

# Fidelity Bank Investor Presentation

Audited Financial Results for the 12 months ended

December 31, 2017



**1. Overview of Fidelity Bank**

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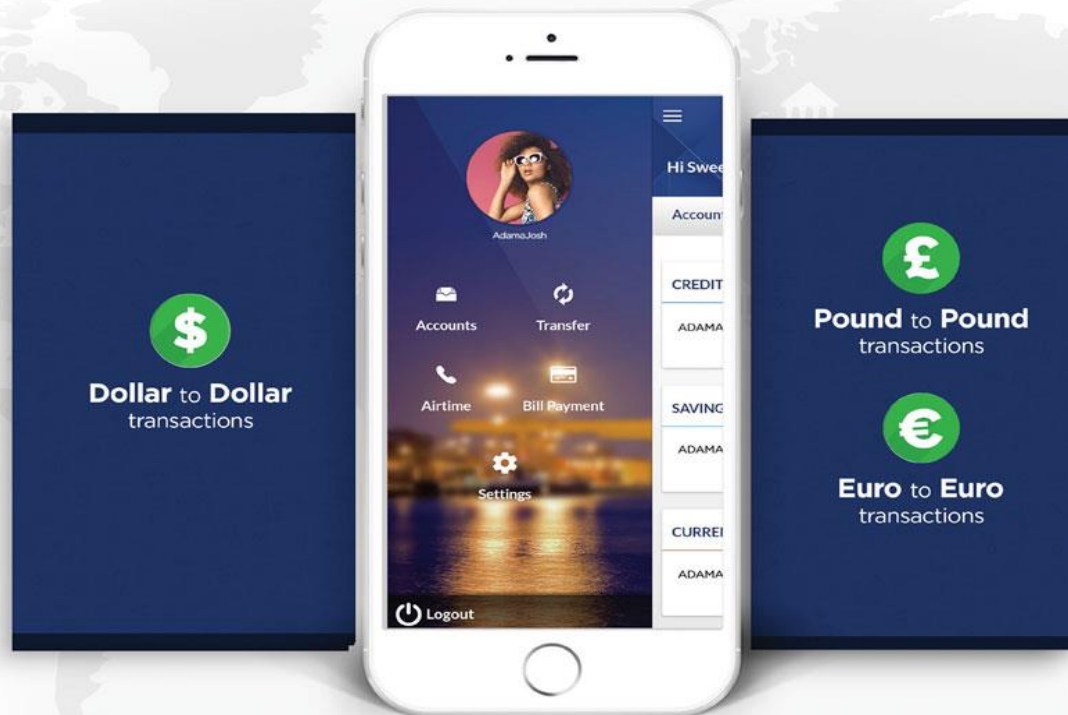
# 1. Overview of Fidelity Bank



## Convenient Forex Transfers From Your Phone

One more reason NOT to visit the branch. Perform foreign currency transactions from your domiciliary account to anywhere in the world with your **Fidelity Online Banking App**.

Available for download via:



We Are Fidelity, We Keep Our Word.

# Overview of Fidelity Bank



## Background

- ▶ A full service bank with International Authorisation established in 1987 and licensed by the Central Bank of Nigeria (CBN).
- ▶ The Bank currently has over 400,000 diverse local and international shareholders.
- ▶ A well capitalised bank with Shareholders Funds of over N203 billion and CAR of 16.0%.
- ▶ Our customer touch-points include Business offices, Contact Centre, Mobile, Internet, POS and ATMs.
- ▶ Strategic focus is on niche corporate banking sectors, commercial, the SMEs and retail banking driven by electronic banking products and channels.

## Distribution Network

Business Offices		Active Digital Channels	
Lagos	85	ATMs	775
South West	12	POS	4,346
South South	44		
South East	43		
North West	15		
North East	8		
North Central	11		
FCT Abuja	22		
		Digital Penetration	
		Debit Cards	1,937,129
		Mobile Banking	1,036,343
		Internet Banking	345,197

## Key Highlight

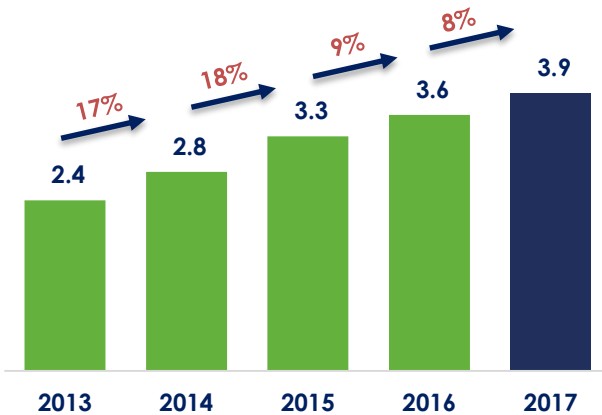
Total Assets	N1,379.2 billion
Total Equity	N203.3 billion
Business Offices	240
No of Accounts	3.9 million
Professional Staff	3,207
Consumer Sales Agents	934
Ratings	B-/B- (S&P)/Fitch
Auditors	Ernst & Young / PKF

# Overview of Fidelity Bank

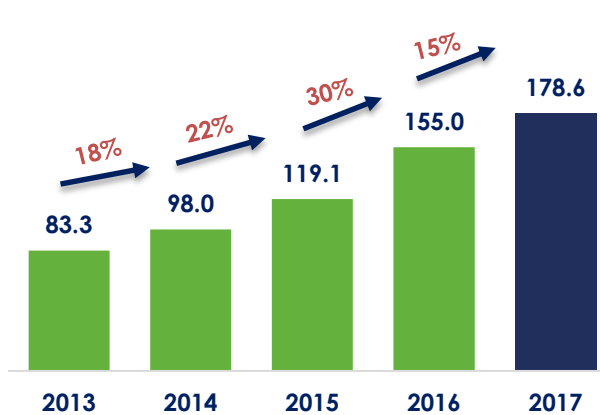


## Retail & Digital Banking Evolution & Progress Report

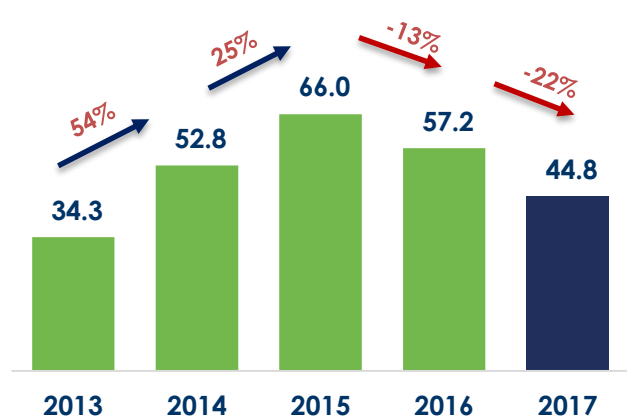
Number of Customer Accounts (#'m)



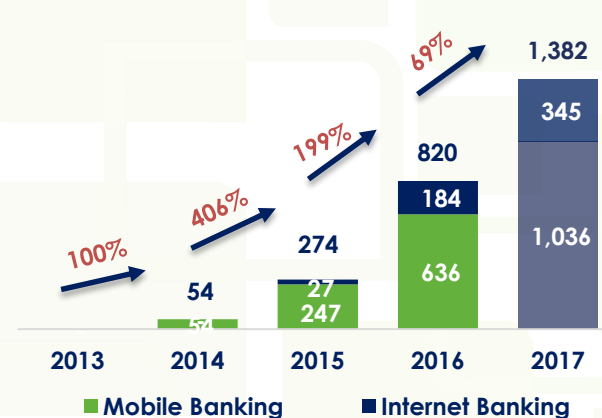
Savings deposits (N'bn)



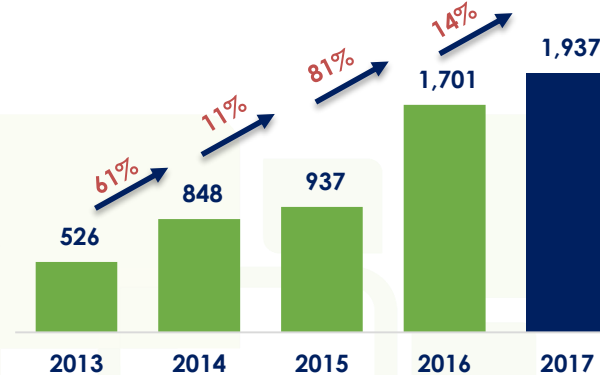
Retail Risk Assets (N'bn)



Mobile/Internet Banking Cust. (#'000)



Number of Debit Cardholders (#'000)



Commentary

- ▶ Over 35% of customers now self enrolled on mobile/internet banking products.
- ▶ Customer base has increased by over 64% in the last 4 years (2013) leading to triple digit growth in Savings deposits (114%).
- ▶ Over 75% of customers transactions are now done on electronic channels with a target to hit 80% in the 2018FY.
- ▶ Digital Banking now contributes over 25% of Net Fees & Commissions.

## 2. Operating Environment



# You Don't Need A Token



*Wow!*  
Who Needs  
A **Token?**

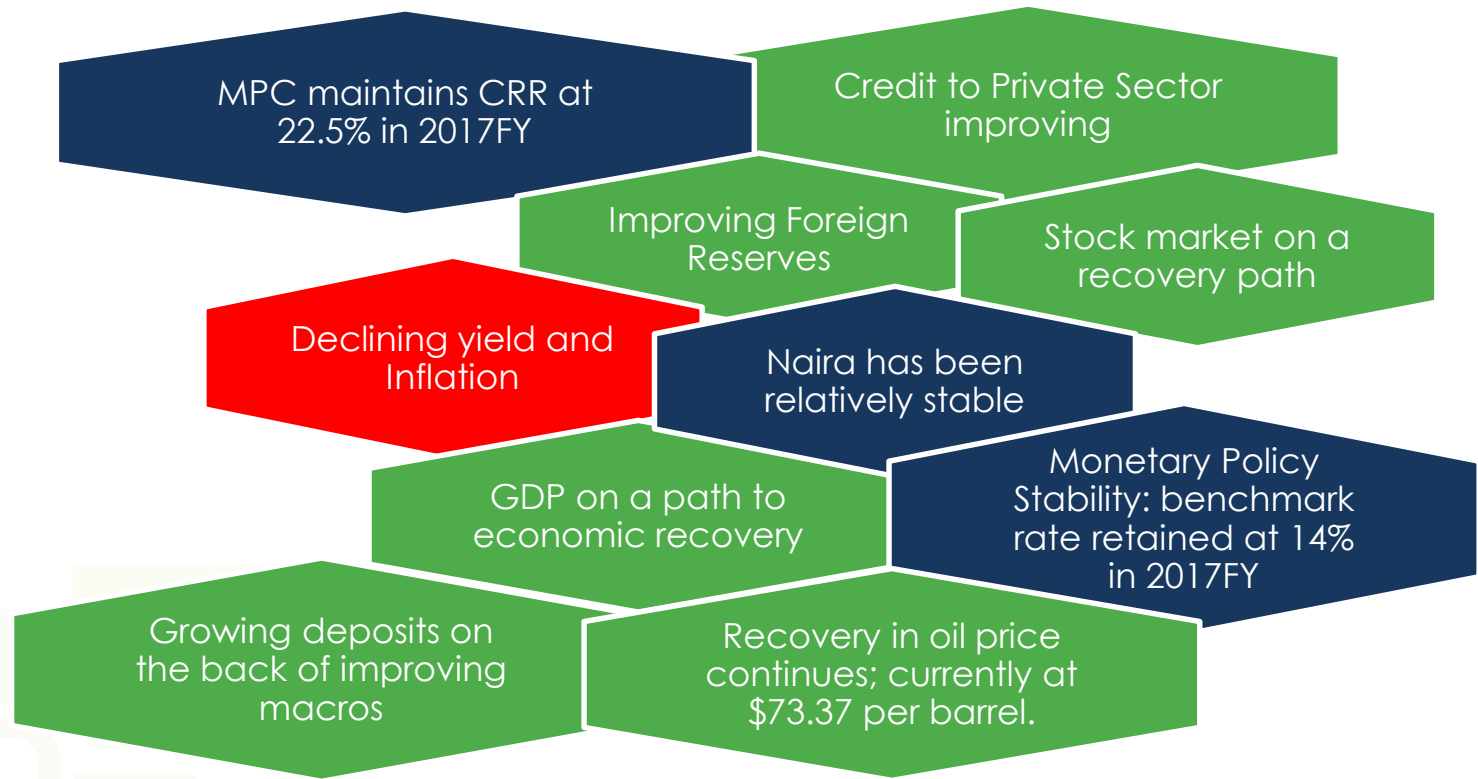
For Transactions Up To N200,000.  
Just Dial \*770# To Get Started.  
It's That Easy!

You also don't need data  
to use this service



✔ Transfer Money ✔ Pay Bills ✔ Buy Airtime ✔ Dial4Cash & Lots More

# The Operating Environment



Stable-	
Improving-	
Declining-	

### 3. Financial Highlights



# Entrepreneurs Get Paid With Pay By link

Share the link with your customers on **social media, email and Whatsapp** to receive payment instantly



[merchant.fidelitybank.ng](https://merchant.fidelitybank.ng)

Pay By Link



# Performance Highlights



## Revenue and Efficiency Ratio

- ❑ Total Interest Income up by 22.4% to N150.7 billion in 2017FY (2016FY: N123.2 billion)
- ❑ Operating Expenses down by 2.3% to N65.7 billion in 2017FY (2016FY: N67.2 billion)
- ❑ Cost-income Ratio down to 67.5% in 2017FY from 77.3% in 2016FY
- ❑ PBT up by 83.5% to N20.3 billion in 2017FY (PAT came in at N18.9 billion)

## Asset Quality

- ❑ Cost of Risk increased to 1.5% in 2017FY, compared to 1.2% in 2016FY
- ❑ NPL Ratio improved to 6.4% in 2017FY from 6.6% in 2016FY
- ❑ Coverage Ratio increased to 109.4% in 2017FY from 83.0% in 2016FY
- ❑ FCY Loans accounted for 46.0% of Net Loans from 44.4% in 2016FY

## Capital Adequacy and Liquidity

- ❑ Capital Adequacy Ratio of 16.0%, based on Basel II computation
- ❑ Liquidity Ratio of 35.9% compared to regulatory minimum of 30.0%
- ❑ Loans to interest bearing liabilities stood at 69.8% in 2017FY from 68.3% (2016FY)
- ❑ Total Equity at N203.3 billion compared to N185.4 billion in 2016FY

# Financial Highlights



- ❑ Gross earnings increased by 18.3% to N179.9 billion on account of double digit growth across key income lines: trade income (61.6%), account maintenance charge (49.8%), interest income on loans (23.1%), FX Income (20.9%) and interest income on liquid assets (20.4%).
- ❑ Net Interest Margin (NIM) increased to 7.3% in 2017FY from 6.4% in 2016FY as the growth in the average yield on our earning assets outpaced the increase in average funding cost. Average yield on earning assets increased to 15.4% from 12.7% while average funding cost inched to 7.2% from 5.8% in 2016FY.
- ❑ Net fee income inched up slightly by 3.3% to N25.8 billion from N25.0 billion. The slower growth in fee income was largely due to the partial restriction on naira denominated cards for international transactions.
- ❑ Total operating expenses declined by 2.3% (despite the high inflationary environment) leading to a drop in our cost-income ratio (CIR) to 67.5% from 77.3% in 2016FY. We recorded a cost reduction of N4.9 billion in 38% of our expense lines which offset the growth of N3.4 billion in the remaining 62% of the expense lines.
- ❑ PBT increased by 83.5% to N20.3 billion compared to N11.1 billion reported in 2016FY despite the 30.5% growth in impairment charge; this was driven by the N9.5 billion growth in net interest income, N0.8 billion growth in net fee income and N1.5 billion reduction in total expenses.

# Financial Highlights



- ❑ In line with best market risk practices, Fidelity Bank changed its currency conversion rate (CCR) to a hybrid of the CBN official rate and the Investors and Exporters rate effective Q3 2017. The 2017FY numbers were translated at N333.07.
- ❑ Total customer deposits declined by 2.2% to N775.3 billion from N793.0 billion in December 2016, principally due to the pay-off of ALL outstanding TSA deposits amounting to N53 billion (\$175 million). However, compared to September 2017, total deposits grew marginally by 0.1% from N774.4 billion.
- ❑ Savings deposits increased by 15.2% to N178.6 billion in December 2017 from N155.0 billion in December 2016 on the strength of the retail banking strategy and now accounts for 23.0% of total deposits. Low cost deposits now constitute 77% of total customer deposits.
- ❑ Risk assets increased by 7.0% to N768.7 billion from N718.4 billion in December 2016. However, actual real growth in risk assets was 3.0% while the impact of the change in currency conversion rate (CCR) was 4.0%: Cost of risk increased to 1.5% from 1.2% in 2016FY due to increased impairments in the telecoms and downstream sectors. On 9Mobile (Account Watch-listed), we have taken a total impairment charge of 50%, If this exposure was classified our NPL Ratio would move from 6.4% to 8.8%.
- ❑ We estimate the transition to IFRS 9 in 2018 will reduce our shareholders' equity by approximately N28.2 billion, however the impact on our capital adequacy ratio will be very marginal because the bank has over N28.8 billion available in regulatory risk reserves

# Financial Highlights



Summary of Income Statement: YoY Change				
N'million	2016FY	2017FY	VAR	% VAR
<b>Gross Earnings</b>	<b>152,021</b>	<b>179,896</b>	<b>27,875</b>	<b>18.3%</b>
Interest Income Loans	92,715	114,091	21,376	23.1%
Interest Income Liquid Assets	30,438	36,651	6,213	20.4%
<b>Total Interest Income</b>	<b>123,153</b>	<b>150,742</b>	<b>27,589</b>	<b>22.4%</b>
Interest Expense Customer Deposits	(45,475)	(61,286)	(15,811)	34.8%
Interest Expense Borrowings	(15,750)	(17,992)	(2,242)	14.2%
<b>Total Interest Expense</b>	<b>(61,225)</b>	<b>(79,278)</b>	<b>(18,053)</b>	<b>29.5%</b>
<b>Net Interest Income</b>	<b>61,928</b>	<b>71,464</b>	<b>9,536</b>	<b>15.4%</b>
FX Income	9,434	11,409	1,975	20.9%
E-banking Income	10,690	6,762	(3,928)	-36.7%
Other Fee Income (Net)	4,881	7,657	2,776	56.9%
<b>Net Fee Income</b>	<b>25,005</b>	<b>25,828</b>	<b>823</b>	<b>3.3%</b>
<b>Operating Income</b>	<b>86,933</b>	<b>97,292</b>	<b>10,359</b>	<b>11.9%</b>
<b>Total Expenses</b>	<b>(67,201)</b>	<b>(65,675)</b>	<b>1,526</b>	<b>-2.3%</b>
Net Impairment Losses	(8,671)	(11,315)	(2,644)	30.5%
<b>Profit Before Tax</b>	<b>11,061</b>	<b>20,302</b>	<b>9,241</b>	<b>83.5%</b>

Please note: Gross earnings was calculated based on total fees & commission income

Net fee income includes net gains/ (losses) from financial instruments

# Financial Highlights



Summary of Income Statement: QoQ Change						
N'million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	VAR	% VAR
<b>Gross Earnings</b>	<b>40,842</b>	<b>44,979</b>	<b>44,265</b>	<b>49,811</b>	<b>5,546</b>	<b>12.5%</b>
Interest Income Loans	26,790	26,671	28,738	31,892	3,153	11.0%
Interest Income Liquid Assets	9,440	9,952	8,776	8,483	(293)	-3.3%
<b>Total Interest Income</b>	<b>36,230</b>	<b>36,623</b>	<b>37,515</b>	<b>40,375</b>	<b>2,860</b>	<b>7.6%</b>
Interest Exp. Customer Deposits	(15,900)	(15,185)	(13,797)	(16,404)	(2,608)	18.9%
Interest Expense Borrowings	(3,773)	(3,295)	(4,613)	(6,311)	(1,697)	36.8%
<b>Total Interest Expense</b>	<b>(19,673)</b>	<b>(18,480)</b>	<b>(18,410)</b>	<b>(22,715)</b>	<b>(4,305)</b>	<b>23.4%</b>
<b>Net Interest Income</b>	<b>16,557</b>	<b>18,143</b>	<b>19,105</b>	<b>17,660</b>	<b>(1,445)</b>	<b>-7.6%</b>
FX Income	323	3,099	2,818	5,169	2,350	83.4%
E-banking Income	2,061	1,536	1,475	1,690	216	14.6%
Other Fee Income (Net)	1,024	3,187	1,719	1,727	9	0.5%
<b>Net Fee Income</b>	<b>3,408</b>	<b>7,822</b>	<b>6,012</b>	<b>8,586</b>	<b>2,575</b>	<b>42.8%</b>
<b>Operating Income</b>	<b>19,965</b>	<b>25,965</b>	<b>25,116</b>	<b>26,246</b>	<b>1,130</b>	<b>4.5%</b>
<b>Total Expenses</b>	<b>(14,365)</b>	<b>(16,536)</b>	<b>(16,585)</b>	<b>(18,188)</b>	<b>(1,603)</b>	<b>9.7%</b>
Net Impairment Losses	(750)	(4,060)	(2,513)	(3,992)	(1,478)	58.8%
<b>Profit Before Tax</b>	<b>4,849</b>	<b>5,370</b>	<b>6,017</b>	<b>4,066</b>	<b>(1,951)</b>	<b>-32.4%</b>

Please note: Gross earnings was calculated based on total fees & commission income

Net fee income includes net gains/ (losses) from financial instruments

# Financial Highlights



## Statement of Financial Position: YTD Change

N'million	2016FY	2017FY	VAR	% VAR
<b>Total Assets</b>	<b>1,298,141</b>	<b>1,379,214</b>	<b>81,073</b>	<b>6.2%</b>
<b>Earning Assets</b>	<b>970,213</b>	<b>977,076</b>	<b>6,863</b>	<b>0.7%</b>
Bank Placements	13,011	8,475	(4,536)	-34.9%
Treasury Bills	126,823	90,223	(36,600)	-28.9%
Bonds	111,978	109,641	(2,337)	-2.1%
Customer Loans (Naira)	399,394	414,948	15,555	3.9%
Customer Loans (FCY)	319,007	353,789	34,781	10.9%
<b>Non-Earning Assets</b>	<b>327,928</b>	<b>402,138</b>	<b>74,210</b>	<b>22.6%</b>
Cash	34,861	27,534	(7,327)	-21.0%
Cash Reserve	170,246	181,017	10,771	6.3%
Bal. with other Banks/Settlement Acct	38,143	104,886	66,743	175.0%
Fixed Assets	40,356	38,504	(1,852)	-4.6%
All Other Assets	44,322	50,197	5,875	13.3%
<b>Interest Bearing Liabilities</b>	<b>1,051,997</b>	<b>1,100,803</b>	<b>48,806</b>	<b>4.6%</b>
Demand	453,461	418,472	(34,989)	-7.7%
Savings	155,019	178,570	23,551	15.2%
Time Deposits	184,491	178,234	(6,257)	-3.4%
Other Borrowings	37,219	35,529	(1,690)	-4.5%
On-lending Facilities	99,991	112,294	12,303	12.3%
Debt Securities	121,816	177,704	55,888	45.9%
<b>All Other Liabilities</b>	<b>60,741</b>	<b>75,096</b>	<b>14,355</b>	<b>23.6%</b>
<b>Equity</b>	<b>185,402</b>	<b>203,315</b>	<b>17,913</b>	<b>9.7%</b>

# Financial Highlights





## Statement of Financial Position: QoQ Change

N'million	Q1 2017	Q2 2017	Q3 2017	Q4 2017	VAR	% VAR
<b>Total Assets</b>	<b>1,310,854</b>	<b>1,308,702</b>	<b>1,327,827</b>	<b>1,379,214</b>	<b>51,387</b>	<b>3.9%</b>
<b>Earning Assets</b>	<b>974,793</b>	<b>946,942</b>	<b>978,129</b>	<b>977,076</b>	<b>(1,053)</b>	<b>-0.1%</b>
Bank Placements	10,000	5,615	0	8,475	8,475	100.0%
Treasury Bills	114,338	106,128	121,250	90,223	(31,027)	-25.6%
Bonds	120,007	115,036	103,081	109,641	6,560	6.4%
Customer Loans (Naira)	411,290	422,871	418,742	414,948	(3,794)	-0.9%
Customer Loans (FCY)	319,158	297,292	335,056	353,789	18,732	5.6%
<b>Non-Earning Assets</b>	<b>336,062</b>	<b>361,760</b>	<b>349,697</b>	<b>402,138</b>	<b>52,441</b>	<b>15.0%</b>
Cash	18,244	26,199	17,969	27,534	9,565	53.2%
Cash Reserve	175,810	184,233	164,036	181,017	16,981	10.4%
Bal. with other Banks/Settlement Acct	59,642	60,469	80,967	104,886	23,919	29.5%
Fixed Assets	39,166	39,732	37,829	38,504	675	1.8%
All Other Assets	43,200	51,127	48,896	50,197	1,301	2.7%
<b>Interest Bearing Liabilities</b>	<b>1,065,850</b>	<b>1,034,929</b>	<b>1,060,429</b>	<b>1,100,803</b>	<b>40,374</b>	<b>3.8%</b>
Demand	458,691	413,619	405,063	418,472	13,409	3.3%
Savings	163,747	161,101	163,788	178,570	14,782	9.0%
Time Deposits	177,810	186,349	205,531	178,234	(27,297)	-13.3%
Other Borrowings	44,196	43,500	44,870	35,529	(9,341)	-20.8%
On-lending Facilities	100,671	108,103	112,251	112,294	43	0.0%
Debt Securities	120,736	122,258	128,927	177,704	48,777	37.8%
<b>All Other Liabilities</b>	<b>55,790</b>	<b>81,434</b>	<b>66,798</b>	<b>75,096</b>	<b>8,298</b>	<b>12.4%</b>
<b>Equity</b>	<b>189,214</b>	<b>192,339</b>	<b>200,600</b>	<b>203,315</b>	<b>2,715</b>	<b>1.4%</b>

## 4. Financial Review – SCI

# Enjoy A Simpler Life With Fidelity Digital Banking Solutions

 <p><b>*770#</b> Instant Banking</p>	 <p>Online Banking</p>	 <p>Cards</p>
 <p>ATM</p>	 <p>POS</p>	 <p>Pay By Link</p>
 <p>MCash</p>		

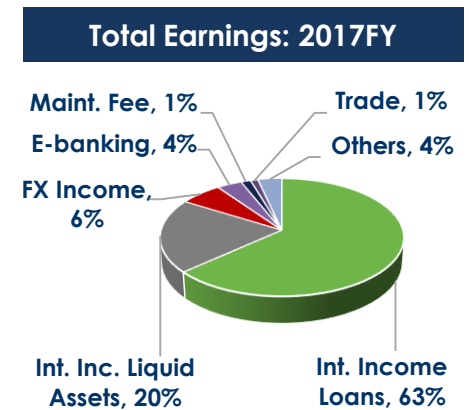
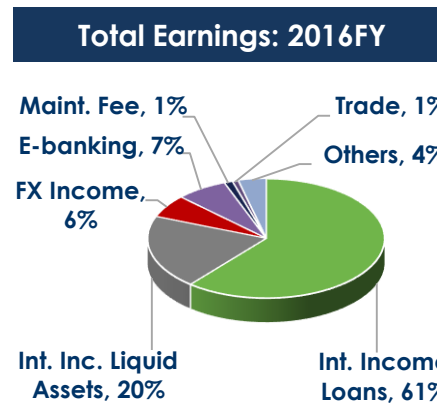




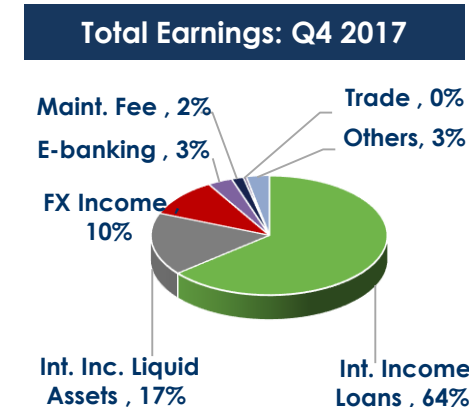
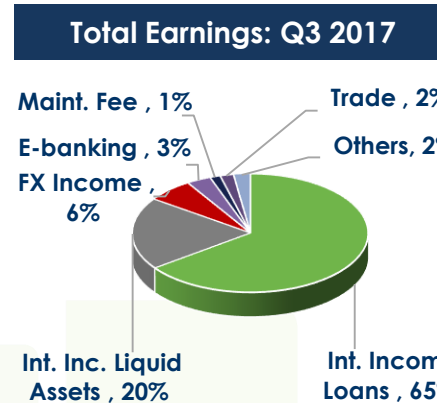
# Gross Earnings Analysis



Key Highlights (N'm)	2016FY	2017FY	VAR	% VAR
<b>Total Earnings</b>	<b>152,021</b>	<b>179,896</b>	<b>27,875</b>	<b>18.3%</b>
Interest Income Loans	92,715	114,091	21,376	23.1%
Int. Income Liquid Assets	30,438	36,651	6,213	20.4%
FX Income	9,434	11,409	1,975	20.9%
E-banking Income	10,690	6,762	(3,928)	-36.7%
A/C Maintenance fee	1,737	2,602	865	49.8%
Trade Income	1,236	1,997	761	61.6%
Other Income	5,771	6,384	613	10.6%



Key Highlights (N'm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017
<b>Total Earnings</b>	<b>40,842</b>	<b>44,979</b>	<b>44,265</b>	<b>49,811</b>
Interest Income Loans	26,790	26,671	28,738	31,892
Int. Income Liquid Assets	9,440	9,952	8,776	8,483
FX Income	323	3,099	2,818	5,169
E-banking Income	2,061	1,536	1,475	1,690
A/C Maintenance fee	542	617	630	813
Trade Income	313	672	809	203
Other Income	1,373	2,432	1,018	1,561



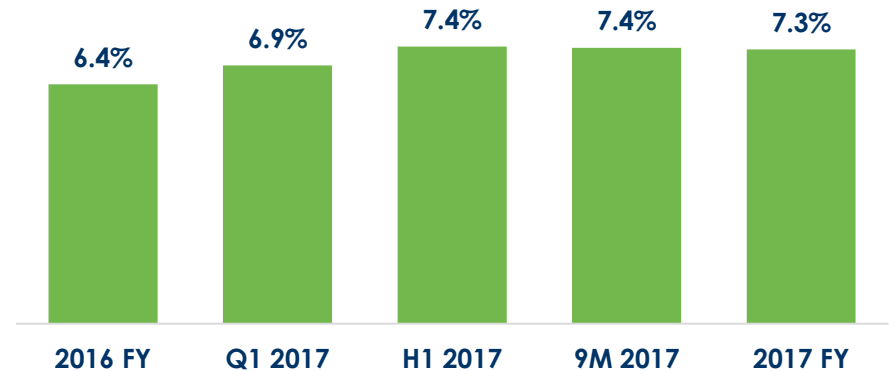
- Gross earnings went up on account of double digit growth across key income lines: trade income, account maintenance charge, interest income on loans, FX Income and interest income on liquid assets. Improved FX liquidity from Q2 was a key driver of income growth.
- E-banking income declined due to the restriction on international card transactions; we earned N4.8bn from this product in 2016.

# Net Interest Margin Analysis

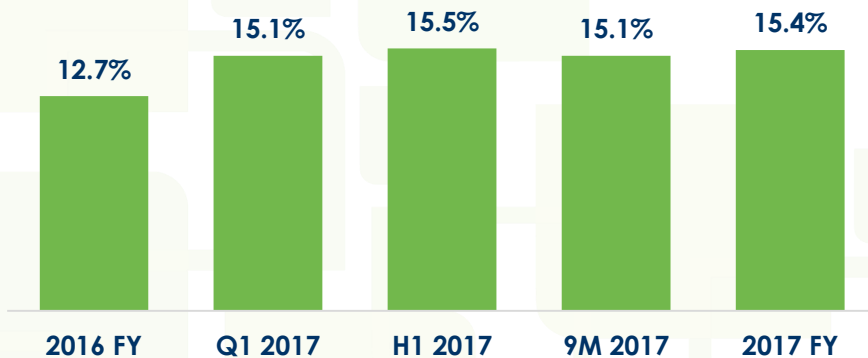


- ▶ NIM improved to 7.3% in 2017FY from 6.4% in 2016FY as the increase in our average yield on earning assets outpaced the increase in average funding cost.
- ▶ The yield on earning assets inched up to 15.4% from 12.7% in 2016FY driven by higher lending rates and yields on fixed income securities .
- ▶ Average funding costs also grew but at a slower rate to 7.2% from 5.8% in line with the higher rate environment.
- ▶ We expect margins to decline in the 2018FY as the yields on fixed income securities trend downwards .

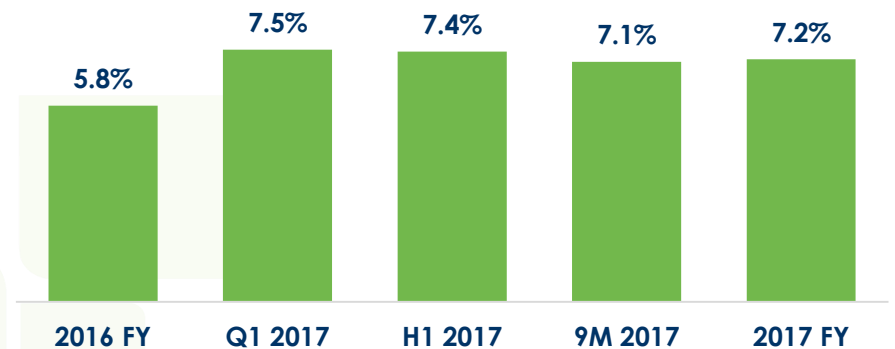
## NIM Trend



## Yield on Earning Assets



## Funding Cost

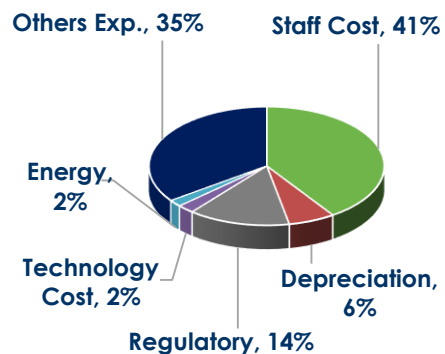


# Total Expense Analysis

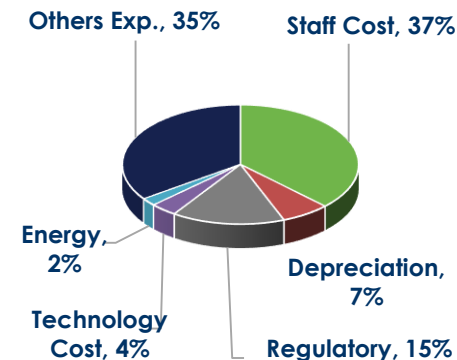


Key Highlights (N'm)	2016FY	2017FY	VAR	% VAR
<b>Total Expenses</b>	<b>67,201</b>	<b>65,675</b>	<b>-1,526</b>	<b>-2.3%</b>
Staff Cost	27,231	24,535	-2,696	-9.9%
Depreciation	4,308	4,373	65	1.5%
NDIC/AMCON Cost	9,379	10,129	750	8.0%
Technology Cost	1,565	2,407	842	53.8%
Energy Cost	1,252	1,384	132	10.6%
Security	1,345	1,256	-89	-6.6%
Branding & Advert	9,579	8,173	-1,406	-14.7%
Other Expenses	12,542	13,418	876	7.0%

**Total Expenses: 2016FY**

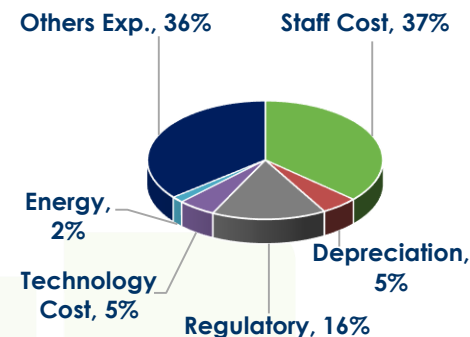


**Total Expenses: 2017FY**

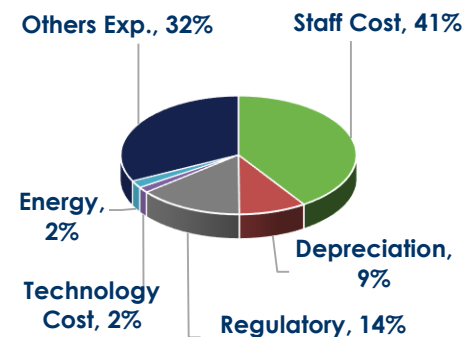


Key Highlights (N'm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017
<b>Total Expenses</b>	<b>14,365</b>	<b>16,536</b>	<b>16,585</b>	<b>18,188</b>
Staff Cost	5,256	5,818	6,065	7,396
Depreciation	910	946	841	1,677
NDIC/AMCON Cost	2,345	2,581	2,601	2,602
Technology Cost	439	828	860	280
Energy Cost	398	346	277	363
Security	310	305	308	333
Branding & Advert	1,928	2,608	2,036	1,601
Other Expenses	2,780	3,104	3,598	3,936

**Total Expenses: Q3 2017**



**Total Expenses: Q4 2017**



- Process optimisation initiatives and increased adoption of digital products is driving down our overall cost to serve.
- Technology cost will continue to grow as we invest in digitization to increase market share and improve operational efficiency

# Cost Dynamics – YoY Breakdown



## Breakdown of Operating Expenses: 2016FY Vs. 2017FY

N'million	2016FY	2017FY	VAR	% VAR
Staff cost	27,231	24,535	(2,696)	-9.9%
Branding & advert	9,579	8,173	(1,406)	-14.7%
Telephone expenses	307	108	(199)	-64.8%
Training expenses	407	221	(186)	-45.7%
Litigations and claims	185	-	(185)	-100.0%
Security expenses	1,345	1,256	(89)	-6.6%
Legal expenses	253	202	(51)	-20.2%
Bank charges	710	662	(48)	-6.8%
Postage and courier expenses	97	78	(19)	-19.6%
Stationery expenses	256	269	13	5.1%
Repairs and maintenance	2,563	2,583	20	0.8%
Insurance expenses	348	396	48	13.8%
Auditors' remuneration	150	200	50	33.3%
Depreciation	4,308	4,373	65	1.5%
Travelling and accommodation	621	695	74	11.9%
Outsourced cost	3,428	3,522	94	2.7%
Cash movement expenses	601	711	110	18.3%
Consultancy expenses	577	695	118	20.5%
Directors' emoluments	249	370	121	48.6%
Energy (Electricity & Diesel)	1,252	1,384	132	10.6%
Other expenses	1,505	1,845	340	22.6%
Rent and rates	285	861	576	202.1%
NDIC / AMCON charges	9,379	10,129	750	8.0%
Technology cost	1,565	2,407	842	53.8%
	67,201	65,675	(1,526)	-2.3%

# Cost Dynamics – QoQ Breakdown



## Breakdown of Operating Expenses: Q3 2017 Vs. Q4 2017

N'million	Q3 2017	Q4 2017	VAR	% VAR
Technology cost	860	280	(579)	-67.4%
Branding & advert	2,036	1,601	(434)	-21.3%
Training expenses	123	(29)	(152)	-123.6%
Outsourced cost	998	859	(140)	-14.0%
Auditors' remuneration	72	28	(44)	-61.0%
Directors' emoluments	141	101	(40)	-28.4%
Stationery expenses	71	66	(5)	-7.5%
Consultancy expenses	182	180	(3)	-1.4%
Telephone expenses	29	29	(0)	-0.7%
Litigations and claims	-	-	-	0.0%
<b>NDIC / AMCON charges</b>	<b>2,601</b>	<b>2,602</b>	<b>1</b>	<b>0.0%</b>
<b>Postage and courier expenses</b>	<b>19</b>	<b>24</b>	<b>6</b>	<b>29.9%</b>
<b>Insurance expenses</b>	<b>107</b>	<b>117</b>	<b>9</b>	<b>8.8%</b>
<b>Security expenses</b>	<b>308</b>	<b>333</b>	<b>25</b>	<b>8.2%</b>
<b>Rent and rates</b>	<b>220</b>	<b>247</b>	<b>27</b>	<b>12.3%</b>
<b>Legal expenses</b>	<b>40</b>	<b>69</b>	<b>28</b>	<b>70.5%</b>
<b>Travelling and accommodation</b>	<b>178</b>	<b>228</b>	<b>50</b>	<b>27.8%</b>
<b>Energy (Electricity &amp; Diesel)</b>	<b>277</b>	<b>363</b>	<b>85</b>	<b>30.8%</b>
<b>Repairs &amp; Maint.</b>	<b>584</b>	<b>682</b>	<b>98</b>	<b>16.8%</b>
<b>Cash movement expenses</b>	<b>145</b>	<b>308</b>	<b>162</b>	<b>111.6%</b>
<b>Other expenses</b>	<b>552</b>	<b>719</b>	<b>167</b>	<b>30.2%</b>
<b>Bank charges</b>	<b>135</b>	<b>310</b>	<b>175</b>	<b>129.2%</b>
<b>Depreciation</b>	<b>841</b>	<b>1,677</b>	<b>836</b>	<b>99.5%</b>
<b>Staff cost</b>	<b>6,065</b>	<b>7,396</b>	<b>1,331</b>	<b>22.0%</b>
	<b>16,585</b>	<b>18,188</b>	<b>1,603</b>	<b>9.7%</b>

# Cost Savings Analysis



## Key Drivers in 2017FY: YoY Actual Cost Decrease / (Increase)



## Key Drivers in Q4 2017 : QoQ Actual Cost Decrease / (Increase)



➤ Our cost optimization initiatives have continued to deliver cost savings YoY / QoQ.

## 4. Financial Review – SFP

For MTN subscribers only.



Fair usage applies.

# Say Y'ello...

No need for data to transact on  
Fidelity Online & Mobile App

*It's not even the Festive Season yet but we just can't hold back all  
the freebies we have for you.*

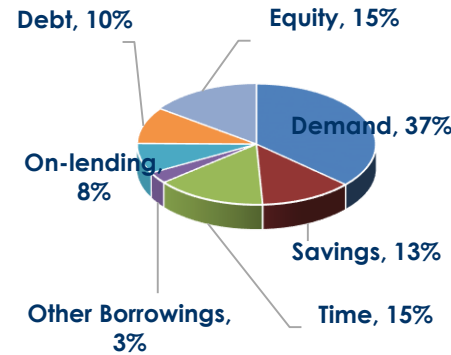


# Funding Base Analysis

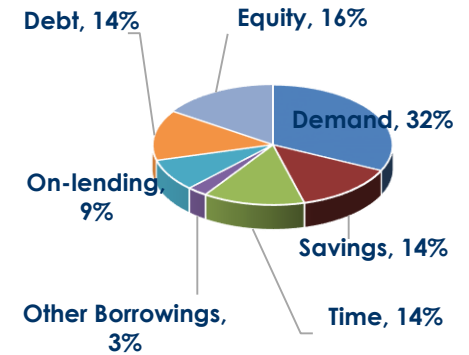


Key Highlights (N'm)	2016FY	2017FY	VAR	% VAR
Demand Deposits	453,461	418,472	(34,989)	-7.7%
Savings Deposits	155,019	178,570	23,551	15.2%
Tenor Deposits	184,491	178,234	(6,257)	-3.4%
Other Borrowings	37,219	35,529	(1,690)	-4.5%
On-Lending	99,991	112,294	12,303	12.3%
Debt Securities	121,816	177,704	55,888	45.9%
Equity	185,402	203,315	17,913	9.7%
<b>Total</b>	<b>1,237,399</b>	<b>1,304,118</b>	<b>66,719</b>	<b>5.4%</b>

Funding Structure: 2016FY

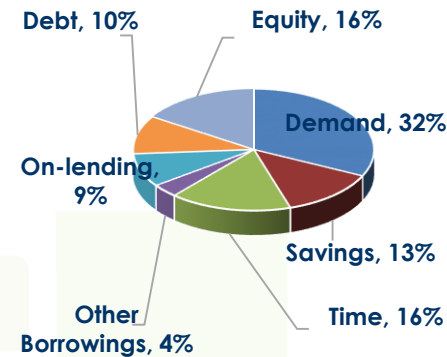


Funding Structure: 2017FY

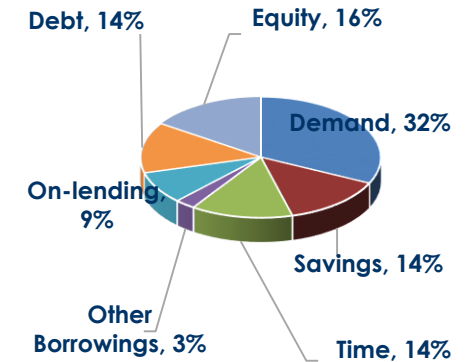


Key Highlights (N'm)	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Demand Deposits	458,691	413,619	405,063	418,472
Savings Deposits	163,747	161,101	163,788	178,570
Time Deposits	177,810	186,349	205,531	178,234
Other Borrowings	44,196	43,500	44,870	35,529
On-Lending	100,671	108,103	112,251	112,294
Debt Securities	120,736	122,258	128,927	177,704
Equity	189,214	192,339	200,600	203,315
<b>Total</b>	<b>1,255,064</b>	<b>1,227,268</b>	<b>1,261,029</b>	<b>1,304,118</b>

Funding Structure: Q3 2017



Funding Structure: Q4 2017



- Total deposits now account for 59.4% of total funding base (2016FY: 64.1%) and 70.4% of interest bearing liabilities.
- Drop in total deposits was a combination of full payment of TSA deposits and customers preference for Government fixed income securities due to the high/attractive yields

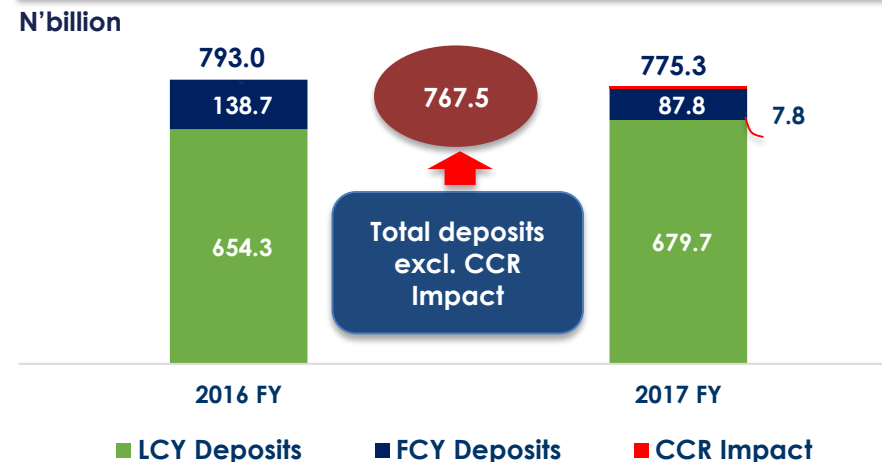


# Deposits Analysis

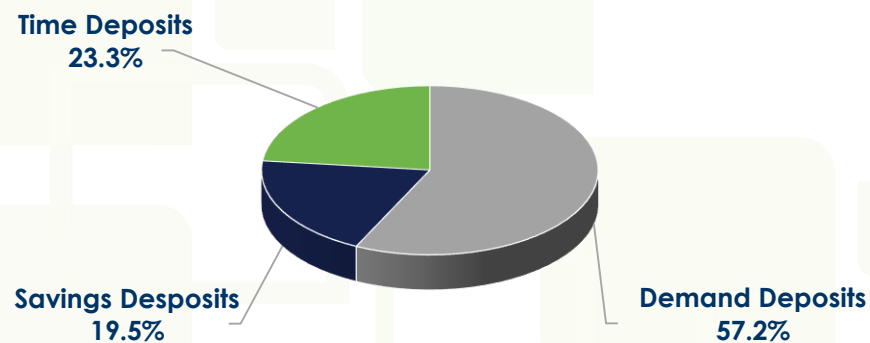


- ▶ Total deposits declined by 2.2% to N775.3 billion from N793.0 billion in 2016FY principally due to the pay-off of ALL our outstanding TSA deposits of N53 billion.
- ▶ The change in currency conversion rate (CCR) resulted in a 1.0% (N7.8 billion) increase in total deposits. Excluding the impact of CCR, total deposits would have dropped by 3.2% YTD.
- ▶ Low cost deposits now constitute 77.0% of total deposits from 76.7% in 2016FY as savings deposits increase by 15.2% to N178.6 billion.

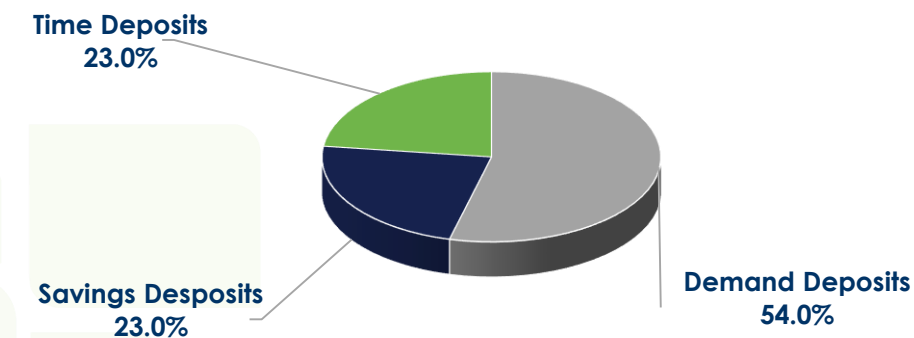
## Customer Deposits



## Customer Deposits by Type – 2016FY



## Customer Deposits by Type – 2017FY

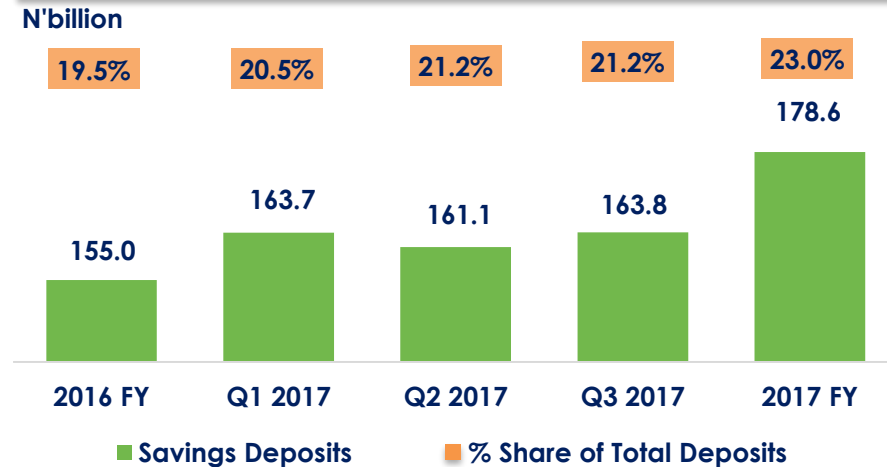


# Retail Banking Analysis (Personal Banking)

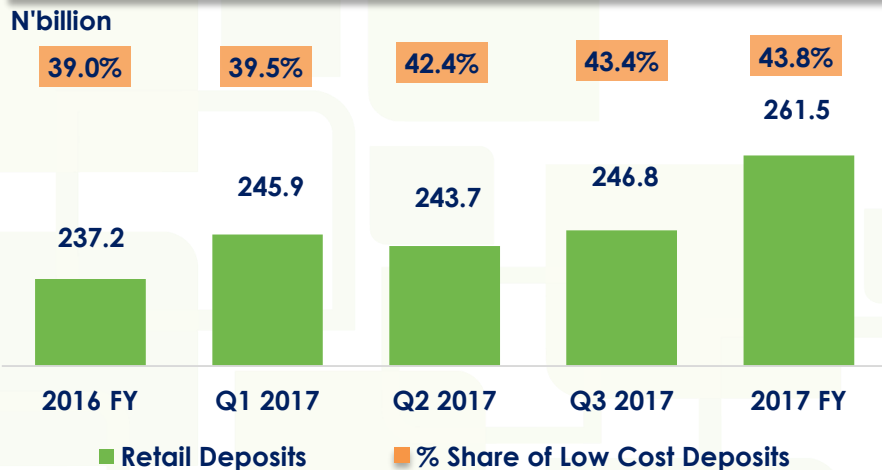


- ▶ Total savings deposits increased by 15.2% to N178.6 billion, while it increased by 9.0% QoQ on the back of our various retail marketing initiatives.
- ▶ Retail low cost deposits increased by 10.3% and 6.0% QoQ anchored on the growth in savings deposits. Retail low cost deposits now represent 43.8% of total low cost deposits of the bank.
- ▶ Retail loan book declined due to tighter underwriting standards as the sector faced macro challenges, lending activities to increase as the macro environment improves.

## Savings Deposits Trend



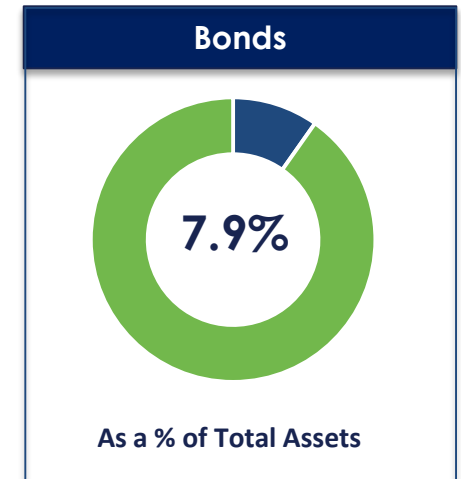
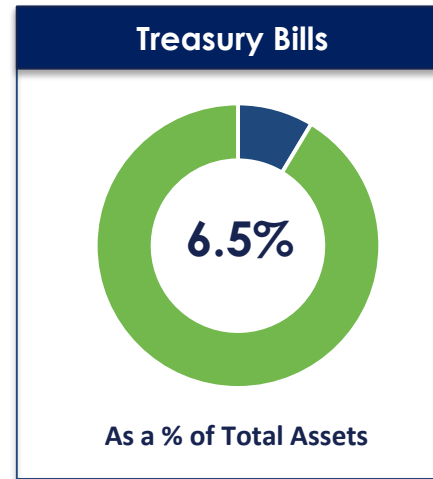
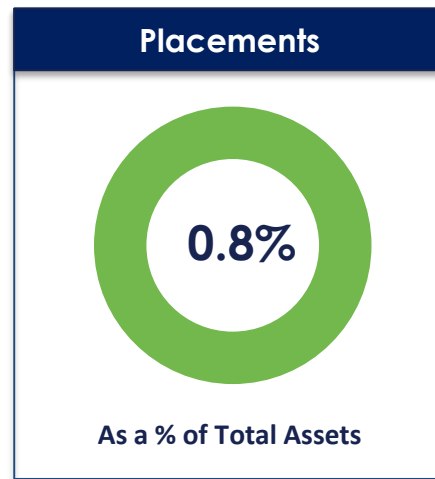
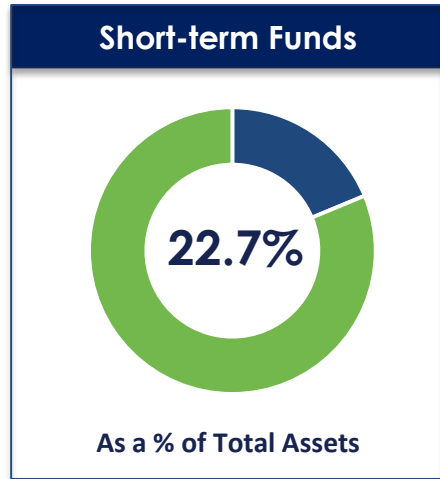
## Retail Low Cost Deposits



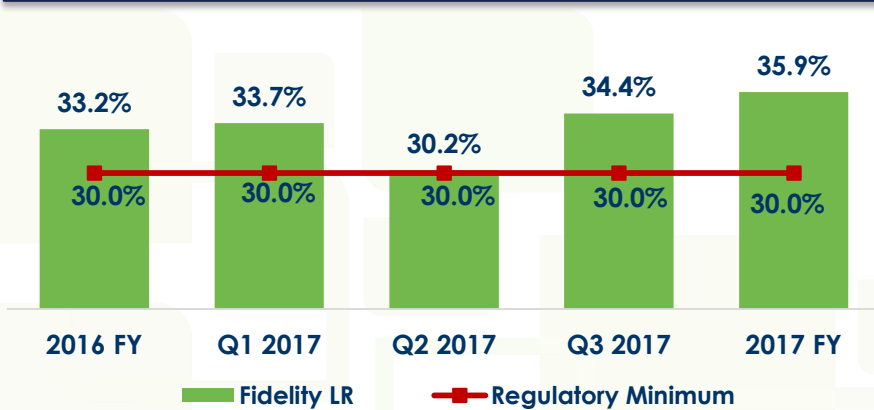
## Retail Assets Trend



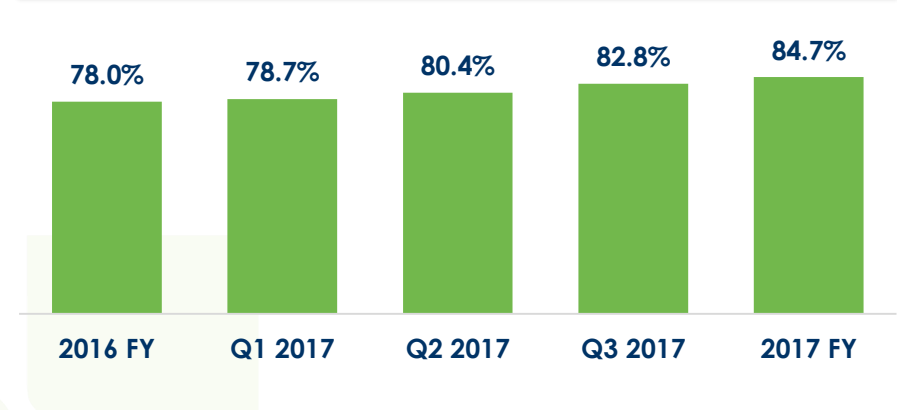
# Liquid Assets Position



## Liquidity Ratio



## % Total Loans to Customer Deposits



- Loan book is funded by deposits, long term borrowings, CBN Intervention funds and debt securities.
- Loan to deposit ratio of 84.7% has ONLY factored in CBN bailout funds to states which excludes other funding sources e.g. debts
- Loans to interest bearing liabilities stood at 69.8% in 2017FY from 68.3% reported in 2016FY.

# Loan Portfolio Analysis



## Breakdown of Loans & Advances to Customers: 2016FY Vs. 2017FY

N'million	2016FY	2017FY	VAR	% VAR
Communication	43,566	37,874	(5,692)	-13.1%
Oil and Gas	188,217	204,695	16,479	8.8%
- <b>Upstream</b>	<b>136,161</b>	<b>148,544</b>	<b>12,382</b>	<b>9.1%</b>
- <b>Downstream</b>	<b>18,591</b>	<b>27,362</b>	<b>8,772</b>	<b>47.2%</b>
- <b>Services</b>	<b>33,464</b>	<b>28,790</b>	<b>(4,675)</b>	<b>-14.0%</b>
Power	87,845	102,727	14,881	16.9%
Manufacturing	75,006	77,368	2,362	3.1%
General Commerce	45,378	69,095	23,717	52.3%
Transport	72,830	72,301	(529)	-0.7%
Consumer (Individuals)	57,214	44,751	(12,463)	-21.8%
Government	101,007	107,489	6,482	6.4%
Construction	22,873	27,979	5,106	22.3%
Agriculture	9,740	12,657	2,917	30.0%
Real Estate	23,000	24,506	1,506	6.5%
Education	3,474	3,548	75	2.2%
Finance and Insurance	6,310	3,915	(2,395)	-38.0%
Others	6,661	6,408	(252)	-3.8%
<b>Total</b>	<b>743,120</b>	<b>795,315</b>	<b>52,195</b>	<b>7.0%</b>

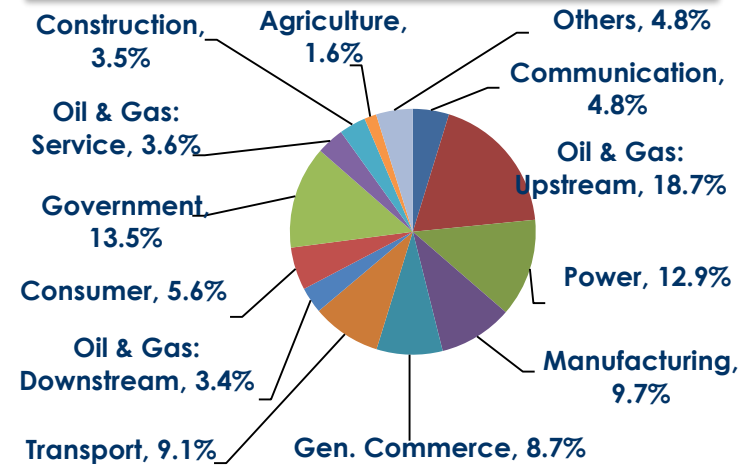
# Loan Portfolio Analysis



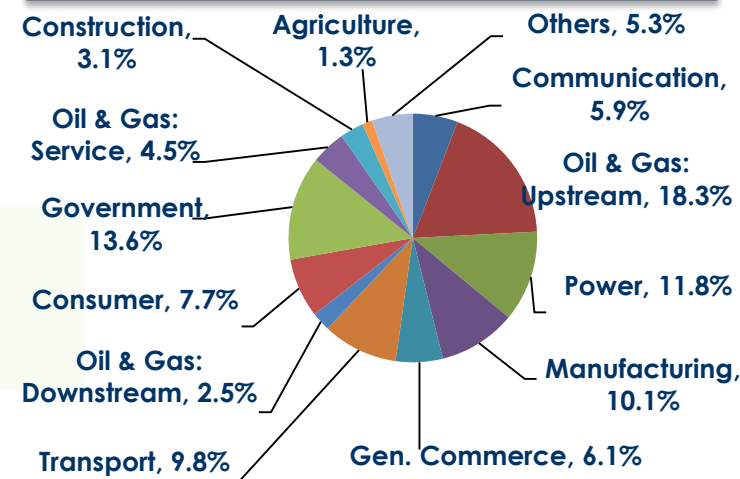
## Breakdown of Loans & Advances to Customers

N'million	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Communication	43,881	39,934	40,953	37,874
Oil and Gas	206,402	199,839	212,551	204,695
- <b>Upstream</b>	<b>135,143</b>	<b>135,048</b>	<b>145,801</b>	<b>148,544</b>
- <b>Downstream</b>	<b>35,551</b>	<b>26,221</b>	<b>27,482</b>	<b>27,362</b>
- <b>Services</b>	<b>35,708</b>	<b>38,570</b>	<b>39,268</b>	<b>28,790</b>
Power	87,784	91,923	98,925	102,727
Manufacturing	79,105	74,714	80,972	77,368
Gen. Commerce	46,015	48,657	55,063	69,095
Transport	68,739	68,339	65,828	72,301
Consumer	47,648	43,908	44,640	44,751
Government	102,783	105,795	106,385	107,489
Construction	24,088	26,065	27,142	27,979
Agriculture	10,831	10,611	11,272	12,657
Real Estate	20,766	23,252	24,595	24,506
Education	3,786	3,576	3,899	3,548
Fin. & Insurance	7,283	7,317	6,374	3,915
Others	6,805	5,365	6,845	6,408
<b>Total</b>	<b>755,917</b>	<b>749,295</b>	<b>785,443</b>	<b>795,315</b>

## Loan Analysis – 2017FY



## Loan Analysis – 2016FY

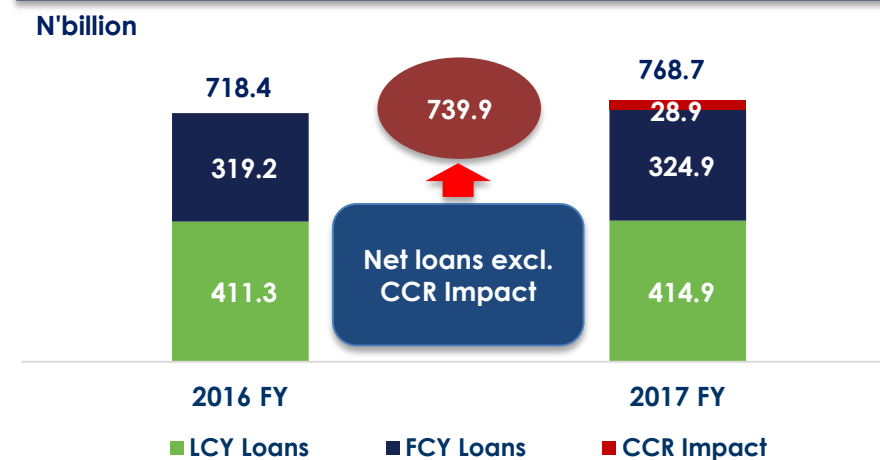


# Loan Book Analysis

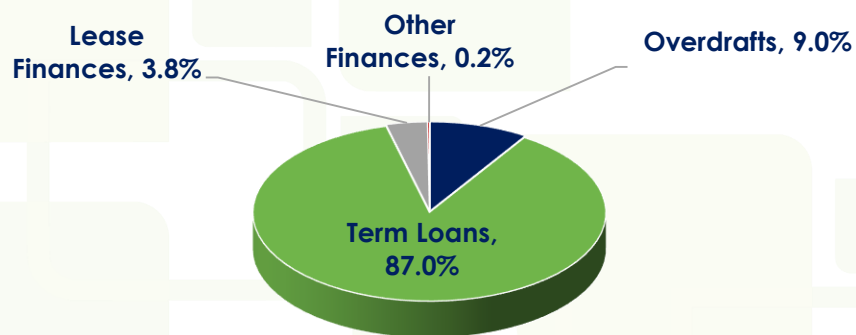


- ▶ Net loans and advances increased by 7.0% (0.1% QoQ) to N768.7 billion with the change in currency conversion rate (CCR) accounting for 4.0% (N28.9 billion) of the growth in net loans.
- ▶ Excluding the impact of CCR, actual loan growth was 3.0% for the year driven by the 1.8% QoQ growth in Q4.
- ▶ FCY loans now constitute about 46.0% of loans from 44.4% in 2016FY largely on account of the revised conversion rate.

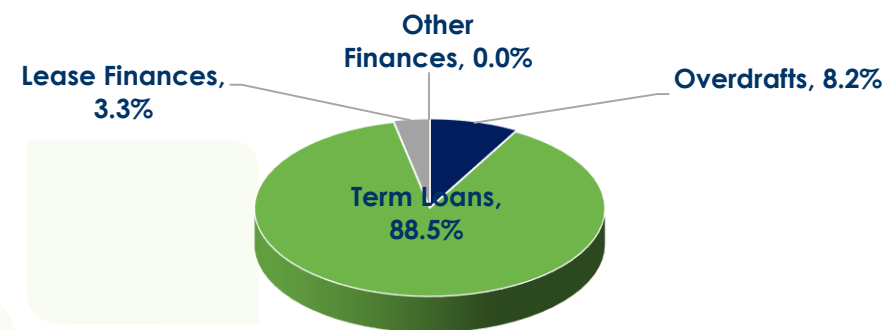
## Net Loans and Advances to Customers



## Total Loans by Type – 2016FY



## Total Loans by Type – 2017FY



# NPL Portfolio Analysis



## Breakdown of Non-performing Loans: 2016FY Vs. 2017FY

	2016FY N'million	2017FY N'million	VAR N'million	% VAR %	2016FY NPL Ratio	2017FY NPL Ratio
Communication	1,492	1,537	44	3.0%	3.4%	4.1%
Oil and gas	2,184	13,624	11,441	523.9%	1.2%	6.7%
- Oil & Gas Upstream	-	-	-	0.0%	0.0%	0.0%
- Oil & Gas Downstream	345	11,191	10,846	3145.3%	1.9%	40.9%
- Oil & Gas Services	1,839	2,433	595	32.3%	5.5%	8.5%
Power	158	10	(147)	-93.4%	0.2%	0.0%
Manufacturing	10,161	7,346	(2,814)	-27.7%	13.5%	9.5%
General Commerce	10,043	5,773	(4,270)	-42.5%	22.1%	8.4%
Transport	14,868	13,436	(1,433)	-9.6%	20.4%	18.6%
Consumer (Individuals)	4,826	2,617	(2,209)	-45.8%	8.4%	5.8%
Government	50	25	(25)	-50.0%	0.0%	0.0%
Construction	629	908	279	44.4%	2.7%	3.2%
Agriculture	926	1,263	337	36.4%	9.5%	10.0%
Real Estate	1,509	1,960	451	29.9%	6.6%	8.0%
Education	594	501	(94)	-15.8%	17.1%	14.1%
Finance and Insurance	237	94	(143)	-60.2%	3.8%	2.4%
Others	1,731	1,568	(163)	-9.4%	26.0%	24.5%
<b>TOTAL</b>	<b>49,406</b>	<b>50,662</b>	<b>1,255</b>	<b>2.5%</b>	<b>6.6%</b>	<b>6.4%</b>

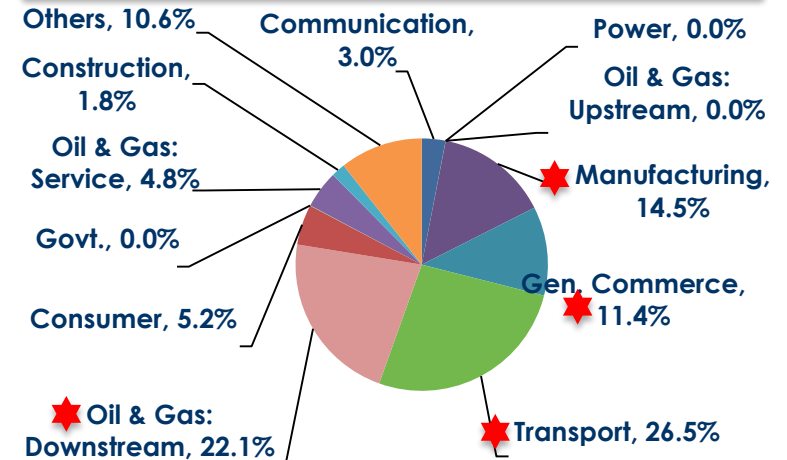
# NPL Portfolio Analysis



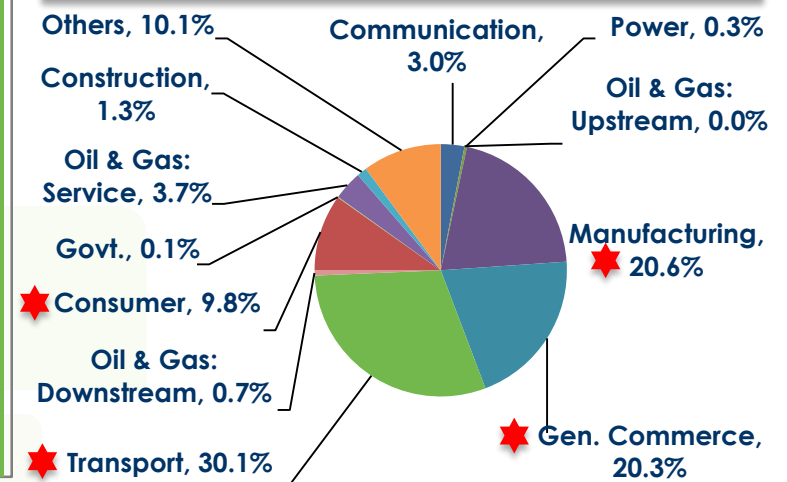
## Breakdown of Non-performing Loans

N'million	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Communication	1,450	1,415	1,713	1,537
Oil and Gas	2,184	2,171	8,468	13,624
- <b>Upstream</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
- <b>Downstream</b>	<b>359</b>	<b>414</b>	<b>6,613</b>	<b>11,191</b>
- <b>Services</b>	<b>1,825</b>	<b>1,756</b>	<b>1,855</b>	<b>2,433</b>
Power	5	2	2	10
Manufacturing	10,061	9,844	9,869	7,346
Gen. Commerce	9,064	7,934	9,354	5,773
Transport	14,056	13,325	8,532	13,436
Consumer	4,010	3,794	3,637	2,617
Government	42	28	25	25
Construction	778	591	847	908
Agriculture	813	788	790	1,263
Real Estate	1,123	1,072	706	1,960
Education	480	516	665	501
Fin. & Insurance	207	212	164	94
Others	1,626	1,662	1,719	1,568
<b>Total</b>	<b>45,897</b>	<b>43,355</b>	<b>46,490</b>	<b>50,662</b>

## NPL Analysis – 2017FY



## NPL Analysis – 2016FY



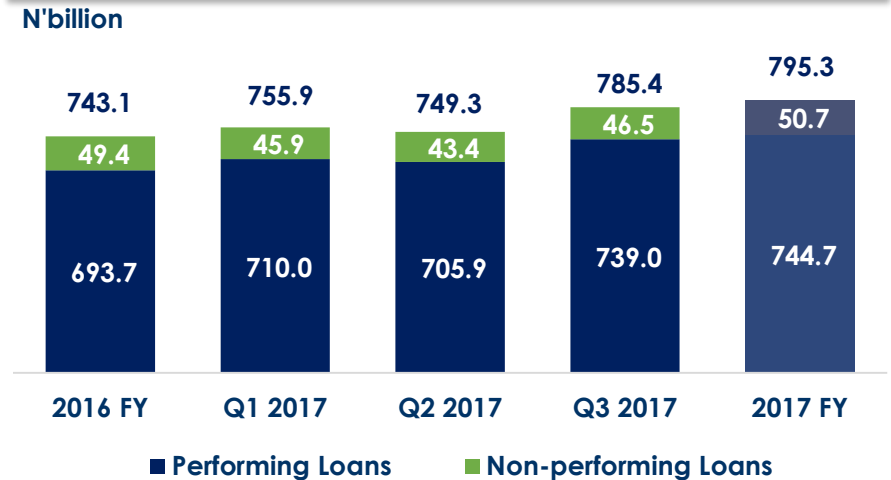


# NPL Analysis



- ▶ NPL ratio improved to 6.4% from 6.6% in 2016FY largely due to a 7.0% increase in the total loan book despite the 2.5% growth in absolute NPL numbers
- ▶ 9 sectors recorded an absolute decline of N11.3bn in NPL numbers in the 2017FY, however this was offset by the N11.4bn growth in NPLs in the Downstream and Midstream sectors of Oil & Gas
- ▶ Coverage ratio improved to 109.4% from 83.0% 2016FY due to increased provisioning which resulted in our cost of risk moving to 1.5% from 1.2%

## Gross Loans and Advances



## Non-performing Loans



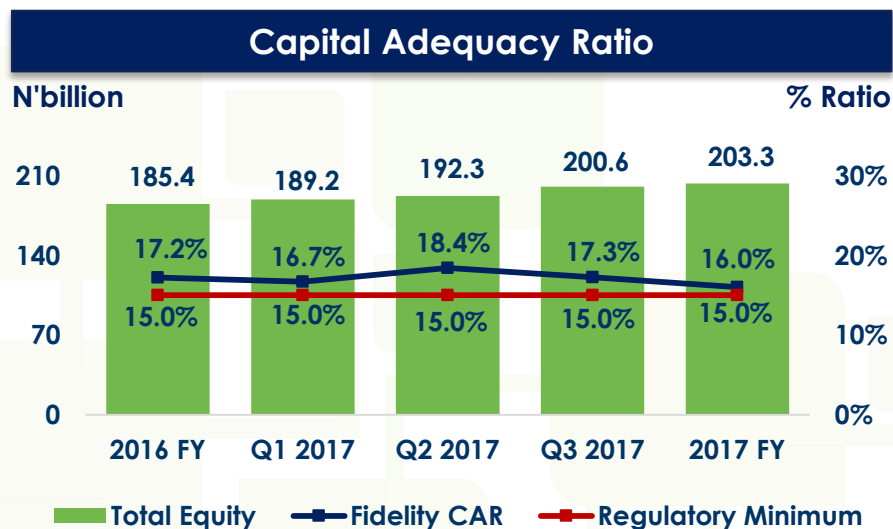
## NPL Coverage Ratio



# Capital Adequacy



- ▶ Fidelity CAR is now 16.0% which is above the regulatory minimum requirement of 15.0%.
- ▶ The single obligor charge dropped to N15.2 billion due to the capitalization of 2017FY profit and an absolute reduction in the net exposure to the customer. Excluding the capital charge, Fidelity CAR would have been 17.9% in 2017FY.
- ▶ Fidelity Bank Tier II Capital includes only the N30.0 billion subordinated unsecured 7-year local debt and eligible reserves.



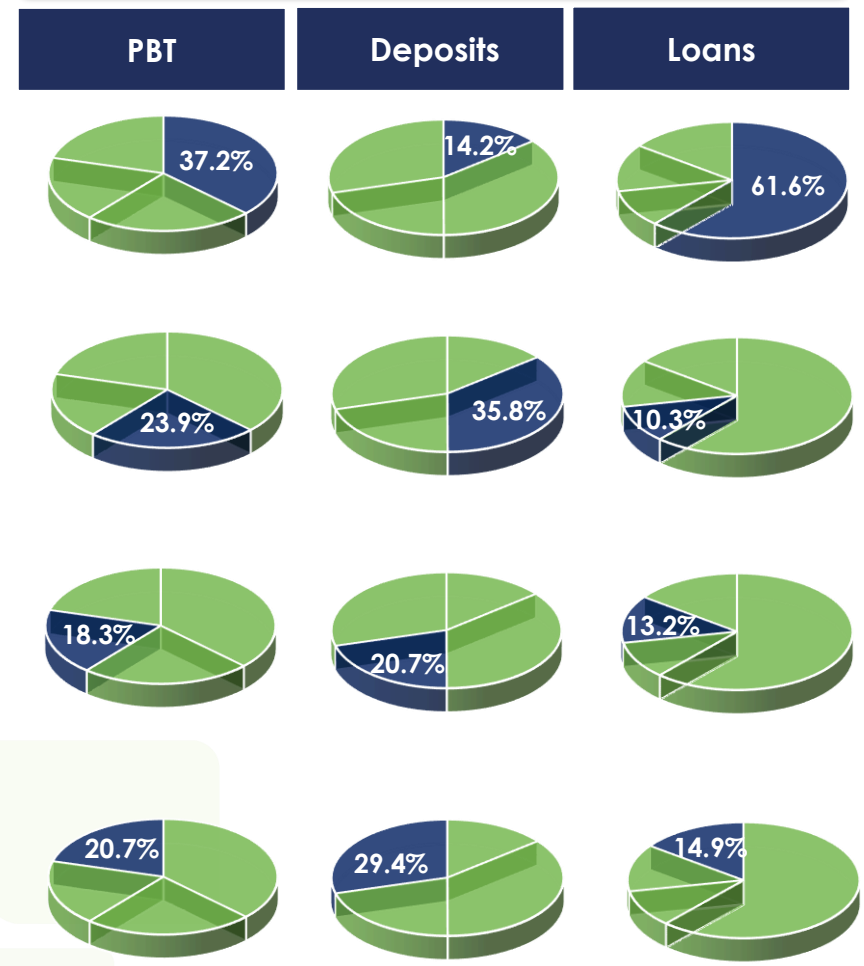
Capital Adequacy Ratio Computation – Basel II			
N'billion	2016FY	2017FY	VAR
Tier 1 Capital	166.1	165.3	-0.8
<b>Regulatory Adjustment</b>	<b>(19.0)</b>	<b>(15.2)</b>	<b>-3.8</b>
<b>Adjusted Tier 1 Capital</b>	<b>147.1</b>	<b>150.1</b>	3.0
Tier 2 Capital	49.0	29.2	-19.8
<b>Total Qualified Capital</b>	<b>196.1</b>	<b>179.3</b>	<b>-16.7</b>
Credit Risk	914.8	869.3	-45.5
Market Risk	62.5	77.8	15.3
Operational Risk	160.9	171.7	10.7
<b>Risk Weighted Assets</b>	<b>1,138.3</b>	<b>1,118.8</b>	<b>-19.5</b>
<b>Capital Adequacy Ratio</b>			
Tier 1	12.9%	13.4%	
Tier 2	4.3%	2.6%	
<b>Overall CAR</b>	<b>17.2%</b>	<b>16.0%</b>	

# Strategic Business Units Analysis



	Business Description
<b>Corporate &amp; Investment Banking</b>	<ul style="list-style-type: none"> <li>➤ Handles the bank's institutional clients with turnover in excess of ₦5.0bn.</li> <li>➤ Key focus sectors include:                             <ul style="list-style-type: none"> <li>❑ Oil &amp; gas upstream      ❑ Oil &amp; gas downstream</li> <li>❑ Power &amp; infrastructure      ❑ Telecommunication</li> <li>❑ FMCG      ❑ Construction &amp; real est.</li> <li>❑ Agriculture      ❑ Transport &amp; shipping</li> </ul> </li> </ul>
<b>Lagos &amp; SW Bank</b>	<ul style="list-style-type: none"> <li>➤ Handles retail, commercial, SME customers, and clients not matching the corporate banking criteria etc.</li> <li>➤ Drives retail deposits, lending, payroll and e-products etc.</li> <li>➤ Operates at 97 locations</li> </ul>
<b>North Bank</b>	<ul style="list-style-type: none"> <li>➤ Handles retail, commercial, SME customers, and clients not matching the corporate banking criteria etc.</li> <li>➤ Drives retail deposits, lending, payroll and e-products etc.</li> <li>➤ Operates at 56 locations including FCT.</li> </ul>
<b>South Bank</b>	<ul style="list-style-type: none"> <li>➤ Handles retail, commercial, SME customers, and clients not matching the corporate banking criteria etc.</li> <li>➤ Drives retail deposits, lending, payroll and e-products etc.</li> <li>➤ Operates at 87 locations</li> </ul>

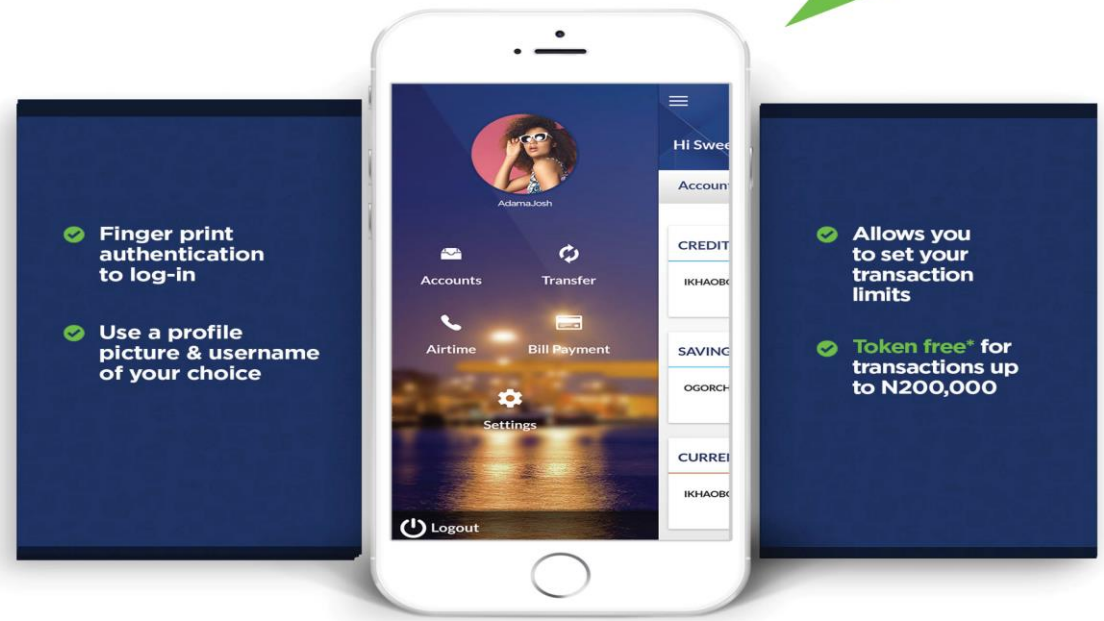
## Location Based Analysis





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# 2017FY Actual Vs. 2018FY Guidance



GROWTH EXPECTATIONS ON KEY INDICATORS					
S/N	Index	2017FY Actual	2017FY Target	Comment	2018FY Target
1	Net Interest Margin	7.3%	6.5% -7.0%	Achieved	6.5% - 7.0%
2	Tax Rate	7.1%	15% to 20%	Achieved	10.0% - 12.0%
3	Loan Growth (YTD)	7.0%	7.5%	Not Achieved	7.5% - 10.0%
4	Deposit Growth (YTD)	-2.2%	0.0%	Not Achieved	10.0% - 15.0%
5	Cost - Income Ratio	67.5%	70% Band	Achieved	Below 70%
6	Proposed Dividends	16.9%	30-50% (of PAT) band	Not Achieved	30-50% (of PAT) band
7	NPL Ratio	6.4%	Below 6.0%	Not Achieved	6.0% - 6.5%
8	Cost of Risk	1.5%	1.25%	Not Achieved	1.25%
9	ROE – Post Tax	9.3%	10%	Not Achieved	12.5%

# Thank You

Fidelity Bank Plc  
2 Kofo Abayomi Street,  
Victoria Island, Lagos, Nigeria  
+234 (01) 4480853  
info.investor@fidelitybank.ng

[www.fidelitybank.ng](http://www.fidelitybank.ng)