

## Transaction Summary: Combination of Cash and Share Consideration

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After 2 weeks of denying the possibility of a merger between both banks (Diamond Bank and Access Bank), the public awoke on Monday, 17 December 2018 to the media awash with the news of a proposed merger in which the entire Issued share capital of Diamond Bank will be exchanged for a combination of Cash and Share in Access Bank via a Scheme of Merger.

Based on our estimate, the transaction is valued at N72.46 billion, which translates to N3.13 for every existing Diamond Bank Shares. See below the breakdown of the transaction and cost implication:

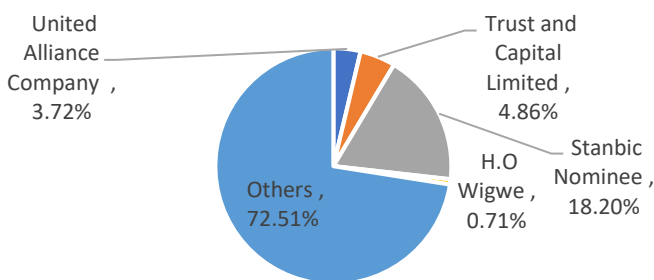
- A cash consideration of N1.00 per Diamond Bank Share – N23,160,388,968 this is based on Diamond Bank Outstanding Share of 23,160,388,968 share
- The allotment of 6,617,253,991 shares which represents 2 new Access Bank Ordinary Shares for every 7 Diamond Bank Shares

## Transaction Multiples: Discount to the Book Value while Premium to the Market Value

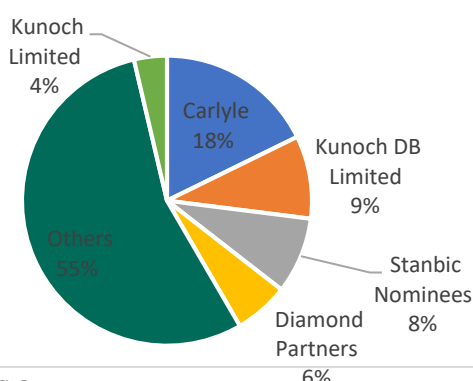
As at Q3 2018, Diamond Bank posted a Book Value of N221.62 billion with a Book Value Per Share (BVPS) of N9.57, this translating to Price to Book Multiple of 0.10x. However, with the Merger consideration of N72.49 billion, the transaction Price to Book Multiple is estimated at 0.33x. Based on the takeaway from the Investor Call which happened on Wednesday, 19 December 2018 Access Bank is estimated to inflow between N150 - N180 billion to pay off and clean up Diamond Bank's bad loan position. This is the explanation for the purchase consideration of N72.46 billion.

**Shareholding Structure** – Upon completion of the merger, we estimate an increase in number of shares outstanding by 22.87% to 33.5 billion shares for the New Access Bank. Access Bank (81.38%) and Diamond Bank (18.62%).

### Pre-Merger Shareholding Structure of Access Bank



### Pre-Merger Shareholding Structure – Diamond Bank



## Transaction Summary

Consideration	Basis	Units of Shares (billion)	Price per Share	Amount (N'billion)
Cash	N1 per Diamond Shares	23.16	1.00	23.16
Shares	2 Access Shares for every 7 Diamond Shares	6.62	7.45	49.30
<b>Total Consideration</b>			<b>3.13</b>	<b>72.46</b>

## Stock Information

	DIAMONDBNK	ACCESS
NSE Code	DIAMONDBNK	ACCESS
Share Price	0.95	7.45
Outstanding Shares Mn	23,160.39	28,927.97
Market Cap N'mn	22,002.37	215,513.39
52 Week Range	0.61 - 3.73	6.80 - 13.60

\*Stock price as at 14 December 2018

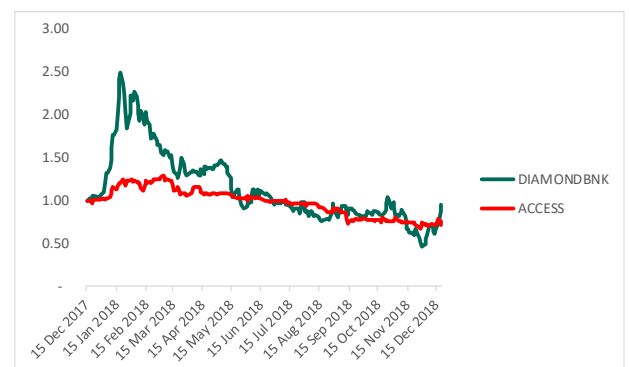
## Summary of Results for Q3 2018

	Diamond Bank	Access Bank
<b>Income Statements Summary</b>		
Gross Earnings	142.54	375.23
Interest Income	108.00	274.50
Interest Expenses	-40.94	-151.55
Net Interest Income	67.06	122.95
Impairment Charge	25.17	8.35
Operating Cost	66.53	144.72
PBT	3.08	70.27
PAT	2.58	62.91
<b>Balance Sheet Summary</b>		
	Diamond Bank	Access Bank
Total Asset	1,554.93	4,555.17
Total Liabilities	1,333.31	4,082.49
Loan Books	784.39	2,080.59
Total Deposits	1,068.18	2,474.81
Shareholders' Fund	221.62	472.68

## Financial and Valuation Ratio

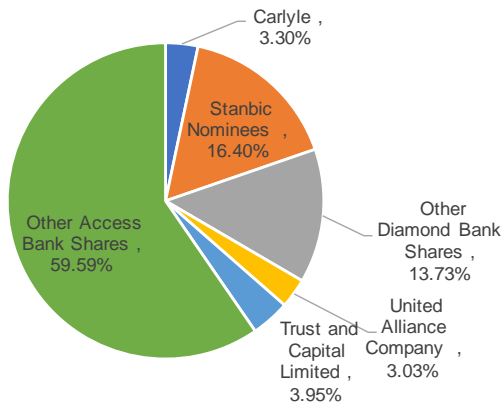
	Diamond Bank	Access Bank
<b>Key Ratios</b>		
Return on Asset	0.22%	1.84%
Return on Equity	1.55%	17.75%
Loan to Deposit Ratio	73.43%	84.07%
Risk Asset Ratio	50.45%	45.68%
Cost to Income Ratio	95.57%	67.32%
Cost of Risk	3.15%	0.40%
Cost of Deposit	3.67%	6.42%
PAT Margin	2.41%	22.35%

## 1-year Stock Price Movement - Rebased

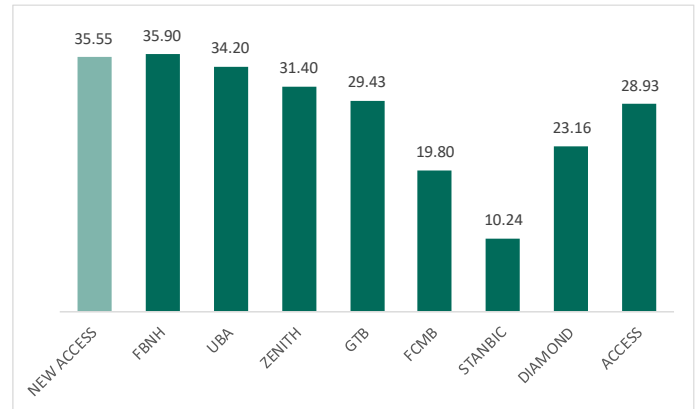


# ACCESS BANK – DIAMOND BANK MERGE: ENLARGED TIER 1 BANK

## Post-Merger Shareholding Structure – New Access Bank

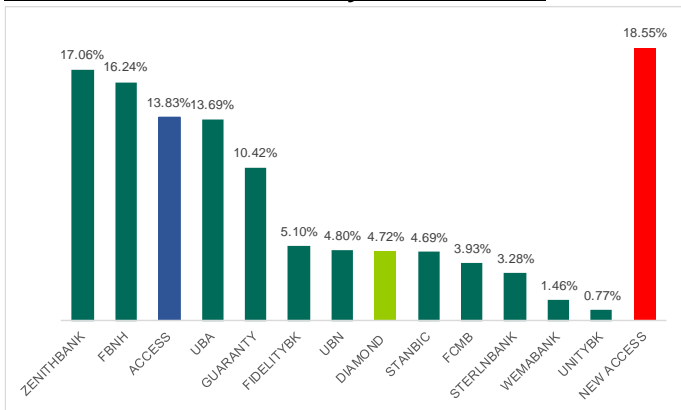


## Post-Merger Shareholding – New Access Bank

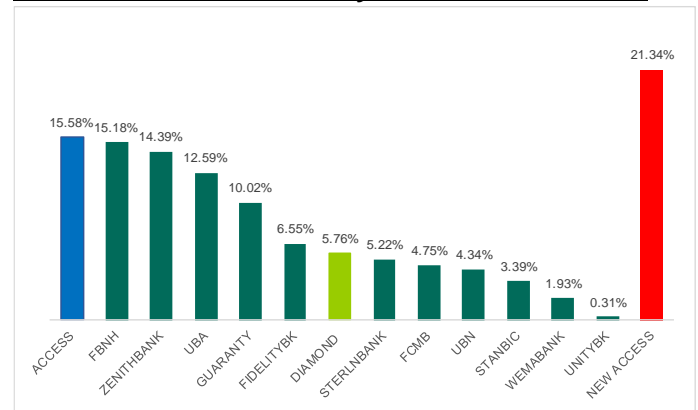


## Key Metrics – Market Share Comparison

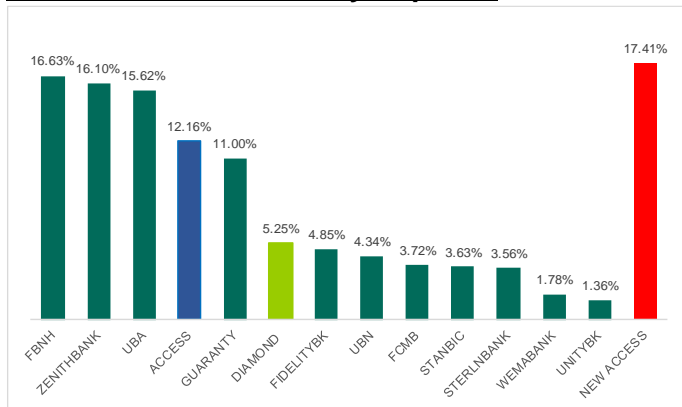
### Market Share of Banks by Total Assets



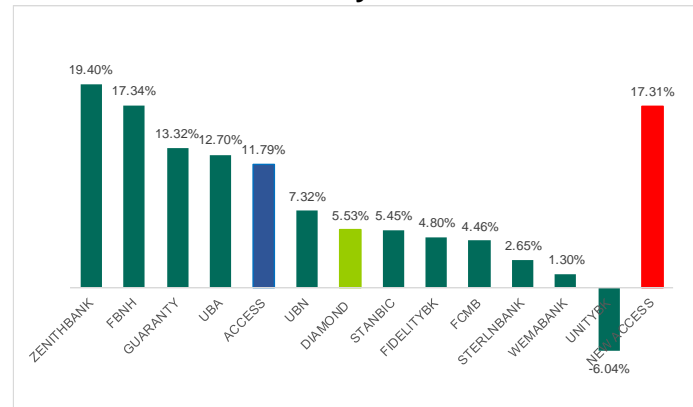
### Market Share of Banks by Loans to Customer



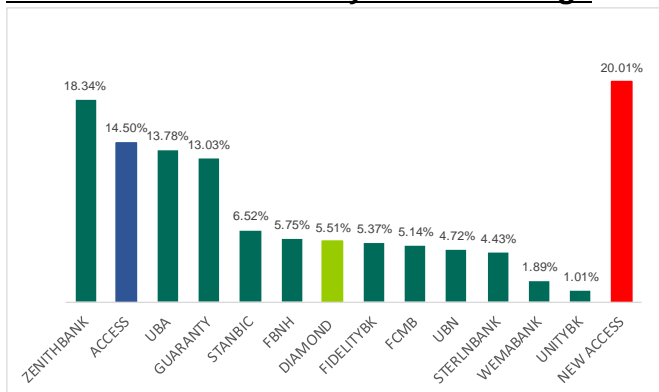
### Market Share of Banks by Deposits



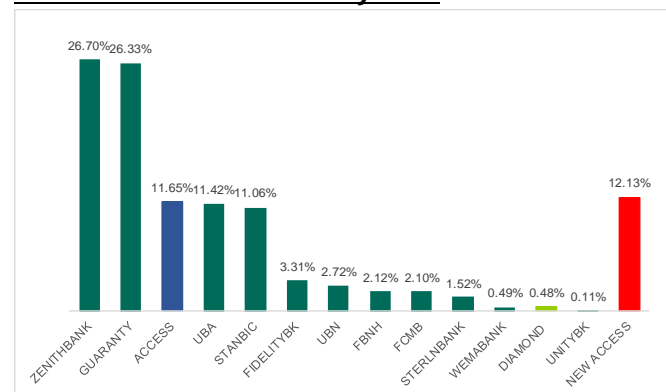
### Market Share of Banks by Shareholders' Fund



### Market Share of Banks by Gross Earnings

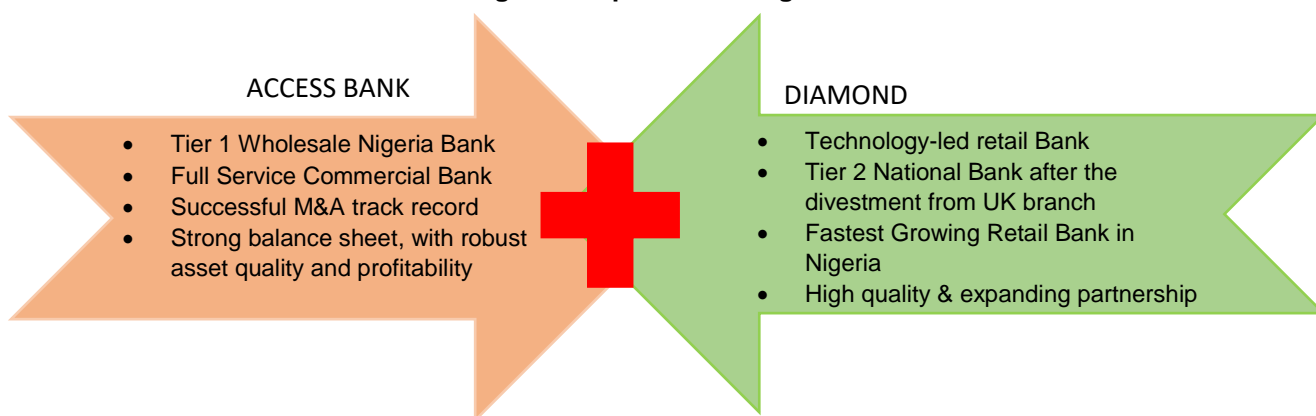


### Market Share of Banks by PAT



\*The comparison is based on Q3 2018 Financials of all banks excluding ETI, Citibank, Standard Bank, Jaiz Bank, SunTrust Bank, Keystone Bank and Heritage Bank

“Access Bank and Diamond Bank to merge to create Nigeria and Africa’s largest retail bank by customers with a significant position in digital.”



	ACCESS	DIAMONDBNK	CONSOLIDATED
No of Active ATMs	1,898.00	1,214.00	3,112.00
No of POS	10,038.00	13,638.00	23,676.00
Branches	392.00	277.00	669.00
No of Customers (Million)	9 +	17.47	26.47
Staff Strength	4,129.00	3,280.00	7,409.00

\*Based on Q1 2018 Investor Presentation, Diamond and Access Bank

## Consolidation Benefit of the Merger

**Moderation in the Cost of Fund** – As at Q3 2018, Diamond Bank Cost of Fund is estimated at 3.67% which is lower than the average Tier 2 Banks’ Cost of Fund while Access Bank’s Cost of Fund is estimated at 6.42% which is above the average Tier 1 bank ratio of c4.00%. The Merger of both firms is expected to moderate the New Access Bank Cost of Fund below the average Tier 1 Bank ratio. In addition, we estimate the CASA mix of Access Bank to increase to c54.11% post consolidation from 44.70% Pre-consolidation.

**Biggest Single Bank in term of Outstanding Shares** – Upon consolidation, the New Access Bank is put at 35.55 million shares which is higher than peers in the industry except FBN Holding which has a “Holding” structure.

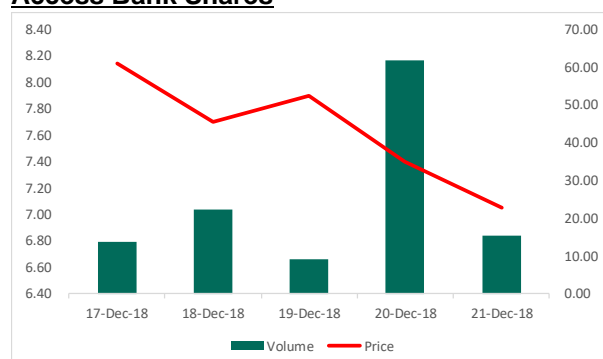
**Enlarged Customer Base** – Based on the available data (Q1 2018), the consolidated customer base is estimated at 26.47 million

**Revenue and Cost Synergy** - Both banks are careful on pronouncing projections related to revenue synergy, but they are more optimistic and confident on cost synergy that will be achieved early into the merger. The estimated Cost synergies is cN30 billion.

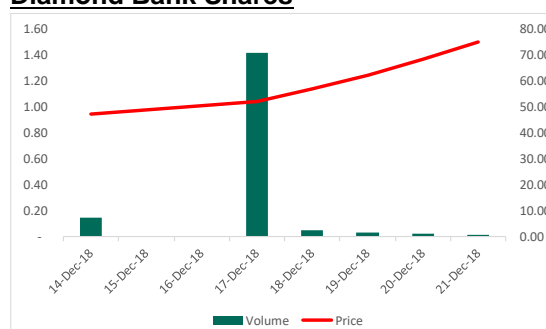
## Investors Reaction to the Two Stocks

Over the past 5 stock trading days, Diamond Bank share was on full bid as market participants rushed to take advantage of the Merger Cash and Share considerations.

### Access Bank Shares



### Diamond Bank Shares



## Disclosure Appendix

### Analysts certification and disclaimer

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