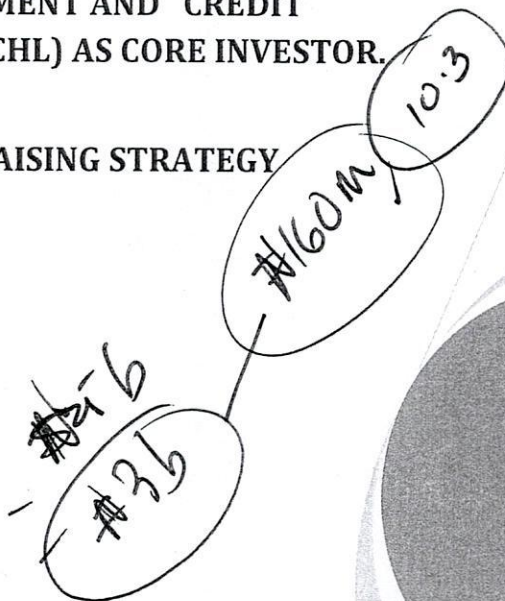




BRIEF ON URBAN DEVELOPMENT BANK (NOW THE INFRASTRUCTURAL BANK)

- TAKEOVER AND RECAPITALIZATION BY MESSRS INVESTMENT AND CREDIT HOLDING LLC (ICHL) AS CORE INVESTOR.
- NEW CAPITAL RAISING STRATEGY



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BRIEF ON URBAN DEVELOPMENT BANK (NOW THE INFRASTRUCTURAL BANK)

*TAKEOVER AND RECAPITALIZATION BY MESSRS INVESTMENT AND CREDIT HOLDING LLC (ICHL) AS CORE INVESTOR.

*NEW CAPITAL RAISING STRATEGY

1. The UDBN was established in 1992 with an authorized capital base of ₦800million (Eight Hundred Million naira only) which was 90% duly subscribed as follows: The Federal Government of Nigeria (20%), State Government (20%), Local Government (40%). The Nigerian Labour Congress (10%). The outstanding (10%) which was reserved for the Nigeria Private Sector remained unsubscribed.
2. Fourteen (14) years into the establishment of the Bank, The Federal Government realized that lack of Private Sector interest in the bank contributed to the unsatisfactory (loss making) financial performance of the Bank. It has become significantly indebted to Federal Government and other stakeholders for long term loans of an aggregate principal amount of ₦751.5 million issued to the Bank by the Ministry of Finance Incorporated (MOFI). These loans constituted a major debt obligation which the Bank has been unable to service and consequently has been in default to FGN. Furthermore, the lack of Private Sector participation and interest have further exacerbated the Bank's lack of profitability and made it relied on Federal Government grants to fund its operations.
3. Consequently, the bank lost focus and direction and became completely moribund and could not meet its obligations to stakeholder and its overall objective of promoting infrastructural finance and development in the country.
4. Concerned about the bank's rot and debilitating state of affairs, the federal government opted to restructure the bank and inject private sector capital into the bank. In October, 2006 a proposal for the takeover and recapitalization of the Bank was received from Messrs Investment and Credit Holdings LLC (ICHL). The proposal was forwarded to the president who approved it in principal and directed that negotiations be commenced with ICHL by a committee comprising of Minister of Finance, Housing and Urban Development and Director-General of Bureau of Public Enterprises (BPE).
5. At commencement of negotiations a technical sub-committee comprising the Federal Ministry of Finance, Federal Ministry of Housing and Urban Development, Bureau of Public Enterprises, Federal Mortgage Bank of Nigeria and Urban Development Bank of Nigeria was set up to work out details of the takeover, including due diligence on the status of the Bank. The Sub-committee

- was also mandated to negotiate with this ICHL on their proposals as well as work out a fair loan-to-equity share price swap for the Bank.
6. After negotiations, the committee agrees with the core investor (ICHL) as follows:
 - a) That ICHL should subscribe to the outstanding 80 million share at par value of the bank's share for a reasonable consideration of ₦80million. This subscription was aimed at completing the subscription for the initial authorized share capital of UDBN consequently the Nigerian Managing Partner of ICHL (Mr. Hakeem Sanusi) was granted the subscription to those shares.
 - b) That the aggregate principal amounts of the distressed MOFI loans should be assigned to ICHL at a price of 52.5 kobo per N1.00. the resulting consideration became ₦395million. ICHL was to convert at par value of UDBN shares the entire Principal balance of those loans (₦751.5 million) into 751.5 million preference shares in the capital structure of UDBN, inconsideration the cash payment of ₦395 million to MOFI in order to extinguished the loan.
 - c) **That none of the original shareholders would be dispossessed of their initial share in the bank**, albeit their shareholding percentages would be diluted with strong Private Sector presence in the converse, over time as UDBN becomes profitable and reverts to a major going concern in the infrastructure finance practice in Nigeria, each of the initial share holders stands to benefit from both dividend distributions and capital appreciation.
 7. The FEC at its meeting of 21st February, 2007, approved ICHL's financial proposal and implementation modalities for acquiring 53.6% equity stake in the capital structure and recapitalization of UDBN. Subsequently, the shareholders stake in UDBN became ICHL (53.6%), Federal Government of Nigeria (10.3%), **State Government (10.3%)**, ALGON representing 774 LGAs (20.6%) and NLC 5.2%. In the letter of conveyance Reference No. F11916/TR/UDB/Vol.1/200 dated May 15, 2007 signed by the Honourable Minister of Finance among other things, M/S ICHL was demanded to submit evidence of overseas/ local financial investment partners and capability as part of precondition of validating the offer (see Annex I)
 8. According in acknowledging the award, M/S ICHL offered among other thing M/S GT Bank as its local partners while on the overseas front ICHL submitted **Banco Efisa**, (an infrastructure investment Bank, part of Group BPN - the 5th largest banking group in Portugal) Banco Efisa according to ICHL was to provide the financial engineering skills to re-build capacity for infrastructure financing in the bank. Similarly, ICHL submitted a list of financial multilateral and private sector finance institutions that issued ICHL with qualified letters of interest to support the

revitalization of the bank. Among them are **USAID**, (the principal U.S agency for assistance to developing countries), Rand Merchant Bank of South Africa, (DEG the private investor arm of KFW, a public sector development finance institution owned by Germany).

9. At the moment the Bank is seeking to raise the sum of ₦26.50 Billion over the next five (5) years to be carried out in three (3) phases. The first phase planned to raise the sum of ₦4.75 Billion over the next (6-12) months comprising of ₦3 Billion equity capital and ₦1.75 Billion as debt capital while the phase III are to raise ₦5.75 Billion as additional debt capital respectively. Please note that:

a) **Existing shareholders would not be precluded from subscribing to the proposed convertible preference shares; and**

b) The proposed preference share instrument would be structured to be redeemable and convertible, albeit in phases, thus either giving the Bank the (first) option to redeem or the investor the option to convert to ordinary shares under specified conditions in future.

10. The desire to share up the bank's capital base is predicated on business (Project Funding) and regulatory reasons. Under the current CBN guidelines on Banking Models. The bank is classified as a Specialized Bank and more specifically as development finance institutions, with a statutory stipulated minimum capital base of **₦10billion (Ten Billion)**. The volume of capital requirement is strategically aligned with the bank business plan.

11. **It is pertinent to note that the Central Bank of Nigeria has approved and granted the Bank the nod to proceed with the capital raising exercise. The Federal Ministry of Finance has also approved the capital raising and has agreed to exercise its rights under the rights issue by investing ₦160,000,000 (One Hundred and Sixty Million naira only) which is equivalent to its 10.3% shareholding.**

PRATERS →

12. In the light of the above the Nigeria Governors' Forum is called upon to approve:

a) **The capital raising strategy for the bank as earlier prescribed by the Central Bank of Nigeria, approved by the Board of the Bank and the Federal Ministry of Finance respectively.**

b) **The investment of an additional sum of ₦160,000,000 (One Hundred and Sixty Million naira only) in exercise of its full rights under the Rights**

issue. Under the Right issue, one subscription right is being issued for each ordinary share already held by the existing bank shareholders.

(Please note that the current shareholding of the Nigeria Governors' Forum in the bank is ₦160,000,000 (One Hundred and Sixty Million naira only), 160,000,000 ordinary share of ₦1 each representing 10.3% of the bank shareholding portfolio)

- c) The contribution of ₦4,444,450 (Four Million Four Hundred and Forty Four Thousand, Four Hundred and Fifty naira only) by each state government in fulfilment of the recapitalisation objective and growth of the bank.

Your Excellency, would note that the deadline for the capital raising exercise under the Right issue is December 2012.

**PRESENT SHARE HOLDING STRUCTURE OF THE
INFRASTRUCTURAL BANK PLC.
(Formally, Urban Development Bank of Nigeria)**

1	The Federal Government of Nigeria	10.3%
2	State Government (36 States)	10.3%
3	Local Government (774) (Represented by ALGON)	20.6%
4	Nigeria Labour Congress	5.2%
5	ICHL (Investment & Credit Holding LLC)	53.6%
Total:		100%

Present Shareholding Structure approved by Federal Executive Council on the 21st February, 2007.

6 July 2011

The Director General
Nigeria Governors Forum
1 Deng Xiaoping Street
Asokoro, Abuja

Dear Sir

URBAN DEVELOPMENT BANK OF NIGERIA PLC STRATEGY FOR CAPITAL RAISING

Further to the 19th Board meeting of the Urban Development Bank of Nigeria Plc (UDBN), which held on 1st July 2011, I have been directed by the order of the Board of Directors to inform you of their decision on the Bank's Capital Raising Strategy.

Background

The UDBN capital inadequacy has become the overarching obstacle to the Bank's ability to take full advantage of business development and significant growth opportunities being generated, and experienced daily in the infrastructure market by Management. UDBN can only achieve its objectives with an adequate capital base and credit rating, both of which are crucial to the following:

- accessing sufficient working capital to sustain business development efforts;
- provision of competitively priced capital for funding projects in the short, medium and long term;
- provision of development costs for projects as well as taking proprietary equity investment positions in large ticket infrastructure deals;
- attaining acceptable Capital Adequacy Ratio (CAR) needed to ensure access to reasonably priced borrowings;
- fulfilling the requirement for obtaining an investment grade rating by rating agencies to facilitate fund mobilization at competitive rates;
- UDBN's ability to tender for more projects from a position of strength;
- capacity to expand on the product offering (e.g. provision of loan guarantees);
- recruitment of key staff in strategic positions; and
- procurement of appropriate Information Technology platform for efficient and smooth business operations.



Urban Development Bank of Nigeria Plc

As such, the Bank needs to urgently address the current weak balance sheet position and embark on a recapitalisation exercise.

UDBN's Financial Position

Urban Development Bank of Nigeria Plc						
Income Statement Analysis - Nigerian GAAP						
Year ended 31 Dec						
(in NGN million)						
	2005	2006	2007	2008	Draft audited 2009	Management 2010
Gross earnings	26	79	(80)	(64)	19	157
Overheads	(284)	(627)	(598)	(319)	(612)	(528)
Profit before tax	(258)	(548)	(678)	(383)	(593)	(371)
Net profit	(265)	(552)	(680)	(387)	(597)	(375)

Urban Development Bank of Nigeria Plc						
Balance Sheet Analysis - Nigerian GAAP						
Year ended 31 Dec						
(in NGN million)						
	2005	2006	2007	2008	Draft audited 2009	Management 2010
Total assets under management	1,347	1,683	629	524	470	10,495
Shareholders' equity	234	(108)	(303)	321	(347)	(714)
Funds under management (PMTF)	-	-	-	-	-	10,000
Long term loan (FGN)	752	752	752	-	-	-
Total liabilities	362	1,039	180	204	817	1,209
Total assets under management	1,347	1,683	629	524	470	10,495

The above table of UDBN's historical financials is a snapshot of the recent history of the Bank.

The Turnaround Position

ICHL Nigeria Limited (ICHLN) at the onset presented and negotiated with government shareholders, a turnaround strategy based on the following steps:

- restructuring of the balance sheet to create a going concern - achieved by purchasing UDBN's debt, which was then owed to the Federal Government through the Ministry of Finance Incorporated (MOFI) and converting same to equity;
- establishment of the public/private sector balance - introducing private sector culture of efficiency and discipline whilst retaining significant government shareholding;
- recruitment of more private sector orientated staff - a small group of staff were reappointed to preserve institutional memory in addition to which new staff were recruited;

Urban Development Bank of Nigeria Plc

- recapitalisation of the Bank - current initiative; and
- acceleration of the roll-out of business activities.

A key element of the buy-in strategy was to maintain a public/private balance that would ultimately be a source of strength to the foundation on which the business model would be successfully implemented. The unique diversity of UDBN's shareholding structure provides an avenue for interaction by the Bank with the three tiers of government, which are the major sponsors of infrastructure projects and potential beneficiaries of the Bank's products and services. More importantly, Government minority equity position in the Bank symbolised an important paradigm shift: the acceptance of private sector lead in infrastructure project financing initiatives in the country.

The aims of the private sector led intervention in the Bank have to a large extent been achieved:

- the initial injection of capital allowed a restructuring of the balance sheet, as well as the rationalisation of staff and hire of new staff;
- an introduction of investment processes and procedures in line with global best practice;
- build-up of a robust pipeline of projects;
- forging of alliances with global technical and financial partners; and
- demonstration of newly acquired capabilities and capacity through contributions to infrastructure initiatives at local, state and national level including but not limited to:
 - Drafting of the blueprint for Nigerian Railways Rehabilitation and Revitalization Project through project finance techniques;
 - Lead contributor to the preparation of the Framework for Road Concessions in Nigeria;
 - Transaction advisory services to FERMA, on the Operation and Maintenance concession of 10 Federal roads;
 - Advisory services to the Federal Ministry of Finance on the FGN-Chinese EXIM Bank, US\$2,500 million bi-lateral loan for infrastructure projects;
 - Transaction advisory services in various Projects to clients such as: Gitto Costruzioni Generali Nigeria Limited; Lagos, Ekiti and Rivers State Governments; Federal Capital Territory; Office of the Chief Economic Adviser to the President of the FGN; and Ministries of Transportation, Water Resources and Works;
 - Funding of market development and associated infrastructure, and project development assistance for the Ngurore International Market Project in Adamawa State;
 - Project development on Urban Renewal and Slum Upgrade for 12 Local Governments of Nigeria (two per each geo-political zone) under the Millennium Development Goals Project;
 - Development of mass housing initiatives in conjunction with the FCDA and the Federal Ministry of Lands, Housing and Urban Development;



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- Investor in, and transaction advisor to the Consortium bidding for the Operation and Maintenance of the Lagos Light Rail Mass Transit (Red Line) Project. The Consortium, Marina Express, is one of the two remaining bidders for the award of the Project; and
- Fund Manager to the FGN's ₦ 10 billion Public Mass Transit Revolving Fund (PMTF) Scheme.

The next phase of the intervention involves the recapitalisation of the Bank to allow for a sustained acceleration of business activities and growth.

The Need for Capital

The Board approved Strategic Business Plan indicates a need to raise ₦ 4.75 billion over the next 6 months. This would be made up of ₦ 3 billion in the form of equity and ₦ 1.75 billion in debt. Thereafter there is the need to raise additional ₦ 5.75 billion and ₦ 16 billion during the periods between 2012-2013, and 2013-2015 respectively. The volume of capital requirement at each phase and the timing are generally aligned with the projected operations in the approved Strategic Business Plan.

Aside the immediate need to shore up the UDBN balance sheet, the proposed use of proceeds from the capital raising exercise is as follows:

- i) Project development and preparation;
- ii) Project funding;
- iii) Procurement of modern IT platform;
- iv) Strategic staff hires; and
- v) Renovation of the Lagos office.

Furthermore, the Bank aims to achieve its capital base targets not just for business reasons, but also for regulatory reasons. Under the current CBN guidelines on Banking Models, UDBN is classed as a Specialized Bank, and more specifically as Development Finance Institution (DFI). Whilst DFI's are not currently subject to a CBN prescribed minimum capital base requirement, the said CBN guidelines do stipulate a minimum capital base of ₦ 10 billion for Specialized Banks, the class in which UDBN belongs. It should not be discounted that UDBN may ultimately be required to meet this minimum capital base, which shall be in line with its classification as a Specialized Bank.

The Board Resolution

The Board gave an approval to the broad capital raising strategy presented with the Strategic Business Plan, which included a capital/funding dimension as part of the articulated three phase approach to driving the business forward in the next 5 years:

- **Phase I** - Strengthening the base (6-12 months) – requiring funding of ₦ 3 billion equity capital and ₦ 1.75 billion debt capital;



Urban Development Bank of Nigeria Plc

- **Phase II** - Preparing for growth (12-24 months) – requiring ₦ 5.75billion debt capital; and
- **Phase III** - Going for growth (24-60 months) – requiring ₦ 16billion of debt capital.

The Board further considered and resolved as follows:

Subject to the approval of shareholders, that the Directors and Management be and are hereby authorised to raise additional capital and finance in fulfilment of the funding requirements as stated in the Strategic Business Plan and as approved by the Board of Directors, which may include but not limited to private equity placements, convertible preference shares, loans and debentures redeemable and/or convertible, upon such terms as the Directors deem fit.

With respect to the proposed use of Convertible Preference Shares to meet the equity requirement of the Capital Raising Strategy, the Board also resolved that:

- existing shareholders would not be precluded from subscribing to the proposed Convertible Preference Shares; and**
- the proposed Preference Shares instrument would be structured to be Redeemable and Convertible, albeit in phases, thus either giving the Bank the (first) option to redeem or the investor the option to convert to Ordinary Shares under specified conditions in the future.**

The Board directed that the Management write to all the shareholders giving a full explanation of the proposal at hand and to request from them a written response within sixty (60) days (which period shall end on the 6th September 2011) consenting to the said resolution. Non-receipt of a response within the given timeframe shall also be taken as consent.

Whilst we await your response, please accept the assurances of our highest esteem.

Yours sincerely,

For: Urban Development Bank of Nigeria Plc


Adekunle AbdulRazaq Oyinloye
Managing Director/CEO



September 28, 2012

Alhaji L.O.T. Shittu
Nigeria Governors Forum
1, Deng Xiaoping Street,
Asokoro, Abuja.

Dear Sir,

RE: NOTICE OF AN EMERGENCY BOARD MEETING OF THE
INFRASTRUCTURE BANK PLC

NOTICE IS HEREBY GIVEN that an Emergency Board Meeting of The Infrastructure Bank Plc. (TIB) has been scheduled to hold as follows:

Date: Monday, 8th October, 2012.

Venue: TIB Boardroom
Plot 977, Central Business District
Adjacent National Mosque
Abuja, FCT

Time: 1.00 pm.

Please note that this is a one-agenda meeting which is organised specifically to discuss the Rights Issue exercise of the Bank. Please find attached the agenda. All other relevant materials for the meeting will be forwarded to you subsequently.

Yours faithfully,
For: The Infrastructure Bank Plc.

A handwritten signature in black ink, appearing to read "Rotimi Balogun".

Rotimi Balogun
Company Secretary

THE INFRASTRUCTURE BANK PLC
AGENDA FOR AN EMERGENCY BOARD MEETING
ON MONDAY, 8TH OCTOBER, 2012

1. Welcome and Opening Prayer
2. Apologies
3. Opening Remarks by the Chairman
4. Submission for Decision Making (Administrative)
 - i) Update on Capital Raising Exercise: Rights Issue - Offer of 1,551,500,000 ordinary shares of ₦1 each on the basis of one new ordinary share for every one share held at ₦1.00 per share
5. Any Other Business