



EBENEZER **ONYEAGWU**

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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).

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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