

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

### 3.0 Introduction

This section highlights the financial condition and performance of the Deposit Money Banks (DMBs) in Nigeria. There were 35 licensed DMBs as at first quarter, 2023, of which 26 were Commercial, 6 Merchant, 3 Non-Interest Banks (NIBs) and 2 Non-Interest Windows (NIB Windows). The section provides an assessment on the financial condition and performance of 33 DMBs, as two newly licensed Banks (Signature and Optimus Banks) had not commenced rendition of statutory returns during the period under review.

### 3.1 Structure of Assets and Liabilities

The DMBs' Total Assets stood at ₦79,700.41 billion at the end of the first quarter of 2023, which was an increase of ₦5,953.97 billion (8.07%) from ₦73,746.45 billion at the end of fourth quarter 2022. The growth in Total Assets was largely driven by an increase in Loans and Advances to Banks (38.96%), Financial Assets classified as held at Fair Value through Other Comprehensive Income (23.11%) and Financial Assets held at Amortised Cost (10.09%) as shown in Table 3.1.

On the Liabilities side, Deposits from Customers increased by ₦3,906.67 billion (8.57%) from ₦45,586.25 billion at the end of the fourth quarter of 2022 to ₦49,492.92 billion as at the end of the first quarter of 2023, accounting for 62.10% of the DMBs' total liabilities. Similarly, Other Liabilities increased by ₦1,731.00 billion (16.05%) from ₦10,782.16 billion at the end of the fourth quarter of 2022 to ₦12,513.15 billion at the end of the first quarter of 2023. Borrowings also increased by ₦151.38 billion (2.72%) from ₦5,573.27 billion at the end of the fourth quarter of 2022 to ₦5,724.66 billion at the end of the first quarter of 2023.

The Shareholders' Funds grew by ₦843.49 billion (15.82%) from ₦5,331.73 billion at the end of the fourth quarter of 2022 to ₦6,175.22 billion at the end of the first quarter of 2023. It represented 7.75% of total liabilities, which stood at ₦79,700.41 billion as of the end of the first quarter of 2023.

**Table 3.1: Structure of DMBs' Assets and Liabilities for the Fourth Quarter, 2022 and the First Quarter, 2023**

PARAMETER	As At March 31, 2023		As At December 31, 2022		% Change Between March 2023 and Dec 2022
	₦ Billion	% of Total Assets	₦ Billion	% of Total Assets	
<b>ASSETS</b>					
Cash Balances	385.66	0.48	600.94	0.81	-35.82
Balances with Banks & Central Bank	22,787.04	28.59	21,522.04	29.18	5.88
Loans & Advances to Banks	1,054.24	1.32	758.65	1.03	38.96
Loans & Advances to Customers	27,531.36	34.54	26,685.92	36.19	3.17
Financial Assets Held for Trading	3,486.77	4.37	3,489.69	4.73	-0.08
Financial Assets held at Fair Value through Other Comprehensive Income (FVOCI)	7,609.98	9.55	6,181.46	8.38	23.11

PARAMETER	As At March 31, 2023		As At December 31, 2022		% Change Between March 2023 and Dec 2022
	₦ Billion	% of Total Assets	₦ Billion	% of Total Assets	
Financial Assets held at Amortised Cost	6,182.89	7.76	5,616.38	7.62	10.09
Assets Pledged as Collateral	2,320.38	2.91	2,820.15	3.82	-17.72
Investment in Subsidiaries & Associates	607.60	0.76	576.62	0.78	5.37
Property Plant and Equipment	1,632.52	2.05	1,440.65	1.95	13.32
Other Assets	5,960.90	7.48	3,912.67	5.31	52.35
Asset Classified as Held for Sale & Discontinued Operations	141.06	0.18	141.26	0.19	-0.14
<b>TOTAL ASSETS</b>	<b>79,700.41</b>	<b>100.00</b>	<b>73,746.45</b>	<b>100.00</b>	<b>8.07</b>
<b>LIABILITIES</b>					
Deposit from Banks	3,487.42	4.38	3,940.46	5.34	-11.50
Deposit from Customers	49,492.92	62.10	45,586.25	61.81	8.57
Financial Liabilities Held for Trading	102.38	0.13	97.72	0.13	4.77
Borrowings	5,724.66	7.18	5,573.27	7.56	2.72
Debt Instrument	2,204.67	2.77	2,434.86	3.30	-9.45
Other Liabilities	12,513.15	15.70	10,782.16	14.62	16.05
Shareholders' Fund (Unadjusted)	6,175.22	7.75	5,331.73	7.23	15.82
<b>TOTAL LIABILITIES</b>	<b>79,700.41</b>	<b>100.00</b>	<b>73,746.45</b>	<b>100.00</b>	<b>8.07</b>
CONTINGENT LIABILITIES	16,389.39	20.56	14,311.83		
<b>NUMBER OF BANKS</b>	<b>33</b>		<b>32</b>		

Source: NDIC (2023)

## 3.2 Financial Condition of DMBs

### 3.2.1 Capital Adequacy

The Capital Adequacy Ratio (CAR) of the DMBs increased by 0.39 percentage points from 13.78 per cent as at December 31, 2022, to 14.17 per cent as at March 31, 2023. This was due to a higher percentage increase in Total Qualifying Capital (TQC) by ₦436.52 billion (9.65%) from ₦4,522.27 billion to ₦4,958.79 billion, see Table 3.2.

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

PARAMETERS	As at March 31, 2023	As at December 31, 2022	% CHANGE BTW MAR 2023 & DEC 2022
	₦ BILLION	₦ BILLION	
Primary Capital (Tier 1 Capital)	4,314.73	3,923.23	9.98
Qualifying Secondary Capital (Tier II Capital)	644.07	599.04	7.52
Total Qualifying Capital	4,958.79	4,522.27	9.65
Total Risk-Weighted Assets	34,999.02	32,828.78	6.61
Capital to Risk-Weighted Assets (%)	14.17	13.78	0.39
Capital to Total Assets Ratio (%)	6.22	6.13	0.09
Adjusted Capital Ratio (%)	14.55	13.62	0.93

Source: NDIC (2023)

### 3.2.2 Asset Quality

DMBs' Total Credit grew by ₦917.62 billion (3.08%) from ₦29,765.34 billion as at December 31, 2022, to ₦30,682.95 billion as at March 31, 2023. Out of the Total Credit of ₦30,682.95 billion, the sum of ₦1,387.41 billion was impaired, resulting in an Impaired Credits to Total Credits Ratio of 4.52 per cent as at March 31, 2023, compared with 4.21 per cent as at December 31, 2022.

**Table 3.3: Asset Quality**

PARAMETERS	As at March 31, 2023	As at December 31, 2022
	(₦ Billion)	(₦ Billion)
Total Assets	79,700.41	73,746.45
Total Earning Assets	46,597.70	43,985.87
Total Credit	30,682.95	29,765.34
Impaired Credit	1,387.41	1,252.44
Impaired Credit to Total Credit (%)	4.52	4.21
Total Earning Assets to Total Assets (%)	58.47	59.64
Total Impairment to Impaired Credit (%)	96.17	94.20
Impaired Credit to Shareholders' Fund (Adjusted)	29.45	29.28

Source: NDIC (2023)

### 3.3 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 22.40 per cent, 18.32 per cent and 9.19 per cent, respectively, of the Total DMB Credit of ₦30,682.95 billion as at March 31, 2023. The percentage of credit extended to the Oil and Gas sector increased from 22.37 per cent as at December 31, 2022, to 22.40 per cent as at March 31, 2023, while Activities of Extraterritorial Organizations & Bodies had the least credit allocation with 0.0004 per cent for the quarter under review, as depicted in table 3.4.

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

S/N	Sectors	As at March 31, 2023		As at December 31, 2022	
		% of Total Credit	% of Impaired Credits	% of Total Credit	% of Impaired Credits
1	Oil and Gas	22.40	4.3	22.37	2.88
2	Manufacturing	18.32	1.65	18.73	1.55
3	General	9.19	6.25	9.21	6.04
4	Government	8.48	0.02	7.74	0.20
5	General Commerce	8.06	5.89	7.76	5.71
6	Finance and Insurance	6.99	0.28	7.24	0.18
7	Agriculture	6.38	2.89	6.27	2.76
8	Information and Communication	4.19	11.37	4.08	11.80
9	Construction	3.85	14.85	3.96	14.79
10	Power and Energy	2.98	7.43	3.04	6.01
11	Transportation and Storage	2.62	9.53	2.77	8.92
12	Real Estate	2.36	8.10	2.31	9.73
13	Capital Market	1.61	0.08	1.63	0.08
14	Professional, Scientific and Technical Activities	0.80	5.66	0.79	5.31
15	Human Health and Social Work Activities	0.51	12.24	0.55	11.15
16	Public Utilities	0.43	0.07	0.66	8.08
17	Education	0.29	5.28	0.33	5.86
18	Administrative and Support Service Activities	0.21	3.10	0.22	2.73
19	Water Supply; Sewerage, Waste Management and Remediation Activities	0.16	76.65	0.15	78.99
20	Mining and Quarrying	0.09	0.20	0.10	9.28
21	Arts, Entertainment and Recreation	0.07	53.43	0.07	51.82
22	Activities of Extraterritorial Organizations and Bodies	0.0004	11.87	0.01	0.48
	<b>Grand Total</b>	<b>100.00</b>	<b>4.52</b>	<b>100</b>	<b>4.21</b>

Source: NDIC (2023)

### 3.4 Earnings and Profitability

The DMBs reported a Profit-Before-Tax (PBT) of ₦313.68 billion in the first quarter of 2023, which was a decrease of ₦69.18 billion (18.07%) from ₦382.86 billion as in the fourth quarter, 2022.

Return on Assets (ROA) decreased to 0.70 per cent in the quarter under review from 1.51 per cent in the fourth quarter, 2022, while the Return on Equity (ROE) decreased by 11.21 percentage points from 20.59 per cent in the fourth quarter of 2022 to 9.38 per cent in the quarter under review as shown in Table 3.5.

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

Parameter	Jan. 1 to March 31, 2023 (₦ Billion)	Oct. 1 to December 31, 2022 (₦ Billion)	% Change
Interest Income	1,283.73	1,203.27	6.69
Interest Expense	659.05	641.83	2.68
Net Interest Income	624.68	561.68	11.22
Trading Income	221.69	245.29	-9.62
Recoveries	10.61	12.53	-15.32
Operating Income	1,053.07	1,093.20	-3.67
Profit Before Tax	313.68	382.86	-18.07
Return On Assets (%)	0.70	1.51	-0.81
Return On Equity (%)	9.38	20.59	-11.21
Net Interest Margin (%)	2.36	4.91	-2.55
Yield On Earning Assets (%)	4.86	9.32	-4.46

Source: NDIC (2023)

### 3.5 Liquidity Profile

The DMBs Total Deposit Liabilities increased by ₦3,906.67 billion (8.57%) from ₦45,586.25 billion as at December 31, 2022, to ₦49,492.92 billion as at March 31, 2023. The Liquidity Ratio of the DMBs decreased by 1.9 percentage points from 44.16 per cent as at December 31, 2022, to 43.97 per cent as at March 31, 2023.

The Loan to Deposit Ratio, which measures banks' lending activities, decreased by 3.3 percentage points from 65.29 per cent as at December 30, 2022, to 61.99 per cent as at March 31, 2023 (Table 3.6).

**Table 3.6: DMBs Liquidity Profile**

Parameters	As at March 31, 2023 (₦ Billion)	As at December 31, 2022 (₦ Billion)	% Change Between Mar 2023 & Dec 2022
Total Credit (TC)	30,682.95	29,765.34	3.08
Total Deposits	49,492.92	45,586.25	8.57
Liquidity Ratio (%)	43.97	44.16	-0.19
Loan (TC) to Deposit Ratio (%)	61.99	65.29	-3.30
Net Interbank Takings to Deposits (%)	0.00	0.36	-0.36

Source: NDIC (2023)

### 3.6 Conclusion

The DMBs' performance was mixed in the first quarter of 2023, as shown by an increase in Capital Adequacy Ratio from 13.78 per cent in the fourth quarter, 2022 at December 31, 2022, to 14.17 per cent as at March 31, 2023. Similarly, Total Deposits and Total Assets increased by 8.57 per cent and 8.07 per cent, respectively, in the quarter under review. On the other hand, Profit Before Tax decreased by 18.07 per cent from ₦382.86 billion as at December 31, 2022, to ₦313.68 billion as at March 31, 2023. Similarly, Return on Equity decreased to 9.38 per cent in the quarter under review from 20.59 per cent as at December 31, 2022.