CIRCULAR LETTER

TO ALL DIRECTORS AND SHAREHOLDERS OF PRIMARY MORTGAGE BANKS

RE: CIRCULAR ON COMPLIANCE WITH THE REVISED GUIDELINES FOR PRIMARY MORTGAGE BANKS

Further to the CBN Circular Ref: FPR/DIR/CIR/GEN/01/021 dated 15th February, 2012 and titled “Circular to Primary Mortgage Banks on the Revised Guidelines for Primary Mortgage Banks”, this serves as a reminder to all directors and shareholders of all primary mortgage banks (PMBs) on the impending deadline of 30th April, 2013 for compliance with the Revised Guidelines for PMBs and provides additional information and guidance to all affected PMBs.

Specifically, this is to remind all affected PMBs of the available options to meet the prescribed capital requirements of ₦5.0 billion for National PMBs and ₦2.5 billion for State PMBs and the documentation requirements to obtain regulatory approval for each option.

Options

1. Capital Raising
   1.1. Rights issue
   1.2. Private placement
   1.3. Public offer
2. Business Combination
   2.1. Mergers and acquisition
   2.2. Takeover
3. Downscaling

In choosing or implementing any of the options, PMBs are advised to conduct due diligence and seek professional legal and financial advice.
**Capital Raising**

PMBs that may choose to undertake rights issue, private placement, or public offer, are advised to complete the process and submit the documentary requirements as listed in Appendix I for verification on or before 31st March, 2013. This is to allow enough time for the capital verification exercise and subsequent correction of any discrepancy and/or submission of any additional evidence that may be required, to ensure that the capital is verified, confirmed and approved before the stipulated deadline of 30th April, 2013. Please note, however, that it is practically impossible, at this time, to complete the process for a public offer, given the remaining timeline, unless the process had commenced earlier and is at an advanced stage.

**Business Combination**

PMBs that may choose the business combination option will have to comply with the requirements of the Banks and Other financial Institutions Act (BOFIA), 1991 (as amended), Companies and Allied Matters Act (CAMA), 1990 (as amended) and the Investment and Securities Act (ISA), 2007 and obtain regulatory approvals of the Securities and Exchange Commission (SEC) and the Central Bank of Nigeria (CBN), hold statutorily required meetings and obtain orders of the courts, where necessary.

In order to allow sufficient time for the necessary approvals and processes and to monitor progress through the various stages, the following stages and timelines, as well as documentary requirements as listed in Appendix II to VI are required by the CBN:

<table>
<thead>
<tr>
<th>Stages</th>
<th>Recommended Timelines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-merger Consent</td>
<td>- January 15, 2013</td>
</tr>
<tr>
<td>Approval in Principle</td>
<td>- February 28, 2013</td>
</tr>
<tr>
<td>Final Approval</td>
<td>- March 31, 2013</td>
</tr>
</tbody>
</table>

These timelines are for guidance only. PMBs are strongly advised to conclude the processes even before the recommended timelines.

**Downscaling**

PMBs that may be unable to scale-up to the new capital requirements for PMBs may choose the downscaling option. Such PMBs will be required to surrender the existing PMB licence, meet the capital and other regulatory requirements and conform with the business model of the intended category of financial institution.
Responsibility of Directors

All directors, particularly the Managing Directors/CEOs of all PMBs are hereby sternly warned against any unauthorized disposal of the assets of PMBs, as they will be held jointly and severally liable for any asset stripping. This is also a reminder that prior approval of the CBN is required for asset disposal.

All correspondence should be titled “COMPLIANCE WITH THE REVISED GUIDELINES FOR PRIMARY MORTGAGE BANKS” and addressed to:

Director,
Other Financial Institutions Supervision Department
Central Bank of Nigeria
Central Business District,
Abuja.

OR

Director,
Other Financial Institutions Supervision Department
Central Bank of Nigeria
Tinubu Square,
Lagos.

For the avoidance of doubt, all processes must be concluded on or before 30th April, 2013, as there will be no extension of time.

O.A. Fabamwo
Director, Other Financial Institutions Supervision Dept.
Central Bank of Nigeria, Abuja.
APPENDIX I

DOCUMENTARY REQUIREMENT FOR NEW CAPITAL INJECTION

Where there is fresh injection of capital, by way of rights, private placement, or public offer, the following shall be required:

A formal application by the PMB addressed to the Director, Other Financial Institutions Supervision Department, Central Bank of Nigeria and signed by the Chairmen and Managing Director of the PMB accompanied with the following:

i) Schedule of shareholders/investors showing names of all the subscribers or investors (existing and new) that injected fresh capital;

ii) Copies of instruments used in the capital injection;

iii) Copies of letters of intents written by each subscriber/investor indicating his/her intention to invest in the shares of the institution, or, where applicable, copies of duly completed subscription forms to the rights, private placement, or public offer;

iv) Statements of the PMB’s accounts with its correspondent banks where payments for the shares were made;

v) Evidence of increase in authorized share capital (where applicable); and

vi) Copies of letters of allotment of shares issued to the subscribers/investors.
APPENDIX II

DOCUMENTARY REQUIREMENTS FOR PRE-MERGER CONSENT

A formal application by the merging PMBs addressed to the Director, Other Financial Institutions Supervision Department, Central Bank of Nigeria and signed by the Chairmen and Managing Directors of each of the merging PMBs accompanied with the following:

i) The proposed name of the successor PMB (where a new entity will be formed.

ii) Memorandum of Understanding between the merging PMBs.

iii) Current Memorandum and Articles of Association (MEMARTS) of each of the merging PMBs.

iv) Resolution by each of the boards of the merging PMBs approving the merger.

v) List of Directors, designation and the interest they represent in the merging PMBs.
APPENDIX III

DOCUMENTARY REQUIREMENTS FOR APPROVAL-IN-PRINCIPLE UNDER A MERGER

A formal application by the merging PMBs addressed to the Director, Other Financial Institutions Supervision Department, Central Bank of Nigeria and signed by the Chairmen and Managing Directors of each of the merging PMBs, accompanied with the following:

i) Draft Memorandum and Articles of Association (MEMARTS) of the new PMB or MEMARTS of the surviving PMBs (with proposed amendments if any).

ii) List of significant shareholders of the existing PMBs (i.e. shareholding of 5% and above) showing their names, business and residential addresses (not P.O. Box)

iii) Proposed organizational structure, showing functional units, reporting relationships and grade (status) of heads of departments/units of the successor PMB.

iv) List of proposed Directors, their curriculum vitae, designation and interest they represent in the successor PMB.

v) List of the proposed top management team (AGM to GM), designation and their detailed curriculum vitae.

vi) Method of valuation agreed to by the PMBs.

vii) Draft Scheme of Merger.

viii) Due diligence report on each of the merging PMBs.
APPENDIX IV

DOCUMENTARY REQUIREMENTS FOR APPROVAL-IN-PRINCIPLE UNDER AN ACQUISITION OR TAKEOVER

A formal takeover application (stating clearly that the acquired PMB(s) will cease to exist) by the acquiring PMB addressed to the Director, Other Financial Institutions Supervision Department, Central Bank of Nigeria and signed by the Chairman and Managing Director of the acquiring PMB, accompanied with the following.

i) The Valuation Report(s) on the target PMB(s)
ii) Due Diligence Report(s) on the PMB(s) to be taken over
iii) Memorandum of information/understanding.
iv) Memorandum and Articles of Association (MEMARTS) of the acquiring PMB.
v) Resolution of the board of directors of the acquiring and acquired PMBs approving the takeover.
vi) Certificate of Incorporation of the acquiring PMB.
vii) List of significant shareholders of the acquiring PMB (i.e. shareholding of 5% and above) showing their names, business and residential addresses (not P. O. Box).
viii) Proposed organizational structure of the acquiring PMB post takeover, showing functional units, reporting relationships and grade (status) of heads of departments/units.
ix) List of proposed Directors, their curriculum vitae, designation and interest they represent.
x) List of the proposed top management team post take-over (AGM to GM), designation and their detailed curriculum vitae.
APPENDIX V

DOCUMENTARY REQUIREMENTS FOR FINAL APPROVAL OF A MERGER

A formal application by the merging PMBs addressed to the Director, Other Financial Institutions Supervision Department, Central Bank of Nigeria and signed by the Chairmen and Managing Directors of each of the merging PMBs, accompanied with the following:

i) List of significant shareholders of the successor PMB (i.e. shareholding of 5% and above) showing their names, business and residential addresses (not P.O. Box)

ii) Resolution of the Shareholders of each of the merging PMBs approving the merger at the court-ordered meeting.

iii) Business/Strategic plan of the successor PMBs for the next five years showing how the integration process will be managed, future goals and operations, branch expansion/rationalization, treatment of surplus staff and staff to be retained, etc.

iv) Certificate of Incorporation of the successor PMB (where a new entity is formed).

v) SEC final approval of the scheme of merger.

vi) Evidence of stamp duties paid to Federal Inland Revenue Service on the new/surviving entity’s new authorized share capital.
APPENDIX VI

DOCUMENTARY REQUIREMENTS FOR FINAL APPROVAL OF AN ACQUISITION OR TAKEOVER

A formal takeover application by the acquiring PMB addressed to the Director, Other Financial Institutions Supervision Department, Central Bank of Nigeria and signed by the Chairman and Managing Director of the acquiring PMB, accompanied with the following.

i) CTC of CAC form 2.5 - return of allotment
ii) CTC of CAC form 2.3 - particulars of directors
iii) CTC of form CAC 6 - location of principal place of business.
iv) Evidence of voluntary liquidation/winding up of the acquired PMB(s).
v) Original banking licence(s) of the acquired PMB(s)
vi) Evidence of stamp duties paid to Federal Inland Revenue Service on the new authorized share capital.
vii) Opening Statement of Affairs showing the details of the acquiring PMB’s capital base.
viii) Schedule of staff to be disengaged, including the total severance package and mode of settlement.
ix) Business/Strategic plan of the acquiring PMB for the next five years showing how the integration process will be managed, future goals and operations, branch expansion/rationalization, treatment of surplus staff and staff to be retained etc.
x) Evidence of registration of the Takeover bid with SEC.

OFISD, CBN.