



CDH ASSET MANAGEMENT LIMITED

A subsidiary of Continental Discount House Limited

Ecobank Transnational Incorporated

Rights Issue

Analyst's Comments

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1st September, 2008



1.0 Background

- Ecobank announced in their order rights issue of 3,763,759,981 ordinary shares at \$0.27 per share in a ratio of 5 new shares for every 9 existing shares held **and** an offer for subscription of 5,116,499,328 ordinary shares at \$0.29 per share
- Ecobank Transnational Bank (ETI) is the holding company of Ecobank group. The Pan African banking group has presence in 25 west, central, eastern and southern African countries – more than any other banking group.
- ETI, a public liability company was established as a bank holding company in 1985 under the private sector initiative spearheaded by the West African Chambers of Commerce and Industry.
- Ecobank is a full-service bank providing wholesale, retail, investment and transaction banking services and products to governments, financial institutions, multinationals, international organizations, medium and small micro businesses and individuals.
- Ecobank is listed on the Ghana Stock Exchange, Nigerian Stock Exchange (NSE) and the Union Economique et Monetaire Ouest Africaine (UEMOA) Stock Exchange which provide its stock good liquidity and price discovery.
- The offer is intended to raise a net amount of USD 2.5 billion.
- Ecobank intends to use the funds to finance its accelerated plan to expand its network of branches and presence, and thereby enhance its footprint, recapitalise its current banking subsidiaries to meet increased capital requirements and upgrade and modernise its technology platform.
- The offer is open to individuals and institutions in jurisdictions in which the making of this offer is not prohibited by law. Investors should ensure that it is legal for them to invest before subscribing for the shares

2.0 What is a rights issue?

- A rights issue is an offering of common stock to existing shareholders who hold pre-emptive rights that entitle them to buy newly issued shares at a discount from the price at which that are being offered on the market. Shareholders who have the rights have an option of exercising the option or not.

3.0 What is an offer for subscription?

- An offer for subscription is an offering of the shares to the public on a secondary issue. Anyone willing to buy the shares has an opportunity to buy at a discount price from the market price.

4.0 Salient Features of the Rights Issue and Public offer

Offers open on	Monday, 25 th August, 2008
Closing date	Friday, 3 rd October 2008
Lifting of technical suspension on NSE	Friday, 17 th October 2008
Commencement of trading in new shares	Monday, 10 th November 2008

Rights issue

Offer price per share	US\$ 0.27
Number of ordinary shares offered	3,763,759,981
Ratio for rights issue	5 new shares for every 9 ordinary shares held



Public Offer

Offer price per share	US\$0.29
Number of ordinary shares offered	5,116,499,328
Minimum subscription	500 shares and multiples of 100 thereafter.

Share capital after the offer

	Number of shares	Value (US\$'000)
Authorized :	50,000,000,000	1,250,000,000
Now being offered:	8,880,259,309	222,006,000
Issued & fully paid:	15,655,027,274	391,376,000

5.0 Rights Issue Valuation

- Ecobank recorded a net asset value of US\$0.48 as at 31st December 2007.
- The rights issue and the public offer are being undertaken at discounts of 20% to shareholders and 12.5% to the public. This is based on the 30 day volume weighted average price of Ecobank Transaction Bank (ETI) on all three stock exchanges which is 0.33cents

4.0 Analysis of Ecobank financial statements (extracts from the prospectus)

In US\$'000

	Yr 2003	Yr 2004	Yr 2005	Yr 2006	Year 2007
Summary Income Statement					
Net Interest Income	80,623.00	101,441.00	109,284.00	181,403.00	278,077.00
% Change		25.82	7.73	65.99	51.65
Net fee & Commission income	51,271.00	67,807.00	86,675.00	107,921.00	182,426.00
% Change		32.25	27.83	24.51	69.04
Other income	24,796.00	34,604.00	41,392.00	59,140.00	83,484.00
% Change		39.55	19.62	42.88	41.16
operating income	156,690.00	203,852.00	236,351.00	348,464.00	543,988.00
% Change		30.10	15.94	47.43	56.11
Operating expenses	102,556.00	125,401.00	147,724.00	206,074.00	334,269.00
		22.28	17.80	39.50	62.21
Profit before income tax	48,462.00	60,615.00	73,729.00	129,299.00	190,570.00
% Change		25.08	21.63	75.37	47.39
Profit After Tax	30,214.00	40,427.00	50,939.00	86,365.00	138,936.00
% Change		33.80	26.00	69.55	30.44
Summary of Balance sheet					
Total Assets	1,523,091.00	1,910,345.00	2,199,230.00	3,503,739.00	6,550,224.00
% Change		25.43	15.12	59.32	86.95

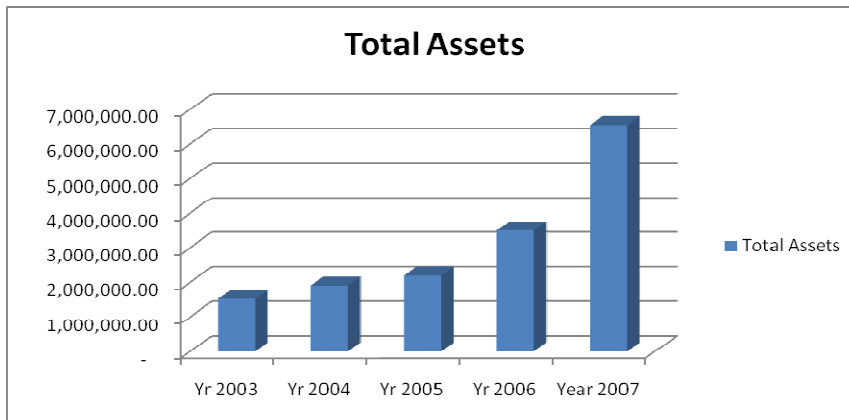


Total Liabilities	1,387,238.00	1,745,087.00	1,895,351.00	3,021,424.00	5,898,464.00
% Change		25.80	8.61	59.41	95.22
Net Assets	135,853.00	165,258.00	303,879.00	482,315.00	651,760.00
% Change		21.64	83.88	58.72	35.13
No of shares in issue	146,352.00	622,798.00	882,967.00	1,344,464.00	1,347,034.00
% Change		325.55	41.77	52.27	0.19
Earning Per Share (cents)	3.16	4.41	5.05	5.53	7.97
% Change		39.56	14.51	9.50	22.06
Dividend Per Share(cents)	0.50	0.90	1.40	1.50	2.00
% Change		80.00	55.56	7.14	16.67
Dividend yield					6.06
Dividend payout ratio (%)	27.5	19.8	25.8	26.4	25.1
%Change		(29.09)	30.30	2.33	(4.92)
Financial Ratios					
	Yr 2003	Yr 2004	Yr 2005	Yr 2006	Yr 2007
Non interest Income: Total Income%	48.55	50.24	54.19	47.94	48.88
Operating costs: Total Income%	14.73	15.29	16.43	18.08	18.91
Return on Assets %	2.27	2.35	2.48	3.03	2.76
Return on Equity %	24.33	26.90	23.80	22.98	23.98
Net profit Margin %	37.48	39.85	46.61	47.61	49.96
Liquidity level X	1.10	1.09	1.16	1.16	1.11
Net Asset Value 'K	0.93	0.27	0.34	0.36	0.48
P/E Ratio					4.13
P/BV					0.68



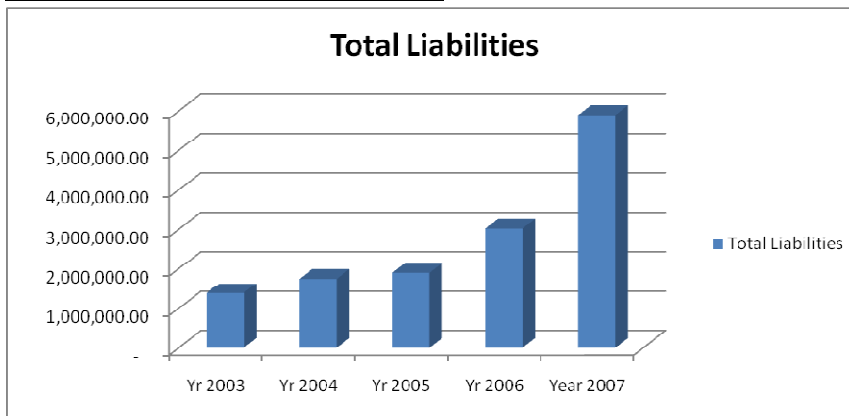
Financial highlights

Chart 1: Total Assets - 2003 to 2007



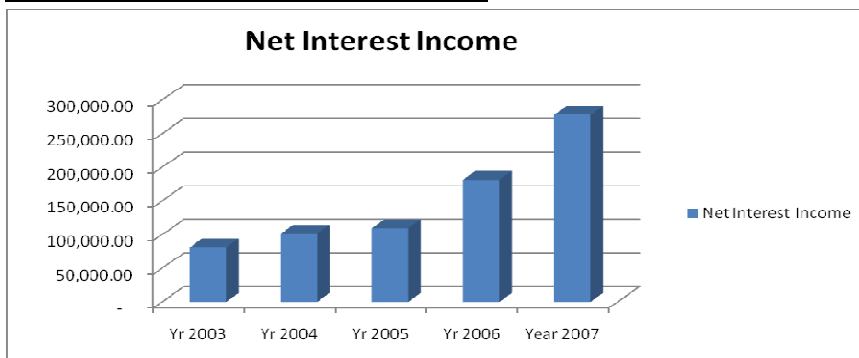
Source: CDH Asset Management Limited

Chart 2: Total Liabilities - 2003 to 2007



Source: CDH Asset Management Limited

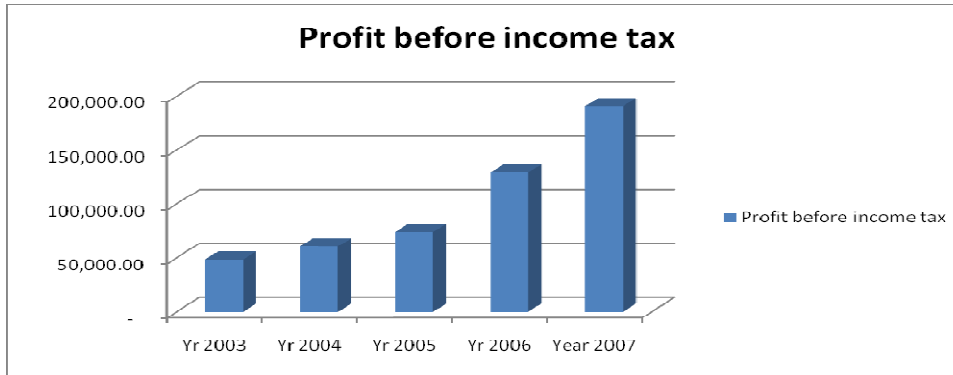
Chart 3: Net Interest Income - 2003 to 2007



Source: CDH Asset Management Limited

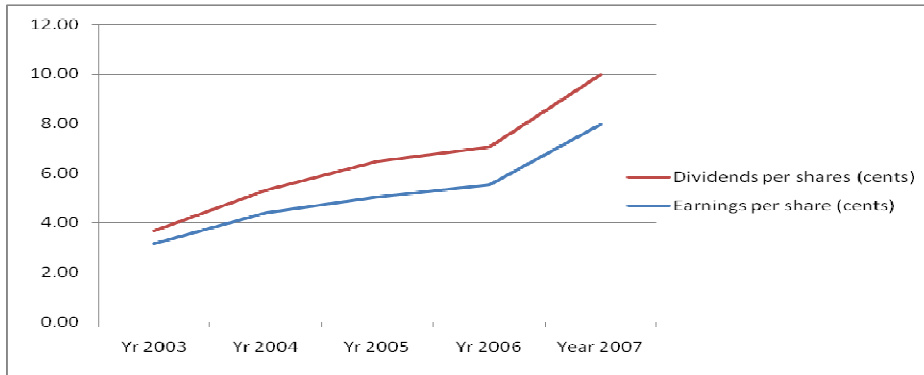


Chart 4: Profit after tax, 2003 to 2007 and projections to 2009



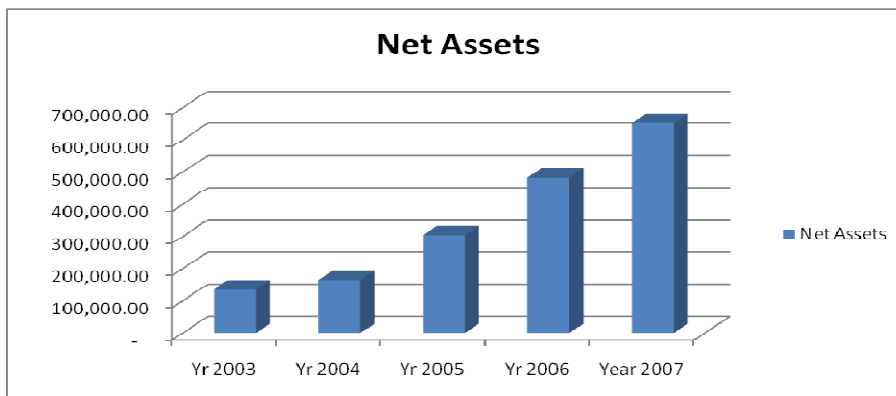
Source: CDH Asset Management Limited

Chart 3: Earnings per share and Dividends per share



Source: CDH Asset Management Limited

Chart 3: Net assets, 2003 to 2007



Source: CDH Asset Management Limited



Comments on the financial statements

- Net Interest Income grew progressively by 25.8% in 2004, 7.7% in 2005, 66% in 2006 and 51.7 in 2007.
- The ratio of operating cost to total income is 62% (2007) against an average ratio of 48% currently achieved by Malawian Banks. The company plans to harmonize the group's information technology services with a view to ultimately centralize the Group's back office operations. Once this is achieved it will lead to major improvements in efficiency and reduce costs.
- The profit after tax grew progressively by 33.8% in 2004, 26% in 2005, 69.55% in 2006 and 30.44% in 2007.
- The high jump in total assets in 2007 was mainly on the back of increase in total liabilities, representing wholesale and retail deposits which grew by an impressive 89% in 2007 alone.
- Both the EPS and DPS picked up in 2007 growing by 22% and 17% compared to 9.5% and 7% growth in 2006 respectively. The dividend policy of the company is based on the performance and future plans, directors declare such sums as they deem appropriate.

5.0 Conclusion

- Ecobanks public offer will provide a great opportunity for local investors to diversify their investments in international markets. This reduces ones exposure to the risk on the MSE.
- Ecobank registered capital gains of over 122% since its listing in September 2006
- Their strong financial results indicate that Ecobank could be a growth counter.