



COMESA Competition Commission
Kang'ombe House, 5th Floor-West Wing
P.O. Box 30742
Lilongwe 3, Malawi
Tel: +265 (0) 1 772 466
Email- compcom@comesa.int



**Common Market for Eastern
and Southern Africa**

Case File No. CCC/MER/9/22/2020

Decision¹ of the Seventy-Third (73rd) Committee Responsible for Initial Determination Regarding the Merger involving Access Bank (Zambia) Limited and Cavmont Bank Limited

ECONOMIC SECTOR: Banking and Financial Services

12th November 2020

¹ In the published version of this decision, some information has been omitted pursuant to Rule 73 of the COMESA Competition Rules concerning non-disclosure of business secrets and other confidential information. Where possible, the information omitted has been replaced by ranges of figures or a general description.

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Information and Relevant Background

1. On 23rd September 2020, the COMESA Competition Commission (hereinafter referred to as the “**Commission**”) received a notification for approval of the merger involving Access Bank (Zambia) Limited (“**ABZL**”) and Cavmont Bank Limited (“**CBL**”).
2. The transaction was notified with the Commission under Article 24(1) of the COMESA Competition Regulations, 2004 (the “**Regulations**”). Pursuant to Article 26 of the Regulations, the Commission is required to assess whether the transaction between the parties would, or is likely to have the effect of substantially preventing or lessening competition or would be contrary to public interest in the Common Market.
3. The Committee Responsible for Initial Determination (the “**CID**”) established that the parties operate in more than one COMESA Member State and they meet the prescribed merger notification thresholds. This therefore means that the regional dimension requirement under Article 23(3) of the Regulations is satisfied and asserts jurisdiction on the Commission to assess the transaction.

The Parties

ABZL


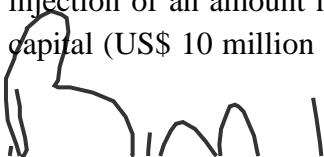
4. It was submitted that ABZL is a company incorporated in Zambia and registered as a bank under the Banking and Financial Services Act No. 7 of 2017. ABZL is part of the Access Bank Group and is controlled by Access Bank Plc which is listed on the Nigerian Stock Exchange. ABZL is engaged in the business of providing banking and financial services including activities incidental to, or in connection with, such business. The Access Bank Group operates in the following COMESA Member States: Democratic Republic of Congo, Kenya, Rwanda, and Zambia.

CBL

5. It was submitted that CBL is a company incorporated in Zambia and registered as a bank under the Banking and Financial Services Act No. 7 of 2017. CBL is engaged in the business of providing banking and financial services including activities incidental to or in connection with such business. CBL operates in one COMESA Member State namely Zambia.

Nature of the Transaction

6. The parties have submitted that ABZL and CBL will execute a tiered transaction to achieve the amalgamation of their businesses. According to the executed Share Purchase Agreement (“**SPA**”) and upon satisfaction of the requisite conditions precedent, ABZL will acquire all the shares in CBL that are held by Cavmont Capital Holdings Zambia Plc and Mr. Guy Phiri. It has been submitted that following the acquisition of all ordinary shares in CBL, ABZL and CBL will amalgamate into a single banking entity, following which the business will trade under the Access Bank brand.
7. It was submitted that following the amalgamation, the second tier of the transaction will involve the settlement of Capricorn Group Limited (“**CGL**”) interest in CBL. CGL currently holds 17,600 preference shares in CBL. However, immediately prior to completion of the SPA, CBL will, subject to the Bank of Zambia authorisation, issue additional preference shares to CGL by the conversion of intergroup borrowings of US\$ 10 million and by the injection of an amount necessary to achieve at least ZMW 300 million in preference share capital (US\$ 10 million + balance in ZMW) plus any deficit below ZMW 0 (Zero Kwacha)



in Adjusted Book Value of CBL. Once completed CGL's interest in CBL will then be settled by ABZL's allotment of non-voting preference shares in ABZL to CGL, in exchange for the cancellation of CGL's preference shares held in CBL.

8. It was also submitted that CGL is obligated to sell and Access Bank Plc is obligated to purchase the non-voting preference shares five (5) years after the date of allotment of the preference shares in ABZL to CGL at a pre-determined price per share.
9. It was submitted that upon amalgamation, the enhanced/enlarged ABZL will be a member of the Access Bank Group which has built a strong brand through cutting-edge technology and diversified, well qualified and trained workforce. The amalgamation presents an outstanding opportunity for two smaller banks in Zambia to combine their balance sheets and explore their synergies to the benefit of customers as well as expanding the business in Zambia.

Competition Analysis

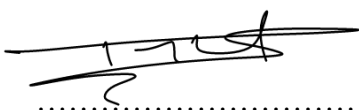
10. The CID defined the relevant product markets as follows:
 - a. **Provision of loan and deposit products to retail customers;**
 - b. **Provision of loan and deposit products to corporate customers; and**
 - c. **Provision of foreign exchange trading services.**
11. The relevant geographic market was defined as Zambia.
12. The CID observed that the merger will lead to a small increase in the market shares of the merged entity (of less than 5%) in the relevant markets. The CID observed that the increase in market shares is not significant enough to raise any competition concerns since the relevant markets are characterised by other larger players holding more than 10% market shares who are alternative suppliers of the relevant products. The CID noted that despite the presence of barriers to entry, the banking sector is competitive as witnessed from the presence of several banks in Zambia. The CID also observed that the relevant markets are characterised by countervailing power particularly from corporate customers.

Determination

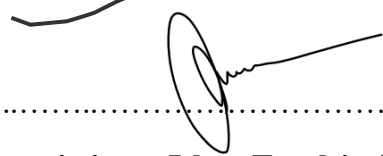
13. The CID determined that the merger is not likely to substantially lessen or prevent competition in the Common Market or any a substantial part of it. The CID further determined that the transaction is unlikely to negatively affect trade between Member States. The CID concluded that the transaction is not likely to be incompatible with the COMESA Treaty objective of full market integration. The CID therefore approved the transaction.
14. This decision is adopted in accordance with Article 26 of the Regulations.

Dated this 12th November 2020


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Commissioner Brian M. Lingela (Chairperson)


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Commissioner Michael Teklu Beyene


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Commissioner Islam Tagelsir Ahmed Alhasan