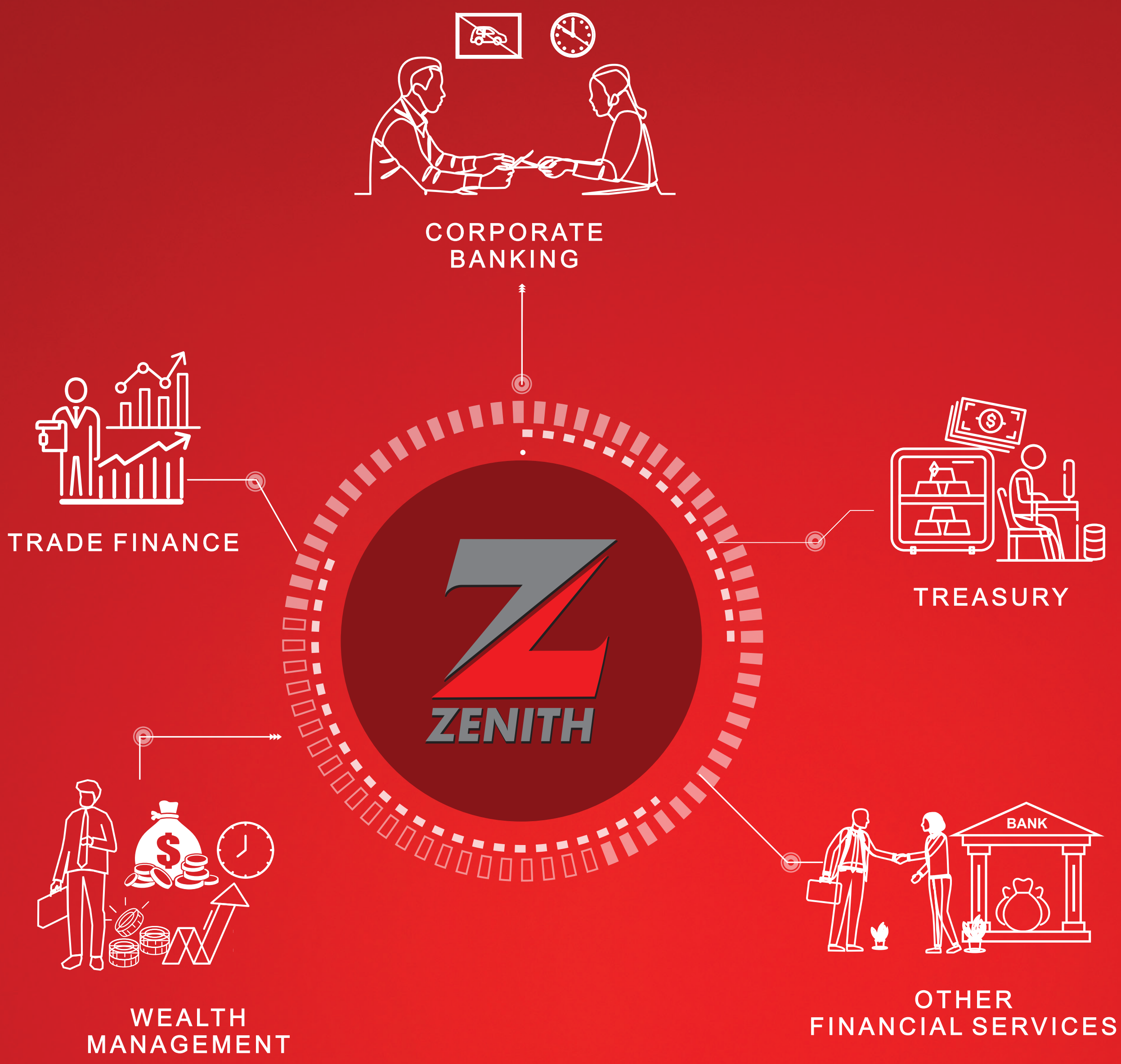

2023

ZENITH BANK (UK) LTD

ANNUAL REPORT & ACCOUNTS

ZENITH BANK (UK) LTD
2023 ANNUAL REPORT & ACCOUNTS

Contents

Officers and Professional Advisers

Directors

Jim Ovia	Chairman
Ebenezer Onyeagwu	Non-Executive
Jeffrey Efeyini	Non-Executive (Retired from the Board on 30 November 2023)
David Somers	Non-Executive (Retired from the Board on 28 November 2023)
Andrew Gamble	Non-Executive
Dokun Omidiora	Non-Executive
Andy Gregson	Non-Executive (Appointed to the Board on 8 November 2023)
Alex Shapland	Non-Executive (Appointed to the Board on 22 December 2023)
Isla Macleod	Non-Executive (Appointed to the Board on 30 January 2024)
Udu Ovbiagele	Chief Executive

Company Secretary
Joseph Crowley

Registered office
39 Cornhill
London
EC3V 3ND

Main Bankers
Barclays Bank Plc, London
Citigroup, London and New York
Standard Chartered Bank, London
HSBC, London

Solicitors
Clifford Chance LLP, London

Independent Auditor
MHA
6th Floor
2 London Wall Place
London
EC2Y 5AU

Board of Directors

Jim Ovia – Chairman

Jim Ovia is the founder and Chairman of Zenith Bank Plc, one of Africa's largest banks with over US$26 billion in assets as at December 2022. Zenith Bank Plc is a global brand listed on the London Stock Exchange and the Nigerian Stock Exchange. In addition to major operations in Nigeria and other West African countries, the Bank has sizeable operations in London and Dubai.

Jim Ovia is the founder and Chancellor of James Hope University Lekki, Lagos which was recently approved by the National Universities Commission (NUC) to offer postgraduate degrees in business courses.

Through his philanthropic venture, the Jim Ovia Foundation, he has shown the importance he accords to good education. In support of Nigerian youth, the Jim Ovia Foundation offers scholarships to indigent students through the Mankind United to Support Total Education (MUSTE) initiative. Most of the beneficiaries of Jim Ovia Foundation scholarship are now accountants, business administrators, lawyers, engineers, doctors etc.

He is the author of "Africa Rise and Shine", published by ForbesBooks. The book which encapsulates Zenith Bank's meteoric rise, details the secret of success in doing business in Africa.

He is an alumnus of the Harvard Business School (OPM), University of Louisiana (MBA), and Southern University, Louisiana, (B. Sc. Business Administration).

Jim Ovia is a member of World Economic Forum Community of Chairpersons, and a champion of the Forum's EDISON Alliance.

Ebenezer Onyeagwu – Non-Executive Director

Ebenezer Onyeagwu is the Group Managing Director/Chief Executive Officer of Zenith Bank Plc.

Mr. Onyeagwu is a graduate of Accounting and Fellow of the Institute of Chartered Accountants of Nigeria (FCA). He is an alumnus of the University of Oxford, England where he obtained a certificate in Macroeconomics and Postgraduate Diploma in Financial Strategy. He holds an MBA from Delta State University, Nigeria and Master Degree in Financial Services Management from the Salford Business School, University of Salford, Manchester, United Kingdom. He also undertook extensive executive level education in Wharton Business School of the University of Pennsylvania, Columbia Business School of Columbia University, the Harvard Business School of Harvard University, in the United States.

Mr. Onyeagwu is the Chairman of Zenith Pensions Custodian Limited and Zenith Nominees Limited. He is also on the Board of FMDQ Holdings Plc, Shared Agent Network Expansion Facilities (SANEF) Limited and Lagos State Security Trust Fund (LSSTF). Mr. Onyeagwu is a member of the International Monetary Conference (IMC), Wall Street Journal CEO Council, and member of the African Trade Gateway Advisory Council of the Africa Export-Import Bank (Afreximbank).

He is committed to sustainable banking and shares the belief that businesses should be a force for the creation of shared prosperity.

Andrew Gamble – Non-Executive Director

Andrew is the chair of Africa Credit Opportunities Limited and sits on the Governing Council of the Pan-African Payments and Settlement System as the representative for African Export-Import Bank. He is the Chairman of the Zenith Bank (UK) Limited Board Risk Committee. He sits on the Boards of various other companies in a non-executive capacity and acts as a legal and business consultant for banks and law firms. Andrew is a law graduate and qualified English solicitor. He retired from the international law firm of Hogan Lovells at the end of 2013. During his career of 37 years at that firm he held various positions including London regional Managing Partner, Head of International Banking and Head of Africa.

Jeffrey Efeyini – Non-Executive Director

Chairman of the Zenith Bank (UK) Limited Remuneration and Appointments Committee, Mr. Efeyini is a Fellow of the Charted Institute of Bankers, United Kingdom. He holds a Master's degree from the London School of Economics and Political Science as well as an MBA from the University of Lagos, Nigeria. Between 2003 to 2009, he was an independent Director with Union Bank UK Plc, London. He was also a Director and later Chairman of Britain Nigeria Business Council, London. He started his professional banking career with Barclays Bank International, United Kingdom, later Union Bank of Nigeria and rose to the position of the pioneer Chief Executive/General Manager, Union Bank of Nigeria Plc, London.

David Somers – Non-Executive Director

David is a Non-Executive Director of National Bank of Egypt UK; Chairman of the investment committees of Fujitsu Technologies Pension Scheme; Chairman of the Zenith Bank (UK) Limited Audit & Compliance Committee. David is an Economics graduate and a qualified accountant (FCCA). Before taking early retirement in 2005, David spent over 30 years at a senior level in institutional investment management, travelling extensively in the Middle East and Far East.

Board of Directors (continued)

Dokun Omidiora – Non-Executive Director

Dokun Omidiora's professional career extends over 30 years with major institutions in London such as PwC, S.G. Warburg (now UBS) and Citibank N.A. His senior roles covered external and internal auditing, financial controlling, money markets dealing, risk treasury management and foreign exchange dealing management.

Dokun's career covered most financial asset classes, in vanilla and derivative products. Although Dokun's career has been based mostly in the City of London, he has spent substantial periods working in other financial centres such as New York, Hong Kong and across several countries in the developing markets of Sub-Saharan Africa.

Dokun is the founder and Managing Director of IntroAfrica Group which helps foster new trade links into Sub-Saharan Africa. He is an alumnus of University of Ibadan, Nigeria, and a Fellow of the Institute of Chartered Accounts in England and Wales.

Andy Gregson – Non-Executive Director

Andy is the Chair of the Audit and Compliance Committee (ACC). Andy has had an extensive career as a Senior Executive and Consulting Partner working with global Financial Services institutions covering Banking, Capital Markets, e-Money and Payments, and Insurance.

He is currently a Board Advisor at Vitesse, a UK-based Fintech, advising them on major regulatory change and expansion into new geographical markets. Prior to this, he was their Chief Risk & Compliance Officer and continues to lead their ESG strategy, partnering with the Insurance Industry Charitable Foundation.

Andy has a deep understanding of Finance, Risk, Regulation, Compliance, and Assurance, and has helped organisations to set and execute business strategy, establish effective governance and risk control frameworks, and shape and deliver significant change programs. He also brings experience having held several non-executive positions within the not-for-profit sector.

Andy is a Chartered Accountant and began his professional career with PwC.

Alex Shapland – Non-Executive Director

Alex was a former Partner at PwC and Senior Regulator with experience in UK and overseas with a wide range of Banks, Insurance companies and Financial Services regulatory bodies.

He has worked in the Financial Services Industry for over 40 years as a Banker, Regulator, Chief Operating Officer, Regulatory and Risk partner. During this time, his principal activities included providing advisory services to start up teams seeking authorisation from UK and overseas regulators as well as Corporate governance, Regulatory and Risk consultancy services. More recently, he has developed his career as an Independent Non-Executive Director of a number of banks and financial services institutions and Chair of Audit & Risk committees.

Alex possesses extensive Chair and Board Advisory experience having served on the Board of various type of entities such as Publicly quoted companies, Privately held companies, Private Equity Backed companies, Fast Growth companies, Foreign owned UK subsidiary and mutual operating models.

Alex is an Associate member of the Chartered Banker Institute, UK.

Isla Macleod – Non-Executive Director

With more than 20 years' experience working for global news publishers including the Financial Times and BBC Global News, Isla is a trilingual executive with a proven track record of delivering results through clear strategic vision and strong commercial acumen. She has extensive experience of change management and building and leading teams across Western and Central Europe and Central Asia and more recently, was responsible for expanding the commercial footprint across Sub-Saharan Africa.

With experience of advising business leaders and key decision makers in both public and private sector corporations, Isla has led in the crafting and executing of global media and communications strategies. She has worked across a broad range of sectors - from Government, DTI, Nation Branding, Financial services, Travel and Tourism, Luxury, Petrochemical and Mining. She has advanced skills in strategy development to underpin investment, marketing and business development and has a robust understanding of digitisation of news services based on user consumption habits. Isla holds a BA(Hons) French and German from Royal Holloway, University of London and she speaks both languages.

Udu Ovbiagele – Chief Executive Officer

Udu holds a Bachelor's degree in Economics and International Relations from the University of Reading, England, and an MBA in International Business from The Birmingham Business School, University of Birmingham, England. He also holds a Post Graduate Certification in The Mechanics of International Trade & Finance (CITF) from Middlesex University, London, England and is a certified Commercial Banking and Credit Analyst (CBCA), awarded by the Corporate Finance Institute if Vancouver, Canada. He is also an Associate of the Chartered Institute of Bankers (ACIB). He is an alumnus of the London Business School where he has undertaken executive level leadership training.

Udu commenced his banking career in Zenith Bank Plc's Domestic Operations Group which offered him a firm grounding of the various aspects of the Parent's operations, prior to him venturing into the wide spectrum of Corporate Banking at the Group's Head Office. His vast banking experience spans over two decades and cuts across various sectors including Manufacturing, Trading, Hospitality, Non-bank Financial Institutions, Commercial Real Estate and Infrastructure, Project Finance, Investment Banking, Development Finance, Telecommunications, Agency Banking, Financial Technology and International Trade and Finance. He has served in various supervisory capacities over the years, and as such has been actively involved in business development, corporate strategy, facility structuring, loan syndication and income optimisation. Prior to his appointment as CEO, Udu was the Zenith Bank (UK) Limited Executive Director overseeing the Trade Services Group, Correspondent Banking Group, the Dubai Branch, the Multinational Corporates Group, the Institutional Banking Group as well as the Digital Marketing Group.

Udu has been exposed to various training and management programmes, some of which include Treasury, Correspondent Banking, Bond and FX Trading, Trade Services, Financial Control, Advanced Credit Analysis, Risk Management, Internal Control, and Compliance. He has also played key roles in several development projects in the Group including, but not limited to, electronic business, Investment Banking and Credit Risk Management.

Directors' Report

The Directors are pleased to present their annual report and the audited statutory financial statements of Zenith Bank (UK) Limited ("Bank", "ZBUK", "Zenith UK") for the year ended 31 December 2023.

The Bank was incorporated and registered in England & Wales in 2006 and is domiciled in the United Kingdom. The Bank's registered number is 05713749, and registered office and principal place of business is located in England and situated at 39, Cornhill, London EC3V 3ND. The Bank is fully owned by the parent and ultimate parent undertaking, Zenith Bank Plc, a Bank incorporated in Nigeria.

The Bank has a branch in Dubai which is registered at Office 1301C, North Tower, Emirates Financial Towers, DIFC, Dubai, United Arab Emirates.

Principal activities

Details of the Bank's principal activities are contained in the Strategic Report.

Financial Instruments

The financial risk management objectives and policies are covered under Note 29 to the financial statements.

Financial Results and Dividend

The Bank's profit for the year after taxation amounted to US$ 54,837,411 (2022: US$ 35,200,687). The Directors do not recommend the payment of a dividend for the year ended 31 December 2023 (2022: US$ 17,600,000).

Political contributions and charitable donations

During the year, the Bank made charitable donations of US$ 25,098 (2022: US$ 25,397). No political donations were made during the year (2022: US$ Nil).

Directors and Directors' interests

The Directors of the Bank who were in office during the year and up to the date of signing the financial statements were:

Jim Ovia	Chairman
Ebenezer Onyeagwu	Non-Executive
Jeffrey Efeyini	Non-Executive (Retired from the Board on 30 November 2023)
David Somers	Non-Executive (Retired from the Board on 28 November 2023)
Andrew Gamble	Non-Executive
Dokun Omidiora	Non-Executive
Andy Gregson	Non-Executive (Appointed to the Board on 8 November 2023)
Alex Shapland	Non-Executive (Appointed to the Board on 22 December 2023)
Isla Macleod	Non-Executive (Appointed to the Board on 30 January 2024)
Udu Ovbiagele	Chief Executive

None of the Directors who held office at the end of the financial year had any direct or indirect interest in the shares of the Bank except below:

The following Directors held indirect interests in the Bank shares via their associations with the Parent entity:

- Mr. Jim Ovia is the Chairman, the founder, and a significant shareholder (16.184% ownership)
- Dr. Ebenezer Onyeagwu is the Zenith Group CEO & MD and a shareholder (0.287% ownership)
- Mr. Udu Ovbiagele is a shareholder (less than 0.001% ownership)

Directors' Report (continued)

Future Prospects and Going Concern

The Bank's business activities, together with the factors likely to affect its future development and position alongside disclosures regarding Financial Risk Management, are set out in the Strategic Report.

The Directors have also considered the impact of the prevailing inflationary trend, high interest rates, supply chain issues, increase in energy prices and the prolonged Russia-Ukraine and Israel-Hamas conflicts on the Bank's future results and financial condition and are satisfied that there is no material uncertainty that precludes the Bank from continuing in business and confirm that there are no plans to terminate the Bank's operations or significantly curtail its activities.

The Directors have reviewed the Bank's profitability, capital, and liquidity positions. Zenith UK's capital and liquidity ratios as at 31 December 2023 exceeded the minimum regulatory requirements. The Directors will continue to exercise effective oversight of the Bank's operations to ensure that the Bank maintains strong capital and liquidity positions.

The Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the Bank's financial statements.

Employees

The Bank remains committed to investing in the development of its employees. ZBUK engages with employees through briefing sessions for the purpose of disseminating information on matters of interest to them. Employees are consulted regularly to obtain their views, especially on matters that involve decisions that are likely to affect them. The Bank encourages the involvement of employees by means of regular staff briefings and surveys.

The Bank recognises its corporate social responsibility and statutory duty as an equal-opportunities employer and builds its business in the belief that people from different cultures and different walks of life create value. The Bank believes it has the right mix of people and the fusion of different ideas that provide the essential components for progress and success. The Bank also seeks to ensure that employees continue to deliver the core values, which are embedded in the culture of the organisation.

A commitment to Diversity, Equality and Inclusion ("DEI") helps the Bank to attract and retain talented staff. The Bank is committed to employee development and training and seeks to assist employees in developing the knowledge, skills and competencies required of them to ensure that customers and stakeholders continue to receive excellent services. Details of the processes of engaging with employees are contained in the Strategic Report.

Customers

As set out in the Strategic Report, the Bank maintains close contact with its clients. A team of experienced Relationship Managers interacts with the Bank's customers regularly to ensure that views and perspectives are taken into consideration in developing the Bank's business strategy. In addition, the Bank complies with the Financial Conduct Authority's Consumer Duty and Treating Customers Fairly rules.

Investor

The Bank has one shareholder, Zenith Bank Plc. To gain an understanding of the views of its sole investor, the Chairman and Group Chief Executive Officer (Group CEO) sit on the Board of the Bank and represent the interests of Zenith Bank Plc. Expectations of the parent company, including financial targets and alignment with Group strategy are regularly communicated by the Group CEO.

All views expressed are deliberated upon by the Bank's Board and decisions reached are approved for execution and implementation by Executive Management. The ultimate responsibility for decision-making rests with the Bank's Board of Directors. Quarterly Board meetings as well as two Board Committee strategy meetings are held to strengthen this oversight and governance responsibility.

Directors' Report (continued)

Third-party indemnities

The Articles of the Bank provide, as far as permitted by relevant legislation, that the Bank may indemnify a director against any liability incurred by or attaching to them in connection with any negligence, default, breach of duty or breach of trust in relation to the Bank, other than any liability to the Bank or any liability referred to in Sections 243 (3) of the Companies Act 2006, any liability incurred by or attaching to them in connection with the Bank in its capacity as a trustee of an occupational pension scheme and any liability incurred by or attached to them in the actual or purported execution and/or discharge of their duties or the exercise or purported exercise of their powers. This third-party indemnity was in force during the financial year and up to the date of signing the financial statements.

Independent auditors

The auditors, MHA, have indicated their willingness to continue in office, and a resolution for their reappointment will be proposed at the Annual General Meeting, in accordance with section 487 of the Companies Act 2006.

Other information

An indication of likely future developments in the business and particulars of significant events, which have occurred since the end of the financial year, has been included in the Strategic Report.

Approved by the Board of Directors on 22 March 2024 and signed on its behalf by:

Udu Ovbiagele
Chief Executive Officer

22 March 2024

Company Registration No. 05713749

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors on 22 March 2024 and signed on its behalf by:

Udu Ovbiagele
Chief Executive Officer

22 March 2024

Company Registration No. 05713749

Strategic Report

Udu Ovbiagele
Chief Executive Officer

Strategic Report

The financial performance of Zenith Bank (UK) Limited ("Bank", "ZBUK", "Zenith UK") in 2023 shows a significant improvement in profitability, driven by higher net interest income. Despite the challenges posed by the global economic environment, the Bank managed to increase its profitability and maintain a strong loan book with minimal credit losses. The robust balance sheet and small size of default loans signify a resilient financial position and effective risk management practices.

The Bank reported Profit After Tax ("PAT") for the full year of US$ 54.8m (2022: US$ 35.2m). This represents a 56% increase from 2022 and corresponds to a return on average equity of 16% compared to 12% in the prior year. Performance in 2023 was predominantly driven by strong Net Interest Income (NII), which totalled US$ 96.2m, up 50% from 2022 which totalled US$ 64.0m. The year-on-year ("YoY") increase is primarily driven by increased lending and higher interest income due to rising interest rates globally.

Interest income from loans and advances to banks and customers increased by US$ 15.1m (or 51%) to US$ 44.8m, boosted by increased lending and global interest rate hikes (2022: US$ 29.7m).

The Bank's total assets closed at US$ 2.66Bn, reflecting a YoY reduction of 15% (2022: US$ 3.13Bn). The decline was mainly due to significant withdrawals of Central Bank of Nigeria ("CBN") Treasury Single Account ("TSA") deposits in Q1 2023. However, inflows were received subsequently, leading to an increase in the CBN TSA balance from US$ 338 million in July 2023 to US$ 791 million at the end of December 2023.

Expected Credit Losses ("ECL") recognised during the year totalled US$ 0.77m (2022: US$ 5.27m). Other than the Bank's exposures to the Ghanaian and Ethiopian governments, which have been classified to non-performing status (Stage 3 for IFRS 9 purposes), the Bank had no loans subject to a default as at year end and remains well capitalised with Shareholders' Funds of US$ 336.0m (2022: US$ 287.4m).

Business Model

The Bank markets and offers a range of Banking products and services to its target clients, which are Sub-Saharan African companies, international corporations, commodity traders, investment Banks, institutional investors, governments, and supranational organisations as well as High Net worth Individuals ("HNIs").

Zenith UK's product offerings and reliable services are aimed at enhancing clients' experience and creating convenient banking arrangements for its clients. Products and services are delivered through differentiated services, which reflect the Bank's in-depth understanding of its clients' business needs, proven knowledge of several African markets and efficient execution of transactions.

The Bank generates revenues through the provision of credit facilities to corporate customers and HNIs, participating in revolving credit facilities, investment mortgages, trade finance facilities and risk participation lending, infrastructure and project financing, and football receivables financing. On a proprietary level, the Bank also invests in Eurobonds and securities issued by governments and Banks, and on a customer level, processes Letters of Credit and related trade services and payments. Its clients include members of the Zenith Bank Group, corporates, small and medium scale organisations, financial institutions, banks, and individuals (Wealth Management clients).

The Bank's core target markets, and business/service lines are as follows:

Target Markets	Service/ Business Lines
Zenith Bank Group	Trade Finance and Correspondent Banking
Corporates	Trade, Working Capital, Project Financing and Receivables Financing
Sub Saharan Africa and Europe	Foreign Exchange ("FX") and Fixed Income Securities Trading activities
Banks, Financial Institutions, Governments and Government Agencies	Lending to Financial Institutions, Forfaiting and Cash Management solutions
High Net Worth Individuals ("HNIs")	Investment mortgages, Deposits and Eurobond trading

Strategic Report (continued)

2023 Business Review

The Bank's financial results and explanatory notes are set out on pages 33 to 90.

Highlights of these are presented below as follows:

- Operating Income: US$ 106.2m (2022: US$ 77.3m), made up of:
  - Net interest income US$ 96.2m (2022: US$ 64.0m).
  - Non-interest income US$ 10.0m (2022: US$ 13.3m).
- Impairment Charge: US$ 0.8m (2022: US$ 5.3m)
- Profit Before Tax: US$ 72.8m (2022: US$ 45.3m)
- Profit After Tax: US$ 54.8m (2022: US$ 35.2m)
- Cost to Income Ratio (excluding credit losses): 30.7% (2022: 34.6%)
- Return on Equity: 18% (2022: 13%)
- Return on Assets: 1.9% (2022: 1.2%)

The financial results of Bank for 2023 show a robust performance, marked by significant growth in net interest income and overall profitability.

Income earned on cash placements grew significantly by US$ 16m (over 184%) in FY 2023 principally due to the increase in interest rates, despite the drop in cash placements. Similarly, interest on securities grew by 93% (or US$ 38m) mainly due to the higher interest rate.

Interest income from Group Loans & Advances declined marginally, mainly due to declining volume of business recorded from the Zenith Group. Over 90% of the business from the Zenith Group originates from Zenith Bank Plc, ZBUK's parent company, which is domiciled in Nigeria. The continued paucity of foreign currency in Nigeria led to declined import activities by several Nigerian corporate organisations. To address these issues, the new administration implemented reforms, including floating the Naira, unifying exchange rates across different trading platforms and removing the petrol subsidy amongst others.

In 2023, Interest income from Non-Group Loans & Advances increased by 41% (or US$ 10.6m) which can be attributed to a strategic portfolio diversification approach adopted by the Bank which resulted in a 10% expansion in corporate loans and a considerable growth of 53% (or US$ 7.8m) in mortgages. The observed increase is further influenced by a rapid surge in interest rates, aligning with prevailing market dynamics.

Interest expense witnessed a substantial increase mainly due to a continuous increase in interest rates. SOFR averaged 1.70% in 2022, experiencing a notable rise to 5.02% in 2023. The Bank's Fixed Deposits YoY increased by 32% (or US$ 352.1m). On average, the Bank maintained fixed deposit levels of US$ 933.7m during the year (2022: US$ 677.9m).

Fixed Income securities trading income totalled US$ 1.4m, reflecting improvement year on year from a loss of US$ 0.7m in prior year. This performance is driven by increased client flows and the prevalence of a relatively stable market condition in 2023.

FX Trading income closed at US$ 1.1m. The observed decrease in FX Trading income in 2023 can be attributed to a return to ordinary FX flows. Whilst this performance reflects a decline of 81% (or US$ 4.8m) compared to 2022, it demonstrates a YoY improvement in FX Trading, if the one-off income totalling US$ 5.2m earned in the prior year is excluded. In 2023 the Bank did not record any one-off transactions.

Loss recognised on the revaluation of monetary items and derivatives totalled US$ 1.3m in FY 2023 (FY 2022: US$ 2.5m). This was mainly due to volatility in exchange rates during the year. The Naira depreciated significantly after the announcements to remove trading restrictions on the official market from NGN 461.26/$1 as at 31 May 2023 to NGN 770.38/$1 at the end of June 2023. As at 31 December 2023, the Naira traded at NGN896.67/$1. As at 31 December 2023, the Bank has Naira denominated assets totalling NGN 10.3Bn (US$ 11.5m).

Trade Finance fees decreased by 7% (or US$ 0.5m) mainly due to the effect of the foreign exchange situation in Nigeria, which led to a reduction in both volume and value of Letter of Credit ("LC") transactions originating from Nigeria during 2023.

Strategic Report (continued)

The net Expected Credit Loss ("ECL") charge recognised in the current year totalled US$ 0.77m as compared to US$ 5.3m recorded in FY 2022. Of the amount recognised, US$ 1.4m relates to an additional charge recorded to account for credit deterioration of Ethiopia, which reflected in the Bank's US$ 3.1m exposure to the Sovereign. This amount was offset by the derecognition of ECL on expired commitments and matured facilities as well as partial release of ECL due to the unwinding of maturity dates on existing exposures of the Bank.

Operating Expenses ("OPEX") for the full year totalled US$ 32.6m (2022: US$ 26.7m), reflecting the combined effect of high inflation rates and an increase in staff costs which is a significant driver of the Bank's costs. Staff costs increased from US$ 17.1m in 2022 to US$ 22.4m in 2023 mainly due to an increase in the average headcount in 2023. In spite of the overall increase, the Bank has effectively managed its operating expenses in a challenging economic environment, demonstrating efficient cost management. These contribute in part, to the lower than budgeted Cost to Income Ratio of 31% recorded for the year (2022: 35%).

The Bank's total assets closed at US$ 2.66Bn primarily due to a decrease in securities and cash and cash equivalents (2022: Total assets US$ 3.1Bn). Collectively, the Bank's trading, non-trading, and loan book account for 90% of the Bank's total assets (2022: 80%).

The Bank's lending activities also increased year-on-year. Corporate lending business grew, by 10% year-on-year, from US$ 254m to US$ 281m. Loans to Financial Institutions ("FIs") increased to US$ 155m at the end of 2023 (2022: US$ 171m). Mortgage lending increased by 53% to close at US$ 15m and Football financing increased to US$ 58m (or 90%), YoY.

The lending activities showed a healthy increase, indicating a strong position in corporate lending and diversification in its loan portfolio. The bank's strategic management of its assets and liabilities, particularly in response to global interest rate changes and currency volatility, has contributed to its strong financial position.

Operating Environment

The Bank's strategy is heavily influenced by the geographical spread of its exposures and the associated risks. Although ZBUK has exposures in different countries, its significant exposure concentration to the USA, UK, and Nigeria, each with distinct economic dynamics, significantly shapes its risk management and business operations. Most of the exposures to the United States relate to the Bank's significant holding in High Liquidity Liquid Assets ("HQLA"), which are held for liquidity management and regulatory purposes.

The Directors believe that the Bank's business, operations, and profitability are more likely to be impacted by changes in the economies of these identified jurisdictions than by those of other countries to which the Bank is also exposed. Consequently, monitoring socio-political and economic changes in these key markets is considered crucial for the Bank to adapt its risk management strategies effectively.

US Dollars is regarded as the functional and presentational currency of the Bank.

ZBUK's balance sheet comprises c.75% of assets which are denominated in US Dollars (2022: over 80%). Consequently, the Bank is subject to interest and exchange rate risks and volatility that are associated with US Dollars.

The Bank is domiciled in the United Kingdom and is regulated by the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA"). Additionally, ZBUK is exposed to GBP Sterling exchange rate risks and volatilities because it incurs a significant portion of its operating costs in GBP Sterling.

Nigeria remains a core market to ZBUK, as it accounts for a significant proportion of the Trade Finance business which derives from Zenith Bank Plc, the Parent entity and other members of the Zenith Group. Furthermore, ZBUK holds investments in some of the instruments issued by the Nigerian Government and the Central Bank of Nigeria, respectively. ZBUK is therefore subject to the exchange rate volatility of the Nigerian Naira relative to other currencies, particularly the US Dollar.

The Bank monitors the socio-political and economic changes in these countries and adopts the appropriate risk management responses to the operational, conduct, capital, liquidity, asset quality, and profitability implications, respectively.

Strategic Report (continued)

Business Structure

Zenith Bank (UK) Limited conducts its business activities through its Corporate Banking, Wealth Management and Financial Institutions, and Multinationals Business Units, respectively. The Corporate Banking business is subdivided into the UK and Dubai Operations (managed through the Bank's registered branch that is regulated by the Dubai Financial Services Authority ("DFSA")).

The Bank's Treasury function ("Treasury") manages the firm's liquidity, capital, and net open positions. Treasury also handles activities associated with ZBUK's Investments and Fixed Income Securities and foreign currency trading.

Each Business Unit ("BU") has assigned revenue generation and business development responsibilities. Collectively, the BUs are responsible for promoting cross-selling opportunities of the Bank's offerings and services.

The mix of operating income generated by BUs is presented below:

Treasury	71%	(2022: 62%)
Corporate Banking (including Dubai Operations)	8%	(2022: 12%)
Financial Institutions	11%	(2022: 14%)
Multinational	10%	(2022: 11%)
Wealth Management	<1%	(2022: 1%)

Its business structure, with diverse units including Corporate Banking, Treasury, and Wealth Management, highlights a balanced approach to revenue generation and financial services. The Treasury function's significant contribution to the operating income underscores the importance of liquidity and capital management in the Bank's overall strategy.

Strategy

The Bank's strategy for delivering its business model involves the following combination of activities:

- Leveraging the strength of the Zenith brand and focusing on longstanding and new relationships from Sub-Saharan Africa ("SSA") and other parts of the world to drive international business network expansion to support long term growth.
- Maintaining a robust risk management framework, regulatory compliance, and corporate governance structure to conduct its business responsibly within tolerable risk levels.
- Utilising the Zenith Group's in-depth understanding of specific trade and correspondent business to develop its relationships with banks and financial institutions in the West African sub-region and encouraging them to route their transactions through Zenith UK.
- Developing lending activities on international trade and export transactions, including discounting trade bills for companies, and providing short-term credits to financial institutions.
- Building upon SSA knowledge and extending treasury product offerings to meet the needs of clients that require comprehensive services (including foreign currency exchange to financial and corporate institutions, and SSA bond trade offering to Institutional and Wealth Management clients)
- Promoting cross-selling of products and services by the Bank's business units: enabling client acquisition growth, creating capital capacity for trade finance activities, and efficiently managing the Bank's liquidity. This also involves offering wealth management solutions to High Net Worth Individuals ("HNIs") and ultimate beneficial owners (UBOs) of large institutions. Activities such as making marketing calls, visits (where practicable) and introduction of key customers to other business units within the Bank are also adopted in these efforts.

The Bank seeks to ensure that its portfolio of assets is well-diversified across industries and geographies.

Strategic Report (continued)

Principal Risks

The business and operational risks faced by the Bank are managed through the implementation of a robust Risk Management Framework ("Risk Framework") and the development of a strong risk culture within the Bank. The Bank's risk management structure includes established processes of compiling and reporting on key risk indicators that provide an early warning system for the Bank's Principal Risks.

The Bank's risk management model adopts the "three lines of defence" approach. The first line of defence comprises the revenue-generating and client-facing units. This group is responsible for establishing controls and escalating risk events, when they occur, to the second line of defence. The second line of defence comprises Risk, Finance, Compliance and Legal functions. The third line of defence comprises the Internal Audit function, which provides assurance to the Executive Committee and Board on the effectiveness of governance, risk management and controls, in response to current and emerging risks to the Bank's business.

Management of risks is embedded into each level of the business with mitigating control activities documented to ensure that everyone within the Bank takes part in the responsibility for identifying, managing and controlling risks. The Bank's risk appetite statement ("RAS") defines the level of risk that ZBUK is prepared to accept across the risk spectrum. The RAS is key to decision-making processes as it covers financial planning, strategy formulation, development of new products and changes to business initiatives.

Zenith UK's RAS sets out quantitative metrics that cover capital, credit, operational, market and liquidity risks respectively. The Board receives regular information in respect of the Bank's risk profile. New and emerging risks are also identified and evaluated. Where these are considered significant to the Bank, appropriate metrics are defined for measuring and monitoring them. The Risk Management Department is responsible for identifying, monitoring, and reporting these risks at different Executive and Board Committees for deliberation and action as considered necessary. Capital and liquidity requirements are managed through detailed planning and stress assumptions contained in the Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP") documents. These are updated regularly by the Bank's Executives and reviewed by the Board Risk Committee.

The Bank produces its Recovery and Resolution Plan documents, with appropriate triggers for specific management actions for each stressed scenario considered plausible.

The Bank's structure and governance support it in managing risks associated with changes in the economic, political and market environments. The following Principal Risks are defined by the Bank's Risk Framework:

Principal Risk	Definition	How Risks are Mitigated
Credit Risk	Risk arising from the uncertainty of an obligor's ability to perform its contractual obligations including the risk of default or a borrower failing to make required payments when they fall due. The Bank is exposed to credit risks not only through its direct lending activities and transactions but also through commitments to extend credit, letters of guarantees, letters of credit, securities purchased and other derivative instruments where counterparties owe a financial obligation to the Bank.	All credit related processes are governed by the Bank's credit policy. Relationship managers ensure that the procedures adopted for handling credit applications, reviews and monitoring at the first line of defence are aligned with the credit policy. The Bank's Credit Risk team monitors and limits all the Bank's credit exposures. The team provides independent analysis of each client's business, financial, management and security risks in order to analyse and rate counterparty risks to which the Bank is exposed. The analysis and internal scorecards produced for the Credit committee provide information regarding the risk rating of counterparties and expected credit losses in the event of any default. The Credit Risk team also monitors the quality and value of security / collateral provided against credit exposures.

Strategic Report (continued)

Principal Risk	Definition	How Risks are Mitigated
		The Bank's Credit Risk assessment process complies with the credit policy approved by the Board. Three distinct levels of review and approval process exist at the Bank and Group levels for all credit requests and reviews. Additionally, Board approvals are required for credit requests and reviews for values of $20m or over.
Market Risk	This is the risk that changes in financial market prices, interest rates and exchange rates will adversely impact the Bank's financial performance and position.	Risk Management monitors the Bank's overall positions against approved limits daily and reconciles the aggregate position separately to each dealer's positions. Daily market risk reports that detail the profile of risks are reported to the Market Risk Committee on a weekly basis. The Bank's Board Risk Committee ("BRC") reviews the market risk position of the Bank on a quarterly basis. Significant market risk matters or breach of RAS are escalated to the BRC for resolution/discussion with remediation plans provided by EXCO.
Regulatory and Conduct Risks	These are risks that could arise from any or a combination of the following: • Inappropriate or non-application of anti-money laundering procedures. • Unsatisfactory response to regulatory/legal compliance directives. • Market malpractices. • Poor customer service and non-compliance with consumer duty rules. • Lack of effective Board engagement or oversight. • Staff non-adherence to the Bank's values. • Staff incompetence/inappropriate use of confidential information. • Lack of robust product development process. • Reputational issues resulting from action, inaction or transactions, events, decisions, or business relationships that reduce trust or confidence in the Bank.	All employees are required to adhere to the Bank's procedures. Line management, the second line of defence and Internal Audit function all serve the Bank to ensure activities are monitored appropriately. Controls are established and tested frequently. These include the monitoring of customer activities by the Bank's Compliance Department. Sample checks are performed on calls made to clients to ensure that there are no actual or perceived market malpractices. Exceptions are escalated for appropriate action by the Bank's Executives and reported to the Board accordingly. Training programmes covering a wide range of conduct (including data protection and responsible handling of confidential corporate information) and regulatory matters are organised for staff on a regular basis with tests to check understanding. The Bank's Compliance Department monitors customer complaints and conflicts of interest and actions are implemented where necessary to enable the customers to achieve good outcomes. The Board and the Executive Management receive regular updates from the Compliance Department regarding regulatory changes that are relevant to the Bank. Discussions are held to implement the new regulatory requirements and ensure proper dissemination of information among staff for compliance. Where necessary policies and procedures are drafted/amended to incorporate these changes and facilitate compliance.

Strategic Report (continued)

Principal Risk	Definition	How Risks are Mitigated
		The Bank's Internal Audit function provides assurance to the Board and Executive Management regarding the effectiveness of governance, risk management and controls over the Bank's business operations and regulatory compliance.
Liquidity Risk	This is the risk that the Bank could encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with its liabilities or financial obligations.	Daily stress tests are conducted on critical ratios of the Bank. A range of approaches is used to monitor, report on and conduct stress tests on the Bank's liquidity position. ALCO and Risk department review daily reports on the Bank's liquidity, and make recommendations on appropriate actions, including escalation to the BRC where necessary. Additionally, the Bank's ILAAP ensures that severe but plausible scenarios that may impact the Bank's liquidity are considered, and appropriate Board and Management actions are also identified. The Bank maintains a high proportion of its assets in high quality liquid investments.
Operational Risk	This is the risk of loss resulting from inadequate or failed internal processes, human behaviour, and systems, or from external events.	Operational Risk is managed by all employees and departments and is controlled through individual accountability. The Management team oversees the implementation of the Bank's Operational Risks by establishing operational procedures and internal controls that include mitigating activities designed to identify, manage and control risk at each business or operational process level. Internal controls are embedded in the Bank's day-to-day business and processes, designed to ensure, to the extent possible, that the Bank's activities are efficient, effective and not prone to failure. The Operational Risk sub-function within the Risk Management department sample-tests entity and process level controls. It also supports staff across the Bank to ensure that controls are operating effectively. The controls are designed to ensure that the Bank complies with applicable laws and regulations through the various functional departments. The Bank's Board reviews and approves operational risk policy which is mandatory for staff to comply with. The Board and Management also mitigate operational risks through the following: ● recruiting experienced professional and well qualified staff.

Strategic Report (continued)

Principal Risk	Definition	How Risks are Mitigated
		• engaging in on-going consultation with risk management experts to ensure processes remain robust. The Bank's Internal Audit function provides assurance to the Board and Executive Management regarding the effectiveness of the Bank's operations and its general IT controls.
Cybercrime Risk	This is the risk that any technology-based activity, which could defraud clients, distribute illicit material, or compromise the Bank's computers or networks. It includes the risk of financial theft, data theft, denial of service, social engineering, takeover fraud, and reputational compromise.	The Bank's IT security strategy incorporates multiple security controls that seek to reduce the impact of a direct attack on its IT systems and customer data. Staff are trained and regularly reminded of their responsibilities regarding security and safe email handling. Directors and staff adopt personal security, ingress and egress procedures which are consistent with industry best practices and ISO27001 standards. Internal internet 'firewalls' are employed to protect the Bank's systems from rogue attacks. The Bank's external and internal electronic security and firewalls are tested by various periodic internal and external penetration tests.
Compliance Risk	This is the risk that the Bank or any of its Directors or employees fail to comply with any regulatory obligation. Weakness in any of the Bank's processes that covers the monitoring of regulatory, policy and documentary developments or inability to strengthen the internal Compliance function can lead to compliance risks.	Annual Bank-wide assessment of compliance risk is undertaken, covering regulatory policy and documentary developments. The Bank's Compliance Department develops monitoring programmes and ensures that policies and procedures are being complied with. The Bank's Internal Audit function reviews the effectiveness of the Compliance function and reports its findings to the Board and Executive Management.

Environmental Risk

At Zenith Bank, we recognise that the long-term success of our Bank is inextricably linked with the impact and value we create in the society where we operate. We understand the impact of our operations on the environment and consider the potential environmental and social impacts when making business decisions and when managing our resources and infrastructure. Consequently, we have made efforts to track the Bank's carbon footprint whilst adopting measures to reduce our greenhouse gas emissions. Changes to the way we work have led to a major shift in operating practices and a re-think of travel behaviour given the widely accepted use of technology and video conferencing to conduct business.

The Zenith Bank Group has a degree of concentration of activity in the Oil & Gas, Power, Manufacturing & Processing, Transportation and Agricultural sectors.

The Bank's loans and advances are concentrated also in short-dated commitments of less than 1 year and as a result, the immediate financial risk arising from climate and environmental impact is considered to be low. There are, however, medium to longer term considerations that management is mindful of and the Bank's efforts to diversify the loan portfolio support continuing risk mitigation efforts in this regard.

Strategic Report (continued)

As ZBUK develops a deeper understanding of our client exposures to climate related financial risks, appropriate stress testing will be developed by the Bank, all of which support the objectives of regulation and the spirit of the Supervisory Statement SS3/19.

Climate Change

The Bank's Climate Related Financial disclosures will continue to evolve over time as we broaden and deepen our analysis and technical capabilities in what will remain a proportionate approach.

Governance and Strategy

The primary responsibility for the oversight of climate issues sits with the BRC, which reports directly to the Board of Directors. The BRC oversees the Bank's approach regarding climate risk and the adoption of regulations relating to Clime Related Financial Risk ("CRFR"). The BRC meets at least four times a year.

Qualitative assessments examine client-specific physical and transitional risks and are supported by further assessment of relative Industry Carbon Intensity Ratings and Geographic Climate Risk Ratings to form a score based, objective measuring and monitoring layer.

In combination, these approaches are proving to be administratively sound, repeatable, unsophisticated, and proportionate to the Bank's scale of operations.

The Bank's Chief Risk Officer ("CRO") has been nominated the Senior Manager responsible for developing methodologies for measuring and monitoring climate related financial risk. Working with the other members of the management team, the CRO oversees the design, review and implementation of risk methodologies for the measurement of this risk.

Sub-Saharan Africa and Environment

The Board recognises the Bank's strong connections to Sub- Saharan Africa and Nigeria as a "Home" country and the dependence that many corporates and sovereigns in the region place upon economies driven largely by fossil fuels and other carbon intensive activities. Accordingly, there is a substantial degree of inherent CRFR embedded in the cashflows and operating activities of many of the Bank's borrowers. Consequently, the Board risk appetite is for a relatively high level of CRFR for the foreseeable future, pursuant to the Bank's mission to help businesses transact efficiently, quickly, and profitably throughout Africa, the UK, and the rest of the world.

Alongside this, the Bank's plan is to grow by diversification of the customer base by investing in assets across a range of risk classes consistently holding a low-risk portfolio of diversified bond holdings. Where it is prudent to do so the Bank will consider CRFR in its decision making although the CRFR that the Board will continue to accept is likely to be relatively high in any case and will be reviewed each year as a part of the annual planning exercise.

In Nigeria, physical climate risks arise from rising sea levels along its long and low coastline in the Niger Delta. The location of much of the nation's oil and gas assets in this area represents an increased exposure to physical risk to these assets. Declining rainfall and population migration are other features of the landscape in the region shape the economy in the future.

Transition risks across the region will materialise over the longer term. Economies in Sub Saharan Africa will need to adapt thoughtfully, given their present heavy reliance on high carbon intensive industries. The adjustment in poorer areas will be particularly challenging on account of the often-limited low carbon alternatives available.

Methodology

The Bank's approach includes an exercise in determining the degree to which all clients and counterparties transacting with the Bank have approaches in place to manage, and where appropriate, adapt to the impacts of climate change on their businesses and operations.

Assessments of this nature are required for each new credit proposal and for each review of any existing relationship. In 2023, no assets were segregated or treated differently; all lending was assessed on a like for like basis. In this way the Bank is continually refreshing its understanding of the CRFR inherent within the client loan portfolio. This process is now fully embedded and integrated into the Bank's day-to-day lending activities.

Strategic Report (continued)

Streamlined Energy and Carbon Reporting

The methodology used to calculate ZBUK's GHG emissions is the '*Greenhouse Gas Protocol (GHG): A Corporate Accounting and Reporting Standard (Revised Edition)*', as defined by the World Resources Institute/World Business Council for Sustainable Development ("ERI/WBCSD"). The Bank adopted the operational control approach on reporting boundaries to define its reporting boundary.

Where the Bank is responsible for utility costs, these emissions are included. For 2023, the Bank has applied the latest emission factors available at the time of reporting.

Scope 1 covers GHG emissions from activities for which the Bank is responsible, including emissions from the direct combustion of fuels and from activities owned or controlled by the Bank that release emissions into the atmosphere. Examples include emissions from combustion in owned or controlled boilers, vehicles etc. The Bank has assessed its Scope 1 emissions during the year to be Nil (2022: Nil).

Scope 2 covers GHG emissions from electricity, heat, cooling, and steam purchased for the Bank's use. The Bank is required to report the average emissions of UK grid electricity (location-based), regardless of the tariff the Bank chose to purchase (market-based). The Bank assessed its Scope 2 emissions (location-based) during the year to be 182,168 Kilo-watt Hour (KwH) (2022: 250,283). This is analysed as 167,335 KwH (2022: 240,930 KwH) for the premises and 14,833 KwH (2022: 9,353 KwH) for the outsourcing of servers. The estimated emissions from renewable sources and green tariffs (market-based) is Nil.

Scope 3 covers indirect emissions from business travel. Business travel for these purposes comprises global flights and ground transport within the UK, Nigeria, Dubai and France. The Bank has assessed its Scope 3 emissions during the year to be 43.69t CO2 (2022: 19.87t).

Energy consumption data is captured through utility billing, meter readings or estimates.

Based on the nature of the Bank's business, as well as following the recommendation of the SECR legislation, the Bank chose the following intensity metric: Full Time Employees (FTE) average. The table below shows the trend in the Bank's energy efficiency:

	2023	2022	% (Reduction)/ Increase
Energy consumption used to calculate emissions (KwH)	**182,168**	250,283	-27%
Emissions from combustion in owned or controlled boilers, vehicles etc - Scope 1	**–**	–	0%
Emissions from purchased electricity (t CO2) - Scope 2, location-based	**35.30**	53.14	-34%
Emissions from purchased electricity (t CO2) - Scope 2, market-based	**–**	–	0%
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (t CO2) - Scope 3	**43.69**	19.87	120%
Total gross t CO2 based on the above (location-based)	**78.98**	73.01	8%
Total gross t CO2 based on the above (market-based)	**43.69**	19.87	120%
Intensity ratio (t CO2 / FTE) - location-based	**0.578**	0.590	-2%
Intensity ratio (t CO2 / FTE) - market-based	**0.320**	0.161	99%

Energy Efficiency Actions Summary

In light of the commitment to sustainability and environmental stewardship, the Bank continues to achieve direct saving in energy and associated carbon emissions, through operational and technological improvements, including:

- Implementation of energy-efficient technologies: Explore the adoption of energy-efficient technologies to reduce the Bank's energy consumption and associated carbon emissions, including installing energy-efficient lighting, heating and cooling systems.
- Optimisation of transportation: Evaluate strategies to optimise transportation related emissions. Promote alternative commuting option such as remote work arrangements, public transportation or cycling.
- Renewable energy adoption: Investigate opportunities to transition a significant portion of the Bank's electricity supply to renewable sources.
- Employee engagement and awareness: Foster a culture of energy efficiency and sustainability among employees. Educate staff about the importance of reducing energy consumption and carbon emissions and encourage their active participation in energy saving initiatives.

Strategic Report (continued)

Key Performance Indicators

The Bank's Management analyses a range of financial measures to ensure that the Bank's strategy is effective. The Chief Executive Officer ("CEO") has overall responsibility for the Bank's performance and is supported by the Executive Committee ("EXCO") members.

Approved financial plans are expressed in annual budgets with metrics to facilitate measurement of performance at different levels within the Bank. Qualitative measures are also adopted to gauge the effectiveness of the Bank's engagement with its stakeholders. Please refer to "Engaging with stakeholders" for more details.

Some of the financial metrics are adopted as Key Performance Indicators ("KPIs") based on internal targets set by the Bank's Executives as well as those advised by Zenith Bank Group's Head Office. These are as follows:

A. Return on Equity ("ROE"): measures the Bank's ability to generate returns for its shareholder. It is expressed as Profit After Tax as a percentage of the average shareholders' equity during the reporting period. Actual ROE achieved in 2023 was 17.6% (2022: 12.5%). The Bank targets ROE of 7%.

B. Operating Income: measures the Bank's ability to cover its direct expenses. Operating income earned in 2023 was US$ 106.2m (2022: US$ 77.3m). The target for FY 2023 was US$ 86.5m.

C. Cost-to-Income ("CIR"): expresses operating expenses as a percentage of operating income. This ratio reflects the Bank's efficiency in its use of human and other resources in creating financial value. Generally, a lower ratio indicates relatively higher efficiency. The Bank targets CIR of 40% or below. CIR achieved in 2023 was 30.7% (2022: 34.6%).

D. Return on Assets ("ROA"): measures the Bank's profitability in relation to its total assets. It is expressed as Profit After Tax as a percentage of the average assets during the reporting period. Actual ROA achieved in 2023 was 1.9% (2022: 1.2%). The target for FY 2023 was 1.4%.

Significant Events in 2023

In 2023, the worldwide economic landscape was defined by modest growth and diminishing inflation rates. Global economic expansion was slight, with the Global GDP increasing modestly, contrary to earlier and less optimistic forecasts. Notably, the economy showed unexpected resilience, buoyed by robust consumer spending and stable job markets, even amidst the bank failures that occurred early in the year.

Financial markets globally rebounded, recovering from the effect of high interest rates introduced in 2022, which had previously led to major adjustments in the yield of financial instruments and valuation losses. Inflation rates decreased due to stringent monetary policies: Central banks in major economies, including the US, Eurozone, and UK, raised policy rates repeatedly to curb inflation. This led to a decrease in inflation which did not significantly worsen unemployment rates.

Europe successfully diversified its energy sources, mitigating additional economic shocks and inflationary pressures on households and businesses. However, geopolitical tensions, notably the ongoing Russia-Ukraine conflict and US-China tensions, along with the recent Israel-Hamas conflict, introduced uncertainties that are likely to persist into 2024. These situations, while having limited impact in 2023, pose potential risks for global trade, food prices, and inflation in the future.

The high interest rate environment continued to challenge debt-servicing for businesses and debt-laden developing countries, leading to credit downgrades for entities in countries such as Ethiopia, Egypt, and Tunisia. Ethiopia's default on its bond obligations prompted ZBUK to recognise additional expected credit losses of US$ 1.1m.

Nigeria, a key market for Zenith Bank UK, saw significant currency devaluation: the new administration implemented reforms, including floating the Naira and unifying exchange rates, which were well-received but have not immediately resolved the present foreign exchange shortages and trade challenges. In response, one of the major external rating agencies revised Nigeria's outlook from negative to stable, citing its belief that the reforms could support the country's growth.

Strategic Report (continued)

ZBUK faced high funding costs in 2023 but maintained a healthy net interest margin, with net interest income remaining a major earnings driver. The bank's trade finance business from Nigeria slowed in the second half of 2023 due to limited foreign exchange, resulting in a marginal reduction to the fee and commissions earned on trade finance. ZBUK's mortgage business saw only marginal growth, which was influenced by prolonged high interest rates and falling house prices in the property market. However, the Bank's mortgage portfolio remained of good quality asset at year-end.

Throughout 2023, the Bank maintained a vigilant approach towards monitoring credit events, particularly in jurisdictions where it had significant credit exposures. This informed the Bank's strategic decisions, leading to notable adjustments in its business strategies such as prompting reductions in or removal of limits for high-risk credit counterparties, and diversification of lending business to other less risky jurisdictions as well as reduction in the average tenor of credit availed. These changes were applied to bilateral opportunities, and to a lesser extent syndicated loans, thus reflecting the Bank's responsiveness to the evolving credit landscape and its commitment to managing risks effectively.

The strong US Dollar exchange rate, which prevailed for most of 2023, affected other currencies in developed and emerging markets, leading to loss of capital by economies and recognised FX valuation differences by financial institutions and corporate organisations. As explained under "2023 Business Review" section, ZBUK recorded some level of revaluation difference pertaining to monetary items and derivatives during the year.

For ZBUK, which historically derives a significant portion of its business from Sub-Saharan Africa (SSA) and other emerging economies, the current situation presented both a challenge and opportunity. The impetus for diversification was further strengthened whilst also the Bank adopted a more stringent approach towards managing its strong credit application process. As the Bank continues to stay engaged with its customers with a view to supporting them in these difficult times, it will continue to pay more careful attention to market developments and to respond with appropriate strategies aimed at conserving capital, mitigating credit risk losses, whilst driving asset growth concurrently.

ZBUK has responded to emerging credit events, notably that of Ethiopia Government's inability to honour its maturing obligations in December 2023. ZBUK re-assesses the credit quality of its exposures and recognises additional expected credit losses ("ECL") on such facilities where it is determined that additional credit risk is perceived to have arisen on those exposures.

The Bank's future asset growth and retention plans will continue to reflect the possibilities of weakening credit profiles of other sovereigns and corporate organisations to which the Bank is exposed.

Outlook: 2024 and Beyond

According to the International Monetary Fund (IMF), global growth is forecast to be 3% 2024, whilst the Organisation of Economic Cooperation and Development (OECD) estimates growth of 2.7% in 2024, supported by projections of reduced impacts of monetary and fiscal tightening and a resurgence in manufacturing activities. Financial markets are expected to stabilise even further, but geopolitical conflicts could disrupt this balance, affecting energy and commodity prices and global growth. Inflation rates might moderate, but high interest rates could impact business profits and household incomes which remain very sensitive to economic shocks.

Rating agencies foresee a decline in credit quality generally due to weak growth and tight funding, with emerging economies being at higher risk of defaults and instigating contagion to other markets. Paucity of foreign currency in Nigeria is anticipated to continue in 2024: In January 2024, the Naira further depreciated against US Dollars by c.65%, from 896.67 as at end of December 2023 to 1,480.16 as at end of January 2024. Current exchange rate of the Naira to the US Dollar ranges between 1,550 to 1,600.

In response, ZBUK plans to continue its disciplined business growth and international expansion, with a focus on risk management. The Bank will closely monitor the energy sector and manage exposures in line with its risk appetite. ZBUK will maintain its conservative growth plans regarding the mortgage business. The Bank will seek to create effective hedges for its Naira-denominated exposures and/or exit the ones that mature where there is dollar liquidity to do so.

Strategic Report (continued)

In its pursuit of growth and stability, ZBUK will continue its efforts to diversify its business. This strategy involves actively seeking and identifying viable opportunities in various geographical regions to expand its lending business generally. By tapping into different markets, ZBUK aims to broaden its global footprint, leveraging potential in untapped or under-served areas to enhance its assets portfolio.

This approach not only aligns with the Bank's goal of diversification but also ensures a more balanced and resilient business model, capable of withstanding regional economic fluctuations and maximizing opportunities for growth in diverse economic landscapes.

The Bank will continue to adapt its strategies in response to credit events in various jurisdictions, maintaining agility and foresight to safeguard its interests and ensure sustainable business practices.

For ZBUK, maintaining and enhancing customer engagement remains a strategic priority. In line with this focus, the Bank is set to further advance its commitment to improving the banking experience for its customers. In addition to the traditional engagement approach through calls, meetings and provision of bespoke services, this advancement will be achieved through significant investments in technology and digital banking solutions.

By channelling resources into these areas, ZBUK aims to provide more efficient, user-friendly, and innovative services that meet the evolving needs of its customers. This approach not only reinforces the Bank's dedication to customer satisfaction but also positions it at the forefront of digital innovation in the banking sector, ensuring it remains competitive and responsive in an increasingly digital world.

A significant electoral cycle globally may lead to change in policies across different jurisdictions, although it is difficult to measure at this point in time.

International Expansion

Building upon the Bank's commitment to growth and diversification, ZBUK is actively pursuing opportunities for international expansion, with a keen focus on the French market in the first instance, and subsequently into the rest of Europe at a later stage.

One of the objectives of seeking the proposed expansion is to capture emerging opportunities and to bolster trade opportunities within strategic sectors, including, but not limited to, the energy and agricultural business. By leveraging the Bank's expertise and the Zenith Group's strategic network, ZBUK plans to facilitate trade flows and promote financing solutions that support its clients in various jurisdictions.

Supported by its Parent company, ZBUK's Board and Management believe that this decision is consistent with the Bank's commitment to remain well positioned to serve Zenith Group customers, continuously explore market opportunities and drive sustainable growth in the years ahead.

Based on the foregoing, Zenith Bank (UK) Limited, is currently at advanced stages in its quest to secure an operating license for a branch in Paris, France.

Strategic Report (continued)

Section 172 Statement

Engaging with stakeholders

To discharge their fiduciary duties and governance responsibilities, the Directors of the Bank regularly consider the views and interests of its stakeholders. The Directors act based on their understanding of the importance of these views and interests in promoting a well-governed organisation, which conducts its operations responsibly, remains attentive to its stakeholders and effectively uses the insights gained from these interactions to drive the Bank's growth strategy.

How Stakeholders are identified

The Bank's stakeholders ("stakeholders") are identified as parties who will benefit if the Bank is properly run and governed in such a way that it successfully delivers its strategic plans and complies with legal and regulatory requirements either directly or indirectly. Conversely, these parties are exposed to potential financial and other losses if Zenith UK fails to meet its strategic objectives due to governance, operational, legal, or regulatory reasons.

Stakeholders include providers of capital and funding, those involved in the Bank's value creation processes (employees), those who acquire the value in return for financial consideration, regulatory bodies, and the HM revenue & Customs ("HMRC").

Description of Relationship/ Interaction/ Obligation	Generic Name	Potential Benefits to parties	Potential Losses to parties	Outcomes of engagement with stakeholders
Providers of capital	Investors	• Increased shareholders' value • Brand recognition • Dividend payment	• Partial or total loss of capital investment • Brand/Reputational issue	With the representation by the Chairman and the Group CEO on the Board, discussions relating to operations and financial conditions of the organisation were held through different fora including Committee, Strategy and Board meetings. Zenith Group, through the Board, articulated its business and digital strategies including the plan to adopt similar digital solutions across the Group with a view to improving the brand's visibility and competitiveness.
Parties that purchase the created value in return for financial considerations	Clients	• Strong business relationship • Banking convenience • Satisfaction with products or services offered by the Bank. • Continuous flow of client's business • Access to credit facilities for business continuity and expansion	• Client dissatisfaction with products or services offered by the Bank. • Disruptions to client's business • Violation of client's policies (e.g., Environmental, sustainability) • Liquidity challenges • Financial or other losses due to wrong advice by employees or Directors of the Bank	In addition to normal business, engagements were held with customers and surveys were administered to understand the clients' needs better and anticipate changes to their business preferences, as the Bank continues its journey towards digital transformation with a view to enhancing client experience.

Strategic Report (continued)

Description of Relationship/ Interaction/ Obligation	Generic Name	Potential Benefits to parties	Potential Losses to parties	Outcomes of engagement with stakeholders
Providers of funding	Depositors	• Interest on deposits • Repayment of deposits	• Partial or total loss of deposits	The Bank continued its engagement with the depositors and platform aggregators with a view to streamlining onboarding process and improving customer satisfaction.
Parties involved in the Bank's value creation chain	Employees	• Financial security • Job security • Job enrichment and satisfaction	• Unemployment • Loss of income due to job losses.	During the year, multiple staff engagement sessions were held including half yearly internal strategy sessions with a view to articulating the Bank's short and medium term plans. Opportunities were created for employees to engage and understand how the Bank can support their professional aspirations. In the current year, staff attrition has reduced significantly indicating increasing morale and job satisfaction.
Regulatory Authorities	Regulatory Authorities	• Financial system stability • Healthy market competition • Fair market practices • Fair treatment of customers.	• Financial system instability (deteriorating asset quality, poor capitalisation, fragility of financial systems) • Monopoly and monopolistic competition • Market malpractices • Unfair treatment of customers.	The Bank continued to maintain cordial relationships with the Regulators, and in several cases taking proactive steps to intimate various Regulators of developments within the Bank especially regarding its strategy, international expansion plans, governance and other Compliance related matters. Various enquiries received from the Regulators were responded to in a timely manner, and the Board and the Management continued to welcome early and regular engagement. In July 2023, the Bank hosted representatives of the PRA for an in-person annual strategy session. Consumer Duty Regulation: Board, Management and Staff have been trained regarding the regulation. The Bank's internal processes have been updated/revised to ensure compliance ahead of the implementation deadline of July 2023. In keeping with the Bank's continuous interaction with the Regulators, two of the Bank's Non-Executive Directors attended a briefing session organised by the PRA in early 2024.

Strategic Report (continued)

Description of Relationship/ Interaction/ Obligation	Generic Name	Potential Benefits to parties	Potential Losses to parties	Outcomes of engagement with stakeholders
Tax Authority	HMRC	• Tax revenues • Compliance with fiscal policies • Prevention and early detection of tax evasion	• Loss of Tax revenues • Non-compliance with fiscal policies • Failure to prevent or detect tax evasion	During the year, the Bank continued to maintain effective communication with HMRC welcoming opportunities to discuss or obtain clarification on emerging Tax related matters such as Pillar Two Framework. With sufficient guidance received, the Bank is better positioned to comply with the new tax legislation as a result of communication with HMRC.

The Bank's Directors adopt several approaches in engaging stakeholders, aware that different perspectives exist. Depending on the situation and matter at hand, engagement could be direct or indirect. Indirect engagement principally involves the process of receiving of regular communication from Executive Management on specific aspects of the Bank's business, strategy, or operations for further deliberations.

Depending on the outcomes, decisions reached could require Executive Management to maintain status quo or make changes to existing policies or practices. Such feedback is communicated through the Bank's Chief Executive Officer, as deemed appropriate.

The Bank welcomes diverse perspectives and recognises these as important must-haves for its success.

In keeping with its responsibility, the Board seeks to understand how global economic developments and other matters impact the Bank's multiple stakeholders. Executive Management is tasked with providing updates on the Bank's response to these developments as well as its engagement with staff, clients, and regulatory authorities. Executive Management's actions and strategies are overseen by the Board through regular feedback through in-person meetings (where appropriate), telephone calls, teleconferences, and email communications. The Board is apprised of regulatory matters on a regular basis and when there are specific matters to be addressed.

Investors

The Directors ensure that Executive Management acts prudently in the use of the Bank's capital resources. An important aspect of this governance and oversight is achieved through the BRC, which is mandated to review, and approve/decline lending applications based on predetermined risk and/or limit thresholds. The BRC also monitors the changes to risk limits and ensures that the Bank's business is conducted within the approved risk appetite.

The Chairman and Group Chief Executive Officer ("Group CEO") sit on the Board of the Bank and represent the interests of Zenith Bank Plc. Expectations of the parent company, including financial targets and alignment with Group strategy are regularly communicated by the Group CEO. All views expressed are deliberated upon by the Board and decisions reached are approved for execution/ implementation by Executive Management. Quarterly Board meetings are held regularly to fulfil this oversight and governance responsibility.

In consideration of the long-term support of its investor, the Board may recommend the distribution of a dividend.

Clients and Depositors

The Board also received updates from, and discussed the efforts made by, Executive Management to maintain regular communications with clients, including constant review of clients' financial performance and gaining an understanding of their changing business needs and strategies developed fulfil them with ZBUK's expertise and operational capabilities.

Especially during these uncertain times, the Board Audit & Compliance Committee ("ACC") and the BRC received regular updates on the Bank's top ten risks and their impact on the Bank's business and operations. Discussions are held regularly to consider how the Bank's clients and depositors are impacted by these developments.

Strategic Report (continued)

Board Strategy Committee meetings are held to review the Bank's strategies for supporting its clients and developing its business. Clients' expectations - collected through different channels - are analysed to draw useful insights on how to improve the Bank's service and enhance customers' banking experience. The Board also receives feedback regarding client complaints, reviews the reasons and oversees timely resolution of the matters under consideration.

Surveys are administered on a periodic basis, and the outcomes are discussed and considered by the Executive Management team, with appropriate oversight by the Board. The Directors ensure that the Bank complies with the FCA's requirements regarding consumer duty to the extent that it applies to the Bank's business.

The Board and Executive Management remains committed to the continuous monitoring of client needs and preparedness and application of insights required to shape the Bank's business strategy.

Employees

Briefing sessions are organised with all employees of the Bank on a quarterly basis to discuss various staff-related matters including staff policies (and changes), working conditions, changes to staff and management, and financial performance of the Bank. Question & Answers ("Q&A") sessions are held, and opportunities are created to receive feedback from employees.

Regulatory and Tax Authorities

At least on a quarterly basis, the Board receives updates regarding Executive Management's correspondences with Regulatory authorities and HMRC through the Audit and Compliance Committee. Extensive discussions are held regarding new regulations and expectations of the regulatory and tax authorities from the Bank.

The Board encourages Executive Management to maintain regular contact with the regulatory and tax representatives through the Compliance and Finance functions.

Directors Duties

The Directors of the Bank are required to act in accordance with the requirements of section 172 of the UK Companies Act 2006. Directors of companies must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of the shareholders as a whole and, in so doing, have regard to:

- The likely consequence of any decision in the long term.
- The interest of the company's employees.
- The need to foster the Bank's business relationships with suppliers, customers, and others.
- The impact of the Bank's operations on the community and environment.
- The desirability of the Bank maintaining a reputation for high standards of business conduct.

The Directors fulfil their duties partly through a governance framework that delegates day-to-day decision making to the Executive Management of the Bank, with oversight by the Board.

Approved by the Board of Directors on 22 March 2024 and signed on its behalf by:

Udu Ovbiagele
Chief Executive Officer

22 March 2024

Company Registration No. 05713749

Independent Auditor's Report to the members of Zenith Bank (UK) Limited

For the purpose of this report, the terms "we" and "our" denote MHA in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Zenith Bank (UK) Limited. For the purposes of the table on pages 26 to 27 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The "Bank" is defined as Zenith Bank (UK) Limited. The relevant legislation governing the Bank is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of Zenith Bank (UK) Limited for the year ended 31 December 2023. The financial statements that we have audited comprise:

- the Statement of Comprehensive Income
- the Statement of Financial Position
- the Statement of Changes in Equity
- the Statement of Cash Flows, and
- Notes 1 to 34 to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Bank's financial statements is applicable law and UK adopted International Accounting Standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Bank's affairs as at 31 December 2023 and of the Bank's profit for the year then ended;
- have been properly prepared in accordance with UK adopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit and Compliance Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- The consideration of inherent risks to the Bank's operations and specifically its business model.
- The evaluation of how those risks might impact on the Bank's available financial resources.
- Where additional resources may be required, the reasonableness and practicality of the assumptions made by the Directors when assessing the probability and likelihood of those resources becoming available.
- Capital and liquidity considerations including examination of the Bank's cash flow and liquidity projections.
- The evaluation of the base case scenario and stress scenario and the respective sensitivities and rationale.

Independent Auditor's Report to the members of Zenith Bank (UK) Limited (continued)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Bank's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Scope	Our audit was scoped by obtaining an understanding of the Bank and its environment, including the Bank's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.		
Materiality	**2023**	**2022**	
Overall materiality	$3,108k	$2,682k	0.92% (2022: 0.94%) of the net assets

Key audit matters

Recurring	• Expected credit loss ("ECL") provisions - Impairment of financial assets including loans and advances to banks and customers, securities carried at fair value through other comprehensive income, and securities measured at amortised cost.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit loss ("ECL") provisions - Impairment of financial assets including loans and advances to banks and customers, securities carried at fair value through other comprehensive income, and securities measured at amortised cost.

Key audit matter description: At 31 December 2023 the Bank had the following portfolio of assets carried at amortised cost or at fair value through other comprehensive income.:

	2023		2022	
Type of financial asset	**Gross exposure ($m)**	**ECL ($m)**	Gross exposure ($m)	ECL ($m)
Loans and advances to customers	**359.65**	**6.19**	320.28	5.07
Loans and advances to banks	**154.80**	**0.92**	171.33	0.85
Securities at fair value through OCI	**1,663**	**1.49**	1,808	1.68
Securities measured at amortised cost	**211.61**	**13.77**	207.43	13.28
Loan commitments	–	–	43	0.71

IFRS 9 requires these amounts to be presented in the financial statements net of an associated allowance for Expected Credit Loss ("ECL").

The determination of the ECL allowance requires the Bank to make a number of highly complex, judgmental and highly sensitive assumptions that involve significant management estimation and judgement.

Independent Auditor's Report to the members of Zenith Bank (UK) Limited (continued)

	The following areas have greater level of management judgement and estimations involved and therefore assessed as significant risk areas in the estimation of ECL. • Estimation of Probability of Default ("PD") for internally rated loans - the internally rated PD models poses a significant risk due to the sensitivity and underlying assumptions inherent in the PD estimation process. The internally rated PDs are derived using internal credit rating assessments that are aligned to Standard & Poor credit ratings, necessitating management judgements. Due to limited internal default experience and the absence of external ratings, the determination of these PDs involves a high degree of subjectivity. • Determination of whether there has been a significant increase in credit risk ("SICR") – The identification of whether there has been a SICR is a significant judgement which directly affects the Bank's ECL modelling for either 12 month or lifetime approaches. • Determination of staging – The timely allocation of financial assets to stage 1, 2 or 3 in accordance with Bank's ECL policy and the requirements of IFRS 9 directly affect the approach used to model ECL and also affects how interest is calculated for those assets; and • Use of macroeconomic scenarios ("MES") – MES are a significant judgement due to the forward-looking nature of scenario projections and estimation uncertainties involved in the assignment of weightings to the various scenarios.
How the scope of our audit responded to the key audit matter	Controls testing - We evaluated the design and implementation of key controls over the ECL process, including those over management's judgments and estimates noted. These processes controls, among others, covered: • the determination of credit risk ratings and the PDs for internally rated loan exposures. • The extraction of relevant data from the banks underlying systems and its inclusion in the appropriate elements of the ECL modelling. • the allocation of assets into stages including management's monitoring of stage effectiveness. • the determination of credit risk ratings and the PDs for internally rated loan exposures; and • the generation of the multiple economic scenarios including governance processes and the application of weightings to the different scenarios **Overall assessment of the ECL methodology** – We have evaluated the Bank's ECL methodology and modelling of different components of ECL including PD, LGD and EAD and assessed the appropriateness of the components and the compliance with the requirements of IFRS 9. We engaged the support of our external credit modelling experts to assess the performance of the ECL models and the appropriateness of management's key judgements and assumptions in the context of the current economic environment and our wider industry experience. **Assessment of internally rated PD model –** We engaged our external credit modelling experts to critically assess the conceptual soundness of the methodology applied by the Bank for internally rated loans to evaluate the Bank's methodology is compliant with the requirements of IFRS 9. We also assessed if the PDs used for internally rated loans with the external credit ratings and PDs. Further. we also tested a sample of Bank's internally rated loans to determine whether the internal grading assigned to counterparties are reasonable and appropriate as per the Bank's methodology. Staging - We evaluated the criteria used to allocate a financial asset to stage 1, 2 or 3 in accordance with IFRS 9. We have performed credit reviews over a sample of loans to assess if the loans are allocated to the correct stage. Economic scenarios – we engaged our external credit modelling experts to challenge the Bank's economic scenarios with external sources and have assessed if the weightings used by the Bank to each macroeconomic scenarios are complete and appropriate.

Independent Auditor's Report to the members of Zenith Bank (UK) Limited (continued)

	In addition to the specific audit procedures on the significant risk within the valuation of expected credit loss allowance, we have performed the following procedures on other areas within the valuation of expected credit loss allowance; We evaluated the design and implementation of controls across the processes relevant to ECL. Our walkthrough covers the following areas; ● Model governance including model validation and controls; ● The recording of collaterals into lending system for mortgage loans; ● data accuracy and completeness ● the governance and review of in-model adjustments (IMA) and post -model adjustments (PMA) ● journal entries related to the ECL ○ Obtained an understanding of the different types of portfolios and nature of exposures along with the business models for significant exposures. ○ Tested the Bank's process to recognise the post model adjustments and the completeness of the post model adjustments. ○ Identified the key data elements and assumptions within the ECL model and assessing the appropriateness of the assumptions and testing the completeness and accuracy of the key data elements relevant to the ECL model. ○ Disclosure - We tested the data flows used to populate the disclosures and assessed the adequacy of disclosures for compliance with the accounting standards and regulatory considerations.
Key observations	We found the approach taken in respect of ECL to be consistent with the requirements of FIRS 9 and we have concluded that the assumptions and judgements made by the management in the application of ECL were reasonable and supportable.

Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Overall Materiality	\$3,108k (2022: \$2,682k)
● Basis of determining overall materiality	We determined materiality based on 0.92% (2022: 0.94%) of the net assets value. We have considered the primary users of the financial statements to be shareholders, customers of the Bank, the ultimate parent company, and the UK regulators (FCA and PRA). We have considered that Net Assets is the most appropriate threshold on which to base our assessment of materiality as it is the most relevant financial indicator used by the stakeholders to assess the performance of the Bank and its compliance with appropriate regulatory requirements.
Performance materiality	\$1,865k (2022: \$1,609k)
● Basis of determining overall performance materiality	We set performance materiality based on 60% (2022: 60%) of overall materiality.

Independent Auditor’s Report to the members of Zenith Bank (UK) Limited (continued)

	Performance materiality is the application of materiality at the individual account or balance level, set at an amount to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. The determination of performance materiality reflects our assessment of the risk of undetected errors existing, the nature of the systems and controls and the level of misstatements arising in previous audits.
Error reporting threshold	We agreed to report any corrected or uncorrected adjustments exceeding $155k (2022: $134k) to the Audit and Compliance Committee as well as differences below this threshold that in our view warranted reporting on qualitative grounds.

The control environment

We evaluated the design and implementation of those internal controls of the Bank which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness and placed reliance on certain controls.

We deployed our internal IT audit specialists to obtain an understanding of the general IT environment and found the IT controls to be operating effectively.

Climate-related risks

In planning our audit and gaining an understanding of the Bank, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management’s climate-related risk assessment, along with relevant documentation and reports relating to management’s assessment and held discussions with management to understand their process for identifying and assessing those risks.

We have agreed with management’s assessment that climate-related risks are not material to these financial statements.

Reporting on other information

The other information comprises the information included in the annual report other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Strategic report and directors report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received by branches not visited by us; or

Independent Auditor's Report to the members of Zenith Bank (UK) Limited (continued)

- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the industry and sector the control environment, business performance including remuneration policies and the Bank's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the directors, we obtained an understanding of the legal and regulatory frameworks applicable to the Bank focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, the Financial Services and Markets Act 2000; UK tax legislation or those that had a fundamental effect on the operations of the Bank including the regulatory and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

Independent Auditor's Report to the members of Zenith Bank (UK) Limited (continued)

- We enquired with the directors and management concerning the Bank's policies and procedures relating to:
  - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the Bank's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates particularly in determining expected credit loss.

Audit response to risks identified

In respect of the above procedures:

- we corroborated the results of our enquiries through our review of the minutes of the Bank's board, audit and compliance committee meetings, Asset and Liability committee meetings and Board Risk committee meetings , inspection of the complaints register, inspection of legal and regulatory correspondence and correspondences from the regulators PRA and the FCA;
- audit procedures performed by the engagement team in connection with the risks identified included:
  - reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements.
  - testing journal entries, including those processed late for financial statements preparation, those posted by infrequent or unexpected users, those posted to unusual account combinations;
  - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
  - enquiry of management around actual and potential litigation and claims.
  - challenging the assumptions and judgements made by management in its significant accounting estimates, in particular those relating to the determination of the expected credit losses as reported in the key audit matter section of our report; and
  - obtaining confirmations from third parties to confirm existence of a sample of transactions and balances.
- the Bank operates in a highly regulated banking industry. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- we communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Other requirements

We were appointed by the Board of directors on 5 July 2022 for the audit of statutory financial statements of the Bank for the year ended 31 December 2022 as independent auditors of the Bank which was our first year as independent auditors of the Bank. This is our second year as independent auditors of the Bank.

We did not provide any non-audit services which are prohibited by the FRC's Ethical Standard to the Bank, and we remain independent of the Bank in conducting our audit.

Independent Auditor's Report to the members of Zenith Bank (UK) Limited (continued)

Use of our report

This report is made solely to the Bank's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Bank's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Bank and the Bank's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rakesh Shaunak FCA (Senior Statutory Auditor)
for and on behalf of MHA, Statutory Auditor
London, United Kingdom

22 March 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Statement of Comprehensive Income

For the year ended 31 December

	Note	2023 US$	2022 US$
Interest income	4a	**148,015,884**	78,988,040
Interest expense	4b	**(51,787,199)**	(14,995,830)
Net interest income		**96,228,685**	63,992,210
Fee and commission income	5	**10,403,918**	10,543,909
Trading and other income	6	**2,490,366**	5,211,655
Net gains/(losses) realised on disposal of securities measured at fair value through other comprehensive income		**(1,656,333)**	50,484
Fair value movement on financial derivatives (net)		**150,805**	(6,904,275)
Exchange differences		**(1,415,863)**	4,359,385
Operating income		**106,201,578**	77,253,368
Personnel expenses	7	**(22,411,476)**	(17,086,793)
Depreciation and amortisation	16 and 17	**(1,624,921)**	(1,674,804)
Other expenses	8	**(8,600,456)**	(7,959,047)
Operating expenses		**(32,636,853)**	(26,720,644)
Net operating income		**73,564,725**	50,532,724
Net impairment charge on financial assets	15	**(771,074)**	(5,269,233)
Profit before tax		**72,793,651**	45,263,491
Income tax expense	9	**(17,956,240)**	(10,062,804)
Profit for the year		**54,837,411**	35,200,687
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Net change in fair value of debt instruments at fair value through other comprehensive income		**13,774,075**	(22,279,179)
Net change in fair value of debt instruments reclassified to profit or loss		**1,656,333**	(50,484)
Expected credit losses/(gains) recognised in the income statement		**(193,850)**	(232,322)
Income tax on items that are or may be reclassified subsequently to profit or loss	18	**(3,857,602)**	6,132,784
Other comprehensive income for the year (net of tax)		**11,378,956**	(16,429,201)
Total comprehensive income for the year attributable to equity holders of the Bank		**66,216,367**	18,771,486

The 2023 and 2022 results are all from continuing operations.

The notes on the accompanying pages 37 to 90 form an integral part of these financial statements.

Statement of Financial Position

As at 31 December

	Note	31 December 2023 US$	31 December 2022 US$
Assets			
Cash and cash equivalents	10	**276,069,567**	629,660,723
Securities measured at fair value through profit or loss	11a	**5,106,226**	2,568,446
Securities measured at fair value through other comprehensive income	11b	**1,662,513,466**	1,808,390,552
Securities measured at amortised cost	12	**197,839,485**	194,149,391
Derivative financial assets	24a	**2,410,504**	2,217,579
Loans and advances to banks	13	**153,876,803**	170,490,516
Loans and advances to customers	14	**353,457,523**	315,202,777
Right-of-use assets	16a	**1,217,453**	2,029,088
Property and equipment	16b	**353,650**	556,595
Intangible assets	17	**771,955**	993,670
Current tax assets	19	**569,334**	–
Deferred tax assets	18	**2,958,195**	7,028,290
Other assets	20	**2,940,642**	1,675,207
Total assets		**2,660,084,803**	3,134,962,834
Liabilities			
Deposits from banks	21	**1,283,720,090**	1,971,527,508
Deposits from customers	22	**985,581,621**	778,495,366
Repurchase agreements and other similar secured borrowing	23	**45,992,015**	76,385,080
Derivative financial liabilities	24b	**529,436**	455,372
Current tax liabilities	19	**–**	1,223,535
Impairment allowance on committed but undrawn facilities	15	**–**	712,297
Lease obligation	25	**1,055,479**	1,852,896
Other liabilities	26	**7,184,781**	16,905,766
Total liabilities		**2,324,063,422**	2,847,557,820
Equity			
Share Capital	30	**136,701,620**	136,701,620
Reserves		**(4,506,575)**	(15,885,531)
Retained earnings		**203,826,336**	166,588,925
Total equity		**336,021,381**	287,405,014
Total liabilities and equity		**2,660,084,803**	3,134,962,834

The financial statements and accompanying notes on pages 37 to 90 were approved and authorised for issue by the Board of Directors on 22 March 2024 and signed on its behalf by:

Jim Ovia
Chairman

Udu Ovbiagele
Chief Executive Officer

Adeyemi Paul-Taiwo
Chief Financial Officer

Statement of Changes in Equity

For the year ended 31 December

	Share Capital US$	FVOCI Reserves US$	Retained Earnings US$	Total Equity US$
Balance as at 1 January 2023	**136,701,620**	**(15,885,531)**	**166,588,925**	**287,405,014**
Profit for the year	–	–	54,837,411	54,837,411
Other comprehensive income for the year (net of tax)	–	11,378,956	–	11,378,956
Dividends paid	–	–	(17,600,000)	(17,600,000)
Balance as at 31 December 2023	**136,701,620**	**(4,506,575)**	**203,826,336**	**336,021,381**
Balance as at 1 January 2022	**136,701,620**	**543,670**	**137,088,238**	**274,333,528**
Profit for the year	–	–	35,200,687	35,200,687
Other comprehensive income for the year (net of tax)	–	(16,429,201)	–	(16,429,201)
Dividends paid	–	–	(5,700,000)	(5,700,000)
Balance as at 31 December 2022	**136,701,620**	**(15,885,531)**	**166,588,925**	**287,405,014**

The balance in "FVOCI Reserves" comprises fair value movements on debt instruments that are carried at fair value through other comprehensive income. Any gains or losses realised upon disposal or maturity of such debt instruments will be reclassified to profit or loss.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2023 (2022: US$ 17,600,000. The Bank's 2023 full year Dividend Per Share ("DPS") for the year ended 31 December 2023 is US$ Nil (2022: US$ 0.13). See Note 32.

The notes on the accompanying pages 37 to 90 form an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 US$	2022 US$
Cash flows from operating activities			
Profit for the year		**54,837,411**	35,200,687
Adjustments for:			
Impairment provision charge	15	**771,074**	5,269,233
Depreciation of property and equipment	16	**1,074,768**	1,131,020
Amortisation of intangible assets	17	**550,153**	543,784
Interest expense on Right-of-use lease obligations	4b	**18,326**	37,387
Recoveries of bad debts written off		**–**	(69,063)
Current income tax expense	9	**17,745,025**	9,439,732
Deferred income tax expense	9	**211,215**	239,806
Foreign currency translation gain/(loss) - Lease obligation	25	**110,592**	(317,849)
Foreign currency translation gain - Deferred tax assets	18	**–**	45
Foreign currency translation loss - Corporation tax liability	19	**(123,381)**	(43,758)
Deferred tax asset write-off (legacy)	8	**1,278**	–
Interest income	4a	**(148,015,884)**	(78,988,040)
Interest expense	4b	**51,768,873**	14,958,443
		(21,050,550)	(12,598,573)
Decrease/(Increase) in loans and advances to banks		**17,720,794**	(16,995,457)
(Increase)/Decrease in loans and advances to customers		**(37,968,440)**	39,931,143
(Increase)/Decrease in securities measured at fair value through profit or loss		**(1,751,539)**	6,591,830
Decrease/(Increase) in securities measured at fair value through other comprehensive income		**155,867,577**	(568,931,339)
(Increase)/Decrease in other assets		**(1,265,435)**	135,997
(Decrease)/Increase in deposits from banks		**(688,088,465)**	79,243,126
Increase in deposits from customers		**200,100,437**	123,837,261
(Decrease)/Increase in repurchase agreements and other similar secured borrowing		**(30,579,358)**	30,379,006
Increase in derivative financial instruments (net)		**(118,861)**	(389,643)
(Decrease)/Increase in other liabilities		**(9,720,985)**	9,795,677
Interest income received		**136,365,040**	86,951,488
Interest expense paid		**(44,315,715)**	(12,499,405)
Income tax paid	19	**(19,414,513)**	(9,210,907)
Net cash used in operating activities		**(344,220,013)**	(243,759,796)
Cash flows from investing activities			
Acquisition of securities measured at amortised cost		**(26,729,752)**	(47,624,983)
Proceeds from redemption of securities measured at amortised cost		**21,071,506**	27,641,163
Interest income received		**15,202,064**	17,837,082
Acquisition of property and equipment	16	**(60,188)**	(26,331)
Acquisition of intangible assets	17	**(328,438)**	(491,577)
Net cash generated from / (used in) investing activities		**9,155,192**	(2,664,646)
Cash flows from financing activities			
Repayment of lease obligation	25	**(926,335)**	(824,165)
Dividends paid to shareholders		**(17,600,000)**	(5,700,000)
Net cash used in financing activities		**(18,526,335)**	(6,524,165)
Net decrease of cash and cash equivalents		**(353,591,156)**	(252,948,607)
Cash and cash equivalents as at 01 January		**629,660,723**	882,609,330
Cash and cash equivalents at 31 December	10	**276,069,567**	629,660,723

The notes on the accompanying pages 37 to 90 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2023

1 General information

Zenith Bank (UK) Limited ('the Bank') is a private company, limited by shares. The Bank was incorporated and registered in England & Wales in 2006 and is domiciled in the United Kingdom. The Bank's registered number is 05713749 and registered office (and principal place of business) is located in England, and is situated at 39, Cornhill, London EC3V 3ND. The Bank is fully owned by the parent and ultimate parent undertaking, Zenith Bank Plc, a Bank incorporated in Nigeria. The Bank primarily provides trade finance, treasury services, corporate, infrastructure and project financing, and wealth management services to customers.

The Bank is authorised under the Financial Services and Markets Act 2000 (as amended in 2012). It is authorised by the PRA and regulated by the FCA and the PRA.

Statement of compliance

The Bank's financial statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standards (IAS) which is applicable to companies reporting under International Financial Reporting Standards (IFRS) and the Companies Act 2006.

2 Basis of preparation and material accounting policy information

Basis of preparation

The financial statements have been prepared in accordance with UK adopted International Accounting Standards (IAS) which is applicable to companies reporting under International Financial Reporting Standards (IFRS) and the Companies Act 2006 as set out in the relevant notes, based on historical cost convention modified to include the fair valuation of financial instruments to the extent required or permitted.

The Bank has elected to present its Statement of Financial Position in order of liquidity.

The Bank's reporting currency is US Dollars and is regarded as the functional and presentational currency of the Bank.

Income and expense in foreign currencies are recorded in US Dollars at the rate of exchange prevailing at the time of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Resulting exchange differences are included in the income statement.

Restatement of prior year disclosure

Certain comparative amounts in the Statement of Profit or Loss have been reclassified, as a result of the correction of errors regarding the presentation of items under Interest expense and Fee and commission income (see Note 4b and Note 5). Certain comparative amounts in the Statement of Financial Position have been reclassified, as a result of the correction of errors regarding the presentation of items under Financial Risk Management (see Note 29).

There is no impact to the primary financial statements and therefore no restatement is necessary of the overall amounts disclosed.

(a) Going concern

The Bank's business activities, together with the factors likely to affect its future development and position with disclosures regarding Financial Risk Management, are set out in the Strategic Report.

The Directors have also considered the impact of the Israel-Hamas conflict, prevailing inflationary conditions, supply chain issues and increase in energy prices on the Bank's future results and financial condition and are satisfied that there is no material uncertainty that precludes the Bank from continuing in business and confirm that there are no plans to terminate the Bank's operations or significantly curtail its activities.

The Directors have reviewed the Bank's profitability, capital, and liquidity positions. Zenith UK's capital and liquidity ratios as at 31 December 2023 exceeded the minimum regulatory requirements. The Directors will continue to exercise effective oversight of the Bank's operations to ensure that the Bank maintains strong capital and liquidity positions.

The Directors are satisfied that it is appropriate to continue to adopt the going concern basis in preparing the Bank's financial statements.

Material accounting policy information

The accounting policies set out below have been applied consistently to all periods presented in the Bank's financial statements.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2 Basis of preparation and material accounting policy information (continued)

(b) IFRS 9 Financial Instruments

i. Classification and Measurement of Financial Assets and Liabilities

There are three measurement classifications under IFRS 9: Amortised Cost, Fair Value Through Profit or Loss (FVTPL) and Fair Value Through Other Comprehensive Income (FVOCI). Financial assets are classified into these measurement classifications based on the business model within which they are held, and their contractual cash flow characteristics.

The business model reflects how groups of financial assets are managed to achieve a particular business objective. Financial assets can only be held at amortised cost if the instruments are held in order to collect the contractual cash flow ('hold to collect') and where those contractual cash flows are solely payments of principal and interest ('SPPI'). Financial asset debt instruments where the business model objectives are achieved by both collecting the contractual cash flows and selling the assets ('hold to collect and sell') are held at FVOCI, with unrealised gains and losses deferred within reserves until the asset is derecognised. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

The sale and purchase of financial instruments are accounted for on settlement date basis.

Financial assets

Subsequent to initial recognition, all financial assets within the Bank are measured at:

- Amortised Cost.
- Fair Value Through Other Comprehensive Income (FVOCI); or
- Fair Value Through Profit or Loss (FVTPL)

The Bank has its business model, Loans to banks and customers and Investment debt securities are held within a 'hold to collect' portfolio. The majority of the remaining investment debt securities are held within a 'held to collect and sell' business model portfolio whilst the rest are classified as financial assets whose fair value are measured through profit or loss (trading). Where the objective of a business is to hold the assets to collect the contractual cash flows or where the objective is to hold the assets to collect contractual cash flows and sell, a further assessment has been undertaken to determine whether the cash flows of the assets are deemed to meet the SPPI criteria. Where these instruments have cash flows that meet the SPPI criteria, the instruments are measured at amortised cost (for hold to collect business models) or FVOCI (for hold to collect and sell business models). Instruments that do not meet the SPPI criteria are measured at FVTPL regardless of the business model in which they are held.

Amortised Cost

The Bank's financial assets including debt instruments are subsequently measured at amortised cost by the Bank if they meet both of the following criteria and are not designated as at FVTPL:

- 'Held to collect' business model test – The asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- 'SPPI' contractual cash flow characteristics test – The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding on a specified date. Interest in this context is consideration of the time value of money and for the credit risk associated with the principal amount outstanding during a particular period.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2 Basis of preparation and material accounting policy information (continued)

Fair Value Through Other Comprehensive Income

This category of financial assets represents non-derivative financial assets classified on initial recognition because they are being held to collect contractual cashflows and for sale. FVOCI assets are measured at fair value and any changes are recognised in other comprehensive income. Interest, impairments, and foreign exchange differences on assets classified at FVOCI are recognised in the Income statement. The cumulative gain or loss that was recognised in other comprehensive income is recognised in profit or loss when an asset designated at FVOCI is derecognised.

All other financial assets (equity investments) are measured at fair value.

Fair Value Through Profit or Loss

Financial assets are classified and measured at FVTPL by the Bank if the financial asset is:

- A debt instrument that does not qualify to be measured at amortised cost or FVOCI;
- An equity investment which the Bank has not irrevocably elected to classify as at FVOCI and present subsequent changes in fair value in OCI;
- A financial asset where the Bank has elected to measure the asset at FVTPL under the fair value option.

Financial liabilities

Financial liabilities are either classified by the Bank as:

- Financial liabilities at amortised cost, or
- Financial liabilities at FVTPL.

Financial liabilities are measured at amortised cost by the Bank unless either:

- The financial liability is held for trading and is therefore required to be measured at FVTPL, or
- The Bank elects to measure the financial liability at FVTPL (using the fair value option).

ii. Impairment of Financial Assets, Loan Commitments and Financial Guarantee Contracts

Certain estimates and judgements are also required in applying the accounting requirements for measuring ECL, such as:

- determining the credit risk grades;
- generating the term structure of the probability of default;
- determining whether credit risk has increased significantly;
- incorporation of forward-looking information;
- establishing groups of similar financial assets for the purposes of measuring ECL.

IFRS 9 requires a forward-looking expected credit loss (ECL) impairment framework for financial assets not measured at FVTPL and certain off-balance sheet loan commitments and guarantees. The ECL framework results in an allowance for expected credit losses being recorded on financial assets regardless of whether there has been an actual loss event.

The impairment model applies to the following financial instruments that are not measured at fair value through profit or loss:

– financial assets that are debt instruments; and
– loan commitments and financial guarantee contracts issued

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2 Basis of preparation and material accounting policy information (continued)

IFRS 9 utilises a three-stage approach based on the extent of credit deterioration since origination:

Stage 1 – 12-month ECL is calculated for all financial assets that have not experienced a Significant Increase in Credit Risk (SICR) since origination and are not credit impaired. The ECL will be computed using a 12-month Probability of Default (PD), which represents the probability of default events occurring over the next 12 months.

Stage 2 – When a financial asset experiences a Significant Increase in Credit Risk (SICR) subsequent to origination but is not credit impaired, it is considered to be in Stage 2. This requires the computation of ECL based on lifetime PD that represents the probability of all possible default events occurring over the remaining life of the financial asset. Provisions are higher in this stage because of an increase in credit risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3 – Financial assets that have objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses. Interest income is calculated on the carrying amount of the loan net of expected credit loss allowance.

The ECL requirements of IFRS 9 are complex and require management judgments, estimates and assumptions, particularly in the areas of assessing whether the credit risk of an instrument has increased significantly since initial recognition and incorporating forward-looking information into the measurement of ECLs.

Definition of default

Under IFRS 9, the Bank will consider a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising collaterals (if any is held); or
- the borrower is more than 90 days past due.

Significant increase in credit risk

In determining whether the credit risk (risk of default) on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information. The Bank applies a methodology and framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition.

The criteria for determining whether credit risk has increased significantly varies based on individual circumstances of each loan but includes a backstop based on delinquency of 30 days past due, and a decrease in credit ratings based on Credit Quality Steps ("CQS") as explained in Note 29 (*Sensitivity and impact analysis of ECL assessment section*). In certain instances, using judgement, and where possible relevant historical experience, the Bank may determine that an exposure has undergone a significant increase in credit risk if qualitative factors indicate so, as the quantitative analysis may not capture it on a timely basis.

Measuring ECL

The key inputs to the measurement of ECL are:

- Probability of Default (PD)
- Loss given default (LGD); and
- Exposure at default (EAD)

The Bank has its own internal rating based on internally available information which has been mapped to statistics obtained from a recognised ratings agency. Each counterparty is assigned an internal rating which is matched to data from an external credit rating agency to ascertain PDs. The LGD which has been estimated to be 45% for all exposure classes other than Corporates which are estimated to be 40% (based on the regulatory default LGD) and Exposure at Default (EAD), which represents the outstanding exposure net of cash collateral.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2 Basis of preparation and material accounting policy information (continued)

Off-balance sheet items are a part of the EAD within the ECL computation. These items primarily comprise committed exposures which have not yet been drawn. The Bank applies a weighting based on historic behavioural utilisation of the facility to ascertain future EAD which is then used to calculate ECL.

If, in a subsequent period, the amount of an impairment loss decreased and the decrease could be objectively related to an event occurring after the impairment was recognised (such as an improvement in a debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the impairment allowance account. The amount of the reversal is recognised in profit or loss under "Net Impairment credit/(loss) on financial assets".

Forward-looking information ('FLI')

IFRS 9 requires an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions.

FLI is required to be incorporated into the measurement of ECL as well as into the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting period should reflect reasonable and supportable information at the reporting date about past events, current conditions, and forecasts of future economic conditions.

Forecasts for key macroeconomic variables that are expected to correlate most closely to the Bank's portfolio are used to produce three economic scenarios. These comprise: a central case, downturn case, and optimistic case. Judgement is used to infer the impact of such scenarios on rating downgrades within the portfolio which then impacts the ECL calculation. The estimated ECL under each scenario is probability-weighted to produce the final ECL.

(c) Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in 'Interest income' and 'Interest expense', respectively in the statement of comprehensive income using the effective interest rates of the financial assets or financial liabilities to which they relate.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, cash flows are estimated considering all contractual terms of the financial instrument excluding future credit losses. The calculation includes all amounts paid or received that are an integral part of the effective interest rate, including fees and commission income, transaction costs and all other premiums or discounts.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by any allowance for impairment.

(d) Trading and other income

Trading and other income comprises gains less losses relating to trading assets and liabilities and includes all fair value changes, interest, dividends, foreign exchange differences and recoveries of loan written off. The Bank a applies First In First Out (FIFO) method in calculating and recognising trading gains or losses.

(e) Fee and commission income

The Bank identifies the specific performance obligations in its contracts with its clients. The contractual terms define the transaction price (fee or commission to be earned) and the Bank allocates the transaction price for distinct service(s) under each contract.

Depending on the nature of the performance obligation for which a fee or commission is to be earned by the Bank, the following policies apply:

(i) if the income is earned on the execution of a significant act, it is recognised as revenue when the significant act has been completed (for example, fees arising from negotiating, or participating in the negotiation of a transaction for a third party such as the arrangement for the acquisition of securities);

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2 Basis of preparation and material accounting policy information (continued)

(ii) if the income is earned as services are provided, it is recognised as revenue as the services are provided (for example, documentary credit confirmation fees, custody and banking service fees);

(iii) if the income relates to a financial instrument, it is recognised in fee and commission income over time as the performance obligations are satisfied in line with principles of IFRS 15 (for example, loan origination fees). In fulfilling this, the following steps are taken into consideration:

- o Identification of the contract
- o Identification of separate performance obligations
- o Determination of the transaction price
- o Allocation of transaction price to performance obligations
- o Recognition of revenue when each performance obligation is satisfied;

(iv) the Bank provides certain guarantee facilities which are dependent on uncertain future events. These facilities include surety, fidelity, performance, bid and advance payment bonds. Fees and commissions arising from the provision of such services are recognised over the period for which the service is provided; and

(v) Point-in-time fees are service fees which are earned upon completion of service and recognised directly in Statement of comprehensive income. Point-over-time fees are fees integral to loans and are suspended in Statement of financial position and recognised over tenor of the facility.

(f) Foreign currencies

The US Dollar is regarded as the functional currency and reporting currency of the Bank.

Income and expense in foreign currencies are recorded in US$ at the rate of exchange prevailing at the time of each transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Resulting exchange differences are included in the income statement.

Non-monetary assets and liabilities in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction.

(g) Income tax

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholders' equity.

Current tax is the tax expected to be payable on the taxable profit for the year calculated using tax rates enacted or substantially enacted by the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is calculated using the tax rates expected to apply in the periods in which the assets will be realised or the liabilities settled.

(h) Derivatives

The Bank uses derivative financial instruments for risk management purposes. The Bank uses forward foreign exchange, interest rate and other derivative products.

Fair values are obtained from quoted market prices in active markets or by using valuation techniques, including recent market transactions, where an active market does not exist. All derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2 Basis of preparation and material accounting policy information (continued)

(i) Offsetting

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position only when the Bank has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

(j) De-recognition of financial assets and liabilities

Financial assets are de-recognised when the rights to receive cash flows from the assets have expired or where the Bank has transferred its contractual right to receive the cash flows of the financial assets and either:

i. substantially all the risks and rewards of ownership have been transferred; or

ii. substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are de-recognised when they are extinguished, i.e., when the obligation is discharged, cancelled, or expires.

(k) Property and equipment

Property and equipment are stated at cost less depreciation calculated on a straight-line basis to depreciate the assets over their estimated useful lives as follows:

Leasehold improvements:	10 years or the length of the lease, if less
Computer equipment:	3 years
Furniture, fixtures and fittings:	5 years

Leasehold premises improvements comprise the Bank's offices in London and Dubai. All equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(l) Intangible assets

Acquired computer software licences and development costs are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software programs are expensed as incurred.

The capitalised cost of computer software is amortised over 3 years using the straight-line method.

(m) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are normally those with less than three months' maturity from the date of acquisition, and include cash, notes and coins, placements with other banks, amounts held with correspondent banks and certificates of deposit.

(n) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation because of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2 Basis of preparation and material accounting policy information (continued)

(o) Employee benefits

The Bank provides a defined contribution pension plan for its staff. The assets of the schemes are held separately from those of the Bank. The Bank pays contributions to the Zenith Retirement Benefit Scheme. The Bank has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(p) Share capital

Share issue costs - Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares - Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders at the general meeting.

(q) Deposits

Deposits are initially recorded at fair value and subsequently measured at amortised cost. The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of fixed interest-bearing deposits and other borrowings without a quoted market price is based on discounted cash flows using market interest rates for debts with similar remaining maturity.

(r) Loans written off

The amount of loan write off is assessed on a case-by-case basis. Full or partial write-offs of loans and advances are generally recorded when management believes there is no realistic prospect of a full recovery of interest and principal.

(s) Leases

IFRS 16 applies to all leases except for licences of intellectual property, rights held by licensing agreement within the scope of IAS 38 Intangible Assets, service concession arrangements, leases of biological assets within the scope of IAS 41 Agriculture and leases of minerals, oil, natural gas, and similar non-regenerative resources. IFRS 16 includes an accounting policy choice for a lessee to elect not to apply IFRS 16 to remaining assets within the scope of IAS 38 Intangible Assets which the Bank has decided to apply. When the Bank is the lessee, it is required to recognise both:

- a lease liability, measured at the present value of remaining cash flows on the lease, and
- a right of use (ROU) asset, measured at the amount of the initial measurement of the lease liability, plus any lease payments made prior to commencement date, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease, less any lease incentives received.

Subsequently the lease liability will increase for the accrual of interest, resulting in a constant rate of return throughout the life of the lease, and reduce when payments are made.

The right of use asset will depreciate to the income statement over the life of the lease. The lease liability is remeasured when there is a change in one of the following:

- future lease payments arising from a change in an index or rate,
- the Bank's estimate of the amount expected to be payable under a residual value guarantee, or
- the Bank's assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset or is recorded in the income statement if the carrying amount of the ROU asset has been reduced to Nil. On the balance sheet, the ROU assets are included within property and equipment and the lease liabilities are included within other liabilities.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2 Basis of preparation and material accounting policy information (continued)

The depreciation on right-of-use assets is calculated over the lease period. All right-of-use assets held by the Bank can be characterised as building leases on the Bank's offices.

(t) Repurchase agreements and other similar secured borrowing

Securities sold under agreements to repurchase (repurchase agreements) involve the Bank selling securities to a counterparty with an agreement entered into simultaneously to purchase the securities back at a fixed price at a future date. Since the Bank is purchasing the securities back at a fixed price at a future date, the risks and rewards have not been transferred from the Bank. The counterparty has the right to use the collateral pledged by the Bank in the event of default.

These agreements are treated as collateralised financing arrangements and are initially recognised at fair value. The party disbursing the cash takes possession of the securities serving as collateral for the financing and having a market value equal to, or in excess of, the principal amount loaned.

(u) Undrawn loan commitments and guarantees

Financial guarantee contracts are contracts that require the Bank (issuer) to make specified payments to reimburse the holder for a loss it incurs because specified debtor(s) fail(s) to make payment when due in accordance with the original or modified terms of the debt instrument(s).

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Initial Measurement

Financial guarantees issued and commitments are initially measured at fair value.

Subsequent Measurement

Financial guarantees issued are subsequently measured at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3.2.18) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Bank has issued no loan commitments that are measured at FVTPL. Liabilities arising from financial guarantees and loan commitments are included within provisions.

The Bank conducts business involving commitments to customers. The majority of these facilities are set-off by corresponding obligations of third parties.

Contingent liabilities and commitments comprise usance lines and letters of credit. Usance and letters of credit are agreements to lend to a customer in the future subject to certain conditions.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. Letters of credit are given as security to support the performance of a customer to third parties. As the Bank will only be required to meet these obligations in the event of the Customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Contingent liabilities and commitments are initially recognised at fair value which is also generally equal to the fees received and amortised over the life of the commitment.

The carrying amount of contingent liabilities are subsequently measured at the higher of the present value of any expected payment when a payment under the contingent liability has become probable and the unamortised fee.

(v) New standards and interpretations that Became Effective for an accounting period that begins on or after 1 January 2023

In the current year, the Bank has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2 Basis of preparation and material accounting policy information (continued)

Classification of Liabilities as current or non-current – Amendments to IAS 1

The narrow-scope amendments to IAS 1 'Presentation of Financial Statements' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 'Accounting Policies, Changes in Accounting Estimate and Errors'.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

There is no impact to the Bank as there are no arrangements or transactions that require the Bank to adopt these amendments.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policy information. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 'Making Materiality Judgements' to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

There is no impact to the Bank as there is no change to accounting policies.

Definition of Accounting Estimates – Amendments to IAS 8

The amendment to IAS 8 'Accounting Policies, Changes in Accounting Estimate and Errors' clarifies how reporting entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 'Income Taxes' require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probably that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

– Right-of-use assets and lease liabilities, and

– Decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

There is no impact to the Bank as there are no arrangements or transactions that require the Bank to adopt these amendments.

Amendments to IAS 12 Income Taxes— International Tax Reform—Pillar Two Model Rules

The Bank has adopted the amendments to IAS 12 for the first time in the current year. The IASB amends the scope of IAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2 Basis of preparation and material accounting policy information (continued)

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Bank is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

Amendments to IFRS 17

In the current year, the Bank considered IFRS 17 and the related amendments as presented below:

The IASB has issued 'Amendments to IFRS 17' to address concerns and implementation challenges that were identified after IFRS 17 'Insurance Contracts' was published in 2017. The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer expiry date of the amendment.

The main changes resulting from 'Amendments to IFRS 17' and 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023 and change the fixed expiry date for the temporary exemption in IFRS 4 'Insurance Contracts' from applying IFRS 9 'Financial Instruments', so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
- Additional scope of exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination.
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.
- Clarification of the application of Contractual Service Margin ("CSM") attributable to investment-return service and investment related service and changes to the corresponding disclosure requirements.
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held.
- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the value transition approach.
- Several small amendments regarding minor application issues.

There is no impact to the Bank as there are no arrangements or transactions that require the Bank to adopt these amendments.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Bank does not have any contracts that meet the definition of an insurance contract under IFRS 17.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2 Basis of preparation and material accounting policy information (continued)

(w) Future accounting developments

As at 31 December 2023, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for the Bank's financial statements as at 31 December 2023. These are as follows:

- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture Amendments to IAS 1 Classification of Liabilities as Current or Non-current
- Amendments to IAS 1 Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements
- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of The Bank in future periods, except if indicated below.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The Bank does not have any transactions that meet the definition of Sale or Contribution of Assets between an Investor and its Associate or Joint Venture under IFRS 10 and IAS 28.

Non-Current Liabilities with Covenants – Amendments to IAS 1

The amendments modify the requirements introduced by *Classification of Liabilities as Current or Non-current* as follows:

The classification of covenants as current or non-current should be based on only covenants with which reporting entities are required to comply on or before the reporting date.

In addition, an entity is required to disclose information in the notes that enable users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendments are effective for reporting periods beginning on or after 1 January 2024.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2 Basis of preparation and material accounting policy information (continued)

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

Lease Liability in a Sale and Leaseback Transaction – Amendments to IFRS 16

The amendments require subsequent measurement of lease liabilities relating to leaseback arrangements to be calculated in such a way which ensures that gain or loss relating to the right retained is not recognised.

The new requirements, however, do not prevent a seller-lesser from recognising in profit or loss, any gain or loss relating to the partial or full termination of a lease requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The amendments are effective for reporting periods beginning on or after 1 January 2024.

3 Critical accounting judgements and key sources of estimation uncertainty

Use of estimates and judgements

The preparation of financial statements in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. The results form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The Bank's principal accounting policies are set out above. UK company law and UK-adopted IAS, require the Directors to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. The Directors consider that the estimates made in respect of the impairment of loans and advances are appropriate for the preparation of these financial statements.

Critical accounting estimates and judgements are disclosed in:

- Expected Credit Loss ("ECL") under Note 29
- Taxation under Note 9

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

3.1 Impairment of all financial assets – key judgements

All loans and advances are assessed for impairment. In determining whether a specific impairment loss should be recorded in profit or loss, the Bank makes judgements as to whether there is any observable data indicating an impairment trigger. In determining the appropriate level of impairment and estimating future cash flows, management makes judgements about the level of financial difficulty of the debtor, and the probability that the debtor will enter bankruptcy or financial reorganisation. Significant delinquency in payments is also considered. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk department.

Some of the key concepts in IFRS 9 (which have already been noted within the accounting policies section) that have the most significant impact and require a high level of judgement are:

Judgements

The following represent critical judgements adopted:

- Ascertaining what constitutes significant increase in credit risk.
- Making management adjustments for data limitations including non-availability of external credit ratings for some corporate customers.

Estimates

The following approach was adopted to determine estimates:

- Selecting and calibrating the PD, LGD and EAD models that support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions. The Bank determines PD to be the most critical estimate.
- Selecting model inputs including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected loss.

During the year, the Bank refined the methodology used to measure expected credit losses, to better reflect current economic realities and uncertainties.

The financial impact of the downturn in global economies on the Bank's financial instruments was reassessed with changes made to the Probability of Default (PD) rates. New possible loss scenarios were identified, and probability weightings were ascertained and assigned to each scenario. Judgement was also applied, based on our credit experience with the Bank's clients.

The section entitled, 'Measurement uncertainty and sensitivity analysis of ECL estimates' sets out the assumptions used in determining ECL and provides an indication of the sensitivity of different weightings and changes to PD being applied under different scenarios.

The Board has delegated the review and approval of judgments and assumptions applied to the Management Credit Committee ("MCC") and Executive Committee ("EXCO"). Discussions are held regarding assumptions at MCC.

Please refer to Note 29 for further details on consideration on sources of estimation and sensitivity analysis.

4a Interest Income

	2023 US$	2022 US$
Derived from:		
Cash and cash equivalents	24,821,731	8,754,883
Securities measured at fair value through profit or loss	559,246	806,370
Securities measured at fair value through other comprehensive income	64,154,084	27,098,683
Securities measured at amortised cost	13,724,139	12,661,690
Loans and advances to banks	12,085,345	8,128,951
Loans and advances to customers	32,671,339	21,537,463
Total	148,015,884	78,988,040

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

4a Interest Income (continued)

Interest income recognised during the year from financial assets measured at amortised cost and fair value through other comprehensive income (FVOCI) totalled US$ 147,456,638 (2022: US$ 78,181,670) and is calculated using effective interest rate method.

4b Interest expense

	2023 US$	2022 (Restated) US$
Incurred on:		
Deposits from banks	21,954,330	7,271,867
Deposits from customers	29,814,543	7,686,576
	51,768,873	14,958,443
Interest expense on Right-of-use lease obligations	18,326	37,387
Total	51,787,199	14,995,830

During 2023, the Bank discovered that Interest expense on 'Deposits from banks' was overstated while 'Deposits from customers' was understated. The errors have been corrected by restating each of the affected financial statement line items for prior period. The amounts included in the primary statements have not been restated and will remain the same as prior year. There is no impact on the Bank's total operating, investing, or financing cash flows for the years ended 31 December 2023 and 2022. The following table summarises the impact on the Bank's financial statements:

	Impact of correction of error		
Interest expense US$	As previously reported	Adjustment	As restated
Deposits from banks	11,170,544	(3,898,677)	7,271,867
Deposits from customers	3,787,899	3,898,677	7,686,576
Other	37,387	–	37,387
Profit	–	–	–
Total comprehensive income	–	–	–

5 Fee and commission income

	2023 US$	2022 (Restated) US$
Derived from:		
Loans	1,880,630	1,701,228
Trade Finance	7,604,275	7,652,365
Other	919,013	1,190,316
Total	10,403,918	10,543,909

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

5 Fee and commission income (continued)

During 2023, the Bank discovered that Fee and commission income earned on Trade Finance was overstated while 'Other fees' was understated. The errors have been corrected by restating each of the affected financial statement line items for prior period. The amounts included in the primary statements have not been restated and will remain the same as prior year. There is no impact on the Bank's total operating, investing, or financing cash flows for the years ended 31 December 2023 and 2022. The following table summarises the impact on the Bank's financial statements:

	Impact of correction of error		
Fee and commission income US$	**As previously reported**	**Adjustment**	**As restated**
Loans	1,701,228	–	1,701,228
Trade Finance	8,564,962	(912,597)	7,652,365
Other	277,719	912,597	1,190,316
Profit	–	–	–
Total comprehensive income	–	–	–

6 Trading and other income

	2023 US$	2022 US$
Derived from:		
Fixed income trading	1,392,350	(671,907)
Forex trading	1,098,016	5,883,562
Total	2,490,366	5,211,655

7 Personnel expenses

	2023 US$	2022 US$
Employment costs are as follows:		
Wages and salaries - staff	16,848,745	13,135,632
Wages, salaries and other - Directors	588,510	343,521
Non-executive Directors' fees and emoluments	524,050	354,673
Pension contributions under defined contribution scheme	1,585,286	1,150,458
Compulsory social security obligations	1,958,122	1,368,481
Other staff costs	906,763	734,028
Total	22,411,476	17,086,793
Number of employees at year end including Directors	137	134
Average number of employees during the year including Directors	137	124

At year end the Bank had 30 (2022: 21) employees involved in customer facing roles and 107 (2022: 113) in administration.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

7 Personnel expenses (continued)

Included within employment costs are:	2023 US$	2022 US$
Directors' remuneration and fees		
Directors' fees, emoluments, salaries and other	1,112,560	698,194
Pension contributions	41,429	29,049
Social security obligations	180,816	107,430
Total	1,334,805	834,673

The highest paid Director who served during 2023 received total emoluments of US$ 588,510 (2022: US$ 343,521), their pension contributions were US$ 41,429 (2022: US$ 29,049) and social security obligations were US$ 96,999 (2022: US$ 61,635).

8 Other expenses

	2023 US$	2022 US$
Premises cost	1,263,342	1,179,488
Brokerage	1,174,907	1,148,870
Hardware procurement, maintenance and server hosting	2,343,826	2,432,130
Information service cost	1,091,647	918,086
Total fees paid to the auditors	1,096,948	613,503
Professional fees	651,801	1,136,316
Others	977,985	530,654
Total	8,600,456	7,959,047

Hardware procurement, maintenance and server hosting in the table above includes purchase of computer peripherals and hardware which are individually below the Bank's capitalisation threshold and are therefore expensed outrightly. It also includes expenses such as leasing of printers.

Auditors' remuneration;		
Audit of UK statutory financial statements	726,608	532,942
Non-audit services:		
Group Reporting	281,108	30,985
Internal Control over Financial Reporting (for Zenith Group Reporting)	63,738	–
Client Money and Custody Assets ("CASS") Audit	50,990	49,576
Total	1,122,444	613,503

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

9 Income tax expense

The tax charge in the Statement of comprehensive income for 2023 is US$ 18.0m (2022: US$ 10.1m). These can be reconciled to the profit per the Statement of comprehensive income as follows:

	2023 US$	2022 US$
Profit before taxation	72,793,651	45,263,491
Corporate tax - current year	17,745,025	9,439,732
Corporate tax - prior year adjustment	–	383,266
Corporate tax - total	17,745,025	9,822,998
Deferred tax - current year	211,215	182,252
Deferred tax - rate change	–	57,554
Deferred tax - total	211,215	239,806
Total tax charge	17,956,240	10,062,804
Effective tax rate	24.67%	22.23%
Profit multiplied by the UK corporation effective tax rate of 23.50% (2022: 19.00%)	17,106,508	8,600,063
Effects of:		
– Banking surcharge	808,673	1,038,461
– Expenses not deductible for tax	24,215	12,981
– Tax incentives	(27,398)	(29,521)
– Tax calculation differences due to changes in tax rates during the year	44,242	–
– Remeasurement of deferred tax for changes in tax rates	–	57,554
– Adjustments to tax charge in respect of previous periods	–	383,266
Actual total tax charge	17,956,240	10,062,804

The Directors do not recommend the payment of a dividend. There is no tax implication for payment or non-payment of dividend.

The corporation tax rate increased from 19% to 25% with effect from 1 April 2023 in line with the Government's announcement in 2022.

A weighted average tax rate of 23.50% has been used for 2023 because in tax rates after first three months of the financial year.

Factors that may affect future tax charges:

The Directors have reviewed the level of the deferred tax asset of US$ 2,958,195 (2022: US$ 7,028,290) carried forward and believe that this is fairly stated. The recovery of the recognised deferred tax asset depends on the expected generation of future taxable profits. The deferred tax balance as at 31 December 2023 has been recognised at the 25% rate (2022: 25%).

The banking surcharge allowance increased from GBP 25 million to GBP 100 million and the banking surcharge rate reduced from 8% to 3% effective April 2023.

Base Erosion and Profit Sharing Pillar Two Framework

During the year, the UK Government enacted legislation aligned with the Organisation for Economic Co-operation and Development (OECD) Inclusive Framework on Base Erosion and Profit Shifting Pillar Two Framework, introducing a global minimum tax rate of 15%. The Global Anti-Base Erosion Rules, commonly referred to as "Pillar Two" or "GloBE," were established to address tax risk on an international scale. These regulations take effect on or after 31 December 2023.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

9 Income tax expense (continued)

Under the OECD and G20 Inclusive Framework, plans were unveiled to enforce a global minimum tax rate of 15%. On 11 July 2023, the UK Government enacted legislation to implement the global minimum tax rules, alongside a UK domestic minimum tax. Additionally, the Bank may be subject to Qualifying Domestic Minimum Top-up Taxes (QDMTTs) under the Pillar Two rules.

The Bank has adopted the International Tax Reform – Pillar Two Model Rules amendments to IAS 12 and has also applied the exception regarding the recognition and disclosure of information regarding deferred tax assets and liabilities that are related to Pillar Two income taxes.

The Bank has undertaken a preliminary assessment of the anticipated impact of the new regime. Based on the structure that is in place at the reporting date, the Bank does not foresee additional tax charges resulting from Pillar Two implementation from January 1, 2024.

Based on the structure that is in place at the reporting date, the Bank does not anticipate that any significant tax liability will arise due to the application of the rules and will continue to monitor changes in these rules.

10 Cash and cash equivalents

	2023 US$	2022 US$
Petty cash	33,832	34,237
Cash with other banks	57,594,463	183,376,224
Money market placements	218,441,272	446,250,262
Total	276,069,567	629,660,723

The above table reflects money market placements, with maturities of less than 90 days from the origination date.

The Bank has thirteen pledges of US$ 104,338,580 as at reporting date which relate to collateral deposits held with other banks in respect of foreign currency transactions (such as derivatives) and clearing activities undertaken on behalf of the Bank (2022: fifteen pledges of US$84,737,759).

Of the amount held as Cash and cash equivalents, US$ 92,653,992 represents deposit received against Letters of Credit ("LCs") issued by various financial institutions (2022: US$ 78,020,597).

11 Securities measured at fair value

11a Securities measured at fair value through profit or loss

	2023 US$	2022 US$
Securities (Sovereigns, Multilateral Development Banks)	5,106,226	2,568,446
Total	5,106,226	2,568,446

11b Securities measured at fair value through other comprehensive income

	2023 US$	2022 US$
HQLAs (US, UK, and France Government Treasury Bills)	1,047,452,639	1,128,290,580
Other HQLAs (Bonds issued by Multilateral Development Banks)	390,886,267	498,415,466
Other securities (Bonds issued by Banks, Corporates and Sovereigns)	224,174,560	181,684,506
Total	1,662,513,466	1,808,390,552

Included in 'Other HQLAs (Bonds issued by Multilateral Development Banks)' above are 15 (2022: 37) floating interest rate bonds with a nominal value of US$ 321,048,000 in the current year (2022: US$ 505,833,000).

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

12 Securities measured at amortised cost

	2023 US$	2022 US$
Fixed interest rate bonds	211,606,407	207,426,086
Less: IFRS 9 Impairment loss allowance	(13,766,922)	(13,276,695)
Total	197,839,485	194,149,391

13 Loans and advances to banks

	2023 US$	2022 US$
Loans and advances to banks	31,862,087	27,914,945
Trade bills discounted and refinanced	122,938,135	143,424,969
Less: IFRS 9 Impairment loss allowance	(923,419)	(849,398)
Total	153,876,803	170,490,516

14 Loans and advances to customers

	2023 US$	2022 US$
Loans and advances to individuals	5,825,276	5,008,595
Loans and advances to corporates and other borrowers	353,822,350	315,271,312
Less: IFRS 9 Impairment loss allowance	(6,190,103)	(5,077,130)
Total	353,457,523	315,202,777

15 Impairment allowance

	2023 US$	2022 US$
Movements in Impairment:		
Opening balance	(21,602,813)	(16,333,580)
(Charge)/reversal for the year – IFRS 9 Expected Credit Loss (P&L impact)	(964,924)	(5,501,555)
(Charge)/reversal for the year – IFRS 9 Expected Credit Loss (OCI impact)	193,850	232,322
Total (charge)/reversal for the year – IFRS 9 Expected Credit Loss	(771,074)	(5,269,233)
Closing balance	(22,373,887)	(21,602,813)

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

15 Impairment allowance (continued)

Breakdown of IFRS 9 Impairment loss allowance is presented as follows:

	2023 US$	2022 US$
Securities measured at fair value through other comprehensive income	(1,493,443)	(1,687,293)
Securities measured at amortised cost (Note 12)	(13,766,922)	(13,276,695)
Loans and advances to banks (Note 13)	(923,419)	(849,398)
Loans and advances to customers (Note 14)	(6,190,103)	(5,077,130)
Impairment on off- balance sheet assets - Undrawn commitments	–	(712,297)
Closing balance	(22,373,887)	(21,602,813)

The impairment charge on "Securities measured at fair value through other comprehensive income" is recognised in the FVOCI Reserve.

'Impairment on off- balance sheet assets' represents ECL allowance on undrawn committed Corporate facilities, which are expected to be drawn within the next twelve months.

16a Right-of-use assets

	2023 US$	2022 US$
Cost		
Balance at beginning of the year	4,959,350	5,124,504
Additions	–	–
Disposals	–	(165,154)
Balance at end of the year	4,959,350	4,959,350
Accumulated amortisation		
Balance at beginning of the year	2,930,262	2,247,053
Charge on right-of-use assets	811,635	848,363
Disposals	–	(165,154)
Balance at end of the year	3,741,897	2,930,262
Net book value		
Balance at end of the year	1,217,453	2,029,088
Balance at beginning of the year	2,029,088	2,877,451

Right-of-use assets represent building leases on the Bank's offices. The current lease arrangement expires in 2025 and has been renewed subsequent to the reporting date for an additional period of ten years.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

16b Property and equipment

	Leasehold improvements US$	Computer equipment US$	Furniture, fixtures and fittings US$	Total US$
Cost				
Balance as at 1 January 2023	1,820,507	158,897	203,800	7,142,554
Additions	–	60,188	–	60,188
Balance as at 31 December 2023	**1,820,507**	**219,085**	**203,800**	**7,202,742**
Accumulated depreciation				
Balance as at 1 January 2023	1,322,614	113,658	190,337	4,556,871
Charge on right-of-use assets	–	–	–	811,635
Charge for the year	214,268	41,418	7,447	263,133
Balance as at 31 December 2023	**1,536,882**	**155,076**	**197,784**	**5,631,639**
Net book value				
Balance as at 31 December 2023	**283,625**	**64,009**	**6,016**	**1,571,103**

	Leasehold improvements US$	Computer equipment US$	Furniture, fixtures and fittings US$	Total US$
Cost				
Balance as at 1 January 2022	1,820,507	1,158,287	674,657	8,777,955
Additions	–	26,331	–	26,331
Retirements	–	(1,025,721)	(470,857)	(1,661,732)
Balance as at 31 December 2022	**1,820,507**	**158,897**	**203,800**	**7,142,554**
Accumulated depreciation				
Balance as at 1 January 2022	1,101,075	1,092,423	647,033	5,087,584
Charge on right-of-use assets	–	–	–	848,363
Charge for the year	221,539	46,956	14,161	282,656
Retirements	–	(1,025,721)	(470,857)	(1,661,732)
Balance as at 31 December 2022	**1,322,614**	**113,658**	**190,337**	**4,556,871**
Net book value				
Balance as at 31 December 2022	**497,893**	**45,239**	**13,463**	**2,585,683**

Property and equipment have economic useful lives of over one year from the reporting date.

Retirements pertain to legacy assets which have been fully depreciated and are no longer in use.

As at 31 December 2023, the Bank has approved a budget allocation of US$ 3,545,363 for Information Technology (IT) related capital costs (2022: Nil). This includes software purchases, hardware acquisitions, infrastructure upgrades, consultancy services, and any other IT-related initiatives.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

17 Intangible assets

	2023 US$	2022 US$
Cost		
Balance at beginning of the year	3,575,948	9,779,861
Additions	328,438	491,577
Retirements	–	(6,695,490)
Balance at end of the year	3,904,386	3,575,948
Accumulated amortisation		
Balance at beginning of the year	2,582,278	8,733,984
Charge for the year	550,153	543,784
Retirements	–	(6,695,490)
Balance at end of the year	3,132,431	2,582,278
Net book value		
Balance at end of the year	771,955	993,670
Balance at beginning of the year	993,670	1,045,877

Intangible assets represent software licences purchased and internally developed software and have economic useful lives of over one year from the reporting date.

The analysis of Intangible assets for current year is as follows:

2023 US$ Maturity	Count	Cost	Accumulated amortisation	NBV
2024	22	1,328,017	1,204,215	123,802
2025	7	529,289	219,522	309,767
2026	21	290,726	51,655	239,071
2028	1	70,000	36,511	33,489
2029	1	120,000	54,174	65,826
Total	**52**	**2,338,033**	**1,566,077**	**771,955**

2022 US$ Maturity	Count	Cost	Accumulated amortisation	NBV
2023	29	815,501	581,793	233,708
2024	17	992,423	687,207	305,216
2025	5	379,539	43,092	336,447
2028	1	70,000	29,517	40,483
2029	1	120,000	42,184	77,816
Total	**53**	**2,377,463**	**1,383,794**	**993,670**

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

18 Deferred tax assets

2023	**Brought forward US$**	**Credit for the year - P&L US$**	**Credit for the year - OCI US$**	**Write-off US$**	**Carried forward US$**
Assets					
Accelerated capital allowances	(160,027)	31,623	–	–	(128,404)
Provisions	22,911	18,722	–	–	41,633
IFRS 9 transitional adjustments	1,307,798	(261,560)	–	–	1,046,238
FVOCI reserve	5,857,608	–	(3,857,602)	–	2,000,006
Other adjustments	–	–	–	(1,278)	(1,278)
Total	7,028,290	(211,215)	(3,857,602)	(1,278)	2,958,195

2022	Brought forward US$	(Charge)/ credit for the year - P&L US$	Charge for the year - OCI US$	Carried forward US$
Assets				
Accelerated capital allowances	(187,213)	27,186	–	(160,027)
Provisions	28,343	(5,432)	–	22,911
IFRS 9 transitional adjustments	1,569,358	(261,560)	–	1,307,798
FVOCI reserve	(275,176)	–	6,132,784	5,857,608
Total	1,135,312	(239,806)	6,132,784	7,028,290

Deferred tax assets are recognised for accelerated depreciation and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets relate to temporary differences which are expected to reverse after one year from the reporting date.

19 Corporation tax (asset)/liability

	2023 US$	2022 US$
Opening balance	**1,223,535**	1,038,468
Current year tax	**17,745,025**	9,439,732
Tax payments	**(19,414,513)**	(9,210,907)
Translation difference	**(123,381)**	(43,758)
Closing balance	**(569,334)**	1,223,535

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

20 Other assets

	2023 US$	2022 US$
Prepayments	1,401,103	1,293,770
Other receivables	1,539,539	381,437
Total	2,940,642	1,675,207

Under 'Prepayments', other than prepaid expenses amounting to US$ 96,165 (2022: US$ 84,603), all other items expire within one year from the reporting date.

'Other receivables' mainly comprises accrued charges and VAT related receivables.

21 Deposits from banks

	2023 US$	2022 US$
Term deposits	287,013,764	239,714,409
Demand deposits	996,706,326	1,731,813,099
Total	1,283,720,090	1,971,527,508

Term deposits include available-on-call cash collateral placed with the Bank by the Parent company of US$ 90,666,492 (2022: US$ 75,119,113) against which Trade Finance business is written. Demand deposits include interest-free funds from the Central Bank of Nigeria.

22 Deposits from customers

	2023 US$	2022 US$
Term deposits	857,683,508	541,148,896
Demand deposits	120,607,965	225,469,083
Saving deposits	7,290,148	11,877,387
Total	985,581,621	778,495,366

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

23 Repurchase agreements and other similar secured borrowing

Transfer of financial assets

The Bank enters into transactions in the normal course of business by which it transfers recognised financial assets directly to third parties. Such financial assets are debt securities (Securities measured at amortised cost and Securities measured at fair value through other comprehensive income) held by counterparties under repurchase agreements and do not qualify for derecognition. The following table analyses the carrying amount of such financial assets as at 31 December that did not qualify for derecognition and their associated financial liabilities:

	2023 US$	2022 US$
Repayable in not more than three months	**9,353,528**	1,422,127
Repayable in more than three months but less than one year	**27,910,327**	39,281,487
Repayable in more than one year but less than five years	**8,728,160**	35,681,466
Total	**45,992,015**	76,385,080

	2023 Carrying amount of transferred assets US$	**2023 Carrying amount of associated liabilities US$**	2022 Carrying amount of transferred assets US$	2022 Carrying amount of associated liabilities US$
Nature of transaction				
Repurchase agreements	**56,291,280**	**45,992,015**	112,924,295	76,385,080
Total	**56,291,280**	**45,992,015**	112,924,295	76,385,080

The financial assets pledged as collateral for repurchase agreements are subject to standard terms and conditions such as the ability of the counterparty to take ownership of the collateral if the bank defaults on its payment under the repurchase agreement.

24 Derivative financial instruments

	2023 US$	2022 US$
Forward foreign exchange contracts:		
22a Receivable	**2,410,504**	2,217,579
22b (Payable)	**(529,436)**	(455,372)

Derivative financial instruments consist of short-term foreign exchange contracts. These are held for day-to-day cash management rather than for trading purposes and are held at fair value. All derivative contracts open at the year-end have intended settlement dates within twelve months. All derivative financial instruments are considered to be level two for IFRS 7 purposes and are priced with reference to observable market data. The fair values of foreign exchange contracts are reflected in the table above.

25 Lease obligations

Movements in Lease obligations:

	2023 US$	2022 US$
Opening balance	**1,852,896**	2,957,523
Payments made during the year	**(926,335)**	(824,165)
Interest expense on Right-of-use lease obligations	**18,326**	37,387
FX Translation difference	**110,592**	(317,849)
Closing balance	**1,055,479**	1,852,896

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

26 Other Liabilities

	2023 US$	2022 US$
Accruals	6,310,021	4,283,310
Other payables	874,760	12,622,456
Total	7,184,781	16,905,766

'Accruals' relate to bonuses US$ 4,431,350 (2022: US$ 2,798,170), legal fees US$ 54,370 (2022: US$ 67,397), audit fees US$ 860,562 (2022: US$ 613,503), bank charges US$ 127,756 (2022: US$ 43,124), professional fees US$ Nil (2022: US$ 251,025), personnel costs related deductions of US$ 670,458 (2022: US$ 427,668) and others of US$ 165,525 (2022: US$ 82,423). These are current items which will be paid during the next financial year.

'Other payables' reflects current items and mainly comprises payments received from ordering banks in favour of third-party beneficiaries, unearned income, current obligations regarding pension and tax deducted from personnel salaries. All items under 'Other payables' are current and will be paid during the next financial year.

During the year, pension costs of US$ 1,585,286 were charged to the income statement (2022: US$ 1,150,458). Pension obligations outstanding on 31 December 2023 were US$ 166,531 (2022: US$ 91,645).

27 Commitments and contingencies

Trade finance contingencies

	2023 US$	2022 US$
Letters of credit and acceptances (including cash-backed)	129,589,759	139,882,134
Guarantees	12,673,989	11,587,246
Undrawn committed facilities	–	42,999,185
Total	142,263,748	194,468,565
Cash collateral and other high-quality mitigations	401,101,025	369,823,014

Cash collateral and other high-quality mitigations include cash, property/real estate, guarantees, back-to-back letters of credit and other forms of collateral.

ECL Impairment allowance on Undrawn committed facilities is disclosed above in Note 15. The Bank has no Undrawn committed facilities at the end of 2023 (2022: US$ 43.0m).

The maturity profile is presented in the table below:

2023	Less than 3 months US$	Between 3 & 12 months US$	1 to 5 Years US$	Greater than 5 years US$	Total US$
Trade finance contingencies					
Letters of credit and acceptances (including cash-backed)	27,330,575	81,566,359	20,547,825	145,000	129,589,759
Guarantees	2,466,000	10,207,989	–	–	12,673,989
Undrawn committed facilities	–	–	–	–	–
Total	29,796,575	91,774,348	20,547,825	145,000	142,263,748

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

27 Commitments and contingencies (continued)

2022	Less than 3 months US$	Between 3 & 12 months US$	1 to 5 Years US$	Greater than 5 years US$	Total US$
Trade finance contingencies					
Letters of credit and acceptances (including cash-backed)	40,349,705	83,009,724	16,522,705	–	139,882,134
Guarantees	–	7,905,146	3,682,100	–	11,587,246
Undrawn committed facilities	–	–	42,999,185	–	42,999,185
Total	40,349,705	90,914,870	63,203,990	–	194,468,565

28 Financial instruments

Accounting classifications and fair values

Management expects the fair values of 'Loans and advances to banks' to approximate the book values given these are mostly short-term placements and/or attract floating rates. Valuation of 'Loans and Advances to customers' considers the impact of movement in credit spreads and other client specific risk factors.

The fair value of each class of financial assets and financial liabilities are shown in the statement of financial position as follows:

2023	Designated as at FVTPL US$	FVOCI - debt instruments US$	Amortised cost US$	Total carrying amount US$	Total fair value US$
Cash and cash equivalents	–	–	276,069,567	276,069,567	276,069,567
Securities measured at fair value through profit or loss	5,106,226	–	–	5,106,226	5,106,226
Securities measured at fair value through other comprehensive income	–	1,662,513,466	–	1,662,513,466	1,662,513,466
Securities measured at amortised cost	–	–	197,839,485	197,839,485	195,836,812
Loans and advances to banks	–	–	153,876,803	153,876,803	147,870,736
Loans and advances to customers	–	–	353,457,523	353,457,523	343,374,965
Derivative financial assets	2,410,504	–	–	2,410,504	2,410,504
Total financial assets	7,516,730	1,662,513,466	981,243,378	2,651,273,574	2,633,182,276
Deposits from banks	–	–	1,283,720,090	1,283,720,090	1,274,697,031
Deposits from customers	–	–	985,581,621	985,581,621	943,200,878
Repurchase agreements and other similar secured borrowing	–	–	45,992,015	45,992,015	44,043,043
Derivative financial liabilities	529,436	–	–	529,436	529,436
Total financial liabilities	529,436	–	2,315,293,726	2,315,823,162	2,262,470,388

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

28 Financial instruments (continued)

2022	Designated as at FVTPL US$	FVOCI - debt instruments US$	Amortised cost US$	Total carrying amount US$	Total fair value US$
Cash and cash equivalents	–	–	629,660,723	629,660,723	629,660,723
Securities measured at fair value through profit or loss	2,568,446	–	–	2,568,446	2,568,446
Securities measured at fair value through other comprehensive income	–	1,808,390,552	–	1,808,390,552	1,808,390,552
Securities measured at amortised cost	–	–	194,149,391	194,149,391	180,947,571
Loans and advances to banks	–	–	170,490,516	170,490,516	164,677,739
Loans and advances to customers	–	–	315,202,777	315,202,777	301,081,864
Derivative financial assets	2,217,579	–	–	2,217,579	2,217,579
Total financial assets	**4,786,025**	**1,808,390,552**	**1,309,503,407**	**3,122,679,984**	**3,089,544,474**
Deposits from banks	–	–	1,971,527,508	1,971,527,508	1,964,588,198
Deposits from customers	–	–	778,495,366	778,495,366	718,583,068
Repurchase agreements and other similar secured borrowing	–	–	76,385,080	76,385,080	72,560,479
Derivative financial liabilities	455,372	–	–	455,372	455,372
Total financial liabilities	**455,372**	**–**	**2,826,407,954**	**2,826,863,326**	**2,756,187,117**

Fair value hierarchy

The Bank regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then it assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

The Bank measures fair value using the following fair value hierarchy:

- Level 1 inputs are quoted prices (i.e., unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 inputs are unobservable inputs for the asset or liability (i.e., not based on observable market data).

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

28 Financial instruments (continued)

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable input	Inter-relationship between significant unobservable inputs and fair value measurements
Financial instruments measured at fair value			
Forward exchange contracts and Non-Deliverable Forward Contracts	Forward pricing: The fair value is determined using quoted forward exchange rates at the reporting date.	Not applicable.	Not applicable.
Financial instruments not measured at fair value			
Other financial assets*	Discounted cash flows: The valuation model considers the present value of expected payment, discounted using a risk-free discount rate for significant balances and currencies as follows: ● Secured Overnight Funding Rate (SOFR) for US Dollar balances. ● Sterling Overnight Index Average (SONIA) for GB Sterling balances ● Euro Overnight Index Average (EONIA) for Euro balances	Not applicable.	The estimated fair value will increase (decrease) if the risk-free discount rate decreases (increases).
Other financial liabilities**	Same as above.	Same as above.	Same as above.

Reconciliation of Level 3 Fair values

	2023 Assets US$	2023 Liabilities US$	2022 Assets US$	2022 Liabilities US$
Balance as at 1 January	465,759,603	2,755,731,745	509,280,879	2,582,772,207
Net change in fair value	25,486,098	(493,790,793)	(43,521,276)	172,959,538
Balance as at 31 December	491,245,701	2,261,940,952	465,759,603	2,755,731,745

* Other financial assets include Loans and advances to banks and Loans and advances to customers which are measured at amortised cost.

** Other financial liabilities include Deposits from banks, Deposits from customers and Repurchase agreements and other similar secured borrowing which are measured at amortised cost.

There was no transfer of financial instruments out of Level 3 during the current and previous year. The change in fair value is not recognised

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

28 Financial instruments (continued)

in Statement of Other Comprehensive Income as it relates to financial assets and liabilities which are measured at amortised cost.

The following tables outline the fair value hierarchy of financial instruments at carrying amount:

2023	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Assets				
Cash and cash equivalents	276,069,567	–	–	276,069,567
Securities measured at fair value through profit or loss	5,106,226	–	–	5,106,226
Securities measured at fair value through other comprehensive income	1,662,513,466	–	–	1,662,513,466
Securities measured at amortised cost	197,839,485	–	–	197,839,485
Derivative financial assets	–	2,410,504	–	2,410,504
Loans and advances to banks	–	–	153,876,803	153,876,803
Loans and advances to customers	–	–	353,457,523	353,457,523
	2,141,528,744	2,410,504	507,334,326	2,651,273,574

2022	Level 1 US$	Level 2 US$	Level 3 US$	Total US$
Assets				
Cash and cash equivalents	629,660,723	–	–	629,660,723
Securities measured at fair value through profit or loss	2,568,446	–	–	2,568,446
Securities measured at fair value through other comprehensive income	1,808,390,552	–	–	1,808,390,552
Securities measured at amortised cost	194,149,391	–	–	194,149,391
Derivative financial assets	–	2,217,579	–	2,217,579
Loans and advances to banks	–	–	170,490,516	170,490,516
Loans and advances to customers	–	–	315,202,777	315,202,777
	2,634,769,112	2,217,579	485,693,293	3,122,679,984

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

28 Financial instruments (continued)

The following table summarises carrying amounts and fair value hierarchy of financial instruments:

	Carrying amount					Fair value			
2023	**Fair value through profit or loss US$**	**Held at amortised cost US$**	**Fair value through other comprehensive income US$**	**Other financial assets / liabilities at amortised cost US$**	**Total Carrying amount US$**	**Level 1 US$**	**Level 2 US$**	**Level 3 US$**	**Total Fair value US$**
Cash and cash equivalents	–	276,069,567	–	–	276,069,567	276,069,567	–	–	276,069,567
Securities measured at fair value through profit or loss	5,106,226	–	–	–	5,106,226	5,106,226	–	–	5,106,226
Securities measured at fair value through other comprehensive income	–	–	1,662,513,466	–	1,662,513,466	1,662,513,466	–	–	1,662,513,466
Securities measured at amortised cost	–	197,839,485	–	–	197,839,485	195,836,812	–	–	195,836,812
Loans and advances to banks	–	153,876,803	–	–	153,876,803	–	–	147,870,736	147,870,736
Loans and advances to customers	–	353,457,523	–	–	353,457,523	–	–	343,374,965	343,374,965
Derivative financial assets	2,410,504	–	–	–	2,410,504	–	2,410,504	–	2,410,504
Total financial assets	7,516,730	981,243,378	1,662,513,466	–	2,651,273,574	2,139,526,071	2,410,504	491,245,701	2,633,182,276
Deposits from banks	–	–	–	1,283,720,090	1,283,720,090	–	–	1,274,697,031	1,274,697,031
Deposits from customers	–	–	–	985,581,621	985,581,621	–	–	943,200,878	943,200,878
Repurchase agreements and other similar secured borrowing	–	–	–	45,992,015	45,992,015	–	–	44,043,043	44,043,043
Derivative financial liabilities	529,436	–	–	–	529,436	–	529,436	–	529,436
Total financial liabilities	529,436	–	–	2,315,293,726	2,315,823,162	–	529,436	2,261,940,952	2,262,470,388

	Carrying amount					Fair value			
2022	Fair value through profit or loss US$	Held at amortised cost US$	Fair value through other comprehensive income US$	Other financial assets / liabilities at amortised cost US$	Total Carrying amount US$	Level 1 US$	Level 2 US$	Level 3 US$	Total Fair value US$
Cash and cash equivalents	–	629,660,723	–	–	629,660,723	629,660,723	–	–	629,660,723
Securities measured at fair value through profit or loss	2,568,446	–	–	–	2,568,446	2,568,446	–	–	2,568,446
Securities measured at fair value through other comprehensive income	–	–	1,808,390,552	–	1,808,390,552	1,808,390,552	–	–	1,808,390,552
Securities measured at amortised cost	–	194,149,391	–	–	194,149,391	180,947,571	–	–	180,947,571
Loans and advances to banks	–	170,490,516	–	–	170,490,516	–	–	164,677,739	164,677,739
Loans and advances to customers	–	315,202,777	–	–	315,202,777	–	–	301,081,864	301,081,864
Derivative financial assets	2,217,579	–	–	–	2,217,579	–	2,217,579	–	2,217,579
Total financial assets	4,786,025	1,309,503,407	1,808,390,552	–	3,122,679,984	2,621,567,292	2,217,579	465,759,603	3,089,544,474
Deposits from banks	–	–	–	1,971,527,508	1,971,527,508	–	–	1,964,588,198	1,964,588,198
Deposits from customers	–	–	–	778,495,366	778,495,366	–	–	718,583,068	718,583,068
Repurchase agreements and other similar secured borrowing	–	–	–	76,385,080	76,385,080	–	–	72,560,479	72,560,479
Derivative financial liabilities	455,372	–	–	–	455,372	–	455,372	–	455,372
Total financial liabilities	455,372	–	–	2,826,407,954	2,826,863,326	–	455,372	2,755,731,745	2,756,187,117

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management

The Bank is exposed to the following risks from financial statements:

- credit risk;
- liquidity risk;
- market risk;
- foreign exchange risk;
- interest rate risk;

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies, and processes for measuring and managing risk, and the Bank's management of capital.

Risk Management Framework

The Bank is firmly committed to the management of risks, recognising that sound internal risk management is essential to its prudent operation, particularly with the growing complexity, diversity, and volatility of markets, facilitated by advances in technology and communications. Risk management activities are given due recognition in the Bank's business decision making process.

Responsibility for risk management policies and limits in the level of risks assumed lies with the Board of Directors. The Board charges management with developing, presenting, updating, and implementing these policies, controls, and limits. The structure is designed to provide assurance that no single event or combination of events will materially affect the Bank.

The Bank's Board of Directors and Senior Management monitor compliance with risk management, assist in assessing market trends, economic and political developments, and in providing global strategic direction for all aspects of risk management. The Asset and Liability Committee and the Market Risk Committee provide a forum for in-depth review and analysis of the market and liquidity risks to which the Bank is subjected.

The following fundamental principles of sound risk management apply to all financial instruments including derivatives:

- appropriate review by the Board of Directors and Senior Management;
- adequate risk management processes;
- sound measurement and information systems; and
- segregation of duties, comprehensive internal controls, and internal audit procedures.

Credit Risk Management

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's receivables from customers and investment securities.

The Bank mainly lends to major West African corporates and financial institutions which, are long established customers of the Zenith Group, and UK and European trading companies against an underlying trade transaction evidenced by an incoming Nigerian or other West African Bank Letter of Credit (LC).

International interbank lending is predominantly made to investment grade-rated organisations and in line with the Credit Scoring Policy & Procedures manual. All limits are set against the Bank's capital resources as set out in its Credit Risk Policy. Retail lending is made to only established customers of the Group in accordance with strict credit and security parameters.

The Bank's Credit Risk Policy covers the credit, limits structures, delegated authorities, and credit risk grading issues for the Bank, taking account of the Bank's appetite for risk. The Bank's objective is to have a high quality, diversified loan portfolio which will generate profits commensurate with the risks and the Bank's target return on investments and enable the Bank to identify potential problem loans.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

Forbearance practices

Forbearance occurs when a lender decides to modify the terms and conditions of a loan or debt security because of financial difficulty. Examples may include reducing interest rates, delaying payment of principal, and amending or not enforcing covenants or any combinations or any combination. When considering facilities that demonstrate areas of heightened concern leading to potential forbearance, management looks to the full breadth of the relationship with the Bank and the wider Group where support, both tangible and intangible, may lie. Similarly, valuable revenue producing opportunities also present in this context and a balanced judgement is therefore necessary in such areas.

The high interest and inflation rates that prevailed in 2023 impacted several businesses, and particularly the property market. The Bank has a small portfolio of investment mortgages of good asset quality, and which was not significantly impacted by these economic shocks.

Some of the economic impacts being felt across markets in which the Bank has exposure are appearing on a substantially lagged timeframe. Management therefore cannot rule out the need for limited isolated cases of forbearance in the future.

Lending subject to forbearance as at the year-end 2023 was US$ Nil (2022: US$ Nil).

Sensitivity and impact analysis of ECL assessment

The Bank's balance sheet comprises exposures in the form of Trade Finance loans, Money Market placements, Securities and Commercial Lending. The Bank employs a well-governed process for measuring the Expected Credit Loss ("ECL") on its exposures.

Credit Loss Modelling Scenarios

The probability of distribution is assigned to the portfolio based on the geography of the counterparty. In certain instances, the geography of the parent company or the borrowing client is adopted based on significant dependency of a subsidiary operation.

The portfolio is split into three geographical regions namely Nigeria, Rest of Africa and Rest of World with the following probabilities assigned to each:

Probability of Distribution by geographical region	**Scenario A (Business-As-Usual)**	**Scenario B (Downturn)**	**Scenario C (Optimistic)**
Nigeria	55%	20%	25%
Rest of Africa	45%	40%	15%
Rest of World	70%	20%	10%

Credit risk ratings

The Bank adopts internal credit risk grades which have been mapped to those of an external credit rating agency. Unrated counterparties are assigned ratings based upon an Internal Credit Risk ("ICR") grade.

ICR grades are assigned to each counterparty. These ratings are compared to the rating for the same counterparty at inception to determine the extent of migration (i.e., increase or decrease in rating). To determine whether there has been a significant increase in credit risk ("SICR"), the credit ratings must have dropped within one credit quality steps ("CQS"). For example, a change in credit rating from AA+ to AA- does not constitute SICR as both ratings are classified as 'High Grade'. However, a change in credit rating from A ('Upper Medium Grade') to BBB+ ('Lower Medium Grade') would be considered a SICR.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

The movement in buckets is reflected below:

Ratings	CQS	SICR Trigger
AAA	1	Prime
AA+	1	High Grade
AA	1	High Grade
AA-	1	High Grade
A+	2	Upper Medium Grade
A	2	Upper Medium Grade
A-	2	Upper Medium Grade
BBB+	3	Lower Medium Grade
BBB	3	Lower Medium Grade
BBB-	3	Lower Medium Grade
BB+	4	Non-investment Grade Speculative
BB	4	Non-investment Grade Speculative
BB-	4	Non-investment Grade Speculative
B+	5	Highly Speculative
B	5	Highly Speculative
B-	5	Highly Speculative
CCC+	6	Substantial Risks
CCC	6	Extremely Speculative
CCC-	6	In Default with little prospect of recovery
CC	6	In Default with little prospect of recovery
C	6	In Default with little prospect of recovery
D	6	In Default

A favourable movement in CQS buckets above results in a decrease in credit risk.

Expected credit loss measurement

Under IFRS 9, financial assets (other than those measured at fair value through profit or loss) are classified into three stages, based on the definition below:

- Stage 1 – assets or exposures with no significant increase in credit risk.
- Stage 2 – assets with an indication of a significant increase in credit risk since inception.
- Stage 3 – assets that are deemed to be in default or credit-impaired.

Transfers within Stages

Financial assets can be transferred between the different categories depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition as described in the table below. Except for renegotiated loans, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described in the table below.

An asset is deemed to be in default or credit-impaired if it is more than 90 days past due and/or whose rating drops by at least one CQS since its classification to Stage 2 (or 2 successive CQS notch downgrades since its inception). In this case, it is classified as stage 3.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

The following table describes the basis of reclassification from Stage 1 to 2 and from Stage 2 to 3 respectively:

Stage Reclassification	Quantitative Assessment	Qualitative Assessment
Stage 1 to Stage 2 reclassification occurs when an exposure is assessed to have experienced a significant increase in credit risk:	As a default assumption any asset whose credit ratings (internal and external) drops corresponds to a drop in a credit quality step (CQS) of at least one-notch or for which a payment of principal and/or interest is past due by more than 30 days will be transferred from Stage 1 to Stage 2. CQS refers to the categorisation of external credit assessment institutions (ECAI) recognised under the Regulation (EU) No 575/2013 of the Council of the European Union.	The Bank considers several factors in assessing whether there is an indication of a significant increase in credit risk. These include breaches in facility covenants, adverse developments, or information. The risk of default occurring at the reporting date is compared with that at initial recognition, considering reasonable and supportable information, including information about past events, current conditions, and future economic conditions.
Stage 2 to Stage 3 reclassification, which are in default, or which have become credit impaired.	Any exposure which is more than 90 days past due and/or whose credit ratings (internal and external) drop corresponds to a drop in credit quality step (CQS) since its classification to Stage 2 (or 2 successive CQS notch downgrades since its inception or 1 CQS drop since last assessment and staging) is deemed to be in default.	The Bank considers several factors in assessing whether there is an indication credit impairment. These include, but are not limited to the following: (a) Continued losses or significant decrease in revenue or, in general, in the client's recurring cash flows. (b) General delay in payments or insufficient cash flows to service debts. (c) Significantly inadequate economic or financial structure or inability of the client to obtain additional financing. (d) Existence of an internal or external credit rating, which shows that the client is in default. (e) Existence of overdue customer commitments with a significant amount to public institutions or employees. (f) Continual requests for the rolling or extension of the exposure, which prompt a requirement for enhanced scrutiny. (g) Covenant breaches (h) Continued security shortfalls (i) Adverse developments regarding the obligor.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

In summary, where SICR is established for a counterparty, the exposure to the counterparty is re-staged based on the following table:

Current Staging	Next Staging	ECL Estimate
Stage 1	Stage 2	Lifetime ECL (from 12-month ECL)
Stage 2	Stage 3	Lifetime ECL
Stage 3	Stage 3	Lifetime ECL

Factors influencing the ECL loss allowance estimate

The ECL Loss allowance by the Bank recognised results from a combination of factors. These are as follows:

- Changes to PDs applied due to unwind of exposure's contractual period to maturity e.g., if an exposure with over 12 months past the reporting date whose residual contractual maturity falls below 12 months at the reporting date. PDs are prorated with reference to the residual contractual days.
- Changes to the basis of ECL calculation due to classifications from one stage to another due to indication of credit risk increases or decreases.
- Additional ECL allowances recognised on assets written or recognised during the period.
- ECL release arising from the derecognition of assets during the year.
- Changes in ECL estimates due to changes in PDs, EADs and LGDs in the period.
- Measurement changes resulting from changes made to the model and the underlying assumptions.
- Effects of foreign currency translations at different review periods, for assets denominated in foreign currencies.
- Changes to the ECL allowance resulting from repayments of outstanding balances.

The measurement of expected credit losses (ECL) is complex and involves the use of judgment and estimation including the application of forward-looking economic conditions into the credit loss modelling processes. The Bank currently reviews economic variables, which are believed to be representative of the Bank's forecast economic conditions and support the calculation of unbiased ECL.

The probability of loss is measured considering past events, the present situation, and future trends of macroeconomic factors. In this regard, the Bank uses publicly available PD data (global corporate default rates).

The EAD represents the expected balance at default, considering the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities.

Zenith UK calculates ECL as the product of the probability of default (PD), the loss given default (LGD) and exposure at default (EAD) of each outstanding balance at the reporting date. The probability of default applied depends on whether the exposure is in stage 1 (in which case a 12-month PD applies or lifetime (in which case, the exposure is either in stage 2 or 3). 12-month ECL is calculated by multiplying the 12-month PD, LGD & EAD. Lifetime ECL is calculated by multiplying the lifetime PD, LGD & EAD. The PD adopted by the Bank references publicly available PD data, which are adjusted as necessary to reflect the current economic cycle. The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument, respectively.

A LGD rate of 45% is applied to all exposures, excluding Corporate loans to which LGD of 40% is assigned, in line with the Basel requirements.

The input risk parameters (PD and LGD) and probabilities assigned to each scenario were revised to reflect the current economic situation and more recently available data. However, the credit modelling tool has been significantly modified in the current year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

For Stage 1 analysis, Probabilities of Defaults (PDs) for transactions with a residual maturity of less than twelve months have been prorated. For Stage 2 analysis, PDs are pro-rated depending on the time horizon buckets the residual maturity of transactions falls under.

The 12-month ECL and Lifetime ECL are each determined after reference to the period-on-period change in the credit rating of each counterparty. Depending on the stage of each exposure, it is aligned to appropriate ***Global Corporate Average Cumulative Default Rates by Rating Modifier*** issued by an External Credit Assessment Institution ("ECAI").

IFRS 9 ECL Staging Analysis:

2023 US$	**ECL Stage 1**	**ECL Stage 2**	**ECL Stage 3**	**Total ECL**
Securities measured at fair value through other comprehensive income	686,434	125,650	681,359	1,493,443
Securities measured at amortised cost	3,589,490	1,119,167	9,058,265	13,766,922
Loans and advances to banks	923,419	–	–	923,419
Loans and advances to customers	5,808,582	381,521	–	6,190,103
Impairment on off balance sheet assets	–	–	–	–
Total	11,007,925	1,626,338	9,739,624	22,373,887

2022 US$	ECL Stage 1	ECL Stage 2	ECL Stage 3	Total ECL
Securities measured at fair value through other comprehensive income	924,423	30,347	732,523	1,687,293
Securities measured at amortised cost	4,115,928	1,293,000	7,867,767	13,276,695
Loans and advances to banks	849,398	–	–	849,398
Loans and advances to customers	4,303,234	773,896	–	5,077,130
Impairment on off balance sheet assets	712,297	–	–	712,297
Total	10,905,280	2,097,243	8,600,290	21,602,813

Sectoral breakdown of ECL on Loans and advances:

		2023			2022	
Loans and advances to customers	**Gross exposure US$**	**Impairment allowance US$**	**Impairment as % of Gross exposures US$**	Gross exposure US$	Impairment allowance US$	Impairment as % of Gross exposures US$
Industry:						
Agriculture	30,016,769	271,039	0.9%	30,159,879	284,994	0.9%
Communication	247,274	6,729	2.7%	796,067	34,440	4.3%
Consumer Credit	5,578,002	215,605	3.9%	3,881,213	150,634	3.9%
General Commerce	92,969,442	494,265	0.5%	109,307,195	331,160	0.3%
Government	69,764,866	928,189	1.3%	71,008,230	1,565,925	2.2%
Manufacturing	33,404,828	1,062,786	3.2%	30,782,349	1,013,431	3.3%
Oil and Gas	48,817,433	1,635,764	3.4%	37,733,250	1,303,426	3.5%
Power	–	–	0.0%	275,252	2,384	0.9%
Real Estate and Construction	19,600,986	358,373	1.8%	3,693,421	110,814	3.0%
Transportation	941,313	11,186	1.2%	2,161,734	36,599	1.7%
Finance and Insurance	75	–	0.0%	328,803	1,030	0.3%
Others	58,306,638	1,206,167	2.1%	30,152,514	242,293	0.8%
	359,647,626	6,190,103	1.7%	320,279,907	5,077,130	1.6%

'Others' represents gross exposure of football receivables financing transactions of US$ 58,306,638 outstanding as at year end (2022: US$ 30,152,514).

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

Measurement uncertainty and sensitivity analysis of ECL estimates

The ECL calculation is sensitive to changes in scenario weightings and Probability of Default (PD) as explained below.

Scenario Weightings

Across the portfolio, the credit loss allowance is sensitive to changes in the weightings (sensitive to a change in the weighting of each scenario). A 10% increase in the weighting of the 'Downturn' scenario (with a corresponding 10% decrease in the weighting of the 'Base Case' scenario) across the portfolio would result in an increase of US$ 644,870 (2022: US$ 676,106) in the expected credit loss allowance.

Sensitivity Analysis: Change in scenario weightings assigned

The scenarios adopted in the new methodology take into consideration geographies in which the Bank has risk exposures as these are more representative of the performance of the Bank's portfolio. These scenarios seek to reflect the probability weightings that corelate to the likelihood that changes in the economies of those jurisdictions could result in better or worse conditions as compared to base case scenario.

Given the changes in the methodology, the analysis presented has been modelled to reflect sensitivity around Scenario A in relation to which other scenarios are determined. Thus, this approach is deemed to be most representative of the possible changes to the expected credit loss estimate presented in the financial statements.

The case below considers alternative scenario weightings to reflect an increase in credit risk compared to Scenario A.

Case: Scenario weightings increase by 10% for Scenario B and decrease by 10% for Scenario A respectively. Scenario C remains unchanged.

2023	**Base Case**	**Case ('Downturn' increases by 10%; 'Base Case decreases by 10%)**	**Change in ECL Allowance Incr/(Decr)**	
	US$	US$	US$	%
Stage 1	11,007,925	11,571,390	563,465	5%
Stage 2	1,626,338	1,707,743	81,405	5%
Stage 3	9,739,624	9,739,624	–	0%
Total ECL Allowance	22,373,887	23,018,757	644,870	3%

Scenario weightings increase by 10% for Scenario B and decrease by 10% for Scenario A respectively. Scenario C remains unchanged.

2022	Base Case	Case ('Downturn' increases by 10%; 'Base Case decreases by 10%)	Change in ECL Allowance Incr/(Decr)	
	US$	US$	US$	%
Stage 1	10,905,280	11,461,311	556,031	5%
Stage 2	2,097,243	2,217,318	120,075	6%
Stage 3	8,600,290	8,600,290	–	0%
Total ECL Allowance	21,602,813	22,278,919	676,106	3%

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

Probability of Default (PD)

The credit allowance estimate is also sensitive to changes in PD. Worsening PDs by 10bps results in an increase of US$ 968,735 (2022: US$ 1,025,441).

Sensitivity Analysis: Change in PDs assigned

The case below considers alternative PDs to reflect an increase in credit risk compared to Scenario A.

Case: PDs deteriorate by 10% for each credit rating incrementally for scenarios A, B and C respectively.

2023	Base Case	Case (PDs worsen by 10%)	Change in ECL Allowance Incr/(Decr)	
	US$	US$	US$	%
Stage 1	11,007,925	11,921,985	914,060	8%
Stage 2	1,626,338	1,681,013	54,675	3%
Stage 3	9,739,624	9,739,624	–	0%
Total ECL Allowance	22,373,887	23,342,622	968,735	4%

PDs deteriorate by 10% for each credit rating incrementally for scenarios A, B and C respectively.

2022	Base Case	Case (PDs worsen by 10%)	Change in ECL Allowance Incr/(Decr)	
	US$	US$	US$	%
Stage 1	10,905,280	11,863,603	958,323	9%
Stage 2	2,097,243	2,164,361	67,118	3%
Stage 3	8,600,290	8,600,290	–	0%
Total ECL Allowance	21,602,813	22,628,254	1,025,441	5%

The focus of the simulations is on ECL allowance requirements on performing exposures in Stage 1 and Stage 2. The simulations are run on a stand-alone basis and are independent of each other. The potential ECL impacts reflect the simulated impact as at 31 December 2023.

Scenario impacts on SICR are considered when evaluating the ECL movements of Stage 1 and Stage 2. In all scenarios the total exposure and exposure by stage were the same. Stage 3 provisions are not subject to the same level of measurement uncertainty – default is an observed event as at the balance sheet date. Stage 3 provisions therefore have not been considered in this analysis.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

Collateral

Collateral and security are an important mitigant of credit risk.

The Bank routinely obtains collateral and security and ensures that any collateral held is sufficiently liquid, legally effective, enforceable, and regularly reassessed.

The maximum exposure to credit risk (net of mitigations) on 'bank balances and money market placements', 'securities', 'loans and advances to banks' and 'loans and advances customers' and 'off balance sheet items' at the statement of financial position date was US$ 2.9 billion (2022: US$ 3.4 billion).

The following table sets out the principal types of collateral pertaining to 'loans and advances to banks' and 'loans and advances to customers' held by the Bank:

Collateral analysis

	2023 US$	2022 US$
Cash	**93,507,225**	112,198,441
Property and equipment	**18,754,687**	12,948,046
Total	**112,261,912**	125,146,487

'Cash' in the above table includes pledges over account balances of US$ 87,299,236 (2022: US$ 106,533,918) placed by the Parent with the Bank which are used as collateral for certain Trade Finance transactions.

'Property/Real estate' represents collateral which is held to mitigate risk in the mortgage portfolio and the value disclosed relates to properties over which the Bank has legal charge.

There are other forms of collateral which pertain to off-balance sheet transactions and include 'Guarantees' of US$ 51,975,911 (2022: US$ 27,945,828), and 'Other collateral' comprising confirmation letters, assignment of proceeds on letters of credit, debentures over fixed and floating assets and other forms of collateral of US$ 236,863,202 (2022: US$ 216,730,699).

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

Country risk

The Bank has established procedures to manage country risk with limits determined by business strategy and in accordance with internal Credit Policy. The Bank takes limited direct sovereign risk. The majority of country risk is the notional record of exposure the Bank has to entities domiciled with said jurisdictions mitigated through its on-the-ground knowledge of the economies and borrowers concerned, and the Zenith Group relationship network supporting those entities. The table below summarises exposure to credit risk as at statement of financial position date by geographical area:

2023 Assets	Europe US$	United Kingdom US$	Nigeria US$	Rest of Africa US$	United States of America US$	Rest of World US$	Total US$
Cash and cash equivalents	3,761,452	209,420,103	2,120,129	59,350	34,765,153	25,943,380	276,069,567
Securities measured at fair value through profit or loss	–	–	964,002	4,142,224	–	–	5,106,226
Securities measured at fair value through other comprehensive income	98,664,294	209,277,781	8,100,642	26,941,314	887,604,450	431,924,985	1,662,513,466
Securities measured at amortised cost	–	20,927,409	59,412,657	85,396,204	–	32,103,215	197,839,485
Loans and advances to banks	–	–	147,804,065	6,072,738	–	–	153,876,803
Loans and advances to customers	–	64,511,550	39,181,403	102,481,992	9,997,598	137,284,980	353,457,523
Derivative financial assets	–	2,148,387	262,117	–	–	–	2,410,504
Total assets	**102,425,746**	**506,285,230**	**257,845,015**	**225,093,822**	**932,367,201**	**627,256,560**	**2,651,273,574**

2022 Assets	Europe US$	United Kingdom US$	Nigeria US$	Rest of Africa US$	United States of America US$	Rest of World US$	Total US$
Cash and cash equivalents	54,413,657	441,839,200	383,262	79,881	123,248,048	9,696,675	629,660,723
Securities measured at fair value through profit or loss	–	–	556,699	2,011,747	–	–	2,568,446
Securities measured at fair value through other comprehensive income	13,792,924	184,957,917	37,775,274	31,394,960	996,233,832	544,235,645	1,808,390,552
Securities measured at amortised cost	–	17,005,119	58,474,455	103,213,606	–	15,456,211	194,149,391
Loans and advances to banks	22,503,327	–	139,458,002	8,529,187	–	–	170,490,516
Loans and advances to customers	6,345,609	23,634,726	36,387,381	74,825,143	–	174,009,918	315,202,777
Derivative financial assets	–	1,925,709	291,870	–	–	–	2,217,579
Total assets	**97,055,517**	**669,362,671**	**273,326,943**	**220,054,524**	**1,119,481,880**	**743,398,449**	**3,122,679,984**

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

An analysis of the credit quality of the maximum credit exposure based on an external credit rating agency where applicable. These are grouped by CQS as prescribed by the Regulator.

	2023 US$	2022 US$
Securities measured at fair value through profit or loss		
Rated B+ to B-	5,106,226	2,269,871
Rated CCC+ and below	–	298,575
Total	5,106,226	2,568,446
Securities measured at fair value through other comprehensive income		
Rated AAA to AA-	1,434,134,374	1,629,292,740
Rated A+ to A-	69,714,763	64,256,164
Rated BBB+ to BBB-	97,750,740	68,711,926
Rated BB+ to BB-	39,767,108	35,262,832
Rated B+ to B-	19,978,472	9,239,063
Rates CCC+ and below	1,168,009	1,627,827
Total	1,662,513,466	1,808,390,552
Securities measured at amortised cost		
Rated BBB+ to BBB-	14,573,421	13,398,627
Rated BB+ to BB-	43,869,856	49,690,260
Rated B+ to B-	125,207,201	118,966,386
Rated CCC+ and below	14,189,007	12,094,118
Total	197,839,485	194,149,391

	2023 US$	2022 (Restated) US$
Loans and advances to banks		
Rated B+ to B-	152,392,612	170,490,516
Rated CCC+ and below	1,484,191	–
Total	153,876,803	170,490,516

In 2023, there were US$ Nil loans to Banks with maturity greater than 90 days (2022: US$ Nil).

During 2023, the Bank discovered that Loans and advances "Rated BBB+ to BBB-" was overstated while "Rated B- to B+" was understated. The errors have been corrected by restating each of the affected financial statement line items for prior period. The amounts included in the primary statements have not been restated and will remain the same as prior year. There is no impact on the Bank's total operating, investing, or financing cash flows for the years ended 31 December 2023 and 2022. The following table summarises the impact on the Bank's financial statements:

	Impact of correction of error		
Loans and advances to banks US$	As previously reported	Adjustment	As restated
Rated BBB+ to BBB-	22,646,818	(22,646,818)	–
Rated B+ to B-	147,843,698	22,646,818	170,490,516
Rated CCC+ and below	–	–	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

Credit exposure to loans and advances to customers by industry (net of ECL impairment allowance) as reporting date is as presented below:

Loans and advances to customers	2023 US$	2022 US$
Industry:		
Agriculture	29,745,730	29,874,885
Communication	240,545	761,627
Consumer Credit	5,362,397	3,730,579
General Commerce	92,475,177	108,976,035
Government	68,836,677	69,442,305
Manufacturing	32,342,042	29,768,918
Oil and Gas	47,181,669	36,429,824
Power	–	272,868
Real Estate and Construction	19,242,613	3,582,607
Transportation	930,127	2,125,135
Finance and Insurance	75	327,773
Others	57,100,471	29,910,221
	353,457,523	315,202,777

'Others' represents football receivables financing transactions (net of ECL impairment allowance) of US$ 57,100,471 outstanding as at year end (2022: US$ 29,910,221).

Loan loss allowance

The following table shows reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument:

Loans and advances to banks	2023 12-month ECL US$	2023 Lifetime ECL not credit-impaired US$	2022 12-month ECL US$	2022 Lifetime ECL not credit-impaired US$
Balance as at 1 January	849,398	–	1,329,247	–
Net measurement of loss allowance	(540,452)	–	110,976	–
New financial assets originated or purchased	767,446	–	738,144	–
Financial assets that have been derecognised	(152,973)	–	(1,328,969)	–
Balance as at 31 December	923,419	–	849,398	–

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

Loans and advances to customers

	2023 12-month ECL US$	2023 Lifetime ECL not credit-impaired US$	2022 12-month ECL US$	2022 Lifetime ECL not credit-impaired US$
Balance as at 1 January	4,303,234	773,896	5,236,789	689,700
Net measurement of loss allowance	(1,232,292)	(439,772)	(1,735,496)	–
New financial assets originated or purchased	3,248,103	47,397	1,613,289	773,896
Financial assets that have been derecognised	(510,463)	–	(811,348)	(689,700)
Balance as at 31 December	5,808,582	381,521	4,303,234	773,896

The above table includes movements on Other assets.

Securities measured at fair value through other comprehensive income	2023 12-month ECL US$	2023 Lifetime ECL not credit-impaired US$	2023 Lifetime ECL credit-impaired US$	2022 12-month ECL US$	2022 Lifetime ECL not credit-impaired US$	2022 Lifetime ECL credit-impaired US$
Balance as at 1 January	924,423	30,347	732,523	1,848,811	70,804	–
Net measurement of loss allowance	(62,327)	(7,367)	8,437	15,533	(9,945)	–
New financial assets originated or purchased	286,810	122,179	158,631	437,704	18,947	732,523
Financial assets that have been derecognised	(462,472)	(19,509)	(218,232)	(1,377,625)	(49,459)	–
Balance as at 31 December	686,434	125,650	681,359	924,423	30,347	732,523

Securities measured at amortised cost	2023 12-month ECL US$	2023 Lifetime ECL not credit-impaired US$	2023 Lifetime ECL credit-impaired US$	2022 12-month ECL US$	2022 Lifetime ECL not credit-impaired US$	2022 Lifetime ECL credit-impaired US$
Balance as at 1 January	4,115,928	1,293,000	7,867,767	3,858,840	2,507,140	–
Net measurement of loss allowance	(58,010)	(149,352)	87,803	27,854	(632,773)	–
New financial assets originated or purchased	514,189	666,039	5,783,855	609,481	–	7,867,767
Financial assets that have been derecognised	(982,617)	(690,520)	(4,681,160)	(380,247)	(581,367)	–
Balance as at 31 December	3,589,490	1,119,167	9,058,265	4,115,928	1,293,000	7,867,767

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

Impairment allowance on committed but undrawn facilities	**2023 12-month ECL US$**	**2023 Lifetime ECL not credit-impaired US$**	2022 12-month ECL US$	2022 Lifetime ECL not credit-impaired US$
Balance as at 1 January	712,297	–	792,249	–
Net measurement of loss allowance	–	–	446,490	–
New financial commitments	–	–	–	–
Financial assets that have been derecognised	(712,297)	–	(526,442)	–
Balance as at 31 December	–	–	712,297	–

'Impairment on off- balance sheet assets' represents ECL allowance on undrawn committed Corporate facilities, which are expected to be drawn within the next twelve months.

The table below represents year-on-year movements in Gross exposures and changes to Impairment:

31 December 2023	**Gross exposures**				**Impairment**			
	Stage 1 US$	**Stage 2 US$**	**Stage 3 US$**	**Total US$**	**Stage 1 US$**	**Stage 2 US$**	**Stage 3 US$**	**Total US$**
Balance as at beginning of the year	2,453,658,061	34,666,642	19,111,756	2,507,436,459	10,905,280	2,097,243	8,600,290	21,602,813
Reassessment of ECL allowance on exposures brought forward from prior year	(14,832,076)	(6,086,185)	(495,268)	(21,413,529)	(1,893,081)	(596,491)	96,240	(2,393,332)
Assets originated or purchased during the year	1,407,216,752	4,547,898	–	1,411,764,650	4,816,548	835,615	5,942,486	11,594,649
Assets de-recognised during the year (including assets that matured)	(1,501,223,770)	(7,996,089)	–	(1,509,219,859)	(2,820,822)	(710,029)	(4,899,392)	(8,430,243)
Write-offs	–	–	–	–	–	–	–	–
Attributable to changes in risk parameters	–	–	–	–	–	–	–	–
Transfer to (from):								
Stage 1	(34,053,585)	34,053,585	–	–	–	–	–	–
Stage 2	6,760,281	(9,787,404)	–	(3,027,123)	–	–	–	–
Stage 3	–	–	3,027,123	3,027,123	–	–	–	–
Committed but undrawn facilities	–	–	–	–	–	–	–	–
Balance as at end of year, including committed but undrawn facilities	2,317,525,663	49,398,447	21,643,611	2,388,567,721	11,007,925	1,626,338	9,739,624	22,373,887
Less: Allowance for credit losses on committed but undrawn facilities	–	–	–	–	–	–	–	–
Balance as at end of the year	2,317,525,663	49,398,447	21,643,611	2,388,567,721	11,007,925	1,626,338	9,739,624	22,373,887

Write-offs relate to Other assets which are included under Loans and advances to customers in 'Loan loss allowance' section above.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

31 December 2022	Gross exposures				Impairment			
	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$	Stage 1 US$	Stage 2 US$	Stage 3 US$	Total US$
Balance as at beginning of the year	**1,934,182,981**	**53,965,584**	**–**	**1,988,148,565**	**13,065,936**	**3,267,644**	**–**	**16,333,580**
Reassessment of ECL allowance on exposures brought forward from prior year	18,405,474	(350,973)	–	18,054,501	(1,134,643)	(642,718)	–	(1,777,361)
Assets originated or purchased during the year	2,009,393,415	15,918,354	5,279,440	2,030,591,209	3,398,618	792,843	8,600,290	12,791,751
Assets de-recognised during the year (including assets that matured)	(1,485,606,286)	(43,751,530)	–	(1,529,357,816)	(4,424,631)	(1,320,526)	–	(5,745,157)
Write-offs	–	–	–	–	–	–	–	–
Attributable to changes in risk parameters	–	–	–	–	–	–	–	–
Transfer to (from):								
Stage 1	(22,717,523)	17,612,173	5,105,350	–	–	–	–	–
Stage 2	–	(8,726,966)	8,726,966	–	–	–	–	–
Stage 3	–	–	–	–	–	–	–	–
Committed but undrawn facilities	29,207,552	–	–	29,207,552	–	–	–	–
Balance as at end of year, including committed but undrawn facilities	**2,482,865,613**	**34,666,642**	**19,111,756**	**2,536,644,011**	**10,905,280**	**2,097,243**	**8,600,290**	**21,602,813**
Less: Allowance for credit losses on committed but undrawn facilities	–	–	–	–	(712,297)	–	–	(712,297)
Balance as at end of the year	**2,482,865,613**	**34,666,642**	**19,111,756**	**2,536,644,011**	**10,192,983**	**2,097,243**	**8,600,290**	**20,890,516**

Liquidity Risk

Liquidity Risk Management

Liquidity risk refers to how a bank's inability to meet its obligations as they fall due threatens its financial position or existence.

Liquidity management is conducted in accordance with the guidance issued by the PRA, primarily through the use of Liquidity Coverage Ratio ("LCR") and Cash flow Mismatch Report ("PRA110"). The Net Stable Funding ratio ("NSFR") whose regulation came into effect in January 2022 is used to monitor the stability of funding sources employed by the Bank in creating assets.

The on-going management of liquidity is aimed at balancing cash flows within forward rolling time bands so that, under normal conditions, the Bank can meet all its payment obligations as and when they fall due. The Bank has developed an Internal Liquidity Adequacy Assessment Process ("ILAAP"), as required by the PRA, to support its liquidity management process as well as to consider the liquidity positions under plausible stress scenarios. The results of ILAAP are reviewed by Senior Management and the Board at least annually. The ILAAP documentation is refreshed annually.

Senior Management is responsible for ensuring that the Bank can meet its obligations when they fall due. The Bank is required to satisfy itself and the PRA on an on-going basis that it has a prudent liquidity policy and adequate management systems in place to ensure that the policy is always adhered to.

The Board of Directors is ultimately responsible for ensuring that the liquidity policy remains relevant and consistent with the Bank's business activities and expressed risk tolerances.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

The Bank's ALCO is responsible for reviewing the policy and recommending it to the Board of Directors. ALCO is supported by Risk Management, which is responsible for overseeing the Bank's compliance with the policy on a daily basis.

The responsibility for day-to-day management of the Bank's liquidity position is delegated to the Bank's Treasurer through the funding desk in the Treasury Department.

The undiscounted contractual cashflow maturity analysis of assets and liabilities is presented in the table below:

2023	On demand US$	Less than 3 months US$	Between 3 & 12 months US$	1 to 5 Years US$	Greater than 5 years US$	Carrying amount US$
Assets						
Cash and cash equivalents	57,628,307	219,077,827	–	–	–	276,706,134
Securities measured at fair value through profit or loss	–	3,758,087	6,348	176,245	1,197,146	5,137,826
Securities measured at fair value through other comprehensive income	–	594,889,931	518,352,511	550,260,462	5,788,627	1,669,291,531
Securities measured at amortised cost	–	2,443,305	54,104,823	165,387,627	24,085,453	246,021,208
Loans and advances to banks	279,439	122,842,202	864,351	34,941,957	–	158,927,949
Loans and advances to customers	353,904	82,520,545	98,400,490	236,357,556	–	417,632,495
Derivative financial assets	–	–	2,410,504	–	–	2,410,504
Total assets	58,261,650	1,025,531,897	674,139,027	987,123,847	31,071,226	2,776,127,647
Liabilities						
Deposits from banks	985,850,601	258,621,373	39,595,738	47,199	–	1,284,114,911
Deposits from customers	131,204,720	433,133,413	236,460,919	209,423,309	–	1,010,222,361
Repurchase agreements and other similar secured borrowing	–	9,353,858	28,076,173	9,355,795	–	46,785,826
Derivative financial liabilities	–	–	529,436	–	–	529,436
Total Liabilities	1,117,055,321	701,108,644	304,662,266	218,826,303	–	2,341,652,534

The amount reflected under "On demand" for Loans and advances to banks represents overdrafts.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

2022	On demand US$	Less than 3 months US$	Between 3 & 12 months US$	1 to 5 Years US$	Greater than 5 years US$	Carrying amount US$
Assets						
Cash and cash equivalents	183,410,494	446,970,339	–	–	–	630,380,833
Securities measured at fair value through profit or loss	–	–	23,304	1,016,243	1,594,728	2,634,275
Securities measured at fair value through other comprehensive income	–	615,861,060	500,538,117	677,152,407	18,820,710	1,812,372,294
Securities measured at amortised cost	–	1,835,057	21,165,511	191,905,400	36,066,826	250,972,794
Loans and advances to banks	32,363,951	91,567,519	21,042,364	31,591,031	–	176,564,865
Loans and advances to customers	8,771,019	73,086,236	102,517,140	154,522,609	27,069,092	365,966,096
Derivative financial assets	–	–	2,217,579	–	–	2,217,579
Total assets	**224,545,464**	**1,229,320,211**	**647,504,015**	**1,056,187,690**	**83,551,356**	**3,241,108,736**
Liabilities						
Deposits from banks	1,700,124,270	232,556,348	39,595,738	47,199	–	1,972,323,555
Deposits from customers	238,269,670	274,439,817	121,331,626	157,114,766	–	791,155,879
Repurchase agreements and other similar secured borrowing	–	1,421,241	39,604,529	36,071,520	–	77,097,290
Derivative financial liabilities	–	–	455,372	–	–	455,372
Total Liabilities	**1,938,393,940**	**508,417,406**	**200,987,265**	**193,233,485**	**–**	**2,841,032,096**

Cash and cash equivalents include petty cash. Deposits from banks listed as 'On demand' consist primarily of a single call deposit placed with the bank by the Central Bank of Nigeria ("CBN"). The use of these funds is limited to overnight, short-term Money Market placements and investments in high quality liquid assets. Deposits from banks include placements from the Group, short term deposits from the Central Bank of Nigeria and other banks.

The maturity analysis of outstanding lease liabilities under IFRS 16 is presented in the table below:

31 December	**2023 US$**	2022 US$
Less than 3 months	**217,141**	203,485
Between 3 & 12 months	**653,714**	612,588
1-5 years	**184,624**	1,036,823
Lease obligation	**1,055,479**	**1,852,896**

The current lease arrangement expires in 2025.

Market risk

Market risk management

Market risk is the risk of losses on financial investments from changes in market prices, rates, the correlations among them, and their volatility.

The Bank's trading activities are accounted for on a mark-to-market basis; and financial assets, financial liabilities and derivatives which form a part of such activities are accounted for at fair value through the profit and loss account.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

The Bank's trading activities are limited to transactions in financial instruments, which mainly comprise trading in debt securities and foreign exchange contracts. Market risk is primarily related to currencies and interest rates. Exposure to those markets together with a description of the risk management policies governing both banking and trading activities is set out below. Market risk exposures are measured and monitored daily and are formally reviewed on a weekly basis by the Bank's Asset and Liability Committee.

Exchange rate risk

The Bank originates loans and takes deposits in multiple currencies. Payments made on behalf of customers in one currency may be settled from balances held in another currency. Further, the Bank is active in the international foreign exchange markets both for its own account trading and for the management of the Bank assets and liabilities.

The Bank manages its exposures to foreign exchange risk by way of limits on the size of permitted positions, both intra-day and overnight. Overnight positions are protected by stop-loss orders placed with reputable correspondent banks. The size of the position limits is aimed at being consistent with the amount of profit that the Bank is prepared to place at risk.

Foreign exchange exposure arises from normal banking activities, particularly from the receipt of deposits and the placement of funds denominated in foreign currencies. It is the policy of the Bank to match currencies of its assets and liabilities as much as practicable. It is also the policy of the Bank to adhere to the limits laid down by the Board in respect of the "overall net open position". The tables below give details of the Bank's net foreign currency exposures as at 31 December 2023 as a basis of disclosing the Bank's foreign currency sensitivity analysis.

2023	**Sterling Pounds US$**	**Euro US$**	**Other US$**	**Total US$**
Assets	353,496,536	181,821,486	12,072,546	547,390,568
Liabilities	(512,865,640)	(128,852,455)	(8,880,027)	(650,598,122)
Net open position	(159,369,104)	52,969,031	3,192,519	(103,207,554)

2022	Sterling Pounds US$	Euro US$	Other US$	Total US$
Assets	326,701,724	181,612,903	42,251,196	550,565,823
Liabilities	(406,247,273)	(157,866,205)	(31,117,043)	(595,230,521)
Net open position	(79,545,549)	23,746,698	11,134,153	(44,664,698)

Foreign currency sensitivity

Foreign currency sensitivity analysis has been performed on the foreign currency exposures inherent in the Bank's financial assets and financial liabilities at the reporting dates presented, net of FX derivatives.

The sensitivity analysis shown provides an indication of the impact on the Bank's profit or loss following reasonable potential changes in currency exposures. Reasonable changes are based on an analysis of historical currency volatility, together with our assumptions regarding near term future volatility.

The Bank believes that for each foreign currency net exposure it is reasonable to present a 5% appreciation / depreciation against the Bank's functional currency to demonstrate the exchange risk the bank is exposed to. If all other variables are held constant the tables below present the impact on the Bank's profit or loss if these currency movements had occurred.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

2023	Sterling Pounds US$	Euro US$	Other US$
Net foreign Currency Exposure	(159,369,104)	52,969,031	3,192,519
Impact of 5% appreciation against US$	(7,968,455)	2,648,452	159,626
Impact of 5% depreciation against US$	7,968,455	(2,648,452)	(159,626)

2022	Sterling Pounds US$	Euro US$	Other US$
Net foreign Currency Exposure	(79,545,549)	23,746,698	11,134,153
Impact of 5% appreciation against US$	(3,977,277)	1,187,335	556,708
Impact of 5% depreciation against US$	3,977,277	(1,187,335)	(556,708)

Interest rate risk

Interest rate risk is the risk that arises due to the potential for investment losses resulting from a change in interest rates, and how that might impact on pricing structures within the Bank's assets and liabilities.

The Bank's Asset and Liability Committee ("ALCO"), assisted by Risk Management, meets weekly to monitor changes in interest rates in various currencies across the forward yield curve and the potential impact on the repricing of assets, liabilities, and derivative instruments.

The Bank manages part of that risk by match-funding certain deposits to loans. A 2% increase/(decrease) in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This calculation assumes that the change occurred at the reporting date and has been applied to risk exposures existing at that date.

2023	Less than 3 months US$	Between 3 & 12 months US$	1 to 5 Years US$	Greater than 5 years US$	Total US$
Gap sensitivity					
Assets	1,768,836,804	614,233,531	438,892,830	55,163,607	2,877,126,772
Liabilities	(1,572,282,213)	(357,644,316)	(469,719,214)	(477,481,029)	(2,877,126,772)
Net gap	196,554,591	256,589,215	(30,826,384)	(422,317,422)	–
Profit or Loss Impact (Increase)	(457,649)	(1,006,529)	1,450,570	(1,893,024)	(1,906,632)
Profit or Loss Impact (Decrease)	467,512	1,021,613	(1,600,365)	2,189,131	2,077,891

2022	Less than 3 months US$	Between 3 & 12 months US$	1 to 5 Years US$	Greater than 5 years US$	Total US$
Gap sensitivity					
Assets	1,898,385,458	698,832,518	539,509,900	100,917,958	3,237,645,834
Liabilities	(1,842,742,637)	(225,492,695)	(414,197,860)	(755,212,642)	(3,237,645,834)
Net gap	55,642,821	473,339,823	125,312,040	(654,294,684)	–
Profit or Loss Impact (Increase)	(53,911)	(3,954,314)	(5,030,571)	(3,676,804)	(12,715,600)
Profit or Loss Impact (Decrease)	55,086	4,068,479	5,374,926	4,263,071	13,761,562

The year-on-year movement is primarily due to the origination of assets with longer maturities and a change in the funding mix compared to prior year.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

29 Financial risk management (continued)

Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total statutory capital as at 31 December 2023 is US$ 336.0 million (2022: US$ 287.4 million).

Regulatory capital is determined in accordance with the requirements stipulated by the FCA and the PRA. Capital adequacy and the use of regulatory capital are monitored by the Bank's ALCO in accordance with the guidelines developed by the Basel Committee implemented by the FCA and the PRA. Each bank is required to maintain a ratio of total regulatory capital to risk- weighted exposures at or above a level determined for each institution.

The Bank's total regulatory capital qualifies as Tier 1 capital, which is the total of the issued share capital, retained earnings and regulatory adjustments.

Capital Resources	**2023 US$**	2022 US$
Share capital	**136,701,620**	136,701,620
Reserves	**(4,506,575)**	(15,885,531)
Retained earnings	**203,826,336**	166,588,925
Total statutory capital	**336,021,381**	**287,405,014**
Regulatory adjustments (unaudited)		
IFRS 9 transition adjustment	**4,507,146**	6,123,000
Value adjustments due to the requirements for prudential valuation	**(1,670,560)**	(1,813,632)
Other intangible assets before deduction of deferred tax liabilities	**(771,955)**	(993,670)
Total regulatory capital (CET1) (unaudited)	**338,086,012**	**290,720,712**

CET1 represents Common Equity Tier 1 capital.

Included in Retained earnings is Profit for the year of US$ 54,837,411 (2022: US$ 35,200,687).

Capital planning is integrated into Zenith UK's annual budgeting process. Regular returns are submitted to the PRA which include a two-year rolling forecast view.

Going concern capital requirements are examined on a forward-looking basis. The capital adequacy ratio and capital requirements are assessed under plausible future scenarios based on the following:

1. Forecast of future business performance, given the expectations of economic and market conditions over the period.

2. Forecast of future business performance under adverse economic and market conditions over the period.

Review of capital requirements under the above conditions enable Zenith UK to determine whether its capital will be sufficient to meet internal and regulatory requirements. Stress testing techniques are adopted to assess capital levels under adverse economic and market conditions.

Zenith UK allocates capital across its strategic business units, considering the applicable regulatory requirements, strategic and business objectives, risk appetite and the need to ensure optimal capital usage. The Bank's Assets and Liabilities Committee (ALCO) approves the capital allocation framework.

During the year, the Bank complied with all capital requirements prescribed by the PRA.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

30 Share Capital: Allocated, Called up and Fully paid

	2023 US$	2022 US$
Issued:		
35,001,000 ordinary shares of GB£ 1 each	**56,701,620**	56,701,620
- Redenominated into 56,701,620 shares of US$1 each		
30,000,000 ordinary shares of US$1 each	**30,000,000**	30,000,000
50,000,000 ordinary shares of US$1 each	**50,000,000**	50,000,000
	136,701,620	136,701,620

As a part of the translation of the functional currency from GBP to USD in 2017, the 35,001,000 British Pound shares were redenominated into 56,701,620 US$ currency.

In May 2012, thirty million new ordinary shares of $1 each were issued and fully subscribed to by the Parent entity, followed by fifty million new ordinary shares of $1 each were issued and fully subscribed to by the Parent entity in September 2014.

As at 31 December 2023 and 2022, the issued share capital comprises 136,701,620 ordinary shares with a par value of $1 each.

The Bank has only shareholders and all ordinary shares are ranked pari passu.

31 Related party transactions

Transactions with Key Management Personnel:

Key Management Personnel ("KMP") are considered to be the Bank's Directors and individuals who hold Senior Management Functions ("SMF") within the Bank. Disclosures regarding Directors' emoluments and other transactions are given in Note 7.

The KMPs' remuneration during the year is as follows:

	2023 US$	2022 US$
Short-term employee benefits	**2,112,728**	996,478
Post-employment benefits	**176,186**	139,668
Other long-term benefits	**524,050**	354,673
Total	2,812,964	1,490,819

Post-employment benefits represent the Bank's contribution to the defined pension contribution plan for KMP.

The total transactions with KMP are US$ 4,265 (loans) and US$ 606,874 (deposits) as at 31 December 2023 (2022: US$ 2,679 (loans), US$ 39,176 (deposits)).

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

31 Related party transactions (continued)

Transactions with Parent and fellow Group companies:

A number of banking transactions were entered into with related counterparties within the Zenith Bank Plc Group in the normal course of business. These include loans and deposits. All related party transactions were made on terms equivalent to those that prevail in arm's length transactions only when such terms can be substantiated. Outstanding balances at the end of the year and related party income for the year are as follows:

	2023 US$	2022 US$
Assets (amounts included in Loans and advances to banks in Note 13)		
Amounts due from parent company	90,545,900	103,482,811
Amounts due from other members of the Group	6,123,446	8,707,842
Total	96,669,346	112,190,653
Liabilities (amounts included in Deposits from banks in Note 19)		
Amounts due to parent company	269,173,282	416,360,535
Amounts due to other members of the Group	26,779,599	56,561,158
Total	295,952,881	472,921,693
Fees and commissions		
Received from parent company	5,782,797	5,545,335
Received from other members of the Group	1,295,668	818,558
Total	7,078,465	6,363,893

The above table includes Trading and other income.

	2023 US$	2022 US$
Interest income		
Received from parent company	7,211,717	3,426,119
Received from other members of the Group	1,026,039	252,604
Total	8,237,756	3,678,723
Interest expense		
Paid to parent company	12,293,711	4,422,082
Paid to other members of the Group	694,043	277,430
Total	12,987,754	4,699,512

32 Dividends proposed and paid

	2023 US$	2022 US$
Proposed for current year	–	17,600,000
Paid for prior year	17,600,000	5,700,000

33 Ultimate parent company and controlling party

The Bank's immediate and ultimate parent, and sole shareholder is Zenith Bank Plc, a Bank incorporated in Nigeria. Group financial statements into which the Bank's results are consolidated are available from Zenith Bank Plc at Plot 84, Ajose Adeogun Street, Victoria Island, Lagos, Nigeria.

34 Significant events after the reporting period

The Directors confirm that there are no significant events since 31 December 2023 that require disclosure or adjusting in the financial statements.

Zenith Bank (UK) Limited Management Team

Udu Ovbiagele
Chief Executive Officer

Adeyemi Paul-Taiwo
Chief Financial Officer

John Driscoll
Chief Operating Officer

Joseph Crowley
General Counsel and Company Secretary

Mark Parlour
Head of Treasury & Markets

Niranjan Patel
Chief Compliance Officer

Henry Amadiegwu
Head of Information Technology

Chidi Ogbata
Head of Corporate Banking & Wealth Management

Natalia Andrew
Head of Multinationals & Financial Institutions

Glenn Ashbrooke
Chief Risk Officer

Chinwendu Erinne
Head of Trade Services & Correspondent Banking

Theresa Eplett
Head of Human Resources

Adeola Akintimehin
Senior Executive Officer, Head of Dubai Branch

Oluwaniyi Eresanmi
Head of Internal Audit

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