



Fidelity Bank Plc



1995 - 2020

DataPro Limited

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November, 2019

Fidelity Bank Plc

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BOND RATING REPORT

Up To ₦75,000,000,000 Series 1 Fixed Rate Bond Issuance
under the ₦100Billion Bond Issuance Programme

References

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

EVALUATION

VALID TILL: October, 2021

DataPro Rating:	A
Security Type:	Up To ₦75 billion Series 1 under ₦100billion Issuance Program
Maturity Date:	Year 2030
Rating Outlook:	Stable
Currency:	Naira
Rating Watch:	Applicable

EXECUTIVE SUMMARY

	2020(H1) N'M	2019 N'M	2018 N'M	2017 N'M	2016 N'M
Gross Earnings	105,755	215,514	189,005	180,244	152,021
Profit Before Tax	11,963	30,353	25,089	19,213	11,061
Shareholders Funds	250,689	234,030	194,416	201,361	184,538
Deposit Liabs	1,405,945	1,225,213	979,413	775,276	792,971
Loans & Adv.	1,209,102	1,126,974	849,880	768,737	718,401
Total Assets	2,403,234	2,114,037	1,719,883	1,379,214	1,298,141

Note: figure quoted above are Issuer's financial highlights

RATING EXPLANATION

The long-term rating of **A** indicates Low Risk. It shows very good financial strength, operating performance and business profile when compared to the standard established by **DataPro**. The Issuer, in our opinion, has a very strong ability to meet its ongoing obligations.

This report does not represent an offer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, this report is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We provide no guarantee with respect to accuracy or completeness of the data relied upon, and therefore the conclusions derived from the data. This report has been prepared at the request of, and for the purpose of, our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. Finally, DataPro and its employees accept no liability whatsoever for any direct or consequential loss of any kind arising from the use of this document in any way whatsoever.

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THE ISSUE

The **Issue** ("The **Bond**") is a 10 year up to ₦75,000,000,000 **Subordinated, Unsecured Fixed Rate Series 1 Bonds** under the ₦100,000,000,000 Programme of **Fidelity Bank Plc**.

The **Issue** is a direct, unsecured and unsubordinated obligations of the **Issuer**. The **Bond** is expected to qualify as Tier 2 Capital and provide additional Capital buffers subject to the approval of the **Central Bank of Nigeria (CBN)**. The **Bond** shall be issued at par with a minimum denomination of ₦10,000,000 and multiples of ₦1,000 thereafter.

The **Bonds** shall be issued to Qualified Institutional Investors and High Net Worth Individuals. The **Issue** is subject to relevant Laws of the **Federal Republic of Nigeria**, especially the **Investment and Securities Act 2007**. **Securities & Exchange Commission (SEC)** is the primary regulator of all parties to the issuance Programme.

Aside the **Issuer**, other parties to the Issue are: **Planet Capital limited** (Lead Issuing house), **Banwo & Ighodalo** (Solicitor), **First Registrars & Investor Services Limited** (Registrar), **StanbicIBTC Bank Plc** and **United Bank for Africa Plc** (Receiving Banks), **Pricewaterhouse Coopers Nigeria** (Reporting Accountant), **Arm Trustees Limited**, **Stanbic IBTC Trustees Limited**, **FBNQuest Trustees Limited** and **United Capital Trustees limited** (Joint Trustees).

REDEMPTION AND USE OF PROCEEDS

The **Issue** is a Fixed rate Bond with a ten (10) years tenor falling due in the year 2030. The redemption shall be by Bullet repayment at par on maturity or on call date and the Issuer can partly repay the principal while exercising the call option. Any outstanding Principal Amount will be repaid in lump sum on the Final Maturity Date from the **Issuer's** cashflows. The

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Bond is callable by the **Issuer** at par after 5 years on any Coupon payment Date subject to a notice period.

The Coupon on the **Bond** shall be paid in arrears and semi annually throughout the duration of the Issue. The first Coupon Payment Date shall be the date which falls six months after the **Issue** date. The redemption notice period for the **Issue** shall not be less than thirty (30) and not more than sixty (60) days to the date fixed for redemption.

The Net proceeds of the Series 1 Bond shall be utilized for **SME lending**, **Retail lending**, **Retail Infrastructure** and **Technology Infrastructure**. The use of proceeds is as presented:

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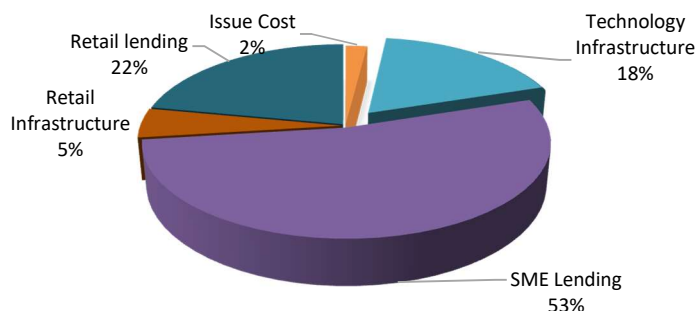
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USE OF PROCEEDS



Source: Fidelity Bank Plc

FINANCE STRUCTURE

To enable the payment of obligations under the **Issue**. The **Issuer** shall establish the **Payment Account** no later than 5 (five) Business Days after the Issue Date which shall be in the name and under the custody and administration of the Trustees.

For as long as the **Series 1 Bonds** remain outstanding, the **Issuer** shall ensure that the amount to meet any of its payment obligations under this Trust Deed shall be paid into the Payment Account at least 5 (five) Business Days before the next Coupon Payment Date or Final Maturity Date as the case may be. The Trustees shall transfer the amount to the Registrar at least 2 (two) Business Days before Coupon Payment Date or Final Maturity Date.

THE ISSUER

Fidelity Bank Plc ("The Issuer" or "The Bank") was incorporated on the 19th of November, 1987 to provide Merchant Banking Services. The Bank commenced operation on the 3rd of June, 1988. On the 16th of July 1999, the Bank started operation as a Commercial Bank. It subsequently re-registered as a Public Limited Liability Company on the 10th of August 1999. The Bank's shares were listed on the *Nigerian Stock Exchange* on the 17th of May, 2005. In December, 2005, it executed a merger with *FSB International Bank Plc* and *Manny Bank Plc*.

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The principal activity of the Bank involves the provision of banking and other financial services to corporate and individual customers. The services include Trade, Remittance, Diaspora Banking, Treasury Services, Electronics banking, Collections and payments, Payroll, Private banking, Equipment leasing, Retail Banking, Granting of Loans & Advances, Collection of Deposit and Money Market Activities.

During the year under review, the bank executed its digital strategy of which 82% of total transactions were done on the Bank's digital outlets. These banking platforms enrolled about 48% of the Bank's customers.

The Bank is the leading Tier 2 player in the Nigerian banking sector in terms of Capitalization and Deposit base. Its customer base is estimated as 5.4million (H1 20). The customers ranges from *Corporate, Government, Financial Institutions, Individual, NGOs, Commercial* and *SME customers*. These customers are served via a workforce of 2,869 employees and 250 Business offices including cash centers.

DIRECTORS PROFILE

The directors that served during the year 2019 were; *Mustafa Chike-Obi-Chairman, Nnamdi J. Okonkwo-Managing Director, Aku P. Odinkemelu, Kevin Ugwuoke, Engr. Henry Ikem Obih, Nneka Onyeali-Ikpe, Gbolahan Joshua, Obaro Odeghe, Hassan Imam, Chief Charles*

C. Umolu, Chidozie Agbapu, Alhaji Isa Mohammed Inuwa, Alex Ojukwu, Michael E. Okeke and Pst. Kings C. Akuma

The profile of the bank directors are as stated:

- 1. Name:** Mustafa Chike-Obi
Position: Chairman
Education:
 - B. Sc - Stanford School of Business, California, USA
 - MBA - Stanford School of Business, California, USA**Experience:**
 - Alpha African Advisory
 - Chase Merchant Bank
 - Goldman Sachs
 - Shoreline Group
 - Bear Stearns and Guggenheim Partner**Year of Appointment:** July 2020
- 2. Name:** Nnamdi J. Okonkwo
Position: Managing Director
Education:
 - B. Sc - University of Benin
 - MBA - University of Benin
 - Harvard Business School
 - Wharton Business School
 - Stanford Graduate School of Business**Experience:**
 - Guarantee Trust Bank
 - United Bank for Africa
 - Merchant Bank for Africa.**Year of Appointment:** January 2014
- 3. Name:** Aku P. Odinkemelu
Position: Executive Director
Education:
 - LL.B - University of Nigeria
 - BL - IMD Switzerland
 - MBA - CKGSB China

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- Massachusetts Institute of Technology
- Stanford Business School
- Harvard Business School
- Experience:**
 - Guarantee Trust Bank
 - Access Bank
 - Equatorial Trust Bank

Year of Appointment: August 2014**4. Name:** Nneka Onyeali-Ikpe**Position:** Executive Director

- Education:**
- LL.B - Kings College, London
 - LL.M - Kings College, London
 - London Business School
 - Wharton Business School

- Experience:**
- Standard Chartered Bank Plc
 - Zenith Bank Plc
 - Citizens International Bank Ltd

Year of Appointment: July 2015**5. Name:** Gbolahan Joshua**Position:** Executive Director**Education:** •B. Sc - Olabisi Onabanjo University

- Experience:**
- United Bank for Africa Plc
 - First City Monument Bank

Year of Appointment: September, 2019**6. Name:** Obaro Odeghe**Position:** Executive Director

- Education:**
- B. Sc- University of Benin
 - MBA - University of Benin

- Experience:**
- Zenith Bank Plc
 - United Bank for Africa Plc

Year of Appointment: September 2019

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7. Name: Hassan Imam
Position: Executive Director
Education:

- B. Sc - Usman Danfodio University, Sokoto
- M. Sc - Bayero University, Kano
- Business School Netherland
- Lagos Business School

Experience:

- Fidelity Bank Plc

Year of Appointment: January 2020

8. Name: Kevin Ugwuoke
Position: Executive Director
Education:

- B. Sc - University of Nigeria, Nsukka
- PGD - Edinburgh Business School

Experience:

- United Bank for Africa,
- Access Bank
- Citi Bank

Year of Appointment: July 2020

9. Name: Engr. Henry Ikem Obih
Position: Independent Director
Education:

- B. Sc- University of Nigeria, Nsukka
- MBA - University of Bradford, Yorkshire,
- Columbia Business School New York
- Massachusetts Institute of Technology
- IMD Lausanne, Switzerland
- London Business School
- Lagos Business School

Experience:

- Nigeria Liquefied Natural Gas Limited
- Nigerian National Petroleum Corporation
- Mobil Oil Nigeria
- Nigeria Gas Marketing Company Limited
- Pipelines and Products Marketing Company Limited
- NNPC Retail Limited

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- NIDAS Marine Limited
- NIKORMA Limited
- Duke Oil Company Inc.

Year of Appointment: September, 2020

- 10. Name:** Chief Charles C. Umolu
- Position:** Non-Executive Director
- Education:**
- B.Sc - Obafemi Awolowo University, Ile Ife
 - MBA - Obafemi Awolowo University, Ile Ife
- Experience:**
- Corimol Consulting Limited
 - Comet Merchant Bank Ltd

Year of Appointment: November 2016

- 11. Name:** Chidozie Agbapu
- Position:** Non-Executive Director
- Education:**
- B. Sc- University of Nigeria, Nsukka
 - M. Sc- University of Lagos
 - Lagos Business School
- Experience:**
- Equator Finance & Securities Ltd
 - Prominent Securities Ltd
 - Planet Capital Limited
 - Emerging Capital Limited
 - Coral Properties Ltd
 - General Cotton Mills Plc
 - MTI Nigeria Plc
 - Bendel Feeds
 - Flour Mills Limited
 - Central Securities Clearing System (CSCS)
 - Nigerian Stock Exchange

Year of Appointment: September 2018

- 12. Name:** Alhaji Isa Mohammed Inuwa
- Position:** Independent Non-Executive Director
- Education:**
- B. Sc - Ahmadu Bello University, Zaria

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Experience:

- M. Sc - Stirling University, Scotland
- Nigerian National Petroleum Corporation
- Nigeria Liquefied and Natural Gas Ltd
- Union Bank of Nigeria Plc
- Credit and Commerce International
- International Merchant Bank
- Intercity Bank Plc
- Bank of Agriculture

Year of Appointment: January 2020

13. Name:

Alex Ojukwu

Position:

Non-Executive Director

Education:

- B. Sc- Ogun State University
- MBA - Federal University of Technology, Akure
- Lagos Business School

Experience:

- Bank PHB (now Keystone Bank Ltd)
- Western Goldfields Group Ltd
- Damos Practice
- Chicason Group

Year of Appointment: December 2014

14. Name:

Michael E. Okeke

Position:

Non-Executive Director

Education:

- B. Sc- University of Nigeria, Nsukka
- PGD- University of Nigeria, Nsukka
- MBA-Metropolitan School of Business & Management, UK

Experience:

- Okeke, Oriala & Co.
- Tahila Shelters Limited

Year of Appointment: December 2014

15. Name:

Pastor Kings C. Akuma

Position:

Non-Executive Director

- Education:**
- B. Sc - University of Nigeria, Nsukka
 - MBA - University of Lagos
 - Institute of Chartered Accountants of Nigeria
- Experience:**
- ALCON Nigeria Ltd
 - Hammakopp Consortium Ltd
- Year of Appointment:** November 2016

FINANCIAL PERFORMANCE OF THE SPONSOR

SUMMARY

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• **Capital Adequacy**

Year \ Item	2019 N'M	2018 N'M	2017 N'M
Shareholders' Funds	234,030	194,416	201,361
Total Assets	2,114,037	1,719,883	1,379,214
Fixed Assets	38,633	51,603	43,332
Loans & Advances	1,126,974	849,880	768,737
Equity/Total Assets (%)	11.07	11.30	14.60
Equity/Loan & Adv. (%)	20.77	22.88	26.19
Fixed Assets/Equity (%)	16.40	18.98	19.12

Source: Fidelity Bank Plc

Shareholder's Fund grew by 20.4% from ₦194b (Yr. 18) to ₦234b (Yr. 19). The growth was supported by an increase in Retained Earnings, Statutory Reserve, Non-distributable Regulatory Reserve and Fair Value Reserve. These components grew by significant margins in the year 2019. The Equity position further improved to ₦250.7b (H1 20).

Total asset grew by 22.9% from ₦1.7t (Yr. 18) to ₦2.1t (Yr. 19). The growth is attributable to the increase in all its components excluding Investment securities, and Other assets.



COMPONENT OF TOTAL ASSETS

Item Year	2019 N'M	%	2018 N'M	%
Liquid Assets	527,210	24.94	492,679	28.65
Net Loans & Advances	1,126,974	53.31	849,880	49.41
Fixed Assets	38,392	1.82	36,909	2.15
Other Assets	421,461	19.94	340,415	19.79
TOTAL ASSETS	2,114,037	100.00	1,719,883	100.00

Source: Fidelity Bank Plc

SUMMARY

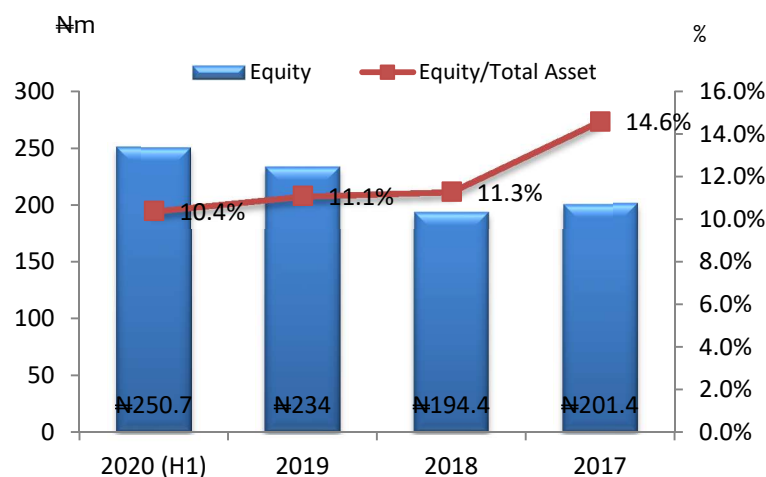
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The Bank's Total Asset exposure to risk was increased in the year 2019. The risky components of the total asset as depicted by Net Loans and Advances was 53% (Yr. 19) as against 49% (Yr. 18). However, this position was minimized to 50% (H1 20). Assets that are fixed in nature grew 4% from ₦36.9b (Yr. 18) to ₦38.4b (Yr. 19). This class of assets represented just 2% of the Total Assets in the year 2018 and 2019

COMPARISON OF SHAREHOLDERS' FUNDS



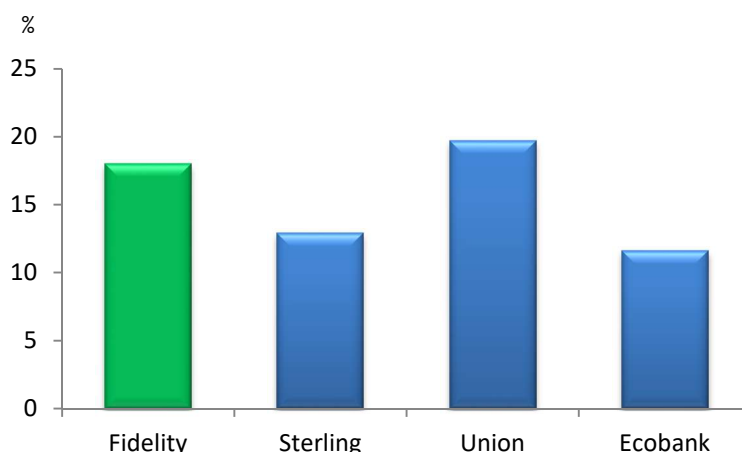
Source: Fidelity Bank Plc

The proportion of Equity tied to Permanent assets dropped from 19% (Yr. 18) to 16%. This further went down to 15% (H1 20). Similarly, Equity as a proportion of Net loans and Advances dwindled from 23% (Yr. 18) to 21% in the year 2019 and H1 2020.

The growth recorded in Total Assets outweighs the increase recorded in Equity. Consequently, Equity as a proportion of total asset remained relatively same at 11% for the years 2018 and 2019.

Fidelity Bank Plc reported a **Capital Adequacy Ratio** of 18% in the year 2019. This has further grown to 19% (H1 20).

FIDELITY BANK CAR PEER COMPARATIVES AS AT 2019



Source: DataPro Limited

• Asset Quality

Item Year	2019 N'M	2018 N'M	2017 N'M
Gross Loan & Adv	1,178,389	906,624	795,315
Classified Loan	38,633	51,603	43,332
Provisions	51,415	56,744	26,578
Classified Loans Prov./Classified Loans (%)	133.09	109.96	61.34
Classified Loans/Equity (%)	16.51	26.54	21.52
Classified Loans/Gross Loans (%)	3.28	5.69	5.45

Source: Fidelity Bank Plc

Gross Loans and Advances grew by 30% from ₦906.6b (Yr. 18) to ₦1.2t (Yr. 19). It grew further to ₦1.3t (H1 20). Gross Loans & Advances comprise of exposures to Individuals, Corporate and Other Organisations. However, Corporate Entities accounted for 96% of the loan book.

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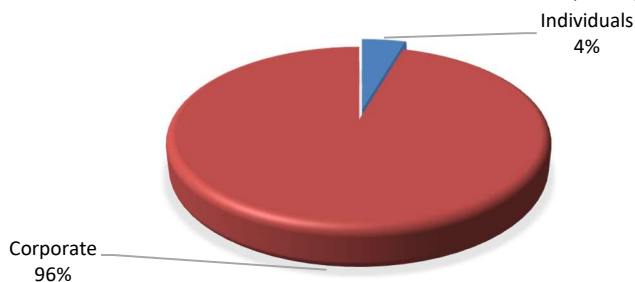
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DISTRIBUTION OF LOAN PORTFOLIO (2019)



Source: Fidelity Bank Plc

The Bank's Loans & Advances are further classified into Overdraft, Term Loans and Advances under Finance Lease. However, Term Loans constituted 87% of the Loan portfolio. It increased from ₦814.9 (Yr. 18) to ₦997.6 (Yr. 19).

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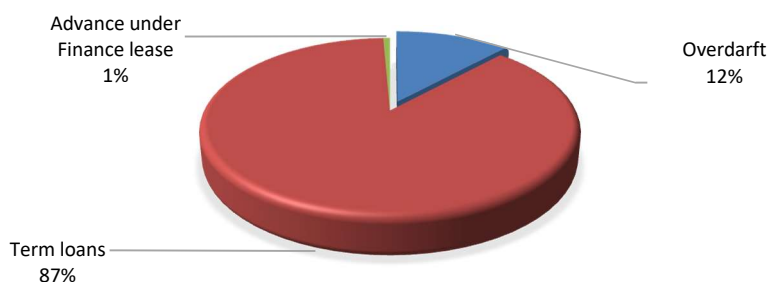
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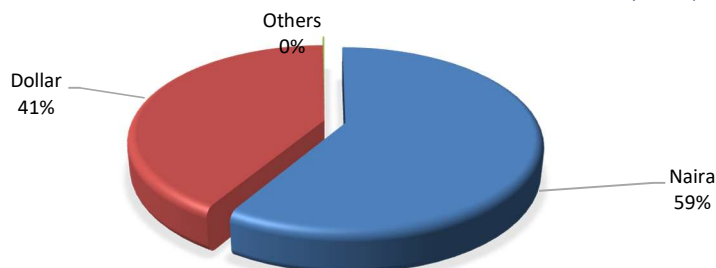
DISTRIBUTION OF LOANS & ADVANCES BY CLASS (2019)



Source: Fidelity Bank Plc

The Bank's Loans & Advances are represented in Local and Foreign currencies. The Local Currency segment represented 59% of the Gross Loans & Advances. The naira value of the Foreign currencies Loans & Advances was ₦464.8b (Yr. 19) as against ₦349.1b (Yr. 18).

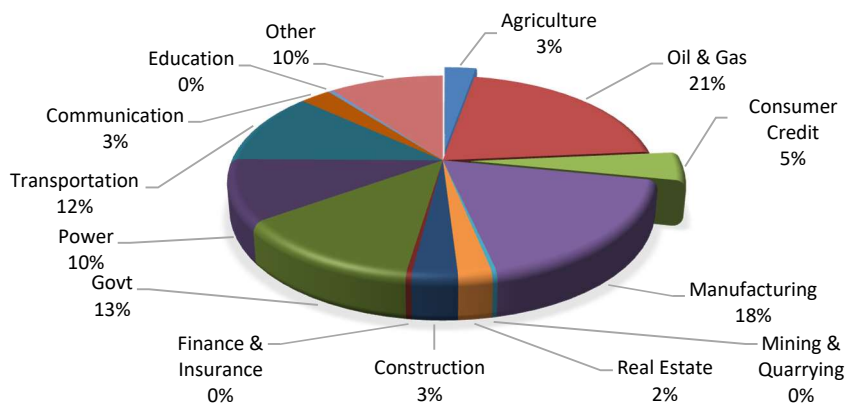
LOANS & ADVANCES BASED ON CURRENCY TYPES (2019)



Source: Fidelity Bank Plc

The Bank's Loans & Advances were distributed among 14 sectors in Nigeria as presented.

COMPOSITION OF LOAN PORTFOLIO BY SECTOR (2019)

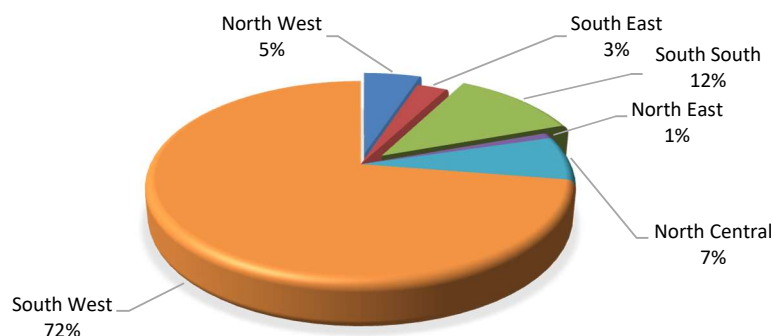


Source: Fidelity Bank Plc

The largest exposure of the Bank in the year 2019 were Oil & Gas, Manufacturing, Government and Power. Oil & Gas accounted for 21% of the Bank's Loan Book while Manufacturing, Government & Power were 18%, 13% and 10% respectively. Aside these, no other sector got up to 10% of the entire portfolio. Loans advanced to the top 20 obligors of the Bank amounted to ₦561.2b (H1 2020). This class of borrowers constituted 44% of the total loan book of **Fidelity Bank Plc**.

Geographically, about 72% of the Bank exposure was concentrated in the South Western part of Nigeria. The breakdown of the Bank geographical exposure is as indicated:

GEOGRAPHICAL EXPOSURE (2019)

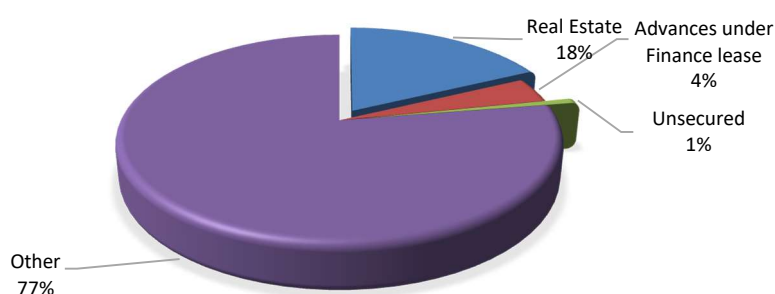


Source: Fidelity Bank Plc

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The Bank's total security against its Gross Loans & Advances was ~~N1.2t~~ (Yr. 19) as against ~~N898b~~ (Yr. 18). The Bank secured its Loans & Advances against Real Estate, Advances under Finance Lease and Other. A significant portion of the Loans & Advances were secured against Real Estate which accounted for 18% of the loan portfolio. The unsecured portion of the Loans & Advances represented just 1% of the loan book. It grew from ~~N8.6b~~ (Yr. 18) to ~~N8.8b~~ (Yr. 19).

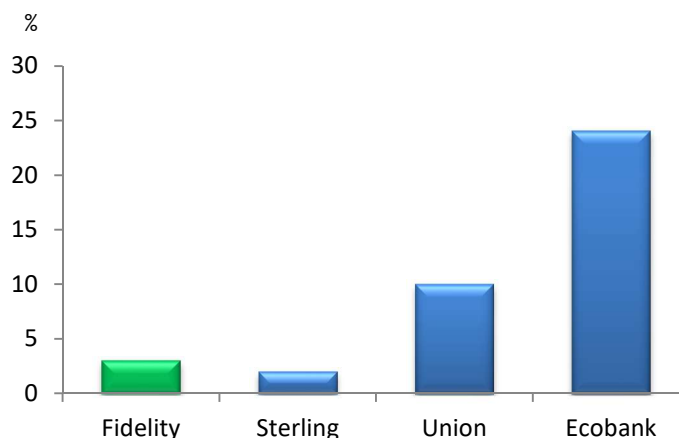
DISTRIBUTION OF LOANS PORTFOLIO BY SECURITY (2019)



Source: Fidelity Bank Plc

Non-performing Loans & Advances of the Bank declined by 25% from ~~N51.6b~~ (Yr. 18) to ~~N38.6b~~ (Yr. 19). However, this has further grown to ~~N61.3b~~ (H1 20). The Non-Performing Loan Ratio for the year 2019 was 3%. This was better than 5% recorded in the year 2018.

NON-PERFORMING LOAN RATIO (PEER COMPARISON) (2019)



Source: DataPro Limited

The provision set aside for Non-Performing Loan was ~~N~~65.3b (Yr. 19) as against ~~N~~57.2b (Yr. 18). This provided a cover of 169% and 111% for the Non-Performing Loan in the years 2019 and 2018 respectively.

Liquidity

Item	2019	2018	2017
Year			
Loan & Advances/Total Assets (%)	53.31	49.41	55.74
Liquid Assets/Total Assets (%)	24.94	28.65	15.31
Liquid Assets/Total Deposits (%)	43.03	50.30	27.24
Loans & Advances/Total Deposits (%)	91.98	86.77	99.16

Source: Fidelity Bank Plc

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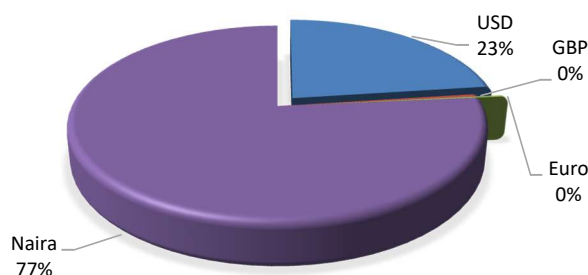
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The Bank grew its deposit base by 25% in the year 2019. It increased from ~~N~~979.4b (Yr. 18) to ~~N~~1.2t (Yr. 19). This was further grown to N1.4t (H1 2020).

The Bank's Depositors' Funds were in Local and Foreign currencies. Local currency constituted 77% (Yr. 19) of the entire Deposit Base as against 78% (Yr. 18). The breakdown of the Bank's Deposit Liabilities based on currencies is as presented.

DISTRIBUTION OF DEPOSITS BASED ON CURRENCY TYPE (2019)



Source: Fidelity Bank Plc

Deposit Liabilities comprises of Demand, Savings, Term and Domiciliary Deposit. These components are the major drivers of the growth recorded in Deposit Liabilities.

ANALYSIS OF DEPOSITS BASED ON TYPE

Item Year	2019 N'M	%	2018 N'M	%
Demand Deposit	430,107	35.10	391,516	39.97
Savings Deposit	275,219	22.46	227,970	23.28
Term Deposits	247,564	20.21	172,178	17.58
Domiciliary	261,503	21.34	179,753	18.35
Others	10,820	0.88	7,936	0.81
TOTAL	1,225,213	100.00	979,413	100.00

Source: Fidelity Bank Plc

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The Bank mobilized more of Demand Deposit in the year 2019 and 2018. This constituted 35% (Yr. 19) as against 40% (Yr. 18). There was also significant concentration in Savings, Term and Domiciliary Deposit in the year under review. The Bank held less of other deposits during the year under review. This constituted just 1% of the Deposit Liabilities.

ANALYSIS OF DEPOSITS BASED ON MATURITY

Months	2019 N'M	%
Up to 1 month	249,853	20.03
1 - 3 months	483,146	38.73
3 - 12 Months	514,447	41.24
1 – 5 Years	-	-
Over 5 years	-	-
TOTAL	1,247,446	100.00

Source: Fidelity Bank Plc

The maturity profile of the Bank's deposit are significantly in short-term. Depositor's Funds maturing within one (1) month was ₦244.9b in absolute term. This represented 20% of the Total Deposit.

ANALYSIS OF LOANS AND ADVANCES BASED ON MATURITY

Months	2019 N'M	%
Up to 1 months	135,282	9.81
1 – 3 months	149,074	10.81
3 - 12 Months	338,959	24.59
1 - 5 Years	419,077	30.40
Over 5 years	336,078	24.38
TOTAL	1,378,470	100

Source: Fidelity Bank Plc

SUMMARY

The Bank's Loans & Advances maturing for payment within a 12 months period accounted for 45% of its total exposure. This represent a total sum of ₦623.3b (Yr. 19). A total sum of ₦755b will become payable after (1) year. This represented 55% of the Loan Portfolio.

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LIQUIDITY GAP ANALYSIS

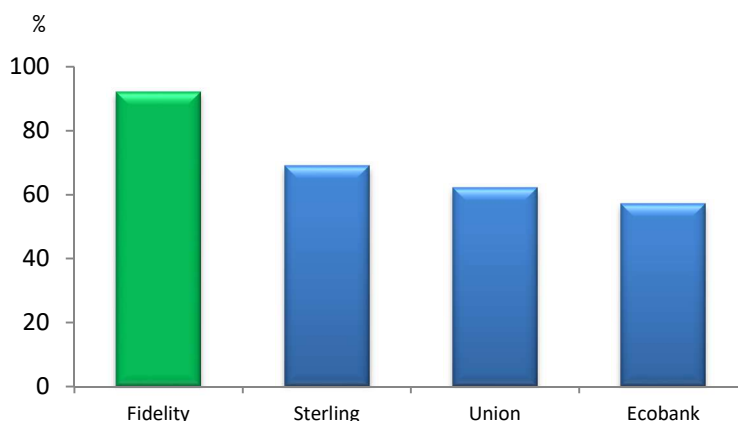
Year	2019 Loans & Advances N'M	2019 Deposit Liabilities N'M	Net Cumulative Liquidity Gap N'M
Liquid Assets	527,210	-	527,210
Up to 1 months	135,282	249,853	412,639
1 - 3 Months	149,074	483,146	78,567
3 - 12 Months	338,959	514,447	(96,921)
1 - 5 Years	419,077	-	322,156
Over 5 years	336,078	-	658,234

Source: Fidelity Bank Plc

There exists a short-term liquidity gap of ₦96.9b within a 12 months period. This is in view of the mismatch between the maturity profile of Loans & Advances and Deposit Liabilities in the year under review.

The Bank was more liquid in the year 2019 as against 2018. Liquid element of the Total Assets increased from 49% (Yr. 18) to 53% (Yr. 19). However, Liquid Assets covered 43% (Yr. 19) of the Total Deposit as against 50% (Yr. 18). The Bank Loans to Deposit ratio was higher at 92% (Yr. 19) as against 87% (Yr. 18).

LOAN TO DEPOSIT RATIO (PEER COMPARISON) (2019)



Source: DataPro Limited

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Fidelity Bank Plc maintained a statutory liquidity ratio of 35% (Yr. 19) as against 39% (Yr. 18). This is above the regulatory requirements of 30%.

The Bank incurred long-term facilities in the year under review. Long-term Debt of the bank include; Loans from *Proparco Paris*, *African Development Bank (ADB)*, *European Investment Bank Luxembourg*, *Euro Bond*, *Loan from Afrexim* and *Repurchase transaction with Renaissance Capital*. The total long-term facilities increased from ₦251.6b (Yr. 19) to ₦261.9 (H1 2020).

The long-term facilities of the Bank as at H1 2020 is as represented.

STATEMENT OF INDEBTEDNESS (NOV. 2020)

CREDIT FACILITY	N'M	CURRENCY	INTEREST RATE	DATE OF MATURITY
Longterm loan from Proparco Paris	2,849	NGN	Libor + 4.75%	2021
Longterm loan from ADB	25,712	NGN	Libor + 4.75%/4.5%	2021
European Invest Bank Luxemburg	3,219	NGN	Libor + 3.99%	2023
\$400 Million Euro Bond Issued	156,124	Euro	10.50%	2022
Repurchase transaction with Renaissance Capital	24,310	NGN	Libor + 3%	-
Afrexim	19,698	NGN	Libor + 5.75%	2022
TOTAL	261,873			

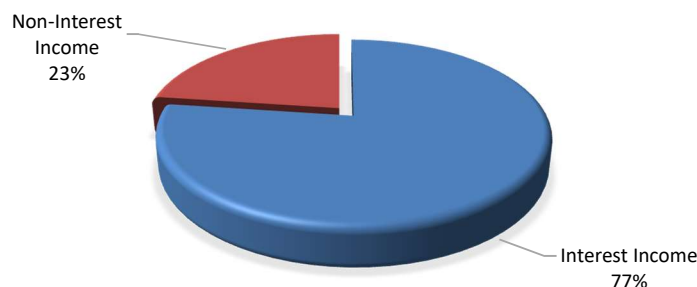
Source: Fidelity Bank Plc

DataPro @ 2020

• Profitability

The Bank's Gross Earnings grew by 14% from ₦189b (Yr. 18) to ₦215.5b (Yr. 19). The growth was supported by the increase in Interest and Non-Interest income.

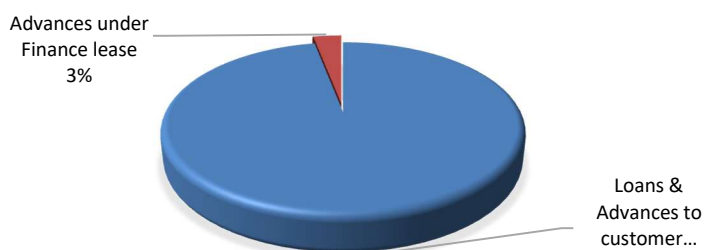
COMPOSITION OF GROSS EARNINGS (2019)



Source: Fidelity Bank Plc

Interest Income grew by 16% in the year 2019. It went up from ₦157.5b (Yr. 18) to ₦182.3b (Yr. 19). The sources of Interest Income were Loans & Advances to customers, Advances under Finance Lease, Treasury Bills and Other investment securities. All these sources grew modestly except for Advances under Finance Lease which dipped by 22% from ₦5.4b (Yr. 18) to ₦4.2b (Yr. 19).

DISTRIBUTION OF INTEREST INCOME (2019)



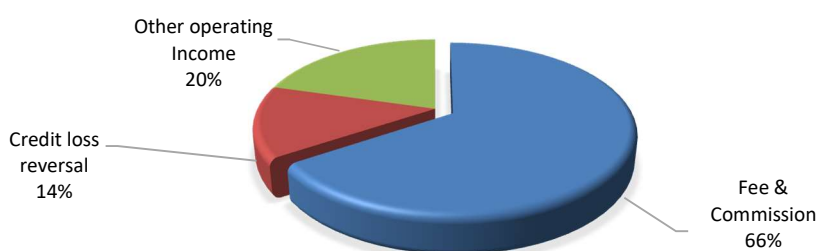
Source: Fidelity Bank Plc

Interest expenses increased from ₦84.1b (Yr. 18) to ₦99.3b (Yr. 19). The growth was attributable to the significant increase of all its components. Interest expenses on Loans & Advances remained the major interest expenses incurred in the year 2018 and 2019. It constituted 75% (Yr. 19) of the total interest expenses as against 71% (Yr. 18). In view of the

mismatch in interest revenue & expenses, Net Interest Margin dwindled from 47% (Yr. 18) to 46% (Yr. 19).

Non-interest Earnings constituted 23% of the Gross Earnings. It comprises of Fee & Commission income, Credit loss reversal and Other operating income. The major components of the Non-Interest Earning was Fees & Commission.

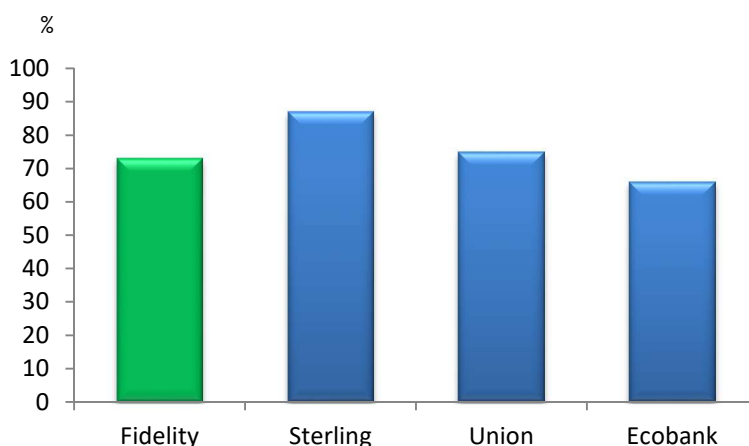
DISTRIBUTION OF NON-INTEREST INCOME (2019)



Source: Fidelity Bank Plc

Operating expenses increased by 14% in the year 2019. The growth was due to the increase in Personnel Expenses, Depreciation and Other Operating expense incurred during the year. Personnel Expenses constituted the highest chunk of 29% (Yr. 19) as against 33% (Yr. 18). However, Operating Income grew by 16% as against 14% increase in Operating Expense. Therefore, cost to income ratio improved marginally from 74% (Yr. 18) to 73% (Yr. 19).

COST TO INCOME (PEER COMPARISON) (2019)



Source: DataPro Limited

DataPro @ 2020

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In view of the improved Cost to Income position, Pre tax profit went up by 21% from ₦25.1b (Yr. 18) to ₦30.4b (Yr. 19). The Bank's profit margin increased marginally from 13% (Yr. 18) to 14% (Yr. 19). All other profitability indices remained relatively same in the year 2018 and 2019.

POLITICAL ENVIRONMENT

The incumbent President Muhammadu Buhari who is a member of the ruling political party secured a second term after the 2019 presidential election while the major contender Alhaji Atiku Abubakar contested the result. The country has survived the usual political tension associated with the conduct and outcome of the general electoral process.

However, the Nigerian security landscape has been consistently shaped by the war against **Boko Haram** terrorists in the Northeastern region of the country since 2011.

Currently, the country is faced with the **COVID-19** Pandemic with the death toll approaching 1,200 as the end of November, 2020.

On internal security, there has been consistent calls for the wholesale reform of the Nigeria Police (NP) through the **#ENDSARS** movement by the youth.

The protests organized by the **#ENDSARS** movement were hijacked by hoodlums leading to unprecedented attack on police formations nationwide thus further deteriorating national security.

Apart from the security challenges and the ability of the Government to manage the Pandemic, no major political consideration appears to pose serious threat to the ability of the Issuer to honour its obligations under the Issue.

ECONOMIC ENVIRONMENT

Nigeria is the leading economy in Africa. It has a population of nearly 200 million people. The Nigerian economy officially slipped into the second

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recession in the past 5 years in the 3rd Quarter of the year 2020. This was as a result of the two consecutive negative growths recorded in the 2nd and 3rd Quarter of the year 2020. According to the **National Bureau of Statistics**, the performance of the economy in Q3 2020 reflected residual effects of the restrictions to movement and economic activity implemented across the country in early Q2 in response to the COVID'19 pandemic.

The Q3 2020 GDP stood at N39,089,460 million in nominal terms. It contracted by 3.62% when compared with the Q2 2020(real term). The Nigerian economy can be aggregated into the Oil and Non-Oil sectors. The Non-Oil sector reduced by 3% in real terms during the Q3 2020. It contributed 91% to the nation's GDP. The non-oil sector was driven mainly by Telecommunications, Agriculture, Construction and Financial Institutions.

The Oil sector contracted by 13.89% and it contributes 8.73% to the total real GDP in the referenced quarter as against 8.93% (Q2 2020) and 9.77% (Q3 2019).The global disruption caused by the COVID-19 pandemic and the attendant economic lockdowns affected the Federal Government's 2020 budget implementation. In response, the Oil benchmark for the 2020 budget had been downwardly reviewed from \$57 per barrel to \$28 per barrel.

Additionally, the Federal Government has continued to borrow with a view to finance its growing deficit budget. The capacity of the Federal Government to address infrastructural gaps in the country amidst growing cost of the borrowing is a major economic concern.

Nigeria's local currency has been hitting low records on the Parallel and Over-the-counter spot markets since early March 2020 when the **Central Bank of Nigeria (CBN)** adjusted value of the Naira. The official Exchange

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Rate to the dollar as at November is N380 while the exchange rate at the parallel market stood at N495 to a dollar as at November 2020.

The **Central Bank of Nigeria** reduced the **Monetary Policy Rate (MPR)** by 100 basis point from 12.50% to 11.5% which is lowest since 2016. This was done to support the recovery of output growth and price stability. However, according to the **Nigeria Bureau of Statistics** inflation rate for the month of October 2020 increased to 14.23% from 13.71% (Sept. 2020). This was largely due to general increase in price of consumer-based commodities.

The **Issuer's** operation is largely in the banking sector. Consequently, improvements in the economy particularly in the area of non-oil sector will support the **Issuer's** ability to generate revenue and pay obligations under the issue.

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GOVERNANCE, RISK AND COMPLIANCE

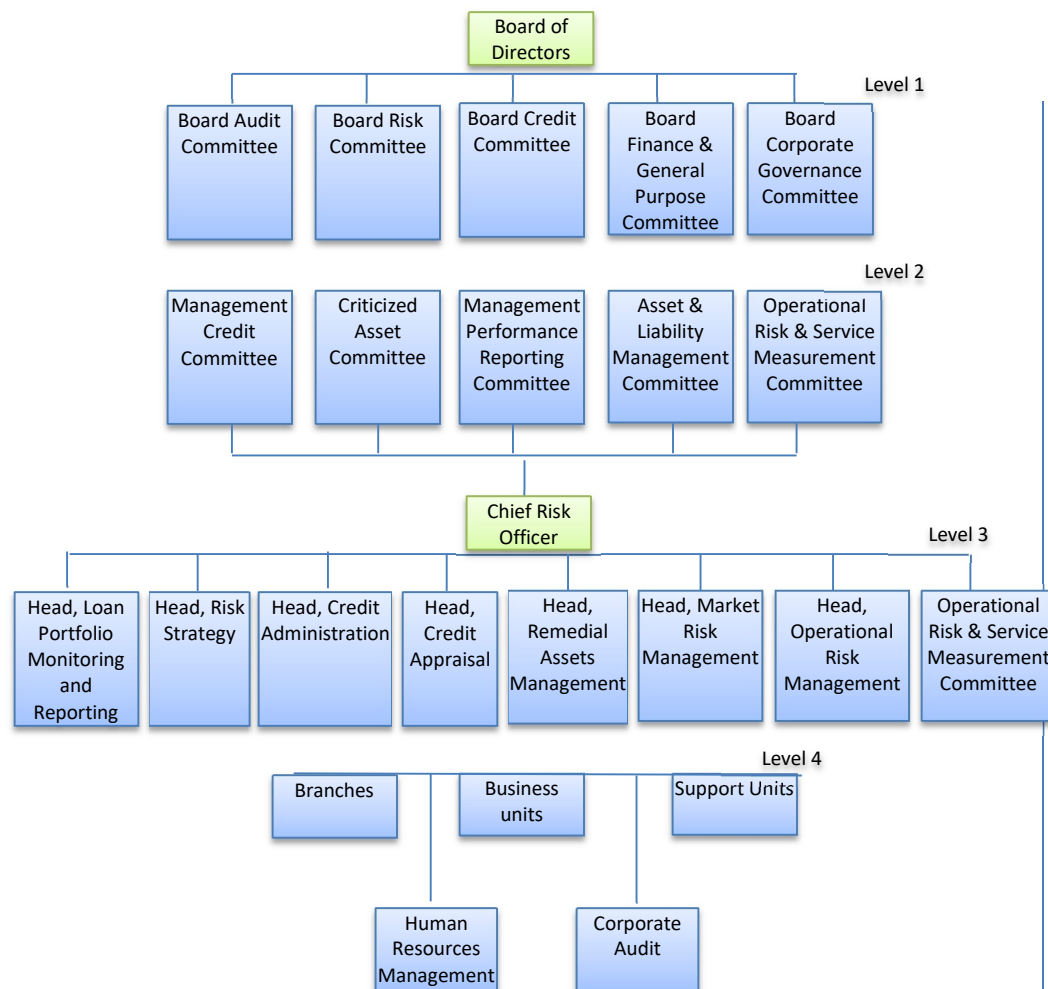
The Bank has a board comprising of a Chairman, Seven (7) other Non-Executive Directors and Seven (7) Executive Directors. Two (2) of the Non-Executive Directors are Independent Directors.

Fidelity Bank Plc conducts its affairs through the use of relevant committees. The committees include: **Board Credit Committee, Board Risk Committee, Board Audit Committee, Board Corporate Governance Committee, Board Finance & General Purpose Committee**. The activities of the committees are detailed in the annual report.

RISK FACTORS

Based on our review, the Bank demonstrated understanding of the risks to its operations. Document reviewed by us also indicate how the Bank addresses and mitigates the identified risks. The Enterprises Risk Management Framework of the Bank is as highlighted.

ENTERPRISE RISK MANAGEMENT FRAMEWORK



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Source: Fidelity Bank Plc

Our review of the risks is as follows:

• REGULATORY RISK

Regulatory Risk is the risk that a Bank may cease to operate due to its inability to meet regulatory requirements of its primary regulator (Central Bank of Nigeria).

The major requirement for the Bank is to maintain a Capital Adequacy Ratio of 15%.

During our review, we observed that the Bank maintained a CAR of 18% (Yr. 19).

• CONCENTRATION RISK

Concentration Risk is the risk of loss to income as a result of significant exposure to an individual, connected entity or a particular sector.

Based on our review, **Fidelity Bank Plc** was exposed to Oil & gas (21%), Manufacturing (18%), Government (13%) and Power (10%).

We therefore consider that adverse changes in the highlighted sectors may have negative impact on the Bank's earnings.

• FOREIGN CURRENCY RISK

Foreign Currency Risk is the risk arising from adverse movements in exchange rates.

Based on our review, we observed that the Foreign Currency element of the Bank's total deposit was 39% (Yr. 19) translating to ₦288.6b (Yr. 19). This is against foreign currency Loans and Advances of ₦464.8b (Yr. 19).

• LIQUIDITY RISK

Liquidity risk is the risk arising from inability to meet obligations as they fall due.

Based on our review, **Fidelity Bank Plc** maintained a Loan to Deposit Ratio of 92% and a Liquidity Ratio of 35% as at December, 2019.

REGULATORY ENVIRONMENT

The regulator in-charge of fixed income securities in Nigeria is the **Securities & Exchange Commission (SEC)**. The Issuing House, on behalf of the Issuer, shall seek **SEC's** approval for the Bond issuance.

ISSUE QUALITY

- The **Issuer** has the ability to continually generate revenue by carrying out the business of banking.
- The historical ability of the Issuer to generate Pre-Tax Profit in the last four years (2016 - 2019).
- The Governance Structure around the **Bond** issuance programme will limit the **Issuer's** interference in administering coupon and principal payment under the program.
- The Bond holders' claim on the cash flow of the Issuer is equal to all unsecured obligations of the Issuer except statutory obligations.

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CONCLUSION

The ultimate obligor under the issuance program is the **Issuer**. Consequently, the credit quality of the issue is tied to ability of the Issuer to continually generate revenue and profit over the life span of the Bond.

We have reviewed the financial performance of the Issuer and its ability to generate pre-tax profit in the last five years (2015-2019). The rating is further supported by the Governance Structure around the Bond Issuance Program.

Consequently, we assigned a rating of "A" to the **Issue**.

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FINANCES

Financial Position as at:

	Dec, 2019 N'M	Δ%	Dec, 2018 N'M	Δ%	Dec, 2017 N'M
ASSETS					
Cash and balances with CBN	453,392	17.79	384,931	42.77	269,625
Due from other banks	149,869	34.25	111,633	113.50	52,287
Loans & adv. to customer	1,126,974	32.60	849,880	10.56	768,737
Investments:					
FVP & L	45,538	224.07	14,052	(31.92)	20,639
Debt instruments at FVOCI	134,846	(14.46)	157,639		
Equity instrument at FVOCI	14,536	45.70	9,977		
Debt inst. at Amort. Cost	118,569	(0.08)	118,662		
Available for sale				(100.00)	76,815
Held to maturity				(100.00)	108,784
Other assets	28,756	(18.13)	35,124	(18.68)	43,194
Right-of-use assets	1,529	-			
Prop., Plant and Equip	38,392	4.02	36,909	(4.14)	38,504
Intangible assets	1,636	52.04	1,076	71.07	629
Total Assets	2,114,037	22.92	1,719,883	24.70	1,379,214
Liabilities					
Deposits from customer	1,225,213	25.10	979,413	26.33	775,276
Current income tax payable	2,339	45.37	1,609	11.35	1,445
Other liabilities	397,074	32.21	300,335	62.21	185,154
Provision	3,795	13.52	3,343	21.79	2,745
Debt/other borrowed funds	251,586	4.49	240,767	12.91	213,233
Total Liabilities	1,880,007	23.24	1,525,467	29.51	1,177,853
Equity					
Share capital	14,481	-	14,481	-	14,481
Share premium	101,272	-	101,272	-	101,272
Retained earnings	45,069	21.37	37,133	58.88	23,372
Statutory reserve	35,008	13.87	30,744	12.59	27,305
Small Scale Inv. Res.	764	-	764	-	764
Non-distr. Reg. Res.	12,470		408	(98.59)	28,837
Fair value res./Rem. Res	20,969	197.94	7,038	32.05	5,330
AGSMEIS reserve	3,997	55.16	2,576		
Total Equity	234,030	20.38	194,416	(3.45)	201,361
Total Liabs. & Equity	2,114,037		1,719,883		1,379,214

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	Dec, 2019 N'M	Δ%	Dec, 2018 N'M	Δ%	Dec, 2017 N'M
Operating Income					
Net interest income	83,055	13.22	73,356	7.65	68,141
Impairment charge for credit losses	5,292	(225.55)	(4,215)	(62.75)	(11,315)
Net interest income after Impairment charges for credit losses	88,347	27.78	69,141	21.67	56,826
Commssion and other operating income	33,971	8.11	31,422	7.79	29,151
Other operating expenses	(91,965)	21.85	(75,474)	13.05	(66,764)
Profit before income tax	30,353	20.98	25,089	30.58	19,213
Income tax expenses	(1,928)	(10.86)	(2,163)	49.69	(1,445)
Profit after tax	28,425	23.99	22,926	29.03	17,768
Other comprehensive income	14,375	(751.34)	2,207	(170.96)	3,110
Other comprehensive income for the year	42,800	106.57	20,719	(0.76)	20,878



Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 30th November, 2020

For and on behalf of:
DataPro Limited
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SUMMARY• **Rating:****A**

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• **Report Type:**
Bond Rating

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• **Client:**
Fidelity Bank
Plc

Please note that DataPro Rating does not represent an offer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, the rating is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We provide no guarantee with respect to accuracy or completeness of the data relied upon, and therefore the conclusions derived from the data.

• **Date Compiled**
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USER GUIDE

DataPro's credit rating is an opinion of an **Issuer's** overall creditworthiness and its capacity to meet its financial commitment.

Our **short-term** ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA through DD. Each band could be modified by + or -. With + representing slightly less risk than -. Such suffixes are not added to the 'AAA' long -term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

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LONG-TERM RATING

Investment Grade

Indicator	Meaning	Explanation
AAA	Lowest Risk	(Superior) Assigned to Issues which have superior Financial strength, when compared to the standards established by DataPro Limited. The Issuer, in our opinion, has a very strong ability to meet their ongoing obligations.
AA	Lower Risk	(Excellent) Assigned to Issues which have excellent financial strength, when compared to the standards established by DataPro Limited. The Issuer, in our opinion, has a very strong ability to meet their ongoing obligations.
A	Low Risk	(Very Good) Assigned to Issues which have, very good financial strength, when compared to the standards established by DataPro Limited. The Issuer, in our opinion, has a very strong ability to meet their ongoing obligation.
BBB	Slight Risk	(Fair) Assigned to Issues which have, fair financial strength, when compared to the standards established by DataPro Limited. The Issuer, in our opinion, has an ability to meet their current obligations, but their financial strength is vulnerable to adverse changes in economic conditions.

Non-Investment Grade

Indicator	Meaning	Explanation
BB	Moderate Risk	(Marginal) Assigned to Issues which have, marginal financial strength, when compared to the standards established by DataPro Limited. The Issuer, in our opinion has an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
B	High Risk	(Weak) Assigned to Issues which have, weak financial strength, when compared to the standard established by DataPro Limited. The Issuer, in our opinion has an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
CCC	Higher Risk	(Poor) Assigned to Issues, which have poor financial strength, when compared to the standards established DataPro Limited. The Issuer, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.
DD	Highest Risk	(Very Poor) Assigned to Issues, which have very poor financial strength, when compared to the standards established by DataPro Limited. The Issuer, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.

SHORT-TERM RATING

Indicator	Meaning	Explanation
A1+	Highest credit quality	Indicates the strongest capacity for

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			timely payment of financial commitments. May have an added "+" to denote any exceptionally strong credit feature.
A1	Good credit quality		a satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
A2	Fair credit quality		the capacity for timely payment of financial commitments are adequate. However, near term adverse changes could result in reduction to non-investment grade.
B	Speculative		Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions.
C	High default risk		Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment.
D			Indicates an entity that has defaulted on all its financial obligations.