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Operator: Good afternoon ladies and gentlemen, and welcome to the Access Bank – Diamond Bank merger update investor analyst call. All participants will be on Listen Only mode. There will be an opportunity to ask questions at the end of today's presentation. If you should need further assistance during the conference, please press the # key to speak to an operator. Please note that this conference is being recorded. I will now like to hand the conference over to Mr. Herbert Onyewumbu Wigwe Group Managing Director of Access Bank Plc. Please go ahead, sir.

Mr Herbert: Thank you very much. A very good afternoon ladies and gentlemen, and thank you or joining us today to discuss new updates with regards to our merger. On call with me today are joint teams of Access and Diamond, and for purpose of completeness, I will just share with you the names of those who are present. We have Mr. Roosevelt Michael Ogbonna, our group deputy managing director who is calling in. We have Greg Jobome, our chief risk officer from Access Bank. We have Victor Eitoku and Mr Robert Gal who are joint integration leading for the merger. We have Chizoma Okoli, Executive Director Diamond Bank, Chiugo Ndubuisi, the chief financial officer Diamond Bank, Mr Seyi Kumapayi, CFO for Access and of course, Mr Adebanjomowa, Head of IT and operations, HEDIT.

Just by way of updates, on December 19th, 2018, we shared with you our visions for creating a true diversified Bank with very strong retail possibilities, and of course, this led us to signing a memorandum of agreement with Diamond Bank to merge as well as the synergies we expected from the transaction. The little timetable for completion and associated shareholder regulatory approval indicated that the transaction will be completed by the end of June 2019. However, I'm pleased to inform you that the admissions to the approval in principle from the Central Bank of Nigeria, the security and exchange commissions, has also given us approval to move on to the next step in the merger process which is to apply to the Federal High Court.

And I'm pleased to mention that we have obtained that approval today and we basically [silence] [Beep]. Sorry for the technology interruption, well like I was sharing, we have obtained the approval in principle from the Central Bank of Nigeria and the Securities and Exchange Commission and of today as well, obtained the court sanctions for a proper court ordered meeting to approve the merger. This is going to be holding on the 4th of March. Now due to the key milestones which we had achieved with regards to approval, the timetable for completion and associated shareholder and regulatory approval have also been revised to a realistic expectations proposing due completion date as April 2019, of course subject to the final shareholder and regulatory approval.

In terms of integration, and I'm sure most of you have access to the slides which has already been hosted on our website, in an effort to ensure business continuity, we have taken a deliberate approach to identifying and capturing quick wins while preparing a detailed integration plan that focuses on value creation using an expertly staff integration management office to coordinate and handle the transfer of processes.

Now in capturing the quick win, we've done a couple of things with focus on the value creation process and some of the things which we've done have had to do with ensuring that customers of both institutions start to understand the whole essence of this merger. So today, we have both Access customers and Diamond customers able to use their ATM cards on either ATM machines across the country without additional costs. We've also created several work streams working together to identify all the difference issues as far as integration is concerned, right from people, culture, systems, processes, IT, etc, to ensure that by the time we get to Day 1, all issues with respect to integration would have been resolved.

There are also continuously cordial engagements and I'm talking of all stake holders, staff, customers, regulators, media, etc, to make sure that at the end of the day that we see a value [?] merger. This particular merger is a bit different from all the others that we've done because it's been handled in an agile manner and also because we have a lot of assets, so deep customer analysis, and of course, deep customer insight that any other merger that we've done. On our own part in Access, I think its been a lot of learning from the previous deals that we've done and we've brought all of that to bear as far as our merger with Diamond Bank is concerned.

Now based on the new timeline, we envisaged that the legal merge Day 1 will be April 2nd 2019, which is basically at the beginning of the second quarter. And at this point, plans would have been implemented to effectively integrate both entities, operations and processes with expectations to return to business as usual as one robust organization, well positioned for growth in October 2019. However, from April 2nd, all the way to October, what we've done is also to ensure that we have things to make sure that while we are going through all of the integration process – in fact that has already started, the existing business can also happen and continue unhampered and if anything, the idea is to ensure that the accretion even from the traditional businesses will see some growth before we even start to talk of the proper synergies envisaged from the merger.

With respect to the capital plan, given the realization of the synergies we expect earlier than as we've stated, we now have a clearer understanding of the capital strength required for the combined equity to ensure there's financial stability post-merger. As such, we don't think it will be necessary to raise Tier 1 capital at this point in time. The decision is based on our proactive synergies, deliberation modeling, which shows stronger earning accretion and recessions to be realized in the course of 2019. Of course, this is an addition to the Tier 2 capital that is being raised which will happen before the end of the 1st half of 2019.

All of which we expect that our capital adequacy level stays well above the regulatory minimum. At the time at which we had announced that there was probably going to be a Right issue, we were overly cautious of what we could have happened or what we could have seen in the course of the meager but now we now have better clarity and we don't believe that it is necessary to issue Tier 1 capital. We believe that the retentions that we have together with our Tier 2 capital, is more than enough to support an institution of the size that we are creating.

So with this performance which we have on the slide, the capital position of the merger is in full compliance with the regulatory requirement for [CP] with an international banking presence but Access Bank, of course, will intensify efforts to enhance its returns on equity to shareholders given the fact that it has absorbed Diamond Bank or rather through the merger process that we have sealed. We have at the next slide which is the synergy slide. If you turn quickly to slide 6, there is a break down of synergies and I'm very happy to announce that we think that we will see total synergies both on the cost and revenue side of about a N150 billion over three years.

We had earlier communicated to the cost synergies at about 90 billion which is 30 billion accruing on an annual basis. What you've seen and this is not [?] or [?] synergies, is that on the revenue side, we should be able to see an additional 60 billion which brings the total synergies that we expect to be as high as a 150. And I think the most important one quite frankly have to do with the [?] savings coming from the cost of funds, and this is taken over a nine months period given when the legal merge happened, which is as high as 21 billion and that is the most significant one. And on the revenue side, there is increased product offering coming from some of the products which Diamond is bringing, more specifically, things around the Xclusive Plus product, the Payday Loans, on a much larger customers base, things which we are doing with respect to the inclusive market. All of that should probably bring revenue synergies to as high as N40 billion from all the work that the integration team has done.

We think that for the rest of 2019, our priorities remains to ensure a seamless integration and customer transition with Diamond Bank to ensure that we run a combined institution properly, even though keeping the traditional [?] on that are [?] in terms of the business transition while carrying out the integration, to ensure that from the risk standpoint, we continue to maintain our moderate risk appetite, and of course, one of the most important thing is ensuring that we deliver much stronger return on equity than ever before. At the end of the day, all of these should lead us to see our vision, our real objective which is to become the world most respected African Bank.

Ladies and gentlemen, that brings me to the end of our short presentation. We will be ready to take any questions that you may have.

Operator: Thank you very much. We will now open the lines for questions. To ask a question, please press "0" on your phone's keypad or "7" to cancel a question request. Once again to ask a question, please press "0" on your phone's keypad or "7" to cancel your question request. Thank you. Your first question is from Ola Warikoru from SBG Securities. Please, go ahead.

Ola: Hello, thank you very much for the presentation. I just wanted to follow up on the last presentation you had. Then the internal guidance for capital adequacy ratio was around 20%. So is it safe to say that will still be retained going forward because I can see in the presentation 19.2 for half year 2019. But just to say that in the near term what is the internal guidance going to be? Then also looking at the presentation, there was no mention of when shareholders approval will come through. So I just like to get more colour on that. Thank you.

Herbert: Okay. Ola you can see from our presentation that the capital adequacy ratio expected by the end of 2019 or rather by June 2019, at the date completion, when we have our first audited account rather, will be about 19.2. Expectations is that by the end of the year, our capital adequacy ratio would have gone up to as higher 20% and perhaps a little bit more above that. And this is without taking into consideration the transitioning provision with respect to IFRS-9 from Central Bank. So this is on a pure play IFRS-9 absorbing all of the issues involved. Now with respect to shareholder's approval, that should happen by March 5th. That is when we have the first ordered meeting. So we expect that we should be able to get that approval on that date. Next question.

Operator: Thank you. Your next question is from Teyosi Oni from Renaissance Capital. Please go ahead.

Teyosi: Good afternoon and thank you for hosting this call and taking my question. The first question is that we understand that the integration of both Banks had begun, however we are under the impression that the EGM needed to have held before things progress. So we would like to seek clarity on why the integration began without all necessary steps being taken. My second question is that with the recent de-rating of Access's share price, the consideration on the transaction to Diamond shareholders seem less attractive than initially. Is there a possibility that the terms will be revised?

And my final question is that with the announcement of the merger, naturally we expect that there will be heightened concerns about staff security at Diamond Bank and that some of these anxieties might begin to play out soon. How is this being managed considering the pressure this might put on the low cost deposits mobilized by the retail expertise at Diamond? Thank you very much.

Herbert: Thank you very much Teyosi. Formal integration has not started. Let me explain that to you. The way it works; you have an integration plan that basically starts to put people together to understand what needs to be done, to look at the systems, processes and procedures. That is how it happens any where and following best practice. The difference in this case is that Diamond has big customers analytics and insights which in the course of the integration plan, we can basically take advantage of. So you can know for instance in great detail what branches needs to be closed and all of that.

I think that analog method we think these things would have happened, in fact is dis-changing. You would not have done formal integration but you need to have a very clear, very clear insight as to the integration plan and what needs to be done. So that's where we are. Now with respect to customers using their cards on either of our ATMS, I don’t think you should consider that any thing but a standard process where both institutions who have agreed to work together can allow their customers use their cards on their own machines without actually any cost. So we are not in any breach whatsoever in any way of any regulation.

Now with respect to Diamond's Bank shareholders, I think we've gone past that. First of all, we had expert advise on both ends. There are different school of thoughts that people who think that Access basically over16:01 and all of that. I think that is just a matter for us to determine over time. I think what is important is that we paid a significant premium based on what we think can come out of the franchise, as the Diamond Bank Shareholders, we believe that it will be seen as a fair price because it was in multiples of what the shares were trading on the stock exchange on the day that which the deal was closed. So I think that it's an issue. I think what is important is for management to demonstrate that they can actually create a greater result for the combined entities as we move into 2019 and the years ahead.

Your third question which happens to deal with staff security. It's normal and will happen in any integration, any two companies coming together, it's a standard thing. But like I mentioned in the course of my presentation, we have done this several times and I think we have taken the learning of the past to bring in here. One of the things we've done is to ensure and ask ourselves "what branches needs to be closed? etc" and we have seen that quite frankly, we don’t need anything more than 57 branches will be closed. That does not point any staff redundancy. What that does is to enable you technically to retrain staff and seek to employ them to do different parts of the institution.

That will never solve the problem no matter how you communicate but I think if I were to compare this with all other mergers we've done, I would say that quite frankly we are able to carry out - we will be able to retain as many staff as is possible. How will it affect the retention of low cost liability? I think part of the integration plan which handles different work stream - one of the work stream has to do with people, another one had to do with culture and all of that, its a fact that we are having people address the much specific concerns of Diamond to make sure that we can communicate to them and let them know that there's a place for them in the new enlarged institution.

This communication is not just to Diamond, even to Access people because you are taking the best of both world and you are combining it together. So I think to a large extent, if you ask me, how far have we gone as far as this is concerned, I think we will be able to manage both of them. You will see from leakage like in everything, but I think we will be able to retain a good 80% of the people with think will be retained. So in a nut shell, I think the benefit of maintaining or ensuring that the cost of costs come down and largely again coming from what we are seeing in Diamond, I think we will be able to attain the numbers that we set for ourselves. Thank you very much.

Operator: Thank you. Your nest question is from Ise Oluwakpo from ARM Pension Managers. Please go ahead.

Ise: Hello Good afternoon. Hello?

Herbert: Yes. Good afternoon. Good afternoon.

Ise: Okay. Thank you for hosting this call. Our question is actually tied to one of the earlier questions that was asked, and that's surrounding the integration like you mentioned that it’s already ongoing and the ability to use one ATM and the others. So we hear you that the two Banks have agreed to work together and as such have decided to begin integration. But are shareholders we of a view that the shareholders should have meet first, being given the opportunity to vote first before any form of integration because, they are saying "what if at the end of the day, something happens and the shareholders vote doesn't go?". So what's going to be the plan, you begin to un-integrate all the integration that had happened before? That's just largely where we...

Herbert: I don’t think you are getting the message clear enough. We have an integration management office. It has have about twelve work stream and they are planning integration, and they are going to great details to understand what needs to be done, what product needs to be kept after the shareholders meeting. Perhaps there is where a lot of value is lost by several people who have not done M and A before. If you keep waiting and say "I will set up this team by that date", that is how value is destroyed. Now what we've done is that we've set up a team working, I'm talking of joint team from Access and Diamond, and we are looking at a fine details of how to ensure that we hit the grounds running from Day 1.

With respect to using ATMs on Diamond ATM, I can risk that arrangement with any other bank and there is absolutely nothing wrong with that, and by the way we got regulatory approval for it. So I don't think there's anything wrong with it. It think its probably has to do with whether people understand what it means to do a proper M and A and the process to go through to ensure that shareholders value is not destroyed. Now, let me quickly add that it is not to say that the both processes have been signed together, no process has been signed together. If we don't get shareholders approval, nothing happens. But the day you get shareholders approval, and you get the final approval from court, shortly after and you set up that approval, you hit the ground running from Day 1.

The mistake come from people who have never done it before, who don't understand that all of these fine details must have been discussed and clarified and set in place before you get the final sanction and then ensure the coupling happens instantaneously and as soon as you get the final orders, but I will let [?]21:39 who is in charge of integration management office speak to this point a bit more.

Ise: But please can I just make

User: I said...

Ise: Hello, sorry, I'm so sorry

Herbert: Yes.

Ise: I'm so sorry. Please can I just quickly add one more comment because

Herbert: Okay

Ise: because what we also try to do was, we tried to engage staff of both banks

Herbert: Yes

Ise: and from our engagements, what we understand from what they tell us is that full integration would most likely be completed early march there about. And we were like shareholders haven't even met first to decide so I would like for management to be able to shade some clarity on this because that's the information we are getting when we engage with several staff of either Access Bank or Diamond Bank. So we would like clarity on this, Sir. Thank you.

User: Thank you Ise. Let me just give you some background. What we are doing is what they call integration planning. We are planning how both Banks will come together in the most effective and efficient way to secure shareholder value. So what we are doing is planning and the planning activity is always phased according to the legal timelines of the merger. So you've heard from Herbert earlier on that the legal time-frame appears to have shorten some where to April, so we are hopeful that he legal Day 1 will be April 2nd. Based on that, the planning activities should in an efficient M and A planning process, should end before legal Day 1, so that on Legal Day 1, every person knows what to do and how to begin to trigger the synergies that we'd see.

Just to be clear, there is no cross functional activity happening. In order wards, no Diamond Bank staff works for Access Bank and no Access Bank staff works in Diamond Bank. There is no asset by an Access Bank staff in Diamond bank and vise versa. There is no access for a Diamond Bank staff in Access Bank. Both Banks are still legal entities operating separately and what we are doing now is what any bank can do with any other bank in this process, that is cooperating to plan. What we did with the ATM can be done with any other Bank. In fact if you recall, some time last year, even two-three years, the industry came together to give concessional charges on POS.

Banks do this every time. So there is nothing new about it. Any bank can talk to any other bank and say "look, we want to create value and grow our business. Let us give XYZ number of concessions on a product offering" and it happens every where. There is no breach of conventionality in this case. All we are doing is working with our partners to say "how can we be ready for legal Day 1?". Does it makes sense now?

User: [?] 25:07 I think this is Roosevelt on the line. So you said, we have had the opportunity and privilege of speaking to several shareholders, maybe we haven't start with you. and in all our conversations with those shareholders, the questions they are asking is tell us about the synergies. Tells us what happens legal Day 1. Now there is no way we can answer those questions and provide clarity without the integration management office so they are sitting down together to try and understand how the two institutions can work together come legal merger Day 1. For shareholders like yourselves to give an approval for such a significant transaction, you want some comfort that the information that we have and we are providing the shareholders to make that decision is one that is well informed, and across the various shareholder groups we've spoken to, that is what is something that has come through extremely strongly.

Now there is no way and I repeat, that we would have had such an information without the integration management office working together to try and understand where the synergies are and how the institution is going to perform starting Day 1 of legal merge. so this is normal for any transaction and I don't think from a shareholder's perspective, it puts them in a negative position. Thank you.

Herbert: Thank you. next question please.

Operator: Thank you. Your next question is from Jerry from Cardinal stones. Please go ahead.

Jerry: All right. Good afternoon. Thank you for taking my question. I just to find out regarding the MPLs. So from the presentation is see that you expect MPLs to be single digits by full year 2019. That means that there's a possibility that there will be a transfer of MPL from Diamond Bank to Access Bank. So I will like to know if you have an estimate of what this MPL that can be transferred to Access Bank is? And secondly how do you intend to bring down the number to single digit because looking at it from 14% where it is currently, If I presume, I think its high so how do you intend to bring that number down? Thirdly I will also like to know if you have any estimates of expected integration costs for 2019. Thank you.

Herbert: Okay. Okay. Let Mr Roosevelt speak to that point.

User: Okay. Thank you. obviously we haven't done the full year audit of any of the two banks. So I'm speaking on the basis of September 30 numbers, which it's public information on both bank's website. So a straightforward consolidation of both books is what gives you the 14% combined MPL ratio. Now the actions to bring this down, as you know, Access Bank has already operated with an MPL ratio well below 5% and that is something that's going to be ongoing. Of course at the point of consolidation, we're going to be above, like I've said already. Getting into within single digits. There are two ways to achieve it. Of course, you get the organic improvement in performance of loans. The second is to look at fully provisioned facilities and write them off. So both of these activities are going to happen between now and the end of the year.

Some of it will actually happen even before June 30th, which means that by June 30th, you might well see an improvement already from that 14% to a lower figure. And by the end of the year, definitely well below 10%. It might be 8%, it might be even lower than that. So all of these have been carefully mapped out. After the full year audits of both banks have been done, we can then get a bit more information with respect to what the closing MPL ratios are and therefore what the actual amount of heavy lifting that we need to be done. But all of that is mapped out already and from legal Day 1, all of those will start ruling out and definitely those are the numbers that we can achieve given what we've seen.

Herbert: Next question

Operator: Thank you...

Herbert: Sorry, sorry. There was a point that was - the integration costs, we've not put the final figures to it but obviously as you know, it will be a one-off cost as it proceeds and I'm sure we will have another call very shortly after we've gotten a final approval and that will most likely going to be in April by the time we would have started legal Day 1 and we will be able to share with you our costs with respect to what the specific figure around the integration costs will be. Next question.

Operator: Thank you. Your next question is from Rhoda from EFG [?]29:53 . Please go ahead

Rhoda: Good afternoon gentlemen. Thanks for the presentation and thanks for taking my questions. I guess the first one really is just a follow-up of the previous caller with regards to MPLs. I mean just focusing on Diamond bank's MPLs based on the numbers that have been published in the third quarter, and the additional provisioning they've taken, they've probably couldn't have provided for about 150 billion or thereabouts Naira worth of MPLs, which Access Bank is inheriting and therefore to get it down, one would have to presume that those have to be provisioned for or recovered. But given the way we are in the economy cycle, and given the issues that Diamond bank has historically faced on that, recovery, seems like a very mute option. So does that mean that Access bank would have to make significant provisions post merger?

The second question is on your CAR ratio, I see the guidance is around 19.2%. Could you just clarify, is that the CAR ratio at the group level or at the Bank level? By my experience, I think the bank's CAR ratio has historically been 200 basis points or thereabouts lower than what the group reports. And then the third one is on the cost synergies. So I see you're estimating cost synergies of around 88 billion of that, around 21 billion is through cost of funds reduction. And the rest is, I guess it's coming through declining Opex, which is roughly around 60 billion or slightly higher even. Is that kind of cost synergies is feasible? I mean, if you look at Diamond bank's numbers, they were probably going to report about Opex overall 90 billion last year.

So if you're estimating cost synergies of around 60 billion, that means you're expecting to cut Diamond's cost to about two-thirds. So is that feasible to achieve, and like one of the callers previously was querying, if you, if you do cut so deep, do you realistically expect that you can maintain Diamonds deposit franchise as it stands. And the last one is on your funding profile. I'm looking at the funding liability profile of both banks, there are some significant maturities coming up in the next 12 to 18 months. Now, given the cash constrained position of Diamond Bank because of the significant write-offs that they've made, will these maturities have to be rolled off?

I know previously, pre-merger announcement, Access Management and Access Bank were guiding that some of these expensive funds will be paid down and so the cost of fund will start to improve. But given that the liquidity requirements have picked up, does that mean these expensive deposits of funds will have to be rolled over? Yes, those are my questions. Thank you.

Herbert: Okay. I will attempt to answer some of the questions and of course I will get Greg to support me. With respect to provisions that you were talking about, I don’t see the additional N150 billion. The gross MPLs is about 331 and what has been taken today is I think 234 billion. Now this shows that there's an MPL coverage of something like 52.9. Now what the Joint integration team seem to have see and coming out o the due diligence is the fact that we probably don't need to take anything much more than where we are right now. And that what have come out and this is information which is in public domain on the company's website etc. Obviously, the final governance will come out of the audit but ourselves looking at the various accounts, I'm having a bit more details information on the account which are buying away within public domains.

I don’t think we'll need to take additional provision. And they are all secured facilities. Those that we can visibly realize some form of security or those that have some challenge with cash-flow. I will give you an example, you now find that some of the oil and gas links are beginning to receive payment from government, with respect to the SGS. So all of that is helping to pay off people's balance sheet particularly those who have significant exposure to the oil and gas sector, particularly the downstream sector. Diamond had quite a bit as well in that sector. So I think quite frankly, I don't see any significant increase in provisions that will be transferred to Access. But like all integrations or all mergers rather, you may see one of those too, but quite from what you've seen, there isn't anything significant.

Now as part of the pre-merger arrangement in integrations management updates, obviously their are things like other loan losses that could be found. but working with the various teams I'm making sure that people's general ledgers are clean, which is good practice. I don't think you are likely to see anything significant coming from that angle as well. You spoke to the cost synergies, about the 21 billion coming from the costs of funds, the reduction in the cost of funds. That is even in our view what you are likely to see in the first year and its just assuming a 100 basis points drop in costs of funds for the nine months remaining in the course of the year.

I think from the work the IMO is doing, we will be able to maintain this funding profile in terms of the costs of funds of Diamond and given some of the things that have led to this merger, we believe that the digital base and the including segments which we are going to do several great things with, we will be able to pursue and increase the amount of money being low cost for funds coming from this topic which is also to ensure that in 2020, we will see cost of funds come down a bit more at 2021 to where our comparisons are certainly by 2020.

Now the other costs which were not captured in a much more detailed slides and they includes 1: the shared vendors which we have, some of them were having [?]36:08 from a pricing standpoint. Some more expenses in Diamond than in Access, some in Access than in Diamond. Streamlining all of that is throwing out a lot. We have also seen significant amount of IT and that could be about 5 pages long if we are going to take you through all of them, things that has to do with licenses, where we don’t have to pay annual, management charges, etc, etc. Things that has to do with the fact that we have a universal unlimited license for our Banking software the Flexi which we use. Diamond did not have it. etc, etc. So we have gone through, and this is not an excel exercise, we 've gone through it with to tool pick to basically ensure that those numbers are obtained. So these are pretty much realistic synergies that we intend to see as far as cost costs is concerned.

Now, with respect to the capital adequacy ratio, the figure you have there is at the group level. You are correct that the bank level will always be right about a 150 basis points to 200 business points. So yes, advanced level, it is right about 17.5%, that kind of number. That is what you have on capital adequately for the bank. But this again is well, well, well above, the required minimum for the inter-banking banking license. And we expect that given the returns that we expect to see, the numbers will go up to the threshold of 20% that we expect at the end of the financial year.

Now you spoke to the funding profile and I'm sure you were [looking] to things that have to do with for instance, perhaps with the maturing Euro bond and all of that which is basically coming out of Diamond towards the end of the year. Some of the structured funding and then start happening I think right about June this year. Well, we have made the liquidity arrangement for it and we mentioned this even at the beginning of the merger that we are well aware of all of those maturities and we'll today stand firm in a position to meet all those maturities and as they fall due. So that's basically it and I think I've addressed most you may have asked. [?]38:30

User: Hi, Sorry Herbert, this is [?]38:31 ,

Herbert: Yes

User: On the maturities like you said, you seem to be well on top of the maturities, but given that some of your liquidates right now have tied up in swaps and other derivatives, does that mean those swaps, once they mature, you won't roll them over, in order tje leverage some of your maturities?

Herbert: So most of those swaps, some of them are coming from two-year trial and they are maturing. Okay. So again, trying to change our business model, we have decided that some of them we will not roll over. Some of those that were done in the course of the year or towards the end of last year are of a tenure of one year. So they are all maturing in this period to be able to meet this maturing obligations. And of course, we will still have excess left after that.

User: Thanks. Thank you.

Herbert: Thank you. Next question?

Operator: Thank you. Your next question is from Tunde Abidoye from FBM Quest. Please go ahead.

Tunde: Good afternoon. Thank you for the call. A couple of my questions have been answered so I just have one question now. Can you give us a sense of where your ROU will be post merger in 2019? Thank you.

HERBERT: Well I think, Tunde the thing is you can compute these synergies. The combined amount of shares they issued is now well known. Let me just suffice it to say that we will have stronger ROE than we have seen in the recent past over the past couple of years, definitely over the past three years. So it will be well, well, well over 20% as we shared in the past. So you can rest assured, the numbers you can work for yourself. I think we have another call in April. At the end of April when our full year results are out. It will be then easier to see where we are, and then we'll be in a better position to share with you where we are with respect to the synergies that I'm speaking about today and then we will be in the course of the year. And then its a much easier conversation for you to compute and see what the ROEs are. But certainly much more superior the numbers you have seen in the recent past, by far. Thank you.

Operator: Thank you. Your next question is from Temi Ode from HSBC. Please go ahead.

Temi: Hi this is Temi from HSBC. I just have a quick question. So I understand that most of the banks, the IFRS allowed global banks to increase their Day 1 top-ups. Just wanted to know what's Access Bank's appetite to do same thing in 2018? And then my second question is, upon completion of the acquisition, just in terms of accounting for your capital, would CBN allow Access Bank to use their 2017 regulatory reserves to offset some of the impact of Diamond's massive write-offs in 2018, because that's the surviving entity rate?

Herbert: Well Temi, your first question was very clear and what some of us have done in Tier 1 is basically to ensure that we are IFRS-9 compliant with 100%. So the figures which you see for instance on slide five of the presentation which shows group of 19.2, assumed completely that we are IFRS-9 complaint and that we are not going through the transitional provision 40-40-20. Now if you were to do that, what you will see is that at group level, it will be 21.1. Now under any circumstance we will still be way ahead of all others. So to be fully complaint, we had to use our regulatory reserve to do all of that because that is what all our sales and proprietors has to do for us to be fully complaint. So I don’t think its an issue. Now the combined entity is what we have shown out here. And we've assumed without the transitional provision, what happens? And without that transitional provision, our capital adequacy ratio at group level is 19.2. If you were to come down to Bank level, it will right about 17.5%.

Temi: Understand. That's helpful. Thank you.

Herbert: Thank you, Temi. Next question please

Operator: Thank you. very much. Your next question is from Gloria Fadipe from CSL stockbrokers. Please go ahead.

Gloria: Yeah. Hello. Good afternoon. Thanks for taking the question. This is not directly related to your major plans, but I just want to find out with the recent development around Teleology. Do you think that you still need to take more provisions from 9Mobile because it appears that you have the highest exposure now, if we adjust for the money that has been paid and the provisions they have made in the past? Thank you.

Herbert: With respect to Teleology, we took the highest provisions than any other Bank did before we received money from the Central Bank. And I think that if there's anything left coming out of the provisions which we've taken, its not up to 10%. I don’t even think so. So we don’t have anything significant to take. Myself, and I need to crosscheck on it, we probably have taken the full provision on it but given the fact that we received the mount of money that we received. We're aggressive in the provisioning on Etisalat, as soon as it happen in the first half year of last year. I think?

User: Yes

Herbert: And of course stepped up our provision and by the time we got the money from Teleology, the investor, it basically helped to resolve our situation but if there's anything left it cannot be anything significant at all.

Gloria: Thank you.

Herbert: Thank you.

Operator: Thank you. Your next question is from Clement Adeboye from RMD. Please go ahead.

Clement: Good afternoon. Thank you for taking my call. My first question is on your cost of funds. You said you're going to get gains of about a 100 basis points. From my own competition. I don't expect it to be that much. So are you willing to let go of some expensive 10 deposits and how much of your 10 deposits are you will to let go of? So my second question is an effective CRO. Are you seeing respite in effective CRO? From our conversation earlier, we are aware that your effective CRO is slightly higher than your peers. Do you expect this to play in the improvement in your cost of funds in 2019? Then also on your MPLs? Are you are you going to seek one of forbearance from the CBN post- meager to see if some of those provisions taken from Diamond will be written off post-meager. Then the fourth question is on your CAR. So the estimate of CAR you are giving us , if these are on the forecast that you're going to capitalize in half year 2019. I just want to be sure that's the computation that we have in the presentation. Thank you.

Herbert: Thank you Clement. I will speak to several of them and then again Greg will do it a bit more detail in some. With respect to cost of funds, I think one of the things you are seeing is you are looking at the starting point of last year in terms of actual cost of funds. By the end of the year, we had returned most of the expenses money by 31st December 2018 and our average cost of funds have dropped significantly. Now if I were to take Diamond Bank today and look at what is going to happen from Day 1 with respect to IE April 2nd, there is definitely a drop of a 100 basis points as a minimum in the course of 2019 on an average basis.

Now that throws out that number you are seeing. But that cost of funds in my mind is still a bit higher than that of my - well its 200 basis points higher that that of my [comparatal] bank. Some of the moneys which we are repaying in the course of the year coming from structured funding will help reduce the average but given the overall size of the Balance Sheet, that will not be able to become fully manifest until 2020. If you get the point I'm trying to make.

So there's a 100 basis point that pulls the loss in 2019 definitely. And I think definitely you will see the same type of amount being locked in 2020 given as a starting point of 2020 will be lower than what you're seeing in 2019. So I remain very confident that these numbers will get better and that in 2019, you will see a significant 100 basis cost reduction. In 2020, you would see us begin to approximate plus or minus 30 basis points from where our peers are. So that's part of that but then 2021 is for you to imagine. Now with respect to effective cash reserve ratio, obviously, it remains the Central Bank prerogative. I don't know if there is any reprieve but I think there's been some stability with respect to price management and all of that. Price stability rather.

So I think there was [?]48:00 where they are if you ask me that begin to credit some of us with the cash reserve. I don't know but its entirely the prerogative of the Central Bank. However, if you talk about the retain on provision and seeking the fully provided loans of Diamond, are we going to see forbearance in terms of, from the CBN to allow us to write off? Certainly that is normally the standard in things like this and I'm sure even for the Central Bank, they would receive it warmly. Its an appropriate thing to do. So we would do that. Now, the Capital Adequacy ratio? Yes. it involves capitalizing earnings. We have two audits in a year. We have a half year audit and a full year audit. It basically involves ensuring that we capitalize a portion of the half year earnings and take it into our financial statement. Now what that does obviously is to make sure that we continue to operate above the minimum, and it is going to be the first time we are going to be having an audit from the date of legal merge is likely to be on April 2nd.

So within 90 days from them, we would have that audit and capitalize that earnings into it. So that's basically the process. Thank you very much.

Operator: Thank you. Your next question is from Ronack Gaddier, from AFG [?]49:24 . Please go ahead.

Ronack: Thanks again, just a couple of follow-ups. Firstly, I think you mentioned the number of branches that to you are expecting to close. Can you just repeat that and just from a regulatory perspective, have you already identified which branches those are, and gotten CBN approval for the same? And then the second question I guess is more for the management of Diamond Bank. If I look at the evolution of their deposits over the last - let's call it two years, they've consistently been bleeding deposits. For example, just in 2017, their deposit base went from around 1.16 trillion, to about 2 trillion by the end of September and more worryingly, it seems like they were losing, current and savings deposits, which is one of the key benefits of this merger. So can the management of Diamond just highlight as to why they were losing deposits and whether that bleeding has been stemmed?

Herbert: Okay. Thank Ronack. Ronack I think just listening to your questions, for those who are wondering how the IMO works, these are the things that an IMO seeks to achieve from the beginning. all right. And it involves both teams working very closely together to ensure that this meager is value accreative. So we've identified 57 branches that should be closed and this was a very painstaking process because it requires deep customer analysis, where do the customers come from? How many are activities is happening in a specific branch etc etc. And it has. I will tell you a bit more that given what we did in Intercontinental and the pains that we are also suffered, we now have a much more scientific way of doing it.

Customers behavior, how long will it take for you to shut the branch, at what point do you do it? How do you migrate those customers, how do you direct them to the new branch etc etc. How many of them are digital. So it's about 57 of them you see over the course of the next two years. Most of have absolutely will not have any impact with respect to the number of customers. I give you a typical example: you have branches that are 10 meters apart - even in such cases, what we've done is to convert one of them to an e-branch. But where we see that one particular branch can absorb every customer from both institutions etc, then we have thinking of how to merge those branches etc.

So that is what we've done. Now I will speak a little bit to what has happened in Diamond Bank and I will allow the CFO obviously to speak. Now, if you recall, at the time you had the CFA, Diamond Bank had to basically repay a lot of the deposits they have loaned to the public sector, NNPC, etc, etc. And that drives on for a little while and in the [?]52:29 about $200 million subsequently. A lot of that is what you've seen. In some other cases, they probably have some money particularly at the beginning of all if the issues before the merger from the CFA, so all of those monies have left. But they felt that they are saying they have retained their low cost deposits which they've gotten from the inclusive market which is at least 80% of their total deposits base which has remained very very [?]52:58 and from several millions of customers. But I allow who is the CFO from Diamond to speak to it a bit more.

Chiugo: CFO Diamond: Okay, thank you Herbert. Okay, so you've addressed the first issue, which is the issue of the private single account deposits that we had outstanding. Beginning of 2018 we had over $200 million of standing which we have fully repaid as at September 2018. In addition to that as at the end December 2017, we have a fairly high cost deposit in portfolio which in the course of 2018, we also have to repay. And all these resulted to the drop in total deposits but an improvement in overall cost of funding. Like Herbert had mentioned, in the cause of this year, we've see much lower cost of funding and we believe that by Day 1, April 2nd, we will be able to communicate a better position in terms of overall cost of funding coming from Diamond Bank to the merged entity.

Ronack: Chiugo, were these TSA deposits current and savings accounts?

Chiugo: Yes. they were actually domiciliary accounts. They were part of our current account deposits.

Ronack: Okay. Okay. To replace that, I think you had to aggressively go out after time deposits from what I can see in your numbers. So your cost to ratio has actually deteriorated. Is that something you've addressed by the end of the year or I you're looking to address?

Chiugo: Yes, we've actually addressed at end of this - as at he current year. So as at today, we are having low cost deposit ratio of over 80%.

Ronack: Okay.

Chiugo: Thank you.

Operator: Thank you. Your next question is from Michael from FCB. Please, go ahead.

Michael: Hello thanks for the call. Just a quick question, and clarity around MPLs because I see that the combined MPL is now 14% and you're aiming to achieve single digit by full year 2019. The call wasn't very clear, but just to confirm how you intend to achieve single digit. Do you intend to do further write-offs? Do you expect more recoveries? How do you expect to achieve that? Thank you.

Herbert: Okay. I will speak to it a bit and I will let Greg also communicate. A couple of things. First of all, we will get further write-offs. I think it is normal each time you have a merger with banks, and I'm sure we will be able to get the Central Bank to approve those write-offs. That's one. That's one. The second is that we will pursue recovery very aggressively but I think things are also going to be helped by the fact that some part of the downstream sector have gotten some reprieve lately from the federal government in terms of the one year promissory note they are being issued and to help to improve the situation. Thirdly, we will basically ensure that some of those customers that are lost, we recover some money. Some of them that have their willingness to repay and we can basically see some restructure coming through. We will do those restructure to ensure that at least by the end of the year, we would have started to see significant improvement as far as the MPL ratio is concerned. I will also let Greg speak a bit more to the numbers on it.

Greg: Okay. Thank you Herbert. I think you've said the most important things, that's the write-offs which are critical. The good thing is that Diamond Bank, you'll find that several facilities where they've taken already, between 75 to 80% provisioning and higher, which means that they have a very high likelihood of us being able to write them off with minimal impacts in terms of our capital. So that's number one. Number two, with respect to recovery. Again, through the IMO as Herbert has said, a lot of work is being - in terms of the planning, getting ready to move to ensure that we're racking them in as soon as we the opportunity. Finally, and probably most critically is that, you know Access Bank had to setup ourselves up a moderate risk appetite over the past 12-15 years. So that's not changed. Its still the same institution.

So that whole structure of driving, a moderate risk appetite, calibrating what it means in terms of all the different aspects, driving pay-downs, driving collections, automation of collections, and all the weekly review meetings, the stress[?] says they are going round our portfolios, none of that is changing. So all of that infrastructure is now going to be unleash on a bigger book. But all of that will still be in place and it's going to obviously support the whole process of cleaning up the books and bringing down the numbers to the single digits. Thank you.

Operator: Your final question is from Yulia Emmanuel from federated investors. Please go ahead.

Yulia: Hi. Thank you very much for the presentation. I have two questions, please. My first question is on your legal structure post the merger, could you please confirm that a Diamond bank will be fully merged as opposed to being kept as a separate subsidiary? That's my first question, and my second question is on your issuance plans. So one of the slides, you mentioned that you plan to issue $250 million of Tier 2 capital. Does that in any way affect your decision about calling your existing 2021 Tier 2s, which I think you have considered calling in the past? And also on your funding plans, have you considered also doing perhaps a Dollar Senior Bond in order to help you pay off your maturities and Diamond Bank maturities this year?

Herbert: Thank you. The legal structures of the combined entity is such that Diamond Bank will be fully merged, its assets and liabilities taken over by Access Bank. So that's how it will work. It will not be kept as a separate subsidiary. With respect to the Bond that is due 2021 equally, this liquidity we're raising is fine. It is available to be used for it. But apart from that, we have more than enough Dollar liquidity available for it. As you know, we do have a position that has been used in swaps etc. Most of them are fallen due this year and early next year. So we have absolutely no issues whatsoever, even without this instrument, to be able to meet all of those maturing obligations. Are we going to issue a Dollar pay-off Bond over the next couple of years? I think we had a very, very, detailed [?]1:00:04 capital plan, some of the things which have happened have come up a bit earlier than we planned and I think we will follow that capital plan. If you go through our strategic planning document, it does not require us to issue a Dollar Senior Bond very soon. So that is not in our thought process just year. We have enough Dollar liquidity to manage ourselves over the next two years. Thank you.

Yulia: All right, just to clarify, so you talk about - there's a bullet point on one of the slides that says you plan to draw down 250 million 5 year Tier 2 capital in Q1 2019.

Herbert: Yes. It will happen.

Yulia: Is that new issuance

Herbert: Yes. That's new issuance. Yes. That's new issuance, and its a combination of both local currency and foreign currency, and possible local currency as I said and that will happen between now and the half year. Its not going to happen by the end of march, it could happen by half year in total

Yulia: Understood. Thank you.

Herbert: Thank you.

Operator: Thank you. Your next question is from Ola Warikoro from SBG securities. Please go ahead. Ola Warikoro, your line is un-muted.

Please ask your question. Thank you. Thank you. Your next question is from Jerry Nzube from Cardinal Stone. Please go ahead.

Jerry: Yes. Thank you for taking my question again. I just want to find out, not entirely related to the merger, regarding the recent reports from the CBN about Banks having to forego 18 months interests on subsidy backed loans. What are your thoughts regarding that? I spoke to a number of banks and they said there wasn't a lot of credence to story. I like to know i there is any credence to that story, and secondly the potential impact its going to have on your numbers? Thank you.

Operator: Jerry. Can you please repeat your question, thank you.

Jerry: All right. yes, I said I was going to ask regarding recent reports that the CBN has asked Banks to forego interests on subsidy backed loans to oil marketers. I just want to find out if there any credence to that story, and secondly, the potential impact it's going to have on your numbers if it's true.

Herbert: Okay. Two things. I think its also not exactly correct. What the Central Bank said was that interests for one year on the subsidy backed loans, we should forgive that interests. And I think there was nothing wrong with that request particularly for those of us who are basically taking pretty much full provision of most of those loans so its a write back if you like or at least making sure that I shouldn't take any incremental provisions with respect to such facilities. So its one year. Its not all interests. Its just for one year. Okay. I think the better potential could be with respect to Diamond on a few of its [link] that it was also taking provision of. So at least its going to help to reduce some of those exposures. over the coming year. I think what will be lost is the interest for one year and of course, if you look at the provisioning that either bank could have taken, its more than that interest.

Jerry: All right. Thank you.

Herbert: Thank you.

Operator: Thank you very much, that concludes the question and answer session. I will not hand over back to the managing director. Thank you.

Herbert: Well once again, just to thank all of you for calling in. We look forward to speaking to you at the end of April, by which time we would be sharing hopefully our final accounts and the results of the first quarter of 2019. Thank you very much for your interest in our merger and we look forward to speaking with you at the end of April. Thank you.

Operator: Thank you very much. That concludes today's call.

[End of Recording]