ZENITH BANK PLC

RC: 150224

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ZENITH

Zenith Bank PLC

Annual Report - December 31, 2020

ZENITH BANK PLC

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
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

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 N' Million	31-Dec-19 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 next 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	-
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 December 31, 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 - 100,000,000	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	Percentage Holdings%
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.

	Number of Shares Held	Percentage Holdings%
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 DMD)	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 directives 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 357(2) of the Companies and Allied matters Act, 1990 amended in section 401 (CAMA 2020); a 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

ZENITH BANK PLC

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 period 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/MULTI/00000003196

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

Corporate Governance Report for the Year Ended December 31, 2020

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 for 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 disciplines 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 aware of their responsibilities and are knowledgeable in the business. They are therefore able to exercise good judgment on issues relating to the Bank's business. Directors 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 under review.

The Board has a Charter which regulates its operations. The Charter is 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.

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 to the 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
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.

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
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
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
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 cyber security 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;
- 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 committee:

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;

- 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 Committee

(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.

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.

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. Foreign Subsidiaries Governance Structure

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.

- 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**	**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
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)

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 compliancs 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:

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

ZENITH BANK PLC
RC: 150224

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ZENITH

ZENITH BANK PLC
REPORT OF THE AUDIT COMMITTEE
FOR THE PERIOD ENDED 31ST DECEMBER, 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 Plc 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 satisfactorily 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.

Adebimpe Atinuke Balogun
Chairman, Audit Committee
FRC/2017/CITN/00000017467

MEMBERS OF THE COMMITTEE

Shareholders' Representatives

1. Mrs Adebimpe Balogun - Chairman
2. Professor Leonard F.O. Obika
3. Mr. Michael Olusoji Ajayi

Directors' Representatives

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

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 information 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**

Chartered Accountants
Lagos, Nigeria

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

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
3G/ICAN
0389555

22 February 2021

ZENITH BANK PLC

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.

ZENITH BANK PLC

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 liabilities		**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 and Chief Executive)
FRC/2013/ICAN/00000003788

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

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

Group

In millions of Naira	Notes	Share capital	Share premium	Foreign currency translation reserve	Fair value reserve	Statutory reserve	SMIEIS reserve	Credit risk reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to equity holders of the Parent										
At 1 January, 2019		**15,698**	**255,047**	**38,514**	**9,858**	**167,520**	**3,729**	**1,610**	**322,237**	**814,213**	**1,538**	**815,751**
Profit for the year		-	-	-	-	-	-	-	208,693	208,693	150	208,843
Foreign currency translation differences		-	-	(8,438)	-	-	-	-	-	(8,438)	(60)	(8,498)
Fair value movements on equity instruments		-	-	-	13,870	-	-	-	-	13,870	-	13,870
Fair value movements on debt securities (net of tax)		-	-	-	452	-	-	-	-	452	-	452
Total comprehensive income for the year		**-**	**-**	**(8,438)**	**14,322**	**-**	**-**	**-**	**208,693**	**214,577**	**90**	**214,667**
Transfer between reserves		-	-	-	-	29,875	-	449	(30,324)	-	-	-
Transactions with owners of the Parent												
Dividends	40	-	-	-	-	-	-	-	(87,910)	(87,910)	-	(87,910)
Acquisition of NCI without change in control		-	-	-	-	-	-	-	252	252	(874)	(622)
At December 31, 2019		**15,698**	**255,047**	**30,076**	**24,180**	**197,395**	**3,729**	**2,059**	**412,948**	**941,132**	**754**	**941,886**
At 1 January, 2020		15,698	255,047	30,076	24,180	197,395	3,729	2,059	412,948	941,132	754	941,886
Profit for the year		-	-	-	-	-	-	-	230,374	230,374	191	230,565
Foreign currency translation differences		-	-	14,982	-	-	-	-	-	14,982	29	15,011
Fair value movements on equity instruments		-	-	-	16,295	-	-	-	-	16,295	-	16,295
Fair value movements on debt securities (net of tax)		-	-	-	1,626	-	-	-	-	1,626	-	1,626
Total comprehensive income for the year		**-**	**-**	**14,982**	**17,921**	**-**	**-**	**-**	**230,374**	**263,277**	**220**	**263,497**
Transfer between reserves		-	-	-	-	33,912	-	207	(34,119)	-	-	-
Transactions with owners of the Parent												
Dividends	40	-	-	-	-	-	-	-	(87,910)	(87,910)	-	(87,910)
At December 31, 2020		**15,698**	**255,047**	**45,058**	**42,101**	**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, 2020

For the year ended 31 December	Note(s)	Group 2020	Group 2019	Bank 2020	Bank 2019
In millions of Naira					
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 generated from operations		**105,811**	**337,236**	**65,920**	**384,561**

ZENITH BANK PLC

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

In millions of Naira	Note(s)	Group 2020	Group 2019	Bank 2020	Bank 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.

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 Accounting Estimates 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 he 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.

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 portionof 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;
- 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.

2.1 Basis of preparation (continued)

(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.

2.2 Basis of Consolidation (continued)

(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 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.

2.3 Translation of foreign currencies (continued)

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.

2.5 Financial instruments (continued)

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.

2.5 Financial instruments (continued)

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.

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).

2.5 Financial instruments (continued)

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.

(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.

2.5 Financial instruments (continued)

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.

2.5 Financial instruments (continued)

(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, 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;

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.

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 Costs

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.

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.

2.14 Leases (continued)

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.

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.

2.15 Provisions (continued)

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.

2.17 Share capital and reserves (continued)

(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.

(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).

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.

(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.

2.23 Current and deferred income tax (continued)

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-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.

3. Risk management (continued)

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;

3. Risk management (continued)

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 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:

3. Risk management (continued)

(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;

3. Risk management (continued)

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;

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.

3. Risk management (continued)

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.

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. Risk management (continued)

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

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. Risk management (continued)

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.

3. Risk management (continued)

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.

Details of collateral pledged by customers against the carrying amount of loans and advances as at December 31, 2020 are as follows:

In millions of Naira	Group		Bank	
	Total exposure	Fair value of collateral	Total exposure	Fair 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** **Disclosure by Collateral**	**Term loan**	**Overdrafts**	**Onlending**	**Total**
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 Against 12 months ECL loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
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)**

3. Risk management (continued)

December 31, 2020 Against lifetime ECL not credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
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 Against lifetime ECL credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Total**
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** **Disclosure by Collateral**	**Term loan**	**Overdrafts**	**Onlending**	**Total**
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**

3. Risk management (continued)

December 31, 2020 Against 12 months ECL loans and advances	Term loan	Overdrafts	Onlending	Total
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 Against lifetime ECL not credit-impaired loans and advances	Term loan	Overdrafts	Onlending	Total
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 Against lifetime ECL credit-impaired loans and advances	Term loan	Overdrafts	Onlending	Total
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
Fair value of collateral	**27,310**	**15,376**	**925**	**43,611**
Gross loans	**126,356**	**55,007**	**819**	**182,182**
ECL Allowance	**85,902**	**21,320**	**11**	**107,233**
Net amount	**40,454**	**33,687**	**808**	**74,949**
Grand total: Amount of (undercollaterization)/overcollaterization	**(13,144)**	**(18,311)**	**117**	**(31,338)**

3. Risk management (continued)

Details of collateral pledged by customers against carrying amount of loans and advances as at December 31, 2019 are as follows:

In millions of Naira	Group		Bank	
	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** **Disclosure by Collateral**	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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 Against 12 months ECL loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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)**

3. Risk management (continued)

December 31, 2019 Against lifetime ECL not credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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 Against lifetime ECL credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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** **Disclosure by Collateral**	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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)**

3. Risk management (continued)

December 31, 2019 Against 12 months ECL loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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 Against lifetime ECL not credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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 Against lifetime ECL credit-impaired loans and advances	**Term loan**	**Overdrafts**	**Onlending**	**Finance lease**	**Total**
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)**

(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.

3. Risk management (continued)
(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.

In millions of Naira	**Group**	**Bank**
	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

In millions of Naira	**Maximum exposure to credit risk Group**	**Maximum exposure to credit risk 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. Risk management (continued)

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**	**-**	**-**

In millions of Naira	Group			Bank		
December 31, 2019	**Nigeria**	**Rest of Africa**	**Outside Africa**	**Nigeria**	**Rest of Africa**	**Outside Africa**
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**	**-**	**-**

3. Risk management (continued)

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.

	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 and non-performing portion per geographical region as at December 31, 2019

	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**

3. Risk management (continued)
(b) Industry sectors

Gross loans and advances to customers per industry sector as at December 31, 2020

*Carrying amounts presented in the table below are 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**

3. Risk management (continued)

fGroup

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, 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	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**

Bank

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

3. Risk management (continued)

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

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	1,487,224	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					
	Term loans**	**Overdraft**	**Onlending**	**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 allowances 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**		

3. Risk management (continued)

Credit rating for loans and advances with 12 month ECL

	Loans and advances			
	Term loans	**Overdraft**	**Onlending**	**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, 2020

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					
	Term loans**	**Overdraft**	**Onlending**	**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 allowances 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**		

3. Risk management (continued)

	Loans and advances			
	Term loan	Overdraft	Onlending	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**

In millions of Naira	Loans and Advances					
	Term loans**	Overdraft	Others	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 allowances 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**		

3. Risk management (continued)

Credit rating for loans and advances with 12 month ECL

	Loans and advances			
	Term loan	**Overdraft**	**Onlending**	**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**

In millions of Naira	Loans and Advances					
	Term loans**	**Overdraft**	**Others**	**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 allowances 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**		

3. Risk management (continued)

Credit rating for loans and advances with 12 month ECL

	Loans and advances			
	Term loan	**Overdraft**	**Onlending**	**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
BB	284,193	-	-	284,193
BBB	72,119	20,676	-	92,795
D	-	48	-	48
UNRATED	56,593	6,636	24	63,253
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. Risk management (continued)

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

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:

3. Risk management (continued)

- 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.

3. Risk management (continued)

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 forecast	Base 12.69%	Base 11.15%	Base 11%	Base 10.85%	Base 10.64%
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)

3. Risk management (continued)

- 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 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

3. Risk management (continued)

• 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 ammortised 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**

	December 31, 2020				December 31, 2019
In millions of naira	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	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**

	December 31, 2020	December 31, 2019
In millions of naira	12-month ECL	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**

3. Risk management (continued)

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**

In millions of naira	December 31, 2020		December 31, 2019
	12-month ECL	Total	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	December 31, 2019
	12-month ECL	12-month 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**

3. Risk management (continued)

Bank

In millions of naira	December 31, 2020	December 31, 2019
	12-month ECL	12-month ECL
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			December 31, 2019
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	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	December 31, 2019
	12-month ECL	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**

3. Risk management (continued)

In millions of naira	December 31, 2020 12-month ECL	December 31, 2020 Lifetime ECL not credit-impaired	December 31, 2020 Lifetime ECL credit-impaired	December 31, 2020 Total	December 31, 2019 12-month ECL	December 31, 2019 Lifetime ECL not credit-impaired	December 31, 2019 Lifetime ECL credit-impaired	December 31, 2019 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**

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**

3. Risk management (continued)

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 1** 12-month ECL
Treasury bills at amortised cost		
Gross carrying amount at 1 January	283,845	490,319
Transfers:		
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**

In millions of naira	December 31, 2020 **Stage 1** 12-month ECL	December 31, 2019 **Stage 1** 12-month ECL
Off balance sheet exposure		
Gross carrying amount at 1 January	754,469	775,355
Transfers:		
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 1** 12-month ECL
Assets pledged as collateral at amortised cost		
Gross carrying amount at 1 January	316,276	393,164
Transfers:		
Financial assets derecognised during the period other than write-offs	(88,993)	(76,888)
Closing gross carrying amount	**227,283**	**316,276**

3. Risk management (continued)

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	2,113,588	180,754	168,017	2,462,359	1,451,450	383,300	181,770	2,016,520
Transfers:								
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 1 12-month ECL
Investment securities at amortised cost		
Gross carrying amount at 1 January	234,857	307,401
Transfers:		
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**

In millions of naira	December 31, 2020 Stage 1 12-month ECL	December 31, 2019 Stage 1 12-month ECL
Other financial assets		
Gross carrying amount at 1 January	64,541	62,080
Transfers:		
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**

3. Risk management (continued)

In millions of naira	December 31, 2020	December 31, 2019
	Stage 1	**Stage 1**
	12-month ECL	12-month ECL
Due from other banks		
Gross carrying amount at 1 January	707,245	676,243
Transfers:		
New financial assets originated or purchased	49,776	30,916
Foreign exchange and other movements	53,531	86
Closing gross carrying amount	**810,552**	**707,245**

BANK

In millions of naira	December 31, 2020	December 31, 2019
	Stage 1	**Stage 1**
	12-month ECL	12-month ECL
Treasury bills at amortised cost		
Gross carrying amount at 1 January	114,352	306,802
Transfers:		
Financial assets derecognised during the period other than write-offs	-	(192,450)
New financial assets originated or purchased	581,546	-
Closing gross carrying amount	**695,898**	**114,352**

In millions of naira	December 31, 2020	December 31, 2019
	Stage 1	**Stage 1**
	12-month ECL	12-month ECL
Off balance sheet exposure		
Gross carrying amount at 1 January	754,469	775,355
Transfers:		
Financial assets derecognised during the period other 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	December 31, 2019
	Stage 1	**Stage 1**
	12-month ECL	12-month ECL
Assets pledged as collateral at amortised cost		
Gross carrying amount at 1 January	316,276	393,164
Transfers:		
Financial assets derecognised during the period other than write-offs	(88,993)	(76,888)
Closing gross carrying amount	**227,283**	**316,276**

3. Risk management (continued)

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	2,052,919	176,053	161,679	2,390,651	1,387,174	352,119	181,770	1,921,063
Transfers:								
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 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 1 12-month ECL
Investment securities at amortised cost		
Gross carrying amount at 1 January	113,959	102,508
Transfers:		
New financial assets originated or purchased	94,546	11,451
Foreign exchange and other movements	468	-
Closing gross carrying amount	**208,973**	**113,959**

In millions of naira	December 31, 2020 Stage 1 12-month ECL	December 31, 2019 Stage 1 12-month ECL
Other financial assets		
Gross carrying amount at 1 January	61,973	59,104
Transfers:		
New financial assets originated or purchased	83,374	2,869
Closing gross carrying amount	**145,347**	**61,973**

3. Risk management (continued)

In millions of naira	December 31, 2020	December 31, 2019
	Stage 1	**Stage 1**
	12-month ECL	12-month ECL
Due from other banks		
Gross carrying amount at 1 January	482,212	394,397
Transfers:		
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**

3. Risk management (continued)

Summary of loss allowance by class of financial instruments also showing ECL coverage ratio as at December 31, 2020 .

Group

	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
Financial Statement Items	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
In millions of Naira									%	%	%	%
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	47,859	1,612	1,299	50,770	241	8	1,169	1,418	0.50	0.50	-	2.79
Financial guarantee and similar contracts												
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**

3. Risk management (continued)

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	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**

3. Risk management (continued)

Summary of loss allowance by class of financial instruments also showing ECL coverage ratio as at December 31, 2019 .

Group

	Gross Carrying Amount				ECL Provision				ECL Coverage Ratio			
Financial Statement Items	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
In millions of Naira									%	%	%	%
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	111,089	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	79,318	-	-	79,318	677	-	-	677	0.85	-	-	0.85
Financial guarantee and similar contracts												
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**

3. Risk management (continued)

Bank

Financial Statement Items	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
In millions of Naira									%	%	%	%
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	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. Risk management (continued)

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;

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:

3. Risk management (continued)

(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.

'In millions of Naira
Group

		At December 31, 2020			At December 31, 2019		
	Note	Carrying amount	Trading	Non-trading	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

		At December 31, 2020			At December 31, 2019		
		Carrying amount	Trading	Non-trading	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

3. Risk management (continued)

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.

3. Risk management (continued)
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 banks	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 collaterals	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
Liabilities						
Customer's 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 banks	845,021	35,289	8,310	3,875	43,784	936,279
Treasury bills	872,564	-	-	-	118,829	991,393
Assets pledged as collaterals	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's 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.

3. Risk management (continued)

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.

	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)	66,014	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)	66,014	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

3. Risk management (continued)

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 banks	1,477,072	25,038	858	277	-	1,503,245
Treasury bills	1,393,421	-	-	-	-	1,393,421
Assets pledged as collaterals	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's deposit	3,483,784	769,957	13,863	29,502	1,152	4,298,258
Derivative liabilities	9,514	1,497	-	5	60	11,076
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 banks	840,032	30,886	7,102	1,429	-	879,449
Treasury bills	822,449	-	-	-	-	822,449
Assets pledged as collaterals	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	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's deposits	2,401,854	1,056,876	10,045	17,564	548	3,486,887
Derivative liabilities	14,762	-	-	-	-	14,762
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**

3. Risk management (continued)

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	41,163	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)	41,163	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

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.

3. Risk management (continued)
Group

The table below summarizes the Group's interest rate gap position:

At December 31, 2020

In millions of Naira	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 (Amortised cost)	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		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 rate gap		**237,619**	**(1,869,307)**	

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	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)**

3. Risk management (continued)

At December 31, 2019	**Note**	**Carrying amount**	**Rate sensitive**	**Non rate sensitive**
In millions of Naira				
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 (Amortised cost)	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		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 rate gap		**78,507**	**(64,667)**	**-**

The table shows the maturity profile of financial instruments that are rate sensitive.

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**
In millions of Naira						
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	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)**

3. Risk management (continued)

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

3. Risk management (continued)

Bank

The table below summarizes the Bank's interest rate gap position:

At December 31, 2020

In millions of Naira	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 rate gap		**(56,298)**	**(966,884)**	**910,585**

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	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)**

3. Risk management (continued)

At December 31, 2019

In millions of Naira	Note	Carrying amount	Rate sensitive	Non rate sensitive
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 collaterals	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		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 rate gap		**(130,401)**	**(163,987)**	**33,587**

The table shows the maturity profile of financial instruments that are rate sensitive.

At December 31, 2019 In millions of Naira	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	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)**

3. Risk management (continued)

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).

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. Risk management (continued)

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. Risk management (continued)

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. Risk management (continued)

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.

	Group		Bank	
	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		
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**

3. Risk management (continued)
(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
'In millions of Naira

		At December 31, 2020			At December 31, 2019		
	Note	Encumbered	Unencumbered	Total	Encumbered	Unencumbered	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

Bank
'In millions of Naira

		At December 31, 2020			At December 31, 2019		
	Note	Encumbered	Unencumbered	Total	Encumbered	Unencumbered	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.

3. Risk management (continued)
Group

At December 31, 2020 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
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's 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 liabilities								
Trading:	33							
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**

3. Risk management (continued)

At December 31, 2019 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
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	28	4,241,370	15,851	735	4,302	31	4,262,289	4,262,289
Financial Liabilities	29	125,315	-	-	-	205,237	330,552	330,552
On-lending facilities	30	6,717	-	862	2,691	382,600	392,871	392,871
Borrowings	31	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**

3. Risk management (continued)

Bank

At December 31, 2020 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
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's 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**

3. Risk management (continued)

At December 31, 2019 In millions of Naira	Note	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	Over 1 year	Gross nominal inflow/ (outflow)	Carrying amount
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's 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 liabilities								
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**

3. Risk management (continued)

Liquidity gap analysis (continued)

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.

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**

3. Risk management (continued)

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.

3. Risk management (continued)

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.

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	698,493	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's 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	-

3. Risk management (continued)
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	1&2	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	33	11,076	11,076	2	14,762	14,762	2
Carried at amortized cost:							
Customer's 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.

3. Risk management (continued)

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 of equity investments	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, 2020 and December 31, 2019 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)

3. Risk management (continued)

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%).

(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 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. Risk management (continued)

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 debt. 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.

3. Risk management (continued)

In millions of Naira	Group 31-Dec-20	Group Adjusted impact of IFRS 9 transition on 31-Dec-2020	Group 31-Dec-19	Group Adjusted impact of IFRS 9 transition on 31-Dec-19	Bank 31-Dec-20	Bank Adjusted impact of IFRS 9 transition on 31-Dec-2020	Bank 31-Dec-19	Bank 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**	**Basel 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 %**

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.

3. Risk management (continued)

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. Risk management (continued)

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.

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. Risk management (continued)

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.

The ECL is sensitive to judgements and assumptions made regarding the estimation of scenarios weight and how such scenarios are incorporated into the ECL computation. The analysis below shows the loss allowance on loans and advances assuming each forward-looking scenario (e.g. upturn, baseline and downturn) were weighted 100% instead of applying scenario probability weights across the three scenarios. For ease of comparison, the table also includes the probability-weighted amounts that are reflected in the financial statements.

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.

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

Provision for loan losses per prudential guidelines

		Bank	
In millions of Naira	**Note**	**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
(a)		130,853	122,920
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 Group's statement of profit or loss and statement of financial position.

	Nigeria	Outside Nigeria				
	Corporate retail and pensions custodian services	Africa	Europe	Total reportable segments	Eliminations	Consolidated
In millions of Naira						
December 31, 2020						
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**

	Nigeria	Outside Nigeria				
	Corporate retail and pensions custodian services	Africa	Europe	Total reportable segments	Eliminations	Consolidated
In millions of Naira						
December 31, 2020						
Expenditure on non-current assets	29,467	2,381	401	32,249	-	32,249

	Nigeria	Outside Nigeria				
	Corporate retail and pensions custodian services	Africa	Europe	Total reportable segments	Eliminations	Consolidated
In millions of Naira						
December 31, 2020						
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	7,527,776	(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	Nigeria Corporate retail and pensions custodian services	Outside Nigeria Africa	Outside Nigeria Europe	Total reportable segments	Eliminations	Consolidated
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**
In millions of Naira						
December 31, 2019						
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 asset:						
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

	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 25)	43	(377)	43	(377)
	39,534	**24,032**	**37,237**	**23,393**

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19

9. Net income on Fee and commission

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
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

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 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 45(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.

11. Trading gains

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
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).

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
12. Operating expenses				
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
Lease expense	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	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	47
Analytics project	15
Training	2
Board evaluation for 2019 financial year	22
	128

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19

13. Taxation

(a) Major components of the tax expense

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	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Income tax expense				
Corporate tax	13,557	12,770	-	-
Minimum tax expense	1,479	-	1,479	-
Information technology tax	2,103	1,980	2,103	1,980
Dividend tax	-	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**

(b) Reconciliation of effective tax rate

	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:	**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**

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19

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.

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 (Naira)	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**

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

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**

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19

18. Due from other banks

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).

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 N(18.7) billion (December 31, 2019 net gain of N(7.4) 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%.

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.

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**

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19

(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).

(iii) The Group's debt securities measured at amortised cost can be analysed as follows:

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

Name of company	31-Dec-20 Ownership interest %	31-Dec-19 Ownership interest %	31-Dec-20 Carrying amount	31-Dec-19 Carrying amount
Zenith Bank (Ghana) Limited (see (1) 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.

22. Investment in subsidiaries (continued)

(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**

22. Investment in subsidiaries (continued)

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
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)**

22. Investment in subsidiaries (continued)

31 December, 2019	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Limited	Zenith Bank UK Limited	Zenith Bank Sierra Leone Limited	Zenith Bank Gambia Limited	Zenith Pension Custodian Limited	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 period	**208,843**	**(4,000)**	**178,003**	**16,591**	**11,413**	**525**	**624**	**5,325**	**362**

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 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**

22. Investment in subsidiaries (continued)

December 31, 2019	Zenith Group	Elimination entries	Zenith Bank Plc	Zenith Bank Ghana Limited	Zenith Bank UK Limited	Zenith Bank Sierra Leone Limited	Zenith Bank Gambia Limited	Zenith Pension Custodian Limited	Zenith Nominee Limited
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 from/(used in) operating activities	339,168	(80,187)	390,093	34,404	(6,114)	3	1	968	-
Net cash from/(used in) financing activities	(546,291)	57,631	(560,195)	(52,546)	12,819	-	-	(4,000)	-
Net cash from/(used in) 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	162	-	-
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**	**-**

In millions of Naira

22. Investment in subsidiaries (continued)

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 in Nigeria 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	
	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	-	-	-	-

In millions of Naira

24. Deferred tax balances

(i) Deferred tax asset

	Group		Bank	
	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
Unutilized capital allowances	14,682	(8,872)	5,810
ECL Allowance on not-credit impaired financial instruments	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

In millions of Naira

24. Deferred tax balances (continued)

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
Unutilised capital allowance	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	
	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
Property and equipment	603	3,315	-	3,368
ECL allowance on not-credit impaired financial instruments	-	16	-	-
Right of use asset	2,087	-	2,087	-
Foreign exchange differences	12,694	-	12,694	-
Total deferred tax liability	**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

In millions of Naira

24. Deferred tax balances (continued)

December 31, 2019

Movements in temporary differences during the year	01-Jan-19	Recognised in profit or loss	31 December, 2019
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
Liability			
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
Liability			
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.	
	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 period/year	**24,976**	**7,493**	**163,365**	**49,009**

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19

24. Deferred tax balances (continued)

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

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.

	Group		Bank	
In millions of Naira	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**

25. Other assets (continued)

(i) Movement in impairment allowance for non financial assets

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	61-180 days	181-365 days	Total
Receivables	48,000	-	-	-	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	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use asset - Aircraft	Motor Vehicles	Right of use assets - 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**

	Land	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use asset - Aircraft	Motor Vehicle	Right of use assets - buildings	Work in progress	Total
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)

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	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use asset - Aircraft	Motor Vehicles	Right of use assets - buildings	Work in progress	Total
Cost										
At 1 January, 2019	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, 2019	**34,668**	**60,740**	**25,016**	**94,296**	**37,098**	**12,600**	**23,387**	**18,138**	**17,201**	**323,144**

	Land	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use asset - Aircraft	Motor Vehicle	Right of use assets - buildings	Work in progress	Total
Accumulated Depreciation										
At the start of the year	-	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	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer Equipment	Right of use asset - Aircraft	Motor Vehicle	Right of use assets - 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**

	Land	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use asset - Aircraft	Motor vehicle	Right of use assets - buildings	Work in progress (WIP)	Total
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, 2020	**-**	**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)

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	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer Equipment	Right of use asset - Aircraft	Motor Vehicle	Right of use assets - 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, 2019	**34,668**	**51,667**	**20,033**	**90,399**	**34,410**	**12,600**	**21,191**	**11,650**	**16,691**	**293,309**

	Land	Buildings	Leasehold improvements	Furniture, fittings and equipment	Computer equipment	Right of use asset - Aircraft	Motor vehicle	Right of use assets - buildings	Work in progress (WIP)	Total
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

	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
In millions of Naira				
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**

Additions to the right-of-use asset for Group and Bank during the period December 31, 2020 was N5,826 million and N4,702 million respectively (December 31, 2019: N18,138 million and N11,650 million respectively).

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	30-Jun-19	31-Dec-20	30-Jun-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)

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	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 the 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
Savings	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:				
Current	5,339,911	4,262,289	4,298,258	3,486,887

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19

29. Other liabilities

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				
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.

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19

29. Other liabilities (continued)

(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 cashflow payments on the lease liabilities extend over a number of years. This is analysed as follows:

	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
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.

	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
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.

30. On-lending facilities

(a) This comprises:

	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
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:

	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19
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**

	Group		Bank	
In millions of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
(b) Movement in on-lending facilities				
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	1,834	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 2% 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.

(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 2% 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 channelling of low interest funds to the MSME sub-sector of the Nigerian economy. The facility attracts an interest rate of 2% 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.

31. Borrowings

	Group		Bank	
Figures in of Naira	31-Dec-20	31-Dec-19	31-Dec-20	31-Dec-19
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 ICBC (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	18,320
Due to Goldman Sachs	-	36,950	-	36,950
Due to IFC (viii)	53,630	18,813	53,630	18,813
Due to Zenith Bank Ghana (ix)	-	-	4,010	7,299
Due to banks for clean letters of credit (x)	579,087	-	579,087	-
	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**

	Group		Bank	
	31-Dec-20	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
In millions of Naira				

(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.

In millions of Naira

32. Debt securities issued

	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**

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 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.

	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.

Movement in Non-controlling interest

	31-Dec-20	31-Dec-19
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 period were N3.78 billion and N2.68 billion respectively (December 31, 2019: N3.92 billion and N2.94 billion).

In millions of Naira	Group 31-Dec-20	Group 31-Dec-19	Bank 31-Dec-20	Bank 31-Dec-19

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:

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 parent and 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	-

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).

In millions of Naira

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	
Key management compensation	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
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 to key management personnel	**31-Dec-20**	**31-Dec-19**	**31-Dec-20**	**31-Dec-19**
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**
Directors		1,634	1,709	61	38
		1,634	**1,709**	**61**	**38**

In millions of Naira

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**	**-**	**-**

Insider related transactions:

		31 December 2019		31 December 2019	
Name of company	**Relationship**	**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 Limited	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.

In millions of Naira

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.

(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.

In millions of Naira

40. Dividend per share

	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.

	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 (3 month tenor) (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.

	Group		Bank	
In millions of Naira	**2020**	**2019**	**2020**	**2019**

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 FVOCI**	**Debt securities (including pledged instruments) at fair value through profit or loss**	**Debt securities (including pledged instruments) at amortised cost and FVOCI**
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)

31 December 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)

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

	Group		Bank	
In millions of Naira	**2020**	**2019**	**2020**	**2019**

(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)**

	Group		Bank	
In millions of Naira	**2020**	**2019**	**2020**	**2019**

(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**

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

	Group		Bank	
In millions of Naira	**2020**	**2019**	**2020**	**2019**

(vii) Due from Banks (greater than 90 days)

December 31, 2020

	Group 31-Dec-20	**Group 31-Dec-19**	**Bank 31-Dec-20**	**Bank 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

	Group 31-Dec-20	**Group 31-Dec-19**	**Bank 31-Dec-20**	**Bank 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

	Group 31-Dec-20	**Group 31-Dec-19**	**Bank 31-Dec-20**	**Bank 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)

	Group		Bank	
In millions of Naira	**2020**	**2019**	**2020**	**2019**

(x) Restricted balances (Cash Reserve)

December 31, 2020

	Group 31-Dec-20	**Group 31-Dec-19**	**Bank 31-Dec-20**	**Bank 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

	Group 31-Dec-19	**Group 31-Dec-18**	**Bank 31-Dec-19**	**Bank 31-Dec-18**
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

	Group 31-Dec-20	**Group 31-Dec-19**	**Bank 31-Dec-20**	**Bank 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)

Other National Disclosures

ZENITH BANK PLC

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.

ZENITH BANK PLC

Value Added Statement

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	12,155	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.

ZENITH BANK PLC

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**

Five Year Financial Summary

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	30-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**

Five Year Financial Summary

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**	**153,003**	**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