



# Investor Presentation

Unaudited IFRS Financial Results for the Half Year Ended June 30, 2013



# Outline



- 1 Fidelity overview
- 2 Nigerian Economy and Banking Sector overview
- 3 Business overview
- 4 Financial highlights
- 5 Looking into the Future

# Fidelity: a leading financial institution in Nigeria



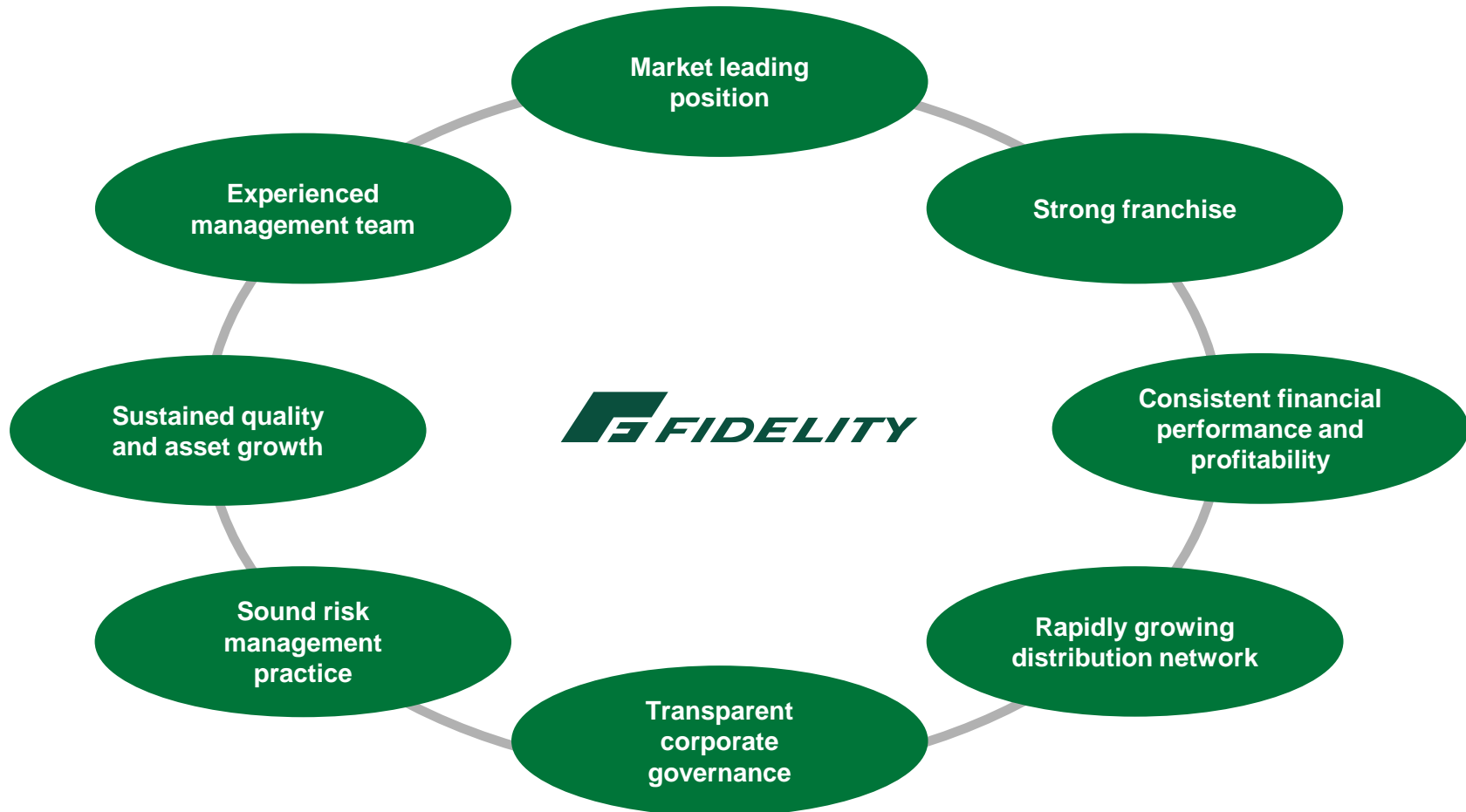
## Fidelity Overview

- ▶ Established in 1987 and received a universal banking licence from the Central Bank of Nigeria in 2001
- ▶ Solid balance sheet with diversified sources of funding
- ▶ The Bank currently has over 400,000 shareholders with the majority being Nigerian citizens and corporations. All shares are listed on NSE with no controlling interest.
- ▶ One of the highest CAR amongst Nigerian banks at 26.62%, well above the CBN requirement of 10%
- ▶ Over 85% of the branch network located in key business centres and the most economically viable regions of Nigeria
- ▶ A leading partner to the Nigerian power, oil and gas and telecom industries

## Key Financials

Balance Sheet as at June 30, 2013	US\$	₦
Assets	6.20bn	965.8bn
Loans and Advances to Customers	2.45bn	382.3bn
Non-performing Loans (ratio)	89.69mn	13.9bn (3.7%)
Deposits	4.53bn	706.2bn
<b>Income Statement for H1 – 2013</b>		
Net Interest Income	120.3mn	18.7bn
ROAE (pre-tax)		14.6%
ROAA (pre-tax)		2.6%
<b>Capital</b>		
CAR (Total and 100% Tier 1)		26.6%
<b>Other Figures</b>		
Total Customers		2.14 million
Branches		206
ATMs		500
<b>Fidelity's Ratings (S&amp;P / Fitch)</b>		<b>B / B</b>
<b>Senior Unsecured Ratings (S&amp;P / Fitch)</b>		<b>B / B</b>

# Platform for Growth and Quality



*The Banker Magazine's 2012 Report ranks Fidelity as "The Soundest Bank" in Nigeria*

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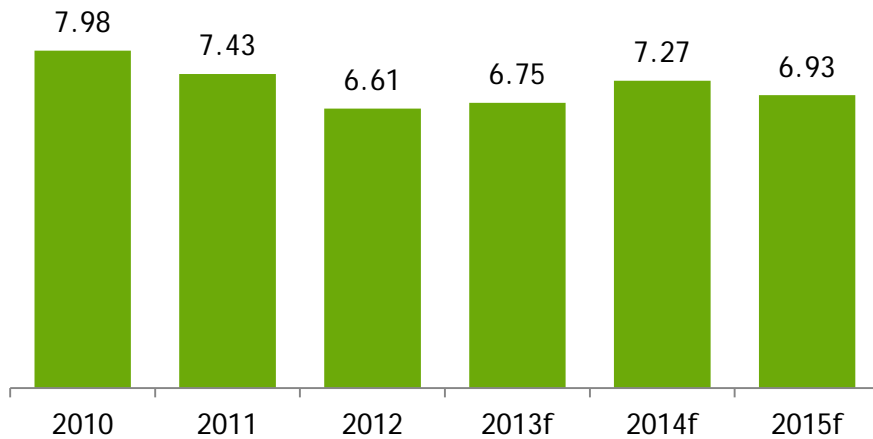


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# Economy: Strong fundamentals, solid growth

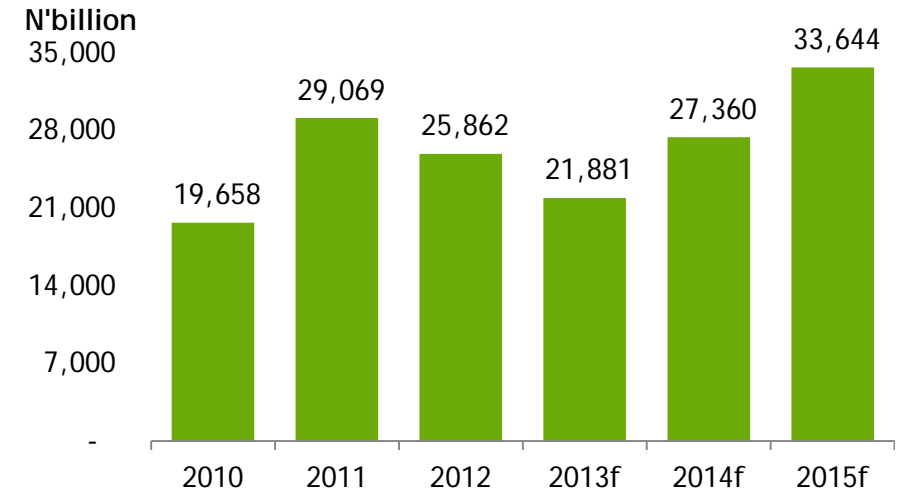


## Annual GDP Growth Rate



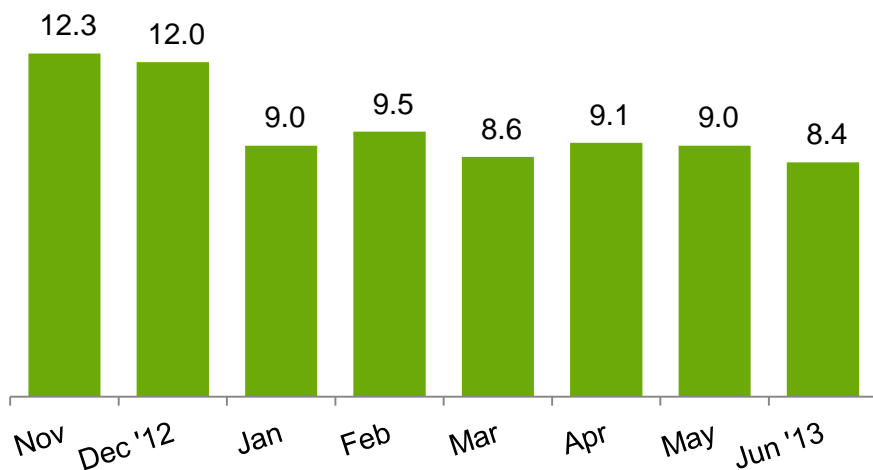
Source: Nigerian Bureau of Statistics (NBOS)

## Annual Foreign Trade Volume



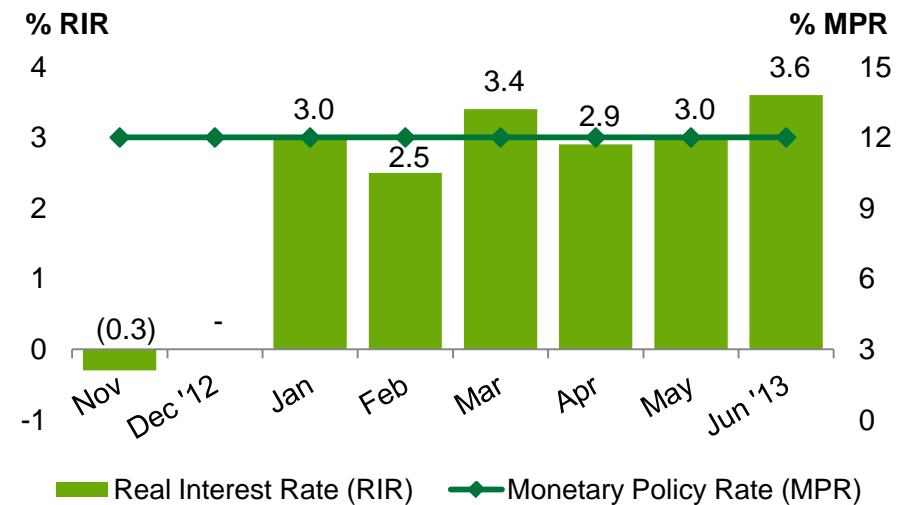
Source: Nigerian Bureau of Statistics (NBOS)

## Monthly Headline Inflation Rate



Source: Nigerian Bureau of Statistics (NBOS)

## Monetary Policy Rate & Real Int. Rate

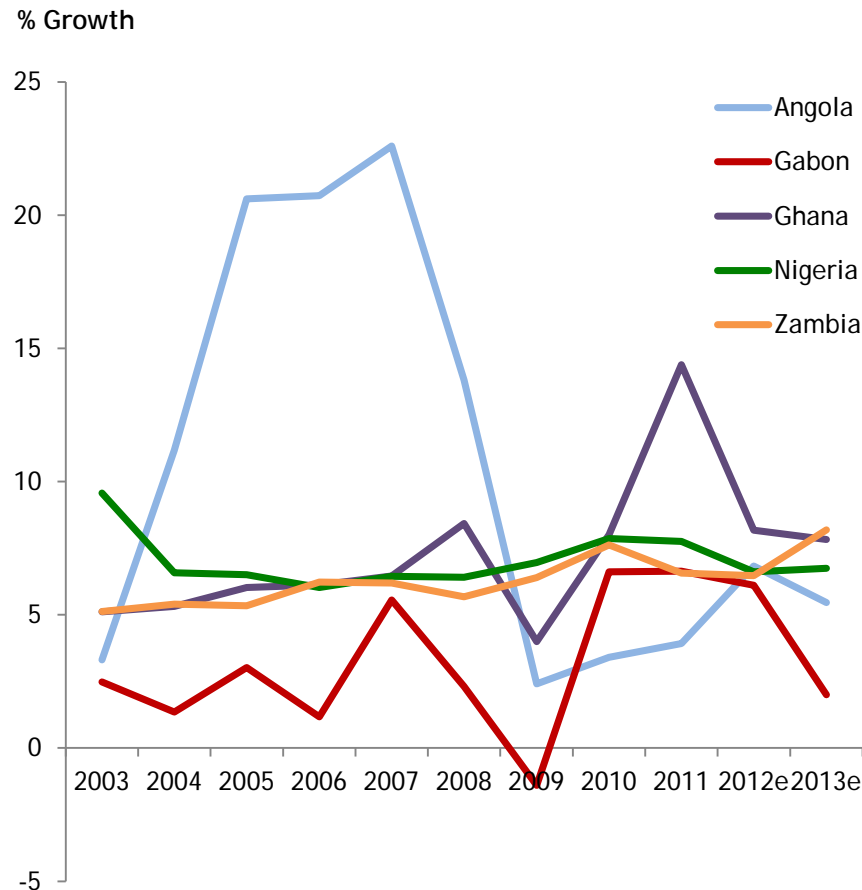


Source: Central Bank of Nigeria (CBN)

# Stable growth pattern and moderate debt levels

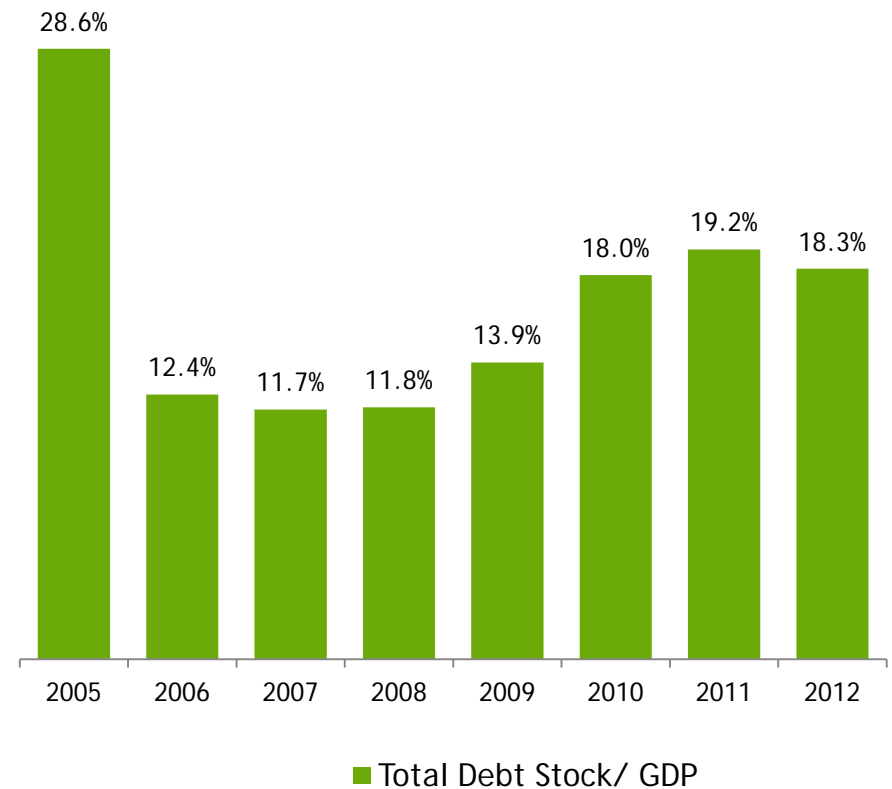


## Comparative Growth



Source: IMF, WEO October 2012; Central Bank of Nigeria (CBN)

## Total Debt Stock/Gross Domestic Product



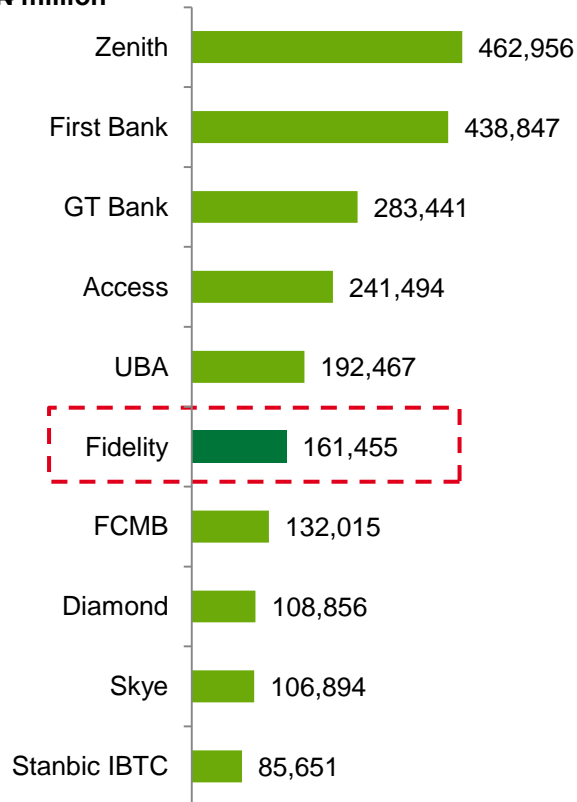
- Nigeria's GDP growth has been remarkably stable since 2003, averaging 7.1% in the last 9 years.
- Debt burden is within manageable levels as government plans to progressively scale down both existing and fresh borrowing.

# Overview of the top 10 Nigerian banks – Dec 2012



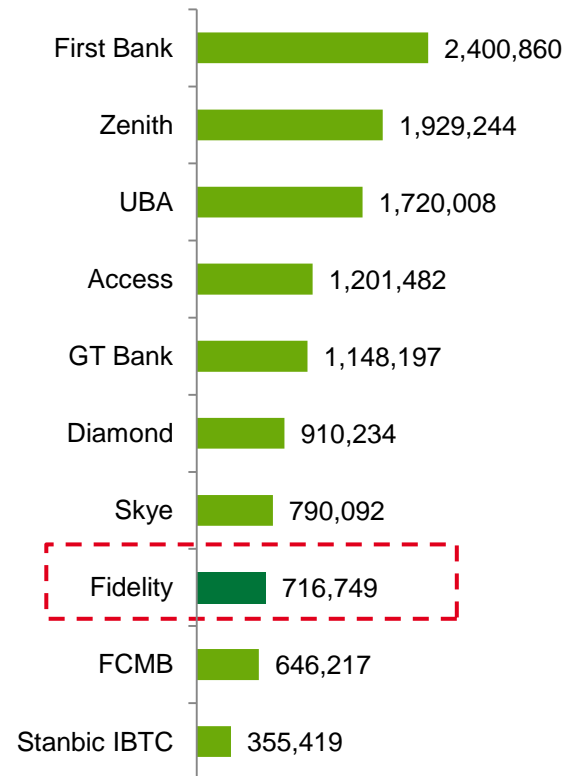
## Total Equity

₦ million



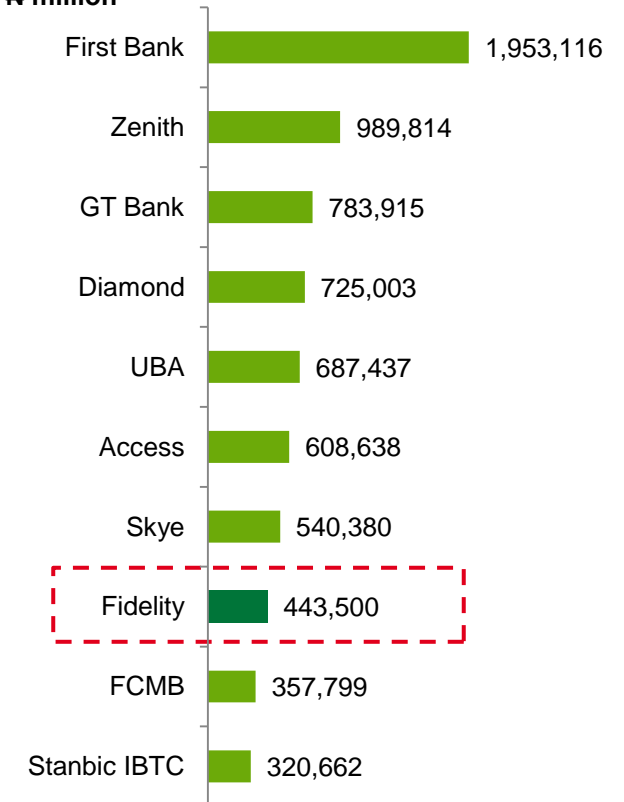
## Bank Deposits

₦ million



## Net Loans and Advances

₦ million



*The Nigerian banking sector is composed of 20 banks following CBN's intervention in 2010*

Note: Net Loans and advances include loans to banks

Source: Respective Banks audited financial statements as at 31 December 2012



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# 25 years serving the Nigerian economy



Strategic alliances with international financial Institutions, award winning innovative products and a vision to become a market leader is the way forward for Fidelity

- ▶ Fidelity incorporated as a Private Limited Liability Company
- ▶ Commenced operations as a Merchant Bank

- ▶ Accepted by and quoted on the Nigeria Stock Exchange
- ▶ Raised equity through an IPO

- ▶ Finalised merger and integration
- ▶ Grew branch network to 82 from 19 in 2004

- ▶ Obtained ISO 27001 Certification by the British Standard Institute
- ▶ Issued \$300mn Eurobond

1987-1989

1999 - 2001

2005

2005 - 2006

2006

2007 - 2008

2010 – Jun 2013

- ▶ Registered as a Public Limited Liability Company
- ▶ Converted to a Commercial Bank
- ▶ Licensed as a Universal Bank

- ▶ Acquired FSB Int'l Bank Plc and Manny Bank Plc
- ▶ Folded FSB and Manny Bank PLC into the Fidelity brand

- ▶ Raised US\$1bn in equity through GDR & Public Offer
- ▶ Appointed Primary Dealer in Treasury Bills and Money Market Instruments by CBN

# Over 25 Years . . . and getting better



## Some Recent Awards and Recognitions:

- Africa Oil & Gas Deal of the Year 2013 – Euromoney Project Finance, UK.
- Worldwide Award for Excellence in Transaction Processing– Deutsche Bank – 2013
- Telecoms Financing Bank of the Year 2012 – Nigeria Telecoms Awards
- Great Place to Work 2012 – Great Place to Work Institute, U.S.A
- Worldwide Award for Excellence in Transaction Processing– Deutsche Bank – 2012
- Project Finance Bank of the Year 2012 - Euromoney Project Finance, UK
- Most Efficient Bank in Clearing Data Transmission 2011 – Nigerian Interbank Settlement Scheme
- Most Socially Responsible Bank in Nigeria – SERA Awards – 2010, 2009, 2008, 2007
- Africa’s Most Socially Responsible Bank – The Banker Magazine, Washington DC, 2008

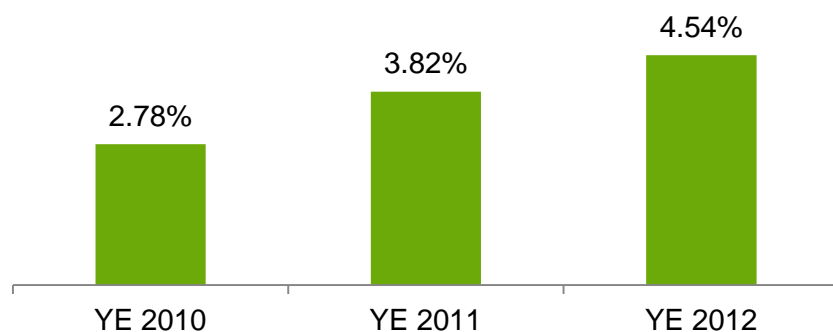
**Today, Fidelity is one of the safest, soundest and most stable financial institutions in Nigeria.**

# Growing market share

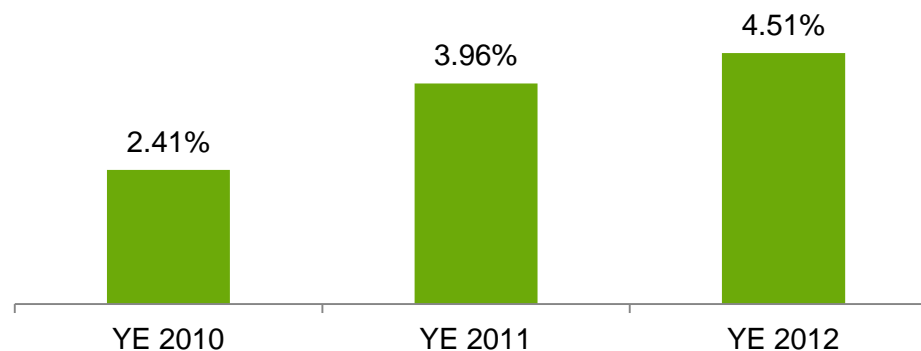


## Market Share in Assets and Loans

Total Assets Market Share



Total Loans and Advances Market Share



Source: Bank Audited Accounts, CBN

“Downside risk is limited following Fidelity’s sale of significant problem loans to AMCON and the resulting strong liquidity.”

*Fitch report*  
16 January 2013

“Telecoms Financing Bank of the Year”

*Nigeria Telecom Awards 2012*

“Development Funding for Mobil Nigeria and Nigerian National Petroleum Corporation”

*Africa Oil & Gas Deal of the Year 2012 by Euromoney Project Finance magazine*

Fidelity’s rapidly growing market share has made it more systematic, and increasingly important

Source: Bank Audited Accounts, CBN

# Corporate banking and Treasury



## Corporate Banking

- ▶ Handles the bank's institutional clients with turnover in excess of ₦10.0bn.
- ▶ Accounted for 35.3% of the bank's average commercial assets and 29.3% of the bank's revenues in June 2013
- ▶ Approximately 67.5% of the bank's gross loans to customers and 12.3% of its deposits were from corporate clients as at end of June 2013
- ▶ Divided into 10 Subgroups tailored to clients needs

Oil and gas upstream	Oil and gas downstream
Power and infrastructure	Telecommunication
Multinationals/fast-moving consumer goods	Construction and real estate
Cement and Allied	Food & beverage
Agriculture	Transport and shipping

## Products offered

- ▶ Project & structured finance
- ▶ Risk management products
- ▶ Cash management products
- ▶ Loan products
- ▶ Liability products
- ▶ Trade finance

## Treasury

- ▶ Handles the bank's investments, brokerage activities and the bank's daily liquidity position
- ▶ Fidelity is a licensed primary dealer and market maker in Nigerian treasury bills and other money market instruments, a licensed wholesale foreign currency dealer and a licensed primary dealer and market maker in Federal Government of Nigeria ("FGN") Bonds.
- ▶ The Treasury department accounted for approximately 35.5% of the bank's gross revenue
- ▶ Approximately 47.7% of the bank's average commercial assets.

**Fidelity's aim is to increase its wallet across the entire basket of products under its commercial and corporate banking**

# Commercial and Consumer banking



- ▶ Handles clients not matching the corporate banking criteria
- ▶ Presence in all 36 states in Nigeria
- ▶ Customers with net sales of less than ₦10.0 billion
- ▶ Supports commercial enterprises and SMEs
- ▶ Approximately 17.0% of the bank's avg. commercial assets are derived from commercial and consumer clients

## Products offered

### Lending

- ▶ Overdraft facilities
- ▶ Term loans
- ▶ Lease financing
- ▶ Invoice / Receivables discounting
- ▶ Revolving Credit facilities and letters of credit

### Deposits

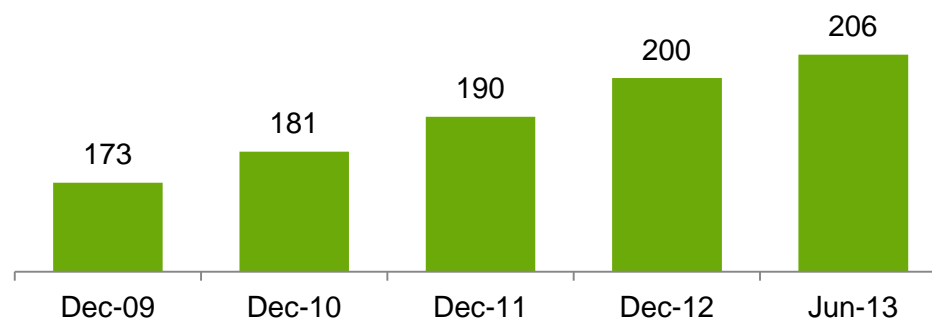
- ▶ Banker's Acceptance
- ▶ Term deposits
- ▶ Fixed rate deposits
- ▶ Current and Saving Accounts

	Dec 2012		Jun 2013
Commercial Loans as % of Gross Loans	20.0%	➔	22.6%
Loans to Individuals as % of Gross Loans	8.0%	➔	9.9%
Commercial deposits as % of total deposits	86.3%	➔	67.9%

## Distribution Channels & Customer Base Jun 2013

Branches	206
ATMs	500
POS Terminals	5,726
Total Customers	2.14 million

## Total Branch Network



Source: Company Records

# Risk management



- ▶ Completed the implementation of an enterprise-wide risk management framework in 2011, with Deloitte of South Africa as consultants
- ▶ Board committees with executive and non executive members and subcommittees establish oversee the risk framework
- ▶ Three tier risk management defence model
- ▶ A Contingency Funding Plan is in place in the event of an adverse funding situation

## Credit risk limits and approval authorities

	₦ million
Executive Director	50
Managing Director	100
Management Credit & Investment Committee	<500
Board Credit Committee	500 – 2,000
Full Board	>2,000

## Portfolio concentration sector limits

	(%)
Agribusiness	9
Finance and Insurance	1
General commerce and consumer	13
Government and public utilities	10
Manufacturing	11
Petroleum, energy, power and mining	19
Real estate and construction	8
Transport	4
Communication	18
Others	7

## Methods for asset-liability risk measurement

- ▶ BIS-standard method
- ▶ Value at risk (Historical Simulation, Monte-Carlo)
- ▶ Market risk stress testing and scenario analysis
- ▶ Interest rate risk scenario analysis
- ▶ Re-pricing duration gap analysis
- ▶ Liquidity stress tests and mis-match analysis

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# Performance highlight



## Fidelity Brand

- ❑ 6th largest bank in Nigeria
- ❑ One of the safest Nigerian bank with strong Capital Base
- ❑ Successful issue of \$300 million Eurobond which was over subscribed
- ❑ Stable, experienced and well regarded management team

## Revenue and Efficiency Ratio

- ❑ Gross Earnings up 17.4% to N62.9 billion in H1-2013 ( H1-2012: N53.6 billion)
- ❑ PBT recorded 13.3% growth to N11.2 billion in H1-2013 (H1-2012: N9.9 billion)
- ❑ ROAE up 14.6% in H1-2013 (H1-2012:14.4%); ROAA at 2.6% in H1-2013
- ❑ Cost – Income Ratio dropped to 66.2% in H1-2013 from 69.2% in H1-2012

## Asset Quality

- ❑ Improved NPL Ratio: 3.7% in Jun 2013, 3.9% Dec 2012 from 6.1% (Jun 2012)
- ❑ NPL Coverage of 102.4% in Jun 2013
- ❑ Over 97.3% of total loans are fully secured against real estate or otherwise
- ❑ Earning Assets up 43.2% to N731.8 billion in Jun 2013 from N511.2 billion in 2012

## Capital Adequacy and Liquidity

- ❑ Capital Adequacy Ratio of 26.62%, well above regulatory minimum of 10.0%
- ❑ Liquidity Ratio of 50.7%, well above regulatory minimum of 30.0%
- ❑ Net Loans to Customer Deposits of 52.1%
- ❑ Growth in Equity of N22.9 billion to N164.6 billion from N141.7 billion

# Fidelity Bank IFRS Results

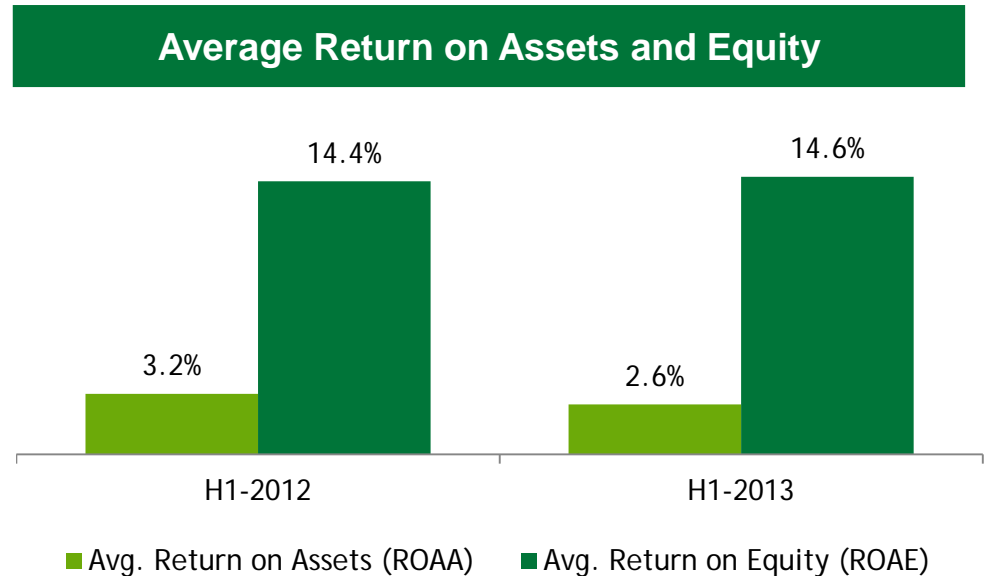
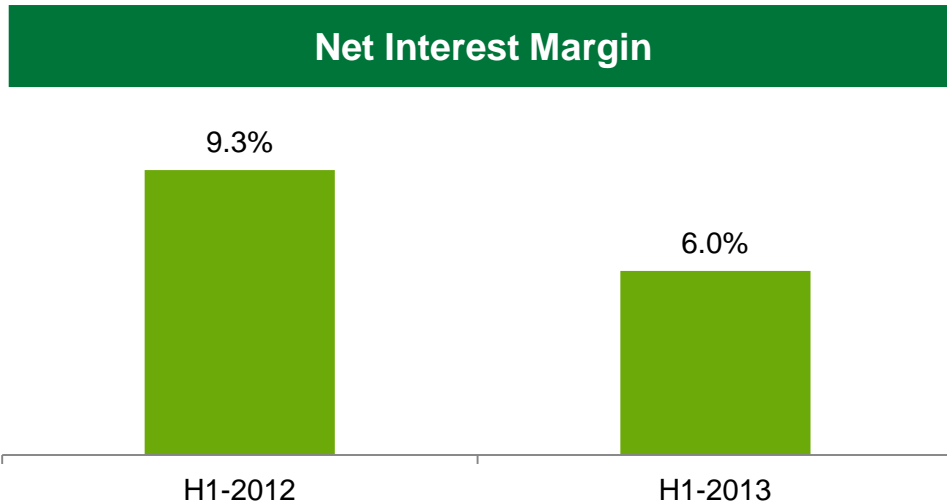
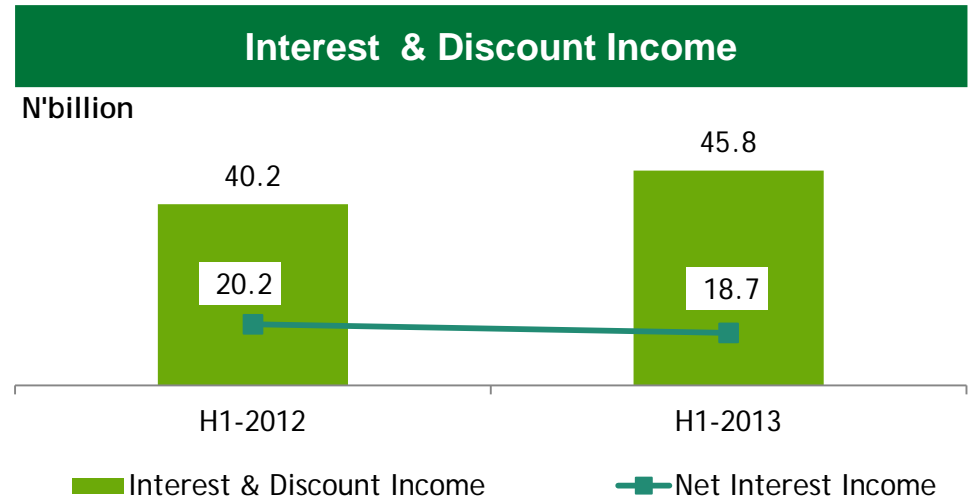


<b>Financial Highlight</b>			
<b>(Naira in million)</b>	<b>H1 -2013</b>	<b>H1 - 2012</b>	<b>% Change</b>
Gross Earnings	62,904	53,579	17.4%
Interest & Discount Income	45,814	40,241	13.8%
Net Interest Income	18,740	20,179	-7.1%
Non-interest Income	17,090	13,338	28.1%
Operating Expense	(23,724)	(23,182)	2.3%
Profit Before Tax	11,190	9,877	13.3%
Profit After Tax	9,064	7,630	18.8%
	<b>Jun 2013</b>	<b>Jun 2012</b>	<b>% Change</b>
Customer Deposits	706,169	554,097	27.4%
Total Equity	164,583	141,651	16.2%
Treasury Bills & Govt. Bonds	360,852	236,676	52.5%
Net Loans to Banks	60,014	85,569	-29.9%
Net Loans to Customers	367,976	274,482	34.1%
Total Assets	965,793	736,935	31.1%

**Fidelity is leading THREE other Banks that have been consistent in making profit and paying dividend in the last 9 years, even in the most turbulent times in Nigerian banking industry.**

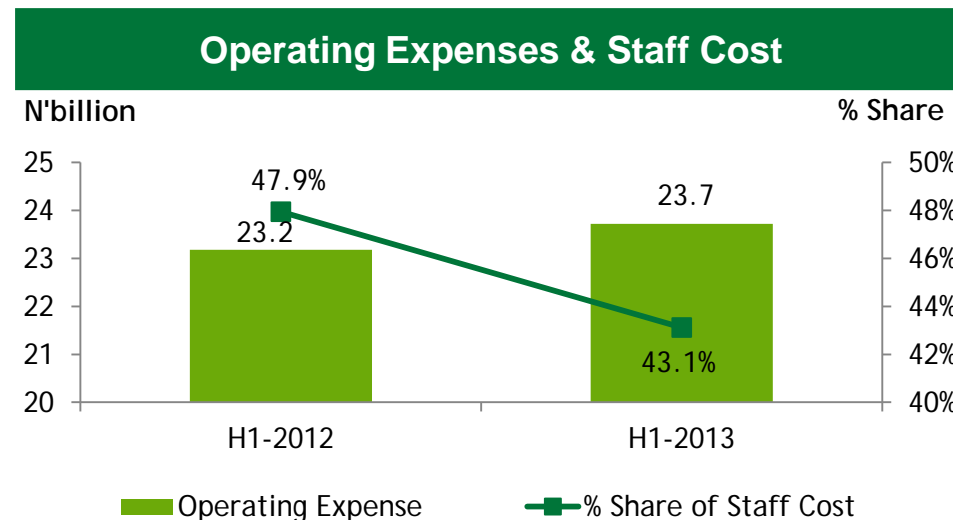
# Efficiency ratio

- ▶ Earnings grew on the back of improving market conditions, loan quality, prudent balance sheet management and cost management
- ▶ Though Interest and Discount Income came in at 13.8% growth, accrued interest on Fidelity Eurobond and slight upward adjustment in deposit rate, particularly Savings Deposits caused 7.1% drop in Net interest Income

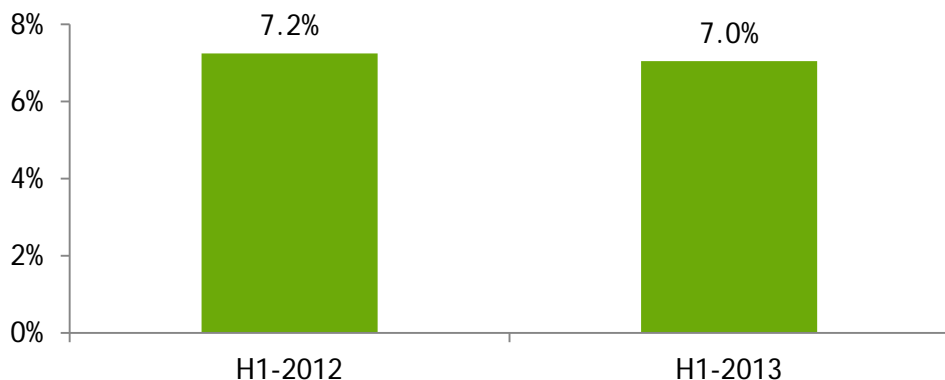


# Cost dynamics

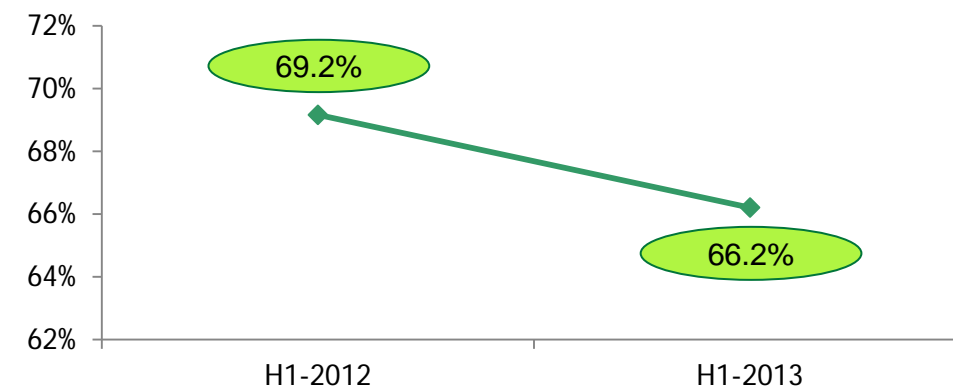
- ▶ Focus on cost management reined in operating expenses despite opening 16 new branches in the last 12 months
- ▶ Staff cost is being reduced with technological upgrade and increased efficiency in branches
- ▶ The benefits of expansion are reflected in new branches crossing milestone on time, thus dropping the cost-income ratio



### Cost of Funds



### Cost – Income Ratio



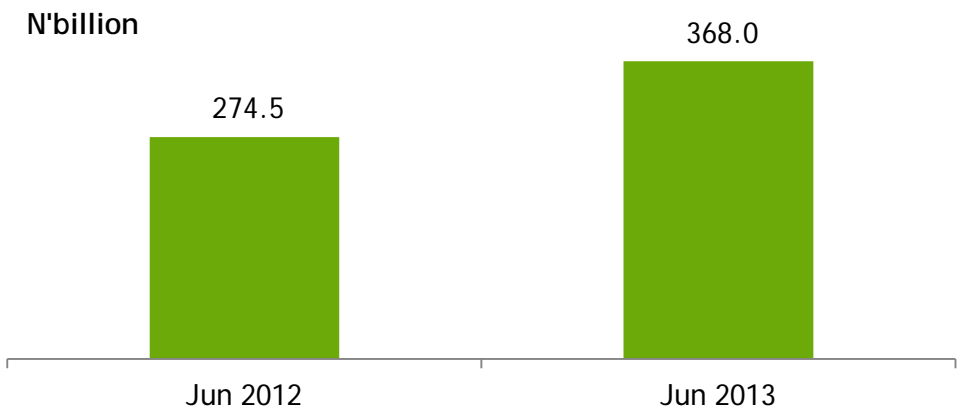
Cost of funds: Interest Expense/(Average deposits + Eurobond)

# Diversified loan book

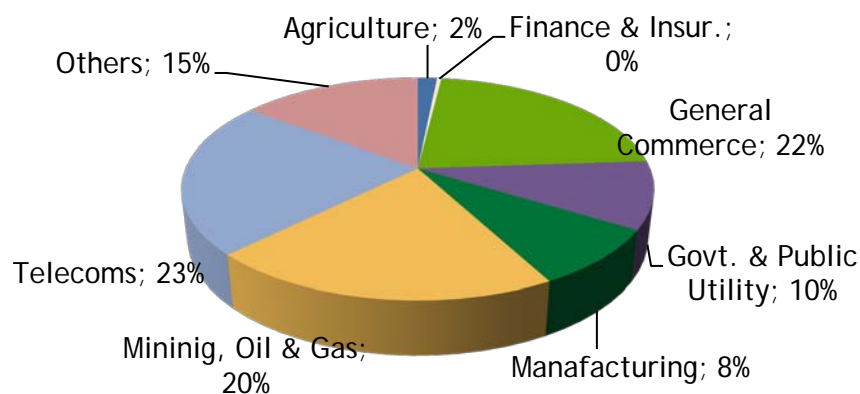


- ▶ Loan expansion in H1-2013 reflects the bank's intention to increase market share in the credit market through penetration in selected key market segments.
- ▶ Focus remains on businesses/sectors with strong growth potentials and low historical default rate
- ▶ Telecoms, Commerce, Mining, Oil and Gas, and Manufacturing constitute the bulk of lending activities, and contribute 73.4% of total loan book

## Net Loans and Advances to Customers

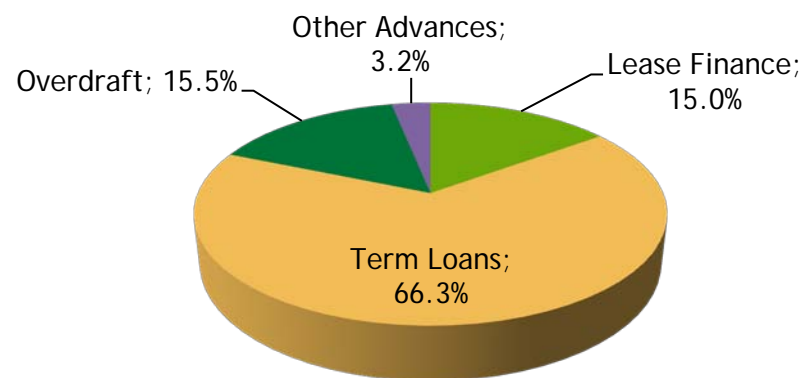


## Total Loans to Customers Concentration



Gross Loans to Customers = N382.3billion

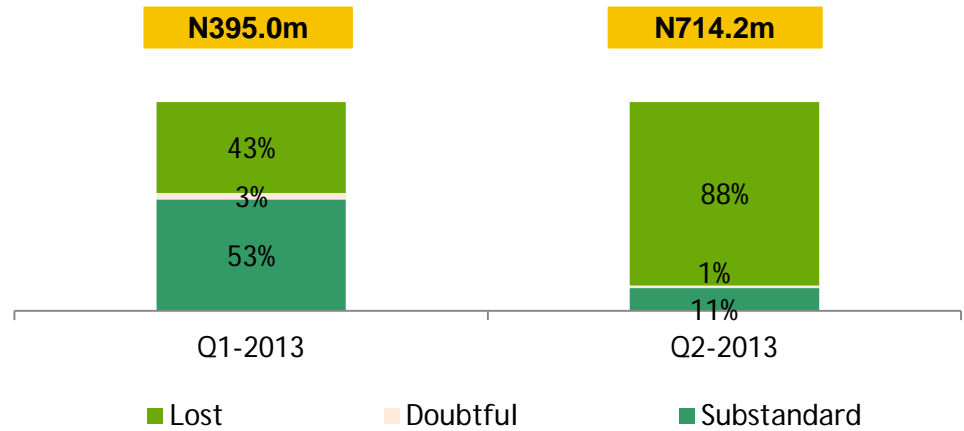
## Total Loans by Type



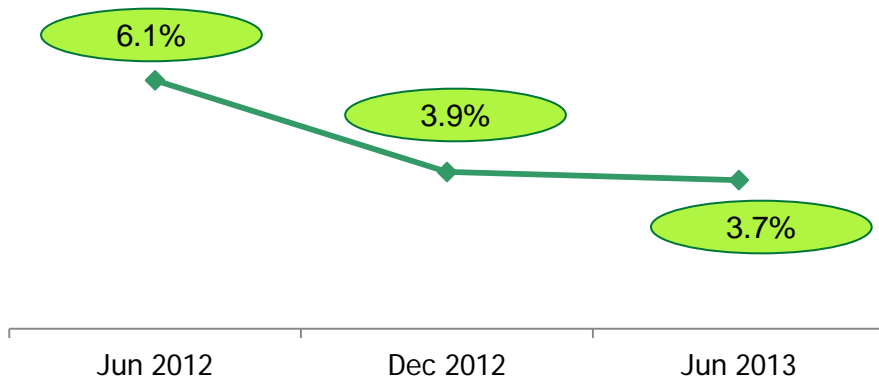
# Improving loan quality

- ▶ With over ₦10.4bn recovered in 2012FYE and ₦1.1bn in H1-2013, recoveries are resulting in increased liquidity and improvement in NPL ratio
- ▶ Whilst credit monitoring and selective exposure have helped in improving loan book quality and reducing impairment charges.
- ▶ Currently, NPL ratio is at 3.7% from 6.1% in June 2012., with intention is to keep it at below 4.0% going forward.

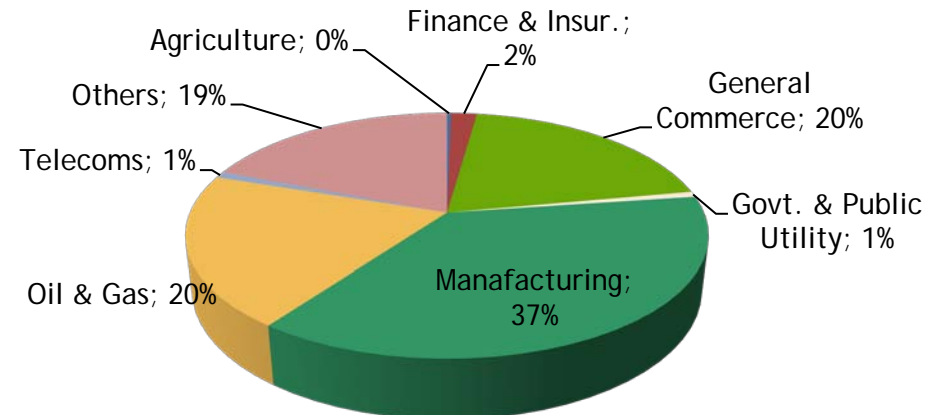
## Composition of Loan Recoveries



## Non-performing Loans



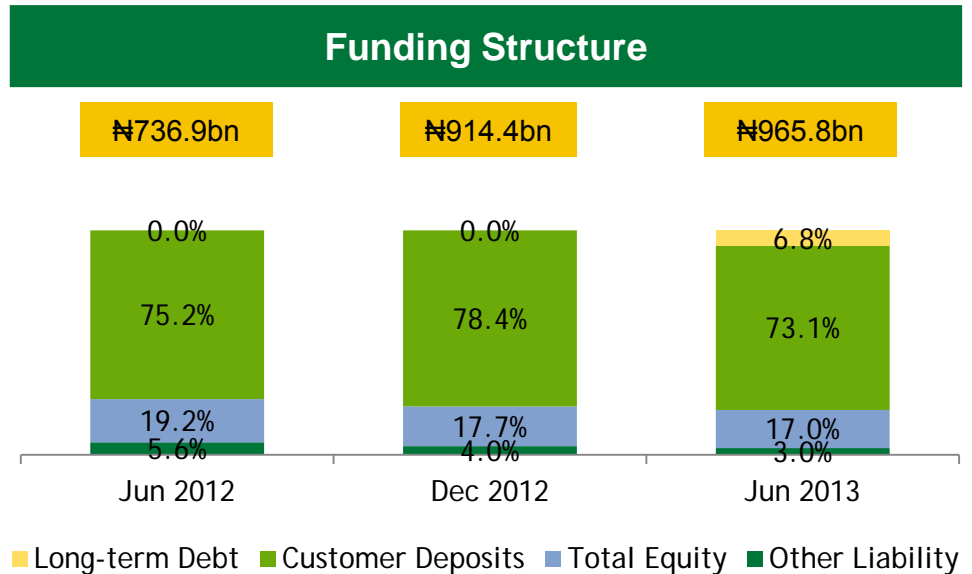
## NPL Concentration



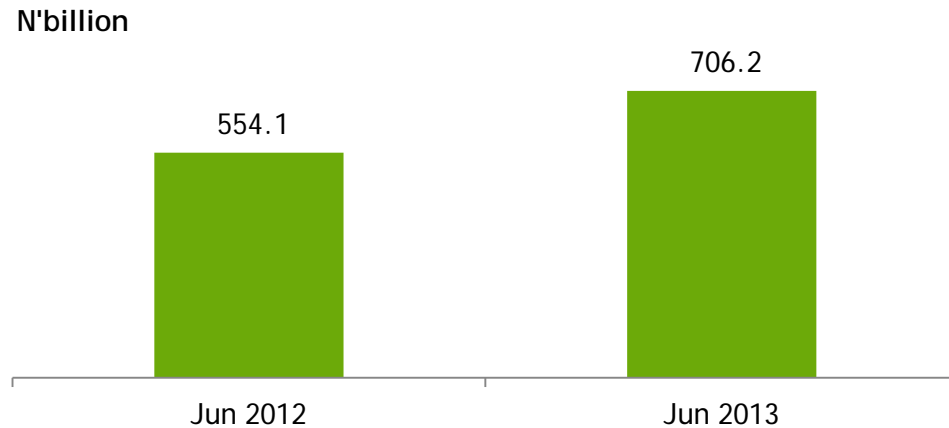
# Strong funding base



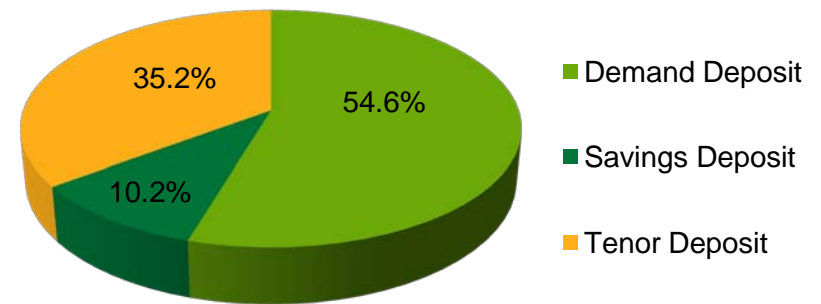
- ▶ Funding structure is predominantly customer deposits but equity level is sufficient to cushion the impact of any potential liability/asset mismatch
- ▶ Deposit expansion is driven by increased exposure to buoyant sectors in the Nigerian economy such as telecommunication, agriculture and oil and gas
- ▶ Further growth in deposit would come in as more branches come on-stream while deepening activity in the growing Small and Medium Scale (SME) market segment



## Customer Deposits



## Customer Deposits by Type



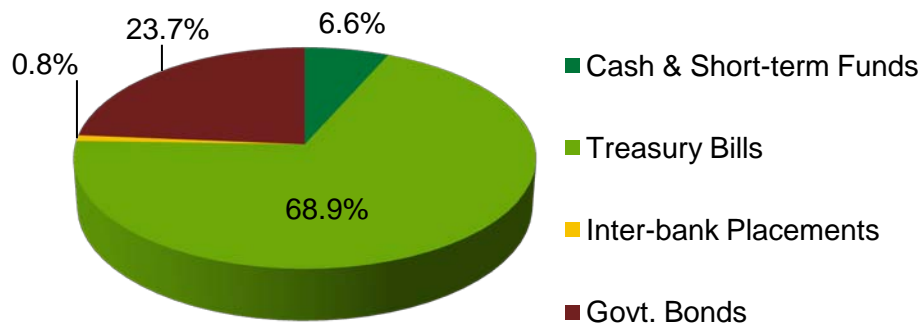
# Sound liquidity position

- ▶ Fidelity has huge investment in high earning safe assets in interbank and government securities
- ▶ High interbank rates and good returns from tax-free government securities provide good and safe outlets for the bank's funds
- ▶ Loan to deposit rate is maintained at a conservative level of 52.1% as at June 2013
- ▶ The bank will continue to reallocate its funds as the productive sector and the money market continue to evolve

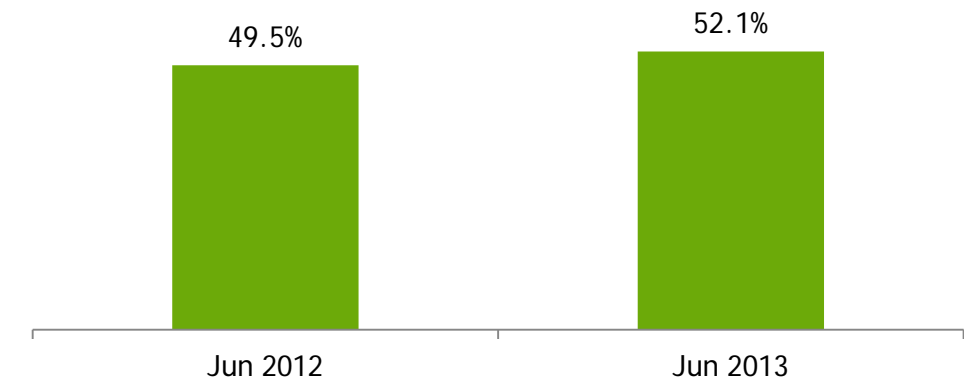
## Liquidity Ratio



## Composition Liquidity Assets



## Net Loans to Customer Deposits

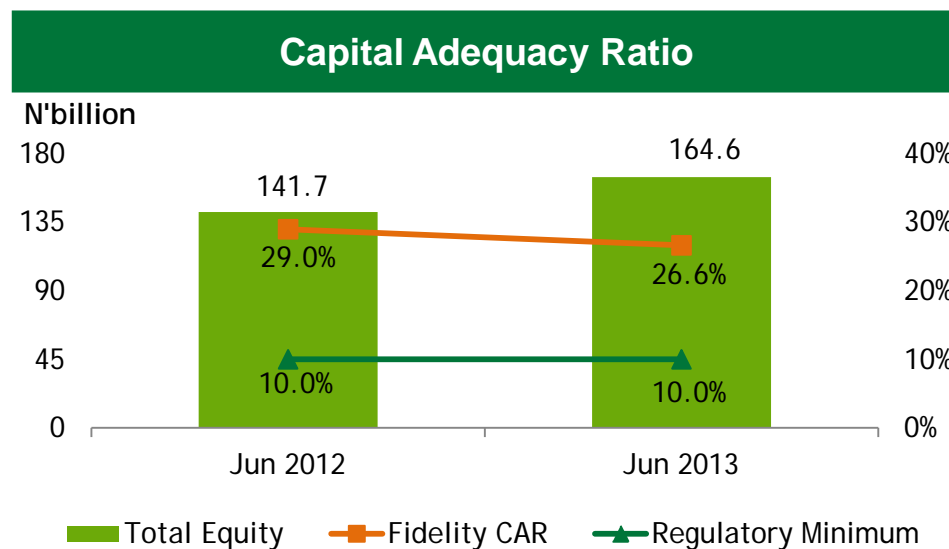




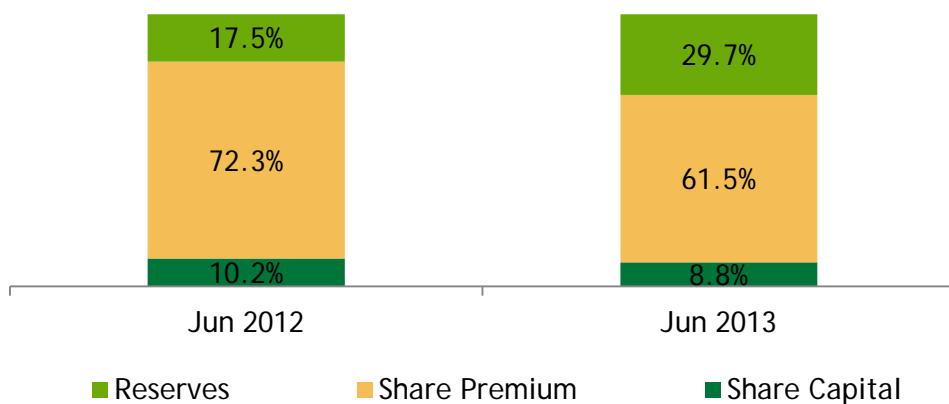
# Capital adequacy



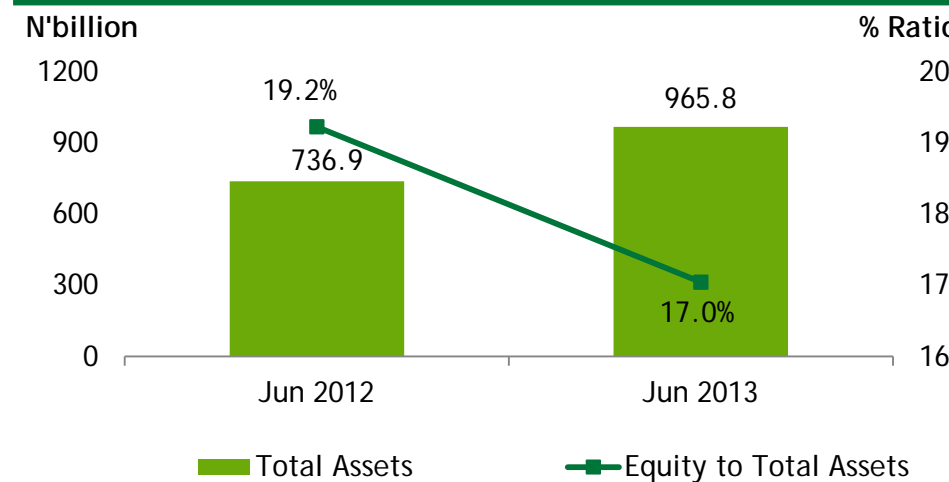
- ▶ Fidelity is well capitalized and has maintained a strong Capital Adequacy Ratio (CAR) above regulatory minimum
- ▶ At current CAR level, capital is sufficient to support business risks and growth objectives as well as cushioning against any unexpected business shock.



### Composition of Equity



### Equity to Total Assets



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# Strategic outlook



**Become one of the top five banks by returns by 2018**

- ▶ Enhanced physical and electronic distribution capabilities
- ▶ Improve customer experience by streamlining business operations
- ▶ Focus on capturing SME and retail market share
- ▶ Focus on fast growing economic sectors to enhance the bank's standing
- ▶ New products to diversify earnings base
- ▶ Expand all forms of distribution channels
- ▶ Maintain a leading position through organic growth and opportunistic acquisition
- ▶ Leverage market and technological experience to enhance customer service
- ▶ Expand consumer finance franchise through wider traditional electronic platform on the back of approved risk structures

2013

By 2015

After 2015

**Fidelity has significant growth potential and is well-positioned to deliver safe growth to its shareholders**

# Growth expectations



<b>GROWTH EXPECTATIONS ON KEY INDICATORS</b>			
<b>S/N</b>	<b>INDEX</b>	<b>TARGET 2013 – 2015</b>	<b>RATIONALE</b>
1	<b>Net Interest Margin</b>	Targeting 7%	Based on low cost deposits and earning assets growth expectations
2	<b>Tax Rate</b>	Targeting an effective tax rate between 20% and 25%	Based on the impact of amended tax laws on Govt. Securities and Agriculture Financing
3	<b>Loan Growth</b>	20% average growth per annum	Principally from existing, new and upcoming growth sectors in the corporate banking business segment e.g. Power, Agriculture, Energy, etc and the corresponding value chain
4	<b>Fees &amp; Commission Income</b>	25% - 30% average growth per annum	Based on expected growth in customer base, earning assets, deposits and service delivery channels
5	<b>Other Non-interest Income</b>	30% average growth per annum	Based on expected growth in customer base, earning assets, deposits and service delivery channels
6	<b>Cost - Income Ratio</b>	50-60% band	Expected to be contained within the band as growth in income lines are expected to outstrip increases in operating costs.
7	<b>Proposed Dividends</b>	30-50% (of PAT) band	Based on PAT growth trajectory and subject to Shareholders' and regulatory ratification
8	<b>NPL Ratio</b>	Target Maximum of 4% by 2015	On the back of improving market conditions, asset quality, loan growth and strengthened lending conditions.
9	<b>ROE</b>	2013 Target of 14%	Aligns with the Bank's profit performance outlook and capital policy, and guided by liquidity expectations and capital adequacy.



**Thank You**