

## Access Bank and Diamond Bank detail proposed merger to create Nigeria and Africa's largest retail bank by customers

The Boards of Access Bank Plc. ("Access Bank") and Diamond Bank Plc. ("Diamond Bank") today announced that they have received "No Objection" from the Central Bank of Nigeria ("CBN") regarding a potential merger between the two banks, which is expected to complete in the first half of 2019. Transaction completion is subject to Access Bank and Diamond Bank obtaining shareholder and regulatory approvals (Central Bank of Nigeria, the Securities and Exchange Commission, the Federal High Court ("FHC") and the National Pension Commission ("PenCom")).

Following the signing of the Memorandum of Agreement and announcement of headline terms, which valued Diamond Bank at approximately NGN72.5 billion (~\$200m) and will see Diamond Bank shareholders receive NGN3.13 per share in cash and shares, Access Bank and Diamond Bank are today announcing further details, including the rationale and benefits of the deal, the estimated cost synergies, the capital management plan and the timetable.

- Merger will form a leading Tier 1 Nigerian bank and the largest bank in Africa by number of customers, spanning three continents, 12 countries and 29 million clients.
- Brings together treasury, risk management and corporate banking expertise with strong retail and digital banking capabilities to create a financial institution operating across the full suite of products for all customer segments.
- Transaction to be concluded via Scheme of Merger following Access Bank and Diamond Bank Court Ordered Meetings expected in March 2019 to approve terms. Subject to shareholder approvals, final SEC, CBN, and PenCom regulatory approvals and FHC sanction expected before end of H1 2019.
- Cost synergies conservatively estimated at NGN30 billion per annum, pre-tax, to be fully realized within three years post-completion. Further revenue and balance sheet synergies to be evaluated by joint implementation committee.

The pro-forma capital position of the merged bank will be in full compliance with regulatory requirements for significant financial institutions with an international banking presence. However, in order to meet international standards of best practice and ensure a robust capital buffer, Access Bank and Diamond Bank have jointly agreed a strategic capital management plan and expect to achieve a post-completion Capital Adequacy Ratio ("CAR") of 20% at the Bank level and 22% at the Group level. The key elements are:

- Diamond Bank to take further impairments in line with IFRS9, to be reflected in year end 2018 results.
- Access Bank has already finalized terms and obtained regulatory approvals for a Tier II capital issuance, which will raise US\$250 million, available for drawdown in January 2019.
- Access Bank has also obtained "No Objection" from the CBN to undertake a Rights Issue to raise up to NGN 75 billion (~US\$ 207 million) in H1 2019. Shareholder approvals and other regulatory approvals will be obtained before the offer opens. This accelerates the capital management plan to support retail growth, previously set out in the Bank's five-year strategy

Commenting on the proposed merger, Herbert Wigwe, CEO of Access Bank, said: *"I am delighted to announce that we have received the necessary regulatory approvals to pursue a merger with Diamond Bank, one of Nigeria's foremost digital and retail banks, subject to final regulatory and shareholder approvals. The combination of our two businesses will create the largest retail bank in Africa by customer base and a very significant player in the Nigerian market. This is a huge step towards the*

*delivery of our goal to bring the power of banking to millions of people across Nigeria and an exciting transaction for Access Bank and Diamond Bank's customers, staff and shareholders.*

*"We have a clear plan to maintain our capital strength and are announcing today decisive steps by both banks to ensure their financial stability throughout the process. The overall outcome will be a stable institution with an extremely strong capital adequacy ratio of more than 20% following completion of the merger, which will be a leading competitor in all the markets in which it operates.*

*"Access Bank and Diamond Bank have complementary operating platforms and similar values, and a merger with Diamond Bank, with its leadership in digital and mobile-led retail banking, will accelerate our ambition to become a leading corporate and retail bank in Nigeria and a Pan-African financial services champion. We look forward to bringing our discussions to a successful conclusion and delivering the benefits of the merger to our staff, customers, shareholders and other stakeholders."*

Uzoma Dozie, CEO of Diamond Bank, said: *"The merger is positive for all of Diamond Bank stakeholders, including customers, employees and shareholders. In particular, customers will benefit significantly through the unrivalled combination of the best of Diamond Bank's retail and digital leadership with the size of Access Bank's balance sheet, corporate names and geographical reach.*

*"In reaching this decision, the shared passion for leveraging Nigeria's youthful and entrepreneurial talent, and a commitment to better outcomes through financial inclusion have convinced us that this is the right combination.*

*"I believe that the combination of two strong and admired brands, with shared values and complementary strengths, will be a strong force for positive change in the Nigerian and African retail landscape. As a result, this merger creates significant potential for sustainable long-term growth which stands to benefit customers, employees and shareholders alike."*

#### **Rationale for and benefits of the transaction**

Diamond Bank will benefit from Access Bank's strong culture of risk and capital management expertise and a clear strategy for sustainable growth. Access Bank will take advantage of Diamond Bank's unparalleled retail banking expertise and strong digital offering. Together, the two companies would create one of Nigeria's leading banks, with 29 million customers, including more than 13 million mobile customers, as well as 3,100 ATMs and around 32,000 PoS terminals.

Diamond Bank and Access Bank share many of the same areas of focus, including women, youth, entrepreneurs and the financially excluded and will be able to further develop their positioning and market leadership in these growth sectors. Diamond Bank's corporate customers will also be able to benefit directly from Access Bank's corporate expertise in trade finance, cash management, treasury and corporate finance.

Diamond Bank currently has 19 million customers, including 10 million mobile users. The combined operation will have relationships with both MTN and Airtel, ensuring that customers of the merged bank will continue to access a strong mobile banking proposition. Access Bank and Diamond Bank also operate from the same technology platform, which the Boards believe will enable them to complete the integration with minimal disruption or impact on customers, in addition to generating significant synergies.

### **Strong financial profile**

Access Bank had a capital adequacy ratio of 20.1% as at 30 September 2018. It is currently concluding a US\$250m Tier II capital raising exercise in line with its capital plan to provide a robust capital buffer given the current macro-economic environment.

The Board of Diamond Bank has confirmed to Access Bank that it intends to take a further impairment on its loan book in line with its IFRS 9 implementation by its financial year end on 31 December 2018. Access Bank has sufficient capital headroom to conclude its merger with Diamond Bank after the write down.

The pro-forma CAR of the combined entity will be in full compliance with regulatory requirements at the time of completion. However, Access Bank has also accelerated its capital plan, in which it had anticipated raising additional capital to fund retail expansion, to ensure that the quantum and timing take account of the planned merger. It has obtained a CBN “No Objection” for a Rights Issue of up to NGN75 billion (~US\$207 million) to be launched in H1 2019, which will ensure that it continues to maintain a strong capital buffer above the minimum requirements. A formal notification for an EGM to seek shareholder approval for the rights issue will be issued shortly.

The transaction also presents the opportunity for significant cost synergies to be derived from consolidation of support functions and processes, the benefits of scale, branch consolidation and HQ centralization. These are conservatively estimated to be NGN30 billion per annum, pre-tax, to be fully realized three years post-completion.

In addition, there are revenue synergies, such as those from the opportunities created by applying Access Bank’s value chain approach to Diamond Bank’s existing 19 million-strong customer base, along with the positive impact of Diamond Bank’s NGN1 trillion low cost deposit base on Access Bank’s cost of funding, enhanced risk management and yield and price improvements driven by market share. The funding and capital synergies are also attractive, with an improved deposit mix, improved access to capital markets and greater efficiency in treasury operations.

A Joint Implementation and Integration Committee has been established to ensure that these synergies are properly evaluated and the resulting profit and growth potential realized.

### **Management and integration**

Access Bank plans to leverage the best talent of both banks and combine them to create a leading banking franchise in Nigeria. The combined bank will be led by Access Bank’s current CEO, Herbert Wigwe, and will retain the Access Bank name. It is intended that the brand will be redesigned to include strong elements of Diamond Bank’s digital and retail brand.

Access Bank has a strong track record of M&A in Nigerian banking and has previously demonstrated its integration capabilities in the successful acquisition and subsequent absorption of six institutions in the past 15 years. The same team who led this successful integration will be responsible for delivering the merger with Diamond Bank and overseeing the transition to the enlarged entity.

### Proposed timetable

The following sets out the envisaged timetable for completion and associated shareholder and regulatory approvals. The Boards of Access Bank and Diamond Bank reserve the right to change the timetable if transaction exigencies require.

|                          |  |
|--------------------------|--|
| 17 December 2018         | Signing and announcement of proposed merger                              |
| Week of 17 December 2018 | CBN pre-merger filing<br>SEC pre-merger notification<br>NSE notification |
| December 2018            | CBN approval in principle  |
| January 2019             | SEC clearance of Scheme of Merger  |
| March 2019               | Access and Diamond Banks' Court-Ordered Meetings<br>Court sanction       |
| April/May 2019           | SEC and CBN final approvals  |
| By end of June 2019      | Deal completion  |

### Key numbers

|   | <b>ACCESS BANK as at 30.9.18</b> | <b>DIAMOND BANK as at 30.9.18</b> | <b>Indicative proforma (as reference) as at 30.9.18</b> |
|---|----------------------------------|-----------------------------------|---|
| Total Assets (NGN'Bn)                         | 4,555                            | 1,555                             | 6,110   |
| Net loans (NGN'Bn)                            | 1,976                            | 730                               | 2,706   |
| Customer deposits (NGN'Bn)                    | 2,475                            | 1,068                             | 3,543   |
| Number of customers (million)                 | 10                               | 19                                | 29  |
| Mobile customers (million)                    | 3                                | 10                                | 13  |
| Digital/financial inclusion customers ('000s) | 6,400                            | 7,000                             | 13,400  |
| Number of branches                            | 400                              | 277                               | 677   |
| Number of ATMs                                | 1,881                            | 1,218                             | 3,099   |
| Cards in issue                                | 5,700,000                        | 10,200,000                        | 15,900,000  |
| Number of POS                                 | 17,943                           | 14,115                            | 32,058  |

Citigroup Global Markets Limited and Chapel Hill Denham Advisory Limited acted as Financial Advisers to Access Bank while Banwo & Ighodalo acted as Legal Adviser to Access Bank.

Exotix Capital acted as financial adviser to Diamond Bank and Templars acted as Legal Adviser to Diamond Bank.

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### **About the deal**

[www.growingaccess.com](http://www.growingaccess.com)

### **About Access Bank**

Access Bank is a full service commercial bank operating through branches and service outlets located in major centres primarily across Nigeria and sub-Saharan Africa, as well as the United Kingdom (extension to United Arab Emirates (Dubai)), with representative offices in China, Lebanon, and India. The Group provides a wide range of banking and other financial services to over 9 million customers from 392 branches and service centres.

Listed on the Nigerian Stock Exchange in 1998, the Bank serves its various markets through four business segments: Personal, Business, Commercial and Corporate & Investment Banking. The Bank has over 830,000 shareholders including several Nigerian and International Institutional Investors and has enjoyed what is arguably Africa's most successful banking growth trajectory in the last twelve years ranking amongst Africa's top 20 banks by total assets and capital since 2015.

As part of its continued growth strategy, Access Bank is focused on mainstreaming sustainable business practices into its operations. The Bank strives to deliver sustainable economic growth that is profitable, environmentally responsible and socially relevant.

[www.accessbankplc.com](http://www.accessbankplc.com)

### **About Diamond Bank**

Diamond Bank is one of Nigeria's leading retail banks, committed to providing innovative customer-centric solutions. The bank offers a full range of banking products and services in retail, business and corporate banking segments. The bank took part in a highly successful Private Placement share offer before going public with an IPO in 2005.

Through innovation and technology, Diamond Bank enhances customer experiences and drives financial inclusion through what it calls 'Beyond Banking'. Diamond Bank's digitally-focused proposition is closely aligned to Nigerian lifestyle and consumer trends. Diamond has sought to position itself for long term growth by leveraging Nigeria's strong fundamentals, including a large underbanked population and Africa's biggest economy.

[www.diamondbank.com](http://www.diamondbank.com)