

Fidelity Bank Plc Grows Gross Earnings By 3.0%, Announces a Profit Before Tax (PBT) Of N9.8bn For The 9 Months Ended September 30, 2016

LAGOS, NIGERIA - 28 OCTOBER 2016: Fidelity Bank Plc (Bloomberg: Fidelity) announced its Unaudited Results, for the 9 months ended 30 September 2016.

Financial Highlights

- Gross Earnings increased by **3.0%** to **N110.3bn** from **N107.1bn** in **9M 2015**
- Net Interest Income increased by **13.1%** to **N50.5bn** from **N44.7bn** in **9M 2015**
- Operating Income increased by **8.6%** to **N67.3bn** from **N62.0bn** in **9M 2015**
- Total Expenses increased by **8.9%** to **N48.7bn** from **N44.8bn** in **9M 2015**
- Impairment Charge increased by **102.0%** to **N8.0bn** from **N3.9bn** in **9M 2015**
- Profit before Tax decreased by **28.7%** to **N9.8bn** from **N13.8bn** in **9M 2015**
- Net Loans increased by **26.1%** to **N729.0bn** from **N578.2bn** in **2015 FY**
- Deposits increased by **3.4%** to **N795.6bn** from **N769.6bn** in **2015 FY**
- Total Equity increased marginally by **0.8%** to **N185.0bn** from **N183.5bn** in **2015 FY**
- Total Assets increased by **13.3%** to **N1,396.1bn** from **N1,231.7bn** in **2015 FY**

| N'million | 9M 2015 | 9M 2016 | VAR | % VAR |
|---------------------|-----------|-----------|---------|--------|
| Gross Earnings | 107,140 | 110,346 | 3,206 | 3.0% |
| Net Interest Income | 44,687 | 50,520 | 5,833 | 13.1% |
| Net Free Income | 17,302 | 16,787 | (515) | -3.0% |
| Operating Income | 61,989 | 67,306 | 5,317 | 8.6% |
| Total Expenses | (44,757) | (48,741) | (3,983) | 8.9% |
| Impairment Charge | (3,940) | (7,960) | (4,020) | 102.0% |
| Profit before Tax | 13,789 | 9,835 | (3,954) | -28.7% |
| Profit after Tax | 11,445 | 8,753 | (2,692) | -23.5% |
| | 2015 FY | 9M 2016 | VAR | % VAR |
| Customer Deposits | 769,636 | 795,592 | 25,956 | 3.4% |
| Total Equity | 183,516 | 184,984 | 1,468 | 0.8% |
| Net Loans | 578,203 | 729,023 | 150,820 | 26.1% |
| Total Equity | 1,231,722 | 1,396,055 | 164,333 | 13.3% |

| Key Ratios | 2015 FY | 9M 2016 | VAR |
|----------------------|---------|---------|-------|
| Earning Assets Yield | 13.8% | 12.6% | -1.2% |
| Net Interest Margin | 6.9% | 7.0% | 0.1% |
| Return on Equity | 7.6% | 7.1% | -0.5% |
| Return on Assets | 1.1% | 0.9% | -0.2% |
| Cost of Funds | 6.2% | 5.0% | -1.2% |
| Cost Income Ratio | 76.4% | 73.3% | -3.1% |
| Cost of Risk | 1.0% | 1.5% | 0.5% |
| Loan to Deposit | 66.5% | 78.8% | 12.3% |
| Liquidity Ratio | 36.0% | 34.4% | -1.6% |
| CAR | 18.7% | 16.8% | -1.9% |
| NPL Ratio | 4.4% | 4.5% | 0.1% |
| BVPS (NGN) | 6.3 | 6.4 | 0.1 |
| EPS (NGN) | 0.5 | 0.4 | (0.1) |



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

“Our financial performance for the period is reflective of the recessionary environment characterized by lower government revenues, rising inflation, lower consumer disposable income, significantly tougher operating environment in all sectors and the impact of these headwinds on asset quality and foreign trade transactions.

We continued with the disciplined execution of our medium term strategy and recorded decent growth on some key operational metrics while moderating the impact of the headwinds above on other financial indices.

PBT declined by 28.7% YoY largely due to the following key reasons;

- A 102.0% YoY growth in impairment charge (N4.0bn) driven significantly by increased provisions made in Q2 and Q3, 2016 (N4.1bn and N3.2bn respectively) due to the impact of the devaluation of the naira on our trade finance portfolio and some key sectors affected by the weaker macroeconomic indices.
- A 95.7% YoY (N1.3bn) decline in dividend income on equity investments.
- A 8.9% YoY growth in operating expenses (N4.0bn) driven by increased technology and advert costs (though cost growth is still significantly below the rate of inflation).

On a QoQ basis, gross earnings grew by 10.7% to N39.9bn driven by a 22.6% growth in Interest Income. The Interest Income growth was largely driven by 25.6% (N5.4bn) growth in Interest Income on Loans while Interest Income on Liquid Assets increased by 13.5% (N0.9bn) for the quarter.

On a QoQ basis NIM increased to 7.0% from 6.5% in H1 2016 as the increase in our average yield on earning assets (0.8%) outpaced the growth in our funding cost (0.4%). The increased yields on earning assets was driven by the re-pricing of the loan book and higher yields on liquid assets.

Deposits grew by 3.4% (N26.0bn) from Dec 2015 with the devaluation of the naira accounting for N53.6bn of our deposit growth. Low cost deposits now account for 78.4% of total deposits. Savings deposits grew by 20.4% from Dec 2015 as we continued to drive our retail banking strategy which is being driven by our electronic products and channels. We have crossed the **half a million customer base** on subscribers to our flagship Instant Banking product: ***770#** (Mobile Phone USSD Technology) and we will be launching payment services to merchants using our Instant Banking product (***770#**) in Q4, 2016.

Risk assets grew by 26.1% (N150.8bn) from Dec 2015 with the devaluation of the naira accounting for 20.4% (N118.2bn) of our loan growth. Foreign currency loans now constitute 45.3% of total loans up from 40.4% in Dec 2015 due to the currency devaluation. The organic loan growth of 5.6% was principally driven by on-lending facilities to the public sector. Cost of risk increased to 1.5% in 9M 2016 due to the N7.2bn impairment charge taken in Q2 and Q3 2016. We have continued to take 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.

NPL ratio increased to 4.5% largely due the macro-economic weakness which has negatively impacted on our asset quality metrics. We are still focused on keeping our NPL ratio below 5.0% in this very challenging operating environment. Our other regulatory ratios (Liquidity Ratio / CAR) remained above the set thresholds, though Capital Adequacy Ratio improved from 16.4% in Q2 2016 to 16.8% in Q3, 2016, we expect CAR to revert to 18%+ once we adjust for the excess non-distributable reserves (N23bn) in our 2016FY audited accounts.

Our key objectives for the 2016FY remains: redesigning our systems and processes to enhance service delivery, cost optimization initiatives to moderate expenses in a rising inflation environment, 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 9M 2016 Financial Results on **Thursday, November 03, 2016 at 15.00 hours Lagos / 14:00 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: **224 053#**

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