

# Fidelity Bank Presentation

Standard Bank 2018 African Investor Conference, London

June 19 – 21, 2018

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

# Profile of Fidelity Bank Road-Show Team



**Nnamdi Okonkwo**  
**Managing Director / Chief Executive Officer**

- Appointed Managing Director of Fidelity Bank PLC in January 2014
- Over 28 years banking experience
- Banking career includes managerial and leadership positions in Retail, SME, Commercial and Corporate Banking with experience covering Nigeria, Ghana (CEO) and West Africa (CEO).



**Mohammed Balarabe**  
**Deputy Managing Director**

- Appointed Deputy Managing Director of Fidelity Bank PLC in May 2016
- Over 26 years banking experience
- Banking career covers managerial and leadership positions in Commercial and Corporate Banking including being an Executive Director in a commercial bank in Nigeria with international cum regional banking operations



**Gbolahan Joshua**  
**Chief Operations & Information Officer**

- Appointed Chief Operations and Information Officer in January 2016
- Over 18 years Assurance and Banking experience
- Banking career includes the following leadership positions; Chief Financial Officer, Chief Strategy Officer, Chief Information Officer, Head of Assets & Liability Management, Operations and Digital Banking



**Sam Obioha**  
**Head, Investor Relations**

- Appointed Head of Investor Relations in January 2014
- Over 11 years banking experience
- Banking career spans the following areas of expertise; Investor relations, Investment Banking, Corporate Strategy and Research



**1. Overview of Fidelity Bank**

**2. Our Strategic Focus**

**3. Financial Performance Review**

**4. 2018FY Guidance**

**5. Appendix**

## 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



**Ownership**

Total Assets: **N1,480bn**  
**\$4.4bn**

**32.0bn** Authorized Shares Issued And Fully Paid → **28.96bn**

**Listings:**

- 28.96bn** Shares
- THE Nigerian STOCK EXCHANGE** (RC: 2321)
- Irish Stock Exchange**
- \$400m Oct 2022 Eurobond**

**FMDO** OTC Securities Exchange  
7yr N30bn May 2022 NGN Bonds

**Operations & Contact Channels**

**Professional Staff 3,106**  
Male: 57%  
Female: 43%

**4.1 Million Accounts**

**778 ATMs**

**2m Cards**

**1.5m Mobile Customers**

**4,360 POS**

**240 Branches**

**Governance**

**12** Board Members  
Non-Executives: 7  
Executives: 5

**5 Board Committees**

**Executive Management Team 9**

**FitchRatings B- (Stable)**

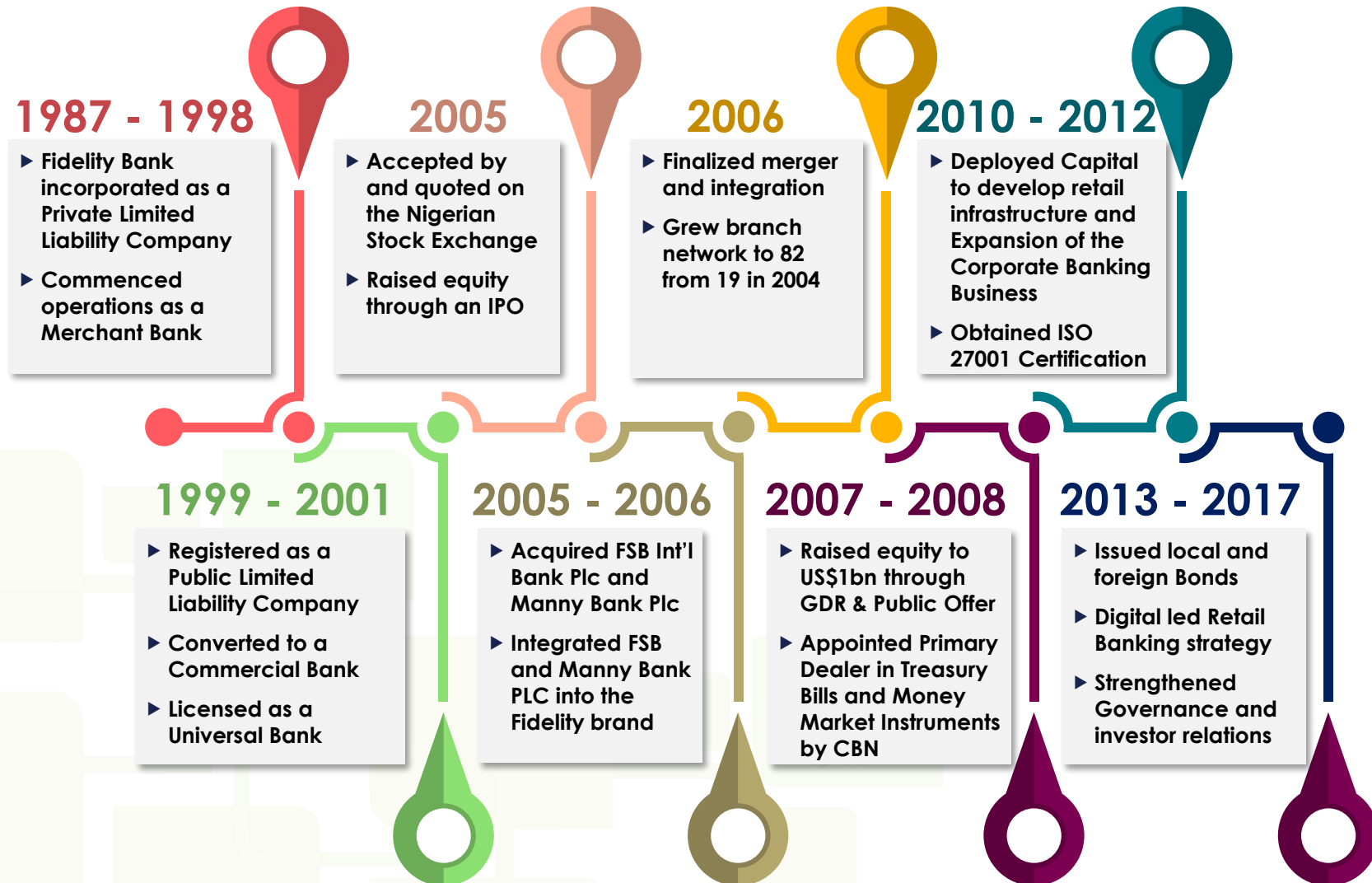
**S&P Global B- (Stable)**

**GCR GLOBAL CREDIT RATING CO. A-NG (Stable)**  
Local Expertise • Global Presence

# Evolution of Fidelity Bank



...Giant strides in our 30 years of existence





## ***Key Player in the Nigerian banking industry***

- Ranks amongst the top 10 banks in the banking industry based on total assets, total deposits and capital adequacy
- Market share of about 5% on key performance metrics; Total Assets, Loans, Deposits, Customer Base
- A leading mid-tier bank with strategic aspirations to become a Tier 1 bank in 5 years - 2022

## ***Experienced and stable management***

- Managed by a team of professionals with extensive experience within the financial services sector
- Management team has an average of over 26 years of experience, gained in leading local and international banks
- Senior management team with a proven track record of implementing innovative and industry-leading initiatives, particularly in relation to best business practices and customer services

## ***Robust internal controls and risk management policies and procedures***

- Fidelity Bank operates with a world class risk management framework and meets or exceeds all regulatory requirements with relevant certifications; ISO/IEC 22301 and ISO/IEC 27001 in place
- One of the 6 Nigerian Banks that does an interim audit of its financials and the only local mid-tier bank, Fidelity was the first bank in Nigeria to adopt a market reflective exchange rate of **N333/USD\$** in September 2017

## ***Strong information technology and e-business platform***

- Fidelity Bank is one of two Nigerian banks to introduce a mobile banking service that runs on unstructured supplementary service data technology in 2014, this product leapfrogged our digital banking value proposition attracting over 1m NEW mobile customers in 3 years
- Strong collaboration with FINTECHs to disrupt existing incumbents in select industries e.g. AVIATION
- Digital strategy and technology innovation validated by external awards on the Global stage e.g. INFOSYS

# Experienced And Credible Board of Directors



**Ernest Ebi**  
*Chairman*

- Non-Executive Director, Dangote Cement PLC; Director Venture, Garden Group
- Former Deputy Governor, CBN



**Kings Akuma**  
*Non-Executive Director*

- Head, Non-Oil & Gas at ALCON Nigeria Ltd
- Former Managing Director, Hammakopp Consortium Ltd



**Seni Adetu**  
*Independent Non-Executive Director*

- Group CEO, First primus W.A. Ltd, Algorithm Media Ltd
- Former MD, Guinness Nigeria PLC, Guinness Ghana PLC; MD, Coca Cola English West Africa



**Michael Okeke**  
*Non-Executive Director*

- Managing Partner, Sun Oriala & Co
- Previous experience at Multi-Shelters Nigeria Ltd



**Charles Umolu**  
*Non-Executive Director*

- Managing Consultant, Corimol Nigeria Ltd, Director, Profound Securities Ltd
- Former MD/CEO, Comet Merchant Bank Ltd



**Alex Ojukwu**  
*Non-Executive Director*

- CEO, Afro Asia Automobile & Plastics Ltd
- Former Executive Director, Western goldfields Group Ltd; Managing Partner, Damos Practice



**Robert Nnana-Kalu**  
*Non-Executive Director*

- Executive Director, Star Paper Mills Limited
- Former Vice Chairman and Chairman, Manufacturers Association of Nigeria

The Board of Fidelity Bank consists of former senior executives with requisite experience such as:

- Deputy Governor of the Central Bank of Nigeria (CBN)
- The CEO of Guinness & Coca Cola
- The CEO of a commercial bank
- The Chief Compliance Officer of a bank



# Strong Management Team With Extensive Experience



**Nnamdi Okonkwo**  
*Managing Director*  
28+ years experience in banking



**Mohammed Balarabe**  
*Deputy Managing Director*  
26+ years experience in banking



**Chijioke Ugochukwu**  
*Executive Director, Shared Services & Products*  
26+ years experience in banking



**Aku Odinkemelu**  
*Executive Director, Commercial & Consumer Banking, South*  
26+ years experience in banking



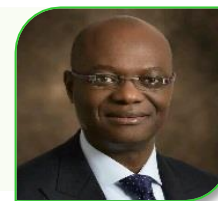
**Nneka Chinwe Onyeali-Ikpe**  
*Executive Director, Commercial & Consumer Banking, Lagos & South-West*  
28+ years experience in banking



**Obaro Odeghe**  
*Head, Corporate Banking Directorate*  
23+ years experience in banking



**Gbolahan Joshua**  
*Chief Operations and Information Officer*  
18+ years experience in banking



**Kevin Ugwuoke**  
*Chief Risk Officer*  
27+ years experience in banking

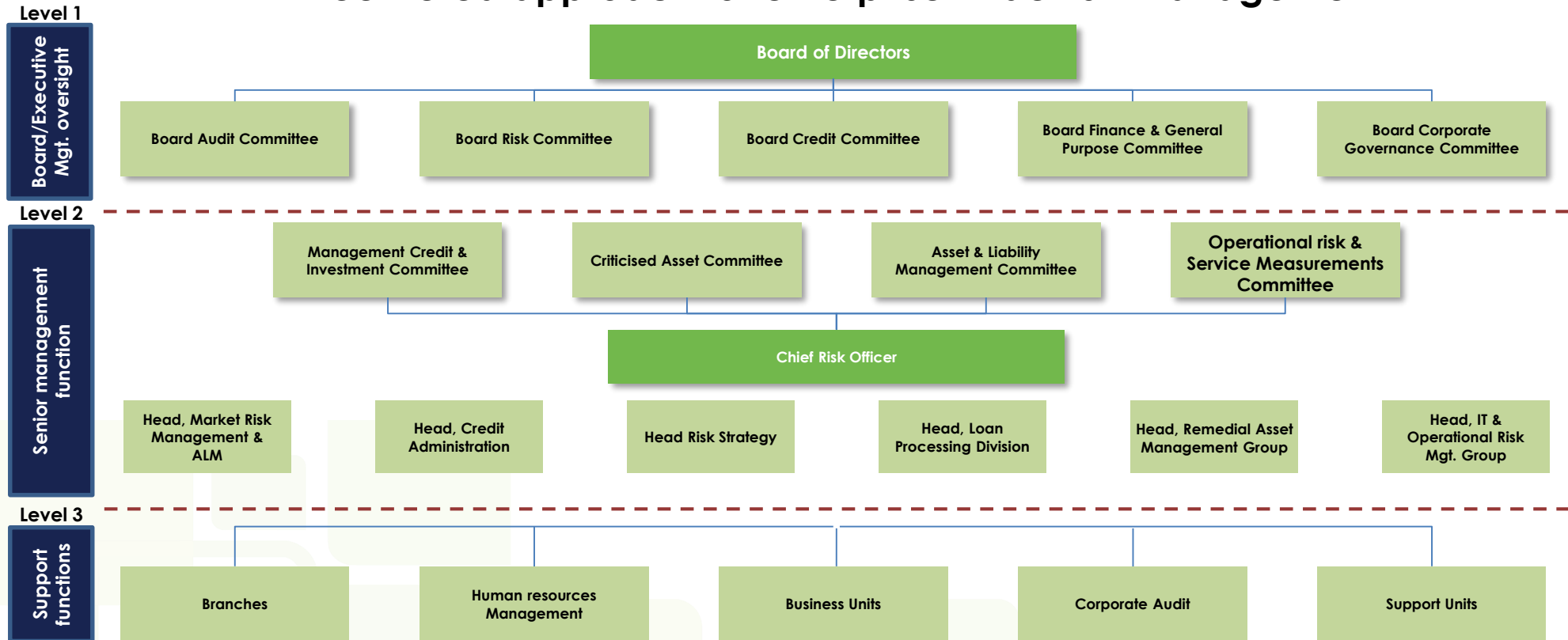


**Adebayo Ogunmolade**  
*Chief Compliance Officer*  
21+ years experience in banking

# Robust Risk Management Framework in Place



## Three-tiered approach for enterprise-wide risk management



### Robust internal controls and risk management policies and procedures

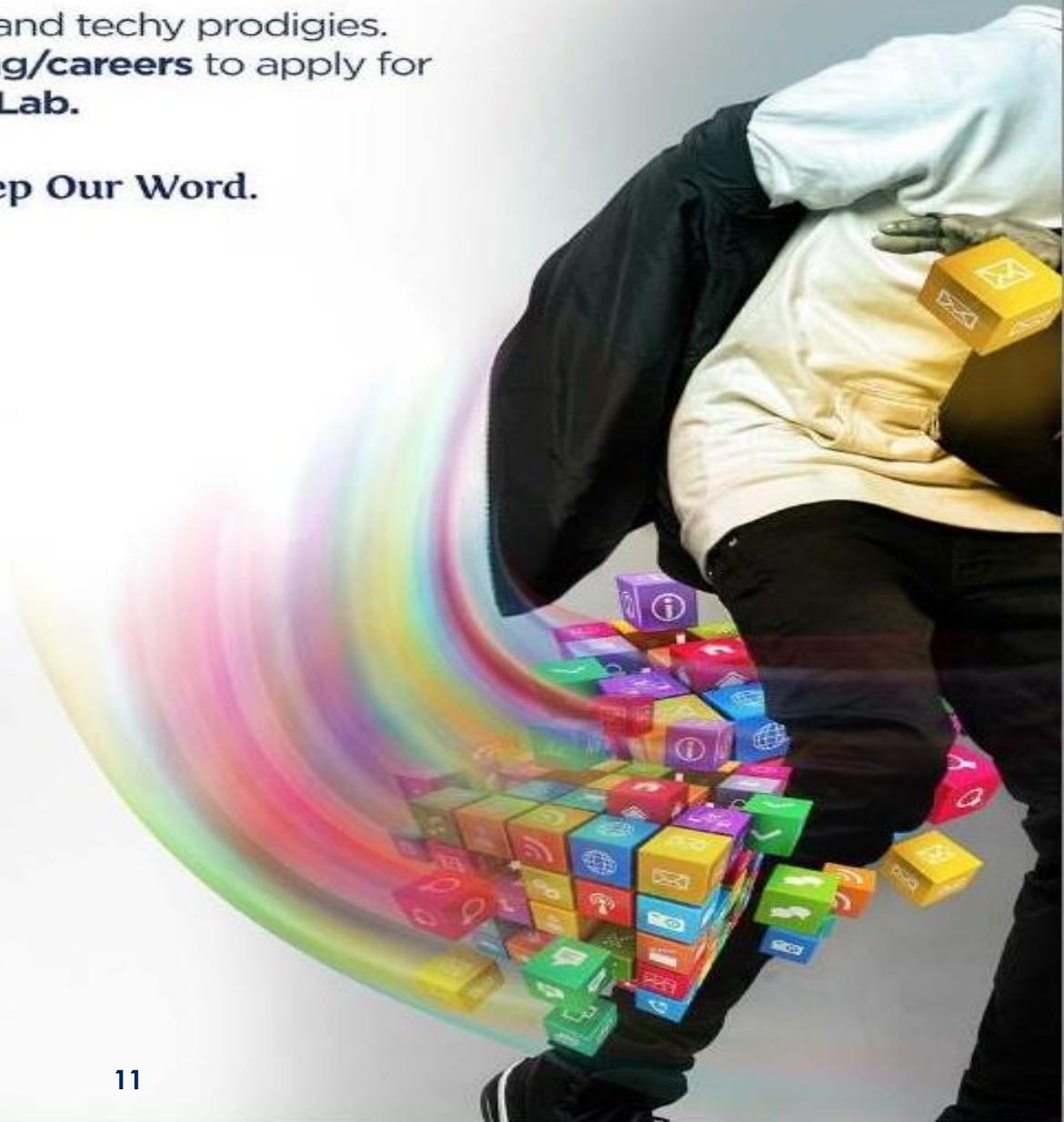
- Enterprise risk management framework in place to ensure the Bank operates a world-class risk management framework and meets or exceeds all legal and regulatory requirements
- ISO / IEC 22301 certification recently concluded to further strengthen the Bank's risk management processes
- Existing framework provides comprehensive controls and ongoing management of the major risks inherent with the Bank's business activities

## 2. Our Strategic Focus

# Innovate. Disrupt. Deliver.

Join our team of digital and techy prodigies.  
Visit [www.fidelitybank.ng/careers](http://www.fidelitybank.ng/careers) to apply for  
a position in our **Digital Lab**.

**We Are Fidelity, We Keep Our Word.**



# Proven Track Record Of Disciplined Execution



## Previous Strategic Aspirations : 2014 - 2017

- ▶ Redefined strategy to focus on Niche Sectors in Corporate Banking, Deepen our SME Franchise, Implement a Digital led Retail banking strategy, Improve Governance, Investor Relations and Customer Satisfaction Rating
- ▶ Key deliverables were diversification of the lending and funding base of the bank, Improve net interest margin, leverage digitization to reduce cost, increase earnings and improve customer experience
- ▶ Disciplined execution of the strategy led to the following;
  1. **Increased IR engagement and commenced interim audit**
  2. **Loans split; Corporate Segment 62% and Others 38%**
  3. **Over 70% growth in the customer base**
  4. **Retail savings deposits grew by over 100%**
  5. **Rated 4<sup>th</sup> Best bank in the Retail Segment – KPMG BICSS**
  6. **Stable deposit base despite returning N285bn TSA Deposits**
  7. **Digital banking penetration improved from 1% to 35% with digital banking accounting for over 25% of fee income**
  8. **NIM improved from 4% to over 7%,**
  9. **CIR dropped from 77% to 67%**
  10. **ROE Improved from 4% to 10%**

## Current Strategic Aspirations : 2018 – 2022

- ▶ Become a Tier 1 Bank and a Domestic Systematically Important Bank (D-SIB) in Nigeria
- ▶ Strategic focus will still be on these segments ; Niche sectors in Corporate Banking, Commercial, SMEs, Public Sector (PSG) and a digital led retail banking
- ▶ Develop innovative digital products to serve as a key brand differentiator in the banking space for customer experience, operational efficiency, cost optimization and revenue enhancement
- ▶ Leverage digital banking to drive down CIR to 50% by ensuring 75% of customers are enrolled on our flagship Mobile/Internet Banking Product and cards
- ▶ Digital Channels should account for at least 90% of total transaction volumes to reduce cost to serve and CIR
- ▶ Short term ROE target of 15% and medium term of < 20%
- ▶ 50% of the Loan Book will be from the Corporate Banking Segment and the remaining 50% from other segments
- ▶ Retail banking will account for 50% of the deposit base
- ▶ Achieve KPMG TOP 5 Rating on BICSS for each of the 3 key sectors we are focused on.
- ▶ N25bn PBT Target for the 2018FY and 12.5% ROE

# .....And Solid Platform For Growth



## Strong management team and corporate culture

- ▶ Varied, stable and well-experienced top management with 3 CEOs in the bank's over 30 years of existence

## Consistent financial performance and profitability

- ▶ Strong and consistent growth in top line earnings
- ▶ Healthy PBT and PAT margins amidst strong economic headwinds

## Sustained quality and asset growth

- ▶ Total loan book size of N794.3 in Q1 2018 (2017FY: N795.3 billion)
- ▶ Improved NPL ratio to 6.3% in Q1 2018 from 6.4% in 2017FY (2016FY: 6.6%)
- ▶ Adequate NPL coverage ratio at 111.7% in Q1 2018 from 109.4% in 2017FY (2016FY: 83.0%)

## Sound risk management practice

- ▶ Continuous revalidation and automation of the Bank's compliance risk management processes and procedures to withstand any emerging pressures
- ▶ Enterprise-wide risk management roles and responsibilities assigned to stakeholders of the bank on a three tier basis

## Evolving Retail & Electronic Business

- ▶ Retail and electronic banking focus has driven growth in customer base and savings deposits
  - c.43% growth in customer base and about 2x increase in savings deposit base experienced since 2014
- ▶ Robust demand for e-banking products reflected by increased migration to e-banking
- ▶ E-banking strategy is now driving non-interest income
  - Contributed c.31% to non-interest income in Q1 2018

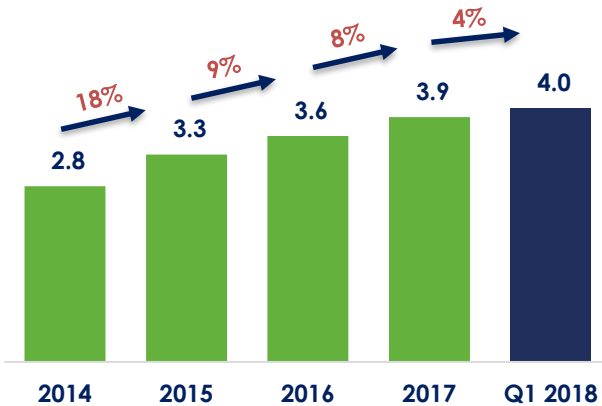
## Bank of choice for SME segment

- ▶ Quality strategic partnerships established with reputable facilitators within the SME segment to position the Bank as the go-to bank for SMEs
  - Expected to enhance Fidelity Bank's presence in the segment, thus improve transaction origination
- ▶ Aggressive cross-selling strategy combining financial advisory services with business development in place to generate superior value creation for the Bank's SME clients

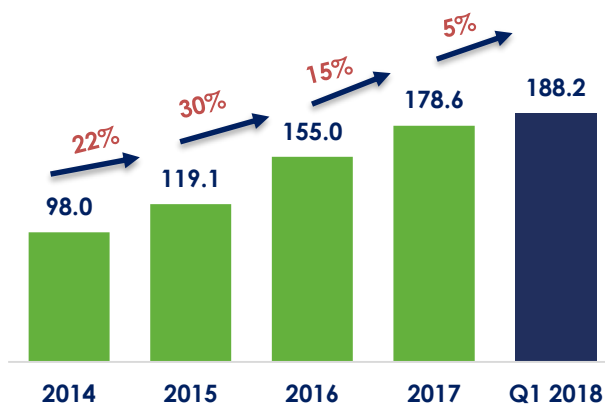
# Retail & Digital Banking Evolution & Progress Report



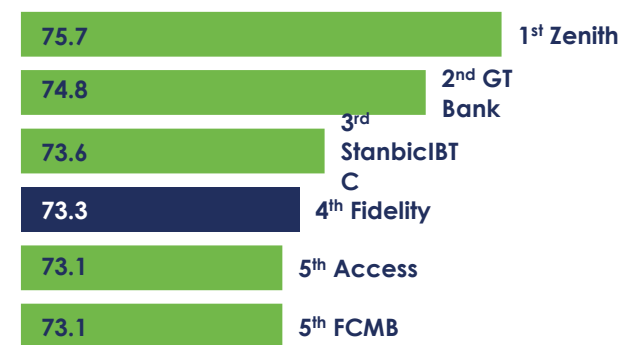
## Number of Customer Accounts (#'m)



## Savings deposits (N'bn)

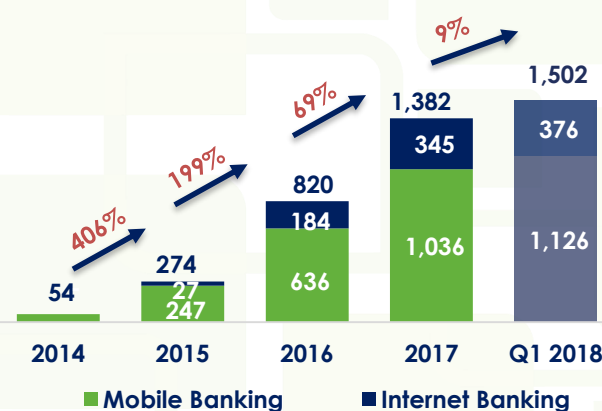


## Top 5 Retail Banks (KPMG Rating)

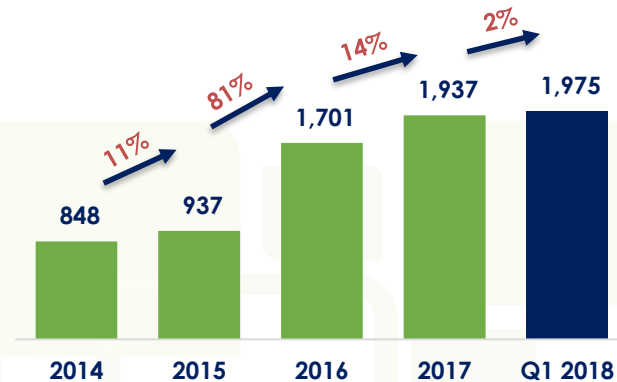


Source: KPMG Banking Industry Customer Satisfaction Survey 2017

## Mobile/Internet Banking Cust. (#'000)



## Number of Debit Cardholders (#'000)



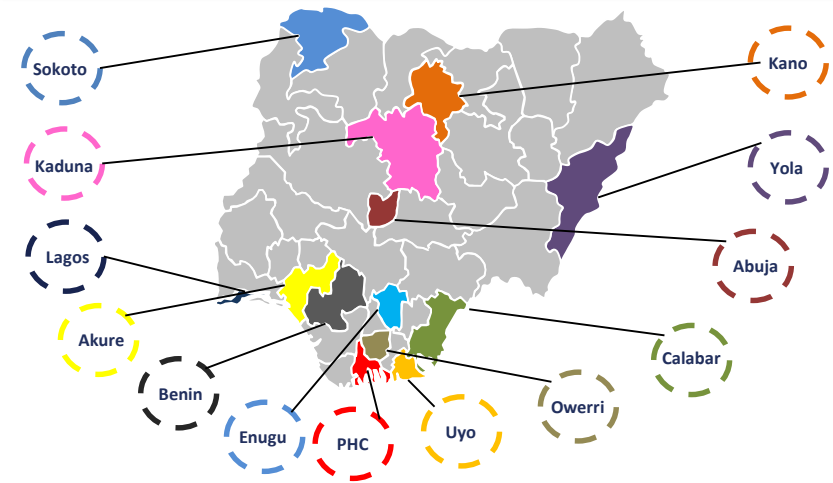
## Commentary

- ▶ Retail strategy delivering results as Fidelity was rated the 4<sup>th</sup> Best Retail Bank in the Premier 2017 KPMG Annual Survey.
- ▶ Savings deposits on track for the 5<sup>th</sup> consecutive year of double digit growth.
- ▶ Debit card penetration is about 50% and 37% of customers now self enrolled on mobile/internet banking products.
- ▶ Cash holding down 30% on digital adoption
- ▶ About 79% of customers transactions are now done on electronic channels with a target to exceed 80% in the 2018FY.



- ❑ "Our vision is to be ever dependable through the creation of seamless connections and network options for our domestic, regional and international markets."
- ❑ Founded in 2013, Air Peace with Fidelity as its primary banker has leveraged cutting edge technology and best in class safety standards to become the No. 1 domestic airline in less than 5yrs of operation - controlling over 30% of domestic flight traffic.
- ❑ Fidelity partnered with FINTECHs to deploy a robust web payment gateway and other platforms for the airline.
- ❑ The airline has over 20 operational aircrafts in its fleet including 13 Boeing 737 and two 300-capacity Boeing 777 airliners acquired for International routes. The first airline in Nigeria to acquire the 777
- ❑ Currently operating 13 domestic and 4 regional flights with approval to commence 5 international routes outside Africa

### Air Peace Flight Routes



### COMING SOON

- USA
- UK
- CHINA
- UAE
- INDIA
- SOUTH AFRICA





## Commentary

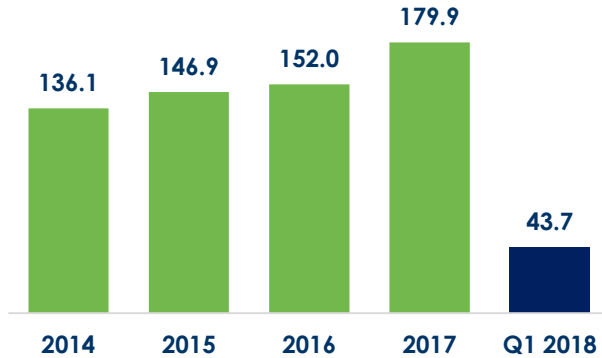
**Innovative Custom Component Award:** At the 2017 Infosys Finacle Client Innovation Awards in Bangalore India, Fidelity received the award as the 2<sup>nd</sup> most innovative bank in the mid-tier segment for a proprietary customisation which allowed Tellers to automatically cross-sell targeted digital products to clients on-line real-time.



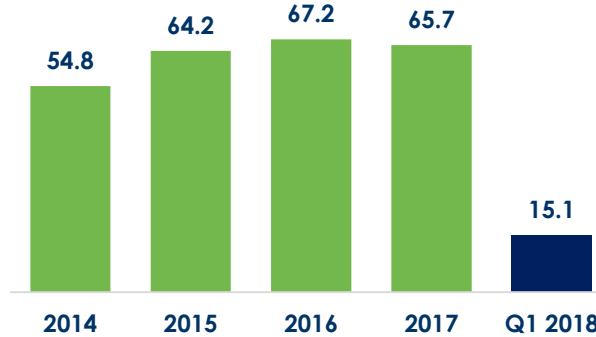
# Key Financial Highlights



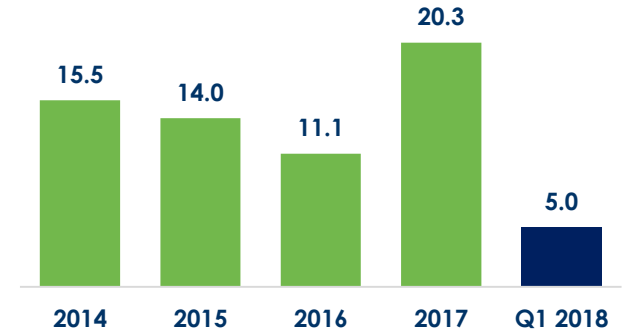
### Gross Earnings (N'bn)



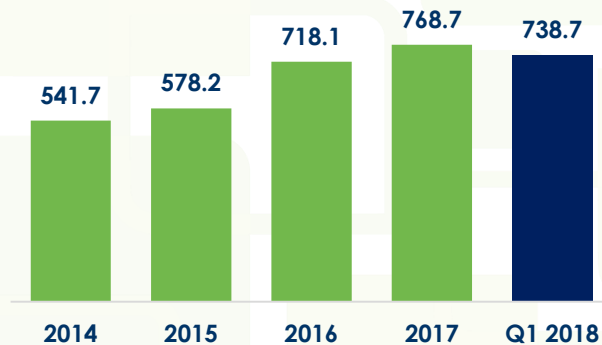
### Operating Expenses (N'bn)



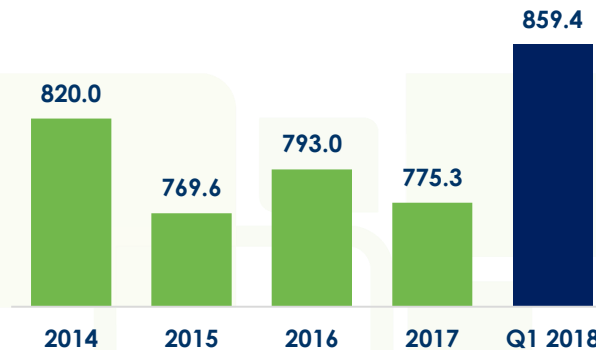
### Profit Before Tax (N'bn)



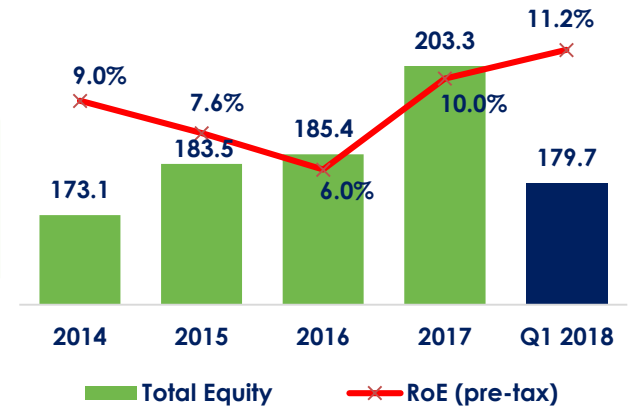
### Loans and Advances (N'bn)



### Customer Deposits (N'bn)



### Total Equity (N'bn) / Return on Equity



### 3. Financial Performance Review

## Bank While Chatting?

It's Possible with...

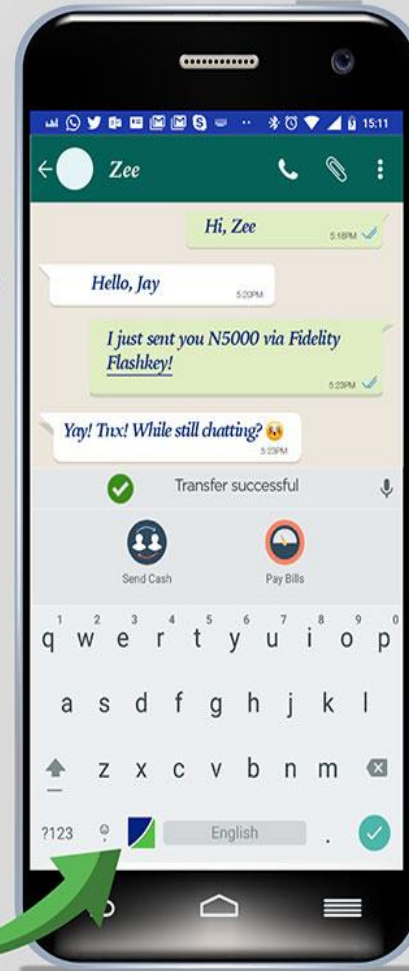
# Fidelity Flashkey

Works on all social media platforms

**Try it now!**

#### One Time Set up/Activation

- 1 Download/update Fidelity Online Banking app
- 2 Log into Online Banking app with your Username and Password
- 3 Go to settings & select "Activate Flashkey"
- 4 Enable/set Flashkey as default keyboard
- 5 Enter/save Online Banking username
- 6 Flashkey setup is completed!



#### How To Transact

- 1 Tap on the Fidelity Bank icon on your keyboard
- 2 Select "Send Cash" option
- 3 Input your Online Banking password
- 4 Select beneficiary bank and saved beneficiary
- 5 Input amount to transfer
- 6 Input your PIN or token
- 7 Send to beneficiary

# Financial Highlights



Summary of Income Statement					
N'million	2016FY	2017FY	VAR	% VAR	Q1 2018
<b>Gross Earnings</b>	<b>152,021</b>	<b>179,896</b>	<b>27,875</b>	<b>18.3%</b>	<b>43,680</b>
Interest Income Loans	92,715	114,091	21,376	23.1%	28,345
Interest Income Liquid Assets	30,438	36,651	6,213	20.4%	10,121
<b>Total Interest Income</b>	<b>123,153</b>	<b>150,742</b>	<b>27,589</b>	<b>22.4%</b>	<b>38,466</b>
Interest Expense Customer Deposits	(45,475)	(61,286)	(15,811)	34.8%	(15,911)
Interest Expense Borrowings	(15,750)	(17,992)	(2,242)	14.2%	(5,588)
<b>Total Interest Expense</b>	<b>(61,225)</b>	<b>(79,278)</b>	<b>(18,053)</b>	<b>29.5%</b>	<b>(21,499)</b>
<b>Net Interest Income</b>	<b>61,928</b>	<b>71,464</b>	<b>9,536</b>	<b>15.4%</b>	<b>16,967</b>
FX Income	9,434	11,409	1,975	20.9%	696
E-banking Income	10,690	6,762	(3,928)	-36.7%	1,600
Other Fee Income (Net)	4,881	7,657	2,776	56.9%	1,541
<b>Net Fee Income</b>	<b>25,005</b>	<b>25,828</b>	<b>823</b>	<b>3.3%</b>	<b>3,836</b>
<b>Operating Income</b>	<b>86,933</b>	<b>97,292</b>	<b>10,359</b>	<b>11.9%</b>	<b>20,803</b>
<b>Total Expenses</b>	<b>(67,201)</b>	<b>(65,675)</b>	<b>1,526</b>	<b>-2.3%</b>	<b>(15,119)</b>
Net Impairment Losses	(8,671)	(11,315)	(2,644)	30.5%	(702)
<b>Profit Before Tax</b>	<b>11,061</b>	<b>20,302</b>	<b>9,241</b>	<b>83.5%</b>	<b>4,982</b>

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

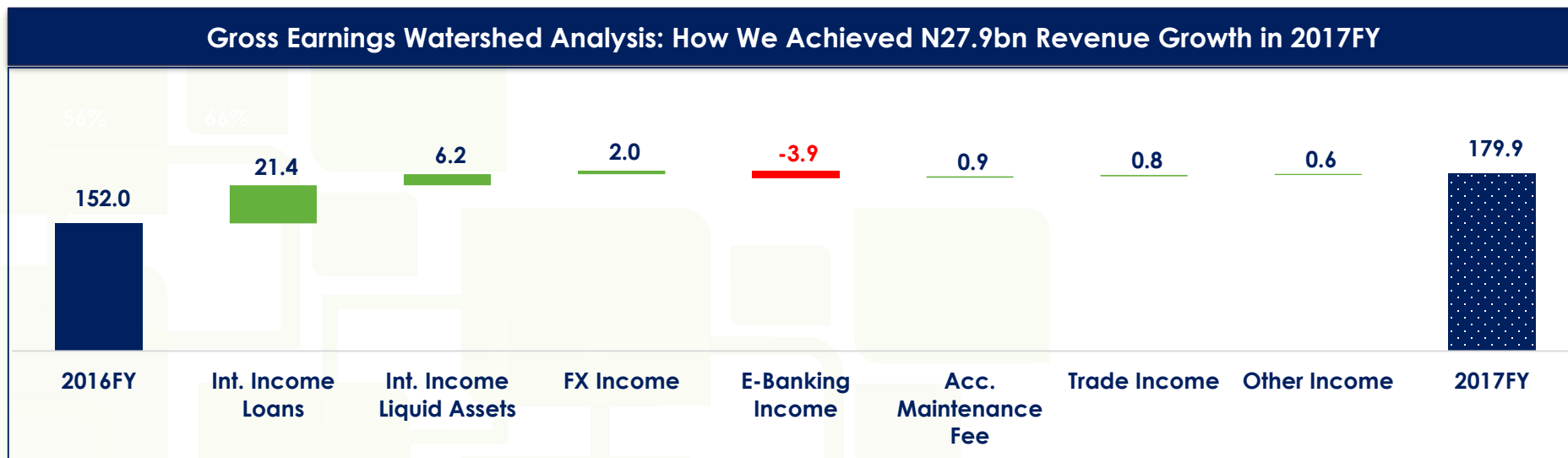
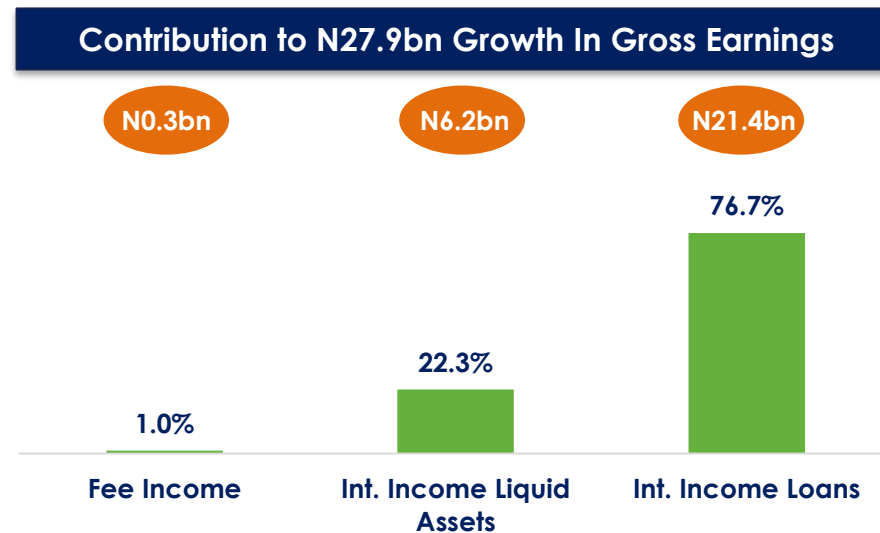
Net fee income includes net gains/ (losses) from financial instruments

# Gross Earnings Analysis – Key Drivers Of 2017FY Growth



► Gross earnings increased by 18.3% (N27.9bn) to N179.9 billion in 2017FY on account of double digit growth across key income lines:

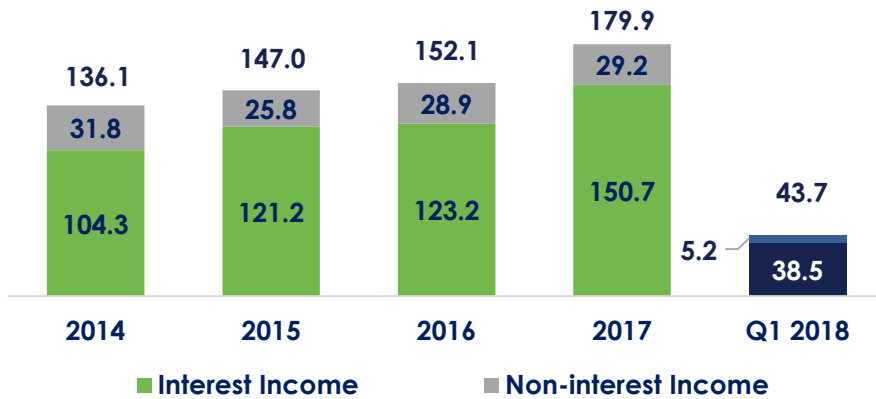
- ❑ Trade income by 61.6%
- ❑ Account maintenance charge by 49.8%
- ❑ Interest income on loans by 23.1%
- ❑ FX income by 20.9%
- ❑ Interest income on liquid assets by 20.4%.



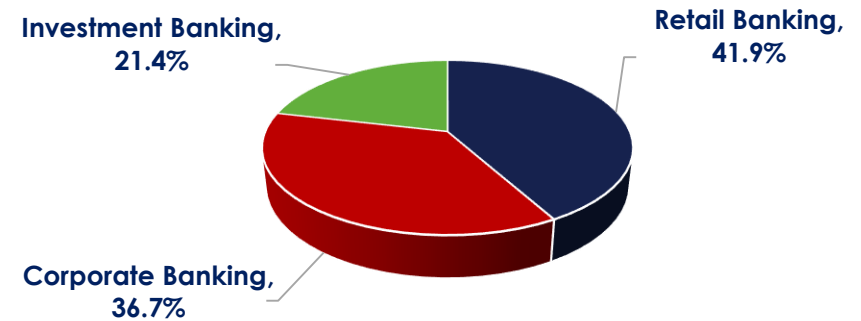
# Gross Earnings Trend



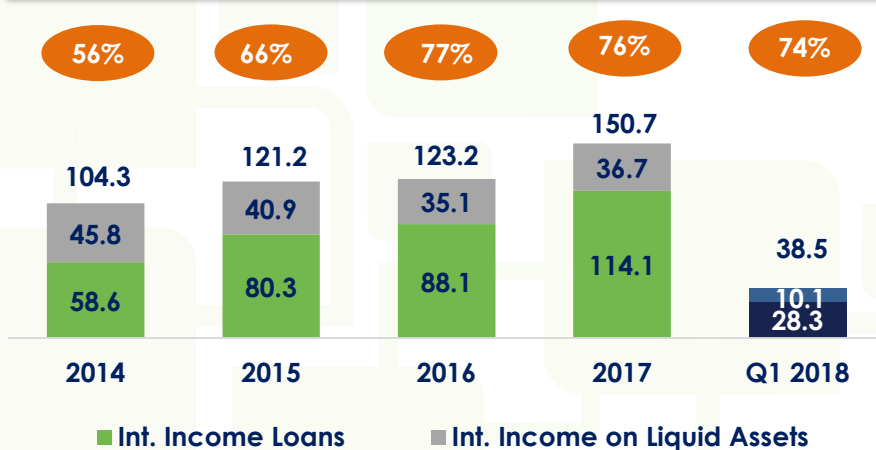
## Breakdown of Gross Earnings



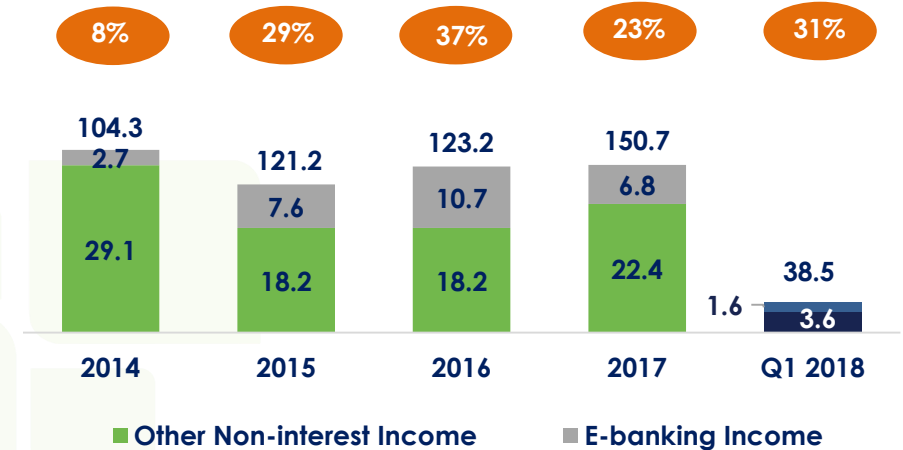
## Total Revenue by Segments



## Interest Income Driven by Loans from Customers



## Non-interest Income Driven by Electronic Channels

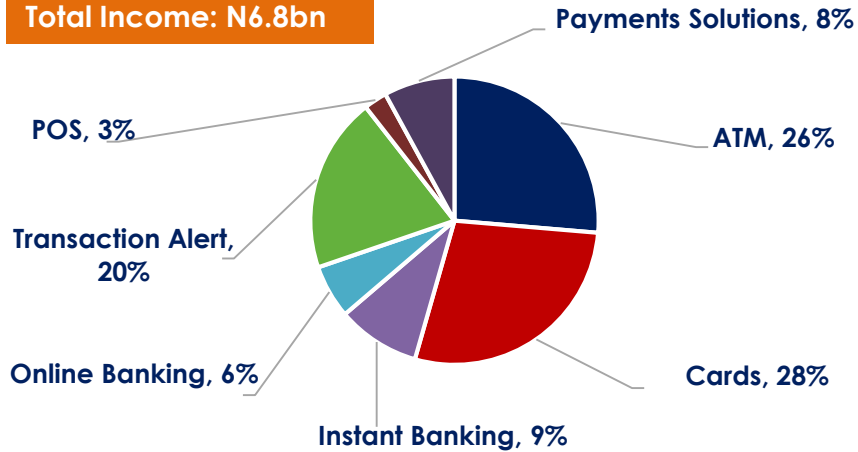


# Electronic Banking Income Analysis



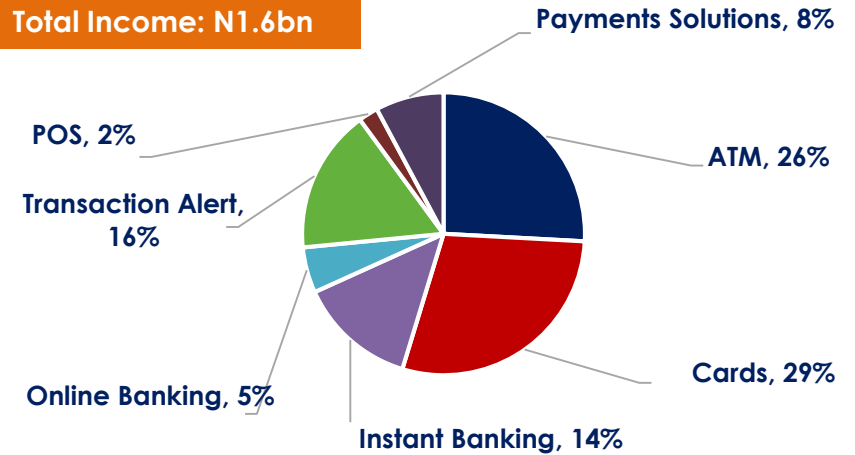
## Breakdown of E-banking Income – 2017FY

Total Income: N6.8bn



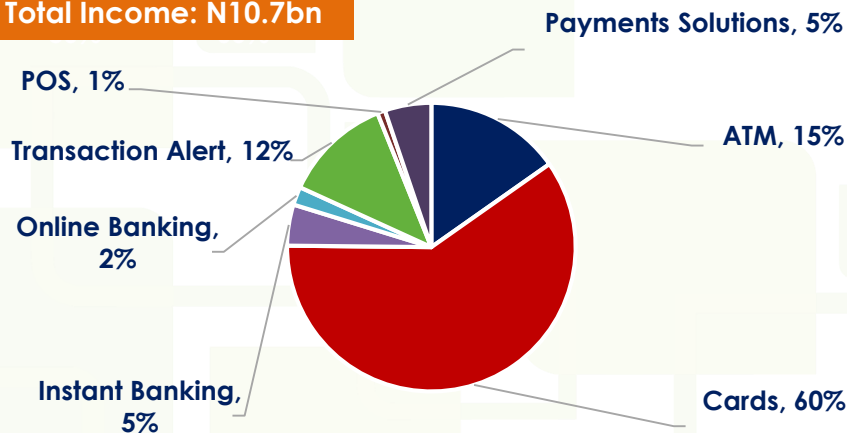
## Breakdown of E-banking Income – Q1 2018

Total Income: N1.6bn



## Breakdown of E-banking Income – 2016FY

Total Income: N10.7bn



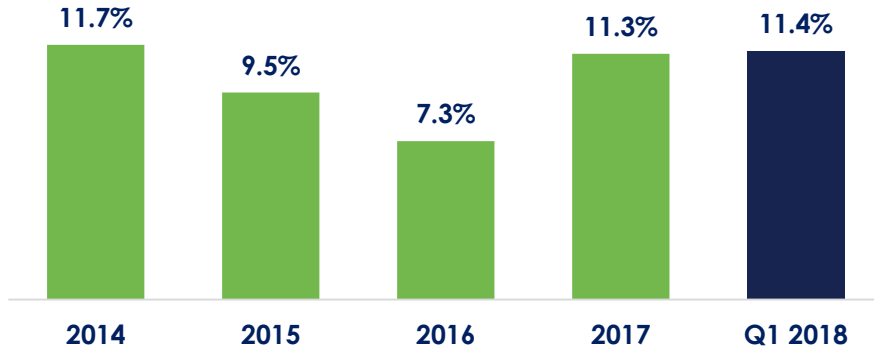
## Comments

- ▶ E-banking income came in at N6.8bn in 2017FY from N10.7bn in 2016FY, a drop of 36.7% YoY.
- ▶ The drop was largely driven by the stoppage of international transactions on our naira denominated cards in Jun 2016, resulting in N4.8bn decline in cards income.
- ▶ Aside cards, other products increased in 2017FY as more customers are on-boarded on the e-banking platforms.
- ▶ Digital Banking to contribute 25% - 30% of fee income.

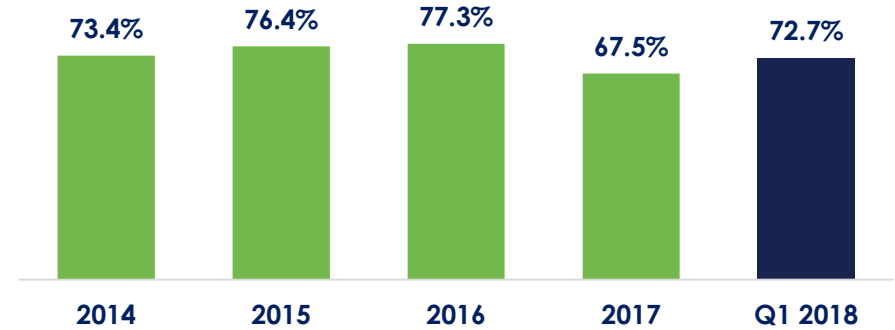
# Profitability And Efficiency Ratios



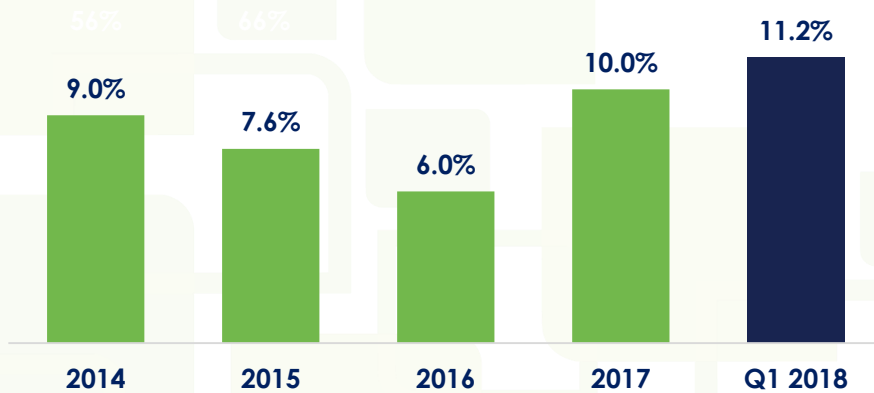
## Profit Margin



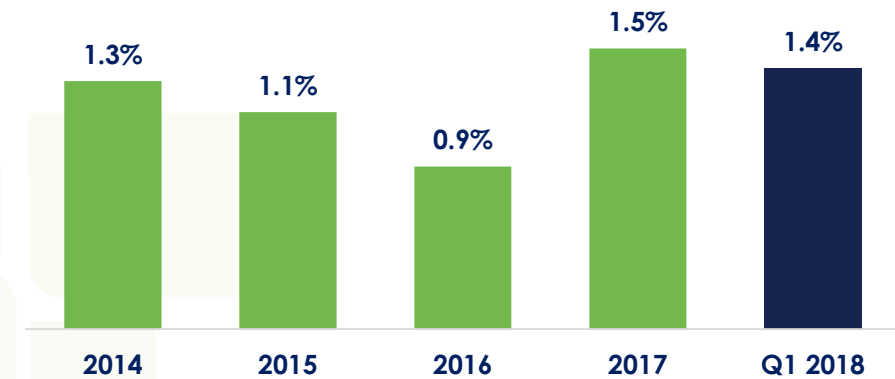
## Cost to Income Ratio



## Return on Equity (pre-tax)



## Return on Assets (pre-tax)

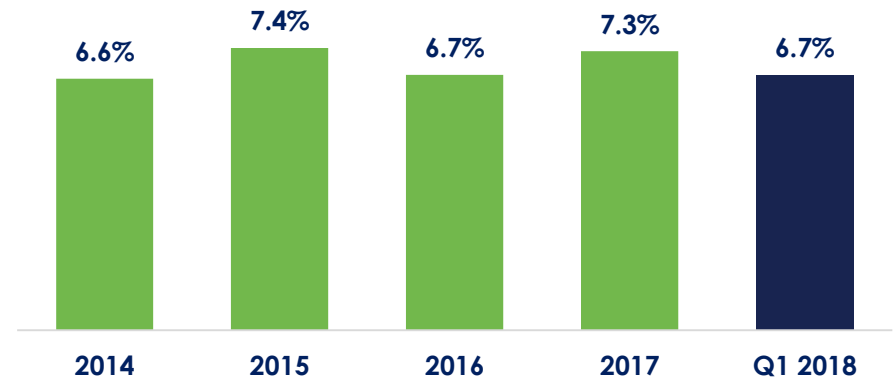


# Net Interest Margin Analysis

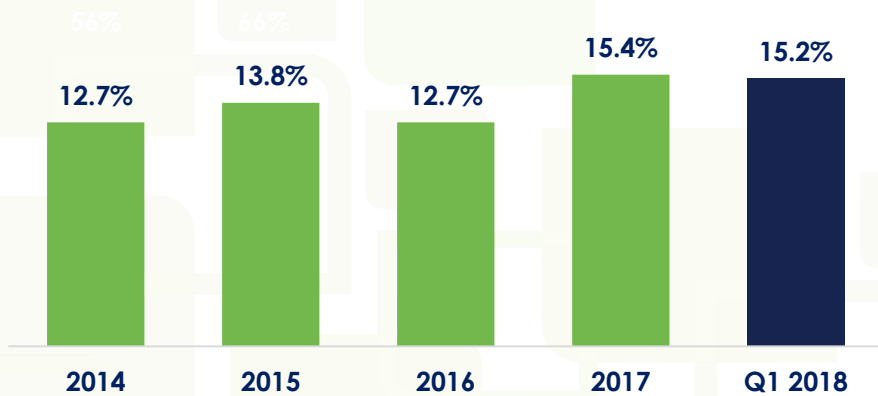


- ▶ NIM dropped to 6.7% in Q1 2018 from 7.3% in 2017FY (Q1 2017: 6.9%) due to a combination of increased funding cost and a decline in yields on earning assets.
- ▶ Average funding cost inched up to 7.4% as we grew the deposit book in preparation for increased lending activities in the subsequent quarters.
- ▶ Drop in yields on liquid assets and loans led to the decline in average yields on earnings assets.
- ▶ We expect margins to decline further in 2018FY as yields on fixed income securities trend downwards.

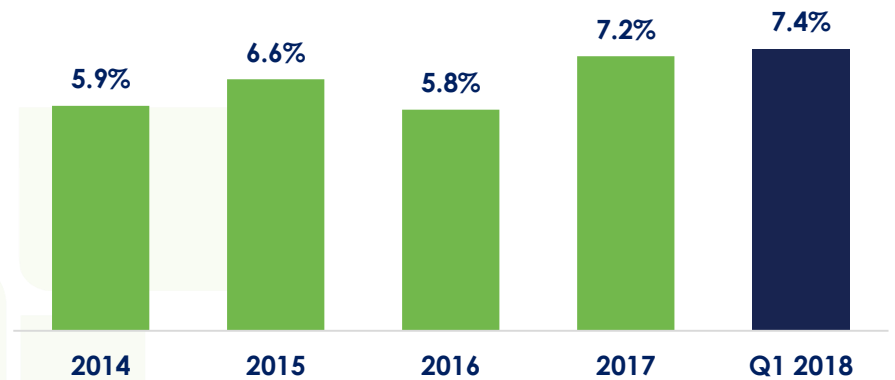
## Net Interest Margin



## Yield on Earnings Assets



## Cost of Funds





# Financial Highlights



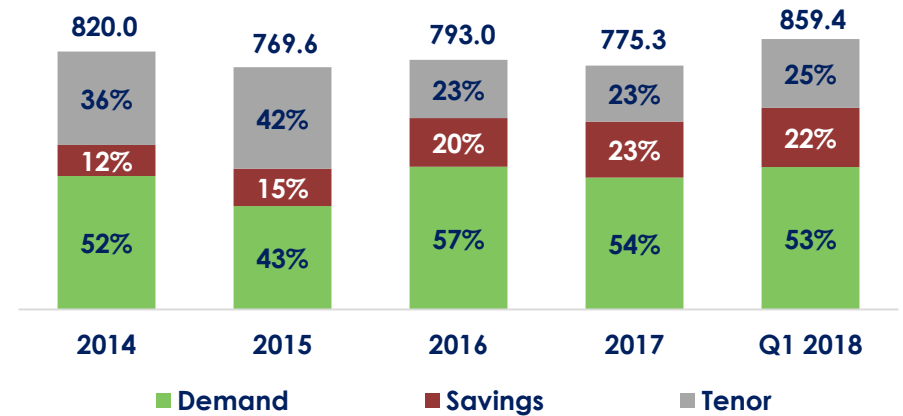
Statement of Financial Position					
N'million	2016FY	2017FY	VAR	% VAR	Q1 2018
<b>Total Assets</b>	<b>1,298,141</b>	<b>1,379,214</b>	<b>81,073</b>	<b>6.2%</b>	<b>1,479,665</b>
<b>Earning Assets</b>	<b>970,213</b>	<b>977,076</b>	<b>6,863</b>	<b>0.7%</b>	<b>1,027,853</b>
Bank Placements	13,011	8,475	(4,536)	-34.9%	44,125
Treasury Bills	126,823	90,223	(36,600)	-28.9%	142,129
Bonds	111,978	109,641	(2,337)	-2.1%	102,872
Customer Loans (Naira)	399,394	414,948	15,555	3.9%	396,926
Customer Loans (FCY)	319,007	353,789	34,781	10.9%	341,802
<b>Non-Earning Assets</b>	<b>327,928</b>	<b>402,138</b>	<b>74,210</b>	<b>22.6%</b>	<b>451,812</b>
Cash	34,861	27,534	(7,327)	-21.0%	23,537
Cash Reserve	170,246	181,017	10,771	6.3%	200,904
Bal. with other Banks/Settlement Acct	38,143	104,886	66,743	175.0%	138,874
Fixed Assets	40,356	38,504	(1,852)	-4.6%	36,584
All Other Assets	44,322	50,197	5,875	13.3%	51,914
<b>Interest Bearing Liabilities</b>	<b>1,051,997</b>	<b>1,100,803</b>	<b>48,806</b>	<b>4.6%</b>	<b>1,179,007</b>
Demand	453,461	418,472	(34,989)	-7.7%	452,429
Savings	155,019	178,570	23,551	15.2%	188,215
Time Deposits	184,491	178,234	(6,257)	-3.4%	218,713
Other Borrowings	37,219	35,529	(1,690)	-4.5%	28,496
On-lending Facilities	99,991	112,294	12,303	12.3%	117,081
Debt Securities	121,816	177,704	55,888	45.9%	174,073
<b>All Other Liabilities</b>	<b>60,741</b>	<b>75,096</b>	<b>14,355</b>	<b>23.6%</b>	<b>120,995</b>
<b>Equity</b>	<b>185,402</b>	<b>203,315</b>	<b>17,913</b>	<b>9.7%</b>	<b>179,662</b>

# Funding Base Analysis

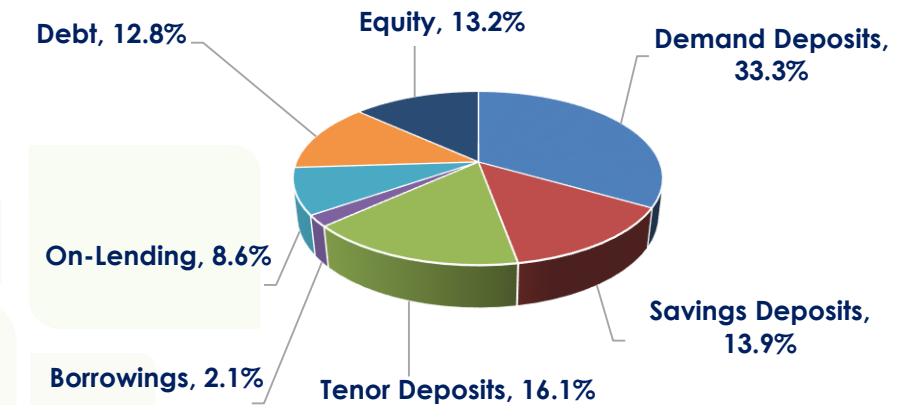


- ▶ Total deposits increased across all deposit products (including FX deposits) by 10.8% YTD to N859.4 billion from N775.3 billion in 2017FY
- ▶ Further growth witnessed in retail deposits as savings deposits increase by 5.4% YTD, fast approaching N200bn.
- ▶ Low cost deposits now constitute 74.5% of total deposits from 77.0% in 2017FY due to 22.7% growth in tenor deposits to N218.7 billion.
- ▶ The deposit growth creates enough head-room to fund the planned growth in risk assets in 2018FY.

## Customer Deposits



## Funding Structure – Q1 2018



N'bn	2014FY	2015FY	2016FY	2017FY	Q1 2018
Demand Deposits	424.4	328.5	453.5	418.5	452.4
Savings Deposits	98.0	119.1	155.0	178.6	188.2
Tenor Deposits	297.6	321.9	184.5	178.2	218.7
Other Borrowings	62.5	51.9	37.2	35.5	28.5
On-Lending	0.0	66.3	100.0	112.3	117.1
Debt Securities	55.0	90.1	121.8	177.7	174.1
Equity	173.1	183.5	185.4	203.3	179.7
<b>Total</b>	<b>1,110.7</b>	<b>1,161.4</b>	<b>1,237.4</b>	<b>1,304.1</b>	<b>1,358.7</b>

# Loan Portfolio Analysis



## Breakdown of Loans & Advances to Customers

N'million	2015FY	2016FY	2017FY	Q1 2018	VAR	% VAR
Communication	48,298	43,566	37,874	<b>43,562</b>	5,688	<b>15.0%</b>
Oil and Gas	147,407	188,217	204,695	<b>198,068</b>	-6,628	<b>- 3.2%</b>
- <i>Upstream</i>	<b>97,568</b>	<b>136,161</b>	<b>148,544</b>	<b>137,401</b>	<b>-11,142</b>	<b>- 7.5%</b>
- <i>Downstream</i>	<b>23,430</b>	<b>18,591</b>	<b>27,362</b>	<b>30,598</b>	<b>3,236</b>	<b>11.8%</b>
- <i>Services</i>	<b>26,409</b>	<b>33,464</b>	<b>28,790</b>	<b>30,068</b>	<b>1,279</b>	<b>4.4%</b>
Power	68,483	87,845	102,727	<b>102,019</b>	-707	<b>- 0.7%</b>
Manufacturing	58,670	75,006	77,368	<b>86,087</b>	8,719	<b>11.27%</b>
General Commerce	34,521	45,378	69,095	<b>67,419</b>	-1,676	<b>- 2.4%</b>
Transport	54,806	72,830	72,301	<b>75,980</b>	3,679	<b>5.1%</b>
Consumer (Individuals)	65,959	57,214	44,751	<b>34,511</b>	-10,240	<b>-22.9%</b>
Government	60,003	101,007	107,489	<b>106,202</b>	-1,287	<b>- 1.2%</b>
Construction	20,462	22,873	27,979	<b>28,318</b>	338	<b>1.2%</b>
Agriculture	11,724	9,740	12,657	<b>11,805</b>	-852	<b>- 6.7%</b>
Real Estate	17,157	23,000	24,506	<b>26,462</b>	1,956	<b>8.0%</b>
Education	3,358	3,474	3,548	<b>3,165</b>	-383	<b>- 10.8%</b>
Finance and Insurance	552	6,310	3,915	<b>4,485</b>	569	<b>14.5%</b>
Others	7,577	6,661	6,408	<b>6,231</b>	-177	<b>- 2.8%</b>
<b>Total</b>	<b>598,977</b>	<b>743,120</b>	<b>795,315</b>	<b>794,314</b>	<b>-1,000</b>	<b>- 0.1%</b>

# IFRS 9 Impact Analysis



- ❑ Further to the adoption of IFRS 9 in Jan 2018 by Nigerian Banks, banks were expected to reflect the impact of the adoption in Q1 2018
- ❑ The impact of the adoption is calculated as Total Provisions using IFRS 9 minus Actual Total Provisions using IAS 39
- ❑ For Fidelity Bank, Actual Provisions for IAS 39 was N27.4bn while for IFRS 9 it was N55.6bn, this resulted in an IFRS 9 implementation impact of **N28.2bn** that was passed directly to total equity
- ❑ PWC was the Bank's Independent Consultant on IFRS 9 implementation, our auditors are EY and PKF

N'billion	Share Capital & Premium	Non-distributable Reserves	Other Reserves	Total Equity
Dec 31, 2017	115.8	28.8	58.7	203.3
IFRS 9 Impact		<b>-28.2</b>		<b>-28.2</b>
Profit for the Period (Q1 2018)			5.0	5.0
Unrealised net losses			<b>-0.4</b>	<b>-0.4</b>
<b>Mar 31, 2018</b>	<b>115.8</b>	<b>0.6</b>	<b>63.3</b>	<b>179.7</b>

Impact on Loan Book	
Total Loan Book	794.3
IAS 39 Impairment Allowance	<b>-27.4</b>
IFRS 9 Impact	<b>-28.2</b>
<b>Net Loans</b>	<b>738.7</b>

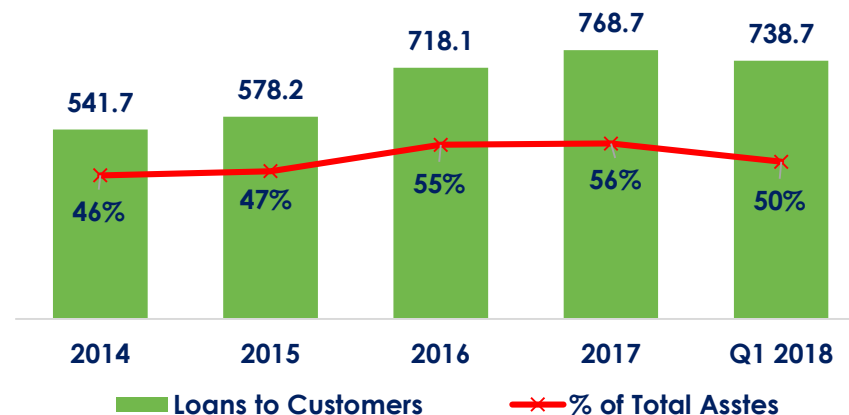
Impact on CAR was neutral since Fidelity Bank had enough buffer in the Non-distributable reserves

# Loan Portfolio Analysis

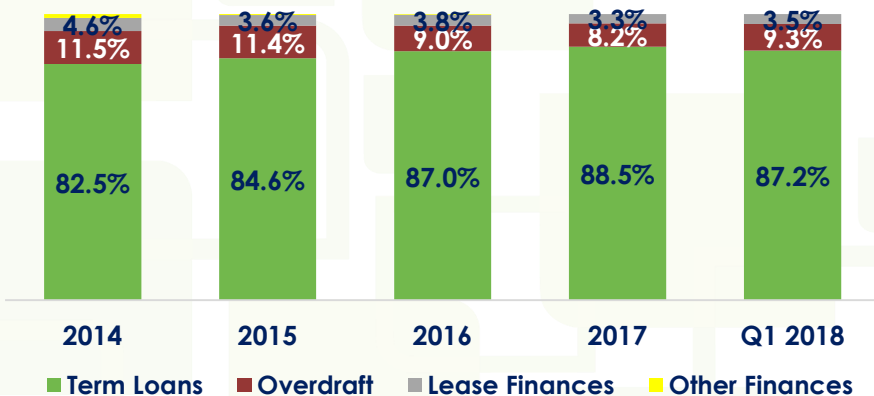


- ▶ Net loans declined by 3.9% YTD to N738.7 billion on account of the IFRS 9 implementation which impacted net loans by over N28bn and also some loan pay-downs
- ▶ FCY loans declined primarily due to a major pay-down in the Oil & Gas – Upstream Sector while the LCY Loans decline was mainly due to the impact of IFRS 9.
- ▶ FCY loans now constitute about 46.3% in Q1 2018 from 46.0% in 2017FY.
- ▶ Target loan growth of 10% in the 2018FY to be driven by the FMCG, Retail, Manufacturing , Agriculture Sectors

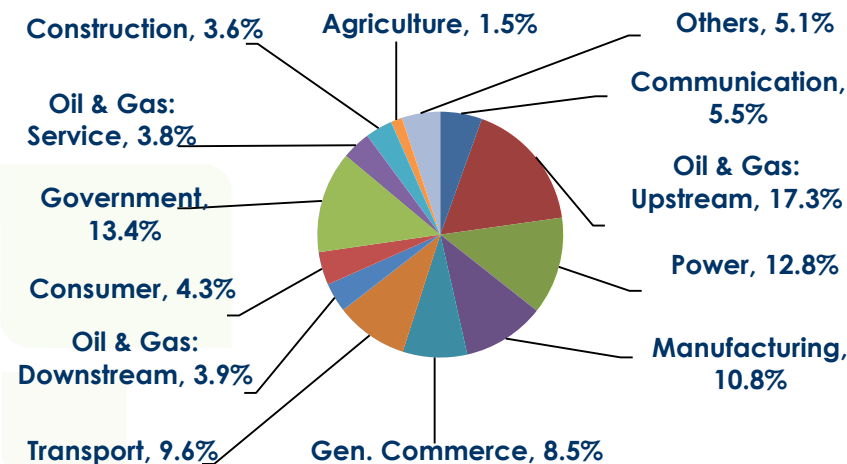
## Net Loans & Advances to Customers (N'bn)



## Loans & Advances Split by Product



## Loan Book Analysis: Q1 2018



# NPL Portfolio Analysis



## Breakdown of Non-performing Loans

	2015FY	2016FY	2017FY	Q1 2018	VAR	% VAR	2017FY	Q1 2018
	N'million	N'million	N'million	N'million	N'million	%	NPL Ratio	NPL Ratio
Communication	1,919	1,492	1,537	1,557	20	1.3%	4.1%	3.6%
Oil and gas	2,319	2,184	13,624	12,891	-733	-5.4%	6.7%	6.5%
- Oil & Gas Upstream	0	-	-	-	0	0.0%	0.0%	0.0%
- Oil & Gas Downstream	262	345	11,191	10,180	-1,011	-9.0%	40.9%	33.3%
- Oil & Gas Services	2,056	1,839	2,433	2,711	278	11.4%	8.5%	9.0%
Power	0	158	10	9	-1	-10.0%	0.0%	0.0%
Manufacturing	7,805	10,161	7,346	7,821	475	6.5%	9.5%	9.1%
General Commerce	3,032	10,043	5,773	5,562	-211	-3.6%	8.4%	8.2%
Transport	4,056	14,868	13,436	13,846	410	3.0%	18.6%	18.2%
Consumer (Individuals)	1,173	4,826	2,617	2,557	-60	-2.3%	5.8%	7.4%
Government	310	50	25	25	0	0.0%	0.0%	0.0%
Construction	1,779	629	908	368	-540	-59.5%	3.2%	1.3%
Agriculture	667	926	1,263	1,450	187	14.8%	10.0%	12.3%
Real Estate	1,198	1,509	1,960	2,054	94	4.8%	8.0%	7.8%
Education	352	594	501	489	-12	-2.4%	14.1%	15.5%
Finance and Insurance	190	237	94	117	23	24.5%	2.4%	2.6%
Others	1,338	1,731	1,568	1,583	15	1.0%	24.5%	25.4%
<b>TOTAL</b>	<b>26,138</b>	<b>49,406</b>	<b>50,662</b>	<b>50,329</b>	<b>-333</b>	<b>-0.7%</b>	<b>6.4%</b>	<b>6.3%</b>

# NPL Portfolio Analysis

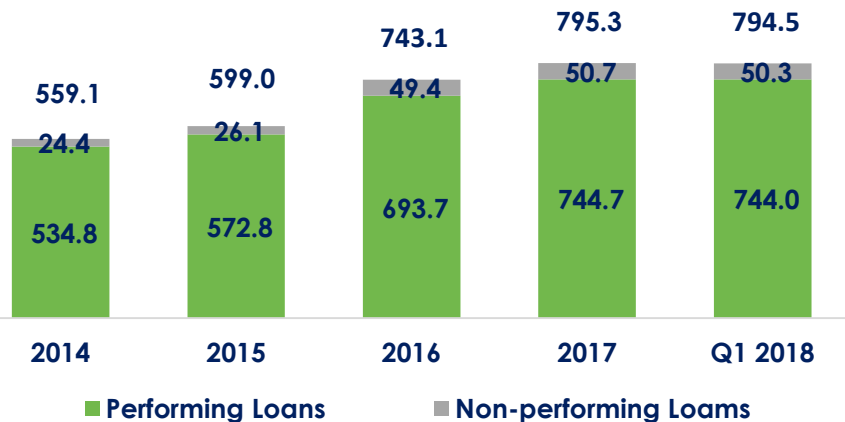


- ❑ Though we only have a syndicated loan to 9 Mobile with no bilateral exposures, we have made a very conservative provision of 50% on our exposure to 9 Mobile
- ❑ The sale to a core investor is progressing with \$50m already paid and we expect this sale and loan resolution to be concluded by Q3 2018
- ❑ If the 9 Mobile Exposure was classified, NPL Ratio will be 8.7% as at Q1 2018
- ❑ We have made progress in resolving the NPLs in the following sectors over the last 15 months;
  - Retail - 47% decline
  - General Commerce - 43% decline
  - Construction - 41% decline
  - Manufacturing - 23% decline
  - Transport - 7% decline
- ❑ The spike in the Downstream Sector NPL is responsible for Total NPLs still been above 6%
- ❑ The target is to keep NPLs within the 6.0% and 6.5% range for the 2018FY

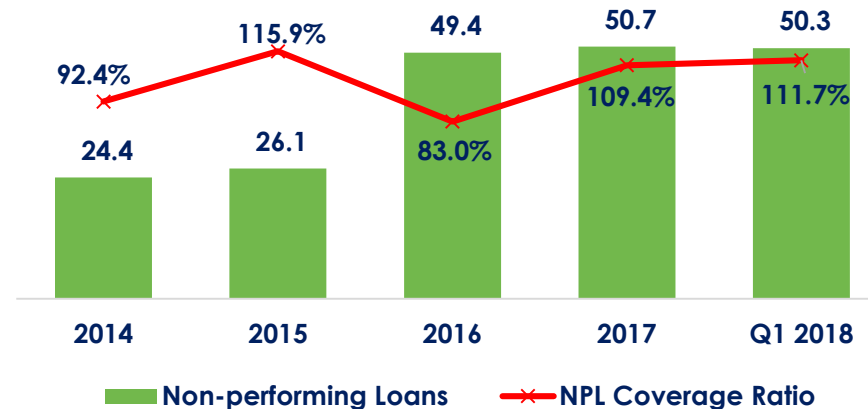
# NPL Portfolio Analysis



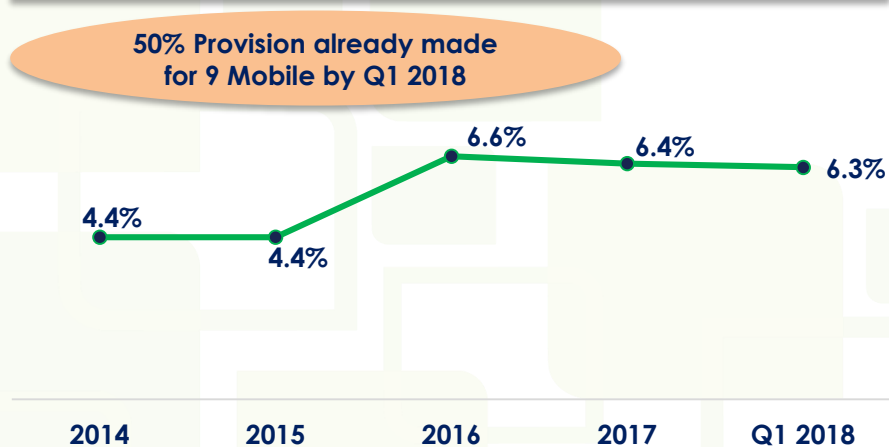
## Gross Loans and Advances



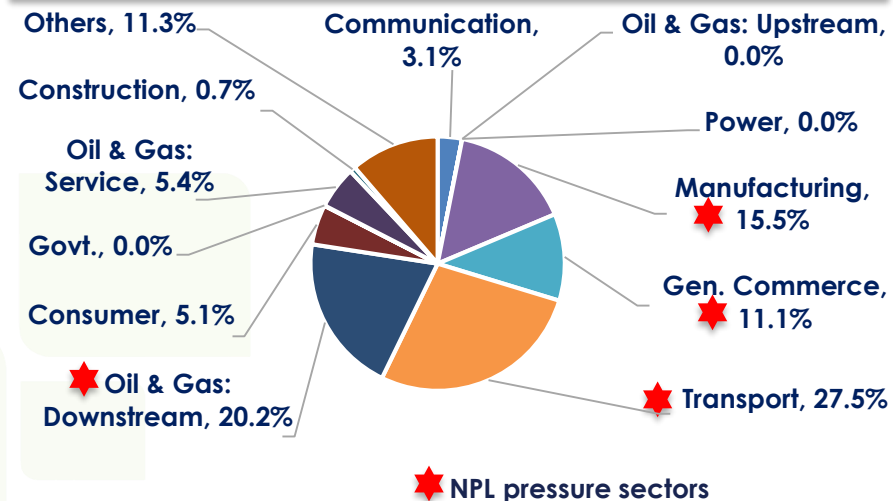
## NPL Coverage Ratio



## NPL Ratio Trend

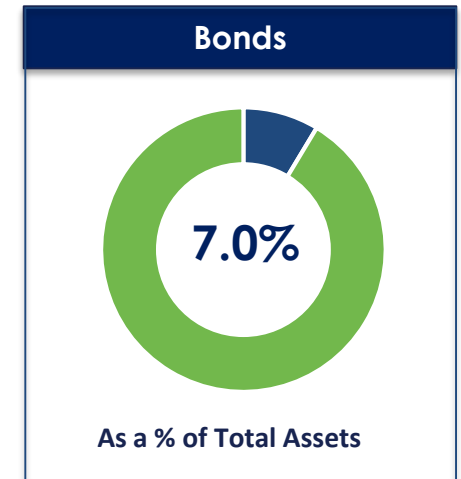
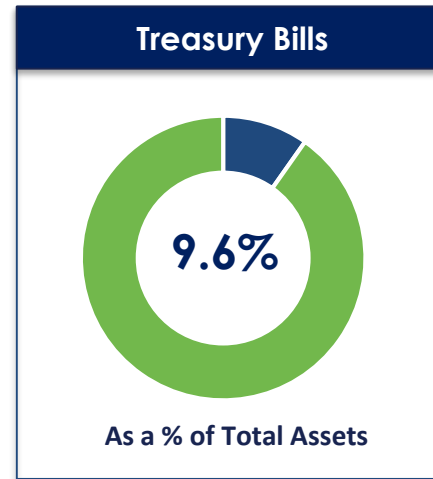
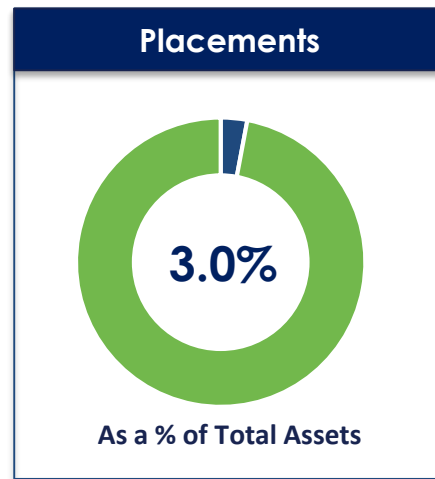
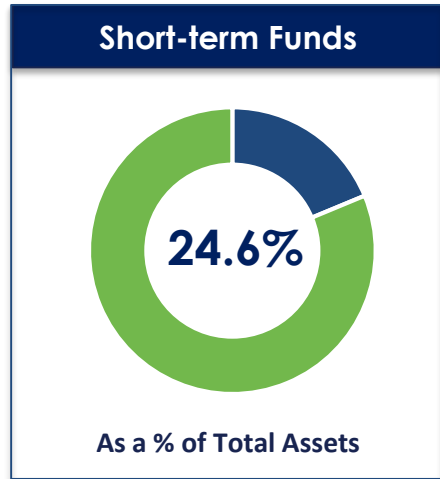


## NPL Analysis – Q1 2018

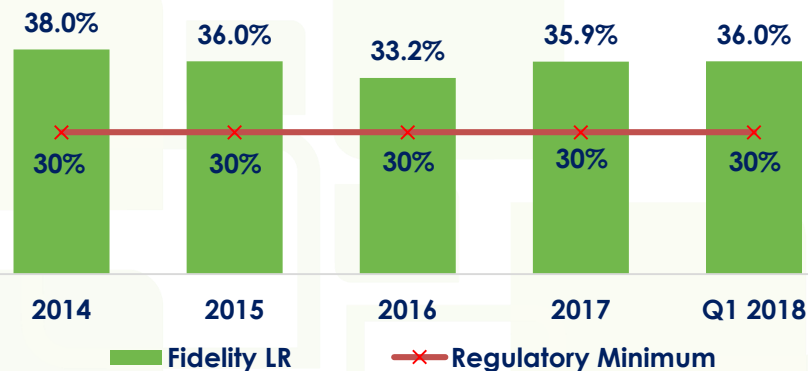




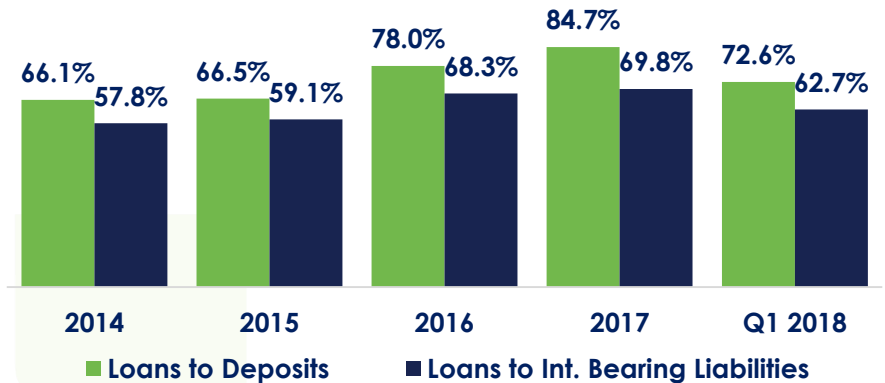
# Liquid Assets Position



## Liquidity Ratio



## % Total Loans to Customer Deposits



➤ Improved liquidity is changing the structure of our funding base: loans to deposits is now 72.6% from 84.7% in 2017FY

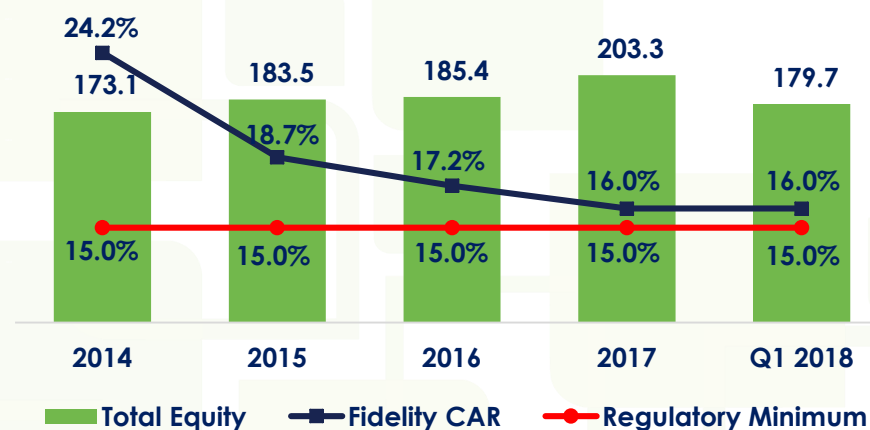
➤ Loans to interest bearing liabilities improved to 62.7% in Q1 2018 from 69.8% reported in 2017FY.

# Capital Adequacy



- ▶ Fidelity CAR was unchanged at 16.0%, which remains above the regulatory minimum requirement of 15.0%.
- ▶ The single obligor charge dropped to N14.6 billion due to an absolute reduction in the net exposure to the customer.
- ▶ Excluding the capital charge, Fidelity CAR would have been 17.3% in Q1 2018.
- ▶ Only 80% of our N30.0 billion local debt is recognized in Tier II Capital. This will drop to 60% in H1 2018, however, capitalization of H1 2018 profit will sufficiently cover this.

## Capital Adequacy Ratio



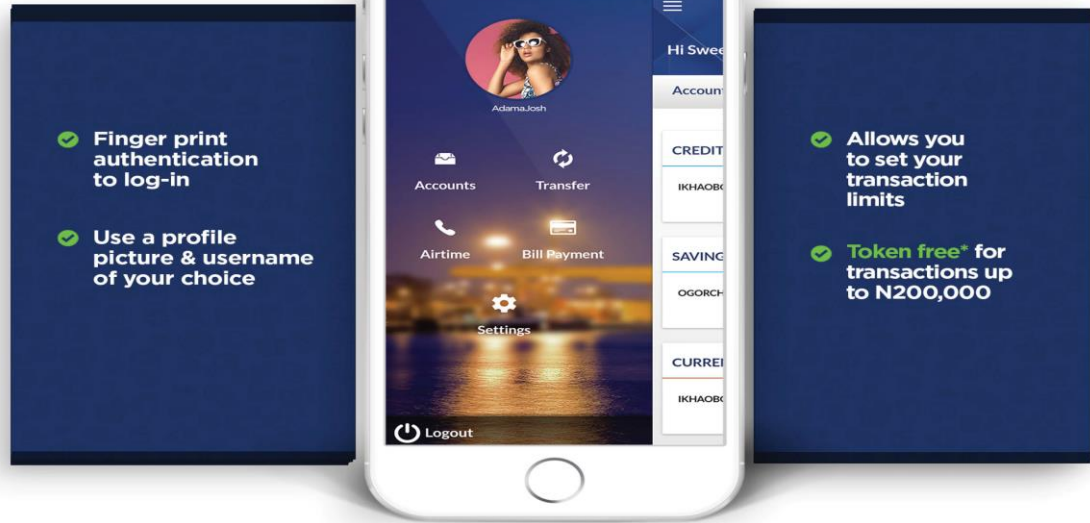
## Capital Adequacy Ratio Computation – Basel II

N'billion	2017FY	Q1 2018	VAR
Tier 1 Capital	165.3	165.3	0.0
<b>Regulatory Adjustment</b>	<b>(15.2)</b>	<b>(14.6)</b>	<b>-0.7</b>
<b>Adjusted Tier 1 Capital</b>	<b>150.1</b>	<b>150.8</b>	0.7
Tier 2 Capital	29.2	29.2	0.0
<b>Total Qualified Capital</b>	<b>179.3</b>	<b>180.0</b>	<b>0.7</b>
Credit Risk	869.3	851.3	-18.0
Market Risk	77.8	104.8	27.1
Operational Risk	171.7	171.7	0.0
<b>Risk Weighted Assets</b>	<b>1,118.8</b>	<b>1,127.9</b>	<b>9.1</b>
<b>Capital Adequacy Ratio</b>			
Tier 1	13.4%	13.4%	
Tier 2	2.6%	2.6%	
<b>Overall CAR</b>	<b>16.0%</b>	<b>16.0%</b>	



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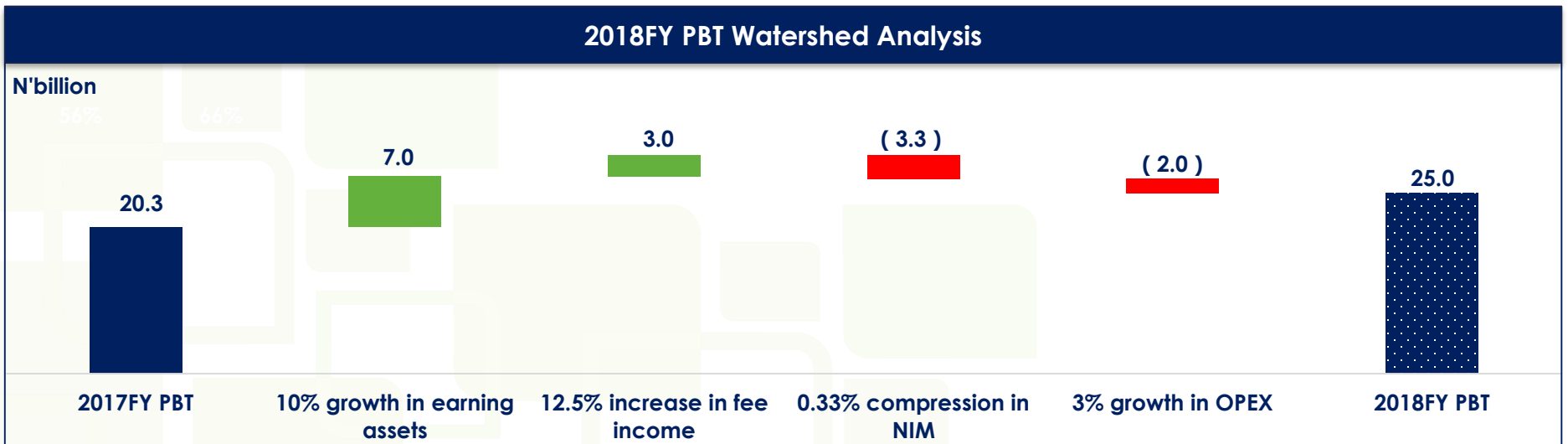
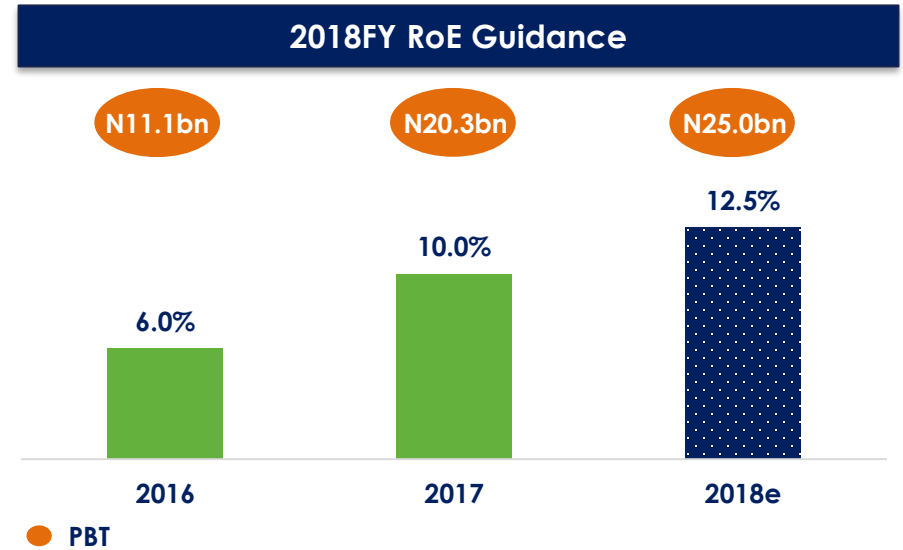
## GROWTH EXPECTATIONS ON KEY INDICATORS

S/N	Index	2017FY Actual	Q1 2018 Actual	2018FY Target
1	Net Interest Margin	7.3%	6.7%	6.5% - 7.0%
2	Tax Rate	7.1%	7.1%	10.0% - 12.0%
3	Loan Growth (YTD)	7.0%	-3.9%	7.5% - 10.0%
4	Deposit Growth (YTD)	-2.2%	10.8%	10.0% - 15.0%
5	Cost - Income Ratio	67.5%	72.7%	Below 70%
6	Proposed Dividends	16.9%	N/A	30-50% (of PAT) band
7	NPL Ratio	6.4%	6.3%	6.0% - 6.5%
8	Cost of Risk	1.5%	0.4%	1.25%
9	ROE – Post Tax	9.3%	10.4%	12.5%

# 2018FY PBT Assumptions – Roadmap To N25bn



- ▶ 10% expansion in earning assets (N100bn growth) @ 7% NIM will generate additional N7.0bn income.
- ▶ 12.5% (N3.0bn) growth in fee income driven by 630k new mobile banking customers, Trade and FX Trading Income
- ▶ Lower yield environment will cause a 0.33% decline in NIM leading to a N3.3bn decline in Net Interest Income
- ▶ 3% increase in OPEX due to increased spend on digitisation/inflation would result in N2bn additional cost
- ▶ Net impact will be N4.7bn, leading to a PBT of N25.0bn



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# Summary Of Income Statement



(N'millions)	2015FY	2016FY	2017FY	Q1 2018
<b>Gross Earnings</b>	<b>146,948</b>	<b>152,021</b>	<b>179,896</b>	<b>43,680</b>
Interest and similar income	121,158	123,153	150,742	38,466
Interest and similar expense	(60,294)	(61,225)	(79,278)	(21,499)
<b>Net interest income</b>	<b>60,864</b>	<b>61,928</b>	<b>71,464</b>	<b>16,967</b>
Impairment charge	(5,764)	(8,671)	(11,315)	(702)
<b>Net interest income after impairment charge</b>	<b>55,100</b>	<b>53,257</b>	<b>60,149</b>	<b>16,265</b>
Fee and commission income	17,237	20,557	18,229	4,658
Fee and commission expense	(2,411)	(3,238)	(3,674)	(1,026)
Other operating income	8,553	8,311	10,925	556
Net losses from financial instruments classified as held for trading	(291)	(625)	348	(352)
Personnel expenses	(27,125)	(27,231)	(24,535)	(5,072)
Depreciation and amortization	(3,985)	(4,308)	(4,373)	(769)
Other operating expenses	(33,054)	(35,662)	(36,767)	(9,278)
<b>Profit before income tax</b>	<b>14,024</b>	<b>11,061</b>	<b>20,302</b>	<b>4,982</b>
Income tax expense	(120)	(1,327)	(1,445)	(355)
<b>Profit For the year</b>	<b>13,904</b>	<b>9,734</b>	<b>18,857</b>	<b>4,627</b>

# Summary Of Balance Sheet



(N'millions)	2015FY	2016FY	2017FY	Q1 2018
<b>ASSETS</b>				
Cash and balances with central bank	185,332	207,061	269,625	303,444
Due from banks	79,942	49,200	52,287	103,995
Loans and advances to customers	578,203	718,401	768,737	738,727
Investments:				
• Held for trading (fair value through profit or loss)	4,070	18,098	20,639	16,729
• Available for sale	116,607	88,586	76,815	130,304
• Held to maturity	180,736	138,134	108,784	104,510
Other assets	45,902	37,510	43,194	44,469
Property, Plant and Equipment	39,985	40,356	38,504	36,584
Intangible assets	945	795	629	902
<b>Total Assets</b>	<b>1,231,722</b>	<b>1,298,141</b>	<b>1,379,214</b>	<b>1,479,665</b>
<b>LIABILITIES</b>				
Deposits from customers	769,636	792,971	775,276	859,358
Current income tax liability	2,332	1,327	1,445	1,514
Deferred tax liabilities				
Other liabilities	124,832	159,406	185,945	119,483
Debts issued and other borrowed funds	141,975	159,035	213,233	319,650
Retirement benefit obligations	9,431			
<b>Total Liabilities</b>	<b>1,048,206</b>	<b>1,112,739</b>	<b>1,175,899</b>	<b>1,300,004</b>
<b>EQUITY</b>				
Share capital	14,481	14,481	14,481	14,481
Share premium	101,272	101,272	101,272	101,272
Retained earnings	8,797	25,918	25,326	30,308
Other equity reserves:				
• Statutory reserve	23,016	24,476	27,305	27,305
• Small scale investment reserve (SSI)	764	764	764	764
Contingency reserve				
• Non-distributable regulatory reserve (NDR)	33,480	16,271	28,837	632
• Available-for-sale (AFS) reserve	5,434	2,220	5,330	4,901
• Remeasurement reserve	(3,728)			
<b>Total Equity</b>	<b>183,516</b>	<b>185,402</b>	<b>203,315</b>	<b>179,662</b>
<b>Total Liabilities and Equities</b>	<b>1,231,722</b>	<b>1,298,141</b>	<b>1,379,214</b>	<b>1,479,666</b>



# Thank You

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