

## **Asset Management Corporation of Nigeria: FAQs**

**1. Will other collaterals other than shares be accepted by AMCON?**

Yes, collateral accepted by AMCON will include a range of assets including; shares, real estate, plant and equipment etc. but for now this larger range of assets will only be for the affected banks, as only Margin Loan NPLs of the other banks will be purchased

**2. Will assets passed on to subsidiaries be considered as margin loans?**

No. Classification of margin loans will be based solely on the standard definition of margin loans.

**3. Can the instruments (bonds) used in exchange of Assets be subject of repos. And if so, can it be transferable i.e. sold.**

Consideration Bonds can be repurchased through a special repo window opened for this purpose by the CBN, but cannot be sold. CBN may allow for reverse Repos.

**4. What is the classification of loans not fully collateralised.**

These are to be treated as on a case by case basis. Generally speaking these will be treated as unsecured loans and purchased as such. However, where no action is required of the borrower to perfect the security the valuation may be different.

**5. What is the time line for acquiring NPLs? Will it be done all at the same time or phased.**

AMCON seeks to finalise the acquisition by December 30, 2010. AMCON will acquire all margin loans as well as non-margin loans of Intervened Banks.

**6. When will valuation pricing be done?**

Valuation pricing will be done within Q4 2010

**7. What is the threshold of NPL's and margin loans.**

Currently, NPLs and margin loans to be acquired have been valued at c. ~~N~~2.2 trillion.

**8. How will AMCON be funded?**

AMCON will be funded by the issuance of FGN guaranteed Bonds in the first phase of its operations. Going forward, AMCON's funds will be derived from capital gains, divestment/sale of assets, asset returns, recoveries, sale of loans and investment in affected banks

**9. Will the same valuation method be applied to both intervened banks and regular Banks?**

Yes. - For margin loans AMCON will value non-performing loans (NPLs) backed by shares of listed companies at an implied premium of approximately 60% on the 60-day average of recent prices ending November 15th 2010. This applies to both intervened and regular banks. NPLs backed by other perfected collateral would be accepted at the most current estimate of the loan value supplied by the institution

**10. Clarification of the 3 year bond with no coupon and what happens after the first 3years?**

Zero-coupon bonds are to be repaid in five tranches (between 2015 – 2019) depending on their various maturities.

**11. How are security not perfected to be classified?**

See above. Also note that these are to be perfected prior to acquisition by AMCON. This is necessary for AMCON to assume title rights to the collateral.

**12. Who bares cost of perfection of collaterals?**

The Bank but ultimately the borrower

**13. If a Customer owes many banks and uses the same security for all NPL's how should the loan be classified.**

To the extent that the security is perfected, the NPL is to be attributed to all the institutions that hold the collateral.

**14. Will AMCON service the NPLs on purchase or will it use a servicer?**

Yes, AMCON will employ the services of the banks as loan service agents, for an agreed fee, on a limited servicing basis until AMCON is able or willing to take on the role.

**15. Does AMCON recover loans? If so, how will it be done?**

Yes, AMCON will employ the services of banks, loan recovery agents and lawyers who will seek to directly recover loans or restructure NPLs to guarantee settlement of these loans within the timeframe of its operations

**16. How does AMCON value intangible collateral and judgment debt?**

A judgement debt is an unsecured debt and will be purchased as such. As for other intangibles methodology will be as guided by CBN Guidelines issued pursuant to AMCON Act.

**17. How will NPLs secured by assets other than shares and real estate be valued.**

**This will be as per Guidelines**

**18. Will AMCON be verifying the value ascribed to the NPLs by the EFI before purchasing the NPLs?**

**For the 30.12.10 purchases NO because of time. Otherwise it may do so.**

**19. Will the Loan Purchase Agreement contain representations and warranties in relation to the NPLs?**

**Yes**

**20. Will there be any liability for wrong values ascribed to NPLs by the EFIs?**

**Yes – post sale adjustment or sale reversal**

**21. When and how will the post adjustment for valuation done by the EFI?**

**As per the Guidelines. Adjustments will be by demand or direct debit form accounts kept with CBN**

**22. How will title to security that requires the consent of a regulatory authority pass to AMCON?**

**AMCON will not be acquiring title but the NPL and security remains as such. AMCON is merely subrogated to the position of the bank, and where there is need for such transfer the bank will hold title to the assets as bare trustee of AMCON to minimize cost, allow efficiencies and better monitoring. The EFIs are expected to segregate title deeds to assets tied to sold NPLs.**

**23. What happens to asset class that requires the consent of a regulatory body for interest in the asset to pass? For example security over a telecommunications license that requires the consent of the NCC and sale to an operator.**

**The asset will be held as a bare trustee thus divesting the bank of beneficial interest and the legal title will be that of a trustee and not an owner. AMCON is advised that the Supreme Court held in the case of Saraki v Kotoye that trust arrangements are legal and enforceable in Nigeria.**

**24. How will syndicated facilities held by a group of both intervened and non-intervened banks and secured by security held by a trustee on their behalf be treated?**

As secured provided AMCON is secured either by a deed of ascension or novation or deed of assignment and restatement etc.

**25. In relation to post acquisition adjustment how will future diminution in value of the assets occurring after the acquisition be accounted for?**

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**26. After the sale of the NPL will the banks still have any obligations in relation to the NPLs? Will the banks be paid for these obligations?**

Banks may be engaged as servicing agent for a fee as noted above

**27. Can the initial bonds be traded?**

No. But the Bonds that will be issued to swap these out will be tradable

**28. Due to the amount of liquidity to be added to the market, how can glut be avoided?**

The CBN will open a repo window for the purpose of repurchasing the bonds as follows:

- up to 25% of the Bonds may be repurchased up to the first anniversary of the Bond Issuance;
- a further 25% may be repurchased up to the second anniversary; and
- the balance 50% may be repurchased up to the third anniversary.

The graduated arrangement described above was arrived at after due consideration of the country's macroeconomic outlook and should mitigate against this.

**29. Can CBN guarantee the bonds?**

Yes CBN can under Section 6(1)(d) AMCON Act guarantee any instrument issued by AMCON.

**30. How should the sale of NPLs be treated on EFI books?**

This is a matter of accounting convention and basic rule is to present a true and fair view. However, the EFI is expected to create a GL for purchased NPLs which are to be taken out of branch books and all domiciled in the GL as if a virtual branch – to make trial balances, accounting reconciliation etc. easy and seamless.