

Financial Condition and Performance of Deposit Money Banks in First Quarter, 2022
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2.0 Introduction

This section highlights the financial condition and performance of the Deposit Money Banks (DMBs) in Nigeria, comprising twenty-three (23) Commercial Banks (including two Non-Interest Banking Windows), six (6) Merchant Banks and three (3) Non-Interest Banks (NIBs). The analysis of the financials for the first quarter of 2022 was made in comparison with the previous quarter ended on December 31, 2021.

2.1 Structure of Assets and Liabilities

The DMBs' Total Assets stood at ₦62,994.54 billion at the end of the first quarter of 2022, which indicated an increase of ₦3,690.06 billion (6.22%) from ₦59,304.47 billion at the end of the fourth quarter 2021. The growth in the Total Assets was largely driven by an increase in Balances with Banks & Central Bank (6.65%), Loans and Advances to Customers (3.65%), Financial Assets Held for Trading (37.87%), and Financial Assets Held at Fair Value through Other Comprehensive Income Assets (16.27%), as shown in Table 2.1.

On the Funding side, Total Deposits from Customers of ₦40,473.00 billion represented 64.25 per cent of the Total Liabilities during the quarter under review. This shows that DMBs largely relied on Customers' Deposits to fund Assets. It increased by ₦2,019.39 billion (5.25%) from ₦38,453.62 billion at the end of the fourth quarter of 2021 to ₦40,473.00 billion as at the end of the first quarter of 2022. Other Liabilities also increased by ₦1,393.93 billion (22.43%) from ₦6,215.93 billion at the end of the fourth quarter of 2021 to ₦7,609.87 billion at the end of the first quarter of 2022. However, Borrowings by banks declined by ₦436.32 billion (8.65%) from ₦5,046.48 billion at the end of the fourth quarter of 2021 to ₦4,610.16 billion at the end of the first quarter of 2022.

The Shareholders' Funds grew by ₦476.29 billion (9.85%) from ₦4,833.37 billion at the end of the fourth quarter of 2021 to ₦5,309.60 billion at the end of the first quarter of 2022. It represented 8.43 per cent of the Total Liabilities, which stood at ₦62,994.54 billion as at the end of the first quarter of 2022.

Table 2.1: Structure of DMBs' Assets and Liabilities for the Third and Fourth Quarters, 2021

PARAMETER	As Of March 31, 2022		As Of December 31, 2021		% Change Between Mar 2022 and Dec 2021
	₦ Billion	% of Total Assets	₦ Billion	% of Total Assets	
ASSETS					
Cash Balances	794.83	1.26	841.38	1.42	-5.53
Balances with Banks & Central Bank	17,465.90	27s.73	16,376.48	27.61	6.65
Loans & Advances to Banks	524.06	0.83	474.70	0.80	10.40
Loans & Advances to Customers	22,977.95	36.48	22,168.29	37.38	3.65
Financial Assets Held for Trading	3,246.60	5.15	2,354.79	3.97	37.87
Financial Assets held as Fair Value through Other Comprehensive Income (FVOCI)	6,005.48	9.53	5,165.23	8.71	16.27
Financial Assets held as Amortised Cost	4,640.29	7.37	5,241.89	8.84	-11.48
Assets Pledged as Collateral	2,036.95	3.23	2,218.08	3.74	-8.17
Investment in Subsidiaries & Associates	614.71	0.98	527.58	0.89	16.52
Property Plant and Equipment	1,273.43	2.02	1,271.95	2.14	0.12
Other Assets	3,268.91	5.19	2,521.47	4.25	29.64
Asset Classified as Held for Sale & Discontinued Operations	145.44	0.23	142.64	0.24	1.96
TOTAL ASSETS	62,994.54	100.00	59,304.47	100.00	6.22
LIABILITIES					
Deposit from Banks	2,992.74	4.75	2,713.37	4.58	10.30
Deposit from Customers	40,473.00	64.25	38,453.62	64.84	5.25
Financial Liabilities Held for Trading	84.94	0.13	69.49	0.12	22.24
Borrowings	4,610.16	7.32	5,046.48	8.51	-8.65
Debt Instrument	1,914.23	3.04	1,972.28	3.33	-2.94
Other Liabilities	7,609.87	12.08	6,215.93	10.48	22.43
Shareholders' Fund (Unadjusted)	5,309.60	8.43	4,833.31	8.15	9.85

PARAMETER	As Of March 31, 2022		As Of December 31, 2021		% Change Between Mar 2022 and Dec 2021
	₦ Billion	% of Total Assets	₦ Billion	% of Total Assets	
TOTAL LIABILITIES	62,994.54	100.00	59,304.47	100.00	6.22
CONTINGENT LIABILITIES	13,721.35		12,378.70		
NUMBER OF BANKS		32		31	

Source: NDIC

2.2 Capital Adequacy

The Average Capital Adequacy Ratio (CAR) of the DMBs slightly improved by 9 basis points from 14.51 per cent as of December 31, 2021, to 14.60 per cent as of March 31, 2022. This was due to an increase in Total Qualifying Capital than Total Risk-Weighted Asset (TRWA) by ₦68.17 billion (1.60%) from ₦4,266.79 billion as of December 31, 2021, to ₦4,334.96 billion as at March 31, 2022.

Table 2.2: DMBs' Capital Adequacy Position

PARAMETERS	As of March 31, 2022	As of December 31, 2021	% CHANGE BTW MAR 2022 & DEC 2021
	₦ BILLION	₦ BILLION	
Primary Capital (Tier 1 Capital)	3,732.51	3,668.25	1.75
Qualifying Secondary Capital (TierII Capital)	602.45	598.54	0.65
Total Qualifying Capital	4,334.96	4,266.79	1.60
Total Risk-Weighted Assets	29,693.26	29,397.13	1.01
Capital to Risk-Weighted Assets (%)	14.60	14.51	
Capital to Total Assets Ratio (%)	6.88	7.19	
Adjusted Capital Ratio (%)	15.22	15.67	

Source: NDIC

2.3 Asset Quality

The quality of risk assets as of March 31, 2022, is shown in Table 2.3. Total Credit of the DMBs witnessed a growth of ₦941.26 billion (3.83%) from ₦24,607.59 billion as of December 31, 2021, to ₦25,548.85 billion as of March 31 2022. Out of the Total Credit of ₦25,548.85 billion, the sum of ₦1,298.46 billion was Impaired, resulting in an Impaired Credits to Total Credits Ratio of 5.08 per cent as of March 31, 2022, compared with a 4.79 per cent as of December 31, 2021.

Table 2.3: Asset Quality

PARAMETERS	As of March 31, 2022	As of December 31, 2021
	(₦ Billion)	(₦ Billion)
Total Assets	62,994.54	59,304.47
Total Earning Assets	38,386.11	36,433.70
Total Credit	25,548.85	24,607.59
Impaired Credit	1,298.46	1,178.740
Impaired Credit to Total Credit (%)	5.08	4.79

Total Earning Assets to Total Assets (%)	60.94	61.43
Total Impairment to Impaired Credit (%)	90.23	101.66
Impaired Credit to Shareholders' Fund (Adjusted)	31.12	29.44

Source: NDIC

2.4 Sectoral Allocation of Credits

The sectoral allocation of credits of the DMBs shows that the Oil & Gas, Manufacturing, and General sectors recorded the highest exposure with 22.23 per cent, 16.65 per cent, and 10.23 per cent, respectively, of the Total DMB Credit of ₦25,548.85 billion as at March 31, 2022. The percentage of credit extended to the Oil and Gas sector decreased from 23.01 per cent as of December 31, 2021, to 22.23 per cent as of March 31, 2022, while Activities of Extraterritorial Organizations & Bodies and Arts, Entertainment & Recreation Sectors had the least credit allocation with 0.08 per cent for the quarter under review.

Table 2.4: Structure of Credit Allocation among Sectors (in %)

S/N	Sectors	As of March 31, 2022		As of December 31, 2021		% Change Between Mar 22 & Dec 21
		% of Total Credit	% of Impaired Credits	% of Total Credit	% of Impaired Credits	
1	Oil and Gas	22.23	13.73	23.01	16.54	0.27
2	Manufacturing	16.65	8.44	16.62	9.45	4.00
3	General	10.23	13.02	9.72	12.75	9.32
4	Government	9.59	0.31	9.62	0.54	3.44
5	General Commerce	7.19	10.24	7.2	10.67	3.69
6	Agriculture	6.33	3.42	5.92	3.75	10.96
7	Finance and Insurance	5.75	0.42	5.72	0.2	4.31
8	Construction	4.23	15.63	4.35	14.04	0.92
9	Information and Communication	3.86	12.2	3.91	10.21	2.59
10	Power and Energy	3.32	2.71	3.62	2.98	-4.65
11	Transportation and Storage	3.06	5.61	2.84	4.53	11.91
12	Real Estate	2.67	5.42	2.81	5.65	-1.31
13	Capital Market	1.4	0.03	1.36	0.04	7.11
14	Professional, Scientific, and Technical Activities	1.27	1.33	1.08	1.17	22.5
15	Public Utilities	0.63	1.39	0.67	1.53	-2.27
16	Human Health and Social Work Activities	0.49	1.33	0.5	1.38	2.89
17	Education	0.44	0.78	0.43	0.6	6.25
18	Administrative and Support Service Activities	0.24	0.54	0.22	0.2	11.11

S/N	Sectors	As of March 31, 2022		As of December 31, 2021		% Change Between Mar 22 & Dec 21
		% of Total Credit	% of Impaired Credits	% of Total Credit	% of Impaired Credits	
19	Water Supply; Sewerage, Waste Management, and Remediation Activities	0.13	2.31	0.13	2.54	0.21
20	Arts, Entertainment, and Recreation	0.12	0.94	0.13	1	-5.61
21	Mining and Quarrying	0.08	0.2	0.1	0.23	-11.93
22	Activities of Extraterritorial Organizations and Bodies	0.08	0	0.03	0	204.1
	Grand Total	100	5.08	100	100	3.83

Source: NDIC

2.5 Earnings and Profitability

The DMBs reported the sum of ₦190.28 billion as unaudited Profit before Tax (PBT) during the first quarter of 2022, which was a decline of ₦86.83 billion (31.33%) from ₦277.10 billion recorded as of December 31, 2021. Return on Assets declined to 0.31 per cent for the quarter under review from 0.48 per cent as of December 31, 2021. Similarly, Return on Equity also decreased from 6.92 per cent as of December 31, 2021, to 4.56 per cent for the quarter under review, as shown in Table 2.5.

Table 2.5: Earning and Profitability Performance of the Banking Industry

Parameter	As of March 31, 2022 (₦ Billion)	As of December 31, 2021 (₦ Billion)	% Change
Interest Income	770.83	840.00	-8.23
Interest Expense	353.84	401.62	-11.9
Net Interest Income	416.99	438.38	-4.88
Trading Income	147.31	183.27	0
Recoveries	9.78	24.01	-59.28
Operating Income	573.61	606.26	-5.39
Operating Expenses	756.72	865.50	-12.57
Profit Before Tax	190.28	277.10	-31.33
Return On Assets (%)	0.31	0.48	
Return On Equity (%)	4.56	6.92	
Net Interest Margin (%)	1.09	1.20	
Yield On Earning Assets (%)	2.01	2.31	

Source: NDIC

2.6 Liquidity Profile

The DMBs' Total Deposits increased by ₦2,028.68 billion (5.28%) from ₦38,444.32 billion as of December 31, 2021, to ₦40,473 billion as of March 31, 2022. The Average Liquidity Ratio of the DMBs grew by 196 basis points from 41.34 per cent as of December 31, 2021, to 43.30 per cent as of March 31, 2022, as a result of a larger increase in the volume of Total Specified Liquid Assets.

The Net Credit to Deposits Ratio, which measures banks' lending activities, especially to the Real Sector, decreased slightly by 86 basis points from 61.44 per cent as of December 31, 2021, to 60.58 per cent as of end-March 2022. This was below the 65 per cent prescribed minimum threshold.

Table 2.6: DMBs Liquidity Profile

Parameters	As at March 31, 2022 (₦ Billion)	As at December 31, 2021 (₦ Billion)	% Change Between Mar 2022 & Dec 2021
Net Credit	24,519.14	23,621.32	3.80
Total Deposits	40,473.00	38,444.32	5.28
Net Interbank takings	100.78	173.29	-41.85
Average Liquidity Ratio (%)	43.30	41.34	
Net Credit to Deposit Ratio (%)	60.58	61.44	
Interbank Takings to Deposits (%)	1.27	1.42	

Source: NDIC

2.7 Conclusion

The financial and prudential performance of DMBs showed an improvement in the first quarter of 2022 relative to that of the previous quarter, as shown by relevant indicators, except for the NPL Ratio. The average Capital Adequacy (CAR) Ratio and Liquidity Ratio of the DMBs stood at 14.60 per cent and 43.30 per cent, while the NPL ratio stood at 5.08 per cent, respectively. In addition, Total Assets and Deposits rose by 6.22 per cent and 5.28 per cent, respectively.