

RISK DISCLOSURE

LENDING AGAINST INVESTMENT COLLATERAL

SECURED OVERDRAFT INVOLVES GREATER RISK COMPARED TO TRADITIONAL RETAIL LOANS BECAUSE OF THE GREATER RISK OF VOLATILITY ASSOCIATED WITH THE UNDERLYING COLLATERAL. AS SUCH IT IS ONLY AVAILABLE TO BORROWERS WHO CAN TOLERATE THE COMPLETE LOSS OF VALUE OF THE UNDERLYING COLLATERAL. WHILE THE BANK WILL ASSESS YOUR SUITABILITY BEFORE RECOMMENDING AN INVESTMENT PRODUCT TO YOU, THE BANK DOES NOT ASSESS YOUR SUITABILITY TO TAKE UP FINANCING IN RELATION TO SUCH INVESTMENT. YOU MUST MAKE YOUR OWN ASSESSMENT OF THE RISKS AND SUITABILITY OF FINANCING.

How does Secured Overdraft work?

With this overdraft facility, you can access cash secured by investments and securities (cash, Bonds & Funds) held with Standard Chartered Bank Nigeria Limited for a period ranging from 1 month to 1 year.

Upon a successful application, a facility limit will be made available to you and a lien is placed on your investment or security for the value of the pledged amount. This limit will be stated in the Facility Letter which is sent to you subsequently, subject to the provisions in the Facility Letter and the Standard Chartered Bank Nigeria Limited's (the "Bank") Terms and Conditions (consisting of the Client Terms, Fixed Deposit Terms, Investment Product Terms) (the "**Standard Terms**"). The Facility Letter and the Bank's Terms and Conditions are collectively referred to as the "Facility Documents". Capitalised terms used in this document that are not defined here have the meanings given to them in the Facility Documents. Please read the Facility Documents carefully. The Facility in Acceptable Currencies is available for Overdrafts on current accounts for up to 12 months at your request subject to the Terms and Conditions contained in the Application Form (if any) and the Facility Documents. This availability is also subject to the Bank's offering at the time of application.

Secured Overdraft Facilities

Illustration:

Let's assume a case where you as the borrower pledge a Mutual Fund worth \$100,000. The facility will have the below features:

- A "Loan to Value" (LTV) figure is assigned to the fund to act as the Aggregate Collateral Value (ACV). For example at a 70% LTV can be assigned to give an ACV of \$70,000.
- You can utilize the facility up to a limit of \$70,000 provided the Investment value is at or above \$100,000.

Margin Calls

Over the tenor of the Investments, its market value may fluctuate and fall below your original investment value.

A margin call will arise at the point where the market value of the Mutual Fund has fallen below thresholds set by the Bank from time to time such that it is not adequate security for the Overdraft Facility.

In the case of above given illustration, a margin call would arise in the below scenario:

Initial Security Value: USD 100,000

Approved Limit: USD 70,000

Approved LTV: 70%

Current utilization: USD 50,000

Collateral value As a result of market decline: USD 63,291

LTV Trigger: 79%

The bank will in all cases communicate to you the set thresholds. In this case, the Bank has a right to require that you either:

1. Pledge other investments as collateral, or
2. Fund your current account to reduce the Overdraft utilization.

We will contact you to request that you regularize your account within ten working days. If you fail to comply with the request/s, the investments that you pledged with the Bank may be liquidated.

Set Off/ Foreclosure

If the market value of your investments drastically falls below what we consider to be adequate security, the Bank will liquidate the investments pledged immediately upon issuance of a one day written notice to you.

In the case of above given illustration, a set off will be initiated in the below scenario:

Initial Security Value: USD 100,000

Approved Limit: USD 70,000

Approved LTV: 70%

Current utilization: USD 50,000

Collateral value As a result of market decline: USD 56,818

LTV Trigger: 88%

Upon liquidation, the proceeds will be used to settle the outstanding overdraft plus interest and any other charges. The remaining monies, if any, will be refunded to you.

In the event that the Bank liquidates your investments and the proceeds are insufficient to settle the outstanding overdraft plus interest and any other charges, you would still be liable to the Bank for the shortfall.

The Bank has the right to apply any other assets you have deposited with the Bank (including deposits in your accounts with the Bank) towards repayment of the shortfall. If there is no other asset, the Bank can set-off the shortfall against any monies we owe you (such as interest, dividend payments, etc.) Any such shortfall is also treated as an

unsecured loan which must be aggregated with all your unsecured loans with the Bank (including any outstanding amounts on your credit cards with the Bank).

Sale/liquidation of investments

You may sell the investments or liquidate the fixed deposit pledged to the Bank as security.

If you do, the sale proceeds or funds in fixed deposit would only be returned to you if the total outstanding amounts on all your Total credit facilities are lower than your Aggregate Collateral Value after the sale/liquidation. Otherwise, the proceeds would be used to pay down part or your entire Overdraft with the Bank as agreed.

Loan To Value Adjustments

The Bank has the right to adjust the Loan to Value assigned to any security at any time during the term of the facility. The Bank may, as a consequence of any adjustment to the Security Margin, also make adjustments to the facility limit that is granted to you. In some cases, the Bank may no longer accept an investment as security for the Facility. In this case, the Bank has a right to require a liquidation of all or part of the existing Collateral already pledged to the Bank and apply the proceeds from the sale as described in the section on Margin Calls above.

Concentration Breaches

We require your facility to be secured by a diversified portfolio of collateral in order to prevent over reliance on a single security.

At an account level, concentration risk will not apply to clients with an exposure of less than USD 200k. However, for clients with an exposure greater than USD 200k, the lending value of any security should not exceed 34% of the total collateral lending value of the client.

This implies that if you want to borrow above \$200k, the Bank will only avail 34% of the amount you are ordinarily entitled to.