Access Bank Plc

Q3 Results: 9M ended September 30, 2010

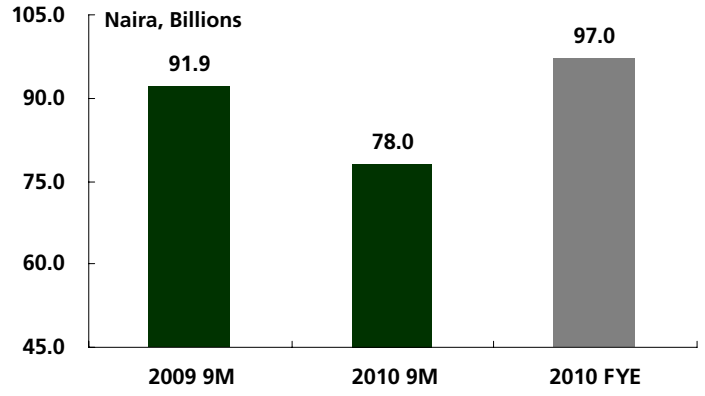
Research Update

November 8, 2010

Access Bank 9M September 2010 Q3 Results

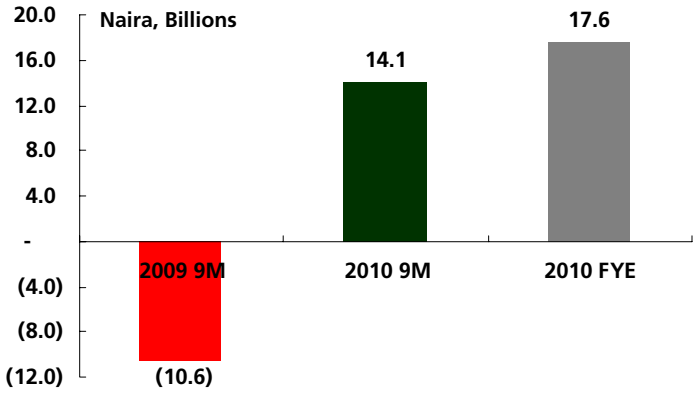
Surging Return to Profitability as Top-line Contracts: Q3 results for Access Bank Plc show a 15.2% decrease in gross earnings to N78.0bn (US$517.6m) from the N91.9bn (US$610.4m) posted in the corresponding 2009 period. The bank however swung back to profitability, posting PBT and PAT of N14.1bn and N9.6bn respectively, as compared to the N10.6bn and N9.7bn in losses reported in 2009. This performance is symptomatic of the overall industry trend that has seen profits soar on the back of significant reduction in costs: loan loss provisions dropped 87.0% YoY from N39.9bn to N5.2bn, while operating costs have consistently dropped by 3.0% and 15.0% between Q1, Q2 and Q3. Consequently, there has been a progressive, albeit marginal, drop in its cost-to-income ratio. We have therefore established a 2010 FYE of N97.0bn in gross earnings and N13.6bn in net earnings. This gives an EPS estimate of N0.75 for FY 2010. Access Bank currently trades at a trailing P/E of 17.6x, which is at a 16.3% discount to its peers. It however trades at 11.4x 2010E earnings, which represents a slight premium to its peers (trading at an average of 10.8x 2010E earnings). We establish a 6M price target of **N8.04** (a 2.2% downside) and thus remain **NEUTRAL** on the stock.

Chart 1: Gross Earnings, Q3 2009, Q3 2010 and 2010 FY Forecast



Source: NSE, Afrinvest Research

Chart 2: Pre-Tax Profits, Q3 2009, Q3 2010 and 2010 FY Forecast



Source: NSE, Afrinvest Research

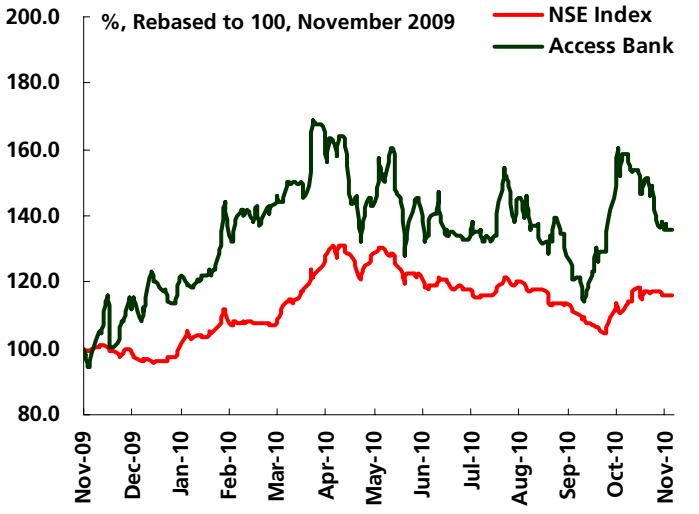
Chart 3: Key Ratios and Statistics

6– Month Price Target (Naira)	8.04
Share Price, Naira (November 8, 2010)	8.22
Market Cap (Naira, bn)	148.6
Market Cap (US$, m)	986.9
52-Week Range (Low - High)	5.45 - 10.19
ROE (FY 2010E), %	7.5%
2010FYE EPS (Naira)	0.75
2010FYE P/E, Times	10.9x
Shares Outstanding (m)	18.1

Company Description: Access Bank is a full-service commercial bank with a primary focus on banking its large blue-chips corporate clients and mobilizing cheap funds from the retail segment of the market. The bank operates from over131 branches and service outlets across Nigeria, Sub-Saharan Africa and the United Kingdom. The bank also has array of subsidiaries with foot prints in Investment and Mortgage Banking and Asset Management.

Source: Afrinvest Research

Chart 4: Last Twelve Months Price Performance, versus NSE



Source: NSE, Afrinvest Research

CONTACTS

Afrinvest (West Africa) Limited

27 Gerrard Road, Ikoyi,
Lagos,
Nigeria.

Tel: +234 1 270 1680-8
Fax: +234 1 269 4392

aresearch@afrinvestwa.com
www.afrinvestwa.com

INVESTMENT RESEARCH

Victor Ndukauba
Banking and Infrastructure
vndukauba@afrinvestwa.com
+234 1 2701680 ext 311

Babatunde Obaniyi
Banking and Petroleum Marketing
bobaniyi@afrinvestwa.com
+234 1 2701680 ext 314

Oghenerume Augoye
Consumer Goods
oaugoye@afrinvestwa.com
+234 1 2701680 ext 313

Oladipo James
Healthcare, Chemical and Paints
ojames@afrinvestwa.com
+234 1 2701680 ext 312

IMPORTANT DISCLOSURES AND DISCLAIMERS

This report has been issued and approved by Afrinvest West Africa Limited ("**Afrinvest**"). This report is based on information from various sources that we believe are reliable; however, no representation is made that it is accurate or complete. While reasonable care has been taken in preparing this document no responsibility or liability is accepted for errors or fact or for any opinion expressed herein. This document is for information purposes only. It does not constitute any offer or solicitation to any person to enter into any trading transaction. Any investment discussed may not be suitable for all investors. This report is provided solely for the information of clients of Afrinvest who are expected to make their own investment decisions. Afrinvest conducts designated investment business with market counter parties and intermediate customers and this document is directed only at such persons. Other persons should not rely on this document. Afrinvest accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is for private circulation only. This report may not be reproduced distributed or published by any recipient for any purpose without prior express consent of Afrinvest. Investments can fluctuate in price and value and the investor might get back less than was originally invested. Past performance is not necessarily a guide to future performance. It may be difficult for the investor to realize an investment. Afrinvest and/or a connected company may have a position in any of the instruments mentioned in this document. Afrinvest and/or a connected company may or may not have in the future a relationship with any of the entities mentioned in this document for which it has received or may receive in the future fees or other compensation. Afrinvest is a member of The Nigerian Stock Exchange and is regulated by the Securities and Exchange Commission to conduct investment business in Nigeria.

AFRINVEST (WEST AFRICA) LIMITED. 27 GERRARD ROAD, IKOYI, LAGOS, NIGERIA. PHONE NO: 2701680 88, 269 5479-81, 2694005, 2690861, 2962948 2670272-3, 2692810. Fax: 2694392, 2701689.