AFRINVEST

A Member of the Nigerian Stock Exchange

Unity Bank Plc

Q3 Results: 9M Ended September 30, 2010

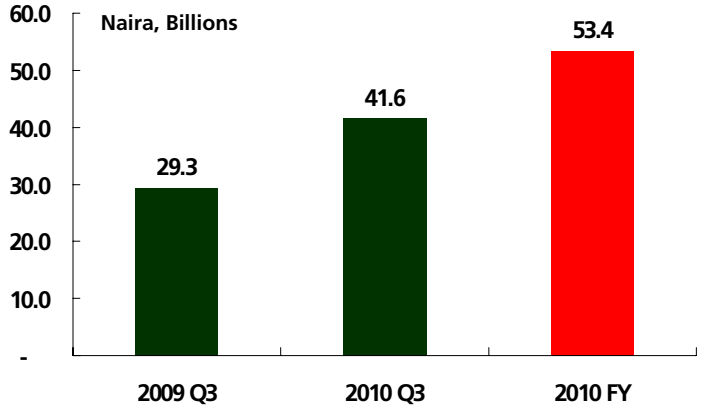
Research Update

October 25, 2010

Unity Bank 9M, September 2010 Q3 Results

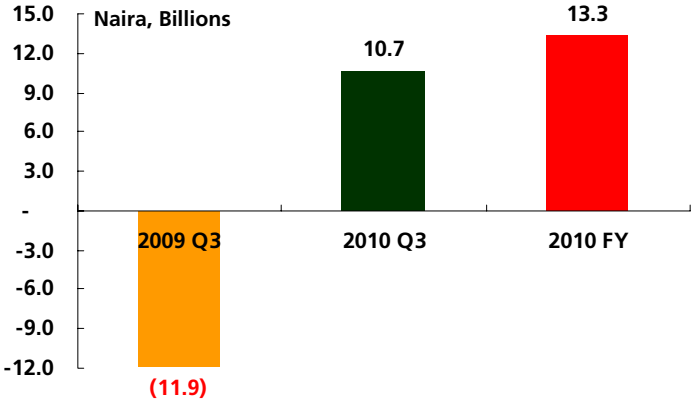
Performance Surprises on Turnover and Profitability: Unity Bank's recently released Q3 2010 result beat our expectations on both the top and bottom lines. Turnover grew by 41.9% from the N29.3bn (US$192.6m) recorded in 2009 to N41.6bn (US$273.3m) in 2010. The bank surged to profitability with PAT of N10.7bn (US$70.0m) in 2010 against the N11.9bn (US$78.2m) loss reported in 2009. Net Assets also grew by 472.2% from N7.2bn (US$47.3m) in December 2009 to N42.1bn (US$276.6m), via the recently concluded rights issue that has seen the bank raise approximately N24.0bn in new equity. This result seems to suggest a bank that has fully turned the corner, following its failure to meet the 10.0% CAR prescribed for banks during the CBN audit of 2009. While we have yet to speak with management regarding its current operations and strategic outlook for 2011, we reclassify the bank along with our mid-tier banks which thus makes it an attractive value proposition. On a trading multiples basis, the bank is trading at 3.7x its 2010E earnings (and 3.0x its 2011F earnings). Relative to its peer average of 8.2x 2010E for the mid-tier banks (3.4x and 12.9x for the rescued banks and top tier banks respectively), we establish a 6-month price target of **N2.23** and thus place a **BUY** on the stock.

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



Source: NSE, Afrinvest Research

Chart 2: PAT, 2010 Q3 and 2010 FY Forecast



Source: NSE, Afrinvest Research

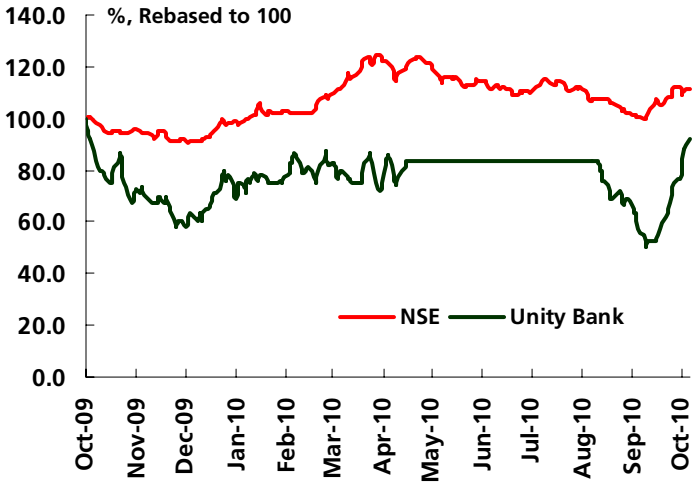
Chart 3: Key Ratios and Statistics

Price Target (Naira)	2.23
Share Price, Naira (Oct 25, 2010)	1.22
Market Cap (Naira, bn)	48.7
Market Cap (US$, mn)	319.5
52-Week Range (Low - High)	0.67 -1.33
ROE (FY 2010), %	29.7
2010 EPS (Naira)	0.33
2010 P/E, Times	3.7
Shares Outstanding (bn)	39.9

Company Description: Unity Bank Plc is one of Nigeria's retail banks having emerged from the largest merger and consolidation in the banking industry in 2005. It offers a broad range of financial services including investment banking, corporate and retail banking through a host of subsidiaries and associate companies. With presence in 229 locations, the bank is poised to leverage its recent capital raising to grow its franchise.

Source: Afrinvest Research

Chart 4: Last Twelve Months Price Performance, versus NSE



Source: NSE, Afrinvest Research

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