



FBN Holdings Plc

RC - 916455

FAQ on FirstBank acquisition of the West Africa operations of International Commercial Bank

Please find below an FAQ database that provides further insights into the FirstBank acquisition of International Commercial Bank West Africa operations.

For further enquiries please contact:

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FAQs

1. Why is FirstBank acquiring ICB?

The transaction has considerable strategic benefits directly aligned with our growth plans. It provides a suitable platform for regional growth as we expand our operations to take advantage of opportunities across the continent. We believe international expansion can offer a range of benefits, including new growth options, expanded geographic earnings profile, reduced country-specific risk and wider customer benefits.

ICB provides the opportunity to extend our franchise and raise the Bank's profile beyond our current borders, establishing presence in a number of African countries which are of interest. In selecting these markets, we have taken a thorough and disciplined approach, based on criteria which include macroeconomics, banking sector dynamics and growth potential, as well as other strategic considerations.

As a result of this transaction, FirstBank will consolidate its position as one of the largest financial institution in sub-Saharan Africa (excluding South Africa).

By leveraging the transfer of FirstBank's expertise, execution capabilities and experience, supported by FirstBank's robust risk management and corporate governance policies, there is a significant opportunity for growth in the international franchise and synergy realisation.

2. Why has FirstBank chosen ICB and what is the commercial rationale?

ICB fits into the Bank's international expansion strategy given its size and spread. ICB operations in the respective markets are small sized and therefore present an expanded capacity for growth with further capital injection and synergies extraction. In addition, ICB has a broad geographic base across key markets in West Africa as well as an established branch network and customers. It provides a sound platform from which we can expand.

The acquisition therefore fits into the Bank's approved international expansion plans as ICB offers FirstBank the simultaneous entry into multiple markets under one franchise.

3. How much is FirstBank paying for ICB?

The transaction is for the acquisition of 100% equity interest in each of the four banks and was completed at a price to book multiple of 1.4.

4. How was the valuation developed?

In arriving at a fair indicative valuation for this acquisition, 2 market based approaches were adopted including Price-to-book and Price-to-earnings methodologies. The Bank's financial advisers capitalized the banks' net assets using trade multiples of banks listed on the Ghanaian Stock Exchange and applied a control premium to the results of the trading multiple valuation to account for the majority acquisition not factored into market prices. The valuation also takes into account the outcomes of the due diligence reviews on the respective banks.

We believe that the valuation multiple compares very favourably, relative to recent comparable transactions.

5. How is the transaction being financed?

FirstBank is funding the transaction from existing cash resources.

6. What will be FirstBank's ownership level in the new entity/entities?

FirstBank will own 100% of the equity in each of the operations.

7. Will FirstBank own individual equity stakes in each of the markets where assets are being acquired or will FirstBank be acquiring through one vehicle?

FirstBank is acquiring 100% equity stakes in each of the operations, though purchased as a contiguous group. The acquisition is not through any one vehicle, but regarded as a direct investment in each bank.

8. Who will run the acquired entity?

FirstBank has incorporated the new operations into its International Banking Group, which is run by Christi Fashogbon and also includes our operations in South Africa, DRC, China and the UAE. Each individual local franchise will be run by its own management team and overseen by a Board of Directors.

9. Are there any other ICB Subsidiaries included in the deal?

FirstBank is examining further options for pan-African expansion as part of and in line with its existing growth strategy. As and when further transactions take place we will inform the market.

10. What makes you think you will be more successful at pan-African expansion than your contemporaries have been?

FirstBank has adopted a conservative approach to its expansion in Africa. Our expansion to any new country is based on a solid business case with return on capital as paramount.

We believe in establishing a multi-local business model and are committed to ensuring that the best of local culture and experience is mixed with the banking expertise the Bank has built up over more than a century of operations. Our experience in the DRC has shown us that a strong and structured approach to integration can deliver immediate financial improvements while also ensuring a long term and sustainable integration process takes place.

11. How will you integrate technology across the regions?

FirstBank currently deploys Finnacle 10, the most current version of this world-renowned banking application to support key business processes. Upon full integration, our commercial banking operations will seek to operate on the same technology platform to enhance synergies across geographies.

12. What process improvements will you be making?

We will leverage on FirstBank's vast experience in IT and efficient transaction processes to streamline operations through improvements in transaction turnaround time, automation and the introduction of alternative channels to ensure improved customer experience.

13. What is delaying the publication of the Q3 2013 FBN Holdings results?

We issued a press release on 31 October 2013 informing the market we have chosen to audit the financial statements of the Group along with its subsidiaries to ensure that the Holding company, a non-operating entity, receives dividend income from its subsidiaries in Year 2013. This will in turn enable FBN Holdings pay dividends to shareholders from its 2013 financial results.

The process of undertaking an interim audit of the Group's financial statements will therefore be a structural change in the reporting approach going forward. It is important to note however that dividends to shareholders will only be distributed after the approval and publication of the full year 2013 results of FBN Holdings.

As previously announced, the audited consolidated results for FBN Holdings for the first nine months of 2013 will be released during the third week of December.

14. How does the proposed transaction fit with FirstBank's stated focus on organic growth?

FirstBank has been consistent in its position that it is focused on organic growth in Nigeria, but will examine inorganic growth opportunities on a case by case basis. Where we believe opportunities for such growth exists they will be examined rigorously and tested against the Bank's broader strategy.

We are delighted to have concluded a transaction that enhances our geographic base providing new growth options, broader geographic earnings profile, reduced country specific risk and enhanced customer benefits.

15. How long is the integration process expected to last?

A typical timeline for integration would be 18 months.

16. Which regulators have approved the transaction?

The transaction has been approved by the regulatory authorities in Nigeria, Ghana, Sierra Leone, Gambia and Guinea.

17. How will this transaction affect ICB?

Our ambitions are to grow the ICB operations substantially in line with our wider strategic growth plans. FirstBank's approach to integration of new operations seeks to cause minimal impact to local operations.

18. What changes can customers expect to face at the time of integration?

Customers can continue to expect the same superior service delivery from ICB. In addition, customers can begin to take advantage of opportunities that exist across sub-Saharan Africa, trusting FirstBank as a credible partner in all the countries where we are present.

As part of the integration process FirstBank will review ICB's product portfolio and seek to enhance products and services in line with our commitment to improving customer experience. The impact on the customer of the integration process will be minimal.

**19. How certain are you of the level of information you have received during the due diligence?
Are you expecting any surprises and are you able to take on the liabilities associated to ICB?**

FirstBank has conducted methodical and detailed due diligence prior to this acquisition and has always implemented a conservative approach to risk management.

The Bank engaged professional services firms using local affiliations to conduct financial & legal due diligence on the ICB banks. Given the Bank's experience, FirstBank staff were also involved in conducting additional financial and credit due diligence on 3 countries representing c.90% of the total assets of ICB West Africa. The objective of the additional review was to validate the outcome of the due diligence exercise conducted by the financial due diligence adviser as well as to provide further insights on the proposed targets' operations in the three jurisdictions. Based on the outcome of the due diligence and additional reviews by FirstBank staff, additional provisions were recommended beyond the prudential requirements.

We are confident in the processes and procedures we have in place.

20. Will interest rates on loans and deposits become less or more competitive as a result of the Transaction?

Rates will continue to be competitive, and dictated by market dynamics

21. Will ICB continue to offer the same products as it has done to date?

ICB will continue to offer the same products and, leveraging on the FirstBank brand, will continue to innovate to serve identified needs within its market.

As part of the integration process FirstBank will review ICB's product portfolio and seek to enhance products and services in line with our commitment to improving customer experience.

22. Is ICB going to change its focus and move away from commercial/SME banking?

No. SME and commercial banking are core focus areas for FirstBank and ICB's business segments are aligned to the bank's wider strategic growth plans.