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**FCMB Group Plc. (“The Holding Company”)**

**RELATED PARTY TRANSACTIONS POLICY**

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## **1 Introduction**

FCMB Group Plc (“the Company”) recognises compliance with the applicable extant laws and regulations as one of the opportunities to grow and thus, is committed to high ethical standards and practices in the conduct of its businesses.

The policy reflects the provisions of the laws, regulations, business practices and principles that support this commitment. It shall apply to all transactions between the Company and its Related Parties with a view to ensuring that there is transparency and fairness.

It provides the framework for the governance, identification and reporting of Related Party Transactions.

## **2 Objectives of this Policy**

The objective of the policy is to ensure that transactions between the Company and its related parties are conducted based on applicable extant laws, regulations, transparency and high ethical standards. It provides guidance against potential or actual conflict of interests in transactions or dealings involving the Company and its related parties based on the provisions of the relevant laws, regulations and other best practices. The Policy is intended to ensure proper approval and reporting of transactions between the Company and its related parties. Such transactions shall be appropriate only if, they are in the best interest of the Company and its shareholders.

## **3 Ownership of the Manual**

The Board has direct oversight over this manual but its maintenance rests with the Group’s Head – Risk Management and Control Department (HRMCD). He/She shall be responsible for the implementation of the framework across the Group under the guidance of the Board.

## **4 Updating the Policy**

The Group’s related parties’ transaction policy shall be subjected to review every 3 years or based on the business or operational exigencies or changes in the applicable legislations and regulations, whichever comes first.

## **5 Applicability of the Policy**

This policy shall be applicable to all transactions made with:

- a) Board of Directors and their relatives;
- b) Officers of the Company and their relatives; and
- c) Related Parties as defined by various regulations hereinafter.

## 6 Applicable Legislations and Regulations

The Company is governed, amongst others, by the

- a. Companies and Allied Matters Act, 2020
- b. Banks and Other Financial Institutions Act, 2020, and the rules framed thereunder, as amended ("Acts"); and regulations framed by
  - a. The SEC approved Nigerian Exchange Ltd ("NGX") rules. Chapter 20: rules governing transactions with related parties or interested persons as amended ("Listing Regulations") has mandated every listed company to formulate a policy on Related Party Transactions and on dealing with Related Party Transactions ("Policy");
  - b. the Nigerian Code of Corporate Governance 2018 (the "NCCG Code");
  - c. the CBN Corporate Governance Guidelines For Financial Holding Companies in Nigeria, 2023;
  - d. CBN circular on shared serviced services and transfer pricing arrangement, 2021;
  - e. CBN prudential guidelines, 2014; and
  - f. any other applicable laws and regulations to the Company's in relations to Related Party Transactions in Nigeria.

Accordingly, the Company has formulated the Policy in line with the expectations of the laws and regulations. This Policy regulates all transactions between the Company and its Related Parties.

## 7 Important Definitions

(A) **Section 19(6) of BOFIA 2020** defines:

- a. A **"director"** includes director's wife, husband, father, mother, brother, sister, son, daughter, their spouses, a company in which the director is also a director or shareholder or holds at least 5% shareholding of the company, a company whose board, or managing director, is accustomed to act in accordance with the advice, directions or instructions of the director and all other related parties as may be determined by the Bank;
- b. A **'significant shareholder'** means a person holding not less than 5% of the shares of the bank or such other percentage as may be prescribed by the Bank and this shall include the shareholding of a wife, husband, father, mother, brother, sister, son, daughter. their spouses and all other related parties as may be determined by the Bank;
- c. **'unsecured advances and loans' or 'unsecured credit facilities'**, means advances, loans or credit facilities made without security, or, in respect of any advances, loans or credit facilities made with security, any part thereof which at any time exceeds the market value of the assets constituting the security or where the Bank is satisfied that

there is no established market value, the value of the assets as determined on the basis of a valuation approved by the Bank.

(B) **Rule 20.2 of NGX Rulebook** defines:

- d **"Connected persons"** include an individual's spouse, relative or the spouse of a relative and other close dependants.
- e **Entity at risk" means:**
  - i. the Issuer of securities (i.e. the Company); or
  - ii. a subsidiary of the Company that is not listed on The Exchange; or
  - iii. an associated company of the Company that is not listed on The Exchange provided that the listed group, or the listed group and its interested person(s), has significant influence over the associated company.
- f **"Financial assistance" includes:**
  - (a) the lending or borrowing of money, guaranteeing or providing security for a debt incurred or the indemnifying of a guarantor for guaranteeing or providing security; or
  - (b) the forgiving of a debt, the releasing of or neglect in enforcing a financial obligation of another, or assumption of the financial obligations of another.
- g **"Interested person" means**
  - (1) a director (including a shadow director), chief executive officer, or controlling shareholder (either directly or indirectly) of the Issuer; or
  - (2) any person connected to such director, chief executive officer, or controlling shareholder; or
  - (3) any member of its management, or executive body charged with the day to day running of the business.
- h **"Interested person transaction"** means a transaction between an entity at risk and an interested person.
- i **"Net Tangible Assets"** means total assets minus intangible assets minus total liabilities minus non-controlling interest. Assets, intangible assets, liabilities, and non-controlling interest are as defined under the International Financial Reporting Standards (IFRS).
- j **"Significant influence over an Issuer"** means 'significant influence over an enterprise' as described in the Rules and Regulations of the Securities and Exchange Commission 2013 (Consolidated); and as may be amended from time to time.

k **"Transaction" includes the:—**

- 1) provision or receipt of financial assistance; or
- 2) acquisition, disposal or leasing of assets; or
- 3) provision or receipt of services; or
- 4) issuance or subscription of securities; or
- 5) granting of or being granted options; and
- 6) establishment of joint ventures or joint investments.

whether or not in the ordinary course of business, and whether or not entered into directly or indirectly (for example, through one or more interposed entities).

**(C) Other Definitions**

l **"Officers" means:**

- a. Chief Executive Officer or the Managing Director;
- b. Executive Director(s);
- c. Company Secretary;
- d. Chief Financial Officer;
- e. Chief Compliance Officer;
- f. Chief Risk Officer;
- g. Head of Internal Audit; and
- h. Such other officer/s as may be prescribed;

m **"Arm's length transaction"** means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

n **"Modification"** means any subsequent change to an existing Related Party Transaction.

o **"Ordinary course of business"** means the usual transactions, customs and practices undertaken by the Company to conduct its business operations and activities and includes all such activities, which the Company can undertake as per its Memorandum and Articles of Association.

## **8 Purpose of the Policy**

The objective of this policy is to guard against the risk that interested persons could influence the Company, its subsidiaries or associated companies, to enter into transactions with such interested persons that may adversely impact the interests of the Company or its securities holders.

## 9 Identification of Related Parties and the Related Party Transactions

- i. Every director, significant shareholder and officer of the Company and its subsidiaries / associated companies shall:
- a. at the time of appointment;
  - b. periodically – as required by the Company or applicable law;
  - c. whenever there is any change in the information already submitted, provide requisite information about his / her Relatives and all firms, companies, body corporates, or other association of individuals of public interest, in which such director, significant shareholder or officer is interested, whether directly or indirectly, to the Company or the subsidiary/ associated company (as the case may be). Every director, significant shareholder or officer shall also provide any additional information about the transaction that the Board Risk Management /Committees may reasonably request.

## 10 Loans to Related Parties

- 1) **Section 19(1b &c) of the Banks and Other Financial Institutions Act (BOFIA), 2020** prohibits a financial institution from granting:
  - a. any advance, loan or credit facility against the security of its own shares; or
  - b. any unsecured advance, loan or credit facility except it is in line with the regulation on collateralisation as may be issued by the Bank.
- 2) **Section 19(3) of BOFIA, 2020** stipulates that a financial institution shall not, without the prior approval in writing of the Bank:
  - a. permit to be outstanding, unsecured advances, loans or unsecured credit facilities of an aggregate amount in excess of N1,000,000 or such amount as may be prescribed by the Bank to its directors, significant shareholders or any of them whether such advances, loans or credit facilities are obtained by its directors or significant shareholders jointly or severally.
- 3) **Section 19(5) of BOFIA, 2020** stipulates as follows:
  - a. that a financial institution shall not give credits to any director or a significant shareholder that are more than 5% of a bank's paid-up share capital;
  - b. the aggregate of the financial exposure to all its directors and significant shareholders is not more than 10% of the financial institution's paid up share capital; and
  - c. disclosure and reporting of such insider related credits in the annual reports. These include: a. credits to directors that have left the Board but whose loan remains outstanding; and

- d. The definition of director for the purpose of insider credit include shadow directors.
- 4) **Section 19(7) of BOFIA, 2020** stipulates that all the directors of are liable jointly and severally to indemnify the Company against any loss arising from any advance, loan or credit facility granted in contravention of this section.
- 5) **Corporate Governance Guidelines For Financial Holding Companies In Nigeria, 2023's Section 21.4** provides that any director whose credit facility or that of his/her related interests remains non-performing in the banking subsidiary of a Financial Holding Company (FHC), for more than one (1) year, shall cease to be on the Board of the FHC and shall be blacklisted from sitting on the Board of such banking subsidiary or that of any other financial institution under the purview of the CBN.
- 6) **Corporate Governance Guidelines For Financial Holding Companies In Nigeria , 2023's Section 21.5** provides that no loan/advance and interest thereon to a director of an FHC by the banking subsidiary shall be written-off without the prior approval of the CBN.
- 7) **CBN Guidelines for Licensing and Regulation of FHC's Section 7.6 - Limits on Insider-Related Transactions:**
  - a. A director or an insider-related party shall not borrow more than 10.0 per cent of the financial holding company's paid-up capital from the subsidiaries within the group, except with the prior approval of the CBN.
  - b. The maximum loan to all insider-related parties shall not exceed 1.0 per cent of the financial holding company's shareholders' funds.
  - c. The requirements of Sections 7.6 (a & b) above do not apply to credits to employees under their employment scheme of service, or to companies where one or more of the financial holding company's directors jointly or severally maintain shareholding of less than five per cent either directly or indirectly.

## **11 General Requirements/Disclosure of interest by directors, managers and officers**

(A) **Section 17 of BOFIA, 2020** stipulates as follows:

- (1) A manager or any other officer of a financial institution shall not—
  - (a) in any manner whatsoever, whether directly or indirectly, have personal interest in any advance, loan or credit facility, and if the manager or officer has any such

personal interest, such manager or officer shall declare the nature of such interest to the financial institution; or

- (b) grant any advance, loan or credit facility to any person, unless it is authorised in accordance with the rules and regulations of the financial institution and in line with the regulations on collateralisation issued by the CBN.
- (2) Any manager or officer who contravenes or fails to comply with any of the provisions of subsection (1), commits an offence and is liable on conviction to imprisonment for a term of not less than three years or a fine of not less than N5, 000,000 or both, and any gain or benefit accruing to any person convicted under this section, by reason of such contravention, is forfeited to and vested in the financial institution.
  - (3) A director of a financial institution who is in any way, whether directly or indirectly, interested in the grant of an advance, loan or credit facility by the financial institution, shall declare the nature of such interest before the meeting of the board of directors of the bank, at which the request for the advance, loan or credit facility is first taken into consideration.
  - (4) Where the director becomes interested in any advance, loan or credit facility after it is granted, the declaration shall be made to the board of directors immediately.
  - (5) For the purpose of this section, a general notice given to the board of directors of a financial institution by a director to the effect that such director is a member of a company or firm seeking an advance, loan or credit facility from the financial institution shall be regarded as a declaration of his interest in the grant of the advance, loan or credit facility which may, after the date of the notice, be granted to that company or firm, and is deemed to be a sufficient declaration of interest in relation to any such advance, loan or credit facility so granted.
  - (6) A director of a bank who is in any way, whether directly or indirectly, interested in the grant of an advance, loan or credit facility with a financial institution other than the financial institution in which such person is a director, shall declare the nature of such interest in writing to the CBN prior to the grant of the advance, loan or credit facility by that other financial institution and in a case where the director become interested in any advance, loan or credit facility from another bank after it is granted, the declaration shall be made to the financial institution immediately.

(B) **NGX Rule 20.3** stipulates as follows:

- (a) The company shall ensure an immediate announcement, by way of disclosure in the accounts and formal disclosure to The Exchange of any interested person

transaction of a value equal to, or more than, five per-cent (5%) of the group's latest audited net tangible assets.

- (b) Where the aggregate value of all transactions entered into with the same interested person during the same financial year amounts to five per-cent (5%) or more of the group's latest audited net tangible assets, the Company shall immediately make an announcement of the latest transaction and all proposed transactions to be entered into with that same interested person during that financial year.
- (c) The Company shall ensure that it obtains securities holders approval for any interested person transaction or of a value equal to, or more than:
  - i five per-cent (5%) of the Company or its group's latest audited net tangible assets; or
  - ii five per-cent (5%) of the Company or its group's latest audited net tangible assets, when aggregated with other transactions entered into with the same interested person during the same financial year. However, a transaction which has been approved by securities holders, or is the subject of aggregation with another transaction that has been approved by securities holders, shall not be included in any subsequent aggregation; or
  - iii five per-cent (5%) of the Company's total market value as at the date of the transaction.
- (d) In interpreting the term "same interested person" for the purpose of aggregation as in above, the following applies:—
  - (1) Transactions between an entity at risk and interested persons who are members of the same group are deemed to be transactions between the entity at risk with the same interested person. This shall be treated at arm's length.
  - (2) The value of a transaction is the amount at risk to the Issuer.
    - a) In the case of a partly owned subsidiary or associated company, the value of the transaction is the Issuer's effective interest in that transaction;
    - b) In the case of a joint venture, the value of the transaction includes the equity participation, shareholders' loans and guarantees given by the entity at risk; and
    - c) In the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. In the case of lending of funds to an interested person, the value of the

transaction is the interest payable on the loan and the value of the loan.

**(C) CBN Corporate Governance Guidelines, 2023**

- a) **Section 21.8:** All services between an FHC and its subsidiaries shall be guided by Service Level Agreements (SLAs) and/or shared services arrangements in line with the CBN Guidelines for Shared Services Arrangements for Banks and Other Financial Institutions.

## **12 Review and approval of Related Party Transactions**

### **12.1 Structure of Approval of Related Party Transactions**

#### **A. Board Risk Management /Audit Committees**

- i. All the transactions which are identified as Related Party Transactions and subsequent modifications thereof, shall be approved by the Committees in the manner specified under the Listing Regulations. The Committees shall consider all relevant factors while deliberating the Related Party Transactions for its approval.
- ii. Any member of the Committees who has a potential interest in any Related Party Transaction shall recuse himself and abstain from discussion and voting on the approval of the Related Party transaction.
- iii. A Related Party Transaction which is
  - a) not in the ordinary course of business, or
  - b) not at arm's length basis, would require approval of the Board or of shareholders, as detailed in subsequent paragraphs.
- iv. The Committees may grant omnibus approval for Related Party Transactions, which are repetitive in nature and subject to such criteria / conditions as mentioned under the Acts and the Listing Regulations and such other conditions as it may consider necessary in line with this Policy and in the interest of the Company.
- v. The Committees shall review, on a quarterly basis, the details of Related Party Transactions and modifications thereof, entered into by the Company pursuant to the omnibus approval. Certain procedural aspects concerning review of a Related Party Transaction may be modified or waived by the Committee, at its discretion.
- vi. Such omnibus approval shall be valid for a period not exceeding one year and shall require fresh approval after the expiry of one year.

- vii. A Related Party Transaction entered into by the Company, which is not under the omnibus approval or otherwise pre-approved by the Committees, will be placed before the Committees for consideration, and ratification, if appropriate.
- viii. The Committees shall also pre-approve Related Party Transactions, where the Company is not a party, but the Company's subsidiary is a party, if the value of such transaction crosses the thresholds as prescribed under the Listing Regulations.

#### B. Board of Directors

In case any Related Party Transactions are referred by the Company to the Board for its approval due to the transaction being:

- (i) not in the ordinary course of business, or
- (ii) not at an arm's length basis,

the Board will inter alia consider factors such as, nature of the transaction, material terms, the manner of determining the pricing and the business rationale for entering into such transaction and any other information the Board may deem important/relevant for taking decision on a proposed transaction. On such consideration, the Board may approve the transaction or may require such modifications to transaction terms as it deems appropriate under the circumstances. Any member of the Board who has any interest in any Related Party Transaction will recuse himself and abstain from discussion and voting on the approval of the Related Party Transaction.

#### C. Shareholders

##### 1. If a Related Party Transaction is

- (i) a material transaction as per NGX Rule 20.3 of the Listing Regulations, or
- (ii) not in the ordinary course of business, or not at arm's length basis and exceeds certain thresholds prescribed under the Act,

then such Related Party Transaction and any subsequent modification thereto, shall require Securities holders' approval by a resolution. In such case, any member of the Company who is a Related Party, irrespective of being related to the said transaction or not, shall not vote on resolution passed for approving such Related Party Transaction.

- 2. The provisions of Rules 20.3, 20.7 and 20.8 of the Listing Regulations shall not be applicable in case of transactions entered into between a holding company and its wholly owned subsidiary and between two wholly-owned subsidiaries, whose accounts are consolidated with such holding company and placed before the Securities holders at the general meeting for approval.
- 3. In the event the Company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its

consummation, the Company would seek post facto approval from the Committees, the Board and/or Securities holders as required under applicable laws/ regulations.

### **13 Reporting of Related Party Transactions**

Every contract or arrangement, which is required to be approved by the Board or the Securities holders under this Policy, shall be referred to in the Board's report to the Securities holders along with the justification for entering into such contract or arrangement.

The details of all transactions with Related Parties shall be submitted, in the prescribed format to the stock exchanges, and requisite disclosures shall be made in other public documents/certificates as legally required, in the manner and as per the timelines set out in the Listing Regulations and the same shall be published on the Company's website.

### **14 Limitation, Review and Amendment**

In the event of any conflict between the provisions of this Policy and of the Act or the Listing Regulations or any other legal requirement ("Applicable Law"), the provisions of Applicable Law shall prevail over this Policy. Any subsequent amendment / modification to the Applicable Law shall automatically apply to this Policy.

The Board may review this Policy periodically (and at least once every three years) and make amendments from time to time, as may be deemed necessary (including based on recommendation(s) of the Committees).

### **15 Disclosure of the Policy**

This Policy will be uploaded on the website of the Company and the web link thereto shall be provided in the annual report.