



## Fidelity Bank **H1 2024 Result:** Topline Earnings Rise 107.6% as Bank Drives Aggressive Recapitalisation Programme.



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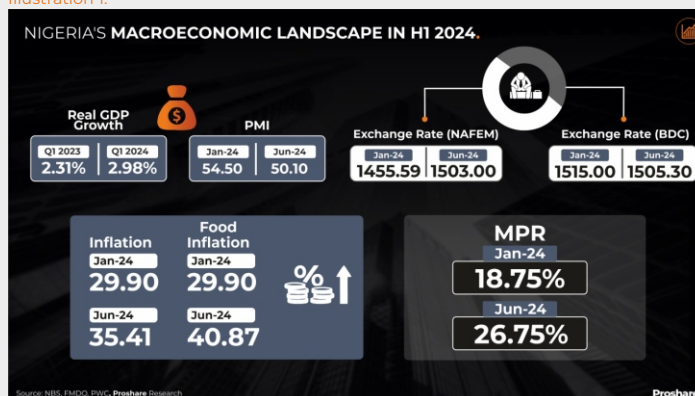
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**Fidelity Bank** was among Nigeria's leading commercial bank lenders in H1 2024. The lender declared a **+107.55%** growth in gross earnings, and its pre-tax earnings rose by **+163.15%** to N200.87bn.

The bank's growth across income lines drove its top-line performance in H1 2024. Notably, interest income rose by **+149.19%**, contrasting with the 30.70% decline in non-interest income growth. The bank's net revaluation loss (N284.78bn in H1 2024 from N150.68bn in H1 2023) shields it from the federal government's 70% windfall tax on FX revaluation gains.

The H1 2024 performance occurred despite growing regulatory provisions, recapitalisation worries, macroeconomic headwinds that affected operating costs (see *Illustration 1*).

Illustration 1:



Similar to developed economies such as the US, which saw a renewed focus on bank funding concentration and liquidity concerns due to the failure of 5 mid-sized banks in 2023 and the failure of two banks in 2024 (First Republic Bank and First National Bank), caused by low liquidity, poor risk management and unrealized losses on securities, the Central Bank of Nigeria (CBN) announced new recapitalisation requirements for banks in April this year.

Proshare analysts have observed that raising new minimum capital to sustain existing licenses may be difficult. Nevertheless, Fidelity Bank's strategic preparations to raise capital in 2023 has helped it to quickly align itself with the CBN's 2024 recapitalisation announcement that gives banks a two year window to raise further tier 1 equity capital (see table 1).

Table 1:

Rank	Bank	Current Capital (N'bn)	Target Capital (N'bn)	Capital Gap (N'bn)	Current Capital (N'bn)	Target Capital (N'bn)	Capital Gap (N'bn)	Current Capital (N'bn)	Target Capital (N'bn)	Capital Gap (N'bn)
1	Stanbic	109.00	300.00	(191.00)	100.00	N100bn (May 16, 2024)	---	---	---	200.00
2	Sterling	97.15	300.00	(202.85)	200.00	N200bn (Sept 18, October 26, 2024)	N170bn (Sept 18, 2024)	---	---	200.00
3	Fidelity	129.71	300.00	(170.29)	127.00	N127bn (June 20, July 20, 2024) (7 to 10)	---	N170bn (June 20, 2024)	---	200.00
4	FMBB	125.00	300.00	(175.00)	110.90	---	---	N110bn (July 28, Sept 4, 2024)	---	200.00
5	Wema	67.50	200.00	(132.50)	150.00	---	---	---	---	200.00
6	Premium Trust	26.00	200.00	(174.00)	177.00	N177bn (Sept 1, 2024 - Nov 28, 2024)	N177bn (Sept 1 - Nov 28, 2024)	---	---	200.00
7	Zenith	18.60	20.00	(1.40)	Undisclosed	Undisclosed	Undisclosed	---	---	---

Fidelity Bank has expressed confidence in raising the necessary equity capital for an international license (with a capital level of N129.71bn in H1 2024). The lender announced a capital raise of N127.10bn (N30bn rights issue announced on June 20, 2024, and N97bn IPO announced on June 20, 2024). The offer was reportedly over-subscribed by the end of the exercise in August 2024.

Consolidating the bank's strategic moves in H1 2024, it appointed Mr Abolore Solebo, who has been with the bank in various capacities since 2008 as an Executive Director Corporate Banking Directorate, following the approval of the CBN and notice of same from SEC, NDIC and corporate governance regulatory enforcement agency, the FRCN.

## Key Highlights.

- Despite the higher operating expenses, the group's Profit before tax rose by +107.55% from N247.10bn in H1 2023 to N512.86bn in H1 2024.
- Total assets rose by +56.97% to N7.93trn in H1 2024 from N5.05trn in H1 2023.
- Customer deposits increased by +69.25% to N5.38trn in H1 2024 from N3.18trn in H1 2023.
- Shareholder's funds rose by +56.34% to N629.43bn in H1 2024 from N402.60bn in H1 2023.
- Earnings per share increased to N4.99k in H1 2024 from N1.31k in H1 2023.
- Retained earnings rose +81.06% from N85.38bn in H1 2023 to N1.6n in H1 2024.

- Despite the higher operating expenses, the group's Profit before tax rose by +163.15% from N76.33bn in H1 2023 to N200.87bn in H1 2024, and profit after tax grew by +157.83% to N159.84bn in H1 2024 from N62.00bn in H1 2023.
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## Gross Earnings.

The Group's gross earnings rose +107.55% from N247.10bn in H1 2023 to N512.86bn in H1 2024. This growth was driven by a +149.20% rise in interest income to N473.24bn and a -30.71% decline in noninterest income to N39.63bn in H1 2024 (see chart 1).

Chart 1:



## Profitability.

Despite an +89.22% rise in operating expenses and a +54.75% rise in personnel costs to N159.98bn and N26.75bn in H1 2024 the lender declared triple-digit earnings growth given its +163.15% increase in profit before tax to N200.87bn and a +157.83% rise in profit after tax to N159.84bn in H1 2024 (see chart 2).

Chart 2:



## Financial Position.

The group recorded an improved financial position as its total assets rose by **+56.97%** from N5.05trn in H1 2023 to N7.93trn in H1 2024. This rise came from a **+41.58%** rise in loans and advances and a **+30.17%** rise in balance with the central bank. The group's customer deposits rose **+69.25%** from N3.18bn in H1 2023 to N5.39bn in H1 2024. Increased profit for the period drove a **+81.06%** rise in retained earnings to N154.59bn in H1 2024. This led to a **+56.34%** rise in its shareholders equity from N402.60bn in H1 2023 to N629.43bn in H1 2024 (see table 2).

Table 2:

	H1 2023 (N'bn)	H1 2024 (N'bn)
Loans and Advances	2,650.18	3,752.11
Deposit from Customers	3,178.65	5,379.77
Balances with Central Bank	938.91	1,222.18
Total Assets	5,052.21	7,930.53
Share Capital	16.00	16.00
Retained Earnings	85.38	154.59

Source: Financial Statement, Proshare Research

## Financial Ratio.

Increased profit for the period drove the group's return on equity from 34.9% in H1 2023 to **+60.3%** in H1 2024. The persistent hike in the MPR drove the net interest margin to 13.4% in H1 2024. The volatile macroeconomic environment contributed to its cost of risk and non-performing loan growth to 2.1% and 3.5% in H1 2024, respectively (see table 3).

Table 3:

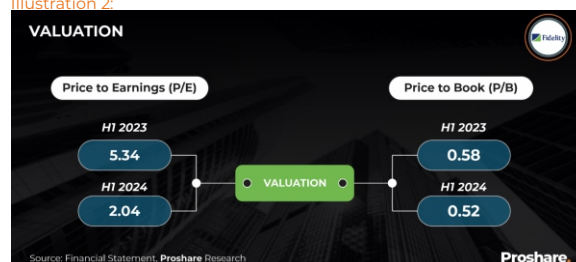
	H1 2023	H1 2024
Cost to Income	46.8%	40.30%
Cost of Risk	1.70%	2.10%
Non-performing Loan	3.20%	3.50%
Net interest Margin	7.20%	13.40%
Capital Adequacy	16.10%	23.90%
Return on Equity	34.90%	60.30%

Source: Financial Statement, Proshare Research

## Valuation.

Increased earnings per share (EPS) drove the group's price-to-earnings (P/E) ratio decline from 5.34x in H1 2023 to 2.04x in H1 2024, but still higher than the industry average of 1.4x. Its price to book value (P/BV) rose from 0.58x in H1 2023 to 0.52x in H1 2024, indicating that the group's net book value was lower than the previous year (see illustration 2).

Illustration 2:



## Share Price Movement.

Investors rallies in early January led to a share price rise from N11.40k on January 2, 2024, to peak at N14.20 on January 5 (see chart 3).

Chart 3:



**Fidelity Bank's** share price averaged N10.40 in H1 2024. The bank's share price rallied around the average most of H1 2024, yielding a YTD return of **-5.99%** between December 29, 2023, and June 28, 2024 (see illustration 3).

Illustration 3:

Banks	Price @Dec 29, 2023	Price June 28th, 2024	Change (N)	YTD	Market Cap
Fidelity	10.85	10.20	-0.65	-5.99%	326,524,555,576.20
FCMB	7.40	7.75	0.35	4.73%	153,471,008,343.50
Sterling	6.44	4.31	-2.13	-33.07%	124,086,702,114.44
Wema	5.60	7.30	1.70	30.36%	93,864,534,128.00
Unity	1.62	1.54	-0.08	-4.94%	18,001,580,430.68

Source: NGX, Proshare Research

## Peer Analysis.

**Fidelity Bank** reported the highest earnings and efficiency measures among its peers, reporting the lowest cost-to-income ratio (CIR) and nonperforming loan (NPL) ratio at 40.30% and 3.5%, respectively as Stanbic followed at 42.80% and 3.60%, respectively (see chart 4).

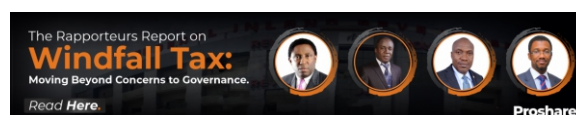
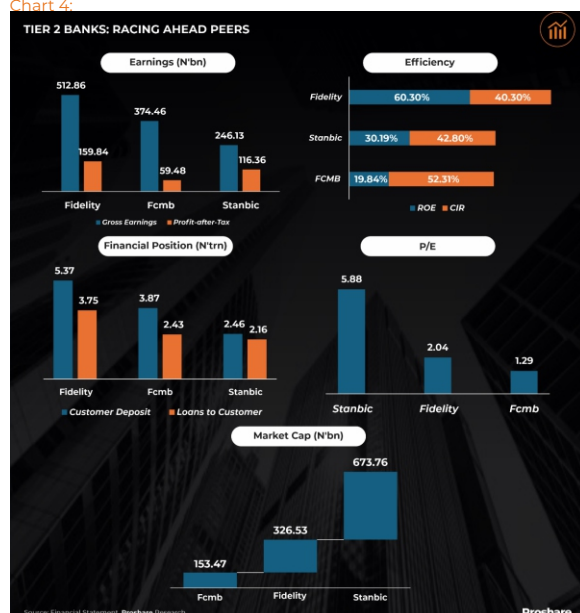




Chart 4:



### Closing Thoughts.

The macroeconomic environment, evolving regulatory requirements, compliance cost, and the hike in interest rates have presented challenging operating conditions for corporate entities in H1 2024; however, amidst the demanding operating conditions, financial institutions tacked their sails in navigating to ensure profitability sustenance.

Analysts will keep **Fidelity Bank** within their analytical crosshairs as the bank makes bold moves to upend its rivals. The bank is expected to meet its recapitalisation goals and use the proceeds to strengthen technology and customer experience journeys while it organically grows its branch network.

For further updates on **Fidelity Bank Plc**, follow the company **Proshare Investor Relations (IR) Portal**.

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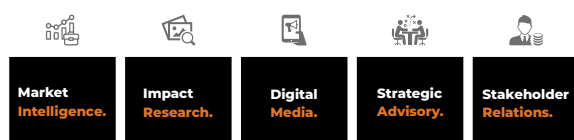
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