

**Financial Condition and Performance of Deposit Money Banks in the Fourth Quarter, 2022**  
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## **4.0 Introduction**

This section highlights the financial condition and performance of Deposit Money Banks (DMBs) in Nigeria. There were 35 DMBs in Nigeria as at the end of the fourth quarter of 2022, comprising twenty-six (26) Commercial Banks (including two Non-Interest Banking Windows), six (6) Merchant Banks and three (3) Non-Interest Banks (NIBs). It highlights the financial condition and performance of thirty-two (32) DMBs, as three newly licensed banks had not commenced the rendition of statutory returns during the period under review.

The financial condition and performance of Deposit Money Banks in the fourth quarter of 2022 was made in comparison with the previous quarter ended September 30, 2022.

### **4.1 Structure of Assets and Liabilities**

The DMBs' Total Assets stood at ₦73,746.45 billion as at the end of fourth quarter 2022, which was an increase of ₦5,138.82 billion (7.49%) from ₦68,607.63 billion as at end of third quarter 2022. The growth in Total Assets was largely driven by increases in Balances with Banks & Central Bank (14.83%), Loans & Advances to Customers (4.76%), Financial Assets classified Held at Amortized Cost (25.56%), Assets Pledged as Collateral (1.71%) and Loans & Advances to Banks (1.78%) as shown in Table 4.1.

On the Liabilities side, Deposits from Customers accounted for 61.81 per cent of the DMBs total liabilities and increased by ₦3,470.48 billion (8.24%) from ₦42,115.77 billion as at end of third quarter 2022 to ₦45,586.25 billion as at end of fourth quarter 2022. The increase could be attributable to mopping up of old currency in circulation as well as the revised cash withdrawal policies of the Central Bank of Nigeria (CBN) which took effect from December 15, 2022. Similarly, Other Liabilities increased by ₦2,185.54 billion (25.42%) from ₦8,596.62 billion as at the end of third quarter 2022 to ₦10,782.16 billion at the end of fourth quarter 2022. However, Borrowings declined by ₦204.18 billion (3.53%) from ₦5,777.45 billion as at end of third quarter 2022 to ₦5,573.27 billion as at the end of fourth quarter of 2022.

The Shareholders' Funds grew by ₦148.57 billion (2.87%) from ₦5,183.16 billion as at the end of third quarter 2022 to ₦5,331.73 billion as at the end of fourth quarter 2022. It represented 7.23 per cent of total liabilities which stood at ₦73,746.45 billion as at end of fourth quarter 2022.

**Table 4.1: Structure of DMBs' Assets and Liabilities for the Third and Fourth Quarter, 2022**

PARAMETER	As At December 31, 2022		As At September 30, 2022		% Change Between Dec 2022 and Sep 2022
	₦ Billion	% of Total Assets	₦ Billion	% of Total Assets	
<b>ASSETS</b>					
Cash Balances	600.94	0.81	672.67	0.98	-10.66
Balances with Banks & Central Bank	21,522.04	29.18	18,741.81	27.32	14.83
Loans & Advances to Banks	758.65	1.03	745.41	1.09	1.78
Loans & Advances to Customers	26,685.92	36.19	25,472.22	37.13	4.76
Financial Assets Held for Trading	3,489.69	4.73	3,612.59	5.27	-3.40
Financial Assets held as Fair Value through Other Comprehensive Income (FVOCI)	6,181.46	8.38	6,027.64	8.79	2.55
Financial Assets held as Amortised Cost	5,616.38	7.62	4,473.08	6.52	25.56
Assets Pledged as Collateral	2,820.15	3.82	2,772.71	4.04	1.71
Investment in Subsidiaries & Associates	576.62	0.78	628.17	0.92	-8.21
Property Plant and Equipment's	1,440.65	1.95	1,359.33	1.98	5.98
Other Assets	3,912.67	5.31	3,964.34	5.78	-1.30
Asset Classified as Held for Sale & Discontinued Operations	141.26	0.19	137.66	0.20	2.61
<b>TOTAL ASSETS</b>	<b>73,746.45</b>	<b>100.00</b>	<b>68,607.63</b>	<b>100.00</b>	<b>7.49</b>
<b>LIABILITIES</b>					
Deposit from Banks	3,940.46	5.34	4,424.71	6.45	-10.94
Deposit from Customers	45,586.25	61.81	42,115.77	61.39	8.24
Financial Liabilities Held for Trading	97.72	0.13	97.61	0.14	0.11
Borrowings	5,573.27	7.56	5,777.45	8.42	-3.53
Debt Instrument	2,434.86	3.30	2,412.30	3.52	0.93
Other Liabilities	10,782.16	14.62	8,596.62	12.53	25.42
Shareholders' Fund (Unadjusted)	5,331.73	7.23	5,183.16	7.55	2.87

PARAMETER	As At December 31, 2022		As At September 30, 2022		% Change Between Dec 2022 and Sep 2022
	₦ Billion	% of Total Assets	₦ Billion	% of Total Assets	
<b>TOTAL LIABILITIES</b>	<b>73,746.45</b>	<b>100.00</b>	<b>68,607.63</b>	<b>100.00</b>	<b>7.49</b>
CONTINGENT LIABILITIES	14,311.83		15,461.82		
<b>NUMBER OF BANKS</b>	<b>32</b>		<b>32</b>		

Source: NDIC

## 4.2.0 Financial Condition of DMBs

### 4.2.1 Capital Adequacy

The Average Capital Adequacy Ratio (CAR) of the DMBs declined by 3 basis points from 13.81 per cent as at September 30, 2022 to 13.78 per cent as at December 31, 2022. This was due to an increase in Total Risk Weighted Assets (TRWA) by ₦140.69 billion (0.43%) from ₦32,688.09 billion as at September 30, 2022 to ₦32,828.78 billion as at December 31, 2022, alongside a disproportionate increase in Total Qualifying Capital (TQC) by ₦8.43 billion (0.19%) from ₦4,513.84 billion to ₦4,522.27 billion (Table 4.2).

**Table 4.2: DMBs' Capital Adequacy Position**

PARAMETERS	As at December 31, 2022	As at September 30, 2022	% CHANGE BTW DEC 2022 & SEP 2022
	₦ Billion	₦ Billion	
Primary Capital (Tier 1 Capital)	3,923.23	3,904.86	0.47
Qualifying Secondary Capital (TierII Capital)	599.04	608.97	-1.63
Total Qualifying Capital	4,522.27	4,513.84	0.19
Total Risk Weighted Assets	32,828.78	32,688.09	0.43
Capital to Risk Weighted Assets (%)	13.78	13.81	
Capital to Total Assets Ratio (%)	6.13	6.58	
Adjusted Capital Ratio (%)	13.62	14.25	

Source: NDIC

### 4.2.2 Asset Quality

The quality of risk assets as at December 31, 2022, is shown in Table 4.3. Total Credit of the DMBs witnessed a growth of ₦1,005.16 billion (3.49%) from ₦28,760.18 billion as at September 30, 2022, to ₦29,765.34 billion as at December 31, 2022. Out of the Total Credit of 29,765.34 billion, the sum of 1,252.44 billion was Impaired, resulting in an Impaired Credits to Total Credits Ratio of 4.21 per cent as at December 31, 2022, compared with 4.85 per cent as at September 30, 2022.

**Table 4.3: Asset Quality**

Parameters	As at December 31, 2022	As at September 30, 2022
	(₦ Billion)	(₦ Billion)
Total Assets	73,746.45	69,320.32
Total Earning Assets	43,985.87	41,777.07
Total Credit	29,765.34	28,760.18
Impaired Credit	1,252.44	1,395.97
Impaired Credit to Total Credit (%)	4.21	4.85
Total Earning Assets to Total Assets (%)	59.64	60.89
Total Impairment to Impaired Credit (%)	94.20	87.97
Impaired Credit to Shareholders' Fund (Adjusted)	43.56	32.48

Source: NDIC

### 4.3 Sectoral Allocation of Credits

The sectoral allocation of credits of the DMBs show that the Oil & Gas, Manufacturing and General sectors recorded the highest exposure with 22.37 per cent, 18.73 per cent and 9.21 per cent, respectively of the Total DMB Credit of ₦29,765.34 billion as at December 31, 2022. The percentage of credit extended to the Oil and Gas sector decreased from 22.60 per cent as at September 30, 2022 to 22.37 per cent as at December 31, 2022, while Activities of Extraterritorial Organizations & Bodies had the least credit allocation with 0.01 per cent for the quarter under review.

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

S/N	Sectors	As at December 31, 2022		As at September 30, 2022		% Change Between Dec 22 & Sep 22
		% of Total Credit	% of Impaired Credits	% of Total Credit	% of Impaired Credits	
1	Oil and Gas	22.37	2.88	22.60	3.55	3.43
2	Manufacturing	18.73	1.55	17.85	1.68	9.68
3	General	9.21	6.04	9.75	6.79	-1.29
4	General Commerce	7.76	5.71	7.47	6.41	8.58
5	Government	7.74	0.20	7.85	0.06	3.10
6	Finance and Insurance	7.24	0.18	6.81	0.17	11.15
7	Agriculture	6.27	2.76	6.01	2.72	9.05

S/N	Sectors	As at December 31, 2022		As at September 30, 2022		% Change Between Dec 22 & Sep 22
		% of Total Credit	% of Impaired Credits	% of Total Credit	% of Impaired Credits	
8	Information and Communication	4.08	11.80	4.37	14.60	-2.37
9	Construction	3.96	14.79	4.14	16.01	-0.06
10	Power and Energy	3.04	6.01	3.09	4.38	3.02
11	Transportation and Storage	2.77	8.92	2.85	9.60	1.58
12	Real Estate	2.31	9.73	2.60	9.32	-6.99
13	Capital Market	1.63	0.08	1.61	0.09	5.73
14	Professional, Scientific and Technical Activities	0.79	5.31	0.89	5.33	-6.77
15	Public Utilities	0.66	8.08	0.65	24.62	4.94
16	Human Health and Social Work Activities	0.55	11.15	0.55	12.16	2.95
17	Education	0.33	5.86	0.34	7.55	1.06
18	Administrative and Support Service Activities	0.22	2.73	0.21	3.99	11.46
19	Water Supply; Sewerage, Waste Management and Remediation Activities	0.15	78.99	0.15	75.59	3.85
20	Mining and Quarrying	0.10	9.28	0.12	7.95	-10.65
21	Arts, Entertainment and Recreation	0.07	51.82	0.08	52.87	-4.98
22	Activities of Extraterritorial Organizations and Bodies	0.01	0.48	0.01	0.28	-39.70
	<b>Grand Total</b>	<b>100</b>	<b>4.21</b>	<b>100</b>	<b>4.85</b>	<b>4.50</b>

Source: NDIC

#### 4.4 Earnings and Profitability

The DMBs reported a Profit-Before-Tax (PBT) of ₦382.86 billion in the fourth quarter of 2022, which was an increase of ₦121.11 billion (46.27%) from ₦261.75 billion as at September 30, 2022. Return on Assets (ROA) increased to 0.54 per cent in the quarter under review from 0.32 per cent as at September 30, 2022, while the Return on Equity (ROE) increased by 286 basis points from 6.09 per cent as at September 30, 2022, to 8.95 per cent in the quarter under review as shown in Table 4.5.

**Table 4.5: Earning and Profitability Performance of the Banking Industry**

Parameter	As at December 31, 2022 (₦ Billion)	As at September 30, 2022 (₦ Billion)	% Change
Interest Income	1,203.27	1,044.06	15.25
Interest Expense	641.83	492.89	30.22
Net Interest Income	561.68	553.06	1.56
Trading Income	245.29	88.90	175.90
Recoveries	12.53	13.23	-5.33
Operating Income	1,093.20	835.23	30.89
Operating Expenses	746.56	588.95	26.76
Profit Before Tax	382.86	261.75	46.27
Return On Assets (%)	0.54	0.32	0.22
Return On Equity (%)	8.95	6.09	2.86

Source: NDIC

#### 4.5 Liquidity Profile

The DMBs Total Deposit Liabilities increased by ₦3,470.50 billion (8.24%) from ₦42,115.75 billion as at September 30, 2022 to ₦45,586.25 billion as at December 31, 2022. The Average Liquidity Ratio (ALR) of the DMBs increased by 3.13 percentage points from 41.03 per cent as at September 30, 2022, to 44.16 per cent as at December 31, 2022. The ratio of total credit to deposit declined by 1.25 basis point from 67.03 per cent as at September 30, 2022, to 65.31 per cent as at December 31, 2022, as shown in Table 4.6.

**Table 4.6: DMBs Liquidity Profile**

Parameters	As at December 31, 2022 (₦ Billion)	As at September 30, 2022 (₦ Billion)	% Change Between Dec 2022 & Sep 2022
Total Credit	29,765.34	28,482.23	4.50
Total Deposits	45,586.25	42,115.75	8.24
Net Interbank takings	143.22	660.07	-78.30
Average Liquidity Ratio (%)	44.16	41.03	3.13
Loan (TC) to Deposit Ratio (%)	65.31	67.63	-2.32
Net Interbank Takings to Deposits (%)	0.31	1.57	-1.25

Source: NDIC

#### 4.6 Conclusion

The financial condition of DMBs showed a mixed performance in the fourth quarter as shown by a decline in Capital Adequacy Ratio from 13.81 per cent as at September 30, 2022 to 13.78 per cent as at December 31, 2022. On the other hand, Total Deposits increased by 8.24 per cent from ₦42,115.77 billion as at end of third quarter 2022 to ₦45,586.25 billion as at end of fourth quarter 2022, while Total Assets increased by 7.49 per cent from ₦68,607.63 billion as at September 30, 2022 to ₦73,746.45 billion as at December 31, 2022.