

CONVERSION TO A NATIONAL BANK FROM AN INTERNATIONAL BANK - FAQs

What is the difference between a National Bank and an International Bank?

A Bank is referred as an international bank when it has an international operating license from the Central Bank of Nigeria (CBN). This permits it to own bank subsidiaries in other countries. Banks with international operating licences are required to maintain a minimum Capital Adequacy Ratio (CAR) of 15%.

A Bank is referred to as a national bank when it has a national operating license from CBN. This license requires it to offer banking services only within Nigeria, although it may have specialist non-banking subsidiary. A case in point is Diamond Bank and its Pension Fund Custody subsidiary. The minimum CAR required in this case is 10%. A Bank operating with a National Banking license can't own a foreign subsidiary but **can-do business with international banks and carry out all functions as a Bank.**

The primary and only differences between an International Bank and a National Bank are as follows

- The minimum CAR requirement. 15% for international banks and 10% for national banks.
- National Banks cannot own a foreign subsidiary.

What are the benefits of this conversion?

There are a lot of positives to be gained from the conversion.

- a. Reduction of its minimum Capital Adequacy Ratio to 10% from 15%. Although we exceeded the minimum CAR as an international bank, expansion of our risk weighted asset was constrained by CAR. With this reduction, we now have a headroom of at least 5% to expand business which is significant in naira terms.
- b. Following the sale DB WAMU in 2017 and near completion of the sale of DBUK, we are in form a national bank. Being subject to CAR of an international bank was becoming costly in terms of opportunity cost.
- c. From operating in different markets in the last few years, it is apparent that the real business we are chasing are based domestically and it is only right that we focus energy and resources in the local market.

Does this imply that the Bank is no longer a big player in the industry?

The Bank remains a big player in the Nigeria banking space and transaction statistics from NIBSS, CBN etc. confirm this. The bank is poised to become more profitable as capital which had been deployed overseas at sub-optimal rates of return will flow back to our major profitable segments in the domestic market. Additionally, the extra capital buffer created by reduction in minimum CAR will support expansion of business. When the Bank operated as an international bank; it had over 95% of its operations in Nigeria.

Does this imply that the Bank cannot serve customers who are based abroad or Nigerian based customers when they travel abroad?

Our capacity to serve customers in international locations is Not impaired. International banking services will continue to be on offer through a network of correspondence banks, partnership with Visa/Mastercard, and of course our digital platforms which are very robust in terms of capabilities.

Does this imply that the Bank is no longer a Strategically Important Bank (SIB)?

The Bank was originally categorised an SIB because of its market share of deposits, assets and transaction volume in the domestic market. CBN criteria for categorizing SIBs remain unchanged. Converting to a National Banking license only gives the Bank more resources to allocate domestically thereby increase its importance.

Does this imply the Bank cannot do business with international correspondent Banks?

Being a national bank does not sever the Bank's relationship with foreign Banks. The Bank will cease to own an international subsidiary but will continue to do business with international correspondent banks as the operating license doesn't affect your mode of operations nor relationship with correspondent banks.

Does this imply that we cannot have Multinational Companies (IOCs) as customers?

Multinationals will continue to play an integral part to the Bank's growth and the services rendered to them won't be affected in any way as we wish to bank more of them and their value chain.

Does this automatically make the Bank lower than a Tier 2 ranking?

The Bank's ranking as a Tier 2 bank is because of its domestic operations which has not been affected negatively but positively by the conversion to a National Banking license.

Does this imply that the Bank's operations will shrink?

The Bank's foreign subsidiaries contributed less than 5% to the Group's profit leaving the domestic operations with over 95% contribution. The bank is expected to grow its business in the Nigerian market and is positioning itself to become more profitable that has been the case in the last few years.