

This document is important and should be read carefully. If you are in any doubt as to its contents or the action to be taken, please consult your Banker, Stockbroker, Accountant, Solicitor or any other professional adviser for guidance immediately. For any information concerning certain risk factors which should be considered by prospective investors, please refer to the section on "risk factors" commencing on page 43 of the Shelf Prospectus.



UNION BANK OF NIGERIA PLC

RC 6262

OFFER FOR SUBSCRIPTION OF ₦30,000,000,000 10 YEAR 16.20% SUBORDINATED UNSECURED FIXED RATE SERIES 3 BONDS DUE 2029

UNDER THE ₦100,000,000,000 UNION BANK OF NIGERIA PLC DEBT ISSUANCE PROGRAMME

ISSUE PRICE: ₦1,000 PER UNIT

PAYABLE IN FULL ON APPLICATION

Book opens: 10 June 2019

Book closes: 17 June 2019

This Pricing Supplement is prepared pursuant to Rule 280 and 323(5) of the Rules and Regulations of the Securities & Exchange Commission ("The Commission" or "SEC") in connection with the ₦100,000,000,000 Debt Issuance Programme established by Union Bank of Nigeria PLC (the "Issuer" or the "Bank"). This Pricing Supplement is supplemental to, and should be read in conjunction with, the Shelf Prospectus dated 07 September 2018 ("the Prospectus") and any other supplement(s) to the Prospectus which may be issued by the Issuer. Terms defined in the Prospectus have the same meaning when used in this Pricing Supplement.

To the extent that there is any conflict or inconsistency between the contents of this Pricing Supplement and the Prospectus, the provisions of this Pricing Supplement shall prevail. This Pricing Supplement may be used to offer and sell the Bonds only if accompanied by the Prospectus. Copies of the executed Prospectus can be obtained from the Issuer and Issuing House(s).

The registration of the Prospectus and this Pricing Supplement shall not be taken to indicate that the Commission endorses or recommends the Bonds or assumes responsibility for the correctness of any statements made or opinions or reports expressed in the Prospectus or this Pricing Supplement. No Bonds will be allotted or issued on the basis of the Prospectus, read together with this Pricing Supplement, later than three years after the date of the issue of the Prospectus.

This Pricing Supplement contains particulars in compliance with the requirements of the Commission for the purpose of giving information with regard to the Securities being issued hereunder (the "Series 3 Bonds" or "Bonds"). Application will be made to FMDQ OTC and/or The Nigerian Stock Exchange for admission of the Bonds to its platform(s). The Bonds now being issued will qualify as a security in which Trustees may invest under the Trustee Investments Act (Cap T22) Laws of the Federation of Nigeria, 2004. The Bonds also qualify as a security which Pension Fund Administrators may invest pension funds and assets in under Section 86 of the Pension Reform Act 2014.

The Issuer accepts full responsibility for the accuracy of the information contained in this Pricing Supplement. The Issuer declares that having taken reasonable care to ensure that such is the case, the information contained in this Pricing Supplement is, to the best of its knowledge (having made all reasonable enquiry), in accordance with the facts and does not omit anything likely to affect the import of such information and that save as disclosed herein, no other significant new factor, material mistake or inaccuracy relating to the information included in the Prospectus has arisen or has been noted, as the case may be, since the publication of the Prospectus. Furthermore, information contained herein are true and accurate in all material respects and the Issuer confirms that, having made all reasonable enquiries, to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement contained herein misleading or untrue.

LEAD ISSUING HOUSE / BOOK RUNNER



STANDARD CHARTERED CAPITAL & ADVISORY NIGERIA LIMITED (RC: 680774)

JOINT ISSUING HOUSES / BOOK RUNNERS

CHAPEL HILL  DENHAM

ADVISORY LIMITED

**CHAPEL HILL DENHAM ADVISORY
LIMITED
(RC: 1381308)**

**Renaissance
Capital**

**RENAISSANCE SECURITIES (NIGERIA)
LIMITED
(RC: 685973)**



**UNION CAPITAL MARKETS
LIMITED
(RC: 370890)**

This Pricing Supplement is dated 27 June, 2019

www.unionbank.ng.com www.sec.gov.ng

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PARTIES TO THE OFFER

Directors and Company Secretary of the Issuer

Cyril Odu – Chairman
Stallion Plaza
36 Marina, Lagos



**Emeka Okonkwo – Executive Director,
Corporate and Investment Banking**
Stallion Plaza
36 Marina, Lagos



**Nath Ude – Executive Director, Service and
Technology**
Stallion Plaza
36 Marina, Lagos



Mark Patterson – Non-Executive Director
Stallion Plaza
36 Marina, Lagos



Ian Clyne – Non-Executive Director
Stallion Plaza
36 Marina, Lagos



**Obafunke Alade-Adeyefa – Non-Executive
Director (Independent)**
Stallion Plaza
36 Marina, Lagos



Taimoor Labib – Non-Executive Director
Stallion Plaza
36 Marina, Lagos



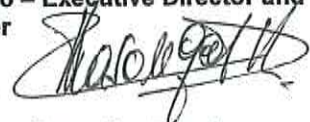
Somuyiwa Sonubi – Company Secretary
Stallion Plaza
36 Marina, Lagos



**Emeka Emuwa – Group Chief Executive
Officer**
Stallion Plaza
36 Marina, Lagos



**Kandolo Kasongo – Executive Director and
Chief Risk Officer**
Stallion Plaza
36 Marina, Lagos



**Adekunle Sonola – Executive Director,
Commercial Banking**
Stallion Plaza
36 Marina, Lagos



**Richard Kramer (OFR) – Non-Executive
Director**
Stallion Plaza
36 Marina, Lagos



Richard Burrett – Non-Executive Director
Stallion Plaza
36 Marina, Lagos



**Beatrice Hamza Bassey – Non-Executive
Director**
Stallion Plaza
36 Marina, Lagos



**Furera Isma Jumare – Non-Executive Director
(Independent)**
Stallion Plaza
36 Marina, Lagos



Lead Issuing House / Book Runner

Standard Chartered Capital & Advisory Nigeria Limited
12th Floor, SCBN Towers
142 Ahmadu Bello Way
Victoria Island, Lagos

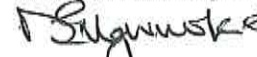
Temisi Doyin-Beyi
Doyin Beyi

Joint Issuing Houses / Book Runners

**Chapel Hill Denham
Advisory Limited**
45 Saka Tinubu Street (1st
Floor)
Victoria Island
Lagos


KEMI AWODEIN

**Renaissance Securities
(Nigeria) Limited**
The Wings Office Complex
6th Floor, East Tower
17A, Ozumba Mbadiwe Road,
Victoria Island, Lagos


Daniel Ugwuoke

Union Capital Markets Limited
7 Fatai Durosinmi Etti Crescent,
Off Ligali Ayorinde Street
Victoria Island
Lagos

EGIE AKPATA


Issuer's Counsel

Aluko & Oyebo

1, Murtala Muhammed Drive
Ikoyi
Lagos

Oyebode
Oyebode
Oyebode

Transaction Counsel

Udo Udoma & Belo-Osagie

St. Nicholas House (12th Floor)
Catholic Mission Street
Lagos Island
Lagos

Udo

Yinka Edu

Trustees

ARM Trustees Limited

1, Mekunwen Road
Off Oyinkan Abayomi Drive
Ikoyi
Lagos

AO
FOLASHADE ADELOYE

UTL Trust Management Services Limited

ED Building (2nd Floor)
47 Marina
Lagos

OLUFUNKE AIYEPOLA

Aiyepola

**Trustees' Counsel
Banwo & Ighodalo**

98, Awolowo Road
South-West Ikoyi
Lagos

Rating Agencies

Agusto & Co.

UBA House, 5th Floor
57, Marina
Lagos

Luka Adelekan
A Adelekan

DataPro Limited

Ashakun House, 6th Floor
13-15 Lake Street
Lagos Island
Lagos

Asunye Okunle
AS

Receiving Banks

Stanbic IBTC Bank PLC

I.B.T.C. Place
Walter Carrington Crescent
Victoria Island
Lagos

Andrew Mashanda

ANDREW MASHANDA

Zenith Bank PLC

Plot 84, Ajose Adeogun Street
Victoria Island
Lagos

Wale Oyele
Wale Oyele

Registrar

First Registrars and Investor Services Limited

Plot 2, Abebe Village Road
Iganmu
Lagos

Modupe Agidostafe
AA Agidostafe

Reporting Accountant

PricewaterhouseCoopers

Landmark Towers
5B, Water Corporation Road
Victoria Island
Lagos

Chioma Obano
Chioma Obano

Auditor

KPMG Professional Services

KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos

Oluwafemi Awoloye
Awoloye

Stockbroker

United Capital Securities Limited

UBA House, 12th Floor
57 Marina
Lagos

Bayo Orisemoran
BAYO ORISEMORAN

SUMMARY OF THE OFFER

The following are the final terms of the Series 3 Bonds that are the subject of this Pricing Supplement. These terms and conditions are only applicable to this Issue.

Final terms of the Series 3 Bond

1. Issuer:	Union Bank of Nigeria PLC (" Union Bank " or the " Issuer " or the " Bank ")
2. Description of the Bond:	10 year 16.20% subordinated unsecured fixed rate bonds due 2029
3. Series Number:	3
4. Specified Currency:	Naira ("N")
5. Aggregate Nominal:	₦30,000,000,000
6. Issue Price:	At par. ₦1,000 per unit of the Bond
7. Gross proceeds:	₦30,000,000,000
8. Net proceeds:	₦29,449,063,000
9. Subscription:	Minimum of ₦10,000,000 (i.e. 10,000 units at ₦1,000 per unit) and multiples of ₦1,000,000 thereafter
10. Issue Date:	27 June 2019
11. Coupon Commencement Date:	Coupon will accrue from the Issue Date. The first Coupon Payment Date shall be on 27 December 2019 and the Coupon shall be due and payable every 6th and 12th month thereafter, in arrears, up to and including the Call or Maturity Date
12. Tenor:	10 (ten) years
13. Maturity Date:	27 June 2029
14. Principal Moratorium:	Not Applicable
15. Coupon Basis:	Fixed Rate
16. Coupon:	16.20% p.a.
17. Redemption/Payment Basis:	Bullet repayment on maturity or on call, at Par. The Bond is callable by the Issuer at Par after 5 years on any Coupon Payment Date subject to a notice period
18. Use of Proceeds:	As outlined in Use of Proceeds on page 10 of this Pricing Supplement
19. Status of the Bond:	The Bonds are direct, unsecured and subordinated obligations of the Issuer and the provisions of Condition 2(b) (<i>Status of the Subordinated Bonds</i>) of the Programme Trust Deed dated 07 September 2018 (the "Programme Trust Deed") will apply

Trust Deed") will apply

- | | |
|------------------------|--|
| 20. Negative Pledge: | See Condition 3(a) of the Programme Trust Deed |
| 21. Events of Default: | See Events of Default set out in Condition 9 of the Programme Trust Deed |
| 22. Listing(s): | FMDQ OTC PLC and / or The Nigerian Stock Exchange |

Provisions relating to coupon (if any) payable

23. Fixed Rate Bond Provisions

- | | |
|---|--|
| (i) Coupon Rate: | 16.20% per annum |
| (ii) Coupon Payment Date(s)/Payment Dates: | Semi-annual, and payable in arrears on 27 June and 27 December of each year up to and including the Maturity Date |
| (iii) Coupon Amount(s): | As applicable for each Coupon Period (Coupon accumulated between each Coupon payment) using the Actual / Actual Day Count Fraction |
| (iv) Day Count Fraction: | Actual / Actual (actual numbers of days in a month/actual number of days in the year) |
| (v) Business Day Convention: | Modified Following: Where a Coupon Payment Date falls on a non-Business Day, such payment shall be postponed to the next day which is a Business Day provided that if such a Business Day falls into the next calendar month, such Coupon Payment Date shall be brought forward to the immediately preceding Business Day. |
| (vi) Other terms relating to method of calculating Coupon for Fixed Rate Bonds: | N/A |

Provisions relating to redemption

- | | |
|-------------------------------|--|
| 24. Optional Early Redemption | Applicable |
| (i) Call Date: | 27, June 2024 |
| (ii) Call Option: | Callable at par, in whole, subject to obtaining prior regulatory approval (a) on the Call Date, (b) at any time, if a Capital Disqualification Event occurs in accordance with Condition 4(e) (<i>Redemption of the Subordinated Bonds at the Option of the Issuer following a Capital Disqualification Event</i>) of the Programme Trust Deed, or (c) at any time, if Tax Event occur in accordance with Condition 4(f) (<i>Redemption for Taxation Reasons</i>) of the |

	Programme Trust Deed
(iii) Put Option:	N/A
25. Scheduled Amortisation:	N/A
26. Redemption Amount(s):	N/A
27. Scheduled Redemption Dates:	N/A
28. Redemption Notice Period:	Not less than thirty (30) and not more than sixty (60) days' notice to the Bondholders in accordance with <i>Condition 13 (Notices)</i> of the Programme Trust Deed

General provisions applicable to the Bonds

29. Form of Bonds:	Electronic registration on the Central Securities Clearing System PLC platform
(i) Form of Bonds:	Dematerialised
(ii) Registrar:	First Registrars and Investor Services Limited
30. Trustees:	ARM Trustees Limited and UTL Trust Management Services Limited
31. Record Date:	No Bondholder may require the transfer of a Bond to be registered during the period of 15 (fifteen) days ending on the due date for any payment of principal or Coupon on the Bond
32. Bond Settlement:	Bond purchases will be settled by electronic funds transfers through either CBN Inter-Bank Funds Transfer System ("CIBFTS"), National Electronic Funds Transfer ("NEFT") or Real Time Gross Settlement ("RTGS")

Distribution, clearing and settlement provisions

33. Method of Distribution:	Book Build to Qualified Institutional Investors and High Net Worth Individuals
34. Underwriting:	Not applicable
35. Clearing System:	Central Securities Clearing System PLC
36. Rating:	
(i) Issuer:	A- by Augusto & Co.; A- by DataPro Limited
(ii) Issue:	Bbb+ by Augusto & Co.; BBB+ by DataPro Limited

An issue rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at

any time by the assigning rating agency.

General

37. Taxation: Details of this and other tax considerations are set out on page 22 and 60 (Taxation) of the Prospectus dated 07 September 2018. Also refer to Condition 8 of the Series 3 Trust Deed
38. Risk Factors: See Risk Factors on page 43 of the Prospectus dated 07 September 2018
39. Governing Law: The Bonds will be governed by and construed in accordance with the laws of the Federal Republic of Nigeria

Claims and Litigation

As at 30 April 2019, the Issuer was involved in a total of 792 cases in the ordinary course of its business. The Issuer is a claimant in 42 of those cases and a defendant in the others. The total value of the Issuer's claim in these cases is ₦10,372,344,168.47. In the 750 cases in which the Issuer is a defendant, the total claims against the Issuer are set out below:

- i. claims in Naira – ₦387,199,695,787.05;
- ii. claims in US Dollars – US\$8,053,768.09;
- iii. claims in Pound Sterling – £3,967,911,474.05; and
- iv. claims in Swiss Francs – CHF5,701,557.50.

The Issuer has counterclaimed in 151 out of the 792 cases against the Issuer, and these counterclaims are for an aggregate sum of ₦40,136,857,773.17 and US\$11,348,504.21.

The Issuer has made a provision for the sum of ₦3,070,000,000.00 in its audited financial statements for the year ended 31 December 2018 as the contingent liability that may arise in connection with the claims brought against it and the Transaction Counsel are of the opinion, that none of the pending claims will have an adverse effect on the proposed Issue.

Material Adverse Change Statement

Except as disclosed in this document and in the Prospectus dated 07 September 2018, there has been no significant change in the financial or trading position of the Issuer since 31 December 2018 and no material adverse change in the financial position or prospects of the Issuer since 31 December 2018.

Responsibility

The Issuer accepts responsibility for the information contained in this Pricing Supplement which, when read together with the Shelf Prospectus referred to above, contains all information that is material in the context of the issue of the Bonds.

Signed at UBN JMBULU on this 27th day of June 2019

Name: JOE MMBULU

Designation: CFO

INDICATIVE TRANSACTION TIMELINE*

Date	Activity	Responsibility
10 June 2019	Obtain the SEC's clearance of the Pricing Supplement and approval to commence Book Building	Lead Issuing House
10 June 2019	Commence Book Building	Issuing Houses and Bookrunners
17 June 2019	Conclude Book Building	Issuing Houses and Bookrunners
17 June 2019	Determination of Coupon Rate and aggregate principal amount to be issued	Issuing Houses and Bookrunners
18 June 2019	Despatch Allotment Confirmation Letters	Issuing Houses and Bookrunners
19 June 2019	File updated Issue documents with SEC	Lead Issuing House
25 June 2019	Obtain SEC clearance of documents and No Objection to convene Signing Ceremony	Successful Participants
27 June 2019	Hold Signing Ceremony	All Parties
27 June 2019	Remit net Issue proceeds to the Issuer	Receiving Bank
01 July 2019	File executed offer documents with SEC	Lead Issuing House
01 July 2019	File Allotment Schedule with SEC	Lead Issuing House
08 July 2019	Receive SEC's No-Objection to the Allotment Advert	Lead Issuing House
11 July 2019	Publish Allotment Advert	Issuing Houses and Bookrunners
15 July 2019	Credit CSCS Accounts of Allottees / dispatch certificates	Registrar
22 July 2019	Listing of the Series 3 Bonds	Lead Issuing House / Stockbroker
29 July 2019	Filing of Post Allotment Report / Post Offer Compliance	Lead Issuing House

****NB: These dates are indicative and are subject to change***

USE OF PROCEEDS

The estimated net issue proceeds of the Bonds being ₦29,449,063,000 will be utilised in accordance with the table provided below.

Use of Proceeds	Amount	%	Duration
Lending to growth sectors in line with Nigeria's priorities	₦23,559,250,400	80%	Q2 2020
Working capital	₦5,889,812,600	20%	Q2 2020

COUPON PAYMENT SCHEDULE

The table below indicates the semi-annual coupon payments during the tenor of the issue. The table reflects coupon of 16.20%.

Period	Bond obligation repayment dates	Semi-annual interest payment
Interval 1	27-Dec-19	₦2,436,657,534.25
Interval 2	27-Jun-20	₦2,436,657,534.25
Interval 3	27-Dec-20	₦2,436,657,534.25
Interval 4	27-Jun-21	₦2,423,342,465.75
Interval 5	27-Dec-21	₦2,436,657,534.25
Interval 6	27-Jun-22	₦2,423,342,465.75
Interval 7	27-Dec-22	₦2,436,657,534.25
Interval 8	27-Jun-23	₦2,423,342,465.75
Interval 9	27-Dec-23	₦2,436,657,534.25
Interval 10	27-Jun-24	₦2,436,657,534.25
Interval 11	27-Dec-24	₦2,436,657,534.25
Interval 12	27-Jun-25	₦2,423,342,465.75
Interval 13	27-Dec-25	₦2,436,657,534.25
Interval 14	27-Jun-26	₦2,423,342,465.75
Interval 15	27-Dec-26	₦2,436,657,534.25
Interval 16	27-Jun-27	₦2,423,342,465.75
Interval 17	27-Dec-27	₦2,436,657,534.25
Interval 18	27-Jun-28	₦2,436,657,534.25
Interval 19	27-Dec-28	₦2,436,657,534.25
Interval 20	27-Jun-29	₦2,423,342,465.75

Union Bank of Nigeria Plc

A financial institution of good financial condition and strong capacity to meet its obligations as and when they fall due

Rating Assigned:

A-

Outlook: Stable
 Issue Date: 03 May 2019
 Expiry Date: 30 June 2020
 Previous Ratings: A-

Industry: Banking

Analysts:
 Ada Ufomadu
 adaufomadu@agusto.com

Yinka Adelekan
 yinkaadelekan@agusto.com

Agusto & Co. Limited
 UBA House, (5th Floor)
 57, Marina
 Lagos
 Nigeria

www.agusto.com

RATING RATIONALE

The rating assigned to Union Bank of Nigeria Plc ('UBN' or 'the Bank') reflects its good brand equity and shareholders' support that has upheld capitalisation over the years. The rating recognises a significant decline (65.2% year on year) in the Bank's impaired credits on the back of major write offs and some repayments during the year. UBN maintained a good liquidity profile and displayed good refinancing capacity as evidenced in the 165% subscription of its debut bond issuance in 2018. However, the assigned rating is constrained by subpar profitability and declining market share across major indicators. We believe there are lurking legacy issues in UBN's loan book that could impair asset quality and future earnings. The fragile macroeconomic environment and tightened regulatory oversight also threaten performance in the near term.

UBN is one of Nigeria's oldest commercial banks with over 10 decades of experience in the Nigerian market having survived several economic cycles. With an asset base of ₦1.5 trillion, UBN held an estimated 3.68% of the Industry's total assets & contingents as at FYE2018 and ranked 9th amongst the 26 banks operating in Nigeria. UBN has an extensive reach across the country with over 300 branches & cash centres, 9,600 POS terminals and 1,032 automated teller machines, supporting liability generation. The Bank's renewed digital drive and upgrade of its e-banking platforms also support deposits mobilisation. As at 31 December 2018, customer deposits (excluding interbank takings) stood at ₦844.4 billion, up by 6% year on year. The deposit mix was better in 2018 with low cost savings and demand deposits dominating LCY deposit base at 64.5% (FYE2017: 60.4%). Therefore, weighted average cost of funds moderated to 5.7%, as against 7.1% recorded in the prior year. Moderated funding cost was also supported by a lower interest rate regime during the review year. Liquidity position was also good as liquid assets accounted for 54.1% of total local currency (LCY) deposits, above the regulatory benchmark of 30% for commercial banks.

In 2018, UBN took a major decision to sterilise its loan portfolio of legacy exposures that had weakened asset quality over the years. Subsequently, more than a quarter (28%) of the loan book was written off. Loan work outs in terms of restructurings worth ₦72 billion were also recorded during the year to reflect improvement in cash flows of some obligors. Subsequently, non-performing loans as a percentage of gross loans (NPL ratio) improved to 8.1% from 20.8% in 2017. However, "Stage 3" loans as a percentage of gross loans at 26.1%, reflects pending asset quality issues. The Bank's management has disclosed that approximately ₦58 billion (or 47%) of the "Stage 3" loans will be reclassified to "Stage 2" or "Stage 1" in the short term based on syndicate-wide classifications of these loans and expected improvement in performance. In addition, UBN has projected an NPL ratio of 5% by 2020 which can be achieved by recoveries or further write offs.

Given the clean-up exercise as well as the implementation of IFRS 9 accounting standards as prescribed by the Central Bank of Nigeria (CBN), UBN's core capital reduced by a third (33.4% y/y) to ₦186.8 billion as at FYE2018. However, with the intervention of CBN through a transitional arrangement where banks are allowed to spread additional credit losses in excess of regulatory risk reserves over a four-year period, UBN's capital adequacy ratio at 16.4% stood above the regulatory minimum of 15% for commercial banks with international operations. Without the transition arrangement, UBN's CAR would have been 11.6% in 2018. We note positively strong shareholders' support that has upheld the Bank's capital base over the years particularly with the recent capitalisation via a ₦50 billion rights issue in 2017 which was successful with a 120% subscription rate. The Bank plans to raise ₦30 billion Tier 2 capital which we expect to bolster its Basel ratio by 300 basis points. However, should pending asset quality issues further impair capitalisation and earnings in the short term, this will have adverse rating implications.

Driven by reduced credit losses due to write offs as well as lower funding costs and stronger non-interest income from the Bank's e-banking platforms, UBN recorded a 61.2% growth in pre-tax profits to ₦18.7 billion. This translated to a return on average assets (ROA) of 1.3% (FY2017: 0.8%) and a return on average equity (ROE) of 8% (FY2017: 4.6%) in 2018. Despite year on year improvement in profitability, we consider the Bank's return to be subpar in view of its size and capacity. We expect an upward trajectory in profitability in the near term as the Bank's digital drive gains traction and the loan book grows and improves in quality. However, credit losses continue to threaten future profitability.

Agusto & Co maintains the rating of UBN at "A-". However, in the event that the Bank's management is unable to reclassify the syndicate loans as envisaged, and capital adequacy ratio falls below 16%, the assigned rating could be downgraded.

UNION BANK OF NIGERIA PLC

This report is provided by DataPro subject to the terms & condition stipulated in our Terms of Engagement

CORPORATE RATING REPORT

References

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

EVALUATION

VALID TILL: April, 2020

DataPro Rating: A⁻
Short term Rating: A2
Previous Rating: BBB⁺
Rating Outlook: Stable
Trend: Even
Currency: Naira

SUMMARY

• Rating :

A⁻

• Report Type:
Corporate
Rating

• Client:
Union Bank of
Nigeria Plc

• Date Compiled
23-Apr-19

EXECUTIVE SUMMARY

	2018 N'M	2017 N'M	2016 N'M	2015 N'M	2014 N'M
Gross Earnings	140,066	157,566	126,471	118,366	109,821
Profit Before Tax	18,660	11,576	11,576	18,455	20,691
Shareholders' Funds	200,087	319,119	250,669	233,507	207,793
Deposit liabilities	844,413	796,708	633,827	569,116	507,431
Loans & Advances	428,037	488,555	489,890	348,984	302,372
Total Assets	1,324,297	1,334,921	1,123,483	1,000,976	922,755

RATING EXPLANATION

The Short term rating of A2 indicates *Fair Credit Quality and Adequate Capacity* for timely payment of financial commitments.

The long term rating of A⁻ indicates *Low Risk*. It shows very good financial strength, operating performance and profile when compared to the standards established by DataPro. This bank, in our opinion, has a very strong ability to meet its ongoing obligation.

This report does not represent an offer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, this report is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We provide no guarantee with respect to accuracy or completeness of the data relied upon, and therefore the conclusions derived from the data. This report has been prepared at the request of, and for the purpose of, our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. Finally, DataPro and its employees accept no liability whatsoever for any direct or consequential loss of any kind arising from the use of this document in any way whatsoever.

RATING SYNOPSIS

The rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used was based on industry and market intelligence including public information.

The quantitative information was obtained from the company's audited and management accounts.

The risk factors were assessed using the company's Capitalization, Earnings Profile, Liquidity, Corporate Governance, Regulatory Risk and Sustainability of subject's current healthy profile in the medium to long term period.

SUMMARY

• Rating :

A⁻• Report Type:
Corporate
Rating• Client:
Union Bank of
Nigeria Plc• Date Compiled
23-Apr-19

Overall, the following were observed:

Strengths:

- Stable Management
- Diversified revenue base
- Good Asset Quality

Weaknesses:

- Concentration Risk
- Average Liquidity

2019 Bond Rating

Union Bank of Nigeria Plc. ₦30 billion 10-Year Fixed Rate Direct Unsecured Subordinated Issue

Union Bank of Nigeria Plc

Series 3, ₦30 billion 10-year Fixed Rate Direct Unsecured Subordinated Bond Issue under the 2018 registered ₦100 billion Debt Issuance Programme

Rating Assigned:

Bbb+

Outlook: Stable

Issue Date: 03 May 2019

Expiry Date: 30 June 2020

Previous Rating: N/A

The rating is valid throughout the life of the instrument but will be subject to annual monitoring and review.

Bond Tenor: Series 3: 10 years

Industry: Banking

Analysts:

Ada Ufomadu

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RATING RATIONALE

The rating assigned to Union Bank of Nigeria Plc's ("UBN" or "the Issuer" or "the Bank") ₦30 billion, 10-year fixed rate direct unsecured subordinated bond ("the Issue"), being Series 3 of the ₦100 billion Debt Issuance Programme is a notch lower than the Issuer's stand-alone rating of "A-" by Agosto & Co which expires in June 2020. The Issue is subordinated to other senior debt that may arise and is judged to offer adequate safety of timely payments of interest and principal.

The Issuer's rating reflects its good brand equity, adequate capital base (upheld by shareholders' support) and proven ability to refinance as evidenced in a 165% oversubscription of its combined debut Series 1 and 2 bond issuances in 2018. During the review year, UBN embarked on a major loan book clean-up which resulted in a 65.2% decline in non-performing loans and a lower NPL ratio of 8.1% from 20.8% in 2017. This was achieved on the back of significant write offs and some loan repayments. However, the Issuer recorded subpar profitability ratios compared to its peers and declining market share across major financial indicators. We believe there are lurking legacy issues in UBN's loan book that could impair asset quality and future earnings, if not addressed.

Union Bank of Nigeria Plc is one of the oldest commercial banks with over 10 decades of experience in the Nigerian market. The Bank ranks 9th in total assets & contingents out of 26 banks operating in Nigeria. Over the years, UBN has strengthened its reach across the country, recording over 300 branches & cash centres in 2018. Its age and good domestic equity also endear the Nigerian banking populace to the Issuer, as evidenced in its growing customer deposit base which stood at ₦844.4 billion as at 31 December 2018. In 2015, UBN rebranded to position for the next growth phase and further deepen its footprint in the Industry. Several branches were overhauled to reflect a more customer centric and digitally inclined brand and a number of unprofitable branches were shut down, with additional

branches in the process of being closed, subject to CBN's approval. The Bank's investments in digitalisation and rebranding are beginning to yield results as low-cost deposits (LCY and FCY) grew by 14.8% year on year in 2018. Consequently, the Issuer's weighted average cost of funds moderated to 5.7% from 7.1% in 2017.

During the year, the Issuer embarked on a major clean up exercise and wrote off more than a quarter (or ₦132.6 billion) of its loan book. These write offs largely comprised legacy loans that had impaired asset quality over the years. Restructurings totalling ₦72 billion were also recorded to reflect improved cash flows of some obligors. On the back of the write offs and some loan repayments, the Issuer's delinquent loans declined by 65.2% to ₦38.5 billion and accounted for a lower 8.1% of gross loans (FYE2017: 20.8%). However, "Stage 3" loans as a percentage of gross loans at 26.1%, reflects pending asset quality issues. The Bank's management has disclosed that approximately ₦58 billion (or 47%) of the "Stage 3" loans will be reclassified to "Stage 2" or "Stage 1" in the short term based on syndicate-wide classifications of these loans and expected improvement in performance. UBN has projected an NPL ratio of 5% by 2020 which in our opinion, can be achieved by recoveries and further write offs.

The Issuer's capital base weakened year on year as a result of the loan book clean up and application of the International Financial Reporting Standards (IFRS) 9. Basel II capital adequacy ratio (CAR) stood at 16.4% (FY2017: 17.8%) - above the regulatory minimum of 15%, on the back of CBN's intervention through a transitional arrangement where banks are allowed to spread IFRS 9 induced additional impairments in excess of regulatory risk reserves over a four-year period. The proposed Tier 2 capital raise of ₦30 billion is expected to bolster the Issuer's Basel ratio by 300 basis points, while accommodating growth in the near term. Should pending asset quality issues further impair capitalization and earnings in the short term, this will have adverse rating implications.

We have attached a stable outlook to the Bond contingent on our expectations that asset quality issues will remain controlled while capitalisation strengthens on the back of the proposed Tier 2 capital raise. However, in the event the Bank's management is unable to reclassify the syndicate loans as envisaged, and capital adequacy ratio falls below 16%, the assigned rating could be downgraded.

UNION BANK OF NIGERIA PLC

BOND RATING REPORT

UP TO N30,000,000,000.00 SERIES 3 SUBORDINATED UNSECURED FIXED RATE BONDS
UNDER THE N100,000,000,000 DEBT ISSUANCE PROGRAMME

References	Expires
	April, 2020

Abiodun Adeseyaju, FCA.
Abimbola Adeseyaju
Oladele Adeoye

SUMMARY

• Rating:
BBB⁺

• Report Type:
Bond Rating

• Client:
Union Bank of
Nigeria Plc

• Date Compiled
23-Apr-19

EVALUATION

DataPro Rating:	BBB ⁺
Security Type:	Up to N30billion Series 3 Subordinated Unsecured Fixed Rate Bonds
Maturity Profile:	10years
Rating Outlook:	Stable
Currency:	Naira
Rating Watch:	Applicable

EXECUTIVE SUMMARY

	2018 N'M	2017 N'M	2016 N'M	2015 N'M	2014 N'M
Gross Earnings	140,066	157,566	126,471	118,366	109,821
Profit Before Tax	18,660	13,176	11,576	18,455	20,691
Shareholders' Funds	200,087	319,119	250,669	233,507	207,793
Deposit Liabilities	844,413	796,708	633,827	569,116	507,431
Loans & Advances	428,037	488,555	489,890	348,984	302,372
Total Assets	1,324,297	1,334,921	1,123,483	1,000,976	922,755

Source: Union Bank

RATING EXPLANATION

The long term rating of BBB⁺ indicates Slight Risk. It shows fair financial strength, operating performance and business profile when compared to the standard established by DataPro. This institution, in our opinion, has a very strong ability to meet its ongoing obligations, but their financial strength is vulnerable to adverse changes in economic conditions.



RATING SYNOPSIS

SUMMARY

- Rating:
BBB⁺
- Report Type:
Bond Rating
- Client:
Union Bank of
Nigeria Plc
- Date Compiled
23-Apr-19

The rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used was obtained from industry & market intelligence, public perception and interview sessions with the *Issuer's* representatives.

The quantitative information used was obtained from the *Issuer's* Audited Account, Management Accounts and The Shelf Prospectus relating to the *Issue*.

The risk factors were assessed by considering the economic, market, operational, political and legal risks, which could have overriding influence on the *Bond* or the ability of the *Issuer* to pay on maturity.

Additionally, more attention was paid to the *Issuer's* capitalization, earnings profile, liquidity, asset quality, depth of management knowledge and sustainability and improvement of the current operating profile.

Overall, the *Issuer* has the following manifestations:

Strengths:

- Stable Management
- Diversified revenue base
- Good Asset Quality

Weaknesses:

- Concentration Risk
- Average Liquidity

APPENDIX III: EXTRACT FROM SERIES 3 TRUST DEED

The following is the text of the general terms and conditions which, (save for the italicised text), will apply to the Bonds.

THE BONDS

The ₦30,000,000,000 (Thirty Billion Naira) 16.20% Fixed Rate Bonds due 2029 (the "Series 3 Bonds" or the "Bonds") by Union Bank of Nigeria PLC (the "Issuer" or the "Company") are issued pursuant to Clause 3(m) and Article 57 of the Company's Memorandum and Articles of Association respectively, and further authorised by resolutions dated 29th January, 2018 and 8th August, 2018 respectively, duly and properly passed in connection with the establishment of the Programme by the Company's Directors.

The Bonds are constituted by a Series 3 Trust Deed dated 27th June, 2019 (such deed as amended and/or supplemented and/or restated from time to time, the "**Series 3 Trust Deed**") made amongst Union Bank of Nigeria PLC (the "**Issuer**"), ARM Trustees Limited and UTL Trust Management Services Limited (the "**Trustees**"), which expression shall include their respective successor(s)) as trustees for the Bondholders.

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Series 3 Trust Deed and those applicable to them in the trust deed which constitutes the Bonds pursuant to the Programme (the "**Programme Trust Deed**") dated 7th September, 2018, copies of which are available for inspection during normal business hours at the specified offices of the Trustees and the Issuer throughout the tenor of the Bonds. The Programme Trust Deed and the Series 3 Trust Deed are collectively referred to as (the "**Trust Deed**").

The statements set out in these terms and conditions below (the "**Conditions**") are subject to the detailed provisions of the Series 3 Trust Deed, the broader provisions of the Programme Trust Deed and the Supplementary Shelf Prospectus/Pricing Supplement dated 27th June, 2019. The definitions in Clause 1 (*Definitions and Interpretation*) and the definitions under "General Terms and Conditions of the Bonds" in Schedule 3 of the Programme Trust Deed, shall apply *mutatis mutandis* in these Conditions.

CONDITION 1 - FORM, DENOMINATION AND TITLE

(a) Form and Denomination

The Series 3 Bonds are issued in registered form and in denominations of ₦1,000 each and integral multiples of ₦1,000, where in excess thereof. The Bonds will be issued in dematerialised/immobilised (uncertificated, book-entry) form and each Bondholder shall be issued an E-allotment Notification.

(b) Title

The Issuer, the Trustees and the Registrar (except as otherwise required by law) shall deem and treat the registered Holder of the Bonds (or his legal representative) as the legal and beneficial owner thereof for all purposes whether or not it is overdue and no person will be liable for so treating such Bondholder. In these Conditions, Bondholder or Holder means the person in whose name the Bond(s) is/are registered in the Register.

Title to the Bonds shall be effected in accordance with the CSCS procedures and guidelines and each Holder shall be entitled to deal in the Bonds in accordance with the CSCS procedures and guidelines. Statements issued by the CSCS as to the aggregate number of such Series 3 Bonds standing to the credit of the securities account of any person (the CSCS Statement of Account) shall be conclusive and binding for all purposes; save in the case of manifest error and such person shall be treated by the Issuer, the Trustees and the Registrar as the legal and beneficial owner of such aggregate number of Series 3 Bonds for all purposes.

CONDITION 2 - TRANSFER OF THE BONDS

2.1 TRANSFERS

The Bonds may be transferred in accordance with Clause 5.7 (Transfer of Bonds and Register of Holders) of the Programme Trust Deed.

2.2 FORMALITIES FREE OF CHARGE

Registration of transfer of Series 3 Bonds will be effected without charge by the Registrar on behalf of the Issuer but upon payment (or the giving of such indemnity as the Issuer may reasonably require) in respect of any tax or other governmental charges which may be imposed in relation to such transfer.

2.3 REFUSAL TO REGISTER TRANSFERS

2.3.1 Subject to the provisions of the Programme Trust Deed and rules and regulations of the SEC, the FMDQ OTC and/ or The NSE, the Registrar may refuse to register any transfer of the Series 3 Bonds where the applicable legislation requires the Issuer to refuse such transfer or where the transfer is lodged during a closed period within the meaning of Condition 1(e) (*Closed Periods*) of the Programme Trust Deed.

2.3.2 Where registration of a transfer of the Series 3 Bonds is refused under Clause 2.3.1 above, the Registrar shall give written notice of the refusal and the precise reason(s) for the refusal to the party lodging the transfer, if any, within 5 (five) Business Days after the date on which the transfer was lodged.

2.4 RETENTION OF TRANSFERS

The Registrar shall retain all instruments of transfer of the Series 3 Bonds which are registered, but any instrument of transfer of Series 3 Bonds the registration of which was declined or refused (except on the ground of suspected fraud) is to be returned to the party which lodged the transfer.

2.5 POWERS OF ATTORNEY

Any power of attorney granted by a Bondholder empowering his agent to deal with, or transfer any Series 3 Bonds, which is lodged, produced or exhibited to the Registrar will be deemed to continue and remain in full force and effect as between the Issuer, the Trustees, the Registrar and the grantor of that power, and may be acted upon, until express notice in writing is given by the grantor to the Registrar that it has been revoked or notice of the death, bankruptcy or liquidation of the grantor has been received by the Registrar from the trustees, personal representatives or liquidator of the grantor.

2.6 TRANSMISSION BY OPERATION OF LAW

Any person becoming entitled to any Series 3 Bonds by operation of law (including the death liquidation or bankruptcy of any Bondholder) may, upon producing evidence of such entitlement a shall be reasonably acceptable to the Issuer, obtain registration as the Holder of such Series 3 Bond or may execute a transfer of such Series 3 Bonds. This provision includes any case where a person becomes entitled as a survivor of persons registered as joint holders.

2.7 REGULATIONS

All transfers of Series 3 Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer of Bonds in the Programme Trust Deed and the prevailing rules and regulations of the SEC.

CONDITION 3 - STATUS OF THE SERIES 3 BONDS

3.1 RANKING

The Series 3 Bonds are direct, unsecured and subordinated obligations of the Issuer and provisions of Condition 2(b) (*Status of the Subordinated Bonds*) of the Programme Trust Deed apply.

3.2 ISSUES OF SECURITIES

The Series 3 Bonds carry no right to participate in any offering of securities by the Issuer and are convertible into shares in the capital of the Issuer.

3.3 VOTING RIGHTS

3.4 Bondholders will not have any right to vote at general meetings of the shareholders of Issu

CONDITION 4 - COVENANTS

4.1 COVENANT OF COMPLIANCE

For as long as any of the Series 3 Bonds remains outstanding, the Issuer undertakes to comply with each of the covenants stated in Clause 8 (*Covenant of Compliance*) and Condition 3 (*Covenants*) of the Programme Trust Deed.

4.2 Trustees Not Obligated to Monitor Compliance

The Trustees are not required to ensure that the Issuer complies with these Conditions, provided that the Issuer shall furnish the Trustees, annually, with a certificate on terms similar to those set out in the Programme Trust Deed, on which the Trustees may rely, as to such compliance.

CONDITION 5 - COUPON

5.1 COUPON RATE

5.1.1 The Bonds shall accrue Coupon from and including the Coupon Commencement Date, at the Coupon Rate(s) specified in the Supplementary Shelf Prospectus/Pricing Supplement.

5.1.2 Coupon shall be payable semi-annually in arrears in equal payments on each Coupon Payment Date up to and including the Maturity Date.

5.1.3 For the purpose of making any Coupon payment, any fraction of the Naira will be disregarded. Coupon will cease to accrue on the Bonds on the earliest of (a) the date on which the Bonds are redeemed or purchased for cash by the Issuer in accordance with these Conditions; or (b) in the event of an early redemption, the date on which the Bonds are redeemed by the Issuer.

5.1.4 When Coupon is required to be calculated in respect of a period of less than a full 6 (Six) months, it shall be calculated on an Actual/Actual basis (actual number of days in a month/actual number of days in the year).

CONDITION 6 – PAYMENTS

6.1 Coupon on Bonds due on a Coupon Payment Date will be paid to the Bondholders as shown on the Register at the Record Date before the relevant Coupon Payment Date.

For the purposes of this Condition, the bank account details that payments due to a Bondholder will be credited shall be as indicated on the application form completed by the Bondholder at the point of subscription for the Series 3 Bonds or as advised in writing to the Registrar, in the case of Coupon due otherwise than on a Coupon Payment Date, 3 (Three) days before the due date for payment, and in the case of Coupon due on a Coupon Payment Date, 3 (Three) days before the Record Date. A Bondholder's registered address means its address appearing on the Register on the relevant date.

6.2 Payments in respect of the Series 3 Bonds are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) herein.

6.3 No commissions or expenses shall be charged to the Bondholders in respect of any payments made in accordance with this Condition.

CONDITION 7 – REDEMPTION

7.1 Redemption at Maturity

Unless previously redeemed as provided below, the Issuer will redeem the Bonds at their Principal Amount (to the extent of the amount unpaid as of the Maturity Date) plus premium (if any) and Coupon (where applicable) on the Maturity Date.

7.2 Early Redemption

The provisions of Condition 4(c) (*Early Redemption*), Condition 4(d) (*Redemption at the Option of the Issuer (Call Option)*), Condition 4(e) (*Redemption of the Subordinated Bonds at the Option of the Issuer following a Capital Disqualification Event*) and Condition 4(f) (*Redemption for Taxation Reasons*) of the Programme Trust Deed will apply *mutatis mutandis* to the Series 3 Bonds.

CONDITION 8 - TAXATION

The Series 3 Bonds are exempt from the imposition of the companies' income tax by virtue of the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011, personal income tax by virtue of the Personal Income Tax (Amendment) Act 2011 and value added tax by virtue of the Value Added Tax (Exemption of the Proceeds of the Disposal of Government and Corporate Securities) Order 2011 respectively. The Series 3 Bonds are also exempt from value added tax payable on commissions on stock exchange transactions by virtue of the Value Added Tax (Exemption of Commissions on Stock Exchange Transactions) Order, 2014. Therefore, payments due to corporate Bondholders will not be subject to value added tax until January 2, 2022. Furthermore, commissions payable to the SEC, The NSE and CSCS will not be subject to value added tax until July 24, 2019. There is no limitation on the exemption from personal income tax on payments due to individual Bondholders. In the event that the exemption granted pursuant to the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order 2011 is not extended beyond January 1, 2022, the Issuer may be required by law, to withhold tax on Coupon payments to the corporate Holders from January 2, 2022.

CONDITION 9 - PRESCRIPTION

The provisions of Condition 8 (*Prescription*) of the Programme Trust Deed will apply *mutatis mutandis* to the Series 3 Bonds.

CONDITION 10 – EVENTS OF DEFAULT

The provisions of Condition 9 (*Events of Default*) of the Programme Trust Deed shall apply in respect of the Series 3 Bonds.

CONDITION 11 - ENFORCEMENT

The provision of Condition 10 (*Enforcement*) of the Programme Trust Deed will apply *mutatis mutandis* to the Series 3 Bonds.

CONDITION 12 - NOTICES

The provision of Condition 13 (*Notices*) of the Programme Trust Deed will apply to notices to and from the Bondholders.

CONDITION 13 - MEETINGS OF BONDHOLDERS, MODIFICATION, WAIVER AND AUTHORISATION

13.1 MEETINGS OF BONDHOLDERS

Schedule 1 of the Programme Trust Deed which contains provisions regarding meetings of Bondholders will apply *mutatis mutandis* to the Series 3 Bonds.

13.2 TRUSTEES TO HAVE REGARD TO INTERESTS OF HOLDERS AS A CLASS

In connection with the exercise by the Trustees of any of their trusts, powers, authorities or discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustees shall have regard to the general interests of the Holders as a class but shall not have regard to any interests arising from circumstances particular to individual Holders (whether by their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof; and the Trustees shall not be entitled to require, or indemnify any Holder be entitled to claim, from the Issuer, the Trustees or any other person any indemnity.

or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 8 (*Taxation*) above.

13.3 MODIFICATION TO BE BINDING ON THE BONDHOLDERS

Any modification, abrogation, waiver, authorisation, determination or substitution of the provisions of the Series 3 Trust Deed shall be in accordance with the Programme Trust Deed and shall be binding on the Bondholders.

CONDITION 14: GOVERNING LAW

The Series 3 Trust Deed, the Bonds and the Coupons shall be governed by and construed in all respects in accordance with the laws of the Federal Republic of Nigeria.



Independent practitioner's review report to:

The Directors
Union Bank of Nigeria Plc
Stallion Plaza
36 Marina
Lagos

and

The Directors
Standard Chartered Bank
142 Ahmadu Bello Way
Victoria Island
Lagos

Dear Sirs,

We have reviewed the accompanying financial information of Union Bank of Nigeria Plc, which comprise:

- the consolidated statements of financial position for the three years ended 31 December 2016, 31 December 2017 and 31 December 2018;
- the consolidated statements of profit or loss and other comprehensive income for the years then ended;
- the consolidated statements of changes in equity for the years then ended;
- the consolidated statements of cash flows for the years then ended and
- summary of significant accounting policies and other explanatory information

The financial information is based on the audited financial statements of Union Bank of Nigeria Plc and its subsidiaries (the "Group").

Directors' responsibility

The directors are responsible for the preparation and fair presentation of the audited financial statements, on which the financial information is based, in accordance with International Financial Reporting Standard and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, the Banks and Other Financial Institutions Act, and for such internal control as is necessary to enable the preparation of audited financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for the contents of the prospectus in which this report is included.

Our responsibility

Our responsibility is to express a conclusion on the accompanying financial information. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial information is not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial information in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The review primarily consists of making inquiries of management and others as appropriate, applying analytical procedures and evaluating the evidence obtained.



The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on this financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial information does not present fairly, in all material respects the state of the financial position of the Group as at 31 December 2016, 31 December 2017 and 31 December 2018 and of its profit or loss and cash flows for the years then ended, in accordance with the summary of significant accounting policies disclosed in Note 38.

Emphasis of matter

Without modifying our conclusion, we draw attention to a significant litigation claim in note 35(ii) where the Bank has lost the case at the Appeal court but has not recognized any provision based on the directors' assessment of the likelihood of success of the litigation claim at the Supreme Court. Based on current information and legal advice, the directors do not believe that loss contingencies arising from this pending matter will have a material adverse effect on the consolidated financial position or liquidity of the Bank. However, in light of the inherent uncertainties involved in this matter, some of which are beyond the Bank's control, and the significant damages sought in this matter, an adverse outcome in this litigation claim could be material to the Bank's results of operations, capital levels or liquidity.

Basis of accounting and restriction on distribution and use

Without modifying our conclusion, we draw attention to the summary of significant accounting policies included in the financial information, which describe the basis of accounting. The financial information is prepared for inclusion in the prospectus to be issued in connection with the proposed Union Bank of Nigeria Plc. N30 billion Debt Issuance Programme under the N100 billion Debt Issuance Programme. As a result, the financial information may not be suitable for another purpose.

Yours faithfully,

For: PricewaterhouseCoopers
Chartered Accountants
Lagos, Nigeria

Engagement Partner: Patrick Obianwa
FRC/2013/ICAN/00000000880



25 April 2019

APPENDIX V: FINANCIAL SUMMARY

The financial information set out in this Pricing Supplement has been extracted from the audited annual financial statements of the Issuer and is available at the specified office(s) of the Issuer. This section should be read and construed in conjunction with any audited interim financial statements published subsequently, for the financial years prior to the issuance under this pricing supplement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31 December 2018 N'millions	31 December 2017 (Restated) N'millions	31 Decemb 20 N'millio
Gross earnings			
Interest income	110,366	124,549	99,7
Interest expense	(55,016)	(57,880)	(34,6)
Net Interest income	55,350	66,669	65,0
Net impairment writeback/(charge) for credit losses	3,374	(25,609)	(17,8
Net interest income after impairment charge for credit losses	58,724	41,060	47,7
Net fee and commission income	11,596	10,207	10,1
Net trading income	8,410	9,129	5,1
Net income from other financial instruments at fair value through profit or loss	5,556	362	2,1
Other operating income	9,589	19,597	11,1
Non interest income	35,151	39,295	29,1
Operating income	93,875	80,355	77,1
Net impairment writeback on other financial assets	(382)	292	
Net operating income after net impairment write-back on other financial assets	93,493	80,647	77,1
Personnel expenses	(34,564)	(29,557)	(31,1
Depreciation and amortisation	(6,983)	(6,038)	(4,1
Other operating expenses	(33,493)	(31,133)	(25,1
Total expenses	(75,040)	(66,728)	(62,1
Profit before income tax from continuing operations	18,453	13,919	11,1
Income tax	(360)	(911)	
Profit for the year from continuing operations	18,093	13,008	11,1

Other comprehensive income:*Items that will never be reclassified to profit or loss*

Remeasurement of defined benefit liability	226	-	305
Movement in fair value reserves (FVOCI)	889	-	-

Items that are or may be reclassified to profit or loss

Foreign currency translation arising from foreign operations	2,340	2,144	7,746
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Fair value (loss)/ gains on FVOCI	(6,186)	7,862	1,939
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Other comprehensive income for the year, net of tax	(2,731)	10,006	9,990
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Total comprehensive income for the year	15,362	23,014	25,381
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Profit attributable:

Equity holders of the bank	17,648	12,288	14,947
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Non-controlling interest	445	720	(226)
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Profit for the year	18,093	13,008	14,721
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Total comprehensive income attributable to:

Equity holders of the bank	14,917	22,294	24,937
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Non-controlling interest	445	720	(226)
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Total comprehensive income for the year	15,362	23,014	24,711
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 December 2018 N'millions	31 December 2017 (Restated) N'millions	01 January 201 (Restated) N'million
ASSETS			
Cash and cash equivalents	233,566	222,577	136,19
Non-pledged trading assets	14,271	20,076	8,32
Pledged assets	48,839	54,079	53,43
Derivative assets	1,029	1,297	2,72
Loans and advances to customers	473,462	517,103	507,19
Investment securities	199,317	185,658	181,72
Trading properties	186	1,153	2,30
Investment properties	5,030	4,951	4,32
Property and equipment	59,953	55,986	52,81
Intangible assets	6,045	4,344	3,32
Deferred tax assets	95,875	95,875	95,9
Other assets	324,277	291,692	202,2
Defined benefit assets	1,610	352	1,6
	<u>1,463,460</u>	<u>1,455,143</u>	<u>1,252,2</u>
Assets classified as held for sale	397	397	3
Total assets	<u><u>1,463,857</u></u>	<u><u>1,455,540</u></u>	<u><u>1,252,6</u></u>
LIABILITIES			
Derivative liabilities	1,120	972	
Deposits from banks	99,477	100,131	90,2
Deposits from customers	857,593	802,384	658,2
Current tax liabilities	581	524	
Deferred tax liabilities	262	259	
Other liabilities	169,654	113,731	142,2
Employee benefit obligations	788	857	
Debt securities issued	13,860	-	
Other borrowed funds			

	94,891	93,211	89,514
Total liabilities	1,238,226	1,112,069	981,682
EQUITY			
Share capital	14,561	14,561	8,468
Share premium	187,091	187,091	391,641
Accumulated losses	(44,381)	(16,314)	(244,753)
Other reserves	62,084	152,302	110,533
Equity attributable to equity holders of the Bank	219,355	337,640	265,889
Non-controlling interests	6,276	5,831	5,111
Total equity and liabilities	1,463,857	1,455,540	1,252,682

CONSOLIDATED STATEMENT OF CASH FLOWS

	31 December 2018 N'million	31 December 2017 N'million	31 December 2016 N'million
Cash flows from operating activities			
Profit before income tax	18,453	13,919	15,738
Adjustments:			
Impairment losses and impairment write back on loans and advances	(3,209)	32,826	21,159
Impairment charge on cash and cash equivalents	68	-	-
Impairment write-back on debt securities	(29)	-	-
Impairment write-back on contingent assets	(204)	-	-
Recoveries on loans and advances	(3,940)	(5,946)	(1,297)
Reversal of impairment loss on loans and advances	-	(7,217)	(3,280)
Reversal of impairment on other assets	382	-	-
Write-off of property and equipment	-	136	24
Write-off of intangible assets	-	-	193
Reversal of impairment on trading properties	-	(273)	-
Revaluation gains on investment properties	-	(200)	-
Allowances on other assets	-	(19)	(717)
Gain on sale of property and equipment	(634)	(1,769)	(2,562)
Gain on disposal of available for sale - unquoted equity	(1,254)	-	(297)
Gain on sale of trading properties	-	(238)	(90)
Gain on sale/liquidation of subsidiaries	-	-	(368)
Depreciation of property and equipment	5,221	4,572	3,806
Amortisation of intangible assets	1,762	1,466	1,100
Dividend income from equity investment	(972)	(1,033)	(765)
Interest paid on borrowings	15,859	11,905	9,929
Contributions to defined contribution plans	759	726	722
Increase in plan assets	(1,120)	-	-
Increase in liability for defined benefit plans	561	745	464
	31,703	49,600	43,783
Change in non-pledged trading assets	5,805	(11,753)	(8,323)
Change in pledged assets	5,240	(649)	31,298

Change in loans and advances to customers	(82,202)	(29,576)	(157,051)
Change in other assets	(32,850)	(89,495)	(63,343)
Change in derivative financial instruments-assets	268	1,450	13
Change in derivative financial instruments-liabilities	148	959	(927)
Change in deposits from banks	(654)	9,865	46,175
Change in deposits from customers	55,209	143,940	87,805
Change in other liabilities	55,971	(26,755)	29,588
	<hr/>	<hr/>	<hr/>
	38,638	47,586	9,018
Income tax paid	(318)	(659)	(269)
Payment from defined contribution plan	(794)	(754)	(722)
Payment from defined benefit plan	-	(629)	(1,251)
Payment from long service award	(540)	(41)	(92)
	<hr/>	<hr/>	<hr/>
Net cash provided by/(used in) operating activities	36,986	45,503	6,684
Cash flows from investing activities			
Disposal of investment properties	-	-	199
Acquisition of investment properties	(79)	(55)	-
Proceeds from sale of trading properties	967	1,318	958
Proceeds from sale of property and equipment	938	4,169	5,271
Proceeds from sale of unquoted securities	1,256	-	-
Proceed on disposal of subsidiaries	-	-	3,006
Proceeds/(Acquisition) from sale of investment securities	(18,929)	3,924	35,653
Acquisition of trading properties			
Acquisition of property and equipment	(9,616)	(10,381)	(9,126)
Acquisition of intangible assets	(3,500)	(2,191)	(664)
Dividend income received	972	1,033	765
	<hr/>	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	(27,991)	(2,183)	36,062
Cash flows from financing activities			
Net proceeds from shares issued during the year	-	49,164	-
Inflow from other borrowed funds	25,207	14,887	47,784
Repayment of other borrowed funds	(23,527)	(11,189)	(34,329)
Debt securities issued	13,860		
Interest paid on other borrowed funds	(15,859)	(11,905)	(9,929)
	<hr/>	<hr/>	<hr/>
Net cash generated from/(used in) financing			

activities	(319)	40,957	3,52
Net increase/ (decrease) in cash and cash equivalents	8,676	84,277	46,27
Cash and cash equivalents at beginning of the year	222,577	136,194	82,25
Effects of foreign exchange translation on cash held	2,383	2,106	7,67
Cash and cash equivalents at end of the year	233,636	222,577	136,15

APPENDIX VI: PROCEDURES FOR APPLICATION AND ALLOTMENT

1. Invitation for participation

Eligible Investors are hereby invited to place orders in respect of the Issue through the Issuing Houses and Bookrunners.

- 1.1 The book building process opens on 10 June 2019 and closes on 17 June 2019. Orders must be for a minimum of ₦10,000,000 and in integral multiples of ₦1,000,000 thereafter.
- 1.2 Orders should be entered in the space provided in the prescribed commitment form in Appendix VII attached to the Pricing Supplement/Supplemental Prospectus.
- 1.3 By completing the commitment form, each participant hereby agrees that the order is irrevocable and, to the fullest extent permitted by law, the obligations in respect thereof shall not be capable of rescission or termination by any participant.
- 1.4 Participants may place orders for the Bonds at any price within the price range subject to the minimum participation amount and the terms and conditions stated on the commitment form.
- 1.5 A corporate participant should affix its official seal in the box provided and state its incorporation (RC) Number or, in the case of a corporate foreign subscriber, its appropriate identification/incorporation number in the jurisdiction in which it is constituted.
- 1.6 Upon the completion and submission of the commitment form, the participant is deemed to have authorised the Issuer and the Issuing House to effect the necessary changes in the Pricing Supplement/Supplemental Prospectus as would be required for the purposes of filing an application for the clearance and registration of the Pricing Supplement/Supplemental Prospectus with the SEC. The commitment form shall be considered as the application form for the purposes of registration of the Pricing Supplement/Supplemental Prospectus with the SEC.
- 1.7 Participants shall not be entitled to withdraw/modify orders after the book building closing date.
- 1.8 The commitment form presents the participant with the opportunity to indicate up to three optional bid interest rates within the price range and to specify the participation amount applicable to each option. The bid coupon rates and the participation amounts submitted by the participant in the commitment form will be treated as optional demands from the participant and will not be aggregated.
- 1.9 After determination of the interest rate, the maximum participation amount specified by a participant at or below the clearing price will be considered for allocation and the rest of the order(s), irrespective of the corresponding bid interest rate(s), will become automatically invalid.
- 1.10 The Issuer in consultation with the Issuing Houses and Bookrunners reserves the right not to proceed with the Issue at any time including after the book building opening date but before the allotment date without assigning any reason thereof.

2. Payment instructions

Successful participants should ensure that payment of the participation amounts is received on the day of the Signing Ceremony, via the CBN RTGS or the Nigerian Inter-bank System Electronic Funds Transfer ("NEFT") or into the following designated issue proceeds accounts domiciled with the Receiving Bank:

Bank Name	Account Name	Account Number
Stanbic IBTC Bank PLC	Union Bank of Nigeria Bond Proceeds II	0033408650
Zenith Bank PLC	Union Bank of Nig- Combined Short Term & Bond Issuance	1016385103

3. Allocation / Allotment

- 3.1 On the pricing date, the Issuing Houses and Bookrunners will analyse the demand generated at various price levels and, in consultation with the Issuer, finalise the interest rate and the allocations to each participant. Allocation confirmation notices will be sent to successful participants thereafter.
- 3.2 The Directors of Union Bank, the Issuing Houses and Bookrunners reserve the right to accept or reject any application in whole or in part for not complying with the terms and conditions of the Issue.
- 3.3 Upon clearance of the Final Pricing Supplement by the SEC, allotment of Bonds shall be effected in a dematerialised (uncertificated) form. Participants are mandatorily required to specify their CSCS Account Number, the name of their Stock-broking Firm and their Clearing House Number (CHN) in the spaces provided on the Commitment Form. Settlement of Bonds in dematerialised form shall be effected not later than 15 (fifteen) Business Days from the Allotment Date.

4. Bank account details

- 4.1 Participants are required to indicate their bank account details in the space provided on the Commitment Form for the purposes of future payments of Coupon and the Principal Amount.
- 4.2 Participants are advised to ensure that bank account details stated on the Commitment Form are correct as these bank account details shall be used by the Registrar for all payments indicated in 4.1 above in connection with the Bonds.
- 4.3 Failure to provide correct bank account details could result in delays in credit of payments or the issuance of cheques/warrants which shall be sent by registered post to the specified addresses of the affected investors. The Issuer, the Issuing House, the Receiving Bank, the Trustees and the Registrar shall not have any responsibility for any of these specified parties undertake any liability for the same.

COMMITMENT FORM (REVERSE SIDE)

PARTICIPANT DETAILS (INDIVIDUAL/CORPORATE/JOINT) (PLEASE USE ONE BOX FOR ONE ALPHABET LEAVING ONE BOX BLANK BETWEEN FIRST WORD AND SECOND)

SURNAME/CORPORATE NAME																									
FIRST NAME (FOR INDIVIDUALS ONLY)													OTHER NAMES (FOR INDIVIDUALS ONLY)												
JOINT APPLICANT'S FIRST NAME (IF APPLICABLE)													OTHER NAMES (FOR JOINT APPLICANT ONLY)												
CONTACT PERSON (FOR CORPORATE APPLICANT)/ NEXT OF KIN (FOR INDIVIDUAL APPLICANT)																									
ADDRESS IN FULL (PLEASE DO NOT REPEAT APPLICANT(S)' NAME). POST BOX NO. ALONE IS NOT SUFFICIENT																									
																								TEL	
CITY										STATE										EMAIL					

ALLOTMENT PREFERENCE:

Please in the box to indicate allotment preference – CERTIFICATE / ELECTRONIC (BOOK ENTRY)

E-ALLOTMENT DETAILS (FOR BOOK-ENTRY ALLOTMENTS ONLY)

Please credit my/our CSCS Account as detailed below to the extent of the Bonds allotted:

PARTICIPANT'S CSCS ACCOUNT NO:		CHN (CLEARING HOUSE NUMBER):	
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NAME OF STOCKBROKING FIRM

BANK DETAILS (FOR E-PAYMENTS)

BANK NAME		BRANCH	
ACCOUNT NO:		CITY/STATE	

SIGNATURES

SIGNATURES	2ND SIGNATURE (CORPORATE/JOINT)	OFFICIAL SEAL/RC. NO.
NAME OF AUTHORISED SIGNATORY (Corporate only)	NAME OF AUTHORISED SIGNATORY (Corporate/Joint):	
DESIGNATION (Corporate only):	DESIGNATION (Corporate only):	

STAMP OF RECEIVING AGENT
(ISSUER/ISSUING HOUSES/STOCKBROKERS TO THE ISSUE/ PLACEMENT AGENTS ONLY)