2014: OVERVIEW OF ICM ACTIVITY

2014 has been a great year for Nigerian issuers in the international capital market ("ICM") with various transactions taking place, many of which involved first time issuers. The Seplat dual listing probably deserves a first mention, being an equities transaction and the first of its kind by a Nigerian issuer. It involved a dual listing by an indigenous oil company on the Nigerian Stock Exchange and also on the main board of the London stock Exchange. It required cooperation of the two exchanges in order to make the securities listed on the exchanges fungible, and also a lot of support by the Nigerian Securities and Exchange Commission and the UK Listing Authority in order to be able to produce an offering document that was acceptable to both regulators. The transaction took place in the first quarter of the year and is being hailed as a resounding success.

Another significant transaction was the Federal government of Nigeria Global Depositary Notes ("GDN") transaction, which was established in the course of the year, with Citibank, N.A. acting as the GDN Depositary.

Several Nigerian banks also issued Eurobonds in the international debt capital markets, for many of which, it was their debut issuance in that market. These issuers included, Zenith Bank, Diamond Bank, Ecobank, First Bank and Access Bank some of which issuer Tier II instruments.

UUBO is pleased to have been involved in six (6) of these transactions which include:

1. Federal Republic of Nigeria Debut Global Depositary Notes worth =N=8.65 billion;

2. First Bank's 7-year Tier II Eurobond Issue Reg S/144A notes worth USD450 million;

3. Zenith Bank Plc's Debut Eurobond Issue RegS/144A notes worth USD500 million;

4. Diamond Bank's Debut Eurobond Issue Reg S/144A notes worth USD200 million;

5. Ecobank's Debut 7-year Tier II Eurobond Issue Reg S/144A notes worth USD250 million; and

6. Seplat's Initial Public Offer of shares listed on both the London Stock Exchange and the Nigerian Stock Exchange.

One of the reasons attributed to the surge in capital market activity are the recent Central Bank of Nigeria ("CBN") regulations. In December 2013, the CBN issued a circular mandating all banks, to commence the implementation of Basel II guidelines for risk management with the minimum capital adequacy ratio (CAR) computation under Basel II rules that commenced fully in October 2014. The CBN's regulatory minimum CAR is 10% for banks with regional and national banking licence and 15% for banks with international banking licence, which is above the Basel recommended minimum of 8%. However, banks designated as systematically important banks by the CBN (irrespective of their type of licence) are required to maintain a minimum CAR of 15%. These regulations have seen many banks seeking to raise Tier II capital in order to comply with the new threshold.

Whilst there was a great deal of activity in the ICM by Nigerian institutions in 2014, the CBN regulations on capital computation has the potential for more banks to tap into the market and it is expected that, if the political and economic situation in the country support it, even more Nigerian banks will be looking at issuing bonds in the ICM in 2015. One interesting development is the requirement that any clause of early redemption of Eurobonds must be at the instance of the issuer and be subject to approval from the CBN; this was made applicable by a recent CBN circular. Although a similar requirement applied before now this was restricted to Tier II capital; it has now been extended to all Eurobonds issued by Nigerian banks. It is unclear what impact this will have on Nigerian banks seeking to access the ICM, going forward.

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