

# Access Bank - Diamond Bank Merger

Creating Nigeria and Africa's Largest Retail Bank

**access** >>>

 **Diamond**

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SPEED SERVICE SECURITY



This Investor Presentation (this “**Presentation**”) is being provided in connection with the proposed merger of Diamond Bank Plc (“**Diamond Bank**”) and Access Bank Plc (“**Access Bank**”) (Diamond Bank and Access Bank, together the “**Banks**”) (the “**Transaction**”). This Presentation is being delivered in addition to the announcements (the “**Announcements**”) previously made in connection with the Transaction and has been prepared by the management of the Banks.

The sole purpose of this Presentation is to provide information (further to the Announcements) regarding the Transaction. In particular, this Presentation does not purport to be the scheme of merger document or the basis of any contract neither is it comprehensive nor does it purport to contain all the information that may be required by the shareholders of the Banks in order to make a decision with respect to the Transaction. This Presentation does not constitute, and should not be interpreted as an advice or recommendation of the Transaction.

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- **Access Bank and Diamond Bank announce a merger that results in an enlarged Tier 1 Nigerian banking franchise and the largest bank in Africa by retail clients, following the entry into a Memorandum of Agreement, approved by the Boards of both banks as announced on 17 December, 2018**
- **Receipt of no objection from the Central Bank of Nigeria (CBN)**
- **Diamond Bank shareholders will receive NGN1.00 in cash for each share held in Diamond Bank and 2 Access Bank shares for every 7 shares held in Diamond Bank** implying the following **pro-forma ownership** structure in the combined entity: **~81% for Access Bank shareholders and ~19% for Diamond Bank shareholders**
- **The transaction combines Access Bank’s strong management team and risk management culture with Diamond Bank’s growing retail franchise, with potential for strong value creation for shareholders via extraction of financial synergies**
- **Creation of a strong, safer financial institution with a diversified product offering and expanded distribution capabilities to provide clear benefits for customers, staff, and key stakeholders**
- **Access Bank has unrivalled experience in executing mergers and delivering value, as evidenced by its M&A track record and most recently, the successful acquisition of Intercontinental Bank in 2012**
- **Pre-transaction completion, Diamond Bank is expected to undertake an impairment on its loan book pursuant to the implementation of IFRS 9**, which is currently being evaluated and will be reflected in 2018YE numbers
- **Joint Implementation and Integration Committee has been established to prepare and manage post-completion integration and strategic efforts**
- **Access Bank has historically maintained strong capital levels comfortably in excess of minimum regulatory requirements** and is concluding a US\$250mn Tier II capital raise. **Access Bank has also obtained regulatory approval to raise up to NGN 75 billion (~US\$207 million)** in a rights issue to be launched during H1 2019. This accelerates the capital management plan to support retail growth, set out in the Bank’s five year strategy
- **Transaction completion expected in H1 2019**



1 Key Transaction Highlights and Terms

**access** >>>

2 Compelling Strategic Rationale



3 Clear Shareholder Value Creation and Synergy Potential

 **Diamond**

4 Overview of Timeline and Integration Plan

# ① Key Transaction Highlights and Terms



## Transaction Overview

- **The Boards of Access Bank and Diamond Bank have approved the entry into a Memorandum of Agreement (MoA) as announced on 17 December, 2018**
- Access Bank and Diamond Bank to effect a merger via a SEC, CBN and PenCom<sup>(1)</sup> approved, and FHC<sup>(2)</sup> sanctioned **Scheme of Merger**
- All assets, liabilities and undertaking of Diamond Bank will be consolidated by Access Bank
- Scheme becomes effective subject to 75% majority of shareholders present and voting in person or by proxy at a Court Ordered Meeting
- **No objection from CBN received on 18 December 2018**

## Transaction Consideration

- Diamond Bank valued at **NGN3.13** per share, implying a total valuation of **NGN72.5bn** or **~US\$200mn**<sup>(4)</sup>
- Diamond Bank shareholders will receive **NGN1.00 in cash** for each share held in Diamond Bank and **2 Access Bank shares for every 7 shares held in Diamond Bank**
- A total of **~6.62bn**<sup>(3)</sup> ordinary shares of Access Bank are to be issued to Diamond Bank shareholders

## Pro-Forma Ownership

- The transaction structure implies the following pro-forma ownership structure in the combined entity:
  - **~81%** for Access Bank's shareholders
  - **~19%** for Diamond Bank's shareholders

## Timing and Next Steps

- |   |                |
|---|----------------|
| • Filing for CBN Approval in Principle                  | December 2018  |
| • SEC Clearance of Scheme of Merger                     | January 2019   |
| • Access Bank and Diamond Bank's Court Ordered Meetings | March 2019     |
| • Court Sanction  | March 2019     |
| • SEC and CBN Final Approval                            | April/May 2019 |
| • Deal Completion                                       | 1H 2019        |

# ② Compelling Strategic Rationale



A combination between Access and Diamond would establish a leading Tier 1 banking franchise in Nigeria, with significant opportunity for value creation via extraction of financial synergies.



Clear Strategic Merits to a Combination...

... with Significant Value Creation Potential

## Access

*Full service Commercial Bank with International Operations<sup>(1)</sup>*

- ✓ **Track record of strong balance sheet growth**, coupled with **robust profitability, asset quality, and capital**
- ✓ **Strong risk management culture** and internal controls as evidenced in **favourable asset quality** metrics over time
- ✓ **Established track record of successful M&A integration**
- ✓ **Diverse geographic footprint** with subsidiaries in 7 countries, including **Ghana** and the **UK**
- ✓ **Actively supporting women, financial inclusion, and sustainability**



## Diamond

*Nationwide Bank in Nigeria<sup>(2)</sup>*

- ✓ **Sizeable Tier 2 commercial bank** with operations refocused on Nigeria
- ✓ **Large retail customer base** with a significant quantum of **low cost retail liabilities**
- ✓ **Fast growing retail and SME offering** and promotion of financial inclusion
- ✓ **Leadership in Nigerian digital banking**
- ✓ **Strong core revenue generation** supported by favourable **NIMs**

Notes: (1) Congo, Gambia, Ghana, Rwanda, Sierra Leone, Zambia and UK. (2) Diamond Bank recently concluded the sale of its West Africa operations (2017). Sale of Diamond's UK subsidiary in its final stages (PRA approval expected by 2018 YE).

# ② Creation of a Leading Tier 1 Banking Franchise in Nigeria



Larger banking franchise creates more opportunities.

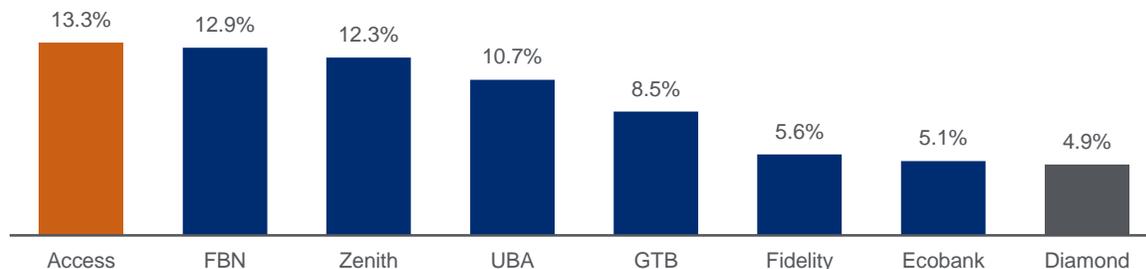
## Creation of a Leading Tier 1 Banking Franchise

(latest available data)<sup>(1)</sup>

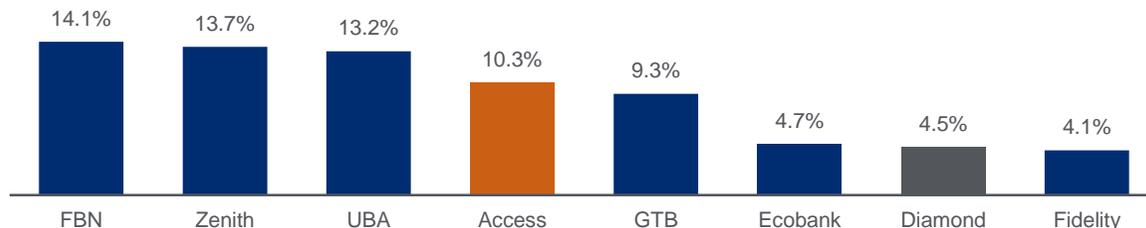
### Market Share by Total Assets



### Market Share by Loans



### Market Share by Deposits



- **Combination creates a leading Tier 1 banking franchise in Nigeria across assets, loans and deposits; pro-forma market shares would be:**
  - Total Assets: 15.9%
  - Customer Loans: 18.2%
  - Deposits: 14.8%
- Combination of a **leading wholesale banking business** with a **leading retail banking franchise** in Nigeria
- Formidable reach, covering **12 countries, 3 continents, and 29mn customers**
- **Go-to-bank for every type of customer and business in Nigeria**
- The new entity will also lead the way in **providing unbanked customers with financial services**, helping to drive inclusive economic growth
- Enlarged capital base conducive to participation in **higher-ticket credit opportunities**

Source: Company disclosure, CBN Statistics Database.

Notes: (1) Based on aggregated data of commercial and non-interest banks' (as defined by CBN) individual balance sheets. Data as of Q3'18 apart from Standard Chartered Bank

6 Nigeria, Citibank Nigeria and Keystone Bank as of FY'17, SunTrust Bank as of FY'16, Skye Bank (Polaris Bank) and Heritage Bank as of FY'15; data for Providus Bank n/a.

# ③ Delivery of Value for All Key Stakeholders



Complementary business profiles enable strong value creation for shareholders and clear benefits for customers, staff, and key stakeholders.

 <b>Shareholders</b>	
<b>Attractive value creation potential over time as the strategic benefits from the combined entity materialise and financial synergies are delivered</b>	
<b>Economies of Scale</b>	<ul style="list-style-type: none"> <li>Balance sheet, branch, and customer scale will allow the enlarged entity to earn greater margins and invest further in customer acquisition and the digital banking platform</li> </ul>
<b>Complementary Portfolios</b>	<ul style="list-style-type: none"> <li>Strong treasury and risk management and corporate banking capabilities at Access fused with Diamond Bank's retail banking capabilities</li> </ul>
<b>Significant Synergy Potential</b>	<ul style="list-style-type: none"> <li>Integration and consolidation in branches, headquarters, IT systems, &amp; procurement is planned, as well as opportunities for cross-selling &amp; revenue-side efficiencies resulting in significant financial synergies</li> </ul>
<b>Integration Experience</b>	<ul style="list-style-type: none"> <li>Access successfully implemented Nigerian banking's biggest acquisition to date (Intercontinental Bank) and proved that it could drive growth while undergoing integration</li> </ul>
<b>Retail and Mass Market Banking</b>	<ul style="list-style-type: none"> <li>The combined bank will serve ~45%<sup>(1)</sup> of all BVN customers</li> </ul>
<b>Digital and Mobile Pioneer</b>	<ul style="list-style-type: none"> <li>Access can put further investment behind Diamond's digital and mobile banking offering</li> </ul>
<b>Cultural Alignment</b>	<ul style="list-style-type: none"> <li>Access and Diamond are committed to customer experience and share a digital and forward-looking mind-set</li> </ul>

 <b>Customers</b>	
<ul style="list-style-type: none"> <li>Enhanced product offering</li> <li>Investment in digital platform to spur financial inclusion</li> <li>Commitment to set new standards for customer service, harnessing the best talent across both institutions</li> </ul>	
 <b>Staff</b>	
<ul style="list-style-type: none"> <li>Creation of an enlarged Tier 1 banking franchise to establish an exciting workplace with growth opportunities</li> <li>Focus on innovation, financial inclusion, and sustainability</li> </ul>	
 <b>Regulators</b>	
<ul style="list-style-type: none"> <li>Stronger, safer institution with enlarged balance sheet, enhanced liquidity profile and capital base</li> <li>Scale economies and synergies conducive to strong organic capital generation</li> </ul>	

Note: (1) Source: NIBSS. Estimated.

# ③ Significant Synergy Potential



In addition to cost savings opportunities, revenue and balance sheet synergies can also improve profit and facilitate significant growth for the combined entity.

## Revenue Synergies & Opportunities



Enhanced product offerings & cross-selling

Improved sales by combining good practices

Yield & price improvement driven by market share

Reduced cost of funds driven by market share

Risk management to reduce impairments

## Balance Sheet Synergies



### Funding Synergies

- Alignment towards **lower deposit pricing**
- Shift to **improved deposits mix** & current account deposits
- **Mass market** potential

### Capital Synergies

- **Improved access to capital markets** from scale and credit rating
- **Efficiency in treasury management**

## Cost Synergies



Branch consolidation

HQ centralisation

IT integration and consolidation

Integration of support functions

Closing productivity gap through larger scale

Consolidated procurement and facility management

- ✓ Cost synergies estimated of at least ~NGN30bn per annum pre-tax, to be fully realised in three years post deal completion
- ✓ Full extent of synergy potential (cost, revenue, financing, etc.) to be evaluated by the Joint Implementation and Integration Committee



## Commitment to set New Standards in Nigerian Banking

### Innovation and Technology

- A culture committed to customers and poised to shape the future of retail banking in Nigeria
- A focus on delivering faster, more convenient digital services designed to:
  - ✓ Respond to changing demographics
  - ✓ Drive financial inclusion
  - ✓ Serve the underbanked
  - ✓ Support growing businesses and SMEs

#### Combined Stats

- ✓ #600+ branches
- ✓ #3,000+ ATMs
- ✓ #32,000+ POS
- ✓ #16mn Debit and Credit Cards in issue
- ✓ #29mn Retail Customers o/w
  - ✓ #13mn mobile / online customers

### Award-winning Track-Record



- Global Banking and Finance Review Award 2018 - Best Bank Investor Relations
- Karlsruhe Sustainable Finance Awards 2018 - Outstanding Business Sustainability & Outstanding Sustainability Leader of the Year
- Euromoney Awards 2018, Africa's Best Bank for Corporate Social Responsibility
- World Finance Awards 2018 - Most Sustainable Bank, Nigeria



- Rated Four Stars and ranked as one of the Best Retail Banks Globally by Lafferty Banking 500 Index in 2018
- Women's Market Champion by the Global Banking Alliance for Women in 2018
- Best Bank in Retail Banking by Business Day in 2018

# 4 Overview of Timeline and Integration Plan



The merger is expected to close by 1H 2019, but integration preparation and governance is being rolled out immediately.

2018

2019

Completion Process

- **December 2018:** Signing of MoA and Announcement ✓
- **December 2018:** CBN Pre-Merger Consent

- **January 2019:** SEC Clearance of Scheme of Merger
- **March 2019:** Access Bank and Diamond Bank Court Ordered Meetings
- **March 2019:** Court Sanction
- **April / May 2019:** SEC and CBN Final Approval
- **1H 2019:** Deal Completion

Integration Focus

- **Joint Implementation and Integration Committee has been established to prepare for and manage post-completion efforts:**
  - Review of institution branding, product portfolio and services platform
  - Development of combined business plan and strategy
  - Focus on business combination
  - Customer migration
  - Technology platform
  - Distribution network optimisation
  - Middle and back office processes alignment (e.g. credit and risk management systems, finance, operations, HR, etc.)
  - Implementation of new branding strategy
  - Focus on realising cost, revenue and financing synergies to drive value creation
  - Sharing of both institution's know-how and best practices to enhance corporate culture, drive results, and deliver best-in-class customer service



- ✓ Combination of a leading wholesale banking platform in Nigeria, with a leading retail banking franchise: the combined bank will be a go-to financial institution for every type of consumer and business in Nigeria
- ✓ Strong strategic rationale and complementary business profiles conducive for delivery of value to all stakeholders, including customers and staff
- ✓ Significant potential for cost synergies, estimated to be at least ~NGN30bn per annum pre-tax on a fully realised basis. Additional earnings accretion potential from revenue and financing synergies to be fully realised in three years post deal completion
- ✓ Share consideration for Diamond Bank shareholders enables their participation in the exciting growth journey of an enlarged Tier 1 institution
- ✓ Transaction completion expected in 1H 2019. Integration preparation conducted via the Joint Implementation and Integration Committee is being rolled out immediately to plan for the development of a combined business plan and strategy, synergy realisation, and customer / platform migration
- ✓ Access Bank will look to further support the enlarged institution via a potential capital raise in order to maintain adequate buffers while executing on the combined business plan

# Appendix

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# Key Pro-Forma Financial Data



## Key Pro-Forma Metrics

9M'18 figures, data in NGNbn, if not stated otherwise



### Combined Entity

<b>Total Assets</b>	4,555	1,555	6,110
<b>Net Customer Loans</b>	1,976	730	2,706
<b>Deposits</b>	2,475	1,068	3,543
<b>Gross Earnings</b> <sup>(1)</sup>	375	143	513
<b>Net Income</b>	63	2	65
<b>Number of Customers (million)</b>	10	19	29
<i>o/w Mobile / Online Customers (million)</i>	3	10	13
<b>Number of Branches</b>	400	277	677
<b>Number of ATMs</b>	1,881	1,218	3,099

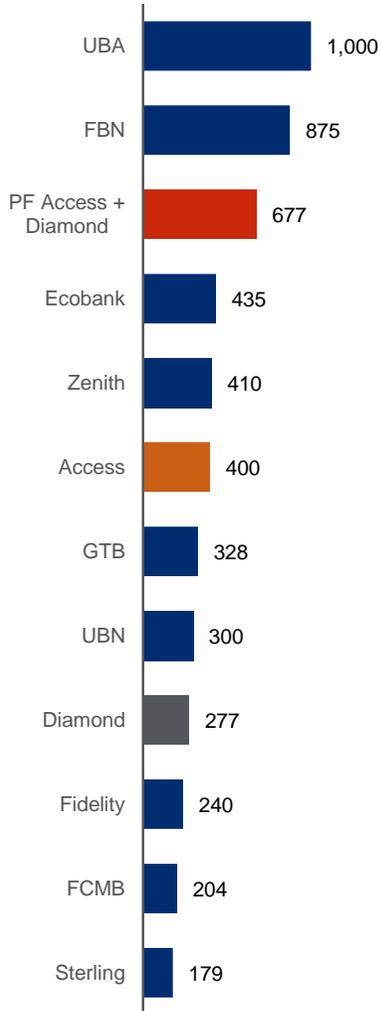
Source: Company disclosure at Group level.

Notes: (1) Calculated as the sum of Interest Income, Fee and Commission Income, Net Gains (Losses) on Investment Securities, Net FX Income (Loss) and Other Operating Income.

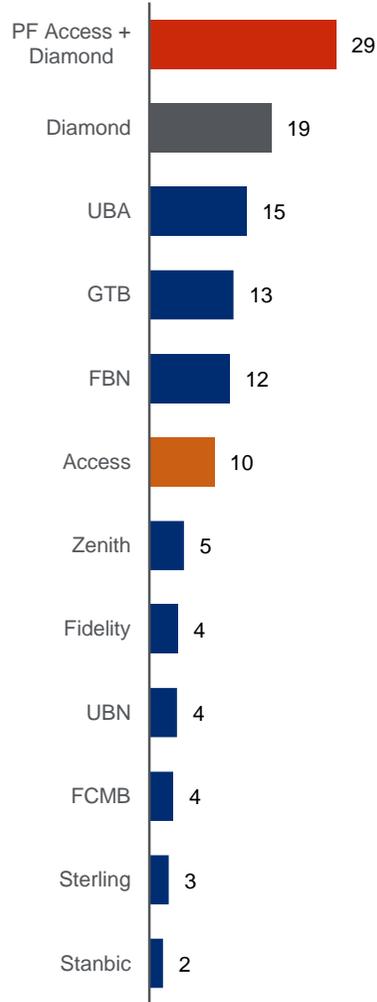
# Enhanced Combined Distribution Network



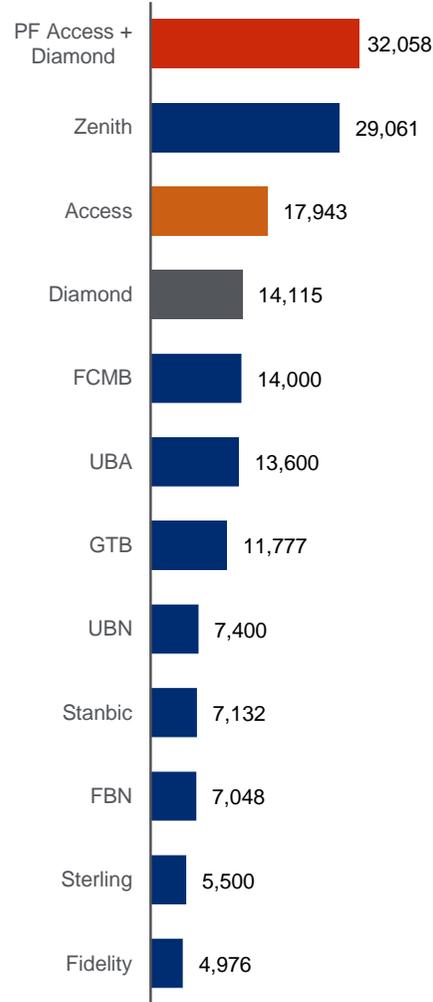
**Number of Branches**



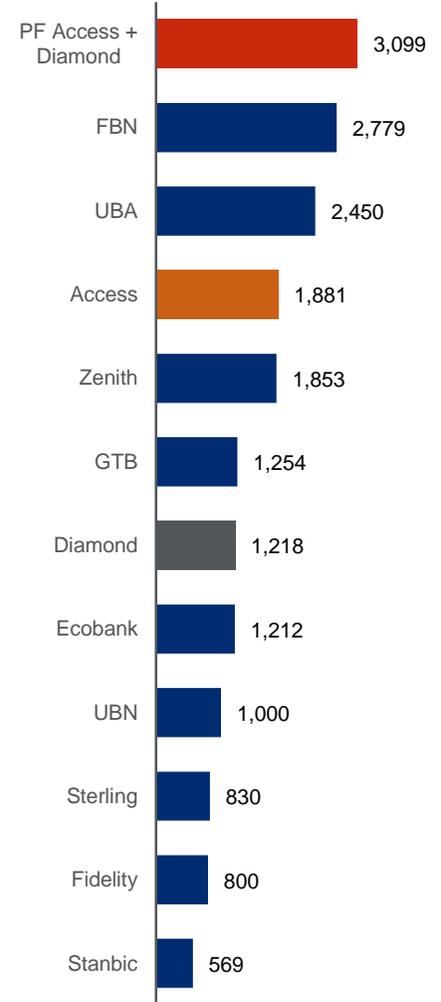
**Customers (million)**



**Number of POS**



**Number of ATMs**



Source: Company disclosure. Latest available data as of 3Q'18; GTB as of H1'18; FCMB and Ecobank as of FY'17.