

# Fidelity Bank Investor Presentation

Audited Financial Results for the 12 months ended

December 31, 2016



**1. Overview of Fidelity Bank**

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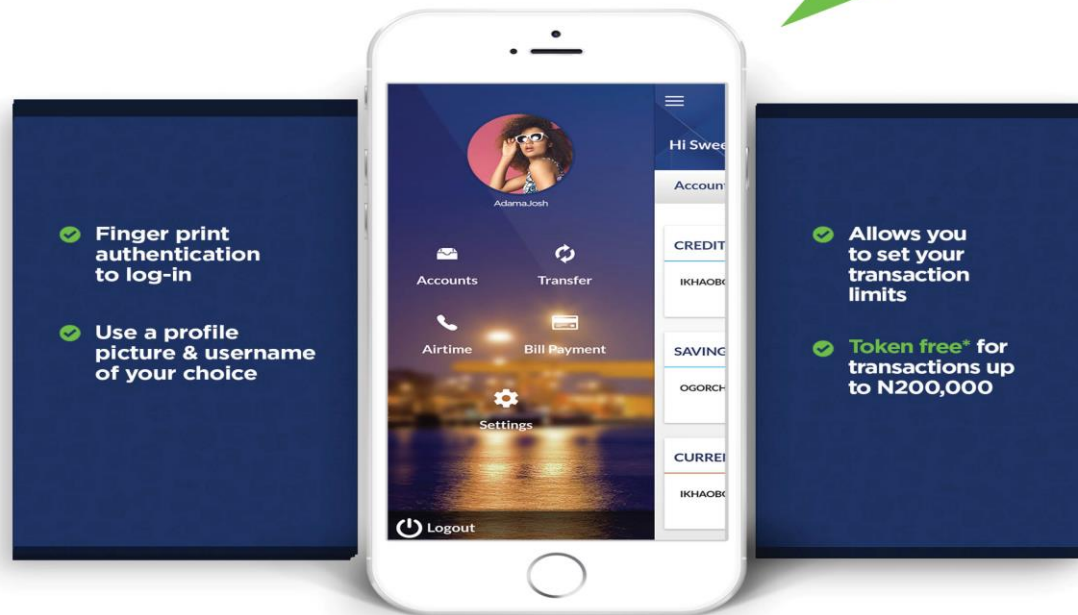
# 1. Overview of Fidelity Bank



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# Overview of Fidelity Bank



## Background

- ▶ A full service bank with International Authorisation established in 1987 and licensed by the Central Bank of Nigeria
- ▶ The Bank currently has over 400,000 shareholders with the majority being Nigerian citizens and corporations.
- ▶ A Well capitalised bank with a CAR of 17.2%
- ▶ Our branch network is strategically located in key business centres across all the 36 states of the federation (including FCT Abuja).
- ▶ Strategic focus is on the SME, niche corporate banking and retail banking driven by electronic banking services and products.

## Distribution Network

Business Offices		Electronic Banking	
Lagos	82	ATMs	757
South West	13	POS	3,734
South South	44	Debit Cards	1,701,083
South East	44	Instant Banking	635,603
North West	15	Online Banking	183,966
North East	8		
North Central	13		
FCT Abuja	20		

## Key Highlight

Total Assets	N1,298.1 billion
Total Equity	N185.4 billion
Business Offices	239
No of Accounts	3.6 million
Professional Staff	3,420
Consumer Sales Agents	741
Ratings	B-/B- (S&P)/Fitch
Auditors	Ernst & Young / PKF

## 2. The Operating Environment



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## General Business Environment

- ❑ Nigeria's annual output growth contracted by 1.5% following a consecutive quarterly negative growth; this marks the first annual contraction since 1987
- ❑ However, International Monetary Fund (IMF) and others predicts Nigeria will be out of recession in 2017 with an estimated annual economic growth of 0.8%
- ❑ Headline inflation rate was high at 18.5% in December; averaging 15.7% in 2016 financial year
- ❑ Nigeria's external reserves improves to \$30.3bn as at Mar 31<sup>st</sup>, 2017 from \$25.8bn as at Dec 31, 2016
- ❑ Nigeria has continued to ramp up crude oil production as security improves in the oil rich Niger Delta Region; price has remained above \$50 per barrel lately
- ❑ Expectation for improved economy in 2017 remains high

## Banking Industry Specifics

- ❑ The Monetary Policy Committee (MPC) kept all policy rates unchanged in its Mar 2017 meeting.
- ❑ It also retained the asymmetric corridor at +200 and -500 basis points around the MPR.
- ❑ The Debt Management Office (DMO) raises minimum subscription for Treasury Bills and FGN Bonds to N50million following the launch of FGN Savings Bonds targeted at the retail market
- ❑ Minimum subscription for the Savings Bond is N5,000 with maximum subscription capped at N50 million
- ❑ CBN increased FX rate for invisibles such as PTA, BTA, medical bills, school fees etc. to N360/\$ as it continues to intervene to ease FX pressures on selected sectors of the economy

### 3. Financial Highlights



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# Performance Highlights



## Revenue and Efficiency Ratio

- ❑ Total Interest Income up by 1.6% to N123.2 billion in 2016 FY (2015 FY: N121.2 billion)
- ❑ Net Fee Income up by 9.6% to N25.6 billion in 2016 FY (2015 FY: N23.4 billion)
- ❑ Net Interest Margin declined to 6.4% in 2016 FY from 6.9% in 2015 FY.
- ❑ PBT down by 21.1% to N11.1 billion in 2016 FY (PAT came in at N9.7 billion)

## Asset Quality

- ❑ Cost of Risk increased to 1.2% in 2016 FY, compared to 1.0% in 2015 FY
- ❑ NPL Ratio increased to 6.6% in 2016 FY from 4.4% in 2015 FY
- ❑ Coverage Ratio improved to 83.5% in 2016 FY from 79.5% in 2015 FY
- ❑ FCY Loans accounts for 44.4% of Total Loan Book from 40.4% in 2015 FY

## Capital Adequacy and Liquidity

- ❑ Capital Adequacy Ratio of 17.2%, based on Basel II computation
- ❑ Liquidity Ratio of 33.2% compared to regulatory minimum of 30.0%
- ❑ Net Loans to Customer Deposits Ratio stood at 78.0% from 66.5% (2015 FY)
- ❑ Total Equity at N185.4 billion compared to N183.5 billion in 2015 FY



# Financial Highlights



- ❑ Gross earnings increased by 3.5% to N152.0bn primarily due to 9.3% increase in interest income on loans and 41.3% increase in e-banking income as the bank deepens its business recruitment strategy in the retail and e-banking space.
- ❑ **PBT declined by 21.1% due to a N4.8bn increase in Gratuity/Retirement costs in the 2016FY as the bank discontinued its legacy Gratuity and Retirement schemes. Excluding this one-off charge, PBT for the year would have been N15.8bn.**
- ❑ Interest expense on customer deposits declined by 13.1% despite a 3.0% growth in total deposits, which reflects our improved deposit mix; low cost deposits now represent 78.7% of total deposits. However, total interest expense (deposits and debt) grew by 1.5% due to the impact of naira devaluation on interest expense on foreign currency borrowings.
- ❑ Operating income increased by 3.9% while total operating expenses increased by 4.7% driven by increased advert cost, depreciation charge, and energy cost etc. (though cost growth is still significantly below the rate of inflation).
- ❑ Though average funding cost dropped from 6.2% to 5.8% on account of improved deposit mix, NIM declined to 6.4% in 2016FY from 6.9% in 2015FY due to a drop in average yield on earning assets which outpaced the decline in average funding cost.

# Financial Highlights



- ❑ Risk assets grew by 24.2% (N139.9bn) from Dec 2015 with the devaluation of the naira accounting for 19.2% (N110.9bn) of our loan growth. The organic loan growth of 5.0% which reflects our conscious approach to increased lending activities.
- ❑ Cost of risk increased to 1.2% in 2016FY due to a 50.4% increase in impairment charge as we took a very prudent view of the impact of the currency devaluation, tougher operating environment, and declining business activities in selected sectors of our loan portfolio.
- ❑ Savings deposits grew by 30.1% to N155.0bn from N119.1bn in Dec 2015 as we continued to push our retail banking strategy which is being driven by our electronic products and channels.
- ❑ Though our non-performing loans (NPL) ratio increased to 6.6% largely due to a combination of naira devaluation and our conservative approach in appraising our risk assets portfolio, our other regulatory ratios (Liquidity Ratio / CAR) remained well above the set regulatory thresholds.
- ❑ We have crossed half a million customer base on subscribers to our flagship Instant Banking product: \*770# (Mobile Phone USSD Technology) and we have launched a payment service in partnership with NIBSS for merchants using our Instant Banking product (\*770#) called mCash.

# Pressure Point on 2016FY Profit – Staff Legacy Benefits



- ❑ Fidelity Bank operated two defined benefit schemes that existed prior to the introduction of the national Contributory Pension Scheme in 2004 as amended under the Pension Reform Act 2014.
- ❑ All employees who have spent a minimum of 5 years unbroken service are eligible for the Gratuity Scheme while all employees who have spent a minimum of 15 years unbroken service or attained the bank's retirement age are eligible for the Retirement Scheme.
- ❑ Despite the introduction of the national Contributory Pension Scheme in 2004 and having complied fully with the provisions of the law, the Bank continued with its two legacy schemes making it 3 separate staff schemes maintained by the Bank.
- ❑ With the maturation of the Contributory Pension Scheme, the bank discontinued the two legacy schemes which resulted in a significant increase of N4.8bn in our retirement and gratuity cost for the 2016FY (please see Note 30 of the 2016FY Audited Accounts).
- ❑ Under the provisions of the Pension Reform Act of 2004 as amended in 2014, the Bank contributes 10% of basic salary, rent and transport allowances, with the employee contributing a further 8%. The Bank has no further payment obligations once the contributions have been paid.
- ❑ Fidelity bank continues to fully comply with the provisions of the Contributory Pension Scheme

# Financial Highlights



## Summary of Income Statement: 2015 FY Vs 2016 FY

N'million	2015 FY	2016 FY	VAR	% VAR
<b>Gross Earnings</b>	<b>146,948</b>	<b>152,021</b>	<b>5,073</b>	<b>3.5%</b>
Interest Income Loans	84,833	92,715	7,882	9.3%
Interest Income Liquid Assets	36,325	30,438	(5,887)	-16.2%
<b>Total Interest Income</b>	<b>121,158</b>	<b>123,153</b>	<b>1,995</b>	<b>1.6%</b>
Interest Expense Customer Deposits	(52,325)	(45,475)	6,850	-13.1%
Interest Expense Borrowings	(7,969)	(15,750)	(7,781)	97.6%
<b>Total Interest Expense</b>	<b>(60,294)</b>	<b>(61,225)</b>	<b>(931)</b>	<b>1.5%</b>
<b>Net Interest Income</b>	<b>60,864</b>	<b>61,928</b>	<b>1,064</b>	<b>1.7%</b>
FX Income	7,578	9,434	1,856	24.5%
E-banking Income	7,566	10,690	3,124	41.3%
Other Fee Income (Net)	8,235	5,506	(2,729)	-33.1%
<b>Net Fee Income</b>	<b>23,379</b>	<b>25,630</b>	<b>2,251</b>	<b>9.6%</b>
<b>Operating Income</b>	<b>84,243</b>	<b>87,558</b>	<b>3,315</b>	<b>3.9%</b>
<b>Total Expenses</b>	<b>(64,164)</b>	<b>(67,201)</b>	<b>(3,037)</b>	<b>4.7%</b>
Net gains / (losses) from Fin. Inst	(291)	(625)	(334)	114.8%
Net Impairment Losses	(5,764)	(8,671)	(2,907)	50.4%
<b>Profit Before Tax</b>	<b>14,024</b>	<b>11,061</b>	<b>(2,963)</b>	<b>-21.1%</b>

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

# Financial Highlights



## Summary of Income Statement: QoQ Change

N'million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	VAR	% VAR
<b>Gross Earnings</b>	<b>34,356</b>	<b>36,059</b>	<b>39,931</b>	<b>41,675</b>	<b>1,743</b>	<b>4.4%</b>
Interest Income Loans	20,798	20,923	26,281	24,713	(1,568)	-6.0%
Interest Income Liquid Assets	8,406	7,036	7,984	7,012	(971)	-12.2%
<b>Total Interest Income</b>	<b>29,204</b>	<b>27,959</b>	<b>34,264</b>	<b>31,725</b>	<b>(2,539)</b>	<b>-7.4%</b>
Interest Expense Customer Deposits	(10,063)	(9,366)	(10,288)	(15,758)	(5,470)	53.2%
Interest Expense Borrowings	(3,037)	(3,069)	(5,085)	(4,559)	526	-10.3%
<b>Total Interest Expense</b>	<b>(13,100)</b>	<b>(12,435)</b>	<b>(15,373)</b>	<b>(20,317)</b>	<b>(4,944)</b>	<b>32.2%</b>
<b>Net Interest Income</b>	<b>16,104</b>	<b>15,524</b>	<b>18,892</b>	<b>11,408</b>	<b>(7,483)</b>	<b>-39.6%</b>
FX Income	546	1,181	2,073	5,635	3,562	171.9%
E-banking Income	2,616	4,849	1,503	1,722	220	14.6%
Other Fee Income (Net)	1,495	1,244	1,281	1,486	205	16.0%
<b>Net Fee Income</b>	<b>4,656</b>	<b>7,274</b>	<b>4,857</b>	<b>8,843</b>	<b>3,987</b>	<b>82.1%</b>
<b>Operating Income</b>	<b>20,761</b>	<b>22,798</b>	<b>23,748</b>	<b>20,252</b>	<b>(3,497)</b>	<b>-14.7%</b>
<b>Total Expenses</b>	<b>(16,031)</b>	<b>(15,669)</b>	<b>(17,040)</b>	<b>(18,460)</b>	<b>(1,420)</b>	<b>8.3%</b>
Net gains / (losses) from Fin. Inst	35	(811)	5	146	142	3021.3%
Net Impairment Losses	(739)	(4,059)	(3,162)	(711)	2,451	-77.5%
<b>Profit Before Tax</b>	<b>4,025</b>	<b>2,258</b>	<b>3,551</b>	<b>1,226</b>	<b>(2,324)</b>	<b>-65.5%</b>

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

# Financial Highlights



## Statement of Financial Position: 2015 FY Vs 2016 FY

N'million	2015 FY	2016 FY	VAR	% VAR
<b>Total Assets</b>	<b>1,231,722</b>	<b>1,298,141</b>	<b>66,419</b>	<b>5.4%</b>
<b>Earning Assets</b>	<b>876,023</b>	<b>969,925</b>	<b>93,902</b>	<b>10.7%</b>
Bank Placements	7,482	13,011	5,529	73.9%
Treasury Bills	167,231	126,823	(40,408)	-24.2%
Bonds	123,107	111,978	(11,129)	-9.0%
Customer Loans (Naira)	344,426	399,106	54,680	15.9%
Customer Loans (FCY)	233,778	319,007	85,229	36.5%
<b>Non-Earning Assets</b>	<b>355,698</b>	<b>328,216</b>	<b>(27,482)</b>	<b>-7.7%</b>
Cash	20,335	34,861	14,526	71.4%
Cash Reserve	164,997	172,200	7,203	4.4%
Bal. with other Banks/Settlement Acct	72,460	36,189	(36,271)	-50.1%
Fixed Assets	39,985	40,356	371	0.9%
All Other Assets	57,922	44,610	(13,312)	-23.0%
<b>Interest Bearing Liabilities</b>	<b>977,875</b>	<b>1,051,997</b>	<b>74,122</b>	<b>7.6%</b>
Demand	328,549	469,353	140,804	42.9%
Savings	119,140	155,019	35,879	30.1%
Time Deposits	321,947	168,599	(153,348)	-47.6%
Other Borrowings	51,854	37,219	(14,635)	-28.2%
On-lending Facilities	66,264	99,991	33,727	50.9%
Debt Securities	90,121	121,816	31,695	35.2%
<b>All Other Liabilities</b>	<b>70,331</b>	<b>60,742</b>	<b>(9,589)</b>	<b>-13.6%</b>
<b>Equity</b>	<b>183,516</b>	<b>185,402</b>	<b>1,886</b>	<b>1.0%</b>

# Financial Highlights



## Statement of Financial Position: QoQ Change

N'million	Q1 2016	Q2 2016	Q3 2016	Q4 2016	VAR	% VAR
<b>Total Assets</b>	<b>1,281,240</b>	<b>1,397,867</b>	<b>1,396,055</b>	<b>1,298,141</b>	<b>(97,914)</b>	<b>-7.0%</b>
<b>Earning Assets</b>	<b>887,688</b>	<b>971,521</b>	<b>969,396</b>	<b>969,925</b>	<b>529</b>	<b>0.1%</b>
Bank Placements	0	0	2,000	13,011	11,011	550.6%
Treasury Bills	178,693	143,771	129,798	126,823	(2,975)	-2.3%
Bonds	118,862	116,611	108,574	111,978	3,404	3.1%
Customer Loans (Naira)	365,561	400,245	398,843	399,106	263	0.1%
Customer Loans (FCY)	224,572	310,894	330,181	319,007	(11,174)	-3.4%
<b>Non-Earning Assets</b>	<b>393,552</b>	<b>426,346</b>	<b>426,659</b>	<b>328,216</b>	<b>(98,443)</b>	<b>-23.1%</b>
Cash	26,411	22,150	21,952	34,861	12,909	58.8%
Cash Reserve	214,537	231,462	193,646	172,200	(21,446)	-11.1%
Bal. with other Banks/Settlement	53,173	63,285	101,876	36,189	(65,687)	-64.5%
Fixed Assets	40,544	42,823	41,278	40,356	(922)	-2.2%
All Other Assets	58,888	66,625	67,907	44,610	(23,297)	-34.3%
<b>Interest Bearing Liabilities</b>	<b>1,021,833</b>	<b>1,116,848</b>	<b>1,096,539</b>	<b>1,051,997</b>	<b>(44,542)</b>	<b>-4.1%</b>
Demand	376,054	455,915	480,276	469,353	(10,923)	-2.3%
Savings	135,078	138,104	143,385	155,019	11,634	8.1%
Time Deposits	273,416	235,908	171,931	168,599	(3,332)	-1.9%
Other Borrowings	51,854	71,943	76,901	37,219	(39,682)	-51.6%
On-lending Facilities	97,161	102,393	102,393	99,991	(2,402)	-2.3%
Debt Securities	88,269	112,584	121,652	121,816	164	0.1%
<b>All Other Liabilities</b>	<b>75,378</b>	<b>97,554</b>	<b>114,532</b>	<b>60,742</b>	<b>(53,790)</b>	<b>-47.0%</b>
<b>Equity</b>	<b>184,029</b>	<b>183,464</b>	<b>184,984</b>	<b>185,402</b>	<b>418</b>	<b>0.2%</b>

## 4. Financial Review – SCI

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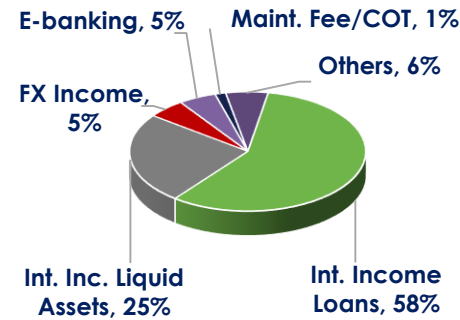


# Gross Earnings Analysis

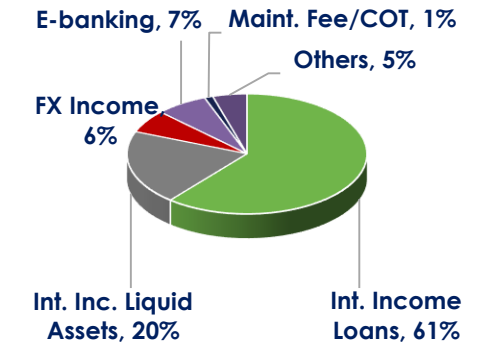


Key Highlights (N'm)	2015 FY	2016 FY	VAR	% VAR
<b>Total Earnings</b>	<b>146,948</b>	<b>152,021</b>	<b>5,073</b>	<b>3.5%</b>
Interest Income Loans	84,833	92,715	7,882	9.3%
Int. Income Liquid Assets	36,325	30,438	(5,887)	-16.2%
FX Income	7,578	9,434	1,856	24.5%
E-banking Income	7,566	10,690	3,124	41.3%
Maintenance fee/COT	2,143	1,737	(406)	-18.9%
Other Income	8,503	7,007	(1,496)	-17.6%

**Total Earnings: 2015 FY**

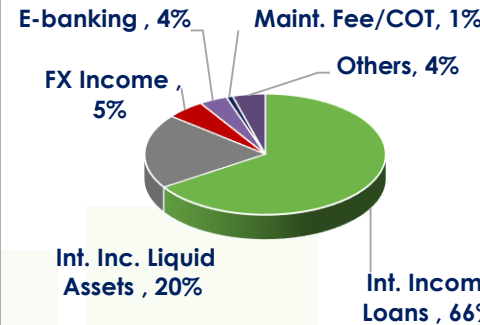


**Total Earnings: 2016 FY**

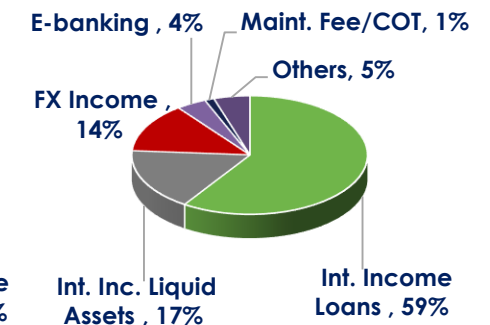


Key Highlights (N'm)	Q1 2016	Q2 2016	Q3 2016	Q4 2016
<b>Total Earnings</b>	<b>34,356</b>	<b>36,059</b>	<b>39,931</b>	<b>41,675</b>
Interest Income Loans	20,798	20,923	26,281	24,713
Int. Income Liquid Assets	8,406	7,036	7,984	7,012
FX Income	546	1,181	2,073	5,635
E-banking Income	2,616	4,849	1,503	1,722
Maintenance fee/COT	414	442	346	535
Other Income	1,577	1,628	1,745	2,057

**Total Earnings: Q3 2016**



**Total Earnings: Q4 2016**

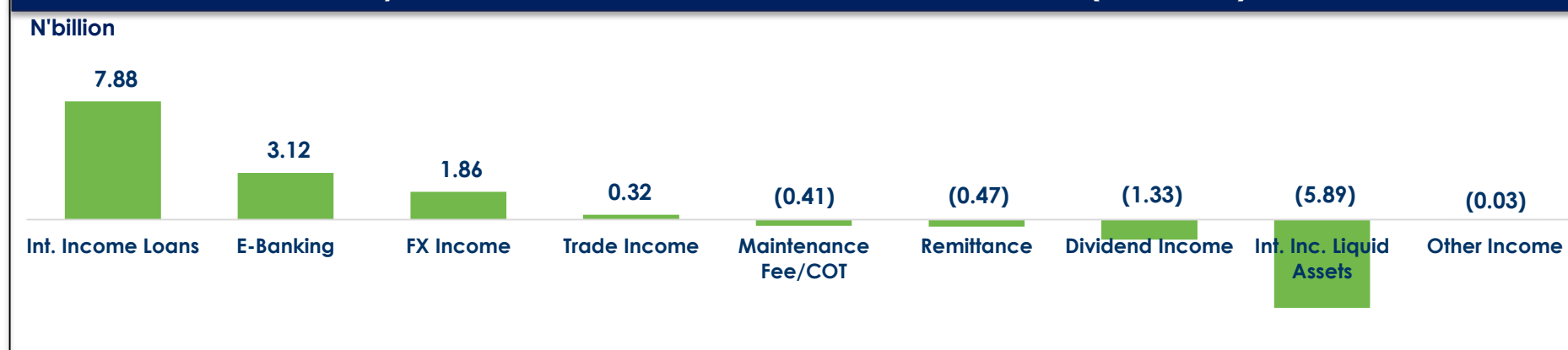


- Gross earnings was up by 3.5% YoY to N152.0bn, largely on account of 41.3% (N3.1bn), 24.5% (N1.9bn) and 9.3% (N7.9bn) growth in e-banking income, FX income and interest income on loans respectively.
- Growth in interest income on loans in Q3 was a combination of increased lending rate and a larger loan book driven by the currency devaluation.

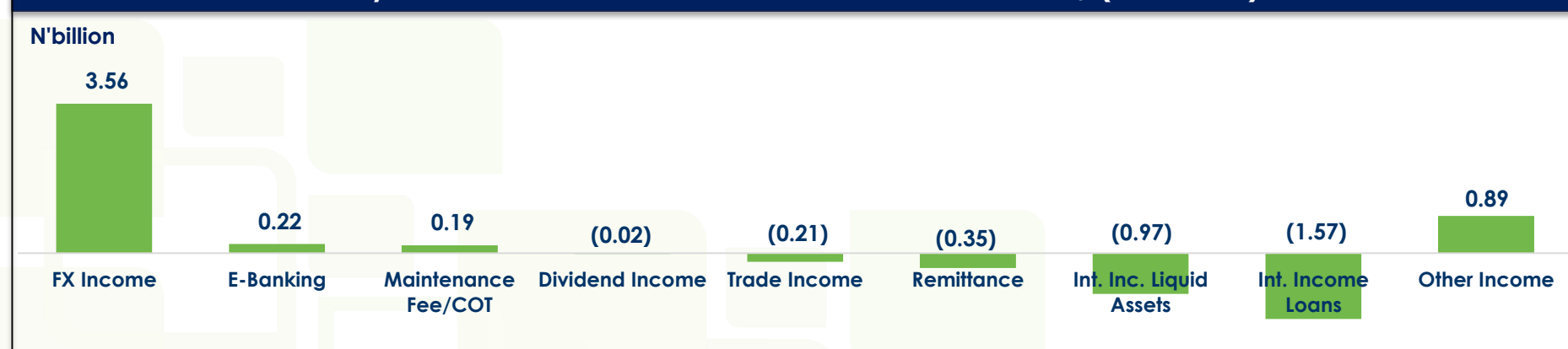
# Change in Key Revenue Lines ( YoY / QoQ)



## Key Revenue Lines in 2016 FY: YoY Actual Increase / (Decrease)



## Key Revenue Lines in Q4 2016: QoQ Actual Increase / (Decrease)



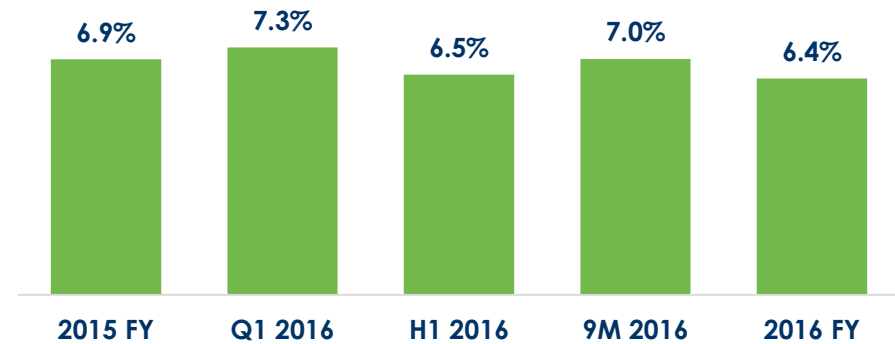
- Interest income on loans has been the key revenue growth line, however it dropped in Q4 due to a 1.9% decline in our total loan book.
- FX income in Q4 was boosted by higher transaction volumes and recognition of revaluation gains

# Net Interest Margin Analysis

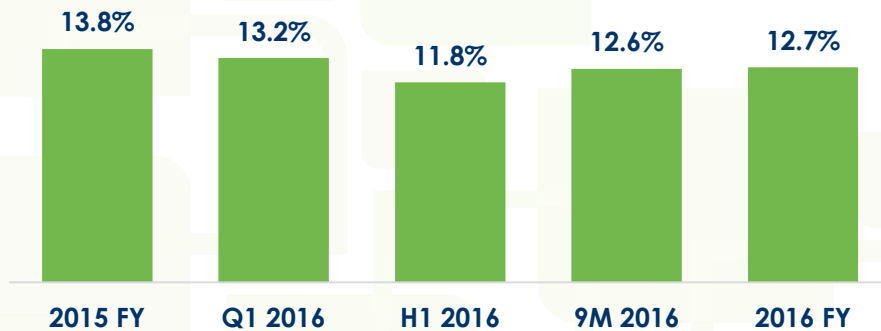


- ▶ NIM declined to 6.4% in 2016FY from 6.9% in 2015FY as the decline in our average yield on earning assets outpaced the decline in average funding cost.
- ▶ The yield on earning assets declined by 1.1% YoY though we saw an upward trajectory from H1 2016.
- ▶ Average funding costs dropped by 0.4% YoY, on account of improved deposit mix; low cost deposit ratio is now 78.7% from 58.2% in 2015 FY.
- ▶ Funding costs increased in Q4 as the increased yields on government securities spiked deposit rates upwards

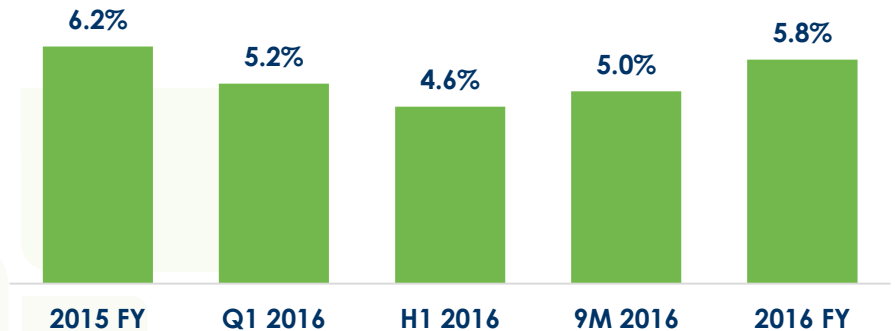
## NIM Trend



## Yield on Earning Assets



## Funding Cost



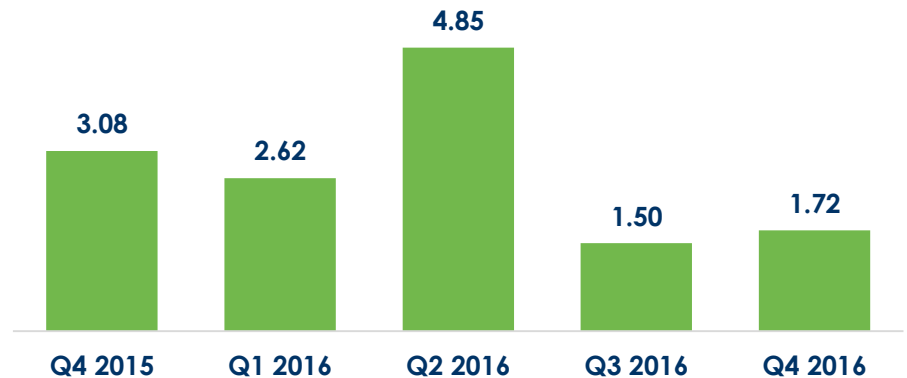
# E-Banking Income Analysis



- ▶ E-banking income was up by 41.3% YoY largely driven by increased international card transaction fees in H1 2016.
- ▶ However, the restriction on international card usage in Jun 2016 resulted in a 69.0% drop in Q3.
- ▶ Despite the restriction, e-banking income increased by 14.6% (N0.22bn) in Q4 as more customers adopt our flagship products and ATM reliability increased our fees.
- ▶ We still see significant scope for improving e-banking revenues from our flagship and traditional products e.g. \*770# Instant Banking, Online Banking and ATMs.

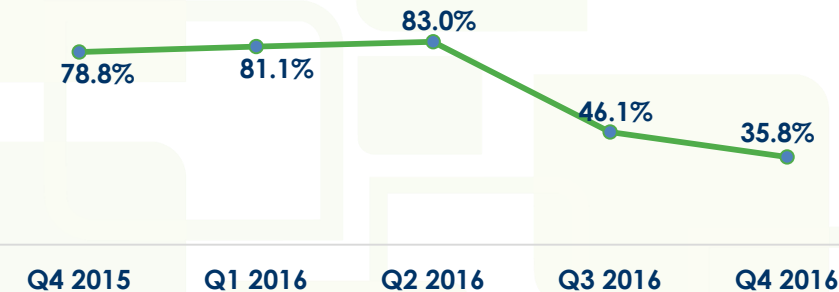
## Quarterly Revenue Trend

N'billion



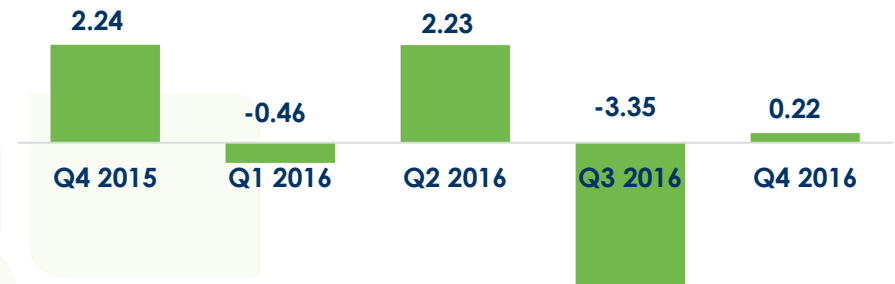
## E-Banking Profit Margin

Net Earnings to Total Revenue



## Quarterly Revenue Growth

N'billion

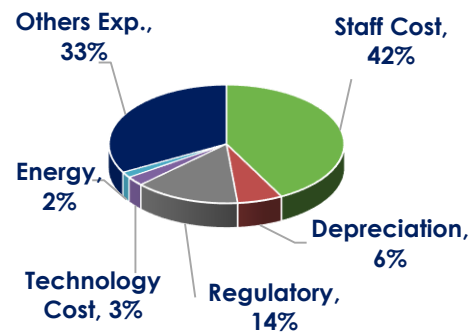


# Total Expense Analysis

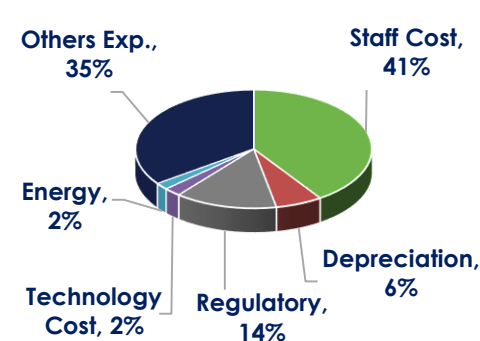


Key Highlights (N'm)	2015 FY	2016 FY	VAR	% VAR
<b>Total Expenses</b>	<b>64,164</b>	<b>67,201</b>	<b>3,037</b>	<b>4.7%</b>
Staff Cost	27,125	27,231	106	0.4%
Depreciation	3,985	4,308	323	8.1%
Regulatory Cost	9,267	9,379	112	1.2%
Technology Cost	1,627	1,565	-62	-3.8%
Energy Cost	1,015	1,252	237	23.3%
Security	1,295	1,345	50	3.9%
Branding & Advert	5,845	9,579	3,734	63.9%
Other Expenses	14,005	12,542	-1,463	-10.4%

**Total Expenses: 2015 FY**

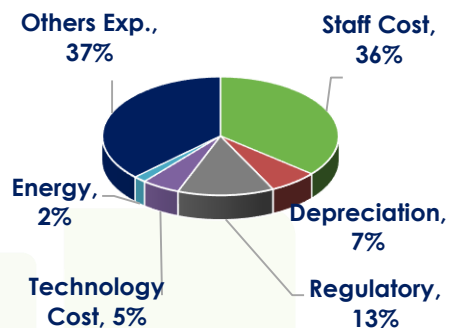


**Total Expenses: 2016 FY**

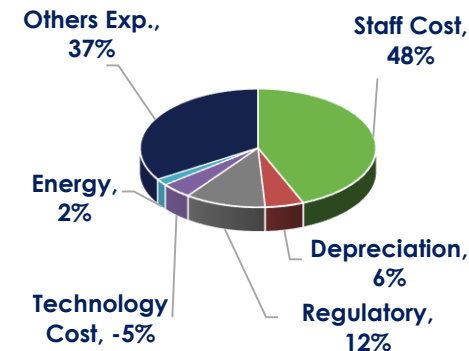


Key Highlights (N'm)	Q1 2016	Q2 2016	Q3 2016	Q4 2016
<b>Total Expenses</b>	<b>16,031</b>	<b>15,669</b>	<b>17,040</b>	<b>18,460</b>
Staff Cost	6,116	6,152	6,139	8,824
Depreciation	1,038	1,069	1,134	1,067
Regulatory Cost	2,689	2,220	2,243	2,227
Technology Cost	697	830	893	-855
Energy Cost	265	327	296	364
Security	317	378	301	349
Branding & Advert	2,065	1,673	3,038	2,803
Other Expenses	2,843	3,021	2,997	3,681

**Total Expenses: Q3 2016**



**Total Expenses: Q4 2016**

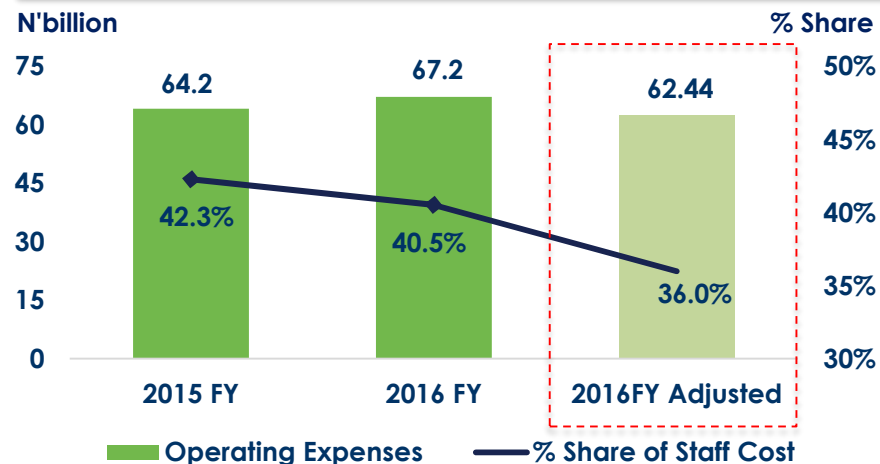


Total operating expenses grew by 4.7% YoY on the back of increased advert cost, energy cost (electricity and diesel) and depreciation charge etc. Excluding the one-off charge of N4.8bn, costs actually declined in the 2016FY

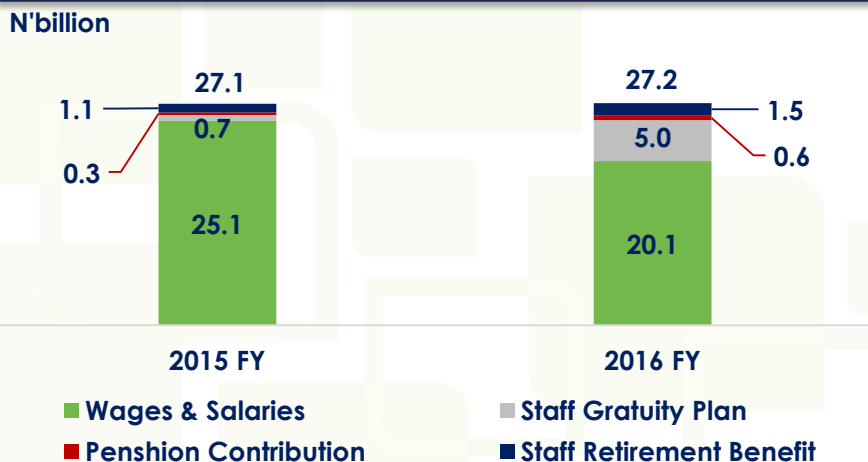
# Cost Dynamics

- ▶ Total operating expenses increased by 4.7% YoY (8.3% QoQ, with advert cost, electricity & diesel, depreciation etc. being the key cost drivers.
- ▶ However, excluding the one-off charge of N4.8bn, total operating expenses would have dropped by 2.8% which is in line with our 2016 cost – reduction guidance of 2.5%.
- ▶ We made significant progress with our cost optimisation initiatives and we were able to drive down costs on over 45% of our expense lines YOY in the 2016FY as shown on the next slide.

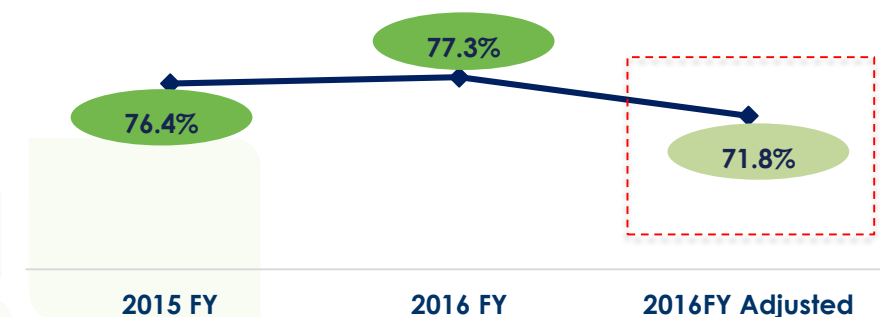
## Operating Expenses & Staff Cost



## Staff Cost Breakdown



## Cost – Income Ratio (YoY)



# Cost Dynamics – Reduction On 45% Of Expense Lines



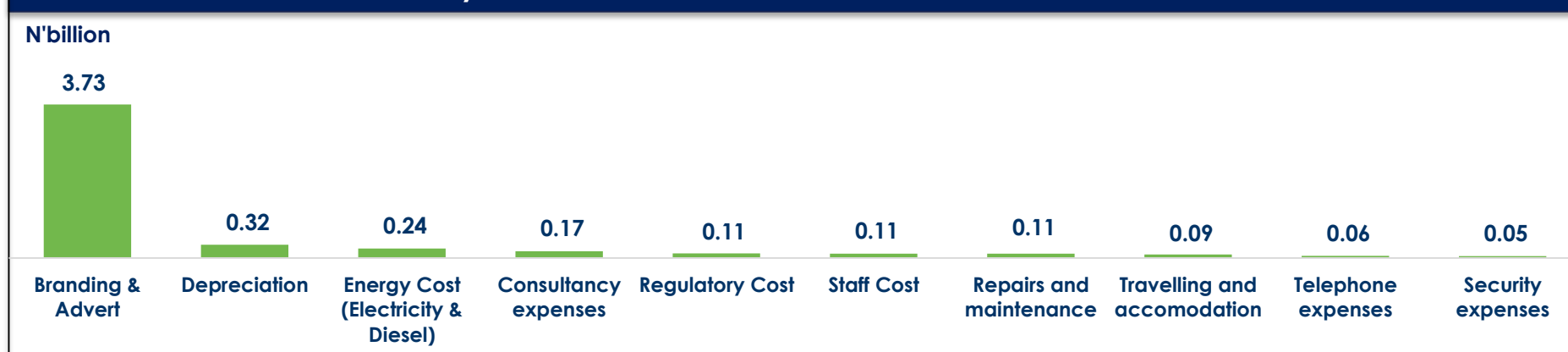
## Breakdown of Operating Expenses: 2015FY Vs 2016FY

N'million	2015 FY	2016 FY	VAR	% VAR
Branding & Advert	5,845	9,579	3,734	63.9%
Depreciation	3,985	4,308	323	8.1%
Energy Cost (Electricity & Diesel)	1,015	1,252	237	23.3%
Consultancy expenses	407	577	170	41.8%
Regulatory Cost	9,267	9,379	112	1.2%
Staff Cost	27,125	27,231	106	0.4%
Repairs & maintenance	2,457	2,563	106	4.3%
Travelling & accommodation	531	621	90	16.9%
Telephone expenses	251	307	56	22.3%
Security expenses	1,295	1,345	50	3.9%
Stationery expenses	218	256	38	17.4%
Insurance expenses	319	348	29	9.1%
Cash movement expenses	591	601	10	1.7%
Auditors' remuneration	150	150	-	0.0%
Office expenses	395	382	(13)	-3.3%
Postage & courier expenses	111	97	(14)	-12.6%
Rent and rates	315	285	(30)	-9.5%
Computer expenses	1,627	1,565	(62)	-3.8%
Directors' emoluments	346	249	(97)	-28.0%
Contractor compensation	3,533	3,428	(105)	-3.0%
Bank charges	434	308	(126)	-29.0%
Legal expenses	432	253	(179)	-41.4%
Corporate finance expenses	606	402	(204)	-33.7%
Training expenses	650	407	(243)	-37.4%
Litigations and claims	545	-	(545)	-100.0%
Other expenses	1,714	1,308	(406)	-23.7%
	<b>64,164</b>	<b>67,201</b>	<b>3,037</b>	<b>4.7%</b>

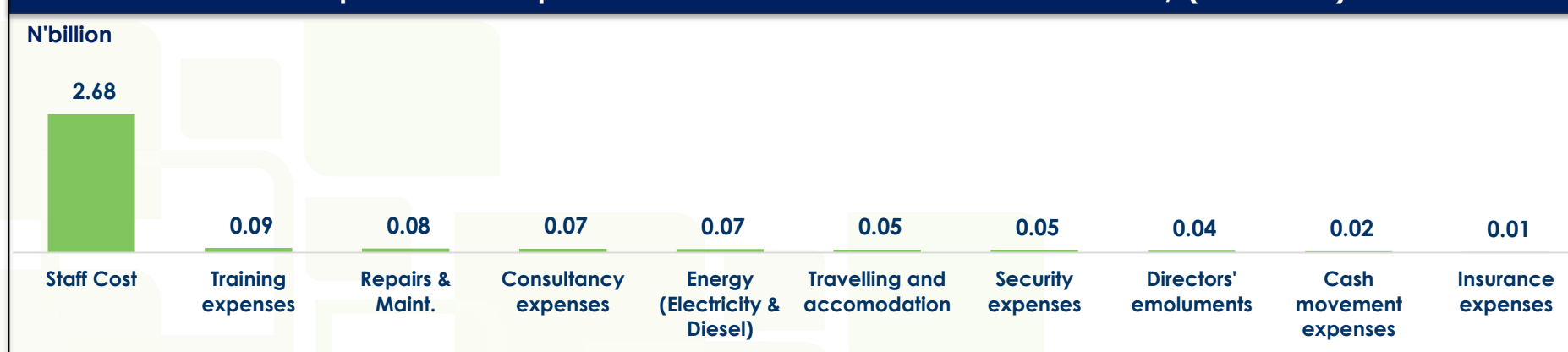
# Cost Optimization Impact in Q4 2016



## Key Cost Drivers in 2016FY: YoY Actual Cost Increase



## Cost Optimization Impact in Q4 2016 : QoQ Actual Cost Increase / (Decrease)



Branding and advert cost increased by 63.9% YoY (N3.7bn), however, it dropped by 7.7% QoQ as the bank moderates its spend on the retail and SME markets. We expect this cost line to significantly decline in the 2017FY.



## 4. Financial Review – SFP

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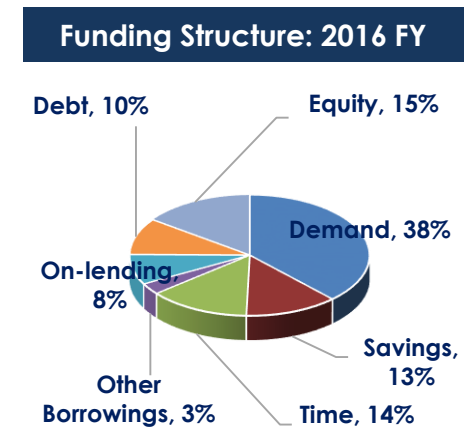
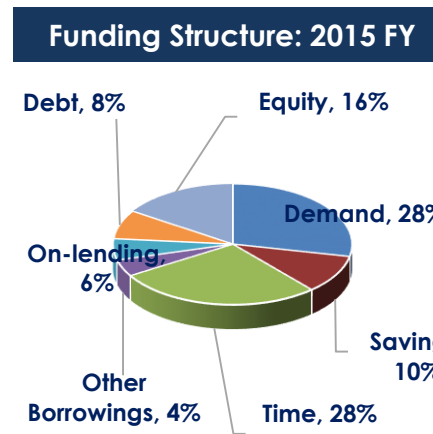
*It's not even the Festive Season yet but we just can't hold back all  
the freebies we have for you.*



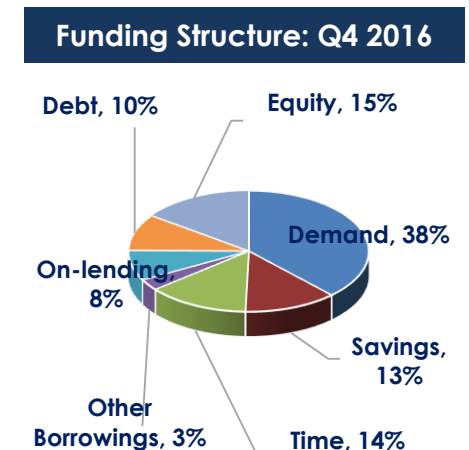
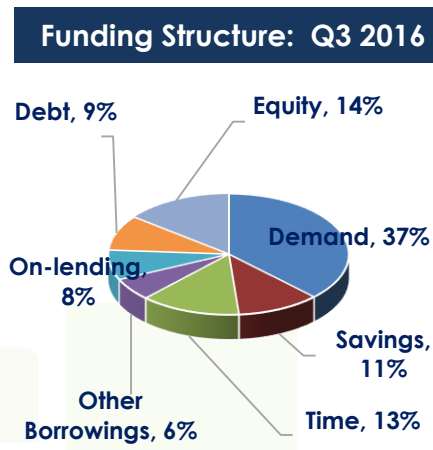
# Funding Base Analysis



Key Highlights (N'm)	2015 FY	2016 FY	VAR	% VAR
Demand Deposits	328,549	469,353	140,804	42.9%
Savings Deposits	119,140	155,019	35,879	30.1%
Tenor Deposits	321,947	168,599	(153,348)	-47.6%
Other Borrowings	51,854	37,219	(14,635)	-28.2%
On-Lending	66,264	99,991	33,727	50.9%
Debt Securities	90,121	121,816	31,695	35.2%
Equity	183,516	185,402	1,886	1.0%
<b>Total</b>	<b>1,161,391</b>	<b>1,237,399</b>	<b>76,008</b>	<b>6.5%</b>



Key Highlights (N'm)	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Demand Deposits	376,054	455,915	480,276	469,353
Savings Deposits	135,078	138,104	143,385	155,019
Time Deposits	273,416	235,908	171,931	168,599
Other Borrowings	51,854	71,943	76,901	37,219
On-Lending	97,161	102,393	102,393	99,991
Debt Securities	88,269	112,584	121,652	121,816
Equity	184,029	183,464	184,984	185,402
<b>Total</b>	<b>1,205,862</b>	<b>1,300,312</b>	<b>1,281,523</b>	<b>1,237,399</b>



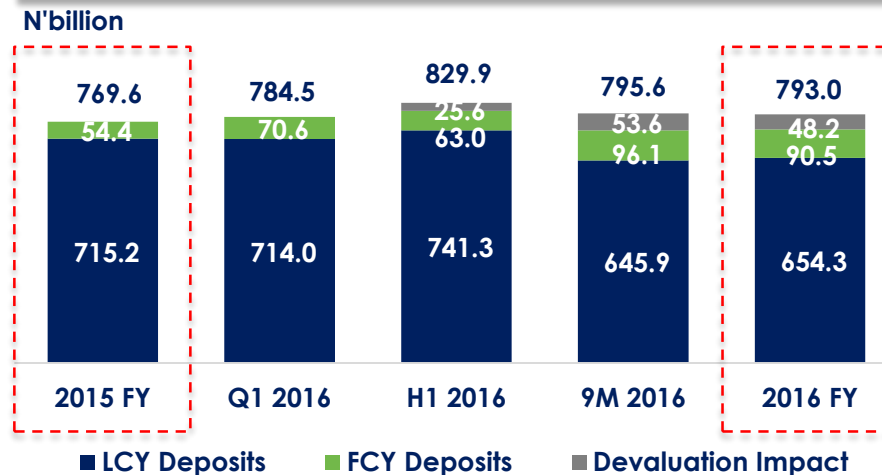
- Total deposits now represents 64.1% of total funding base (2015FY: 66.3%) and 75.4% of interest bearing liabilities.
- Other borrowings reduced by 28.2% as we opted for an early repayment of our \$125m syndicated loan

# Deposits Analysis

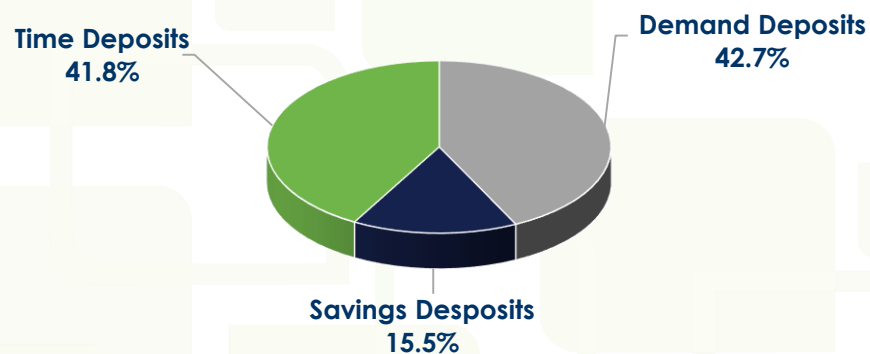


- ▶ Total deposits increased by 3.0% YoY to N793.0 billion due to 42.9% and 30.1% increase in demand and savings deposits respectively.
- ▶ On a QoQ, deposits dropped marginally by 0.3% due to 7.4% decline FCY deposits; LCY deposits increased by 1.3% QoQ in Q4 on account of 8.1% increase in savings.
- ▶ Low cost deposits now constitute 78.7% of total deposits from 58.2% in 2015FY, which explains the drop in funding cost from 6.2% in 2015FY to 5.8% in 2016FY.

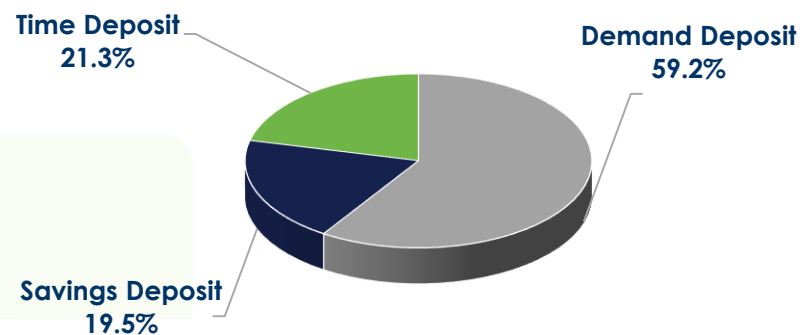
## Customer Deposits



## Customer Deposits by Type – 2015 FY



## Customer Deposits by Type – 2016 FY

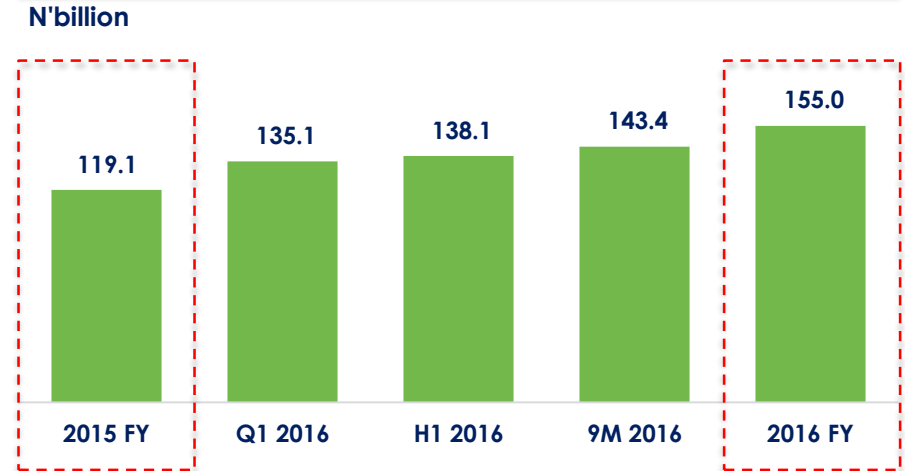


# Retail Banking Analysis (Personal Banking)

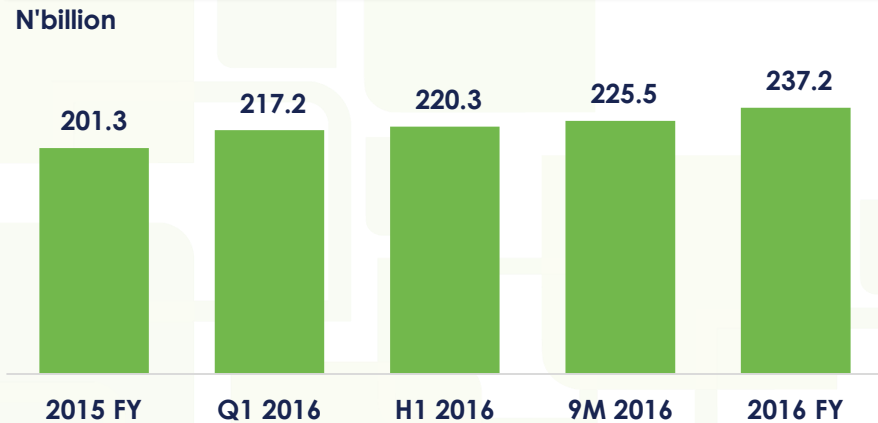


- ▶ Savings deposits grew by 30.1% YoY which contributed significantly to the decline in our funding cost.
- ▶ The growth was as a result of the disciplined execution of our retail banking strategy and improved cross-selling of our e-banking products.
- ▶ Retail low cost deposits grew by 17.8% YoY (5.2% QoQ)
- ▶ Consumer loans declined 13.3% YoY as we continued to de-risk the portfolio in view of rising NPL concerns due to lower consumer disposable income.

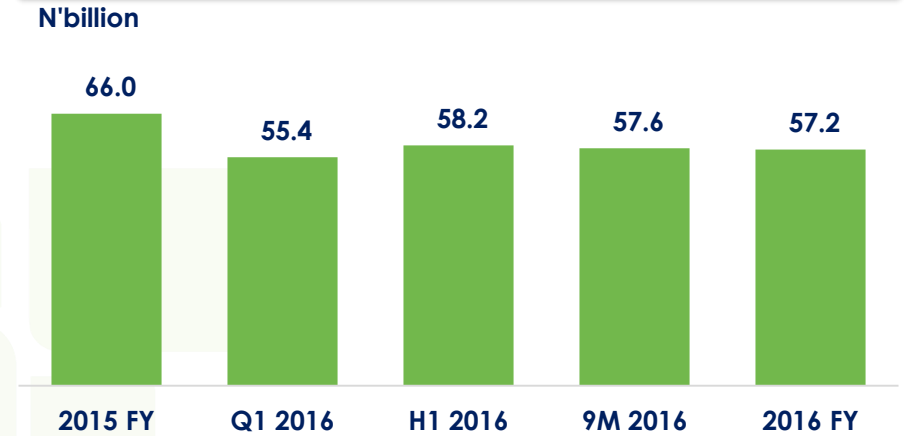
## Savings Deposits Trend



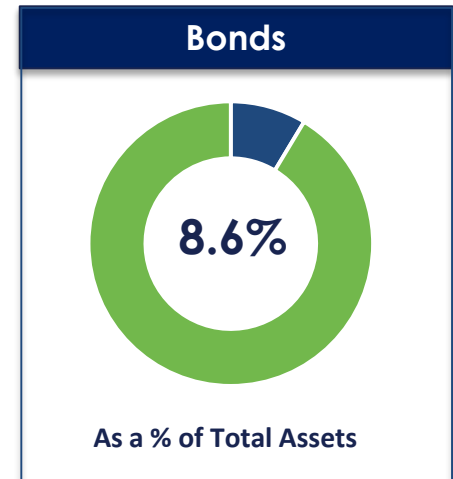
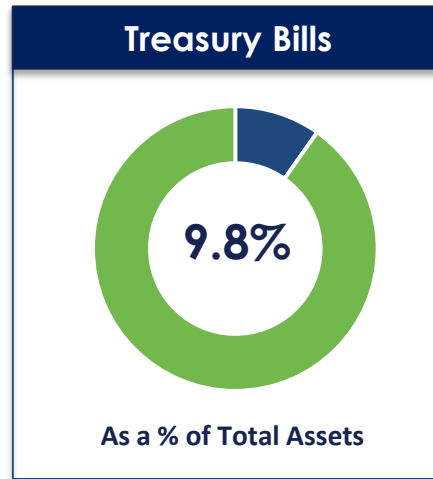
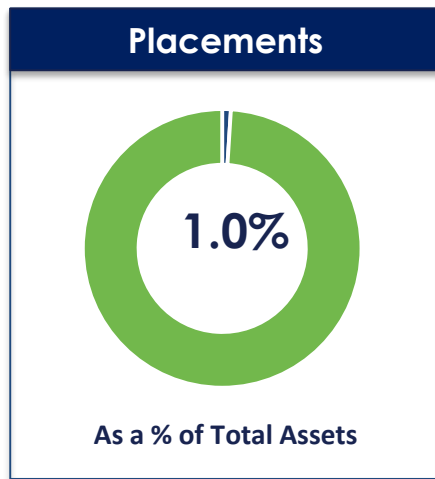
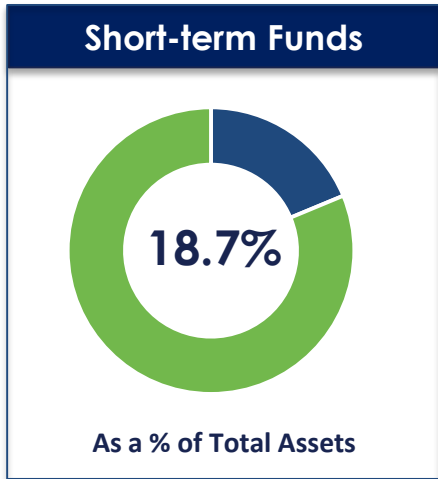
## Retail Low Cost Deposits



## Retail Assets Trend

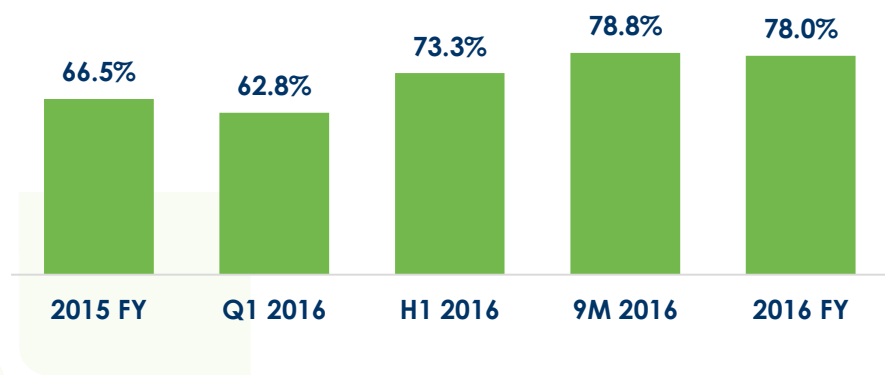
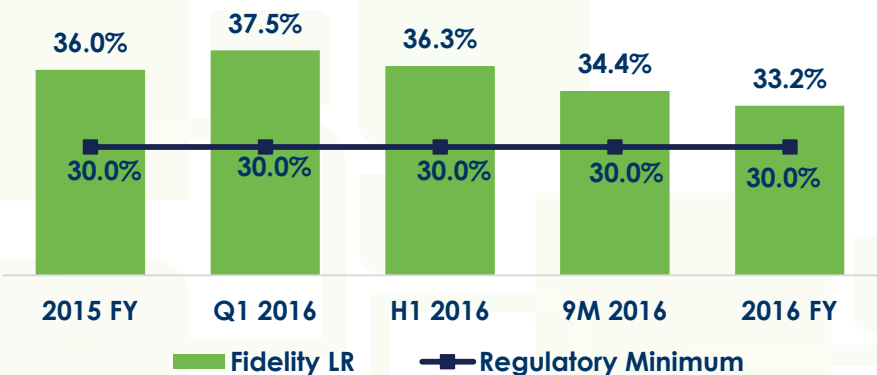


# Liquid Assets Position



## Liquidity Ratio

## % Total Loans to Customer Deposits



While our loan book includes self funded public sector on-lending facilities, the corresponding liabilities used to fund these loans were not classified as customer deposits. LDR excluding self-funded public sector on-lending facilities is 78.0% as at end of 2016FY.

# Loan Portfolio Analysis



## Breakdown of Loans & Advances to Customers: 2015FY Vs 2016FY

N'million	2015 FY	2016 FY	VAR	% VAR
Communication	48,298	<b>43,566</b>	(4,732)	-9.8%
Oil and Gas	147,407	<b>188,217</b>	40,810	27.7%
- <b>Upstream</b>	97,568	<b>136,161</b>	<b>38,594</b>	<b>39.6%</b>
- <b>Downstream</b>	23,430	<b>18,591</b>	<b>(4,840)</b>	<b>-20.7%</b>
- <b>Services</b>	26,409	<b>33,464</b>	<b>7,056</b>	<b>26.7%</b>
Power	68,483	<b>87,845</b>	19,362	28.3%
Manufacturing	58,670	<b>75,006</b>	16,336	27.8%
General Commerce	34,521	<b>45,378</b>	10,857	31.4%
Transport	54,806	<b>72,830</b>	18,024	32.9%
Consumer (Individuals)	65,959	<b>57,214</b>	(8,745)	-13.3%
Government	60,003	<b>101,007</b>	41,004	68.3%
Construction	20,462	<b>22,873</b>	2,411	11.8%
Agriculture	11,724	<b>9,740</b>	(1,984)	-16.9%
Real Estate	17,157	<b>23,000</b>	5,843	34.1%
Education	3,358	<b>3,474</b>	116	3.4%
Finance and Insurance	552	<b>6,310</b>	5,758	1043.1%
Others	7,577	<b>6,661</b>	(917)	-12.1%
<b>Total</b>	<b>598,977</b>	<b>743,120</b>	<b>144,143</b>	<b>24.1%</b>

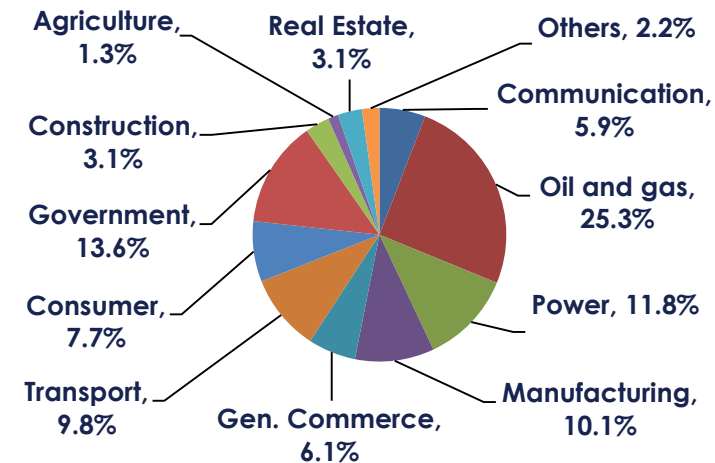
# Loan Portfolio Analysis



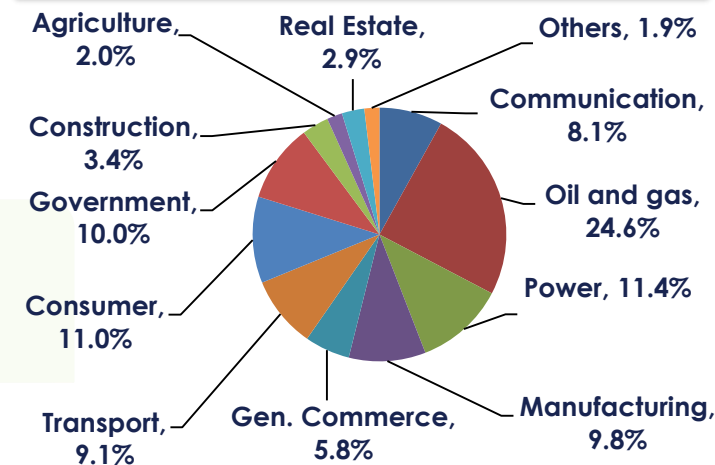
## Breakdown of Loans & Advances to Customers

N'million	2015FY	Q1 2016	Q2 2016	Q3 2016	2016FY
Communication	48,298	50,388	52,501	48,729	43,566
Oil and Gas	147,407	147,077	189,896	210,159	188,217
- <b>Upstream</b>	<b>97,568</b>	<b>94,831</b>	<b>133,077</b>	<b>145,373</b>	<b>136,161</b>
- <b>Downstream</b>	<b>23,430</b>	<b>24,128</b>	<b>24,289</b>	<b>32,791</b>	<b>18,591</b>
- <b>Services</b>	<b>26,409</b>	<b>28,118</b>	<b>32,530</b>	<b>31,995</b>	<b>33,464</b>
Power	68,483	63,718	77,273	77,056	87,845
Manufacturing	58,670	55,161	78,971	73,980	75,006
Gen. Commerce	34,521	32,254	38,401	36,731	45,378
Transport	54,806	55,209	69,633	77,631	72,830
Consumer	65,959	55,353	58,223	57,573	57,214
Government	60,003	91,520	106,173	105,468	101,007
Construction	20,462	20,682	21,938	23,177	22,873
Agriculture	11,724	11,194	9,519	10,263	9,740
Real Estate	17,157	17,133	21,160	23,952	23,000
Education	3,358	3,408	4,090	3,979	3,474
Fin. & Insurance	552	857	1,431	1,685	6,310
Others	7,577	7,695	7,506	7,375	6,661
<b>Total</b>	<b>598,978</b>	<b>611,649</b>	<b>736,713</b>	<b>757,760</b>	<b>743,120</b>

## Loan Analysis – 2016FY



## Loan Analysis – 2015FY



# Loan Portfolio Analysis



## QoQ Change in Loans & Advances to Customers

N'million	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Power	(4,765)	13,554	(217)	10,789
General Commerce	(2,268)	6,147	(1,670)	8,647
Finance and Insurance	305	574	255	4,625
Oil & Gas Services	1,710	4,412	(535)	1,469
Manufacturing	(3,509)	23,811	(4,991)	1,026
Construction	220	1,256	1,239	(304)
Consumer (Individuals)	(10,606)	2,870	(650)	(359)
Education	50	682	(110)	(506)
Agriculture	(531)	(1,675)	745	(524)
Others	117	(189)	(131)	(715)
Real Estate	(25)	4,027	2,793	(952)
Government	31,517	14,652	(705)	(4,461)
Transport	403	14,424	7,997	(4,801)
Communication	2,090	2,113	(3,772)	(5,163)
Oil & Gas Upstream	(2,737)	38,246	12,296	(9,211)
Oil & Gas Downstream	698	161	8,502	(14,200)
<b>Total</b>	<b>12,671</b>	<b>125,065</b>	<b>21,047</b>	<b>(14,640)</b>



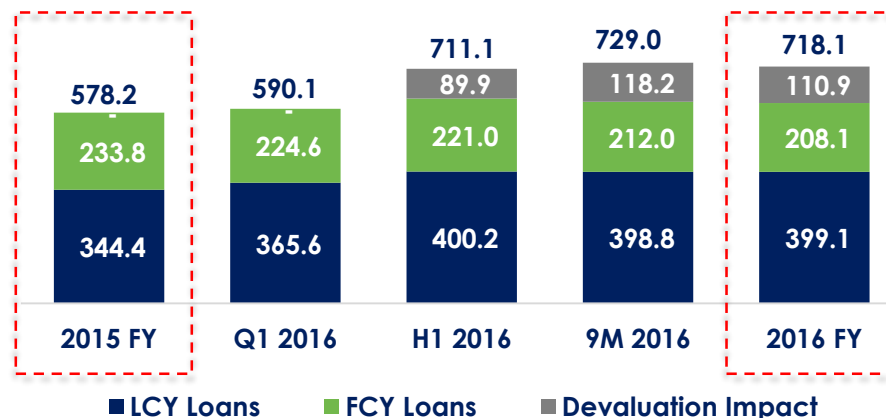
# Loan Book Analysis



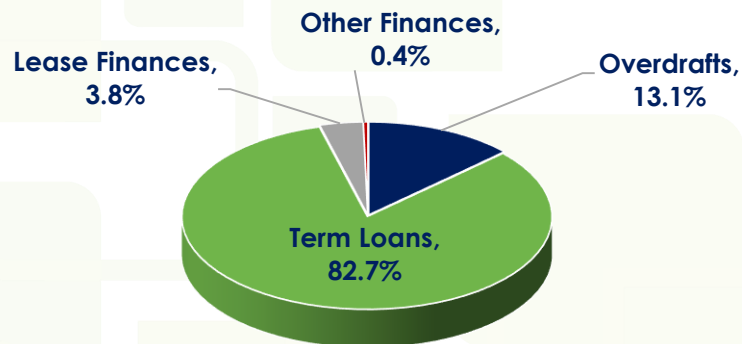
- ▶ Net loans and advances increased by 24.2% YoY (down 1.5% QoQ) to N718.1 billion with the devaluation of naira accounting for 19.2% (N110.9bn) of the loan growth.
- ▶ Excluding devaluation, real loan growth was 5.0% YoY, while it declined by 0.6% QoQ as we remained cautious due to the weaker operating and macro-economic environment.
- ▶ FCY loans now constitute about 44.4% of loans from 40.4% in 2015 FY largely on account of naira devaluation.

## Net Loans and Advances to Customers

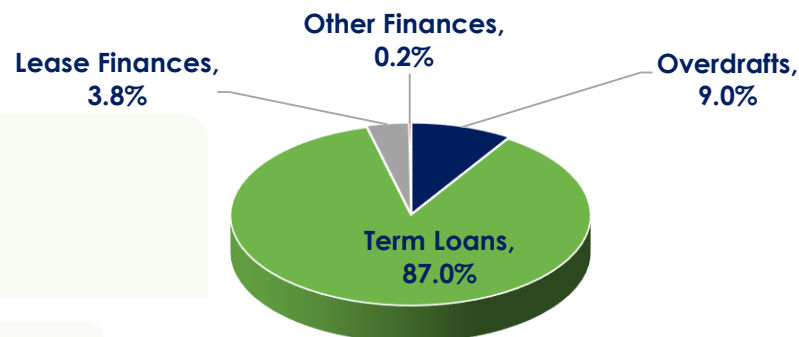
N'billion



## Total Loans by Type – 2015 FY



## Total Loans by Type – 2016 FY



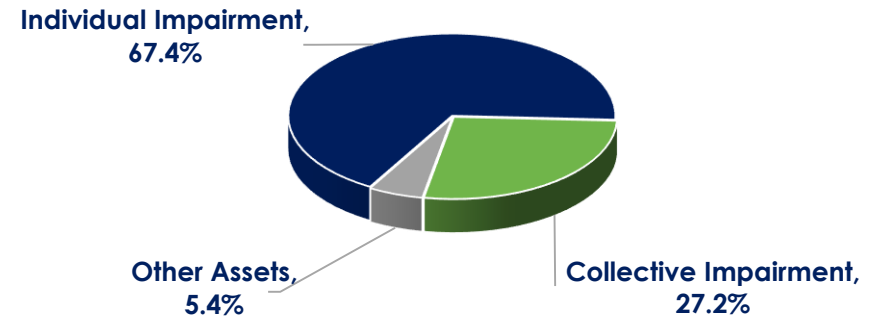
# NPL Review and Impairment Charge Analysis



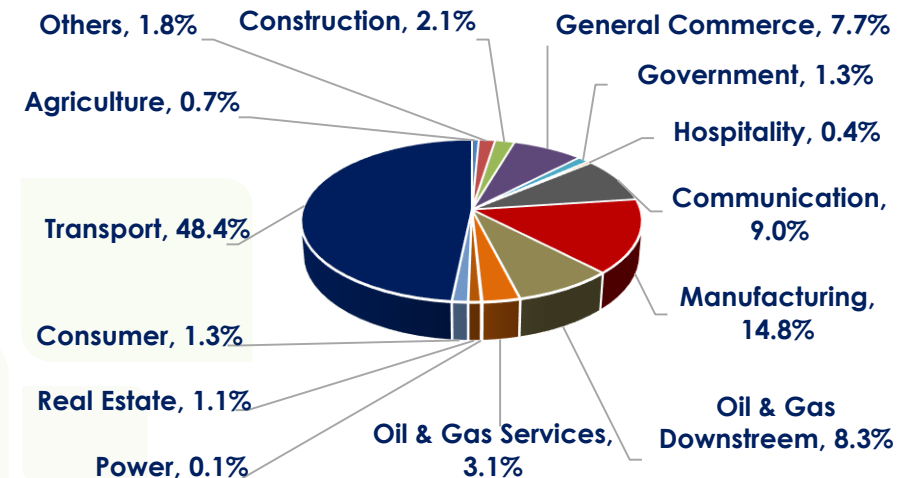
- ▶ There was an 89.0% growth in NPLs from N26.1bn in 2015FY to N49.4bn in the 2016FY
- ▶ Key sectors responsible for over 90% of the NPL growth were Transport, General Commerce, Manufacturing and Retail
- ▶ Total impairment charge for the year grew by 50.4% to N8.7bn from N5.8bn in 2015FY with individual (specific) impairment on loans representing about 67.4% of total impairments
- ▶ 70.8% of the total specific impairment charged in 2016 were in the transport, manufacturing and general commerce sectors which reflects their 71.0% contribution to total non-performing loans in 2016.
- ▶ We also saw a significant spike in NPL volumes on the retail loan book due to delayed salary payments
- ▶ We also had write-offs of N3.4bn of fully provisioned loans in the Oil & Gas Downstream, Information & Communication and Construction Sectors

## Breakdown of Impairment Charge – 2016FY

Total Impairment Charge = **N8.7bn**



## Specific Impairment Charge by Sector – 2016FY



# NPL Portfolio Analysis



## Breakdown of Non-performing Loans: 2015FY Vs 2016FY

	2015FY N'million	2016FY N'million	VAR N'million	% VAR %	2015FY % NPL	2016FY % NPL
Communication	1,919	1,492	-427	-22.2%	4.0%	3.4%
Oil and gas	2,319	2,184	-135	-5.8%	1.6%	1.2%
- Oil & Gas Upstream	0	-	0	0.0%	0.0%	0.0%
- Oil & Gas Downstream	262	345	83	31.5%	1.1%	1.9%
- Oil & Gas Services	2,056	1,839	-218	-10.6%	7.8%	5.5%
Power	0	158	158	100.0%	0.0%	0.2%
Manufacturing	7,805	10,161	2,356	30.2%	13.3%	13.5%
General Commerce	3,032	10,043	7,010	231.2%	8.8%	22.1%
Transport	4,056	14,868	10,812	266.6%	7.4%	20.4%
Consumer (Individuals)	1,173	4,826	3,653	311.4%	1.8%	8.4%
Government	310	50	-261	-84.0%	0.5%	0.0%
Construction	1,779	629	-1,150	-64.6%	8.7%	2.7%
Agriculture	667	926	259	38.8%	5.7%	9.5%
Real Estate	1,198	1,509	311	26.0%	7.0%	6.6%
Education	352	594	242	68.8%	10.5%	17.1%
Finance and Insurance	190	237	46	24.4%	34.5%	3.8%
Others	1,338	1,731	393	29.4%	17.7%	26.0%
<b>TOTAL</b>	<b>26,138</b>	<b>49,406</b>	<b>23,269</b>	<b>89.0%</b>	<b>4.4%</b>	<b>6.6%</b>

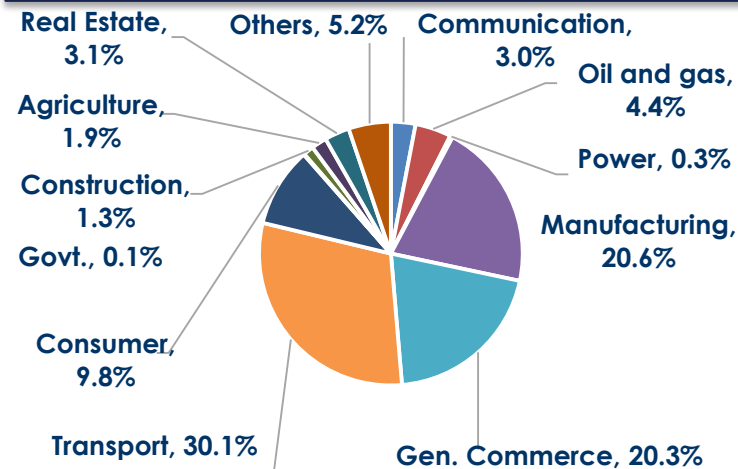
# NPL Portfolio Analysis



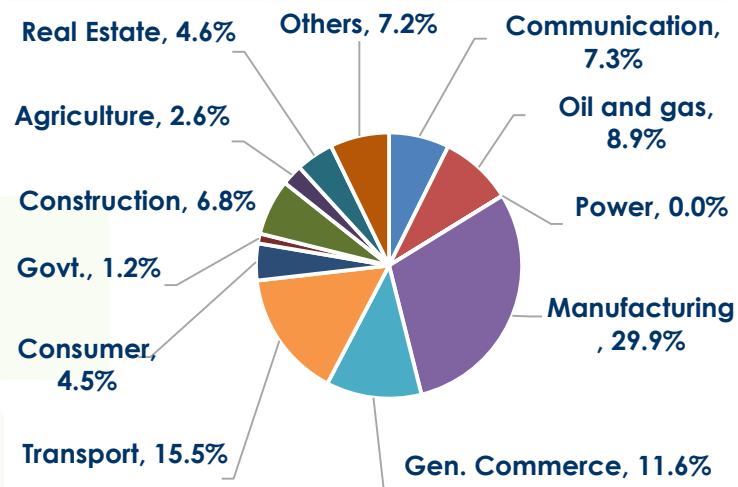
## Breakdown of Non-performing Loans

N'million	2015FY	Q1 2016	Q2 2016	Q3 2016	2016FY
Communication	1,919	1,944	1,001	1,928	1,492
Oil and Gas	2,319	2,350	3,528	4,537	2,184
- <b>Upstream</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
- <b>Downstream</b>	<b>262</b>	<b>266</b>	<b>1,403</b>	<b>1,369</b>	<b>345</b>
- <b>Services</b>	<b>2,056</b>	<b>2,084</b>	<b>2,124</b>	<b>3,168</b>	<b>1,839</b>
Power	0	0	4	4	158
Manufacturing	7,805	7,825	7,624	9,149	10,161
Gen. Commerce	3,032	3,123	3,892	5,546	10,043
Transport	4,056	4,106	2,514	4,033	14,868
Consumer	1,173	1,188	1,404	2,275	4,826
Government	310	290	275	324	50
Construction	1,779	1,802	1,273	1,672	629
Agriculture	667	667	688	799	926
Real Estate	1,198	1,214	1,093	2,020	1,509
Education	352	357	347	339	594
Fin. & Insurance	190	193	186	186	237
Others	1,338	1,426	1,281	1,328	1,731
<b>Total</b>	<b>26,138</b>	<b>26,484</b>	<b>25,110</b>	<b>34,141</b>	<b>49,406</b>

## NPL Analysis – 2016FY



## NPL Analysis – 2015FY

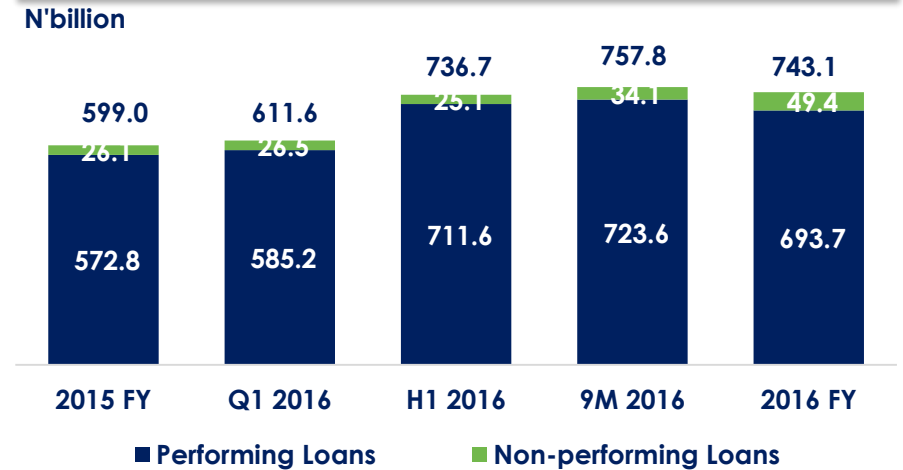


# NPL Analysis

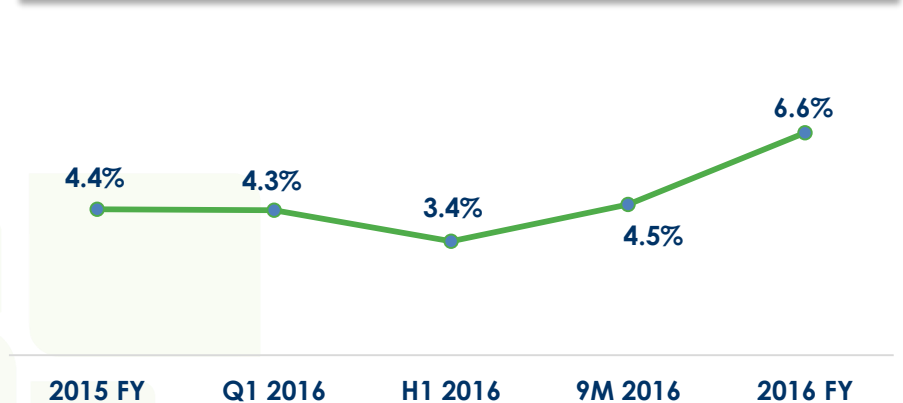


- ▶ NPL increased to 6.6% from 4.4% in 2015FY as we adopt a conservative approach to risk assets classification due to the relatively unstable macro environment.
- ▶ Coverage ratio increased to 83.1% from 79.5% in 2015FY due to increased impairments taken in Q4 2016.
- ▶ Cost of risk inched up to 1.2% from 1.0% in 2015FY due to 50.4% increase (N2.9bn) in impairment charge.
- ▶ Specific pressure points still exist in select sectors (e.g. transport and general commerce etc.), we will focus on increasing collections and recoveries in the 2017FY.

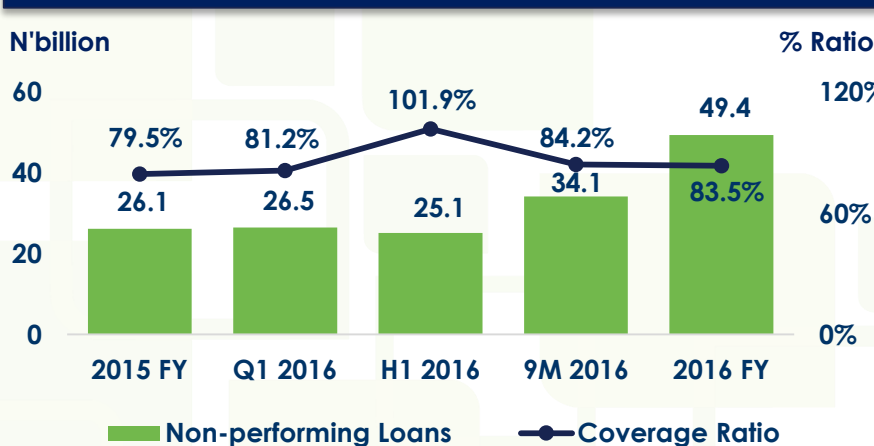
## Gross Loans and Advances



## Non-performing Loans



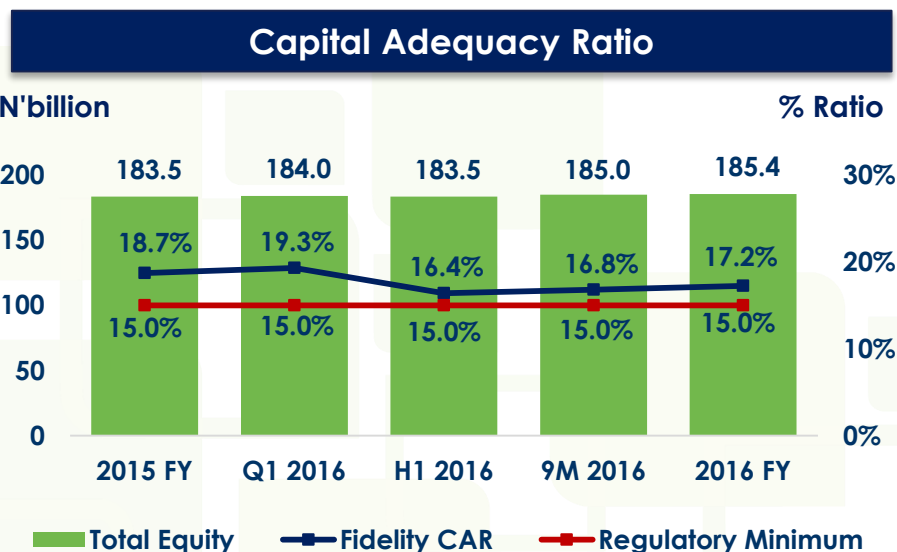
## NPL Coverage Ratio



# Capital Adequacy



- ▶ Fidelity CAR declined to 17.2% in 2016FY due to a N19.1bn charge on our Tier 1 capital being the excess charge for exceeding our single obligor limit due to the impact of the devaluation on an FCY Loan
- ▶ The charge naturalized the impact of the N17.2bn NDR adjustment to our Tier 1 capital; excluding the charge, our CAR would have been 18.9% in 2016FY.
- ▶ Fidelity CAR still remains above the regulatory minimum requirement of 15.0%.



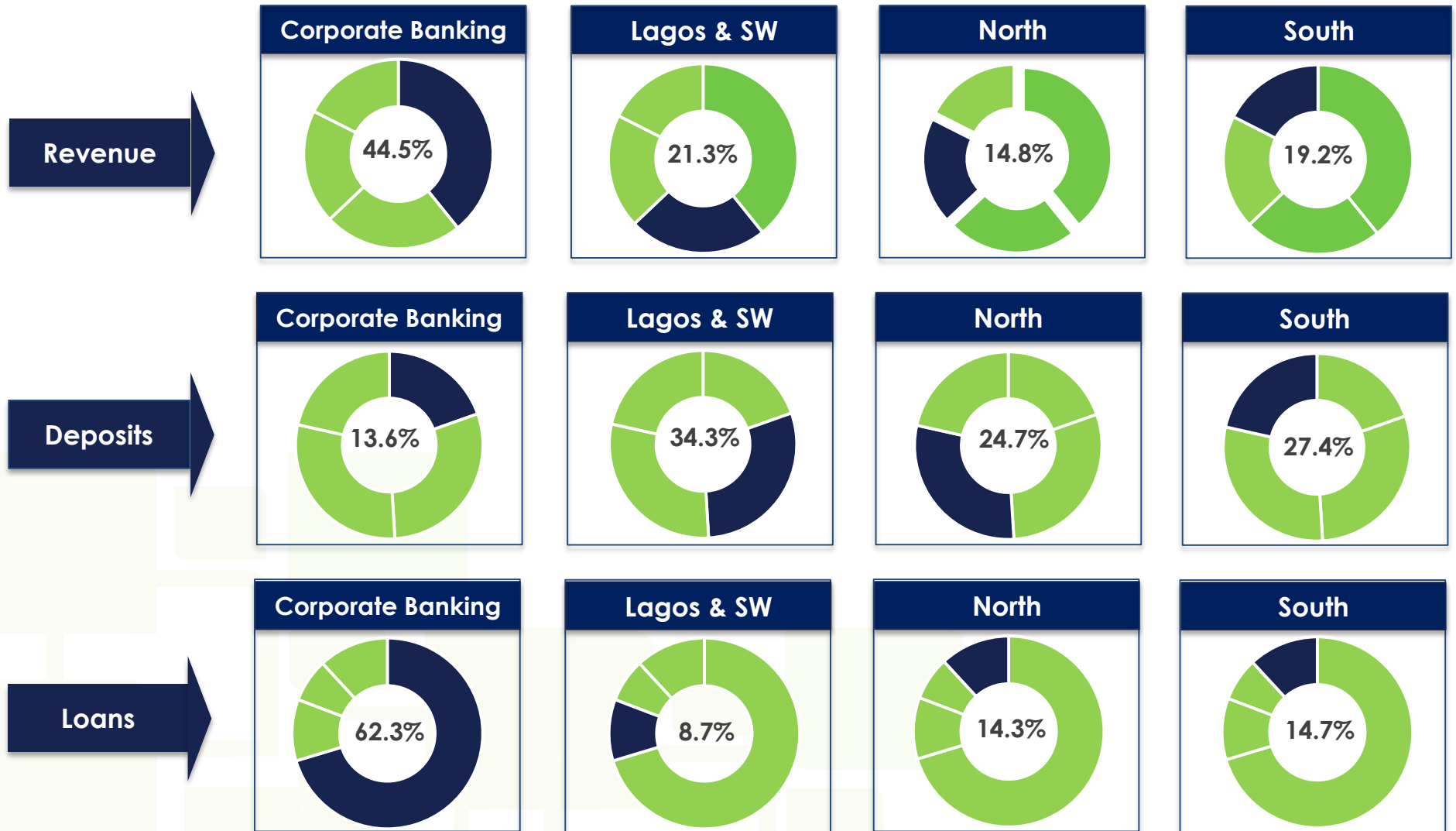
Capital Adequacy Ratio Computation – Basel II			
N'million	2015 FY	2016 FY	VAR
Tier 1 Capital	143.7	166.1	22.4
<b>Regulatory Adjustment</b>	<b>0.0</b>	<b>-19.0</b>	<b>-19.0</b>
<b>Adjusted Tier 1 Capital</b>	<b>143.7</b>	<b>147.1</b>	3.4
Tier 2 Capital	47.4	49.0	1.6
<b>Total Qualified Capital</b>	<b>191.1</b>	<b>196.1</b>	<b>5.0</b>
Credit Risk	779.3	914.8	135.5
Market Risk	89.8	62.5	-27.3
Operational Risk	152.6	160.9	8.4
<b>Risk Weighted Assets</b>	<b>1,021.6</b>	<b>1,138.3</b>	<b>116.7</b>
<b>Capital Adequacy Ratio</b>			
Tier 1	14.1%	14.6%	
Tier 2	4.6%	4.3%	
<b>Overall CAR</b>	<b>18.7%</b>	<b>17.2%</b>	

# Business Segment Analysis



	Business Description	Revenue	Deposits	Loans
<b>Corporate &amp; Investment Banking</b>	<ul style="list-style-type: none"> <li>Handles the bank's institutional clients with turnover in excess of ₦10.0bn.</li> <li>Key focus sectors include:                             <ul style="list-style-type: none"> <li>Oil &amp; gas upstream</li> <li>Oil &amp; gas downstream</li> <li>Power &amp; infrastructure</li> <li>Telecommunication</li> <li>FMCG</li> <li>Construction &amp; real est.</li> <li>Agriculture</li> <li>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 95 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 88 locations</li> </ul>			

# Business Segment Analysis

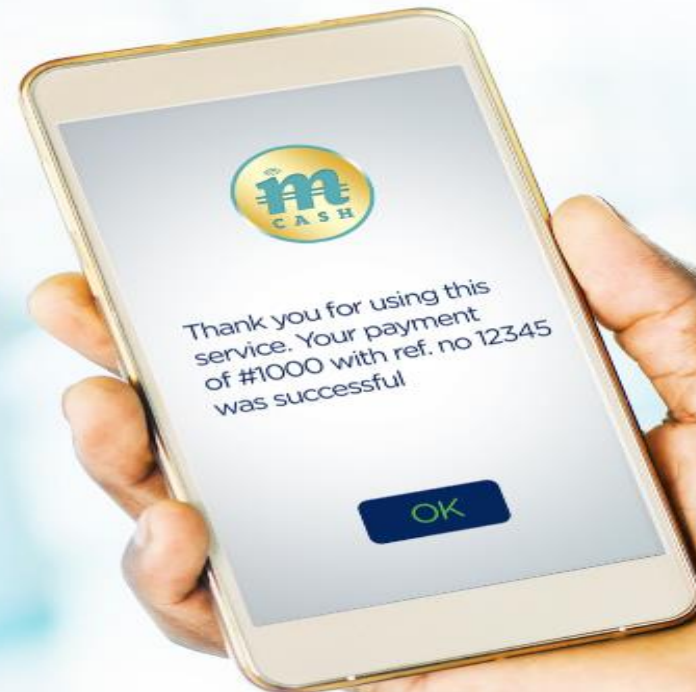




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# 2016FY Review Vs 2017FY Guidance



## GROWTH EXPECTATIONS ON KEY INDICATORS

S/N	Index	2016FY Actual	2016FY Target	Comment	2017FY Target
1	Net Interest Margin	6.4%	6.75% -7.0%	Not Achieved	6.5% -7.0%
2	Tax Rate	12.0%	15% to 20%	Achieved	15% to 20%
3	Loan Growth (YoY)	24.2%	5.0% to 7.5%	Achieved	7.5%
4	Deposit Growth (YoY)	3.0%	5.0% to 7.5%	Not Achieved	10.0%
5	Cost - Income Ratio	77.3%	70% band	Not Achieved	70% Band
6	Proposed Dividends	41.7%	30-50% (of PAT) band	Achieved	30-50% (of PAT) band
7	NPL Ratio	6.6%	Below 5%	Not Achieved	Below 5%
8	ROE – Post Tax	5.3%	Below 10%	Not Achieved	10%

# Thank You

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