	10.50	106.78	2.08	7.40
4th FGN 2012 Series 3	12.49	126.15	7.19	9.51
4th FGN 2012 Series 4	7.00	93.55	6.96	7.95
4th FGN 2012 Series 5	8.50	99.65	9.47	8.54
5th FGN 2012 Series 5	8.50	101.90	9.47	8.30

Source: Money Market Association of Nigeria, Afrinvest Research

*Years to Maturity

Chart 13: Monthly Value of Bonds Traded (January to December 2009)



Source: CSCS, Afrinvest Research



Our Overall Expectations: 2010 Will be A Bag of Mixed Blessings

On the whole, we expect a tale of mixed fortunes for Nigeria in 2010. With commodity prices having somewhat stabilized driven largely by widespread signs of better than expected growth in global economic output, the current outlook for resource rich African countries is indeed much better than a year ago. This view is reinforced by global market conditions which seem to suggest that the United States and other major western economies are effectively out of recession, with leading emerging markets (Brazil, Russia, India, China) way ahead of the pack. Nigeria is therefore poised to derive significant benefits from the impending period of growth given its disproportionate reliance on crude oil receipts for government income and foreign exchange inflows (assuming prices hold steady above the \$70.0 mark). However, one key risk to Nigeria’s revenue profile remains the amnesty deal brokered by the President with the militants in the troubled Niger Delta region. Should hostilities resume, production volume will plunge and drive a hole in the 2010 revenue forecast.

The Nigerian banking sector as the conduit for intermediating government spending should be positively impacted by increased government revenues. By Q2 2010, we would expect the reforms by the CBN to have reached an advanced stage: the Asset Management Company of Nigeria (AMCON) finally set-up, fully operational and in ownership and control of banks toxic assets; a number of M&A activities well beyond the exploratory talks and nearing completion; and the gradual return of new credit expansion as banks begin to lend once again. However, as current market conditions seem to suggest, credit availability in 2010 would be more constrained, and targeted only at borrowers with excellent credit ratings: governments, blue-chip corporates and ‘select’ high net worth individuals (given the name-and-shame strategy of the CBN). Retail consumers who have borne the brunt of a near total credit freeze will still remain largely frozen out for much of 2010 in our view. We also expect to see sparse volumes of credit-financed speculative inflows into real estate markets. Given the current market preference for safety and fixed income, we expect money market instruments, government treasuries and sovereign bonds to continue to receive heavier weightings in investor portfolios. While we estimate the risk of further devaluation of the naira to be minimal, we however expect to see continued diversification into non-naira based assets as naira hedging continues to be fashionable in the near term. Within this scenario, we see scope for stable earnings performance for many large corporates, particularly in traditionally defensive sectors with limited dependence on financial market stability/liquidity for revenues and profitability.

Chart 14: Afrinvest Research 2010 Investment Weightings, by Asset Class

Asset Class	Afrinvest Weighting	Key Comments
Equities	40%	
Banks	Underweight	Current market valuations suggest good buying opportunity. Significant volatility expected within the NSE All Share Index (ASI) 20,000 to 28,000 points range. Traditional defensive stocks, particularly consumer foods/drinks appear attractive. Our focus remains on high cash generative, low debt plays.
Insurance	Underweight	
Non-Financials	Overweight	
Fixed Income	35%	
Sovereign Bonds	Equal Weight	We expect the trend in competitive upward re-pricing of deposit liabilities on the back of impending sector re-consolidation. Inflation remains a threat, some scope for upward review in MPR.
Money Market Instruments	Equal Weight	
Non-Naira	10%	
USD Denominated	Equal weight	Naira devaluation risk is low. We however see scope for upside in USD assets given current market conditions. Non-naira diversification appears favorable in a few markets across the continent: Botswana and South Africa.
Other African Markets	Underweight	
Real Estate	15%	
High End Residential	Underweight	We expect the retraction in high end house prices to slow. Commercial and middle income residential offer less risk, in our view. Limited sources of direct exposure on publicly traded markets remains the key challenge.
Commercial/Middle-Income Residential	Equal Weight	

Source: Afrinvest Research



2010 Equity Strategy:

Wanted: High Cash Generative, Low Debt Businesses

Given the overall outlook on Nigeria's macroeconomic scenario and financial market conditions in 2010, our focus remains on seeking strong companies with fundamentally sound competitive positions and revenue profiles, as well as a healthy degree of cash revenues, low debt dependence and strong management teams. Given the degree of uncertainty going into 2010, Afrinvest Research believes that market participants will pay a premium for competent corporate leadership, that is able to demonstrate a clear strategy for navigating the expected turbulence of 2010, and thriving over the longer term. Our focus is more heavily skewed towards companies with stable revenue sources.

On that note, we are most favorably inclined towards businesses with significant retail/consumer exposure, dominant market positions, high cash-based revenue components and with low links to sectors that are dependent on financial market liquidity. On the cost side, we expect the onset in 2010 of the planned de-regulation to the downstream sector of the petroleum industry to adversely impact energy and fuel costs. We also expect the continued, albeit modest, recovery of the global economy to exert an upward pressure on freight and commodities costs. This may result in slight increases in the import bill for Nigeria's heavily import dependent businesses. While there is little to suggest any major devaluation risk to the naira, we highlight the potential downside risk to this scenario which the political uncertainty presents to fragile successes recorded by the amnesty. We seek businesses with low levels of recurring debt balances, relative to total financing structure as we expect a continuation of the constriction in bank credit to the private sector, with the sole exception of companies with the best credit profiles.

We believe that companies which fall within the fast-moving consumer goods segment would exhibit the characteristics we have outlined above. On a sectoral basis therefore, we are **OVERWEIGHT** consumer goods sector for 2010. Despite our outlook and thus **UNDERWEIGHT** stance on the financial services sector, a selection of banks and insurers continue to evince valuable propositions. Among banks, we see value in a few top-tier and in more mid-sized institutions with greater levels of disclosure on risk assets, diversified and well balanced funding sources and strong management teams that are able to provide a credible degree of visibility on near term business prospects. We remain **OVERWEIGHT** downstream construction sector as we see scope for upside given the continued emphasis on capital expenditure to bridge Nigeria's infrastructure deficit by Governments across the federation.

Overall, we believe that a cautious increase in exposure levels to equities in 2010 is to be expected as current valuation levels would suggest a major buying opportunity across specific sectors. Afrinvest Research however expects that factors such as the banking sector overhang on the stock market will reduce the scope for near term price appreciation most equities. Further, with significant amounts of deficit financing anticipated by both Federal and State Governments in 2010 as well as the rush of corporate bond issuances still on the table, we anticipate lower levels of capital availability for private sector operators. We would look to buy into dips, skewed in favour of long term positions in traditionally defensive businesses, as against taking opportunistic positioning to benefit from short term appreciation driven largely by technical factors and favorable news flow.

In the next section, we provide snapshots of a group of twenty names we like, across various sectors.



ACCESS BANK PLC

Stock Data: 2009 Summary

Price Range (Low/High), Naira	3.54 - 10.85
Price Performance (Jan - Dec)	4.10
Share Price (Dec 31, 2008), Naira	7.60
Shares Outstanding (m)	16,437.3
Market Cap (N, m)	124,923.2
Market Cap (US\$, m)	832.3
Avg Daily Value (N, m)	158.4
Avg Daily Value (US\$, m)	1.1
Avg Daily Vol (m)	24.1

Company Data

Year Ended, March 31	2008	2009
Revenues (N, m)	57,999.3	109,341.1
Profit After Tax (N, m)	15,853.1	15,443.0
Earnings per Share (Kobo)	0.98	0.97
Dividend per Share (Kobo)	0.17	0.65
Sales Growth (%)	108.0	88.5
PAT Growth (%)	160.6	-2.6
EPS Growth (%)	12.9	-1.8
ROE (%)	9.2	8.3
P/E (x)	7.2	7.9
Dividend Yield (%)	2.4	8.5
Share Price At Year End	7.07	7.60

Sector	Banking
Company	Access Bank Plc
Analyst	Victor Ndukauba
E-mail	vndukauba@afrinvestwa.com
Telephone	234 1 270 1680 ext 265

Company Description

- One of Nigeria's fastest growing commercial banks, with very clear ambitions to rank amongst Nigeria's top tier financial institutions
- Access bank is structured around institutional, commercial, investment, and retail banking segments

Company Prospects

- Increased market position stability in the light of loan portfolio diversification across sectors, markets, geographies and products
- Revenues increased by 80.0% to N109.3bn in 2009 with significant growth in the retail and commercial banking divisions (121% and 42% increase in net earnings Q1 2008 to Q1 2009)
- Recent adoption of the International Financial Reporting Standard indicates a shift towards greater transparency and adequate financial disclosures given widespread industry concerns on margin loan losses

Potential Share Price Drivers

- Increased earnings diversification supported by a regional and international expansion drive
- Significant scope for increased market share and attractive dividend yield prospects, would drive share valuation

Key Risks

- Increasing level of Non-Performing Loans may impair the bank's ability to grow earnings
- Recent performance suggest increasing cost of funds and simultaneous drop in Net Interest margins



BENUE CEMENT COMPANY PLC

Stock Data: 2009 Summary

Price Range (Low/High), Naira	15.01 - 49.49
Price Performance (Jan - Dec)	127.6
Share Price (Dec 31, 2008), Naira	43.01
Shares Outstanding (m)	3,915.5
Market Cap (N, m)	168,406.8
Market Cap (US\$, m)	1,122.0
Avg Daily Value (N, m)	34.4
Avg Daily Value (US\$, m)	0.2
Avg Daily Vol (m)	1.0

Company Data

Year Ended, December 31	2006	2007
Revenues (N, m)	5,473.4	16,453.7
Profit After Tax (N, m)	1,252.2	4,144.3
Earnings per Share (Kobo)	0.45	1.32
Dividend per Share (Kobo)	-	-
Sales Growth (%)	-9.22	200.6
PAT Growth (%)	-59.67	231.0
EPS Growth (%)	-64.15	194.2
ROE (%)	9.11	30.14
P/E (x)	80.64	13.61
Dividend Yield (%)	-	-
Share Price At Year End	36.27	18.00

Company Description

- Benue Cement Company Plc (BCC), is a majority (74.0%) owned subsidiary of Dangote Industries limited (DIL). DIL purchased a 70.0% stake in the company from the Federal Government of Nigeria in 2005
- The company is primarily engaged in the production and sale of ordinary Portland cement

Company Prospects

- Significant turnover growth on the back of recent expansion in production capacity from 900,000 MT per annum to 2.5 million MT per annum
- Large market size, robust medium term demand projections and renewed focus on infrastructure by governments will continue to drive robust growth in volumes and earnings
- Poised to leverage on Governments increased focus on infrastructure delivery to boost its growth

Potential Share Price Drivers

- With the company expected to drive improvements in capacity utilization as well as operational efficiency, we see significant scope for growth in Earnings and profitability
- Favorable prospects for dividend payout in FY09 following considerable debt repayments and net positive operating cash flows

Key Risks

- Gas supply shortages and continued challenges to electricity supply collectively pose a major risk to output stability
- The high cost of input materials (Gypsum and LPFO) continues to deter investment in new/additional domestic production capacity to meet demand

Sector	Infrastructure
Company	Benue Cement Company Plc
Analyst	Victor Ndukauba
E-mail	vndukauba@afrinvestwa.com
Telephone	234 1 270 1680 ext 265



CONTINENTAL REINSURANCE PLC

Stock Data: 2009 Summary

Price Range (Low/High), Naira	0.73 - 2.10
Price Performance (Jan - Dec)	(39.15)
Share Price (Dec 31, 2008), Naira	1.15
Shares Outstanding (m)	10,372.6
Market Cap (N, m)	11,928.5
Market Cap (US\$, m)	79.5
Avg Daily Value (N, m)	5.3
Avg Daily Value (US\$, m)	0.04
Avg Daily Vol (m)	3.9

Company Data

Year Ended, December 31	2007	2008
Revenues (N, m)	2,806.3	5,275.0
Profit After Tax (N, m)	676.7	473.3
Earnings per Share (Kobo)	0.07	0.05
Dividend per Share (Kobo)	-	0.05
Sales Growth (%)	7.46	88.0
PAT Growth (%)	398.37	-30.1
EPS Growth (%)	30.48	-34.8
ROE (%)	5.73	4.3
P/E (x)	59.17	39.4
Dividend Yield (%)	-	2.8
Share Price at Year End	3.86	1.80

Sector	Insurance
Company	Continental Re-Insurance Plc
Analyst	Victor Ndukauba
E-mail	vndukauba@afinvestwa.com
Telephone	234 1 270 1680 ext 265

Company Description

- Continental Reinsurance Plc commenced business in January, 1987 initially as a professional non-life reinsurance company. A life reinsurance arm was added in January 1990 and was converted to a Public Limited Company (PLC).
- Leveraging on the efficient internal processes and strong financial base, the company's believes its claims settlement procedures are efficient and fast and ensure that all genuine claims are quickly processed and settled.

Company Prospects

- The company's emergence as the sole underwriter to other insurers post the 2008 industry consolidation grants its a virtual monopoly
- The company has put together a three year strategic plan which seeks to address strategies for premium growth, deepen market penetration within Africa and Enterprise Risk Management (ERM).
- Seeking to develop their employee base seeking specialists in the fields of research, statistics and actuarial science in order to strengthen in-house competencies.
- Enhancing capital utilization to earn the best returns and simplify business process to achieve greater effectiveness and efficiency.

Potential Share Price Drivers

- Virtual market dominance of the reinsurance business expected to drive business expansion resulting in both top-line and earnings growth.
- In addition, renewed focus on greater efficiency through business process enhancements should lead to marked increase in profitability and reduction in operating costs.

Key Risks

- Persisting broker domination and high levels of premium receivables presents a risk to earnings growth
- Weak regulation and technical deficiencies regarding special risk underwriting may impact its ability to grow risk assets

CUSTODIAN & ALLIED INSURANCE PLC

Stock Data: 2009 Summary

Price Range (Low/High), Naira	1.32 - 3.25
Price Performance (Jan - Dec)	-6.2
Share Price (Dec 31, 2008), Naira	2.86
Shares Outstanding (m)	4,790.8
Market Cap (N, m)	13,701.6
Market Cap (US\$, m)	91.3
Avg Daily Value (N, m)	7.4
Avg Daily Value (US\$, m)	0.1
Avg Daily Vol (m)	3.0

Company Data

Year Ended, December 31	2007	2008
Revenues (N, m)	2,714.8	4,102.1
Profit After Tax (N, m)	917.0	1,559.6
Earnings per Share (Kobo)	0.23	0.33
Dividend per Share (Kobo)	0.08	0.18
Sales Growth (%)	68.8	51.1
PAT Growth (%)	63.1	70.1
EPS Growth (%)	63.7	42.0
ROE (%)	9.1	15.4
P/E (x)	21.1	9.5
Dividend Yield (%)	1.8	5.7
Share Price At Year End	4.83	3.09

Sector	Insurance
Company	Custodian & Allied Insurance Plc
Analyst	Victor Ndukauba
E-mail	vndukauba@afrinvestwa.com
Telephone	234 1 270 1680 ext 265

Company Description

- New generation general insurance company with net assets in excess of N10.0bn
- Mainly servicing the corporate segment, Custodian has a big Motor and Fire risk portfolio
- Managed by a team of experienced industry professionals with a clear focus on customer service, driven by cutting edge technology

Company Prospects

- Following recent capital raise, Custodian has embarked on an expansion strategy to establish a presence in Northern and Eastern Nigeria
- Part of a syndicate to underwrite NNPC assets for 2009/2010 following the acquisition of an oil and gas reinsurance treaty

Potential Share Price Drivers

- Aureos Capital to impart international best practice on risk management and corporate governance
- New business expected from high-margin Marine policies, due to tighter government enforcement of import insurance

Key Risks

- Reduced levels of consumer credit expected to adversely affect bancassurance and retail market growth
- Persisting broker domination and high levels of premium receivables
- Weak regulation and technical deficiencies regarding special risk underwriting
- Weak capital markets and exposure to equities in investment portfolio

DANGOTE SUGAR PLC

Stock Data: 2009 Summary

Price Range (Low/High), Naira	9.60 - 23.42
Price Performance (Jan - Dec)	-4.4
Share Price (Dec 31, 2008), Naira	15.10
Shares Outstanding (m)	12,000.0
Market Cap (N, m)	181,200.0
Market Cap (US\$, m)	1,207.2
Avg Daily Value (N, m)	75.3
Avg Daily Value (US\$, m)	0.5
Avg Daily Vol (m)	4.7

Company Data

Year Ended, December 31	2007	2008
Revenues (N, m)	80,649.4	80,671.4
Profit After Tax (N, m)	21,478.6	21,871.1
Earnings per Share (Kobo)	1.74	1.52
Dividend per Share (Kobo)	1.74	1.66
Sales Growth (%)	-3.7	-
PAT Growth (%)	-28.9	1.83
EPS Growth (%)	-28.0	-12.2
ROE (%)	82.75	67.03
P/E (x)	22.44	10.17
Dividend Yield (%)	-	10.72
Share Price At Year End	38.95	15.50

Sector	Consumer Goods
Company	Dangote Sugar Plc
Analyst	Oghenerume Augoye
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Company Description

- Dangote Sugar Refinery is the single largest sugar refiner in sub-Saharan Africa, and one of the largest globally with a capacity of 1.4MT per annum
- DSR have a shareholding of 69% by Dangote Industries limited (DIL) and 31% by the Nigerian public. DSR operates as a near monopoly in the Nigerian refined sugar market.

Company Prospects

- Growth in production volumes expected on the back of increased capacity from vertical integration with Savannah Sugar Company Limited (SSCL) In Adamawa (50,000 MT) by DIL, involved in sugar cane farming.
- Plans to expand capacity at SSCL and replicate in other states with a target of 250,000 tonnes of sugar per annum by 2012/13.
- Completion of 1.2million metric Tonne refinery in Algeria should also contribute to turnover growth
- Leveraging on the strong Dangote brand which cuts across varying sectors in the economy

Potential Share Price Drivers

- Positive interim earnings announcements and news flow in relation to progress from the various capacity additions
- Interim and final dividend announcements from a stock with a moderate historical dividend payment policy

Key Risks

- Infrastructural inadequacies (Energy and transport) continue to increase operating cost.
- The depreciation of the naira to the US Dollar as the company's major raw material comes from Brazil.
- Weak capital markets and exposure to equities in investment portfolio

DIAMOND BANK PLC

Stock Data: 2009 Summary

Price Range (Low/High), Naira	3.95 - 10.44
Price Performance (Jan - Dec)	4.4
Share Price (Dec 31, 2008), Naira	7.40
Shares Outstanding (m)	14,475.2
Market Cap (N, m)	107,116.8
Market Cap (US\$, m)	713.6
Avg Daily Value (N, m)	78.8
Avg Daily Value (US\$, m)	0.5
Avg Daily Vol (m)	11.2

Company Data

Year Ended, April 30	2008	2009
Revenues (N, m)	60,111.7	107,705.7
Profit After Tax (N, m)	12,821.1	5,171.8
Earnings per Share (Kobo)	0.97	0.36
Dividend per Share (Kobo)	-	-
Sales Growth (%)	50.8	79.2
PAT Growth (%)	122.2	-59.7
EPS Growth (%)	58.7	-63.3
ROE (%)	0.1	0.1
P/E (x)	7.7	20.7
Dividend Yield (%)	-	-
Share Price At Year End	7.46	7.40

Sector	Banking
Company	Diamond Bank Plc
Analyst	Victor Ndukauba
E-mail	vndukauba@afriinvestwa.com
Telephone	234 1 270 1680 ext 265

Company Description

- Diamond Bank Plc is a mid-tier Nigerian corporate bank reputed for its excellent management and stable growth
- The bank is focused on large corporations as well as Small and Medium-sized Enterprises (SMEs)

Company Prospects

- Diamond bank has an established and sound risk management framework and its conservative loan growth strategy seems to have paid off under current market conditions.
- Significant expansion in risk assets in 2008/2009 on the back of strong retail deposit

Potential Share Price Drivers

- Poised to benefit from market flight to safety given its relatively high disclosure levels and business transparency
- One of few banks that have posted impressive figures even under difficult operating environment
- Future announcement of earnings growth and improvement in margins

Key Risks

- Stiff competition for limited business opportunities may impact margin spreads negatively
- Challenges with maintaining quality loan book under the new economic climate



GLAXO SMITHKLINE PLC

Stock Data: 2009 Summary

Price Range (Low/High), Naira	9.78 - 25.25
Price Performance (Jan - Dec)	60.6
Share Price (Dec 31, 2008), Naira	22.40
Shares Outstanding (m)	956.70
Market Cap (N, m)	21,430.12
Market Cap (US\$, m)	142.77
Avg Daily Value (N, m)	4.55
Avg Daily Value (US\$, m)	0.03
Avg Daily Vol (m)	0.26

Company Data

Year Ended, December 31	2007	2008
Revenues (N, m)	9,915.4	12,545.1
Profit After Tax (N, m)	836.9	1,277.4
Earnings per Share (Kobo)	0.87	1.34
Dividend per Share (Kobo)	0.45	0.60
Sales Growth (%)	-4.6	26.5
PAT Growth (%)	-22.7	52.6
EPS Growth (%)	-22.7	52.6
ROE (%)	18.2	23.4
P/E (x)	26.8	11.0
Dividend Yield (%)	1.9	4.1
Share Price At Year End	23.50	14.68

Sector	Healthcare/Pharmaceuticals
Company	Glaxo SmithKline Plc
Analyst	Oladipo James
E-mail	ojames@afriinvestwa.com
Telephone	234 1 270 1680 ext 264

Company Description

- GlaxoSmithKline (GSK) Consumer Nigeria Plc, an affiliate of GSK world-wide, is one of the leading research-based pharmaceutical and healthcare companies in Nigeria
- The company is engaged in the manufacture, marketing and distribution of pharmaceutical, healthcare and nutritional products

Company Prospects

- Strong top line growth driven primarily by its consumer healthcare products
- Strong capital base, parent company financing facilitating increased operational flexibility
- Recent expansion into the fast growing consumer-related healthcare segment, with the introduction of new product lines into the market

Potential Share Price Drivers

- Leading name in a largely market resilient sector; could attract investors seeking equity exposure in a recovering market
- Minimal debt and strong cash flows ensure sustainability of dividend payments and potential for moderate increases

Key Risks

- Adulteration and importation of generic pharmaceuticals continue to erode profit margins
- Limited liquidity with, 48.0% of shares outstanding held by parent company and other strategic investors

GUARANTY TRUST ASSURANCE PLC

Stock Data: 2009 Summary

Price Range (Low/High), Naira	1.79 - 3.29
Price Performance (Jan - Dec)	-31.5
Share Price (Dec 31, 2008), Naira	2.15
Shares Outstanding (m)	10,000.0
Market Cap (N, m)	21,500.0
Market Cap (US\$, m)	143.2
Avg Daily Value (N, m)	57.8
Avg Daily Value (US\$, m)	0.4
Avg Daily Vol (m)	28.9

Company Data

Year Ended, December 31	2007	2008
Revenues (N, m)	2,062.0	4,144.0
Profit After Tax (N, m)	821.0	1,876.0
Earnings per Share (Kobo)	0.08	0.19
Dividend per Share (Kobo)	-	-
Sales Growth (%)	-	101.0
PAT Growth (%)	-	128.5
EPS Growth (%)	-	128.5
ROE (%)	6.6	15.0
P/E (x)	-	-
Dividend Yield (%)	-	-
Share Price At Year End	-	-

Sector	Insurance
Company	Guaranty Trust Assurance Plc
Analyst	Victor Ndukauba
E-mail	vndukauba@afrinvestwa.com
Telephone	234 1 270 1680 ext 265

Company Description

- Guaranty Trust Assurance plc was incorporated in June 1989 as Heritage Assurance Company Limited, a non-life insurance Company in which Guaranty Trust Bank plc acquired a majority interest in 2002.
- Guaranty Trust Assurance plc is registered as a composite underwriter of all classes of insurance and risk management business, and offers financial advisory, investment and consultancy services.
- The company has a distribution network of 130 outlets and bancassurance alliances with GTBank and FCMB.

Company Prospects

- A balanced portfolio of insurance and financial service businesses geographically and by line of business.
- Possesses a competent, experienced and dynamic management team; strategically partnered with industry leaders such as African Re-insurance Corporation, Munich Re-insurance Corporation, supporting its business operations
- Significant growth in gross premium income and balance sheet size since the company was restructured and reflects a strong, viable and competent underwriting firm.

Potential Share Price Drivers

- Parent company support, adequate capitalization, good cash flow and liquidity, prudent underwriting & reinsurance strategy should drive earnings growth
- Dividend payment of N1.3 billion in June 2009 creating potential earnings for investors.

Key Risks

- Reduced levels of consumer credit expected to adversely affect bancassurance and retail market growth
- Weak capital markets and exposure to equities in investment portfolio
- Less disposable income for consumers given recent economic challenges presents a challenge as insurance largely remains a luxury good

GUARANTY TRUST BANK PLC

Stock Data: 2009 Summary

Price Range (Low/High), Naira	6.60 - 17.05
Price Performance (Jan - Dec)	49.0
Share Price (Dec 31, 2008), Naira	15.50
Shares Outstanding (m)	18,653.8
Market Cap (N, m)	289,133.1
Market Cap (US\$, m)	1,926.3
Avg Daily Value (N, m)	226.3
Avg Daily Value (US\$, m)	1.5
Avg Daily Vol (m)	17.6

Company Data

Year Ended, December 31*	2007	2008
Revenues (N, m)	48,567.0	104,120.2
Profit After Tax (N, m)	13,193.8	28,315.56
Earnings per Share (Kobo)	1.65	1.90
Dividend per Share (Kobo)	1.03	0.70
Sales Growth (%)	44.5	114.4
PAT Growth (%)	53.6	114.6
EPS Growth (%)	15.2	15.1
ROE (%)	36.30	15.91
P/E (x)	27.9	17.7
Dividend Yield (%)	3.0	5.4
Share Price At Year End	34.63	12.90

Sector	Banking
Company	Guaranty Trust Bank Plc
Analyst	Babatunde Obaniyi
E-mail	bobaniyi@afinvestwa.com
Telephone	234 1 270 1680 ext 167

Company Description

- Guaranty Trust Bank Plc is a leading financial institution in Nigeria with total assets and contingents now in excess of N1.0 trillion (US\$7.1bn)
- Top-tier Nigerian corporate bank, with a highly respected franchise in large ticket domestic and foreign currency corporate syndications
- GTBank has array of non-banking subsidiaries among which are - Guaranty Trust Assurance Plc; GTBank Registrars Limited; GTBank Finance B.V., a special purpose vehicle incorporated in the Netherlands as part of the bank's debut Eurobond issue in January 2007 and GTB Asset Management Company

Company Prospects

- GTB's sound risk management framework and its prudent cum conservative business model seemed to have enhanced customers' loyalty and have paid off in the current market condition.
- Recent domestic debt issue is expected to boost liquidity and the bank's ability to generate more risk assets and support new investments across business areas
- Significant growth expected from recent increase in loan portfolio and simultaneous improvement in loan/deposit ratio

Potential Share Price Drivers

- One of few banks that have posted impressive figures even under difficult operating environment
- Future announcement of earnings growth and improvement in margins

Key Risks

- Stiff competition for limited business opportunities may impact margin spreads negatively
- Challenges with maintaining quality loan book under the new economic climate

GUINNESS NIGERIA PLC

Stock Data: 2009 Summary

Price Range (Low/High), Naira	67.05 - 144.55
Price Performance (Jan - Dec)	30.0
Share Price (Dec 31, 2009), Naira	127.50
Shares Outstanding (m)	1,474.9
Market Cap (N, m)	188,053.0
Market Cap (US\$, m)	1,252.9
Avg Daily Value (N, m)	49.2
Avg Daily Value (US\$, m)	0.3
Avg Daily Vol (m)	0.4

Company Data

Year Ended, June 30	2008	2009
Revenues (N, m)	69,172.9	89,148.2
Profit After Tax (N, m)	11,860.9	13,541.2
Earnings per Share (Kobo)	8.04	9.18
Dividend per Share (Kobo)	4.50	12.80
Sales Growth (%)	11.1	28.9
PAT Growth (%)	10.9	14.2
EPS Growth (%)	10.9	14.2
ROE (%)	32.2	43.0
P/E (x)	12.4	13.9
Dividend Yield (%)	4.5	10.0
Share Price At Year End	99.50	127.50

Sector	Breweries
Company	Guinness Nigeria Plc
Analyst	Oghenerume Augoye
E-mail	oaugoye@afriinvestwa.com
Telephone	234 1 270 1680 ext 265

Company Description

- Second largest brewer in Nigeria in a market tending toward duopoly, majority owned by the multinational Diageo drinks group
- With various market leading brands, and several production and distribution plants spread across Nigeria, Guinness retains a strong capacity to compete in an expanding consumer market with Guinness Nigeria becoming Diageo's second largest market for Guinness stout surpassing home country Ireland

Company Prospects

- Historically highly cash generative, Consistent product re-branding, innovation, enhanced retail sales and trade distribution strategy.
- Increased capacity in production at two major plants (Lagos and Benin) little reliance on external credit on the back of an effective cash sales system, Strong capital base; with net profit margins improving steadily throughout 2009, despite daunting macroeconomic headwinds

Potential Share Price Drivers

- Continual focus by investors on high cash generative businesses in long-established sectors will likely ensure steady demand for the stock in 2010, even in midst of uncertain market conditions
- Dividend announcements translating to capital gains will further drive investor interest and this is in line with the company's moderately attractive dividend payout ratio.

Key Risks

- Significant foreign currency fluctuations will likely drive up costs for a producer with high import content
- Operating challenges remain, particularly in relation to Energy supply and distribution costs
- Widespread financial market uncertainty and prospects for a continued rise in inflation may impair scope for improvements in profit margins

LAFARGE WAPCO PLC

Stock Data: 2009 Summary

Price Range (Low/High), Naira	11.89 - 35.40
Price Performance (Jan - Dec)	20.00
Share Price (Dec 31, 2008), Naira	30.00
Shares Outstanding (m)	3,001.6
Market Cap (N, m)	90,048.0
Market Cap (US\$, m)	599.9
Avg Daily Value (N, m)	31.1
Avg Daily Value (US\$, m)	0.2
Avg Daily Vol (m)	1.4

Company Data

Year Ended, December 31	2007	2008
Revenues (N, m)	38,664.8	43,273.8
Profit After Tax (N, m)	11,178.9	11,252.0
Earnings per Share (Kobo)	3.72	3.75
Dividend per Share (Kobo)	1.20	0.60
Sales Growth (%)	-2.2	11.9
PAT Growth (%)	2.1	0.7
EPS Growth (%)	2.1	0.7
ROE (%)	27.6	27.8
P/E (x)	9.7	6.8
Dividend Yield (%)	0.04	0.02
Share Price At Year End	36.27	25.50

Company Description

- With approximately 2.0 million metric tonnes (MT) per annum production capacity out of two facilities in Nigeria, Wapco is the flagship West African operation for Lafarge, the multinational cement producer.
- Despite having suffered severe disruptions to operations in 2008 due to cumulative gas supply outages (equivalent to 51 days of lost production), Wapco remains a consistent producer in the industry.

Company Prospects

- Most recent audited financial statements showed a 12.0% increase in revenues for 2008
- Long-term balance sheet debt was fully paid down in FY 2008, thereby impacting cash flows and net interest income positively
- Current share price valuations relative to historic highs coupled with decent earnings expectations for the sector in general would suggest significant upside potentials

Potential Share Price Drivers

- Significant scope for turnover growth on the back of ongoing production capacity expansion expected to provide an additional 2.2 million metric tones
- Positive earnings announcement expected on the back of the renewed focus by government on infrastructure spend

Key Risks

- Gas supply shortages and continued challenges to electricity supply collectively pose a major risk to output stability
- Slow down in government spending on infrastructure may adversely impact the construction and building materials sector

Sector	Infrastructure
Company	Lafarge WAPCO
Analyst	Victor Ndukauba
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Telephone	234 1 270 1680 ext 265



NIGERIAN BOTTLING COMPANY

Stock Data: 2009 Summary

Price Range (Low/High), Naira	18.05 - 36.93
Price Performance (Jan - Dec)	-42.0
Share Price (Dec 31, 2008), Naira	21.42
Shares Outstanding (m)	1,308.7
Market Cap (N, m)	28,033.1
Market Cap (US\$, m)	186.8
Avg Daily Value (N, m)	3.5
Avg Daily Value (US\$, m)	0.02
Avg Daily Vol (m)	0.2

Company Data

Year Ended, December 31	2007	2008
Revenues (N, m)	68,529.1	80,080.7
Profit After Tax (N, m)	3,172.3	10.3
Earnings per Share (Kobo)	2.42	0.01
Dividend per Share (Kobo)	0.63	-
Sales Growth (%)	14.8	16.9
PAT Growth (%)	201.7	-99.7
EPS Growth (%)	201.7	-99.5
ROE (%)	13.88	0.1
P/E (x)	23.41	N/M
Dividend Yield (%)	1.11	
Share Price At Year End	56.74	35.18

Company Description

- Nigerian Bottling Company (NBC) is the leading bottler of non-alcoholic beverages in Nigeria with 13 plants and 65 depots spread across the country with a total production capacity of about 1.8m bottles per annum
- NBC has sole rights to bottle and distribute the Coca-Cola brand of soft drinks (under licence by Coca-Cola International) in Nigeria

Company Prospects

- Recent improvements to supply chain efficiency in all 13 manufacturing facilities as well as innovations in product packaging (higher quality materials) should translate into favourable returns.
- The company's has claimed N2.0bn interim insurance payment from the Benin plant which was substantially damaged by fire in December 2008 with an impairment value of N3.2bn.

Potential Share Price Drivers

- Highly cash generative business ensures prospects of decent returns and future dividend payments.
- Outstanding cash payment on its insurance claims on fire damaged Benin plant should boost its already strong cash position
- Facility upgrade and improved supply chain efficiencies should translate into growth which will in turn trickle to the bottom line

Key Risks

- Operating challenges, particularly with power generation and product distribution, continue to inflate costs.
- Uncertain economic outlook for 2010 may negatively impact consumer spending and thus, the company's performance.

Sector	Consumer Goods
Company	Nigerian Bottling Company Plc
Analyst	Oghenerume Augoye
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Telephone	234 1 270 1680 ext 265



NIGERIAN BREWERIES

Stock Data: 2009 Summary

Price Range (Low/High), Naira	28.72 - 60.70
Price Performance (Jan - Dec)	32.6
Share Price (Dec 31, 2009), Naira	53.02
Shares Outstanding (m)	7,562.6
Market Cap (N, m)	400,967.1
Market Cap (US\$, m)	2,671.3
Avg Daily Value (N, m)	110.4
Avg Daily Value (US\$, m)	0.7
Avg Daily Vol (m)	2.3

Company Data

Year Ended, December 31	2007	2008
Revenues (N, m)	111,748.3	145,461.8
Profit After Tax (N, m)	18,942.9	25,508.3
Earnings per Share (Kobo)	2.49	3.37
Dividend per Share (Kobo)	1.59	4.85
Sales Growth (%)	29.5	30.2
PAT Growth (%)	73.8	34.7
EPS Growth (%)	76.7	35.5
ROE (%)	43.9	79.2
P/E (x)	19.7	12.1
Dividend Yield (%)	3.2	11.9
Share Price At Year End	49.00	40.85

Sector	Breweries
Company	Nigerian Breweries Plc
Analyst	Oghenerume Augoye
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Telephone	234 1 270 1680 ext 265

Company Description

- Nigerian Breweries remains the largest alcoholic beverage company in Nigeria and is a subsidiary of Heineken B.V of the Netherlands (54.1% interest).
- NB dominates the larger segment of the market with its flagship larger brand star larger beer

Company Prospects

- Continuous investments in capacity expansion and product re-branding, re-packaging and re-launching has generated a positive buzz for the company.
- Strong sales growth, as product demand remains relatively inelastic backed by increasing consumption. Healthy capital structure with little or no external borrowings

Potential Share Price Drivers

- Following strong demand for its product it remains highly cash generative which will further drive profit margins high hence sustainable levels of performance.
- Investor will continue to vote with their purses by sustaining interest in such companies through investments. The low level of debt also increases the level of attractiveness of N.B

Key Risks

- High cost of operations in particular the cost of power which is a very vital infrastructure for the industry, distribution challenges as a result of the poor state of the nation's road network.
- Competition from existing brewers remains stiff with the prospects of a new entrant (SAB Miller) of South Africa on
- Reduced levels of credit availability could impact negatively on key suppliers and distributors given the recent challenges within Nigeria's financial services industry.

OANDO

Stock Data: 2009 Summary

Price Range (Low/High), Naira	54.20 - 99.19
Price Performance (Jan - Dec)	20.5
Share Price (Dec 31, 2008), Naira	93.99
Shares Outstanding (m)	905.1
Market Cap (N, m)	85,068.9
Market Cap (US\$, m)	566.75
Avg Daily Value (N, m)	56.19
Avg Daily Value (US\$, m)	0.37
Avg Daily Vol (m)	0.6

Company Data

Year Ended, December 31	2007	2008
Revenues (N, m)	185,892.1	339,420.4
Profit After Tax (N, m)	5,480.4	8,343.1
Earnings per Share (Kobo)	7.27	9.22
Dividend per Share (Kobo)	3.04	8.00
Sales Growth (%)	-11.1	82.6
PAT Growth (%)	-78.2	52.2
EPS Growth (%)	-35.3	26.8
ROE (%)	11.6	18.6
P/E (x)	16.9	8.7
Dividend Yield (%)	2.5	10.0
Share Price At Year End	122.60	79.80

Sector	Petroleum Marketing
Company	Oando Plc
Analyst	Babatunde Obaniyi
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Company Description

- Oando's is the leading oil- marketing retailer in Nigeria (17.6% market share) with more than 500 retail outlets spread across the country and strategic assets which include aviation depots, bitumen plants and liquefied petroleum gas plants.
- The activities of the Group cover petroleum marketing, supply and trading of crude and refined petroleum products, Natural gas distribution, and independent power solutions to exploration and production of crude oil and oil service
- In 2005, Oando Plc became the first African company to seek a cross-border inward listing on the Johannesburg Stock Exchange with the introduction of its entire issued share capital on the main board of the JSE.

Company Prospects

- Positive outlook on oil prices is expected to drive strong performance in Oando's upstream business.
- Full deregulation of the downstream sector will enhance profitability of petroleum product marketers and boost margins on its products
- Gas distribution activities are expected to also contribute to earnings significantly going forward

Potential Share Price Drivers

- Strong earnings growth and improvements in operating margins
- Announcement of acquisition of more productive assets in the upstream sector (Oando is planning to raise capital via a right issue to finance its proposed acquisition)

Key Risks

- Oando is largely reliant on a mix of corporate debt and uniquely structured financing arrangements for its long term expansion projects.
- High operating costs related to product distribution across the country, as a result of poor national infrastructure



SKYE BANK

Stock Data: 2009 Summary

Price Range (Low/High), Naira	3.44 - 8.17
Price Performance (Jan - Dec)	-32.80
Share Price (Dec 31, 2008), Naira	5.49
Shares Outstanding (m)	11,585.0
Market Cap (N, m)	63,601.5
Market Cap (US\$, m)	423.7
Avg Daily Value (N, m)	55.7
Avg Daily Value (US\$, m)	0.4
Avg Daily Vol (m)	10.0

Company Data

Year Ended, September 30	2007	2008
Revenues (N, m)	41,720.0	78,277.0
Profit After Tax (N, m)	5,885.0	16,018.0
Earnings per Share (Kobo)	0.56	1.28
Dividend per Share (Kobo)	-	-
Sales Growth (%)	101.7	87.6
PAT Growth (%)	-200.0	172.18
EPS Growth (%)	-200.0	28.63
ROE (%)	20.03	16.90
P/E (x)	30.82	6.74
Dividend Yield (%)	-	-
Share Price At Year End	17.19	8.59

Sector	Banking
Company	Skye Bank Plc
Analyst	Victor Ndukauba
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Telephone	234 1 270 1680 ext 265

Company Description

- Skye bank emerged from a 5-way merger in 2005 into an active mid-tier bank with aspirations of becoming a full-service bank
- The bank remains an active operator at the sub-sovereign level and has grown its presence in the traditional corporate and commercial banking space

Company Prospects

- The bank's exposure to public sector business; revenue collection and public sector financing to sub-nationals, particularly Lagos State presents scope for significant upside
- Recent events in the banking sector presents opportunity for the bank to grow its market share, organically or otherwise.

Potential Share Price Drivers

- With the bank's share price trading at a discount relative to its peers, there is significant scope for upside
- There is significant scope for earnings growth and positive earnings announcements on the back of existing strong relationships with the two largest sub-nationals by revenues, Lagos and Rivers States.

Key Risks

- The political risk presented by its exposure to the public sector remains high
- Significant exposure to real estate and equities through subsidiary companies present major downside risks in the near term.

TOTAL

Stock Data: 2008 Summary

Price Range (Low/High), Naira	112.01 - 203.69
Price Performance (Jan - Dec)	-26.8
Share Price (Dec 31, 2008), Naira	149.00
Shares Outstanding (m)	339.5
Market Cap (N, m)	50,588.8
Market Cap (US\$, m)	337.0
Avg Daily Value (N, m)	6.0
Avg Daily Value (US\$, m)	0.04
Avg Daily Vol (m)	0.04

Company Data

Year Ended, December 31	2006	2007
Revenues (N, m)	137,339.5	177,412.0
Profit After Tax (N, m)	3,255.4	4,393.2
Earnings per Share (Kobo)	9.59	12.94
Dividend per Share (Kobo)	9.50	12.93
Sales Growth (%)	8.5	29.2
PAT Growth (%)	-29.4	34.95
EPS Growth (%)	-29.4	35.0
ROE (%)	51.4	60.4
P/E (x)	18.8	15.7
Dividend Yield (%)	5.3	6.4
Share price At Year End	180.00	203.69

Sector	Petroleum Marketing
Company	Total Nigeria Plc
Analyst	Babatunde Obaniyi
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Telephone	234 1 270 1680 ext 167

Company Description

- Total Nigeria, a subsidiary of France based Total S.A., is one of Nigeria's leading downstream petroleum marketing companies.
- A major oil and gas operator in Nigeria, it is actively diversifying into higher margin lubricants and gas products: over 500 retail outlets, 10 Liquefied Petroleum Gas (LPG) bottling plants, 3 lubricant blending plants and operates from 4 aviation depots across Nigeria

Company Prospects

- Total is expected to benefit from a focus on diversification into lubricants
- The cost containment strategy recently embarked upon by management is expected to yield bottom line growth as costs remain tied to global crude prices

Potential Share Price Drivers

- Positive announcements regarding diversification efforts to higher-margin products like lubricants, as well as corporate actions relating to expected earnings/dividends
- Full deregulation of the downstream sector will enhance profitability of petroleum product marketers

Key Risks

- High operating costs related to product distribution across the country remain a bane due to perennial challenges with transportation infrastructure
- Uncertainties surrounding the contents and passage of the Petroleum Industry Bill (PIB) regarding the full deregulation of the downstream oil sector may hinder access to capital for expansion projects in the near term.

UAC of NIGERIA PLC

Stock Data: 2009 Summary

Price Range (Low/High), Naira	22.46 - 41.96
Price Performance (Jan - Dec)	1.2
Share Price (Dec 31, 2008), Naira	36.75
Shares Outstanding (m)	1,280.6
Market Cap (N, m)	47,061.2
Market Cap (US\$, m)	313.5
Avg Daily Value (N, m)	49.2
Avg Daily Value (US\$, m)	0.3
Avg Daily Vol (m)	1.3

Company Data

Year Ended, December 31	2007	2008
Revenues (N, m)	37,155.2	53,489.3
Profit After Tax (N, m)	4,554.7	6,789.4
Earnings per Share (Kobo)	3.56	5.30
Dividend per Share (Kobo)	0.50	-
Sales Growth (%)	30.8	44.0
PAT Growth (%)	-61.6	49.1
EPS Growth (%)	-61.6	49.1
ROE (%)	13.2	14.2
P/E (x)	14.3	6.5
Dividend Yield (%)	1.0	-
Share Price At Year End	51.00	34.60

Sector	Consumer Goods
Company	UAC of Nigeria Plc
Analyst	Victor Ndukauba
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Telephone	234 1 270 1680 ext 265

Company Description

- Founded in 1879, UAC is one of the largest diversified conglomerates in Nigeria; primarily focused on the consumer foods sector, but with operations also across the manufacturing, real estate, logistics, and automotive sectors of the economy
- The group controls two publicly traded mid-sized subsidiaries: CAP Plc, a leading paints manufacturer and UPDC Plc, the principal listed real estate developer

Company Prospects

- Continuous refocusing of its activities towards the fast growing consumer foods production
- Strong cash generative, low debt business, particularly with recent disposals of non-core assets over the last few years
- Management remains focused on divesting from non-core businesses and deploying freed up cash in the core foods business

Potential Share Price Drivers

- Attractive dividend payout despite harsh economic conditions with the potential for increased earnings contribution for investors
- Impressive earnings growth across its key subsidiaries with significant contribution from UPDC in addition to new business initiatives

Key Risks

- Increased competition in their primary operational areas such as quick service restaurants
- Increasingly harsh operation conditions as the economy moves into a period of sociopolitical uncertainty
- Possible risks could ensue from operational challenges that may arise due to epileptic power supply in the country Nigeria as well as keen competition from other local consumer goods companies and foreign imports

UBA

Stock Data: 2008 Summary

Price Range (Low/High), Naira	6.67 - 17.50
Price Performance (Jan - Dec)	-0.2
Share Price (Dec 31, 2008), Naira	10.80
Shares Outstanding (m)	21,556.5
Market Cap (N, m)	232,809.8
Market Cap (US\$, m)	1,551.0
Avg Daily Value (N, m)	218.8
Avg Daily Value (US\$, m)	1.5
Avg Daily Vol (m)	18.2

Company Data

Year Ended, September, 30	2007	2008
Revenues (N, m)	109,457.0	169,581.0
Profit After Tax (N, m)	33,017.0	58,397.0
Earnings per Share (Kobo)	2.87	3.39
Dividend per Share (Kobo)	-	-
Sales Growth (%)	0.2	54.9
PAT Growth (%)	1.9	76.9
EPS Growth (%)	0.8	18.0
ROE (%)	19.7	30.3
P/E (x)	17.2	3.9
Dividend Yield (%)	-	-
Share Price At Year End	49.50	13.15

Sector	Banking
Company	UBA Plc
Analyst	Babatunde Obaniyi
E-mail	bobaniyi@afinvestwa.com
Telephone	234 1 270 1680 ext 167

Company Description

- UBA is the product of the 2005 merger between old generation bellwether, UBA and STB, a fast growing new generation bank.
- UBA is a full-service financial services institution offering corporate and consumer banking, investment banking and asset management. The bank is one of the fastest growing Top-Tier Nigerian Bank
- UBA is one of the biggest banks in Nigeria with largest customer base (7.1m customers) and branch network (709 branches)

Company Prospects

- UBA boasts one of the largest and fastest growing loan books in the Nigerian banking sector
- Pan- African expansion drive is expected to boost and also diversify the bank's revenue base. The bank currently generates 10.0% of its income from foreign operations
- UBA is focusing on making its service delivery consistent with global best practices and has embarked on a strategic repositioning drive to dominate retail markets across Nigeria and Africa at large.

Potential Share Price Drivers

- Positive earnings announcements on the back of recoveries on risk assets hitherto classified as bad or doubtful
- A potential M&A transaction announcement remains a distinct possibility

Key Risks

- Increasing level of Non-Performing Loans may impair the bank's ability to grow earnings
- Continued expansion drive may pose a significant challenge to the bank's cost profile performance in the near term relative to its peers.
- Recent performance suggest increasing cost of funds and simultaneous drop in Net Interest margins

UNILEVER

Stock Data: 2009 Summary

Price Range (Low/High), Naira	5.62 - 20.17
Price Performance (Jan - Dec)	69.9
Share Price (Dec 31, 2008), Naira	18.50
Shares Outstanding (m)	3,783.3
Market Cap (N, m)	69,991.0
Market Cap (US\$, m)	466.3
Avg Daily Value (N, m)	15.7
Avg Daily Value (US\$, m)	0.1
Avg Daily Vol (m)	1.1

Company Data

Year Ended, December 31	2007	2008
Revenues (N, m)	33,990.9	37,377.5
Profit After Tax (N, m)	1,077.5	2,596.5
Earnings per Share (Kobo)	0.28	0.69
Dividend per Share (Kobo)	0.50	0.25
Sales Growth (%)	33.0	10.0
PAT Growth (%)	166.6	141.0
EPS Growth (%)	166.6	141.0
ROE (%)	21.4	38.9
P/E (x)	76.7	15.1
Dividend Yield (%)	2.3	2.4
Share Price At Year End	56.74	35.18

Sector	Conglomerates
Company	Unilever Nigeria Plc
Analyst	Oghenerume Augoye
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Telephone	234 1 270 1680 ext 265

Company Description

- Unilever is a leading FMCG conglomerate in Nigeria, a subsidiary of the international giant Unilever overseas Holdings B.V.
- The company has the exclusive right to manufacture, distribute and market Unilever B.V. products in Nigeria owning popular house hold brands. Unilever operates out of two plants in Lagos and Agbara

Company Prospects

- A profitable brand portfolio mix presents good value for money proposition
- Improved supply chain efficiencies and the elimination of non- strategic, low value creating brands and consumer segments will fuel top-line growth
- Strong focus on product innovation and distribution whilst leveraging on regional and global resources to consolidate competitive advantage

Potential Share Price Drivers

- Strong profit margins will drive its share price movement
- Its rich dividend payout history should sustain investor interest in the long-established conglomerate.

Key Risks

- Infrastructure challenges (power and transportation) continue to plague manufacturing and distribution in the sector
- Upward pressure in global commodities prices will exert inflationary pressure on cost of raw materials inputs.
- Less disposable income amongst consumers will force them to make more discerning and cost conscious choices given tough economic environment



Zenith Bank

Stock Data: 2008 Summary

Price Range (Low/High), Naira	7.42 - 19.33
Price Performance (Jan - Dec)	-2.8
Share Price (Dec 31, 2008), Naira	13.60
Shares Outstanding (m)	25,117.2
Market Cap (N, m)	341,593.9
Market Cap (US\$, m)	2,275.8
Avg Daily Value (N, m)	213.8
Avg Daily Value (US\$, m)	1.4
Avg Daily Vol (m)	15.1

Company Data

Year Ended, September, 30	2007	2008
Revenues (N, m)	94,880.1	208,293.8
Profit After Tax (N, m)	18,779.8	51,992.2
Earnings per Share (Kobo)	2.02	3.83
Dividend per Share (Kobo)	-	-
Sales Growth (%)	63.0	119.5
PAT Growth (%)	-63.5	176.9
EPS Growth (%)	-4.7	89.6
ROE (%)	16.4	15.1
P/E (x)	22.8	5.7
Dividend Yield (%)	-	-
Share price At Year End	46.09	22.00

Sector	Banking
Company	Zenith Bank Plc
Analyst	Babatunde Obaniyi
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Telephone	234 1 270 1680 ext 167

Company Description

- Zenith is one the largest banks in Nigeria, well known for its operational efficiency and exceptional asset quality
- Zenith Bank is a well diversified financial institution with strategic focus on aggressive cheap deposit generation, conservative lending policies, low-cost, technology driven operations and with substantial activity in the money and capital market
- Zenith Bank operates a low risk corporate banking business, focused on lending to safe, large institutions, with limited retail exposure

Company Prospects

- The bank's strength is leveraged on its size, and strong brand name
- Zenith Bank operates a classic low risk banking model. At the heart of the bank's strategy is a focus on mobilizing low cost deposits (corporate, public sector and retail) and lending to low risk, large corporate customers.

Potential Share Price Drivers

- The bank's valuation statistics is one of the best in the Nigerian Banking sector: it has the lowest price to book ratio and the highest Capital Adequacy and liquidity ratios when compared with its peers
- One of few banks that have posted impressive figures even under difficult operating environment; we expect the bank to further consolidate on this going forward

Key Risks

- Challenges with deposit generation may place a constraint on the bank's asset growth and overall profitability considering a maximum regulatory loan to deposit ratio threshold of 80.0%.
- New regulatory landscape, with an almost overbearing focus on regulatory compliance may limit the Bank's
- Risk management relating to new business areas, particularly consumer lending and investment banking



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