2020 ANNUAL REPORT

Group Annual Report & Financial Statements

PEOPLE | TECHNOLOGY | SERVICE

*966#

EazyBanking

All You Need To Know

*966*0#	Create Mobile Wallet Open account for self Open account for 3rd Party Retrieve Account Number Reactivate Dormant Account
*966*77#	Register Wallet
*966*00#	Check your account balance
*966*911#	Stop Debit Transactions into your Account
*966*000#	Perform USSD on POS
*966*66#	Activate Agent Banking Activities
*966*60#	Reset Mobile Banking Password Reset Mobile Banking PIN Reset USSD (*966# EazyBanking) PIN New Card PIN Retrieval Block Card Select Preferred USSD Account to Debit Indemnity for Transactions Above ₦100,000
*966*Amount#	Buy airtime for self
*966*BVN#	Update BVN
*966*Amount* Mobile No.#	Buy airtime for others
*966*Amount* Account No.#	Transfer funds

2020 ANNUAL REPORT

Group Annual Report & Financial Statements

Contents

Strategic Report

01

1.	Directors, Officers And Professional Advisers	4
2.	Results at a Glance/Key Performance Indices	5
3.	Group Financial Highlights	6
4.	Corporate Profile & Strategy	9
5.	Notice of Annual General Meeting	21
6.	Chairman's Statement	24
7.	Chief Executive Officer's Review	30
8.	Board of Directors (in pictures)	34
9.	Directors' Report	42

Governance & Sustainability

02

10.	Statement of Corporate Responsibility	52
11.	Corporate Governance Report	53
12.	Statement of Directors' Responsibilities in Relation to the Financial Statements	69
13.	Report of the Audit Committee	70
14.	Independent Auditor's Report	71
15.	Sustainability Report	76
16.	Report to the Directors on the Outcome of the Board Evaluation	82

Financials

03

17.	Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income	84
18.	Consolidated and Separate Statements of Financial Position	85
19.	Consolidated and Separate Statement of Changes in Equity	86
20.	Consolidated and Separate Statements of Cash Flows	89
21.	Notes to the Consolidated and Separate Financial Statements	92

Other National Disclosures

04

22.	Value Added Statement	248
23.	Five Year Financial Summary	250
24.	Share Capital History	254
25.	Forms	255

01

Strategic Report

Directors, Officers And Professional Advisers

DIRECTORS

Jim Ovia, CON.	Chairman
Prof. Chukuka Enwemeka	Non-Executive Director
Mr. Jeffrey Efeyini	Non-Executive Director
Prof. Oyewusi Ibidapo-Obe	Non-Executive Director/ Independent
Mr. Gabriel Ukpeh	Non-Executive Director/ Independent
Engr. Mustafa Bello	Non-Executive Director/ Independent
Dr. Al-Mujtaba Abubakar	Non-Executive Director/ Independent
Mr. Ebenezer Onyeagwu	Group Managing Director/CEO
Dame (Dr.) Adaora Umeoji	Deputy Managing Director
Mr. Ahmed Umar Shuaib	Executive Director
Dr. Temitope Fasoranti	Executive Director
Mr. Dennis Olisa	Executive Director
Mr. Henry Oroh	Executive Director

COMPANY SECRETARY

Michael Osilama Otu

REGISTERED OFFICE

Zenith Bank Plc
Zenith Heights
Plot 87, Ajose Adeogun Street,
Victoria Island, Lagos

AUDITOR

PricewaterhouseCoopers (PwC) Professional Services
Landmark Towers, 5B Water Corporation Road
Victoria Island
Lagos

REGISTRAR AND TRANSFER OFFICE

Veritas Registrars Limited (formerly Zenith Registrars Limited)
Plot 89 A, Ajose Adeogun Street,
Victoria Island, Lagos
Lagos

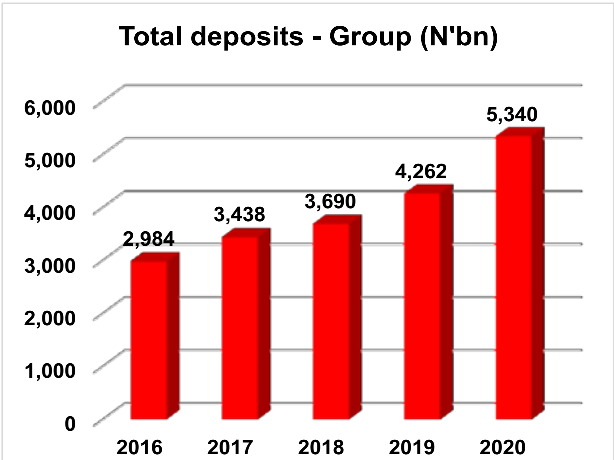
Results at a Glance/ Key Performance Indices

Financial Highlights

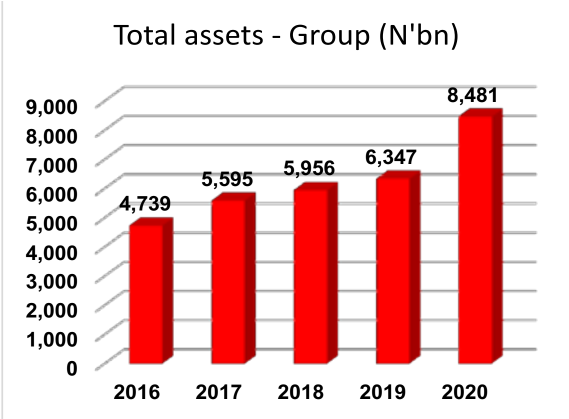
In millions of Naira	31-Dec-20	31-Dec-19	% Change
Income statement Highlights			
Interest and similar income	420,813	415,563	1%
Net Interest income	299,682	267,031	12%
Operating Income	511,893	475,119	8%
Operating expenses	(256,032)	(231,825)	10%
Profit before tax	255,861	243,295	5%
Profit after tax	230,565	208,844	10%
Earnings Per Share (N)	7.34	6.65	10%
Balance sheet Highlights			
Gross loans and advances	2,919,342	2,462,359	19%
Customers' deposits	5,339,911	4,262,289	25%
Total assets	8,481,272	6,346,879	34%
Shareholders' fund	1,117,473	941,886	19%
Key ratios			
Return on average equity (ROAE)	22.4%	23.8%	-6%
Return on average assets (ROAA)	3.1%	3.4%	-9%
Net Interest Margin (NIM)	7.9%	8.2%	-4%
Cost of funds	2.1%	3.0%	-31%
Cost of risk	1.5%	1.1%	34%
Cost-to-income	50.0%	48.8%	2%
Liquidity ratio	66.2%	57.3%	16%
Loan to deposit ratio	54.7%	57.8%	-5%
Capital adequacy ratio (CAR)	23%	22%	5%
Non-performing loans	4.29%	4.30%	0%

Group Financial Highlights

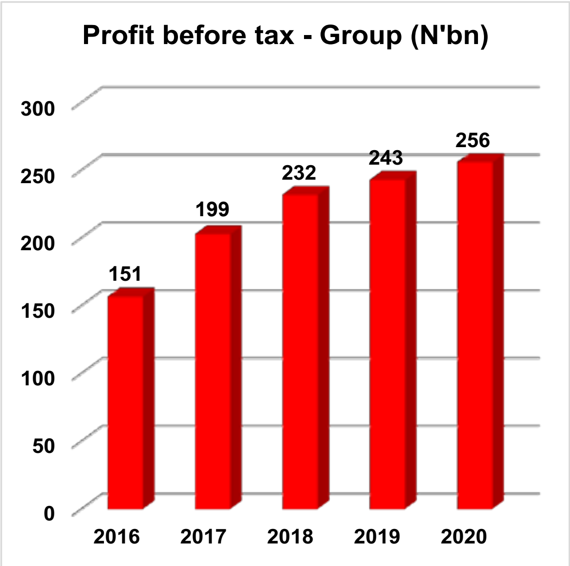
Total deposits grew by 25% (N1,078bn) reflecting public confidence in the Zenith brand. The funding mix was also rebalanced towards cheaper retail



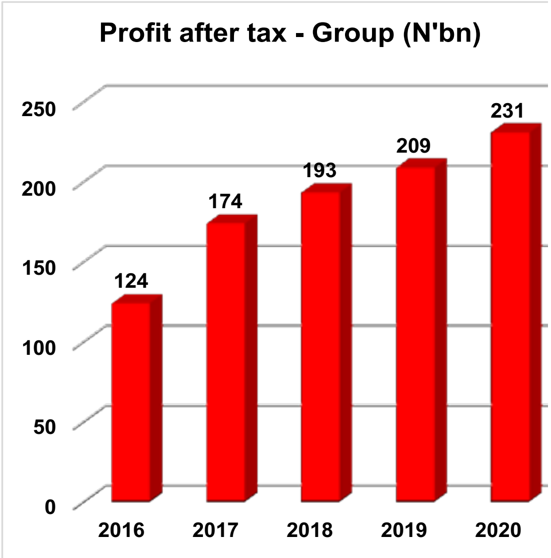
Total assets grew by 34% (N2,134bn) to close at N8.5trn enhancing our balance sheet.



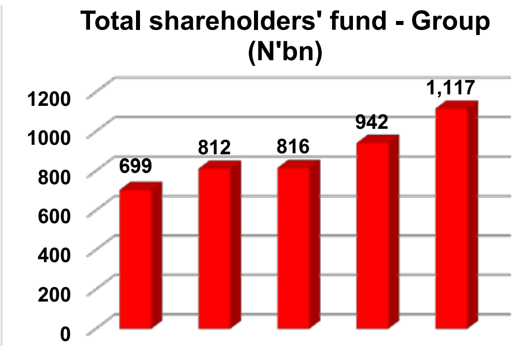
5% growth in PBT is attributable to the growth in both interest and non-interest income as well as reduction in funding costs.



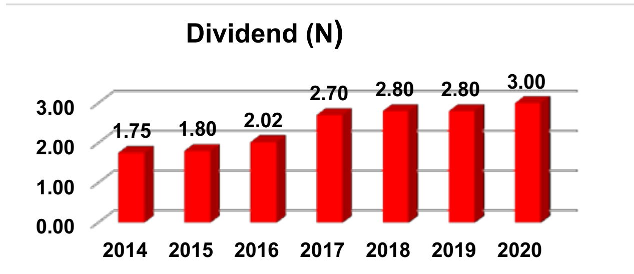
Profit after tax increased by 10% (N21.7bn) driven by improved profit before tax as well as an efficient tax management strategy.



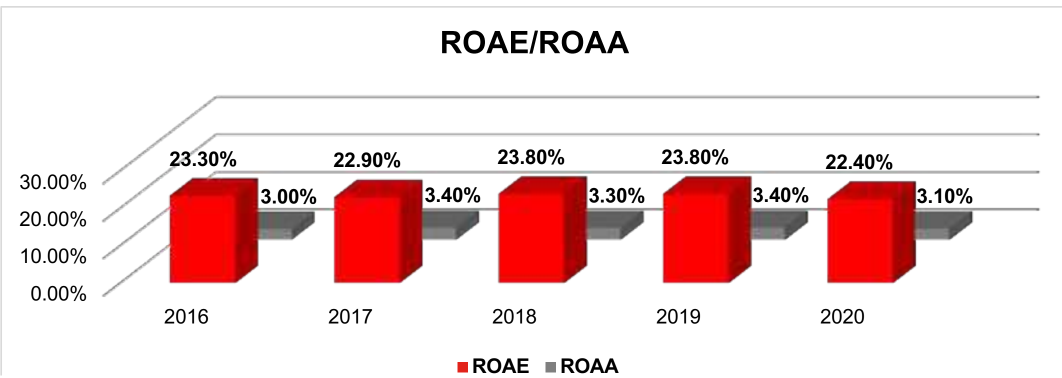
Shareholders' funds grew year-on-year by 18.6% to N1,117bn providing adequate buffer for business expansion.



Consistent and growing dividend payout in the last 7 years. The payout increased by 7% year-on-year. With this proposed dividend we are recording a dividend yield of 12% (2019: 15%).

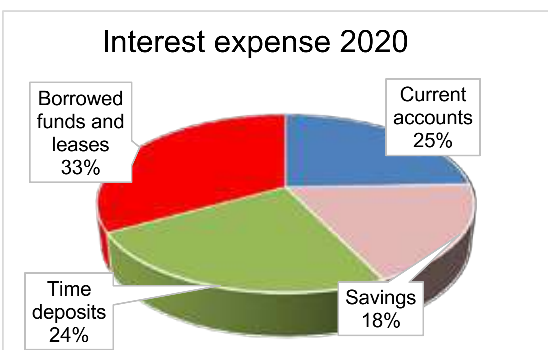


Return on Average Equity (RoAE) and Return on Average Asset (RoAA) dropped year-on-year on the back of increased shareholders' funds and total assets respectively.

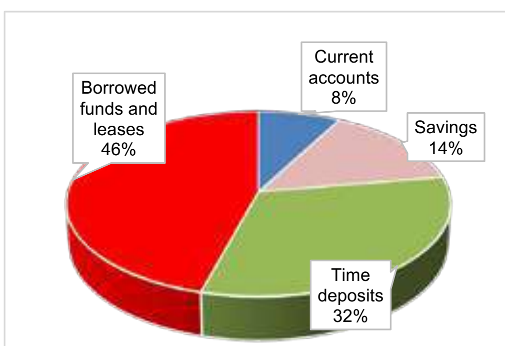


Effective funding cost management giving rise to reduction in interest expense by 18% despite significant growth in the Group's deposit base by 25%.

2020



2019



CUSTOMERS/CHANNELS

	FYE 2020	FYE 2019
Number of Customers	13,125,135	9,575,733
Number of active POS Terminals	89,636	41,536
Number of ATM Terminals	2,044	2,009
Number of Branches	440	430
Number of Cash Centres	177	178
Number of Male Employees	3,897	3,776
Number of Female Employees	3,658	3,441

SOCIAL IMPACT/CSR

- Member of the Nigeria Coalition against Covid-19
- Official Bank of the Nigerian National Football Teams
- Private Sector Health Alliance Project
- Zenith Bank National Women Basketball League
- The Muson Centre Project
- Construction of Radiology and Orthopedic Center
- Abule Ado Emergency Relief Fund
- States' Governments Security Trust Fund and infrastructure

AWARDS

- Bank of the Year 2020 (Nigeria) – *The Banker*
- Biggest Bank in Nigeria by Tier-1 Capital 2020 - *The Banker*
- Most Valuable Banking Brand in Nigeria 2020 - *The Banker*
- Best Bank in Nigeria 2020 – *Global Finance Magazine*
- Best Corporate Governance 'Financial Services' Africa 2020 – *Ethical Boardroom*
- Bank of the Decade (People's Choice) – *Thisday Awards 2020*
- Bank CEO of the Year 2020 – *BusinessDay Newspapers*
- Retail Bank of the Year 2020 – *BusinessDay Newspapers*

SHARE HOLDINGS

Number of Shareholders

644,109

ONBOARDING CHANNELS

- *966*0*#
- Zenith Mobile App
- www.zenithbank.com
- Zenith Bank ATMs
- Zenith Bank Branches
- Zenith Bank Agents

PRODUCT INNOVATIONS

- Emergency USSD Code ***966*911#**
- Virtual Debit Card
- Timeless Account
- USSD on POS
- Biometric ATM operations

SOCIAL MEDIA FOLLOWING

Facebook	6,225,161
Twitter	1,339,312
Instagram	496,216
YouTube	27,862,856 *(views)*
LinkedIn	157,696

The Bank and its Subsidiaries

Zenith Bank Plc. (Parent)
Established: 1990
Branches: 393
2020 FYE PBT: ₦210.0Bn
Total deposits: ₦4,298Bn
Total assets: ₦7,125Bn
ROE: 23%
Staff strength: 6,337

Zenith Pension
Established: 2005
Branches: 2
Zenith ownership: 99%
2020 FYE PBT: ₦8.0Bn
Custody assets: ₦5,643Bn
Total assets: ₦27Bn
ROE: 25%
Staff strength: 106

Zenith Nominee
Established: 2018
Branches: 1
Zenith ownership: 99%
2020 FYE PBT: ₦293M
Custody assets: ₦603Bn
Total assets: ₦2Bn
ROE: 13%
Staff strength: 7

Gambia
Established: 2009
Zenith ownership: 99.96%
Branches: 6
2020 FYE PBT: ₦839M
Total deposits: ₦16Bn
Total assets: ₦23Bn
ROE: 11%
Staff strength: 133

Ghana
Established: 2005
Zenith ownership: 99.42%
Branches: 28
2020 FYE PBT: ₦32Bn
Total deposits: ₦359Bn
Total assets: ₦555Bn
ROE: 27%
Staff strength: 695

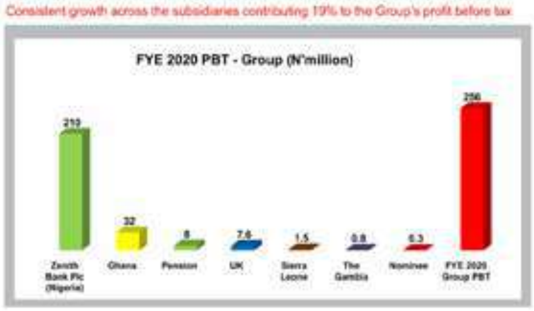
Sierra Leone
Established: 2008
Zenith ownership: 99.99%
Branches: 7
2020 FYE PBT: ₦1.5Bn
Total deposits: ₦22Bn
Total assets: ₦28Bn
ROE: 23%
Staff strength: 148

United Kingdom
Established 2007
Zenith ownership: 100%
Branches: 2
2020 FYE PBT: ₦7.6Bn
Total deposits: ₦645Bn
Total assets: ₦920Bn
ROE: 6%
Staff strength: 129

UAE
Branch of Zenith UK
Established 2016
1 branch

China
Representative Office
Established 2011

Consistent growth across the subsidiaries contributing 19% to the Group's profit before tax



Corporate Profile & Strategy

INTRODUCTION

Zenith Bank Group is the largest bank in Nigeria by total assets size and Tier 1 Capital and is the tenth largest bank in Africa as measured by Tier 1 Capital (The Banker, July 2020).

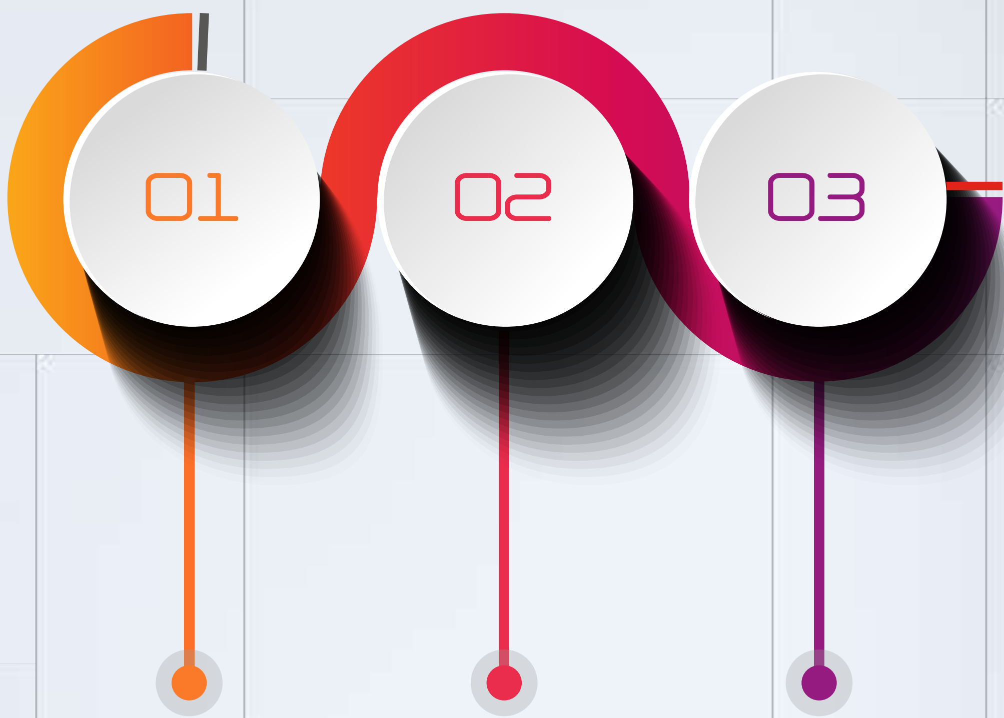
Zenith Bank is an international bank with operations in the United Kingdom, United Africa Emirates and three other West African countries apart from Nigeria, namely, Ghana, Sierra Leone and Gambia. In Nigeria we have a strong franchise and reputation and are either the top or one of the leaders in key financial variables such as customer deposits, total assets, earnings and profitability.

Within thirty years of its existence, Zenith Bank has demonstrated its resilience irrespective of the business/economic cycle and witnessed growth in virtually all areas. Its growth is driven principally by strategic business focus and a conservative business model. The group has a stable and experienced management team that is well positioned for strong execution leading to significant market share opportunities. The combined intellectual capital and dedication of the staff, Management and Board have shaped Zenith Bank into the world-class institution that it is today.

Over the years the Zenith Bank brand has become synonymous with leadership in the use of Information and Communication Technology (ICT) in banking and general innovation in the Nigerian banking industry.

The Bank has efficiently deployed its competitive edge of excellent customer services, size, brand name, branch network and customer reach, stable management as well as motivated workforce, strong capital and liquidity base in order to effectively compete in the Nigerian banking landscape. Today, Zenith Bank is easily associated with the following attributes in the Nigerian banking industry:

Corporate Profile & Strategy



OUR VISION

"....to build the Zenith brand into a reputable international financial institution recognized for innovation, superior customer service and performance while creating premium value for all stakeholders".

OUR MISSION

"...establish a presence in all major economic and financial centres in Nigeria, Africa and indeed all over the world; creating premium value for all stakeholders"

OUR VALUE

. Integrity
. Professionalism
. Excellence
. Ethics
. Commitment
· Transparency
· Service

Business Focus

Zenith Bank Group is a customer centric, innovation and technology enabled financial services organisation that is geared towards surpassing its customers' expectations. It focuses and channels its resources only on its core business segments, international subsidiary businesses, its pension/custodian services and nominees business only.

a) Core Business Segments

The Bank's core business segments provide a broad range of banking products and services to both corporate and retail customers.

These business activities are conducted through the following business units:

- Institutional and Investment Banking
- Corporate Banking
- Commercial/SMEs
- Retail Banking
- Public Sector Banking

Institutional and Investment Banking

The Institutional and Investment Banking Unit (the "IIBU") manages the Group's business relationship with other banks, financial institutions, multilateral agencies, securities houses, insurance companies, asset management companies and other non-bank finance companies, private equity and venture funds. The IIBU also assists individuals, corporations and governments in raising capital by underwriting and/or acting as the client's agent in the issuance of securities as well as assisting companies in mergers and acquisitions processes.

The unit through its Treasury sub unit provides ancillary services such as market-marking, derivatives trading, fixed income instruments, foreign exchange, commodities and equity securities and manages the group's correspondent banking relationships. The Treasury sub-group works closely with branches and various business focus groups as well as corporate customers and pension funds to deliver currency and fixed income solutions tailored specifically for their requirements. The Treasury sub-group focuses on creating wealth while mitigating interest rate and foreign exchange risks for the Zenith Group and its customers. It offers the Group's customers a broad array of money market and foreign exchange services that enable them to carry out their business operations locally and internationally. The Treasury sub-group's activities are carried out through four units: the Liability and Deposit Management Unit, Bonds Trading Unit, Foreign Currency Trading Unit and the Correspondent Banking Unit.

Corporate Profile & Strategy

Corporate Banking
The Group's Corporate Banking business unit offers a wide variety of services to multinationals, large local conglomerates and corporate clients. The unit is focused on providing superior banking services and customized banking products to the top tier of the market. It is primarily focused on attracting, building and sustaining strong enduring relationships with its target market through the provision of innovative solutions together with excellent customer services to meet clients' banking needs.

It also looks at promoting the businesses of these corporate clients through the provision of services to the various stakeholders within the value chain of these corporate clients. This is aimed at building long-term relationships and partnership with our clients.

Within Corporate Banking, industry specific desks or sub-units exist to facilitate the efficient and effective management of the relationships with the unit's corporate customers. These sub-units include;

a) Transport and Aviation,
b) Conglomerates
c) Breweries & Beverages
d) Oil and Gas
e) Power, Infrastructure and Construction.
f) Telecommunications and Fintechs

Commercial/SMEs
The Commercial/SME unit focuses on all small, medium and micro enterprises (MSMEs), and other commercial businesses which also includes all unincorporated entities (such as societies, clubs, churches, mosques etc).

It offers loans and advances in the form of overdrafts, import finance lines, term loans and leases to the customers especially those involved in the sales and distribution of fast moving consumer good items and key distributors to major manufacturing companies. Credit facilities offered by the unit are priced higher than those extended to corporate or institutional banking customers in order to compensate for the relatively higher risk.

The Group offers a wide range of generic banking services and products to meet the needs of the customers in this sub-sector. These include various lending and deposit products such as working capital lines (overdraft, invoice discounting, invoice/contract financing, stock financing, etc), lease finance lines, Bonds and Guarantee lines, current account, domiciliary accounts and fixed deposit accounts. Ancillary services rendered to this sub-sector include; local drafts issuance, local inter/intra bank funds transfers payroll services, bill payments, safe custody, duty/tax payments and remittances and so on. The group aims to build a value chain synergy between this sub-sector and the corporate banking clients thereby promoting businesses across the various business units.

Retail Banking
The Group's strategic objective is to become the market leader in the retail market. To this end, the Group provides retail banking products and services through its extensive branch network and ever widening array of digital channels driven by cutting edge technology. The Group's retail strategy includes categorizing the retail market into two major broad segments namely; PRESTIGE (rich and affluent) and WAVE (retail affluent and mass). These two broad segments drive the Group's design of retail deposits products and services which range from standard to specialized savings, current, domiciliary and investment accounts.

Specialized products include the Zenith Children Accounts (ZECA), Individual Current and Savings Accounts, Easysave Classic and Premium Accounts (financial inclusion customers), Aspire Savings Accounts (tertiary institution students), Timeless Accounts (senior citizens) and Platinum and Gold Current Accounts (high net worth individuals) etc.

Also, the Group offers a wide range of digital products and services such as internet banking, mobile banking services (mobile app), *966 EazyBanking, Zenith Scan to Pay, EazyMoney etc. Furthermore, the Group offers other channels such as ATMs, cards and POS terminals which have been designed to meet the ever changing needs of the retail segment of the banking industry.

In addition, the Group offers credit products including personal loans, advances, mortgages, asset finance, and credit cards through our traditional channels. These credit products can also be accessed through some of the Group's digital channels such as *966 EazyBanking and there are plans to on-board these as well on the internet banking and mobile banking application.

The Group recognizes that attracting, winning and retaining this segment of customers is through the development of customer value propositions (CVPs) unique to each customer sub-segment. To ensure effective delivery of these CVPs through branches as well as through digital channels, the Group employs advanced analytics to identify micro segments and customer spending patterns. Also, in order to maximize customer acquisition, customer growth, and customer retention, the Group constantly carries out environmental scanning and closely monitors key trends in the retail industry.

Recently, the Group, in addition to the on boarding of super agents, deployed agency banking services across the 36 states of the federation to ensure the bank has a touch point at every location in the country. The Bank has on-boarded about 40,000 agents as at 31st December 2020. This is to service mostly customers who might not be able to visit a bank branch because of distance. These agents provide access to basic financial services such as account opening, cash-in, cash-out, bills payments and electronic transfers.

Also, the Group collaborates with selected Fintechs and Micro Finance Banks to make the Group's innovative products and services available to their customers and vice versa.

The Group regularly reviews its retail strategies to ensure efficient execution as well as to ensure that the Group is on course to become the market leader in retail in an ever changing banking landscape.

The Group will continue to leverage on cutting edge technology to deliver best in class retail products and services that will be adapted to the digital demands of retail customers. The Group will also continue to enable market leading capabilities, developing bestin-class digital products and solutions as well as increasing speed to market supported by agility of innovation.

Public Sector Banking

The Public Sector Group (PSG) provides services to meet the banking needs of all tiers of government (federal, state and local governments), ministries, departments and agencies, The focus of the PSG business is all institutions operating under the auspices of Government, including those within the executive, legislative and judiciary branches, and at the Federal, State and/or Local Government levels. Some of the products and services offered to the public sector include revenue collection schemes, cash management, deposit and investment, electronic payroll systems, offshore remittances and foreign exchange and project finance.

b) Overseas Subsidiaries

The Group's overseas subsidiaries carry out banking operations, providing traditional banking products and services tailored to meet the needs of those customers who are either located in countries where the subsidiaries are based or who have a business presence in such locations. Each of the Group's overseas subsidiaries act as intermediary between the financially surplus and deficit units in their locations, offering a wide range of products and services to attract deposits and extend loans and advances. The Group's overseas subsidiaries include the following:

Corporate Profile & Strategy

Zenith Bank UK Limited

Zenith Bank UK Limited ("Zenith UK") leverages on trade and investment flows between Nigeria and Europe to intermediary banking services which include post shipment finance, back to back letters of credit, standby letters of credit and contract guarantees. Zenith UK also provides facilities for working capital and capital expenditure directly to Nigerian borrowers through participation in syndicated loans. The subsidiary acts as the contact point for correspondent banking relationships with Nigerian and other West African banks by providing facilities for letter of credit confirmation and treasury products.

The operational mandate of Zenith UK also enables it to source deposits from institutions such as parastatals, corporate and institutional counterparties to support its funding needs. Through effective treasury management, Zenith UK trades in fixed income instruments which include government and institutional bonds and certificates of deposit. Zenith UK also has a wealth management unit which is dedicated to offering long-term investment advisory and wealth management solutions to its customers.

Zenith Bank West African Subsidiaries

Zenith Bank (Ghana) Limited, Zenith Bank (Sierra Leone) Limited and Zenith Bank (The Gambia) Limited make up our West African subsidiaries. They provide comprehensive trade services to major global corporations and medium sized enterprises operating in the region. With the support of the parent company and Zenith UK which operate an account with Citigroup, the West African subsidiaries have both a global reach and local market knowledge which allows them to provide high quality importing and exporting intermediary services to their respective customers. Solutions are customized to each subsidiary's customers' needs, integrating letters of credit and other trade finance alternatives or products for an end-to-end trade proposition.

The West African subsidiaries source deposits from retail, corporate and institutional customers to support their respective funding needs. Each subsidiary also lends to customers in different sectors of their respective economies, through term loans, short term overdrafts, trade finance facilities and bonds and guarantees. Investment in fixed income instruments such as treasury bills, government and corporate bonds also form part of the banking activities carried out by each of the West African subsidiaries.

Pension and Custodial Services
The Group's Pension Custodian services business is conducted through Zenith Pension Custodians Limited ("Zenith Pensions") which offers pension management and custodian services to pension funds administrators (PFAs). As at 31 December 2020, total funds under its custody amounted to approximately N5.643 trillion. Zenith Pensions has 112 funds under its custody. The main service offerings provided by Zenith Pensions include; collecting pension contributions, paying beneficiaries from their respective retirement saving accounts, safe keeping of assets, managing real estate assets of the funds under its custody and the settlement of transactions in financial investments such as equities, bonds and treasury bills. Zenith Pensions also provides administrative and record- keeping services to the funds under its custody on a day-today basis.

Zenith Nominees Limited
Zenith Nominees Limited provides nominees, trustees, administrators and executorship services for non-pension assets. It started operations in 2018. As at 31 December 2020, total funds under its custody amounted to approximately N603 billion.

Zenith Nominee seeks to be associated with the following attributes:
- Innovation
- Good financial performance
- Stable and dedicated management team
- Highly skilled personnel
- Leadership in the use of Information and Communication Technology
- Strategic Distribution Channels
- Good asset quality

Strategic Objectives
The strategic objective of Zenith Bank remains the continuous improvement of its capacity to meet the customers' changing and increasing banking needs as well as sustain high quality growth in a volatile business environment through:
- Continuous investment in branch network expansion and thus bringing quality banking services to our existing and potential customer base
- Continuous investment and deployment of state of the art technology and ICT platform
- Continue to seek, employ and retain the best personnel available
- Continuous investment in training and retraining of our personnel
- Maintain and reinforce our core customer service delivery charter
- Sustain strong profitability and ensure adequate Return on Equity (ROE)
- Remain conservative but innovative
- Sustain strong balance sheet size with adequate liquidity and capital base
- Sustain our brand and premium customer services
- Cautious and synergistic global expansion
- Remain customer service focused
- Continuous emphasis on use of technology as a competitive tool
- Maintain strong risk management and corporate governance practices

Locally, branches will continue to be located at commercial business districts in all the state of the federation, taking into consideration the existence of the following:

- Commercial activities, enough to ensure that the branch breaks even within a year.
- Synergistic loop based on business line (i.e. ensuring that the branches are located in areas having similar business lines to facilitate needed synergy).
- Convenience to our customers.

Corporate Profile & Strategy

Our international outlook will focus on consolidating our presence in our selected African and European markets while we continue to evaluate opportunities in other markets as well.

The key strategies that will be used to drive our vision and mission are as follows:

1 Continue to deliver superior and tailormade service experience to all our customers at all times
2. Continue to develop deeper and broader relationship with all clients and strive to understand their individual and industry peculiarities with a view to developing specific solutions for each segment of our customer base
3. Continue to expand our operations by adding new distribution channels especially in the digital space
4. Consolidate our leadership as a banking service provider in Nigeria by continuing to build on long standing relationships, capabilities and the strength of our brand and reputation to drive our international business network expansion
5. Continually enhance our processing and systems platforms to deliver new capabilities and improve operational efficiencies and achieve economies of scale.
6. Maintain strong risk management and corporate governance culture
7. Ensure proper pricing of our products and services
8. Increase our market share of retail banking customers and deploy our E-business tools and enhanced customer service
9. Develop compelling customer valueproposition (CVP) for our various customer segments that ensures we can optimise our average revenue per customer.
10. Continuous investment in technology as a driving tool for customer services
11. Increasing corporate finance activities to boost fee income
12. Leveraging on our existing branch network to drive our product delivery and deposit liability growth
13. Leveraging on our understanding of specific trade and correspondent banking requirements to drive business relationships with banks and financial institutions in the West African subregion to encourage them to use our foreign subsidiaries for businesses they are currently transacting with other banks
14. Our foreign subsidiaries will target companies that currently have trade partners in Nigeria and other locations where we have presence across the globe and process their trade transactions through the Zenith Bank network. This approach is aimed at encouraging cross border marketing and the routing of a portion of their international trade transactions through the Group. The idea is to demonstrate to the local companies that their relationship with Zenith Bank in their country and dealing with Zenith Bank in another country will be mutually beneficial.
    "Our Strategic Plan is part of a process of our development, and attempts to engender a commitment to continuous improvement, by focusing and harnessing the energies of everyone in the group. We believe that the concepts of strategic readiness, life-long learning and community engagement encourage and support quality in all aspects of the Bank's performance."
15. The lending businesses in all our subsidiaries will focus primarily on international and export trade transactions. It will involve discounting international trade bills for companies and also providing short-term credits to financial institutions that use the bank as their correspondent bank.

MARKET AND BUSINESS STRATEGY

The strategic objectives of the Group in the next five years include:

- to be amongst and remain one of the top tier banks in Africa in terms of profitability, balance sheet size, risk assets quality, financial stability and operational efficiency;
- Re-channelling its efforts in deploying more electronic banking products, following the divestment from non-core banking operations.
- The Group will look to strengthen its retail banking business by consolidating on its retail banking transformation exercise which has significantly grown its retail banking revenue, deposit liabilities and risk assets and continue to obtain a significant share of the retail banking industry in Nigeria.

- Improving its capacity to meet its customers' changing and increasing banking needs as well as sustain high quality growth despite the volatile business environment.

Enhancing the Group's internal operating systems to reduce costs
technology in order to maintain its position at the forefront of the changing banking landscape in Nigeria. In addition, the Group will aim to enhance its systems and internal procedures, in order to be able to improve its levels of customer service by delivering improved operational capabilities and efficiencies, whilst at the same time achieving economies of scale.

The Group's increased deployment of digital channels and agency banking means more customers are able to carry out banking transactions without visiting its branches, thereby reducing operating costs. From an internal operating perspective, the Group has automated most of the operational activities, such as cheque confirmation and clearing processes, account opening processes, credit administration process and internal audit processes. These automated processes have started yielding results in the form of reduced turnaround times in all operational activities as well as a reduction in operating costs.

In addition to the above, other strategies that have been have been adopted to streamline our cost include: arranging with training agencies based abroad to train our staff locally where a large number of staff have to be trained thereby reducing cost of travelling, and retrofitting some of our equipment including lighting and replacing regular equipment with energy- efficient ones to save on power and energy costs.

Business Locations
As at 31 December 2020, the geographical spread of the Group's business locations is as follows:

Geographical Locations	Branches	Cash Centres	Non-Banking Operations
Federal Republic of Nigeria	392	155	3
Republic of Ghana	28	10	-
United Kingdom	2	-	-
Sierra Leone	7	12	-
The Gambia	6	-	-
China Representative Office	1	-	-
Total	**436**	**177**	**3**

As shown above, the Group also has 177 off- site locations, strategically located in various commercial centres around Nigeria and the African countries in addition to its network of branches. These off-site locations comprise small business offices such as kiosks/ cash offices and are located in the airports, university campuses, large shopping malls or the premises of core customers of the Group. These off-site locations only offer deposit taking services and the Bank expects their number to decrease over the coming years as the restrictions on the use of cash are put in place throughout Nigeria as part of the CBN's cashless policy implementation. However, we expect an increase in e-centres where various electronic transactions can be consummated as well as agents for its financial inclusion customers.

ATM network

The Group has a total of 2,042 ATM machines with 1,960 in Nigeria, 62 in Ghana, 14 in Sierra Leone and 6 in The Gambia. The ATM machines are mounted in branches and strategic locations such as airports, university campuses, large shopping malls and premises of large manufacturing firms employing large numbers of workers. Due to collaboration and shared services arrangements which the Bank has with other banks, ATM cards issued by the Bank are accepted by the ATM machines of other institutions.

The Bank also collaborates with other card issuing agencies to offer internationally recognised cards, such as MasterCard, Visa and Verve, in different currencies to their customers.

Distribution Channels

Other distribution channels which the Group uses include electronic and digital channels which offers products and services, including electronic fund transfers at points of sale (POS), telephone banking, internet banking, visa telebanking, mobile banking, agency banking and the Group's call centres. Furthermore, in addition to being able to use its branches, ATMs and the network of third party ATMs available throughout Nigeria under arrangements between the Bank and third party vendors, the Group's customers are currently entitled to use the Bank's card products to pay for goods and services at trade service outlets throughout Nigeria and also online shopping.

The Group has invested significantly in software which enables electronic product platforms to interface with core banking applications, hardware to enable data storage and to improve processing speed and in training of its IT staff. [The Group has also developed electronic delivery systems in order to implement multiple delivery channels to its customers, including its ATM networks, on mobile devices and over the internet.] The Group's range of internet and mobile banking products and services offer customers services such as collections and remittances of bills (including utility bills), real time internet banking, purchase of mobile phone airtime, funds transfers, cheque requisitions and confirmations, balance enquiries, transfer of/ receipt of funds between Visa Credit Cards and Prepaid Cards, and statement services.

Specific electronic products offered by the Group include:

- Zenith Scan to Pay – this is a quick response (QR) code solution which involves customers scanning merchants QR displayed in their stores or on their websites using a smart device;

- *966*911# – this is a distress code to be dialled by Zenith customers to automatically block their accounts where customers' smart phones has been stolen or privacy details have been compromised;
  *966*60# – this allows you to perform other selfservice. These include retrieve card PIN, Block Cards, manage card less withdrawal, select preferred USSD account to debit, perform transaction above N100,000.00 via USSD subject to signing an indemnity, activate agent banking activities i.e cash in and cash out and perform USSD on POS.

  USSD on POS – This allows customers to make payments at merchant stores using *966eazybankingevenwithouttheirpaymentcards(debit,credit,prepaid);

- Corporate i-Bank - a secure online solution that allows corporate customers to carry- out banking transactions on the internet;

- Zenith Payroll (Branch i-Bank) - automates the [end-to-end] payroll process of the Group's customers which eliminates the manual processes involved in the generation of monthly payroll while also remitting funds electronically to staff accounts. The platform provides, database backup, payroll reports, customization option, secure payment authorization and salary payments;

- Xpath (Customised Branch Collections) allows customers to collect or receive remittance from their key distributors and customers through any branch of the Group. The platform also enables customers to capture specific information relating to their account. Other features of the product include the provision of electronic receipts, PIN Vending and direct integration;

- Internet Banking - a real-time solution that provides customers with access to their account 24 hours a day, 7 days a week via the internet;

- EaZymoney, Zenith Bank's mobile money platform is a wallet payment solution that allows customers make withdrawals(cash-out), make deposits(cash-in), transfer funds, pay bills (DSTV, Electricity etc.) make purchases and top up airtime using their mobile phones.

- EaZymoney is a virtual account (also called an Eazymoney wallet) created for the subscriber. With this solution, the subscriber's mobile number will be the account number. Payment for goods and services, cash withdrawals and deposits can be done from this mobile number through different channels.

- Global Pay - a convenient, flexible and secure platform for receiving payments through the internet. This platform accepts multi-currency transactions and also provides online transaction monitoring capabilities; and

- Electronic Multicard – this product enables merchants to receive payments from customers when they use a bank card issued either by the Group or another institution recognised by Group on this platform. The platform provides additional benefits to customers as it enables merchant to accept payment after banking hours, provides online transaction monitoring, can be customised to capture specific data and provides an alternative mode of payment.

The Zenith Bank Virtual Card - The Zenith Bank Virtual Card is specifically designed for web transactions and can be used to shop online (accepted locally and internationally), pay bills and subscriptions etc. The Zenith Bank virtual card can be used over Internet Banking and the USSD platform (*966#).

- Visa Telebanking – this innovative offering on the bank's website allows customers to transfer/receive funds between Visa Credit and Prepaid Cards. It provides real time option for funds transfer between different parties and allows you to your Visa Card account online.

- *966 EazyBanking - is a convenient, fast, secure, and affordable way to access your bank account 24 hours a day, 7 days a week through your mobile phone without internet data and is available to all individual account holders with any phone that runs on the GSM platform and runs with debit cards.

COVID 19 Pandemic Response

As we transit to the new normal amid this pandemic, the health and safety of our employees, customers and other stakeholders are of utmost importance to us while we remain focused on preserving value for our shareholders.

- We have set a clear direction and communicated this effectively to all staff and other stakeholders in accordance with our Business Continuity Plan (BCP).

- Remote working and electronic selfservices for our traditional banking services have been established.

- Our BCPs are constantly being reviewed and strengthened to reflect the current and potential impacts of Covid-19 pandemic.

- We have also developed a strategic crisis-action plan to guide our response across all Covid-19 scenarios - short, medium and long term, while leveraging on emerging opportunities.

- Executive Management has encouraged virtual meetings and discussions of the bank activities across various teams. x

- Several stress tests to assess the possible impacts of Covid-19 on our liquidity, capital adequacy and earning capacity had been conducted. We remain resilient to short and medium term shocks from the adverse impacts of coronavirus pandemic.

- We review our loan books continuously and closely monitor all assets and liabilities classes to ensure sufficient liquidity to meet our financial obligations.

- We are engaging our customers in key sectors of the economy to better understand their current challenges and provide effective and bespoke actions to alleviate their hardships while preserving shareholders' funds.

- We have increased our investment in IT and Cyber Security infrastructure to enable us meet the increasing digital needs of our customers while protecting our organization and customers from all cyber security threats.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of Zenith Bank Plc will hold at the Civic Centre, Ozumba Mbadiwe Street, Victoria Island, Lagos State at 9.00 a.m. on Tuesday the 16 day of March, 2021 to transact the following business:

ORDINARY BUSINESS

1. To present and consider the Bank's Audited Accounts for the financial year ended 31 December, 2020, the Reports of the Directors, Auditors and Audit Committee thereon.

2. To declare a final dividend.

3. To elect the following Directors retiring by rotation:
   (i) Mr. Gabriel Ukpeh
   (ii) Mr. Jeffrey Efeyini
   (iii) Mr. Henry Oroh

4. To ratify the appointment of Messrs PWC as External Auditors of the bank.

5. To authorize the Directors to fix the remuneration of the Auditors.

6. Disclosure of the remuneration of Managers of the bank.

7. To elect members of the Audit Committee.

SPECIAL BUSINESS

8. To consider and if thought fit, to pass the following as ordinary resolution:
   "That the remuneration of the Directors of the Bank for the year ending December 31, 2021 be and is hereby fixed at N25 million only".

   Dated this 22nd day of February, 2021

NOTES:

1 . PROXY:

A member of the company entitled to attend and vote at the general meeting is entitled to appoint a proxy in his stead. All instruments of proxy should be completed, stamped and deposited at the office of the Company's Registrars, Veritas Registrars Limited, 89A, Ajose Adeogun Street, Victoria Island, Lagos State not later than 24 hours before the time of holding the meeting. A proxy need not be a member of the company.

Shareholders should note that the Corporate Affairs Commission has in view of the Covid19 pandemic and following the Government's restriction on public gathering approved that attendance to the Meeting shall only be by proxy to ensure public health and safety. Shareholders are therefore requested to submit their completed proxy forms appointing any of the listed proxies in line with the Corporate Affairs Commission' Guidelines to the office of the Company's Registrars, Veritas Registrars Limited, 89A, Ajose Adeogun Street, Victoria Island, Lagos State and/or enquiry@veritasregistrars.com and th veritasregistrars@veritasregistrars.com not later than 15 March, 2021 to enable the Bank stamp the proxy forms and lodge same with the Registrars not later than 24 hours prior to the time of the meeting. The Proceedings will also be streamed live on the Bank's website and social media platforms.

2. CLOSURE OF REGISTER OF MEMBERS

The Register of Members and Transfer Books of the Company will be closed 9th March 2021, to enable the Registrar prepare for the payment of dividend.

3. DIVIDEND WARRANTS

If approved, dividend warrants for the sum of N2.70K for every share of 50K (bringing the total dividend for the financial year ended December 31, 2020 to N3.00K) will be paid via emandate on the 16th March, 2021, to shareholders whose names are registered in the register of members at the close of business on the 8th day of March, 2021. Shareholders are advised to forward particulars of their account details to the Registrar to enable direct credit of their dividend on same day. Note however, that holders of the Company's Global Depository Receipts listed on the London Stock Exchange will receive their dividend payments after the local payment date.

4. AUDIT COMMITTEE

In accordance with Section 404(6) of the Companies and Allied Matters Act, 2020, any shareholder may nominate another shareholder for appointment to the Audit Committee. Such nomination should be in writing and should reach the Company Secretary at least 21 days before the Annual General Meeting.

5 RIGHTS OF SHAREHOLDERS/SECURITIES' HOLDERS TO ASK QUESTIONS

Shareholders/Securities' Holders have a right to ask questions not only at the Meeting, but also in writing prior to the Meeting, and such questions must be th submitted to the Company on or before the 15 day of March, 2021.

6. UNCLAIMED DIVIDEND WARRANTS AND SHARE CERTIFICATES

Shareholders are hereby informed that a number of share certificates and dividend warrants have been returned to the Registrars as "unclaimed". A list of all unclaimed dividend will be circulated with the Annual Report and Financial Statements. Any member affected by this notice is advised to write to or call at the office of the Bank's Registrars, Veritas Registrars Limited, Plot 89A, Ajose Adeogun Street, Victoria Island, Lagos during normal working hours.

7. E-DIVIDEND

Notice is hereby given to all shareholders to open bank accounts for the purpose of dividend payment in line with the Securities and Exchange Commission (SEC) directives. Detachable application forms for edividend and ebonus are attached to the Annual Report to enable all shareholders furnish the particulars of their bank accounts/CCS details to the Registrars as soon as possible.

8. PROFILE OF DIRECTORS

The profile of all Directors are available for viewing on the bank's website, www.zenithbank.com

By Order of the Board

MICHAEL OSILAMA OTU, ESQ.
Company Secretary/General Counsel
Plot 87, Ajose Adeogun Street
Victoria Island, Lagos

JIM **OVIA**, *CON*

The year 2020 was characterised by a very challenging macroeconomic environment brought about by the Coronavirus (COVID-19) pandemic, which had a significant impact on businesses globally. The resilience of our Bank, however, enabled us to weather the economic headwinds.

My Fellow Shareholders, Distinguished Guests, Ladies and Gentlemen,

I am delighted to welcome you to the 2020 Annual General Meeting of our Bank and to present to you the Annual Report and Financial Statements for the financial year ended December 31, 2020.

I would like to sincerely thank you all for your unwavering commitment and loyalty, which have contributed immensely to the continued success of our Bank.

The year 2020 was characterised by a very challenging macroeconomic environment brought about by the Coronavirus (COVID-19) pandemic, which had a significant impact on businesses globally. The resilience of our Bank, however, enabled us to weather the economic headwinds.

Against this backdrop, it is therefore pertinent to review the economic environment within which our Bank operated during the year under review.

MACROECONOMIC REVIEW

In the outgone year, the Nigerian economy witnessed one of its deepest recessions since the early 1990s following the deleterious health and economic crisis caused by the Coronavirus pandemic. The spread of the virus and its rapid spin into a global pandemic in early 2020 triggered severe global macroeconomic shock, with a far-reaching impact on the domestic economy. According to the National Bureau of Statistics (NBS), Gross Domestic Product (GDP) grew by 1.87 per cent in Q1 2020 but contracted by 6.10 per cent and 3.62 per cent in Q2 and Q3, 2020, respectively, before returning to the growth path in Q4, 2020 at 0.11 per cent. Overall, in 2020, the annual growth of real GDP was estimated at –1.92 per cent, a decline of 4.20 percentage points compared to the 2.27 per cent recorded in 2019. The weak performance of the economy in 2020 was largely attributed to the steep fall in global oil prices, weaker domestic demand, and lower level of economic activities due to measures, such as nationwide lockdown, put in place to contain the spread of the virus.

To insulate the economy from the effects of the global pandemic, as well as to quicken the pace of economic recovery, a raft of commendable monetary and fiscal stimulus packages were rolled out by the monetary and fiscal authorities. Notably, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) cut the Monetary Policy Rate (MPR) twice in 2020 to increase the flow of credit to the key productive sectors of the economy. MPR was eased by 100 basis points in May 2020, from 13.5 per cent to 12.5 per cent, and another 100 basis points in September 2020, from 12.5 per cent to 11.5 per cent. This is the lowest MPR since 2016. Similarly, the Cash Reserve Requirement (CRR) was adjusted by 500 basis points in January from 22.5 to 27.5 per cent. The asymmetric corridor was changed from +200/-500 basis points to +100/-700 basis points around the MPR during the MPC meeting held in September. The apex bank also leveraged its development finance tools to boost the flow of credit to the real sector to stimulate output growth. The Federal Government, through the Federal Ministry of Finance, unveiled a fiscal stimulus package of NGN2.3 trillion to ease contractionary concerns. These measures, combined with a relative improvement in local and global economic activities, supported the economy's rebound in the last quarter of the year.

In 2020, headline inflation, measured by the Consumer Price Index (CPI), witnessed a steady rise. According to the NBS, the inflation rate stood at 12.13 per cent in January. It rose consistently to 15.75 per cent in December, the highest rate recorded in three years, bringing the average inflation rate to 13.25 per cent in 2020. The persistent inflationary pressure witnessed in the year was driven by rising food prices and supply chain disruptions linked to Covid-19-related lockdown and containment measures and exchange rate volatility. Throughout the year, headline inflation remained outside the target range of 6.0-9.0 per cent set by the CBN.

The global oil market opened the year 2020 on a relatively high note, with U.S. West Texas Intermediate (WTI) trading nearly $60 and Brent averaging $64 per barrel in January. However, prices plummeted as the economic effects of the COVID-19 pandemic began to kick-in. The plunge was so massive that for the first time in the long history of oil futures trading, a contract went negative in April 2020 as global oil demand collapsed due to a low level of business activity caused by lockdowns and movement and travel restrictions implemented in many economies.

Towards the end of 2020, crude oil prices rebounded as the Organization of Petroleum Exporting Countries (OPEC) and participating non-OPEC countries cut output to match weaker demand. Nonetheless, oil prices lost more than a fifth of their value in 2020 – Brent fell 21.5 per cent for the year, while the OPEC Reference Basket (ORB) dropped 25 per cent, to average $41.47/b in 2020. World oil demand is estimated to have declined by 9.8 million barrels per day (mb/d) year-on-year to an average of 90mb/d in 2020.

In 2020, the CBN adjusted the official exchange rate of the Naira twice, from NGN307/$1 to NGN360/$1 in March, and then to NGN381.0/$ in July. Consequently, the average Naira exchange rate depreciated across all segments of the market, averaging NGN381.00/$1 at the interbank, NGN471.62/$1 at the Bureau De Change (BDC) segment and NGN392.27/$1 at the Investors' and Exporters' (I&E) Window in 2020. The exchange rate remained pressured as the COVID-19 pandemic triggered a short supply of foreign exchange due to a significant drop in crude oil prices in the global commodities market.

Nigeria witnessed a significant depletion in the stock of foreign exchange reserves in 2020. At the beginning of the year, Nigeria's external reserves stood at $38.01billion but continued to decline to its lowest levels within the year at about $33.52billion in April. This was followed by a rise to about $36.60billion in May, before closing the year at about $35.37billion. The sharp fall in external reserves within the first few months of the year was mainly due to the crash in crude oil prices, increased foreign exchange intervention at the forex market and lower foreign portfolio investment inflows. However, the foreign exchange reserve was subsequently supported by improved oil receipts.

The Federation Account Allocation Committee (FAAC) disbursed a total of NGN7.68 trillion among the three tiers of Government as allocations in 2020, a significant decline of more than half a trillion when compared with the NGN8.2 trillion in the preceding year. The decrease is attributable to shrinking government revenue receipt due to the socioeconomic crisis caused by the COVID-19 pandemic. The Federal Government and many states of the federation revised their 2020 expenditure plans downwards due to shortfalls in revenue.

In 2020, the Nigerian Stock Exchange (NSE) witnessed a bullish trend. The All-Share Index (ASI) opened at 26,842.07 index points but closed the year at 40,270.72, representing an appreciation of 50.02 per cent. While market capitalisation was at N12.958trillion at the start of the year, it recorded a 62.49 per cent growth to N21.056trillion at the close of the year. The outstanding performance of the market was supported by the relatively low yield in the fixed income market, which resulted in increased participation of domestic investors in the equities market.

The persistent inflationary pressure witnessed in the year was driven by rising food prices and supply chain disruptions linked to Covid-19-related lockdown and containment measures and exchange rate volatility.

FINANCIAL RESULTS

As mentioned earlier, the year 2020 was characterised by significant global and domestic economic developments with far-reaching implications for the Nigerian financial services sector. As a resilient brand, however, we were able to leverage the innate opportunities within the environment and record a performance that further attests to the Group's sound financial health.

The Group's gross earnings grew by 5 per cent from N662.25billion in 2019 to N696.45billion in 2020. Profit-Before-Tax (PBT) rose by 5 per cent, from N243.29billion in 2019 to N255.86billion in 2020, while Profit-After-Tax (PAT) rose by 10 per cent, from N208.84billion in 2019 to N230.57billion in 2020. Total deposits was N5.34trillion for the year ended December 31, 2020, representing a 25 per cent increase over the previous year's figure of N4.26trillion. During the same period, total assets of the Group grew by 34 per cent from N6.35trillion to N8.48trillion, while shareholders' funds rose by 19 per cent, from N941.89billion to N1.12trillion.

DIVIDEND

Zenith Bank remains committed to consistently delivering superior returns to our highly esteemed shareholders by ensuring that a significant portion of our profit is set aside for you. In a clear demonstration of this commitment, and despite the macroeconomic headwinds brought about by COVID-19, we had declared and paid an interim dividend of 30kobo per share in the course of the 2020 financial year. We hereby propose a final dividend of N2.70kobo per share. If approved, this will bring the total dividend for the year ended December 31, 2020, to N3 per share.

THE BOARD OF DIRECTORS

There were no changes to the composition of the Board of the Bank during the period under review. However, on January 3, 2021, one of the Bank's Non-Executive Directors, Prof. Oyewusi Ibidapo-Obe, passed on. We pray that God will grant him eternal rest.

INVESTMENT IN TECHNOLOGY

Zenith Bank is committed to setting the pace in the adoption of financial technology. Consequently, we have invested immensely in new technologies and digital solutions in the year under review. This is in line with our pledge to create value for our highly esteemed customers through our wide range of innovative products and services.

CORPORATE SOCIAL RESPONSIBILITY

Zenith Bank is committed to building a more sustainable and inclusive economy. As such, we have continued to integrate sustainability principles in our business operations and

As a resilient brand, however, we were able to leverage the innate opportunities within the environment and record a performance that further attests to the Group's sound financial health.

investment decisions in line with global best practices. During the last year, we made considerable progress in this regard, bearing in mind our role in accelerating the achievement of the United Nations Sustainable Development Goals (SDGs).

Our sustainability and Corporate Social Responsibility (CSR) initiatives are hinged on the belief that today's business performance is not all about the financial numbers – we believe that an institution's social investments, contributions to inclusive economic growth and development as well as improvements in the condition of the physical environment, all constitute a balanced scorecard.

Through our CSR initiatives, we have embodied the overarching objective of the 17 SDGs, which provide a framework for addressing the major challenges confronting our society. Our social investments are targeted at health, education, women and youth empowerment, sports development and public infrastructure enhancement.

To demonstrate our commitment to creating and expanding opportunities, the Bank regularly makes donations towards the setting up of ultramodern ICT centres in several educational institutions across the country. It also supports various developmental projects and healthcare delivery causes in Nigeria. The Bank equally contributes to the development of sports in Nigeria through its sponsorship of the Nigeria Football Federation (NFF), the Zenith Women Basketball League, and the Zenith Bank Delta Principals' Cup, to name a few.

In response to the Covid-19 pandemic, the Bank donated NGN1 billion as part of the Coalition Against COVID-19 (CACOVID), a private sector-led initiative to support the Nigerian Government to combat the Covid-19 crisis.

Apart from our healthcare sector interventions, we expanded our support for women-owned businesses in the year under review. As a testament to our achievements in these areas, Zenith Bank won the awards for "Best Company in Promotion of Good Health and Wellbeing" and "Best Company in Promotion of Gender Equality and Women Empowerment" in Africa at the 2020 Sustainability, Enterprise and Responsibility Awards (SERAs).

MACROECONOMIC OUTLOOK

Although the outlook for the domestic economy, and indeed the global economy, remains largely uncertain as the pandemic continues to impact economies, most economic prognoses suggest a modest recovery in 2021. On the domestic front, the recovery witnessed in the last quarter of 2020 is expected to continue, supported by easing OPEC production cuts and higher oil prices. Thus, the IMF forecast the Nigerian economy to expand by 1.5 per cent in 2021, while the World Bank expects

Zenith Bank is committed to building a more sustainable and inclusive economy. As such, we have continued to integrate sustainability principles in our business operations and investment decisions in line with global best practices. During the last year, we made considerable progress in this regard, bearing in mind our role in accelerating the achievement of the United Nations Sustainable Development Goals (SDGs).

domestic output to grow by 1.1 per cent in 2021. In addition to the stimulus packages to reflate the economy, growth is expected to be driven by an uptick in private consumption and investment and government spending as enunciated in the 2021 budget.

The Federal Government of Nigeria (FGN) 2021 budget has an aggregate expenditure estimate [inclusive of General Operating Expenses (GOEs) and project tied loans] of N13.59trillion, representing a 25.7 per cent increase compared to the N10.81trillion (inclusive of GOEs and project tied loans) revised budget for 2020 fiscal year. A breakdown of the budget estimates show that N4.13trillion (30.36 per cent) was budgeted for capital expenditure; N5.64trillion (41.52 per cent) for recurrent (non-debt) expenditure; N3.32trillion (24.47 per cent) for debt servicing; and N496.53billion (3.65 per cent) for statutory transfers. Aggregate budget revenue for 2021 is projected at N7.99trillion, 36.35 per cent higher than the N5.86trillion estimated for 2020. The 2021 Budget is predicated on crude oil production of 1.86 million barrels per day, crude oil price of $40 per barrel, and an average exchange rate of N379/dollar.

On the monetary policy side, CBN policy actions such as development finance initiatives, measures to boost credit flow to the private sector through the Loan-to-Deposit Ratio (LDR), etc., are expected to provide momentum for growth. The apex bank expects that the various stimulus initiatives will support further economic recovery in Q1 2021 and beyond. However, the downside to this prospect remains persistent inflationary pressures and rising debt burden, which could weigh on Nigeria's growth prospects.

On the global front, ongoing vaccination is expected to support recovery by driving a moderate rebound in economic activities across most economies. However, there are concerns about the economic impact of lockdown measures in the face of the second wave of the COVID-19 pandemic and its impact on crude oil demand, oil prices and capital flows. Overall, the economic prospect in 2021 remains that of cautious optimism.

APPRECIATION

The year 2020 was no doubt a challenging but successful year for us as a Bank. Clearly, the superior performance recorded in the year was made possible by the collective efforts of all our stakeholders. Therefore, I am grateful to our customers for their unflinching loyalty, our Staff and Management for their dedication and commitment, and our Board for continually guiding the Bank along the path of sustained growth.

Ladies and gentlemen, I welcome you to the 2021 financial year with the firm assurance of continued excellent performance by our Bank.

Thank you.

Jim Ovia, *CON*
Chairman

EBENEZER **ONYEAGWU**

In 2020, the global economy witnessed one of its deepest recessions, following the devastating health and economic crisis caused by the Coronavirus (COVID-19) pandemic.

It gives me great honour and pleasure to welcome you, our highly esteemed shareholders, to the 2020 Annual General Meeting. In 2020, the global economy witnessed one of its deepest recessions, following the devastating health and economic crisis caused by the Coronavirus (COVID-19) pandemic. The pandemic triggered a severe macroeconomic shock leading to sharp decline in aggregate demand and supply; disruptions in global supply chain and trade; rising sovereign and corporate debts; heightened financial market vulnerabilities; low prices of crude oil and other commodities; etc. Consequently, the global economy contracted by an estimated 4.3 per cent in 2020.

The Nigerian economy slipped into recession in Q3 2020 but recovered in the fourth quarter.

According to the National Bureau of Statistics (NBS), aggregate output, measured by Gross Domestic Product (GDP), grew by 1.87 per cent in the first quarter of 2020 but contracted by 6.10 per cent and 3.62 per cent in Q2 and Q3, respectively, before growing by 0.11 per cent in Q4 2020.

The decline recorded during the second and third quarters of the year was attributable primarily to the steep fall in global oil prices and weaker domestic demand caused by the COVID-19 pandemic. Also, measures put in place to contain the spread of the virus, such as nationwide lockdown, resulted in significantly lower levels of both domestic and international economic activity. In addition, EndSARS protests in October 2020 escalated security concerns and crippled economic activity in some major cities in the country. Overall, annual economic performance was subdued as the country recorded negative GDP growth of -1.92 per cent in 2020.

In a bid to stimulate growth in the Nigerian economy amidst the pandemic, the Central Bank of Nigeria (CBN) rolled out a raft of initiatives. These measures include an extension of a one-year moratorium on principal repayments across all the CBN intervention facilities; reduction of interest rate on all CBN intervention facilities from 9 per cent to 5 per cent per annum; establishment of a NGN50 billion Targeted Credit Facility through the Nigeria Incentive-based Risk Sharing System for Agricultural Lending (NIRSAL) Microfinance Bank; and creation of a NGN100 billion credit support for the healthcare industry to meet the increasing demand for healthcare services and products. Others include regulatory forbearance for deposit money banks (DMBs) to consider temporary restructuring of repayment terms and extension of tenor of term loans for businesses and households most affected by the COVID-19 pandemic. These include creation of a NGN1 trillion manufacturing and agricultural support fund for the agriculture and manufacturing sectors; and establishment of a $39.4 billion infrastructure development company in collaboration with the African Finance Corporation (AFC) and the Nigeria Sovereign Investment Authority (NSIA) to leverage on local and international funds to undertake significant capital infrastructure projects in Nigeria.

In the course of the year, like all institutions, we were impacted by pandemic-related lockdowns and restrictions. We responded by activating our robust business continuity plan, which meant that critical systems remained operational with our personnel working remotely from home. The pandemic prompted an adjustment in our strategy to ensure that we continue to create value for customers, employees and investors. In particular, the need to understand the impact of pandemic related disruptions on various customer segments prompted an adjustment in our strategy. Consequently, we ramped up support for our clients, especially SMEs, to improve credit access and create more opportunities for their growth.

Supporting all our clients is critical in the journey towards recovery from the revenue losses that many businesses have suffered due to the pandemic. COVID-19 has accelerated the efforts towards digital transformation in our operations and service delivery. As private and public institutions implemented measures to reduce exposure to the virus, we have witnessed a preference for digital channels compared to traditional in-person channels, boosting digital finance and e-commerce. A significant surge in volume of online and contactless transactions processed via Unstructured Supplementary Service Data (USSD), Quick Response (QR) code, mobile and web platforms was recorded, especially during citywide lockdowns. Given this trend, we have focused on expanding our robust digital infrastructure, continually assessing how we can make our digital finance suite more resilient.

Amidst the pandemic, our commitment to the Sustainable Development Goals has not waned. We further entrenched sustainable banking principles into our operations, carrying out significant corporate social responsibility initiatives with a special focus on the health, public infrastructure, and security sectors. We believe that businesses should strive to deliver positive social, environmental and economic impact in the pursuit of profit. Since sustainability is integrated into our business strategy, we are well-positioned to create value for all stakeholders irrespective of the challenges prevalent in the operating environment.

As a testament to our market leadership, robust and best in class service, and steadfast commitment to global best practices, we received several awards and recognitions in 2020, including "Most Valuable Banking Brand in Nigeria 2020" (The Banker), "Biggest Bank in Nigeria by Tier-1 capital 2020" (The Banker), "Best Bank in Nigeria 2020" (Global Finance Magazine), "Best Corporate Governance (Financial Services) Africa 2020" (Ethical Boardroom), "Retail Bank of the Year 2020" (BusinessDay Newspapers), and "Bank of the Year 2020" (The Banker Magazine, Financial Times Group). The Bank also received recognition as the "Best Company in Promotion of Good Health and Well-Being" for interventions in the health sector during the pandemic and "Best Company in Promotion of Gender Equality and Women Empowerment" at the 2020 Sustainability, Enterprise and Responsibility Awards (SERAS).

The pandemic prompted an adjustment in our strategy to ensure that we continue to create value for customers, employees and investors. In particular, the need to understand the impact of pandemic-related disruptions on various customer segments prompted an adjustment in our strategy.

Nigeria's economic growth outlook for 2021 is brighter but remains fragile. The CBN expects its initiatives to increase credit flows to key productive sectors to stimulate output growth and strengthen the economic recovery, which started in Q4 2020 as the country exited recession. The World Bank projects that the Nigerian economy will grow by 1.1 per cent in 2021, driven by an uptick in private consumption, as well as investments in growth sectors – Agriculture and Information & Communication Technology (ICT), and government consumption. There are reasons for cautious optimism that the worst of the pandemic is likely behind, even though COVID-19 infections could spike occasionally. The scientific community now has a better understanding of the virus and how to safeguard segments of the population that are most susceptible to a negative outcome. The development of COVID-19 therapeutics and the roll-out of vaccines is a massive positive sentiment that will be driving optimism in the days ahead. Other positive developments for the domestic economy include improving asset yields, rising crude prices, and the commencement of the African Continental Free Trade Area (AfCFTA). In addition, payment system expansion and widespread adoption of innovations like open banking and Quick Response (QR) code will open up more opportunities in the retail segment of the financial services market. Within this environment, we will continue to strive to explore new growth frontiers in order to continue to enhance value creation for all our stakeholders.

Thank you.

EBENEZER ONYEAGWU
Group Managing Director / CEO

Board of Directors

JIM **OVIA**, *CON*

Chairman

Jim Ovia is the founder and pioneer Group Managing Director / CEO of Zenith Bank Plc, Nigeria's largest and Africa's 9th largest bank by Shareholders' Funds. He was at the helm of affairs, from inception, for 20 years until his resignation in July, 2010. He was reappointed the Chairman of the bank in 2014.

Jim Ovia was a member of the National Economic Management Team of Nigeria and he is a member of the Honorary International Investors' Council.

Jim Ovia is a philanthropist and the founder and proprietor of James Hope College, Agbor, Delta State. His foundation, which focuses on providing scholarship to the less-privileged, has a number of beneficiaries that are now qualified medical doctors, engineers, etc.

He is also the Founder of several enterprises and philanthropic institutions including the Youth Empowerment & ICT Foundation, which focuses on improving the socio-economic welfare of Nigerian youths by empowering them to embrace Information and Communication Technology. The initiative holds annual Youth Empowerment seminars.

In recognition of his achievements particularly in support of the Nigerian economy, Jim Ovia was conferred with the national award of Commander of the Order of the Niger (CON) in November, 2011.

Jim Ovia holds a Master's degree in Business Administration (MBA) from the University of Louisiana, Louisiana, USA obtained in 1979 and a B.Sc degree in Business Administration from Southern University, Louisiana, USA (1977). He is an alumnus of Harvard Business School (OPM).

Jim Ovia is a writer and motivational speaker. He has been interviewed by a number of global networks including CNN, CNBC, Bloomberg and Arise TV.

Mr. Ebenezer Onyeagwu is a vastly experienced Chartered Accountant, a knowledgeable and astute financial expert, trained in reputable institutions of learning in Nigeria, the United Kingdom and the United States of America. Mr. Onyeagwu is a graduate of accounting from Auchi Polytechnic, widely recognized as an institution that has produced some of Nigeria's most renowned Chartered Accountants. He obtained the Higher National Diploma in Accounting from that institution in 1987. He qualified as a Chartered Accountant (ACA) of the Institute of Chartered Accountants of Nigeria (ICAN) in 1989, immediately after graduation. He subsequently became a Fellow (FCA) of the Institute of Chartered Accountants of Nigeria (ICAN) in 2003. He is also a Fellow of Nigerian Institute of Management (NIM), The Chartered Institute of Bankers of Nigeria (CIBN), Institute of Credit Administrators (ICA) and Senior Associate Member, Risk Management Institute of Nigeria (RIMAN).

Furthermore, Mr. Onyeagwu is an alumnus of the prestigious University of Oxford, England, from where he obtained a Postgraduate Diploma in Financial Strategy, and a certificate in Macroeconomics. He also has a Masters Degree in Accounting and Financial Services from Salford Business School, University of Salford, Manchester, United Kingdom. He undertook extensive executive level education in Wharton Business School of the University of Pennsylvania, Columbia Business School of Columbia University, the Harvard Business School of Harvard University, in the United States. He has over 29 years of experience in the banking industry in Nigeria, out of which he has recorded 19 years in Zenith Bank Plc. Before joining Zenith Bank Plc, he worked at Citizens International Bank Limited between 1991 and 2002. He was one of the most outstanding branch managers in the bank, winning multiple awards and recognitions for his brilliant, excellent and highly professional performance on the job.

He joined Zenith Bank Plc in 2002 as a Senior Manager, in the Internal Control and Audit Group of the bank. His professionalism, competence, integrity and commitment to the objectives of the bank saw him rise swiftly between 2003 and 2005, first, as Assistant General Manager, then Deputy General Manager, and eventually, General Manager of the bank. In these capacities, he handled strategies for new business and branch development, management of risk assets portfolios, treasury functions, strategic top level corporate, multinationals and public institutional relationships, among others.

He was appointed Executive Director of the bank in 2013, and put in charge of Lagos and South-South Zones as well as strategic groups/ business units of the bank, including Financial Control & Strategic Planning, Treasury & Correspondent Groups, Human Resources Group, Oil & Gas Group, and Credit Risk Management Group.

Mr. Onyeagwu was named Deputy Managing Director of the bank in 2016. In that capacity, he deputized for the Group Managing Director and Chief Executive Officer of the bank and also had direct oversight of the bank's Financial Control and Strategic Planning, Risk Management, Retail Banking, Institutional and Corporate banking business portfolios, IT Group, Credit Administration and Treasury & Foreign Exchange Trading.

At Wharton Business School, Mr. Onyeagwu undertook the CEO academy and leadership training programmes. His strategic skills were further nurtured and honed at Columbia Business School strategy training programme. At the Harvard Business School, he acquired capabilities in negotiations and critical decision-making.

Mr. Onyeagwu is the Chairman of Zenith Pensions Custodian Limited and Zenith Nominees Limited. He is also on the Board of Zenith Bank (UK) Limited, FMDQ Holdings Plc, Shared Agent Network Expansion Facilities (SANEF) Limited and Lagos State Security Trust Fund (LSSTF). He is a member of The African Trade Gateway Advisory Council of Afreximbank, The Wall Street Journal CEO Council and The International Monetary Conference (IMC) – which comprises CEOs of largest financial Institutions drawn from 28 countries in the world. He also served on the board of Zenith Bank Ghana Limited, Zenith General Insurance, Zenith Securities Limited, Zenith Assets Management Company, Zenith Madicare Limited and Africa Finance Corporation (AFC).

He is very well noted for his tenacity, entrepreneurial spirit, high sense of innovation and creativity and very inspirational leadership skills. Within the market, he is highly respected for his consistent and impeccable character, brilliance, deep knowledge and insight of the market, as well as for his strong professional and ethical principles, which have continued to endear him to all stakeholders. Mr. Onyeagwu is married and has children.

DAME (DR.)
ADAORA **UMEOJI**

Deputy Managing Director

With over 20 years cognate banking and broad executive management experience, Dame (Dr.) Adaora Umeoji rose through the ranks to her current position.

She holds a Bachelor's degree from University of Jos, an MBA from University of Calabar and a Doctorate degree in Business Administration from Apollos University, Great Falls, Montana, USA. Her dissertation was on inspirational leadership and her findings have been recognized as a major contribution in leadership and people management.

She attended the strategic thinking and management programme at Wharton Business School, Pennsylvania, USA and also holds a Certificate in Management from Harvard Business School, Boston, USA.

She is a member of notable professional bodies including the Chartered Institute of Bankers of Nigeria, Institute of Credit Administration, Nigerian Institute of Management, Institute of Certified Public Accountants of Nigeria and Institute of Chartered Mediators and Conciliators.

Dame (Dr.) Adaora Umeoji has presented lead papers at major academic conferences and symposia. Recently, she was a keynote speaker at the Zenith Global Economic Forum held in New York City, USA where she delivered a thought-provoking lecture on Financing Growth Drivers in the Nigerian Economy.

Dame (Dr.) Adaora Umeoji has at different times participated in high-level Bankers' meetings with impactful contributions towards the advancement of the banking industry and national economic growth and development. She has delivered several motivational speeches at strategic sessions aimed at mentoring youths and managers, especially banking professionals.

Beyond banking, Dame (Dr.) Adaora Umeoji supports research and learning on inspirational leadership, mentorship, talent development, collaboration, change and adaptability, strategic thinking, innovation and creativity, amongst others.

Dame (Dr.) Adaora Umeoji promotes the Pink Breath Cancer Care Foundation which supports several healthcare programs within the six geopolitical zones of Nigeria.

Dame (Dr.) Adaora Umeoji has won numerous awards for excellence and creativity in management. Her contribution towards improving humanity has been recognized by the Nigerian Red Cross, Catholic Women organization of Nigeria and the Institute of Chartered Mediators and Conciliators among other non-governmental organizations both within and outside the country.

As a result of her passion in promoting professionalism in the banking industry and improving the well-being of the less privileged, Dr Adaora Umeoji founded the Catholic Bankers Association of Nigeria (CBAN), a platform she uses to promote ethical banking and service to humanity.

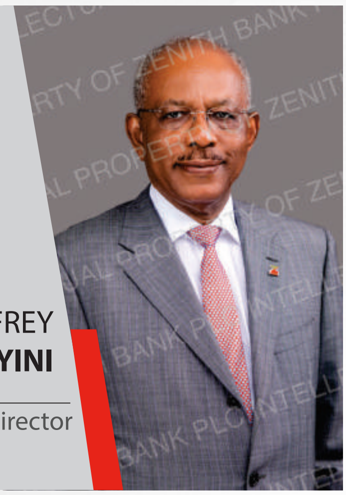
PROF. CHUKUKA **ENWEMEKA**

Non-Executive Director

He is a Professor at the San Diego State University, California, United States of America. Prior to this appointment, he was the Professor and Dean, College of Health Sciences, University of Wisconsin, Milwaukee, United States of America. He was also Professor and Dean, School of Health Professions, New York Institute of Technology, Old Westbury, New York, United States of America and Professor/Chairman, University of Kansas (Medical Center), Kansas City, United States of America as well as Associate Professor of Orthopaedics and Rehabilitation, University of Miami, School of Medicine, Miami, Florida, United States of America.

He graduated and obtained his first degree in 1978 from the University of Ibadan, Ibadan, Oyo State, Nigeria. He obtained his Master's degree in 1983 from the University of Southern California, Los Angeles, United States of America and thereafter proceeded to the New York University, New York, United States of America where he bagged his Ph.D. in 1985.

Professor Enwemeka is a distinguished scholar who has authored several books and has provided administrative oversight and academic leadership for various degree programs and in various prestigious Universities.



JEFFREY **EFEYINI**

Non-Executive Director

He is an experienced and well-rounded international banker, international trade expert and financial services professional with a powerful entrepreneurial streak, combined with risk aversion and with an eye to the "bottom line".

He is an energetic lateral thinker with several years experience in Management Consulting, Board and Corporate Governance.

Mr. Efeyini is a fellow of the Chartered Institute of Bankers, United Kingdom. He holds a Master's degree from the London School of Economics and Political Science as well as an MBA from the University of Lagos, Nigeria.

He recently retired as the Managing Director of Melvale Group, United Kingdom (a diversified international trade finance and foreign direct investment consulting organization).

From2003 to 2009, he was an Independent Director with Union Bank UK Plc, London. He was also a Director and later Chairman of Britain Nigeria Business Council, London.

He started his professional banking career with Barclays Bank International, United Kingdom, later Union Bank of Nigeria and rose to the position of the pioneer Chief Executive/General Manager, Union Bank of Nigeria Plc, London.

GABRIEL
UKPEH

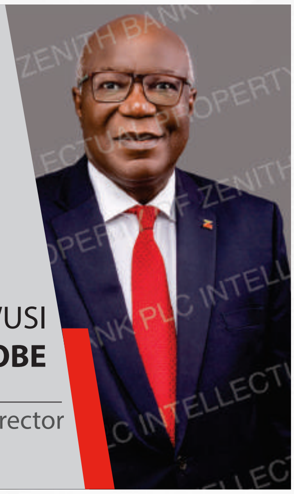
Non-Executive Director

Mr. Ukpeh is an internationally acclaimed consultant in business strategy, risk management, process re-engineering and financial services, who was, until recently, a Senior Partner and Risk Quality Leader for Africa at PricewaterhouseCoopers (PwC).

He is a fellow of the Institute of Chartered Accountants of Nigeria with over thirty five (35) years experience in Financial Audit and Reporting, as well as a member of the Institute of Taxation of Nigeria.

A graduate of accounting, he holds Graduate Diploma in Business Administration from the University of Warwick, Coventry, United Kingdom. He obtained a Master of Science (M.Sc) Degree in Contemporary Accounting from the Leeds Metropolitan University, UK in 2009.

He worked with PwC, an International Business auditing and consulting firm for over thirty five (35) years, and as a Partner for over 20 years led, directed, planned and managed the audit, accounting, and consulting assignments for numerous financial institutions, multinationals and local companies, including most major banks in Nigeria.



PROF. OYEWUSI
IBIDAPO-OBE

Non-Executive Director

Professor Oyewusi Ibidapo-Obe, a Distinguished Professor of Systems Engineering and former Vice Chancellor (2000-2007) of the University of Lagos and former Vice Chancellor of the new Federal University Ndufu Alike Ikwo Ebonyi State Nigeria (2011-2016); was the President of the Nigerian Academy of Science from 2009-2013.

He attended the University of Lagos from 1968-1971. He was awarded a Bachelor of Science [B.Sc. (Hon)] degree in Mathematics in the 1st Class Division by the University of Lagos, Nigeria in 1971; a Master of Mathematics (M. Maths) degree in Applied Mathematics with a minor in Computer Science in 1973 and a Doctor of Philosophy (PhD) in Civil Engineering with specialisation in Applied Mechanics/Systems in 1976 both from the University of Waterloo, Ontario, Canada. He attended the Round Table at Oxford University in 2003 and also the 2007 MIT Research and Development Conference and Innovations for Economic Development Course as well as Harvard University of Kennedy School of Government in 2013.

Professor Ibidapo-Obe was also a Commonwealth Scholar (Canada) (1972-1976); an NSERC/CIDA (Natural Sciences and Engineering Research Council/Canadian International Development Agency (1977-1980) and a Senior Fulbright Research Scholar (1980-1981).

He serves as an honorary International Scholar-in-Residence at the Pennsylvania State University and a Visiting Research Professor at Texas Southern University (2007 – present) both in the United States. He has similar recognitions with Otto von Guericke University Magdeburg, Germany.

Professor Ibidapo-Obe was invested in 2004 with the prestigious Fellowships of the Academy of Science and Academy of Engineering Nigerian Computer Society and Mathematical Association of Nigeria. He was elected Fellow of the African Academy of Science (AAS) as well as The World Academy of Science (TWAS) in 2012. He was the Vice President of NASAC (Network of African Science Academies) (2011-2013).

ENGR. MUSTAFA **BELLO**

Non-Executive Director

Engr. Mustafa Bello graduated with B.Engr. (Civil Engineering), from the Ahmadu Bello University (ABU), Zaria in 1978 with Second Class Upper Division and won the Shell prize for best project and thesis for Faculty of Engineering in 1978.

He served in the Directorate of Quartering and Engineering Service (Nigerian Army) between 1978 / 1979 and later joined the Niger State Housing Corporation between 1980 and 1983 as a Senior Civil Engineer.

He served as a cabinet Minister of the Federal Republic of Nigeria as the Federal Minister of Commerce between 1999 and 2002. He was subsequently appointed Executive Secretary/Chief Executive Officer of the Nigerian Investments Promotion Commission (NIPC) between November 2003 and February 2014.

He is currently the Chairman of Invest-in-Northern Nigeria Limited, a special purpose vehicle for the economic and social transformation of the Northern Nigerian Economy.

He has been involved in several projects in Nigeria including CAC online project in 2002, developed WTO consistent Trade Policy for the Federal Republic of Nigeria etc.

He has attended several conferences, missions and meetings and represented the Federal Government of Nigeria.

DR. AL-MUJTABA **ABUBAKAR**

Non-Executive Director

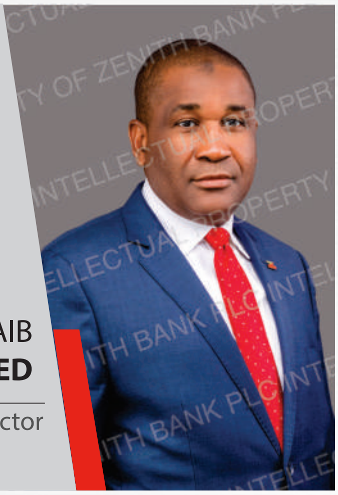
Dr. Al-Mujtaba Abubakar is currently the Managing Director of Apt Pensions Funds Managers Limited.

He is a graduate of the Leeds Polytechnic, UK. He is a renowned Chartered Accountant and a Fellow of the Institute of Chartered Accountants of Nigeria.

Dr. Abubakar has extensive and tremendous experience in the financial services industry, audit and consulting. He worked with the firm of Akintola Williams Deloitte between January 2000 and November 2008, and rose to become the Partner and Board Member of West Africa sub-region. Prior to this, he had served on the Board of several financial institutions in Nigeria.

He has attended several management and leadership training programmes and conferences both within and outside the country.

He brings to the Board of the bank tremendous track record in Risk Management, Credit & Marketing, Auditing and very outstanding leadership skills.



UMAR SHUAIB **AHMED**

Executive Director

Until his appointment as an Executive Director, Umar Shuaib Ahmed was a General Manager and Zonal Head supervising 7 branches and 3 Strategic Business Units in Abuja and also coordinate 3 zones comprising over 20 branches in the North-West and North East.

Umar graduated in 1990 with B.Sc (Hons) Accounting from Ahmadu Bello University, Zaria and later obtained an MSc. (Banking & Finance) from Bayero University Kano in 1998. He started his banking career 23 years ago in 1993 at Citibank (Nigeria International Bank).

He joined Zenith in 2006 as an Assistant General Manager. Through his career, Umar has held several management positions before this appointment.
He is a Fellow of Nigerian Institute of Loan and Risk Management, Honorary Senior Member, Chartered Institute of Bankers and Member, Nigerian Institute of Management.

He has attended Strategic Business courses at London Business School and Harvard Business School, USA.

He is married with children.

DR. TOPE **FASORANTI**

Executive Director

Dr. Temitope Fasoranti, has spent over 29 years in the Nigerian Banking Industry. He obtained a Bachelor's degree in Economics (1988), a Master's degree in Economics (1991) and a PhD in Economics all from the Obafemi Awolowo University (OAU) Ile-Ife.

He worked in FBN Merchant Bankers from 1991 – 1997 and joined Zenith Bank in 1997. Prior to his appointment as Executive Director he was a General Manager/Group Zonal Head overseeing several branches and zones in Lagos which includes Ikeja Zone, Apapa Zone, Ilupeju Zone, South West Region and was Group Head of Oil & Gas, Conglomerate Group, Agriculture Desk etc.

He has attended several local and international courses and programs including Changing The Game: Negotiation and Competitive Decision Making (Harvard Business School), Creating and Leading High Performance Teams (The Wharton School, Pennsylvania, USA), and Developing Strategy for Value Creation (London Business School).

He is a member of the Nigerian Institute of Management (NIM), an honorary member of the Chartered Institute of Bankers of Nigeria (CIBN), The Institute of Credit Administration and a sitting board member of Zenith Pensions Custodian Limited and Financial Institutions Training Centre (FITC).

His experience covers Treasury, Corporate Finance, Corporate Banking, Retail Banking, Risk Management, Branch Management and Zonal Management.

He is married with children.

DENNIS
OLISA

Executive Director

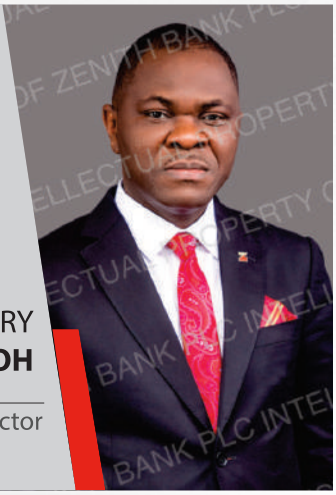
Mr. Olisa is a Chartered Accountant and holds an MBA.

He is a Fellow of the Institute of Chartered Accounts of Nigeria (FCA), Fellow of the Chartered Institute of Bankers of Nigeria (FCIB) and an Associate, Chartered Institute of Taxation (ACIT).

He has attended several international courses including INSEAD Business School, Fontainebleau, France; Havard Business School, Boston, Massachusetts, USA; Booth School of Business, University of Chicago, USA; London School of Economics (LSE) UK, and Oxford Princeton Programme, Oxford, United Kingdom.

Mr. Olisa has spent over twenty seven (27) years in the Nigerian Banking Industry. He joined the services of the bank in 1998. His experience covers Treasury, Banking Operations, Credit Risk Management, Telecommunication, Oil and Gas, Internal Control as well as Branch Management and Zonal Management.

Prior to his appointment, he was a General Manager and Chief Inspector of the bank, overseeing the Internal Audit and Inspection of the Group.



HENRY
OROH

Executive Director

Henry Oroh holds a Bachelor's Degree in Accounting from the University of Benin, Edo State and an MBA from the Lagos State University as well as an LLB Degree from the University of London. He is a Fellow of the Institute of Chartered Accountants of Nigeria (ICAN) and an honorary member of the Chartered Institute of Bankers (CIBN), Nigeria.

He has over two decades of banking experience. He began his banking career in 1992 at Citibank where he served for seven (7) years in Operations, Treasury and Marketing.

He joined Zenith Bank in February 1999 and has worked in various Groups and Departments within the Zenith Group Office. His expertise spans Operations, Information Technology, Treasury, Marketing, including the Manufacturing, Food and Beverages, Pharmaceuticals, Oil and Gas, Public Sector, Consumer, as well as Corporate Banking and Business Development.

In April 2012, he was seconded to Zenith Bank Ghana Limited as an Executive Director and became the Managing Director/ Chief Executive in February 2016, where he successfully spearheaded the phenomenal growth of the Zenith Brand both within the Ghana market and the West African sub-region.

Henry has attended several Leadership Programmes and Executive Management Courses at the Harvard Business School, Columbia Business School, New York, University of Chicago, University of Pennsylvania, HEC Paris, JP Morgan Chase, UK and the Lagos Business School.

He comes to the Board of Zenith Bank Plc with strong competencies in Credit & Marketing, Operations, Information Technology, Treasury and impressive Leadership skills.

Directors' Report for the Year Ended December 31, 2020

The directors present their report on the affairs of ZENITH BANK PLC ("the Bank"), together with the financial statements and independent auditor's report for the year ended December 31, 2020.

1. Legal form

The Bank was incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company on 30 May,1990. It was granted a banking licence in June 1990, to carry on the business of commercial banking and commenced business on June 16, 1990. The Bank was converted into a Public Limited Liability Company on 20 May 2004. The Bank's shares were listed on the floor of the Nigerian Stock Exchange on 21 October 2004. In August 2015, the Bank was admitted into the premium Board of the Nigerian Stock Exchange. The Bank is also listed on the London Stock Exchange.

There have been no material changes to the nature of the Group's business from the previous year.

2. Principal activities and business review

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Such services include obtaining deposits from the public, granting of loans and advances, corporate finance and money market activities.

The Bank has six subsidiary companies namely, Zenith Bank (Ghana) Limited, Zenith Pensions Custodian Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, Zenith Bank (The Gambia) Limited and Zenith Nominees Limited. During the year, the Bank opened six new branches and no branch was closed.

As at December 31, 2020 the Group had 436 branches, 177 cash centers; 2,042 ATM terminals; 83,766 POS terminals and 9,905,449 cards issued to its customers. (December 31, 2019: 430 branches, 178 cash centers, 2,093 ATM terminals, 50,427 POS terminals and 7,745,176 cards issued).

3. Operating results

Gross earnings of the Group increased by 5.2% and profit before tax increased by 5.2% . Highlights of the Group's operating results for the year under review are as follows:

	31-Dec-20	31-Dec-19
	N' Million	N' Million
Gross earnings	**696,450**	**662,251**
Profit before tax	255,861	243,294
Income tax expense	(25,296)	(34,451)
Profit after tax	230,565	208,843
Non- controlling interest	(191)	(150)
Profit attributable to the equity holders of the parent	**230,374**	**208,693**
Appropriations		
Transfer to statutory reserve	33,912	29,875
Transfer to retained earnings and other reserves	196,462	178,818
	230,374	**208,693**
Basic and diluted earnings per share (Naira)	7.34	6.65

4. Dividends

The Board of Directors, pursuant to the powers vested in it by the provisions of section 426 of the Companies and Allied Matters Act (CAMA 2020) of Nigeria, proposed a final dividend of N2.70 per share which in addition to the N0.30 per share as interim dividend amounts to N3.00 per share (2019: Interim dividend of N0.30 per share and a final dividend of N2.50 per share) from the retained earnings account as at December 31, 2020. This will be presented for ratification by the shareholders at the Annual General Meeting.

Payment of dividends is subject to withholding tax at a rate of 10% in the hands of qualified recipients.

5. Directors' shareholding

The direct and indirect interests of directors in the issued share capital of Zenith Bank Plc as recorded in the register of directors shareholding and/or as notified by the directors for the purposes of sections 301 and 302 of the Companies and Allied Matters Act (CAMA 2020) and the listing requirements of the Nigerian Stock Exchange is as follows:

Interests in shares		Number of Shareholding			
		December 31, 2020		December 31, 2019	
Director	Designation	Direct	Indirect	Direct	Indirect
Jim Ovia, CON.	Chairman / Non-Executive Director	3,546,199,395	1,525,904,916	3,546,199,395	1,513,137,010
Prof. Chukuka Enwemeka	Non-Executive Director	127,137	-	127,137	-
Mr. Jeffrey Efeyini	Non Executive Director	541,690	-	541,690	-
Prof.Oyewusi Ibidapo-Obe	Non Executive Director / Independent	1,000,000	-	421,426	-
Mr. Gabriel Ukpeh	Non Executive Director / Independent	32,660	-	32,660	-
Engr. Mustafa Bello	Non Executive Director / Independent	-	-	-	-
Dr. Al-Mujtaba Abubakar	Non Executive Director / Independent	-	-	-	-
Mr. Ebenezer Onyeagwu	Group Managing Director	46,500,000	-	45,500,000	-
Dame (Dr.) Adaora Umeoji	Deputy Managing Director	68,873,169	1,710,123	68,873,169	1,710,123
Mr. Ahmed Umar Shuaib	Executive Director	9,577,343	-	7,577,343	-
Dr. Temitope Fasoranti	Executive Director	8,075,000	-	5,075,000	-
Mr. Dennis Olisa	Executive Director	10,122,316	-	7,122,316	-
Mr. Henry Oroh	Executive Director	7,827,027	-	7,827,027	-

The indirect holdings relate to the holdings of the Directors in the underlisted companies:

- Jim Ovia: (Institutional investors Ltd, Lurot Burca Ltd, Jovis Nigeria Ltd, Veritas Registrars Ltd, Quantum Zenith Securities Ltd)
- Adaora Umeoji: (Palaise Vendome Limited)

6. Directors' Remuneration

The Bank ensures that remuneration paid to its Directors complies with the provisions of the Code of Corporate Governance issued by its regulators.

In compliance with Section 34(5) of the Code of Corporate Governance for Public Companies as issued by Securities and Exchange Commission, the Bank makes disclosure of the remuneration paid to its directors as follows:

Type of package Fixed	Description	Timing
Basic Salary	- Part of gross salary package for Executive Directors only. Reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year.	Paid monthly during the financial year.
Other allowances	- Part of gross salary package for Executive Directors only. Reflects the banking industry competitive salary package and the extent to which the Bank's objectives have been met for the financial year.	Paid at periodic intervals during the financial year.
Productivity bonus	-Paid to executive directors only and tied to performance of the line report. It is also a function of the extent to which the Bank's objectives have been met for the financial year.	Paid annually in arears.
Director fees	- Paid annually on the day of the Annual General Meeting ('AGM') to Non-Executive Directors only.	Paid annually on the day of the AGM.
Sitting allowances	- Allowances paid to Non-Executive Directors only, for attending Board and Board Committee Meetings.	Paid after each Meeting.

7. Changes on the Board

There were no changes made on the Board for the year ended December 31, 2020

8. Directors' interests in contracts

For the purpose of section 303(1) and (3) of Companies and Allied Matters Act of Nigeria, (CAMA 2020), all contracts with related parties during the year were conducted at arm's length. Information relating to related parties transactions are contained in Note 38 to the financial statements.

9. Acquisition of own shares

The shares of the Bank are held in accordance with the Articles of Association of the Bank. The Bank has no beneficial interest in any of its shares.

10. Property and equipment

Information relating to changes in property and equipment is given in Note 26 to the financial statements. In the opinion of the directors, the market value of the Group's property and equipment is not less than the value shown in the financial statements.

11. Shareholding analysis

The shareholding pattern of the Bank as at 31 December, 2020 is as stated below:

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-10,000	540,089	83.8506 %	1,600,471,228	5.10 %
10,001 - 50,000	79,951	12.4127 %	1,649,026,287	5.25 %
50,001 - 1,000,000	22,378	3.4743 %	3,742,557,959	11.92 %
1,000,001 - 5,000,000	1,232	0.1913 %	2,594,952,811	8.27 %
5,000,001 - 10,000,000	191	0.0297 %	1,327,572,762	4.23 %
10,000,001 - 50,000,000	202	0.0314 %	4,418,860,987	14.07 %
50,000,001 - 1,000,000,000	64	0.0099 %	11,234,533,343	35.78 %
Above 1,000,000,000	2	0.0003 %	4,828,518,410	15.38 %
	644,109	**100 %**	**31,396,493,787**	**100 %**

The shareholding pattern of the Bank as at 31 December 2019 is as stated below:

Share range	No. of Shareholders	Percentage of Shareholders	Number of holdings	Percentage Holdings (%)
1-9,999	538,495	84.0302 %	1,600,809,615	5.10 %
10,000 - 50,000	79,624	12.4250 %	1,637,944,446	5.22 %
50,001 - 1,000,000	21,321	3.3271 %	3,466,126,816	11.04 %
1,000,001 - 5,000,000	1,012	0.1579 %	2,182,848,956	6.95 %
5,000,001 - 10,000,000	165	0.0257 %	1,160,270,614	3.70 %
10,000,001 - 50,000,000	159	0.0248 %	3,456,450,729	11.01 %
50,000,001 - 1,000,000,000	54	0.0084 %	9,080,638,007	28.92 %
Above 1,000,000,000	5	0.0009 %	8,811,404,604	28.06 %
	640,835	**100 %**	**31,396,493,787**	**100 %**

12. Substantial interest in shares

According to the register of members as at 31 December, 2020, the following shareholders held more than 5% of the issued share capital of the Bank.

	Number of Shares Held	Number of Shares Held
Jim Ovia, CON	3,546,199,395	11.29 %

According to the register of members at December 31, 2019, the following shareholders held more than 5% of the issued share capital of the Bank.

Jim Ovia, CON	3,546,199,395	11.29 %

13. Donations and charitable gifts

The Bank made contributions to charitable and non-political organisations amounting to N3,285 million during the year ended December 31, 2020 (December 31, 2019: N2,729 million).

The beneficiaries are as follows:

	31-Dec-20 N' Million
Various State Government infrastructure/Security Trust Funds	1,408
Contribution to Coalition Against COVID (CACOVID)	1,000
Other medical donations	176
Other COVID-19 relief materials	119
Private Health Care Alliance	100
Lagos state (Abule-Ado explosion) emergency relief fund	100
Donations for new radiology and orthopaedic facilities	100
Sponsorship of Nigeria Football Federation	87
ICT equipments for Educational Institutions	53
St. Saviour's school sponsorship	22
Donation to ICAN - Capacity building	10
Other donations individually below N10 million	110
	3,285

14. Events after the reporting period

There were no significant events after the reporting date that could affect the reported amount of assets and liabilities as of the reporting date.

15. Impact of Brexit

Following UK's exit from the European Union (EU) in January 2020, the Group has reviewed its initial assessments of the impact.

Overall, the Group does not anticipate any negative impact on its ability to continue to do business profitably. This assessment covers business model, capital, liquidity and operations and is premised on the fact that it does not have any significant exposure to EU markets. Furthermore, the Group believes that none of its significant sources of revenue is at risk due to Brexit.

Further, the Group does not anticipate any impact on Eurobond trading as bonds are usually traded globally and settled via Euroclear. It is expected that this will be unchanged, and that UK's exit will have minimal impact on pricing. Eurobond client base is mostly in Nigeria and UK. European Fund Managers mainly have UK offices and it is believed that they would not be restricted from dealing with the Zenith UK. Similarly, minimal impact is anticipated on the Bank's Non-Deliverable Forwards (NDF) trading as all counterparties are based in London or Africa.

Most of the Group liquid assets are denominated in Nigerian Naira.

Additionally, the possible risks that the Group envisages are the possibility of rates in the UK remaining static due to the heightened level of fragility and uncertainty; the anticipation that regulation for banks conducting business across the European Union ("EU") will increase, in view of expected changes to EU regulation; and the risk to financial stability.

The Group believes that the above factors are unlikely to have a significant effect on the Group as it has very little direct interaction with Europe since its main operations are in Africa, Middle East and the UK. The Group believes that it will be able to cope with the regulatory demands and the current capital needs in the UK.

16. Disclosure of customer complaints in financial statements for the year ended December 31, 2020

Description	Number		Amount claimed		Amount refunded	
	31-Dec-20	31-Dec-19	31-Dec-20 N.	31-Dec-19 N.	31-Dec-20 N.	31-Dec-19 N.
Pending complaints brought forward	549	188	180,765,030,644	17,033,494,506	12,982,196	27,009,119
Received Complaints	175,702	769	27,938,837,259	167,782,649,956	8,823,953	222,775,473
Resolved Complaints	92,352	408	145,716,214,240	4,051,113,818	3,722,876,538	421,465,468
Unresolved Complaints escalated to CBN for intervention / carried forward	**83,899**	**549**	**62,987,653,663**	**180,765,030,644**		**-**

17. Human resources

(i) Employment of disabled persons

The Group maintains a policy of giving fair consideration to the application for employment made by disabled persons with due regard to their abilities and aptitude. The Group's policy prohibits discrimination against disabled persons in the recruitment, training and career development of its employees. In the event of members of staff becoming disabled, efforts will be made to ensure that their employment continues and appropriate training arranged to ensure that they fit into the Group's working environment.

(ii) Health, safety and welfare at work

The Group enforces strict health and safety rules and practices at the work environment, which are reviewed and tested regularly. The COVID-19 pandemic also presented an opportunity for the Group to enhance its health and safety protocols in all its operating locations. The Group also provides medical insurance cover for staff and immediate family members.

Fire prevention and fire-fighting equipment are installed in strategic locations within the Group's premises, while occassional fire drills are conducted to create awareness amongst staff.

The Group operates both a Group Personal Accident and the Workmen's Compensation Insurance covers for the benefit of its employees. It also operates a contributory pension plan in line with the Pension Reform Act.

(iii) Employee training and development

The Group ensures, through various fora, that employees are informed on matters concerning them. Formal and informal channels are also employed in communication with employees with an appropriate two-way feedback mechanism.

In accordance with the Group's policy of continuous development, training facilities are provided in well-equipped training centres. These are complemented by on-the-job training.

(b) Analysis of Board and top management staff

	Gender Number			Gender Percentage	
	Male	Female	Total	Male	Female
Board members					
(Executive and Non-executive directors)	12	1	13	92 %	8%
Top management staff (AGM-GM)	37	22	59	63 %	37 %
	49	**23**	**72**	**68 %**	**32 %**

(c) Further analysis of board and top management staff

	Gender Number			Gender Percentage	
	Male	Female	Total	Male	Female
Assistant general managers	23	16	39	59 %	41%
Deputy general managers	9	5	14	64 %	36%
General managers	5	1	6	83 %	17%
Board members (Non-executive directors)	7	-	7	100 %	-%
Executive directors (excluding MD and DMDs)	4	-	4	100 %	-%
Deputy managing director	-	1	1	-%	100%
Managing director/CEO	1	-	1	100%	-%
	49	**23**	**72**	**68 %**	**32 %**

18. Auditors

During the year messers KPMG Professional Services resigned as auditors in line with the Central Bank of Nigeria's directive, on ten years maximum tenor for external auditors of banks. Acordingly Messers Pricewaterhouse Coopers (PWC) were appointed as Group auditors and they have indicated their willingness to continue in office as auditors.

In accordance with section 401 of the Companies and Allied matters Act, in section 401 (CAMA 2020); resolution will be proposed at the Annual General Meeting to authourize the directors to determine their remuneration.

By order of the Board

Michael Osilama Otu (Esq.)
Company Secretary
January 28, 2021
FRC/2013/MULTI/00000001084

1

SCAN toPAY

Scan a QR code with your mobile device to pay at merchants' locations

2

USSD Merchant Direct String

*BankUSSD*000*MerchantCode+Amount#

Dial a USSD direct string to make payments

3

USSD on POS

Make payment via the POS with a generated code and by dialing a string.

Introducing

ZECA SAVE

... an eazier way to save for your child's future.

ZECA Save is a Zenith Children's Account variant designed to enable parents with inadequate documentation open an account and save for their children's future.

To open a ZECA Save account for their child, parents need only present;

(I) The child's birth certificate and passport photograph.
(ii) A passport photograph of one or both parents.

For more information, visit www.zenithbank.com/zeca

02 Governance & Sustainability

Statement of Corporate Responsibility for the Financial Statements for the Year Ended December 31, 2020

In line with the provision of S. 405 of CAMA 2020, we have reviewed the audited financial statements of the bank for the year ended December 31, 2020 and based on our knowledge confirm as follows:

(i) The audited financial statements do not contain any untrue statement of material fact or omit to state a material fact, which would make the statements misleading.

(ii) The audited financial statements and all other financial information included in the statements fairly present, in all material respects, the financial condition and results of operation of the bank as of and for the year ended December 31, 2020.

(iii) The bank's internal controls has been designed to ensure that all material information relating to the bank and its subsidiaries is received and provided to the Auditors in the course of the audit.

(iv) The bank's internal controls were evaluated within 90 days of the financial reporting date and are effective as of 31 December 2020.

(v) That we have disclosed to the bank's Auditors and the Audit Committee the following information:

(a) there are no significant deficiencies in the design or operation of the bank's internal controls which could adversely affect the bank's ability to record, process, summarise and report financial data, and have discussed with the auditors any weaknesses in internal controls observed in the cause of the Audit.

(b) there is no fraud involving management or other employees which could have any significant role in the bank's internal control.

(vi) There are no significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of this audit, including any corrective actions with regard to any observed deficiencies and material weaknesses.

28 January 2021.

Mukhtar Adam, PhD
Chief Financial Officer
FRC/2013/MUL TI/00000003196

Mr. Ebenezer Onyeagwu
Group Managing Director / CEO
FRC/2013/ICAN/00000003788

Corporate Governance Report for the Year Ended December 31, 202

1. Introduction

The Group subscribes to the highest level of Corporate Governance and best practice in the conduct of its business. The Group's governance practices are constantly reviewed to ensure that it is consistent with global standards.

2. The Directors and other key personnel

During the year under review, the Directors and other key personnel of the Bank complied with the following Codes of Corporate Governance, which the Bank subscribes to:

a. The Central Bank of Nigeria (CBN) issued Code of Corporate Governance for Banks and Discount Houses in Nigeria 2014.

b. The Securities and Exchange Commission (SEC) issued Code of Corporate Governance for public companies.

c. The National Code of Corporate Governance for Public Companies which became effective in January 2019.

In addition to the above Codes, the Bank complies with relevant disclosure requirements in other jurisdictions where it operates.

3. Shareholding

The Bank has a diverse shareholding structure with no single ultimate individual shareholder holding more than 12% of the bank's total shares.

4. Board of directors

The Board has the overall responsibility for setting the strategic direction of the Bank and also oversight of Senior Management. It also ensures that good Corporate Governance processes and best practices are implemented across the Bank and the Group at all times.

The Board of the Bank consists of persons of diverse discipline and skills, chosen on the basis of professional background and expertise, business experience and integrity as well as knowledge of the Bank's business.

Directors are fully abreast of their responsibilities and knowledgeable in the business and are therefore able to exercise good judgment on issues relating to the Bank's business. They have on the basis of this acted in good faith with due diligence and skill and in the overall best interest of the Bank and relevant stakeholders during the year of review.

The Board has a Charter which regulates its operations. The Charter has been forwarded to the Central Bank of Nigeria in line with the CBN Code of Corporate Governance.

5. Board structure

The Board is made up of a Non-Executive Chairman, six (6) Non-Executive Directors and six (6) Executive Directors including the GMD/CEO. Four (4) of the Non-Executive Directors are Independent Directors, appointed in compliance with the Central Bank of Nigeria (CBN) circular on Appointment of Independent Directors by Banks.

Corporate Governance Report for the Year Ended 31 December, 2020

The Group Managing Director/Chief Executive is responsible for the day to day running of the bank and oversees the Group structure, assisted by the Executive Committee (EXCO). EXCO comprises the Executive Directors, Deputy Managing Director as well as the Group Managing Director/Chief Executive as its Chairman.

6. Responsibilities of the Board

The Board is responsible for the following amongst others:

a. reviewing and approving the Bank's strategic plans for implementation by management;

b. review and approving the Bank's financial statements;

c. reviewing and approving the Bank's financial objectives, business plans and budgets, including capital allocations and expenditures;

d. monitoring corporate performance against the strategic plans and business, operating and capital budgets;

e. implementing the Bank's succession planning;

f. approving acquisitions and divestitures of business operations, strategic investments and alliances and major business development initiatives;

g. approving delegation of authority for any unbudgeted expenditure;

h. setting the tone for and supervising the Corporate Governance Structure of the Bank, including corporate structure of the bank and the Board and any changes and strategic plans of the Bank and the Group;

i. assessing its own effectiveness in fulfilling its responsibilities, including monitoring the effectiveness of individual directors.

The membership of the Board during the year is as follows:

Board of Directors

NAME	POSITION
Jim Ovia, CON	Chairman
Prof. Chukuka S. Enwemeka	Non-Executive Director
Mr Jeffrey Efeyini	Non-Executive Director
Prof. Oyewusi Ibidapo-Obe	Independent/Non-Executive Director
Mr. Gabriel Ukpeh	Independent/Non-Executive Director
Engr. Mustafa Bello	Independent/Non-Executive Director
Dr. Al-Mujtaba Abubakar	Independent/Non-Executive Director
Mr. Ebenezer Onyeagwu	Group Managing Director/CEO
Dame (Dr.) Adaora Umeoji	Deputy Managing Director
Mr. Umar Shuaib Ahmed	Executive Director
Dr. Temitope Fasoranti	Executive Director
Mr. Dennis Olisa	Executive Director
Mr. Henry Oroh	Executive Director

The Board meets at least once every quarter but may hold extra-ordinary sessions to address urgent matters requiring the attention of the Board.

7. Roles of Chairman and Chief Executive

The roles of the Chairman and Chief Executive are separate and no one individual combines the two positions. The Chairman's main responsibility is to lead and manage the Board to ensure that it operates effectively and fully discharges its legal and regulatory responsibilities. The Chairman is responsible for ensuring that Directors receive accurate, timely and clear information to enable the Board take informed decisions and provide advice to promote the success of the Bank. The Chairman also facilitates the contribution of Directors and promotes effective relationships and open communications between Executive and Non-Executive Directors, both inside and outside the Boardroom.

The Board has delegated the responsibility for the day-to-day management of the Bank to the Group Managing Director/Chief Executive Officer, who is supported by Executive Management. The Group Managing Director executes the powers delegated to him in accordance with guidelines approved by the Board of Directors. Executive Management is accountable to the Board for the development and implementation of strategies and policies. The Board regularly reviews group performance, matters of strategic concern and any other matter it regards as material.

8. Director Nomination Process

The Board Governance, Nomination and Remuneration Committee is charged with the responsibility of leading the process for Board appointments and for identifying and nominating suitable candidates for the approval of the Board.
With respect to new appointments, the committee identifies, reviews and recommends candidates for potential appointment as Directors. In identifying suitable candidates, the Committee considers candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board, including gender as well as the balance and mix of appropriate skills and experience.

Shareholding in the Bank is not a criterion for the nomination or appointment of a Director. The appointment of Directors is subject to the approval of the shareholders and the Central Bank of Nigeria.

9. Induction and Continuous Training

Upon appointment to the Board and to Board Committees, all Directors receive an induction tailored to meet their individual requirements.

The induction, which is arranged by the Company Secretary, may include meetings with senior management staff and key external advisors, to assist Directors in acquiring a detailed understanding of the Bank's operations, its strategic plan, its business environment, the key issues the Bank faces, and to introduce Directors to their fiduciary duties and responsibilities.

The Bank attaches great importance to training its Directors and for this purpose, continuously offers training and education from onshore and offshore institutions to its Directors, in order to enhance their performance on the Board and the various committees to which they belong.

10. Board Committees

The Board carries out its oversight functions using its various Board Committees. This makes for efficiency and allows for a deeper attention to specific matters for the Board.

Membership of the Committees of the Board is intended to make the best use of the skills and experience of non-executive directors in particular.
The Board has established the various Committees with well defined terms of reference and Charters defining their scope of responsibilities in such a way as to avoid overlap or duplication of functions.
The Committees of the Board meet quarterly but may hold extraordinary sessions as the business of the Bank demands.

Corporate Governance Report for the Year Ended 31 December, 2020

The following are the current standing Committees of the Board:

10.1 Board credit committee
The Committee is currently made up of seven (7) members comprising four (4) non-Executive Directors and three (3) Executive Directors of the Bank. The Board Credit Committee is chaired by a non-Executive Director who is well versed in credit matters. The Committee considers loan applications above the level of Management Credit Committee. It also determines the credit policy of the Bank or changes therein.

The membership of the Committee during the year is as follows:

Mr. Gabriel Ukpeh - Chairman
Mr. Jeffrey Efeyini
Prof. Chukuka Enwemeka
Dr. Al-Mujtaba Abubakar
Mr. Ebenezer Onyeagwu
Dame (Dr.) Adaora Umeoji
Dr. Temitope Fasoranti

Terms of reference

- To conduct a quarterly review of all collateral security for Board consideration and approval;
- To recommend criteria by which the Board of Directors can evaluate the credit facilities presented from various customers;
- To review the credit portfolio of the Bank;
- To approve all credit facilities above Management approval limit;
- To establish and periodically review the bank's credit portfolio in order to align organizational strategies, goals and performance;
- To evaluate on an annual basis the components of total credit facilities as well as market competitive data and other factors as deemed appropriate, and to determine the credit level based upon this evaluation;
- To make recommendations to the Board of Directors with respect to credit facilities based upon performance, market competitive data, and other factors as deemed appropriate;
- To recommend to the Board of Directors, as appropriate, new credit proposals, restructure plans, and amendments to existing plans;
- To recommend non-performing credits for write-off by the Board;
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

10.2 Staff Welfare, Finance and General Purpose Committee
This Committee is made up of six (6) members: three (3) Non Executive Directors and three (3) Executive Directors. It is chaired by a non-executive Director. The Committee considers large scale procurement by the Bank, as well as matters relating to staff welfare, discipline, staff remuneration and promotion.

The membership of the Committee during the year is as follows:
Prof. Oyewusi Ibidapo-Obe – Chairman
Mr. Jeffrey Efeyini
Mr Gabriel Ukpeh
Mr. Henry Oroh
Dame (Dr.) Adaora Umeoji
Mr. Ebenezer Onyeagwu

Terms of reference

- Approval of large scale procurements by the bank and other items of major expenditure by the bank;
- Recommendation of the bank's Capital Expenditure (CAPEX) and major Operating Expenditure (OPEX) limits for consideration by the Board;
- Consideration of management requests for branch set up and other business locations;
- Consideration of management request for establishment of offshore subsidiaries and other offshore business offices;
- Consideration of the dividend policy of the Group and the declaration of dividends or other forms of distributions and recommendation to the Board;
- Consideration of capital expenditures, divestments, acquisitions, joint ventures and other investments, and other major capital transactions;
- Consideration of senior management promotions as recommended by the GMD/CEO;
- Review and recommendations on recruitment, promotion, and disciplinary actions for senior management staff;
- To discharge the Board's responsibility relating to oversight of the management of the health and welfare plans that cover the company's employees;
- Review and recommendation to the Board, salary revisions and service conditions for senior management staff, based on the recommendation of the Executives;
- Oversight of broad-based employee compensation policies and programs;

10.3 Board Risk Management Committee:

The Board Risk Management Committee has oversight responsibility for the overall risk assessment of various areas of the Bank's operations and compliance.

The Chief Risk Officer and the Chief Inspector have access to this Committee and make quarterly presentations for the consideration of the Committee. Chaired by Engr. Mustapha Bello (an Independent Non-Executive Director), the Committee's membership comprises the following:
Engr. Mustapha Bello - Chairman
Mr. Jeffrey Efeyini
Prof. Chukuka S. Enwemeka
Dr. Al-Mujtaba Abubakar
Mr. Ebenezer Onyeagwu

Corporate Governance Report for the Year Ended 31 December, 2020

Mr. Ahmed Umar Shuaib
Mr. Dennis Olisa

Terms of reference

- The primary responsibility of the Committee is to ensure that sound policies, procedures and practices are in place for the risk-wide management of the Bank's material risks and to report the results of the Committee's activities to the Board of Directors;
- Design and implement risk management practices, specifically provide ongoing guidance and support for the refinement of the overall risk management framework and ensuring that best practices are incorporated;
- Ensure that management understands and accepts its responsibility for identifying, assessing and managing risk;
- Ensure and monitor risk management practices, specifically determine which enterprise risks are most significant and approve resource allocation for risk monitoring and improvement activities, assign risk owners and approve action plans;
- Periodically review and monitor risk mitigation process and periodically review and report to the Board of Directors:
  (a) the magnitude of all material business risks;
  (b) the processes, procedures and controls in place to manage material risks; and
  (c) the overall effectiveness of the risk management process;
- To ensure the implementation of the approved cybersecurity policies, standards and delineation of cybersecurity responsibilities.
- To ensure that cybersecurity processes are conducted in line with the business requirements, applicable laws and regulation.
- To engage the Chief Information Security Officer (CISO) whose duties includes amongst others – responsibility for the implementation of approved cybersecurity policies and standards as well as to focus on the bank-wide cybersecurity activities and the mitigation of cybersecurity risks in the bank.
- Facilitate the development of a comprehensive risk management framework for the Bank and develop the risk management policies and processes and enforce its compliance;
- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

10.4 Board Audit and Compliance Committee:

The Committee is chaired by a Non-Executive Director - Mr. Jeffrey Efeyini, who is well experienced and knowledgeable in financial matters. The Chief Inspector and Chief Compliance Officer have access to this Committee and make quarterly presentations for the consideration of the Committee.

Committee's membership comprises the following:
Mr. Jeffrey Efeyini - Chairman
Mr. Gabriel Ukpeh
Engr. Mustafa Bello
Prof. Oyewusi Ibidapo-Obe
Dr. Al-Mujtaba Abubakar

Committee's terms of reference

The Board Audit and Compliance Committee have the following responsibilities as delegated by the Board of Directors:

- Ascertain whether the accounting and reporting policies of the Bank are in accordance with legal requirements and acceptable ethical practices;

- Review the scope and planning of audit requirements;
- Review the findings on management matters (Management Letter) in conjunction with the external auditors and Management's responses thereon;
- Keep under review the effectiveness of the Bank's system of accounting and internal control;
- Make recommendations to the Board with regard to the appointment, removal and remuneration of the external auditors of the Bank;
- Authorize the internal auditor to carry out investigations into any activities of the Bank which may be of interest or concern to the Committee;
- Oversight of compliance with legal and other regulatory requirements, assessment of qualifications and independence of the external auditors and performance of the Bank's internal audit function as well as that of the external auditors;
- Ensure that the internal audit function is firmly established and that there are other reliable means of obtaining sufficient assurance of regular review or appraisal of the system of internal control in the Bank;
- Oversee management's processes for the identification of significant fraud risks across the Bank and ensure that adequate prevention, detection and reporting mechanisms are in place;
- On a quarterly basis, obtain and review reports by the internal auditor on the strength and quality of internal controls, including any issues or recommendations for improvement, raised during the most recent control review of the Bank;
- Discuss and review the Bank's unaudited quarterly, audited half year and annual financial statements with management and external auditors to include disclosures, management control reports, independent reports and external auditors' reports before submission to the Board, in advance of publication;
- Meet separately and periodically with management, the internal auditor and the external auditors, respectively;
- Review and ensure that adequate whistle - blowing procedures are in place and that a summary of issues reported is highlighted to the Board, where necessary;
- Review with external auditors, any audit scope limitations or problems encountered and management responses to them;
- Review the independence of the external auditors and ensure that they do not provide restricted services to the Bank;
- Appraise and make recommendation to the Board on the appointment of internal auditor of the Bank and review his/her performance appraisal annually;
- Review the response of management to the observations and recommendation of the Auditors and Bank regulatory authorities;
- Agree Internal Audit Plan for the year annually with the Internal auditor and ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank;
- Review quarterly Internal Audit progress against Plan for the year and review outstanding Agreed Actions and follow up;

Corporate Governance Report for the Year Ended 31 December, 2020

- To develop a comprehensive internal control framework for the Bank and obtain assurances on the operating effectiveness of the Bank's internal control framework;

- To establish management's processes for the identification of significant fraud risks across the Bank and ensure that adequate prevention, detection and reporting mechanisms are in place;

- To work with the Internal Auditor to develop the Internal Audit Plan for the year and ensure that the internal audit function is adequately resourced to carry out the plan;

- To review periodically the Internal Audit progress against Plan for the year and review outstanding Agreed Actions and follow up;

- To review the report of the Chief Compliance Officer as it relates to Anti-Money Laundering policies of the Bank and other law enforcement issues.

- To perform such other duties and responsibilities as the Board of Directors may assign from time to time.

10.5 Board Governance, Nominations and Remuneration Cßommittee:
The Committee is made up of four (4) Non-Executive Directors and one of the Non-Executive Directors chairs the Committee.

The membership of the committee is as follows:
Prof. Chukuka Enwemeka - (Chairman)
Prof. Oyewusi Ibidapo Obe
Engr. Mustafa Bello
Mr. Gabriel Ukpeh

Committee's terms of reference

- To determine a fair reasonable and competitive compensation practices for Executive Directors of the bank which are consistent with the bank's objectives;

- Determining the amount and structure of compensation and benefits for Executive Directors;

- Ensuring the existence of an appropriate remuneration policy and philosophy for Executive Directors;
- Review and recommendation for Board ratification, all terminal compensation arrangements for Directors;

- Recommendation of appropriate compensation for Non-Executive Directors for Board and Annual General Meeting consideration;

- Review and approval of any recommended compensation actions for the Company's Executive Committee members, including base salary, annual incentive bonus, long-term incentive awards, severance benefits, and perquisites;

- Review and continuous assessment of the size and composition of the Board and Board Committees, and recommend the appropriate Board structure, size, age, skills, competencies, composition, knowledge, experience and background in line with needs of the Group and diversity required to fully discharge the Board's duties;

- Recommendation of membership criteria for the Group Board, Board Committees and subsidiary companies Boards.

- Identification at the request of the Board of specific individuals for nomination to the Group and subsidiary companies Boards and to make recommendations on the appointment and election of New Directors (including the Group MD) to the Board, in line with the Group's approved Director Selection criteria;

- Review of the effectiveness of the process for the selection and removal of Directors and to make recommendations where appropriate;
- Ensuring that there is an approved training policy for Directors, and monitor compliance with the policy;
- Review and make recommendations on the Group's succession plan for Directors and other senior management staff for the consideration of the Board;
- Regular monitoring of compliance with Group's code of ethics and business conduct for Directors and staff;
- Review the Group's organization structure and make recommendations to the Board for approval;
- Review and agreement at the beginning of the year, of the key performance indicators for the Group MD and Executive Directors;
- Ensure annual review or appraisal of the performance of the Board is conducted. This review/appraisal covers all aspects of the Board's structure, composition, responsibilities, individual competencies, Board operations, Board's role in strategy setting, oversight over corporate culture, monitoring role and evaluation of management performance and stewardship towards shareholders.

10.6 Statutory Audit Committee of the Bank

The Committee is established in line with section 404(2) (CAMA 2020). The Committee's membership consists of three (3) representatives of the shareholders elected at the Annual General Meeting (AGM) and three (3) Non-Executive Directors. The Committee is chaired by a shareholder's representative. The Committee meets every quarter, but could also meet at any other time, should the need arise.

The Chief Inspector, the Chief Financial Officer, as well as the External Auditors are invited from time to time to make presentation to the Committee.

All members of the Committee are financially literate. The membership of the Committee is as follows:

Shareholders' Representative
Mrs. Adebimpe Balogun (Chairman)
Prof (Prince) L.F.O. Obika
Mr. Michael Olusoji Ajayi

Non-Executive Directors / Director's Representatives
Mr. Jeffrey Efeyini
Mr. Gabriel Ukpeh
Engr. Mustafa Bello

Committee's terms of reference

- To meet with the independent auditors, chief financial officer, internal auditor and any other Bank executive both individually and/or together, as the Committee deems appropriate at such times as the Committee shall determine to discuss and review:
- the bank's quarterly and audited financial statements, including any related notes, the bank's specific disclosures and discussion under "Managements Control Report" and the independent auditors' report, in advance of publication;
- the performance and results of the external and internal audits, including the independent auditor's management letter, and management's responses thereto;

Corporate Governance Report for the Year Ended 31 December, 2020

- the effectiveness of the Bank's system of internal controls, including computerized information systems and security; any recommendations by the independent auditor and internal auditor regarding internal control issues and any actions taken in response thereto; and, the internal control certification and attestation required to be made in connection with the Bank's quarterly and annual financial reports;
- such other matters in connection with overseeing the financial reporting process and the maintenance of internal controls as the committee shall deem appropriate.
- To prepare the Committee's report for inclusion in the Bank's annual report;
- To report to the entire Board at such times as the Committee shall determine

10.7 Executive Committee (EXCO)

The EXCO comprises the Group Managing Director, Deputy Managing Director as well as all the Executive Directors. EXCO has the GMD/CEO as its Chairman. The Committee meets weekly (or such other times as business exigency may require) to deliberate and take policy decisions on the effective and efficient management of the bank. It also serves as a first review platform for issues to be discussed at the Board level. EXCO's primary responsibility is to ensure the implementation of strategies approved by the Board, provide leadership to the Management team and ensure efficient deployment and management of the bank's resources. Its Chairman is responsible for the day-to-day running and performance of the Bank.

10.8 Other Committees

In addition to the afore-mentioned committees, the Bank has in place, other standing management committees. They include:

(a) Management Committee (MANCO);
(b) Assets and Liabilities Committee (ALCO);
(c) Management Global Credit Committee (MGCC);
(d) Risk Management Committee (RMC)
(e) Information Technology (IT) Steering Committee
(f) Sustainability Steering Committe

(a) Management Committee (MANCO)

The Management Committee comprises the senior management of the Bank and has been established to identify, analyze, and make recommendations on risks arising from day-to-day activities. They also ensure that risk limits as contained in the Board and Regulatory policies are complied with. Members of the management committee make contributions to the respective Board Committees and also ensure that recommendations of the Board Committees are effectively and efficiently implemented. They meet weekly and as frequently as the need arises.

(b) Assets and Liabilities Committee (ALCO)

The ALCO is responsible for the management of a variety of risks arising from the Bank's business including market and liquidity risk management, loan to deposit ratio analysis, cost of funds analysis, establishing guidelines for pricing on deposit and credit facilities, exchange rate risks analysis, balance sheet structuring, regulatory considerations and monitoring of the status of implemented assets and liability strategies. The members of the Committee include the Group Managing Director, Executive Directors, the Treasurer, the Head of Financial Control, Group Head, Risk Management Group and a representative of the Assets and Liability Management Unit. A representative of the Asset and Liability Management Department serves as the secretary of this Committee.

The Committee meets weekly and as frequently as the need arises.

(c) Management Global Credit Committee (MGCC)

The Management Global Credit Committee is responsible for ensuring that the Bank complies with the credit policy guide as established by the Board. The Committee also makes contributions to the Board Credit Committee. The Committee can approve credit facilities to individual obligors not exceeding in aggregate a sum as pre-determined by the Board from time to time. The Committee is responsible for reviewing and approving extensions of credit, including one-obligor commitments that exceed an amount as may be determined by the Board. The Committee reviews the entire credit portfolio of the Bank and conducts periodic assessment of the quality of risk assets in the Bank. It also ensures that adequate monitoring of performance is carried out. The secretary of the committee is the Head of the Credit Administration Department.

The Committee meets weekly or fortnightly depending on the number of credit applications to be considered. The members of the Committee include the Group Managing Director, the Executive Directors and all divisional and group heads.

(d) Risk Management Committee (RMC)

This Committee is responsible for regular analysis and consideration of risks other than credit risk in the Bank. It meets [at least once in a month or as the need arises] to review environmental and other risk issues and policies affecting the Bank and recommend steps to be taken. The Committee's approach is entirely risk based. The Committee makes contributions to the Board Risk Management Committee and also ensures that the Committee's decisions and policies are implemented. The members of the Committee include the Group Managing Director, two Executive Directors, the Chief Risk Officer and all divisional and group heads.

(e) Information Technology (IT) Steering Committee

The Information Technology (IT) Steering Committee is responsible for amongst others, development of corporate information technology (IT) strategies and plans that ensure cost effective application and management of resources throughout the organization.

Membership of the committee is as follows:

1. The Group Managing Director/Chief Executive Officer;
2. Two (2) Executive Directors;
3. Chief Financial Officer;
4. Chief Inspector;
5. Chief Risk Officer;
6. Chief Compliance Officer
7. Chief Information Security Officer/Head of Infotech;
8. Head of Infotech - Software;
9. Head of Infotech - Enginering;
10. Head of Card Services;
11. Group Head of IT Audit;
12. Head of e-Business;

The committee meets monthly or as the need arises.

(f) Sustainability Steering Committee (SSC)

This Committee is responsible for regular analysis and review of sustainable banking policies and practices within the bank to ensure compliance with globally acceptable economic, environmental and social norms.

The bank, recognizing that every institution is as strong as the strength of its relationship and that the ability to nurture existing relationships and develop new ones will invariably play a significant role in the financial stability of the organization. Therefore, the bank believes that an organization must forge a closer relationship with its stakeholders, including customers, employees, local communities, suppliers, among others, to ensure triple bottom line profit.

Corporate Governance Report for the Year Ended 31 December, 2020

The Committee present quarterly reports to the Board Risk Management Committee and also ensures that the Committee's decisions and policies are implemented. The members of the Committee include representatives from various marketing and operations departments and groups within the bank as well as the CSR and Research Group.

11. Policy on trade in the Bank's securities

The Bank has in place a policy on trading on the Bank's Securities by Directors and other key personnel of the Bank. This is to guide against situations where such personnel in possession of confidential and price sensitive information deal with Bank's securities in a manner that amounts to insider trading.

12. Relationship with shareholders

The Bank maintains an effective communication with its shareholders, which enables them understand our business, financial condition and operating performance and trends. Apart from our annual report and accounts, proxy statements and formal shareholders' meetings, we maintain a rich website (with suggestion boxes) that provide information on a wide range of issues for all stakeholders.

Also, a quarterly publication of the Bank and group performance is made in line with the disclosure requirements of the Nigeria Stock Exchange.
The Bank has an Investors Relations Unit which holds regular forum to brief all stakeholders on operations of the Bank.

The Bank also, from time to time, holds briefing sessions with market operators (stockbrokers, dealers, institutional investors, issuing houses, stock analysts, mainly through investors conference) to update them with the state of business. These professionals, as advisers and purveyors of information, relate with and relay to the shareholders useful information about the Bank. The Bank also regularly briefs the regulatory authorities, and file statutory returns which are usually accessible to the shareholders.

13. Directors remuneration policy

The Bank's remuneration policy is structured taking into account the environment in which it operates and the results it achieves at the end of each financial year. It includes the following elements:

Non-executive directors

- Components of remuneration is annual fee and sitting allowances which are based on levels of responsibilities.
- Directors are also sponsored for training programmes that they require to enhance their duties to the Bank.
- During the year under review, all Directors attended the CFT/AML training programme to keep them abreast of recent trends in CFT and money laundering.

Executive directors

- The remuneration policy for Executive Directors considers various elements, including the following:
- Fixed remuneration, taking into account the level of responsibility, and ensuring this remuneration is competitive with remuneration paid for equivalent posts in banks of equivalent status both within and outside Nigeria.
- Variable annual remuneration linked to the Zenith Bank financial results. The amount of this remuneration is subject to achieving specific quantifiable targets, aligned directly with shareholders' interest.

Chief Compliance Officer

The Chief Compliance Officer monitors compliance with money laundering requirements and the implementation of the Code of Corporate Governance of the Bank. The Chief Compliance Officer and the Company Secretary forward regular returns to the Central Bank of Nigeria on all whistle-blowing reports and also on corporate governance compliance.

ZENITH

Whistle Blowing Procedures

The Bank has a whistle-blowing procedure that ensures anonymity for whistle-blowers. The Bank has a direct link on the bank's website, provided for the purpose of whistle-blowing.

Internally, the Bank has a direct link on its intranet for dissemination of information, to enable members of staff report all identified breaches of the Bank's Code of Corporate Governance. All reports are investigated and necessary sanctions applied for breaches.

During the year, the Bank filed quarterly returns in line with the provision on whistle blowing.

Codes of Conduct

The Bank has an internal Code of Professional Conduct for Employees, which all members of staff subscribe to upon assumption of duties. The Bank also has a Code of Conduct for Directors.

14. Monitoring Compliance With Corporate Governance

The Bank as at December 31, 2020 has four (4) foreign subsidiaries, two (2) local subsidiaries and one (1) representative office. Their activities are governed by the foreign subsidiaries governance structure put in place by the Group Head Office to ensure efficient and effective operations. The framework establishes the scope, method of performance management, periodic reviews and feedback mechanism for operating within the local laws in their jurisdiction.

The activities of the subsidiaries are closely monitored by Zenith Bank Plc using the following strategies:

Liaison and Oversight Function

The Foreign Subsidiaries Department is charged with the responsibility of overseeing the growth and implementation of the Bank's global expansion strategy into new territories/regions. The Department serves as an interface between the bank and its offshore subsidiaries. It also provides guidance on how to optimize synergy within the Group. Reports from the Group is presented to the Board at its quarterly meetings.

Representation on the Subsidiary Board

Zenith Bank Plc exercises control over the subsidiaries by maintaining adequate representation on the Board of each subsidiary. The representatives are chosen on the basis of professional competencies, business experience and integrity as well as knowledge of the Bank's business.

The Board of Directors of the subsidiaries are responsible for reviewing and approving the strategic plans and financial objectives as well as monitoring the corporate performance against these objectives.

Local Board and Board Committees

To ensure that the activities of the subsidiaries reflects the same values, ethics, controls and processes, Zenith Bank Plc is represented by at least two (2) non-executive directors in the local board and board committee of each foreign subsidiary. These directors provide effective oversight function over each subsidiary and ensure that there is consistency with the strategic direction of the Bank. They also act a link with the parent board at the Group Head Office in Nigeria.

Subsidiary Board Committees

The Subsidiary Board meets at least every quarter and exercises oversight function on the business of each location through the following committee structure.

- Board Credit Committee which is charged with the responsibility of considering the approval of new loans and renewal of existing ones above the threshold set for the Management Credit Committee. It also determines the credit policy or changes therein.

Corporate Governance Report for the Year Ended 31 December, 2020

- Board Risk Management Committee which has oversight responsibility for the overall risk management of various areas of the Bank's operations and compliance. This includes advising the Board on risk-related matters arising from its business.
- Board Audit and Compliance Committee is responsible for the review of accounting and reporting policies to ensure compliance with regulatory and financial reporting requirements. The Board, through the committee exercise oversight on the Compliance and AML/CFT activities of the Bank. Overall, it monitors the effectiveness of the Bank's system of internal control to safeguard its assets for shareholders.
- Board Governance, Nomination and Remuneration Committee (BGNRC) saddled with the responsibility of determining a fair, reasonable and competitive structure for senior management of the Bank as well as administering the Governance structure for the Bank.
- Board Staff Welfare, Finance & General Purpose Committee has the responsibility of approving large scale procurements by the Bank, as well as matters relating to staff welfare, discipline, staff remuneration and promotion.

Management of Subsidiaries
Zenith Bank Plc appoints one of its senior management staff to act as the Managing Director of each subsidiary. Other key staff are seconded to assist the managing director in the supervision of critical departments of the Bank.

The objective of this management structure is to ensure that the core values and principles of the Zenith Bank brand are instilled seamlessly across its offshore subsidiaries. It also offers the Group an opportunity to adopt a uniform culture of best practices in the area of corporate governance, technology, controls and customer service excellence.

Monthly and Quarterly Reports
The subsidiaries furnish Zenith Bank Plc with monthly and quarterly reports on their business and operational activities. These reports covers the subsidiaries' financial performance, risk assessment, regulatory and compliance matters amongst others. The reports are analyzed and presented to Executive Management and the Group Board of Directors for decision making and fulfilment of its oversight function.

Group Performance & Strategy Review/Budget Session
The Managing Directors and senior management team of the respective Subsidiaries of the Bank attend the annual Group's Performance & Strategy Review/Budget Session during which their performances are analyzed and recommendations made towards achieving continuous improvement in financial, social and environmental performance. The annual budget of the subsidiaries are discussed at this session. This session also serves as a forum for sharing business ideas, tapping into identified synergy within the Group and disseminating information on relevant best practices that could enhance our sustained growth in the banking landscape.

Annual Internal Control Audit
The Internal Control & Audit Department of Zenith Bank Plc carries out an annual audit of each of the offshore subsidiaries in line with the Group's Annual Audit Programme. This audit exercise covers all operational areas of the subsidiaries and the outcome is discussed with Executive Management at the home office for timely intervention on identified lapses. It is important to note that this exercise is distinct from the daily operations audit carried out by the respective internal audit unit within the subsidiaries.

Annual Loan Review/Audit
This audit is carried out by the Loan Review & Monitoring Unit of Zenith Bank Plc. The core areas of concentration during this audit exercise include asset quality assessment, loan performance, review of security pledged, loan conformity with credit policy, documentation check and review of central liability report among others.

Zenith Bank Plc is committed to complying with regulatory requirements in all locations where it operate. To this end, The Bank's Compliance Group monitors ongoing developments in the regulatory environment of each location where it operates and ensuring compliance with same. This include conducting periodic compliance checks on each subsidiary annually to ascertain compliance with local banking laws and regulations.

Report of External Auditors

In line with global best practices and regulatory guidelines, the Bank undertake review of Management letters from external Auditors on periodic audit of the subsidiary companies. This is to ensure that all exceptions are complied with and for implementation of the Auditors' recommendations

15. Complaints management policy

The Bank has put in place a complaints management policy framework to resolve complaints arising from issues covered under the Investments and Securities Act, 2007 (ISA). This can be found on the Bank's website.

16. Schedule of board and board committees meeting held during the year

The table below shows the frequency of meetings of the Board of directors, board committees and members' attendance at these meetings during the year under review.

Directors	Board	Board credit committee	Board Finance and general purpose committee	Board governance, nomination and remuneration committee	Board risk management committee	Board audit and compliance committee
Attendance/no of meetings	**5**	**4**	**4**	**4**	**4**	**4**
Jim Ovia, CON	5	N/A	N/A	N/A	N/A	N/A
Mr. Jeffrey Efeyini	4	4	4	N/A	4	4
Prof. Chukuka S.Enwemeka	5	4	N/A	4	4	N/A
Prof. Oyewusi Ibidapo-Obe	5	N/A	4	4	N/A	4
Mr.Gabriel Ukpeh	5	4	4	4	N/A	4
Engr.Mustafa Bello	5	N/A	N/A	4	4	4
Dr. Al-Mujtaba Abubakar	5	4	N/A	N/A	4	4
Dame (Dr.) Adaora Umeoji	5	4	4	N/A	N/A	N/A
Mr. Ebenezer Onyeagwu	5	4	4	N/A	4	N/A
Mr. Ahmed Umar Shuaib	5	N/A	N/A	N/A	4	N/A
Dr. Temitope Fasoranti	5	4	N/A	N/A	N/A	N/A
Mr. Dennis Olisa	5	N/A	N/A	N/A	4	N/A
Mr. Henry Oroh	5	N/A	4	N/A	N/A	N/A

Note:
N/A - Not Applicable (Not a Committee member)

Corporate Governance Report for the Year Ended 31 December, 2020

Dates for Board and Board Committee meetings held within the year to December 31, 2020

Board meetings	Board credit committee meeting	Finance and general purpose committee	Board risk and audit committee meeting	Board audit and compliances committee meeting	Board governance, nominations and remuneration committee	Audit committee meeting of the bank
28-Jan-20	27-Jan-20	27-Jan-20	27-Jan-20	27-Jan-20	27-Jan-20	27-Jan-20
29-Apr-20	28-Apr-20	28-Apr-20	28-Apr-20	28-Apr-20	28-Apr-20	28-Apr-20
23-Jul-20	22-Jul-20	21-Jul-20	21-Jul-20	21-Jul-20	21-Jul-20	21-Jul-20
22-Oct-20	21-Oct-20	20-Oct-20	20-Oct-20	20-Oct-20	20-Oct-20	20-Oct-20

17. Audit Committee

The table below shows the frequency of meetings of the audit committee and members' attendance at these meetings during the year under review.

Number of meetings held during the year:

Members	Number of Meetings attended
Mrs. Adebimpe Balogun (SR)	4
Prof. (Prince) L. F. O Obika (SR)	4
Mr. Michael Olusoji Ajayi (SR)	4
Engr. Mustafa Bello (NED)	4
Mr. Jeffrey Efeyini (NED)	4
Mr. Gabriel Ukpeh (NED)	4

SR - Shareholders representative

NED- Non-Executive Director

Statement of Directors' Responsibilities in Relation to the Financial Statements for the Year Ended December 31, 2020

The Directors accept responsibility for the preparation of the consolidated and seperate financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required.by the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2020, Financial Reporting Council of Nigeria Act, 2011, the Banks and Other Financial Institutions Act, Cap B3, Laws of the Federation of Nigeria, 2020 relevant Central Bank of Nigeria (CBN) Guidelines and Circulars.

The Directors further accept responsibility for maintaining adequate accounting records as required by the Companies and Allied Matters Act, Cap C20, Laws of the Federation of Nigeria, 2020 and for such internal control as the directors determines necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

The Directors have made assessment of the Bank and Group's ability to continue as a going concern and have no reason to believe that the Bank and the Group will not remain a going concern in the year ahead

SIGNED ON BEHALF OF THE

BOARD OF DIRECTORS BY:

Mr. Jim Ovia, CON.
Chairman
FRC/2013/CIBN/00000002406
January 28, 2021

Mr. Ebenezer Onyeagwu
Group Managing Director / CEO
FRC/2013/ICAN/00000003788
January 28, 2021

Report of the Audit Committee for the Year Ended December 31, 2020

In compliance with Section 404(7) of the Companies and Allied Matters Act of Nigeria CAMA 2020, we have reviewed the consolidated and separate financial statements of Zenith Bank Pic for the period ended 31st December, 2020 and hereby state as follows:

1. The scope and planning of the audit were adequate in our opinion;

2. The accounting and reporting policies of the Group and Bank conformed with the statutory requirements and agreed ethical practices;

3. The Internal Control and Internal Audit functions were operating effectively; and

4. The External Auditor's findings as stated in the management letter are being dealt with satisfactorliy by the management.

5. Related party transactions and balances have been disclosed in note 37 to the Financial Statements in accordance with requirements of the International Financial Reporting Standards (IFRS) and the Central Bank of Nigeria (CBN) directives as contained in the Prudential Guidelines for Deposit Money Banks in Nigeria and Circular on Disclosure of Insider-Related Credits in Financial Statements BSD/1/2004.

Dated January 26, 2021

Mrs. Adebimpe Balogun
Chairman, Audit Committee
FRC/2017/CITN/00000017467

MEMBERS OF THE COMMITTEE

Shareholders' Representative

1. Mrs Adebimpe Balogun - Chairman
2. Mr. Michael Olusoji Ajayi
3. Prof. (Prince) L.F.O Obika

Directiors' Representative

Non-Executive Director

1. Mr. Jeffrey Efeyini
2. Mr. Gabriel Ukpeh
3. Engr. Mustafa Bello

pwc

Independent auditor's report

To the Members of Zenith Bank Plc

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Zenith Bank Plc ("the bank") and its subsidiaries (together "the group") as at 31 December 2020, and of their consolidated and separate financial performance and their consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Banks and Other Financial Institutions Act and the Financial Reporting Council of Nigeria Act.

What we have audited

Zenith Bank Plc's consolidated and separate financial statements comprise:

- the consolidated and separate statements of profit or loss and other comprehensive income for the year ended 31 December 2020;
- the consolidated and separate statements of financial position as at 31 December 2020;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), i.e. the IESBA Code issued by the International Ethics Standards Board for Accountants. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

pwc

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans and advances to customers (refer to notes 2.7, 4.1, and 20)	
The expected credit losses (ECL) on loans and advances to customers are considered to be a key audit matter because they are significant to the consolidated and separate financial statements and require a high level of subjective judgement. The gross balance of loans and advances to customers as at 31 December 2020 was N 2,919 billion and N 2,773 billion for the group and bank respectively. The associated impairment allowance on loans and advances to customers was N 140 billion and N 133 billion for the group and bank respectively. The measurement of impairment allowance is highly subjective and involves the exercise of significant judgements and the use of complex models and assumptions. The key areas of significant judgement in the calculation of ECL include: • determination of default and significant increase in credit risk (SICR); • input assumptions and judgments applied in estimating probability of default (PD), Loss Given Default (LGD), and Exposure At Default (EAD) which are key parameters in the ECL model and • incorporation of macro-economic inputs and forward-looking information into the ECL model and probability weightings applied to them. This is considered a key audit matter in both the consolidated and separate financial statements.	We adopted a substantive approach to the audit of the expected credit loss allowance. To assess management's determination of default and significant increase in credit risk, we selected a sample of customers and performed the following procedures: • we tested the inputs into the credit rating system and agreed to the credit rating categories and • we examined customer specific information to assess management's conclusions relating to default and SICR. With the assistance of our modelling experts, we: • evaluated the appropriateness of the IFRS 9 impairment methodology as well as the ECL calculation tool for reasonableness; • checked the reasonableness and accuracy of PD methodology and computations respectively by performing independent calculations based on the bank's default experience; • assessed the validity of the assumptions used in determining the recoveries in estimating LGD for compliance with the requirements of IFRS 9; • checked the accuracy of EAD computation by performing an independent calculation using customer cash flows. For the off-balance sheet exposures, we checked that the credit conversion factor was correctly estimated and applied in determining the EAD by performing independent computations;

- evaluated the appropriateness of forward-looking economic inputs and their associated scenario weights by comparing to available industry information and checking that they have been appropriately incorporated into the ECL model; and
- checked the accuracy of ECL computation by performing an independent computation for a selected sample of loan exposures.

We assessed the adequacy of the disclosures in the financial statements in accordance with IFRS 9.

Other information

The directors are responsible for the other information. The other information comprises the Directors Report, Statement of Corporate Responsibility for the Financial Statements, Corporate Governance Report, Statement of Directors' Responsibilities, Report of the Audit Committee, Value Added Statement and Five-Year Financial Summary, but does not include the consolidated and separate financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the other sections of the Zenith Bank Plc 2020 Annual Report, which are expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other informati n and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other sections of the Zenith Bank Plc 2020 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors and those charged with governance for the consolidated and separate financial statements

The directors are responsible for the preparation of the consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act, the Financial Reporting Council of Nigeria Act, the Banks and Other Financial Institutions Act, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

The Companies and Allied Matters Act and the Banks and Other Financial Institutions Act require that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) the bank has kept proper books of account, so far as appears from our examination of those books and returns adequate for our audit have been received from branches not visited by us;

iii) the bank's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of account and returns;

iv) the information required by Central Bank of Nigeria Circular BSD/1/2004 on insider related credits is disclosed in Note 38 to the consolidated and separate financial statements; and

v) as disclosed in Note 42 to the consolidated and separate financial statements, the bank paid penalties in respect of contraventions of certain sections of the Banks and Other Financial Institutions Act and/or relevant circulars issued by the Central Bank of Nigeria during the year ended 31 December 2020.

For: PricewaterhouseCoopers

22 February 2021

Chartered Accountants
Lagos, Nigeria

Engagement Partner: Samuel Abu
FRC/2013/ICAN/00000001495

Corporate Sustainability Responsibility & Sustainable Banking Practices

Over the years, Zenith Bank has consistently created superior value for its esteemed stakeholders. As a reputable and responsible brand, the Bank has entrenched sustainable banking principles and standards into its business operations and investment decisions, in line with global best practices. We have fully integrated environmental and social (E&S) risks considerations into our credit approval process. Zenith Bank remains committed to promoting sustainable banking practices, improving the quality of life in communities where we operate through social investments.

Sustainable Wealth Creation

As a leading financial institution, we are conscious of our role in spurring economic growth and development, wealth creation, and employment generation. This consciousness influences our business investments and lending activities and continually propels us to seek innovative ways to support wealth creation.

Our strategy is to support the government's efforts at diversifying the economy through ongoing funding and investments in the real sector of the economy such as agriculture, power, manufacturing, solid minerals, construction, etc. The Bank identifies and channels funds to sectors and industries with considerable potential to spur economic growth and the overall wellbeing of the people.

The Bank also prioritises green investments, supporting and funding projects that promote the wellbeing of the larger society while preserving the physical environment. We are conscious of our environmental footprint and remain focused on investing responsibly in the best interest of our stakeholders.

Social Investments and Community Development

Despite the relatively slow economic growth and challenging business environment brought about by the global COVID-19 pandemic, Zenith Bank has remained committed to enhancing the welfare and prosperity of communities through our social investments. In the year under review, Zenith Bank's total social investments stood at NGN3.285 billion, representing 1.66 per cent of our Profit After Tax (PAT).

The focus areas of our CSR endeavours during the year mirror the Sustainable Development Goals (SDGs) of the United Nations and include security, healthcare, education and skills development, sports development, youth & women empowerment, and public infrastructure development.

Government Infrastructure and Security: Zenith Bank enhanced its engagement with the government and other relevant stakeholders tasked with peace and security. The assessment emanating from the engagement formed the basis for our contribution to various States' Governments Security Trust Fund and infrastructure. Thus, in 2020, we invested the sum of NGN1.408 billion in security trust funds and various government infrastructure projects. By boosting the operations and effectiveness of relevant security agencies, the safety of communities is enhanced.

Health: Our health initiatives in the outgone year focused mainly on supporting government efforts to curb the effects of the COVID-19 pandemic. Zenith Bank donated NGN1 billion to the Coalition Against COVID-19 (CACOVID). Also, NGN119 million was invested in other COVID-19 relief initiatives. We also donated NGN100 million to the Abule Ado Emergency Relief Fund for the care of victims of the gas explosion. In 2020, we invested in medical interventions for low-income individuals faced with various life-threatening medical conditions and supported various health programmes, complementing the government's efforts at improving life expectancy in the country. We supported the Private Sector Health Alliance of Nigeria with a donation of NGN100 million, and we made a donation of NGN 100 million towards the construction of the Radiology and Orthopaedic Center at General Hospital Marina. Other donations towards medical interventions amounted to about NGN176 million. Our total investment in the health sector in the year under review was NGN1.595 billion.

Our health sector investments earned Zenith Bank an award as the "Best Company in Promotion of Good Health and Well-Being" at the 2020 Sustainability Enterprise Responsibility Awards (SERAs).

Sports: In 2020, the COVID-19 pandemic greatly hampered sporting events. Our major sports initiatives include the title sponsorship of the Delta State Principals' Cup, the Nigerian Football Federation (NFF), and the Zenith National Women's Basketball League in partnership with the Nigerian Basketball Federation (NBBF). Our sponsorship of the Nigerian Football Federation (NFF) underscores our passion for the development of grassroots sports and the empowerment of future Nigerian football stars. Our total investments in sports within the year under review was about NGN87 million since most of the events could not hold due to the pandemic.

Education: In line with our firm commitment to developing the Nigerian education sector, we committed over NGN95 million to educational initiatives in the outgone financial year. Some of our educational initiatives in the year under review include donations towards the educational endowment fund of St. Saviour's School, Ikoyi, the Nigerian Academy of Science, training of 100 teachers and flag-off of Microsoft Office Specialist World Championship, a donation to ICAN's Capacity building activities, and the Zenith Academic Excellence Award for Best Graduating Students in selected Federal Universities.

Environmental Sustainability and Carbon Footprint Management

Zenith Bank considers environmental and social (E&S) risk management critical to the bank's sustainability strategy. Our Environmental and Social Management System (ESMS) provides a clear framework for the management of E&S risks associated with the Bank's investments. We take measures to mitigate and minimise the risks identified during the E&S risk due diligence process. Zenith Bank's ESMS aligns with the Equator Principles,

CERTIFIED ORGANIZATION V4 ADVISORS Redefining Environmental Strategies.

Certificate for Greenhouse Gas Auditing

Presented to

ZENITH BANK PLC

Plot 84, Ajose Adeogun Street, Victoria Island
Lagos – Nigeria

For its Greenhouse Gas Auditing and Reporting for the calendar year 2019, using V4 Advisors' tool that is in compliance with the Greenhouse Gas Corporate Standard and ISO 14064-1, 2006.

BUILT ON GHG PROTOCOL

V4 Advisors' calculation and reporting tool has been reviewed by WRI for conformance with the GHG Protocol Corporate Standard.

Contacting V4 Advisors: www.V4advisorsdmcc.com – mobile: +971 (0) 50 668 1073 – V4 Advisors DMCC Registered in Dubai

the International Finance Corporation (IFC) Performance Standards, among other global sustainability principles.

The automation of our E&S Risk Exposure Assessment process was a major milestone in our resolve to ensure sustainable financing of every project we invest in. Our target remains to broaden our E&S risk coverage to all projects, irrespective of the sector and to all projects, major and minor, by 2025. In the outgone financial year, about 90 per cent of all our transactions valued at over NGN3.1 trillion were screened and assessed for E&S risk. While working on expanding coverage, we hope to significantly improve E&S monitoring of existing credit customers and projects.

In line with Zenith Bank's carbon emission reduction strategy, we are working towards powering all our operations from alternative (renewable) sources such as solar energy. As of the end of the year 2020, we increased the number of buildings powered by solar energy to over 400, while 1,092 Automated Teller Machines (ATMs) are currently powered by solar energy. We have also automated several banking processes to reduce the consumption of paper in our daily operations. We engaged V4 Advisors to measure our carbon emissions within the period under review, with the aim of managing and reducing our footprint in line with regulatory and global expectations.

Workplace

The Bank remains committed to building a conducive work environment. We understand that a safe, healthy and secure workplace contributes to increased productivity and employee satisfaction. Strict implementation of our Health, Safety and Environment (HSE) Management Plan also supports the safety of vendors, contractors and other stakeholders. To boost the safety culture in the Bank, we trained 280 employees in Basic Emergency Response in 2020.

In response to the pandemic, we implemented remote work and other social distancing initiatives in compliance with COVID-19 protocols stipulated by the government. We also made considerable effort to ensure the safety of our offices by providing face masks and sanitisers while promoting good hygiene practices. Employees and their immediate family members were able to access the services of top-class medical hospitals retained by the Bank.

Human Rights

Zenith Bank is committed to respecting human rights and works to safeguard the rights of people. The Bank has a robust Human Rights Policy, which lays down guidelines on how our employees are expected to relate among themselves and with all other stakeholders within our business operations. We prohibit discrimination, bullying and harassment of any form. We strive to build an inclusive work environment where people are valued and respected and given equal opportunities to fulfil their potential. Our employees, contractors, agents, consultants and business partners are encouraged to treat others with dignity and respect, in conformity with the United Nations Universal Declaration of Human Rights (UDHR).

The Bank has developed human rights assessment courses, namely "Introduction to Human Rights Framework and the Rights of the Child", "Understanding the Implications of Human Rights Non-compliance", and "Human Rights in Business Transactions " to train staff across all levels on the basics of human rights. These courses have been deployed on our Learning Management Portal and made mandatory for staff, from entry-level to executive management level.

Women Empowerment

Zenith Bank remains committed to gender equality and women empowerment. We operate a gender-inclusive workplace culture and also offer products and services designed specifically for women. In 2020, women represented 49 per cent of our total workforce. The male/female ratio for senior management level staff for 2020 was 68:32. In the year under review, we invested over NGN196 million in capacity building for our female employees, and 2,832 employees participated in two trainings: 'Choosing to Lead as a Woman' and 'Women in Leadership: Moving Beyond Gender Roles as a Leader'.

Our Z-Woman business package is designed to address the unique needs of women-owned businesses. The package comes with loans of up to NGN10 million at a single-digit interest rate, free digital skills training, and free exhibition stands at Zenith Bank events, including many other benefits which will help women grow their businesses and increase sales. Facilities and loans to female entrepreneurs under the initiative stood at roughly NGN4 billion during the period. In recognition of these women-focused efforts, the bank was recognised as "Best Company in Gender Equality" at the 2020 Sustainability Enterprise Responsibility Awards (SERAs).

Sustainable Supply Chain Management

As part of efforts to comply with the principles of responsible consumption and production, we have integrated environmental and social conditions into our Code of Conduct for Suppliers, Vendors and Contractors. The aim is to promote sustainable business practices, and to ensure high-quality products and services, value for money and responsible sourcing of raw materials in our supply chain. Consequently, in 2020, we administered our "Code of Conduct" on all major vendors, suppliers and contractors of the bank and periodically screened all third-party business partners to ensure their compliance with E&S guidelines.

Because Information Communication Technology (ICT) facilities and equipment constitute a substantial part of our procurement, we strive to empower local communities and businesses by ensuring that our procurement policy deliberately promotes the patronage of local ICT vendors. Our engagement with IT vendors is guided by laid down service level agreements and compliance with our Code of Conduct, while our Tender Committee oversees the process of selection of vendors. Zenith Bank's procurement practices have positively impacted the economy, creating jobs, income and economic empowerment for households.

As part of efforts to comply with the principles of responsible consumption and production, we have integrated environmental and social conditions into our Code of Conduct for Suppliers, Vendors and Contractors.

Financial Inclusion

Zenith Bank has continued to support financial inclusion and literacy in the country. The bank has developed initiatives for nurturing financial inclusion in the country. Our financial literacy initiatives are geared towards empowering the financially excluded groups by providing them with essential information and adequate knowledge of the various types of financial products and services that are accessible to them. Physical activities were curtailed in 2020 as a result of the pandemic.

Our financial inclusion drive is supported by our numerous retail products such as the Zenith Children's Account (ZECA), Zenith Integrated Student Account (ZISA), Aspire Account, Easy Save Accounts (Classic & Premium), EazyMoney, Agent Banking, Zenith Mobile Banking, and Unstructured Supplementary Service Data service (*966#).

Training and Capacity Building

Capacity building remains one of the key people development strategies of the Bank. In 2020, we continued to carry out E&S risk management training for all our employees using online platforms. As part of our sustainability acculturation strategy, we made significant progress with the integration of Environmental and Social Risk Management sessions into the quarterly Anti-Money Laundering and Operational Risks training bank-wide, the quarterly Business Summit of the Bank, and the orientation programme for boarding of new employees. We also publish "Sustainability Titbits", Sustainability Lifestyle Tips" "Safety Nuggets" and "Sustainability Headlines" weekly to create awareness on E&S issues.

Reporting

Zenith Bank is a member of the United Nations Global Compact, the United Nations Environment Programme Finance Initiative (UNEP-FI), and a signatory to the CBN Nigerian Sustainable Banking Principles (NSBP). Consequently, we remain fully committed to sustainability reporting.

In October 2020, the bank published its fifth standalone 2019 Sustainability Report titled 'Creating Value and Opportunities' to demonstrate our economic, environmental and social progress in the financial year 2019. The report aligns with several sustainability guidelines, including the Nigerian Stock Exchange (NSE) and Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. Additionally, Zenith Bank sends biannual progress reports to the CBN as well as annual reports to the IFC, UNGC, PROPARCO, and AfDB, among others.

Conclusion

Zenith Bank remains committed to sustainable banking and has put in place a robust governance structure that supports its sustainable lending, wealth creation and community empowerment initiatives. We understand that our brand thrives on the sustainable value we create for our stakeholders. As such, we will seek continuous improvement in our processes to build on our successes and work towards achieving our sustainable banking ambitions.

KPMG

Report of the Independent Consultant to the Board of Directors of Zenith Bank PLC. on their Appraisal for the Year Ended 31 December 2020.

In compliance with the guidelines of Section 2.8.3 of the Central Bank of Nigeria (CBN) Revised Code of Corporate Governance for Banks in Nigeria Post Consolidation ("the CBN Code"), the Securities and Exchange Commission (SEC) Code of Corporate Governance ("the SEC Code") and Section 14.1 of the Nigerian Code of Corporate Governance 2018 ("NCCG"), Zenith Bank Plc. ("Zenith bank" or "the Bank") engaged KPMG Advisory Services to carry out an appraisal of the Board of Directors ("the Board") for the year ended 31 December 2020. The Codes recommend an annual appraisal of the Board with specific focus on the Board's structure and composition, responsibilities, processes and relationships, individual director competencies and respective roles in the performance of the Board.

We have performed the procedures agreed with Zenith Bank in respect of the appraisal of the Board in accordance with the provisions of the CBN Code, SEC Code and the NCCG. These procedures, which are limited in scope but sufficient for the Board's objectives in line with the Codes, are different in scope from an external audit. Consequently, no opinion is expressed by us on the activities reported upon.

Our approach to the appraisal of the Board involved a review of the Bank's Board papers and minutes, key corporate governance structures, policies and practices. This included the review of the corporate governance framework and representations obtained from questionnaires and interviews with members of the Board and Senior Management.

On the basis of our review, the Bank's corporate governance practices are largely in compliance with the key provisions of the Codes. Specific recommendations for further improving the Bank's governance practices have been articulated and included in our detailed report to the Board. These include recommendations on the continuous oversight on the Independent Non-Executive Director process, gender diversity and the whistle blowing mechanism.

Olumide Olayinka
Partner, KPMG Advisory Services
FRC/2013/ICAN/00000000427
28 January 2020

03

Financials

Consolidated and Separate Statements of Profit or Loss and other Comprehensive Income for the Year Ended December 31, 2020

		Group		Bank	
In millions of Naira	**Note(s)**	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Interest and similar income	6	420,813	415,563	342,492	339,310
Interest and similar expense	7	(121,131)	(148,532)	(102,111)	(126,237)
Net interest income		**299,682**	**267,031**	**240,381**	**213,073**
Impairment loss on financial and non-financial instruments	8	(39,534)	(24,032)	(37,237)	(23,393)
Net interest income after impairment loss on					
financial and non-financial instruments		**260,148**	**242,999**	**203,144**	**189,680**
Net income on fees and commission	9	79,332	100,106	61,417	83,641
Trading gains	11	121,678	117,798	118,601	117,772
Other operating income	10	50,735	14,216	50,450	10,838
Depreciation of property and equipment	26	(25,125)	(21,436)	(22,686)	(18,887)
Amortisation of intangible assets	27	(3,537)	(3,078)	(2,776)	(2,795)
Personnel expenses	37	(79,258)	(77,858)	(61,515)	(62,038)
Operating expenses	12	(148,112)	(129,453)	(136,628)	(118,191)
Profit before tax		**255,861**	**243,294**	**210,007**	**200,020**
Income tax expense	13a	(25,296)	(34,451)	(12,155)	(22,017)
Profit for the year after tax		**230,565**	**208,843**	**197,852**	**178,003**
Other comprehensive income:					
Items that will never be reclassified to profit or loss:					
Fair value movements on equity instruments at FVOCI		16,295	13,870	16,295	13,870
Items that are or may be reclassified to profit or loss:					
Foreign currency translation differences for foreign operations		15,011	(8,498)	-	-
Fair value movements on debt securities at FVOCI		1,981	518	-	-
Income tax relating to fair value movement on debt securities at FVOCI		(355)	(66)	-	-
Other comprehensive income for the year		**32,932**	**5,824**	**16,295**	**13,870**
Total comprehensive income for the year		**263,497**	**214,667**	**214,147**	**191,873**
Profit attributable to:					
Equity holders of the parent		230,374	208,693	197,852	178,003
Non controlling interest		191	150	-	-
Total comprehensive income attributable to:					
Equity holders of the parent		263,277	214,577	214,147	191,873
Non controlling interest		220	90	-	-
Earnings per share					
Basic and diluted (Naira)	14	7.34	6.65	6.30	5.67

The accompanying notes are an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statements of Financial Position as at December 31, 2020

In millions of Naira	Note(s)	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
Assets					
Cash and balances with central banks	15	1,591,768	936,278	1,503,245	879,449
Treasury bills	16	1,577,875	991,393	1,393,421	822,449
Assets pledged as collateral	17	298,530	431,728	298,530	431,728
Due from other banks	18	810,494	707,103	532,377	482,070
Derivative assets	19	44,496	92,722	41,729	92,722
Loans and advances	20	2,779,027	2,305,565	2,639,797	2,239,472
Investment securities	21	996,916	591,097	333,126	189,358
Investment in subsidiaries	22	-	-	34,625	34,625
Deferred tax asset	24	5,786	11,885	4,733	11,223
Other assets	25	169,967	77,395	159,625	71,412
Property and equipment	26	190,170	185,216	169,080	165,456
Intangible assets	27	16,243	16,497	14,699	15,109
Total assets		**8,481,272**	**6,346,879**	**7,124,987**	**5,435,073**
Liabilities					
Customers' deposits	28	5,339,911	4,262,289	4,298,258	3,486,887
Derivative liabilities	33	11,076	14,762	11,076	14,762
Current income tax payable	13	11,690	9,711	9,117	6,627
Deferred tax liabilities	24	-	25	-	-
Other liabilities	29	703,292	363,764	599,464	386,061
On-lending facilities	30	384,573	392,871	384,573	392,871
Borrowings	31	870,080	322,479	874,090	329,778
Debt securities issued	32	43,177	39,092	43,177	39,092
Total liabilitles		**7,363,799**	**5,404,993**	**6,219,755**	**4,656,078**
Capital and reserves					
Share capital	34	15,698	15,698	15,698	15,698
Share premium	35	255,047	255,047	255,047	255,047
Retained earnings	35	521,293	412,948	382,292	302,028
Other reserves	35	324,461	257,439	252,195	206,222
Attributable to equity holders of the parent		1,116,499	941,132	905,232	778,995
Non-controlling interest	35	974	754	-	-
Total shareholders' equity		**1,117,473**	**941,886**	**905,232**	**778,995**
Total liabilities and equity		**8,481,272**	**6,346,879**	**7,124,987**	**5,435,073**

The accompanying notes are an integral part of these consolidated and separate financial statements.
The financial statements were approved by the Board of Directors for issue on 28 January, 2021 and signed on its behalf by:

Jim Ovia, CON (Chairman)
FRC/2013/CIBN/00000002406

Ebenezer Onyeagwu (Group Managing Director & Chief Executive Officer)
FRC/2013/ICAN/00000003788

Mukhtar Adam, PhD (Chief Financial Officer)
FRC/2013/MUL TI/00000003196

Consolidated and Separate Statements of Changes in Equity as at December 31, 2020

Group

Attributable to equity holders of the Parent

In millions of Naira	Notes	Share capital	Share premium	Foreign currency translation reserve	Fair value reserve
At 1 January, 2019		**15,698**	**255,047**	**38,514**	**9,858**
Profit for the year		-	-	-	-
Foreign currency translation differences		**-**	**-**	**(8,438)**	**-**
Fair value movements on equity instruments		-	-	-	13,870
Fair value movements on debt securities		-	-	-	452
(net of tax)					
Total comprehensive income for the Year		**-**	**-**	**(8,438)**	**14,322**
Transfer between reserves			-	-	-
Transactions with owners of the Parent					
Dividends	40		-	-	-
Acquisition of NCI without change in control		-	-	-	-
At December 31, 2019		**15,698**	**255,047**	**30,076**	**24,180**
At 1 January, 2020		15,698	255,047	30,076	24,180
Profit for the year		-	-	-	-
Foreign currency translation differences		-	-	14,982	-
Fair value movements on equity instruments		-	-	-	16,295
Fair value movements on debt securities (net of tax)			-	-	1,626
Total comprehensive income for the year		**-**	**-**	**14,982**	**17,921**
Transfer between reserves		-	-	-	-
Transactions with owners of the Parent					
Dividends	40		-	-	-
At December 31, 2020		**15,698**	**255,047**	**45,058**	**42,101**

	Statutory reserve	SMIEIS reserve	Credit risk reservee	Retained earnings	Total	Non-controlling interest	Total equity
	167,520	**3,729**	**1,610**	**322,237**	**814,213**	**1,538**	**815,751**
	-	-	-	208,693	208,693	150	208,843
	-	**-**	**-**	**-**	**(8,438)**	**(60)**	**(8,498)**
	-	-	-	-	13,870	-	13,870
	-	-	-	-	452	-	452
	-	**-**	**-**	**208,693**	**214,577**	**90**	**214,667**
	29,875	-	449	(30,324)	-	-	-
	-	-	-	(87,910)	(87,910)	-	(87,910)
	-	-	-	252	252	(874)	(622)
	197,395	**3,729**	**2,059**	**412,948**	**941,132**	**754**	**941,886**
	197,395	3,729	2,059	412,948	941,132	754	941,886
	-	-	-	230,374	230,374	191	230,565
	-	-	-	-	14,982	29	15,011
	-	-	-	-	16,295	-	16,295
	-		-	-	1,626	-	1,626
	-	**-**	**-**	**230,374**	**263,277**	**220**	**263,497**
	33,912	-	207	(34,119)	-	-	-
	-	-	-	(87,910)	(87,910)	-	(87,910)
	231,307	**3,729**	**2,266**	**521,293**	**1,116,499**	**974**	**1,117,473**

Consolidated and Separate Statements of Changes in Equity as at December 31, 2020

Bank

In millions of Naira	Notes	Share capital	Share premium	Fair value reserve	Statutory reserve	SMIEIS reserve	Credit risk reserve	Retained earnings	Total equity
At 1 January, 2019		15,698	255,047	9,858	152,065	3,729	-	238,635	675,032
Profit for the year		-	-	-	-	-	-	178,003	178,003
Fair value movements on equity instruments		-	-	13,870	-	-	-	-	13,870
Total comprehensive income for the year		**-**	**-**	**13,870**	**-**	**-**	**-**	**178,003**	**191,873**
Transfer between reserves		-	-	-	26,700	-	-	(26,700)	-
Dividends	40	-	-	-	-	-	-	(87,910)	(87,910)
At December 31, 2019		**15,698**	**255,047**	**23,728**	**178,765**	**3,729**	-	**302,028**	**778,995**
At 01 January 2020		**15,698**	**255,047**	**23,728**	**178,765**	**3,729**	-	**302,028**	**778,995**
Profit for the period		-	-	-	-	-	-	197,852	197,852
Fair value movements on equity instruments		-	-	16,295	-	-	-	-	16,295
Total comprehensive income for the year		-	-	**16,295**	-	-	**-**	**197,852**	**214,147**
Transfer between reserves		-	-	-	29,678	-	-	(29,678)	-
Dividends	40	-	-	-	-	-	-	(87,910)	(87,910)
Balance at December 31, 2020		**15,698**	**255,047**	**40,023**	**208,443**	**3,729**	-	**382,292**	**905,232**

The accompanying notes are an integral part of these consolidated and separate financial statements.

Consolidated and Separate Statement of Cash Flows for the Year Ended December 31, 2019

		Group		Bank	
For the year ended 31 December **In millions of Naira**	**Note(s)**	**2020**	**2019**	**2020**	**2019**
Cash flows from operating activities					
Profit after tax for the year		230,565	208,843	197,852	178,003
Adjustments for:					
Impairment loss/(reversal)					
Loans and Advances	8	37,439	27,754	35,495	27,148
Treasury bills, investment securities, assets pledged and due from Banks	8	1,392	(908)	1,079	(928)
Off balance sheet	8	(706)	(2,473)	(706)	(2,473)
On other assets	8	1,409	(341)	1,369	(354)
Unrealised fair value change in trading bond, bills and derivatives	43(i)	(83,476)	(10,905)	(81,630)	(10,905)
Depreciation of property and equipment	26	25,125	21,436	22,686	18,887
Amortisation of intangible assets	27	3,537	3,078	2,776	2,795
Dividend income	10	(1,707)	(1,932)	(5,307)	(5,532)
Foreign exchange revaluation (Gain)/Loss	32	(43,441)	5,949	(39,668)	5,949
Interest income	6	(420,813)	(415,563)	(342,492)	(339,310)
Interest expense	7	121,131	148,532	102,111	126,237
Profit on sale of property and equipment	10	(347)	(147)	(348)	(152)
Profit on sale of investment in associate		(901)	-	(901)	-
Tax expense	13	25,296	34,451	12,155	22,017
		(105,497)	17,774	(95,529)	21,382
Changes in operating assets and liabilities:					
Net (increase)/decrease in loans and advances	43(iv)	(385,651)	(492,717)	(352,819)	(513,382)
Net (increase)/decrease in other assets	43(x)	(88,605)	3,863	(90,079)	(4,853)
Net decrease/(increase) in treasury bills with maturities greater than three months	43(ii)	(164,637)	194,352	(149,109)	183,300
Net (increase)/decrease in treasury bills (FVTPL) including bills pledged	43(iii)	81,210	(197,798)	79,661	(197,801)
Net decrease/(increase) in assets pledged as collateral	43(xi)	-	161,321	-	161,321
Net decrease/(increase) in investment securities including bonds pledged	43(i)	(244,193)	1,513	(51,521)	(7,833)
Net increase in restricted balances (cash reserves)	43(xiii)	(650,472)	(55,479)	(609,669)	(55,479)
Net increase in due from banks with maturity greater than three months	18	67,918	(223,413)	66,725	(223,413)
Net increase in customer deposits	43(v)	960,138	564,135	761,784	664,555
Net increase/(decrease) in other liabilities	43(vi)	337,972	134,974	212,884	165,524
Net increase in derivative assets	43(xii)	75,193	(6,129)	77,960	(6,129)
		(116,624)	**102,396**	**(149,712)**	**187,192**
Interest received	43 (viii)	340,642	407,104	303,244	335,518
Dividend received	10	-	-	-	-
Interest paid	43 (ix)	(101,461)	(135,575)	(84,934)	(114,398)
Tax paid	13(c)	(16,746)	(36,308)	(2,678)	(23,370)
VAT paid	43(vi)	-	(381)	-	(381)
Net cash flows (used in)/generated from operations		**105,811**	**337,236**	**65,920**	**384,561**

Consolidated and Separate Statement of Cash Flows for the Year Ended December 31, 2020

		Group		Bank	
In millions of Naira	**Note(s)**	**2020**	**2019**	**2020**	**2019**
Cash flows from investing activities					
Purchase of property and equipment	26	(27,194)	(62,333)	(24,923)	(50,901)
Proceeds from sale of property and equipment	43(vii)	1,113	2,976	593	530
Purchase of intangible assets	27	(2,473)	(2,118)	(2,366)	(1,539)
Proceeds from sale of equity securities	43(viii)	901	-	901	-
Purchase of equity securities	21	-	(50)	-	(50)
Dividend received	10	1,707	1,932	5,307	5,532
Net cash used in investing activities		**(25,946)**	**(59,593)**	**(20,488)**	**(46,428)**
Cash flows from financing activities					
Repayment & repurchase of debt securities issued	32	-	(340,358)	-	(340,358)
Borrowed funds					
Additions to long term borrowings	31	872,332	(114,781)	872,332	(128,685)
Repayment of long term borrowing	31	(353,338)	-	(357,341)	-
Additions to onlending facility	30(b)	32,263	(424)	32,263	(424)
Repayment of onlending facility	30(b)	(39,758)	-	(39,758)	-
Lease payments	44(vi)	(742)	(2,196)	(684)	(2,196)
Acquisition of additional interest in Zenith Bank Ghana	22(i)	-	(622)	-	(622)
Dividends paid to shareholders	40	(87,910)	(87,910)	(87,910)	(87,910)
Net cash used in financing activities		**422,847**	**(546,291)**	**418,902**	**(560,195)**
Net (decrease)/increase in cash and cash equivalents		**502,712**	**(268,648)**	**464,334**	**(222,062)**
Analysis of changes in cash and cash equivalents :					
Cash and cash equivalent at the beginning of the year		670,715	947,038	388,853	610,915
(decrease)/increase in cash and cash equivalents		502,712	(268,648)	464,334	(222,062)
Effect of exchange rate movement on cash balances		35,093	(7,675)	29,496	-
Cash and cash equivalents at the end of the year	**41**	**1,208,520**	**670,715**	**882,683**	**388,853**

The accompanying notes are an integral part of these consolidated and separate financial statements.

Notes

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

1. General information

Zenith Bank Plc (the "Bank") was incorporated in Nigeria under the Companies and Allied Matters Act as a private limited liability company on May 30, 1990. It was granted a banking licence in June 1990, to carry on the business of commercial banking and commenced business on June 16, 1990. The Bank is domiciled in Nigeria and was converted into a Public Limited Liability Company on May 20, 2004. The Bank's shares were listed on October 21, 2004 on the Nigerian Stock Exchange. In August 2015, the Bank was admitted into the Premium Board of the Nigerian Stock Exchange.

The principal activity of the Bank is the provision of banking and other financial services to corporate and individual customers. Such services include granting of loans and advances, corporate finance and money market activities.

The Bank has six subsidiary companies namely, Zenith Bank (Ghana) Limited, Zenith Pensions Custodian Limited, Zenith Bank (UK) Limited, Zenith Bank (Sierra Leone) Limited, Zenith Bank (The Gambia) Limited and Zenith Nominees Limited. The Bank also has a representative office in China in addition to operating a branch of Zenith Bank (UK) Limited in the United Arab Emirates.

The consolidated financial statements for the period ended December 31, 2020 comprise the Bank and its subsidiaries (together referred to as "the Group" and individually as "Group entities") and the separate financial statements comprise the Bank. The consolidated and separate financial statements for the period ended December 31, 2020 were approved for issue by the Board of Directors on January 28, 2021.

The Group does not have any unconsolidated structured entity.

2.0 (a) Changes in accounting policies

Except as noted below, the Group has consistently applied the accounting policies as set out in Note 2(b) to all periods presented in these consolidated and separate financial statements.
The Group has adopted the following amendments including any consequential amendments to other standards with initial date of application of January 1, 2020.

i.) Amendment to IFRS 3 (Business Combinations)

IFRS 3 (Business Combinations) outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

The amendment relates to the definition of a "business" and they:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired.
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

There has been no change in the Group structure within the period as such this amendment does not have an impact on the Group's financial statements.

ii.) Amendment to IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in AccountingEstimates and Errors)

IAS 1 (Presentation of Financial Statements) and IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors) have Both been amended by the International accounting standard board (IASB), on October 2018. The amendments are effective for annual reporting periods beginning on or after 1 January 2020, although earlier application was permitted. The purpose for the amendment is to expand on the definition of materiality and bring more clarity to its characteristics.

The revised definition of "Material" is quoted below:
"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendment emphasises five ways material information can be obscured:

- If the language regarding a material item, transaction or other event is vague or unclear.
- If information regarding a material item, transaction or other event is scattered in different places in the financial statements.•
- If dissimilar items, transactions or other events are inappropriately aggregated.
- If similar items, transactions or other events are inappropriately disaggregated.•
- If material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendment expands the definition to include:

Obscuring

Obscuring material information with information that can be omitted can have a similar effect. Although the term obscuring is new in the definition, it was already part of IAS 1.

Could reasonably be expected to influence

The existing definition referred to 'could influence' which the IASB felt might be understood as requiring too much information as almost anything 'could' influence the decisions of some users even if the possibility is remote.

Primary users

The existing definition referred only to 'users' which again the IASB feared might be understood too broadly as requiring to consider all possible users of financial statements when deciding what information to disclose.

The group has incorporated this definition and guides in preparation of its financial statements.

(b) Significant accounting policies

Except as noted in Note 2.0(a), the Group has consistently applied the following accounting policies to all periods presented in these consolidated and separate financial statements, unless otherwise stated.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

iii) Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms.
The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.
The adoption of phase 1 of the IBOR reform did not lead to a change in the Bank's accounting policies and do not have any interest hedge accounting. The Bank is currently assessing the impact of the phase 2 amendments.

(iv) Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting.
- reinstating prudence as a component of neutrality.
- defining a reporting entity, which may be a legal entity, or a portion of an entity.
- revising the definitions of an asset and a liability.
- removing the probability threshold for recognition and adding guidance on derecognition.
- adding guidance on different measurement basis, and.
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. The Group is not impacted as it did not rely on the framework in determining the accounting policies for transactions.

(v) Covid-19-related Rent concessions - Amendments to IFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Effective date is 1 June 2020.
The Group had no such Covid -19 related rent concessions as such there is no impact on the Group financial statements.

(c) Standards issued but not yet effective

The following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2020.

(i) Classification of Liabilities as current or non-current - Amendments to IAS 1

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg the receipt of a waver or a breach of covenant). The

amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.
The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.
They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.
The effective date is 1 January 2022 (possibly deferred to 1 January 2023).
The impact of this amendment on the Groups financial statements is currently under assessment.

(ii) Reference to the Conceptual Framework - Amendments to IFRS 3

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

The effective date is 1 January 2022.
The amendment has no effect on the Group financial statements for the year, as there has been no business combinations for the reporting period.

(iii) Onerous Contracts - Cost of Fulfilling a Contract Amendments to IAS 37

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The effective date is 1 January 2022.
The Group has no contracts as at the reporting dates to which the amendments apply.

(iv) Annual Improvements to IFRS Standards 2018-2020

The following improvements were finalised in May 2020:
- IFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases - To remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
  The effective date is 1 January 2022.

2.1 Basis of preparation

(a). Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and comply with IFRS as issued by the International Accounting Standard Board (IASB) and in the manner required by the Companies and Allied Matters Act of Nigeria, the Financial Reporting Council of Nigeria Act, the Banks and other Financial Institutions Act of Nigeria, and relevant Central Bank of Nigeria circulars.

(b). Basis of measurement

The financial statements have been prepared under the historical cost convention with the exception of the following:
- Financial assets and liabilities measured at amortised cost;

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

- Derivative financial instruments which are measured at fair value; and
- Non-derivative financial instruments, carried at fair value through profit or loss, or fair value through OCI are measured at fair value.

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in Note 4.

2.2 Basis of Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity if it is exposed to, or has the rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it has control if there are changes to one or more elements of control. This includes circumstances in which protective rights held become substantive and lead to the Group having control over an investee.

The financial statements of subsidiaries are consolidated from the date the Group acquires control, up to the date that such effective control ceases.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (transactions with owners). When the proportion of the equity held by Non Controlling Interests (NCIs) changes, the carrying amounts of the controlling and NCIs are adjusted to reflect the changes in their relative interests in the Subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the Group.

Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated in the same manner as unrealised gains, but only to the extent that there is no evidence of impairment. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the separate financial statements, investments in subsidiaries are measured at cost.

(b) Loss of Control

On loss of control, the Group derecognises the assets and liabilities of the subsidiary, any related non-controlling interests and the other components of equity relating to a subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, that retained interest is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves are recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

2.3 Translation of foreign currencies

Foreign currency transactions and balances

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The parent entity's functional currency (Nigerian Naira) is adopted as the presentation currency for the separate and consolidated financial statements. Except as otherwise indicated, financial information presented in Naira has been rounded to the nearest million.

(b) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for statement of financial position presented are translated at the closing rate at the reporting date;

(ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and presented within equity as foreign currency translation reserves.

On the disposal of a foreign operation, the Group recognises in profit or loss the cumulative amount of exchange differences relating to that foreign operation. When a subsidiary that includes a foreign operation is partially disposed of or sold, the Group re-attributes the proportionate share of the cumulative amount of the exchange differences recognised in other comprehensive income to the non-controlling interests in that foreign operation. In the case of any other partial disposal of a foreign operation, the Group reclassifies to profit or loss only the proportionate share of the cumulative amount of exchange differences recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the reporting date.

(c) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to the functional currency using the exchange rate at the transaction date, and those measured at fair value are translated to the

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

functional currency at the exchange rate at the date that the fair value was determined and are recognised in the profit or loss. When a gain or loss on non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss shall be recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit or loss, any exchange of that gain or loss shall be recognised in profit or loss.

Translation differences on equities measured at fair value through other comprehensive income are included in other comprehensive income and transferred to the fair value reserve in equity.

Foreign currency gains and losses on intra-group loans are recognised in profit or loss unless settlement of the loan is neither planned nor likely to occur in the foreseeable future, in which case the foreign currency gains and losses are initially recognised in the foreign currency translation reserve in the consolidated financial statements. Those gains and losses are recognised in profit or loss at the earlier of settling the loan or at the time at which the foreign operation is disposed.

2.4 Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise balances with original maturities of three (3) months or less than three months from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. They include cash and non- restricted balances with central banks, treasury bills and other eligible bills, amounts due from other banks and short-term government securities.

2.5 Financial instruments

(a) Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments. Financial instruments carried at fair value through profit or loss are initially recognised at fair value with transaction costs, which are directly attributable to the acquisition or issue of the financial instruments, being recognised immediately through profit or loss. Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.
Financial instruments are recognised or de-recognised on the date the Group settles the purchase or sale of the instruments (settlement date accounting).

(b) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at amortised cost or fair value depending on their classification category.

(c) Classification

(i) Financial assets

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

- amortised cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL)

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

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

Debt instruments are measured at amortised cost by the Group if they meet both of the following criteria and are not designated as at FVTPL:

- 'Hold to collect and sell' business model test: The asset is held within a business model whose objective is achieved by both holding the financial asset in order to collect contractual cash flows and selling the financial asset; and
- 'SPPI' contractual cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets including equity investments are measured at fair value.
A financial asset is classified and measured at fair value through profit or loss (FVTPL) by the Group if the financial asset is:

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

(ii) Financial liabilities

Financial liabilities are either classified by the Group as:

- Financial liabilities at amortised cost; or
- Financial liabilities as at fair value through profit or loss (FVTPL).

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

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

(iii) Financial guarantees contracts and loan commitments

A financial guarantee contract is a contract that requires the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.
Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 (see note 3.2.18) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.
The Group has issued no loan commitments that are measured at FVTPL.
Liabilities arising from financial guarantees and loan commitments are included within provisions.
The Group conducts business involving commitments to customers. The majority of these facilities are set-off by corresponding obligations of third parties. Contingent liabilities and commitments comprise usance lines and letters of credit.

Usance and letters of credit are agreements to lend to a customer in the future subject to certain conditions. An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer.

Letters of credit are given as security to support the performance of a customer to third parties. As the Group will only be required to meet these obligations in the event of the Customer's default, the cash requirements of these instruments are expected to be considerably below their nominal amounts.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Contingent liabilities and commitments are initially recognized at fair value which is also generally equal to the fees received and amortized over the life of the commitment. The carrying amount of contingent liabilities are subsequently measured at the higher of the present value of any expected payment when a payment under the contingent liability has become probable and the unamortised fee.

Business model assessment

The Group assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and features that modify consideration of the time value of money (e.g. periodical reset of Interest rate).

The Group holds a portfolio of long-term fixed-rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are SPPI because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

(d) Derecognition

(i) Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (see also (e)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group sometimes enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and- repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and-repurchase transactions, because the Group retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

(ii) Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

(e) Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized (see (d)) and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows: - fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and - other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see (2.9)), then the gain or loss is presented together with impairment losses for stage 1 facilities, for stage 2 and 3 the modification gain or loss is disclosed separately. In other cases, it is presented as interest income calculated using the effective interest rate method.

Financial liabilities

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(f) Offsetting

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

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

(g) Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(h) Fair value measurement

' Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price – i.e. the fair value of the consideration given or received. However, in some cases the initial estimate of fair value of a financial instrument on initial recognition may be different from its transaction price. If this estimated fair value is evidenced by comparison with other observable current market transactions in the same instrument (without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets, then the difference is recognised in profit or loss on initial recognition of the instrument. In other cases, the fair value at initial recognition is considered to be the transaction price and the difference is not recognised in profit or loss immediately but is recognised over the life of the instrument on an appropriate basis or when the instrument is redeemed, transferred or sold, or the fair value becomes observable.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. Where the Bank has positions with offsetting risks, mid market prices are used to measure the offsetting risk positions and a bid or ask price adjustment is applied only to the net open position as appropriate.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Subsequent to initial recognition, the fair value of a financial instrument is based on quoted market prices or dealer price quotation for financial instruments. If a market for a financial instrument is not active, then the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price,

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

and is consistent with accepted economic methodologies for pricing financial instruments. Inputs into valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

See note 3.5 on fair valuation methods and assumptions.

(i) Assets pledged as collateral

Financial assets transferred to external parties and which do not qualify for de-recognition are reclassified in the statement of financial position from treasury bills and investment securities to assets pledged as collateral, if the transferee has received the right to sell or re-pledge them in the event of default from agreed terms. Assets pledged as collateral are initially recognised at fair value, and are subsequently measured at amortised cost or fair value as appropriate. These transactions are performed in accordance with the usual terms of securities lending and borrowing.

(j) Assets under repurchase agreement

Assets under repurchase agreement are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same as the one sold) at a fixed price on a future date. The Group continues to recognise the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognised as a financial asset and a financial liability is recognised for the obligation to pay the repurchase price. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

2.6 Derivative instruments

The Group recognizes the derivative instruments on the statement of financial position at their fair value. The Group designates the derivative as an instrument held for trading or non-hedging purposes (a "trading" or "non-hedging" instrument).

Trading or non-hedging derivatives assets and liabilities are those derivative assets and liabilities such as swaps and forward contracts that the Group acquires or incurs for the purpose of selling or purchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Non-hedging derivative assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position. All changes in fair value are recognized as part of net trading income in profit or loss. Non- hedging derivative assets and liabilities are not reclassified subsequent to their initial recognition.

2.7 Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and

- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instrument for which a 12-month ECL is recognised are referred to as 'stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Financial instruments for which lifetime ECL is recognised which are credit impaired are referred to as 'Stage 3 financial instruments".

Loss allowances for other assets and lease receivables are always measured at an amount equal to lifetime ECL.

The Group considers debt investment securities to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade' or its is a sovereign debt instruments issued in the local currency.

2.7.1 Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amount that the Group expects to recover.
- There has been no change in estimation techniques from prior period. Also, significant assumptions made during the period can be seen in note 4.4

Reversal of Impairment and Backward Transfer Criteria

When the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that criteria for recognizing the lifetime ECL is no longer met i.e. cured, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

However, the Group observes the following backward transfer criteria (probationary period) to monitor if the criteria for recognizing the lifetime ECL has decreased significantly before the backward transfer can be effected on the credit rating of the customer;

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

90 days probationary period to move a financial instrument from Lifetime ECL not credit-impaired (Stage 2 financial instruments) to 12 months ECL (Stage 1 financial instruments);

90 days probationary period to move a financial instrument from Lifetime ECL credit-impaired (Stage 3 financial instruments) to Lifetime ECL not impaired (Stage 2 financial instruments);

180 days probationary period to move a loan from Lifetime ECL credit-impaired (Stage 3 financial instruments) to 12 months ECL (Stage 1 financial instruments).

The Group also considers other qualitative criteria where necessary.

Impairment gains arising from backward transfers will be recognized as part of 'impairment losses on financial instruments.'

2.7.2 Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired referred to as 'Stage 3 financial instruments. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit- impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

2.7.3 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision and;
- Debt instruments measured at FVOCI, no loss allowance is recognised in the statement of financial position because the carrying amount of the asset is their fair value. However, the loss allowance is disclosed and recognised in the fair value reserve.

2.7.4 Write-off policy

The Group writes off a loan balance when the Group's credit department determines that the loan is uncollectable and had been declared delinquent and subsequently classified as lost. This determination is made after considering information such as the continuous deterioration in the customer's financial position, such that the customer can no longer pay the obligation, or that proceeds from the collateral will not be sufficient to pay back the entire exposure. Board approval is required for such write-off. For insider-related loan (loans by the Bank to its own officers and directors), CBN approval is required. The loan recovery department continues with its recovery efforts and any loan subsequently recovered is treated as other income.

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The outstanding contractual amounts of assets written off during the year ended 31 December 2020 was N53.8 billion (31 December, 2019: N60.9 billion). The Group still seeks to recover amounts it is legally owed in full, but which have been written off due to no reasonable expectation of full recovery.

2.8 Reclassification of financial instruments

Financial assets are required to be reclassified in certain rare circumstances among the amortised cost, FVOCI and FVTPL categories. When the Group changes its business model for managing financial assets, the Group reclassifies all affected financial assets in accordance with the new model. The reclassification is applied prospectively from the reclassification date. Accordingly, any previously recognised gains, losses or interest are not reinstated. Changes in the business model for managing financial assets are expected to be very infrequent.

2.9 Restructuring of financial instruments

Financial instruments are restructured when the contractual terms are renegotiated or modified or when an existing financial instrument is replaced with a new one due to financial diffculties of the borrower. Restructured loans represent loans whose repayment periods have been extended due to changes in the business dynamics of the borrowers. For such loans, the borrowers are expected to pay the principal amounts in full within extended repayment period and all interest, including interest for the original and extended terms.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

2.10 Collateral

The Group obtains collateral where appropriate, from customers to manage their credit risk exposure to the customers. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for customers in the event that the customer defaults.

The Group may also use other credit instruments, such as derivative contracts in order to reduce their credit risk.

Collateral received in the form of securities and other non-cash assets is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability see note 3.2.7(a)(i)

In certain cirumstances, property may be repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount of the related loan and fair value less cost to sell and reported within 'Other asset'.

2.11 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Where significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Property and equipment are depreciated on the straight line basis to their residual values over the estimated useful lives of the assets. Land is not depreciated.

Depreciation is calculated on a straight line basis to write down the cost of property and equipment to their residual values over their estimated useful lives as follows:

Item	
Land	(Not depreciated)
Motor vehicles	4 years
Office equipment	5 years
Furniture and fittings	5 years
Computer equipment	3 years
Buildings	50 years
Leasehold improvement	Over the remaining lease period
Right of use assets	Lower of lease term or the useful life for the specified class of item

Depreciation is included in profit or loss.

Work in progress consists of items of property and equipment that are not yet available for use. Work in progress is carried at cost less any required impairment. Depreciation starts when assets are available for use. An impairment loss is recognised if the asset's recoverable amount is less than cost. The asset is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Once the items are available for use, they are transferred to relevant classes of property and equipment as appropriate.

Property and equipment are derecognized on disposal, or when no future economic benefits are expected from their use or disposal.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

Borrowing Cost
Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset is capitalized as part of the cost of the asset. Other costs relating to borrowings which the group undertakes in the normal course of business are expensed in the period which they are incurred.

2.12 Intangible assets

Computer software
Software that is not integral to the related hardware acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Costs associated with maintaining computer software programmes are recognised expenses as they are incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group, are recognised as intangible assets when the following criteria are met:

(i) it is technically feasible to complete the software product so that it will be available for use;
(ii) management intends to complete the software product and use or sell it;
(iii) there is an ability to use or sell the software product;
(iv) it can be demonstrated how the software product will generate probable future economic benefits
(v) adequate technical, financial and other resources to complete the development and to use/sell the software product are available
(vi) the expenditure attributable to the software product during its development can be reliably measured.

Subsequent expenditure on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that the asset is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life for computer software is 5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial period-end and adjusted if appropriate. Intangible assets are derecognized on disposal or when no future economic benefits are expected from their use or disposal.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

2.13 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

An impairment loss is recognised if the carrying amount of an asset or its Cash Generating Unit (CGU) exceeds its estimated recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purposes of assessing impairment, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash flows of other assets or CGU.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

2.14 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Group, as a lessee has recognized the right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessors accounting remains similar to previous accounting policies.

The major lease transaction wherein the Group/Bank is a lessee relates to the lease of Bank's branches.

A. Definition of a lease

The Group has elected to apply the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (where the Group is a lessee in the lease contract).

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease component as a single component.

B. Group / Bank as a lessee

Leases, under which the Bank possess a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration is disclosed in the Bank's statement of financial position and recognized as a leased asset.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Bank assesses whether, throughout the period of use, it has both of the following:

(a) the right to obtain substantially all of the economic benefits from use of the identified asset, and
(b) the right to direct the use of the identified asset.

The Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The Group recognizes expenses associated with these leases as an expense on straight line basis over the lease term.

The Group presents right-of-use assets as a separate class under 'property and equipment'. The Group presents lease liability in other liabilities in the statement of financial position.

i. Significant accounting policies

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

C. Group / Bank as a lessor

Lease and instalment sale contracts are primarily financing transactions in banking activities, with rentals and instalments receivable, less unearned finance charges, being included in Loans and advances to customers in the statement of financial position. Finance charges earned are computed using the effective interest method which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalized to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective interest rate method.

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. The Group is not required to make any adjustments on transition to IFRS 16 for lease in which it acts as a lessor.

The Group recognizes assets held under a finance lease in its statement of financial position and present them as a receivable at an amount equal to the net investment in the lease. Initially, the Group will recognize a finance lease receivable at the amount equal to the net investment in the lease. Subsequently, finance income will be recognized at a constant rate on the net investment. During any 'payment free' period, this will result in the accrued finance income increasing the finance lease receivable.

For finance leases, the lease payments included in the measurement of the net investment in a lease at commencement date includes variable lease payments that depend on an index or a rate; other variable payments (e.g. those linked to future performance or use of an underlying asset) are excluded from the measurement of the net investment and are instead recognized as income when they arise. The treatment adopted for variable lease payments under operating leases are consistent with these requirements.

2.15 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for. A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Contingent liabilities are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the Group's control. Contingent liabilities are not recognised in the financial statements but are disclosed in the notes to the financial statements.

The Group recognises liability for a levy not earlier than when the activity that triggers payment occurs. Also, the Group accrues liability on levy progressively only if the activity that triggers payment occurs over a period of time. However, for a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached.

2.16 Employee benefits

(a) Post-employment benefits

The Group operates a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group makes contributions on behalf of qualifying employees to a mandatory scheme under the provisions of the Pension Reform Act. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. For entities operating in Nigeria, the contribution by employees and the employing entities are 8% and 10% respectively of the employees' basic salary, housing and transport allowances. Entities operating outside Nigeria contribute in line with the relevant pension laws in their jurisdictions.

(b) Short-term benefits

Short-term benefits consist of salaries, accumulated leave allowances, profit share, bonuses and any non-monetary benefits.

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related services are provided. They are included in personnel expenses in the profit or loss.

A liability is recognised for the amount expected to be paid under short-term cash benefits such as accumulated leave and leave allowances if the Group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be measured reliably.

(c) Termination benefits

The Group recognises termination benefits as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. The Group settles termination benefits within twelve months and are accounted for as short-term benefits.

2.17 Share capital and reserves

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Bank's shareholders. Dividends for the period that are declared after the end of the reporting period are dealt with in the subsequent events note.

(c) Share premium

Premiums from the issue of shares are reported in share premium.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

(d) Statutory reserve

Nigerian banking regulations require the Bank to make an annual appropriation to a statutory reserve. As stipulated by Section 16(1) of the Banks and Other Financial Institutions Act of 1991 (amended), an appropriation of 30% of profit after tax is made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital.

(e) SMIEIS reserve

The SMIEIS reserve is maintained to comply with the Central Bank of Nigeria (CBN) requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium scale enterprises. Under the terms of the guideline (amended by CBN letter dated 11 July 2006), the contributions will be 10% of profit after tax and shall continue after the first 5 years but banks' contributions shall thereafter reduce to 5% of profit after tax. The small and medium scale industries equity investment scheme reserves are nondistributable. Transfer to this reserve is no longer mandatory.

(f) Statutory reserve for credit risk

The Nigerian banking regulator requires the Bank to create a reserve for the difference between impairment provision determined in line with the principles of IFRS and impairment provision determined in line with the prudential guidelines issued by the Central Bank of Nigeria (CBN). This reserve is not available for distribution to shareholders.

(g) Retained earnings

Retained earnings comprise the undistributed profits from previous periods which have not been reclassified to any specified reserves.

(h) Fair value reserve

Comprises fair value movements on equity instruments carried at FVOCI.

(i) Foreign currency translation reserve

Comprises exchange differences resulting from the translation to Naira of the results and financial position of Group companies that have a functional currency other than Naira.

2.18 Recognition of interest income and expense

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a creditadjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit- impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit- adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 2.7.2.

Presentation

Interest income calculated using the effective interest method presented in the consolidated and separate statement of profit or loss includes only interest on financial assets and financial liabilities measured at amortised cost and FVTOCI.

Interest expense presented in the consolidated and separate statement of profit or loss and other comprehensive income includes only interest on financial liabilities measured at amortised cost.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income (see Note 2.20).

2.19 Fees, commission and other income

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 2.18).

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Other fee and commission income – including account servicing fees, fees on electronic products, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Dividend income is recognised when the right to receive income is established. Usually, this is the exdividend date for quoted equity securities. Dividends are presented in net trading gains, or other income based on the underlying classification of the equity investment.

Dividends on equity instruments designated as at FVOCI that clearly represent a recovery of part of the cost of the investment are presented in OCI.

Income on cash handling relates to services provided to customers in processing cash withdrawal and deposits above the regulated limit, provided by the Central Bank of Nigeria. Income is recognised as the service is provided.

2.20 Net Trading gains

Net trading gain comprises gains less losses relating to trading assets and liabilities and includes all fair value changes, interest, dividends and foreign exchange differences.

2.21 Net income from other financial instruments at fair value through profit or loss

Net income from other financial instruments at fair value through profit or loss relates to derivatives held for risk management purposes that do not form part of qualifying hedge relationships.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through profit or loss, are presented in Other Income – Mark to market gain/(loss) on trading investmentsin the Income statement.

2.22 Operating expense

Expenses are decreases in economic benefits during the accounting period in the form of outflows, depletion of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

Expenses are recognized on an accrual basis regardless of the time of spending cash. Expenses are recognized in the income statement when a decrease in future economic benefit related to a decrease in an assets or an increase of a liability has arisen that can be measured reliably. Expenses are measured at historical cost.

Only the portion of cost of a previous period that is related to the income earned during the reporting period is recognized as an expense. Expenses that are not related to the income earned during the reporting period, but expected to generate future economic benefits, are recorded in the financial statement as assets. The portion of assets which is intended for earning income in the future periods shall be recognized as an expense when the associated income is earned.

Expenses are recognized in the same reporting period when they are incurred in cases when it is not probable to directly relate them to particular income earned during the current reporting period and when they are not expected to generate any income during the coming years.

2.23 Current and deferred income tax

Income tax expense comprises current tax (company income tax, tertiary education tax national information technology development agency levy and Nigeria Police Trust Fund levy) and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Bank had determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

(a) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable or receivable in respect of previous years.

The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date and is assessed as follows:

- Company income tax is computed on taxable profits.
- Tertiary education tax is computed on assessable profits.
- National Information Technology Development Agency levy is computed on profit before tax.
- Nigeria Police Trust Fund levy is computed on net profit (i.e. profit after deducting all expenses and taxes from revenue earned by the company during the year).

Total amount of tax payable under CITA is determined based on the higher of two components namely Company Income Tax (based on taxable income (or loss) for the year); and minimum tax. Taxes based on profit for the period are treated as income tax in line with IAS 12.

Minimum tax

Minimum tax which is based on a gross amount is outside the scope of IAS 12 and therefore, are not presented as part of income tax expense in the profit or loss.

Minimum tax is determined based on the sum of 0.25% of gross earnings.:

Where the minimum tax charge is higher than the Company Income Tax (CIT), a hybrid tax situation exists. In this situation, the CIT is recognised in the income tax expense line in the profit or loss and the excess amount is presented above the income tax line as minimum tax.

The Bank offsets the tax assets arising from withholding tax (WHT) credits and current tax liabilities if, and only if, it has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The tax asset is reviewed at each reporting date and written down to the extent that it is no longer probable that future economic benefit would be realised.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

(b) Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: – temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; – temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and – taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences.

If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflects uncertainty related to income taxes, if any.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

2.24 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Where there are shares that could potentially affects the numbers of share issued, those shares are considered in calculating the diluted earnings per share. There are currently no share that could potentially dilute the total issued shares.

2.25 Segment reporting

An operating segment is a component of the Group engaged in business activities from which it can earn revenues, whose operating results are regularly reviewed by the Group's Executive [Management/Board] in order to make decisions about resources to be allocated to segments and assessing segment performance. The Group's identification of segments and the measurement of segment results are based on the Group's internal reporting to management.

2.26 Fiduciary activities

The Group acts as trustees and in other fiduciary capacities through its subsidiaries, Zenith Pensions Custodian Limited and Zenith Nominees that results in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group. The fees earned on these activities are recognised as assets based fees.

2.27 Deposit for Investment in AGSMEIS

The Agri-Business/Small and Medium Enterprises Investment Scheme is an initiative of Banker's committee of Nigeria. The contributed funds is meant for supporting the Federal Government's effort at promoting agricultural businesses as well as Small and Medium Enterprises. In line with this initiative, the Bank will contribute 5% of Profit After Tax yearly to the fund.

3. Risk management

3.1 Enterprise Risk Management

The Zenith Bank Group adopts an integrated approach to risk management by bringing all risks together under a limited number of oversight functions. The Group addresses the challenge of risks comprehensively through the Enterprise Risk Management (ERM) Framework by applying practices that are supported by a governance structure consisting of Board- level and executive management committees.

As part of its risk management policy, the Group segregates duties between market-facing business units and risk management functions while management is governed by well-defined policies, which are clearly communicated across the Group.

Risk related issues are taken into consideration in all business decisions and the Group continually strives to maintain a conservative balance between risk and revenue consideration. Continuous education and awareness of risk management has strengthened the risk management culture across the Group.

3.1.1 Risk Management Philosophy/Strategy

The Group considers sound risk management practice to be the foundation of a long lasting financial institution.

a. The Group adopt a holistic and integrated approach to risk management and therefore, brings all risks together under one or a limited number of oversight functions.
b. Risk management is a shared responsibility. Therefore the Group aims to build a shared perspective on risks that is grounded in consensus.
c. There is clear segregation of duties between market-facing business units and risk management functions.
d. Risk Management is governed by well-defined policies which are clearly communicated across the Group.
e. Risk related issues are taken into consideration in all business decisions.

3.1.2 Risk Appetite

The Group's risk appetite is reviewed by the Board of Directors annually, at a level that minimizes erosion of earnings or capital due to avoidable losses or from frauds and operational inefficiencies.

The Group's risk appetite describes the quantum of risk that the Group would assume in pursuit of its business objectives at any point in time. The Group uses this risk appetite definition in aligning its overall corporate strategy, its capital allocation and risks.

The Group sets tolerance limits for identified key risk indicators ("KRIs"), which served as proxies for the risk appetite for each risk area and business/support unit. Tolerance levels for KRIs are jointly define, agreed upon by the business/support units and subject to annual reviews.

3.1.3 Risk Management Approach

The Group addresses the challenge of risks comprehensively through an enterprise-wide risk management framework and a risk governance policy by applying leading practices that are supported by a robust governance structure consisting of Board-

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

level and executive management committees. The Board drives the risk governance and compliance process through its committees. The audit committee provides oversight on the systems of internal control, financial reporting and compliance. The Board credit committee reviews the credit policies and approves all loans above the defined limits for Executive Management. The Board Risk Committee sets the risk philosophy, policies and strategies as well as provides guidance on the various risk elements and their management. The Board Risk Control Functions are supported by various management committees and sub committees (Global Credit committee and Management Risk committee) that help it develop and implement various risk strategies. The Global Credit committee manages the credit approval and documentation activities. It ensures that the credit policies and procedures are aligned with the Group's business objectives and strategies. The Management Risk committee drives the management of the financial risks (Market, Liquidity and Credit Risk), operational risks as well as strategic and reputational risks.

In addition, Zenith Group manages its risks in a structured, systematic and transparent manner through a global risk policy which embeds comprehensive risk management processes into the organisational structure, risk measurement and monitoring activities. This structure ensures that the Group's overall risk exposures are within the thresholds set by the Board.

The key features of the Group's risk management policy are:

a. The Board of Directors provides overall risk management direction and oversight;
b. The Group's risk appetite is approved by the Board of Directors;
c. Risk management is embedded in the Group as an intrinsic process and is a core competence of all its employees;
d. The Group manages its credit, market, operational and liquidity risks in a coordinated manner within the organisation;
e. The Group's risk management function is independent of the business divisions; and
f. The Group's internal audit function reports to the Board Audit Committee and provides independent validation of the business units' compliance with risk policies and procedures, and the adequacy and effectiveness of the risk management framework on an enterprise-wide basis.

The Group continuously modifies and enhances its risk management policies and systems to reflect changes in markets, products and international best practices. Training, individual responsibility and accountability, together with a disciplined and cautious culture of control, are an integral part of the Group's management of risk.

The Board of Directors ensures strict compliance with relevant laws, rules and standards issued by the industry regulators and other law enforcement agencies, market conventions, codes of practices promoted by industry associations and internal policies.

The compliance function, under the leadership of the Chief Compliance Officer of the Bank, has put in place a robust compliance framework, which includes:

a. Comprehensive compliance manual detailing the roles and responsibilities of all stakeholders in the compliance process:
b. Review and analysis of all relevant laws and regulations, which are adopted into policy statements to ensure business is conducted professionally;
c. Review of the Bank's Anti-Money Laundering Policy in accordance with changes in the Money LauNdering Prohibition Act 2011 and Anti-Terrorism Act 2011 as amended; and
d. Incorporation of new guidelines in the Bank's "Know Your Customer" policies in line with the increasing global trend as outlined in the Central Bank of Nigeria's Anti-Money Laundering/Combating Finance of Terrorism Compliance Manual.

3.1.4 Methodology for Risk Rating

The risk management strategy is to develop an integrated approach to risk assessments, measurement, monitoring and control that captures all risks in all aspects of the Group's activities.

All activities in the Group have been profiled and the key risk drivers and threats in them identified. Mitigation and control techniques are then determined to tackle each of these threats. These techniques are implemented as risk policies and procedures that drive the strategic direction and risk appetite as specified by the Board. Techniques employed in meeting these objectives culminate in the following roles for the risk control functions of the Group:

a. Develop and implement procedures and practices that translate the Board's goals, objectives, and risk tolerances into operating standards that are well understood by staff;
b. Establish lines of authority and responsibility for managing individual risk elements in line with the Board's overall direction;
c. Risk identification, measurement, monitoring and control procedures;
d. Establish effective internal controls that cover each risk management process;
e. Ensure that the Group's risk management processes are properly documented;
f. Create adequate awareness to make risk management a part of the corporate culture of the Group;
g. Ensure that risk remains within the boundaries established by the Board; and
h. Ensure that business lines comply with risk parameters and prudent limits established by the Board;

The CBN Risk Management Guidelines prescribes quantitative and qualitative criteria for the identification of significant activities and sets a threshold of contributions for determining significant activities in the Bank and its subsidiaries. This practice is essentially to drive the risk control focus of financial institutions.

Zenith Bank applies a mix of qualitative and quantitative techniques in the determination of its significant activities under prescribed broad headings. The criteria used in estimating the materiality of each activity is essentially based on the following:

a. The strategic importance of the activity and sector;
b. The contribution of the activity/sector to the total assets of the Bank;
c. The net income of the sector; and
d. The risk inherent in the activity and sector.

Risk management structures and processes are continuously reviewed to ensure their adequacy and appropriateness for the Group's risk and opportunities profile as well as with changes in strategy, business environment, evolving thoughts and trends in risk management.

3.1.5 Risk management strategies under the current economic conditions

Amid the impact of the Covid-19 pandemic, the Nigerian economy slipped into another recession in five years, contracting by 6.1 and 3.62 per cent, year-on-year, in real terms, in the second and third quarters of 2020 financial year, respectively, according to the National Bureau of Statistics (NBS).This technical recession was triggered mainly by the sluggish performance of the oil and gas sector, which recorded negative growth of 13.89 per cent in Q3 2020 relative to a decline of 6.63 per cent recorded in Q2 2020.

The adverse performance of the oil and gas sector was occasioned by a sharp slump in crude oil prices (from about $100 in December 2019 to around $49.9 per barrel). Covid-19 pandemic along with global lockdowns and restrictions have resulted in a considerable drop in the aggregate demand for crude oil in the international commodity markets. The development has led

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

to significant dollar scarcity, a high headline inflation rate, and devaluation of the naira against a basket of major currencies in all segments of Nigeria's foreign exchange market.

Indeed, the development and rollouts of Covid-19 Vaccines have, however, brought light at the end of the tunnel as Nigeria's economy is expected to leverage the momentum to record positive growth of 1.5% in 2021, according to the International Monetary Funds (IMF), provided there are no fresh lockdowns. Already, the International Monetary Funds had forecast a contraction of about -4.1 for the Nigerian economy in 2020.

In 2021, we expect a gradual improvement in oil price fundamentals, with positive impacts on Nigeria's SRA inflows and foreign exchange reserves. We foresee reopening of the border to enhance the exports of locally manufactured goods. However, a resurgence in cases of the COVID-19 pandemic could slow economic recovery.

Despite the prevailing macroeconomic headwinds in the period under review, Zenith Bank remained resilient and delivered yet another superior financial performance, characterized by high-quality assets, robust earnings, and Capital Adequacy Ratio.

The Bank regularly assesses it's resilience to changes in micro and macro environments with specific actions to address any observed or anticipated challenges.

The Bank strongly believe it is well positioned to deal with liquidity risk and funding challenges that may arise from any adverse situations and our capital and earnings capacity (profitability) can withstand the shocks that may arise.

Zenith Bank Plc will continue to support its customers as much as possible in terms of foreign exchange funding challenges; credit performance obligations (restructuring repayments to match cash-flows, where necessary);

Some of the key risk management strategies in the year would include the following:

(a) The bank's business continuity activities are constantly being reviewed and strengthened to reflect the current and potential impacts of Covid-19 pandemic.
(b) The bank has also developed a strategic crisis-action plan to guide the organization's response across all Covid-19 scenarios - short, medium and long term.
(c) Several stress tests to assess the possible impacts of Covid-19 on our liquidity, capital adequacy and earning capacity had been conducted. The bank remains resilient to short and medium term shocks from the adverse impacts of coronavirus pandemic.
(d) Continual review of loan book and close monitoring of all assets and liabilities class to ensure sufficient liquidity to meet the bank's financial obligations.
(e) In line with regulatory requirements, we recognize the Impact of Covid-19 on our risk assets, loan-provisioning and net interest margin.
(f) We are engaging our discerning customers in key sectors of the economy to better understand their current challenges and provide effective and bespoke actions to alleviate their hardships while preserving shareholders' funds.
(g) Source for cheaper and stable funds
(h) Drive other income sources - Increase marginal value of current assets utilization and their derivable income as much as possible. Seek new sources and champions.
(i) Further develop SME/Retail product sales and penetrations
(j) Develop market hub initiative to host market players and drive retail participation
(k) Ensure that the Net Interest Margin (NIM) is maintained for all changes in interest rates.
(l) Create additional foreign exchange funding sources from the receipt of foreign exchange deposits from customers especially export proceeds.

(m) Pursue and support export strategies to assure expanded foreign exchange inflow.
(n) Increased collections of payments (Deploy more friendly collection tools)
(o) Improve customer service delivery through trainings, systems, communication, and compensation medium.
(p) Stabilize the Bank's technology/platforms - This is to increase and aid customers' confidence, loyalty and Bank's reputation.
(q) Cautiously grow risk assets while maintaining adequate level of capital.

3.2 Credit Risk

Credit risk is the risk of a financial loss if an obligor does not fully honour its contractual commitments to the Group. Obligors may be borrowers, issuers, counterparties or guarantors. Credit risk is the most significant risk facing the Bank in the normal course of business. 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 guarantee, letters of credit, securities purchased under reverse repurchase agreements, deposits with financial institutions, brokerage activities, and transactions carrying a settlement risk for the Bank such as irrevocable fund transfers to third parties via electronic payment systems.

The Group has robust credit standards, policies and procedures to control and monitor intrinsic and concentration risks through all credit levels of selection, underwriting, administration and control. Some of the policies are:

a. Credit is only extended to suitable and well identified customers and never where there is any doubt as to the ethical standards and record of the intending borrower;
b. Exposures to any industry or customer will be determined by the regulatory guidelines, clearly defined internal policies, debt service capability and balance sheet management guidelines;
c. Credit is not extended to customers where the source of repayment is unknown or speculative, and also where the destination of funds is unknown. There must be clear and verifiable purpose for the use of the funds;
d. Credit is not given to a customer where the ability of the customer to meet obligations is based on the most optimistic forecast of events. Risk considerations will always have priority over business and profit considerations
e. The primary source of repayment for all credits must be from an identifiable cash flow from the counterparty's normal business operations or other financial arrangements. The realization of security remains a fall back option;
f. A pricing model that reflects variations in the risk profile of various credits to ensure that higher risks are compensated by higher returns is adopted;
g. All insiders' related credits are limited to regulatory and strict internal limits and are disclosed as required; and
h. The consequences for non-compliance with the credit policy and credit indiscipline are communicated to all staff and are implemented.

3.2.1 Credit Metrics and Measurement Tools

Zenith Bank and its subsidiaries have devoted resources and harnessed their credit data to develop models that will improve the determination of economic and financial threats resulting from credit risk. Before a sound and prudent credit decision can be taken, the credit risk engendered by the borrower or counterparty must be accurately assessed. This is the first step in processing credit applications. As a result, some key factors are considered in credit risk assessment and measurement: These are:

a. Adherence to the strict credit selection criteria, which includes defined target market, credit history, the capacity and character of customers;
b. Credit rating of obligor;
c. The likelihood of failure to pay over the period stipulated in the contract;

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

d. The size of the facility in case default occurs; and
e. Estimated Rate of Recovery, which is a measure of the portion of the debt that can be recovered through realisation of assets and collateral should default occur.

3.2.2 Credit Rating Tools

The principal objective of the credit risk rating system is to produce a reliable assessment of the credit risk to which the Group is exposed. As such, all loans and indirect credits such as guarantees and bonds as well as treasury investments undergo a formal credit analysis process that would ensure the proper appraisal of the facility.

(a) Loans and advances and amounts due from banks

Each individual borrower is rated based on an internally developed rating model that evaluates risk based on financial, qualitative and industry-specific inputs. The associated loss estimate norms for each grade have been developed based on the experience of the Bank and its various subsidiaries.

In order to allow for a meaningful distribution of exposures across grades with no excessive concentrations on the Group's borrower-rating and its facility-rating scale, the Group maintains the under listed rating grade, which is applicable to both new and existing customers.

Zenith Group Rating	Description of the grade
AAA	Investment Risk (Extremely Low Risk)
AA	Investment Risk (Very Low Risk)
A	Investment Risk (Low Risk)
BBB	Upper Standard Grade (Acceptable Risk)
BB	Lower Standard Grade (Moderately High Risk)
B	Non Investment Grade (High Risk)
CCC	Non Investment Grade (Very High Risk)
CC	Non Investment Grade (Extremely High Risk)
C	Non Investment Grade (High Likelihood of Default)
D	Non Investment Grade (Lost)
Unrated	Individually insignificant (unrated)

(b) Other debt instruments

With respect to other debt instruments, the Group takes the following into consideration in the management of the associated credit risk:
(i) Internal and external research and market intelligence reports; and
(ii) Regulatory agencies reports

In addition to the above, we have put in place limits structure which is monitored from time to time in order to limit our risk exposures on these securities.

Control mechanisms for the credit risk rating system

Zenith's credit risk rating system is reviewed periodically to confirm that the rating criteria and procedures are appropriate given the current portfolio and external conditions. Hence, in accordance with the Groups model risk policy, all models that materially impact the risk rating process are reviewed.

Furthermore, the ratings accorded to customers are regularly reviewed, incorporating new financial information available and the experience in the development of the banking relationship. The regularity of the reviews increases in the case of clients who reach certain levels in the automated warning systems. The rating system is currently undergoing external review with a view to enhancing its robustness.

3.2.3 Credit Processes

Zenith operates a centralised credit approval process system. Credits are originated from the branches/business groups and subjected to reviews at various levels before they are presented along with all documents and information defined for the proper assessment and decision of Credit to the Global Credit Committee for consideration. All Credits presented for approval are required to be in conformity with the documented and communicated Risk Acceptance Criteria(RAC).

As part of credit appraisal process, the Group will have to review the following:

a. Credit assessment of the borrower's industry, and macro-economic factors;
b. The purpose of credit and source of repayment;
c. The track record / repayment history of borrower;
d. Assess/evaluate the repayment capacity of the borrower;
e. The proposed terms and conditions and covenants;
f. Adequacy and enforceability of collaterals; and
g. Approval from appropriate authority.

3.2.4 Group Credit Risk Management

Zenith's approach in managing credit risk is a key element in achieving its strategic objective of maintaining and further enhancing its asset quality and credit portfolio risk profile. The credit standards, policies and procedures, risk methodologies and framework, solid structure and infrastructure, risk monitoring and control activities enable the Group to deal with the emerging risks and challenges with a high level of confidence and determination.

The framework for credit risk assessment at Zenith is well-defined and institutionally predicated on:

a. Clear tolerance limits and risk appetite set at the Board level, well communicated to the business units and periodically reviewed and monitored to adjust as appropriate;
b. Well-defined target market and risk asset acceptance criteria;
c. Rigorous financial, credit and overall risk analysis for each customer/transaction;
d. Regular portfolio examination in line with key performance indicators and periodic stress testing;
e. Continuous assessment of concentrations and mitigation strategies;
f. Continuous validation and modification of early warning system to ensure proper functioning for risk identification;
g. Systematic and objective credit risk rating methodologies that are based on quantitative, qualitative and expert judgment;
h. Systematic credit limits management which enables the Bank to monitor its credit exposure on daily basis at country, borrower, industry, credit risk rating and credit facility type levels;
i. Solid documentation and collateral management process with proper coverage and top-up triggers and follow-ups; and

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

j. Annual and interim individual credit reviews to ensure detection of weakness signs or warning signals and considering proper remedies.
The credit processes are supplemented by sectoral portfolio reviews, which focus on countries, regions or specific industries as well as multiple stress testing scenarios. These are intended to identify any inherent risks in the portfolios resulting from changes in market conditions and are supplemented by independent reviews from our Group Internal Audit.

3.2.5 Group Credit Risk Limits

The Group applies credit risk limits, among other techniques in managing credit risk. This is the practice of stipulating a maximum amount that the individual or counterparty can obtain as loan. Internal and regulatory limits are strictly adhered to. Through this, the Group not only protects itself, but also in a sense, protects the counterparties from borrowing more than they are capable of repaying.

The Group focuses on its concentration and intrinsic risks and further manages them to a more comfortable level. This is very important due to the serious risk implications that intrinsic and concentration risk pose to the Group. A thorough analysis of economic factors, market forecasting and prediction based on historical evidence is used to mitigate these risks.

The Group has in place various portfolio concentration limits (which are subject to periodic review). These limits are closely monitored and reported on from time to time.

The Group's internal credit approval limits for the various authorities levels are as indicated below.

Zenith Group Rating	Approval limit (% of Shareholders' Fund)
Board Credit Committee	N1 billion and above (Not exceeding 20% of total shareholders' fund)
Management Global Credit Committee	Below N1 billion

These internal approval limits are set and approved by the Group Board and are reviewed regularly as the state of affairs of the Group and the wider financial environment demand.

3.2.6 Group Credit Risk Monitoring

The Group's exposures are continuously monitored through a system of triggers and early-warning signals aimed at detecting symptoms, which could result in deterioration of credit risk quality. The triggers and early-warning systems are supplemented by facility utilisation and collateral valuation monitoring together with a review of upcoming credit facility expiration and market intelligence to enable timely corrective action by management. The results of the monitoring process are reflected in the internal rating process through quarterly review activities.

Credit risk is monitored on an ongoing basis with formal weekly, monthly and quarterly reporting to keep senior management aware of shifts in credit quality and portfolio performance along with changing external factors such as economic and business cycles.

The capabilities of the credit review team is continuously enhanced in order to improve the facility monitoring activity and assure good quality Risk Assets Portfolio across the Group.

A specialised and focused loan recovery and workout team handles the management and collection of problematic credit facilities.

3.2.7 (a) Credit Risk Mitigation, Collateral and other Credit Enhancements

The Group's approach to controlling various risks begins with optimizing the diversification of its exposures. Zenith uses a variety of techniques to manage the credit risk arising from its lending activities. These techniques are set out in the Group's internal policies and procedures. They are mainly reflected in the application of various exposure limits: credit concentration limits by counterparty and credit concentration limits by industry, country, region and type of financial instrument.

Enforceable legal documentation establishes Zenith's direct, irrevocable and unconditional recourse to any collateral, security or other credit enhancements.

(i) Collateral Security

A key mitigation step employed by the Group in its credit risk management process includes the use of collateral securities to secure its loans and advances as alternative sources of repayment during adverse conditions. All major credit facilities to our customers are to be secured and the security instruments and documentations must be perfected and all conditions precedent must be met before drawdown or disbursement is allowed. Collateral analysis includes a good description of the collateral, its value, how the value was arrived at, and when the valuation was made. It is usually necessary to review the potential adverse changes in the value of collateral security for the foreseeable future.

Collateral securities that are pledged must be in negotiable form and usually fall under the following categories:

a. Real estate, plant and equipment collateral (usually all asset or mortgage debenture or charge), which have to be registered and enforceable under Nigerian law;
b. Collateral consisting of inventory, accounts receivable, machinery equipment, patents, trademarks, farm products, general intangibles, etc. These require a security agreement (usually a floating debenture) which has to be registered and, must be enforceable under Nigerian law;
c. Stocks and shares of publicly quoted companies;
d. Domiciliation of contracts proceeds;
e. Documents of title to goods such as shipping documents consigned to the order of Zenith Bank or any of its subsidiaries;
f. Letter of lien; and
g. Cash collateral.

Collateral securities are usually valued and inspected prior to disbursement and on a regular basis thereafter until full repayment of the exposure. We conduct a regular review of all collateral documentation in respect of all credits in the Bank and specific gaps in the collateral documentation addressed immediately. Borrowers are required to confirm adherence to covenants including periodic confirmation of collateral values which are used by the Bank to provide early warning signals of collateral value deterioration. Periodic inspections of physical collateral are performed where appropriate and where reasonable means of doing so are available.

The type and size of collateral held as security for financial assets other than loans and advances are usually a function of the nature of the instrument. Our debt securities, treasury and other eligible bills are normally unsecured but our comfort is on the issuer's credit rating, which is the Federal Government of Nigeria (FGN) and other sovereigns.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Details of collateral pledged by customers against the carrying amount of loans and advances as at December 31, 2020 are as follows:

	Group		Bank	
In millions of Naira	Total exposure	Value of collateral	Total exposure	Value of collateral
Secured against real estate	293,904	242,928	231,672	171,661
Secured by shares of quoted companies	4,587	3,241	4,587	3,241
Cash Collateral, lien over fixed and floating assets	1,296,252	1,291,922	1,224,165	1,193,685
Unsecured	1,324,599	-	1,312,239	-
Total Gross amount	**2,919,342**	**1,538,091**	**2,772,663**	**1,368,587**
ECL Allowance	(140,315)	-	(132,866)	-
Net carrying amount	**2,779,027**	**1,538,091**	**2,639,797**	**1,368,587**

Group				
December 31, 2020	Term loan	Overdrafts	On lending	Total
Disclosure by Collateral				
Property/Real estate	185,659	35,781	21,488	242,928
Equities	1,301	1,940	-	3,241
Cash Collateral, lien over fixed and floating assets	881,735	78,869	331,318	1,291,922
Grand total: Fair value of collateral	**1,068,695**	**116,590**	**352,806**	**1,538,091**
Grand total: Gross loans	**2,142,728**	**248,003**	**528,611**	**2,919,342**
Grand total: ECL Allowance	**109,575**	**26,283**	**4,457**	**140,315**
Grand total: Net amount	**2,033,153**	**221,720**	**524,154**	**2,779,027**
Grand total: Amount of (undercollaterization)/overcollaterization	**(964,458)**	**(105,130)**	**(171,348)**	**(1,240,936)**

December 31, 2020	Term loan	Overdrafts	On lending	Total
Against 12 months ECL loans and advances				
Property/Real estate	88,121	14,310	18,462	120,893
Equities	1,301	110	-	1,411
Cash Collateral, lien over fixed and floating assets	457,498	70,011	330,419	857,928
Fair value of collateral	**546,920**	**84,431**	**348,881**	**980,232**
Gross loans	**1,475,417**	**154,570**	**523,592**	**2,153,579**
ECL Allowance	**16,421**	**2,571**	**4,408**	**23,400**
Net amount	**1,458,996**	**151,999**	**519,184**	**2,130,179**
Grand total: Amount of (undercollaterization)/overcollaterization	**(912,076)**	**(67,568)**	**(170,303)**	**(1,149,947)**

December 31, 2020	Term loan	Overdrafts	On lending	Total
Against lifetime ECL not credit-impaired loans and advances				
Property/Real estate	95,577	10,848	2,999	109,424
Cash Collateral, lien over fixed and floating assets	397,381	1,342	-	398,723
Fair value of collateral	**492,958**	**12,190**	**2,999**	**508,147**
Gross loans	**539,960**	**34,377**	**4,200**	**578,537**
ECL Allowance	**7,217**	**1,448**	**38**	**8,703**
Net amount	**532,743**	**32,929**	**4,162**	**569,834**
Grand total: Amount of (undercollaterization)/overcollaterization	**(39,785)**	**(20,739)**	**(1,163)**	**(61,687)**

December 31, 2020	Term loan	Overdrafts	On lending	Total
Against lifetime ECL credit-impaired loans and advances				
Property/Real estate	1,962	10,623	26	12,611
Equities	-	1,830	-	1,830
Cash Collateral, lien over fixed and floating assets	26,856	7,516	899	35,271
Fair value of collateral	**28,818**	**19,969**	**925**	**49,712**
Gross loans	**127,351**	**59,056**	**819**	**187,226**
ECL Allowance	**85,937**	**22,264**	**11**	**108,212**
Net amount	**41,414**	**36,792**	**808**	**79,014**
Grand total: Amount of (undercollaterization)/overcollaterization	**(12,596)**	**(16,823)**	**117**	**(29,302)**

Bank

December 31, 2020	Term loan	Overdrafts	On lending	Total
Disclosure by Collateral				
Property/Real estate	121,271	28,902	21,488	171,661
Equities	1,301	1,940	-	3,241
Cash Collateral, lien over fixed and floating assets	792,203	70,164	331,318	1,193,685
Grand total: Fair value of collateral	**914,775**	**101,006**	**352,806**	**1,368,587**
Grand total: Gross loans	**2,013,764**	**230,288**	**528,611**	**2,772,663**
Grand total: ECL Allowance	**103,512**	**24,897**	**4,457**	**132,866**
Grand total: Net amount	**1,910,252**	**205,391**	**524,154**	**2,639,797**
Grand total: Amount of (undercollaterization)/overcollaterization	**(995,477)**	**(104,385)**	**(171,348)**	**1,271,210**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

December 31, 2020	Term loan	Overdrafts	On lending	Total
Against 12 months ECL loans and advances				
Property/Real estate	25,241	11,149	18,462	54,852
Equities	1,301	110	-	1,411
Cash Collateral, lien over fixed and floating assets	367,966	62,197	330,419	760,582
Fair value of collateral	**394,508**	**73,456**	**348,881**	**816,845**
Gross loans	**1,347,431**	**140,977**	**523,592**	**2,012,000**
ECL Allowance	**10,393**	**2,130**	**4,408**	**16,931**
Net amount	**1,337,038**	**138,847**	**519,184**	**1,995,069**
Grand total: Amount of (undercollaterization)/overcollaterization	**(942,530)**	**(65,391)**	**(170,303)**	**(1,178,224)**

December 31, 2020	Term loan	Overdrafts	On lending	Total
Against lifetime ECL not credit-impaired loans and advances				
Property/Real estate	95,577	10,832	2,999	109,408
Cash Collateral, lien over fixed and floating assets	397,381	1,342	-	398,723
Fair value of collateral	**492,958**	**12,174**	**2,999**	**508,131**
Gross loans	**539,977**	**34,304**	**4,200**	**578,481**
ECL Allowance	**7,217**	**1,447**	**38**	**8,702**
Net amount	**532,760**	**32,857**	**4,162**	**569,779**
Grand total: Amount of (undercollaterization)/overcollaterization	**(39,802)**	**(20,683)**	**(1,163)**	**(61,648)**

December 31, 2020	Term loan	Overdrafts	On lending	Total
Against lifetime ECL credit-impaired loans and advances				
Property/Real estate	454	6,921	26	7,401
Equities	-	1,830	-	1,830
Cash Collateral, lien over fixed and floating assets	26,856	6,625	899	34,380
Grand total: Fair value of collateral	**27,310**	**15,376**	**925**	**43,611**
Grand total: Gross loans	**126,356**	**55,007**	**819**	**182,182**
Grand total: ECL Allowance	**85,902**	**21,320**	**11**	**107,233**
Grand total: Net amount	**40,454**	**33,687**	**808**	**74,949**
Grand total: Amount of (undercollaterization)/overcollaterization	**(13,144)**	**(18,311)**	**117**	**(31,338)**

No loss allowance was computed for loans and advances amounting to N3.52 billion for which the collateral value exceeded the amount of loan exposure.

Details of collateral pledged by customers against carrying amount of loans and advances as at December 31, 2018 are as follows:

In millions of Naira	Group		Bank	
December 31, 2019	Total exposure	Value of collateral	Total exposure	Value of collateral
Secured against real estate	214,040	222,648	187,659	105,637
Secured by shares of quoted companies	27,759	4,118	5,813	4,118
Cash collateral, lien over fixed and floating assets	1,301,733	1,070,602	1,285,343	1,060,953
Unsecured	918,827	-	911,837	-
Total Gross amount	**2,462,359**	**1,297,368**	**2,390,651**	**1,170,708**
ECL Allowance	(156,794)	-	(151,179)	-
Net carrying amount	**2,305,565**	**1,297,368**	**2,239,472**	**1,170,708**

Group

December 31, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Disclosure by Collateral					
Property/Real estate	173,073	35,815	12,574	1,186	222,648
Equities	150	3,968	-	-	4,118
Cash Collateral, lien over fixed and floating assets	732,119	41,677	296,640	165	1,070,601
Grand total: Fair value of collateral	**905,342**	**81,460**	**309,214**	**1,351**	**1,297,367**
Grand total: Gross loans	**1,760,501**	**212,548**	**483,024**	**6,286**	**2,462,359**
Grand total: ECL Allowance	**119,912**	**34,328**	**2,435**	**119**	**156,794**
Grand total: Net amount	**1,640,589**	**178,220**	**480,589**	**6,167**	**2,305,565**
Grand total: Amount of (undercollaterization	**(735,247)**	**(96,760)**	**(171,375)**	**(4,816)**	**(1,008,198)**

December 31, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Against 12 months ECL loans and advances					
Property/Real estate	119,237	20,257	12,541	1,186	153,221
Equities	150	1,503	-	-	1,653
Cash Collateral, lien over fixed and floating assets	673,805	37,039	296,640	165	1,007,649
Fair value of collateral	**793,192**	**58,799**	**309,181**	**1,351**	**1,162,523**
Gross loans	**1,499,536**	**132,221**	**475,591**	**6,240**	**2,113,588**
ECL Allowance	**25,961**	**2,762**	**1,603**	**103**	**30,429**
Grand total: Net amount	**1,473,575**	**129,459**	**473,988**	**6,137**	**2,083,159**
Amount of (undercollaterization)	**(680,383)**	**(70,660)**	**(164,807)**	**(4,786)**	**(920,636)**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

December 31, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL not credit-impaired loans and advances					
Property/Real estate	52,028	2,710	-	-	54,738
Equities	-	834	-	-	834
Cash Collateral, lien over fixed and floating assets	50,181	2,158	-	-	52,339
Fair value of collateral	**102,209**	**5,702**	**-**	**-**	**107,911**
Gross loans	**143,288**	**30,172**	**7,263**	**31**	**180,754**
ECL Allowance	**12,986**	**2,082**	**734**	**3**	**15,805**
Net amount	**130,302**	**28,090**	**6,529**	**28**	**164,949**
Amount of (undercollaterization)	**(28,093)**	**(22,388)**	**(6,529)**	**(28)**	**(57,038)**

December 31, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL credit-impaired loans and advances					
Property/Real estate	1,808	12,848	33	-	14,688
Equities	-	1,631	-	-	1,631
Cash Collateral, lien over fixed and floating assets	8,134	2,480	-	-	10,614
Fair value of collateral	**9,942**	**16,959**	**33**	**-**	**26,934**
Gross loans	**117,677**	**50,155**	**171**	**15**	**168,018**
ECL Allowance	**80,965**	**29,484**	**97**	**13**	**110,559**
Net amount	**36,712**	**20,671**	**74**	**1**	**57,458**
Amount of (undercollaterization)	**(26,770)**	**(3,712)**	**(41)**	**(1)**	**(30,524)**

Bank

December 31, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Disclosure by Collateral					
Property/Real estate	70,344	21,533	12,574	1,186	105,637
Equities	150	3,968	-	-	4,118
Cash Collateral, lien over fixed and floating assets	728,469	37,179	296,640	165	1,062,453
Grand total: Fair value of collateral	**798,963**	**62,679**	**309,214**	**1,351**	**1,172,208**
Grand total: Gross loans	**1,707,326**	**194,020**	**483,024**	**6,281**	**2,390,651**
Grand total: ECL Allowance	**115,551**	**33,074**	**2,435**	**119**	**151,179**
Grand total: Net amount	**1,591,775**	**160,946**	**480,589**	**6,162**	**2,239,472**
Grand total: Amount of (undercollaterization	**(792,812)**	**(98,267)**	**(171,375)**	**(4,811)**	**(1,067,264)**

December 31, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Against 12 months ECL loans and advances					
Property/Real estate	18,388	13,319	12,541	1,186	45,435
Equities	150	1,503	-	-	1,653
Cash Collateral, lien over fixed and floating assets	670,176	31,227	296,640	165	998,208
Fair value of collateral	**688,714**	**46,049**	**309,181**	**1,351**	**1,045,295**
Gross loans	**1,451,551**	**119,541**	**475,591**	**6,235**	**2,052,918**
ECL Allowance	**23,064**	**2,372**	**1,603**	**103**	**27,143**
Net amount	**1,428,487**	**117,169**	**473,988**	**6,132**	**2,025,776**
Amount of (undercollaterization)	**(739,773)**	**(71,120)**	**(164,807)**	**(4,781)**	**(980,481)**

December 31, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL not credit-impaired loans and advances					
Property/Real estate	51,480	2,579	-	-	54,059
Equities	-	834	-	-	834
Cash Collateral, lien over fixed and floating assets	50,181	2,009	-	-	52,190
Fair value of collateral	**101,661**	**5,422**	**-**	**-**	**107,083**
Gross loans	**138,680**	**30,080**	**7,263**	**31**	**176,054**
ECL Allowance	**11,534**	**2,005**	**734**	**3**	**14,276**
Net amount	**127,146**	**28,075**	**6,529**	**28**	**161,778**
Amount of (undercollaterization)	**(25,485)**	**(22,653)**	**(6,529)**	**(28)**	**(54,695)**

December 31, 2019	Term loan	Overdrafts	On lending	Finance lease	Total
Against lifetime ECL credit-impaired loans and advances					
Property/Real estate	476	5,634	33	-	6,143
Equities	-	1,631	-	-	1,631
Cash Collateral, lien over fixed and floating assets	8,113	2,443	-	-	10,556
Fair value of collateral	**8,589**	**9,709**	**33**	**-**	**18,331**
Gross loans	**117,095**	**44,399**	**171**	**14**	**161,679**
ECL Allowance	**80,953**	**28,697**	**97**	**13**	**109,760**
Net amount	**36,142**	**15,702**	**74**	**1**	**51,919**
Amount of (undercollaterization)	**(27,553)**	**(5,993)**	**(41)**	**(1)**	**(33,589)**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

(ii) Balance Sheet Netting Arrangements

Risk reduction by way of current account set-off is recognised for exposures to highly rated and creditworthy customers. Customers are required to enter into formal agreements giving Zenith Bank Plc the right to set-off gross credit and debit balances in their nominated accounts to determine the Groups net exposure. Cross-border set-offs are not permitted.

(iii) Guarantees and Standby Letters of Credit

Guarantees and Standby Letters of Credit are perceived to have comparable level of credit risk as loans and advances. In accordance with the Group's credit policies, banks and creditworthy companies and individuals with high net worth are accepted as guarantors, subject to credit risk assessment. Furthermore, Zenith Bank Plc. only recognises unconditional irrevocable guarantees or standby letters of credit provided they are not related to the underlying obligor.

3.2.7 (b) Maximum Exposure to Credit Risk Before Collateral Held or Credit Enhancements

The Group's maximum exposure to credit risk at December 31, 2020 and December 31, 2019 respectively, are represented by the net carrying amounts of the financial assets, with the exception of financial and other guarantees issued by the Group for which the maximum exposure to credit risk are represented by the maximum amount the Group would have to pay if the guarantees are called on (refer to note 39 Contingent liabilities and commitments).

Maximum exposure to credit risk - Financial instruments not subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment as at December 31, 2020.

December 31, 2020	Group	Bank
In millions of Naira	Maximum exposure to credit risk	Maximum exposure to credit risk
Trading assets		
- Treasury bills	698,493	698,199
- Investment in securities	49,277	44,933
- Derivatives	44,496	41,729
- Assets pledged as collateral	71,602	71,602

Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets subject to impairment as at December 31, 2020

	Group	Bank
Financial assets measured at amortised cost		
- Balances with central bank	1,487,224	1,436,411
- Treasury bills	879,382	695,222
- Investment in securities	475,514	208,218
- Assets pledged as collateral	226,928	226,928
- Loans and advances to customers	2,779,027	2,639,797
- Due from banks	810,494	532,377
- Other financial assets	149,568	143,301
Financial assets measured through other comprehensive income		
- Investment in securities	392,150	-
Off balance sheet exposures	**599,927**	**459,001**

3.2.8 Concentration of Risks of Financial Assets with Credit Risk Exposure

The Group monitors concentrations of credit risk by geographical location and by industry sector. An analysis of concentrations of credit risk at December 31, 2020 and December 31, 2019 respectively is set out below:

(a) Geographical sectors

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by geographical region at December 31, 2020 and December 31, 2019 respectively. For this table, the Group has allocated exposures to regions based on the regions the counterparties are domiciled. Financial assets included in the table below represents other assets excluding prepayment.

In millions of Naira	Group			Bank		
December 31, 2020	**Nigeria**	**Rest of Africa**	**Outside Africa**	**Nigeria**	**Rest of Africa**	**Outside Africa**
Cash and balances with central bank	1,487,224	-	-	1,436,411	-	-
Treasury bills	1,409,564	168,311	-	1,393,421	-	-
Assets pledged as collateral	298,530	-	-	298,530	-	-
Due from other banks	3,000	55,224	752,270	3,000	-	529,377
Investment securities	492,967	45,517	378,457	253,151	-	-
Derivative instruments	41,220	2,917	359	41,220	150	359
Other financial assets	142,251	7,154	163	143,301	-	-
Total	**3,874,756**	**279,123**	**1,131,249**	**3,569,034**	**150**	**529,736**
Financial Guarantees						
Usance	49,569	-	1,201	49,569	-	-
Letters of credit	84,183	39,301	49,421	84,183	-	-
Performance bond and guarantees	325,249	33,677	17,326	325,249	-	-
Total	**459,001**	**72,978**	**67,948**	**459,001**	-	-

Cash and balances with central bank	881,023	-	-	840,032	-	-
Treasury bills	824,119	167,274	-	822,449	-	-
Assets pledged as collateral	431,728	-	-	431,728	-	-
Due from other banks	8,134	78,025	620,944	-	-	482,070
Investment securities	203,857	101,996	285,244	189,358	-	-
Derivative instruments	92,722	-	-	92,722	-	-
Other financial assets	62,496	960	308	61,253	-	-
Total	**2,504,079**	**348,255**	**906,496**	**2,437,542**	-	**482,070**
Financial Guarantees						
Usance	79,318	-	-	79,318	-	-
Letters of credit	413,656	39,640	91,878	413,656	-	-
Performance bond and guarantees	261,495	22,980	79,447	261,495	-	-
Total	**754,469**	**62,620**	**171,325**	**754,469**	-	-

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Gross loans and advances to customers and the impairment allowance per geographical region as at December 31, 2020

*Carrying amounts presented in the table below is determined as gross loans less impairment allowances.

In millions of Naira	Group			Bank		
	Loans and advances to customers			Loans and advances to customers		
	Gross loans	Impairment Allowance	Carrying amount	Gross loans	Impairment Allowance	Carrying amount
South South Nigeria	268,738	7,657	261,081	266,283	7,571	258,712
South West Nigeria	2,166,507	121,783	2,044,724	2,129,935	121,056	2,008,879
South East Nigeria	104,223	918	103,305	104,223	918	103,305
North Central Nigeria	103,101	2,737	100,364	103,101	2,737	100,364
North West Nigeria	54,352	283	54,069	54,352	283	54,069
North East Nigeria	114,769	300	114,469	114,769	301	114,468
Rest of Africa	78,056	5,399	72,657	-	-	-
Outside Africa	29,596	1,238	28,358	–	–	–
	2,919,342	**140,315**	**2,779,027**	**2,772,663**	**132,866**	**2,639,797**

Gross loans and advances to customers per industry sector as at December 31, 2019

In millions of Naira	Group			Bank		
	Loans and advances to customers			Loans and advances to customers		
	Gross loans	Impairment Allowance	Carrying amount	Gross loans	Impairment Allowance	Carrying amount
South South Nigeria	201,543	3,488	198,055	201,543	3,488	198,055
South West Nigeria	1,828,217	140,839	1,687,379	1,828,086	140,839	1,687,248
South East Nigeria	138,681	3,556	135,125	138,681	3,556	135,125
North Central Nigeria	95,005	2,837	92,168	95,005	2,837	92,168
North West Nigeria	26,271	177	26,094	26,271	177	26,094
North East Nigeria	101,065	282	100,783	101,065	282	100,783
Rest of Africa	47,299	2,153	45,146	-	-	-
Outside Africa	24,278	3,462	20,816	–	–	–
	2,462,359	**156,794**	**2,305,565**	**2,390,651**	**151,179**	**2,239,472**

(b) Industry sectors

Gross loans and advances to customers and the impairment allowance per geographical region as at December 31, 2020

*Carrying amounts presented in the table below is determined as gross loans less impairment allowances.

In millions of Naira	Group			Bank		
	Loans and advances to customers			Loans and advances to customers		
	Gross loans	Impairment Allowance	Carrying amount	Gross loans	Impairment Allowance	Carrying amount
Agriculture	182,127	3,193	178,934	182,103	3,194	178,909
Oil and gas	731,517	50,834	680,683	720,496	50,445	670,051
Consumer Credit	123,593	11,930	111,663	121,022	11,842	109,180
Manufacturing	620,311	3,947	616,364	593,266	3,008	590,258
Real estate and construction	126,580	4,837	121,743	113,408	4,783	108,625
Finance and insurance	10,708	1,766	8,942	4,887	204	4,683
Government	432,765	2,932	429,833	416,648	72	416,576
Power	72,633	28,271	44,362	72,633	28,271	44,362
Transportation	169,301	5,600	163,701	168,340	5,566	162,774
Communication	120,095	19,322	100,773	112,619	19,301	93,318
Education	11,252	926	10,326	11,253	926	10,327
General Commerce	318,460	6,757	311,703	255,988	5,254	250,734
	2,919,342	**140,315**	**2,779,027**	**2,772,663**	**132,866**	**2,639,797**

Gross loans and advances to customers per industry sector as at December 31, 2019

In millions of Naira	Group			Bank		
	Loans and advances to customers			Loans and advances to customers		
	Gross loans	Impairment Allowance	Carrying amount	Gross loans	Impairment Allowance	Carrying amount
Agriculture	162,123	454	161,669	161,636	454	161,182
Oil and gas	619,414	53,837	565,577	617,978	53,713	564,265
Consumer Credit	153,892	19,562	134,330	153,416	19,515	133,901
Manufacturing	489,526	8,917	480,609	474,411	8,199	466,211
Real estate and construction	80,922	11,732	69,190	76,195	11,520	64,675
Finance and insurance	34,542	3,672	30,870	14,798	944	13,853
Government	362,836	403	362,433	361,667	292	361,375
Power	81,785	32,873	48,912	81,630	32,872	48,757
Transportation	65,385	312	65,073	63,533	119	63,414
Communication	111,344	14,726	96,618	107,153	14,722	92,431
Education	8,854	1,021	7,833	8,802	1,020	7,782
General Commerce	291,736	9,285	282,451	269,434	7,809	261,625
	2,462,359	**156,794**	**2,305,565**	**2,390,651**	**151,179**	**2,239,472**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Group

Financial assets excluding loans and advances per industry sector as at December 31, 2020

December 31, 2020 In millions of naira	Balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
Government	1,487,224	1,579,450	298,885	-	987,929	39,875	-
Manufacturing	-	-	-	-	9,760	1,079	-
Finance and Insurance	-	-	-	810,552	-	3,542	151,709
Gross amount	**1,487,224**	**1,579,450**	**298,885**	**810,552**	**997,689**	**44,496**	**151,709**
Impairment allowance	-	(1,575)	(355)	(58)	(773)	-	(2,141)
Carrying amount	**1,487,224**	**1,577,875**	**298,530**	**810,494**	**996,916**	**44,496**	**149,568**

Financial assets excluding loans and advances per industry sector as at December 31, 2019

December 31, 2020 In millions of naira	Balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
Government	881,023	991,956	431,797	-	591,648	92,722	-
Finance and Insurance	-	-	-	707,245	-	-	64,541
Gross amount	**881,023**	**991,956**	**431,797**	**707,245**	**591,648**	**92,722**	**64,541**
Impairment allowance	-	(563)	(69)	(142)	(551)	-	(777)
Carrying amount	**881,023**	**991,393**	**431,728**	**707,103**	**591,097**	**92,722**	**63,764**

Financial assets excluding loans and advances per industry sector as at December 31, 2020

December 31, 2020 In millions of naira	Balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
Government	1,436,411	1,394,097	298,885	-	333,881	39,875	-
Manufacturing	-	-	-	-	-	1,079	-
Finance and Insurance	-	-	-	532,435	-	775	145,347
Gross amount	**1,436,411**	**1,394,097**	**298,885**	**532,435**	**333,881**	**41,729**	**145,347**
Impairment allowance	-	(676)	(355)	(58)	(755)	-	(2,046)
Carrying amount	**1,436,411**	**1,393,421**	**298,530**	**532,377**	**333,126**	**41,729**	**143,301**

Financial assets excluding loans and advances per industry sector as at December 31, 2019

December 31, 2019 In millions of naira	Balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
Government	840,032	822,466	431,797	-	189,896	92,722	-
Finance and Insurance	-	-	-	482,212	-	-	61,973
Gross amount	**840,032**	**822,466**	**431,797**	**482,212**	**189,896**	**92,722**	**61,973**
Impairment allowance	-	(17)	(69)	(142)	(538)	-	(720)
Carrying amount	**840,032**	**822,449**	**431,728**	**482,070**	**189,358**	**92,722**	**61,253**

3.2.9 Credit quality analysis

All other financial assets are subject to 12 months ECL.

Group

December 31, 2020 In millions of naira	Balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
Credit rating - 12 month ECL: All financial assets excluding loans and advances							
AAA to A	1,487,224	1,579,450	298,885	810,552	888,934	44,496	-
BBB to BB	-	-	-	-	28,780	-	-
Unrated	-	-	-	-	-	-	151,709
Gross amount	**1,487,224**	**1,579,450**	**298,885**	**810,552**	**917,714**	**44,496**	**151,709**
ECL - impairment	-	(1,575)	(355)	(58)	(773)	-	(2,141)
Carrying amount	**1,487,224**	**1,577,875**	**298,530**	**810,494**	**916,941**	**44,496**	**149,568**

	Loans and Advances			
December 31, 2019	**Term loan**	**Overdrafts**	**On lending**	**Total**
12 months ECL	1,475,417	154,570	523,592	2,153,579
Lifetime ECL not credit impaired	539,960	34,377	4,200	578,537
Lifetime ECL credit impaired	127,351	59,056	819	187,226
Gross loans and advances	**2,142,728**	**248,003**	**528,611**	**2,919,342**
Less allowance for impairment				
12 - months ECL	16,421	2,571	4,408	23,400
Lifetime ECL not credit impaired	7,217	1,448	38	8,703
Lifetime ECL credit impaired	85,937	22,264	11	108,212
Total allowances for impairment	**109,575**	**26,283**	**4,457**	**140,315**
Net loans and advances	**2,033,153**	**221,720**	**524,154**	**2,779,027**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

	Loans and Advances			
December 31, 2019	Term loan	Overdrafts	On lending	Total
A	553,775	64,103	97,980	715,858
AA	257,072	31,287	63,897	352,256
BB	73	12	**-**	85
BBB	536,511	45,593	361,715	943,819
UNRATED	127,986	**13,575**	-	-
Gross amount	**1,475,417**	**154,570**	**523,592**	**2,153,579**
ECL-Impairment	(16,421)	(2,571)	(4,408)	(23,400)
Carrying amount	**1,458,996**	**151,999**	**519,184**	**2,130,179**

Bank

December 31, 2019

Credit rating - 12 month ECL: All financial assets excluding loans and advances

In millions of naira	Balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
AAA to A	1,436,411	1,394,097	298,885	532,435	242,091	41,729	-
BBB to BB	-	-	-	-	11,815	-	-
Unrated	**-**	**-**	**-**	-	**-**	-	(145,347)
Gross amount	**1,436,411**	**1,394,097**	**298,885**	**532,435**	**253,906**	**41,729**	**(145,347)**
ECL - impairment	-	(676)	(355)	(58)	(755)	-	(2,046)
Carrying amount	**1,436,411**	**1,393,421**	**298,530**	**532,377**	**253,151**	**41,729**	**(147,393)**

	Loans and Advances			
December 31, 2019	Term loan	Overdrafts	On lending	Total
12 months ECL	1,347,431	140,977	523,592	2,012,000
Lifetime ECL not credit impaired	539,977	34,304	4,200	578,481
Lifetime ECL credit impaired	126,356	55,007	819	182,182
Gross loans and advances	**2,013,764**	**230,288**	**528,611**	**2,772,663**
Less allowance for impairment				
12 - months ECL	10,393	2,130	4,408	16,931
Lifetime ECL not credit impaired	7,217	**1,447**	38	8,702
Lifetime ECL credit impaired	85,902	21,320	11	107,233
Total allowances for impairment	**103,512**	**24,897**	**4,457**	**132,866**
Net loans and advances	**1,910,252**	**205,391**	**524,154**	**2,639,797**

Loans and Advances				
December 31, 2019	Term loan	Overdrafts	On lending	Total
A	553,775	64,085	97,980	715,840
AA	257,072	31,287	63,897	352,256
BB	73	12	-	85
BBB	536,511	45,593	361,715	943,819
Gross amount	1,347,431	140,977	523,592	2,012,000
ECL-Impairment	(10,393)	(2,130)	(4,408)	(16,931)
Carrying amount	**1,337,038**	**138,847**	**519,184**	**1,995,069**

Group

December 31, 2019

Credit rating - 12 month ECL: All financial assets excluding loans and advances

In millions of naira	Balances with central bank	Treasury bills	Assets pledged as collateral	Due from other banks	Investment securities	Derivative instruments	Other financial assets
AAA to A	881,023	991,956	431,797	707,245	527,968	92,722	-
BBB to BB	-	-	-	-	63,680	-	-
Unrated	-	-	-	-	-	-	61,973
Gross amount	**881,023**	**991,956**	**431,797**	**707,245**	**591,648**	**92,722**	**61,973**
ECL - impairment	-	(563)	(69)	(142)	(551)	-	(720)
Carrying amount	**881,023**	**991,393**	**431,728**	**707,103**	**591,097**	**92,722**	**61,253**

Loans and Advances				
December 31, 2019	Term loan	Overdrafts	On lending	Total
12 months ECL	1,975,127	132,221	6,240	2,113,588
Lifetime ECL not credit impaired	150,551	30,172	31	180,754
Lifetime ECL credit impaired	117,847	50,155	15	168,017
Gross loans and advances	**2,243,525**	**212,548**	**6,286**	**2,462,359**
Less allowance for impairment				
12 - months ECL	27,564	2,761	103	30,428
Lifetime ECL not credit impaired	13,720	2,084	3	15,807
Lifetime ECL credit impaired	81,062	29,484	13	110,559
Total allowances for impairment	**122,346**	**34,329**	**119**	**156,794**
Net loans and advances	**2,121,179**	**178,219**	**6,167**	**2,305,565**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

	Loans and Advances			
December 31, 2019	**Term loan**	**Overdrafts**	**On lending**	**Total**
A	438,779	67,448	3,870	510,097
AA	698,710	16,089	1,991	716,790
AAA	376,835	8,643	**-**	385,478
B	19,735	-	-	19,735
BB	284,193	-	-	284,193
BBB	74,389	21,717	349	96,455
D	-	42	-	42
UNRATED	82,935	**17,832**	31	100,798
Gross amount	**1,975,576**	**131,771**	**6,241**	**2,113,588**
ECL-Impairment	(27,564)	(2,761)	**(104)**	**(30,429)**
Carrying amount	**1,948,012**	**129,010**	**6,137**	**2,083,159**

Bank

December 31, 2019

Credit rating - 12 month ECL: All financial assets excluding loans and advances

In millions of naira	**Balances with central bank**	**Treasury bills**	**Assets pledged as collateral**	**Due from other banks**	**Investment securities**	**Derivative instruments**	**Other financial assets**
AAA	840,032	822,466	431,797	482,212	126,216	92,722	61,973
BBB to BB	-	-	-	-	63,680	-	-
Gross amount	**840,032**	**822,466**	**431,797**	**482,212**	**189,896**	**92,722**	**61,973**
ECL - impairment	-	(17)	(69)	(142)	(538)	-	(720)
Carrying amount	**840,032**	**822,449**	**431,728**	**482,070**	**189,358**	**92,722**	**61,253**

	Loans and Advances			
December 31, 2019	**Term loan**	**Overdrafts**	**On lending**	**Total**
12 months ECL	1,927,142	119,541	6,235	2,052,918
Lifetime ECL not credit impaired	145,943	30,080	31	176,054
Lifetime ECL credit impaired	117,265	44,399	15	161,679
Gross loans and advances	**2,190,350**	**194,020**	**6,281**	**2,390,651**
Less allowance for impairment				
12 - months ECL	24,668	2,372	100	27,140
Lifetime ECL not credit impaired	12,269	**2,005**	3	14,277
Lifetime ECL credit impaired	81,050	28,697	15	109,762
Total allowances for impairment	**117,987**	**33,074**	**118**	**151,179**
Net loans and advances	**2,072,363**	**160,946**	**6,163**	**2,239,472**

	Loans and Advances			
December 31, 2019	Term loan	Overdrafts	On lending	Total
A	438,779	67,448	3,871	510,098
AA	698,623	16,089	1,991	716,703
AAA	376,835	8,644	**349**	385,828
B	284,193	-	-	284,193
BB	72,119	20,676	-	92,795
BBB	-	48	-	48
D	56,593	6,636	24	63,253
UNRATED	82,935	**17,832**	31	100,798
Gross amount	**1,927,142**	**119,541**	**6,235**	**2,052,918**
ECL-Impairment	(24,668)	(2,372)	**(103)**	**(27,143)**
Carrying amount	**1,902,474**	**117,169**	**6,132**	**2,025,775**

3.2.10 Amounts Arising from ECL

For inputs, assumptions and techniques used for estimating impairment see accounting policy in note 2.7

3.2.11 Amounts arising from ECL

Corporate exposures	Retail exposures	All exposures
– Information obtained during periodic review of customer files – e.g. audited financial statements, management accounts, budgets and projections. Examples of areas of particular focus are: gross profit margins, financial leverage ratios, debt service coverage, compliance with covenants, quality of management, senior management changes – Data from credit reference agencies, press articles, changes in external credit ratings – Quoted bond and credit default swap (CDS) prices for the borrower where available – Actual and expected significant changes in the political, regulatory and technological environment of the borrower or in its business activities	– Internally collected data on customer behaviour – e.g. utilisation of credit card facilities – Affordability metrics – External data from credit reference agencies, including industry-standard credit scores	– Payment record – this includes overdue status as well as a range of variables about payment ratios – Utilisation of the granted limit – Requests for and granting of forbearance – Existing and forecast changes in business, financial and economic conditions

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Credit risk grades are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

3.2.12 Internal portfolio segmentation

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used. The credit risk grades are reviewed quarterly.

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors (e.g. forbearance experience) on the risk of default. For most exposures, key macro-economic indicators include: GDP growth, benchmark interest rates and unemployment. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices.

Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Group then uses these forecasts to adjust its estimates of PDs.

In determining the ECL for other assets, the Group applies the simplified model to estimate ECLs, adopting a provision matrix, where the receivables are grouped based on the nature of the transactions, aging of the balances and different historical loss patterns, to determine the lifetime ECLs. Receivables relate to amounts due for the povision of services to the Banks' customers. The provision matrix estimates ECLs on the basis of historical default rates, adjusted for current and future economic conditions (expected changes in default rates) without undue cost and effort.

3.2.13 Significant increase in credit risk

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The criteria for determining whether credit risk has increased significantly depends on quantitative, qualitative as well as backstop indicators. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative modelling, the credit rating is determined to have deteriorated since initial recognition by more than a predetermined range. This inturn increases the probability of default of these facilities as a lifetime ECL is now used in estimating ECL. Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has experienced a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist.

In these cases, the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Generally, facilities with loss allowances being measured as Life-time ECL not credit impaired (Stage 2) are monitored for a probationary period of 90 days to confirm if the credit risk has decreased sufficiently before they can be migrated from Life- time ECL not credit impaired (Stage 2) to 12-month ECL (Stage 1) while credit-impaired facilities (Stage 3) are monitored for a probationary period of 180 days before migration from Stage 3 to 12-month ECL (Stage 1). The decrease in risk of default is reflected in the obligor's Risk Rating which is a critical input for Staging.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews (quarterly) to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month PD (stage 1) and lifetime PD (stage 2).

3.2.14 Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in the accounting policy.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities) to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Audit Committee regularly reviews reports on forbearance activities.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process,the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired/in default. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12- month ECL.

3.2.15 Definition of default

The Group considers a financial asset to be in default when;

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the borrower is past due more than 90 days on any material credit obligation to the Group.Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding. In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative - e.g. breaches of covenant;
- quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Group for regulatory purposes (see note 3.2.8), except where there is regulatory waiver on specifically identified loans and advances.

3.2.16 Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Group Market Risk Committee and economic experts and consideration of a variety of external actual and forecast information, the Group formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome while the other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Group carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Group has identified and documented key drivers of credit risk and credit losses for its financial assets and, using an analysis of historical data, has estimated relationships between macro-economic variables and sectorial historical loan performance. Some of the macroeconomic variables considered include Crude Oil price, Foreign Exchange rate, GDP growth rate, Inflation rate, Monetary policy rate and Crude production. However from the statistical analysis of the various macroeconomic variables, the result infers that the key drivers vary across the different sectors. The macro economic variables used across the different sectors are as follows:

- Oil and gas portfolio- Inflation rate, Crude Oil price and Monetary Policy Rate
- Public sector Portfolio - Crude Oil price and Government expenditure
- Manufacturing sector Portfolio - Inflation and Crude Oil price
- Consumer Credit sector portfolio - GDP growth rate and Inflation

- Agriculture sector portfolio- GDP growth rate and Prime lending rate
- Others - Unemployment rate, GDP growth rate and Inflation.

The economic scenarios used as at December 31, 2020 included the following key indicators for Nigeria for the years ending 31 December 2021 to 2025.

	2021	2022	2023	2024	2025
GDP growth rate	Base 1.7%	Base 2.52%	Base 2.51%	Base 2.52%	Base 2.51%
Inflation rate	Base 12.69%	Base 11.15%	Base 11%	Base 10.85%	Base 10.64%
forecast					
Oil prices	Base 51 USD	Base 53 USD	Base 55 USD	Base 58 USD	Base 58 USD

Predicted relationships between the historical loan performance of the Bank's portfolio and the macroeconomic variables has been developed by analysing historical data over the past 5 years. The result of this analysis in addition to a 5 year forecast was used to determine the scalars used in adjusting ECL.

3.2.17 Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD)
- exposure at default (EAD)

ECL for exposures in stage 1 (12-months ECL) is calculated by multiplying the 12-months PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

These parameters are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect forward-looking information as described above.

PD is an estimate of the likelihood of default over a given time horizon, which are calculated based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between rating classes, then this will lead to a change in the estimate of the associated PD. The methodology of estimating PD is discussed in note 3.2.12.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for lending, to reflect possible changes in the economies. They are calculated on a discounted cash flow basis using the effective interest rate as the discount.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD includes the amount drawn,as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. The maximum contractual period extends to the date at which the Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For overdrafts and revolving facilities that include both a loan and an undrawn commitment component, the Group measures ECL over a period longer than the maximum contractual period if the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period.These facilities do not have a fixed term or repayment structure and are managed on a collective basis. The Group can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type
- credit risk gradings
- collateral type
- Past due information
- date of initial recognition
- remaining term to maturity
- industry
- geographic location of the borrower

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

3.2.18 Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2019 represent allowance account for credit losses and reflect measurement basis under IFRS 9.

Group

	December 31, 2020	December 31, 2019
In millions of Naira	**12-month ECL**	**12-month ECL**
Treasury bills at amortised cost		
Balance at 1 January	563	72
Impairment Charge/(writeback) (see note 8)	972	(35)
Foreign exchange and other movements	40	526
Closing balance	**1,575**	**563**
Gross amount	**880,957**	**283,845**

In millions of Naira	December 31, 2020 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	December 31, 2019 12-month ECL
Off balance sheet exposure					
Balance at 1 January	5,538	-	-	5,538	8,011
Impairment/(writeback) (see note 8)	(3,947)	20	3,221	(706)	(2,473)
Closing balance	**1,591**	**20**	**3,221**	**4,832**	**5,538**
Gross amount	**150,452**	432,478	16,997	**599,927**	**988,414**

In millions of Naira	December 31, 2020 12-month ECL	December 31, 2019 12-month ECL
Assets pledged as collateral at ammortised cost		
Balance at 1 January	69	126
Impairment Charge/(writeback) (see note 8)	286	(57)
Closing balance	**355**	**69**
Gross amount	**227,283**	**316,276**

In millions of Naira	December 31, 2020				December 31, 2019			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loans and advances to customers at amortised cost								
Balance at 1 January	29,621	16,083	111,089	156,794	15,965	36,040	141,403	193,408
- Transfer to 12-month ECL	1,091	(250)	(841)	-	5,235	(4,855)	(380)	-
- Transfer to lifetime ECL not credit-impaired	(8,503)	8,949	(446)	-	(7,486)	7,564	(78)	-
- Transfer to lifetime ECL credit-impaired	152	3,847	(3,999)	-	(2,078)	(36,022)	38,100	-
Impairment Charge (see note 8)	1,039	(19,926)	56,326	37,439	17,985	13,356	(3,587)	27,754
Write-off	-	-	(53,808)	(53,808)	-	-	(60,971)	(60,971)
Foreign exchange and other movements	-	-	(110)	(110)	-	-	(3,398)	(3,398)
Closing balance	**23,400**	**8,703**	**108,211**	**140,315**	**29,621**	**16,083**	**111,089**	**156,794**
Gross amount	**2,153,579**	**578,537**	**187,226**	**2,919,342**	**2,113,588**	**180,754**	**168,017**	**2,462,359**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

In millions of Naira	December 31, 2020 12-month ECL	Total	December 31, 2019 12-month ECL
Investment securities at amortised cost			
Balance at 1 January	551	551	2,572
Impairment Charge/(writeback) (see note 8)	217	217	(27)
Foreign exchange and other movements	5	5	(1,994)
Closing balance	**773**	**773**	**551**
Gross amount	**476,287**	**476,287**	**234,857**

In millions of Naira	December 31, 2020 Lifetime ECL	December 31, 2019 Lifetime ECL
Due from other banks		
Balance at 1 January	142	1,969
Impairment/(writeback) (see note 8)	(83)	(789)
Foreign exchange and other movements	(1)	(1,038)
Closing balance	**58**	**142**
Gross amount	**810,552**	**707,245**

Bank

In millions of Naira	December 31, 2020 12-month ECL	December 31, 2019 12-month ECL1
Treasury bills at ammortised cost		
Balance at 1 January	17	72
Impairment Charge/(writeback) (see note 8)	659	(55)
Closing balance	**676**	**17**
Gross amount	**695,898**	**114,352**

In millions of Naira	December 31, 2020 12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	December 31, 2019 12-month ECL
Off balance sheet exposure				
Balance at 1 January	5,538	-	-	8,011
Impairment/(writeback) (see note 8)	(3,947)	20	3,221	(2,473)
	-	-	-	
Closing balance	**1,591**	20	3,221	**5,538**
Gross amount	**459,001**	432,478	**16,997**	**754,469**

In millions of Naira	December 31, 2020 12-month ECL	December 31, 2019 12-month ECL
Assets pledged as collateral at ammortised cost		
Balance at 1 January	69	126
Impairment Charge/(writeback) (see note 8)	286	(57)
Closing balance	**355**	**69**
Gross amount	**227,283**	**316,276**

In millions of Naira	December 31, 2020				December 31, 2019			
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Loans and advances to customers at amortised cost								
Balance at 1 January	27,143	14,276	109,760	151,179	14,092	34,233	136,673	184,998
- Transfer to 12-month ECL	1,091	(250)	(841)	-	5,236	(4,856)	(380	-
- Transfer to lifetime ECL not credit-impaired	(8,503)	8,949	(446)	-	(7,486)	7,564	(78)	-
- Transfer to lifetime ECL credit-impaired	152	3,847	(3,999)	-	(2,078)	(36,021)	38,100	-
Net remeasurement of loss allowances (see note 8)	(2,952)	(18,120)	56,566	35,494	4,774	12,658	(4,455)	12,977
Impairment Charge (see note 8)	-	-	-	-	12,605	698	868	14,171
Write-offs	-	-	(53,807)	(53,807)	-	-	(60,967)	(60,967)
Foreign exchange and other movements	-	-	-	-				
Closing balance	**16,931**	**8,702**	**107,233**	**132,866**	**27,143**	**14,276**	**109,760**	**151,179**
Gross amount	**2,012,000**	**578,481**	**182,182**	**2,772,663**	**2,052,919**	**176,053**	**161,679**	**2,390,651**

In millions of Naira	December 31, 2020 12-month ECL	December 31, 2019 12-month ECL
Due from other Banks		
Balance at 1 January	142	931
Impairment/(writeback) (see note 8)	(83)	789
Closing balance	**59**	**142**
Gross amount	**532,435**	**482,212**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

In millions of Naira	December 31, 2020 12-month ECL	December 31, 2019 12-month ECL
Investment securities at amortised cost		
Balance at 1 January	538	565
Impairment Charge/(writeback)(see note 8)	217	(27)
Closing balance	755	**538**
Gross amount	**208,973**	**113,959**

Significant changes in the gross carrying amount of financial assets that contributed to changes in the loss allowance were as follows:

Group

In millions of Naira	December 31, 2020 Stage 1 12-month ECL	December 31, 2019 Stage 2 12-month ECL
Treasury bills at amortised cost		
Gross carrying amount at 1 January Transfers:	283,845	490,319
Financial assets derecognised during the period other than write-offs	-	(205,855)
New financial assets originated or purchased	597,112	-
Foreign exchange and other movements	-	381
Closing gross carrying amount	**880,957**	**284,845**

Summary of loss allowance by class of financial instruments also showing ECL coverage ratio as at December 31, 2019.

In millions of Naira	December 31, 2020 Stage 1 12-month ECL	December 31, 2019 Stage 2 12-month ECL
Off balance sheet exposure		
Gross carrying amount at 1 January Transfer:	754,469	775,355
Financial assets derecognised during the period other than write-offs	(482,096)	(21,104)
New financial assets originated or purchased	327,554	-
Foreign exchange and other movements	-	218
Closing gross carrying amount	**599,927**	**754,469**

In millions of Naira	December 31, 2020 Stage 1 12-month ECL	December 31, 2019 Stage 2 12-month ECL
Assets pledged as collateral at amortised cost		
Gross carrying amount at 1 January Transfers:	316,276	393,164
Financial assets derecognised during the period other than write-offs	(88,993)	(76,888)
Closing gross carrying amount	**227,283**	**316,276**

In millions of Naira	December 31, 2020 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total	December 31, 2019 Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loans and advances to customers at amortised cost								
Gross carrying amount at 1 January Transfers:	2,113,588	180,754	168,017	2,462,359	1,451,450	383,300	181,770	2,016,520
Transfer from stage 1 to stage 2	(359,012)	359,012	-	-	-	-	-	-
Transfer from stage 1 to stage 3	(7, 026)	-	7,026	-	(44,483)	-	44,483	-
Transfer from stage 2 to stage 3	-	(28,108)	28,108	-	-	(5,987)	5,987	-
Transfer from stage 2 to stage 1	5,927	(5,927)	-	-	196,559	(196,559)	-	-
Transfer from stage 3 to stage 1	1,454	-	(1,454)	-	-	-	-	-
Transfer from stage 3 to stage 2	-	710	(710)	-	-	-	-	-
New financial assets originated or purchased	406,060	64,305	(55,024)	415,341	510,062	-	-	510,062
Write-offs	-	-	(53,807)	(53,807)	-	-	(60,971)	(60,971)
Foreign exchange and other movements	-	-	95,449	95,449	-	-	(3,252)	(3,252)
Closing gross carrying amount	**2,160,991**	**570,746**	**187,605**	**2,919,342**	**2,113,588**	**180,754**	**168,017**	**2,462,359**

In millions of Naira	December 31, 2020 Stage 1 12-month ECL	December 31, 2019 Stage 2 12-month ECL
Investment securities at amortised cost		
Gross carrying amount at 1 January Transfers:	234,857	307,401
Financial assets derecognised during the period other than write-offs	-	(72,670)
New financial assets originated or purchased	212,941	-
Foreign exchange and other movements	28,489	126
Closing gross carrying amount	**476,287**	**234,857**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

	December 31, 2020	December 31, 2019
In millions of Naira	Stage 1 12-month ECL	Stage 2 12-month ECL
Other financial assets		
Gross carrying amount at 1 January Transfers:	64,541	62,080
New financial assets originated or purchased	81,295	2,378
Foreign exchange and other movements	5,873	83
Closing gross carrying amount	**151,709**	**64,541**

	December 31, 2020	December 31, 2019
In millions of Naira	Stage 1 12-month ECL	Stage 2 12-month ECL
Due from other banks		
Gross carrying amount at 1 January Transfers:	707,245	676,243
Financial assets derecognised during the periodother than write-offs	49,776	30,916
New financial assets originated or purchased	53,531	86
Closing gross carrying amount	**810,552**	**707,245**

Bank

	December 31, 2020	December 31, 2019
In millions of Naira	Stage 1 12-month ECL	Stage 2 12-month ECL
Treasury bills at amortised cost		
Gross carrying amount at 1 January Transfers:	114,352	306,802
Financial assets derecognised during the periodother than write-offs	-	(192,450)
New financial assets originated or purchased	581,546	-
Closing gross carrying amount	**695,898**	**114,352**

	December 31, 2020	December 31, 2019
In millions of Naira	Stage 1 12-month ECL	Stage 2 12-month ECL
Off balance sheet exposure		
Gross carrying amount at 1 January Transfers:	754,469	775,355
Financial assets derecognised during the periodother than write-offs	(482,096)	(20,886)
New financial assets originated or purchased	186,628	-
Closing gross carrying amount	**459,001**	**754,469**

In millions of Naira	December 31, 2020 Stage 1 12-month ECL	December 31, 2019 Stage 2 12-month ECL
Assets pledged as collateral at amortised cost		
Gross carrying amount at 1 January Transfers:	316,276	393,164
Financial assets derecognised during the periodother than write-offs	(88,993)	(76,888)
Closing gross carrying amount	**227,283**	**316,276**

In millions of Naira	December 31, 2020				December 31, 2019			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit impaired	Stage 3 Lifetime ECL credit impaired	Total	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loans and advances to customers at amortised cost								
Gross carrying amount at 1 January Transfers:	2,052,919	176,053	161,679	2,390,651	1,387,174	352,119	181,770	1,921,063
Transfer from stage 1 to stage 2	(359,012)	359,012	-	-	-	-	-	-
Transfer from stage 1 to stage 3	(7,026)	-	7,026	-	(40,876)	-	40,876	-
Transfer from stage 2 to stage 3	-	(28,108)	28,108	-	-	-	-	-
Transfer from stage 3 to stage 2	-	710	(710)	-	-	-	-	-
Transfer from stage 2 to stage 1	5,927	(5,927)	-	-	176,066	(176,066)	-	-
Transfer from stage 3 to stage 1	1,454	-	(1,454)	-	-	-	-	-
New financial assets originated or purchased	317,738	23,541	41,340	382,619	530,555	-	-	530,555
Write-offs	-	-	(53,807)	(53,807)	-	-	(60,967)	(60,967)
Foreign exchange and other movements	-	53,200	-	53,200	-	-	-	-
Closing gross carrying amount	**2,012,000**	**578,481**	**182,182**	**2,772,663**	**2,052,919**	**176,053**	**161,679**	**2,390,651**

In millions of Naira	December 31, 2020 Stage 1 12-month ECL	December 31, 2019 Stage 2 12-month ECL
Investment securities at amortised cost		
Gross carrying amount at 1 January Transfers:	113,959	102,508
New financial assets originated or purchased	94,546	11,451
Foreign exchange and other movements	468	-
Closing gross carrying amount	**208,973**	**113,959**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

In millions of Naira	December 31, 2020 Stage 1 12-month ECL	December 31, 2019 Stage 2 12-month ECL
Other financial assets		
Gross carrying amount at 1 January Transfers:	61,973	59,104
New financial assets originated or purchased	83,374	2,869
Closing gross carrying amount	**145,347**	**61,973**
Due from other banks		
Gross carrying amount at 1 January Transfers:	482,212	394,397
New financial assets originated or purchased	3,198	87,815
Foreign exchange and other movements	47,025	-
Closing gross carrying amount	**532,435**	**482,212**

Group

Financial Statement Items In millions of Naira	Gross Carrying Amount Stage 1	Stage 2	Stage 3	Total	ECL Provision Stage 1	Stage 2	Stage 3	Total	ECL Coverage Ratio Stage 1 %	Stage 2 %	Stage 3 %	Total %
On-balance sheet items												
Assets pledged as collateral	227,283	-	-	227,283	355	-	-	355	0.16	-	-	0.16
Treasury bills	880,957	-	-	880,957	1,575	-	-	1,575	0.18	-	-	0.18
Loans and advances to customers at amortised cost	2,153,579	578,537	187,226	2,919,342	23,400	8,703	108,211	140,314	1.09	1.50	57.80	4.81
Debt investment securities at amortised cost	476,287	-	-	476,287	773	-	-	773	0.16	-	-	0.16
Other financial assets measured at amortised cost	151,709	-	-	151,709	2,141	-	-	2,141	1.41	-	-	1.41
Due from other Banks	810,552	-	-	810,552	58	-	-	58	0.01	-	-	0.01
Subtotal	4,700,367	578,537	187,226	5,466,130	28,302	8,703	108,211	145,216	0.60	1.50	57.80	2.66
Off-balance sheet items												
Loans and other credit related commitments												
Letters of credit	167,960	2,738	2,207	172,905	412	12	1,985	2,409	0.25	-	-	1.39
Usance Financial guarantee and similar contracts	47,859	1,612	1,299	50,770	241	8	1,169	1,418	0.50	0.50	-	2.79
Performance bonds and guarantees	357,584	12,647	6,021	376,252	10	-	21	31	-	-	.-	0.01
Undrawn overdraft balance	145,202	1,326	2,077	148,605	928	-	46	974	0.64	-	-	0.66
Subtotal	718,605	18,323	11,604	748,532	1,591	20	3,221	4,832	0.22	0.11	27.76	0.65
Total	**5,418,972**	**596,860**	**198,830**	**6,214,662**	**29,893**	**8,723**	**111,432**	**150,048**	**0.55**	**1.46**	**56.04**	**2.41**

Bank

Financial Statement Items In millions of Naira	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
									%	%	%	%
On-balance sheet items												
Assets pledged as collateral	227,283	-	-	227,283	355	-	-	355	0.16	-	-	0.16
Treasury bills	695,898	-	-	695,898	676	-	-	676	0.10	-	-	0.10
Loans and advances to customers at amortised cost	2,012,000	578,481	182,182	2,772,663	16,931	8,702	107,233	132,866	0.84	1.50	58.86	4.79
Debt investment securities at amortised cost	208,973	-	-	208,973	755	-	-	755	0.36	-	-	0.36
Other financial assets measured at amortised cost	145,347	-	-	145,347	2,046	-	-	2,046	1.41	-	-	1.41
Due from other Banks	532,435	-	-	532,435	58	-	-	58	0.01	-	-	0.01
Subtotal	3,821,936	578,481	182,182	4,582,599	20,821	8,702	107,233	136,756	0.54	1.50	58.86	2.98
Off-balance sheet items												
Loans and other credit related commitments												
Letters of credit	79,238	2,738	2,207	84,183	412	12	1,985	2,409	0.52	-	-	2.86
Usance Financial guarantee and similar contracts	46,658	1,612	1,299	49,569	241	8	1,169	1,418	0.52	0.50	-	2.86
Performance bonds and guarantees	306,581	12,647	6,021	325,249	10	-	21	31	-	-	-	0.01
Undrawn overdraft balance	145,202	1,326	2,077	148,605	928	-	46	974	0.64	-	-	0.66
Subtotal	577,679	18,323	11,604	607,606	1,591	20	3,221	4,832	0.28	0.11	27.76	0.80
Total	**4,399,615**	**596,804**	**193,786**	**5,190,205**	**22,412**	**8,722**	**110,454**	**141,588**	**0.51**	**1.46**	**57.00**	**2.73**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Group

Financial Statement Items In millions of Naira	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
									%	%	%	%
On-balance sheet items												
Assets pledged as collateral	316,276	-	-	316,276	69	-	-	69	0.02	-	-	0.02
Treasury bills	283,845	-	-	283,845	563	-	-	563	0.20	-	-	0.20
Loans and advances to customers at amortised cost	2,113,588	180,754	168,017	2,462,359	30,429	16,083	11,089	157,601	1.44	8.90	66.12	6.40
Debt investment securities at amortised cost	234,857	-	-	234,857	551	-	-	551	0.23	-	-	0.23
Other financial assets measured at amortised cost	64,541	-	-	64,541	777	-	-	777	1.20	-	-	1.20
Due from other Banks	707,245	-	-	707,245	142	-	-	142	0.02	-	-	0.02
Subtotal	3,720,352	180,754	168,017	4,069,123	32,531	16,083	111,089	159,703	0.87	8.90	66.12	3.92
Off-balance sheet items												
Loans and other credit related commitments												
Letters of credit	545,174	-	-	545,174	3,528	-	-	3,528	0.65	-	-	0.65
Usance Financial guarantee and similar contracts	79,318	-	-	79,318	677	-	-	677	0.85	-	-	0.85
Performance bonds and guarantees	363,922	-	-	363,922	923	-	-	923	0.25	-	-	0.25
Undrawn overdraft balance	96,911	-	-	96,911	410	-	-	410	0.42	-	-	0.42
Subtotal	1,085,325	-	-	1,085,325	5,538	-	-	5,538	0.51	DIV/0	DIV/0	0.51
Total	**4,805,677**	**180,754**	**168,017**	**5,154,448**	**38,069**	**16,083**	**111,089**	**165,241**	**0.79**	**8.90**	**66.12**	**3.21**

Bank

Financial Statement Items In millions of Naira	Gross Carrying Amount Stage 1	Stage 2	Stage 3	Total	ECL Provision Stage 1	Stage 2	Stage 3	Total	ECL Coverage Ratio Stage 1	Stage 2	Stage 3	Total
									%	%	%	%
On-balance sheet items												
Assets pledged as collateral	316,276	-	-	316,276	69	-	-	69	0.02	-	-	0.02
Treasury bills	114,352	-	-	114,352	17	-	-	17	0.01	-	-	0.01
Loans and advances to customers at amortised cost	2,052,919	176,054	161,679	2,390,652	27,143	14,276	109,760	151,179	1.32	8.11	67.89	6.32
Debt investment securities at amortised cost	113,959	-	-	113,959	538	-	-	538	0.47	-	-	0.47
Other financial assets measured at amortised cost	61,973	-	-	61,973	720	-	-	720	1.16	-	-	1.16
Due from other Banks	482,212	-	-	482,212	142	-	-	142	0.03	-	-	0.03
Subtotal	3,141,691	176,054	161,679	3,479,424	28,629	14,276	109,760	152,665	0.91	8.11	67.89	4.39
Off-balance sheet items												
Loans and other credit related commitments												
Letters of credit	413,656	-	-	413,656	3,528	-	-	3,528	0.85	-	-	0.85
Usance Financial guarantee and similar contracts	79,318	-	16,997	96,315	677	-	-	677	0.85	-	-	0.70
Performance bonds and guarantees	261,495	-	-	261,495	923	-	-	923	0.35	-	-	0.35
Undrawn overdraft balance	96,911	-	-	96,911	410	-	-	410	0.42	-	-	0.42
Subtotal	851,380	-	16,997	868,377	5,538	-	-	5,538	0.65	-	-	0.64
Total	**3,993,071**	**176,054**	**178,676**	**4,347,801**	**34,167**	**14,276**	**109,760**	**158,203**	**0.86**	**8.11**	**61.43**	**3.64**

3.2.19 Restructuring Policy

Loans with renegotiated terms are loans that have been restructured because the Group has made concessions by agreeing to terms and conditions that are more favorable for the customer than these provided by the Group initially. The Group implements restructuring policy in order to maximize collections opportunities and minimize the risk of default.

The Group's credit committee may, from time to time, grant approval for restructuring of certain facilities due to the following reasons:

a. Where the execution of the loan purpose and the repayment are no longer realistic in light of new cash flows;

b. To avoid unintended default arising from adverse business conditions;

c. To align loan repayment with new pattern of achievable cash flows;

d. Where there are proven cost over runs that may significantly impair the project repayment capacity;

e. Where there is temporary downturn in the customer's business environment;

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

f. Where the customer's going concern status is NOT in doubt or threatened; and

g. The revised terms of restructured facilities usually include extended maturity, changing timing of interest payments and amendments to the terms of the loan agreement.

3.3 Market risk

Market risk is the risk of potential losses in both on- and off-balance sheet positions arising from movements in market prices. Market risks can arise from adverse changes in interest rates, foreign exchange rates, equity prices, commodity prices and other relevant factors such as market volatilities.

The Group undertakes activities which give rise to some level of market risks exposures. The objective of market risk management activities is to continuously identify, manage and control market risk exposure within acceptable parameters, while optimizing the return on risks taken.

3.3.1 Management of market risk

The Group has an independent Market Risk Management unit which assesses, monitors, manages and reports on market risk taking activities across the Group. The Group enhances its Market Risk Management Framework on a continuous basis. The operations of the unit is guided by the mission of "inculcating enduring market risk management values and culture, with a view to reducing the risk of losses associated with market risk-taking activities, and optimizing risk-reward trade-off."

The Group's market risk objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Group and ensure that:

a. The individuals who take or manage risk clearly understand it;

b. The Group's risk exposure is within established limits;

c. Risk taking decisions are in line with business strategy and objectives set by the Board of Directors;

d. The expected payoffs compensate for the risks taken; and

e. Sufficient capital, as a buffer, is available to take risk.

The Group proactively manages its market risk exposures in both the trading and non-trading books within the acceptable levels.

The Group's market risks exposures are broadly categorised into:

(i) Trading Market Risks - These are risks that arise primarily through trading activities and market making activities. These activities include position-taking in foreign exchange and fixed income securities (Bonds and Treasury Bills).

(ii) Non Trading Market Risks -These are risks that arise from assets and liabilities that are usually on the books for a longer period of time, but where the intrinsic value is a function of the movement of financial market parameter.

The Naira exchange rate continues to be an important influence on consumer prices and output recovery. Stability in the naira exchange rate has been sustained for most part of the year through appropriate policies and reforms of the exchange rate market; There has also been some form of convergence in the various markets.

Group

In millions of Naira	Note	At December 31, 2020 Carrying Amount	Trading	Non-trading	At December 31, 2019 Carrying Amount	Trading	Non-trading
Assets							
Cash and balances with central bank	15	1,591,768	-	1,591,768	936,278	-	936,278
Treasury bills	16	1,577,875	698,493	879,382	991,393	708,114	283,279
Assets pledged as collateral	17	298,530	71,602	226,928	431,728	115,520	316,208
Due from other banks	18	810,494	-	810,494	707,103	-	707,103
Derivative assets	19	44,496	44,496	-	92,722	92,722	-
Loans and advances	20	2,779,027	-	2,779,027	2,305,565	-	2,305,565
Investment securities	21	996,916	49,277	947,639	591,097	12,257	578,840
Other financial assets	25	149,568	-	149,568	63,764	-	63,764
Liabilities							
Customer deposits	28	5,339,911	-	5,339,911	4,262,289	-	4,262,289
Derivative liabilities	33	11,076	11,076	-	14,762	14,762	-
Other financial liabilities	29	542,866	-	542,866	330,552	-	330,552
On-lending facilities	30	384,573	-	384,573	392,871	-	392,871
Borrowings	31	870,080	-	870,080	322,479	-	322,479
Debt securities issued	32	43,177	-	43,177	39,092	-	39,092

Bank

In millions of Naira	Note	At December 31, 2020 Carrying Amount	Trading	Non-trading	At December 31, 2019 Carrying Amount	Trading	Non-trading
Assets							
Cash and balances with central bank	15	1,503,245	-	1,503,245	879,449	-	879,449
Treasury bills	16	1,393,421	698,199	695,222	822,449	708,114	114,335
Assets pledged as collateral	17	298,530	71,602	226,928	431,728	115,520	316,208
Due from other banks	18	532,377	-	532,377	482,070	-	482,070
Derivative assets	19	41,729	41,729	-	92,722	92,722	-
Loans and advances	20	2,639,797	-	2,639,797	2,239,472	-	2,239,472
Investment securities	21	333,126	44,933	288,193	189,358	12,257	177,101
Other financial assets	25	143,301	-	143,301	61,253	-	61,253
Liabilities							
Customer deposits	28	4,298,258	-	4,298,258	3,486,887	-	3,486,887
Derivative liabilities	33	11,076	11,076	-	14,762	14,762	-
Other financial liabilities	29	515,916	-	515,916	380,798	-	380,798
On-lending facilities	30	384,573	-	384,573	392,871	-	392,871
Borrowings	31	874,090	-	874,090	329,778	-	329,778
Debt securities issued	32	43,177	-	43,177	39,092	-	39,092

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

3.3.2 Measurement of Market Risk

The Group adopts Non-VAR (Value-at-risk) approach for quantitative measurement and control of market risks in both trading and non-trading books. The Non -VAR (Value at risk) measurements includes: Duration; Factor Sensitivities (Pv01), Stress Testing, Aggregate Open Position etc. The measured risks are therefore monitored against the pre-set limits on a daily basis. All exceptions are investigated and reported in line with internal policies and guidelines.

Limits are sets to reflect the risk appetite that is approved by the Board of Directors. These limits are reviewed, at least, annually or at a more frequent interval. Some of the limits include; Net Open Position (NOP- for foreign exchange); Aggregate Control Limits (for Securities); Management Action Trigger (MAT); Duration; Factor Sensitivities (Pv01); Permitted Instrument and Tenor Limits; Holding Period and Off Market Rate Tolerance limit.

Stress testing is an important risk management tool that is used by the Group as part of its enterprise-wide risk management. It is the evaluation of the Group's financial position under severe but plausible scenarios to assist in decision- making. Stress testing provides the Group with the opportunity to spot emerging risks, uncover weak spots and take preventive action. It also alerts management to adverse unexpected outcomes related to a variety of risks and provides an indication of how much capital might be needed to absorb losses should large shocks occur. The Group adopts both single factor and multifactor stress testing approaches (sensitivity and scenario based) in conducting stress testing within the risk areas of liquidity, foreign exchange, interest rate, market and credit risks. Stress testing is conducted both on a regular and ad-hoc basis in response to changing financial, regulatory and economic environment/circumstances.

3.3.3 Foreign exchange risk

Fluctuations in the prevailing foreign currency exchange rates can affect the Group's financial position and cash flows - 'on' and 'off' balance sheet. The Group manages part of the foreign exchange risks through basic derivative products and hedges (such as forwards and swaps). The risk is also managed by ensuring that all risks taken by the Group are within approved limits. In addition to adherence to regulatory limits, Zenith Group established various internal limits (such as non- VAR models, overall Overnight and Intra-day positions), dealer limits, as well as individual currency limits among others limits which are monitored by the Market Risk Department on a regular basis. These limits are set with the aim of minimizing the Group's risk exposures to exchange rates volatilities to an acceptable level. The Group's transactions are carried out majorly in four (4) foreign currencies with a significant percentage of transactions involving US Dollars. The Group uses the average interbank exchange rate for each foreign currency to value assets and liabilities denominated in foreign currencies.

Group

The table below summarizes the Group's exposure to foreign currency exchange rate risk at December 31, 2020 and December 31, 2019. Included in the table are the Group's financial instruments at carrying amounts, categorised by currency.

In millions of Naira

At December 31, 2020	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central bank	1,477,436	72,065	5,762	7,023	29,482	1,591,768
Treasury bills	1,507,915	-	-	-	69,960	1,577,875
Assets pledged as collateral	298,530	-	-	-	-	298,530
Due from other banks	3,000	625,444	60,268	60,792	60,990	810,494
Derivative assets	9,862	33,774	261	531	68	44,496
Loans and advances to customers	1,477,562	1,185,037	6,686	35,070	74,672	2,779,027
Investment securities	480,093	482,626	21,270	12,927	-	996,916
Other financial assets	126,353	17,014	-	-	6,201	149,568
Swap contracts**	(440,363)	440,363	-	-	-	-
	4,940,388	**2,856,323**	**94,247**	**116,343**	**241,373**	**8,248,674**

At December 31, 2020	Naira	Dollar	GBP	Euro	Others	Total
Liabilities						
Customer deposits	3,483,784	1,174,302	352,353	46,468	283,004	5,339,911
Derivative liabilities	9,514	1,497	-	5	60	11,076
Other financial liabilities	430,266	33,779	197	13,126	65,498	542,866
On-lending facilities	384,573	-	-	-	-	384,573
Borrowings	-	870,080	-	-	-	870,080
Debt securities issued	-	43,177	-	-	-	43,177
	4,308,137	**2,122,835**	**352,550**	**59,599**	**348,562**	**7,191,683**
Net-exposure	**632,251**	**733,488**	**(258,303)**	**56,744**	**(107,189)**	**1,056,991**

In millions of Naira

At December 31, 2019	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central bank	845,021	35,289	8,310	3,875	43,784	936,279
Treasury bills	872,564	-	-	-	118,829	991,393
Assets pledged as collateral	431,728	-	-	-	-	431,728
Due from other banks	32,376	595,047	3,298	39,344	37,038	707,103
Derivative assets	74,855	-	17,868	-	-	92,723
Loans and advances to customers (gross)	1,275,254	966,764	8,678	14,626	40,244	2,305,565
Investment securities	323,972	222,712	33,192	11,223	-	591,099
Other financial assets	21,090	189	43,261	-	-	64,541
	3,876,861	**1,820,001**	**114,607**	**69,068**	**239,894**	**6,120,430**
Liabilities						
Customer deposits	3,095,031	816,091	98,892	27,912	224,363	4,262,289
Derivative liabilities	14,762	-	-	-	-	14,762
Other financial liabilities	317,679	-	1,812	209	25	319,725
On-lending facilities	392,871	-	-	-	-	392,871
Borrowings	-	297,556	7,104	16,439	1,380	322,479
Debt securities issued	-	39,092	-	-	-	39,092
	3,820,343	**1,152,739**	**107,807**	**44,560**	**225,768**	**5,351,218**
Net Exposure	**56,518**	**667,292**	**6,800**	**24,508**	**14,126**	**769,212**

The Group's exposure to foreign currency risk is largely concentrated in the US Dollar. Movement in exchange rate between the US Dollar, and the Nigerian Naira affects reported earnings through revaluation gain or loss and statement of financial position size through increase or decrease in the revalued amounts of assets and liabilities denominated in US Dollars.

The table below shows the impact on the Group's profit or loss and statements of financial position size if the exchange rate between the US Dollars, and Nigerian Naira had increased or decreased by 9% (December 31, 2019: 6% and 9%, with all other variables held constant.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

	31-Dec-20	31-Dec-19
US Dollar effect of 9% (31 December 2019: 6%) up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	57,148	2,651
US Dollar effect of 9% (31 December 2019: 9%) up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	57,148	5,303

	31-Dec-20	31-Dec-19
US Dollar effect of 9% (31 December 2019: 6%) up or (down) movement on OCI and statement of financial position size (in millions of Naira)	1,193	26
US Dollar effect of 9% (31 December 2019: 9%) up or (down) movement on OCI and statement of financial position size (in millions of Naira)	1,193	39

Bank

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at December 31, 2020 and December 31, 2019. Included in the table are the Bank's financial instruments at carrying amounts, categorised by currency.

In millions of Naira

At December 31, 2020	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central bank	1,477,072	25,038	858	277	-	1,503,245
Treasury bills	1,393,421	-	-	-	-	1,393,421
Assets pledged as collateral	298,530	-	-	-	-	298,530
Due from other banks	3,000	479,636	7,396	40,528	1,817	532,377
Derivative assets	9,862	31,007	261	531	68	41,729
Loans and advances to customers	1,477,448	1,141,271	56	21,021	-	2,639,796
Investment securities	251,790	81,336	-	-	-	333,126
Other financial assets	126,450	16,851	-	-	-	143,301
Swap contracts**	(440,363)	440,363	-	-	-	-
	4,597,210	**2,215,502**	**8,571**	**62,357**	**1,885**	**6,885,525**
Liabilities						
Customer deposits	3,483,784	769,957	13,863	29,502	1,152	4,298,258
Derivative liabilities	9,514	1,497	-	5	60	11,076
Other financial liabilities	430,266	69,418	345	13,126	2,760	515,916
On-lending facilities	384,573	-	-	-	-	384,573
Borrowings	-	874,090	-	-	-	874,090
Debt securities issued	-	43,177	-	-	-	43,177
	4,308,137	**1,758,139**	**14,208**	**42,633**	**3,972**	**6,127,090**
Net Exposure	**289,073**	**457,363**	**(5,637)**	**19,724**	**(2,087)**	**758,435**

In millions of Naira

At December 31, 2019	Naira	Dollar	GBP	Euro	Others	Total
Assets						
Cash and balances with central bank	840,032	30,886	7,102	1,429	-	879,449
Treasury bills	822,449	-	-	-	-	822,449
Assets pledged as collateral	431,728	-	-	-	-	431,728
Due from other banks	28,644	422,556	3,560	26,379	932	482,070
Derivative assets	92,722	-	-	-	-	92,722
Loans and advances to customers (gross)	1,274,050	950,570	82	14,486	283	2,239,472
Investment securities	184,565	4,794	-	-	-	189,359
Other financial assets	61,253	-	-	-	-	61,253
	3,735,443	**1,408,806**	**10,744**	**42,294**	**1,215**	**5,198,502**
Liabilities						
Customer deposits	2,401,854	1,056,876	10,045	17,564	548	3,486,887
Derivative liabilities	14,762	-	-	-	-	14,762
Other financial liabilities	369,971	-	-	-	-	369,971
On-lending facilities	392,871	-	-	-	-	392,871
Borrowings	-	329,778	-	-	-	329,778
Debt securities issued	-	39,092	-	-	-	39,092
	3,179,458	**1,425,746**	**10,045**	**17,564**	**548**	**4,633,361**
Net Exposure	**555,985**	**(16,940)**	**699**	**24,730**	**667**	**565,141**

The Bank's exposure to foreign currency risk is largely concentrated in US Dollar. Movement in exchange rate between the US Dollar, and the Nigerian Naira affects reported earnings through revaluation gain or loss and statement of financial position size through increase or decrease in the revalued amounts of assets and liabilities denominated in US Dollars. The Group's closing and average Dollar rate as at December 31, 2020 was 400.33 and 384.64 respectively.

**The Bank entered into currency swap (USD/NGN) transactions with various counterparties. The nominal cash exchange of these transactions are not captured in the derivative assets recognised on the balance sheet. Amounts captured on balance sheet represent the fair value of these contracts.

The table below shows the impact on the Bank's profit and statement of financial position size if the exchange rate between the US Dollars, and Nigerian Naira had increased or decreased by 9% (December 31, 2019: 6% and 9%), with all other variables held constant.

In millions of Naira	31-Dec-20	31-Dec-19
US Dollar effect of 9% (31 December 2019: 6%) up or (down) movement on profit before tax and balance sheet size	34,208	2,541
US Dollar effect of 9% (31 December 2019: 9%) up or (down) movement on profit before tax and statement of financial position size (in millions of Naira)	34,208	5,082

	31-Dec-20	31-Dec-19
US Dollar effect of 9% (31 December 2019: 6%) up or (down) movement on OCI and statement of financial position size (in millions of Naira)	1,193	20
US Dollar effect of 9% (31 December 2019: 9%) up or (down) movement on OCI and statement of financial position size (in millions of Naira)	1,193	30

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

3.3.4 Interest Rate Risk

The Group is exposed to a considerable level of interest rate risk especially on the banking book (i.e. the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates). Interest rate was quite volatile within the period (especially in the Nigerian environment) in various geographical regions where the Bank operates. The Group has a significant portion of its liabilities in non-rate sensitive liabilities. This helps it in minimizing the impact of the exposure to interest rate risks. The Group also enjoys some form of flexibility in adjusting both lending and deposits rates to reflect market realities.

Group

The table below summarizes the Group's interest rate gap position:

In millions of Naira

At December 31, 2020	Note	Carrying Amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	15	1,591,768	-	1,591,768
Treasury and other eligible bills (Amortized cost)	16	879,382	-	879,382
Assets pledged as collateral	17	226,928	-	226,928
Due from other banks	18	810,494	167,855	642,639
Derivative assets	19	44,496	-	44,496
Loans and advances to customers (Gross)		2,779,027	2,771,883	7,144
Investment securities (Amortized cost and Fair value through OCI)	21	947,639	-	947,639
Other financial assets	25	149,568	-	149,568
		7,429,302	**2,939,738**	**4,489,564**
Liabilities				
Customer deposits	28	5,339,911	4,507,005	832,906
Derivative liabilities	33	11,076	11,076	-
Other financial liabilities	29	542,866	-	542,866
On-lending facilities	30	384,573	-	384,573
Borrowings	31	870,080	290,964	579,116
Debt securities issued	32	43,177	-	43,177
		7,191,683	**4,809,045**	**2,382,638**
Total interest repricing gap		**237,619**	**(1,869,307)**	

The table shows the maturity profile of financial instruments that are rate sensitive.

At December 31, 2020

In millions of Naira	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
Assets						
Due from other banks	-	167,855	-	-	-	167,855
Loans and advances to customers	337,128	154,416	127,457	452,958	1,699,924	2,771,883
	337,128	322,271	127,457	452,958	1,699,924	2,939,738
Liabilities						
Customer deposits	1,401,728	79,696	448,060	82,036	2,495,485	4,507,005
Derivative liabilities	2,931	5,709	716	1,720	-	11,076
Borrowings	-	-	229,350	61,614	-	290,964
	1,404,659	**85,405**	**678,126**	**145,370**	**2,495,485**	**4,809,044**
Total interest repricing gap	**(1,067,531)**	**236,866**	**(550,669)**	**307,588**	**(795,561)**	**(1,869,307)**

At December 31, 2019

In millions of Naira	Note	Carrying Amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	15	936,278	2,000	934,278
Treasury and other eligible bills (Amortized cost)	16	283,279	283,279	-
Assets pledged as collateral	17	316,207	316,207	-
Due from other banks	18	707,103	707,103	-
Derivative assets	19	92,722	92,722	-
Loans and advances to customers (Gross)		2,462,359	2,462,359	-
Investment securities (Amortized cost)	21	578,840	515,159	63,680
Other financial assets	25	63,764	-	63,764
		5,440,552	**4,378,829**	**1,061,722**
Liabilities				
Customer deposits	28	4,262,289	3,674,292	587,997
Derivative liabilties	33	14,762	14,762	-
Financial liabilities	29	330,552	-	330,552
On-lending facilities	30	392,871	392,871	-
Borrowings	31	322,479	322,479	-
Debt securities issued	32	39,092	39,092	-
		5,362,045	**4,443,496**	**918,549**
Total interest repricing gap		**78,507**	**(64,667)**	**-**

In millions of Naira

At December 31, 2019	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
Assets						
Cash and balances with central banks	2,000	-	-	-	-	2,000
Treasury bills	15,340	60,969	55,059	151,911	-	283,279
Assets pledged as collateral	11,638	79,758	3,406	15,715	205,690	316,207
Due from other banks	504,261	47,686	122,386	32,770	-	707,103
Derivative assets	9,414	22,800	16,742	43,766	-	92,722
Loans and advances to customers (Gross)	430,344	88,653	105,346	179,293	1,658,723	2,462,359
Investment securities (Amortized cost and fair value through OCI)	51,753	16,220	2,196	7,311	437,680	515,160
	1,024,750	**316,086**	**305,135**	**430,766**	**2,302,093**	**4,378,830**
Liabilities						
Customer deposits	1,545,702	15,852	735	4,286	2,107,717	3,674,292
Derivative liabilities	3,242	5,250	3,952	2,318	-	14,762
On-lending facilities	12,439	-	1,597	1,716	377,119	392,871
Borrowings	-	28,596	22,081	230,256	41,545	322,478
Debt securities issued	-	-	-	-	39,092	39,092
	1,561,383	**49,698**	**28,365**	**238,576**	**2,565,473**	**4,443,495**
Total interest repricing gap	**(536,633)**	**266,388**	**276,770**	**192,190**	**(263,380)**	**(64,665)**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Interest rate sensitivity showing fair value interest rate risk

In millions of Naira	31-Dec-20	31-Dec-19
Financial assets at FVPL		
Treasury bills	698,493	708,111
Government bonds	49,277	12,257
Total	747,770	720,368
Impact on income statement:		
Favourable change at 2% reduction in interest rate	14,955	14,407
Unfavourable change at 2% increase in interest rate	(14,955)	(14,407)
FVOCI investment securities		
Government bonds	392,150	280,854
Impact on other comprehensive income statement: Favourable change at 2% reduction in interest rate	7,843	5,617
Unfavourable change at 2% increase in interest rate	(7,843)	(5,617)

The management of interest risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various scenarios. Interest rate movement affects reported income by causing an increase or decrease in net interest income and fair value changes.

The table below shows the impact on the Group's profit before tax if interest rates on financial instruments held at amortized cost or at fair value had increased or decreased by 200 basis points, with all other variables held constant.

In millions of Naira	31-Dec-20	31-Dec-19
Effect of 200 basis points (December 2019: 300basis points) movement on profit before tax	5,117	4,101

* Holding all other variables constant

Bank

The table below summarizes the Bank's interest rate gap position:

At December 31, 2020	Note	Carrying Amount	Rate sensitive	Non rate sensitive
Assets				
Cash and balances with central banks	15	1,503,245	-	1,503,245
Treasury and other eligible bills	16	695,222	-	695,222
Assets pledged as collateral	17	226,928	-	226,928
Due from other banks	18	532,377	167,855	364,522
Derivative assets	19	41,729	-	41,729
Loans and advances to customers		2,639,797	2,632,652	7,144
Investment securities (Amortized cost and Fair value through OCI)	21	288,193	-	288,193
Other financial assets	19	143,301	-	143,301
		6,070,792	**2,800,507**	**3,270,284**
Liabilities				
Customer deposits	28	4,298,258	3,465,351	832,907
Derivative liabilities	33	11,076	11,076	-
Other financial liabilities	29	515,916		515,916
On-lending facilities	30	384,573	-	384,573
Borrowings	31	874,090	290,964	583,126
Debt securities issued	32	43,177	-	43,177
		6,127,090	**3,767,391**	**2,359,699**
Total interest repricing gap		**(56,298)**	**(966,884)**	**910,585**

The table shows the maturity profile of financial instruments that are rate sensitive.

At December 31, 2020	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
In millions of Naira						
Assets						
Due from other banks	-	167,855	-	-	-	167,855
Loans and advances to customers	293,913	146,030	124,629	449,447	1,618,633	2,632,652
Investment securities (Amortized cost and Fair value through OCI)	-	40,462	-	39,886	127,870	208,218
	293,913	354,347	124,629	489,333	1,746,503	3,008,725
Liabilities						
Customer deposits	1,034,313	34,864	54	528	2,395,592	3,465,351
Derivative liabilities	2,931	5,709	716	1,720	-	11,076
Borrowings	-	-	229,350	61,614	-	290,964
	1,037,244	**40,573**	**230,120**	**63,862**	**2,395,592**	**3,767,391**
Total interest repricing gap	**(743,331)**	**313,774**	**(105,491)**	**425,471**	**(649,089)**	**(758,666)**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

At December 31, 2019	Note	Carrying Amount	Rate sensitive	Non rate sensitive
In millions of Naira				
Assets				
Cash and balances with central banks	15	879,449	2,000	877,449
Treasury and other eligible bills (Amortized cost)	16	114,335	114,335	-
Assets pledged as collateral	17	316,207	316,207	-
Due from other banks	18	482,070	482,070	-
Derivative assets	19	92,722	92,722	-
Loans and advances to customers (Gross)		2,390,651	2,390,651	-
Investment securities (Amortized cost and Fair value through OCI)	21	177,100	113,420	63,680
Other financial assets	25	61,253	-	61,253
		4,513,787	3,511,405	1,002,382
Liabilities				
Customer deposits	28	3,486,887	2,898,889	587,997
Derivative liabilities	29	14,762	14,762	-
Financial liabilities	13	380,798		380,798
On-lending facilities	33	392,871	392,871	-
Borrowings	30	329,778	329,778	-
Debt securities issued	31	39,092	39,092	-
		4,644,188	**3,675,392**	**968,795**
Total interest repricing gap		**(130,401)**	**(163,987)**	**33,587**

The table shows the maturity profile of financial instruments that are rate sensitive.

At December 31, 2019	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Total rate sensitive
In millions of Naira						
Assets						
Cash and balances with central bank	2,000	-	-	-	-	2,000
Treasury bills	1,242	34,058	23,201	55,833	-	114,334
Assets pledged as collateral	11,639	79,758	3,406	15,715	205,690	316,208
	279,229	47,686	122,386	32,770	-	482,071
Derivative assets	9,414	22,800	16,742	43,766	-	92,722
Loans and advances to customers	411,816	88,653	105,346	179,293	1,605,543	2,390,651
Investment securities (Amortized cost and fair value through OCI)	-	4,668	235	3,689	104,828	113,420
	715,340	**277,623**	**271,316**	**331,066**	**1,916,061**	**3,511,406**
Liabilities						
Customer deposits	1,281,780	12,262	584	4,251	1,600,013	2,898,890
Derivative liabilities	3,242	5,250	3,953	2,318	-	14,763
On-lending facilities	12,439	-	1,597	1,716	377,119	392,871
Borrowings	-	28,600	22,081	230,254	48,843	329,778
Debt securities issued	-	-	-	-	39,092	39,092
	1,297,461	**46,112**	**28,215**	**238,539**	**2,065,067**	**3,675,394**
Total interest repricing gap	**(582,121)**	**231,511**	**243,101**	**92,527**	**(149,006)**	**(163,988)**

Interest rate sensitivity showing fair value interest rate risk

In millions of Naira	31-Dec-20	31-Dec-19
Financial assets at FVPL		
Treasury bills	698,199	708,114
Government bonds	44,933	12,257
Total	743,132	720,371
Impact on income statement:		
Favourable change at 2% reduction in interest rate	14,863	14,407
Unfavourable change at 2% increase in interest rate	(14,863)	(14,407)
FVOCI investment securities		
Government bonds	392,150	280,854
Impact on other comprehensive income statement: Favourable change at 2% reduction in interest rate	7,843	5,617
Unfavourable change at 2% increase in interest rate	(7,843)	(5,617)

The management of interest risk against interest rate gap limits is supplemented by the monitoring of the sensitivity of the Group's financial assets and liabilities to various scenarios. Interest rate movement affects reported income by causing an increase or decrease in net interest income and fair value changes.
The table below shows the impact on the Bank's profit before tax if interest rates on financial instruments held at amortized cost or at fair value had increased or decreased by 500 basis points, with all other variables held constant.

In millions of Naira	31-Dec-20	31-Dec-19
Effect of 500 basis points (December 2019: 300 basis points) movement on profit before tax	12,793	2,166

The effect of 500 basis points movement on profit is considered moderate and we do not expect all the rates to move at the same time and in the same direction. This risk can largely be handled by the flexibility in the changing/adjusting rates on loans and deposits.

* Holding all other variables constant

3.3.5 Equity and commodity price risk

The group is exposed to equity price risk as a result of holding non-quoted equity investments. Unquoted equity securities held by the group is composed mainly of the following:

(i) 8.64% equity holding in African Finance Corporation (AFC) valued at N76.06 billion and cost N40 billion.

(ii) 3.6% equity holding in Nigerian Interbank Settlement Scheme (NIBBS) valued at N2.11 billion and cost N50 million.

(iii) 2.31% equity holding in FMDQ holdings plc valued at N1.65 billion.

(iv) 0.88% equity holding in Unified Payment Services (UPS) valued at N96.66 million.

The AFC is a private sector-led investment bank and development finance institution which has the Central Bank of Nigeria (CBN) as the single major shareholder (42.39%) with other African financial institutions and investors holding the remaining shares. The AFC operates a US Dollar-denominated statement of financial position and provides financing in this currency.

NIBSS was incorporated in 1993 and is owned by all licensed banks including the Central Bank of Nigeria (CBN). The Company is responsible for handling inter-bank payments, funds transfer and settlement, and it also operates the Nigerian Automated Clearing System (NACS).

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

The Group does not deal in commodities and is therefore not exposed to any commodity price risk. The sensitivity analysis of unquoted equity is stated in section 3.5 (b).

3.4 Liquidity risk
Liquidity risk is the potential loss arising from the Group's inability to meet its obligations as they fall due or its inability to fund increases in assets without incurring unacceptable cost or losses. Liquidity risk is not viewed in isolation, because financial risks are not mutually exclusive and liquidity risk is often triggered by consequences of other bank risks such as credit, market and operational risks.

3.4.1 Liquidity risk management process
The Group has a comprehensive liquidity risk management framework that ensures that adequate liquidity, including a cushion of unencumbered and high quality liquid assets is maintained at all times, to enable the Group withstand a range of stress events, including those that might involve loss or impairment of funding sources.

The Group's liquidity risk exposure is monitored and managed by the Asset and Liability Management Committee (ALCO) on a regular basis. This process includes:

a. Projecting cash flows and considering the level of liquid assets necessary in relation thereto;

b. Monitoring balance sheet liquidity ratios against internal and regulatory requirements;

c. Maintaining a diverse range of funding sources with adequate back-up facilities;

d. Managing the concentration and profile of debt maturities;

e. Monitoring deposit concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix;

f. Maintaining up-to-date liquidity and funding contingency plans. These plans identify early indicators of stress conditions and describe actions to be taken in the event of difficulties arising from systemic or other crises while minimizing any adverse long-term implications for the business;

g. Regular conduct of stress testing, coupled with testing of contingency funding plans from time to time.

The Maximum Cumulative Outflow has remained positive all through the short tenor maturity buckets. Assessments are carried out on contractual basis. These reveal very sound and robust liquidity position of the Group.

The Group maintains liquid assets and marketable securities adequate, within regulatory limits, to manage liquidity stress situation.

3.4.2 Stress testing and contingency funding
Stress testing
The Group considers different liquidity risk mitigation tools, including a system of limits and liquidity buffers in order to be able to withstand a range of different stress events and adequately diversify funding structure and access to funding sources. Those events are regularly reviewed and monitored by the Asset and Liability Committee (ALCO). Alternative scenarios on liquidity positions and on risk mitigants are considered. In line with standard risk management practice and global best practice, the Group:

(a). Conducts on a regular basis appropriate stress tests so as to;
- (i) Identify sources of potential liquidity strain; and
- (ii) Ensure that current liquidity exposures continue to conform to the liquidity risk tolerance established by the board.

(b). Analyses the separate and combined impact of possible future liquidity stresses on:
- (i) Cash flows;
- (ii) Liquidity position; and
- (iii) Profitability.

The Board and the Asset and Liability Committee (ALCO) regularly review the stresses and scenarios tested to ensure that their nature and severity remain appropriate and relevant to the Bank. These reviews take into the account the following;

a. Changes in market condition;

b. Changes in the nature, scale or complexity of the Bank's business model and activities; and

c. The Group's practical experience in periods of stress.

The Group considers the potential impact of idiosyncratic Institution-Specific, market-wide and combined alternative scenarios while carrying out the test to ensure that all areas are appropriately covered. In addition, the Group also considers the impact of severe stress scenarios.

Contingency Funding Plan

The Group maintains a contingency funding plan which sets out strategies for addressing liquidity. The Plan:

a. outlines strategies, policies and plans to manage a range of stresses;

b. establishes a clear allocation of roles and clear lines of management responsibility;

c. is formally documented;

d. includes clear invocation and escalation procedures;

e. is regularly tested and the result shared with the ALCO and Board;

f. outlines that Group's operational arrangements for managing a huge funding run;

g. is sufficiently robust to withstand simultaneous disruptions in a range of payment and settlement;

h. outlines how the Group will manage both internal communications and those with its external stakeholders; and

As part of the contingency funding plan process, the Group maintains committed credit lines that can be drawn in case of liquidity crises. These lines are renewed as at when due.

3.4.3 Funding approach

Our sources of liquidity are regularly reviewed by both the ALCO and the Treasury Group in order to avoid undue reliance on large individual depositors and to ensure that a satisfactory overall funding mix is maintained at all times. The funding strategy is geared toward ensuring effective diversification in the sources and tenor of funding. The Group however places greater emphasis on demand and savings deposits as against purchased funds in order to minimize the cost of funding.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with other banks.

(a) Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and investment-grade debt securities for which there is an active and liquid market less any balances with foreign banks and regulatory restricted cash. Customers' deposit excludes deposit denominated in foreign currencies. Details of the reported Group ratio of net liquid assets to deposits from customers at the reporting date and during the reporting period were as follows.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
At year end	66.23%	57.25%	62.45%	57.18%
Average for the period/year	59.69%	68.90%	48.49%	68.05%
Maximum for the period/year	71.80%	85.47%	62.45%	80.41%
Minimum for the period/year	48.42%	37.52%	35.99%	36.00%

(b) Liquidity reserve

The table sets out the component of the Group's liquidity reserve. These are liquid instruments the Group uses to settle short term or current obligations.

Group	31-Dec-20	31-Dec-19
In millions of Naira	**Carrying value**	**Carrying value**
Cash and balances with central banks	1,591,768	936,278
Treasury bills	1,577,575	991,393
Balances with other banks	810,494	707,103
Investment securities	916,941	527,417
Assets pledged as collaterals	298,530	431,728
Total	**5,195,308**	**3,593,919**

Bank	31-Dec-20	31-Dec-19
In millions of Naira	**Carrying value**	**Carrying value**
Cash and balances with central banks	1,503,245	879,449
Treasury bills	1,393,421	822,449
Balances with other banks	532,377	482,070
Investment securities	253,151	125,678
Assets pledged as collaterals	298,530	431,728
Total	**3,980,724**	**2,741,374**

(c) Financial assets available to support funding

The table below sets out the availability of the Group's financial assets to support future funding

Group		31-Dec-20			31-Dec-19		
In millions of Naira	Note	Encum-bered	Unenc-umbered	Total	Encum-bered	Unenc-umbered	Total
Cash and balances with central banks	15	1,370,619	221,149	1,591,768	760,950	175,328	936,278
Treasury bills	16	-	1,577,875	1,577,875	-	991,956	991,956
Assets pledged as collateral	17	298,530	-	298,530	431,728	-	431,728
Due from other banks	18	-	810,494	810,494	-	707,245	707,245
Loans and advances		-	2,779,027	2,779,027	-	2,462,359	2,462,359
Investment securities	21	-	996,916	996,916	-	591,650	591,650
Financial assets	25	-	149,568	149,568	-	64,541	64,541

ZENITH

Bank

In millions of Naira	Note	31-Dec-20 Encum-bered	Unenc-umbered	Total	31-Dec-19 Encum-bered	Unenc-umbered	Total
Cash and balances with central banks	15	1,370,619	132,626	1,503,245	760,950	118,499	879,449
Treasury bills	16	-	1,393,421	1,393,421	-	822,466	822,466
Assets pledged as collateral	17	298,530	-	298,530	431,728	-	431,728
Due from other banks	18	-	532,377	532,377	-	482,212	482,212
Loans and advances		-	2,639,797	2,639,797	-	2,390,651	2,390,651
Investment securities	21	-	333,126	333,126	-	189,358	189,358
Financial assets	25	-	143,301	143,301	-	61,253	61,253

(d) Financial assets pledged as collateral

The total financial assets recognized in the statement of financial position that have been pledged as collateral for liabilities as at December 31, 2020 and December 31, 2019 are shown above. Financial assets are pledged as collateral as part of sales and repurchases, borrowing transaction and collection agency transactions under terms that are usual for such activities.

The Group does not hold any financial assets accepted as collateral that the Group is permitted to sell or repledge in the absence of default.

3.4.4 Liquidity gap analysis

The table below presents the cash flows of the Group's financial assets and liabilities and other liabilities by their remaining contractual maturities at the statement of financial position date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash flows.

The Group's loan disbursement processes are centralized and controlled by Credit Risk Management Group (CRMG) of each banking subsidiary. All loan commitments advised to customers in offer letters are contingent on the satisfaction of conditions precedent to draw down and availability of funds. Additionally, the Group retains control of drawings on approved loan facilities, through a referral method, where any such drawings must be sanctioned before it is processed. This ensures that the Group's commitments on any loan is to the extent of the drawn amount at any point in time.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Group

At December 31, 2020	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
In millions of naira								
Assets								
Non-derivative assets								
Cash and balances with central banks	15	221,149	-	-	1,370,619	-	1,591,768	1,591,768
Treasury bills	16	109,117	473,951	97,616	1,014,333	-	1,695,017	1,577,675
Assets pledged as collateral	17	47,845	33,409	332	71,316	461,220	614,122	298,530
Due from other banks	18	642,639	171,795	-	-	-	814,434	810,494
Loans and advances to customers	20	396,242	154,998	129,824	490,704	1,716,087	2,887,855	2,779,027
Investment securities	21	29,865	101,658	110,864	175,504	707,261	1,125,152	996,916
Other financial assets	25	118,461	-	111	-	30,996	149,568	149,568
		1,565,318	**935,811**	**338,747**	**3,122,476**	**2,915,564**	**8,877,916**	**8,203,978**
Derivative assets								
Trading:	19	-	-	-	-	-	-	-
Gross settled		98,191	21,463	16,589	363,850	-	500,093	34,634
Net settled		2,377	5,145	591	1,749	-	9,862	9,862
		100,568	**26,608**	**17,180**	**365,599**	**-**	**509,955**	**44,496**
Liabilities								
Non-derivative liabilities								
Customer deposits	28	2,605,785	104,554	92,135	82,035	2,495,502	5,380,011	5,339,911
Financial liabilities	29	525,323	1,616	1,350	2,542	38,029	568,860	542,866
On-lending facilities	30	1,777	330	-	244	491,853	494,204	384,573
Borrowings	31	49,250	374,899	160,259	197,615	102,773	884,796	870,080
Debt securities issued	32	-	-	1,594	1,621	44,591	47,806	43,177
		3,182,135	**481,399**	**255,338**	**284,057**	**3,172,748**	**7,375,677**	**7,180,607**
Derivative assets								
Trading:	33	-	-	-	-	-	-	14,762
Gross settled		13,579	21,469	16,526	-	-	51,574	1,562
Net settled		2,331	5,051	820	1,312	-	9,514	9,514
		15,910	**26,520**	**17,346**	**1,312**	**-**	**61,088**	**11,076**

At December 31, 2019	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
In millions of naira								
Assets								
Non-derivative assets								
Cash and balances with central banks	15	254,132	-	-	-	682,106	936,238	936,278
Treasury bills	16	130,190	337,192	203,413	519,163	-	1,189,958	991,393
Assets pledged as collateral	17	29,124	98,530	19,717	102,545	588,738	838,654	431,728
Due from other banks	18	504,182	47,702	122,438	32,781	-	707,103	707,103
Loans and advances to customers	20	406,030	88,633	104,368	173,291	1,533,243	2,305,565	2,305,565
Investment securities	21	51,753	16,222	2,686	11,394	742,106	824,161	591,097
Other financial assets	25	38,109	-	-	3,067	22,588	63,764	63,764
		1,413,519	**588,279**	**452,622**	**842,241**	**3,568,781**	**6,865,442**	**6,026,928**
Derivative assets								
Trading:	19	-	-	-	-	-	-	92,722
Inflow		9,414	22,800	16,742	43,766	-	92,722	92,722
		9,414	**22,800**	**16,742**	**43,766**	**-**	**92,722**	**92,722**
Liabilities								
Non-derivative liabilities								
Customer's deposits	27	4,241,370	15,851	735	4,302	31	4,262,289	4,262,289
Financial liabilities	28	125,315	-	-	-	205,237	330,552	330,552
On-lending facilities	29	6,717	-	862	2,691	382,600	392,871	392,871
Borrowings	30	2,574	44,669	30,671	237,869	24,606	340,389	322,479
Debt securities issued	32	-	-	1,460	1,477	43,552	46,489	39,092
		4,375,976	**60,520**	**33,728**	**246,339**	**656,026**	**5,372,590**	**5,347,283**
Derivative liabilities								
Trading:		-	-	-	-	-	-	14,762
Inflow		3,242	5,249	3,953	2,318	-	14,762	14,762
		3,242	**5,249**	**3,953**	**2,318**	**-**	**14,762**	**29,524**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Bank

At December 31, 2020	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
In millions of naira								
Assets								
Non-derivative assets								
Cash and balances with central banks	15	132,626	-	-	1,370,619	-	1,503,245	1,503,245
Treasury bills	16	100,588	450,496	51,227	771,723	-	1,374,034	1,393,421
Assets pledged as collateral	17	47,845	33,409	332	71,316	461,220	614,122	298,530
Due from other banks	18	364,522	171,795	-	-	-	536,317	532,377
Loans and advances to customers	20	353,027	146,612	126,997	487,193	1,662,148	2,775,977	2,639,797
Investment securities	21	4,608	46,568	4,168	45,414	370,944	471,702	333,126
Other financial assets	25	111,474	-	111	-	31,716	143,301	143,301
		1,114,690	**848,880**	**182,835**	**2,746,265**	**2,526,028**	**7,418,698**	**6,843,797**
Derivative assets								
Trading:	19	-	-	-	-	-	-	-
Gross settled		98,191	21,463	16,589	363,850	-	500,093	34,634
Net settled		2,377	5,145	591	1,749	-	9,862	9,862
		100,568	**26,608**	**17,180**	**365,599**	**-**	**509,955**	**44,496**
Liabilities								
Non-derivative liabilities								
Customer deposits	28	1,867,226	34,878	54	536	2,395,593	4,298,287	4,298,258
Financial liabilities	29	505,223	1,158	1,350	1,439	27,246	536,416	515,916
On-lending facilities	30	1,777	330	-	244	491,853	494,204	384,573
Borrowings	31	49,250	374,899	164,506	197,615	102,773	889,043	874,090
Debt securities issued	32	-	-	1,594	1,621	44,591	47,806	43,177
		2,423,476	**411,265**	**167,504**	**201,455**	**3,062,056**	**6,265,756**	**6,116,014**
Derivative liabilities								
Trading:	33	-		-	-	-	-	-
Gross settled		13,579	21,469	16,526	-	-	51,574	1,562
Net settled		2,331	5,051	820	1,313	-	9,515	9,514
		15,910	**26,520**	**17,346**	**1,313**	**-**	**61,089**	**11,076**

At December 31, 2019	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
In millions of naira								
Assets								
Non-derivative assets								
Cash and balances with central banks	15	197,343	-	-	-	682,106	879,449	879,449
Treasury bills	16	96,741	231,496	150,096	402,759	-	881,092	822,449
Assets pledged as collateral	17	29,124	98,530	19,717	102,545	588,738	838,654	431,728
Due from other banks	18	279,301	47,702	122,438	32,781	-	482,222	482,070
Loans and advances to customers	20	387,502	88,633	104,368	173,291	1,485,678	2,239,472	2,239,472
Investment securities	21	2,785	6,675	2,686	11,394	297,147	320,687	189,358
Other financial assets	25	38,109	-	-	556	22,588	61,253	61,253
		1,030,905	**473,036**	**399,305**	**723,326**	**3,076,257**	**5,702,829**	**5,105,779**
Derivative assets								
Trading:	19	-	-	-	-	-	-	92,722
Inflow		9,414	22,800	16,742	43,766	-	92,722	-
		9,414	**22,800**	**16,742**	**43,766**	**-**	**92,722**	**92,722**
Liabilities								
Non-derivative liabilities								
Customer deposits	28	3,469,752	12,262	584	4,266	23	3,486,887	3,486,887
Financial liabilities	29	125,315	-	-	-	255,483	380,798	380,798
On-lending facilities	30	6,767	-	869	2,711	382,774	393,121	392,871
Borrowings	31	2,574	44,669	30,671	237,869	24,606	340,389	329,778
Debt securities issued	32	-	-	1,460	1,477	43,552	46,489	39,092
		3,604,408	**56,931**	**33,584**	**246,323**	**706,438**	**4,647,684**	**4,629,426**
Derivative assets								
Trading:	33	-		-	-	-	-	14,762
Outflow		3,242	5,249	3,953	2,318	-	14,762	-
		3,242	5,249	3,953	2,318	-	14,762	14,762

The amounts in the table above have been compiled as follows.

Type of financial instrument	Basis on which amounts compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows, which include estimated interest payments.
Issued financial guarantee contracts	Earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
Derivative financial liabilities and financial assets	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

The Group's expected cash flows on some financial assets and financial liabilities vary significantly from the contractual cash flows. The principal difference is on demand deposits from customers which are expected to remain stable or increase.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, and debt securities issued by sovereigns, which can be readily sold to meet liquidity requirements. In addition, the Group maintains agreed lines of credit with other banks and holds unencumbered assets that are eligible for use as collateral with central banks (these amounts are referred to as the 'Group's liquidity reserves').

Residual contractual maturities of off-balance sheet exposures.

Group

At December 31, 2020	Carrying amount	Less than 3 months	3 -6 months	6 - 12 months	1 to 5 Years	More than 5 years
In millions of Naira						
Financial guarantees						
Usance	50,770	41,657	114	8,999	-	-
Letters of Credit	172,905	93,389	10,986	56,710	11,819	-
Performance bonds and Guarantees	376,252	74,786	63,871	84,287	91,863	91,863
Total	**599,927**	**209,832**	**74,971**	**149,996**	**103,682**	**91,863**

At December 31, 2019	Carrying amount	Less than 3 months	3 -6 months	6 - 12 months	1 to 5 Years	More than 5 years
In millions of Naira						
Financial guarantees						
Usance	79,318	62,972	16,346	-	-	-
Letters of Credit	545,174	394,651	135,665	12,747	2,111	-
Performance bonds and Guarantees	363,922	77,040	19,528	44,128	108,959	114,267
Total	**988,414**	**534,663**	**171,539**	**56,875**	**111,070**	**114,267**

Bank

At December 31, 2020	Carrying amount	Less than 3 months	3 -6 months	6 - 12 months	1 to 5 Years	More than 5 years
In millions of Naira						
Financial guarantees						
Usance	49,569	40,456	114	8,999	-	-
Letters of Credit	84,183	68,705	194	15,284	-	-
Performance bonds and Guarantees	325,249	74,291	63,562	39,004	86,948	61,444
Total	**459,001**	**183,452**	**63,870**	**63,287**	**86,948**	**61,444**

At December 31, 2019	Carrying amount	Less than 3 months	3 -6 months	6 - 12 months	1 to 5 Years	More than 5 years
In millions of Naira						
Financial guarantees						
Usance	79,318	62,972	16,346	-	-	-
Letters of Credit	413,656	299,445	102,937	9,672	1,602	-
Performance bonds and Guarantees	261,495	55,357	14,032	31,708	78,292	82,106
Total	**754,469**	**417,774**	**133,315**	**41,380**	**79,894**	**82,106**

3.5 Fair value of financial assets and liabilities

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy.

a. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
b. Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
c. Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Classification of financial assets and liabilities and fair value hierarchy

Group

The table below sets out the Group's classification of each class of its financial assets and liabilities and fair value heirachy

		At December 31, 2020			At December 31, 2019		
In millions of Naira	**Note**	**Carrying Value**	**Fair value**	**Fair value hierarchy**	**Carrying Value**	**Fair value**	**Fair value hierarchy**
Assets							
Carried at FVTPL:							
Treasury bills	16	698,493	698,493	1&2	708,114	708,114	1&2
Investment securities (FGN bonds)	21	49,277	49,277	1	12,257	12,257	1
Derivative assets	19	44,496	44,496	2	92,722	92,722	2
Asset pledged as collateral		71,602	71,602	1&2	115,520	115,520	1&2
Carried at FVOCI :							
Equity securities (unquoted)	21	79,975	79,975	2&3	63,680	63,680	3
Debt securities	21	392,150	392,150	2	280,854	280,854	2
Carried at amortized cost:							
Cash and balances with central banks	15	1,591,768	1,591,768	-	936,278	936,278	-
Treasury bills	16	879,382	893,721	1&2	283,282	285,282	1&2
Assets pledged as collateral	17	226,928	304,946	1&2	316,207	355,950	1&2
Due from other banks	18	810,494	810,494	-	707,103	707,103	-
Loans and advances to customers	20	2,779,027	2,191,000	-	2,305,565	2,305,565	-
Investment securities	21	475,514	511,798	1&2	234,305	301,370	1,2&3
Other financial assets	25	149,568	149,568	-	63,764	63,764	-
Liabilities							
Carried at FVTPL							
Derivative liabilities	33	11,076	11,076	2	14,762	14,762	2
Carried at Amortised cost							
Customer deposits	28	5,339,911	5,339,911	-	4,262,289	4,262,289	-
Other financial liabilities	29	542,866	542,866	-	330,552	330,552	-
On-lending facilities	30	384,573	384,573	-	392,871	392,871	-
Borrowings	31	870,080	870,080	-	322,479	322,479	-
Debt securities issued	32	43,177	49,410	-	39,092	39,092	-

Bank

The table below sets out the Bank's classification of each class of its financial assets and liabilities.

In millions of Naira	Note	At December 31, 2020 Carrying Value	Fair value	Fair value hierarchy	At December 31, 2019 Carrying Value	Fair value	Fair value hierarchy
Assets							
Carried at FVTPL:							
Treasury bills	16	698,199	698,199	1&2	708,114	708,114	1&2
Investment securities (FGN bonds)	21	44,933	44,933	1	12,257	12,257	1
Derivative assets	19	41,729	41,729	2	92,722	92,722	2
Asset pledged as collateral		71,602	71,602	1 & 2	115,520	115,520	1 & 2
Carried at FVOCI :							
Equity securities (Unquoted)	21	79,975	79,975	2&3	63,680	63,680	3
Carried at amortized cost:							
Cash and balances with central banks	15	1,503,245	1,503,245	-	879,449	879,449	-
Treasury bills	16	695,222	709,561	1&2	114,335	114,995	1&2
Assets pledged as collateral	17	226,928	304,946	1&2	316,207	355,950	1&2
Due from other banks	18	532,377	532,377	-	482,070	482,070	-
Loans and advances to customers	20	2,639,797	2,051,770	-	2,239,472	2,239,472	-
Investment securities	21	208,218	247,178	-	113,421	125,141	1,2&3
Other financial assets	25	143,301	143,301	-	61,253	61,253	-
Liabilities							
Carried at FVTPL :							
Derivative liabilities	323	11,076	11,076	2	14,762	14,762	2
Carried at amortized cost:							
Customer deposits	28	4,298,258	4,298,258	-	3,486,887	3,486,887	-
Other financial liabilities	29	515,916	515,916	-	380,798	380,798	-
On-lending facilities	30	384,573	384,573	-	392,871	392,871	3
Borrowings	31	874,090	874,090	-	329,778	329,778	3
Debt securities issued	32	43,177	49,410	-	39,092	39,092	3

Where available, the fair value of loans and advances is based on observable market transactions. Where observable market transactions are not available, fair value is estimated using valuation models, such as discounted cash flow techniques. Input into the valuation techniques includes expected lifetime credit losses, interest rates, prepayment rates and primary origination or secondary market spreads. For collateral – dependent impaired loans, the fair value is measured based on the value of the underlying collateral.

The fair value of deposits from banks and customers is estimated using discounted cash flow techniques, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is the amount payable at the reporting date.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Financial instruments measured at fair value

Group and Bank

Reconciliation of Level 3 items	
In millions of Naira	
At 1 January 2019	49,760
Addition	50
Gain recognised through other comprehensive income	13,870
At December 31, 2019	**63,680**
Reconciliation of Level 3 items	
At 1 January 2020	63,680
Addition	-
Gain recognised through other comprehensive income of equity investments	16,295
Transfer to level 2 due to availability of observable data	(76,063)
At December 31, 2020	**3,912**

Level 3 fair value measurements

(a) Unobservable inputs used in measuring fair value

The table below sets out information about significant unobservable inputs used at December 31, 2019 and December 31, 2018 in measuring financial instruments categorized as level 3 in the fair value hierarchy

Type of financial instrument	Fair values at December 31, 2020	Valuation technique	Significant unobservable input	Range of estimates (average) for unobservable inputs	Fair value measurement sensitivity to unobservable inputs
Unquoted equity investment	N3.91 billion	Equity DCF model. adjusted with recent similar transactions.	-Discount rate. -Estimate cash flow.	Risk premium of 13.32% above risk- free interest rate (0.82%) (31 Dec. 2019:10.63% above risk free rate (1.92%)) 5-year Compound Annual Growth Rate (CAGR) of cash flow of 1.0%-14.6% (December 2019: 6.5%))	A significant increase in the risk premium above the risk rate would result in a lower fair value. A significant increase in the CAGR of cash flow would result in a higher fair value

Risk premium is determined by adding country risk premium to the product of market premium and equity beta.

(b) The effect of unobservable inputs on fair value measurements

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurement in Level 3, changing one or more of the assumptions would have the following effects.

Effect on OCI	At December 31, 2020		At December 31, 2019	
In millions of Naira	Decrease of 20 basis point in risk premium	Increase of 20 basis point in risk premium	Decrease of 20 basis point in risk premium	Increase of 20 basis point in risk premium
Unquoted investment securities	55	(53)	1,770	(1,662)

The favourable and unfavourable effects of using reasonably possible alternative assumptions for valuation of unquoted equity securities have been calculated by recalibrating the model values using unobservable inputs based on upper and lower quartile respectively of the Group's range of possible estimates. Key inputs and assumptions used in the model at December 31, 2020 included a risk premium of 13.32% and an above the risk-free interest rate of 0.82% (December 31, 2019: 10.63% respectively above risk free rate of 1.92%).

The fair value of the unquoted equity holding in African Finance Corporation (AFC) is determined using equity discounted cash flow model. Inputs into the model include estimated future cash flows to equity, valuation horizon and Capital Asset Pricing Model (CAPM) discount rate (Risk free rate plus risk premium).

(c) Fair valuation methods and assumptions

(i) Cash and balances with central banks

Cash and balances with Central banks represent cash held (including mandatory cash reserve requirements of December 31, 2020: N1,411 billion, December 31, 2019: N761 billion) with Central banks of the various jurisdictions in which the Group operates. The fair value of these balances is their carrying amounts.

(ii) Due from other banks

Due from other banks represents balances with local and correspondence banks, inter-bank placements and items in the course of collection. The fair value of the current account balances, floating placements and overnight deposits are their carrying amounts.

(iii) Treasury bills and investment securities

Treasury bills represent short term instruments issued by the Central banks of the jurisdiction where the Group has operations. The fair value of treasury bills and bonds are determined with reference to quoted prices (unadjusted) in active markets for identical assets.

The fair values of quoted equity securities are determined by reference to quoted prices (unadjusted) in active markets for identical instruments. The fair value of the unquoted equity is determined on the basis of the discounted cashflow methodology which takes into account the discounted stream of estimated future income and free cashflows of the investment. Subsequently, the percentage holding of the Bank is then applied on the derived company value. Where available the fair value of unquoted equity is determined using recent market observable data.

(iv) Loans and advances to customers

Loans and advances are carried at amortized cost net of provision for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(v) Other financial assets/financial liabilities

Other financial assets/financial liabilities represent monetary assets, which usually have a short recycle period and as such, whose fair values approximate their carrying amount.

(vi) Customer deposits and borrowings

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair values of fixed interest-bearing deposits and borrowings are determined using a discounted cash flow model based on a current yield curve appropriate for the remaining term to maturity.

(vii) Derivatives

The Group uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

and also reduces the uncertainty associated with determining fair values. Availability of observable markets prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

3.6 Capital management

The strategy for assessing and managing the impact of our business plans on present and future regulatory capital forms an integral part of the Group's strategic plan. Specifically, the Group considers how the present and future capital requirements will be managed and met against projected capital requirements. This is based on the Group's assessment and against the supervisory/regulatory capital requirements taking account of the Group business strategy and value creation to all its stakeholders.

The Group prides itself in maintaining very healthy capital adequacy ratio in all its areas of operations. Capital levels are determined either based on internal assessments or regulatory requirements. The Group maintained capital levels above the regulatory minimum prescribed in all its operating jurisdictions. The adoption of IFR9 with effect from January 2018 impacted the capital adequacy ratio (CAR) due the resultant additional impairment charge. However, the impact did not reduce the CAR below both our Internal Guidance and Regulatory Limit. This impact is however moderated with the introduction of a relieve-based Transitional Arrangements for treatment of expected Credit Loss by the Central Bank. This is meant to spread the IFR9 Impact over a four (4) year period ending 3 December 2020.

The Group's Capital Adequacy is reviewed regularly to meet regulatory requirements and standard of international best practices. The Group adopts and implements the decisions necessary to maintain the capital at a level that ensures the realisation of the business plan with a certain safety margin.

The Group undertakes a regular monitoring of capital adequacy and the application of regulatory capital by deploying internal systems based on the guidelines provided by the Central Bank of Nigeria (CBN) and the regulatory authorities of the subsidiaries for supervisory purposes.

The Group has consistently met and surpassed the minimum capital adequacy requirements applicable in all areas of operations.

Most of the Group's capital is Tier 1 (Core Capital) which consists of essentially share capital and reserves created by appropriations of retained earnings.

Banking subsidiaries in the Group, which are not incorporated in Nigeria, are directly regulated and supervised by their local banking regulators and are required to meet the capital requirement directive of the local regulatory jurisdiction. Parental support and guidance are given at the Group level at which the risk level in relation to capital level and adequacy is closely monitored. The Group meet all capital requests from these regulatory jurisdictions and determines the adequacy based on its expansion strategies and internal capital assessments.

The Group's capital plan is linked to its business expansion strategy, which anticipates the need for growth and expansion in its branch network and IT infrastructure. The capital plan sufficiently meets regulatory requirements as well as providing adequate cover for the Group's risk profile. The Group's capital adequacy remains strong and the capacity to generate and retain reserves continues to grow.

The Group will only seek additional capital where it finds compelling business need for it and with the expectation that the returns would adequately match the efforts and risks undertaken.

The following sources of funds are available to the Group to meet its capital growth requirements:

a. Profit from Operations: The Group has consistently reported good profit, which can easily be retained to support the capital base.

b. Issue of Shares: The Group has successfully assessed the capital market to raise equity and with such experiences, the Group is confident that it can access the capital market when the need arises.

c. Bank Loans (long term/short term): In 2014 financial year, Zenith Bank commenced capital computations in accordance with Basel II standard under the guidelines issued by the Central Bank of Nigeria. The guidelines require capital adequacy computations based on the Standardized Measurement Approach for Credit Risk and Market Risk while Basic Indicator Measurement Approach was advised for Operational Risk. The capital requirement for the Bank has been set at 15% and an addition of 1% as a Systemically Important Bank (SIB) in accordance with the guidelines.

The table below shows the computation of the Group's capital adequacy ratio for the period ended December 31, 2020 as well as the December 31, 2019 comparatives. During those two periods, the individual entities within the Group complied with all of the externally imposed capital requirements to which they are subject.

The Group and Bank's capital adequacy ratio are above the minimum statutory requirement.

	Group				Bank			
In millions of Naira	**31-Dec-20**	**Adjusted impact of IFRS 9 transition on 31-Dec-20**	**31-Dec-19**	**Adjusted impact of IFRS 9 transition on 31-Dec-19**	**31-Dec-20**	**Adjusted impact of IFRS 9 transition on 31-Dec-20**	**31-Dec-19**	**Adjusted impact of IFRS 9 transition on 31-Dec-19**
Tier 1 capital								
	Basel II	Basel II	Basel II	Basel II	Basel II	Basel II	Basel II	Base II
Share capital	15,698	15,698	15,698	15,698	15,698	15,698	15,698	15,698
Share premium	255,047	255,047	255,047	255,047	255,047	255,047	255,047	255,047
Statutory reserves	231,307	231,307	170,695	170,695	208,443	208,443	152,065	152,065
SMEIES reserve	3,729	3,729	3,729	3,729	3,729	3,729	3,729	3,729
Retained earnings	521,293	521,293	439,510	439,510	382,292	382,292	328,590	328,590
IFRS 9 Transitional Adjustment	-	21,634	-	43,268	-	20,710	-	41,420
Total qualifying Tier 1 capital	**1,027,074**	**1,048,708**	**884,679**	**927,947**	**865,209**	**885,919**	**755,129**	**796,549**
Deferred tax assets	(5,786)	(5,786)	(11,885)	(11,885)	(4,733)	(4,733)	(11,223)	(11,223)
Intangible assets	(16,243)	(16,243)	(16,497)	(16,497)	(14,699)	(14,699)	(15,109)	(15,109)
Investment in capital of financial subsidiaries	-	-	-	-	(17,313)	(17,313)	(10,896)	(10,896)
Adjusted Total qualifying Tier 1 capital	**1,005,045**	**1,026,679**	**856,297**	**899,565**	**828,464**	**849,174**	**717,901**	**759,321**
Tier 2 capital								
Other comprehensive income (OCI)	87,159	87,159	54,257	54,257	40,023	40,023	(23,729)	(23,729)
Total qualifying Tier 2 capital	**87,159**	**87,159**	**54,257**	**54,257**	**40,023**	**40,023**	**(23,729)**	**(23,729)**
Investment in capital and financial subsidiaries	-	-	-	-	(17,313)	(17,313)	-	-
Net Tier 2 Capital	87,159	87,159	54,257	54,257	22,710	22,710	-	-
Total regulatory capital	**1,092,204**	**1,113,838**	**910,554**	**953,822**	**851,174**	**871,884**	**717,901**	**759,321**
Risk-weighted assets								
Credit risk	3,734,222	3,734,222	3,134,029	3,134,029	3,250,187	3,250,187	2,806,711	2,806,711
Market risk	175,625	175,625	170,392	170,392	89,635	89,635	52,423	52,423
Operational risk	921,168	921,168	891,735	891,735	813,499	813,499	810,268	810,268
Total risk-weighted assets	4,831,015	4,831,015	4,196,156	4,196,156	4,153,321	4,153,321	3,669,402	3,669,402
Risk-weighted Capital Adequacy Ratio (CAR)	**23 %**	**23 %**	**22 %**	**23 %**	**20 %**	**21 %**	**20 %**	**21 %**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

The adjusted day-1 capital adequacy computed reflect reliefs given by the CBN for Banks to account for the IFRS 9 adjustment to capital as follows:

	Percentage of IFRS 9 adjustment
Year 1	60%
Year 2	40%
Year 3	20%
Year 4	-%

3.7 Operational risk

Operational Risk is the risk of loss resulting from inadequate and /or failed internal processes, people and systems or from external events, including legal risk and any other risks that is deemed fit on an ongoing basis but exclude reputation and strategic risks. Operational risk exists in all products and business activities.

The Group has a broad Operational Risk management framework which defines the set of activities designed to proactively identify, assess and manage all operational risk components by aligning the people, technology and processes with best risk management practices towards enhancing stake holders' value and sustaining industry leadership.

Operational risk objectives include the following:

a. To provide clear and consistent direction in all operations of the group;
b. To provide a standardised framework and appropriate guidelines for creating and managing all operational risk exposures; and
c. To enable the group identify and analyse events (both internal and external) that impact on its business.

The Operational Risk unit constantly conducts reviews to identify and assess the operational risk inherent in all material products, activities, processes and systems. It also ensures that all business units within the Bank monitor their operational risks using set standards and indicators. Significant issues and exceptions are reported to Risk Management and are also identified by the independent risk function for discussion at the risk management committee.

Disaster recovery procedures, business continuity planning, self-compliance assurance and internal audit also form an integral part of our operational risk management process.

The Bank uses the following tools and methodologies in the implementation of its Operational risk Management.

Risk and Control Self-Assessment (RCSA) - This is the process whereby risks that are inherent in Business Units strategies, objectives and activities are identified and the effectiveness of the controls over those risks evaluated and monitored bank wide. The Risk and Control Self-Assessment process address risks and controls comprehensively. It incorporates the process for evaluating and managing all aspects of risk that is inherent in how and where the business is done.

Key Risk Indicators (KRI) - Key Risk Indicator is measures which indicate the risk profile of the bank and any change thereof. KRIs act as early warning indicators and are used to monitor and predict potential operational loss events. KRIs are used in conjunction with system of thresholds. When the threshold or tolerance level for any KRI is breached, it triggers review, escalation or management action. Risk indicators help keep the operational risk management dynamic and risk profile current.

Loss Incident Reporting – Loss incidents are reported by all business units using the Loss incident reporting template. The discipline of collecting loss data is not only needed to understand the dimensions of risk the Bank faces but also used to motivate staff to consider and more actively control key elements of risk. The Bank-wide data collection promotes a dialogue within the Bank about determining the major operational risk exposures and reinforces more qualitative efforts to manage operational risk within each of the business lines.

Operational Risk Capital Computation – The bank, based on Central Bank of Nigeria guideline, adopted basic indicator approach (BIA) in the calculation of its Operational Risk Capital adequacy. The estimated operational Risk Capital Charge is reported to the Board and management for capital planning and decision making.

Business Continuity Management (BCM)

In line with ISO 22301 Standards, the bank has a robust documented Business Continuity Plan. The primary objective of this plan is to protect the bank in the event of an undesired event in the form of fire outbreak, flood, theft or robbery, thunderstorm, unexpected breakdown of systems, networks, equipment, etc or any other form of disaster. This plan ensures that the bank recover from disasters resulting in the partial or total loss of IT infrastructure and applications to normal business operations, in a timely, effective and efficient manner. The business continuity test is conducted at least once in a year. The process is driven at a committee level but ably championed by the Risk Management Group.

Operational Risk Reporting

Periodic Operational Risk report highlighting key Operational risk identified are rendered to the Board, Management and other relevant stakeholders for awareness and prompt implementation of mitigation plans.

3.8 Strategic risk

Strategic risk is a possible source of loss that might arise from the pursuit of an unsuccessful business plan. Strategic risk examines the impact of design and implementation of business models and decisions on earnings and capital as well as the organisation's responsiveness to industry changes. Processes and procedures have been established to ensure that the right models are employed and appropriately communicated to all decision makers in the Group on issues relating to strategic risk management. This has essentially driven the Group's sound banking culture and performance record to date.

3.9 Legal risk

Legal risk is defined as the risk of loss due to defective contractual arrangements, legal liability (both criminal and civil) incurred during operations by the inability of the organisation to enforce its rights, or by failure to address identified concerns to the appropriate authorities where changes in the law are proposed.

The Group manages this risk by monitoring new legislation, creating awareness of legislation among employees, identifying significant legal risks as well as assessing the potential impact of these.

Legal risks management in the Group is also being enhanced by appropriate product risk review and management of contractual obligations via well documented Service Level Agreements and other contractual documents.

3.10 Reputational risk

Reputational risk is defined as the risk of indirect losses arising from a decline in the bank's reputation among one or multiple bank stakeholders. The risk can expose the Group to litigation, financial loss or damage to its reputation. The Group's reputation risk management philosophy involves anticipating, acknowledging and responding to changing values and behaviours on the part of a range of stakeholders. Accordingly, the following are the roles and responsibilities:

a. Board and senior management oversee the proper set-up and effective functioning of the reputational risk management framework;
b. Enterprise Risk Management Policy/Strategy (ERSP) is responsible for supporting the Board and senior management in overseeing the implementation of reputational risk management framework; and
c. Corporate Communications is responsible for managing both the internal and external communications that may impact the reputation of the Bank.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

The process of reputation risk management within the Bank encompasses the following steps:

a. Identification: Recognizing potential reputational risk as a primary and consequential risk;
b. Assessment: Conducting qualitative assessment of reputational risk based on the potential events that have been identified as reputational risk;
c. Monitoring: Undertaking frequent monitoring of the reputational risk drivers;
d. Mitigation and Control: Establishing preventive measures and controls for management of reputational risk and tracking mitigation actions;
e. Independent review: Subjecting the reputational risk measures and mitigation techniques to regular independent review by internal auditors and/or external auditors; and
f. Reporting: Generating regular, action-oriented reports for management review.

3.11 Taxation risk

Taxation risk refers to the risk that new taxation laws will adversely affect the Group and/or the loss as a result of non- compliance with tax laws.

The taxation risk is managed by monitoring applicable tax laws, maintaining operational policies that enable the Group to comply with taxation laws and, where required, seeking the advice of tax specialists.

3.12 Regulatory risk

The Group manages the regulatory risk to which it is potentially exposed by monitoring new regulatory rules and applicable laws, and identifying significant regulatory risks. The Group strives to maintain appropriate procedures, processes and policies that enable it to comply with applicable regulation.

The Group maintains zero tolerance posture for any regulatory breach in all its area of operations.

4. Critical accounting estimate and judgements

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Impairment losses on loans and advances

Measurement of the expected credit loss allowance for financial assets.

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.2.9 to 3.2.18

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Input assumptions applied in estimating probability of default, loss given default and exposure at default;
- Determining whether credit risk has increased significantly;
- Incorporation of forward-looking information;

Detailed information about the judgements and estimates made by the Group in the above areas is set out in note 3.2.10 to 3.2.18.

ECL inputs sensitivity analysis

In millions of Naira	Upturn	Baseline	Downturn	Probability weighted
	126,133	130,805	139,465	132,866

4.2 Determining fair values

The determination of fair value for financial assets and liabilities for which there is no observable market prices requires the use of valuation techniques as described in note 3.3.5(a). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

i) Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

ii) Level 2 : Valuation techniques based on observable inputs, either directly - i.e, as prices - or indirectly - i.e derived from prices. This category includes instruments such as forward contracts, swaps etc. valued using; quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

iii) Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instrument that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are requried to reflect differences between the instruments.

4.3 Deferred Tax Assets and Liabilities

The deferred tax assets and liabilities recognized by the Group is dependent on the availability of taxable profit in the foreseeable future to utilize the deferred tax. The Group reviews the carrying amount of the deferred tax at the end of each reporting period and recognizes an amount such that it is probable that sufficient taxable profit will be available which the Group can use the benefit therefrom.

In determining the deferred tax assets recognized in the financial statements, the Group has applied judgement in estimating the deferred tax recoverable in the foreseeable future. This involves the estimation of future income and expenses, and the consideration of non-taxable income and disallowable expenses in order to arrive at the future taxable profit / loss.

Effective January 2022, the tax exemption granted on short term Federal Government of Nigeria securities [such as Treasury bills, promissory notes etc.] and non-Federal Government of Nigeria Bonds, and the interest earned by the holder of these instruments, under the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011, elapses. In determining the extent to which it is probable that future taxable profit will be available against which the unused tax losses of the Group can be utilized, the Group has applied judgment that the Federal Government of Nigeria (FGN) will likely extend the Companies Income Tax (Exemption of Bonds and Short Term Government Securities) Order, 2011, beyond 2021, in order to stimulate continuous participation in the treasury bills market and to meet government funding needs. See note 24 for details on deferred tax.

4.4 Prudential Adjustments

Provisions under prudential guidelines are determined using the time-based provisioning specified by the revised Prudential Guidelines issued by the Central Bank of Nigeria. This is at variance with the expected credit loss (ECL) model required under IFRS 9. As a result of the differences in the methodology/provision, there will be variances in the impairments provisions required under the two methodologies.

Paragraph 12.4 of the revised Prudential Guidelines for Deposit Money Banks in Nigeria stipulates that Banks would be required to make provisions for loans as prescribed in the relevant IFRS when IFRS is adopted. However, Banks would be required to comply with the following:

(a) Expenses for loan losses recognised in the profit and loss account should be determined based on the relevant IFRS. However, the provisions for loan losses determined under the IFRS should be compared with the loan loss provisions determined under the Prudential Guidelines. The differences between both provisions should be treated as follows:

(i) Where Prudential Provisions is greater than IFRS provisions, the resulting difference should be transferred from the general reserve account to a non-distributable regulatory credit risk reserve.

(ii) Where Prudential Provisions is less than IFRS provisions, the IFRS determined provision is charged to the statement of comprehensive income. The cumulative balance in the regulatory risk reserve is thereafter transferred to the general reserve account.

(b) The non-distributable reserve is classified under Tier 1 as part of the core capital for the purpose of determining capital adequacy.

In the guidelines to IFRS implementation, the Central Bank of Nigeria (CBN) directed banks to maintain a regulatory credit risk reserve in the event that the impairment on loans determine using the CBN prudential guideline is higher than the impairment determined using IFRS principles. As a result of this directive, the Bank holds no credit risk reserves as at December 31, 2020.

Provision for loan losses per prudential guidelines

	Bank	
In millions of Naira	**31-Dec 20**	**31-Dec 19**
Loans and advances		
-Lost	71,560	57,477
- Doubtful	1,685	17,831
- Substandard	4,567	986
- Watchlist	11,952	10,605
- Performing	41,089	40,620
Other financial assets	-	1,514
	130,853	122,920
(a)		

Impairment assessment under IFRS

Loans and advances		
12-months ECL credit	16,931	14,092
Life-time ECL Not impaired	8,702	34,233
Life- time ECL credit impaired	107,233	136,673
(b)	132,866	184,998
	-	-
Due from Banks- 12 months ECL **(c)**	58	-
Treasury bills- 12 months ECL (d)	676	-
Asset pledged as collateral- 12 months ECL (e)	355	-
Investment securities- 12 months ECL (f)	755	763
Other financial assets- ECL allowance (g)	2,046	1,628
Other non-financial assets (h)	226	560
Off Balance Sheet Exposures- 12 months ECL (i)	4,832	8,011
(m)=(b)+(c)+(d)+(e)+(f)+(g)+(h)+(i)	141,814	195,960
(n)=(a)-(m)	(10,961)	(73,040)
Reversal from)/transfer to retained earnings at year end	-	-

5. Segment analysis

The Group's strategic divisions offer different products and services, and are managed seperately based on the Group's management and internal reporting structure. The Group's Executive Management (Chief Operating Decision Maker) reviews internal management reports from each of the strategic divisions on a monthly basis.

The Group's operations are primarily organised on the basis of its products and service offerings in Nigeria, while the banking operations outside Nigeria are reported seperately for Africa and Europe. The following summary describes each of the Group's reportable segments:

(a) Corporate, Public, Retail Banking, Pension Custodial services and Nominee - Nigeria

This segment provides a broad range of banking and pension custodial services to a diverse group of corporations, financial institutions, investment funds, governments and individuals.

(b) Outside Nigeria Banking - Africa and Europe

These segments provide a broad range of banking services to a diverse group of corporations, financial institutions, investment funds, governments and individuals outside Nigeria. The reportable segments covers banking operations in other parts of Africa (Ghana, Sierra Leone and The Gambia) and in Europe (the United Kingdom) respectively.

Segment profit before tax, as included in internal management reports reviewed by the Group's Executive Management, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industries.Inter-segment pricing is determined on arm's length basis.

No single external cutomer accounts for 10% or more of the Group's revenue. The measurement policies the Group uses for segment reporting are the same as those used in its financial statements. There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Information regarding each reportable segment is included in the tables below. The tables also show the reconciliation of the amounts in the statement of profit or loss and statement of financial position for the reportable segments to the amounts in the Groups statement of profit or loss and statement of financial position.

	Nigeria	Outside Nigeria				
In millions of Naira December 31, 2020	**Corporate retail and pensions custodian services**	**Africa**	**Europe**	**Total reportable segments**	**Eliminations**	**Consolidated**
Interest and similar income	345,163	61,727	17,522	424,412	(3,599)	420,813
Total income on fee and commission	91,720	8,446	3,058	103,224	-	103,224
Other operating income	50,456	4,434	(555)	54,335	(3,600)	50,735
Trading gains	118,601	68	3,009	121,678	-	121,678
Total revenue	**605,940**	**74,675**	**23,034**	**703,649**	**(7,199)**	**696,450**
Revenue:						
Derived from external customers	601,604	71,812	23,034	696,450	-	696,450
Derived from other business segments	4,336	2,863	-	7,199	(7,199)	-
Total revenue*	**605,940**	**74,675**	**23,034**	**703,649**	**(7,199)**	**696,450**
Interest expense	(102,111)	(18,892)	(3,727)	(124,730)	3,599	(121,131)
Impairment loss on financial assets	(37,277)	(734)	(1,523)	(39,534)	-	(39,534)
Depreciation charge	(22,817)	(1,876)	(432)	(25,125)	-	(25,125)
Amortisation charge	(2,918)	(231)	(388)	(3,537)	-	(3,537)
Admin and operating expenses	(222,519)	(18,986)	(9,357)	(250,862)	(400)	(251,262)
Profit before tax	218,298	33,956	7,607	259,861	4,000	255,861
Tax expense	(14,404)	(9,379)	(1,513)	(25,296)	-	(25,296)
Profit after tax	**203,894**	**24,577**	**6,094**	**234,565**	**4,000**	**230,565**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

	Nigeria	Outside Nigeria				
In millions of Naira December 31, 2019	**Corporate retail and pensions custodian services**	**Africa**	**Europe**	**Total reportable segments**	**Eliminations**	**Consolidated**
Expenditure on non-current assets	29,467	2,381	401	32,249	-	32,249

	Nigeria	Outside Nigeria				
In millions of Naira December 31, 2020	**Corporate retail and pensions custodian services**	**Africa**	**Europe**	**Total reportable segments**	**Eliminations**	**Consolidated**
Total assets	7,153,478	605,879	920,522	8,679,879	(198,607)	8,481,272
Other measures of assets:						
Loans and advances to customers	2,639,897	76,038	63,092	2,779,027	-	2,779,027
Treasury bills	1,393,476	184,399	-	-	-	1,577,875
Investment securities	359,134	172,327	465,455	-	-	996,916
Total liabilities	**6,222,600**	**494,943**	**810,233**	**7,327,776**	**(163,977)**	**7,363,799**
Other measures of liabilities						
Customer deposits	4,298,258	396,874	644,779	5,339,911	-	5,339,911
Borrowings	874,090	-	-	874,090	(4,010)	870,080

In millions of Naira December 31, 2019					
Revenue:					
Derived from external customers	568,999	68,125	25,127	662,251	-	662,251
Derived from other business segments	6,079	107	-	6,186	(6,186)	-
Total revenue*	**575,078**	**68,232**	**25,127**	**668,437**	**(6,186)**	**662,251**
Interest expense	(126,237)	(20,739)	(4,142)	(151,118)	2,586	(148,532)
Impairment loss on financial assets	(23,406)	(739)	113	(24,032)	-	(24,032)
Depreciation charge	(19,066)	(1,691)	(679)	(21,436)	-	(21,436)
Amortisation charge	(2,929)	(149)	-	(3,078)	-	(3,078)
Admin and operating expenses	(195,291)	(19,421)	(6,767)	(221,479)	(400)	(221,879)
Profit before tax	208,149	25,493	13,652	247,294	(4,000)	243,294
Tax expense	(24,459)	(7,753)	(2,239)	(34,451)	-	(34,451)
Profit after tax	**183,690**	**17,740**	**11,413**	**212,843**	**(4,000)**	**208,843**

	Nigeria	Outside Nigeria				
In millions of Naira December 31, 2019	Corporate retail and pensions custodian services	Africa	Europe	Total reportable segments	Eliminations	Consolidated
Expenditure on non-current assets	52,440	3,337	1,334	57,111	-	57,111

In millions of Naira December 31, 2019					
Total assets	5,461,929	471,819	616,825	6,550,573	(203,694)	6,346,879
Other measures of assets:					
Current assets	2,467,692	333,226	142,811	2,943,729	-	2,943,729
Loans and advances to customers	2,239,603	45,147	20,816	2,305,566	(1)	2,305,565
Treasury bills	824,119	167,274	-	-	-	991,393
Investment securities	203,857	101,996	285,244	-	-	591,097
Total liabilities	**4,659,475**	**375,101**	**523,610**	**5,558,186**	**(153,193)**	**5,404,993**
Other measures of liabilities					
Customer deposits	3,486,887	353,149	422,253	4,262,289	-	4,262,289
Borrowings	329,778	-	-	329,778	(7,299)	322,479

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19

6. Interest and similar income

Loans and advances to customers	250,812	232,946	236,064	220,210
Placement with banks and discount houses	26,398	26,897	25,205	18,911
Treasury bills	53,797	81,108	31,147	52,127
Promissory note	7,742	5,748	7,742	5,748
Commercial papers	553	367	553	367
Government and other bonds	81,511	68,497	41,781	41,947
	420,813	**415,563**	**342,492**	**339,310**

Interest income accrued on impaired financial assets amount to N6,016 million and N3,644 million for Group and Bank respectively.

Included in interest income is modification loss of N1.3 billion for Group and Bank. It represents the changes in gross carrying amounts of the financial assets from immediately before, to immediately after modification. The modifications were not as a result of credit detorioration.

7. Interest and similar expense

Current	29,657	11,624	26,997	10,387
Savings accounts	22,130	21,625	21,888	21,394
Time deposits	29,274	47,334	10,806	35,041
Borrowed funds and lease	40,070	67,949	42,420	59,415
	121,131	**148,532**	**102,111**	**126,237**

Total interest expense are calculated using the effective interest rate method reported above and does not include interest expense on financial liabilities carried at fair value through profit or loss.

Included in the interest expense on borrowed funds and lease is N3,412 million and N2,804 million for Group and Bank (December 31, 2019: N3,494 million and N3,079 million) respectively, which represents interest expense on lease liability.

8. Impairment loss/(write back) on financial and non-financial instruments

ECL on financial instruments:				
Loans and advances(see note 3.2.18)	37,439	27,754	35,495	27,148
Investment securities (see note 3.2.18)	217	(27)	217	(27)
Treasury Bills (see note 3.2.18)	972	(35)	659	(55)
Other financial assets (see note 3.2.18)	1,366	36	1,326	23
Due from other Banks (see note 3.2.18)	(83)	(789)	(83)	(789)
Assets pledged as collateral (see note 3.2.18)	286	(57)	286	(57)
Total ECL on financial instruments	40,197	26,882	37,900	26,243
Impairment (credit)/charge on non-financial instruments:				
Off balance sheet (see note 3.2.18)	(706)	(2,473)	706)	(2,473)
Other non financial assets (see note 24)	43	(377)	43	(377)
	39,534	**24,032**	**37,237**	**23,393**

	Group		Bank	
In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**

9. Net income on Fee and commission

Credit related fees	13,913	21,879	9,110	20,046
Commission on turnover	2,491	2,051	-	-
Account maintenance fee	21,988	19,623	21,988	19,623
Income from financial guarantee contracts issued	6,802	3,202	6,300	2,921
Fees on electronic products	27,078	42,511	25,559	41,162
Foreign currency transaction fees and commission	2,135	3,725	1,685	1,233
Asset based management fees	7,612	7,849	-	-
Auction fees income	524	2,381	524	2,381
Corporate finance fees	148	536	92	278
Foreign withdrawal charges	8,061	6,021	8,061	6,021
Commissions on agency and collection services	12,472	4,896	11,059	3,102
Total fee and Commission income	103,224	114,674	84,378	96,767
Fees and commission expense	(23,892)	(14,568)	(22,961)	(13,126)
	79,332	**100,106**	**61,417**	**83,641**

The fees and commission income reported above excludes amount included in determining effective interest rates on financial assets that are not carried at fair value through profit or loss.

Total fee and commission income recognised at a point in time amount to N70,556 million and N52,446 million for Group and Bank (December 31, 2019: N80,204 million and N64,374 million) respecvtively while an amount of N32,669 million and N31,932 million (December 31, 2019: N34,470 million and N32,393 million) was recognised over the period.

10. Other operating income

	Group		Bank	
In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Dividend income from equity investments (see note a below)	1,707	1,932	5,307	5,532
Gain on disposal of property and equipment (see note 43(vii))	347	147	348	152
Income on cash handling	306	597	193	400
Recoveries	4,043	-	4,043	-
Gain on disposal of equity investment	891	-	891	-
Foreign currency revaluation gain (See note b below)	43,441	11,540	39,668	4,754
	50,735	**14,216**	**50,450**	**10,838**

(a) Dividend income from equity investments represent dividend received from Subsidiaries and other equity instruments held for strategic purposes and for which the Group has elected to present the fair value and loss in Other Comprehensive Income

(b) Foreign currency revaluation gain represent gains realised from the revaluation of foreign currency-denominated assets and liabilities held in the non-trading books.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

11. Trading gains

Loss on trading books	(18,735)	(7,427)	(18,735)	(7,427)
Treasury bills trading income	123,097	114,320	123,029	114,294
Bonds trading income	14,448	6,558	11,439	6,558
Interest income on trading bonds	2,868	4,347	2,868	4,347
	121,678	**117,798**	**118,601**	**117,772**

Included in the loss on trading books is derivatives gain of N30.65 billion for Group and Bank (December 31, 2019: N19.15 billion).

12. Operating expenses

In millions of Naira	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Directors' emoluments (see note 36 (b))	1,674	2,448	1,213	1,512
Auditors' remuneration	786	892	380	590
Deposit insurance premium	14,405	12,898	14,405	12,898
Professional fees	4,338	4,377	3,747	3,427
Training and development	1,191	2,439	1,057	2,136
Information technology	20,440	9,846	19,572	9,071
Operating lease	664	1,313	13	859
Advertisement	7,656	7,908	7,411	7,433
Outsourcing services	11,500	11,762	11,500	11,762
Bank charges	6,635	4,563	6,259	3,968
Fuel and maintenance	17,778	14,429	14,555	11,822
Insurance	1,865	1,977	1,702	1,836
Licenses, registrations and subscriptions	6,496	3,449	5,815	2,883
Travel and hotel expenses	1,883	2,751	1,102	2,340
Printing and stationery	2,580	2,402	1,872	1,642
Security and cash handling	3,980	3,824	3,545	3,419
Fraud and forgery write-off	360	268	360	268
Fines & Penalties (see note 41)	11	21	11	21
Donations	3,414	2,751	3,285	2,729
AMCON levy (see note 43)	30,948	28,654	30,948	28,654
Telephone and postages	3,866	3,609	3,435	3,195
Corporate promotions	4,179	5,847	4,077	5,687
Others	1,463	1,025	364	39
	148,112	**129,453**	**136,628**	**118,191**

An amount of N664 million and N13 million for Group and Bank (December 31, 2019: N1,313 million and N859 million) respectively represent the amount of straight line amortisation on short term lease in which the Group/Bank has applied the recognition exception.

The external auditors of Zenith Bank Plc, PWC Nigeria rendered the following services during the year:

Services	Amount Paid in N'm
Transfer pricing compliance for 2018 financial year	3
Due diligence engagement for 2019 financial year	35
Sustainability assurance for 2019 financial year	4
Financial risk and regulatory services for 2019 financial year	45
Analytics project	15
Training	2
Board evaluation for 2019 financial year	22
	128

13. Taxation

(a) Major components of the tax expense

	Group		Bank	
In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Income tax expense				
Corporate tax	13,557	12,770	-	-
Information technology tax	1,479	-	1,479	-
Dividend tax (see note (i) below)	2,103	1,980	2,103	1,980
Prior year (over)/under provision	-	22,105	-	22,053
Tertiary Education tax	2,072	-	2,072	-
Police trust fund levy	11	10	11	10
Current income tax	19,222	36,865	5,665	24,043
Deferred tax expense:				
(Reversal)/origination of temporary differences	6,074	(2,414)	6,490	(2,026)
Income tax expense	25,296	34,451	12,155	14,290
Total tax expense	**25,296**	**34,451**	**12,155**	**22,017**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

(b) Reconciliation of effective tax rate

	Group		Bank	
In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Profit before income tax	255,861	243,294	210,007	200,020
Tax calculated at the weighted average Group rate of 30% (2019: 30%)	76,758	72,988	63,002	60,006
Tax effect of adjustments on taxable income				
Non-deductable expenses	52,286	1,834	50,402	1,828
Tax exempt income	(85,396)	(78,806)	(83,313)	(77,823)
Balancing charge	143	-	143	-
Tax loss	(9,506)	-	(9,506)	-
Minimum tax	1,479	-	1,479	-
Information technology levy	2,103	2,409	2,103	1,980
Unrecognised deferred tax asset	-	13,963	-	13,963
Dividend tax paid	-	22,053	-	22,053
Capital allowance utilised	(20,728)	-	(20,728)	-
Tertiary education tax	2,072	-	2,072	-
Derecognition of previously recognised deductible temporary differences	6,074	-	6,490	-
Police trust fund levy	11	10	11	10
Total tax expense	**25,296**	**34,451**	**12,155**	**22,017**

(c) The movement in the current income tax payable balance is as follows:

In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
At start of the year	9,711	9,154	6,627	5,954
Tax paid	(17,243)	(36,308)	(3,175)	(23,370)
Current income tax charge (see note 13a)	19,222	36,865	5,665	24,043
At end of the year	**11,690**	**9,711**	**9,117**	**6,627**

ZENITH

14. Earnings per share

Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. Where a stock split or bonus share issue has occurred, the number of shares in issue in the prior year is adjusted to achieve comparability.

	Group		Bank	
In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Profit attributable to shareholders of the Bank (N'million)	230,374	208,693	197,852	178,003
Number of shares in issue at end of the year (millions)	31,396	31,396	31,396	31,396
Weighted average number of ordinary shares in issue (millions)	31,396	31,396	31,396	31,396
Basic and diluted earnings per share (Koba)	7.34	6.65	6.30	5.67

Basic and diluted earnings per share are the same, as the Bank has no potentially dilutive ordinary shares

15. Cash and balances with central banks

Cash and balances with central banks consist of:

Cash	104,544	55,255	66,834	39,417
Operating accounts and deposits with Central Banks	75,802	120,073	65,792	79,082
Mandatory reserve deposits with central bank (cash reserve)	1,330,733	680,261	1,289,930	680,261
Special Cash Reserve Requirement	80,689	80,689	80,689	80,689
	1,591,768	**936,278**	**1,503,245**	**879,449**
Current	221,149	254,171	132,626	197,342
Non current	1,370,619	682,107	1,370,619	682,107
	1,591,768	**936,278**	**1,503,245**	**879,449**

16 Treasury bills

Treasury bills (FVTPL)	698,493	708,111	698,199	708,114
Treasury bills (Amortized cost)	880,957	283,845	695,898	114,352
ECL Allowance on treasury bills (Amortized cost) (see note 3.2.18)	(1,575)	(563)	(676)	(17)
	1,577,875	**991,393**	**1,393,421**	**822,449**
Classified as:				
current	1,577,875	991,393	1,393,421	822,449
	1,577,875	991,393	1,393,421	822,449

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Treasury bills measured at fair value through profit and loss are mandatorily designated as such.

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
The following treasury bills have maturities less than three months and are classified as cash and cash equivalents for purposes of the statements of cash flows (Note 40).	396,924	11,697	396,924	11,697
	396,924	**11,697**	**396,924**	**11,697**

17. Assets pledged as collateral

	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
Treasury bills pledged as collateral	1,962	-	1,962	-
Bonds pledged as collateral	117,290	105,135	117,290	105,135
Treasury bills under repurchase agreement	122,870	198,611	122,870	198,611
Bonds under repurchase agreement	56,763	128,051	56,763	128,051
ECL Allowance on assets pledged and under repo	(355)	(69)	(355)	(69)
	298,530	**431,728**	**298,530**	**431,728**

Included in assets pledged as collateral for Group/Bank are treasury bills and bonds at amortised cost of N53,231 million and N174,052 million (December 31, 2019: N98,755 million and N217,521 million) respectively. All other assets pledged as collateral for Group/Bank are treasury bills at fair value.

The assets pledged as collateral were given to the counter parties without transferring the ownership to them. These are held by the counterparty for the term of the transaction being collateralized. These assets were pledged as collateral to Nigeria Interbank Settlement System (NIBBS) N3.62 billion (December 31, 2019: N27.84 billion), Federal Inland Revenue Services N8.14 billion (December 31, 2019: N8.08 billion), V-Pay N45.24 million (December 31, 2019: N44.87 million), Interswitch Limited N2.17 billion (December 31, 2019: N2.15 billion), the Bank of Industry (Nigeria) N35.20 billion (December 31, 2019: N39.53 billion), E- Tranzact N45.22 million (December 31, 2019: N44.87 million), CBN Real Sector Support Fund (RSSF) N39.74 billion (December 31, 2019: N24.77 billion), System Specs/REMITA N2.68 billion (December 31, 2019: N2.68 billion) and Financial Market dealers Quotation (FMDQ) N27.61 billion (December 31, 2019: Nil).

Assets exchanged under repurchase agreement as at December 31, 2020 are with the following counterparties (note 31):

Counterparties

	Carrying value of asset	Carrying value of liability	Carrying value of asset	Carrying value of liability
MASHREQ (see note 31)	37,051	28,113	37,051	28,113
ABSA (see note 31)	110,497	100,457	110,497	100,457
Standard Bank London (see note 31)	32,085	20,159	32,085	20,159
	179,633	**148,729**	**179,633**	**148,729**

Assets exchanged under repurchase agreement as at December 31, 2019 are with the following counterparties (note 31):

Counterparties

	Carrying value of asset	Carrying value of liability	Carrying value of asset	Carrying value of liability
JP Morgan	49,617	36,534	49,617	36,534
ABSA	103,271	82,352	103,271	82,352
Standard Bank	22,385	27,635	22,385	27,635
Mashreq Bank	24,813	18,320	24,813	18,320
Societe Generale Bank	75,768	55,433	75,768	55,433
Goldman Sachs	50,808	36,950	50,808	36,950
	326,662	**257,224**	**326,662**	**257,224**
Classified as:				
Current	129,299	210,373	129,299	210,373
Non-current	169,231	221,355	169,231	221,355
	298,530	**431,728**	**298,530**	**431,728**

	Group		Bank	
In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**

18. Due from other banks

	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Current balances with banks within Nigeria	-	8,155	-	-
Current balances with banks outside Nigeria	333,466	171,410	305,872	154,654
Placements with banks	477,086	527,680	226,563	327,558
ECL Allowance	(58)	(142)	(58)	(142)
	810,494	**707,103**	**532,377**	**482,070**
Classified as:				
Current	810,494	529,771	532,377	304,738
Non-current	-	177,332	-	177,332
	810,494	**707,103**	**532,377**	**482,070**

Included in balances with banks outside Nigeria is the amount of N50.28 billion and N86.27 billion for the Group and Bank respectively (December 31, 2019: N22.32 billion and N46.35 billion for the Group and Bank respectively) which represents the Naira value of foreign currency balances held on behalf of customers in respect of letters of credit. The corresponding liabilities are included in other liabilities (See Note 29).

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

	Group		Bank	
In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Due from banks with maturity greater than 3 months:	179,244	223,413	179,244	223,413

19. Derivative assets

Instrument types (fair value):				
Forward and Swap Contracts	34,634	91,204	31,867	91,204
Futures contracts	9,862	1,518	9,862	1,518
Total	**44,496**	**92,722**	**41,729**	**92,722**
Instrument types (Notional amount) :				
Forward and Swap Contracts	481,886	729,726	481,886	729,726
Futures contract	222,730	319,968	222,730	319,968
Total	**704,616**	**1,049,694**	**704,616**	**1,049,694**

Non-hedging derivative assets and liabilities

The Group enters into currency forward contracts with counterparties. On initial recognition, the Group estimates the fair value of derivatives transacted with the counterparties using the discounted mark-to-market technique. In many cases, all significant inputs into the valuation techniques are wholly observable (e.g with reference to similar transactions in the wholesale dealer market.)

During the year, various derivative contracts entered into by the Group generated net gain of N18.7 billion December 31, 2019 net gain of N7.4 billion, which were recognized in the statement of profit or loss and other comprehensive income.

All derivative assets are current.

	Group		Bank	
In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**

20. Loans and advances

Overdrafts	248,003	212,548	230,288	194,020
Term loans	2,142,727	1,766,787	2,013,763	1,713,607
On-lending facilities	528,612	483,024	528,612	483,024
Gross loans and advances to customers	2,919,342	2,462,359	2,772,663	2,390,651
Less: ECL Allowance (see note 3.2.18)	(140,315)	(156,794)	(132,866)	(151,179)
	2,779,027	**2,305,565**	**2,639,797**	**2,239,472**

Management adjustments to impairment models are applied in order to factor in certain conditions that are not fully incorporated into the impairment model, or to reflect additional facts and circumstances at period end. Management adjustments are reversed and incorporated into the future model developments, where applicable.

As at 31 December 2020, management adjustment to impairment allowance was N4.63 billion and the proportion of total impairment allowance was 3.49%.

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Net Loans classified as:				
Current	1,066,675	751,614	1,013,234	734,547
Non-current	1,712,352	1,553,951	1,626,563	1,504,925
	2,779,027	**2,305,565**	**2,639,797**	**2,239,472**

Movement in ECL Allowance as at December 31, 2020 is presented in Note 3.2.18.

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19

21. Investment securities

Debt securities				
At amortised cost (see note iii)	476,287	234,857	208,973	113,959
At FVTOCI	392,150	280,854	-	-
ECL Allowance (see note 3.2.18)	(773)	(551)	(755)	(538)
Net debt securities measured at amortised cost	867,664	515,160	208,218	113,421
Debt securities (measured at fair value through profit or loss) (see note ii)	49,277	12,257	44,933	12,257
Net debt securities	916,941	527,417	253,151	125,678
Equity securities				
At fair value through other comprehensive income (see note (i) below)	79,975	63,680	79,975	63,680
	996,916	**591,097**	**333,126**	**189,358**

Movement in impairment allowance on investment securities is presented in Note 3.2.18

Classified as:				
Current	718,818	8,592	80,444	8,592
Non-current	278,098	582,505	252,682	180,766
	996,916	**591,097**	**333,126**	**189,358**

(i) The Group holds equity investments in unquoted entities which the Group has elected to carry at fair value through other comprehensive income. These investments are held for strategic purposes rather than for trading purposes.

(ii) The Group and Bank debt securities measured at FVTPL comprise FGN bonds (December 31, 2020: N49.3 billion and N44.9 billion respectively; December 31, 2019; N12.26 billion).

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

(iii) The Group's debt securities measured at amortised cost can be analysed as follows:

	Group		Bank	
In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Sovereign (Federal)	378,026	177,364	110,712	56,466
Sub-sovereign (State)	22,154	19,768	22,154	19,768
Corporate bonds	13,371	8,073	13,371	8,073
Promissory note	52,976	29,652	52,976	29,652
Commercial papers	9,760		9,760	-
	476,287	**234,857**	**208,973**	**113,959**

22. Investment in subsidiaries

The following table lists the entities which are controlled by the Group, either directly or indirectly through subsidiaries.

Bank

	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Name of company	**Ownership interest%**	**Ownership interest%**	**Carrying amount**	
Zenith Bank (Ghana) Limited (see (i) below)	99.42%	99.42%	7,066	7,066
Zenith Bank (UK) Limited	100.00%	100.00%	21,482	21,482
Zenith Bank (Sierra Leone) Limited	99.99%	99.99%	2,059	2,059
Zenith Bank (Gambia) Limited	99.96%	99.96%	1,038	1,038
Zenith Pensions Custodian Limited	99.00%	99.00%	1,980	1,980
Zenith Nominee Limited	99.00%	99.00%	1,000	1,000
			34,625	**34,625**

All investments in subsidiaries are non-current

All investments in subsidiaries are non-current

(b) Condensed results of consolidated entities

December 31, 2020	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank Sierra Leone	Zenith Bank Gambia	Zenith Pension Custodian	Zenith Nominee Limited
Condensed statement of profit or loss									
Operating income	696,450	(7,199)	595,921	68,442	23,034	4,020	2,213	9,647	372
Operating expenses	(401,055)	3,199	(348,677)	(36,178)	(13,904)	(2,460)	(1,347)	(1,609)	(79)
Inpairment charge for financial and non-financial assets	(39,534)	-	(37,237)	(652)	(1,523)	(55)	(27)	(40)	-
Profit before tax·	255,861	(4,000)	210,007	31,612	7,607	1,505	839	7,998	293
Taxation	(25,296)	-	(12,155)	(8,728)	(1,513)	(398)	(253)	(2,179)	(70)
Profit for the year	**230,565**	**(4,000)**	**197,852**	**22,884**	**6,094**	**1,107**	**586**	**5,819**	**223**
Condensed statement of financial position									
Assets									
Cash and balances with central banks	1,591,768	-	1,503,245	82,662	15	2,781	2,923	107	35
Treasury bills	1,577,875	-	1,393,421	156,881	-	16,115	11,403	57	(2)
Assets pledged as collateral	298,530	-	298,530	-	-	-	-	-	-
Due from other banks	810,494	(126,943)	532,377	44,768	349,836	5,204	5,252	-	-
Derivative asset held for risk management	44,496	-	41,729	-	2,767	-	-	-	-
Loans and advances	2,779,027	-	2,639,797	72,487	63,092	2,370	1,181	97	3
Investment securities	996,916	-	333,126	171,344	465,455	-	983	24,227	1,781
Investment in subsidiaries	-	(34,625)	34,625	-	-	-	-	-	-
Deferred tax asset	5,786	-	4,733	586	421	42	5	-	(1)
Other assets	169,967	(37,039)	159,625	8,212	36,576	412	556	1,575	50
Property and equipment	190,170	-	169,080	17,402	1,827	983	713	149	16
Intangible assets	16,243	-	14,699	406	533	127	81	358	39
	8,481,272	**(198,607)**	**7,124,987**	**554,748**	**920,522**	**28,034**	**23,097**	**26,570**	**1,922**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

December 31, 2020	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Ltd	Zenith Bank UK Ltd	Zenith Bank Sierra Leone Ltd	Zenith Bank Gambia Ltd	Zenith Pension Custodian Ltd	Zenith Nominee Ltd
Liabilities & Equity									
Customer deposits	5,339,911	-	4,298,258	358,930	644,779	21,995	15,949	-	-
Derivative liabilities	11,076	-	11,076	-	-	-	-	-	-
Current income tax	11,690	-	9,117	(84)	102	91	232	2,162	70
Deferred income tax liabilities	-	-	-	-	-	-	-	-	1
Other liabilities	703,292	(159,967)	599,464	96,039	165,352	503	1,288	531	82
On-lending facilities	384,573	-	384,573	-	-	-	-	-	-
Borrowings	870,080	(4,010)	874,090	-	-	-	-	-	-
Debt securities issued	43,177	-	43,177	-	-	-	-	-	-
Equity and reserves	1,117,473	(34,630)	905,232	99,863	110,289	5,445	5,628	23,877	1,769
	8,481,272	**(198,607)**	**7,124,987**	**554,748**	**920,522**	**28,034**	**23,097**	**26,570**	**1,922**
Condensed statement of cash flow									
Net cash (used in)/from operating activities	105,811	(44,130)	65,920	35,868	42,765	(2)	3,306	2,084	85
Net cash (used in)/from financing activities	422,847	50,652	418,902	(42,613)	-	-	(94)	(4,000)	-
Net cash (used in)/from investing activities	(25,946)	27,244	(20,488)	(8,906)	(24,698)	1	(1,469)	2,370	(1,309)
Increase / (decrease) in cash and cash equivalents	**502,712**	**33,766**	**464,334**	**(15,651)**	**18,067**	**(1)**	**1,743**	**454**	**(1,224)**
Cash and cash equivalents									
At start of year	947,038	510,053	388,853	16,019	27,300	789	3,175	849	1,378
Exchange rate movements on cash and cash equivalents	35,093	31,029	-	963	2,903	56	142	-	-
At end of year	1,484,843	574,848	853,187	1,331	48,270	844	5,060	1,303	154
Increase / (decrease) in cash and cash equivalents	**502,712**	**33,766**	**464,334**	**(15,651)**	**18,067**	**(1)**	**1,743**	**454**	**(1,224)**

December 31, 2019	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana	Zenith Bank UK	Zenith Bank Sierra Leone	Zenith Bank Gambia	Zenith Pension Custodian	Zenith Nominee Limited
Condensed statement of profit or loss									
Operating income	662,251	(6,186)	564,687	62,614	25,127	3,902	1,716	9,777	614
Operating expenses	(394,925)	2,186	(341,274)	(38,111)	(11,588)	(2,963)	(926)	(2,147)	(102)
Impairment charge for financial assets	(24,032)	-	(23,393)	(703)	113	(36)	-	(13)	-
Profit before tax·	243,294	(4,000)	200,020	23,800	13,652	903	790	7,617	512
Taxation	(34,451)	-	(22,017)	(7,209)	(2,239)	(378)	(166)	(2,292)	(150)
Profit for the year	**208,843**	**(4,000)**	**178,003**	**16,591**	**11,413**	**525**	**624**	**5,325**	**362**
Condensed statement of financial position									
Assets									
Cash and balances with central banks	936,278	-	879,449	48,399	19	4,402	3,462	513	34
Treasury bills	991,393	-	822,449	145,923	-	12,319	9,032	-	1,670
Assets pledged as collateral	431,728	-	431,728	-	-	-	-	-	-
Due from other banks	707,103	(100,941)	482,070	73,141	239,816	2,568	2,315	8,089	45
Derivative asset held for risk management	92,722	-	92,722	-	2,767	-	-	-	-
Loans and advances	2,305,565	(1)	2,239,472	41,789	20,816	1,987	1,371	124	7
Investment securities	591,097	-	189,358	101,256	285,244	-	740	14,500	-
Investment in subsidiaries	-	(34,625)	34,625	-	-	-	-	-	-
Deferred tax asset	11,885	-	11,223	102	539	21	-	-	-
Other assets	77,395	(68,126)	71,412	4,160	67,946	338	301	1,316	48
Property and equipment	185,216	-	165,456	16,162	1,791	1,286	299	208	14
Intangible assets	16,497	-	15,109	285	654	81	80	241	47
	6,346,879	**(203,693)**	**5,435,073**	**431,217**	**619,592**	**23,002**	**17,600**	**24,991**	**1,865**

ZENITH

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

December 31, 2019	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Ltd	Zenith Bank UK Ltd	Zenith Bank Sierra Leone Ltd	Zenith Bank Gambia Ltd	Zenith Pension Custodian Ltd	Zenith Nominee Ltd
Liabilities & Equity									
Customer deposits	4,262,289	-	3,486,887	324,130	422,253	16,818	12,201	-	-
Derivative liabilities	14,762	-	14,762	-	-	-	-	-	-
Current income tax	9,711	-	6,627	(1,075)	1,528	67	124	2,292	148
Deferred income tax liabilities	25	-	-	-	-	-	6	17	2
Other liabilities	363,764	(161,045)	386,061	36,083	99,829	2,061	697	626	174
On-lending facilities	392,871	-	392,871	-	-	-	-	-	-
Borrowings	322,479	(7,299)	329,778	-	-	-	-	-	-
Debt securities issued	39,092	-	39,092	-	-	-	-	-	-
Equity and reserves	941,886	(34,628)	778,995	72,079	93,215	4,056	4,572	22,056	1,541
	6,346,879	**(202,972)**	**5,435,073**	**431,217**	**616,825**	**23,002**	**17,600**	**24,991**	**1,865**
Condensed cash flow									
Net cash (used in)/from operating activities	339,168	(80,187)	390,093	34,404	(6,114)	3	1	968	-
Net cash (used in)/from financing activities	(546,291)	57,631	(560,195)	(52,546)	12,819	-	-	(4,000)	-
Net cash (used in)/from investing activities	(61,525)	(4,346)	(51,960)	(8,403)	-	(2)	1	3,185	-
Increase/ (decrease) in cash and cash equivalents	**(268,648)**	**(26,902)**	**(222,062)**	**(26,545)**	**6,705**	**1**	**2**	**153**	**-**
Cash and cash equivalents									
At start of year	947,038	273,398	610,915	40,598	17,673	747	3,011	696	-
Exchange rate movements on cash and cash equivalents	(7,675)	(12,766)	-	1,966	2,922	41	167	-	-
At end of year	670,715	233,730	388,853	16,019	27,300	789	3,175	849	-
Increase/ (decrease) in cash and cash equivalents	**(268,648)**	**(26,902)**	**(222,062)**	**(26,545)**	**6,705**	**1**	**2**	**153**	**-**

Apart from Zenith Bank Pensions Custodian Limited and Zenith Nominees Limited, which are incorporated in Nigeria, the remaining subsidiaries are incorporated in their respective countries.

Zenith Bank (Ghana) Limited provides Corporate and Retail Banking services. It was incorporated on April 15, 2005 and commenced operations on September 16, 2005.

Zenith Pensions Custodian Limited provides pension funds custodial services to Licensed Pension Fund Administrators (PFAs) and Closed Pension Funds Administrators under the Pension (Reform) Act, 2004. It was incorporated on March 1, 2005. The name was changed from "Zenith Pensions Limited" to "Zenith Pensions Custodian Limited" on September 20, 2005. It was licensed by the National Pension Commission as a custodian of pension funds and assets on December 7, 2005 and commenced operations in December 2005.

Zenith Bank (UK) Limited provides wholesale and investment banking services in the United Kingdom. It was incorporated on February 17, 2006 and commenced operations on March 30, 2007.

Zenith Bank (Sierra Leone) Limited provides corporate and retail banking services. It was incorporated in Sierra Leone on September 17, 2007 and granted an operating license by the Bank of Sierra Leone on September 10, 2008. It commenced banking operations on September 15, 2008.

Zenith Bank (Gambia) Limited provides corporate and retail banking services. It was incorporated in The Gambia on October 24, 2008 and granted an operating licence by the Central Bank of Gambia on December 30, 2009. It commenced banking operations on January 18, 2010.

Zenith Nominees Limited which is incorporated in Nigeria provides nominees, trustees, administrators and executorship services for non-pension assets. It was incorporated in Nigeria on April 6, 2006.

There are no significant restrictions on the ability of subsidiaries to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

23. Investment in associates

The Group's investments under the Small and Medium Enterprises Equity Investment Scheme ("SMEEIS") is in compliance with the Policy Guidelines for 2001 Fiscal Year (Monetary Policy Circular No. 35). The Group generally holds 20 percent or more of the voting power of the investee and is therefore presumed to have significant influence over the investee. In instances where the Group holds less than 20 percent of the voting power of the investee, the Group concluded that it has significant influence due to the Group's representation on the Board of the relevant investee, with such Board generally limited to a small number of Board members.

There were no published price quotations for any associates of the Group. Furthermore, there are no significant restrictions on the ability of associates to transfer funds to the Group in the form of cash dividends or repayment of loans and advances.

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Gross investment	92	103	92	103
Diminution in investment	(92)	(103)	(92)	(103)
Balance at end of the year	-	-	-	-

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

24. Deferred tax balances

(i) Deferred tax asset

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Unutilised capital allowances	11,756	5,810	11,756	5,810
ECL allowance on not-credit impaired financial Instruments	4,301	2,735	3,066	2,718
Tax loss carry forward	4,692	6,063	4,692	6,063
Other assets	91	591	-	-
Fair value reserves	410	-	-	-
Foreign exchange differences	-	(8)	-	-
Total deferred tax asset	21,250	15,191	19,514	14,591
Set-off of deferred tax liabilities pursuant to set-off provisions (see (ii) below)	(15,464)	(3,331)	(14,781)	(3,368)
Net deferred tax asset	5,786	11,860	4,733	11,223

Group

December 31, 2020

Movements in temporary differences during the year	**01-Jan-20**	**Recognised in profit or loss**	**31-Dec-20**
Asset			
Other assets	536	(445)	91
Fair value reserves	55	355	410
Unutilized capital allowances	5,810	5,946	11,756
ECL Allowance on not-credit impaired financial instruments	2,735	1,566	4,301
Tax loss carry forward	6,063	(1,371)	4,692
Foreign exchange differences	(8)	8	-
	15,191	**6,059**	**21,250**

December 31, 2019

Movements in temporary differences during the year	**01-Jan-19**	**Recognised in profit or loss**	**31-Dec-19**
Asset			
Other assets	(9)	545	536
Fair value reserves	7	48	55
ECL Allowance on not-credit impaired financial instruments	14,682	(8,872)	5,810
Unutilized capital allowances	4,832	(2,097)	2,735
Tax loss carry forward	1,926	4,137	6,063
Foreign exchange differences	108	(116)	(8)
	21,546	**(6,355)**	**15,191**

Bank

December 31, 2020

Movements in temporary differences during the year	01-Jan-20	Recognised in profit or loss	31-Dec-20
Asset			
ECL Allowance on not-credit impaired financial instruments	2,718	348	3,066
Unutilized capital allowances	5,810	5,946	11,756
Tax loss carried forward	6,063	(1,371)	4,692
	14,591	**4,923**	**19,514**

December 31, 2019

Movements in temporary differences during the year	01-Jan-19	Recognised in profit or loss	31-Dec-19
Asset			
ECL Allowance on not-credit impaired financial instruments	4,912	(2,194)	2,718
Unutilized capital allowances	14,683	(8,873)	5,810
Tax loss carried forward	1,926	4,137	6,063
	21,521	**(6,930)**	**14,591**

(ii) Deferred tax liability

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Property and equipment	603	3,315	-	3,368
ECL Allowance on financial instruments not-credit impaired instruments	-	16	-	-
Right of use asset	2,087	-	2,087	-
Foreign exchange differences	12,694	-	12,694	-
Balance at end of the year	**15,384**	**3,331**	**14,781**	**3,368**

Group

December 31, 2020

Movements in temporary differences during the year	01-Jan-20	Recognised in profit or loss	31-Dec-20
Liabilities			
Property and equipment	3,368	(2,685)	683
Other assets	16	(16)	-
Right of use asset	-	2,087	2,087
Foreign exchange differences	-	12,694	12,694
	3,384	**12,080**	**15,464**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

December 31, 2019

Movements in temporary differences during the year	**01-Jan-19**	**Recognised in profit or loss**	**31-Dec-19**
Liabilities			
Property and equipment	12,084	(8.769)	3,315
Impairment allowance on not-credit impaired financial instruments	16	-	16
	12,100	**(8,769)**	**3,331**

Bank

December 31, 2020

Movements in temporary differences during the year	**01-Jan-20**	**Recognised in profit or loss**	**31-Dec-20**
Liabilities			
Property and equipment	3,368	(3,368)	-
Right of use asset	-	2,087	2,087
Foreign exchange differences	-	12,694	12,694
	3,368	**11,413**	**14,781**

December 31, 2019

Movements in temporary differences during the year	**01-Jan-19**	**Recognised in profit or loss**	**31-Dec-19**
Liabilities			
Property and equipment	12,324	(8,956)	3,368

The Group and Bank deferred tax assets and deferred tax liabilities have been offset in the consolidated and separate financial statements.

The Bank's deferred tax asset which principally arise from allowable loss, un-utilized capital allowance, foreign exchange differences and ECL allowance on not credit-impaired financial instruments is N12.2 billion as at December 31, 2020. (December 31, 2019: N60.2 billion). Based on projected future taxable profits, expected growth of unutilised capital allowance and impairment allowance on not-credit impaired financial instruments, the Bank has not recognised all of its deferred tax asset as at December 31, 2020. The amount of unrecognised deferred tax is N7.4 billion. (December 31, 2019: N49 billion).

The amount of deductible temporary differences for which no deferred tax asset is recognised is detailed below:

	31-Dec-20		**31-Dec-19**	
In millions of Naira	Gross Amount	Tax Impact	Gross Amount	Tax Impact
Property and equipment	-	-	(49,025)	(14,708)
ECL Allowance on financial instruments not-credit impaired	22,890	6,867	39,566	11,870
Capital allowance	-	-	84,567	25,370
Unrelieved losses	2,086	626	88,257	26,477
Balance at end of the year	**24,976**	**7,493**	**163,365**	**49,009**

The Bank will continue to assess the recoverability of its deferred tax assets, and to ensure that only amount considered recoverable are recognised in the books and presented in the statement of financial position.

All deferred tax are non current.

25. Other assets

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Non financial assets				
Prepayments	20,289	13,457	16,214	9,983
Other non-financial assets	336	357	336	359
Gross other non-financial assets	20,625	13,814	16,550	10,342
less impairment (see note (i) below)	(226)	(183)	(226)	(183)
Net other non-financial assets	20,399	13,631	16,324	10,159
Other financial assets				
Electronic card related receivables	115,161	42,019	107,848	38,555
Intercompany receivables	-	-	329	210
Deposit for investment in AGSMEIS	30,996	22,096	30,996	22,096
Receivables	5,552	426	5,454	392
Deposits for shares	-	-	720	720
Gross other financial assets	151,709	64,541	145,347	61,973
Less: ECL Allowance(see note 3.2.18)	(2,141)	(777)	(2,046)	(720)
Net other financial assets	149,568	63,764	143,301	61,253
Total other assets (Net)	**169,967**	**77,395**	**159,625**	**71,412**

Deposit for investment in AGSMEIS represents funds deposited with the CBN for future equity investments in agricultural, small and medium enterprises in line with the CBN directives (See note 35(e)).

Other Non-financial assets comprises of balances on settlement accounts such as: Witholding tax, revenue collection,, sundry receivables. These assets are short tenured and are quickly settled.

Classified as:

Current	138,971	53,071	128,629	46,368
Non-current	30,996	24,324	30,996	25,044
	169,967	**77,395**	**159,625**	**71,412**

See note 3.2.18 for movement in impairment allowance for other financial assets as at December 31, 2020.

(i) Movement in impairment allowance for non financial assets

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
At start of the year	183	560	183	560
Charge for the year (see note 8)	43	(377)	43	(377)
At end of the year	226	183	226	183

(ii) Provision matrix

Loss allowance for the Bank as at December 31, 2020 and December 31, 2019 was determined as follows for other financial assets.

December 31, 2020	0-30 days	31-60 days	61-90 days	91-180 days	Total
Receivables	113,189	-	-	113	113,302
Expected loss rate	1.70 %	10.95 %	24.35 %	100.00 %	-
ECL	1,924	-	-	113	2,037

December 31, 2019	0-30 days	31-60 days	61-90 days	91-180 days	Total
Receivables	48,000	-	-	113	48,000
Expected loss rate	1.50 %	10.95 %	24.35 %	100.00 %	-
ECL	720	-	-	-	720

26. Property and equipment

(a) Property and equipment movement

Group

December 31, 2020	Land	Building	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use assest - Aircraft	Motor Vehicles	Right of use asset - buildings	Work in progress	Total
Cost										
At 1 January, 2020	34,668	60,740	25,016	94,296	37,098	12,600	23,387	18,138	17,201	323,144
Additions	1,388	2,496	1,153	5,810	1,350	-	2,516	5,826	9,237	29,776
Reclassification/transfer from WIP	31	1,045	523	756	(40)	-	45	-	(2,360)	-
Disposals / write off	-	(7)	(761)	(2,997)	(2,005)	-	(1,622)	-	(169)	(7,561)
Exchange difference	-	575	435	238	187	-	138	316	30	1,919
At December 31, 2020	**36,087**	**64,849**	**26,366**	**98,103**	**36,590**	**12,600**	**24,464**	**24,280**	**23,939**	**347,278**
Accumulated Depreciation										
At 1 January 2020	-	7,646	18,740	60,898	29,253	2,730	17,212	1,449	-	137,928
Charge for the year	-	1,239	2,476	11,298	3,849	1,260	3,167	1,836	-	25,125
Reclassifications	-	104	(164)	98	(38)	-	-	-	-	-
Disposals	-	(7)	(755)	(2,516)	(2,005)	-	(1,512)	-	-	(6,795)
Exchange difference	-	32	266	150	136	-	95	171	-	850
At December 31, 2020	**-**	**9,014**	**20,563**	**69,928**	**31,195**	**3,990**	**18,962**	**3,456**	**-**	**157,108**
Net book amount At December 31, 2020	**36,087**	**55,835**	**5,803**	**28,175**	**5,395**	**8,610**	**5,502**	**20,824**	**23,939**	**190,170**

Expenses relating to short term lease and low value lease assets can be seen in note 12 as lease expense.

There were no impairment losses on any class of property and equipment during the year (December 31, 2019: Nil)

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 31, 2019: Nil).

All property and equipment are non-current. None of the Bank's assets were financed from borowings, consequently no borrowing cost has been capitalized as part of asset cost.

For accounting policy and judgements on right of use see note 2.14.
The Group has no leases that are yet to commence.

Group

December 31, 2019	Land	Building	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use assest - Aircraft	Motor Vehicles	Right of use asset - buildings	Work in progress	Total
Cost										
At 1 January, 2020	29,055	53,981	21,334	79,389	29,760	12,600	20,925	-	21,589	268,633
Additions	3,266	4,722	3,503	13,258	8,202	-	3,744	18,138	7,500	62,333
Reclassification/transfer from WIP	2,347	3,841	874	3,412	70	-	76	-	(10,620)	-
Disposals / write off	-	(400)	(503)	(1,418)	(631)	-	(1,130)	-	(1,081)	(5,163)
Exchange difference	-	(1,404)	(192)	(345)	(303)	-	(228)	-	(187)	(2,659)
At December 31, 2020	**34,668**	**60,740**	**25,016**	**94,296**	**37,098**	**12,600**	**23,387**	**18,138**	**17,201**	**323,144**
Accumulated Depreciation										
At 1 January 2020	-	6,527	16,871	51,904	27,420	1,470	15,304	-	-	119,496
Charge for the year	-	1,350	2,302	10,081	2,208	1,260	2,786	1,449	-	21,436
Reclassifications	-	58	(65)	15	(2)	-	(6)	-	-	-
Disposals	-	(246)	(260)	(940)	(153)	-	(735)	-	-	(2,334)
Exchange difference	-	(43)	(108)	(162)	(220)	-	(137)	-	-	(670)
At December 31, 2019	**-**	**7,646**	**18,740**	**60,898**	**29,253**	**2,730**	**17,212**	**1,449**	**-**	**137,928**
Net book amount At December 31, 2019	**34,668**	**53,094**	**6,276**	**33,398**	**7,845**	**9,870**	**6,175**	**16,689**	**17,201**	**185,216**

Bank

December 31, 2020	Land	Building	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use assest - Aircraft	Motor Vehicles	Right of use asset - buildings	Work in progress (WIP)	Total
Cost										
At 1 January 2020	34,668	51,667	20,033	90,399	34,410	12,600	21,191	11,650	16,691	293,309
Additions	1,388	2,496	741	5,595	563	-	2,303	4,702	8,767	26,555
Reclassification/transfer from WIP	31	1,045	523	756	(40)	-	46	-	(2,361)	-
Disposals	-	(7)	(9)	(1,599)	(30)	-	(791)	-	-	(2,436)
At December 31, 2020	**36,087**	**55,201**	**21,288**	**95,151**	**34,903**	**12,600**	**22,749**	**16,352**	**23,097**	**317,428**
Accumulated Depreciation										
At 1 January 2020	-	7,187	15,911	58,128	26,907	2,730	15,802	1,188	-	127,853
Charge for the year	-	1,049	1,848	11,212	3,137	1,260	2,771	1,409	-	22,686
Reclassifications	-	104	(164)	98	(38)	-	-	-	-	-
Disposals	-	(7)	(2)	(1,527)	(31)	-	(624)	-	-	(2,191)
At December 31, 2019	**-**	**8,333**	**17,593**	**67,911**	**29,975**	**3,990**	**17,949**	**2,597**	**-**	**148,348**
Net book amount At December 31, 2020	**36,087**	**46,868**	**3,695**	**27,240**	**4,928**	**8,610**	**4,800**	**13,755**	**23,097**	**169,080**

Expenses relating to short term lease and low value lease assets can be seen in note 12 as lease expense.

There were no impairment losses on any class of property and equipment during the year (December 31, 2019 :Nil)

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (December 31, 2019:Nil).

All property and equipment are non-current. None of the Bank's assets were financed from borowings, consequently no borrowing cost has been capitalized as part of asset cost.

For accounting policy and judgements on right of use see note 2.14.

The Bank has no leases that are yet to commence.

Bank

December 31, 2019	Land	Building	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use assest - Aircraft	Motor Vehicles	Right of use asset - buildings	Work in progress (WIP)	Total
Cost										
At 1 January, 2019	29,055	43,501	17,918	75,434	26,883	12,600	18,848	-	20,163	244,402
Additions	3,266	3,790	1,629	12,808	7,407	-	3,169	11,650	7,182	50,901
Reclassification/transfer from WIP	2,347	4,397	508	3,102	190	-	76	-	(10,620)	-
Disposals	-	(21)	(22)	(945)	(70)	-	(902)	-	-	(1,960)
Write off against cost	-	-	-	-	-	-	-	-	(34)	(34)
At December 31, 2020	**34,668**	**51,667**	**20,033**	**90,399**	**34,410**	**12,600**	**21,191**	**11,650**	**16,691**	**293,309**
Accumulated Depreciation										
At 1 January 2019	-	6,207	14,355	49,258	25,329	1,470	13,929	-	-	110,548
Charge for the year	-	926	1,641	9,689	1,648	1,260	2,535	1,188	-	18,887
Reclassifications	-	58	(65)	15	(2)	-	(6)	-	-	-
Disposals	-	(4)	(20)	(834)	(68)	-	(656)	-	-	(1,582)
At December 31, 2019	**-**	**7,187**	**15,911**	**58,128**	**26,907**	**2,730**	**15,802**	**1,188**	**-**	**127,853**
Net book amount At December 31, 2019	**34,668**	**44,480**	**4,122**	**32,271**	**7,503**	**9,870**	**5,389**	**10,462**	**16,691**	**165,456**

(b) Right of use amounts recognised in the statement of financial postion

In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Right-of-use assets				
Aircraft (see note 26)	8,610	9,870	8,610	9,870
Buildings (see note 26)	20,824	16,689	13,755	10,462
	29,434	26,559	22,365	20,332

In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Lease liabilities				
Current (see note 29)	6,275	6,534	4,158	4,539
Non-current (see note 29)	18,181	15,660	13,363	11,758
	24,456	22,194	17,521	16,297

(c) Amounts recognised in the income statement

In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Depreciation charge of right-of-use asset				
Aircraft (see note 26)	1,260	1,260	1,260	1,260
Buildings (see note 26)	1,836	1,449	1,409	1,188
	3,096	**2,709**	**2,669**	**2,448**
Interest expense (included in finance cost)	3,230	3,494	2,804	3,079

The total cash outflow of leases for Group and bank as at December 31, 2020 was N3,427 million and N3,212 million respectively (December 31, 2019: N2,196 million and N2,196 million respectively)

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19

27. Intangible assets

Computer software				
Cost				
At start of the year	32,472	28,905	27,381	24,876
Exchange difference	664	867	-	-
Additions	2,473	2,700	2,366	2,505
At end of the year	**35,609**	**32,472**	**29,747**	**27,381**
Accumulated amortization				
At start of the year	15,975	12,227	12,272	9,477
Exchange difference	(146)	670	-	-
Charge for the year	3,537	3,078	2,776	2,795
At end of the year	**19,366**	**15,975**	**15,048**	**12,272**
Carrying amount at end of the year	**16,243**	**16,497**	**14,699**	**15,109**

All intangible assets are non current. All intangible assets of the Group have finite useful life and are amortised over 5 years.

The Group does not have internally generated intangible assets.

28. Customers' deposits

Demand	2,986,724	1,985,020	2,181,524	1,422,508
Savingss	1,155,026	614,297	1,112,914	588,454
Term	323,149	495,714	188,480	379,627
Domiciliary	875,012	1,167,258	815,340	1,096,298
	5,339,911	**4,262,289**	**4,298,258**	**3,486,887**
Classified as:				
Carrying amount at end of the year	5,339,911	4,262,289	4,298,258	3,486,887

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19

29. Other liabilities

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
Other financial liabilities				
Customer deposits for letters of credit	50,276	22,315	86,266	46,354
Settlement payables	55,981	99,225	56,060	99,269
Managers' cheques	19,318	13,777	18,728	13,095
Due to banks for clean letters of credit	-	20,259	-	63,309
Deferred income on financial guarantee contracts (see note (b) below)	1,234	4,626	1,234	4,513
Sales and other collections	269,709	80,243	269,711	80,243
Unclaimed dividend	28,035	25,588	28,035	25,588
Lease liability (see note (c) below	24,457	22,194	17,522	16,297
AMCON payable	5,725	7,634	5,725	7,634
Electronic card related payables	16,015	13,065	15,789	12,951
Customers' foreign transactions payables	67,284	16,088	12,014	6,007
Off Balance Sheet ECL allowance (see note (a) below)	4,832	5,538	4,832	5,538
Total other financial liabilities	**542,866**	**330,552**	**515,916**	**380,798**
Non financial liabilities				
Tax collections	2,317	2,018	2,136	1,832
Other payables	158,109	31,194	81,412	3,431
Total other non financial liabilities	160,426	33,212	83,548	5,263
Total other liabilities	**703,292**	**363,764**	**599,464**	**386,061**
See note 44 **Classified as:**				
Current	685,111	340,557	586,101	363,990
Non-current	18,181	23,207	13,363	22,071
	703,292	**363,764**	**599,464**	**386,061**

(a) ECL allowance for off balance sheet exposure

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
Bonds and guarantee contracts	3,424	923	3,424	923
Undrawn portion of loan commitments	886	410	886	410
Letters of credit	522	4,205	522	4,205
	4,832	**5,538**	**4,832**	**5,538**

See note 3.2.18 for movement in ECL allowance for off balance sheet exposure.

(b) The amounts above for financial guarantee contracts represents the deferred income initially recognised less cumulative amortisation

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19

(c) Lease liability

This relates to an Aircraft and lease rental for properties used by the Group. The net carrying amount of leased assets, included within property and equipment is N26.59 billion (Bank: N20.33 billion) as at December 31, 2020. (December 31, 2019: N11.13 billion, for both Group and Bank).

The future minimum lease payments on the lease liabilities extend over a number of years. This is analysed as follows:

Not more than one year	5,803	7,394	4,158	5,072
Over one year but less than five years	27,867	20,592	21,112	15,807
More than five years	10,162	16,126	6,113	11,996
At end of the year	**43,832**	**44,112**	**31,383**	**32,875**

The table below shows the movement in lease liability during the year.

As at 1 January	22,194	11,568	16,297	11,568
Additions	2,582	10,561	1,632	4,901
Principal repayment	(742)	(645)	(684)	(598)
Interest expense	3,107	3,494	2,804	3,079
Interest paid	(2,685)	(2,784)	(2,528)	(2,653)
At end of the year	**24,456**	**22,194**	**17,521**	**16,297**

The Group does not face any significant risk with regards to the lease liability. Also the Bank's exposure to liquidity risk as a result of leases are monitored by the Bank's enterprise risk management unit.

	Group		Bank	
In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**

30. On-lending facilities

(a) This comprises:

Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme Loan (i)	49,469	40,666	49,469	40,666
Bank of Industry (BOI) Intervention Loan (ii)	35,171	39,827	35,171	39,827
Central Bank of Nigeria (CBN) / Bank of Industry(BOI) - Power & Aviation intervention Funds (iii)	7,070	14,590	7,070	14,590
CBN MSMEDF Deposit (iv)	965	1,353	965	1,353
FGN SBS Intervention Fund (v)	134,115	135,869	134,115	135,869
Excess Crude Loan Facilty Deposit (vi)	81,933	83,302	81,933	83,302
Real Sector Support Facility (vii)	41,902	43,689	41,902	43,689
Non-Oil Export Stimulation Facility (viii)	23,325	21,139	23,325	21,139
Paddy Aggregation Scheme (Phase 2) Funds (ix)	-	2,500	-	2,500
Creative Industry Financing Initiative (x)	256	74	256	74
Maize Aggregation Scheme (xi)	-	4,006	-	4,006
Accelerated Agricultural Development Scheme (xii)	10,367	5,856	10,367	5,856
	384,573	**392,871**	**384,573**	**392,871**
Classified as:				
Current	8,312	15,752	8,312	15,752
Non-current	376,261	377,119	376,261	377,119
	384,573	**392,871**	**384,573**	**392,871**

(b) Movement in on-lending facilities

In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
At beginning of the period/year	392,871	393,295	392,871	393,295
Principal addition during the period/year	32,264	130,153	32,264	130,153
Principal repayment during the period/year	(39,758)	(132,840)	(39,758)	(132,840)
Interest expense during the period	5,528	5,528	1,834	5,528
Interst paid during the period	(2,638)	(3,265)	(2,638)	(3,265)
At end of the period/year	**384,573**	**392,871**	**384,573**	**392,871**

(i) The fund received under the Central Bank of Nigeria (CBN) Commercial Agriculture Credit Scheme represents a credit line granted to the Bank for the purpose of providing concessionary funding to the agricultural sector. The facility has a tenor of 16 years with effect from 2009 and will expire in September 2025. The facility attracts an interest rate of 3% per annum and the Bank is under obligation to on-lend to customers at an all-in interest rate of not more than 9% per annum. Based on the structure of the facility, the Bank assumes the default risk of all amounts lent to the Bank's customers. This facility is not secured.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

(ii) The Central Bank of Nigeria (CBN) / Bank of Industry (B0I) - SME / Manufacturing Intervention Fund represents an intervention credit granted to the Bank for the purpose of refinancing I restructuring existing loans to Small and Medium Scale Enterprises (SMEs) and Manufacturing Companies. The total facility is secured by Nigerian Government Securities. The value of Government securities pledged as collateral is N50.63 billion (31 December 2018). The maximum tenor for term loans under the programme is 15 years while the tenor for working capital is one year, renewable annually subject to a maximum tenor of five years. A management fee of 1% per annum is deductible at source in the first year, and quarterly in arrears thereafter, is paid by the Bank under the Intervention programme and the Bank is under obligation to on-lend to customers at an all-In interest rate of 7% per annum. The Bank is the primary obligor to CBN / BOI and assumes the risk of default.

(iii) The purpose of granting new loans and refinancing / restructuring existing loans to companies in the power and aviation industries is to support Federal Government's focus on the sectors. The facility is secured by Irrevocable Standing Payment Order (ISPO). The maximum tenor for term loans under the programme is 15 years while the tenor for working capital is one year, with option to renew the facility annually subject to a maximum tenor of five years. The facility attracts an interest rate of 4% per annum payable quarterly in arrears and the Bank is under obligation to on-lend to customers at an all-in interest rate of 9% per annum. This facility is not secured.

(iv) The Micro Small & Medium Scale Enterprises Development Fund (MSMEDF) is an intervention fund established to support the channeling of low interest funds to the MSME sub-sector of the Nigerian economy. The facility attracts an interest rate of 3% per annum and the Bank is obligated to on-lend to SMEs at 9% per annum. The maximum tenor is 5 years while the tenor for working capital is 1 year. This facility is not secured.

(v) The Salary Bailout Scheme was approved by the Federal Government to assist State Governments in the settlement of outstanding salaries owed their workers. Funds are disbursed to Banks nominated by beneficiary States at 2% for on- lending to the beneficiary states at 9%. The loans have a tenor of 20 years. Repayments are deducted at source, by the Accountant General of the Federation, as a first line charge against each beneficiary state's monthly statutory allocation. This facility is not secured.

(vi) Excess Crude Account (ECA) facilities are loans of N10 billion to each State with a tenor of 10-years priced at 9% per annum interest rate to the beneficiaries. Repayments are deducted at source, by the Accountant General of the Federation, as a first line charge against each beneficiary state's monthly statutory allocation. This facility is not secured. The fund is disbursed to the bank at 2% interest rate.

(vii) The Real Sector Support Facility (RSSF): The Central Bank of Nigeria, as part of the efforts to unlock the potential of the real sector to engender output growth, productivity and job creation has established a N300 billion Real Sector Support Facility (RSSF). The facility is disbursed to large enterprises and startups with financing needs of N500 million up to a maximum of N10.0 billion. The activities targeted by the Facility are manufacturing, agricultural value chain and selected service subsectors. The funds are received from the CBN at 2%, and disbursed at 9% to the beneficiary.

(viii) Non-oil Export Stimulation Facility (NESF): This Facility was established by the Central Bank of Nigeria to diversify the economy away from the oil sector, after the fall in crude prices. The Central Bank invested N500billion debenture, issued by Nigerian Export-Import Bank (NEXIM). The facility disbursed per customer shall not exceed 70% of total cost of project, or subject to a maximum of N5billion. Funds disbursed to the Bank from CBN are at a cost of 2% which are then disbursed to qualifying customers at the rate of 9% per annum.

(ix) Creative Industry Financing Initiative (CIFI) is a scheme established by the Central Bank of Nigeria to provide long term and low interest funding to players in the creative industry. Areas of interest include Information Technology, Fashion, Movie Production/ Distribution and Music. Loans are disbursed to beneficiaries for up to 10 years at 9% per annum. The fund is disbursed to the bank at 5% interest rate.

(x) Accelerated Agricultural Development Scheme (AADS) was established by the Central Bank of Nigeria to help states develop at least 2 crops/agricultural commodities in which they have comparative advantage. The fund is disbursed to the Bank at 2% per annum. Each state is allowed a facility of N1.5billion at 9% per annum and repayments are made via ISPO deductions.

Due to the COVID 19 pandemic, all intervention funds disbursed to the bank are now priced at 1% per annum effective March 01, 2020 until February 28, 2021. The Bank on-lends to customers at 5% p.a.

Included in On-lending is a modification gain of N2.3 billion for the bank. It represents changes in gross carrying amount of the financial liabilities from immediately before, to immediately after modification.

	Group		Bank	
In Millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**

31. Borrowings

Long term borrowing comprise:

Due to ADB (i)	5,841	17,681	5,841	17,681
Due to KEXIM (ii)	670	22,877	670	22,877
Due to Afrexim (iii)	80,293	-	80,293	-
Due to PROPARCO (iv)	1,830	5,884	1,830	5,884
Societe Generale Bank	-	55,433	-	55,433
Due to ABSA Bank (v)	100,457	82,352	100,457	82,352
Due to J P Morgan Chase Bank	-	36,534	-	36,534
Due to Standard Bank London (vi)	20,159	-	20,159	-
Due to Standard Bank South Africa	-	27,635	-	27,635
Due to Mashreq Bank (vii)	28,113	18,320	28,113	18,813
Due to Goldman Sachs	-	36,950	-	-
Due to IFC (viii)	53,630	18,813	53,630	-
Due to Zenith Bank Ghana (ix)	-	-	4,010	36,950
Due to banks for clean letters of credit (x)	579,087	-	579,087	18,320
	870,080	**322,479**	**874,090**	**329,778**

The Group has not defaulted in the payment of principal or interest neither has the Group been in breach of any covenant relating to the liabilities during the period (December 31, 2019: nil). The assets exchanged under repurchase agreements with counterparties are disclosed in note 17.

Classified as:				
Current	783,520	280,934	787,530	280,934
Non-current	86,560	41,545	86,560	48,844
	870,080	**322,479**	**874,090**	**329,778**

Movement in borrowings

At beginning of the year	322,479	437,260	329,778	458,463
Addition during the year	872,332	223,779	872,332	223,779
Interest expense	30,706	46,505	33,510	28,585
Interest paid	(29,843)	(16,005)	(34,104)	(19,288)
Repayments (principal)	(353,338)	(369,060)	(357,341)	(361,761)
Foreign exchange difference	27,744	-	29,915	-
At end of the year	**870,080**	**322,479**	**874,090**	**329,778**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

(i) Due to ADB

This balance relates to term loan facility to the tune of US $125 million granted by ADB on September 2014. The facility is repayable over 6.5 years. Interest is payable half-yearly at the rate of 6 months LIBOR + 3.6% per annum. The outstanding balance of N6.3 billion (US $15.6 million) will mature in February 2021.

(ii) Due to KEXIM

The amount relates to facility of US $2.51million granted by The Export-Import Bank of Korea (KEXIM) in August 2020. Interest is payable monthly at 3 month LIBOR+1.6% for all running obligations.

Final repayments on these facilities are due in August 2021.

(iii) Due to Afrexim

The amount due to Afrexim of N80 billion (US $200 million) represents the amount payable by the Bank from 3year term loan, with a one year moratorium. The facilities are priced at 3 months Libor+3.34% per annum for $150m and Libor+4.34% per annum for the balance $50m ,and will mature in August 2023. Interest on the facility is payable quarterly

(iv) Due to Proparco

The amount due to Proparco of N1.83 billion (US $4.5 million) represents the outstanding from a dollar term loan facility to the tune of $50m granted by Promotion et Participation pour la Coopération économique (PROPARCO) in December 2013. The facilities are priced at 6 months Libor+3.71% per annum and will mature in April 2021. Interest on the facility is payable semi-annually. The outstanding balance for this facility is N1.82 billion (US $4.5 million).

(v) Due to ABSA

The amount of N100.048 billion (US $250 million) represents the amount payable by the Bank on dollar repurchase facilities of US$100 million and US$150 million, granted by ABSA in June 2020 and September 2020 respectively. Interest is payable quarterly and are priced at 3 months Libor+3.1 & 3.2% per annum each. The facilities will mature in June 2021 and Sept 2021 respectively.

(vi) Due to ICBC (STANDARD BANK LONDON)

The amount of N20.16 billion (US $50 million) represents the amount payable by the Bank on dollar repurchase facility of US$50 million granted by ICBC in October. Interest is payable quarterly and are priced at 6 months Libor+3.% per annum. The facilities will mature in April 2021.

(vii) Due to Mashreq Bank

The amount of N28.1 billion (US $70 million) represents the amount payable by the Bank on dollar repurchase facilities of US$50 million and US$20 million, granted by MASHREQ in July 2020 and November 2020 respectively. Interest is payable at maturity and are priced at 6 months Libor+3.1% per annum each. The facilities will mature in January 2021 and June 2021 respectively.

(viii) Due to IFC

The amount of N53.63 billion (US $133.33 million) represents the amount payable by the Bank from a term loan facility of US$100million, with a 1.5 year moratorium, and another USD 100m loan granted by International Finance Corporation (IFC) in June 2015 and July 2020 respectively. Interest is payable semi annually at 6 months LIBOR plus 4.5% and 3% per annum and the facility will mature in September 2022 and July 2020 respectively.

(ix) Due to Zenith Bank Ghana

The amount of N4.01 billion ($10 million) represents the outstanding balance on a dollar short-term facility of US $30million granted to Zenith Bank Ghana in 2018. The facility is priced at 6.75% per annum and is due to mature in December 2021. The facility has been eliminated on consolidation..

(x) The amount represents clean line obtained from various international banks for letters of credit and trade loans from international banks

32. Debt securities issued

in Millions of Naira	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Due to Euro bond holders	43,177	39,092	43,177	39,092
	43,177	**39,092**	**43,177**	**39,092**

The amount of N43.2 billion ($107 million) represents the outstanding balance due on the second tranche of US $500 million Eurobond notes issued by Zenith Bank Plc in May 2017 with a maturity date of May 2022. Interest is priced at 7.375%, payable semiannually with a bullet repayment of the principal sum at maturity.

In September 2019, the Bank repurchased US 392 million out of the outstanding US $500 million Eurobond notes for cash, pursuant to its tender offer.

The Group has not had any defaults of principal, interest or other breaches with respect to the debt securities during the year (December 31, 2018: Nil).

Movement in debt securities issued				
At start of the year	39,092	361,177	39,092	361,177
Revaluation loss for the year	2,928	5,949	2,928	5,949
Interest expense	4,271	-	4,271	-
Interest paid	(3,114)	-	(3,114)	-
Repurchase during the year	-	(142,151)	-	(142,151)
Contractual repayment	-	(198,207)	-	(198,207)
Accrued interest during the year	-	12,324	-	12,324
At end of the year	**43,177**	**39,092**	**43,177**	**39,092**

Classified as:				
Current	3,289	-	3,289	-
Non-current	39,888	39,092	39,888	39,092
	43,177	**39,092**	**43,177**	**39,092**

33. Derivative liabilities

Instrument types (Fair value):				
Forward and Swap Contracts	1,562	13,622	1,562	13,622
Futures contracts	9,514	1,140	9,514	1,140
	11,076	**14,762**	**11,076**	**14,762**

Instrument types (Notional Amount):				
Forward and Swap Contracts	51,574	208,263	51,574	208,263
Futures contracts	222,730	277,716	222,730	277,716
	274,304	**485,979**	**274,304**	**485,979**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

	Group		Bank	
in Millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Classified as:				
Current	11,076	14,762	11,076	14,762
Non-current	-	-	-	-
	11,076	**14,762**	**11,076**	**14,762**

The Group enters into currency forward contracts with counterparties. On initial recognition, the Group estimates the fair value of derivatives transacted with the counterparties using valuation techniques. In many cases, all significant inputs into the valuation techniques are wholly observable reference being made to similar transactions in the wholesale dealer market.

During the year, various forward contracts entered into by the Bank generated net gain of N(18.74) billion (December 31, 2019 net gain of N(7.43) billion) which were recognized in the statement of profit or loss and other comprehensive income. These net loss/gains related to the fair values of the forward contracts, producing derivative assets and liabilities of N41.73 and N11.08 billion respectively (December 31, 2019 N92.72 and N14.76 billion respectively).

34. Share capital

	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
Authorised				
40,000,000,000 ordinary shares of 50k each (31 Dec 2019: 40,000,000,000)	20,000	20,000	20,000	20,000
Issued and fully paid				
31,396,493,786 ordinary shares of 50k each (31 Dec 2019: 31,396,493,786)	15,698	15,698	15,698	15,698
Issued				
Ordinary	15,698	15,698	15,698	15,698

There was no movement in the share capital account during the year. The holders of ordinary shares are entitled to receive dividends, which are declared from time to time, also each shareholder is entitled to a vote at the meetings of the Bank. All ordinary shares rank equally with regards to the Group's residual assets.

35. Share premium, retained earnings and other reserves

(a) There was no movement in the Share premium account during the current and prior year.

	Group		Bank	
in Millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Share premium	255,047	255,047	255,047	255,047

The nature and purpose of the reserves in equity are as follows:

(b) Share premium: Premiums from the issue of shares are reported in share premium.

(c) Retained earnings:
Retained earnings represent undistributed profits, net of statutory appropriations attributable to the ordinary shareholders.

(d) Statutory reserve:
This reserve represents the cumulative appropriation from general reserves/earnings in line with Nigerian banking regulations that require the Bank to make an annual appropriation in reference to specific rules. Section 16(1) of the Bank and Other Financial Institutions Act of 1991 (amended), stipulates that an appropriation of 30% of profit after tax be made if the statutory reserve is less than the paid-up share capital and 15% of profit after tax if the statutory reserve is greater than the paid-up share capital. In the current year, a total of N29.68 billion (December 31, 2019: N27.05 billion) representing 15% of Zenith Bank's profit after tax was appropriated.

(e) SMIEIS/AGSMIES reserves:
This reserve represents the aggregate amount of appropriations from profit after tax to finance equity investments in compliance with the directives issued by the Central Bank of Nigeria (CBN) through its circulars dated July 11, 2006 (amended) and April 7, 2017 respectively.

The SMIEIS reserve was maintained in compliance with the Central Bank of Nigeria's requirement that all licensed banks set aside a portion of the profit after tax in a fund to be used to finance equity investments in qualifying small and medium scale enterprises. Under the terms of the guideline issued in July 2006, the contributions were 10% of profit after tax and were expected to continue after the first 5 years after which banks' contributions were to reduce to 5% of profit after tax. The small and medium scale industries equity investment scheme reserves are non-distributable.

(f) Fair value reserve:
Comprises fair value movements on equity instruments that are carried at fair value through other comprehensive income.

(g) Foreign currency translation reserve: Comprises exchange differences resulting from the translation to Naira of the results and financial position of Group companies that have a functional currency other than Naira.

(h) Regulatory reserve for credit risk: This reserve represents the cummulative difference between the loan loss provision determined per the Prudential Guidelines and the allowance/reserve for loan losses as determined in line with the principles of IFRS 9.

(i) Non-controlling interest: This is the component of shareholders equity as reported on the consolidated statement of financial position which represents the ownership interest of shareholders other than the parent of the subsidiary. See note 22(i) for the changes in non-controlling interest during the period.

In millions of Naira	31-Dec-20	31-Dec-19
Movement in Non-controlling interest		
At start of the year	754	1,538
Profit for the year	191	150
Foreign currency translation differences	29	(60)
Acquisition of NCI without change in control*	-	(874)
At end of year	**974**	**754**

36. Pension contribution

In accordance with the provisions of the Pensions Reform Act 2014, the Bank and its subsidiaries commenced a contributory pension scheme in January 2005. For entities operating in Nigeria, the contribution by employees and the employing entities are 8% and 10% respectively of the employees' basic salary, housing and transport allowances. Entities operating outside Nigeria contribute in line with the relevant pension laws in their jurisdictions. The contribution by the Group and the Bank during the year were N3.92 billion and N2.94 billion respectively (31 December 2018: N4.05 billion and N3.15 billion).

	Group		Bank	
In millions of Naira	2020	2019	2020	2019

37. Personnel expenses

Compensation for the staff are as follows:

Salaries and wages	67,558	65,831	52,485	51,966
Other staff costs	7,922	8,103	6,354	7,128
Pension contribution	3,778	3,924	2,676	2,944
	79,258	**77,858**	**61,515**	**62,038**

(a) The average number of persons employed during the year by category:

	Number	Number	Number	Number
Executive directors	15	12	6	6
Management	410	433	349	358
Non-management	7,119	6,960	5,982	5,618
	7,544	**7,405**	**6,337**	**5,982**

The table below shows the number of employees, whose earnings during the year, fell within the ranges shown below:

	Number	Number	Number	Number
N300,001 - N2,000,000	1,747	1,467	1,593	1,069
N2,000,001 - N2,800,000	124	75	15	-
N2,800,001 - N4,000,000	426	475	323	414
N4,000,001 - N6,000,000	927	1,083	728	929
N6,000,001 - - N8,000,000	1,302	1,382	1,132	1,189
N8,000,001 - N9,000,000	18	31	18	24
N9,000,001 - and above	3,000	2,892	2,528	2,357
	7,544	**7,405**	**6,337**	**5,982**

(b) Directors' emoluments

The remuneration paid to directors are as follows:	Number	Number	Number	Number
Executive compensation	1,252	1,140	992	525
Fees and sitting allowances	409	405	210	84
Retirement Benefit costs	13	903	11	903
	1,674	**2,448**	**1,213**	**1,512**

Fees and other emoluments disclosed above include amounts paid to:

The Chairman			28	13
The highest paid director			230	221

The number of directors who received fees and other emoluments (excluding pension contributions and reimbursable expenses) in the following ranges was:

	Number	Number	Number	Number
N5,500,001 and above	46	38	13	13

38. Group subsidiaries and related party transactions

Parent:

Zenith Bank Plc (incorporated in Nigeria) is the ultimate parent company of the Group

Subsidiaries:

The amount of N5,643 billion (December 31, 2019: N5,175 billion) represents the total assets under custody held by the Bank's subsidiary, Zenith Pensions Custodian Limited under the latter's custodial business. Included in the amount above is N105.7 billion which represents the amount of the Group's guarantee for the assets held by the subsidiary as required by the National Pensions Commission of Nigeria. Aside from the Guarantee on the asset held by our subsidiary, Zenith Pension Custodian Limited, the Group does not have any contingent liabilities in respect of related parties.

Transactions between Zenith Bank Plc and its subsidiaries which are eliminated on consolidation are not separately disclosed in the consolidated financial statements. The Group's effective interests and investments in subsidiaries as at December 31, 2020 are shown below.

Entity	Effective holding %	Nominal share capital held
Foreign/banking subsidiaries:		
Zenith Bank (Ghana) Limited	99.42 %	7,066
Zenith Bank (UK) Limited	100.00 %	21,482
Zenith Bank (Sierra Leone) Limited	99.99 %	2,059
Zenith Bank (Gambia) Limited	99.96 %	1,038
Zenith Pensions Custodian Limited	99.00 %	1,980
Zenith Nominee Limited	99.00 %	1,000

December 31, 2020

Transactions and balances with subsidiaries In millions of Naira	Receivable from	Payable to	Income received from	Expense paid to
Zenith Bank (UK) Limited	114,939	35,900	130	-
Zenith Bank (Ghana) Limited	2	4,010	-	2,805
Zenith Bank (Sierra leone) Limited	256	-	-	-
Zenith Bank (Gambia) Limited	791	-	-	-
Zenith Pensions Custodian Limited	-	-	3,600	-

	31 December 2019		31 December 2019	
Transactions and balances with subsidiaries In millions of Naira	**Receivable from**	**Payable to**	**Income received from**	**Expense paid to**
Zenith Bank (UK) Limited	83,570	67,194	540	-
Zenith Bank (Ghana) Limited	-	7,301	-	-
Zenith Bank (Sierra leone) Limited	159	-	-	-
Zenith Bank (Gambia) Limited	53	-	-	-
Zenith Pensions Custodian Limited	-	-	3,600	-

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. See notes 3.4, 3.6 and 4.4b for disclosures on liquidity, capital adequacy, and credit risk reserve requirements respectively. The carrying amounts of banking subsidiaries' assets and liabilities are N1,526 billion and N1,305 billion respectively (December 31, 2019: N1,089 billion and N914 billion respectively).

Non controlling interest in subsidiaries

The Group does not have any subsidiary that has material non controlling interest.

Key management personnel

Key management personnel is defined as the Group's executive, non-executive directors and chief officers,including their close members of family and any entity over which they exercise control. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealings with the Group.

	Group		Bank	
In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Key management compensation				
Short term benefits	1,576	1,226	1,194	724
Post employment benefits	23	919	11	906
Fees and sitting allowances	409	405	210	84
	2,008	**2,550**	**1,415**	**1,714**
Loans and advances				
At start of the year	1,764	1,180	1,642	1,022
Granted during the year	366	1,010	-	1,010
Repayment during the year	(333)	(426)	(166)	(390)
At end of of the year	**1,797**	**1,764**	**1,476**	**1,642**
Interest earned	69	60	63	60

Loans to key management personnel include mortgage loans and other personal loans which are given under terms that are no more favourable than those given to other staff. Loans granted to key management are performing.

Directors' related party transactions:

December 31, 2020 Name of company	Relationship/Name	Loans	Deposits	Interest received	Interest paid
Cyberspace Network		1,634	1,709	61	38
Quantum Fund Management		1,634	1,709	61	38

Insider related transactions:

December 31, 2020 Name of company	Relationship/Name	Loans	Deposits	Interest received	Interest paid
Cyberspace Network	Common significant shareholder/Jim Ovia	-	61	-	-
Quantum Fund Management	Common significant shareholder/Jim Ovia	-	189	-	-
Zenith General Insurance Company Ltd	Common directorship/Jim Ovia	-	1,544	-	-
Zenith Trustees Ltd	Common directorship /Jim Ovia	-	1	-	-
Oviation limited	Former Director	-	844	-	-
Sirius Lumina Ltd	Director / Prof. Sam Enwemeka	-	1	-	-
		-	**2,640**	**-**	**-**

Name of company	Relationship/Name	31 December 2019		31 December 2019	
		Loans	Deposits	Interest received	Interest paid
Cyberspace Network	Common significant shareholder/Jim Ovia	-	2	-	-
Quantum Fund Management	Common significant shareholder/Jim Ovia	-	85	-	-
Zenith General Insurance Company Ltd	Common directorship/Jim Ovia	-	1,146	-	-
Directors deposits	-	796	1,598	48	35
Oviation limited			1,578		
Sirius Lumina Ltd	Director / Prof. Sam Enwemeka	-	1	-	-
		796	**4,410**	**48**	**35**

Loans granted to related parties are secured over real estate and other assets of the respective borrowers. Loans granted to related parties are performing. No life time impairment has been recognised in respect of loans granted to related parties (31 December, 2019: Nil).

During the year, Zenith Bank Plc paid N1.90 billion as insurance premium to Zenith General Insurance Limited (December 31, 2019: N1.78 billion). These expenses were reported as operating expenses.

The Bank entered into a lease contract in October 2017 with Oviation Limited. Oviation Limited has two common Directors with Zenith Bank. The finance lease agreement has Zenith Bank as lessee for a Gulfstream jet over a tenor of 10 years with annual lease payments of 2.76 billion Naira.

The Bank paid N2.58 billion (31 December, 2019 N5.71 billion) to Cyberspace Network for various Information technology services rendered during the year.

39. Contingent liabilities and commitments

(a) Legal proceedings

The Group is presently involved in several litigation suits in the ordinary course of business. The total amount claimed in the cases against the Group is estimated at N78.8 billion (December 31, 2019: N27 billion). The actions are being contested and the Directors are of the opinion that none of the aforementioned cases is likely to have a material adverse effect on the Group and are not aware of any other pending or threatened claims and litigations.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

(b) Capital commitments

At the reporting date, the Group had capital commitments amounting to N4.9 billion (December 31, 2019: N5.5 billion) in respect of authorized and contracted capital projects.

	Group	
Break down of capital commitments	**31-Dec-20**	**31-Dec-19**
Motor vehicles, Furniture and equipments	50	285
Information tecnology	3,756	4,080
Property	1,135	1,128
	4,941	**5,493**

(c) Confirmed credits and other obligations on behalf of customers

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk. These instruments are issued to meet the credit and other financial requirements of customers. The contractual amounts of the off-balance sheet financial instruments are:

	Group		Bank	
	31-Dec-20	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Performance bonds and guarantees (see note i below)	376,252	363,922	325,249	261,495
Usance (see note ii below)	50,770	79,318	49,569	79,318
Letters of credit (see note ii below)	172,905	545,174	84,183	413,656
	599,927	**988,414**	**459,001**	**754,469**
Pension Funds (See Note iii below)	5,642,718	5,174,795	5,642,718	5,174,795

(i) The transaction related performance bonds and guarantees are, generally, short-term commitments to third parties which are not directly dependent on the customer's creditworthiness. As at December 31, 2020, performance bonds and guarantees worth N73 billion (December 31, 2019: N84 billion) are secured by cash while others are otherwise secured.

(ii) Usance and letters of credit are agreements to lend to a customer in the future, subject to certain conditions. Such commitments are either made for a fixed period, or have no specific maturity dates, but are cancellable by the Group (as lender) subject to notice requirements. These Letters of credit are provided at market-related interest rates. Usance and letters of credit are secured by different types of collaterals similar to those accepted for actual credit facilities.

(iii) The amount of N5,643 billion (December 31, 2019: N5,175 billion) represents the total assets under custody held by the Bank's subsidiary, Zenith Pensions Custodian Limited under the latter's custodial business. Included in the amount above is N105.7 billion which represents the amount of the Group's guarantee for the assets held by the subsidiary as required by the National Pensions Commission of Nigeria. Aside from the Guarantee on the asset held by our subsidiary, Zenith Pension Custodian Limited, the Group does not have any contingent liabilities in respect of related parties.

40. Dividend per share

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Dividend proposed	94,188	87,910	94,188	87,910
Number of shares in issue and ranking for dividend	31,396	31,396	31,396	31,396
Proposed dividend per share (Naira)	3.00	2.80	3.00	2.8
Interim dividend per share paid (Naira)	0.30	0.30	0.30	0.30
Final dividend per share proposed	2.70	2.50	2.70	2.50
Final dividend paid during the year	78,491	78,491	78,491	78,491
Interim dividend paid during the year	9,419	9,419	9,419	9,419
Total dividend paid during the year	87,910	87,910	87,910	87,910

The Board of Directors, pursuant to the powers vested in it by the provisions of Section 426 of the Companies and Allied Matters Act of Nigeria, CAMA 2020, paid an interim dividend of N0.30 per share and propose a final dividend of N2.70 per share (December 31, 2019: interim; N0.30, final; N2.50) from the retained earnings account as at December 31, 2020. This is subject to approval by shareholders at the next Annual General Meeting.

The number of shares in issue and ranking for dividend represents the outstanding number of shares as at December 31, 2020 and December 31, 2019 respectively.

Dividends are paid to shareholders net of withholding tax at the rate of 10% in compliance with extant tax laws.

41. Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents include cash and non-restricted balances with central banks, treasury bills maturing within three months, operating account balances with other banks, amounts due from other banks.

	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Cash and cash balances with central bank (less mandatory reserve deposits)	180,346	175,328	132,626	118,499
Treasury bills (maturing within 3 months) (see note 16)	396,924	11,697	396,924	11,697
Due from other banks	631,250	483,690	353,133	258,657
	1,208,520	**670,715**	**882,683**	**388,853**

42. Compliance with banking regulations

During the year, the Bank paid a penalty to CBN of N11.4 million relating to customer domiciliary account operations.

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19

43. Statement of cash flow workings

(i) Debt securities (see note 21)

December 31, 2020	Debt securities (including pledged instruments) at fair value through profit or loss	Debt securities (including pledged instruments) at amortised cost and FVTOCI	Debt securities (including pledged instruments) at fair value through profit or loss	Debt securities (including pledged instruments) at amortised cost and FVTOCI
At 1 January 2019	27,922	796,306	27,922	394,567
Gains from changes in fair value recognised in profit or loss (see note 21)	9,486	-	9,486	-
Gains from changes in fair value recognised in OCI	-	17,921	-	16,295
Impairment Charge	-	(503)	-	(503)
Interest income	-	89,806	-	50,076
Interest received	**-**	**(42,990)**	**-**	**(42,990)**
Interest accrued	**-**	**-**	**-**	**-**
Foreign exchange difference	-	28,489	-	468
Balance as at 31 December 2020	**49,277**	**1,121,353**	**44,935**	**461,907**
Movement for cash flow statement	**11,869**	**232,324**	**7,527**	**43,994**
Recognised in cash flow statement	-	(244,193)	-	(51,521)

December 31, 2019	Debt securities at fair value through profit or loss	Debt securities at fair value through profit or loss	Debt securities at fair value through profit or loss	Debt securities at fair value through profit or loss
At 1 January 2019	4,970	513,154	4,970	102,508
Gains from changes in fair value recognised in profit or loss (see note 11)	10,905	-	10,905	-
Additions	11,592	132,685	11,592	57,059
Disposals (sale, transfers and redemption)	(15,210)	(138,370)	(15,210)	(49,551)
Interest accrued	-	7,790	-	3,943
	(12,257)	**516,772**	**12,257**	**113,959**
Movement for cash flow statement	(3,618)	2,105	(3,618)	11,451
Recognised in cash flow statement	-	1,513	-	(7,833)

In millions of Naira	Group		Bank	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19

(ii) Treasury bills (Amortised cost) (see note 16)

December 31, 2020	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Treasury bills (including pledged instruments) at amortised cost as at 1 January	370,326	692,429	201,379	332,497
Change in ECL allowance	(972)	35	(659)	55
Interest income	53,797	81,108	31,147	52,127
Interest received	(52,115)	(208,894)	(29,465)	-
Balance as at 31 December 2020	535,673	370,326	351,511	201,379
Recognised in cashflow statement	**(164,637)**	**194,352**	**(149,109)**	**183,300**

(iii) Treasury bills (FVTPL) (see note 16)

December 31, 2020	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Treasury bills fair value through profit or loss as at 1 January	708,111	510,313	708,114	510,313
Treasury bills pledged FVTPL	99,856	-	99,856	-
Unrealised fair value gain	43,337	-	41,491	-
Balance as at 31 December 2020	770,094	708,111	769,800	708,114
Recognised in cashflow	**81,210**	(197,798)	**79,661**	(197,801)

(iv) Loans and advances (see note 20)

December 31, 2020	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Loans and advances at 1 January	2,305,565	1,823,111	2,239,472	1,736,066
Changes in ECL allowance	(37,439)	(27,754)	(35,495)	(27,148)
Interest income	250,812	232,946	236,064	220,210
Interest received	(221,011)	(215,455)	(206,263)	(203,038)
Foreign exchange difference	95,449	-	53,200	-
Balance as at 31 December 2020	2,779,027	2,305,565	2,639,797	2,239,472
	(385,651)	**(492,717)**	**(352,819)**	**(513,382)**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

In millions of Naira	Group		Bank	
(v) Customer deposits				
December 31, 2020	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
As at 1 January	4,262,289	3,690,295	3,486,887	2,821,066
Interest expense	81,060	80,583	59,691	66,822
Interest paid	(63,028)	(72,724)	(42,550)	(65,556)
Foreign exchange differences	99,452	-	32,446	-
Balance as at year end	5,339,911	4,262,289	4,298,258	3,486,887
	960,138	**564,135**	**761,784**	**664,555**

(vi) Other liabilities (see note 29)

December 31, 2020	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
As at 1 January	363,764	231,716	386,061	223,463
Changes in ECL allowance	(706)	2,473	(706)	2,473
Additional VAT payable	-	2,307	-	2,307
Lease liability additions	2,582	-	1,632	-
Interest expense on lease liability	3,260	-	2,805	-
Interest paid	(2,838)	(5,510)	(2,528)	(5,510)
Principal repayment on lease liability	(742)	(2,196)	(684)	(2,196)
Balance as at 31 December 2020	703,292	363,764	599,464	386,061
Net cash movement	**337,972**	**134,974**	**212,884**	**165,524**

December 31, 2020	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Cost (see note 25)	7,561	5,163	2,436	1,960
Accummulated depreciation (see note 25)	(6,795)	(2,334)	(2,191)	(1,582)
Net book value	766	2,829	245	378
Sales proceed	(1,113)	(2,976)	(593)	(530)
Profit on Disposal (see note 10)	**347**	**147**	**348**	**152**

In millions of Naira	Group		Bank	

(vii) Due from Banks (greater than 90 days)

December 31, 2020	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
As at 1 January	223,413	-	223,413	-
Changes in ECL allowance	83	-	83	-
Interest Income	26,398	-	25,205	-
Interest received	(24,526)	-	(24,526)	-
Foreign exchange difference	21,794	-	21,794	-
Balance as at 31 December 2020	179,244	223,413	179,244	223,413
Recognised in cash flow statement	**67,918**	**(223,413)**	**66,725**	**(223,413)**

(viii) Other assets

December 31, 2020	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
As at 1 January	77,395	80,948	71,412	75,910
Changes in ECL allowance	(1,409)	341	(1,369)	354
Withholding tax receivable utilised	(497)	-	(497)	-
Foreign exchange difference	5,873	(31)	-	-
Balance as at 31 December 2020	169,967	77,395	159,625	71,412
Recognised in cash flow statement	**(88,605)**	**3,863**	**(90,079)**	**(4,853)**

(ix) Derivative Asset

December 31, 2020	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
At 1 January	92,722	88,826	92,722	88,826
Balance as at 31 December 2020	44,496	92,722	41,729	92,722
Recognised in cashflow (as unrealised fair value gain/loss)	**48,226**	**(3,896)**	**50,993**	**(3,896)**

Notes to the Consolidated and Separate Financial Statements for the Year Ended December 31, 2020

In millions of Naira	Group		Bank	

(x) Restricted balances (Cash Reserve)

December 31, 2020	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Mandatory reserve deposit with central bank	1,330,733	680,261	1,289,930	680,261
Special Cash Reserve	80,689	80,689	80,689	80,689
	1,411,422	**760,950**	**1,370,619**	**760,950**
Recognised in cashflow	**(650,472)**	**-**	**(609,669)**	**-**

December 31, 2019	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
Mandatory reserve deposit with central bank	680,261	624,782	680,261	624,782
Special Cash Reserve	80,689	80,689	80,689	80,689
	760,950	**705,471**	**760,950**	**705,471**
Recognised in cashflow	**(55,479)**	**-**	**(55,479)**	**-**

(xi) Derivative liabilities

December 31, 2020	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
As at 1 January	14,762	16,995	14,762	16,995
Balance as at 31 December 2020	11,076	14,762	11,076	14,762
Recognised in cashflow as fair unrealised fair value gain/loss	**(3,686)**	**(2,233)**	**(3,686)**	**(2,233)**

ZENITH
TIMELESS ACCOUNT
for Senior Citizens
(55years and above)
No Fees, No Charges,
Just Free Banking
Visit www.zenithbank.com/timeless for more details

04

Other National Disclosures

Value Added Statement

In millions of Naira	31-Dec-20	31-Dec-20 %	31-Dec-19	31-Dec-19 %
Group				
Gross income	696,450		662,251	
Interest expense				
- Local	(98,512)		(123,651)	
- Foreign	(22,619)		(24,881)	
	575,319		513,719	
Impairment loss on financial and non-financial instruments	(39,534)		(24,032)	
	535,785		**489,687**	
Bought-in materials and services				
- Local	(131, 934)		(76,072)	
- Foreign	(40,070)		(67,949)	
Value added	**363,781**	**100**	**345,666**	**100**
Distribution				
Employees				
Salaries and benefits	79,258	22	77,858	23
Government				
Income tax	25,296	7	34,451	10
Retained in the Group				
Replacement of property and equipment/ intangible assets	28,662	8	24,514	7
To pay proposed dividend	84,769	23	9,420	3
Profit for the year (including statutory reserves, small scale industry, and non-controling interest)	145,796	35	199,423	58
Total Value Added	**363,781**	**100**	**345,666**	**100**

Value added represents the additional wealth which the Group has been able to create by its own and employees efforts.

In millions of Naira	31-Dec-20	31-Dec-20 %	31-Dec-19	31-Dec-19 %
Bank				
Gross income	595,921		564,687	
Interest expense				
- Local	(62,041)		(58,288)	
- Foreign	(40,070)		(67,949)	
	493,810		438,450	
Impairment loss on financial and non-financial instruments	(37,237)		(23,393)	
	456,573		**415,057**	
Bought-in materials and services				
- Local	(156,502)		(128,230)	
- Foreign	(3,087)		(3,087)	
Value added	**296,984**	**100**	**283,740**	**100**
Distribution				
Employees				
Salaries and benefits	61,515	21	62,038	22
Government				
Income tax	22,017	4	22,017	8
Retained in the Bank				
Replacement of property and equipment/ intangible assets	25,462	9	21,682	5
To pay proposed dividend	84,769	33	9,420	69
Profit for the year (including statutory reserves, and small scale industry)	113,083	38	168,583	(15)
Total Value Added	**296,984**	**100**	**283,740**	**100**

Value added represents the additional wealth which the Bank has been able to create by its own and employees efforts.

Five Year Financial Summary

In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Group					
Statement of Financial Position					
Assets					
Cash and balances with central banks	1,591,768	936,278	954,416	957,663	669,058
Treasury bills	1,577,875	991,393	1,000,560	936,817	557,359
Assets pledged as collateral	298,530	431,728	592,935	468,010	328,343
Due from other banks	810,494	707,103	674,274	495,803	459,457
Derivative assets	44,496	92,722	88,826	57,219	82,860
Loans and advances	2,779,027	2,305,565	1,823,111	2,100,362	2,289,365
Investment securities	996,916	591,097	565,312	330,951	199,478
Investments in associates	-	-	-	-	-
Deferred tax	5,786	11,885	9,513	9,561	6,440
Other assets	169,967	77,395	80,948	92,494	37,536
Property and equipment	190,170	185,216	149,137	133,384	105,284
Intangible assets	16,243	16,497	16,678	12,989	4,645
Total assets	**8,481,272**	**6,346,879**	**5,955,710**	**5,595,253**	**4,739,825**
Liabilities					
Customers deposits	5,339,911	4,262,289	3,690,295	3,437,915	2,983,621
Derivative liabilities	11,076	14,762	16,995	20,805	66,834
Current tax payable	11,690	9,711	9,154	8,915	8,953
Deferred income tax liabilities	-	25	67	18	45
Other liabilities	703,292	363,764	231,716	243,023	214,080
On-lending facilities	384,573	392,871	393,295	383,034	350,657
Borrowings	870,080	322,479	437,260	356,496	263,106
Debt securities issued	43,177	39,092	361,177	332,931	153,464
Total liabilities	**7,363,799**	**5,404,993**	**5,139,959**	**4,783,137**	**4,040,760**
Net assets	**1,117,473**	**941,886**	**815,751**	**812,116**	**699,065**
Equity					
Share capital	15,698	15,698	15,698	15,698	15,698
Share premium	255,047	255,047	255,047	255,047	255,047
Retained earnings	521,293	412,948	322,237	356,837	261,608
Other Reserves	324,461	257,439	221,231	183,217	165,729
Attributable to equity holders of the parent	1,116,499	941,132	814,213	810,799	698,082
Non-controlling interest	974	754	1,538	1,317	983
Total shareholders' equity	**1,117,473**	**941,886**	**815,751**	**812,116**	**699,065**

* See note 43

In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Statement Of Profit Or Loss And Other Comprehensive Income					
Gross earnings	696,450	662,251	630,344	745,189	507,997
Share of profit / (loss) of associates	-	-	-	-	-
Interest expense	(121,131)	(148,532)	(144,458)	(216,637)	(144,378)
Operating and direct expenses	(279,924)	(246,393)	(235,829)	(231,006)	(179,921)
Impairment charge for financial and non-financial assets	(39,534)	(24,032)	(18,372)	(98,227)	(32,350)
Profit before taxation	**255,861**	**243,294**	**231,685**	**199,319**	**151,348**
Income tax	(25,296)	(34,451)	(38,261)	(25,528)	(27,096)
Profit after tax	**230,565**	**208,843**	**193,424**	**173,791**	**124,252**
Fair value movements on equity instruments	16,295	13,870	1,459	(2,551)	6,636
Related tax	-	-	-	-	-
Effective portion of changes in fair value of cash flow hedges	1,981	518	-	-	-
Related tax	(355)	(66)	-	-	-
	17,921	**14,322**	**6,287**	**2,682**	**36,974**
Total comprehensive income	**248,486**	**223,165**	**199,711**	**176,473**	**161,226**
Earning per share:					
Basic and diluted	734 K	665 K	615 K	553 K	395 K

Five Year Financial Summary

In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Bank					
Statement of Financial Position					
Assets					
Cash and balances with central banks	1,503,245	879,449	902,073	907,265	627,385
Treasury bills	1,393,421	822,449	817,043	799,992	463,787
Assets pledged as collateral	298,530	431,728	592,935	468,010	325,575
Due from other banks	532,377	482,070	393,466	273,331	354,405
Derivative assets	41,729	92,722	88,826	57,219	82,860
Loans and advances	2,639,797	2,239,472	1,736,066	1,980,464	2,138,132
Investment securities	333,126	189,358	156,673	117,814	118,622
Investments in subsidiaries	34,625	34,625	34,003	34,003	33,003
Investments in associates	-	-	-	-	-
Deferred tax	4,733	11,223	9,197	9,197	6,041
Other assets	159,625	71,412	75,910	56,052	35,410
Assets classified as held for sale	-	-	-	-	-
Property and equipment	169,080	165,456	133,854	118,223	94,613
Intangible assets	14,699	15,109	15,399	12,088	3,903
Total assets	**7,124,987**	**5,435,073**	**4,955,445**	**4,833,658**	**4,283,736**
Liabilities					
Customers deposits	4,298,258	3,486,887	2,821,066	2,744,525	2,552,963
Derivative liabilities	11,076	14,762	16,995	20,805	66,834
Current tax payable	9,117	6,627	5,954	6,069	6,927
Deferred income tax liabilities	-	-	-	-	-
Other liabilities	599,464	386,061	223,463	229,332	249,136
On-lending facilities	384,573	392,871	393,295	383,034	350,657
Borrowings	874,090	329,778	458,463	418,979	292,802
Debt securities issued	43,177	39,092	361,177	332,931	153,464
Total liabilities	**6,219,755**	**4,656,078**	**4,280,413**	**4,135,675**	**3,672,783**
Net assets	**905,232**	**778,995**	**675,032**	**697,983**	**610,953**
Equity					
Share capital	15,698	15,698	15,698	15,698	15,698
Share premium	255,047	255,047	255,047	255,047	255,047
Retained earnings	382,292	302,028	238,635	287,867	213,107
Other reserves	252,195	206,222	165,652	139,371	127,101
Attributable to equity holders of the parent	905,232	778,995	675,032	697,983	610,953
Total shareholders' equity	**905,232**	**778,995**	**675,032**	**697,983**	**610,953**

In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-18	31-Dec-17	31-Dec-16
Statement Of Profit Or Loss And Other Comprehensive Income					
Gross earnings	595,921	564,687	538,004	673,636	454,808
Interest expense	(102,111)	(126,237)	(124,156)	(200,672)	(131,910)
Operating and direct expenses	(246,566)	(215,037)	(206,428)	(208,299)	(162,076)
Impairment charge for financial assets	(37,237)	(23,393)	(15,313)	(95,244)	(26,295)
Profit before tax	**210,007**	**200,020**	**192,107**	**169,421**	**134,527**
Income tax	(12,155)	(19,688)	(26,627)	(16,418)	(20,642)
Profit after tax	**197,852**	**180,332**	**165,480**	**155,003**	**113,885**
Other comprehensive income		-	-	-	-
Fair value movements on equity instruments	16,295	13,870	1,459	(2,551)	6,636)
Tax effect of equity instruments at fair value	-	-	-	-	-
	16,295	**13,870**	**1,459**	**(2,551)**	**6,636**
Total comprehensive income	**214,147**	**194,202**	**166,939**	**150,452**	**120,521**
Earning per share:					
Basic and diluted	630 K	574 K	527 K	487 K	362 K

Share Capital History

Financial year	Nominal value of shares (=N=)	Number of shares (units)	Nominal value per shares (=N=)
30-Jun-91	24,839,000.00	24,839,000.00	1
30-Jun-92	54,407,000.00	54,407,000.00	1
30-Jun-93	57,897,352.00	57,897,352.00	1
30-Jun-94	90,062,000.00	90,062,000.00	1
30-Jun-95	178,744,000.00	178,744,000.00	1
30-Jun-96	242,830,000.00	242,830,000.00	1
30-Jun-97	244,054,000.00	244,054,000.00	1
30-Jun-98	512,513,000.00	512,513,000.00	1
30-Jun-99	512,513,000.00	512,513,000.00	1
30-Jun-00	513,329,000.00	513,329,000.00	1
30-Jun-01	1,026,658,000.00	1,026,658,000.00	1
30-Jun-02	1,026,658,000.00	1,026,658,000.00	1
30-Jun-03	1,548,555,000.00	1,548,555,000.00	1
30-Jun-04	1,548,555,000.00	3,097,110,000.00	0.5
30-Jun-05	3,000,000,000.00	6,000,000,000.00	0.5
30-Jun-06	4,586,744,450.00	9,173,488,900.00	0.5
30-Jun-07	4,632,762,150.00	9,265,524,300.00	0.5
30-Sep-08	8,372,398,343.00	16,744,796,686.00	0.5
31-Dec-09	12,558,597,514.50	25,117,195,029.00	0.5
31-Dec-10	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-11	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-12	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-13	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-14	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-15	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-16	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-17	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-18	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-19	15,698,246,893.00	31,396,493,786.00	0.5
31-Dec-20	15,698,246,893.00	31,396,493,786.00	0.5

VERITAS REGISTRARS
RC 510155

Veritas Registrars Limited (formerly Zenith Registrars Limited)
Plot 89A, Ajose Adeogun Street, P. O. Box 75315, Victoria Island, Lagos
Telephone: (01) 27089304, 2784167-8; Fax:(01)2704085
enquiry@veritasregistrars.com
www.veritasregistrars.com

e-BONUS (DIRECT CREDIT TO CSCS ACCOUNT)

Account No: ____________________

I/We have ____________________ units of **Zenith Bank Plc** shares.

I/We hereby request and authorise you to credit my/our CSCS account (statement attached) with BONUS accruing on my/our holdings.

I/We indemnify the Directors of Zenith Bank Plc against all claims and demands (and any case expense thereof which may be made in consequence of your complying with this instruction:

Shareholder's Name: ....
SURNAME OTHER NAMES

Shareholder's Address: ....

....

Mobile Tel: ....

Date: ....

I hereby affirm that the information given above are true of me ____________________
Shareholder's Signature

1. Please attach copies of CSCS statement
2. CSCS transaction listing
3. Name of Stockbrokers

FOR REGISTRAR'S USE ONLY DATE

Action taken:

☐ Credited ☐ Not Credited ☐ Pending

Officer's Name & Sign: ____________________

VERITAS REGISTRARS

(formerly Zenith Registrars) RC 510155
Plot 89A, Ajose Adeogun Street, P. O. Box 75315, Victoria Island, Lagos
Telephone: (01) 27089304, 2784167-8; Fax:(01)2704085
enquiry@veritasregistrars.com
www.veritasregistrars.com

Affix Passport Photograph
(to be stamped by the Bank)

e-DIVIDEND MANDATE FORM

I/We hereby request that from now, all dividends due to me/us from my/our shareholding in all companies indicated be credited to my/our bank account named below.

Please tick as applicable

CONSOL. BREWERIES	
DANGOTE SUGAR	
FORTE OIL	
GUINNESS NIGERIA	
MAY & BAKER	
ZENITH BANK	

Date: DD/MM/YYYY ____ / ____ / ________

Surname/Company's Name

Other Names (for Individual Shareholder)

Present Postal Address

City

State

E-mail Address

Mobile (GSM) Phone Number

Clearing House Number

Bank Name

Bank Address

Bank Account Number

Bank Sort Code

Shareholder's Signature or Thumbprint

Shareholder's Signature or Thumbprint

Company Seal/Incorporation No. (Corporate Shareholder)

For Bank's use only

Authorized Signature and Stamp of Bankers

Date account was established

____ / ____ / ________

Authorized Signature and Stamp of Bankers

ZENITH BANK PLC

PROXY FORM FOR THE 30TH ANNUAL GENERAL MEETING OF ZENITH BANK PLC TO BE HELD AT THE CIVIC CENTRE, OZUMBA MBADIWE STREET, VICTORIA ISLAND, LAGOS STATE ON TUESDAY, MARCH 16, 2021 AT 9.AM

I/We, ………………………………… being a member of Zenith Bank Plc hereby appoint ....
....
....
as our proxy to act and vote for us and on our behalf at the Annual General Meeting of the Company to be held at the Civic Centre, Ozumba Mbadiwe Street, Victoria Island, Lagos State on Tuesday, March 16, 2021 at 9.00 a.m. and at any adjournment thereof.

I/We desire this proxy to be used in favour of/or against the resolution as indicated below (strike out whichever is not desired).

S/N	RESOLUTIONS	FOR	AGAINST
1	To present and consider the Bank's Audited Accounts for the financial year ended 31st December, 2020, the Reports of the Directors, Auditors and Audit Committee thereon.		
2	To declare a final dividend.		
3	To elect the following Directors retiring by rotation: (i) Mr. Gabriel Ukpeh (ii) Mr. Jeffrey Efeyini (iii) Mr. Henry Oroh		
4	To ratify the appointment of Messrs PWC as External Auditors of the bank.		
5	To authorize the Directors to fix the remuneration of the Auditors.		
6	Disclosure of the remuneration of Managers of the bank.		
7	To elect members of the Audit Committee.		
8	To consider and if thought fit, to pass the following as ordinary resolution: "That the remuneration of the Directors of the Bank for the year ending December 31, 2021 be and is hereby fixed at N25 million only".		

Please indicate with "x" in the appropriate box how you wish your vote to be cast on the resolutions set out above. Unless otherwise instructed, the proxy will vote or abstain from voting on his/her discretion.

Dated this………… Day of ……………………………………….. 2021

Authorized Signatory

Name/Designation

NOTE

Please sign the Proxy Form and stamp at the Stamp Duties Office and forward by return email to **enquiry@veritasregistrars.com**, **veritasregistrars@veritasregistrars.com** and **michael.otu@zenithbank.com** or by depositing it at the office of the Company's Registrars, Veritas Registrars Limited, 89A, Ajose Adeogun Street, Victoria Island, Lagos State not later than 24 hours before the time fixed for the meeting. The Company will bear the cost of stamping of all the duly completed and signed proxy forms submitted within the stipulated time.

A member who is unable to attend the Annual General Meeting is allowed to vote by Proxy.

In line with the Company's obligations to comply with the restriction on mass gatherings and social and/or physical distancing guidelines prescribed by both the Federal Government of Nigeria and the Lagos State Government in the conduct of the meeting, members may appoint any of the following Directors, Audit Committee Chairman and Shareholders' Representatives as their Proxy for the meeting:

Mr. Jim Ovia	-	***Chairman***
Mr. Jeffrey Efeyini	-	***Director***
Prof. Chukuka S. Enwemeka	-	***Director***
Mr. Gabriel Ukpeh	-	***Director***
Engr. Mustafa Bello	-	***Director***
Dr. Al-Mujtaba Abubakar	-	***Director***
Mr. Henry Oroh	-	***Director***
Mr. Dennis Olisa	-	***Director***
Dr. Temitope Fasoranti	-	***Director***
Mr. Ahmed Umar Shuaib	-	***Director***
Dr. Adaora Umeoji	-	***Deputy Managing Director***
Mr. Ebenezer Onyeagwu	-	***GMD/CEO***
Mrs. Adebimpe Balogun	-	***Chairman, Audit Committee***
Sir. Sunny Nwosu	-	***Shareholder Representative***
Chief Timothy Adesiyan	-	***Shareholder Representative***
Dr. Umar Farouk	-	***Shareholder Representative***
Mr. Nonah Awoh	-	***Shareholder Representative***
Mrs. Bisi Bakare	-	***Shareholder Representative***

The meeting would also be accessible to all members virtually on the bank's website and our social media platforms to avoid the need for physical gathering involving large number of persons.

REGISTRAR
VERITAS REGISTRARS LIMITED,
89A, AJOSE ADEOGUN STREET,
VICTORIA ISLAND,
LAGOS.

END to END Banking

*966# EazyBanking

The Zenith Bank **Mobile App**
... making life *simple*

ZENITH **INTERNET BANKING**

www.zenithbank.com

Zenith Automated **Voice Banking**

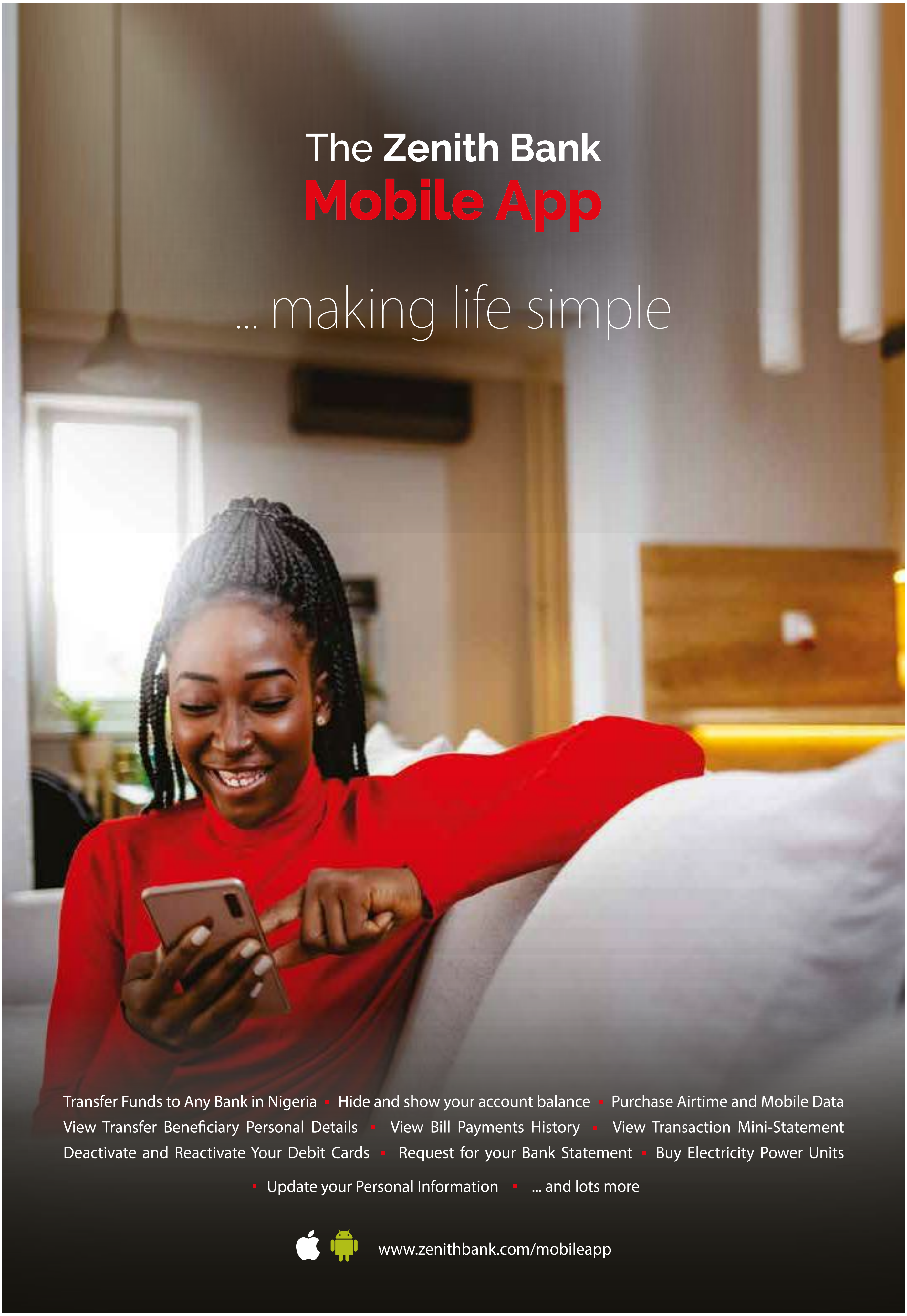
With our robust range of digital solutions, you can start a banking relationship and perform your everyday financial transactions without having to visit any of our branches.

You can ...

- Open an account
- Get a virtual debit card
- Transfer funds
- Make payments/pay bills

and do lots more wherever you live, work or play.

Visit **www.zenithbank.com/digitalbanking**



The Zenith Bank
Mobile App
... making life simple
Transfer Funds to Any Bank in Nigeria ▪ Hide and show your account balance ▪ Purchase Airtime and Mobile Data
View Transfer Beneficiary Personal Details ▪ View Bill Payments History ▪ View Transaction Mini-Statement
Deactivate and Reactivate Your Debit Cards ▪ Request for your Bank Statement ▪ Buy Electricity Power Units
▪ Update your Personal Information ▪ ... and lots more
www.zenithbank.com/mobileapp

CGRS

Better For Business

RATED


Z Woman
Business Package
... designed to address the unique needs of women-owned businesses.
Loans of up to ₦10 million at single digit interest rate.
Free digital skills trainings.
Free exhibition stands at Zenith Bank events.
Visit www.zenithbank.com/loans to learn more or walk into any of our branches today.

ZENITH

... in your best interest