

**Financial Condition and Performance of Deposit Money Banks in the Third Quarter, 2022**  
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### **3.0 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 third quarter of 2022 was made in comparison with the previous quarter ended June 30, 2022.

### **3.1 Structure of Assets and Liabilities**

The DMBs' Total Assets stood at ₦68,607.63 billion at the end of the third quarter of 2022, which indicated an increase of ₦3,022.82 billion (4.61%), from ₦65,584.81 billion at the end of the second quarter 2022. The growth in the Total Assets was largely driven, as shown in Table 3.1, by an increase in Other Assets (22.22%), Balances with Banks & Central Bank (8.0%), Assets Pledged as Collateral (6.36%), Loans & Advances to Customers (4.89%) and Loans & Advances to Banks (3.03%).

On the Funding side, Total Deposits from Customers was ₦42,115.77 billion, which represented 61.39 per cent of the Total Liabilities (totalling ₦68,607.63 billion) during the quarter under review. This shows that DMBs largely relied on Customers' Deposits to fund Assets. It increased by ₦16.40 billion (0.04%) from ₦42,099.37 billion at the end of the second quarter of 2022 to ₦42,115.77 billion at the end of the third quarter of 2022. Debt Instrument also increased by ₦395.60 billion (19.62%) from ₦2,016.71 billion at the end of the second quarter of 2022 to ₦2,412.30 billion at the end of the third quarter of 2022.

However, Financial Liabilities Held for Trading declined by ₦3.94 billion (3.88%) from ₦101.55 billion at the end of the second quarter of 2022 to ₦97.61 billion at the end of the third quarter 2022. Shareholders' Funds, representing 7.55 per cent of the Total Liabilities, decreased by ₦117.55 billion (2.22%) from ₦5,300.71 billion at the end of the second quarter of 2022 to ₦5,183.16 billion at the end of the third quarter of 2022, as shown in Table 3.1.

**Table 3.1: Structure of DMBs' Assets and Liabilities for the Third and Second Quarters, 2022.**

Parameter	As at Sept. 30, 2022		As at Jun. 30, 2022		% Change between Sept. & Jun., 2022
	Billion (₹)	% of Total Assets	Billion (₹)	% of Total Assets	
<b>ASSETS</b>					
Cash Balances	672.67	0.98	756.33	1.15	-11.06
Balances with Banks & Central Bank	18,741.81	27.32	17,288.86	26.36	8.40
Loans & Advances to Banks	745.41	1.09	723.52	1.10	3.03
Loans & Advances to Customers	25,472.22	37.13	24,284.22	37.03	4.89
Financial Assets Held for Trading	3,612.59	5.27	3,709.93	5.66	-2.62
Financial Assets held at Fair Value through Other Comprehensive Income (FVOCI)	6,027.64	8.79	6,292.74	9.59	-4.21
Financial Assets held at Amortised Cost	4,473.08	6.52	4,586.89	6.99	-2.48
Assets Pledged as Collateral	2,772.71	4.04	2,606.96	3.97	6.36
Investment in Subsidiaries & Associates	628.17	0.92	630.76	0.96	-0.41
Property Plant and Equipment	1,359.33	1.98	1,323.82	2.02	2.68
Other Assets	3,964.34	5.78	3,243.62	4.95	22.22
Asset Classified as Held for Sale & Discontinued Operations	137.66	0.20	137.16	0.21	0.37
<b>TOTAL ASSETS</b>	<b>68,607.63</b>	<b>100</b>	<b>65,584.81</b>	<b>100</b>	<b>4.61</b>
<b>LIABILITIES</b>					
Deposit from Banks	4,424.71	6.45	3,913.67	5.97	13.06
Deposit from Customers	42,115.77	61.39	42,099.37	64.19	0.04
Financial Liabilities Held for Trading	97.61	0.14	101.55	0.15	-3.88
Borrowings	5,777.45	8.42	4,882.97	7.45	18.32
Debt Instrument	2,412.30	3.52	2,016.71	3.07	19.62
Other Liabilities	8,596.62	12.53	7,269.83	11.08	18.25
Capital and Reserve	5,183.16	7.55	5,300.71	8.08	-2.22
<b>TOTAL LIABILITIES</b>	<b>68,607.63</b>	<b>100</b>	<b>65,584.81</b>	<b>100</b>	<b>4.61</b>

Source: NDIC

## 3.2 Financial Condition of DMBs

### 3.2.1 Capital Adequacy

The Average Capital Adequacy Ratio (CAR) of the DMBs declined by 33 basis points from 14.14 per cent as at June 30, 2022, to 13.81 per cent as at September 30, 2022. This was due to an increase in Total Risk-Weighted Asset (TRWA) by ₦1,722.37 billion (5.56 per cent) from ₦30,965.72 billion as at June 30, 2022, to ₦32,688.09 billion as at September 30, 2022.

**Table 3.2: DMBs' Capital Adequacy Position**

Parameters	As at Sept. 30, 2022 (₦ Billion)	As at Jun. 30, 2022 (₦ Billion)	% Change Btw Sept. & Jun. 2022
Primary Capital (Tier I Capital)	3,904.86	3,785.09	3.16
Qualifying Secondary Capital (Tier II Capital)	608.97	593.39	2.63
Total Qualifying Capital	4,513.84	4,378.48	3.09
Total Risk-Weighted Assets (TRWA)	32,688.09	30,965.72	5.56
Capital to Risk-Weighted Assets	13.81	14.14	
Capital to Total Assets Ratio	6.58	6.68	
Adjusted Capital Ratio	14.39	14.68	

Source: NDIC

### 3.2.2 Asset Quality

The quality of Risk Assets, as at September 30, 2022, is shown in Table 3.3. Total Credit of the DMBs witnessed a growth of ₦1,416.81 billion (5.23%) from ₦27,065.42 billion as at June 30, 2022, to ₦28,482.23 billion as at September 30, 2022. Out of the Total Credit of ₦28,482.23 billion, the sum of ₦1,382.40 billion was impaired, resulting in an Impaired Credits to Total Credits Ratio of 4.85 per cent as at September 30, 2022, compared with 4.95 per cent as at June 30, 2022.

**Table 3.3: Asset Quality**

Parameters	As at Sept. 30, 2022 (₦ Billion)	As at June 30, 2022 (₦ Billion)	Variance between Sept. & Jun., 2022 (₦)	% Change between Sept. & Jun., 2022
Total Assets	68,607.63	65,584.81	3,022.82	4.61
Total Earning Assets	41,777.07	41,089.34	687.73	1.67
Total Credit	28,482.23	27,065.42	1,416.81	5.23
Impaired Credit	1,382.40	1,340.34	42.06	3.14
Impaired Credit to Total Credit	4.85	4.95	-0.10	-1.99
Total Earning Assets to Total Assets	60.89	62.65	-1.76	-2.81
Total Impairment to Impaired Credit	87.97	83.13	4.84	5.82
Impaired Credit to Shareholders' Fund (Adjusted)	32.16	31.89	0.27	0.86

Source: NDIC

### 3.3 Sectoral Allocation of Credits

The sectoral allocation of credits of the DMBs showed that the Oil & Gas, Manufacturing, and General sectors recorded the highest exposure with 22.60 per cent, 17.85 per cent, and 9.75 per cent, respectively, of the Total DMB Credit of ₦28.48 Trillion as at September 30, 2022. The percentage of credit extended to the Oil and Gas sector increased from 22.01 per cent as at June 30, 2022, to 22.60 per cent as at September 30, 2022, while Activities of Extraterritorial Organizations & Bodies and Arts, Entertainment & Recreation Sectors had the least credit allocation with 0.01 per cent for the quarter under review.

**Table 3.4: Structure of Credit Allocation among Sectors (in %)**

S/No.	Sectors	Sept. 2022		June 2022		% Change between Sept. & Jun., 2022
		% of Total Credit	% of Impaired Credit	% of Total Credit	% of Impaired Credit	
1	Agriculture	6.01	3.19	6.25	2.44	-0.24
2	Mining and Quarrying	0.12	0.2	0.12	7.9	-6.13
3	Manufacturing	17.85	6.21	16.81	2.33	11.60
4	Real Estate	2.60	4.97	2.72	9.42	-3.65
5	Public Utilities	0.65	3.34	0.53	12.44	-5.60
6	General Commerce	7.47	9.65	7.42	6.65	1.22
7	Transportation and Storage	2.84	9.6	2.75	9.37	-3.42
8	Finance and Insurance	6.81	0.24	6.09	0.2	0.56
9	General	9.75	13.71	10.48	6.39	3.50
10	Government	7.85	0.06	8.72	1.19	1.60
11	Water Supply; Sewerage, Waste Management and Remediation Activities	0.15	2.41	0.14	82.93	0.01
12	Construction	4.14	13.74	4.38	13.91	-0.24
13	Information and Communication	4.37	13.24	4.75	13.78	-0.38
14	Professional, Scientific and Technical Activities	0.89	5.33	0.53	5.62	0.36
15	Administrative and Support Service Activities	0.21	0.17	0.11	9.37	0.10
16	Education	0.33	0.53	0.02	7.45	0.31

17	Human Health and Social Work Activities	0.55	1.4	0.53	12.94	0.02
18	Arts, Entertainment and Recreation	0.08	0.89	1.57	42.13	-1.49
19	Activities of Extraterritorial Organizations and Bodies	0.01	0.28	0.02	0.19	-0.01
20	Power and Energy	3.09	4.38	3.12	4.01	-0.03
21	Capital Market	1.62	0.09	1.57	0.09	0.05
22	Oil and Gas	22.60	3.55	22.01	3.74	0.59
	<b>Grand Total</b>	<b>100</b>	<b>100</b>	<b>100.00</b>	<b>100</b>	<b>0.00</b>

Source: NDIC

### 3.4 Earnings and Profitability

DMBs reported the sum of ₦261.75 billion as unaudited Profit before Tax (PBT) during the third quarter of 2022, which increased by ₦51.96 billion (24.77 per cent) from ₦209.79 billion recorded as at June 30, 2021. Return on Assets decreased slightly from 0.32 percent in the second quarter of 2022 to 0.33 per cent as at September 30, 2022, while Return on Equity increased from 4.99 per cent as at June 30, 2021, to 6.09 per cent for the quarter under review, as shown in Table 3.5.

**Table 3.5: Earning and Profitability Performance of the Banking Industry**

Parameter	Sept. 2022	June 2022	Variance between Sept. & June 2022	%
	₦	₦	₦	Percentage Change
Interest Income	1,044	905.11	138.89	15.34
Interest Expense	491	374.65	116.35	31.06
Net Interest Income	553.06	530.46	22.60	4.26
Net Fees and Commission	167.55	211.96	-44.41	-20.95
Trading Income	88.90	162.73	-73.83	-45.36
Other Income	75.87	65.29	10.58	16.20
Recoveries	13.23	9.29	3.94	42.41
Total Operating Income	852.10	921.54	-69.44	-7.54
Operating Expenses	588.95	711.75	-122.80	-17.25
Profit Before Tax	261.75	209.79	51.96	24.77
Return on Assets	0.32	0.33	-0.01	
Return on Equity	6.09	4.99	1.1	
Net Interest Margin	0.67	1.34	0.16	
Yield on Earning Assets	1.27	2.28	0.10	

Source: NDIC

### 3.5 Liquidity Profile

DMBs' Total Deposits increased by ₦16.4 billion from ₦42,009 billion as at June 30, 2022, to ₦42,115 billion as at September 30, 2022. The Average Liquidity Ratio of the DMBs declined by 1.67 basis points from 42.70 per cent as at June 30, 2022, to 41.03 per cent as at September 30, 2022, as a result of a larger increase in the volume of Current Liabilities. The Total Credit to Deposits Ratio, which measures banks' lending activities especially to the Real Sector, increased slightly by 3.28 basis points from 64.35 per cent as at June 30, 2022, to 67.63 per cent as at the end of September 2022 (Table 3.6).

**Table 3.6: DMBs Liquidity Profile**

Parameters	As at Sept 30, 2022	As at June 31, 2022	Variance Btw Sept & June 2022
Total Credit (TC) (₦ Billion)	28,482.22	27,089.98	1,392.24
Total Deposits (₦ Billion)	42,115.77	42,099.37	16.4
Net Interbank Takings (₦ Billion)	660.07	366.47	293.6
Average Liquidity Ratio (%)	41.03	42.70	-1.67
Loan (TC) to Deposit Ratio (%)	67.63	64.35	3.28
Interbank Takings to Deposits (%)	3.04	2.34	1.07

**Source: NDIC**

### 3.6 Conclusion

The financial and prudential performance of DMBs showed an improvement in the third of 2022 relative to that of the previous quarter, as shown by relevant indicators, except for the Capital Adequacy Ratio (CAR) and Liquidity Ratio. The average Capital Adequacy Ratio (CAR) and Liquidity Ratio of the DMBs stood at 13.81 per cent and 41.03 per cent, while the NPL ratio stood at 4.85 per cent, respectively. In addition, Total Assets and Deposits rose by 4.61 per cent and 0.04 per cent, respectively.