ZENITH BANK (UK) LIMITED

PILLAR 3 DISCLOSURES FOR THE YEAR ENDED
31 DECEMBER 2021

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1. Introduction

1.1. Basis of Disclosures

The Pillar 3 disclosures have been prepared by the Bank in accordance with the UK Prudential Regulatory Authority (PRA) Capital Requirement Regulations (CRR) and associated disclosure section of the PRA Rulebook. The disclosures should be read in conjunction with the Directors' Report and Financial Statements published in Zenith Bank (UK) Limited ("Bank", "ZBUK", "Zenith UK") Annual Report and Accounts (ARA) 2021.

The following table maps the CRR requirements to the location for the relevant disclosure

CRR	Pillar 3 disclosure	Pillar 3
431	Disclosure requirements and policies	1
432	Non-material, proprietary or confidential information	1
433	Frequency and scope of disclosures	1
433c	Disclosures by other institutions	Below
435.1. a	Risk management (Strategies to manage risks)	5, 6, 7, 8, 9
435.1. b	Structure of risk management, authority, governance	3.3, 3.4
435.1. e	Risk management (Board declaration of adequacy)	3.5
435.1. f	Risk management (Board approved concise risk statement)	3.2
435.2. a	Risk management (Board member directorships)	4.1
435.2. b	Risk management (Board member recruitment policy)	4.2
435.2.c	Risk management (Board member diversity policy)	4.2
437.a	Disclosure of own funds (reconciliation of capital)	11
438.c	Disclosure of own funds requirements (ICAAP results)	11
438.d	Disclosure of own funds requirements (exposure by category)	11
447	Disclosure of key metrics	10
448.1. a	Disclosure of exposures to IRRBB (EVE six prescribed shocks)	7.6
450.1	Disclosure of remuneration policy (1.a-d and 1.h-k)	12

1.2. Disclosure Policy, Frequency, and Publication

It is the Bank's policy to disclose the information identified above on an annual basis. In reaching this decision:

- The Bank identified itself as an 'other institution' under article 433c and is not publicly listed.
- The Bank decided the resultant disclosures required under article 433c were not sufficient in expressing its interest rate risk profile. Consequently, an additional disclosure regarding Interest Rate Risk in the Banking Book (IRRBB) on an Economic Value of Equity (EVE) basis is included to describe the Bank's approach to managing this risk
- The Bank decided that further detail on the risk governance structure (article 435.1.b) was also necessary.

This Pillar 3 Disclosure is published on the Bank's website at "www.zenith-bank.co.uk".

It is the Bank's policy to ensure disclosures are subject to the same level of internal review as the management report section of the ARA. Prior to publication, this report will have been formally presented to the Board of Directors for their review and approval.

2. Business model

2.1. Business Profile

ZBUK was incorporated on 13th February 2006. It is a wholly owned subsidiary of Zenith Bank Plc. one of the leading banks in Nigeria.

ZBUK was authorised on 30th March 2007 at which date it commenced trading and is staffed with experienced professional bankers from diverse backgrounds with extensive knowledge of Corporate and Correspondent Banking, Trade and Commodity Finance, Wealth Management and Treasury activities.

The Bank markets and offers a range of banking products and services with its target market being Sub-Saharan African companies, international corporations, commodity traders, investment banks, institutional investors, governments, and supranational organisations as well as high net worth individuals.

Zenith UK's product offerings and services are aimed at enhancing clients' experience and 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 high net worth individuals, participating in revolving credit facilities, commercial mortgages, syndicated structured trade finance facilities, risk participation lending, infrastructure and project financing, and football receivables financing. The Bank also invests in Eurobonds and securities issued by governments and banks, and processes Letters of Credit and related trade services and payments. Its clients include members of the Zenith Group, corporate, small, and medium scale organisations, financial institutions, banks, and individuals (Wealth Management clients).

On 31st December 2021 the Bank held US$2.9bn in assets (2020 US$2.3bn) and generated US$11.4m profit after tax (2020 US$18m). As a predominantly wholesale bank serving and supporting the wider Zenith Bank Group customers, ZBUK is not considered to be systemically important and aims to be proportionate yet informative in its approach to this Pillar 3 disclosure accordingly.

2.2. Dubai Branch

The Bank has a branch office in Dubai within the Dubai International Financial Centre (DIFC), that is regulated by the Dubai Financial Services Authority (DFSA). All transactions from this office are booked and managed in the UK.

2.3. ZBUK's Parent

Zenith Bank Plc. (ZBPLC) is one of the largest and most profitable banks in Nigeria which provides banking and other financial services to corporate and individual customers including deposit taking from the public, granting of loans and advances, corporate finance, and money market activities. ZBPLC was established in May 1990 and started operations in July of that same year as a commercial bank.

It became a public limited company on 17th June 2004 and was listed on the Nigerian Stock Exchange on 21st October 2004. It also listed on the London Stock Exchange since 21st March 2013 (as ZENB). On 31st December 2021 ZBPLC had a shareholder base of 643,965 (2020: 644,109). On 31 December 2021, ZBPLC had shareholders' fund of NGN1.3tn (US$3.1bn equivalent) (Dec-20: NGN1.12tn, US$2.7bn equivalent).

2.4. Principal Activities

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

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

2.5. ZBUK Business Strategy

The Board has approved several strategic objectives that are intended to drive the business forward in a controlled approach, which best serves the wider needs of the Zenith Group of companies.
The Bank's Finance department develop the Bank's strategy for Board review and approve to set the business projections and strategic objectives. This considers any changes to the business structure, market conditions or economic, and regulatory changes.

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.
- Maintaining a robust risk management framework, regulatory compliance, and corporate governance structure to conduct its business responsibility 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.
- Focusing 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 HNIs and ultimate beneficial owners (UBOs) of large institutions. Activities such as making marketing calls, visits (where physically permissible in the prevailing circumstances) 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.

2.6. Covid-19 Impacts, Ukraine, Energy Prices and Supply Chains

Whilst the worst impacts of the Covid-19 pandemic appear to have abated and the world is learning to live with the virus, lingering supply chains issues persisted through the winter months of late 2021 and early 2022.

These strains on emerging economic growth worsened in the first quarter of 2022 and were further exacerbated by Russia's invasion of Ukraine. Energy prices skyrocketed, further weakening the fractured supply chains. Many economies have either been driven back towards recession or are at least facing major challenges over continuing energy supply.

3. Risk Management Assessment

3.1. Principal Risks

The Bank's structure and governance support it in managing risks associated with changes in the economic, political and market environment.

The following Principal Risks are defined by the Bank's Risk Framework:

- Credit Risk
- Liquidity Risk
- Market Risk, including
  - Interest Rate Risk
  - Settlement Risk
  - Foreign Exchange Risk
- Operational Risk, including:
  - Regulatory and Conduct Risks
  - Cybercrime risk

Each Principal Risk is covered in more detail in sections 5, 6, 7 and 8.

3.2. Board of Directors Risk Statement

The management of these risks ultimately rests with the Board of Directors as the ultimate governing authority of the Bank through the Enterprise Risk Management Framework (ERMF).

The Board of Directors is responsible for ensuring that the Bank's capital and liquidity are always adequate to support the Bank's business and operations. In performing these duties, the Board has approved a strategic direction, several policies and established risk appetite tolerances as articulated in the Risk Appetite Statement (RAS).

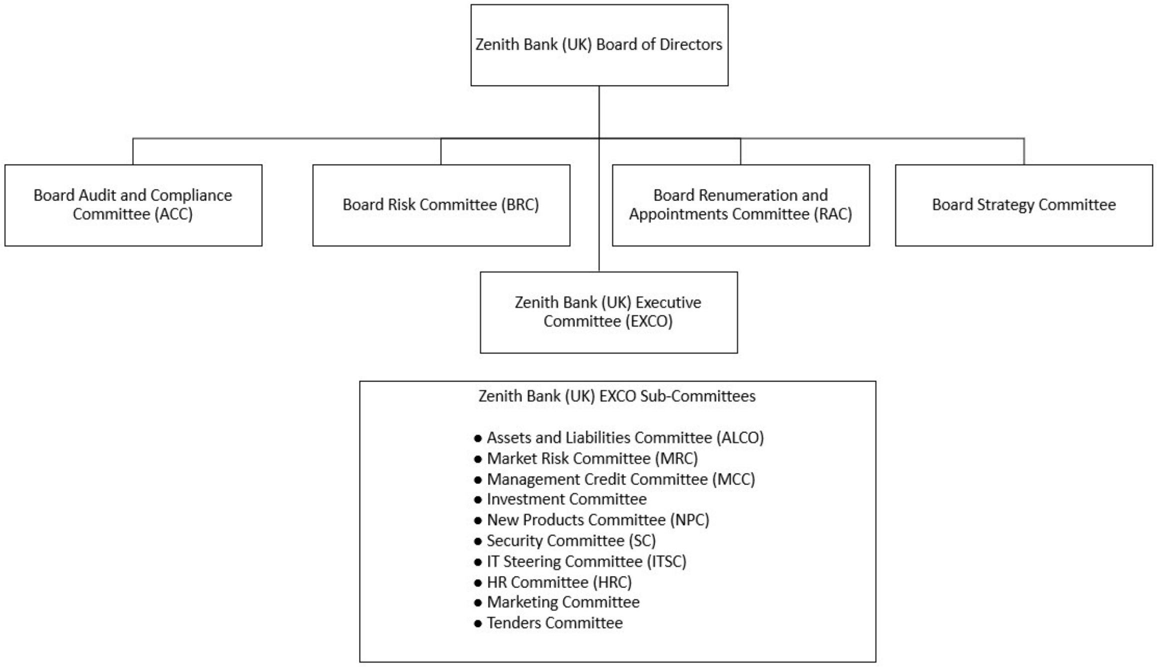
Should RAS limits be exceeded, the Bank has an escalation plan and may trigger the Recovery Plan and resultant activation of a range of robust recovery options to return metrics to order in response to different stress events.

The Board has delegated the responsibility for the execution and implementation of the strategy to the Executive and monitors the performance through all four Board sub-committees.

The Board is composed of the Non-Executive Chairman, five non-executive directors (includes three independent non-executive directors) and the Chief Executive Officer.

3.3. Risk Governance Structure

The following provides a diagrammatic overview of risk management assurance and oversight.



The Board has established four sub-committees:

Committee	Members	Responsibilities	Frequency
Board Risk Committee (BRC)	5 Non-Executive Directors Observers/invited participants: Chief Executive Officer Chief Risk Officer Chief Financial Officer Head of Internal Audit Chief Operating Officer	The BRC supports the Board's Corporate Governance responsibilities concerning risk management. The Committee considers and recommends to the Board the Bank's risk management framework including policies relating to the management of current and future risks. BRC recommends the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP), Recovery Plan and Resolution Pack, the Risk Appetite Statement (RAS) and others as well as reviewing the Risk Governance Framework and policies.	Quarterly and as required
Audit & Compliance Committee (ACC)	5 Non-Executive Directors Observers/invited participants: Chief Executive Officer Chief Financial Officer Chief Operating Officer Chief Compliance Officer Head of Internal Audit	The ACC supports the Board's Corporate Governance responsibilities in respect of all aspects of Audit and Compliance. The ACC approves internal, external audit and compliance arrangements including monitoring of the operation of the Bank's Internal Audit and the internal control framework. The ACC also recommends the Financial Statements, approves financial crime and general compliance policies, governance controls and procedures and reviews 'whistleblowing' arrangements. The CRO if/when invited shall have the right to speak but not vote	Quarterly and as required
Remuneration & Appointments Committee (RAC)	5 Non-Executive Directors Observers/invited participants: Chief Executive Officer Head of HR	Determines the remuneration, appointment, and contractual arrangements of individual executive directors, non-executive directors, and senior staff, having regard to a general policy framework for executive remuneration established by the Board.	Quarterly and as required
Strategy Committee	5 Non-Executive Directors Observers/invited participants: Chief Executive Officer Head of Corporate Banking & Wealth Management Head of Multinationals & Institutional Banking Head of Treasury & Markets	To review the business and operational strategy of ZBUK considering the results of capital planning (ICAAP).	Twice annually

Committee	Members	Responsibilities	Frequency
	Chief Operations Officer Chief Financial Officer Chief Risk Officer Head of Internal Audit Chief Compliance Officer Other representatives of the business and operations of the Bank as the chairman shall deem fit, shall normally be invited to attend meetings.		

To support the work of these Committees management has established the following Management Committees:

Committee	Members	Responsibilities	Frequency
Executive Committee (EXCO)	Chief Executive Officer Chief Financial Officer Chief Risk Officer Chief Operating Officer Chief Compliance Officer Head of Treasury & Markets Head of Corporate Banking & Wealth Management Head of Multinationals & Institutional Banking Head of HR Chief Information Officer General Counsel & Company Secretary Head of Internal Audit Head of Trade Finance & Correspondent Banking Head of Credit & Fixed Income	Formulates the strategy of the Bank, in compliance with the Zenith Group's strategy. Ensures the Bank is managed following the agreed strategy; and is managed in a sound, prudent and ethical manner. Approves on behalf of the Board the Bank's risk management framework, other risk management policies and arrangements and internal control policies. Covers and implements AML and compliance policies and approves financial information, including budgets and forecasts and considers operational risk issues, within policies and procedures.	Weekly
Asset & Liability Committee (ALCO)	Chief Executive Officer Chief Financial Officer Chief Risk Officer Chief Operating Officer Head of Treasury and Markets Head of Credit & Fixed Income Observers/invited participants: Chief Compliance Officer Head of Internal Audit Head of Corporate Banking and Wealth Management Head of Multinationals & Institutional Banking Dubai Branch Senior Executive Officer Operational Risk & Risk Control Manager Senior Manager, Finance Senior Assistant Manager, Regulatory Reporting Market Risk Analyst Other members of Treasury or the Bank by invitation	Manages the Bank's balance sheet within the defined risk appetite and risk/return preferences set by the Board. Provides the Bank with the ability to continuously assess current asset and liability management (ALM) direction, liquidity management and reporting and balance sheet structure.	Weekly

Committee	Members	Responsibilities	Frequency
Market Risk Committee (MRC)	Chief Executive Officer Chief Financial Officer Chief Risk Officer Chief Operating Officer Head of Treasury & Markets Head of Credit & Fixed Income Observers/invited participants: Chief Compliance Officer Head of Internal Audit Operational Risk & Risk Control Manager Senior Manager, Finance Senior Assistant Manager, Regulatory Reporting Market Risk Analyst Other members of Treasury or the Bank by invitation	Monitors the Bank's positions in terms of interest and exchange rates, assessing market volatility and key market trends. Reviews market risk strategy and sets key limits for all market risks for foreign exchange and other trading and the reporting thereof. The committee reports to ALCO.	Weekly
Management Credit Committee (MCC)	Chief Executive Officer Chief Risk Officer Chief Financial Officer General Counsel & Company Secretary Chief Operating Officer Head of Corporate Banking Observers: Manager, Credit Risk & Documentation Risk (by invitation)	Responsible for reviewing and approving all credit matters in line with the approved policies. Establish guidelines for pricing credit facilities and review portfolio diversification. All Credits approved to thereafter go to ZBPLC Global Credit Committee (GCC) and BRC (if applicable) for approval.	Weekly
Investment Committee	Chief Executive Officer Chief Financial Officer Chief Risk Officer General Counsel & Company Secretary Chief Operating Officer Head of Corporate Banking Head of Treasury & Markets Chief Compliance Officer Observers/invited participants: Head of Corporate Banking & Wealth Management Head of Multinationals & Institutional Banking	Responsible for keeping under review the Bank's overall investment/treasury strategy in respect of the Bank's Wealth Management business and recommending its approval to the Board as well as reviewing associated policies.	When required
New Products Committee (NPC)	Chief Executive Officer Chief Financial Officer Chief Risk Officer Chief Operating Officer General Counsel & Company Secretary Head of Internal Audit Chief Compliance Officer Head of Treasury & Markets Chief Information Officer	Approve plans for the introduction of new products and their implementation. Ensure that before new products, activities, processes, and systems are introduced or undertaken, the operational risk inherent in them is subject to adequate assessment procedures.	When required
Security Committee (SC)	Chief Executive Officer Chief Financial Officer Chief Risk Officer Chief Compliance Officer Chief Operating Officer Head of HR Chief Information Officer Head of Internal Audit Information Security Officer Observers/invited participants: IT Manager	Responsible for the virtual and physical security of the Bank's systems and infrastructure, including monitoring and audit of security.	Bi-Monthly or when required

Committee	Members	Responsibilities	Frequency
IT Steering Committee (ITSC)	Chief Executive Officer Chief Risk Officer Chief Financial Officer Chief Operating Officer Head of Operations Chief Information Officer Chief Compliance Officer Operational Risk & Risk Control Manager IT Manager Head of Internal Audit Information Security Officer	Approves IT plans, policies, and major IT expenditures and oversees all IT activities.	Bi-Monthly or when required
HR Committee (HRC)	Chief Executive Officer Chief Operating Officer Head of HR General Counsel & Company Secretary Chief Information Officer	Consider and recommend changes to existing HR policies, propose new HR policies. Provide the RAC with remuneration recommendations. Discuss any HR matters that need urgent consideration.	When required
Marketing Committee	Chief Executive Officer Head of Corporate Banking & Wealth Management Head of Multinationals & Institutional Banking Dubai Branch Senior Executive Officer Head of Treasury & Markets Marketing Communications Manager (by invitation) Observers/invited participants: Head of Trade Finance & Correspondent Banking Senior Relationship Managers	The Committee is responsible for planning, agreeing, and effecting a marketing plan to support the marketing and business strategies.	When required
Tenders Committee	Chief Executive Officer Chief Risk Officer Chief Operating Officer Chief Financial Officer Head of Internal Audit General Counsel & Company Secretary	To approve the List of Tenderers for contracts of up to a de minimis amount set out in its ToR, or such agreements which are deemed crucial to the operation of ZBUK and recommend to EXCO any such agreements above this level.	When required

The 'Senior Managers and Certification Regimes' (SMCR), was fully implemented in March 2016 and has enhanced individual responsibilities and accountabilities of the key functions of the Bank. Affecting both senior and junior employees, the regime stipulates expectations in terms of behaviour and duties and is formally acknowledged by all staff at least annually. In line with this, various responsibilities have been defined and allocated amongst several Committees and personnel.

3.4. Three Lines of Defence

ZBUK adopts a 'Three lines of Defence' model for risk management.

The Three Lines of Defence model enhances the understanding of risk management and control by clarifying roles and duties throughout the Bank. The model provides the structure and guidance for assigned roles and responsibilities of all functions to increase the effective management of risk and control.

The Board and senior management help ensure that the Three Lines of Defence model is reflected in the organisation's risk management and control processes.

First line – functions that own and manage risks

Business and functional owners have the full ownership, responsibility, and accountability for risks within their business and form the first line of defence. Staff are required to observe and operate within the Bank's risk appetite. The Bank deploys a tool, which provides early warning alerts in the form of Key Risk Indicators (KRIs) are reported frequently and established with appropriate risk tolerances designed to alert management to areas of emerging risk in the Bank's day-to-day activities.

The first line of defence is required to ensure all processes are appropriately documented and a Risk and Control Self-Assessment (RCSA) is completed on an ongoing basis and refreshed as processes change. Necessarily, controls need to be regularly dip-tested by Operational Risk for any inherent weakness.

Risk events are reported by staff across the Bank, including the first line of defence to Operational Risk as a part of a continual improvement cycle where matters are openly discussed, lessons learned, and controls are enhanced for both continuing efficiency and effectiveness improvements.

Second line – functions that oversee risks

The second line of defence supports the first line by establishing and / or monitoring the controls in the first line of defence, as well as assisting management in developing processes and controls to manage risks. It also supports policy development by defining roles, responsibilities and setting risk appetite and governance frameworks.

In fulfilling its oversight function, the second line of defence reports to management on the adequacy and effectiveness of the control framework through systematic testing, reviewing the accuracy and completeness of reporting, compliance with laws and regulation and the timely remediation of deficiencies.

Each second line function has some degree of independence from the first line of defence. However, they are by nature, management functions that may intervene directly and interact frequently in modifying and developing internal controls and risk systems thereby optimising synergies for positive change and learning.

Risk Function

The Risk Function is responsible for ensuring the stability of ZBUK's business activities and for ensuring that the Bank remains a going concern, which achieves sustainable profit through control over key risk factors. The production of a range of metrics is produced primarily to guide executive management by providing early warning indicators of areas of increased or emerging risk. The Board, BRC and senior management also receive various reports from Risk displaying the Bank's position and compliance with the requirements of existing and evolving regulation.

The Risk department is responsible for risks, stress scenarios, and recommends the risk appetite based on the Board's guidance. Subsequent monitoring of performance against risk appetite lies within Risk management. The Risk team reviews the capital and liquidity position reports produced daily by the Finance department and produces the ILAAP, ICAAP, Pillar III and Recovery and Resolution Plan documents. The Risk department oversees the functions of credit risk, market risk, liquidity risk, regulatory reporting risk, and operational risk. All these risks are monitored according to agreed policies and procedures. ZBUK has a Credit Risk Policy, a Market & Liquidity Risk Policy, a Regulatory Reporting Policy, and an Operational Risk Policy. These are comprehensively reviewed and updated every three years and refreshed annually as needed.

The system of internal control incorporates the identification and monitoring of risks using a risk register under the Operational Risk Policy, which includes the assessment and scoring of various risks within all departments in the Bank.

The CRO reports to the CEO and through the Chairman of the Board Risk Committee ultimately to the Board. The CRO works in conjunction with members of the Executive Committee.

Compliance function

The Bank's Compliance Function covers three key areas: regulatory compliance, financial crime compliance and data protection compliance. The Compliance Function is headed by the Chief Compliance Officer who is supported by the Money Laundering Reporting Officer (MLRO) Deputy Compliance Manager; the Deputy MLRO and Assistant Compliance Manager; and the Data Protection Officer (DPO) and Assistant Compliance Manager; and the wider Compliance team.

The overall role of the Bank's Compliance Function is to coordinate with other departments to achieve the following objectives:

- minimise the risk that the Bank's services are used to perpetrate financial crime
- ensure the protection and lawful processing of personal data
- ensure compliance with applicable regulations and standards

Third line – functions that provide independent assurance

Internal Audit is the Bank's third line of defence. Internal Audit provides the board and senior management with comprehensive assurance gained by its high level of independence and objectivity.

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve the Bank's operations. Internal Audit helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

This assurance is covering the effectiveness of the organisation's controls and processes, the reliability and integrity of its processes, compliance with laws, regulations, policies and contracts, all elements of the Enterprise Risk Management Framework.

The Head of Internal Audit reports to the Chairman of the Audit and Compliance Committee, whilst maintaining a dotted line to the CEO. Head of Internal Audit proposes an annual Internal Audit Plan to the Audit and Compliance Committee for approval. The annual Internal Audit Plan is risk based and prepared based on discussions held with senior management and the CEO.

External Audit

ZBUK's auditors for the year 2021 were PwC LLP. They were engaged to provide an opinion as to the truth and fairness of the Bank's financial statements. They also provide feedback directly to the Audit & Compliance Committee and the Board regarding the effectiveness of the Bank's system of the internal controls. The Bank has since appointed MHA MacIntyre Hudson LLP, a member of Baker Tilly International Limited, as the auditors for 2022.

3.5. Declaration on Adequacy of Risk Management Arrangements

The Bank's Board is satisfied that the risk management systems, processes which are in place are adequate given both size and complexity of the Bank.

4. Governance Arrangements

4.1. Board Directorships

ZBUK's directorships held by respective directors on 31st December 2021

Director Name	Role	Directorships
Jim Ovia	Chairman	4
Ebenezer Onyeagwu	Non-Executive Director	4
Jeffrey Efeyini	Non-Executive Director	2
David Somers	Non-Executive Director	3
Andrew Gamble	Non-Executive Director	5
Dokun Omidiora	Non-Executive Director	1
Udu Ovbiagele	Chief Executive Officer	1

4.2. Board Recruitment and Diversity Policies

Board, led by the Chairman, decide on its own recruitment needs and composition with the aims of:

- Maintaining a sufficient mix of independent NEDs to executives and ZPLC directors
- Ensuring a sufficient mix of knowledge, skills, and expertise.

In 2021 the composition changed, with the planned departure of the previous Chief Executive Officer (Pamela Yough), departure due to promotion of one of the Executive Directors (Henry Onwuzurigbo) to Chief Executive Officer of Zenith Ghana, and promotion of the other Executive Director (Udu Ovbiagele) to Chief Executive Officer of ZBUK. A decision was made to recruit for another independent NED in the form of Dokun Omidiora on 1st February 2022.

ZBUK is committed to the principle of equal opportunities in employment for all employees, which is equally applicable to the membership of the Board. The Remuneration and Appointments Committee has responsibility to consider and monitor how the Bank actively demonstrates promotion of diversity.

5. Principal Risk - Credit Risk

5.1. Definition – 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.

5.2. How Risks are Mitigated – Credit Risk

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 to analyse and rate counterparty risks to which the Bank is exposed.

The analysis and internal scorecards produced for the Credit committee give an indication of 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.

The Bank's Credit Risk assessment process complies with the credit policy as approved by the Board. Approval delegations are determined by the Bank's Board.

Three distinct levels of review and approval process exist at the Bank, Group and Board levels, respectively.

5.3. Hedging and Mitigating Risk – Credit Risk

Where the Bank uses credit risk mitigation techniques, it often takes guarantees / Letters of Credit provided by investment-grade financial institutions or cash collateral.

The Bank aims to avoid credit risk concentrations beyond Board approved risk appetite, considering concentration risk in pillar 2 assessments at a counterparty, industry, and country level so that the Bank's capital is appropriately diversified.

5.4. Provisioning

The Bank's credit portfolio and other assets are subject to regular comprehensive impairment review. Finance and Risk determine any deterioration in credit quality and value, this will then be agreed and approved by the Management Credit Committee. Impairment provisions are assessed in line with IFRS 9 requirements and are based on the Expected Credit Loss model.

The accounting policies and practices of the Bank, including Loan Loss Provisions (LLP) and other major judgement areas are recommended by the Audit and Compliance Committee for approval by the Board.

All credit facilities are classified into performing and non-performing categories. A credit facility is non-performing (NPL) when payment of interest or principal is past due by 90 days or more. Non-performing and overdue loans are managed under the Bank's policies for such accounts and are monitored daily by Risk Management. The status of all overdue and non-performing accounts is reported to the Management Credit Committee monthly, with a quarterly report being provided to the Board Risk Committee.

On 31 December 2021, ZBUK had no non-performing loans (2020: Nil)

5.5. Collateral

Collateral accepted by the Bank includes Cash, Marketable Securities, Property and Vessels.

The Bank has adequate processes and procedures in place to identify at any point what assets are held as collateral. If due to market volatility the value of underlying assets has declined, additional security would generally be requested from the borrower. Alternatively, credit exposures and / or loan conditions would be renegotiated.

The valuation of real property and vessels to determine their value for security purposes is carried out by independent registered valuers selected from a panel of valuers approved by the Bank.

5.6. Additional Analysis

The ARA includes additional analysis on credit risk management as presented below:

Topic	ARA page
Commitments and contingencies	55
Expected Credit Loss (ECL)	62-64, 69-71
Collateral analysis	65
Sectoral breakdown of loans and advances	62, 68
Country risk breakdown	66
Credit Quality Step (CQS) breakdown	67
Capital resources	76
Share capital	77

6. Principal Risk - Liquidity Risk

6.1. Definition – Liquidity Risk

The risk that the Bank could encounter difficulty in realising assets or otherwise raising funds to meet commitments associated with its liabilities or other financial obligations.

6.2. How Risks are Mitigated – Liquidity Risk

A range of daily, monthly, quarterly, and annual approaches are used to monitor, report on and conduct stress tests on the Bank's liquidity position. The Bank's Risk department and ALCO review daily reports on liquidity, and take appropriate actions where required, including escalating to the Board Risk Committee where necessary.

6.3. Hedging and Mitigating Risk – Liquidity Risk

The Bank follows the Individual Liquidity Adequacy Assessment (ILAA) part of the PRA rulebook in stress testing both liquidity and funding needs under a range of severe but plausible scenarios. A Contingency Funding Plan (CFP) is included within the Recovery Plan (RP). The ZBUK Board signs off on annual assessments to attest that the Bank has sufficient funding and liquidity resources.

In addition to extremely High-Quality Liquid Assets (HQLA) in the form of US treasury bills and UK gilts, the Bank maintains nostro balances, invests in short term money market deposits and has non-HQLA bonds available for sale (AFS). This mix of liquid assets provides readily available cash, along with both saleable and repo-able bonds to meet outflow needs.

Periodic 'fire drill' tests of recovery plans are performed to ensure plans are appropriate and staff are prepared to activate them if the need arises.

6.4. Additional Analysis

The ARA includes additional analysis on liquidity risk management that includes a maturity gap of the Bank's cashflow on pages 72-73.

7. Principal Risk - Market Risk

7.1. Definition – 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.

7.2. How Risks are Mitigated – Market Risk

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.

Positions are closely monitored against Board approved limits within MRC and ALCO.

7.3. Hedging and Mitigating Risk – Market Risk

The weekly Market Risk Committee reports to the weekly ALCO that follows immediately after. ALCO further considers market risks to the whole banking book.

Interest rate risk in the banking book (IRRBB)

Interest rate risk is the risk that arises due to the possibility of a change in rates, and how that impacts on the pricing structure of the Bank's assets and liabilities. The Bank's ALCO meets weekly to monitor changes in interest rates in various currencies arising from gaps in the future dates of the repricing of assets, liabilities, and derivative instruments.

Interest rate risk is not actively hedged at present and, as such, the Bank voluntarily disclosed the quantum of this risk in the Pillar 3 document. Following Board approval on a new capital investment strategy (to invest capital evenly over a five-year period in fixed rate loans and bonds), the Bank plans to allocate capital (currently excluded from the Economic Value of Equity method) to these time buckets and reflect that in interest rate risk reports and assessments from 31st December 2022.

Foreign Exchange (FX) Risk

The Bank's functional and reporting currency is the US dollar (US$), with Sterling (GB£) and Euros (EU€) as the other main currencies. On 31st December 2021, US dollars accounted for 81.4% (2020: 74.3%) of the Bank's liabilities balance sheet. Other currencies of significant size include GBP 13.3% (2020 20.9%) and EUR 4.3% (2020 4.1%) and 1.0% (2020 0.70%) in other currencies. The foreign currency position is managed by the Bank's Treasury Department which operates within defined foreign exchange limits set by the Board and monitored by ALCO. Customer positions are usually matched with the market, with deals agreed and then covered before execution. The overall position is monitored by the Risk Management department throughout the day.

7.4. Trading Book

The Bank maintains a 'small trading book' (current Risk Appetite limits are well within CRR article 94 requirements of under 5% of total assets and under GBP 44m).

The book consists of financial instruments (as of 31st December 2021 this was just bonds) held with trading intent to make profits and to have a limited stock of bonds.

The Risk department monitors and reports on these positions daily against agreed limits and the weekly Market Risk Committee oversees the Bank's trading book performance as part of its terms of reference.

7.5. Pre-Settlement Risk

The Bank settles bonds under English law and on a 'delivery versus payment' (DVP) basis, meaning cash and bond ownership are only exchanged simultaneously. While this enforces clearing at the agreed trade price, it does not prevent possible instances of 'delayed settlement' and consequently the 'pre-settlement risk' of a counterparty not proceeding with the trade and requiring the Bank to close out its position (at prevailing market rates).

The Bank adopted a risk-based approach to establishing settlement limits with counterparties based on factors that include the size of their balance sheet or assets under management, and their jurisdiction. Where applicable delayed settlements are monitored daily, and counterparty limits temporarily adjusted by any unsettled amount to further limit this risk.

7.6. Interest Rate Risk (EVE calculation)

The Bank considers IRRBB from a Net Interest Income (NII) perspective in the ICAAP and in financial plans, adjusting income for changes to interest rates. The Bank's capital risk of IRRBB is assessed in a quarterly regulatory return that models two parallel 200-basis point increase and reduction in interest rates for all exposures. This is reported with the impact of four other scenarios as presented in the ICAA section of the PRA rulebook.

The impact of these six shocks on the 31st of December 2021 and 31st December 2020 balance sheets from an EVE basis is as follows:

In reporting currency	ΔEVE	
Period	31st December 2021 US$	31st December 2020 US$
Parallel shock up	(33,323) k	(18,823) k
Parallel shock down	36,560 k	20,828 k
Steepener shock	3,017 k	979 k
Flattener shock	(10,503) k	(5,161) k
Short rates shock up	(23,380) k	(12,604) k
Short rates shock down	24,632 k	13,208 k
Maximum	(33,323) k	(18,823) k

7.7. Additional Analysis

The ARA includes additional analysis on market risk management as indicated below:

Topic	Area	ARA page
Repurchase agreements	Mkt risk	53
Assets and liabilities by currency	Mkt risk	74
Interest repricing risk gap	Mkt risk	75

8. Principal Risk - Operational Risk

8.1. Definition – Operational Risk

The risk of loss resulting from inadequate or failed internal processes, human behaviour, and systems, or from external events.

8.2. How Risks are Mitigated – Operational Risk

Operational Risk is managed by all employees and departments and is controlled through individual accountability.

The Directors manage the Bank's Operational Risks by establishing operational procedures and internal controls that include mitigating activities designed to identify and control risk at each business or operational process level.

The Operational Risk sub-function within the Risk Management function regularly tests the environment and supports staff across the Bank to ensure the framework is operating effectively.

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, information is reliable, timely and complete and the Bank is compliant with all applicable laws and regulations.

The Bank maintains an operational risk policy and further mitigates risk by:

- recruiting experienced professional and well qualified staff.
- engaging in on-going consultation with risk management experts to ensure processes remain robust.

At least annually, the Bank's High Level Risk Register is reviewed and challenged by all departments. It is the basis for effectiveness of controls.

8.3. Hedging and Mitigating Risk – Operational Risk

The Bank's aim is to minimise operational risk in a cost-effective way, setting Board-approved Risk Appetite Statement limits, ensuring internal policies and processes support this, and monitoring a range of Key Risk Indicators (KRIs) as early warning detection signals.

The Bank has an Operational Risk policy which sets out ZBUKs approach to identifying, assessing, managing, reporting, and resolving the operational risk inherent in all products, activities, processes, and systems across the firm.

The Operational Risk management framework utilises risk events and the Risk and Control Self-Assessments (RCSAs) to record all identified controls, control gaps, root causes, agreed-upon responses and required actions. Other key operational risk mitigants include:

- Procedure documents,
- staff supervision, coaching discussions and regular staff training and online tests,
- monitoring of customer and employee activity,
- internal audits,
- weekly and monthly KRIs to EXCO including customer complaints,
- Compliance department sample checks calls each week to ensure there is no miss-selling; and
- Risk Events and both the actions and remediation arising from them.

8.4. Regulatory and Conduct Risk

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 malpractice.
- Poor customer service.
- Lack of effective Board engagement or oversight.
- Staff non-adherence to the company'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 audit all serve the Bank to ensure activities are monitored appropriately. Controls are installed and tested frequently. This includes 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 Executive and Board information and appropriate action.

Training covering a wide range of conduct and regulatory matters is organised for staff on a regular basis with online tests to check understanding throughout the year.

The Bank's Compliance Department monitors customer complaints and conflicts of interest.

The Board and the Executive Management receive regular updates from the Compliance Department regarding regulatory changes that are relevant to the Bank.

The Bank's Internal Audit function provides assurance to the Board and Executive Management regarding the effectiveness of governance, risk management and control over the Bank's business operations and regulatory compliance in response to current and emerging risks.

8.5. Compliance Risk

This is the risk that the Bank or any 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 Department and reports its findings to the Board and Executive Management.

8.6. Cybercrime Risk

Cybercrime is any technology-based activity, which defrauds clients, distributes illicit material, or compromises the Bank's computers or networks. It includes financial theft, data theft, denial of service, social engineering, takeover fraud, and reputational compromise. Ultimately it crystalises as the risk of financial loss, disruption, or damage to the reputation of the Bank because of a premeditated attack on information technology systems (either directly or via staff or customers).

The overarching approach is one of industry best practice:

- The Bank has achieved, and is regularly audited, against ISO27001 standards,
- The Chief Information Officer is a qualified security expert and supported by a well-trained IT team and the Group Information Security Team,
- Information and cybersecurity knowledge is freely shared between ZBPLC and the Bank leverages ZBPLC's expertise and support.

The Bank has a 'Security Awareness Program' for staff:

- Beginning with mandatory induction and at least annual cybersecurity awareness training sessions,
- Quarterly online training and testing are performed to check understanding of threats and processes,
- Regular awareness campaigns are publicised in internal posters, intranet, and emails,
- Topical weekly cyber awareness emails are circulated to staff.

Compliance, and the Bank's Data Security Officer, support IT in data protection:

- In line with internal policies, all data is appropriately classified,
- Email encryption is employed to protect sensitive and confidential information,
- The Bank has tools and processes to protect against data exfiltration and other data losses.

While the Bank only has a small retail presence, it strives to robustly protect customers and their funds:

- Brand monitoring detects, tracks, and shuts down potential spoofing sites pretending to be ZBUK,
- Two-factor authentication is employed for all online customer logons,
- 24-hour support is available to respond quickly to disable lost or stolen debit cards.

A range of prevention and mitigation measures further protect the Bank's data and systems:

- Servers are partitioned and individual staff only given access and permissions relevant to their roles,
- Internet 'firewalls' are employed and tested by periodic internal and external penetration tests and vulnerability assessments,
- Data is regularly backed up and securely stored at a secondary location,
- IT regularly monitors for and applies appropriate software updates and patches against vulnerabilities.

9. Other Risks

9.1. Environmental risk

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 our carbon footprint while adopting measures to reduce our greenhouse gas emissions (GHG). We are confident in reporting a material reduction in GHG emission contributions on account of the material reduction of international travel because of pandemic-imposed restrictions to travel. Changes to the way we work have led to a major shift in operating practices and a more widely accepted use of technology and video conferencing to get the Bank's business done without the need for unnecessary travel. As a result, we expect to see reduced travel related GHG emissions in future years.

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 1yr and as a result, the immediate financial risk arising from climate and environmental impact is 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.

In response to Supervisory Statement SS3/19 the Bank is evolving its approach and has met the PRA's requirements in relation to managing climate related financial risks by the end of 2021.

As we develop a deeper understanding of our client exposures to climate related financial risks, appropriate stress testing will naturally follow, all of which supports the objectives of regulation and the spirit of the Supervisory Statement.

9.2. Climate Change

Zenith Bank (UK) Limited has made progress in the last year developing a greater understanding of the impact of climate change on both its customers and operations, including the underlying financial risks this entails through its assessment of Climate Related Financial Risks (CRFR).

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.

ZBPLC is a founding signatory to the United Nations Environment Programme Finance Initiative (UNEP FI), Principles for Responsible Banking. Guided by UNEP FI, Nigerian Sustainable Banking Principles (NSBP) of the Central Bank of Nigeria (CBN) and the United Nations Global Compact (UNGC) Principles, ZBPLC and its ZUBK subsidiary are committed to ensuring that the environmental, social, and economic impacts of offerings are carefully considered to obliterate or minimise negative outcomes.

The ARA includes additional detail on the Bank's governance and strategy for climate issues and a fuller explanation on the Bank's approach to assessing climate change in both new credit proposals and reviews of existing client relationships on pages 17-18.

10. Key Metrics

A table of relevant key risk metrics is provided as follows to evidence the Bank remains both well capitalised and very liquid:

	31st December 2021	31st December 2020
Available own funds (amounts)		
Common Equity Tier 1 (CET1) capital	US$ 281,088 k	US$ 280,619 k
Tier 1 capital	US$ 281,088 k	US$ 280,619 k
Total capital	US$ 281,088 k	US$ 280,619 k
Risk-weighted exposure amount		
Total risk-weighted exposure amount	US$ 1,352,803 k	US$ 991,779 k
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	20.78%	28.29%
Tier 1 ratio (%)	20.78%	28.29%
Total capital ratio (%)	20.78%	28.29%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
Total SREP own funds requirements (%)	12.89%	12.89%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
Capital conservation buffer (%)	2.50%	2.50%
Institution specific countercyclical capital buffer (%)	0.00%	0.00%
Combined buffer requirement (%)	2.50%	2.50%
Overall capital requirement (%)	15.39%	15.39%
CET1 available after the total SREP own funds requirements (%)	5.39%	12.90%
Leverage ratio		
Total exposure measure excluding claims on central banks	US$ 3,219,954 k	US$ 2,483,697 k
Leverage ratio excluding claims on central banks (%)	8.36%	10.68%
Liquidity Coverage Ratio		
Total high-quality liquid assets (HQLA) (Weighted value)	US$ 932,821 k	US$ 782,801 k
Cash outflows - Total weighted value	US$ 1,350,918 k	US$ 719,583 k
Cash inflows - Total weighted value	US$ 1,022,071 k	US$ 818,015 k
Total net cash outflows (adjusted value)	US$ 337,730 k	US$ 179,896 k
Liquidity coverage ratio (%)	276%	435%

Capital ratio has reduced in response to the Bank's lending in the year and remains well above regulatory limits. Liquidity, both over the 30-day LCR stress period and beyond out to a one-year horizon, are within regulatory and internal risk appetite limits respectively.

From 1st January 2022 the new UK Net Stable Funding Ratio (NSFR) was adopted and will be shown in the next Pillar 3 disclosure. ZBUK has been complying with previous NSFRs and has implemented currency level limits to ensure sources of stable funding in significant currencies is appropriate to funding requirements.

11. ICAAP Information.

ZBUK measures and manages its capital daily. Regulatory Capital includes Pillar 1 and Pillar 2A requirements. Pillar 2A Capital covers all material risks not assessed in Pillar 1.

ZBUK undertakes an annual Internal Capital Adequacy Assessment Process (ICAAP) both under business-as-usual (BAU) over the strategic plan and incorporating several stress scenarios. The ICAAP is formally presented to the Board of Directors for review, challenge, and approval prior to being submitted to the PRA.

The ICAAP formally considers Pillar 2A risks that are not fully captured under Pillar 1. For ZBUK these are:

Credit risk:
The Bank applies the Standardised Approach (SA) for Pillar 1 credit risk. As such, it assesses its exposures against a set of Internal Rating Based (IRB) risk-weight benchmarks in Pillar 2A to identify whether additional capital requirements are merited.

Concentration risk:
The Bank considers the degree of diversification of lending under the lenses of country (geographic), industry (sector) and individual counterparty (single name) concentrations. The Bank uses the Herfindahl-Hirschman Index (HHI) - a common measure of market concentration - to assess an add-on.

Market risk:
Pillar 1 calculations for foreign exchange risk and Credit Valuation Adjustment (CVA) in the form of a prudent adjustment to fair valued instruments are unchanged. Interest Rate Risk in the Banking Book is not fully considered in Pillar 1, so the Bank has applied the EVE method covered in section 7.6 to assess the capital required to absorb the modelled shocks.

Operational risk:
The Bank applies the Basic Indicator Approach (BIA) for Pillar 1, calculating an operational loss relative to the average of the last three year's operating income. An independent Pillar 2A assessment is made based on the Risk Control Self-Assessments and the High-Level Risk Register to quantify the impact of plausible net operational losses that the Bank could be exposed to. The higher of the two calculations is applied.

All details on the constituent parts of the Pillar 2A assessment are confidential. The Bank's) Capital Requirement Ratio (of Pillar 1 and Pillar 2A) of 12.89% per the Supervisory Review and Evaluation Process (SREP).

The ICAAP additionally considers a further Pillar 2B buffer (the PRA buffer) to cover modelled stress scenario impacts. The Bank considers a range of stresses and agrees an appropriate buffer, which is not publicly disclosed.

11.1. Composition of Regulatory Own Funds

The following table shows the composition of the Bank's regulatory own funds on 31st December 2021, with 31st December 2020 added for comparison purposes. Figures reflect audited retained earnings and reserves.

	31st December 2021 US$	31st December 2020 US$
Common Equity Tier 1 (CET1) capital: Instruments and reserves		
Capital instruments and the related share premium accounts	136,702 k	136,702 k
Retained earnings	137,088 k	134,640 k
Accumulated other comprehensive income (and other reserves)	544 k	4,232 k
Common Equity Tier 1 (CET1) before regulatory adjustments	274,334 k	275,574 k
Common Equity Tier 1 (CET1) Regulatory adjustments		
Additional value adjustments	(1,300) k	(996) k
Intangible assets (net of related tax liability)	(1,046) k	(1,395) k
Deferred tax assets that rely on future profitability excluding those arising from temporary differences *	-	-
Other regulatory adjustments to CET1 capital**	9,100 k	7,436 k
Total regulatory adjustments to Common Equity Tier 1 (CET1)	6,754 k	5,045 k
Common Equity Tier 1 (CET1) capital	**281,088 k**	**280,619 k**
Tier 1 capital (T1 = CET1 + AT1)	**281,088 k**	**280,619 k**
Total capital (TC = T1 + T2)	**281,088 k**	**280,619 k**

* The Bank had US$202k deferred tax assets that rely on future profitability and arise from temporary differences. These were not reportable as deductions to CET1 and as such, were risk weighted at 250%
** The other regulatory adjustments to CET1 shown above are purely IFRS9 transitional adjustments.

The Bank's entire capital base qualifies as Common Equity Tier 1 capital (CET1) which consists of fully issued ordinary shares and audited reserves. The Bank currently has no Additional Tier 1 (AT1), Tier 2 or Tier 3 Capital.

The Bank reports as a solo UK institution and has no consolidation adjustments.

11.2. Overview of risk weighted exposure and own funds requirements

The following table shows the risk weighted exposures by risk type under Pillar 1 for both periods, and the own funds requirements for 31st December 2021.

	Risk Weighted Exposure Amounts (RWEAs)		Total Own Funds Requirements
	31st December 2021 US$	31st December 2020 US$	31st December 2021 US$
Credit Risk *	1,242,586k	888,907k	99,407k
Of which the standardised approach	1,242,586k	888,907k	99,407k
Credit Valuation Adjustment – CVA	4,500k	3,617k	360k
Settlement Risk **	-	-	-
Position, foreign exchange, and commodities risks (Market risk)	7,485k	6,955k	599k
Of which the standardised approach	7,485k	6,955k	599k
Operational Risk	98,232k	92,300k	7,859k
Of which the basic indicator approach	98,232k	92,300k	7,859k
Total	**1,352,803k**	**991,779k**	**108,224k**

* CVA has been separately shown and other Counterparty Credit Risk (CCR) is less than 1% of total Credit Risk so has not been split on materiality grounds.
** The Bank is monitoring settlement risk in the form of unsettled bond trades and has limits in place per section 7.5 above, but amounts are immaterial for capital reporting.

12. Remuneration

12.1. Remuneration and Appointments Committee

The Bank has a robust governance framework with an independent Remuneration & Appointments Committee (RAC) which reviews all compensation decisions. Following the appointment of Dokun Omidiora on 1st February 2022 it now consists of three Independent Non-Executive Directors and two Non-Executive Directors, one of whom chairs the Committee. The Chief Executive Officer, Head of Human Resources and the General Counsel attend the committee meetings and have the right to speak, but do not vote.

The RAC is responsible for the Bank's remuneration structures, and practices, giving attention to:

- Reward strategies and remuneration to enable the Bank to attract, motivate and retain high-calibre people at all levels within the organisation.
- Ensure that remuneration designs motivate strong and sustained performance in teams, but also promote risk management in line with the Bank's stated strategy and risk tolerance.
- Consider the appropriate balance between fixed and variable pay for all employees, depending on seniority and roles, and particularly within risk and control areas; and
- Ensures that transparency on remuneration designs and processes is maintained with employees and the Bank's shareholder.

Members of RAC have unrestricted access to all information that will enable them independent judgements of the possible effects that remuneration has on compliance with risk and regulatory controls across the Bank.

Within such guidelines and financial parameters as may be set by the Board and giving due regard to the FCA's Remuneration Code and associated guidance, the RAC considers and recommends to the Board approval of:

- the appointment of each Executive Director and their individual remuneration packages (including any individual performance-related bonus scheme).
- departmental and Bank-level incentive schemes.
- the policy for, and scope of, pension arrangements.
- compensation payments for loss of office and severance payments for senior management.
- the terms and conditions of the contracts for Non-Executive Directors.

RAC also recommends and monitors the level and structure of remuneration for senior management and advises on any major changes to the employee benefit structures in the Bank.

During 2021, the RAC met 4 times.

12.2. Decision Making Process

The RAC reviews on an on-going basis the appropriateness and relevance of the remuneration of the senior management of the Bank. In discharging its responsibilities above, the RAC consults the CEO on matters affecting senior management.

12.3. Design Characteristics of the Remuneration Practice

The Bank's remuneration practices are designed to support strategy and promote long-term sustainable success. Executive remuneration is aligned to the Bank's mission, values and is clearly linked to the successful delivery of the Bank's long-term strategy.

The following current and future risk considerations are part of the decision-making process:

- When determining executive director remuneration practices, consider the FCA's Remuneration Code requirements for clarity, simplicity, risk mitigation, predictability, proportionality, and alignment to culture.

- In determining remuneration practice, consider all other factors which it deems necessary including relevant legal and regulatory requirements, the provisions and recommendations of the Code and associated guidance. The objective of such practice shall be to attract, retain and motivate executive management of the quality required to run the company successfully without paying more than is necessary, having regard to views of shareholders and other stakeholders.
- Review the ongoing appropriateness and relevance of the remuneration practice.

12.4. Assessment of Staff whose Professional Activities have a Material Impact on the Bank's Risk Profile

In addition to Senior Managers (SMF holders) and Notified NEDs (i.e., other directors who are not required to be SMF holders), the Bank has an additional category of staff whose professional activities have a material impact on the Bank's risk profile. These are classified as Certified Persons.

Certified Persons are determined based on the following criteria:

- FCA Specified Functions in SYSC 27.7.3 (one of these "Material Risk Taker" is based on the EU criteria in the Material Risk Takers Regulation -which includes a series of quantitative and qualitative criteria)
- PRA Material Risk Takers Rules in section 3 or the Remuneration Part of the PRA Rulebook

The above criteria allow for discretion on the Bank's part in terms of either adding additional staff (who do not otherwise meet one of the specified criteria but who are still considered to have a material impact on the Bank's risk profile) and removing staff (who meet one of the specified criteria but who are notwithstanding not considered to have a material impact on the Bank's risk profile).

12.5. Link between pay and performance

The Bank pays fixed salaries and other benefits (such as pension contributions and healthcare).

Discretionary payments, in the form of cash bonuses, are paid based on the individual's performance against agreed annual objectives and measures. For senior staff annual incentive awards are linked to Key Performance Areas (KPAs) and the available incentive 'pot' or 'pool' is influenced by the Bank's profitability.
The Bank is classified as a 'small CRR firm' and benefited from the derogation in the PRA Rulebook remuneration section 5.3 in 2021, specifically the Bank paid bonuses in cash and was permitted not to pay a portion in shares or defer elements.

12.6. Remuneration in 2021

The table below provides a split of remuneration awarded for the financial year to Senior Managers and Certified Person Regime (SMCR) staff:

		Board (Supervisory)	Other Senior Management (including Board Management)	Other Identified Staff
Fixed	Number of identified staff	5*	10	50
	Total fixed remuneration	US$ 336k	US$ 2,460k	US$ 4,784k
Variable	Number of identified staff (FTE)		9	48
	Total variable remuneration		US$ 447k	US$ 567k
Total remuneration		US$ 336k	US$ 2,906k	US$ 5,351k

* Number of Board members are disclosed on a headcount basis, while other columns are on an FTE basis. All remuneration figures relate to staff in the period, including any that left in the year.

For this disclosure:

- The "Board (supervisory)" are the Chairman and all NEDs; "Board (management)" (meaning the CEO and Executive Directors) have been merged with "other senior management" and "other identified staff" are the certified persons.
- Fixed remuneration is pay, pension and other benefits.

- Variable renumeration is cash bonuses.
- Severance payments are not included and are disclosed separately below.
- All amounts are paid in GB£ and a simple translation to US$ using 31DEC21 rate has been made.

From the table above the ratio of fixed to variable remuneration for SMCR staff is 22:3 (88% fixed versus 12% variable)

No guaranteed variable remuneration rewards were made in 2021.

Two severance payments were awarded and paid in 2021, the total amount paid was less than 3% of Personnel Expenses from the Statement of Comprehensive Income in the ARA.

No deferred payments were made in 2021.

No person was paid more than EU€ 1,000 k in 2021.

Additional information on remuneration for Senior Managers and all personnel is on page 46 of the ARA.

13. Glossary of Acronyms

Listed below are the key terms and acronyms used in this document:

ACC	Audit & Compliance Committee
AFS	Available for Sale
ALCO	Assets and Liabilities Committee
ARA	Annual Report and Accounts
AT1	Additional Tier 1 [Capital]
BAU	Business-As-Usual
BIA	Basic Indicator Approach
BoE	Bank of England
BRC	Board Risk Committee
CBN	Central Bank of Nigeria
CCO	Chief Compliance Officer
CEO	Chief Executive Officer
CET1	Core Equity Tier 1
CFO	Chief Financial Officer
CFP	Contingency Funding Plan.
COO	Chief Operating Officer
CQS	Credit Quality Step
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation.
CVA	Credit Valuation Adjustment
DFSA	Dubai International Financial Centre
DIFC	Dubai Financial Services Authority
DPO	Data Protection Officer
DVP	Delivery Versus Payment
ECL	Expected Credit Loss
EU€	Euro (currency)
EVE	Economic Value of Equity
EXCO	Executive Committee
FCA	Financial Conduct Authority.
FI	Financial Institution
FTE	Full Time Equivalent
FX	Foreign Exchange
GB£	[Great] British Pound Sterling (Currency)
GHG	Greenhouse Gas (mainly carbon dioxide, methane, and nitrous oxide)
HHI	Herfindahl-Hirschman Index
HNI	High-Net worth Individual
HQLA	High Quality Liquid Assets
HRC	Human Resources Committee
ICAA	Internal Capital Adequacy Assessment
ICAAP	Internal Capital Adequacy Assessment Process.
ILAAP	Internal Liquidity Adequacy Assessment Process.
IRB	Internal Rating Based
IRRBB	Interest Rate Risk in the Banking Book
ITSC	Information Technology Steering Committee
KPA	Key Performance Area
KRI	Key Risk Indicator
LC	Letter of Credit
LCR	Liquidity Coverage Ratio
LLP	Limited Liability Partnership

MCC	Management Credit Committee
MDB	Multilateral Development Bank
MM	Money Market
MRC	Market Risk Committee
MLRO	Money Laundering Reporting Officer
NED	Non-Executive Director
NFC	Non-Financial Corporate
NGN	Nigerian Naira (currency)
NII	Net Interest Income
NPC	New Products Committee
NPL	Non-Performing Loan
NSBP	Nigerian Sustainable Banking Principles
NSFR	Net Stable Funding Ratio
OCR	Overall Capital Requirement (Pillar 1 + Pillar 2A + CCB but excluding PRA buffer)
P&L	Profit & Loss
PRA	Prudential Regulation Authority.
PwC LLP	Price Waterhouse Coopers Limited Liability Partnership (auditor)
RAC	Remuneration & Appointments Committee
RAS	Risk Appetite Statement
RCSA	Risk & Control Self-Assessment
RWEA	Risk Weighted Exposure Amount
SC	Security Committee
SMCR	Senior Managers and Certification Regime
SMF	Senior Management Function
SREP	Supervisory Review and Evaluation Process
SSA	Sub-Saharan Africa (not to be confused with above)
UBO	Ultimate Beneficial Owner
UNEP FI	United Nations Environment Programme Finance Initiative
UNGC	United Nations Global Compact
US$	United States Dollar (currency)
WM	Wealth Management
ZBPLC or Zenith Group	Zenith Bank Plc., Nigeria, Zenith Bank (UK)'s parent.
ZBUK	Zenith Bank (UK) Limited.

14. Notices

The disclosures herein are based on the Annual Report and Accounts of the Bank for the year ended 31 December 2021, as well as the latest ICAAP report, where more detailed information is available. The disclosures are subject to periodic review, update and audit and will reflect any changes or updates to the ICAAP.

The Pillar 3 disclosure has not been audited by the Bank's external auditors but is based on information in the ARA which is.

For further information on any aspect of this report please contact the Bank at info@zenith-bank.co.uk