

Intragroup Transactions and Lending to Related and Connected Parties Policy

The Stanbic IBTC Holdings PLC (“Stanbic IBTC”) Intragroup Transaction and Lending to Related and Connected Parties Policy is designed to establish and define the framework for the governance, risk management and reporting of intragroup transactions and lending to connected and related parties, to effectively monitor and control lending to connected and related parties within the banking group and to take appropriate steps to mitigate the risks arising from these transactions.

Each Stanbic IBTC connected or related party’s Finance function must reconcile intragroup transactions and related or connected party exposures arising via special purpose vehicles monthly to ensure and confirm that the exposures recorded by Risk reconcile with those recorded by the Finance function and that there are credit approvals in place for all direct and portfolio exposures.

Intragroup transactions and lending to related and connected parties shall be conditional on: confirmation that terms and conditions have been approved by the Risk function. All transactions including those containing terms and/or conditions not at arms-length with related or connected parties, by each of

- (i) the Risk function in-line with the relevant Credit delegated authorities for all terms and conditions other than those not at arms-length,
- (ii) IGEC, a subcommittee of Group ALCO, in line with the relevant Credit delegated authorities or for all non-arm’s length transactions, with approvals in excess of USD1billion being referred to GROC and GRCMC for approval
- (iii) the Asset and Liability Management function for those exposures regarded as stores of liquidity
- (iv) senior management of the relevant entity and
- (v) the board of directors or a board appointed committee for all terms and conditions; • confirmation that all resultant market and operational risk arising from transactions fall within the agreed market and operational risk frameworks;

- verification that the resultant credit and market risk arising from the transactions will be reflected on the applicable credit and market risk monitoring systems;
- completion of all “Know Your Client” requirements that are applicable;
- completion of adequate legal documentation as prescribed and required by Risk and Compliance functions being in place; and
- implementation of the required control mechanisms in respect of transactions and exposures to portfolios that are booked via special purpose vehicles

The policy covers the following requirements with regards to Connected Lending or lending to a related person:

- Each Group connected or related party lends to a related or connected party as if it were dealing on an arm’s length basis;
- No person benefiting from a particular loan or exposure is responsible for the preparation of the loan motivation, assessment, credit decision or monitoring.
- Any extension of credit to a related or connected person is duly documented and monitored and, in this regard, there must be a monthly reconciliation between the Finance and Risk functions to ensure that all intragroup exposures reflected on the finance ledger are also reflected on the relevant risk monitoring systems
- Any intragroup exposures without credit limits will be subject to the normal unauthorized excess management procedures applied by the Risk function and, in this regard, it is the responsibility of the Business function that originates the transaction(s) in question to ensure that the Risk function has sufficient information to assess the risk on an arms-length basis; and
- Appropriate steps are taken to objectively control and/or mitigate any risk arising from an exposure granted to a related or connected person

The policy covers the following requirements with regards to Intragroup transactions or exposure:

Each Group connected or related party must ensure that:

- Intragroup exposures are duly documented, reported and accounted for;
- Unauthorized excesses are monitored and managed in line with the centralized intragroup Risk function’s normal excess management processes;
- Intragroup exposures are subject to appropriate oversight by the applicable governance committees and senior management of the relevant Group connected or related parties;

- Before entering into an intragroup transaction there is adequate control in respect of any transfer mechanism within the Group, including any transfer mechanism relating to capital, funding, risk or income;
- Both sides of bilateral transactions can be analysed and each Group connected or related party identifies, monitors and controls the nature and extent of its intragroup transactions or exposures; and
- The applicable governance committees and senior management of each Group connected or related party have an adequate understanding of the incurred risks and any subsequent changes in the said risk profile due to an intragroup transaction or exposure.
- The transaction is booked in a source system and robust controls exist around the aggregation of risk data,
- Ensuring alignment between Risk and Finance.

Each member of the financial conglomerate must ensure that they have implemented board-approved policies, as well as, risk management processes and procedures relating to intragroup exposures, which policies and procedures must:

- capture all material or significant intragroup exposures
- include limits on acceptable levels for intragroup exposures
- ensure that adequate systems and controls are in place to continuously identify, measure, manage, monitor and report on material or significant intragroup exposures on a timely manner

Corporate governance, risk management and internal controls:

Each connected or related party must have in place approved policies and comprehensive risk-management processes and procedures to ensure that Stanbic IBTC

- continuously receives relevant information relating to risk exposure incurred by such connected or related party; and
- reports timely, reliable and appropriately detailed information in respect of any intragroup transactions or exposures, including the approach adopted for the management of intragroup transactions or exposures; and
- that all relevant policies, processes and procedures are subject to regular and robust processes of independent review.

Regulatory capital implications

- Standardized Approach 0% risk weight is allocated to intragroup advances to Stanbic IBTC (and by extension SBG) connected and related parties that are banks and other

formally regulated financial entities with capital requirements similar to those of banks, provided that:

- the Stanbic IBTC or SBG connected or related party that receives the advance is managed as an integrated part of the Group;
- the Stanbic IBTC or SBG connected or related party that receives the advance is consolidated in accordance with the relevant requirements specified in applicable regulation; and
- capital resources are freely transferable from the connected or related party that receives the advance to the Stanbic IBTC or SBG connected or related party that made the advance.

Internal Ratings Based Approach

In the case of exposures to Stanbic IBTC or SBG connected or related parties that are intragroup banks or other formally regulated intragroup financial entities with capital requirements similar or equivalent to those of banks, which Stanbic IBTC or SBG connected or related parties are included in the consolidated amounts calculated in accordance with the relevant requirements specified in the Prudential Regulations or any applicable regulations in respect of consolidated supervision, the PD ratio shall be deemed to be equal to zero. For any other intragroup exposures to Stanbic IBTC connected or related parties, the PD ratio shall be as calculated by the bank's internal rating models.