

Fidelity Bank Investor Presentation

**Audited Financial Results for the 6 months ended
June 30, 2022**



Disclaimer

Please read the following before continuing:

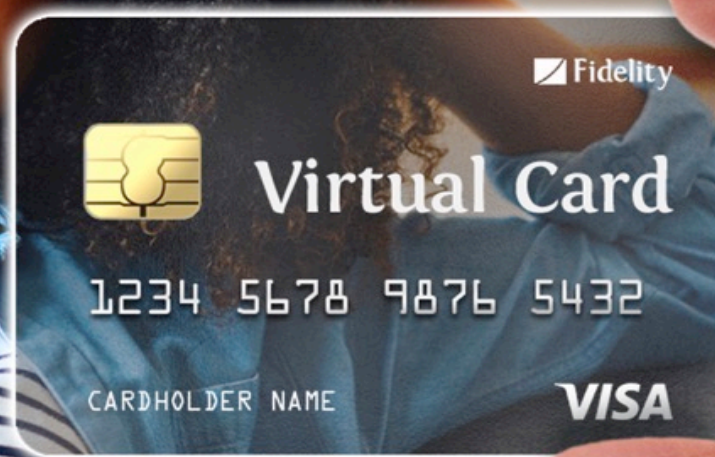
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Content

Section	Page
1. Overview of Fidelity Bank	5
2. Operating Environment	10
3. Financial Review	13
4. 2022FY Guidance	29



Virtually
All You Need
To Keep Enjoying
Netflix



> 250
Business Offices



> 7.0m+
Customer Accounts



> 3,113
Professional Staff



> 150
Call Centre Agents



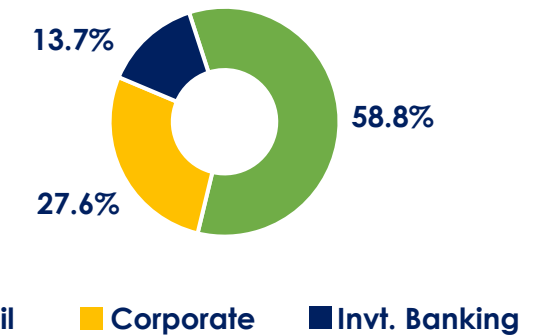
> 21k
Banking Agents

Business Segment

Revenue



PBT



Rated and In compliance with the NGX Corporate Governance Rating System (CGRS)



Fidelity S&P stand-alone credit rating is "B".



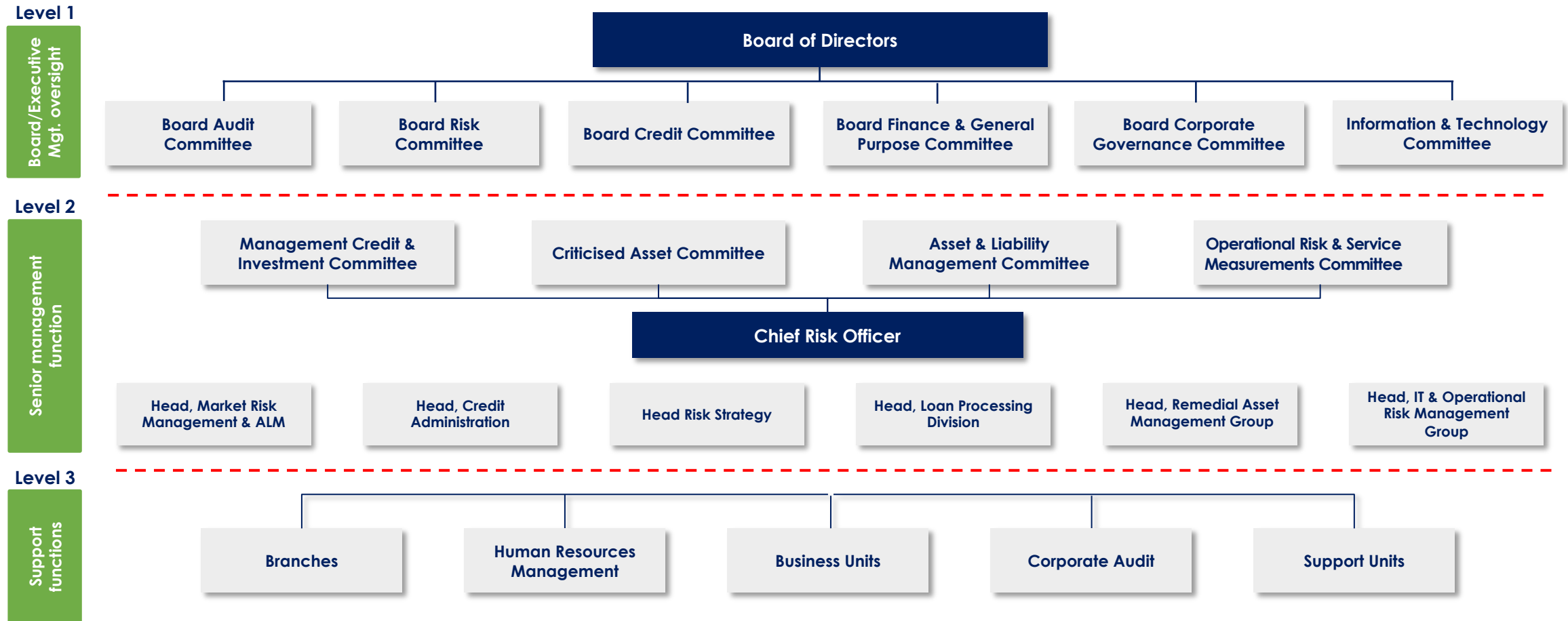
Listings:





Robust risk management is at the core of Fidelity Bank operations

Three-tiered approach for enterprise-wide risk management



- ❖ Fidelity Bank operates a best-in-class risk management and corporate governance framework that meets or exceeds all legal and regulatory requirements
- ❖ The framework provides comprehensive controls, continuous monitoring and management of the major risks inherent in the Bank's activities



Impressive performance across key income and balance sheet lines

Gross Earnings

▲ 37.9%

¥154.8bn

Customer Deposits

▲ 13.1%

¥2,290.1bn

CAR

▼ 20bps

19.8%

Operating Revenue

▲ 36.7%

¥89.1bn

Net Loans & Advances

▲ 15.3%

¥1,912.7bn

NPL

▼ 20bps

2.7%

Operating Expenses

▲ 46.8%

¥62.0bn

Total Assets

▲ 12.3%

¥3,692.8bn

RoAE

▲ 297bps

15.4%

PBT: ▲ 21.6% to ¥25.1bn



Deepening strong growth in NII and customer reach through Digital Banking

Mobile/Online Customers



> 4.0m+ ↑ 8.6% YTD

Debit Cardholders



> 2.8m+ ↑ 6.0% YTD

ATM



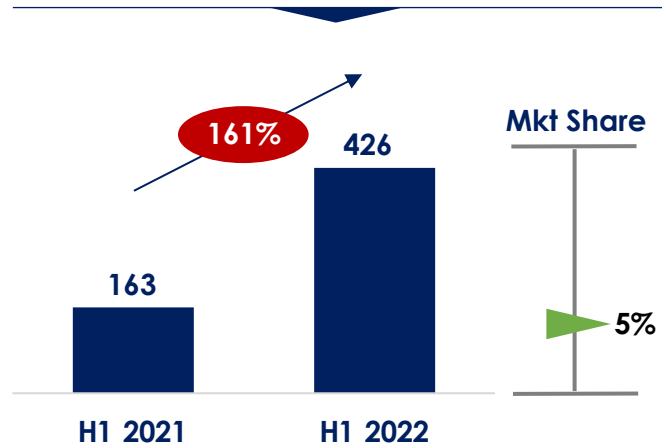
> 842 ↑ 0.8% YTD

POS

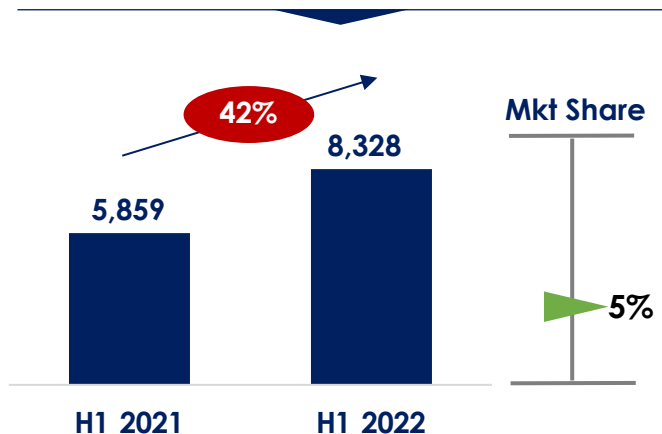


> 45k ↑ 12.5% YTD

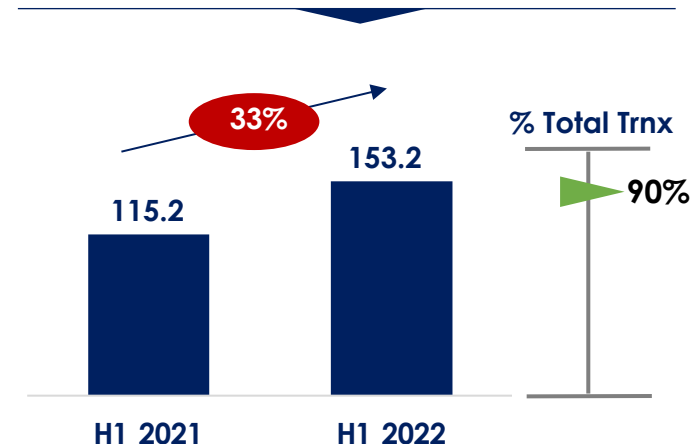
NIP Value (N'bn)



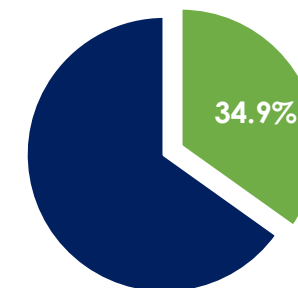
POS Value (N'bn)



E - Banking Transaction #'Mn



% E - Banking Income to NIR



NIR excludes losses from fin. Instruments & Fee Expense

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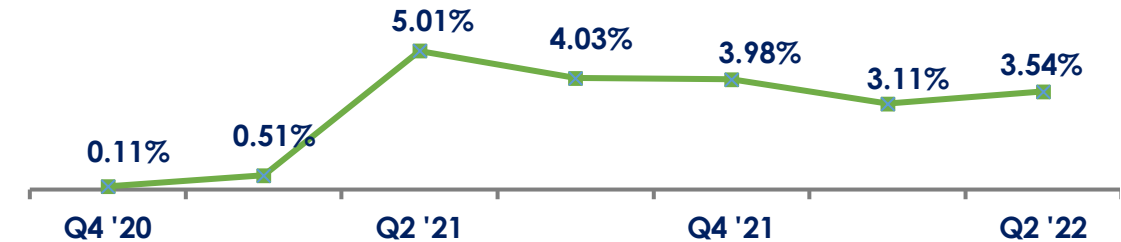
- **Ready Market Access**
- **Enhanced Capacity**
- **Financing.**



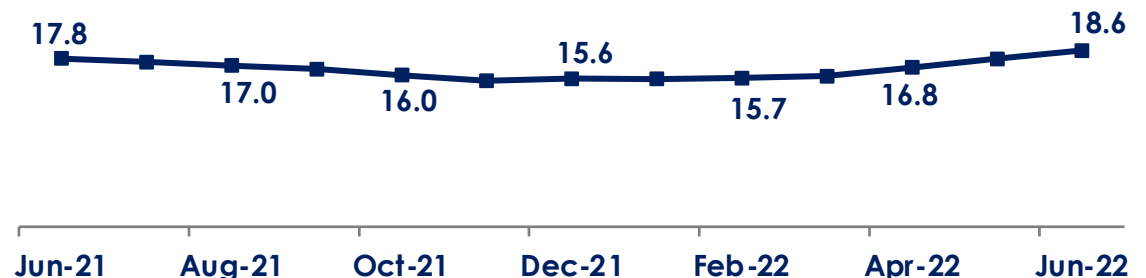


- ❖ Real GDP growth came at 3.54% in Q2 2022 compared to 3.11% in Q1 2022, making it the 7th consecutive QoQ growth since Q4 2020.
- ❖ Key drivers of growth include information & communication, transportation, and financial and insurance sector etc.
- ❖ Headline inflation rose to 18.6% in June 2022 from 17.7% in May 2022, before it inched up further to 19.6% in July 2022.
- ❖ Rise in food inflation was driven by staple food including bread, cereals, potatoes, yam, oil and fats, meat, and fish etc.
- ❖ Trading on Bonny in June 2022 closed at \$126.9pb compared to \$76.3pb at the end of 2021. Daily crude oil production closed at 1.238 million bpd in June 2022.
- ❖ Currently, Brent Crude is trading at \$93.02 per barrel while Bonny Light is trading at \$97.02 per barrel spot price.
- ❖ External reserves stood at \$39.2bn at the end of Q2 2022, compared to \$36.5bn in Q1 2021.

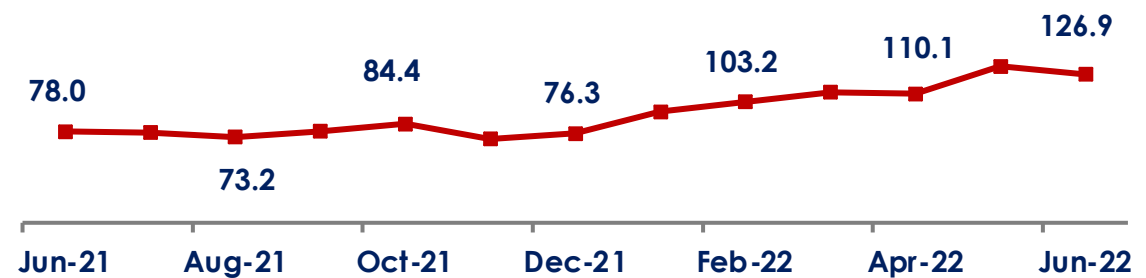
Real GDP Growth



Headline Inflation Rate

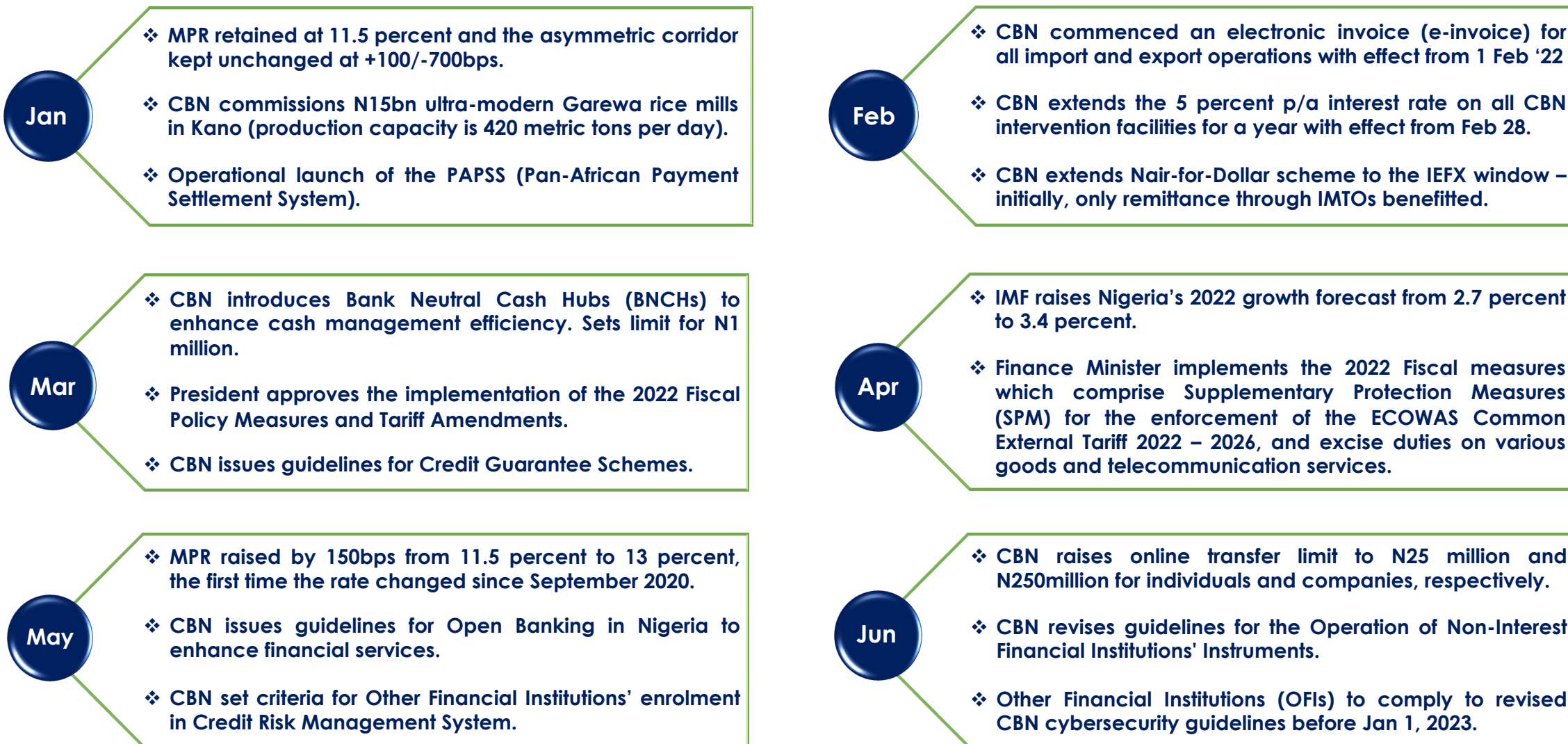


Bonny Light (\$ per barrel)





Key regulatory and policy changes



**Need
quick
cash
loans?**



Dial *770*08#





Financial Performance Highlights - SCI

Summary of Income Statement				
N'million	H1 2021	H1 2022		% VAR
Gross Earnings	112,304	154,843	▲	37.9%
Interest Income Loans	74,849	106,451	▲	42.2%
Interest Income Liquid Assets	14,273	29,774	▲	108.6%
Total Interest Income	89,121	136,225	▲	52.9%
Interest Expense Deposits	-24,345	-37,572	▲	54.3%
Interest Expense Borrowings	-14,479	-23,015	▲	59.0%
Total Interest Expense	-38,824	-60,587	▲	56.1%
Net Interest Income	50,297	75,638	▲	50.4%
FX Income	9,720	-33	▼	-100.3%
Digital Income	4,737	6,490	▲	37.0%
Other Fee Income	426	7,001	▲	1543.3%
Net Fee Income	14,883	13,459	▼	-9.6%
Operating Revenue	65,180	89,097	▲	36.7%
Operating Expenses	-42,247	-62,028	▼	46.8%
Net Impairment Losses	-2,305	-1,990	▼	-13.7%
Profit Before Tax	20,628	25,079	▲	21.6%

- 37.9% growth in gross earnings was led by 52.9% increase in interest income to N136.2bn from N89.1bn in H1 2021.
- Increased interest income was driven by improved yields on earnings assets and 14.9% YTD expansion in earnings base:
 - Avg. yield on earning assets increased to 11.5% from 9.4% in H1 2021 (2021FY: 10.1%).
- 9.6% (N1.4bn) decline in net fee income is linked to 117.9% (N10.0bn) drop in net FX gains to a loss of N1.5bn from N8.4bn in H1 2021.
- Digital banking income now represents 48.2% of net fee income and 34.9% of NIR.
 - 37.0% YoY increase in digital banking income is attributable to 33% increase in customer induced transactions.



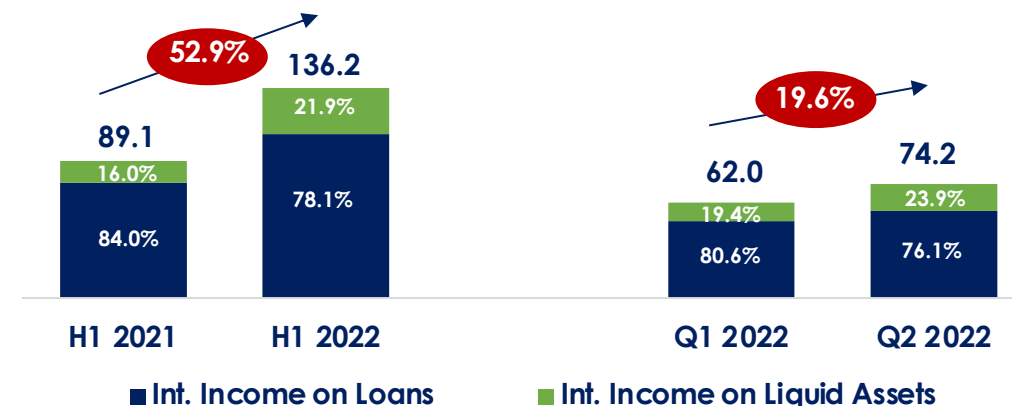
Improved interest environment is boosting interest income on liquid assets.

Breakdown of Gross Earnings

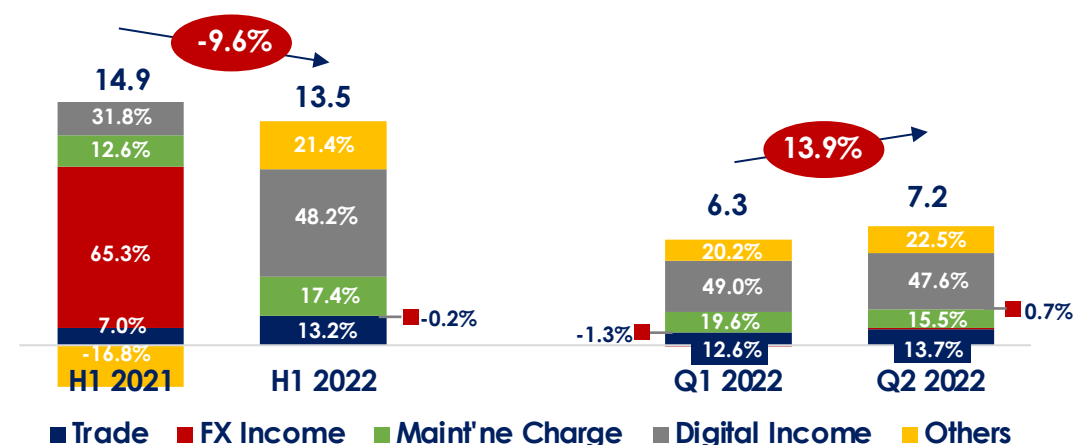
N'billion	H1 2021	H1 2022	VAR	% VAR
Int. Inc. on Loans	74.8	106.5	31.6	42.2%
Int. Inc. on Liquid Asset	14.3	29.8	15.5	108.6%
FX Income	9.7	0.0	-9.8	-100.3%
Digital Income	4.7	6.5	1.8	37.0%
Maintenance Charge	1.9	2.3	0.5	24.7%
Trade	1.0	1.8	0.7	69.6%
Credit Related Fee	1.7	1.7	0.0	1.9%
Others	4.1	6.3	2.2	53.6%
	112.3	154.8	42.5	37.9%

- % contribution of interest income on liquid assets (investment in securities) to total interest income is now 21.9% from 16.0% in H1 2021.
 - Increase is attributable to improved interest rate environment.
- Drop in FX related income was responsible for the decline in net fee income

Interest Income: % Contribution

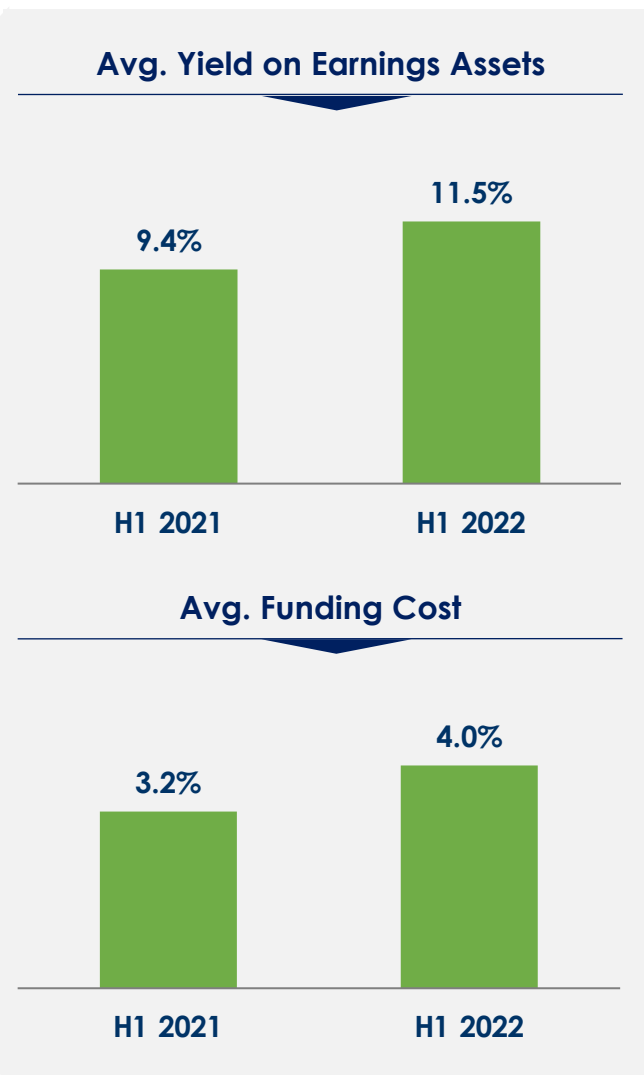
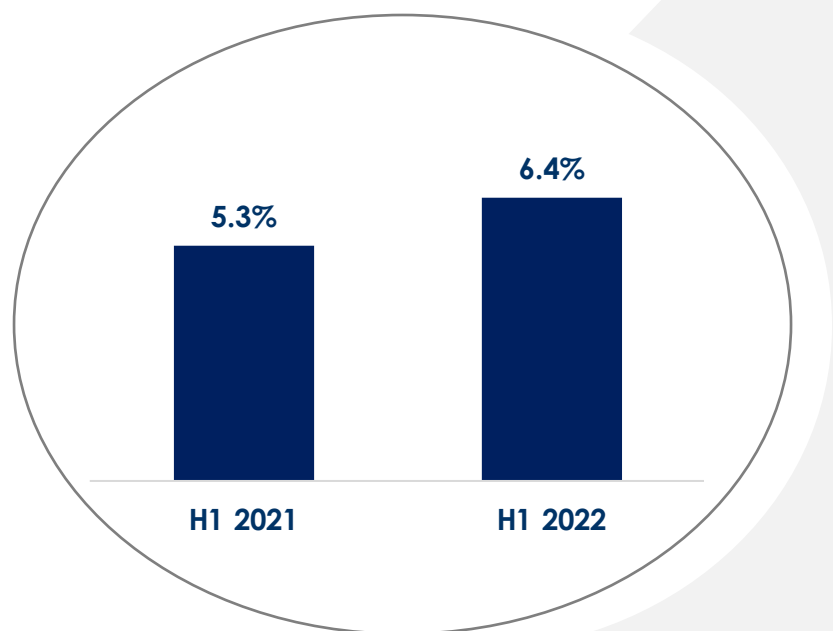


Net Fee Income: % Contribution





Net Interest Margin Analysis



- NIM increased to 6.4% from 5.3% owing to improved interest rate environment which impacted on both yields and funding cost.
 - Increase in avg. yield on earning assets surpassed the growth in avg. funding cost by 128bps.
- Higher returns on investment securities and avg. lending rate led to the increase in yields on earning assets;
 - Yield on investment securities came in at 10.1% from 6.0% while avg. lending rate increased to 12.0% from 10.5%.
- The growth in avg. funding cost was largely caused by an increase in avg. cost of deposits to 3.5% from 2.7% in H1 2021.
- Avg. cost of deposit is gradually ticking up following the recent upward review of the MPR

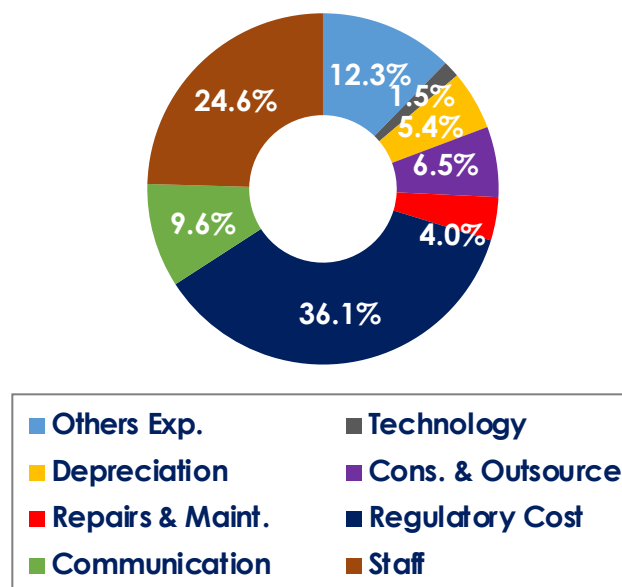


Increased regulatory charges largely led to the increase in OPEX.

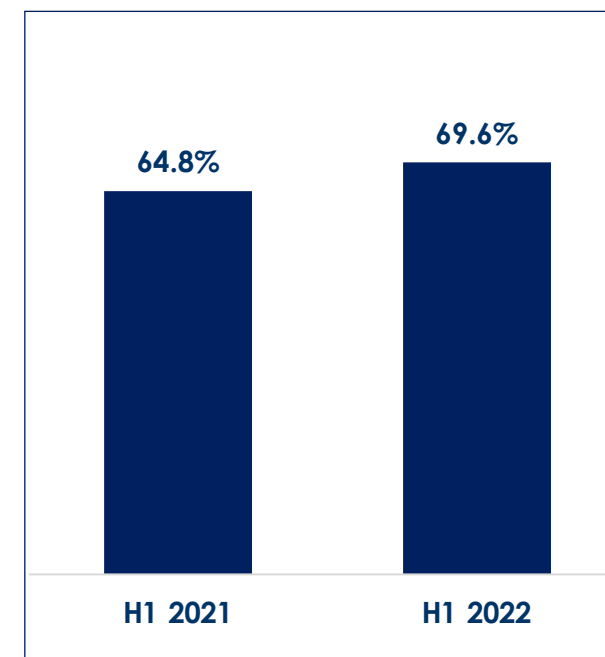
Breakdown of OPEX

N'million	H1 2021	H1 2022	% Growth
Regulatory Charges	14,134	22,408	58.5%
Staff Cost	11,101	15,230	37.2%
Communication	2,169	5,943	174.0%
Consulting & Outsourcing	2,971	4,020	35.3%
Depreciation	3,485	3,379	-3.0%
Repairs & Maint.	1,626	2,475	52.2%
Energy	703	1,273	81.0%
Technology	323	951	194.5%
Security	804	712	-11.5%
Others	4,931	5,637	14.3%
	42,247	62,028	46.8%

Key drivers of OPEX: % Contributions



CIR



- Regulatory charges (AMCON | NDIC) remains the single largest absolute cost driver – it increased by 58.5% YoY and was responsible for 41.8% absolute increase in operating expenses.
- We have absorbed the full 2021FY AMCON charges of N18.3bn in H1 in line with IFRC 21 Levies requirement and expect a moderation in CIR in H2 2022.
- If AMCON charge was amortized over 12 months, CIR would have been 59.3% compared to 69.6% as currently reported.



Financial Performance Highlights - SFP

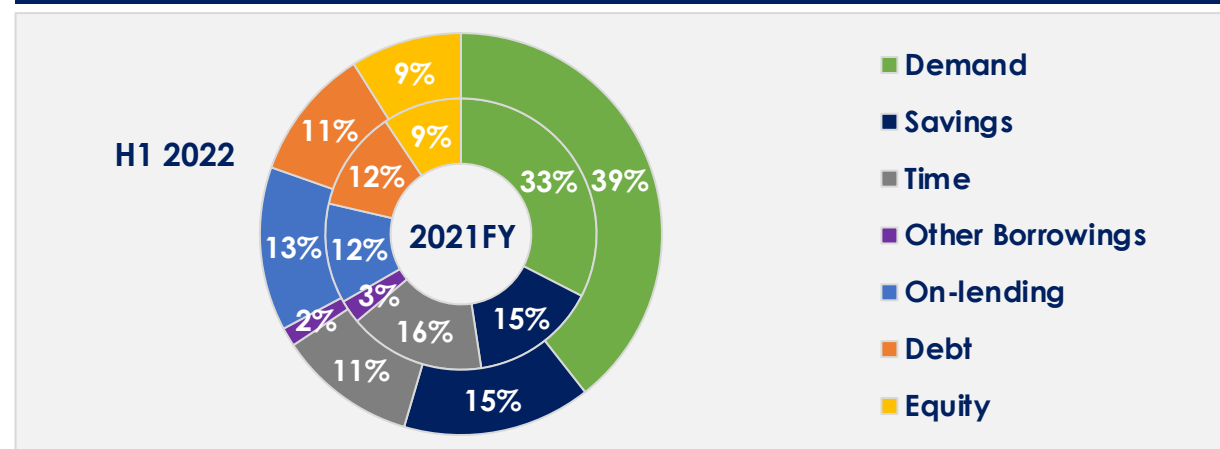
Statement of Financial Position				
₹'million	2021FY	H1 2022	VAR	% VAR
Total Assets	3,289,479	3,692,763	403,283	12.3%
Earning Assets	2,217,080	2,546,505	329,425	14.9%
Bank Placements	12,000	4,262	(7,738)	-64.5%
Treasury Bills	330,441	407,115	76,674	23.2%
Bonds	216,227	222,441	6,214	2.9%
Net Loans	1,658,412	1,912,686	254,274	15.3%
Non-Earning Assets	1,072,399	1,146,257	73,858	6.9%
Cash	42,755	32,305	(10,450)	-24.4%
Restricted Bal. with CBN	686,097	700,736	14,639	2.1%
Bal. with other Banks	164,497	259,908	95,411	58.0%
Fixed Assets	39,440	40,699	1,259	3.2%
All Other Assets	139,609	112,609	(27,000)	-19.3%
Interest Bearing Liabilities	2,870,711	3,174,946	304,235	10.6%
Customer Deposits	2,024,806	2,290,127	265,321	13.1%
Other Borrowings	88,974	53,021	(35,953)	-40.4%
On-lending Facilities	377,492	459,605	82,113	21.8%
Debt Securities	379,439	372,193	(7,246)	-1.9%
All Other Liabilities	120,999	206,086	85,087	70.3%
Equity	297,769	311,731	13,962	4.7%

- Growth in total assets is skewed towards earning assets which grew by 14.9% compared to 6.9% increase in non-earning assets.
- Continuous optimization of the balance sheet is responsible for:
 - lower idle assets (cash and restricted balances with the CBN) and;
 - Build up of large stock of stable low-cost deposits.
- Total FCY assets is \$2.7bn with \$1.2bn (44.6%) in cash & short-term funds including investments in securities and swap deals etc.



Customer deposits is the largest funding source at 65.7% of total funding base.

N'million	2021FY	H1 2022	VAR	% VAR
Demand Deposits	1,031,092	1,373,808	342,716	33.2%
Savings Deposits	477,174	528,586	51,413	10.8%
Tenor Deposits	516,540	387,733	(128,808)	-24.9%
Other Borrowings	88,974	53,021	(35,953)	-40.4%
On-Lending	377,492	459,605	82,113	21.8%
Debt Securities	379,439	372,193	(7,246)	-1.9%
Equity	297,769	311,731	13,962	4.7%
Total	3,168,480	3,486,676	318,197	10.0%

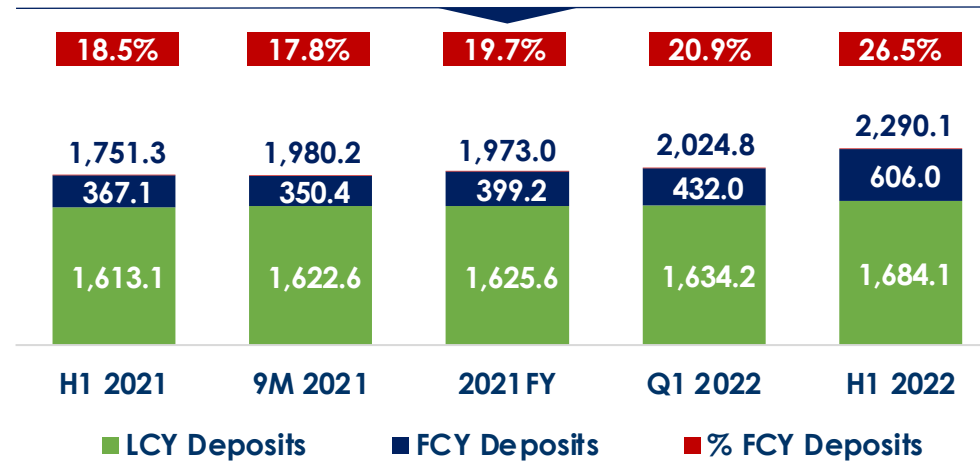


- Total funding base was boosted by 13.1% growth in total customer deposits and 21.8% increase in intervention/on-lending funds.
- The growth in total deposits was driven by double-digit growth in low-cost-deposits (Demand | Savings | Domiciliary).
 - FCY deposits increased by \$497m (52.8% YTD) to \$1.44bn and now accounts for 26.5% of total deposits from 19.5% in 2021FY while.
 - LCY deposits increased by 3.6% to N1,684.1bn.
- Low-cost deposits increased by 26.1% YTD to N1,902.4bn and now represents 83.1% of total deposits from 74.5% in 2021FY, which explains the drop in funding cost .
- Savings grew by 10.8% YTD and on track to achieve the 10th consecutive double-digit annual growth.



Low cost deposits accounted for 83.1% of total customer deposits

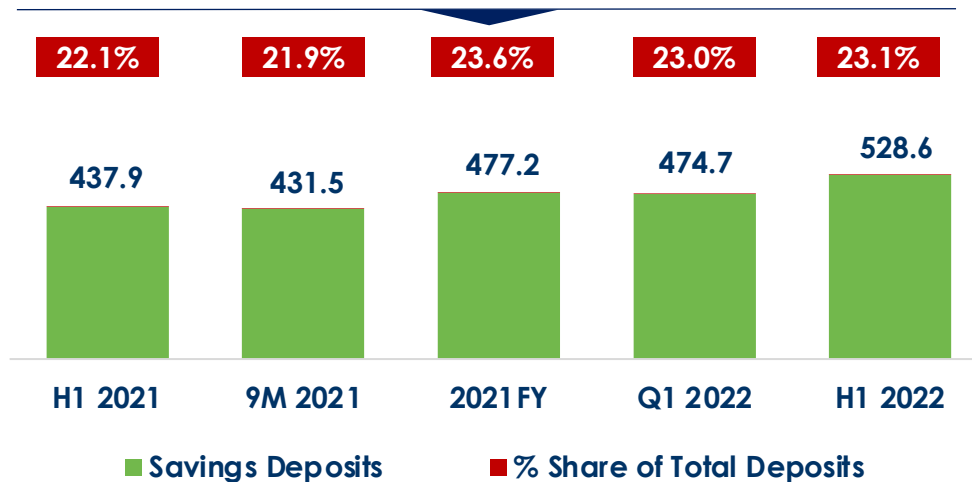
Customer Deposits (N'bn)



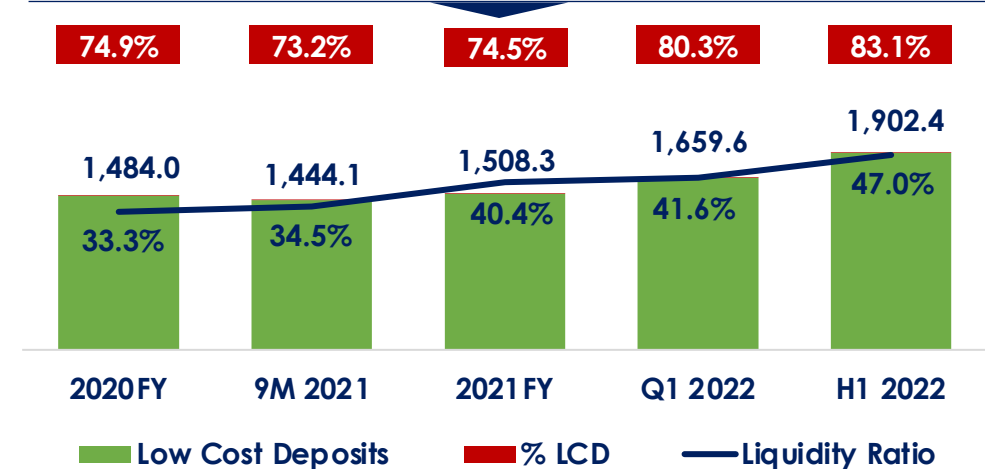
Customer Deposits by Type



Savings Deposits (N'bn)



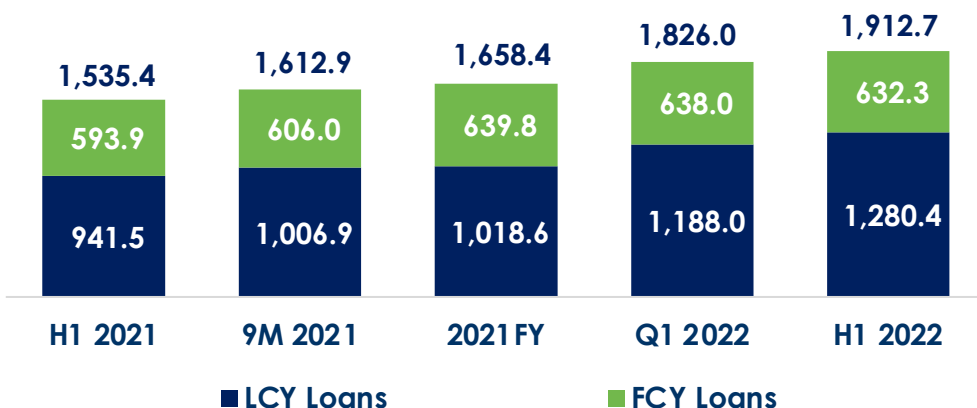
Low Cost Deposits Vs. Liquidity Ratio



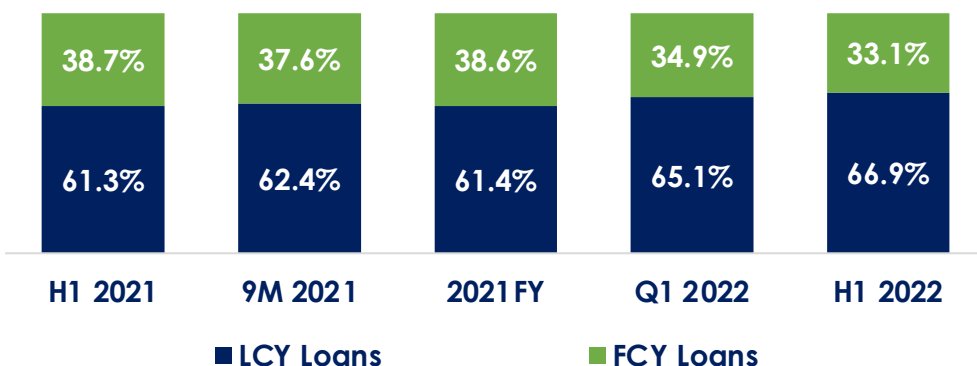


Loans & Advances Analysis

Net Loans & Advance



LCY Loans Vs. FCY Loans

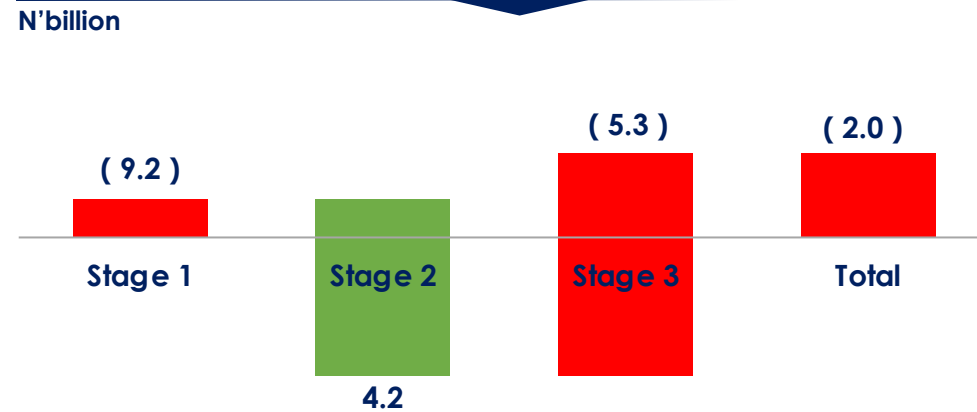


- Net loans & advances increased by 15.3% YTD to N1,912.7bn, with 39.0% of the loan book within the 12 months or less maturity portfolio.
 - On-lending facilities was responsible for 32.3% of the absolute growth in loan book and;
 - It represents 24.0% of total loan book and 35.9% of naira denominated risk assets.
- 31.4% (N82.1bn) of the growth in the LCY loan book were created with on-lending facilities at concessionary rates.
- FCY loans now constitute about 33.1% of the net loan book from 38.6% in 2021FY, due to repayment.
- Loans to funding ratio improved to 66.1% compared to 62.9% in 2021FY after weighting all permissible loans: Mortgage Loans | SME Loans | Consumer loans etc.
 - LDR currently meets the minimum requirement.

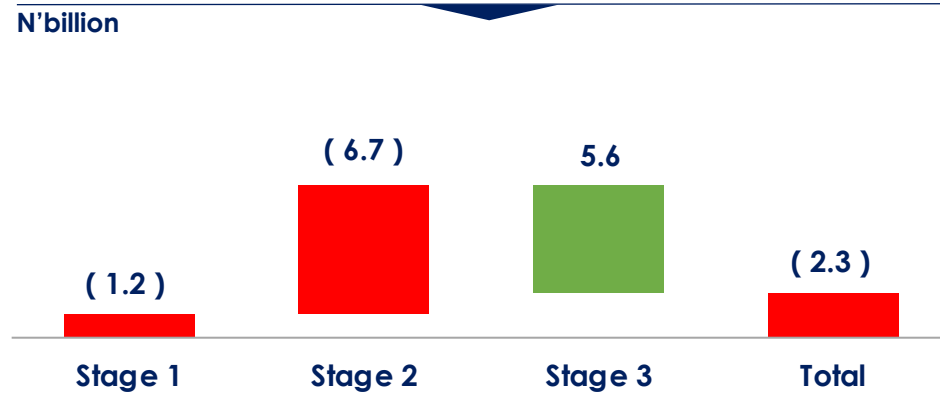


Improved asset quality led to a drop in impairment charge

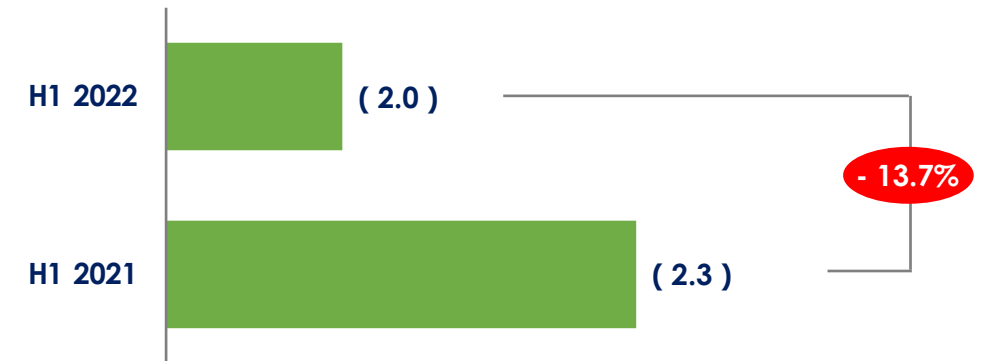
H1 2022 Impairment Charge



H1 2021 Impairment Charge



Impairment Charge



Total Impairment Allowance by Currency

	H1 2021	H1 2022	VAR	% VAR
FCY	16.02	16.34	0.32	1.97%
NGN	54.66	60.23	5.57	10.19%
TOTAL	70.69	76.57	5.88	8.32%



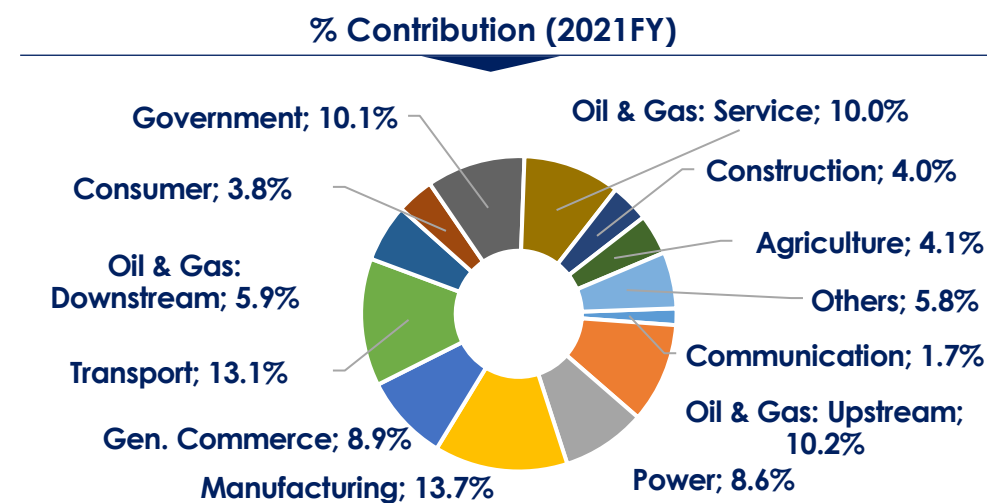
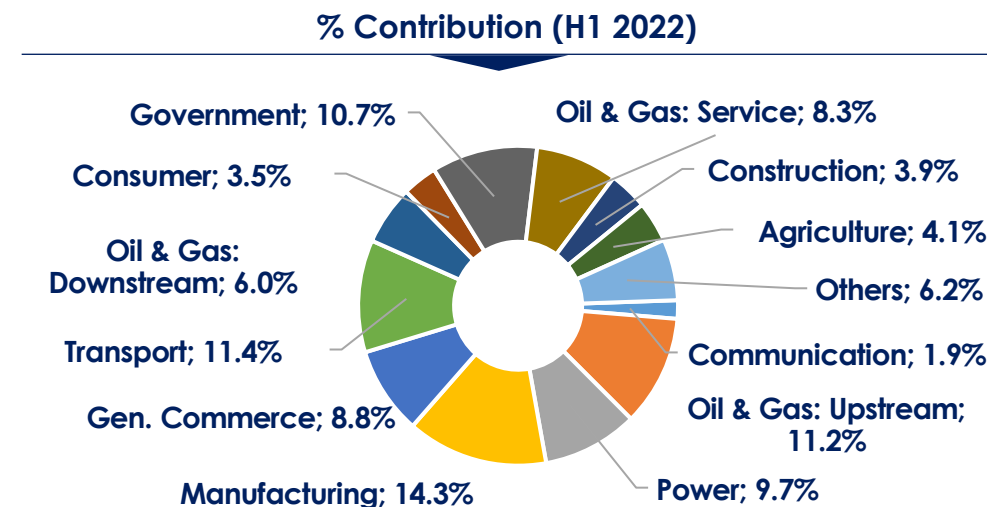
Diversified loan book with focus on asset quality

Gross Loans by Sector							
₦'million	H1 2021	9M 2021	2021FY	Q1 2022	H1 2022	VAR	% VAR
Communication	31,170	30,586	29,535	34,766	37,250	2,484	7.1%
Oil and Gas	411,521	421,975	452,848	497,313	506,863	9,550	1.9%
- Upstream	167,486	167,940	177,409	203,240	222,771	19,531	9.6%
- Downstream	107,664	110,236	102,770	123,756	119,311	(4,445)	-3.6%
- Services	136,372	143,799	172,670	170,318	164,782	(5,536)	-3.3%
Power	144,491	143,656	149,675	151,698	192,248	40,550	26.7%
Manufacturing	218,433	237,258	231,955	272,086	284,007	11,921	4.4%
General Commerce	142,384	156,001	153,795	166,168	175,874	9,705	5.8%
Transport	199,944	228,115	226,727	227,775	226,140	(1,635)	-0.7%
Consumer (Individuals)	59,794	62,576	66,658	67,789	70,278	2,489	3.7%
Government	184,616	179,485	175,365	214,650	213,259	(1,390)	-0.6%
Construction	75,930	59,201	58,971	77,698	78,135	437	0.6%
Agriculture	47,491	60,288	71,759	73,747	81,915	8,168	11.1%
Real Estate	29,240	42,432	43,330	44,548	45,486	937	2.1%
Education	5,411	8,254	8,075	10,007	10,993	985	9.8%
Finance & Insurance	2,295	2,492	4,898	3,301	3,550	249	7.6%
Others	53,404	52,005	58,954	59,238	63,262	4,024	6.8%
Total	1,606,125	1,684,325	1,732,545	1,900,784	1,989,259	88,475	4.7%



Sectoral contributions remain below internal guidance and portfolio limit of 20.0%

Gross Loans by Sector				
₹ million	2021FY	H1 2022	VAR	% VAR
Communication	29,535	37,250	7,715	26.1%
Oil and Gas	452,848	506,863	54,015	11.9%
- Upstream	177,409	222,771	45,362	25.6%
- Downstream	102,770	119,311	16,541	16.1%
- Services	172,670	164,782	(7,888)	- 4.6%
Power	149,675	192,248	42,573	28.4%
Manufacturing	237,058	284,007	46,949	19.8%
General Commerce	153,795	175,874	22,079	14.4%
Transport	226,727	226,140	(587)	- 0.3%
Consumer (Individuals)	66,658	70,278	3,619	5.4%
Government	175,365	213,259	37,894	21.6%
Construction	68,730	78,135	9,405	13.7%
Agriculture	71,759	81,915	10,156	14.2%
Real Estate	43,330	45,486	2,156	5.0%
Education	8,075	10,993	2,918	36.1%
Finance & Insurance	4,898	3,550	(1,348)	- 27.5%
Others	44,090	63,262	19,172	43.5%
Total	1,732,543	1,989,259	256,716	14.8%





Adequate coverage across stages with NPL coverage at 143.1%

Gross Loan Book by Stage									
	Stage 1	Stage 2	Stage 3	Total		Stage 1	Stage 2	Stage 3	Total
Communication	25,955	10,235	1,060	37,250		69.7%	27.5%	2.8%	1.9%
Oil and Gas	411,350	90,696	4,817	506,863		81.2%	17.9%	1.0%	25.5%
- Oil & Gas Upstream	140,282	82,489	0	222,771		63.0%	37.0%	0.0%	11.2%
- Oil & Gas Downstream	115,902	161	3,247	119,311		97.1%	0.1%	2.7%	6.0%
- Oil & Gas Services	155,165	8,047	1,570	164,782		94.2%	4.9%	1.0%	8.3%
Power	40,956	151,292	0	192,248		21.3%	78.7%	0.0%	9.7%
Manufacturing	278,058	2,706	3,243	284,007		97.9%	1.0%	1.1%	14.3%
General Commerce	168,717	830	6,326	175,874		95.9%	0.5%	3.6%	8.8%
Transport	214,894	336	10,910	226,140		95.0%	0.1%	4.8%	11.4%
Consumer (Individuals)	60,880	533	8,865	70,278		86.6%	0.8%	12.6%	3.5%
Government	213,121	122	16	213,259		99.9%	0.1%	0.0%	10.7%
Construction	77,668	133	335	78,135		99.4%	0.2%	0.4%	3.9%
Agriculture	76,367	939	4,609	81,915		93.2%	1.1%	5.6%	4.1%
Real Estate	45,315	0	170	45,486		99.6%	0.0%	0.4%	2.3%
Education	10,421	0	572	10,993		94.8%	0.0%	5.2%	0.6%
Finance and Insurance	2,834	0	716	3,550		79.8%	0.0%	20.2%	0.2%
Others	51,124	252	11,887	63,262		80.8%	0.4%	18.8%	3.2%
Total	1,677,658	258,074	53,527	1,989,259		84.3%	13.0%	2.7%	100.0%



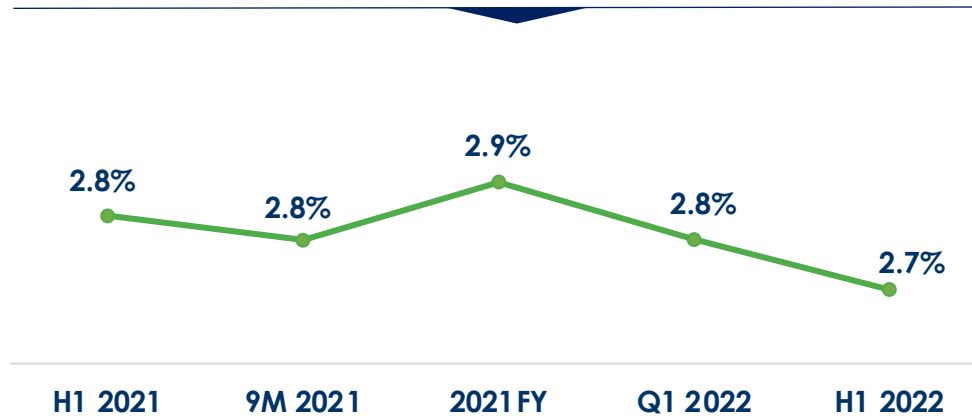
Non-performing loans (NPL) analysis

NPL Analysis						
	2021FY	H1 2022	VAR	% VAR	2021FY	H1 2022
	₦'million	₦'million	₦'million	%	NPL Ratio	NPL Ratio
Communication	982	1,060	78	7.9%	3.3%	2.8%
Oil and Gas	4,203	4,817	614	14.6%	0.9%	1.0%
- Oil & Gas Upstream	0	0	-	0.0%	0.0%	0.0%
- Oil & Gas Downstream	2,805	3,247	442	15.8%	2.7%	2.7%
- Oil & Gas Services	1,398	1,570	172	12.3%	0.8%	1.0%
Power	0	0	0	25.1%	0.0%	0.0%
Manufacturing	3,160	3,243	83	2.6%	1.3%	1.1%
General Commerce	6,698	6,326	(372)	-5.6%	4.4%	3.6%
Transport	10,387	10,910	524	5.0%	4.6%	4.8%
Consumer (Individuals)	6,525	8,865	2,339	35.9%	9.8%	12.6%
Government	16	16	(0)	-2.1%	0.0%	0.0%
Construction	317	335	17	5.4%	0.5%	0.4%
Agriculture	4,326	4,609	283	6.5%	6.0%	5.6%
Real Estate	170	170	0	0.1%	0.4%	0.4%
Education	609	572	(37)	-6.1%	7.5%	5.2%
Finance and Insurance	666	716	50	7.5%	13.6%	20.2%
Others	12,112	11,887	(226)	-1.9%	27.5%	18.8%
Total	50,174	53,527	3,353	6.7%	2.9%	2.7%

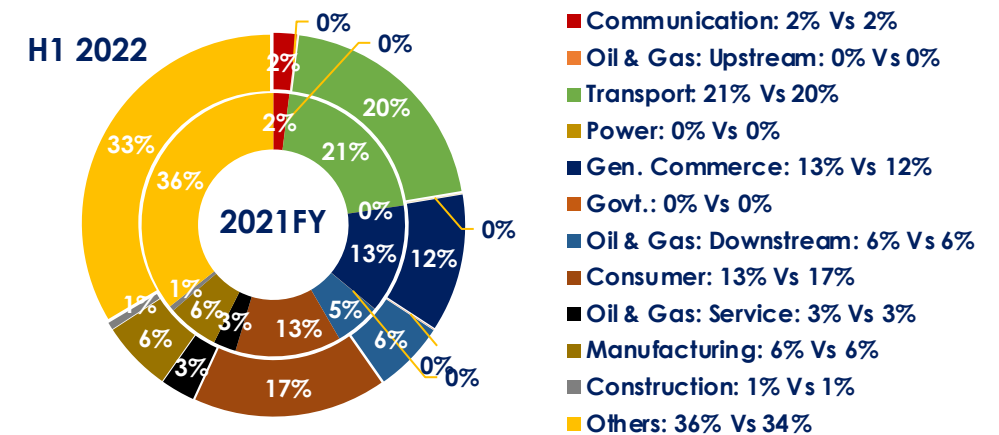


Focus remains on asset quality as the loan book increases

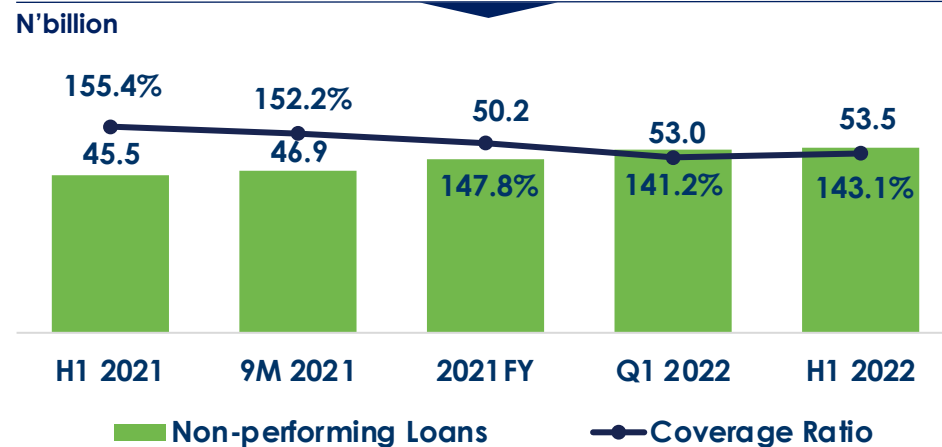
Non-performing Loan (NPL) Ratio



NPL Contribution by Sector (2021FY Vs. H1 2022)



NPL Coverage Ratio



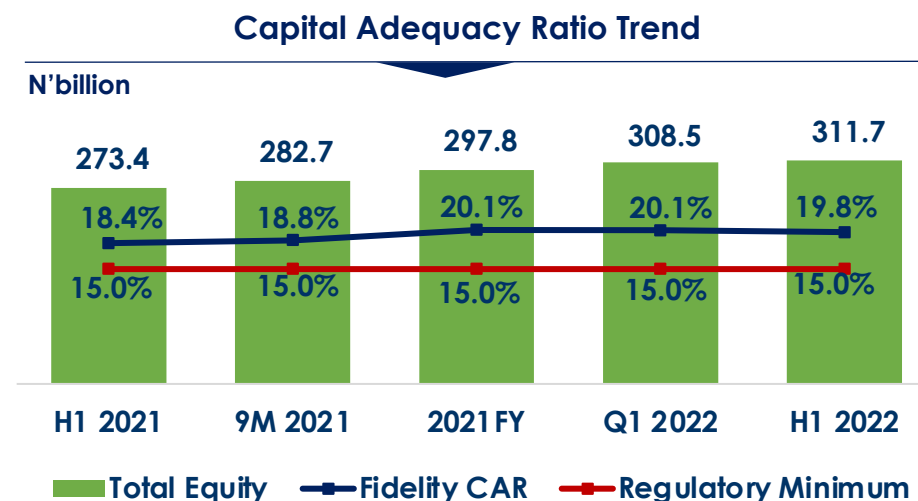
Cost of Risk





CAR stood at 19.8%, well above the regulatory minimum requirement of 15.0%

Capital Adequacy Ratio Computation – Basel II			
N'billion	2021FY	H1 2022	VAR
Tier 1 Capital	231.7	237.6	5.8
Tier 2 Capital	74.9	74.8	(0.1)
Total Qualified Capital	306.6	312.4	5.7
Credit Risk	1,230.4	1,321.6	91.2
Market Risk	86.4	46.0	(40.3)
Operational Risk	210.0	210.0	0.0
Risk Weighted Assets	1,526.7	1,577.6	50.9
Capital Adequacy Ratio			
Tier 1	15.2%	15.1%	
Tier 2	4.9%	4.7%	
Overall CAR	20.1%	19.8%	



- CAR is well above the regulatory minimum requirement at 19.8% in H1 2022.
- Only fair value reserves and 10yr Local Bonds were recognised as Tier II Capital.
- Balance sheet optimization through asset reallocation led to the decline in market risk..

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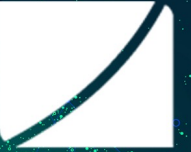




Actual Vs. Target

	H1 2022	2022FY Target	Comment
PBT	₦25.1bn	₦48.0bn	On Track
Loan Growth	15.3%	10.0% - 15.0%	On Track
Deposit Growth	13.1%	15.0% - 20.0%	On Track
Net Interest Margin	6.4%	5.0% - 6.0%	On Track
Cost to Income Ratio	69.6%	Below 65.0%	On Track
RoAE – Post Tax	15.4%	14.7%	On Track
Cost of Risk	0.2%	1.0%	On Track
NPL Ratio	2.7%	Below 5.0%	On Track
Tax Rate	7.1%	15.0% - 20.0%	On Track
Proposed Dividends	10K/Share (12.4%)	25 - 40% (of PAT)	On Track

The Board of Fidelity Bank approved an interim dividend of 10kobo per share.



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