

Fidelity Bank Plc Announces A Profit Before Tax (PBT) Of N6.3 Billion For The Half Year Ended June 30, 2016

LAGOS, NIGERIA - 29 JULY 2016: Fidelity Bank Plc (Bloomberg: Fidelity) announced its Unaudited Results, for the half year ended 30 June 2016.

Financial Highlights

- Gross Earnings decreased by **2.6%** to **N70.4bn** from **N72.3bn** in H1 2015
- Net Interest Income increased by **17.8%** to **N31.6bn** from **N26.8bn** in H1 2015
- Operating Income increased by **3.6%** to **N43.6bn** from **N42.0bn** in H1 2015
- Total Expenses increased by **10.0%** to **N31.7bn** from **N28.8bn** in H1 2015
- Impairment Charge increased by **52.8%** to **N4.8bn** from **N3.1bn** in H1 2015
- Profit before Tax decreased by **35.0%** to **N6.3bn** from **N9.7bn** in H1 2015
- Net Loans increased by **23.0%** to **N711.0bn** from **N578.2bn** in 2015 FY
- Deposits increased by **7.8%** to **N829.9bn** from **N769.6bn** in 2015 FY
- Total Equity remained flat at **N183.5bn**
- Total Assets increased by **13.5%** to **N1,397.9bn** from **N1,231.7bn** in 2015 FY

N 'million	H1 2016	H1 2015	VAR	% VAR
Gross Earnings	70,415	72,291	(1,876)	-2.6%
Net Interest Income	31,628	26,846	4,782	17.8%
Net Fee Income	11,930	15,180	(3,250)	-21.4%
Operating Income	43,558	42,027	1,531	3.6%
Total Expenses	(31,701)	(28,821)	(2,879)	10.0%
Impairment Charge	(4,798)	(3,140)	(1,658)	52.8%
Profit before Tax	6,284	9,664	(3,381)	-35.0%
Profit after Tax	5,593	8,215	(2,622)	-31.9%
	H1 2016	2015 FY	VAR	% VAR
Customer Deposits	829,928	769,636	60,292	7.8%
Total Equity	183,464	183,516	(52)	0.0%
Net Loans	711,139	578,203	132,936	23.0%
Total Assets	1,397,867	1,231,722	166,145	13.5%

Key Ratios	H1 2016	2015 FY	VAR
Earning Assets Yield	11.8%	13.8%	-2.0%
Net interest Margin	6.5%	6.9%	-0.4%
Return on Equity	6.9%	7.6%	-0.7%
Return on Assets	0.9%	1.1%	-0.2%
Cost of Funds	4.6%	6.2%	-1.6%
Cost Income Ratio	74.1%	76.4%	-2.3%
Cost of Risk	1.4%	1.0%	0.4%
Loan to Deposit	85.7%	75.1%	10.6%
Liquidity Ratio	36.3%	36.0%	0.3%
CAR	16.4%	18.7%	-2.3%
NPL Ratio	3.4%	4.4%	-1.0%
BVPS (NGN)	6.3	6.3	0.0%
EPS (NGN)	0.4	0.5	-0.1



Nnamdi Okonkwo, Managing Director and CEO of Fidelity Bank plc commenting on the results, stated that:

“Our financial performance for the half year is reflective of the slowdown in business activities due to lower government revenues arising from depressed oil prices, lower interest rate regime, rising inflation rate, lower consumer disposable income, tougher operating environment for most sectors of the economy and the impact of the currency devaluation on asset quality.

Despite the headwinds above we continued with the disciplined execution of our medium term strategy and recorded decent growth (excluding the impact of currency devaluation) on key operational metrics; deposits, loans, net interest income, e-banking income and operating income.

However PBT declined by 35.0% YoY largely due to the following key reasons;

- A 52.8% YoY growth in impairment charge (N1.7bn) driven by significantly increased provisions made in Q2, 2016 (N4.1bn) due to the expected impact of the 40% devaluation of the naira on our trade finance portfolio and some key sectors affected by the weaker macroeconomic indices.
- A 95.9% YoY decline in dividend income on equity investments (N0.76bn).
- A 10.0% YoY growth in operating expenses (N2.9bn) driven by increased technology and advert costs. However in line with our cost optimization initiatives, expenses dropped by 2.3% QoQ as the execution of key initiatives commenced.

On a QoQ basis, gross earnings grew by 5.0% to N36.1bn driven by a 37.7% growth in fee income. The fee income growth was principally driven by the following lines; electronic banking income grew by 85.4% to N4.8bn for the quarter and FX income grew by a 116.5% to N1.2bn for the quarter.

NIM declined from 6.9% (2015FY) to 6.5% in H1 2016 despite a drop in our funding cost from 6.2% (2015FY) to 4.6% H1 2016. This was due to a 2.0% drop in the average yield on our earning assets driven by lower yields on liquid assets and a reduction in lending rates for some sectors which ultimately resulted in aggregate yields on earning assets declining faster than funding costs.

Deposits grew by 7.8% (N60.3bn) from Dec 2015 with the 40% devaluation of the naira accounting for N25.6bn of our deposit growth. Savings deposits grew by 15.9% from Dec 2015 as we continued to drive our retail banking strategy. Low cost deposits now account for 71.6% of total deposits.

Risk assets grew by 23.0% (N132.9bn) from Dec 2015 with the 40% devaluation of the naira accounting for 15.6% (N89.9bn) of our loan growth. Foreign currency loans now constitute 43.7% of total loans up from 38.1% in Q1, 2016 due to the currency devaluation. The organic loan growth of 7.4% was principally driven by on-lending facilities to the public sector. Cost of risk spiked to 1.4% in H1 2016 due to the N4.0bn impairment charge taken in Q2, 2016. We have taken a very prudent view of the impact of the currency devaluation, tougher operating environment and declining consumer disposable income on selected sectors of our loan portfolio.

Though our NPL ratio declined to 3.4% largely due to the growth in the loan book, we have maintained a more conservative approach going forward and have revised our cost of risk guidance while focusing on keeping our NPL ratio below 5.0%. Other regulatory ratios (Liquidity Ratio / CAR) remained above the set thresholds though capital adequacy ratio declined to 16.4% principally driven by the growth in our loan book and other earning assets.

Our key objectives for the 2016FY remains; redesigning our systems and processes to enhance service delivery, cost optimization initiatives to reduce expenses by 5.0%, proactive risk management, increased customer adoption/migration to our digital platforms and increasing our retail banking market share”.



ANALYSTS AND INVESTORS CONFERENCE CALL INVITATION

Fidelity Bank Senior Management would be hosting a conference call with investors/analysts on the H1 2016 Financial Results on Thursday, August 04, 2016 at 15.00 hours Lagos & London / 10:00 New York / 16.00 Johannesburg. There will also be an opportunity for management to take questions from investors and analysts.

To participate in the call, please dial one of the following numbers:

Standard dial-in: +44 (0) 20 7043 4129

United Kingdom: 0800 327 7280

United States: +1 866 840 9752 / 213 375 0471

South Africa: 0800 982 759

Nigeria: +234 1 888 9001 / 888 9090

Follow the voice prompt and provide the Conference Call ID: **856 221#**

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