ZENITH BANK (UK) LIMITED

PILLAR 3 DISCLOSURES FOR THE YEAR ENDED 31 DECEMBER 2023

Contents

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' 2023.

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

CRR	Pillar 3 disclosure	Pillar 3 section
431	Disclosure requirements and policies	1
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433	Frequency and scope of disclosures	1
433c	Disclosures by other institutions	Below
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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 has taken positive action to reduce Interest Rate Risk in the Banking Book (IRRBB) and decided to continue with an additional disclosure regarding IRRBB on an Economic Value of Equity (EVE) basis is merited 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 to continue disclosing.
- On 19th July 2023 the PRA consulted in CP14/23 regarding the removal of the Pillar 3 remuneration disclosures for 'small remuneration firms' that are not eligible for classification as a 'simpler-regime firms' (now 'Small Domestic Deposit Takers'). As the final policy statement has not yet been issued, the Bank has continued to provide these disclosures in a manner consistent with article 432.1.

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

It is the Bank's policy to ensure Pillar 3 disclosures are subject to the same level of internal review as the 'Annual Report'. This report has been validated by senior management and approved by the Bank's Board.

2. Business model

2.1. Who Zenith Bank (UK) Limited is.

ZBUK is an authorised institution under the Financial Services and Markets Act 2000 and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

ZBUK was incorporated in the United Kingdom on 17th February 2006. 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. (ZBPLC), a Bank incorporated in Nigeria.

The Bank received authorisation from the former Financial Services Authority as a wholesale bank licenced to accept deposits on 30 March 2007. On 15th July 2008, the Financial Services Authority granted a variation to the original permissions to include the provision of private banking and investment advice and services to retail customers, professional customers, and eligible counterparties.

2.2. Foreign Branches

The Bank has a branch in Dubai which is registered at Office 1303B, North Tower, Emirates Financial Towers, DIFC, Dubai, United Arab Emirates. The branch is regulated by the Dubai Financial Services Authority (DFSA).

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

2.3. ZBUK's Parent

Zenith Bank Plc. is one of the largest and most profitable banks in Nigeria providing 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 2023 ZBPLC had a shareholder base of 645,637 (2022: 645,562). On 31st December 2023, ZBPLC had shareholders' fund of NGN2.3tn (US$2.6bn equivalent) (2022: of NGN1.4tn, US$3.0bn equivalent).

2.4. Principal Activities

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

Target Markets	Service/ Business Lines
Zenith 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

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 Board convenes a Strategy Committee to discuss and make recommendations for the Board to then set the Bank's strategy for 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 to support long-term growth.
- 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.
- 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.

3. Risk Management Assessment

3.1. Principal Risks

The Bank's operating model supports it in managing risks associated with changes in the economic, political and market environment.

Each of the following risks have their own disclosure section: Credit, Liquidity, Market, Operational 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).

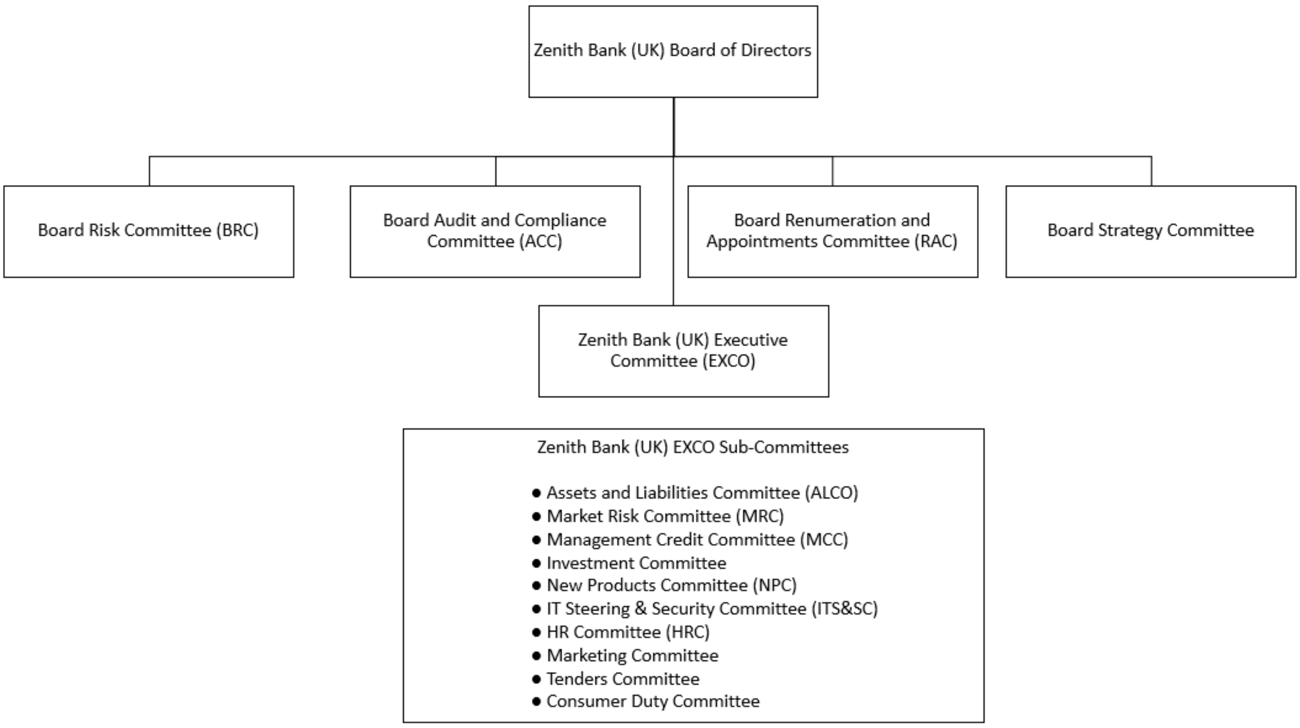
Should RAS limits be exceeded, the Bank has an escalation plan and may trigger the Recovery Plan and resultant activation of a range of robust recovery options to return metrics to order in response to different stress events.

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

As of 31st December 2023, the Board was composed of the Non-Executive Chair, five non-executive directors and the Chief Executive Officer. A sixth non-executive director was appointed on 30th January 2024 and one non-executive director departed on 31st March 2024. Board is named in section 4.1.

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	Responsibilities
Board Risk Committee (BRC)	The BRC supports the Board's Corporate Governance responsibilities concerning risk management. The Committee considers and recommends to the Board the Bank's Enterprise Risk Management Framework (ERMF) 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.
Board Audit & Compliance Committee (ACC)	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.
Board Remuneration & Appointments Committee (RAC)	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.
Board Strategy Committee	To review the business and operational strategy of ZBUK considering the results of capital planning (ICAAP).

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

Committee	Responsibilities
Executive Committee (EXCO)	A management decision making body that ensures the Bank is managed following the agreed strategy; and is managed in a sound, prudent and ethical manner. Sets the terms of reference for other management committees to which it has delegated specific responsibilities to,
Asset & Liability Committee (ALCO)	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.
Market Risk Committee (MRC)	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.
Management Credit Committee (MCC)	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.
Investment Committee	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.
New Products Committee (NPC)	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.
IT Steering & Security Committee (ITS&SC)	Approves IT plans, policies, and major IT expenditures and oversees all IT activities. Responsible for the virtual and physical security of the Bank’s systems and infrastructure, including monitoring and audit of security.
HR Committee (HRC)	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.
Marketing Committee	The Committee is responsible for planning, agreeing, and effecting a marketing plan to support the marketing and business strategies.
Tenders Committee	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.
Consumer Duty Committee	Formed to support the implementation and ongoing adherence to the Consumer Duty.

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. The regime applies to all employees and 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 early warning alerts in the form of Key Risk Indicators (KRIs), that 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.

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 and issues. 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.

Risk Function

The independent second line Risk function identifies, assesses, measures, mitigates, and reports risks, proffers risk mitigation solutions to protect ZBUK's business, and supports the first line in implementing programs for loss control. The CRO reports to the CEO and has access to the chair of the BRC supporting the prescribed responsibility to safeguard independence and provide oversight of the performance of the risk function. It can raise concerns and warn the management body, where appropriate, where specific risk developments affect or may affect the Bank.

A range of metrics is produced primarily to guide executive management by providing early warning indicators of areas of increased or emerging risk(s). The Board, BRC and senior management also receive various reports from the Risk function, which displays the Bank's position and compliance with the requirements of existing and evolving regulation.

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 important 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 covers 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.

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.

3.5. Declaration on Adequacy of Risk Management Arrangements

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

4. Governance Arrangements

4.1. Board Directorships

ZBUK's directorships held by respective directors on 31st December 2023.

Director Name	Role	Directorships
Jim Ovia	Chair SMF9	4
Ebenezer Onyeagwu	Non-Executive Director (NED) SMF7	4
Andrew Gamble	Independent Non-Executive Director SMF10	5
Alex Shapland	Independent Non-Executive Director	3
Andy Gregson	Independent Non-Executive Director SMF11	2
Dokun Omidiora	Independent Non-Executive Director SMF12	2
Udu Ovbiagele	Chief Executive Officer SMF1	1

ZBUK's directorships held by respective directors at time of publication of Pillar 3 disclosures:

Director Name	Role	Directorships
Jim Ovia	Chair SMF9	4
Ebenezer Onyeagwu	Non-Executive Director (NED) SMF7	4
Alex Shapland	Independent Non-Executive Director SMF10	3
Andy Gregson	Independent Non-Executive Director SMF11	2
Dokun Omidiora	Independent Non-Executive Director SMF12	2
Isla MacLeod	Independent Non-Executive Director	1
Udu Ovbiagele	Chief Executive Officer SMF1	1

4.2. Board Recruitment and Diversity Policies

The Board, led by the Chair, decides 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.

The following Board changes were made in 2023:

- Dokun Omidiora was appointed Chair of the Remuneration and Appointments committee on 26th October 2023.
- Andy Gregson was appointed to the Board as an independent NED and Chair of the Audit and Compliance Committee on 8th November 2023.
- David Somers retired from the Board on 28th November 2023.
- Jeffrey Efeyini retired from the Board on 30th November 2023.
- Alex Shapland was appointed to the Board as an independent NED on 22nd December 2023.

And the following Board changes were made prior to publication of Pillar 3 disclosures:

- Isla MacLeod was appointed to the Board as an independent NED on 30th January 2024.
- Andrew Gamble retired from the Board on 31st March 2024.
- Alex Shapland was appointed Chair of the Board Risk Committee on 8th April 2024.

ZBUK is committed to the principle of equal opportunities in employment for all employees. This principle is also applicable to the membership of the Board. The Remuneration and Appointments Committee (RAC) is responsible for considering and monitoring the Bank 's efforts in promoting diversity.

5. 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 risk 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

All credit and lending activities are governed by the Bank's Credit Risk 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 of the Bank's credit exposures. The team provides independent analysis of each client's business, financial, management and security risks in order to support Management Credit Committee decision making and ensure the accuracy of the ratings applied to the 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 (ECL) 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 approved by the Board.

Three distinct levels of review and approval exist at the Bank and Group levels for all credit requests and reviews. Additionally, Board approval is required for credit requests and reviews when obligor exposure reaches US$20m or more.

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 avoids 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. ZBUK's Finance and Risk departments identify any deterioration in credit quality and estimate the portfolio ECL monthly and additionally, on every proposal submitted to MCC. This is discussed at the Bank's Management Credit Committee (MCC). ECL allowances are assessed in line with International Financial Reporting Standard (IFRS) 9 requirements.

The accounting policies of the Bank, including those relating to Loan Loss Provisions (LLP) 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 interest or principal repayment becomes more than 90 days past due and/or if its credit ratings (internal and external) drop by a credit quality step (CQS) since its classification to Stage 2 (or if it suffers two successive CQS notch downgrades since its inception). Non-performing and overdue loans are managed under the Bank's credit policy for such accounts and are monitored daily by Credit 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.

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 the assets, which 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.

Valuation of real property and vessels to that are held as security against borrowing is undertaken by independent registered valuers, which are selected from a panel of valuers approved by the Bank.

5.6. Additional Analysis

The 'Annual Report' includes additional analysis on credit risk management as presented below:

Topic	'Annual Report' note
Commitments and contingencies	note 27
Expected Credit Loss (ECL)	note 29
Collateral analysis	note 29
Sectoral breakdown of loans and advances	note 29
Country risk breakdown	note 29
Credit Quality Step (CQS) breakdown	note 29
Capital resources	note 29
Share capital	note 30

6. 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

Daily stress tests are conducted on critical ratios of the Bank. A range of approaches are 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 escalating to the Board Risk Committee where necessary. Additionally, the Bank's Individual Liquidity Adequacy Assessment Process (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.

6.3. Hedging and Mitigating Risk – Liquidity Risk

A Contingency Funding Plan (CFP) is included in 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), the Bank maintains nostro balances, invests in short term money market deposits, and holds non-HQLA bonds available-for-sale (AFS). This mix of liquid assets provides readily available cash, along with both saleable and HTM bonds that can easily be repoed to meet outflow needs.

The Board requires management to maintain 100% of CBN balances available in cash or saleable HQLA, short term (under 7 days) money market deposits, and other Available for Sale (AFS).

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

6.4. Additional Analysis

The 'Annual Report' includes additional analysis on liquidity risk management that includes an undiscounted contractual cashflow maturity analysis of assets and liabilities in note 29.

7. 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.

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 approved limits are escalated to the BRC for resolution/discussion in accordance with a clear escalation policy with remediation plans provided by EXCO / ALCO as required.

7.3. Hedging and Mitigating Risk – Market Risk

The weekly Market Risk Committee reports to the weekly ALCO that follows immediately thereafter. ALCO then further considers those market risks with the whole of the 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.

The Bank's IRRBB Framework is based on the nine underlying Basel principles. The Board has approved a capital investment strategy to invest capital evenly over a five-year period in fixed rate loans and bonds. The PRA was engaged in advance of allocating capital (currently excluded from the Economic Value of Equity method) as approved by the Board and reflecting same 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$), while Sterling (GBP) and Euros (EUR) are recognised as the other main currencies.

On 31st December 2023, US$ accounted for 71.9% (2022: 78.9%) of the Bank's liabilities balance sheet. Other currencies of significant size include GBP 22.1% (2022 14.4%) and EUR 5.6% (2022 5.6%), with 0.4% (2022 1.1%) 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, monitored by Market Risk and MRC. Customer positions are usually matched with the market, with deals agreed and 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, which were entirely bonds at the reporting date, and which were held with trading intent to make profits.

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, which means that 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 thus requiring the Bank to close out its position (at prevailing market rates).

The Bank has 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. Applicable delayed settlements are monitored daily, and counterparty limits temporarily adjusted by any unsettled amount to further mitigate 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 and adjusts income for changes to interest rates. The Bank's capital risk of IRRBB is assessed in a quarterly regulatory return that models a parallel set of 200-basis point increase and reduction in interest rates for all exposures. This is reported with the impact of an additional four scenarios as presented in the ICAA section of the PRA rulebook and the table below.

The impact of these six shocks on the 31st of December 2023 and 31st December 2022 balance sheet from an EVE basis is as follows:

US$	Change in EVE	
	31st December 2023	31st December 2022
Parallel shock up	(1,878) k	(12,715) k
Parallel shock down	2,051 k	13,762 k
Steepener shock	824 k	3,030 k
Flattener shock	(1,226) k	(5,830) k
Short rates shock up	(1,911) k	(10,555) k
Short rates shock down	1,959 k	11,052 k
Maximum	**2,051 k**	**13,762 k**

7.7. Additional Analysis

The 'Annual Report' includes additional analysis on market risk management as indicated below:

Topic	'Annual Report' page
Repurchase agreements and other similar secured borrowing	note 23
Exchange rate risk	note 29
Interest rate risk repricing gap	note 29

8. 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 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. Weekly EXCO meetings discuss developments and emerging risks.

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 the 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.
- 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.

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.

9. Key Metrics

A table of relevant key risk metrics (UK KM1) is provided as follows to evidence the Bank remains both well capitalised and very liquid:

Available own funds (US$)	31st December 2023	31st December 2022
Common Equity Tier 1 (CET1) capital	338,086 k	290,721 k
Tier 1 capital	338,086 k	290,721 k
Total capital	338,086 k	290,721 k
Risk-weighted exposure amount		
Total risk-weighted exposure amount	1,167,888 k	1,125,146 k
Capital ratios (as a percentage of risk-weighted exposure amount)		
Common Equity Tier 1 ratio (%)	28.95%	25.84%
Tier 1 ratio (%)	28.95%	25.84%
Total capital ratio (%)	28.95%	25.84%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)		
Total SREP own funds requirements (%)	14.04%	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 (%)	0.47%	0.16%
Combined buffer requirement (%)	2.97%	2.66%
Overall capital requirement (%)	17.01%	15.55%
CET1 available after the total SREP own funds requirements (%)	14.91%	12.95%
Leverage ratio		
Total exposure measure excluding claims on central banks	2,872,422 k	3,409,175 k
Leverage ratio excluding claims on central banks (%)	9.76%	7.32%
Liquidity Coverage Ratio	Average of 2023	Average of 2022
Total high-quality liquid assets (HQLA) (Weighted value - average of last 12mths.)	1,147,653 k	1,227,530 k
Cash outflows – Total weighted value (average of last 12mths.)	838,802 k	1,075,133 k
Cash inflows – Total weighted value (average of last 12mths.)	469,155 k	726,923 k
Total net cash outflows (adjusted value)	369,648 k	348,210 k
Liquidity coverage ratio (%) *	310%	352%
Net Stable Funding Ratio (NSFR)	Average of 2023	Average of 2022
Total available stable funding (average of last 4 qtrs.)	1,066,880 k	912,816 k
Total required stable funding (average of last 4 qtrs.)	744,377 k	735,763 k
Net Stable Funding Ratio (%) *	143%	124%

**The LCR and NSFR ratios are calculated from the simple averages each year (e.g. NSFR average ratio is the average ASF US$1,066,880k / the average RSF US$744,377k = 143% rather than the average of the actual ratios).*

10. 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) through prudent adjustment to fair-valued instruments have been adopted as in previous years. Interest Rate Risk in the Banking Book is not fully considered in Pillar 1. As such, 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) was 14.04% from 28th March 2023, 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.

10.1. Composition of Regulatory Own Funds

The following table (UK CC1) shows the composition of the Bank's regulatory own funds on 31st December 2023, with 31st December 2022 shown for comparison purposes. Figures reflect audited retained earnings and reserves.

Common Equity Tier 1 (CET1) capital: Instruments and reserves	31st December 2023 US$	31st December 2022 US$
Capital instruments and the related share premium accounts	136,702 k	136,702 k
Retained earnings	203,826 k	166,589 k
Accumulated other comprehensive income (and other reserves)	(4,507) k	(15,886) k
Common Equity Tier 1 (CET1) before regulatory adjustments	336,021 k	287,405 k
Common Equity Tier 1 (CET1) Regulatory adjustments		
Additional value adjustments	(1,671) k	(1,814) k
Intangible assets (net of related tax liability)	(772) k	(994) k
Deferred tax assets that rely on future profitability excluding those arising from temporary differences *	-	-
Other regulatory adjustments to CET1 capital**	4,507 k	6,123 k
Total regulatory adjustments to Common Equity Tier 1 (CET1)	2,065 k	3,316 k
Common Equity Tier 1 (CET1) capital	**338,086 k**	**290,721 k**
Tier 1 capital (T1 = CET1 + AT1)	**338,086 k**	**290,721 k**
Total capital (TC = T1 + T2) * **	**338,086 k**	**290,721 k**
Total Risk exposure amount	**1,167,888 k**	**1,125,146 k**
Common Equity Tier 1 (as a percentage of total risk exposure amount)	28.95%	25.84%
Tier 1 (as a percentage of total risk exposure amount)	28.95%	25.84%
Total capital (as a percentage of total risk exposure amount)	28.95%	25.84%
Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	17.01%	15.55%
of which: capital conservation buffer requirement	2.50%	2.50%
of which: countercyclical buffer requirement	0.47%	0.16%
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	14.91%	12.95%

** The Bank had US$2,958k deferred tax assets (US$7,028k 2022) 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.*
**** No dividend has been proposed (US$17,600k 2022).*

The Bank's entire capital base qualifies as Common Equity Tier 1 capital (CET1) and consists of fully paid 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.

10.2. Overview of risk weighted exposure and own funds requirements

The following table (UK OV1) shows the risk weighted exposures by risk type under Pillar 1 for both periods, and the own funds requirements for 31st December 2023.

US$	Risk Weighted Exposure Amounts (RWEAs)		Total Own Funds Requirements
	31st December 2023	31st December 2022	31st December 2023
Credit Risk (excluding CCR)	1,003,271 k	939,921 k	80,262 k
Of which the standardised approach	1,003,271 k	939,921 k	80,262 k
Counterparty Credit Risk (CCR)	54,106 k	79,324 k	4,328 k
Of which the standardised approach	52,805 k	78,299 k	4,224 k
Of which Credit Valuation Adjustment – CVA	1,301 k	1,025 k	104 k
Settlement Risk *	-	-	-
Position, foreign exchange, and commodities risks (Market risk)	3,869 k	11,250 k	310 k
Of which the standardised approach	3,869 k	11,250 k	310 k
Operational Risk	106,641 k	94,651 k	8,531 k
Of which the basic indicator approach	106,641 k	94,651 k	8,531 k
Total	**1,167,888 k**	**1,125,146 k**	**93,431 k**

** The Bank monitors settlement risk through unsettled bond trades and has limits in place per section 7.5 above, but amounts are immaterial for capital reporting.*

11. Remuneration

11.1. Remuneration and Appointments Committee

The Bank has a robust governance framework with an independent Remuneration & Appointments Committee (RAC) which reviews all compensation decisions. Dokun Omidiora chairs the RAC, which consists of the other NEDs as voting members. 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 2023, the RAC met 4 times.

11.2. 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.

11.3. 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.

11.4. 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).

11.5. 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 made 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 remains such after the PS16/23[1] remuneration changes to enhance proportionality for small firms came into force on 8th December 2023. As such, ZBUK has continued to utilise the derogation in the PRA Rulebook remuneration section 5.3 in 2023, which permits the Bank to pay bonuses in cash and not to pay a portion in shares or to defer elements.

11.6. Materiality of remaining remuneration disclosures

On 19th July 2023, the PRA consulted in CP14/23 regarding the removal of the Pillar 3 renumeration disclosures for 'small remuneration firms' that are not eligible before classification under 'simpler-regime firms' (now 'Small Domestic Deposit Takers').

As the PRA have not yet issued a final policy statement formally removing the requirement to complete these tables, the Bank has continued to provide these disclosures, but in a manner consistent with article 432.1 to recognise the thrust of the consultation is declaring these as not material for firms like ZBUK.

11.7. Remuneration in 2023

In lieu of table (UK REM1) covering all Senior Managers and Certified Person Regime (SMCR) staff an abridged version is provided due to the non-material nature of this disclosure:

[1] PRA CP16/23 - https://www.bankofengland.co.uk/prudential-regulation/publication/2023/december/remuneration-enhancing-proportionality-for-small-firms-policy-statement

		Board (Supervisory)	Other Senior Management (including Board Management)
Fixed	Number of identified staff	6*	8
	Total fixed remuneration	US$ 524 k	US$ 1,422 k
Variable	Number of identified staff (FTE)		8
	Total variable remuneration		US$ 867 k
Total remuneration		US$ 524 k	US$ 2,289 k

** Number of Board members are disclosed on a headcount basis, while other Senior Management are on an FTE (Full-Time Equivalent) basis. All remuneration figures relate to staff in the period, including anyone who left the Bank in the year.*

For this disclosure:
- The "Board (Supervisory)" are the Chair and all NEDs.
- "Board (Management)" (meaning the CEO) has been merged with "other senior management;"
- "Other Identified Staff" (meaning certified persons) are not shown as such information is considered non-material.
- All amounts are paid in GBP and translated to US$ using 31st December 2023 spot rate.

From the table above, the ratio of fixed to variable remuneration for SMF staff has been calculated as 31:19 (62% fixed versus 38% variable)

No guaranteed variable remuneration rewards were made in 2023.

No severance payments were awarded in 2023 so table UK REM2 is nil.

No deferred payments were made in 2023 so table UK REM3 is nil.

No person was paid more than EUR 1m in 2023 so table UK REM4 is nil.

Additional information on remuneration for Senior Managers and all personnel is presented in note 7 and note 31 of the 'Annual Report'.

12. 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
ASF	Available Stable Funding
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
EUR	Euro (currency)
EVE	Economic Value of Equity
EXCO	Executive Committee
FCA	Financial Conduct Authority.
FI	Financial Institution
FTE	Full Time Equivalent
FX	Foreign Exchange
GBP	[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
MHA	MHA MacIntyre Hudson LLP, a member of Baker Tilly International Limited (auditor)
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.
RAC	Remuneration & Appointments Committee
RAS	Risk Appetite Statement
RCSA	Risk & Control Self-Assessment
RSF	Required Stable Funding
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
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 Plc	Zenith Bank Plc., Nigeria, Zenith Bank (UK)'s parent.
ZBUK	Zenith Bank (UK) Limited.

13. Notices

The disclosures herein are based on the Annual Report and Accounts of the Bank for the year ended 31 December 2023, 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 'Annual Report' which is.

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