

Financial Condition and Performance of Deposit Money Banks in the Fourth Quarter, 2023

4.0 Introduction

There were 36 licensed Deposit Money Banks (DMBs) as at December 31, 2023, of which 26 were Commercial, six (6) Merchant and four (4) Non-Interest Banks (NIBs). This report provides an assessment on the financial condition and performance of the DMBs for the fourth quarter of 2023.

4.1 Structure of Assets and Liabilities

Total Assets of the 36 DMBs stood at ₦113,862.17 billion at the end of the fourth quarter of 2023, which was an increase of ₦13,324.78 billion or 13.25% from ₦100,537.39 billion as at end-September 2023. The growth in total assets was mainly due to an increase in balances with banks & Central Bank, Loans & Advances to Customers and investment in financial assets held at amortized cost as shown in Table 4.1.

On the funding side, Total liabilities amounted to ₦113,862.17 billion at the end of the fourth quarter of 2023, an increase of ₦13,324.78 billion or 13.25% from ₦100,537.39 billion reported as at end-September 2023. The growth in total liabilities was largely funded by Deposits from Customers, Borrowings and Debt Instruments. Specifically, Deposit from Customer increased by ₦11,613.68 billion or 19.62% from ₦59,185.91 billion reported at the end of the third quarter of 2023, to ₦70,799.58 billion as at end-December 2023. The DMBs' also raised additional fund through borrowings and debt Instruments which increased by ₦379.18 billion or 5.39% and ₦818.66 billion or 22.56%, respectively at the end of the fourth quarter of 2023.

The Shareholders' Funds grew by ₦532.66 billion (8.60%) from ₦6,196.52 billion at the end of the third quarter of 2023 to ₦6,729.09 billion at the end of the fourth quarter of 2023. It represented 5.91% of total liabilities, which stood at ₦113,862.17 billion as at end-December 2023.

Table 4.1: Structure of DMBs' Assets and Liabilities for the Third Quarter, 2023 and the Fourth Quarter, 2023

Fourth Quarter, 2023					
PARAMETER	As At December 31, 2023		As At September 30, 2023		% Change Between Dec 2023 and Sep 2023
	₦ Billion	% of Total Assets	₦ Billion	% of Total Assets	
ASSETS					
Cash Balances	612.21	0.54	712.83	0.71	-14.12
Balances with Banks & Central Bank	34,768.69	30.53	29,009.01	28.85	19.85
Loans & Advances to Banks	1,213.67	1.07	1,217.54	1.21	-0.32
Loans & Advances to Customers	39,288.67	34.51	34,579.32	34.39	13.62

PARAMETER	As At December 31, 2023		As At September 30, 2023		% Change Between Dec 2023 and Sep 2023
	₦ Billion	% of Total Assets	₦ Billion	% of Total Assets	
Financial Assets Held for Trading	7,141.37	6.27	6,884.22	6.81	4.34
Financial Assets held at Fair Value through Other Comprehensive Income (FVOCI)	8,592.44	7.55	8,212.66	8.17	4.62
Financial Assets held at Amortised Cost	9,065.67	7.96	6,984.56	6.95	29.80
Assets Pledged as Collateral	3,388.27	2.98	3,692.29	3.67	-8.23
Investment in Subsidiaries & Associates	875.50	0.77	767.98	0.76	14.00
Property Plant and Equipment	1,643.93	1.44	1,557.92	1.55	5.52
Other Assets	7,173.81	6.30	6,871.96	6.84	4.39
Asset Classified as Held for Sale & Discontinued Operations	97.96	0.09	87.06	0.09	12.31
TOTAL ASSETS	113,862.17	100.00	100,537.39	100.00	13.25
LIABILITIES					
Deposit from Banks	6,733.60	5.91	5,943.30	5.91	13.30
Deposit from Customers	70,799.58	62.18	59,185.91	58.87	19.63
Financial Liabilities Held for Trading	1,189.31	1.04	1,025.085	1.02	16.02
Borrowings	7,417.26	6.51	7,038.09	7.00	5.39
Debt Instrument	4,446.72	3.91	3,628.07	3.61	22.56
Other Liabilities	16,546.60	14.53	17,520.51	17.43	-5.56

PARAMETER	As At December 31, 2023		As At September 30, 2023		% Change Between Dec 2023 and Sep 2023
	₦ Billion	% of Total Assets	₦ Billion	% of Total Assets	
Shareholders' Fund (Unadjusted)	6,729.09	5.91	6,196.43	6.16	8.60
TOTAL LIABILITIES	113,862.17	100.00	100,537.39	100.00	8.07
CONTINGENT LIABILITIES	23,649.91	20.77	21,359.67		
NUMBER OF BANKS	36		36		

Source: NDIC (2023)

4.2 Financial Condition of DMBs

4.2.1 Capital Adequacy

The Capital Adequacy Ratio (CAR) of the DMBs increased by 23 basis points from 12.90 per cent as at September 30, 2023, to 13.13 per cent as at December 31, 2023. This was due to significant increase in total qualifying capital (TQC) by ₦580.88 billion or 10.85% from ₦5,354.88 billion as at September 30, 2023, to ₦5,935.76 billion as at December 31, 2023. See Table 4.2.

Table 4.2: DMBs' Capital Adequacy Position

PARAMETERS	As at December 31, 2023	As at September 30, 2023	% CHANGE BTW DEC 2023 & SEP 2023
	₦ BILLION	₦ BILLION	
Primary Capital (Tier 1 Capital)	4,889.21	4,445.27	9.99
Qualifying Secondary Capital (Tier II Capital)	1,046.54	909.61	15.05
Total Qualifying Capital	5,935.75	5,354.88	10.85
Total Risk-Weighted Assets	45,195.09	41,503.79	5.68
Capital to Risk-Weighted Assets (%)	13.13	12.90	0.32
Capital to Total Assets Ratio (%)	4.19	5.33	-1.13
Adjusted Capital Ratio (%)	8.73	11.83	-3.10

Source: NDIC (2023)

4.2.2 Asset Quality

DMBs' Total Credit grew by ₦5,444.17 billion (13.77%) from ₦39,544.79 billion as at September 30, 2023, to ₦44,988.97 billion as at December 31, 2023. Out of the Total Credit of ₦44,988.97

billion, the sum of ₦1,814.85 billion was impaired, resulting in an Impaired Credits to Total Credits Ratio of 4.03 per cent as at December 31, 2023, compared with 4.36 per cent as at September 30, 2023 (Table 4.3).

Table 4.3: Asset Quality

PARAMETERS	As at December 31, 2023	As at September 30, 2023
	(₦ Billion)	(₦ Billion)
Total Assets	113,862.17	100,537.39
Total Earning Assets	62,649.41	56,188.99
Total Credit	44,988.97	39,544.79
Impaired Credit	1,814.85	1,723.76
Impaired Credit to Total Credit (%)	4.03	4.36
Total Earning Assets to Total Assets (%)	55.02	55.89
Total Impairment to Impaired Credit (%)	91.03	90.28
Impaired Credit to Shareholders' Fund (Adjusted)	33.30	33.89

Source: NDIC (2023)

4.3 Sectoral Allocation of Credits

A review of sectoral allocation of credit revealed that the DMBs were exposed to concentration risk, with Oil & Gas sector accounting for ₦11,863.82 billion or 26.37% of the DMBs total credit as at end-December 2023. Despite the concentration, the sector recorded an increase in credit of ₦1,759.16 billion or 17.41% when compared with ₦10,104.66 billion or 22.46% reported at the end of the third quarter of 2023. Out of the exposure to the Oil & Gas sector, ₦439.33 billion or 3.70% was impaired at the end of the fourth quarter of 2023. Activities of Extraterritorial Organizations & Bodies had the least credit allocation with 0.0004 per cent for the quarter under review, as depicted in Table 4.4.

Table 4.4: Structure of Credit Allocation among Sectors (%)

S/N	Sectors	As at December 31, 2023		As at September 30, 2023	
		% of Total Credit	% of Impaired Credits	% of Total Credit	% of Impaired Credits
1	Oil and Gas	26.37	3.70	25.55	3.63
2	Manufacturing	17.13	1.45	18.56	1.76
3	General	8.85	4.92	8.87	6.25
4	General Commerce	8.27	4.53	8.47	5.47
5	Finance and Insurance	8.05	0.22	7.55	0.54

S/N	Sectors	As at December 31, 2023		As at September 30, 2023	
		% of Total Credit	% of Impaired Credits	% of Total Credit	% of Impaired Credits
6	Government	5.99	0.05	6.21	0.05
7	Agriculture	5.19	3.26	4.80	4.11
8	Information and Communication	4.40	8.97	4.47	8.68
9	Construction	4.11	12.19	3.89	13.41
10	Power and Energy	2.96	4.90	2.91	5.04
11	Transportation and Storage	2.58	9.19	2.57	9.55
12	Real Estate	1.97	9.52	2.04	9.99
13	Capital Market	1.57	0.06	1.62	0.07
14	Professional, Scientific and Technical Activities	0.89	3.90	0.73	5.37
15	Public Utilities	0.47	0.22	0.47	0.05
16	Human Health and Social Work Activities	0.41	17.60	0.43	16.16
17	Education	0.24	5.49	0.25	5.91
19	Water Supply; Sewerage, Waste Management and Remediation Activities	0.22	85.70	0.22	2.57
	Administrative and Support Service Activities	0.20	2.74	0.18	94.27
20	Mining and Quarrying	0.10	0.17	0.11	0.11
21	Arts, Entertainment and Recreation	0.07	58.50	0.07	55.40
22	Activities of Extraterritorial Organizations and Bodies	0.00	39.67	0.00	31.01
	Grand Total	100.00	4.03	100.00	4.36

Source: NDIC (2023)

4.4 Earnings and Profitability

The DMBs reported a Profit-Before-Tax (PBT) of ₦1,241.46 billion at the end of the fourth quarter of 2023, which was an increase of ₦608.34 billion (96.12%) from ₦633.02 billion as at end-September, 2023.

Return on Assets (ROA) as at end-December 2023 stood at 3.15%, compared to 2.58% reported as at September 30, 2023, while the Return on Equity (ROE) increased by 10.77% from 38.48% at the end of the third quarter of 2023, to 49.13% as at December 31, 2023 as shown in Table 4.5.

Table 4.5: Earnings and Profitability Performance of the Banking Industry

Parameter	As at December 31, 2023 (₦ Billion)	As at September 30, 2023 (₦ Billion)	% Change
Interest Income	2,335.64	1,655.45	41.09
Interest Expense	1,155.45	861.41	34.13
Net Interest Income	1,176.53	794.05	48.17
Trading Income	967.61	565.17	71.21
Recoveries	28.26	8.71	224.41
Operating Income	2,365.51	1,416.97	66.94
Profit Before Tax	1,241.46	633.03	96.12
			% Points
Return On Assets (%)	3.15	2.58	0.58
Return On Equity (%)	49.13	38.48	10.77
Net Interest Margin (%)	6.35	5.78	0.58
Yield On Earning Assets (%)	13.03	12.06	0.97

Source: NDIC (2023)

4.5 Liquidity Profile

The DMBs Total Deposit Liabilities increased by ₦11,613.68 billion (19.62%) from ₦59,185.91 billion as at September 30, 2023, to ₦70,799.58 billion as at December 31, 2023. The Liquidity Ratio of the DMBs decreased by 3.66 percentage points from 43.67 per cent as at September 30, 2023, to 40.01 per cent as at December 31, 2023.

The Loan to Deposit Ratio, which measures banks' lending activities, decreased by 3.27 percentage points from 66.81 per cent as at September 30, 2023, to 63.54 per cent as at December 31, 2023 (Table 4.6).

Table 4.6: DMBs Liquidity Profile

Parameters	As at December 31, 2023 (₦ Billion)	As at September 30, 2023 (₦ Billion)	% Change Between December 2023 & September 2023
Total Credit (TC)	44,988.97	39,544.79	13.77
Total Deposits	70,799.58	59,185.91	19.62
			% Points

Parameters	As at December 31, 2023 (₦ Billion)	As at September 30, 2023 (₦ Billion)	% Change Between December 2023 & September 2023
Liquidity Ratio (%)	40.01	43.67	-3.66
Loan to Deposit Ratio (%)	63.54	66.81	-3.27
Net Interbank Takings to Deposits (%)	0.12	0.07	-0.05

Source: NDIC (2023)

4.6 Conclusion

The DMBs' performance improved in the fourth quarter of 2023, as shown by an increase in Capital Adequacy Ratio from 12.90 per cent at the end of the third quarter of 2023 to 13.13 per cent at the end of fourth quarter of 2023. Similarly, Total Deposits and Total Assets increased by 19.62 per cent and 13.25 per cent, respectively, in the quarter under review. Similarly, Profit Before Tax increased by 96.12 per cent from ₦633.03 billion as at September 30, 2023, to ₦1,241.46 billion as at December 31, 2023. Furthermore, Return on Equity increased by 10.65 per cent in the quarter under review from 38.48 per cent as at September 30, 2023 to 49.13 per cent as at December 31, 2023.