FINANCIAL STABILITY REPORT

DECEMBER 2021

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LIST OF ACRONYMS

AMCON	Asset Management Corporation of Nigeria
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ASI	All Share Index
BDCs	Bureaux de Change
BOA	Bank of Agriculture
BOI	Bank of Industry
BRICS	Brazil, Russia, India, China, and South Africa
BVN	Bank Verification Number
CACS	Commercial Agriculture Credit Scheme
CAR	Capital Adequacy Ratio
CBN	Central Bank of Nigeria
CCP	Central Counterparties
CIS	Collective Investment Scheme
CMOs	Capital Market Operators
COB	Currency Outside Banks
CRMS	Credit Risk Management System
DAX	Deutscher Aktienindex (German stock index of 30 major German companies)
DCs	Depository Corporations
DFIs	Development Finance Institutions
DMBs	Deposit Money Banks
DVP	Delivery Versus Payment
EBAs	Eligible Bank Assets
ECB	European Central Bank
EGX CASE 30	Egypt Stock Exchange (Cairo and Alexandria Stock Exchange) 30 Stock Index
ETF	Exchange Traded Funds
FAO	Food and Agriculture Organisation
FATF	Financial Action Task Force
FCs	Finance Companies
FGN	Federal Government of Nigeria
FMBN	Federal Mortgage Bank of Nigeria
FRACE	Financial Regulation Advisory Council of Experts
FSIs	Financial Soundness Indicators

FSR	Financial Stability Report
FSRCC	Financial Services Regulation Co-ordinating Committee
GDP	Gross Domestic Product
GSE	Ghanaian Stock Exchange
GSI	Global Standing Instruction
HHI	Herfindahl-Hirschman Index
ICE	Intercontinental Exchange
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
KYC	Know Your Customer
LDR	Loan-Deposit Ration
M1	Narrow Money Supply
M2	Broad Money Supply
M3	M2 plus CBN Bills held by the money holding sectors
MENA	Middle East and North African Countries
MFBs	Microfinance Banks
MSMEs	Micro, Small and Medium Enterprises
MHSs	Money Holding Sectors
MICEX	Moscow Interbank Currency Exchange
MoUs	Memoranda of Understanding
MPR	Monetary Policy Rate
NAICOM	Nigerian Insurance Commission
NAV	Net Asset Value
NBS	National Bureau of Statistics
NCR	National Collateral Registry
NDC	Net Domestic Credit
NDIC	Nigeria Deposit Insurance Corporation
NEXIM	Nigerian Export-Import Bank
NGX	Nigerian Exchange Limited
NIBSS	Nigerian Inter-bank Settlement System
NMRC	Nigeria Mortgage Re-finance Company Plc
NPLs	Non-Performing Loans
NSBP	Nigeria Sustainable Banking Principles
NSE 20	Nairobi Stock Exchange 20-Share Index

NSE ASI	Nigerian Stock Exchange All-Share Index
NYMEX	New York Mercantile Exchange
OBB	Open Buy Back
ODCs	Other Depository Corporations
OFIs	Other Financial Institutions
OPEC	Organisation of Petroleum Exporting Countries
ORB	OPEC Reference Basket
PAIF	Power and Aviation Infrastructure Fund
PENCOM	National Pension Commission of Nigeria
PFAs	Pension Fund Administrators
PFCs	Pension Fund Custodians
PMBs	Primary Mortgage Banks
PoS	Point of Sale
PSV 2020	Payments System Vision 2020
ROA	Return on Assets
ROE	Return on Equity
RTGS	Real-Time Gross Settlement System
SANEF	Share Agent Network Facilities
SDRs	Special Drawing Rights
S&P/TSX	Standards and Poor's Composite Index of the Toronto Stock Exchange
SEC	Securities and Exchange Commission
SIF	Securities Issuers Forum
SMEs	Small and Medium Enterprises
SRE	Supervisory Review and Evaluation
WAMZ	West African Monetary Zone
WEO	World Economic Outlook
WTI	West Texas Intermediate

GOVERNOR'S STATEMENT

This edition of the Financial Stability Report highlights developments in the financial system during the second half of 2021. The full resumption of economic activities in most jurisdictions since the advent of the COVID-19 pandemic, coupled with deliberate policy support by fiscal and monetary authorities as well as increased access to COVID-19 vaccines, resulted in a projected global output of 5.9 per cent in 2021 as against a 3.1 per cent contraction in 2020.

The GDP growth in advanced economies in 2021 was projected at 5.0 per cent, in contrast to -4.5 per cent in 2020. For the USA, Japan and the Euro Area, growth was estimated at 5.56, 1.6 and 5.20 per cent respectively, in contrast to -3.4, -4.50 and -6.40 per cent in 2020. Similarly, growth in Emerging Markets and Developing Economies (EMDEs) was projected at 6.5 per cent in 2021, in contrast to -2.0 per cent recorded in 2020. Growth for economies in Sub-Saharan Africa (SSA) was projected at 4.0 per cent, in contrast to -1.7 in 2020. Inflationary pressures trended upwards owing largely to supply-side constraints, increased fiscal spending and expansionary monetary policy.

In Nigeria, the economy recorded gradual recovery, as GDP grew by 4.02 per cent in the second half of 2021, compared with 2.7 per cent in the first half of 2021. This was largely due to the sustained and targeted interventions by the fiscal and monetary authorities. Total credit to the private sector continued to grow during the period, reflecting positive impact of the Bank's efforts to encourage lending to critical sectors of the economy. The foreign exchange rate remained stable owing to the Bank's interventions in the market.

The Bank implemented several supervisory measures to mitigate identified risks and promote the soundness and stability of the banking system. The adopted measures improved the overall health of the Nigerian banking system as it remained safe and resilient as evidenced by the improved financial soundness indicators.

The Nigerian Pension Industry expanded in the review period, with growth in total enrolment in pension schemes, this is expected to continue as many state and local governments adopt the contributory pension scheme, and workers in the informal sector take up the micro pension plan. Also, the Nigerian insurance market continued to grow in size with the various regulatory reforms implemented within the review period positively impacting many facets of the industry. Similarly, the capital market recorded positive performance in the second half of 2021, owing largely to improvements in the equities and debt segments.

The overall economic outlook remained cautiously optimistic, given the robust policy measures adopted by the fiscal authorities, the Bank and other financial sector regulators towards mitigating the lingering adverse impact of the pandemic and enhancing the resilience of the financial system. The Bank will continue to employ innovative strategies in managing the challenges posed by the COVID-19 pandemic while sustaining its supervisory and surveillance activities towards promoting a sound, stable and safe banking system.

Godwin I. Emefiele, CON

Governor, Central Bank of Nigeria

FOREWORD

In the second half of 2021, the sustained fiscal and monetary responses, coupled with the massive rollout of vaccines, helped mitigate the adverse effects of the COVID-19 pandemic and boost global growth. However, rising inflationary pressures and other risks to financial system stability could dampen investors' confidence.

Nigeria recorded improved economic performance following the easing of COVID-19 restrictions, supported by the Bank's accommodative monetary policy stance and sustained interventions in targeted sectors. Consequently, most financial soundness indicators of the banking system remained compliant with prudential requirements. In addition, the result of the stress tests showed the resilience of the banking system and its ability to cope with severe macroeconomic shocks.

This edition of the FSR expands the scope of the Report to include activities in the capital market, pension and insurance sub-sectors, and is divided into six sections. The first section examines global and domestic trends. Section 2 discusses financial system developments, while the third highlights key stability issues as well as regulatory and supervisory activities. Section 4 discusses key developments in the payments system, while sections 5 and 6 focus on key risks and the outlook for financial stability.

The Report provides insights on financial system conditions and the near-term outlook including risks and vulnerabilities, as well as the Bank's continuous efforts at promoting a safe and resilient financial system in Nigeria.

The public is assured of the Bank's commitment to ensuring a sound banking system that supports inclusive growth and sustainable economic development.

Aishah N. Ahmad, CFA
Deputy Governor, Financial System Stability

EXECUTIVE SUMMARY

Global output continued to rebound in the second half of 2021, buoyed by increased access to COVID-19 vaccines and the sustained implementation of both fiscal and monetary stimuli leading to increased household spending and investments. The global economy was projected to grow by 5.9 per cent in 2021 but moderate to 4.9 per cent in 2022.

Growth in sub-Saharan Africa was estimated at 4.0 per cent in 2021, up from negative 1.7 per cent for 2020. In Nigeria, output continued its gradual recovery owing largely to sustained policy support from the fiscal and monetary authorities, as well as a decrease in the number of new COVID-19 cases. Growth was 3.4 per cent in 2021 compared with negative 1.9 per cent in 2020. For the second half of 2021, it was 4.02 per cent compared with 2.7 per cent in the first half.

Global prices generally trended upward in 2021, reflecting supply-side constraints, increased fiscal spending and an accommodative monetary policy stance adopted to ameliorate the lingering effects of the COVID-19 pandemic. Emerging markets also recorded an upward trend in inflation owing to the lagged effects of the increased spending. Inflationary pressures in Nigeria eased in the second half of 2021, owing largely to continued improvements in agricultural output and food supply. This development was attributed to the positive impact of the Bank's sustained implementation of various agricultural support schemes.

Gross external reserves increased by 21.95 per cent at end-December 2021 to US$40.23 billion from US$32.99 billion at end-June 2021. This was due largely to inflows from the IMF Special Drawing Rights (SDR) allocation and proceeds of the FGN Eurobond issue.

The Bank continued to implement various supervisory measures including virtual examinations, consolidated supervision and the Global Standing Instruction (GSI) policy. This resulted in enhanced safety and soundness of banks as evidenced by the improved Financial Soundness Indicators (FSIs).

The ratio of non-performing loans net of provisions to capital for commercial, merchant and non-interest banks declined to 28.41 per cent at end-December 2021, from 30.42 per cent at end-June 2021. Similarly, the ratio of interest margin to gross income decreased to 48.59 per cent during the review period from 58.71 per cent at end-June 2021. Also, the ratio of non-interest expenses to gross income declined to 65.14 per cent at end-December 2021, from 72.57 per cent in the preceding half year. However, the ratio of personnel expenses to non-interest expenses rose to 29.38 per cent at end-December 2021, from 28.09 per cent at end-June 2021.

The outcome of stress tests conducted on commercial and merchant banks revealed that the banking industry could withstand a shock of “up to 50 per cent increase” in the industry NPLs, as the post-shock CAR was above the regulatory requirement of 10 per cent. The results also showed resilience to credit concentration risk as the CAR remained above the 10 per cent regulatory threshold under stress test scenarios.

During the review period, households and businesses that were adversely impacted by the COVID-19 pandemic continued to benefit from the Bank’s development finance interventions through the Anchor Borrowers’ Programme, Agri-Business/Small and Medium Enterprise

Investment Scheme, Healthcare Sector Intervention Facility and Targeted Credit Facility, amongst others. The enforcement of the CBN Regulatory Guidelines on Credit Risk Management System (CRMS) has enhanced compliance by banks, as signified by improved credit records. The total number of credit facilities on the database increased by 35.15 per cent during the review period, compared with the preceding period. Total credit extended to various sectors of the economy grew by 11.34 per cent to ₦24,378.19 billion at end-December 2021, owing to the increases in credits to agriculture, industry and services sectors by 26.25, 6.87 and 13.45 per cent, respectively.

The Bank continued to strengthen consumer confidence, with the resolution of 1,336 and closure of 1,095 customers complaints against financial institutions during the review period. The total complaints resolved/closed increased by 11.98 per cent to 2,431, from 2,171 in the first half of the year.

The capital market recorded positive performance with aggregate market capitalisation increasing by 12.91 per cent to ₦43.12 trillion, at end-December 2021, from ₦38.19 trillion, at end-June 2021. The pension industry also grew with total enrolment in the pension schemes increasing by 1.59 per cent to 9.59 million, from 9.44 million in the previous half year. The net Pension Assets under Management (AuM) grew by 6.06 per cent to ₦13.42 trillion, from ₦12.66 trillion at end-June 2021. Similarly, total assets of the insurance industry increased by 9.33 per cent to ₦2.23 trillion, from ₦2.03 trillion in the previous half year. The net premium income and total gross claims also rose by 101.86 and 92.99 per cent to ₦441.37 billion and ₦336.79 billion at end-December 2021, from ₦218.65 billion and ₦174.51 billion at end-June 2021, respectively.

The key risks to financial system stability during the review period include elevated inflation, exchange rate pressures, proliferation of Ponzi schemes and cyber-risk from increased use of digital financial services. Consequently, the Bank and the other financial sector regulators implemented appropriate measures to mitigate these risks.

Overall, the outlook for financial stability remained cautiously optimistic, given the robust policy measures adopted by the Bank and the other financial sector regulators towards mitigating the lingering impact of the Pandemic and enhancing the resilience of the financial system.

1 ECONOMIC AND FINANCIAL DEVELOPMENTS

1.1 Global Developments

1.1.1 Output

Global output rebounded in 2021, largely on account of increased household spending and investment as most economies resumed full economic activities, buoyed by increased access to COVID-19 vaccines and the sustained implementation of both fiscal and monetary stimuli. Accordingly, global output grew by 5.9 per cent in 2021, in contrast to a contraction of 3.1 per cent in 2020. These combined efforts, especially the increased fiscal and monetary support also helped to substantially contain the financial stability risks induced by the COVID-19 pandemic.

Growth in the advanced economies was estimated at 5.0 per cent in 2021, in contrast to -4.5 per cent in 2020. In the United States (US), GDP growth was estimated at 5.56 per cent in 2021, against -3.4 per cent in 2020, driven largely by increased fiscal stimulus and the surge in consumer spending. In Japan, output growth was projected at 1.6 per cent in 2021, in contrast to -4.50 per cent in 2020, reflecting higher government spending. Growth in the euro area was estimated at 5.20 per cent in 2021, in contrast to -6.4 per cent in 2020, attributed to governments' effort at boosting consumer spending in the economy.

In Emerging Market and Developing Economies, growth was projected at 6.5 per cent, in contrast to -2.0 per cent in 2020, owing largely to interventions by the fiscal and monetary authorities. Growth in China was projected to rise by 8.1 per cent, from 2.3 per cent in 2020, while the Middle East and North Africa (MENA) region recorded GDP growth of 4.1 per cent, in contrast to -3.2 per cent in 2020.

Growth in sub-Saharan Africa (SSA) was estimated at 4.0 per cent, in contrast to -1.7 per cent in 2020. In Nigeria, growth was 3.4 per cent in 2021, in contrast to -1.9 per cent in 2020, driven largely to various interventions by the fiscal and monetary authorities.

TABLE 1:1 GLOBAL GROWTH

Region/Country	Year-on-Year (%)				
	2017	2018	2019	2020	2021
World	3.8	3.7	3.5	−3.1	5.9
Advanced Economies	2.4	2.3	2.0	−4.5	5.0
United States	2.2	2.9	2.5	−3.4	5.6
Euro Area	2.4	1.8	1.6	−6.4	5.2
Japan	1.9	0.9	1.1	−4.5	1.6
United Kingdom	1.8	1.4	1.5	−9.4	7.2
Canada	3.0	2.1	1.9	−5.2	4.7
Emerging Market and Developing Economies	4.7	4.6	4.5	−2.0	6.5
China	6.9	6.6	6.2,	2.3	8.1
MENA	2.2	2.4	2.4	−3.2	4.1
Sub-Saharan Africa	2.9	2.9	3.5	−1.7	4.0
*Nigeria	0.8	1.9	2.3	−1.9	3.4

Source: IMF's World Economic Outlook Update, October 2021, *National Bureau of Statistics (NBS)

1.1.2 Inflation

Global prices generally trended upward in 2021, reflecting supply-side constraints, increased fiscal spending and accommodative monetary policy stance adopted to ameliorate the lingering effects of the COVID-19 pandemic. Furthermore, the use of accumulated savings by private agents contributed to the inflationary pressures during the review period.

Inflation increased in most advanced economies, including the United States, the euro area, the United Kingdom and Japan. Similarly, the emerging market and developing economies recorded an upward trend in inflation, owing to the lag effects of the increased spending associated with the containment of the pandemic.

Inflation in the US accelerated to 4.3 per cent in 2021, from 1.2 per cent in 2020. Similarly, inflation, which was 0.3 and 0.9 per cent in the euro area and the United Kingdom, respectively, in 2020, rose to 2.2 per cent apiece in 2021. Japan recorded a transition from deflation to inflation as inflation rose to 0.8 per cent in 2021, from -1.2 per cent in 2020. Besides the various monetary easing measures aimed at curtailing the impact of the Pandemic, the new inflation dynamics in Japan, equally reflected the hike in food and housing prices.

In Emerging Markets and Developing Economies, inflation rose to 5.5 per cent in 2021, from 5.1 per cent in 2020. Similarly, in the MENA, as well as in SSA, inflation rose to 12.7 and10.7 per cent in 2021, from 10.5 and 10.3 per cent in 2020, respectively.

In general, the observed global inflationary pressures would continue to pose considerable risks to macroeconomic and financial stability in view of the dampening effects on investors' sentiments, especially in the financial markets.

TABLE 1:2 GLOBAL INFLATION

Region/Country	2017	2018	2019	2020	2021
Advanced Economies	1.7	2	1.4	0.7	2.8
United States	2.1	2.4	1.8	1.2	4.3
Euro Area	1.5	1.8	1.2	0.3	2.2
Japan	0.5	1	0.5	-1.2	0.8
United Kingdom	2.7	2.5	1.8	0.9	2.2
Emerging Markets and Developing Economies	4.4	4.9	5.1	5.1	5.5
Middle East and North Africa	7	10.7	7.5	10.5	12.7
Sub-Saharan Africa	10.6	8.3	8.2	10.3	10.7

Source: WEO Update, October 2021

1.1.3 Oil Prices

The prices of crude oil recorded a sharp rise during the review period, driven largely by the recovery of demand which had suffered a severe plunge during the pandemic. The OPEC Reference Basket (ORB) rose by 88.02 per cent to US$77.97 pb at end-December 2021, from US$41.47 pb at end-December 2020. The ICE Brent also increased by 70.48 per cent to US$78.76 pb at end-December 2021, from US$46.2 pb at end-December 2020. Also, the West Texas Intermediate (WTI) rose by 22.01 per cent to US$52.11 pb at end-December 2021, compared with US$42.71 pb at end-December 2020. Similarly, the Bonny Light rose by 79.22 per cent to US$74.43 pb at end-December 2021, from US$41.53 pb at end-December 2020.

TABLE 1:3 OIL PRICES (US$ PER BARREL)

	End-Dec. 2018	End-Dec. 2019	End-Dec. 2020	End-Dec. 2021
OPEC Reference Basket (ORB) (US$)	69.78	64.04	41.47	77.97
ICE Brent (US$)	68.94	61.19	46.2	78.76
West Texas Intermediate (WTI) (US$)	61.81	55.47	42.71	52.11
Bonny Light (US$)	72.11	65.63	41.53	74.43

Source: OPEC and Reuters

1.1.4 Food Prices

The Food and Agriculture Organization (FAO) Food Price Index increased by 28.24 per cent to 125.8 points at end-December 2021, from 98.1 points at end-December 2020. The development was due mainly to the rise in the prices of meat, dairy, cereals, vegetable oils, and sugar products.

Similarly, the FAO Meat Price Index increased by 12.88 per cent to 107.8 points in 2021, from 95.5 points in 2020 while the Dairy Price Index increased by 16.99 per cent, to 119.1 points in 2021.

The Cereals Price Index also increased by 27.26 per cent, to 131.2 per cent in 2021, from 103.1 points in 2020 while the Vegetable Oil and Sugar Price Indices rose by 65.90 and 37.48 per cent, within the same period. The upward trend in the various indices was due to the gradual return to normalcy and rebound in economic activities after the economic shutdown occasioned by the Pandemic.

TABLE 1:4 WORLD FOOD PRICE INDEX

	End-Dec. 2018	End-Dec. 2019	End-Dec. 2020	End-Dec. 2021
Food Price Index	95.9	95.1	98.1	125.8
Meat	94.9	100	95.5	107.8
Dairy	107.3	102.8	101.8	119.1
Cereals	100.8	96.6	103.1	131.2
Vegetable Oils	87.8	83.2	99.4	164.9
Sugar	77.4	78.6	79.5	109.3

Source: Food and Agriculture Organisation (FAO).

1.1.5 International Stock Markets

International stock markets recorded a bullish performance in 2021, influenced largely by the low returns on money market instruments, resulting in the shift of sentiments to the capital market.

In North America, the United States S&P 500, the Canadian S&P/TSX Composite and the Mexican Bolsa indices increased by 27.05, 21.59, and 20.61 per cent, respectively. However, in South America, the Brazilian Bovespa Stock and the Colombian COLCAP indices decreased by 11.93 and 1.87 per cent, respectively, while the Argentine Merval index increased by 63.00 per cent.

In the European stock markets, the UK FTSE 100, France CAC 40 and the Germany DAX indices increased by 14.30, 28.85 and 15.79 per cent, respectively.

In Africa, all the surveyed stock exchanges recorded improvements, as evidenced by the increases in the Nigerian NGX All-Share, the South African JSE All-Share, the Kenyan

Nairobi NSE 20, Egyptian EGX CASE 30, and Ghanaian GSE All-Share indices of 6.07, 24.07, 1.83, 10.18 and 44.05 per cent, respectively.

TABLE 1:5 INDICES OF SELECTED STOCK MARKETS

Country	Index	End-Dec 2019 (1)	End-Dec 2020 (2)	End-Dec 2021 (3)	% Change (1) & (3)	% Change (2) & (3)
AFRICA						
Nigeria	NGX All-Share Index	26,842.07	40,270.72	42,716.44	59.1	6.1
South Africa	JSE All-Share Index	57,084.10	59,408.68	73,709.39	29.1	24.1
Kenya	Nairobi NSE 20 Share index	2,654.39	1,868.39	1,902.57	-28.3	1.8
Egypt	EGX CASE 30	13,961.56	10,845.26	11,949.18	-14.4	10.2
Ghana	GSE All-Share Index	2,257.15	1,939.14	2,793.24	23.8	44.0
NORTH AMERICA						
US	S&P 500	3,230.78	3,756.07	4,772.14	47.7	27.1
Canada	S&P/TSX Composite	17,063.43	17,433.36	21,198.03	24.2	21.6
Mexico	Bolsa	43,541.02	44,066.88	53,150.36	22.1	20.6
SOUTH AMERICA						
Brazil	Bovespa Stock	115,645.00	119,017.20	104,822.00	-9.4	-11.9
Argentina	Merval	41,671.41	51,226.49	83,500.11	100.4	63.0
Columbia	COLCAP	1,662.42	1,437.89	1,410.97	-15.1	-1.9
EUROPE						
UK	FTSE 100	7,542.44	6,460.52	7,384.54	-2.1	14.3
France	CAC 40	5,978.06	5,551.41	7,153.03	19.7	28.9
Germany	DAX	13,249.01	13,718.78	15,884.86	19.9	15.8
ASIA						
Japan	NIKKEI 225	23,656.62	27,444.17	28,791.71	21.7	4.9
China	Shanghai SE A	3,195.98	3,640.46	3,814.30	19.3	4.8
India	BSE Sensex	41,253.74	47,905.84	58,253.82	41.2	21.6

1.1.6 Foreign Exchange Markets

The major currencies depreciated against the US dollar in 2021, owing largely to the positive US economic data. In Europe, most currencies depreciated against the US dollar, due to the attributable deteriorating economic outlook in the zone during the review period. The British pound sterling, Euro and Russian ruble depreciated by 1.35, 6.82 and 1.61 per cent, respectively.

In Asia, the Japanese yen and Indian rupee depreciated by 10.24 and 1.71 per cent, respectively, while the Chinese renminbi appreciated by 2.67 per cent. The depreciation of the rupee against the US dollar was further accentuated by significant capital flow reversals, given concerns about the omicron virus variant in the country.

In North America, the Mexican peso depreciated by 2.26 per cent, while the Canadian dollar remained stable during the period. In South America, the Brazilian real, the Argentine peso and the Colombian peso depreciated by 6.82, 18.09 and 15.74 per cent, respectively.

In Africa, the Nigerian naira, South African rand, Kenyan shilling and Ghanaian cedi depreciated against the US dollar by 10.26, 8.02, 7.61 and 4.40 per cent, respectively, while the Egyptian pound appreciated by 0.06 per cent.

TABLE 1:6 TRENDS OF SELECTED CURRENCIES

Country/Region	Currency	End-December 2019 (1)	End-December 2020 (2)	End-December 2021 (3)	% Change (App/Dep) (2) & (3)	Y-on-Y % (App/Dep) (1) & (3)
AFRICA						
Nigeria	Naira	364.51	390.35	435.00	(10.26)	(16.20)
South Africa	Rand	14.00	14.69	15.97	(8.02)	(12.34)
Kenya	Shilling	101.36	102.66	111.11	(7.61)	(8.78)
Egypt	Pound	16.04	15.73	15.72	0.06	2.04
Ghana	Cedi	5.75	5.87	6.14	(4.40)	(6.35)
NORTH AMERICA						
Canada	Dollar	1.30	1.27	1.27	-	2.36
Mexico	Peso	18.94	19.88	20.34	(2.26)	(4.73)

			SOUTH AMERICA			
Brazil	Real	4.02	5.19	5.57	(6.82)	(22.54)
Argentina	Peso	59.87	84.15	102.74	(18.09)	(28.85)
Colombia	Peso	3,286.84	3,430.77	4,071.48	(15.74)	(4.20)
			EUROPE			
UK	Pound	0.75	0.73	0.74	(1.35)	2.74
Euro Area	Euro	0.89	0.82	0.88	(6.82)	8.54
Russia	Ruble	62.00	74.05	75.26	(1.61)	(16.27)
			ASIA			
Japan	Yen	108.65	103.30	115.08	(10.24)	5.18
China	Renminbi	6.96	6.53	6.36	2.67	6.58
India	Rupee	71.35	73.07	74.34	(1.71)	(2.35)

PTP= Period to Period ; YTD = Year to Date
Source: Bloomberg

1.1.7 Monetary Policy Rates

Developments in monetary policy were mixed during the period. Most central banks retained their policy rates to complete the transmission of monetary impulses to the real sector of the economy. The expansionary policy stance was intended to accelerate economic recovery, following the COVID-19 pandemic. However, some central banks shifted to a tightening mode in response to the inflationary effect of the COVID-19 monetary stimulus.

In the advanced economies, the Bank of Japan, the European Central Bank, Bank of England, Bank of Canada and Reserve Bank of Australia maintained policy rates at -0.10, 0.00, 0.10, 0.25 and 0.10 per cent, respectively. In the United States, the policy rate was retained at 0.25 per cent in 2021. The Bank of Korea kept its policy rate at 0.50 per cent, from January to July 2021. The rate was then reviewed upward to 0.75 in July through August, and 1.00 for the rest of the year. The Reserve Bank of New Zealand also kept its policy rate at 0.25 per cent, from January to September 2021, then reviewed it to 0.50 per cent in October and 0.75 per cent for the rest of the year.

In Asia, Bank Indonesia maintained its policy rate at 3.50 per cent throughout the year. Similarly, Bank Negara of Malaysia retained its rate at 1.70 per cent for most of the period but increased it to 1.75 per cent in December 2021.

In the BRICS, the Central Bank of Brazil, Reserve Bank of India, Peoples' Bank of China and South African Reserve Bank kept policy rates unchanged at 2.75, 4.00, 3.80 and 3.75 per cent, respectively, in 2021. In Russia, the policy rate started at 4.50 per cent but was increased to 5.00, 5.50, 6.50 and 7.50 per cent, in April, June, July and October 2021, respectively.

In the emerging market economies, the Bank of Mexico increased the policy rate from 4.00 per cent to 4.25, 4.50, 4.75 and 5.00 per cent in June, August, September and November 2021, respectively. Similarly, the Central Bank of Chile increased the rate from 0.75 to 1.50, 2.75 and 4.00 per cent in August, October, and December 2021, respectively. The Banco Central de Colombia maintained its rate at 2.00 per cent for most of the year before increasing it to 2.50 and 3.00 per cent in October and December 2021, respectively.

In Africa, the central banks of Egypt and Nigeria retained policy rates at 8.25 and 11.50 per cent, respectively, in 2021, while the Bank of Ghana increased the policy rate from 13.50 per cent to 14.50 per cent in November 2021.

TABLE 1:7 POLICY RATES OF SELECTED COUNTRIES

	2021											
Country/Region	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
Developed Economies												
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Europe	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UK	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25
US	0.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Canada	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
South Korea	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	1.00
New Zealand	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.75	0.75
Australia	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Asia												
Indonesia	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Malaysia	1.75	1.75	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.75
BRICS												
Brazil	2.75	2.75	2.75	2.75	3.5	4.25	4.25	5.25	5.25	7.75	7.75	9.25
Russia	4.50	4.50	4.50	5.00	5.00	5.50	6.50	6.50	6.75	7.50	7.50	7.50
India	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
China	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
South Africa	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Other Emerging Economies & South America												
Mexico	4.00	4.00	4.00	4.00	4.00	4.25	4.25	4.50	4.75	4.75	5.00	5.00
Chile	0.75	0.75	0.75	0.75	0.75	0.75	0.75	1.50	1.50	2.75	2.75	4.00
Columbia	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.50	2.50	3.00

Africa												
Egypt	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25
Ghana	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	13.50	14.50	14.50
Nigeria	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50

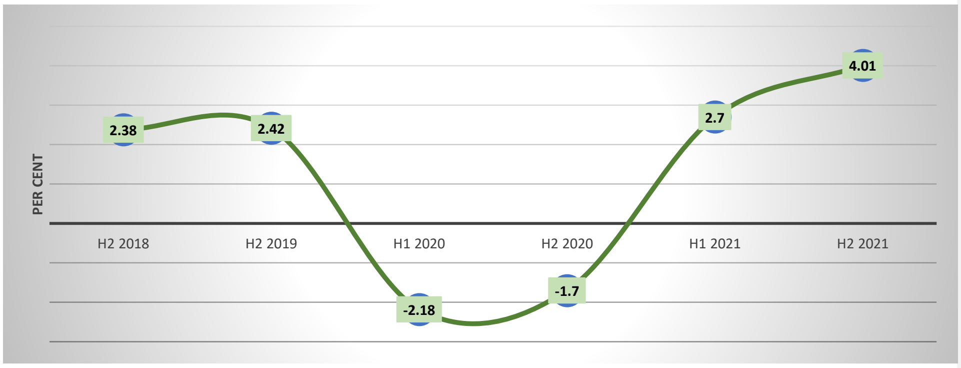
Source: www.cbrates.com, www.tradingeconomics.com, relevant central bank websites.

1.2 Domestic Macroeconomic Developments

1.2.1 Output Growth

The Nigerian economy recorded a gradual recovery following sustained interventions by the fiscal and monetary authorities, as well as the decline in new COVID-19 cases. These factors were reinforced by the accommodative monetary policy stance, boosting credit to the real sector. Shocks arising from the spread of mutating strains of the virus, exchange rate pressures, as well as, structural rigidities, constituted headwinds to growth in the second half of 2021. Nevertheless, output grew by 4.01 per cent in the second half of 2021. This reflected improved economic activities and increased investors' confidence in the economy, driven by the optimism surrounding the sustained administration of COVID-19 vaccines.

FIGURE 1.1 GROSS DOMESTIC PRODUCT (GROWTH %)



Source: National Bureau of Statistics

The growth in GDP was driven, mainly, by the non-oil sector, which contributed 4.65 percentage points to output in the second half of 2021. However, the oil sector contracted in the review period, contributing negative 0.64 percentage point to the growth in GDP.

TABLE 1:8 SECTORAL CONTRIBUTIONS TO REAL GDP

Sector	H2 2020	H1 2021	H2 2021
Agriculture	**0.66**	**0.41**	**0.68**
Of which: Crop Production	0.63	0.38	0.67
Industry	**-1.42**	**-0.02**	**-0.17**
Of which: Oil	-1.34	-0.65	**-0.64**
Manufacturing	**-0.13**	**0.32**	**0.29**
Services	**-0.94**	**2.31**	**3.50**
Of which: ICT	1.81	0.95	1.02
GDP Growth	**-1.70**	**2.70**	**4.01**
Source: National Bureau of Statistics			

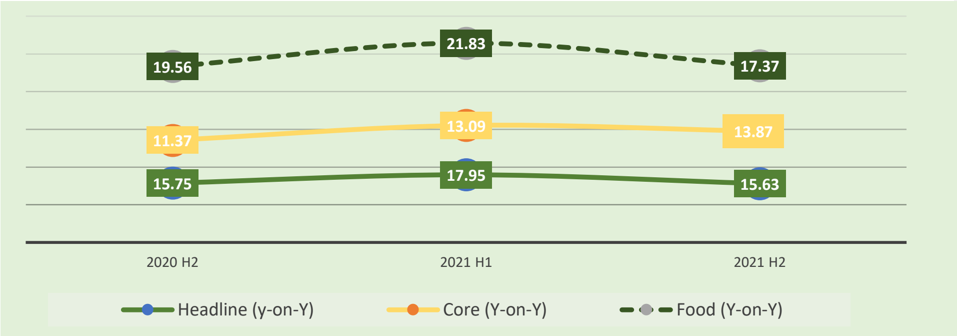
The Agriculture and Services sub-sectors improved relatively, contributing 0.68 and 3.50 percentage points, respectively, to the GDP growth. The improvements were due to the increase in crop production and the growth in ICT. The contribution of the industry sector, however, was negative (-0.17 percentage point). Despite the improved performance of the economy, lingering security challenges, power supply shortages, and relatively high food prices continued to pose challenges to growth.

1.2.2 Inflation

Inflationary pressures moderated in the second half of 2021, driven largely by the continued improvement in agricultural output and food supply chain. The development was attributed to the positive impact of sustained implementation of various agricultural support programmes and schemes. Thus, headline inflation (year-on-year) declined to 15.63 per cent in December 2021, compared with 17.95 per cent in the first half of 2021. The 12-month-moving-average headline inflation stood at 16.95 per cent at end-December 2021, compared with 15.93 per cent at end-June 2021.

Food inflation (year-on-year) declined to 17.37 per cent, compared with 21.83 per cent in the preceding half year. The moderation was attributed, mainly, to improvement in agricultural output, owing to increased crops harvest, and supply chain network, as well as the continued positive impact of various CBN interventions in the real sector, especially in agriculture. Core inflation, however, inched up to 13.87 per cent, compared with 13.09 per cent in the first half of 2021, owing to increases in the prices of gas, liquid fuel, footwear, and clothing materials.

FIGURE 1.2 INFLATIONARY TREND (YEAR-ON-YEAR)

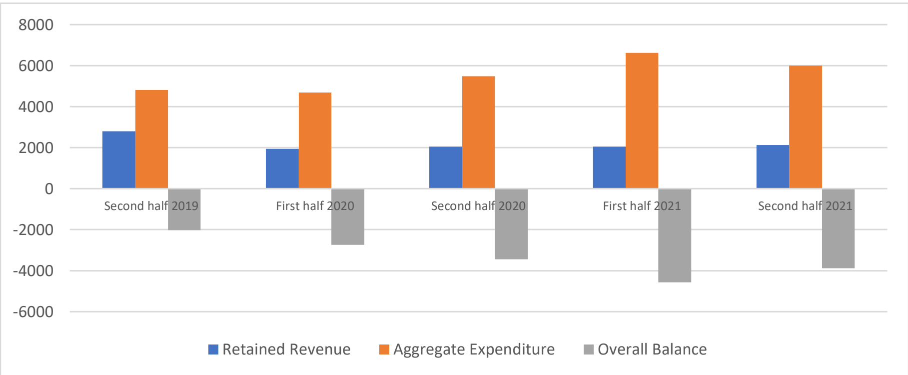


1.2.3 Fiscal Operations

Provisional data on Federal Government Retained Revenue, at ₦2,129.08 billion in the second half of 2021, fell short of the budget benchmark by 46.7 per cent, reflecting the subsisting revenue challenge, which was exacerbated by the COVID-19 pandemic. Provisional aggregate expenditure, at ₦6,003.52 billion, in the second half of 2021, was below the prorated budget benchmark by 11.64 per cent, owing to the decline in capital expenditure.

Consequently, the fiscal operations of the Federal Government resulted in overall deficit of ₦3,874.44 billion. The deficit was indicative of Government's policy stance to stimulate growth, finance critical infrastructure and cushion the adverse impact of the pandemic on the economy.

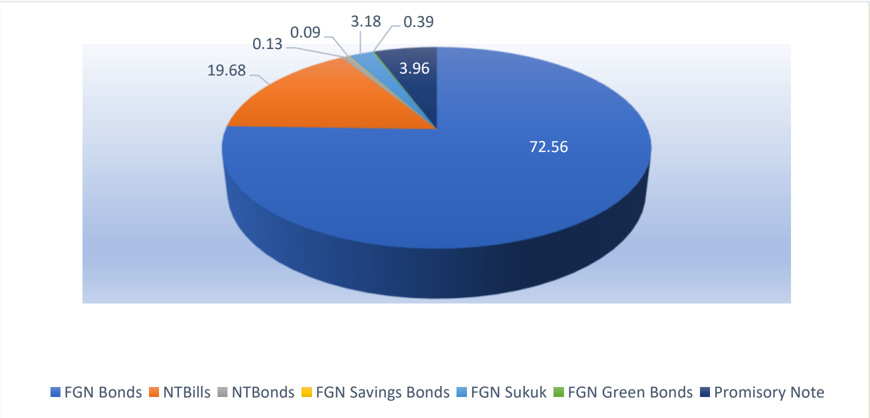
FIGURE 1.3 FEDERAL GOVERNMENT FISCAL OPERATIONS (N BILLION)



Source: OAGF & CBN Staff Estimate

The gap between receipts and expenditure was bridged through both domestic and external sources. The consolidated debt stock of the Federal Government at end-December 2021 stood at ₦35,097.79 billion, comprising 54.8 and 45.2 per cent domestic and external debt respectively. The debt stock at end-December 2021 indicated an increase of 12.0 per cent over the level at end-June 2021; and at 20.2 per cent of GDP, was below the Medium-Term Debt Strategy (MTDS) threshold of 40.0 per cent of GDP. Total domestic debt at end-December 2021 was ₦19,242.56 billion, reflecting an increase of ₦1,610.8 billion or 9.14 per cent, when compared with ₦17,631.80 billion at end-June 2021. The increase was driven mainly by Nigerian Treasury Bills, FGN Bonds and FGN Sukuk.

FIGURE 1.4 FEDERAL GOVERNMENT DOMESTIC DEBT STOCK



1.2.4 External Reserves

Gross external reserves at end-December 2021, increased by 21.95 per cent to US$40.23 billion, compared with US$32.99 billion at end-June 2021. A breakdown of the external reserves indicated that the CBN, FGN and Federation holdings were 94.41, 5.44 and 0.15 per cent, respectively. Further analysis showed that 75.25 per cent of the reserves was held in US dollars, 10.63 per cent in Chinese renminbi, 13.22 per cent in International Monetary Fund (IMF) Special Drawing Rights (SDRs) and 0.90 per cent in other currencies, at end-December 2021.

Total inflow to the external reserves stood at US$26.00 billion in the second half of 2021, compared with US$14.06 billion in the first half of 2021, reflecting an increase of 84.92 per cent. The major drivers of this increase were proceeds of FGN Eurobonds and increase in IMF SDRs Allocation to Nigeria.

Total outflow increased by 5.22 per cent to US$18.56 billion, compared with US$17.64 billion in the first half of 2021. This was driven majorly by the Bank's FX intervention in the Secondary Market Intervention Sales (SMIS) and Investors' & Exporters' (I&E) windows.

FIGURE 1.5 EXTERNAL RESERVES POSITION (USD MILLIONS)

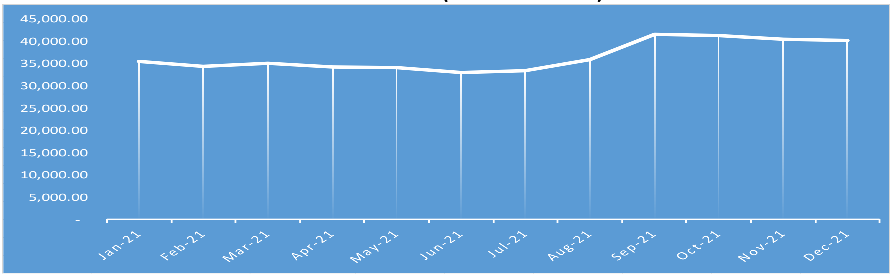


TABLE 1:9 FOREIGN EXCHANGE FLOWS THROUGH THE CBN (US$ BILLION)

Period	Inflow	Outflow	Net flow
H2 – 2021	26.00	18.56	7.44
H1 – 2021	14.06	17.64	(3.58)
H2- 2020	15.15	14.92	0.23

1.2.5 Risks to the External Reserves

Given the critical role of external reserves adequacy in ensuring financial system stability, the following downside risks to reserve accretion have been identified:

- **Low Inflow from Crude Oil & Gas:** The persistent decline in inflow from crude oil & gas revenue impacted negatively on accretion to the reserves. This was attributed to reduction in crude oil production, rising under-recovery costs, limited investment in the oil industry, among others. There is a risk that the decline in inflow would persist for the foreseeable future.
- **Rising Foreign Loan Repayment Obligation:** As the country's foreign debt stock rises, debt service obligations would continue to rise, with negative implications for the external reserves.

- **Declining Global GDP:** A more transmissible Covid-19 variant such as Omicron could dampen global economic confidence, affect demand, growth and global commodity prices which would ultimately affect accretion to reserves.

2 DEVELOPMENTS IN THE FINANCIAL SYSTEM

2.1 Monetary and Credit Developments

Broad money supply (M3) grew by 12.63 per cent to ₦43,818.47 billion at end-December 2021, above the indicative benchmark of 9.99 per cent for 2021. This development reflected the expansion in domestic claims (17.25 per cent), arising from the 15.96 per cent growth in net claims on the central government and the 17.75 per cent increase in claims on 'other' sectors. The increase in claims on 'other' sectors reflected improved credit delivery to the real economy in line with the Bank's accommodative monetary policy stance.

The corresponding growth in total monetary liabilities stemmed from the rise in currency outside depository corporations (17.74 per cent), transferable deposits (14.15 per cent) and other deposits (16.63 per cent). The growth in other deposits was hinged on the rise in savings and time deposits, resulting from higher yields on deposits. Similarly, the increase in currency outside depository corporations and transferable deposits, owing to increased demand for cash for the yuletide season, resulted in a growth in narrow money supply (M1) by 14.72 per cent to ₦18,169.30 billion at end-December 2021, compared with ₦16,024.39 billion at end-June 2021.

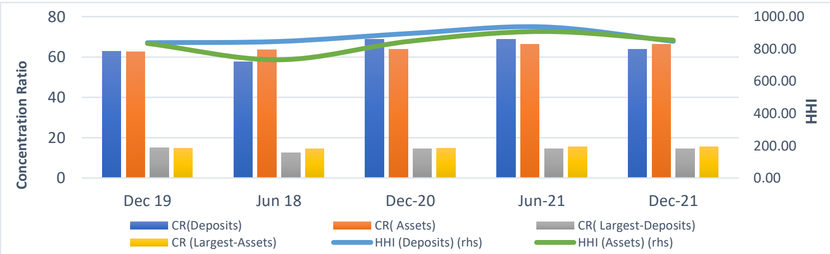
TABLE 2:1 GROWTH RATES OF MONETARY AGGREGATES

% Change (Over preceding December)	Jun 20	Dec 20	Jun 21	Dec 21
Foreign Assets (Net)	40.64	50.95	-18.73	-1.71
Net Domestic Asset	-5.18	3.55	7.64	16.95
Domestic Claims	4.74	12.71	6.85	17.25
Claims on Central Government (Net)	-11.88	13.81	0.88	15.96
Claims on Other Sectors	11.04	12.30	9.15	17.75
Other Items (Net)	137.02	108.48	11.97	23.78
Currency Outside Depository Corporations	-7.63	23.38	-9.91	17.74
Transferable Deposits	21.88	54.69	3.25	14.15
Narrow Money Supply (M1)	16.27	48.74	1.17	14.72
Other Deposits	10.88	20.63	3.86	16.63
Monetary Liabilities (M2)	12.87	31.00	2.73	15.83
Securities Other than Shares	-46.85	-81.98	-39.82	-99.92
Total Monetary Liabilities (M3)	2.63	11.63	1.56	12.63

2.1.1 Market Structure of the Banking Industry

During the review period, six banks accounted for 63.88 and 63.79 per cent of total deposits and assets, respectively, reflecting a decrease in concentration, compared with 66.43 and 68.76 per cent in the first half. This was consistent with the Herfindahl Hirschman Indices (HHI)[1] of 847.43 and 854.24, for deposits and assets, respectively, compared with 936.66 for deposits and 907.93 for assets at end-June 2021. The share of individual banks ranged from 0.10 to 13.84 per cent in deposits and 0.11 to 15.85 per cent in assets in the review period.

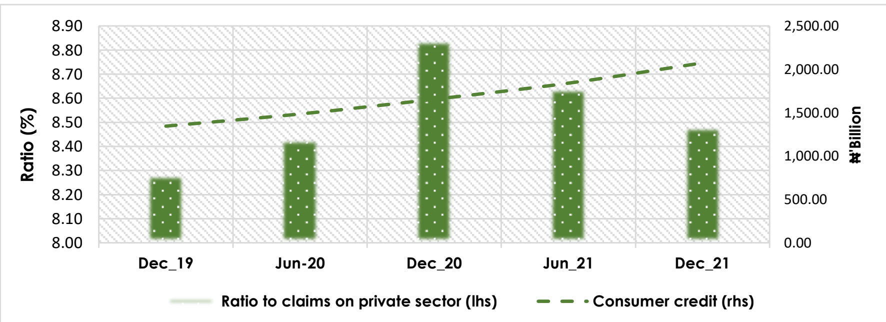
FIGURE 2.1 CONCENTRATION RATIOS OF THE BANKING INDUSTRY ASSETS AND DEPOSITS



2.1.2 Consumer Credit

Consumer credit outstanding rose by 6.7 per cent to ₦2,073.76 billion, at end-December 2021, compared with ₦1,840.24 billion at end-June 2021, accounting for 8.5 per cent of total credit to the private sector. The increase in consumer credit accounted for the rise in private sector credit to ₦24,464.18 billion, at end-December 2021. The rise was due, largely, to the fall in the maximum lending rate, inducing an increase in the volume of extended loans**.**

FIGURE 2.2 CONSUMER CREDIT



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[1] on a scale of 100 to 10,000

2.1.3 Sectoral Distribution of Credit

Total credit extended to various sectors of the economy grew by 11.34 per cent to ₦24,378.19 billion at end-December 2021, owing, largely, to the increased credit to the Services Sector. Credit to Agriculture, Industry and Services sectors, increased by 26.25, 6.87 and 13.45 per cent, to ₦1,457.82 billion, ₦9,911.14 billion and ₦13,009.23 billion, respectively.

Further analysis revealed that Industry and Services remained the dominant sectors, accounting for 40.66 and 53.36 per cent of the total credit, respectively, compared with 42.36 and 52.37 per cent at end-June 2021. The share of Agriculture sector increased by 0.71 percentage point to 5.98 per cent, compared with 5.27 per cent, at end-June 2021. The improved flow of credit to the Real Sector reflected the positive impact of the Bank's sustained implementation of various policies to encourage lending to the economy, especially the Loan-to-Deposit ratio (LDR) and Global Standing Instruction (GSI) policies.

TABLE 2:2 SECTORAL ALLOCATION OF CREDIT

ITEM	Dec-20 (=N='m) (1)	Jun-21 (=N='m) (2)	Dec-21 (=N='m) (3)	Percentage Share in Total: Dec-20 (4)	Jun-21 (5)	Dec-21 (6)	% Change Between (2) &(3)	(1) &(3)
SECTORAL CREDIT ALLOCATION								
[a] Agriculture	1,049,678.4	1,154,686.6	1,457,821.8	5.2	5.27	5.98	26.25	38.88
[b] Industry	8,541,952.0	9,274,052.7	9,911,138.5	41.9	42.36	40.66	6.87	16.03
of which Construction	965,188.0	1,096,192.9	1,069,500.7	4.7	5.0	4.4	(2.43)	10.81
[c] Services	10,781,857.9	11,466,570.9	13,009,233.2	52.9	52.37	53.36	13.45	20.66
of which Trade/General Commerce	1,343,587.3	1,376,319.7	1,708,377.4	6.6	6.3	7.0	24.13	27.15
TOTAL PRIVATE SECTOR CREDIT	20,373,488.3	21,895,310.3	24,378,193.4	100.0	100.0	100.0	11.34	19.66

2.2 Other Financial Institutions

The total number of Other Financial Institutions (OFIs) stood at 6,682 at end-December 2021, comprising 7 Development Finance Institutions (DFIs), 866 Microfinance Banks (MFBs), 100 Finance Companies (FCs), 34 Primary Mortgage Banks (PMBs) and 5,675 Bureaux-de-change (BDCs). Thus, there was a net increase of 62 new OFIs, compared with 6,620 institutions at end-June 2021. The change in the number of OFIs was attributed to the merger of 15 MFBs and the licensing of 5 MFBs, 9 FCs and 62 BDCs.

TABLE 2:3 BREAKDOWN OF OTHER FINANCIAL INSTITUTIONS

S/N	Type	Total Number of Institutions at end-December, 2021	Total Number of Institutions at end-June, 2021
1	Microfinance Banks	866	875
2	Bureaux De Change	5,675	5,613
3	Finance Companies	100	91
4	Development Finance Institutions	7	7
5	Primary Mortgage Banks	34	34
	Total	**6,682**	**6,620**

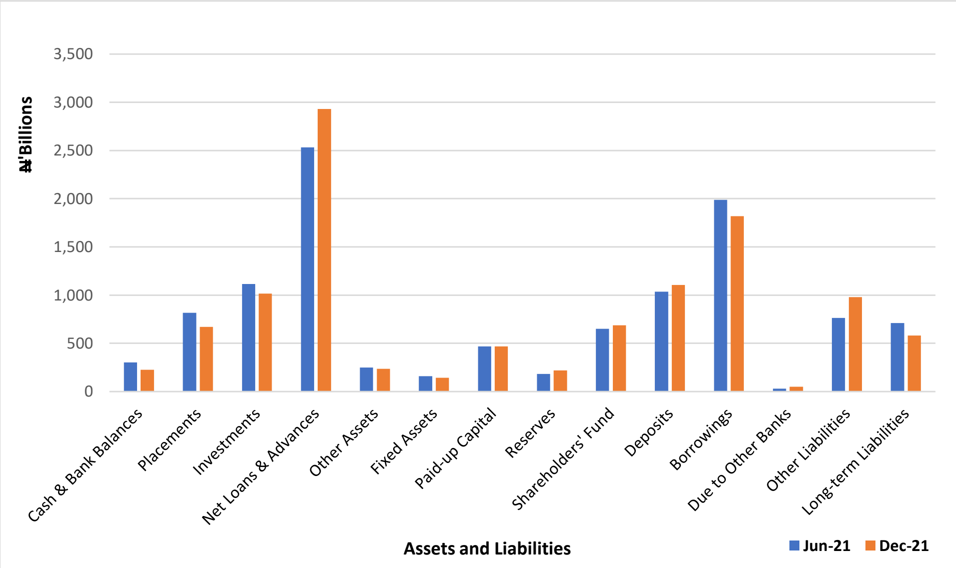
The total assets of the OFIs, excluding the BDCs, increased marginally by 0.91 per cent to ₦5,223.66 billion at end-December 2021, compared with ₦5,176.36 billion at end-June 2021. This was attributed mainly to increase in shareholders' funds, as a result of compliance with the increased minimum capital requirement for MFBs; and increases in deposits and other liabilities.

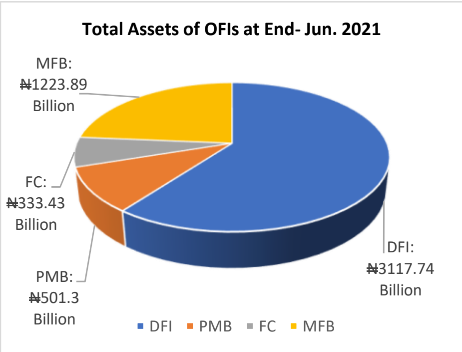
Further analysis indicated that net loans and advances increased by 15.70 per cent to ₦2,930.06 billion, at end-December 2021, from ₦2,532.38 billion, at end-June 2021, while cash and bank balances decreased by 25.02 per cent to ₦227.37 billion, at end-December 2021, from ₦303.24 billion, at end-June 2021.

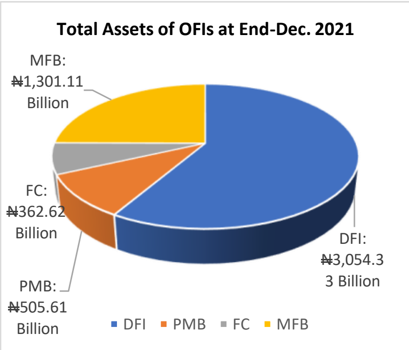
Similarly, placements and investments decreased by 17.80 per cent and 8.86 per cent to ₦671.07 billion and ₦1,015.71 billion at end-December 2021, from ₦816.38 billion and ₦1,114.39 billion, respectively, at end-June 2021. The decreases in placements and investments due to repayment of borrowings and long-term liabilities.

Other liabilities increased by 28.53 per cent to ₦979.72 billion, at end-December 2021, from ₦762.26 billion, at end-June 2021, while deposit liabilities increased by 6.95 per cent to ₦1,106.79 billion, at end-December 2021, compared with ₦1,034.85 billion, at end-June 2021. However, borrowings and long-term liabilities decreased by 8.47 per cent and 18.04 per cent to ₦1,819.87 billion, and ₦581.25 billion, at end-December 2021, from ₦1,988.25 billion, and ₦709.22 billion, respectively, at end-June 2021.

FIGURE 2.3 CONSOLIDATE BALANCE SHEET OF OFIS







2.2.1 Development Finance Institutions

The total assets of the sub-sector decreased by 2.03 per cent to ₦3,054.33 billion at end-December 2021, compared with ₦3,117.74 billion at end-June 2021. The decline was due largely to decreases in cash and bank balances and placements by 98.66 per cent and 18.59 per cent to ₦0.97 billion and ₦428.81 billion at end-December 2021, from ₦71.99 billion and ₦526.75 billion, respectively, at end-June 2021.

Investments increased by 10.26 per cent to ₦1,002.36 billion at end-December 2021, compared with ₦909.04 billion at end-June 2021, while loans and advances increased by 14.39 per cent to ₦1,585.39 billion at end-December 2021, from ₦1,385.95 billion at end-June 2021, driven mainly by increase in deposit liabilities.

The aggregate shareholders' funds increased by 7.34 per cent to ₦453.24 billion at end-December 2021, from ₦422.26 billion at end-June 2021, due to accretion of ₦30.98 billion to reserves of BOI, DBN and NMRC. Deposit liabilities also increased by 6.37 per cent to ₦514.85 billion at end-December 2021, from ₦484.01 billion at end-June 2021, while other liabilities increased by 11.54 per cent to ₦438.60 billion at end-December 2021, compared with ₦393.22 billion at end-June 2021. However, borrowings decreased by 10.46 per cent to ₦1,582.32 billion at end-December 2021, from ₦1,767.22 billion at end-June 2021.

A disaggregation of the total assets by institution, indicated that the BOI, DBN, FMBN, NEXIM, BOA, NMRC and TIB accounted for 56.85, 16.35, 14.44, 6.20, 3.31, 2.78 and 0.07 per cent, respectively. The BOI, DBN, FMBN, NEXIM, BOA and NMRC accounted for 48.03, 20.29, 18.40, 7.18, 4.77 and 1.33 per cent, of total net loans and advances, respectively.

FIGURE 2.4 CONSOLIDATED BALANCE SHEET OF DFIS

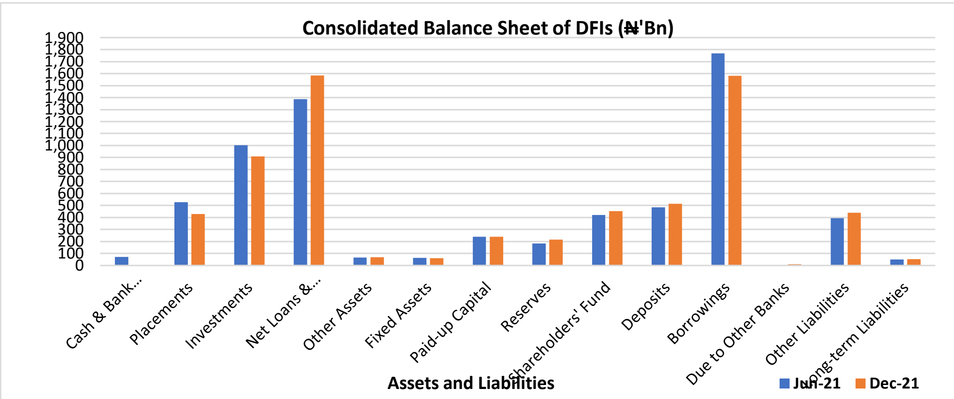


FIGURE 2.5 TOTAL ASSETS OF DFIS

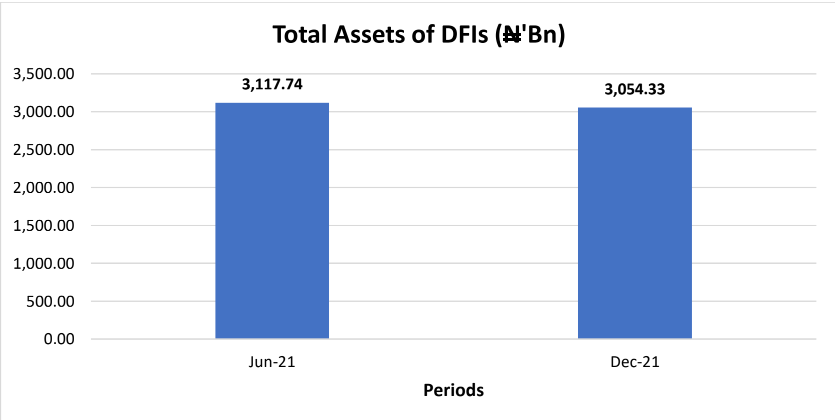
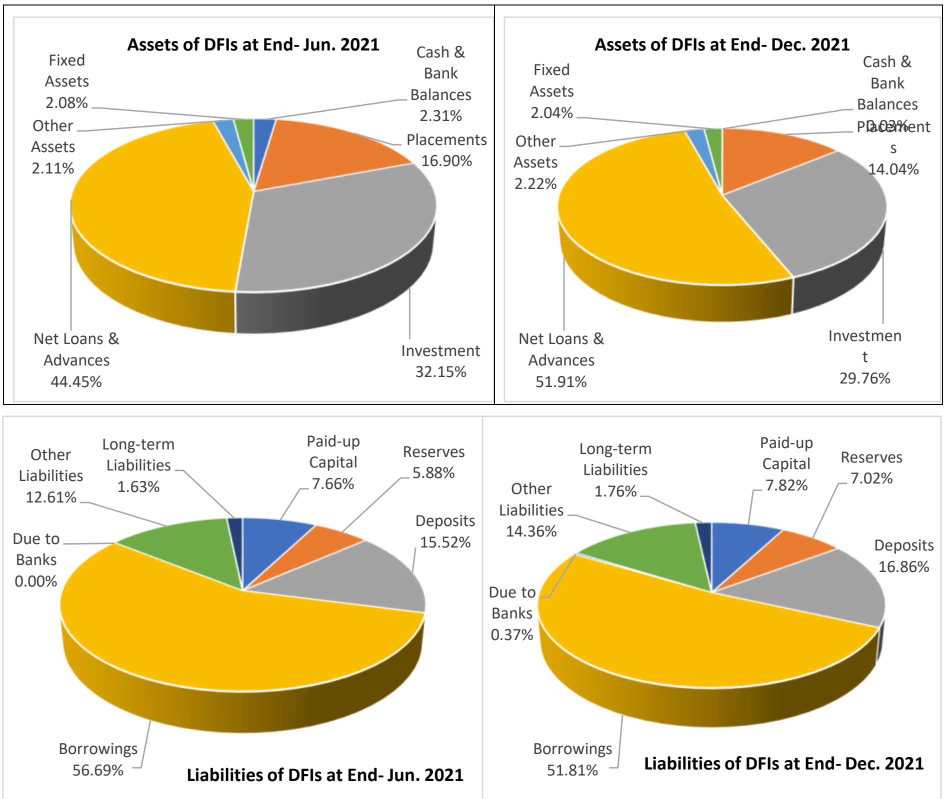


FIGURE 2.6 TOTAL ASSETS AND LIABILITIES OF DFIS



2.2.2 Primary Mortgage Banks

The total assets of the sub-sector increased by 0.86 per cent to ₦505.61 billion, at end-December 2021, compared with ₦501.30 billion at end-June 2021, owing largely to increases in net loans and advances as well as placements with banks. Net loans and advances and placements with banks increased by 4.27 per cent and 5.08 per cent to ₦276.03 billion, and ₦73.93 billion, at end-December 2021, compared with ₦264.74 billion and ₦70.35 billion, respectively, at end-June 2021.

However, investments decreased by 6.93 per cent to ₦58.97 billion at end-December 2021, compared with ₦63.35 billion at end-June 2021. Also, other assets decreased by 11.78 per cent to ₦53.42 billion, at end- December 2021, from ₦60.56 billion, at end-June 2021. Similarly, the shareholders' funds decreased by 11.86 per cent to ₦32.53 billion at end-December 2021, from ₦36.91 billion at end-June 2021, owing to further depletion of reserves.

Deposit liabilities also decreased by 1.46 per cent to ₦180.20 billion, at end-December 2021, from ₦182.87 billion, at end-June 2021. However, Due-to-other-banks and other liabilities increased to ₦21.56 billion and ₦194.26 billion as at end-December 2021, from ₦14.39 billion and ₦190.17 billion, respectively, at end-June 2021, indicating increases of 49.83 per cent and 2.16 per cent, respectively.

FIGURE 2.7 CONSOLIDATED BALANCE SHEET OF PMBS (N'BN)

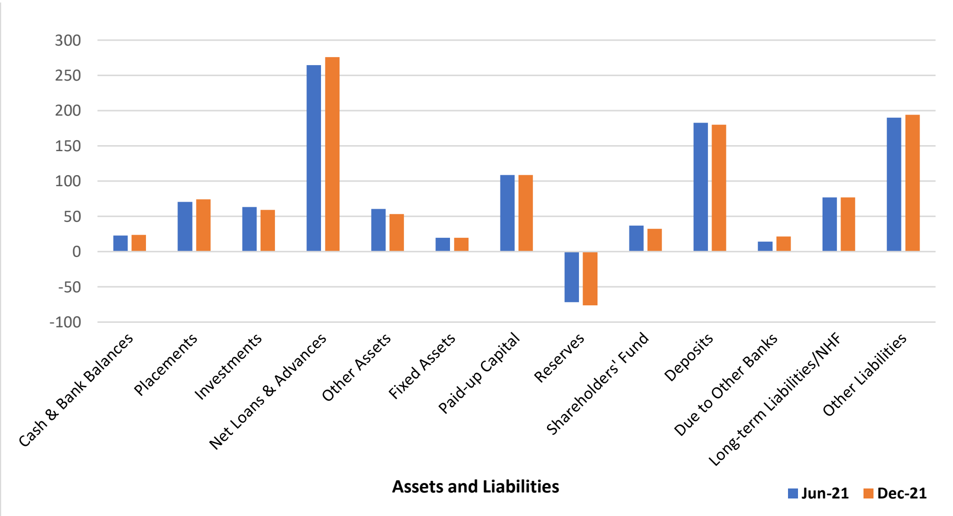


FIGURE 2.8 TOTAL ASSETS OF PMBS

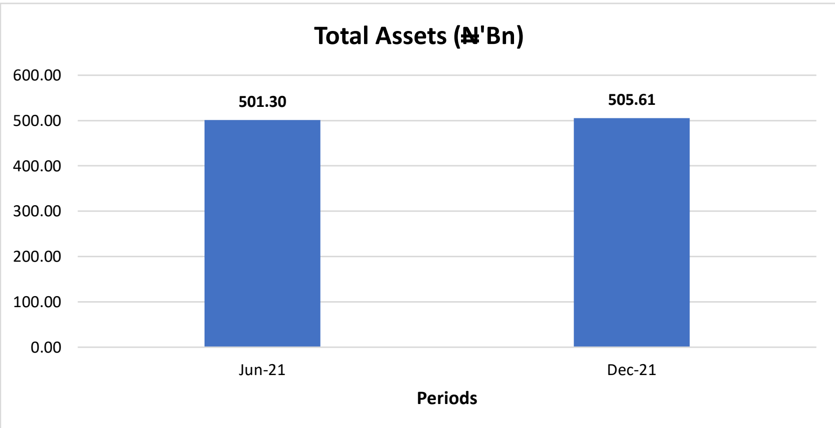


FIGURE 2.9 COMPOSITION OF ASSETS AND LIABILITIES OF PRIMARY MORTGAGE BANKS

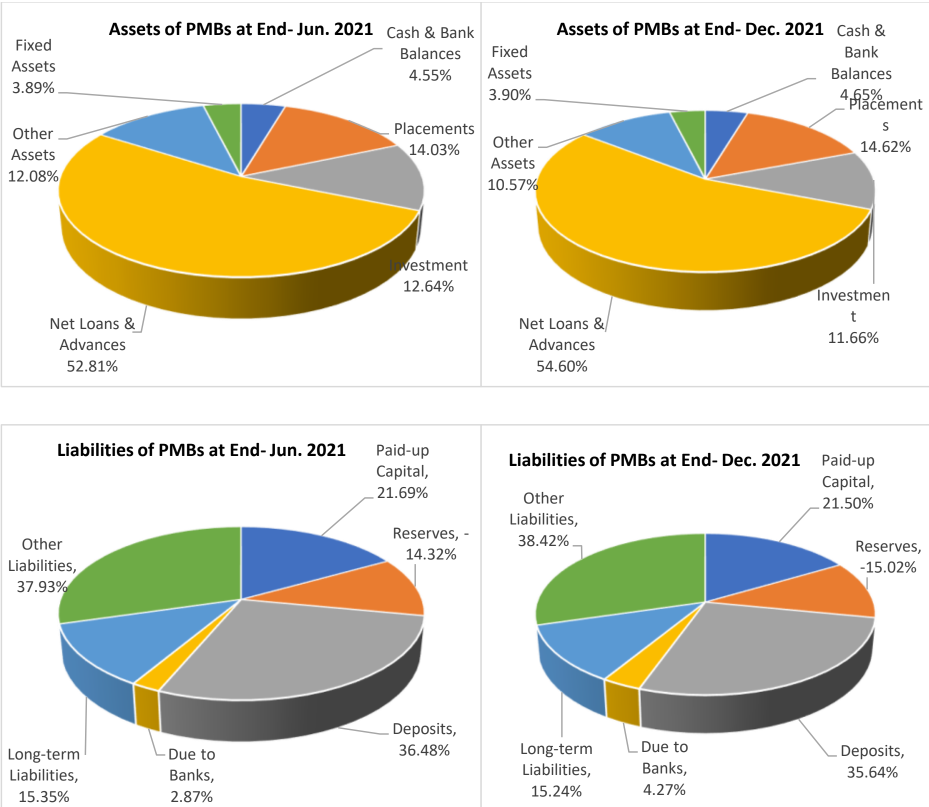


TABLE 2:4 FINANCIAL HIGHLIGHTS OF PMBS

	End-June 2021 (₦' billion)	End-December 2021 (₦' billion)	Change (₦' billion)	% Change
Total Assets	501.30	505.61	4.31	0.86
Loans and Advances	264.74	276.03	11.29	4.27
Investments	63.35	58.97	(4.39)	(6.93)
Other Assets	60.56	53.42	(7.13)	(11.78)
Placements with Banks	70.35	73.93	3.57	5.08
Due to Banks	14.39	21.57	7.18	49.90
Reserves	(71.80)	(76.18)	(4.38)	(6.10)
Deposit liabilities	182.87	180.20	(2.67)	(1.46)
Other liabilities	190.17	194.26	4.10	2.16
Long-term Liabilities	76.97	77.06	0.09	0.12
Shareholders' funds	36.91	32.53	(4.39)	(11.90)

The capital adequacy ratio of PMBs declined to 9.95 per cent at end-December 2021, compared with 11.29 per cent at end-June 2021. The decline in the CAR was attributed mainly to the losses recorded by some PMBs that negatively impacted their shareholders' funds. The liquidity ratio declined to 43.65 per cent at end-December 2021, compared with 48.31 per cent at end-June 2021. The non-performing loan ratio of the subsector improved significantly to 28.99 per cent at end-December 2021, compared with 48.91 per cent at end-June 2021. However, the non-performing loans ratio of 28.99 per cent remained far above the regulatory maximum of 10 per cent.

2.2.3 Finance Companies

During the period under review, the Bank granted operating licences to nine institutions, bringing the total number of FCs to 100 at end-December 2021, compared with 91 at end-June 2021. Total assets of FCs increased by 8.75 per cent to ₦362.62 billion, at end-December 2021, from ₦333.43 billion, at end-June 2021. The development was attributed largely to increases in balances with banks and net loans and advances by 23.09 per cent and 17.02 per cent to ₦27.32 billion and ₦166.98 billion, respectively, at end-December

2021, compared with ₦22.20 billion and ₦142.69 billion, respectively, at end-June 2021. Furthermore, placements increased by 10.93 per cent to ₦41.89 billion, at end-December 2021, from N37.76 billion, at end-June 2021, while fixed assets decreased by 6.17 per cent to ₦46.15 billion, at end-December 2021, compared with ₦49.18 billion, at end-June 2021.

Total borrowings and other liabilities increased by 7.47 per cent and 34.07 per cent to ₦237.55 billion and ₦82.38 billion, respectively, at end-December 2021, from ₦221.03 billion and ₦61.44 billion at end-June 2021. However, shareholders' funds, decreased by 14.43 per cent to ₦40.84 billion at end-December 2021, from ₦47.72 billion at end-June 2021, owing largely to decline in reserves by 24.11 per cent.

TABLE 2:5 FINANCIAL POSITION OF FCS

	End-June 2021 (₦' billion)	End-December 2021 (₦' billion)	Change (₦' billion)	% Change
Total Assets	333.43	362.62	29.18	8.75
Cash in Vault	2.00	2.37	0.37	18.67
Balances with Banks	22.20	27.32	5.12	23.09
Net Loans and Advances	142.69	166.98	24.28	17.02
Investments	20.04	19.76	(0.28)	(1.41)
Placements	37.76	41.89	4.13	10.93
Fixed Assets	49.18	46.15	(3.03)	(6.17)
Borrowings	221.03	237.55	16.52	7.47
Other Liabilities	61.44	82.38	20.93	34.07
Shareholder's Funds	47.72	40.84	(6.88)	(14.43)
Paid up capital	27.72	25.65	(2.07)	(7.44)
Reserves	20.01	15.19	(4.82)	(24.11)

FIGURE 2.10 CONSOLIDATED BALANCE SHEET OF FCS

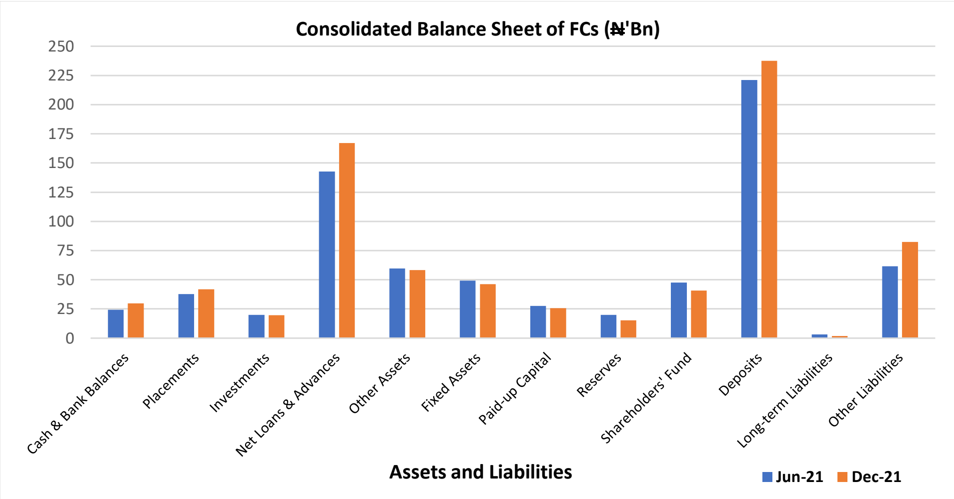


FIGURE 2.11 TOTAL ASSETS OF FINANCE COMPANIES

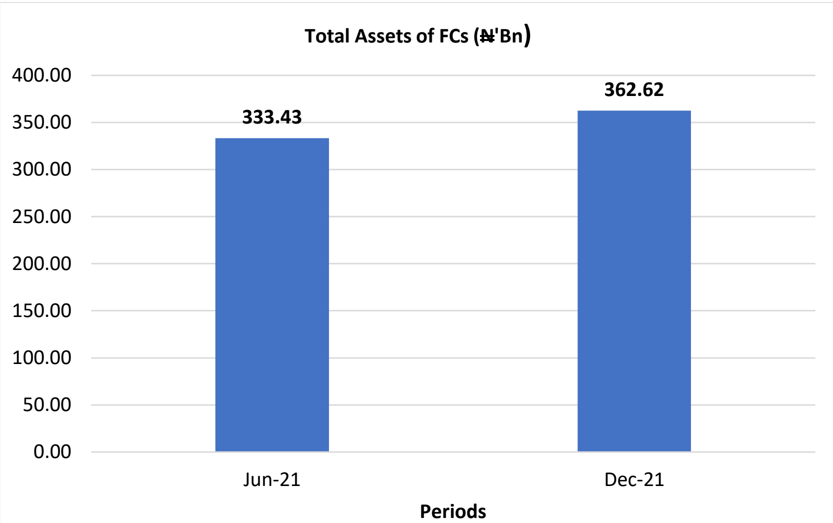
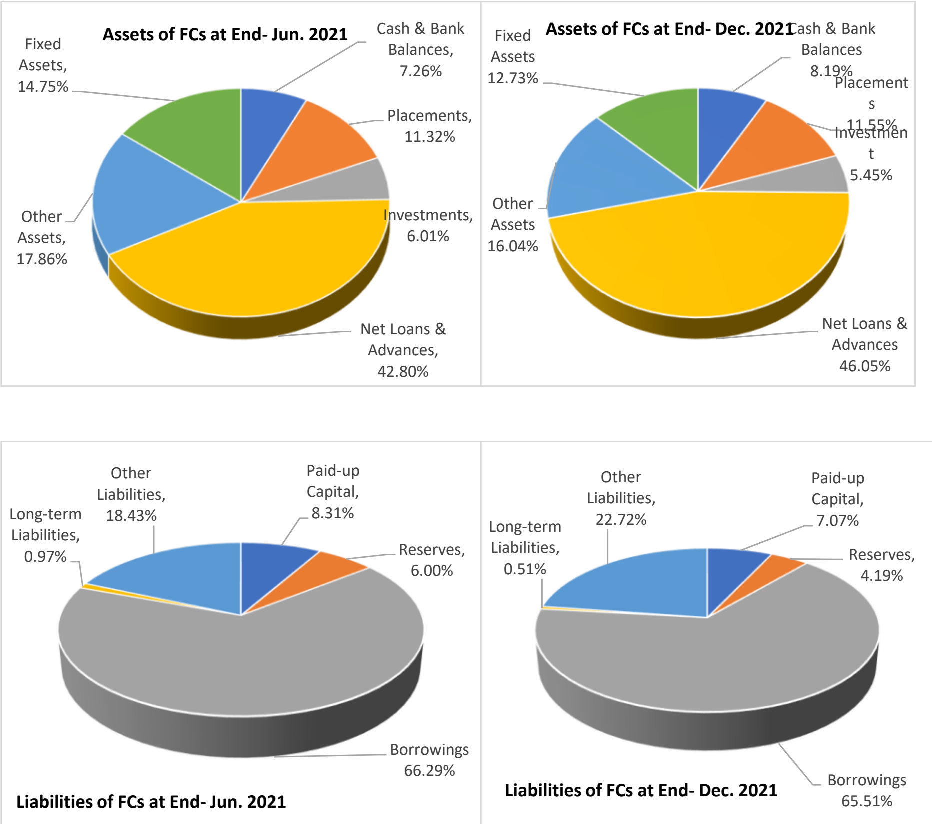


FIGURE 2.12 COMPOSITION OF ASSETS AND LIABILITIES OF FCS



Investible funds available to the FC sub-sector at end-December 2021 amounted to ₦42.17 billion. The funds were sourced mainly from increases in borrowings and other liabilities by ₦16.52 billion and ₦20.93 billion, respectively. The funds were utilised mainly to increase loans and advances, as well as placements.

The capital adequacy ratio declined by 4.38 percentage points to 11.12 per cent at end-December 2021, compared with 15.50 per cent at end-June 2021. The decline in CAR was due largely to 17.02 per cent and 23.09 per cent increases in loans and advances and balances with banks, respectively, which led to a substantial increase in Risk Weighted Assets.

However, the NPL ratio decreased by 4.51 percentage points to 19.91 per cent, at end-December 2021, compared with 24.42 per cent at end-June 2021, reflecting an improvement in asset quality and loan repayment.

2.2.4 Microfinance Banks

During the review period, seven MFBs were licensed, while 15 MFBs merged into one, bringing the total to 866 (9 National, 134 State and 723 Unit MFBs), compared with 875 (9 National, 132 State and 734 Unit MFBs) at end-June 2021.

Total assets of the MFBs increased by 6.31 per cent to ₦1,301.11 billion, at end-December 2021, from ₦1,223.89 billion, at end-June 2021. The increase was due to a significant rise in net loans and advances by 22.10 per cent to ₦901.66 billion, at end-December 2021, compared with ₦739.00 billion, at end-June 2021. However, placements with banks decreased by 30.34 per cent to ₦126.45 billion, at end-December 2021, compared with ₦181.51 billion, at end-June 2021, while fixed assets decreased by 47.20 per cent to ₦14.65 billion, at end-December 2021, from ₦27.75 billion, at end-June 2021.

The shareholders' funds increased by 10.91 per cent to ₦159.86 billion at end-December 2021, from ₦144.41 billion at end-June 2021, owing largely to capital injection and accretion to reserves from ploughed back profits. Similarly, other liabilities increased by 14.68 per cent to ₦264.49 billion at end-December 2021, from ₦230.63 billion at end-June 2021. Total deposit liabilities increased by 11.90 per cent to ₦411.74 billion at end-December 2021, compared with ₦367.97 billion at end-June 2021.

TABLE 2:6 HIGHLIGHTS OF FINANCIAL POSITION OF MFBS

	End-June 2021 (₦' Billion)	End-December 2021 (₦' Billion)	Change (₦' Billion)	% Change
Total Assets	1,223.89	1,301.11	77.22	6.31
Placement with Banks	181.51	126.45	(55.07)	(30.34)
Net Loans and Advances	739.00	901.66	162.66	22.01
Fixed Assets	27.75	14.65	(13.10)	(47.20)
Paid up capital	93.29	93.73	0.45	0.48
Reserves	50.85	66.13	15.27	30.03
Shareholder's Funds	144.14	159.86	15.72	10.91
Deposits	367.97	411.74	43.77	11.90
Long Term Loans/On-lending	464.87	448.43	(16.44)	(13.54)
Other Liabilities	230.63	264.49	33.86	14.68

FIGURE 2.13 CONSOLIDATED BALANCE SHEET OF MFBS

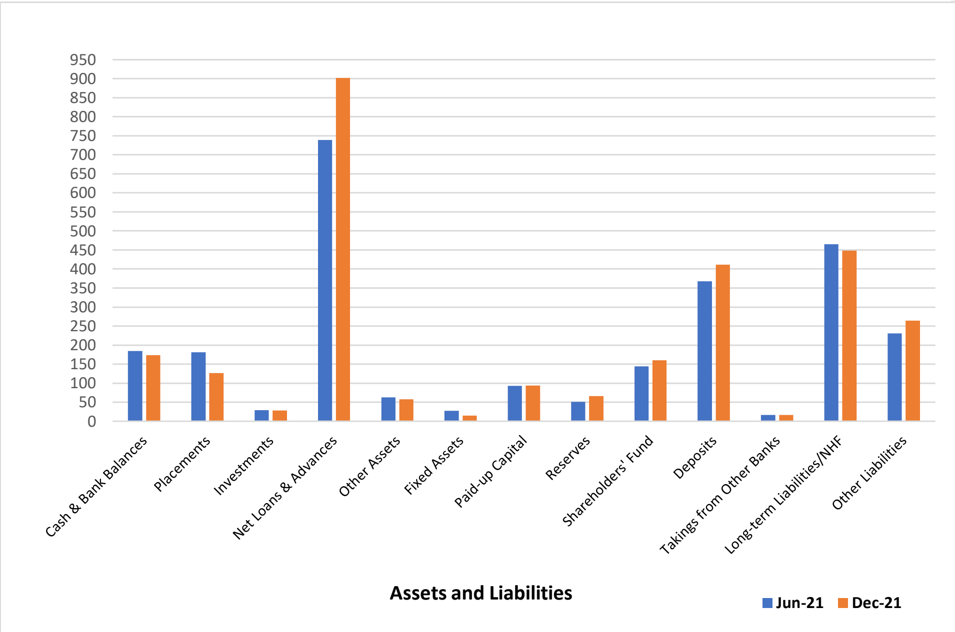


FIGURE 2.14 TOTAL ASSETS OF MFBS

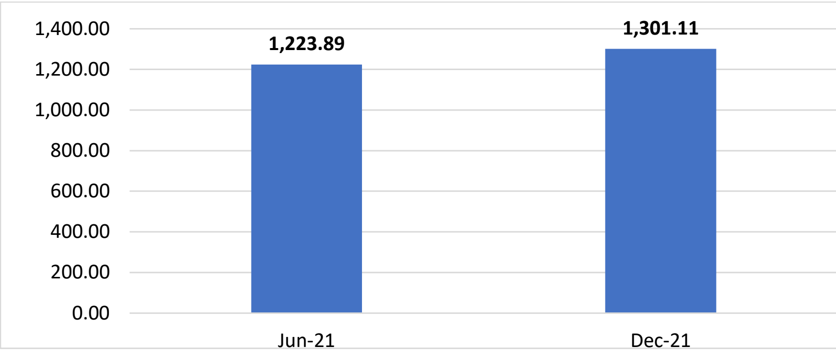
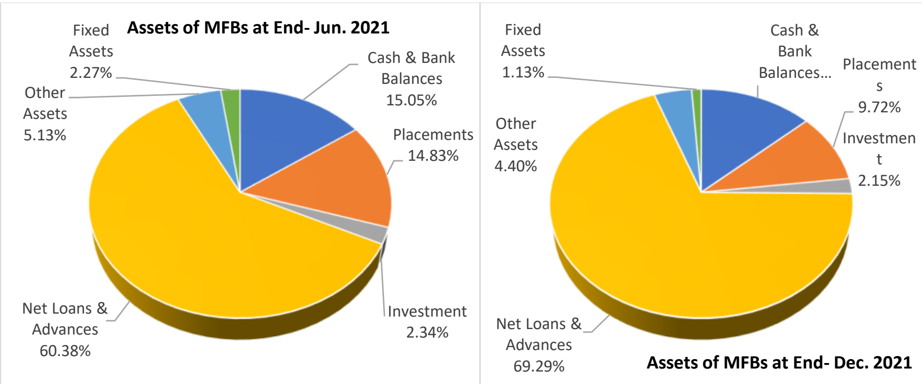
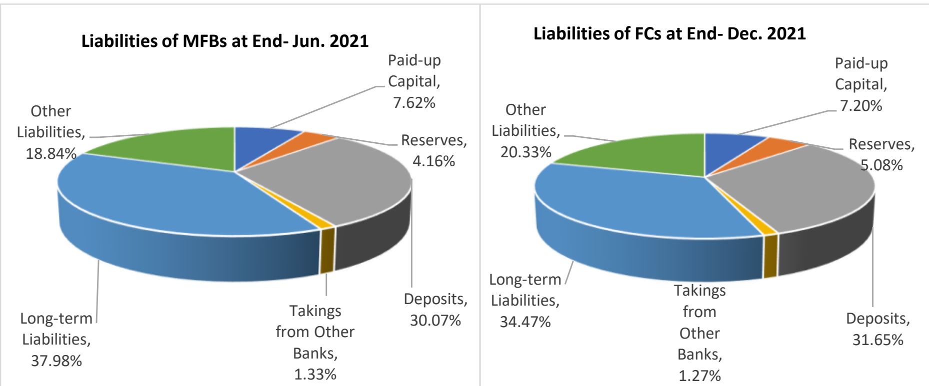


FIGURE 2.15 COMPOSITION OF ASSETS AND LIABILITIES OF MFBS





Investible funds at end-December 2021 amounted to ₦183.67 billion. The funds were sourced mainly from increases of ₦43.77 billion in deposits, ₦33.86 billion in other liabilities and ₦15.27 billion in reserves, as well as decreases of ₦55.89 billion in placements with banks, ₦13.10 billion in fixed assets and ₦11.06 billion in bank balances. The funds were utilised mainly to increase net loans and advances by ₦162.66 billion and reduce long-term liabilities by ₦16.44 billion.

The capital adequacy and liquidity ratios of MFBs were 15.42 per cent and 78.01 per cent at end-December 2021, compared with 18.80 per cent and 105.50 per cent, respectively, at end-June 2021. However, the average Portfolio-At-Risk (PAR) was 5.94 per cent at end-December 2021, compared with 6.62 per cent at end-June 2021. The regulatory requirements are minimum of 10 per cent and 20 per cent for CAR and liquidity ratios, respectively, while a maximum of 5 per cent is for PAR.

2.2.4.1 New Capital Regime for Microfinance Banks

The initial recapitalisation deadlines for MFBs for first and second phases were April 2020 and April 2021, respectively. In response to the impact of COVID-19 pandemic on the recapitalisation exercise, the Bank extended the deadlines to April 2021 and April 2022 for the first and second phases, respectively. Following the expiration of the April 2021 deadline for the first phase, the Bank conducted a capital verification exercise to ascertain the level of compliance of MFBs with the first phase of recapitalisation requirement. The capital verification exercise revealed that economic challenges slowed down the MFBs' efforts to increase their capital to the required minimum, with 263 MFBs meeting the 2021 capital requirement deadline. In addition, the Bank granted approval for 15 Unit MFBs to merge during the review period. However, an additional 382 MFBs had adequate capital to either downgrade to a lower authorisation, opt to relocate to Tier 2 areas or adopt merger and acquisitions options.

2.2.4.2 Maturity Structure of Loans and Advances and Deposit Liabilities

Short-term credits dominated the microfinance market in the second half of 2021, as they accounted for 78.67 per cent of the total loans and advances at end-December 2021, representing an increase of 38.38 percentage points, compared with 40.29 per cent at end-June 2021. Loans and advances with maturity period of over 360 days accounted for 21.33 per cent, compared with 59.71 per cent at end-June 2021.

The deposit structure also remained largely short-term, as deposits of less than one (1) year maturity accounted for 86.19 per cent, an increase of 6.14 percentage points, compared with 80.05 per cent at end-June 2021. On the other hand, deposits of over one (1) year maturity accounted for 13.81 per cent, reflecting a decrease of 6.14 percentage points, compared with 19.95 per cent at end-June 2021.

TABLE 2:7 MATURITY STRUCTURE OF LOANS AND ADVANCES AND DEPOSIT LIABILITIES OF MFBS

Jun-21			Dec-21		
Tenor/Period	**Loans and Advances**	**Deposits**	**Tenor/Period**	**Loans and Advances**	**Deposits**
	%	%		%	%
0-30 Days	10.22	31.47	0-30 Days	21.69	40.38
31-60 Days	3.77	9.94	31-60 Days	7.59	7.58
61-90 Days	4.43	11.2	61-90 Days	7.86	11.99
91-180 Days	12.13	16.34	91-180 Days	22.48	15.03
181-360 Days	10.14	11.28	181-360 Days	19.27	11.38
Short-Term	**40.69**	**80.23**	**Short-Term**	**78.89**	**86.36**
Above 360 Days	59.31	19.77	**Above 360 Days**	21.11	13.64
Total	**100**	**100**	**Total**	**100**	**100**

2.2.5 Capacity Building Programme

As part of the capacity building efforts, 301 staff of MFBs were certified by the Chartered Institute of Bankers of Nigeria (CIBN), on completion of the Microfinance Certification Programme during the review period. Consequently, the total number of certified staff increased to 7,792 at end-December 2021, from 7,403 at end-June 2021.

A workshop was also organised by the Bank for External Auditors with a view to enhancing the quality of audited financial statements.

2.2.6 Bureaux De Change

The total number of BDCs stood at 5,675 at end-December 2021, compared with 5,613 at end-June 2021, indicating an increase of 62 new institutions licensed before the suspension of issuance of new BDC licenses.

In July 2021, the Bank suspended issuance of new BDC licenses as well as sale of forex to the BDCs because of concerns stemming from some activities of the BDCs which also *placed* a significant financial burden on the Bank. The concerns included*:*

- the gradual dollarisation of the Nigerian economy with consequent adverse impact on the conduct of monetary policy and subtle evasion of the Bank's cashless policy initiative
- ownership of multiple BDCs by some promoters, in their bid to illegally procure foreign exchange multiple times from the Bank, in contravention of the regulatory guidelines.
- financing of unauthorized transactions with the foreign exchange procured from the Bank, and

- incidences of patronage of the BDCs, through illegal forex dealers, by some international institutions to fund their local operations in Nigeria.

2.3 Financial Markets

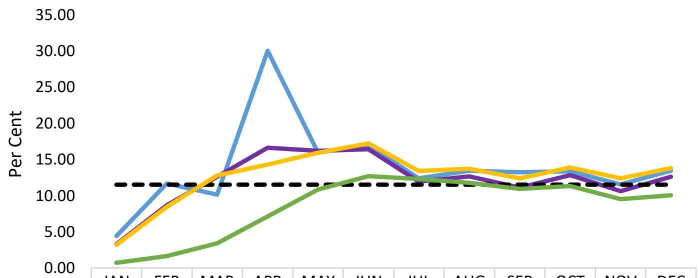
2.3.1 Money Market

The Bank maintained its accommodative monetary policy stance as reflected in the decision of the Monetary Policy Committee (MPC) to hold the Monetary Policy Rate (MPR) at 11.50 per cent, with an asymmetric corridor of +100/-700 basis points for Standing Lending Facility (SLF) and Standing Deposit Facility (SDF). Cash Reserve Ratio (CRR) and Liquidity Ratio (LR) were also maintained at 27.50 and 30.00 per cent, respectively, in the review period.

Sales of CBN bills, maintenance of cash reserve requirements and foreign exchange constituted major withdrawals from the system. The open-buy-back (OBB) and unsecured interbank call weighted daily average opened at 11.69 and 9.82 per cent, respectively. The rates peaked at 21.34 and 25.00 per cent for OBB and unsecured interbank calls on August 20 and October 29, 2021, respectively, owing to reduced banking system liquidity. The rates moderated to 18.00 per cent on November 30, 2021 for unsecured inter-bank calls and 9.47 per cent on December 31, 2021 for OBB.

The monthly average OBB and inter-bank call rates closed at 12.59 and 13.42 per cent at end-December 2021, compared with 16.39 and 16.87 per cent, respectively, at end-June 2021, owing to improved liquidity conditions in the market occasioned by maturing CBN bills and NTBs. The OBB weighted daily average rates ranged between 3.52 and 21.34 per cent, while the inter-bank call rates ranged between 4.00 and 25.00 per cent, compared with 0.36 and 32.91 per cent and 2.00 and 30.00 per cent, respectively, in the first half of 2021.

FIGURE 2.16 MONEY MARKET RATES FOR 2021



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Inter-Bank Call (%)	4.40	11.65	10.10	30.00	15.95	16.87	12.38	13.45	13.21	13.33	11.53	13.42
Open-Buy-Back (OBB) (%)	3.28	8.67	12.61	16.61	16.18	16.39	11.91	12.65	11.11	12.81	10.61	12.59
MPR (%)	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50
Call NIBOR (%)	3.18	8.42	12.75	14.30	15.91	17.20	13.39	13.70	12.38	13.89	12.37	13.78
30-day NIBOR	0.71	1.65	3.40	7.14	10.84	12.68	12.30	11.75	10.92	11.31	9.52	10.03

2.3.1.1 Developments in Interest Rates

The volume of lending transactions, which surged by 11.64 per cent to ₦23,354.01 billion in the review period, reflected improvement in banking system liquidity in the second half of 2021. Thus, the average maximum lending rate dipped by 1.10 percentage point to 27.51 per cent, from 28.61 per cent in the first half of 2021. However, the prime lending rate increased marginally by 0.37 percentage point to 11.67 per cent and was negative in real terms, while the maximum lending rate remained above the inflation rate of 15.63 per cent in December 2021.

The weighted average term-deposit rate rose by 1.04 percentage point to 3.80 per cent, leading to a narrowed spread between the deposit and lending rates. The spread between the average term deposit and maximum lending rates narrowed by 2.15 percentage points to 23.71 per cent in the second half of 2021.

2.3.1.2 Nigerian Treasury Bills

Nigerian Treasury Bills (NTBs) for 91-, 182- and 364-day maturities totalling ₦2,469.86 billion were issued and allotted during the second half of 2021. This reflected an increase of ₦804.24 billion or 48.28 per cent, compared with ₦1,665.62 billion in the preceding period. The average marginal rate for the review period ranged between 2.4900- 2.5000 per cent for the 91- day, 3.4500- 3.5000 per cent for the 182- day and 4.900-9.1500 per cent for the 364-day tenors.

The holding structure of NTB allotted during the review period indicated that commercial banks (including foreign investors) held ₦1,696.13 billion or 68.67 per cent, merchant banks ₦89.10 billion or 3.61 per cent, while mandate and internal funds customers held ₦551.38 billion or 22.32 per cent.

The total stock of NTBs outstanding at end-December 2021 stood at ₦3.78 trillion. The holdings structure indicated that parastatals accounted for ₦681.06 billion (0.47 per cent); commercial banks, ₦1,614.20 billion (53.95 per cent); merchant banks, ₦14.03 billion (22.76 per cent); and CBN held the balance of ₦682.58 billion (22.82 per cent).

During the review period, total value of transactions in NTBs on the FMDQ exchange amounted to ₦15,550.53 billion, up from ₦13,116.03 billion in the preceding half year, representing an increase of 18.56 per cent. Also, the total number of Deals increased by 38.34 per cent to 16,958 from 12,258.

2.3.1.3 Foreign Exchange Market

The Bank sustained its foreign exchange interventions in the retail Secondary Market Intervention Sales (SMIS) window for agriculture, airline, petroleum products, raw materials and machinery transactions. Similarly, the Bank increased sales of foreign exchange for invisible trade transactions, such as basic personal and business travels, medical bills, and school fees. The SMEs, oil companies and the Investors & Exporters (I&E) windows broadened access to foreign exchange, while sales to the BDC segment was discontinued. The Bank also continued its participation in the Naira-Settled OTC Futures Market.

2.3.1.4 Foreign Exchange Market US Dollar Sales and Purchases

The total US dollar sales by the Bank in the second half of 2021 amounted to US$10,543.52 million, compared with US$ 5,831.01 million in the first half of 2021, reflecting an increase of 44.69 per cent. A breakdown indicated that retail spot sales amounted to US$615.07 million; invisible trade sales, US$1,041.00 million; I&E window, US$3,316.91 million; SMEs, US$793.13 million; and Retail forwards sales, US$4,772.42 million. Furthermore, the Bank purchased US$198.07 million, resulting in net sales of US$9,735.87 million.

Forwards contracts, totalling US$5,175.53 million matured during the review period, while contracts valued US$2,815.95 million were outstanding at end-December 2021.

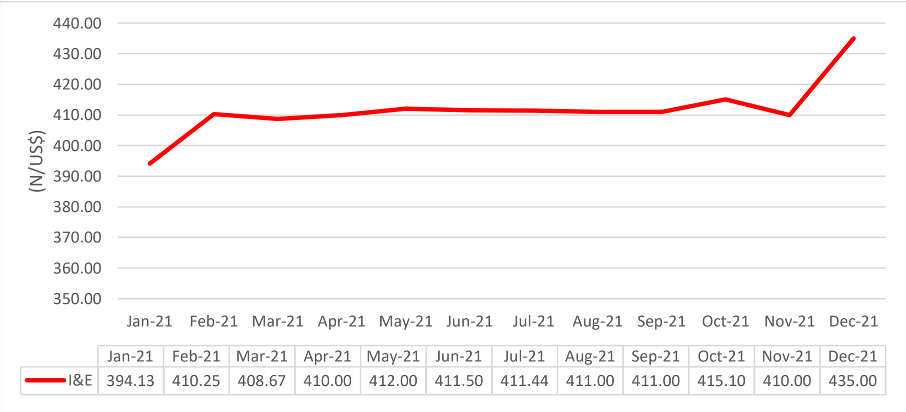
Table 2:8 Interventions at the Interbank Foreign Exchange Market

FX Transactions	End-Jun 21		End-Dec 21	
	Sales	Purchases	Sales	Purchases
	(₦ million)	(₦ million)	(₦ million)	(₦ million)
SMIS Spot	435.03	815.46	615.07	198.07
Invisible	336.49		1,041.00	
SME	734.36		793.13	
I&E	1,375.00		3,316.91	
Forwards	2,950.13		4,777.42	
Total	**5,831.01**	**815.46**	**10,543.53**	**198.07**

2.3.1.5 Exchange Rate Movement at the Investors' & Exporters' Window

The rate at the I&E window opened at ₦410.70/US$ on July 1, 2021 and closed at ₦435.00/US$ on December 31, 2021, reflecting a 5.58 per cent depreciation.

FIGURE 2.17 INVESTORS' & EXPORTERS' RATES



2.3.1.6 OTC FX Futures

The notional amounts of OTC FX Futures contracts executed, matured and outstanding during the review period stood at US$3,577.39 million, US$2,496.85 million and US$5,331.89 million, respectively, compared with US$3,145.09 million, US$6,987.38 million and US$4,251.38 million at end-June 2021.

2.3.1.7 Naira/Yuan Bilateral Currency Swap Agreement

During the review period, CNY2,093.51 million (Chinese Renminbi) was sold in 11 auctions, compared with CNY1,217.09 million sold in the preceding period. A total of CNY5,780.06 million had been sold from inception to end-December 2021.

2.3.2 Capital Market

In the second half of 2021, the capital market showed positive performance, with improvements in the equities and debt segments but a decline in the Exchange Traded Fund (ETF) segment. The aggregate Market Capitalisation increased by 12.91 per cent to close at ₦43.12 trillion, at end-December 2021, from ₦38.19 trillion, at end-June 2021. The equities and debt segments increased by 12.85 per cent and 2.01 per cent to ₦22.30 trillion and ₦17.74 trillion, respectively. The ETF component however declined by 41.67 per cent to ₦0.01 trillion.

TABLE 2:9 NGX ASI, EQUITY AND DEBT MARKET CAPITALISATION

	End-December 2020	End-June 2021	End-December 2021	% Change (B & C)
NGX ASI	40,270.72	37,907.28	42,716.44	12.69
Aggregate Market Cap (N'Trn)	39.73	38.19	43.12	12.91
Equity Market Cap (N'Trn)	21.06	19.76	22.30	12.85
Debt Market Cap (N'Trn)	17.50	17.39	17.74	2.01
Of which Government Debt	16.99	16.67	19.02	14.10
Corporate Debt	0.51	0.717	0.718	0.14
Exchange Traded Funds Market Cap (N' Bn)	20.00	12.20	7.30	-40.16

Source: NGX Reports

2.3.2.1 Equities Market

2.3.2.1.1 NGX

The Nigerian Exchange Limited (NGX) All Share Index (ASI) and Equities Market Capitalisation experienced a bullish trend in the second half of 2021, owing largely to assets switch from fixed income and other alternative investments to equities. The NGX ASI closed at 42,716.44 at end-December 2021, reflecting an increase of 12.69 per cent compared with 37,907.28 at end-June 2021. Similarly, the equities market capitalisation closed at ₦22,296.84 billion, indicating an increase of 12.84 per cent, compared with ₦19,760.39 billion at end-June 2021.

The performances of the sectoral indices were generally positive in the second half of 2021, as 14 out of 17 indices closed the year on a positive note. The NGX Oil/Gas index recorded the highest growth at 52.52 per cent, while NGX ASeM recorded the lowest at -8.11 per cent.

The banking, pension and insurance indices recorded positive performances with 3.32, 16.96 and 4.54 per cent growth, respectively. Comparatively, in the first half of 2021, eight out of 17 indices ended the period on a positive note, with NGX Oil/Gas index recording the highest increase of 38.41 per cent.

TABLE 2:10 NGX INDICES

Description	December 2020	June 2021	H1 YTD	December 2021	H2 YTD %
NGX 30 Index	1,640.11	1,594.87	-2.76	1,722.3	5.01
NGX AFR Div Yield Index	2,017.91	2,329.50	15.44	2559.43	26.84
NGX ASeM INDEX	729.87	703.94	-3.55	670.65	-8.11
NGX Banking Index	393.02	366.47	-6.76	406.07	3.32
NGX CG Index	1,220.61	1,199.29	-1.75	1278	4.70
NGX Consumer Goods Index	573.35	600.88	4.80	589.28	2.78
NGX Growth Index	991.89	1,028.75	3.72	1,269.66	28.00
NGX Industrial Index	2,052.33	1,887.76	-8.02	2008.3	-2.15
NGX Insurance Index	189.50	203.84	7.57	198.11	4.54
NGX Lotus Islamic Index	2,846.19	2,760.73	-3.00	3,009.51	5.74
NGX Main-Board Index	1,725.91	1,600.77	-7.25	1,748.37	1.30
NGX MERI GROWTH INDEX	1,654.15	1,789.98	8.21	1,805.02	9.12
NGX MERI VALUE INDEX	1,851.31	1,801.66	-2.68	2,134.95	15.32
NGX Oil/Gas Index	226.20	313.08	38.41	345.01	52.52
NGX PENSION INDEX	1,388.64	1,479.77	6.56	1,624.09	16.96
NGX Premium Index	3,470.77	3,527.67	1.64	4,167.78	20.08
NGX-AFR Bank Value Index	1,113.18	1,057.09	-5.04%	1,038.82	-6.68%

Source: NGX Reports

Foreign Portfolio Investment (FPI) inflows totalled ₦99.64 billion, while divestments (outflows) stood at ₦112.9 billion, reflecting a net outflow of ₦13.26 billion in the second half of 2021. In comparison, inflows in the first half of 2021 amounted to ₦105.24 billion, while divestments stood at ₦116.72 billion, reflecting a net outflow of ₦11.48 billion.

FPIs accounted for 24.58 per cent of total equity transactions in the review period, compared with 21.46 per cent in the preceding period. Domestic investments accounted for the balance of 75.42 per cent transactions, compared with 78.54 per cent in the preceding period.

TABLE 2:11 DOMESTIC AND FOREIGN PORTFOLIO PARTICIPATION IN EQUITIES TRADING

Period	H1 2020	H2 2020	H1 2021	H2 2021
Total	1,003.57	1,164.58	1,034.42	864.81
Foreign ₦'Billion	396.63	332.57	221.96	212.54
Foreign %	39.52	28.56	21.46	24.58
Domestic ₦'Billion	606.93	832.01	812.46	652.27
Domestic %	60.48	71.44	78.54	75.42
Foreign Inflow ₦'Billion	129.95	117.32	105.24	99.64
Foreign Outflow ₦'Billion	266.68	215.25	116.72	112.9
NSE ASI	24,479.22	40,270.72	37,907.28	42,716.44
Market Capitalisation	12,769.81	21,056.08	19,760.39	22,296.84

2.3.2.1.2 NASD

The NASD Unlisted Securities Index declined by 1.59 per cent, from 754.88 at end-June 2021, to 742.85 points at end-December 2021. However, the Market Capitalisation increased by 17.23 per cent to ₦629.03 billion at end-December 2021, from ₦536.58 billion at end-June 2021. Further analysis showed that 12.48 billion shares worth N23.69 billion were traded in 2,323 deals in the second half of 2021, compared with 466 million shares valued N9.15 billion traded in 2,665 deals in the preceding half year. The Volume of shares traded increased by 2,576.72 per cent, while Value traded increased by 158.89 per cent, compared to the previous year.

TABLE 2:12 NASD TRANSACTIONS

	2020 Total	H1	H2	2021 Total	YTD
Unlisted Index (Points)		754.88	742.85		1.34%
Market Cap (N'Bn)		536.58	629.03		19.60%
Deals	1,498	2,665.00	2,323.00	4,988	232.98%
Volume('000)	7,930,209	466,360.68	12,483,173.35	12,949,534	63.29%
Value (N'000)	12,676,360	9,151,780.82	23,693,687.34	32,848,125	159.13%

Source: NASD Reports

2.3.2.2 Commodities Market

During the review period, the number of commodities exchanges increased to 5, with the licencing of Lagos Commodities and Futures Exchange, and Prime Commodities Exchange Limited. Commodities exchanges provide facilities, regulations and standards for the orderly, efficient and transparent trading of designated commodities. By efficiently linking producers, commodities and industries, the exchanges facilitate job creation, improve living standards and unlock the economic potentials of the agricultural and other commodities value chain.

2.3.2.2.1 AFEX Commodities Exchange

The overall value and volume of commodity transactions at the AFEX commodities exchanges declined by 42.16 and 55.72 per cent, to N44.92 billion and 184 million kg, respectively, at end-December 2021, from ₦77.65 billion and 417 million kg, respectively, at end-June 2021. The value of Cocoa traded increased significantly by 60.52 per cent, while Soybean and Paddy Rice also increased by 56.90 and 47.20 per cent respectively. However, the value of Cashew and Ginger traded declined by 76.42 and 61.76 per cent, respectively.

TABLE 2:13 AFEX TRANSACTIONS (N'M)

Product	Cashew	Ginger	Maize-White	Paddy Rice	Soybeans	Cocoa	Sesame	Sorghum	Grand Total
H1	2,037.15	1,165.41	64,336.38	858.65	1,735.07	2,121.32	384.12	5,018.19	77,656.37
H2	480.42	445.71	35,676.73	1,263.95	2,722.30	3,405.04	429.84	496.35	44,920.15
% Change	-76.42	-61.76	-44.55	47.20	56.90	60.52	11.90	-90.11	-42.16

TABLE 2:14 AFEX TRANSACTIONS VOLUME AND VALUE (N'M)

	H1	H2	% Change Volume
Total Volume (kg)	417,686,542	184,960,516	-125.82
Value(N'M)	77,656.37	44,920.15	-72.88

2.3.2.2.2 Other Commodities Exchanges

Gezawa Commodities Market and Exchange Limited (GCMX) traded a total of 82.40 metric tonnes of maize valued ₦19.36 million in 14 deals in the review period.

Trading activities on the Lagos Commodities and Futures Exchange (LCFE) resumed in 2021, however, there were no trades recorded in the second half of the year. At end-June 2021, a total of 556 metric tonnes valued at ₦98.26 million was traded in 36 deals. Paddy rice was the most traded commodity, accounting for 49.90 per cent of the total turnover.

Prime Commodity Exchange Limited (PCX) was registered in the review period but is yet to commence trading activities. There was no trading on the Nigeria Commodity Exchange (NCX) during the year. The CBN injected ₦50 billion capital to reposition the NCX to a world-class commodity exchange that would galvanize the agricultural value chain, economically empower farmers and unleash the significant export potential of the Nigerian agricultural sector.

2.3.2.3 Bonds

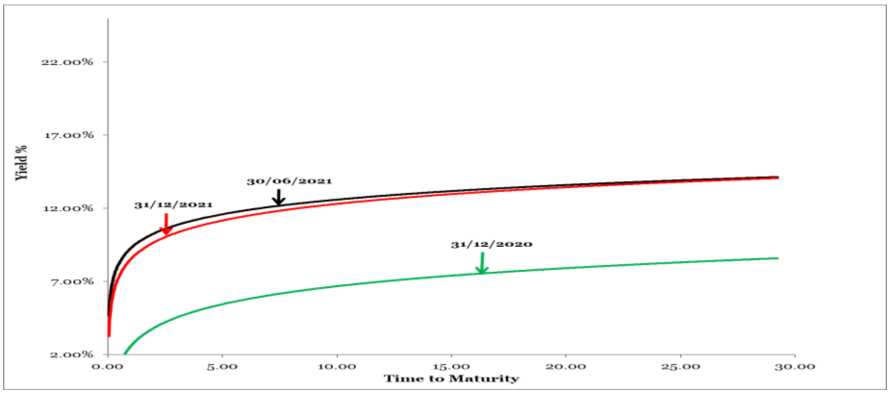
2.3.2.3.1 FGN Bonds

New issues and re-openings valued ₦850.00 billion FGN bonds were offered during the review period, indicating a decrease of 5.56 per cent from the ₦900.00 billion auctioned in the first half of 2021. Public subscriptions and sales decreased to ₦1,630.92 billion and ₦1,192.01 billion in the second half of 2021, compared with ₦1,726.40 billion and ₦1,451.00 billion in the first half of 2021, respectively.

During the review period, total value of transactions in FGN bonds on the FMDQ exchange amounted to ₦12,156.83 billion, down from ₦12,967.03 billion in the preceding half year, representing a decrease of 6.25 per cent. Also, the total number of Deals decreased by 15.05 per cent to 19,099 from 22,483.

The yield curve shifted slightly downward at the short and long ends of the curve, compared with the levels in the preceding period. This development depicted lower yields at both ends of the curve in the review period, resulting in reduced investors' appetite for government securities.

FIGURE 2.18 YIELD CURVE



Source: FMDQ-OTC Plc

2.3.2.3.2 FGN Savings Bonds (FGNSB)

A total of ₦3.53 billion was allotted during the review period, indicating a decrease of ₦1.33 billion or 27.36 per cent when compared with ₦4.86 billion at end-June 2021. The decrease was attributable to a lower amount of savings bond offered by the government. The coupon rate applied ranged from 6.8990 to 8.8640 per cent and 7.8990 to 9.8640 per cent for the 2- and 3- year bonds, respectively. The ranges of coupon rates in the preceding period were lower, between 2.1970 to 8.8890 per cent and 3.1970 to 9.8890 for the 2- and 3- years respectively.

2.3.2.3.3 Green Bonds

There was no issue of Green Bonds during the review period. However, the total outstanding at end-December 2021 remained ₦25.69 billion.

There were no transactions in the Green Bonds on the FMDQ exchange during the review period.

2.3.2.3.4 FGN Sukuk

There was a new issue of FGN Sukuk Bond of ₦250 billion during the review period. Consequently, the total outstanding stood at ₦612.56 billion at end-December 2021.

During the review period, total value of transactions in FGN Sukuk on the FMDQ exchange amounted to N115.37 billion, down from N354.31 billion in the preceding half year, representing a decrease of 67.44 per cent. Also, the total number of Deals decreased by 14.76 per cent to 231 from 271.

2.3.2.3.5 Sub-National Bonds

During the review period, three sub-national bonds amounting to ₦3.08 billion, matured, while nine states redeemed bonds totalled ₦40.15 billion. Outstanding sub-national bonds stood at ₦160.51 billion at end-December 2021.

During the review period, total value of transactions in Sub-national bonds on the FMDQ exchange amounted to N0.29 billion, up from N0.08 billion in the preceding half year, representing an increase of 262.50 per cent. Also, the total number of Deals increased by 250.00 per cent to 7 from 2.

2.3.2.3.6 Corporate Bonds

During the review period, corporate bonds totalling ₦225.80 billion and ₦65.78 billion were issued and redeemed, respectively. Corporate bonds worth ₦874.78 billion were outstanding at end-December 2021, compared with ₦714.77 billion at end-June 2021.

During the review period, total value of transactions in corporate bonds on the FMDQ exchange amounted to N27.04 billion, up from N15.26 billion in the preceding half year, indicating an increase of 77.20 per cent. Also, the total number of Deals increased by 225.00 per cent to 39 from 12.

2.3.2.3.7 Bonds - Secondary Market

TABLE 2:15 S&P/FMDQ SOVEREIGN BOND INDEX

S&P/FMDQ Nigeria Sovereign Bond Index	Index Points	QTD	YTD
H1	532.98	(4.62)	(20.48)
H2	569.79	0.97	(14.99)

Source: FMDQ Reports

2.3.2.4 Mutual Funds

The Collective Investment Schemes (CIS) industry is yet to fully recover from the effect of the Covid-19 pandemic as investments in the year under review witnessed decline in most of the fund categories.

On an annual basis, the aggregate Net Asset Value (NAV) of all authorised CIS fell by 12.8 per cent, from ₦1.49 trillion in 2020. However, on a semi-annual basis, the NAV improved by 4.08 per cent to ₦1.30 trillion at end-December 2021, from ₦1.25 trillion at end-June 2021.

TABLE 2:16 CIS FUNDS

	Mutual Funds/Cis Net Asset Value (N'Trn)	Percentage change over preceding half year (%)	YTD (% change)
H2 2020	1.488		
H1 2021	1.250	-15.99	-16.00
H2 2021	1.301	4.08	-13.00

2.3.2.5 Other Key Developments in the Capital Market

There were many key developments in the capital market during the review period including:

i. The reintroduction by Securities and Exchange Commission (SEC) of the requirement for Capital Market Operators (CMOs) to renew their registration annually to ensure, only fit and proper CMOs are in the market.
ii. The SEC, in collaboration with Nigeria Employers' Consultative Association, launched the Securities Issuers Forum (SIF) in August 2021 to serve as an interactive platform to encourage more listings, deepen the market and enhance its contribution to economic growth.

iii. To increase investor confidence, the SEC introduced mandatory custody requirements for all funds and portfolios.
iv. The first wholly electronic public offering of equities was approved by SEC with the combined feature of price discovery through a book-building exercise to qualified institutional investors, and subsequent offer to retail investors at the determined price.
v. For the first time, twenty-one derivatives contracts were registered on the Nigerian Exchange Limited (NGX) and FMDQ Securities Exchange Limited (FMDQ) platforms with the potential of improving risk management, market depth and liquidity.
vi. Rules and Guidelines on the following were issued: Robo-Advisory services; Trade Repositories; Regulatory Incubation; Central Counterparties (CCP); Investment-based Crowdfunding; Mandatory Registration of Private Funds (Discretionary and Non-Discretionary); and Annual Renewal of Registration of Capital Market Operators.

2.4 Real Sector Interventions

The Bank increased its interventions in the real sector, with emphasis on agriculture, youth entrepreneurship and domestic productive capacity development to consolidate the gains recorded in the first half of the year.

2.4.1 Agricultural Policy Support

2.4.1.1 Agricultural Credit Guarantee Scheme

In the second half of 2021, a total of 21,947 loans, valued ₦3.75 billion were guaranteed under the Scheme, compared with 9,719 loans, valued at ₦2.17 billion in the first half of the year. These outcomes indicated increases of 125.82 and 72.81 per cent in the number and value of loans guaranteed, respectively. Also, ₦2.01 billion loans were repaid, compared with ₦1.75 billion repaid in the first half of 2021 representing an increase of 14.86 per cent, while the number of loans repaid declined from 17,742 at end-June 2021 to 13,349, reflecting a decrease of 24.76 per cent.

2.4.1.2 Commercial Agriculture Credit Scheme

Under the Scheme, ₦14.35 billion was disbursed in the second half of 2021, reflecting a decrease of 11.69 per cent, compared with ₦16.25 billion in the first half of 2021. On the other hand, a total of ₦53.28 billion was repaid in the review period, showing an increase of 156.27 per cent, compared with ₦20.01 billion in the first half of 2021.

2.4.1.3 Anchor Borrowers' Programme

The sum of ₦215.01 billion was disbursed in the second half of 2021 to 384,617 smallholder farmers for the production of major agricultural commodities, compared with ₦179.35 billion disbursed to 1,008,457 farmers in the preceding period. Furthermore, a total of 472,843 hectares of land were cultivated, compared with 1,061,892 hectares in the first half of 2021, reflecting a decrease of 55.47 per cent. The sum of ₦53.09 billion was repaid in the review period, compared with ₦15.47 billion in the preceding period, representing an increase of 243.18 per cent.

2.4.1.4 Accelerated Agriculture Development Scheme

The sum of ₦3.37 billion was disbursed in the second half of 2021, compared with ₦1.50 billion in the first half of 2021. Repayments under the Scheme amounted to ₦5.43 billion in the review period, compared with ₦0.25 billion repaid in the preceding period.

2.4.1.5 Paddy Aggregation Scheme

No disbursement was made under the Scheme in the review period, compared to ₦4.17 billion released for an integrated rice milling project in the first half of 2021. The sum of ₦4.66 billion was repaid during the review period. No repayment in the preceding half year because of the moratorium granted.

2.4.1.6 Maize Aggregation Scheme

No disbursement was made under the Scheme in the review period, compared to ₦0.35 billion released for two (2) projects in the first half of 2021 under the scheme. There were no repayments as all facilities were under moratorium.

2.4.1.7 National Food Security Programme

There were no disbursements in 2021 under the Programme. Repayments totalled ₦2.30 billion in second half of 2021, compared with ₦0.60 billion repaid in first half of 2021, indicating a 283.33 per cent increase.

2.4.2 Small and Medium Enterprises & Industrial Policy Support

2.4.2.1 Micro, Small and Medium Enterprises Development Fund

The sum of ₦0.68 billion was disbursed during the second half of 2021, compared with ₦0.05 billion disbursed in the first half of 2021. Repayments during the review period stood at ₦2.77 billion, compared with ₦3.52 billion in the first half of 2021, reflecting a decrease of 21.31 per cent.

2.4.2.2 Agribusiness/Small and Medium Enterprises Investment Scheme

In the review period, the sum of ₦2.86 billion was disbursed for 8,538 projects, compared with ₦9.79 billion disbursed for 1,067 projects in the first half of 2021. These changes indicated decreases of 70.79 and 700.19 per cent in value and number of projects, respectively, compared with the first half of 2021. Repayments in the review period amounted to ₦0.03 billion, compared with ₦0.02 billion in the first half of 2021.

2.4.2.3 Creative Industry Financing Initiative

In the second half of 2021, the sum of ₦0.26 billion was disbursed for 30 projects, compared with ₦0.07 billion for 21 projects in the first half of 2021. This reflected increases of 367.86 and 42.86 per cent in value and number of projects financed, compared with the levels in the preceding period. The sum of ₦0.21 billion was repaid in the second half of 2021, compared with ₦0.05 billion in the first half of 2021.

2.4.2.4 Targeted Credit Facility

During the period under review, the sum of ₦44.90 billion was disbursed to 64,008 projects, compared with ₦144.93 billion released for 323,654 projects during the first half of 2021. These changes reflected decreases of 69.02 per cent and 80.22 per cent in value and number of projects, respectively. There was no repayment as all the facilities were under moratorium.

2.4.2.5 Nigeria Youth Investment Fund

During the period under review, the sum of ₦0.88 billion was disbursed for 909 beneficiaries, compared with ₦2.81 billion for 5,855 beneficiaries in the first half of 2021. There were no repayments as the facilities were under moratorium.

2.4.2.6 Tertiary Institutions Entrepreneurship Scheme

The Tertiary Institutions Entrepreneurship Scheme (TIES) was introduced in August 2021 to create a paradigm shift among undergraduates and graduates of Nigerian polytechnics and universities from seeking white collar jobs to a culture of entrepreneurship geared towards job creation, economic growth and sustainable development. In the review period, the sum of ₦0.03 billion was disbursed for 6 beneficiaries.

2.4.3 Real Sector Policy Support

2.4.3.1 RSSF - Differentiated Cash Reserve Requirement

The sum of ₦304.20 billion was disbursed for thirty-nine projects in the second half of 2021, compared with ₦164.81 billion for twenty-three projects in the first half of 2021, reflecting increases of 84.58 and 69.56 per cent in terms of total amount disbursed and the number of projects funded, respectively. The sum of ₦12.20 billion was repaid in the second half of 2021, compared with ₦7.12 billion in the preceding period, indicating an increase of 71.35 per cent.

2.4.3.2 COVID-19 Intervention for the Manufacturing Sector

In the review period, the sum of ₦172.10 billion was disbursed for forty-four projects, compared with ₦35.03 billion for 16 projects in the first half of 2021, indicating increases of

391.29 per cent and 175 per cent in terms of total amount disbursed and the number of projects funded, respectively.

2.4.3.3 Healthcare Sector Intervention Facility

The sum of ₦11.05 billion was disbursed for 23 projects in the second half of 2021, compared with ₦25.16 billion for 23 projects in the first half of 2021. The sum of ₦4.89 billion was repaid in the second half of 2021, compared with ₦5.93 billion in the first half of 2021.

2.4.3.4 Healthcare Sector Research and Development Intervention (Grant) Scheme

The sum of ₦0.03 billion was disbursed in the second half of 2021 as against no disbursement in the first half of 2021.

2.4.3.5 Textile Sector Intervention Facility

In the review period, the sum of ₦1.90 billion was disbursed for 3 projects, compared with ₦0.39 billion disbursed for 1 project in the first half of 2021. This represents a decrease of 387.18 per cent in the review period.

2.4.3.6 CBN-BOI Industrial Facility

In the second half of 2021, there was no disbursement, compared with ₦50.00 billion released to BOI in the first half of 2021.

2.4.3.7 Presidential Fertilizer Initiative

There were no disbursements in 2021 under the Initiative. The sum of ₦2.75 billion was repaid in the second half of 2021, compared with ₦2.50 billion repaid in the first half of 2021.

2.4.3.8 Solar Connection Facility

In the review period, no disbursement was made, compared with ₦7.0 billion disbursed in the first half of 2021, for the procurement and installation of 100,000 home solar systems across the country. There were no repayments as the facilities were under moratorium.

2.4.3.9 Intervention Facility for the National Gas Expansion Programme

In the review period, the sum of ₦24.00 billion was disbursed for 4 projects, compared with ₦15.20 billion disbursed for 2 projects in the first half of 2021. There was no repayment as the facilities were under moratorium.

2.4.3.10 Shared Agent Network Expansion Facility

In the review period, no disbursement was made, compared with ₦0.50 billion disbursed for 1 project in the first half of 2021. The sum of ₦0.07 billion was repaid in the second half of 2021, compared with ₦0.41 billion in the first half of 2021.

2.5 Export Policy Support

2.5.1 Non-oil Export Stimulation Facility

The sum of ₦1.75 billion was released for 1 export-oriented project in the second half of 2021, while there was no disbursement in the first half of 2021. The sum of ₦3.88 billion was repaid in the review period, compared with ₦0.77 billion repaid in the preceding period.

2.6 Energy Policy Support

2.6.1 Power and Airline Intervention Fund

In the review period, the sum of ₦0.99 billion was disbursed, compared with ₦0.89 billion in the preceding period, representing an increase of 11.24 per cent. The sum of ₦6.56 billion was repaid in the second half of 2021, compared with ₦33.21 billion in the first half of 2021.

2.6.2 Nigerian Electricity Market Stabilisation Facility

Under Phase 2 of the NEMSF, the sum of ₦96.72 billion were released in the review period, compared with ₦120.29 billion released in the first half of 2021. No repayments were made under the facility as all facilities were still under moratorium.

Under Phase 1 of the NEMSF, the sum of ₦12.51 billion was repaid in the second half of 2021, compared with ₦11.91 billion in the first half of 2021.

2.6.3 Nigeria Bulk Electricity Trading – Payment Assurance Facility

During the review period, the sum of ₦301.36 billion was disbursed to Nigeria Bulk Electricity Trading Plc, through the BOI, compared with ₦105.76 billion in the first half of 2021, representing an increase of 184.95 per cent.

2.6.4 National Mass Metering Programme

In the second half of 2021, the sum of ₦11.58 billion was disbursed, compared with ₦21.65 billion in the first half of 2021, reflecting a decrease of 46.51 per cent. All the facilities were under moratorium.

2.7 Institutional Support and Financial Inclusion

2.7.1 National Collateral Registry

The performance indicators of the National Collateral Registry (NCR) trended upwards, indicating increased lending against movable assets offered as collateral by individuals and MSME borrowers in the review period.

A total of forty-nine financial institutions registered 52,085 financing statements valued ₦6.87 trillion and US$827.50 million in respect of 53,209 borrowers, compared with 33,423 financing statements valued ₦6.23 trillion and US$155.54 million in favour of 34,268 borrowers in the first half of 2021. In addition, a total of 67,382 searches were conducted in the review period, compared with 43,386 searches in the first half of 2021, reflecting an increase of 55.31 per cent.

TABLE 2:17 TRANSACTIONS ON THE NATIONAL COLLATERAL REGISTRY PORTAL FOR 2021

Debtor Type	Number of Financing Statements		Number of Borrowers		Currency	Value of Financing Statements	
	H1	H2	H1	H2		H1	H2
Individual	31,524	50,278	32,122	51,097	NGN	70,235,795,201.73	6,713,232,221,397.13
					USD	13,500,000.00	
Large Business	166	180	218	245	NGN	6,126,806,008,682.95	129,533,272,929.53
					USD	138,524,987.18	762,000,000.00
Medium Business	834	906	937	1,043	NGN	29,842,192,547.08	21,187,780,337.42
					USD	3,511,709.68	65,003,185.85
Micro Business	137	58	163	68	NGN	1,774,343,154.02	1,134,041,724.67
					USD		500,000.00
Small Business	761	663	858	771	NGN	7,995,845,891.89	10,788,404,681.55
Total	**33,422**	**52,085**	**34,298**	**53,224**	**NGN**	**6,236,654,185,477.67**	**6,875,875,721,070.30**
					USD	**155,536,696.86**	**827,503,185.85**

Further analysis showed that a total of 22,775 or 43.73 per cent of the total financing statements were in respect of 23,211 women and women-owned enterprises, representing 43.62 per cent of the total number of borrowers.

TABLE 2:18 TRANSACTIONS IN RESPECT OF WOMEN AND WOMEN-OWNED BUSINESSES ON THE NATIONAL COLLATERAL REGISTRY PORTAL IN 2021

Debtor Type	Number of Financing Statements		Number of Number of Women-owned Enterprises		Currency	Value of Financing Statements	
	H1	H2	H1	H2		H1	H2
Individual	16,078	22,431	16,273	22,795	NGN	14,506,692,287.98	30,727,830,281.76
Large Business	12	21	21	32	NGN	318,718,599.68	346,816,561.85
					USD	3,800,000.00	
Medium Business	169	209	193	243	NGN	2,107,480,590.47	1,693,493,631.28
					USD	124,064.68	
Micro Business	17	4	22	6	NGN	558,057,027.21	55,003,992.22
Small Business	137	111	158	143	NGN	837,164,873.81	1,081,102,621.53
Total	**16,413**	**22,776**	**16,667**	**23,219**	**NGN**	**18,328,113,379.15**	**33,904,247,088.64**
					USD	**3,924,064.68**	**0.00**

From inception to end-December 2021, a total of 138 financial institutions had registered 210,592 financing statements valued at ₦15,135.92 billion, US$2.41 billion, €0.11 billion, and £27,352.00. An analysis of these figures showed that 87,312 representing 41.46 per cent of the total financing statements valued ₦202,480,528,641.62 and US$4,623,704.68 were registered in respect of women and women-owned enterprises by ninety-eight financial institutions.

2.8 Financial Inclusion

A review of the Bank Verification Number (BVN) enrolment revealed that a total of 3,173,274 new BVNs were issued in the review period, compared with 2,932,844 issued in the first half of 2021. This reflected new entrants into the banking system. Of this figure, 1,461,132 females were registered in the second half of 2021, compared with 1,344,117 females registered in the first half of the year.

In the second half of 2021, the financial sector recorded an increase in the number of agent locations where financial services could be accessed. As at 31st December 2021, SANEF reported a total of 1,002,514 agents under its agent expansion scheme, of which 225,854 agents were onboarded during the review period, compared with 215,617 agents onboarded in the preceding period. In terms of access point per capita, 946 agents were serving 100,000 adults in the second half of 2021, compared with 733 agents per 100,000 adults recorded in the first half of 2021. Furthermore, the number of ATMs deployed and active PoS at end-December, 2021 stood at 19,355 and 915,519, respectively, compared with 19,156 ATMs deployed and 638,983 active PoS at end-June, 2021.

The total number of deposit accounts by regulated financial institutions increased to 198.82 million at end-December 2021, compared with 185.33 million at end-June 2021.

In addition, from the industry data, the total number of credit accounts marginally rose to 12.33 million (made up of 4.28 million in DMBs and 8.05 million accounts in MFBs) at end-December 2021, from 11.60 million accounts (made up of 4.33 million in DMBs and 7.27 million accounts in MFBs) at end-June 2021.

Furthermore, the number of DMB branches increased marginally to 5,184 at end-December 2021, compared with 5,139 branches at end-June 2021. Consequently, the number of DMB branches serving per 100,000 adults stood at 5. Similarly, at end-December 2021, the number of Microfinance Bank branches increase to 2,070 at end-December 2021, from 2,055 branches at end-June 2021.

Table 2:19 FINANCIAL INCLUSION STATISTICS

Indicator	END-JUNE 2021	END-DECEMBER 2021
New BVN Registration	2,932,844	3,126,025
New BVN Registration (Female)	1,344,117	2,800,010
Total Agents	776,660	1,002,514
Nos Of Onboarded (New) Agents	215,617	225,854
Nos Of Agents Per 100,000 Adults	733	946
ACTIVE Atms DEPLOYED	116,510	115,541
Active PoS Deployed	2,245,478	3,265,924
Nos Of Deposit Accounts (Million)	185.33	198.82
Nos Of Credit Accounts (Million)	11.60	12.33

2.9 Summary and Outlook for Development Finance Interventions

Overall, the Bank's development finance interventions continued to facilitate seamless flow of credit to projects with the potential to catalyse and transform the productive base of the economy. The core objectives are to stimulate investments to priority sectors, promote the generation of sustainable jobs, support households' income and consumption, boost non-oil exports and sustain economic growth.

3 REGULATORY AND SUPERVISORY ACTIVITIES

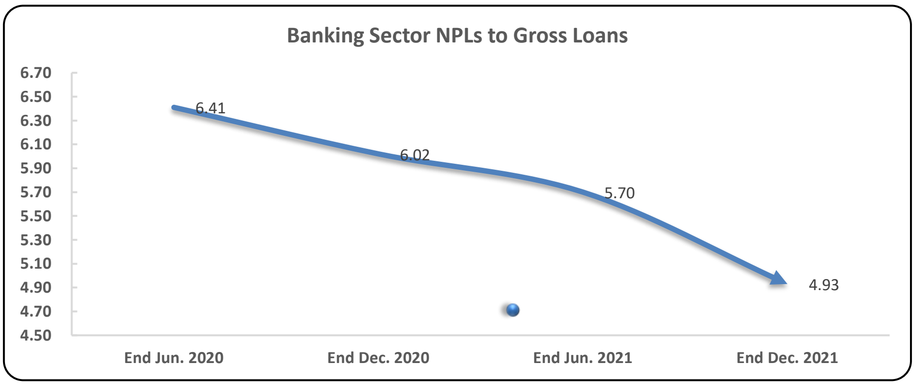
3.1 Financial Soundness Indicators

3.1.1 Asset-Based Indicators

3.1.1.1 Non-Performing Loans to Gross Loans

The quality of banks' assets continued to improve due to the Bank's sustained regulatory measures as well as recoveries and loan write-offs by banks in the period under review. Consequently, the ratio of non-performing loans (NPLs) to gross loans decreased to 4.94 per cent at end-December 2021, from 5.70 per cent at end-June 2021. The recoveries were majorly from General Commerce (₦12.85 billion), Real Estate (₦16.07 billion) and Power & Energy (₦88.00 billion) transactions.

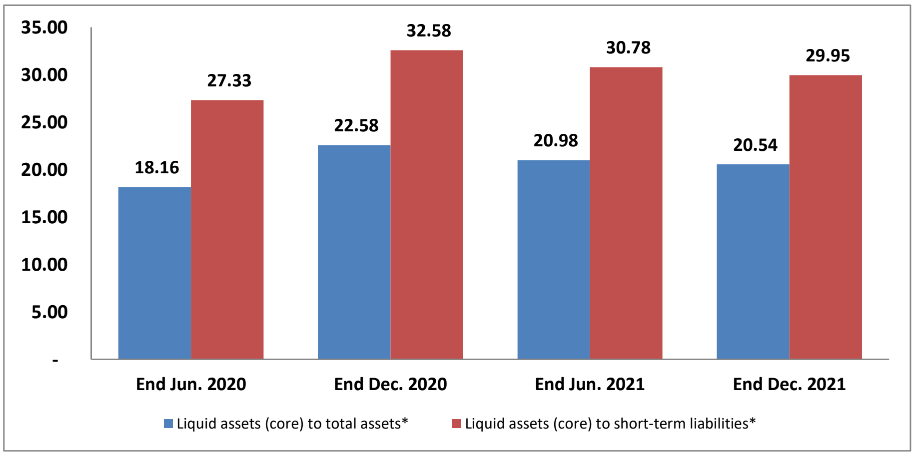
FIGURE 3.1 BANKING INDUSTRY NPLS TO GROSS LOANS



3.1.1.2 Core Liquid Assets to Total Assets and Short-term Liabilities

The ratio of core liquid assets to total assets decreased by 0.44 percentage point to 20.54 per cent at end-December 2021, from 20.98 per cent at end-June 2021. Similarly, the ratio of core liquid assets to short-term liabilities declined by 0.83 percentage point to 29.95 per cent at end-December 2021, compared with 30.78 per cent at end-June 2021. The decline was due to increased lending to the real sector and households, in keeping with the Bank's policies to encourage lending to key sectors of the economy.

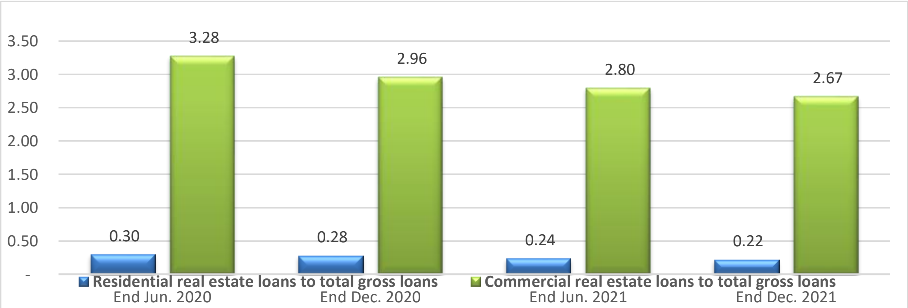
FIGURE 3.2 BANKING INDUSTRY LIQUIDITY INDICATORS



3.1.1.3 Banking System Real Estate Loan Indicators

The banks' exposure to real estate (residential and commercial) declined marginally in the review period. The ratio of residential real estate loans to total gross loans decreased by 0.02 percentage point to 0.22 per cent at end-December 2021, from 0.24 per cent at end-June 2021. Equally, the ratio of commercial real estate loans to total gross loans declined by 0.13 percentage point to 2.67 per cent at end-December 2021, compared with 2.80 per cent at end-June 2021.

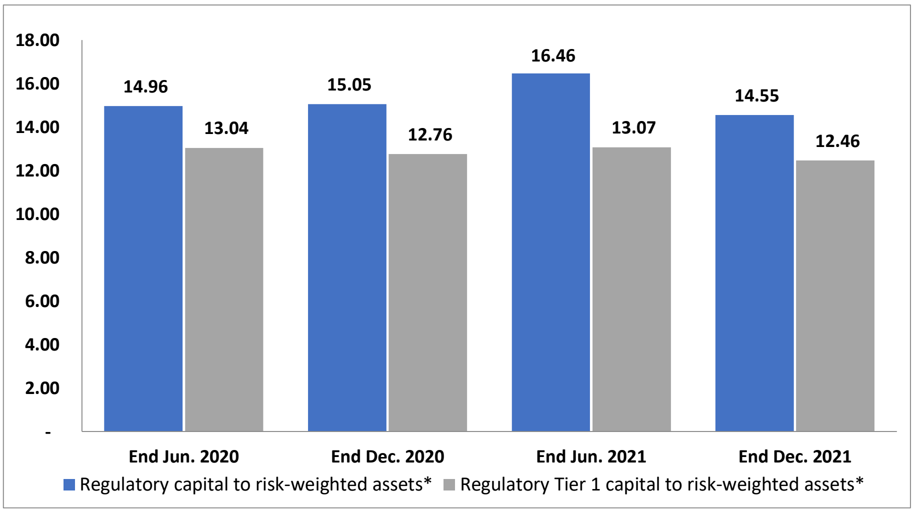
FIGURE 3.3 BANKING INDUSTRY REAL ESTATE INDICATORS



3.1.2 Capital-Based Indicators

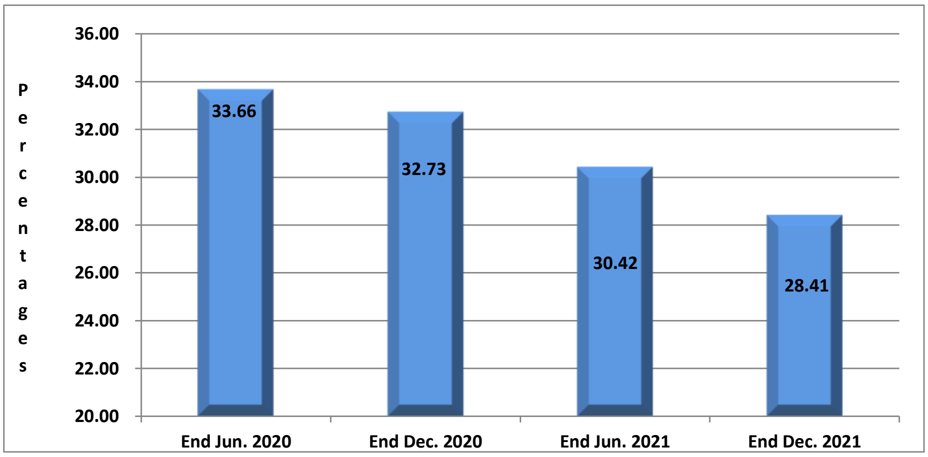
The banking industry's solvency, measured by regulatory capital to risk-weighted assets, declined to 14.55 per cent at end-December 2021, from 16.46 per cent at end-June 2021, owing largely to growth in risk assets and loan loss provisions occasioned by the impact of the COVID-19 pandemic. Similarly, the regulatory tier-1 capital to risk-weighted assets decreased to 12.46 per cent at end-December 2021, from 13.07 per cent at end-June 2021. The ratio was, however, above the minimum regulatory threshold.

FIGURE 3.4 BANKING INDUSTRY CAPITAL ADEQUACY INDICATORS



The asset quality of the banking industry improved as the ratio of non-performing loans net of provisions to capital, declined to 28.41 per cent at end-December 2021, from 30.42 per cent at end-June 2021.

FIGURE 3.5 NON-PERFORMING LOANS NET OF PROVISION TO CAPITAL RATIO



3.1.3 Income and Expense Based Indicators

The ratio of interest margin to gross income decreased by 10.12 percentage points to 48.59 per cent during the review period, from 58.71 per cent at end-June 2021. Similarly, the ratio of non-interest expenses to gross income declined by 7.43 percentage points to 65.14 per cent at end-December 2021, from 72.57 per cent in the preceding half. The ratio of personnel expenses to non-interest expenses rose to 29.38 per cent at end-December 2021, from 28.09 per cent at end-June 2021.

TABLE 3:1 SELECTED FINANCIAL SOUNDNESS INDICATORS OF THE NIGERIAN BANKING INDUSTRY

Indicators	2020		2021	
	End-Jun	End-Dec	End-Jun	End-Dec
1. Assets Based Indicators				
Nonperforming loans to total gross loans *	6.41	6.02	5.70	4.93
Liquid assets (core) to total assets*	18.16	22.58	20.98	20.54
Liquid assets (core) to short-term liabilities*	27.33	32.58	30.78	29.95
Residential real estate loans to total gross loans	0.30	0.28	0.24	0.22
Commercial real estate loans to total gross loans	3.28	2.96	2.80	2.67
2. Capital Based Indicators				
Regulatory capital to risk-weighted assets*	14.96	15.05	16.46	14.55
Regulatory Tier 1 capital to risk-weighted assets*	13.04	12.76	13.07	12.46
Nonperforming loans net of provisions to capital *	33.66	32.73	30.42	28.41
Return on assets*	2.50	2.17	1.21	2.31
3. Income and Expense Based Indicators				
Interest margin to gross income*	56.79	56.43	58.71	48.59
Noninterest expenses to gross income*	55.26	61.59	72.57	65.14
Personnel expenses to noninterest expenses	32.68	29.37	28.09	29.38

**FSIs are computed based on IMF-FSI Manual.*

3.2 The Banking Industry Stress Tests

The Bank continued to conduct top-down solvency and liquidity stress testing to identify and analyse banking industry vulnerabilities and risks with a view to assessing the soundness and stability of the financial system.

3.2.1 Solvency Stress Test

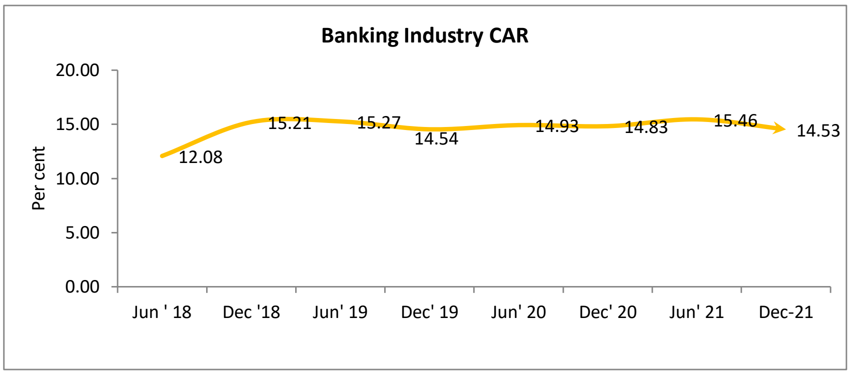
3.2.1.1 Baseline Position

The baseline CAR, LR and NPL ratio in the period under review were 14.53, 41.33 and 4.80 per cent, respectively. Also, Return on Assets and Return on Equity stood at 2.31 and 27.47per cent, respectively, at end-December 2021.

TABLE 3:2 BANKING INDUSTRY BASELINE SELECTED KEY INDICATORS

	CAR	LR	NPLs	ROA	ROE
Jun 2021 (%)	15.46	41.30	5.70	1.21	14.27
Dec 2021 (%)	14.53	41.33	4.80	2.31	27.47
Percentage Points Change	-0.93	0.03	-0.9	1.1	13.2

FIGURE.3.6 BANKING INDUSTRY CAR (PER CENT)



3.2.1.2 Credit Risk

The stress test revealed that the banking industry could withstand a shock of "up to 50 per cent increase" in the industry NPLs, as the CAR would remain above the regulatory requirement of 10 per cent.

TABLE 3:3 CREDIT DEFAULT SHOCKS

Single Factor Shocks	June 2021	December 2021
Baseline CAR	15.46	14.53
10% NPLs increase	15.06	14.17
15% NPLs increase	14.87	13.99
20% NPLs increase	14.67	13.81
30% NPLs increase	14.27	12.72
50% NPLs increase	13.45	10.85
100% NPLs increase	11.35	6.86

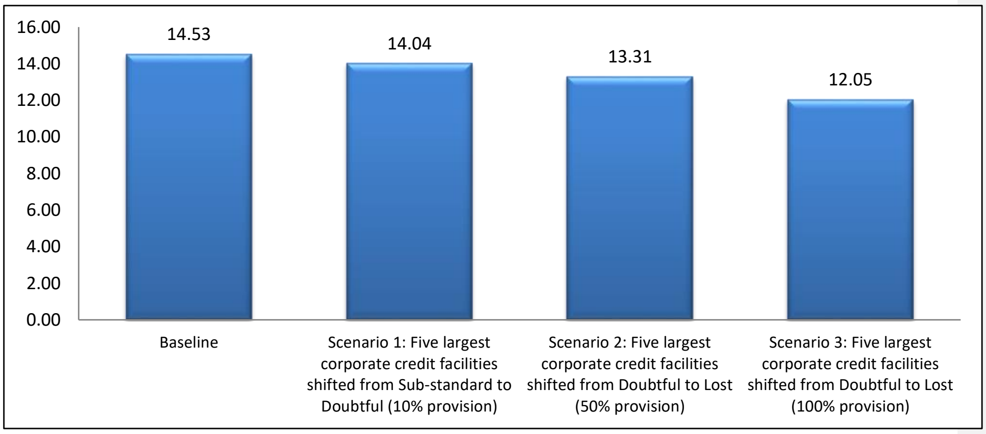
The banking industry also showed resilience to credit concentration risk as the CAR would remain above the 10.0 per cent regulatory threshold under stress test scenarios 1, 2 and 3.

TABLE 3:4 CREDIT CONCENTRATION RISK

	Jun 2021	December 2021
Baseline CAR	15.46	14.53
Single Factor Credit Concentration Shocks		
Scenario 1 **Five largest corporate credit facilities shifted from pass-through[2] to sub-standard (10% provision)**	14.89	14.04
Scenario 2 **Five largest corporate credit facilities shifted from sub-standard to doubtful (50% provision)**	14.03	13.31
Scenario 3 **Five largest corporate credit facilities shifted from doubtful to lost (100% provision)**	12.56	12.05

[2] Performing Loans

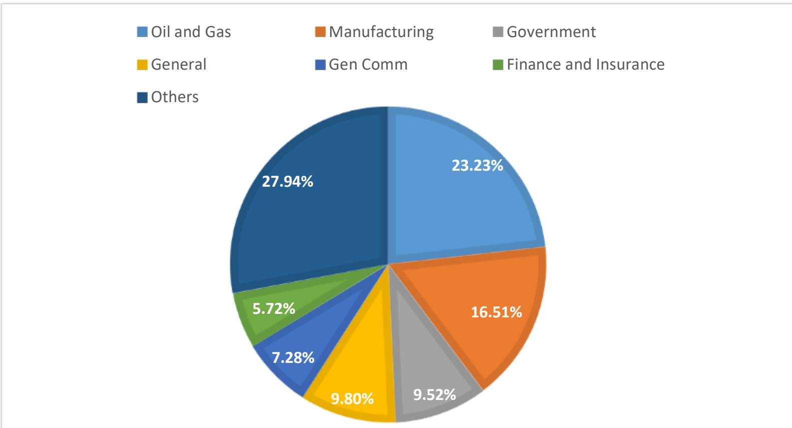
FIGURE 3.7 CREDIT CONCENTRATION RISK



3.2.1.3 Sectoral Credit Concentration Risk

A breakdown of banking industry total credit by sector at end-December 2021 showed that the Oil & Gas sector accounted for 23.23; Manufacturing, 16.51; Government, 9.52; General, 9.80; General Commerce, 7.28; Finance and Insurance, 5.72; and Others, 27.94 per cent.

FIGURE 3.8 SECTORAL CONCENTRATION OF CREDIT



The results of the stress test showed that the banking industry could withstand “up to 50.00 per cent shock” to oil and gas exposures as the post-shock CAR stood at 10.14 per cent.

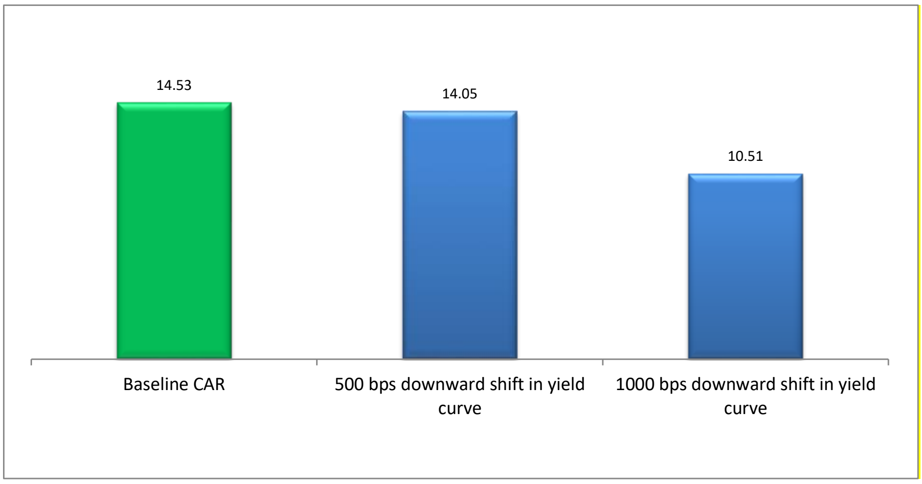
TABLE3:5 STRESS TEST ON OIL AND GAS EXPOSURES

	Industry CAR (%)
Baseline CAR	14.53
20% Default on total exposure to Oil and Gas	13.86
50% Default on total exposure to Oil and Gas	10.14

3.2.1.4 Interest Rate Risk

The stress test on the net position of interest-sensitive instruments showed that the industry could maintain a stable solvency position to interest rate shock of "up to 1000 basis points downward shift in yield curve" as the post-shock CAR of 10.51 per cent remained above the regulatory threshold of 10 per cent.

FIGURE 3.9 IMPACT OF INTEREST RATE SHOCKS ON CAR



3.2.2 Liquidity Stress Test[3]

The stress test result revealed that after a one-day run scenario, the LR for the industry could decline from the 41.37 per cent baseline position to 32.07 per cent. Similarly, under the 5-day and 30-day scenarios, the LR for the industry could decline to 14.48 and 9.75 per cent, which could result in liquidity shortfalls of ₦3.61 trillion and ₦ 4.42 trillion, respectively.

[3] Liquidity stress tests were conducted at end-Dec 2021 using the Implied Cash Flow Analysis and Maturity Mismatch/Rollover Risk approaches to assess the resilience of individual banks and the banking industry to liquidity and funding shocks.

FIGURE 3.10 INDUSTRY LIQUIDITY RATIOS AT PERIODS 1-5 AND CUMULATIVE 30-DAY SHOCKS

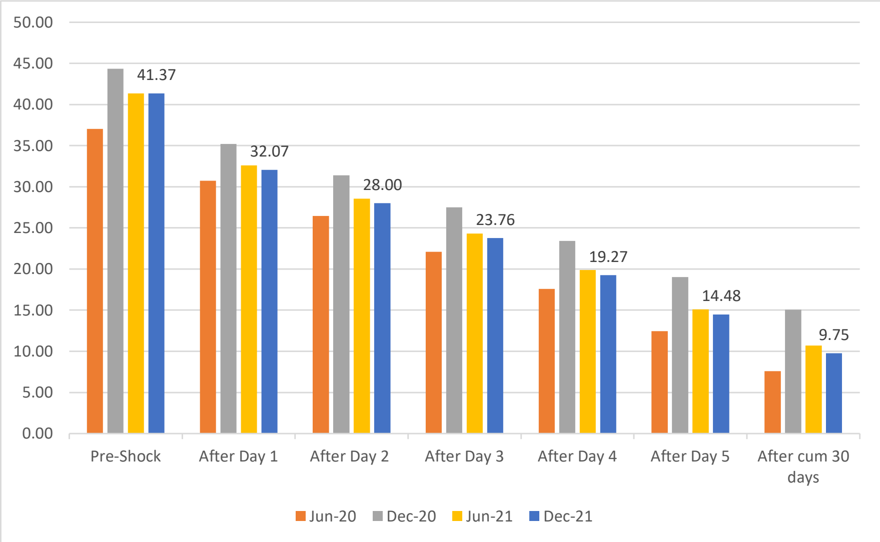


TABLE 3:6 LIQUIDITY STRESS TEST RESULTS

Scenario	Banks with Liquidity Ratios (LR) < 30%		December 2021	
	June 2021	December 2021	Industry LR (%)	Shortfall to 30% LR threshold (₦' billion)
Test 1.1: Implied Cash Flow Test				
Day 1	11	9	32.07	Nil
Day 2	15	14	28.00	548.81
Day 3	16	19	23.76	1,619.74
Day 4	17	20	19.27	2,639.66
Day 5	19	21	14.48	3,605.08
Implied Cash Flow Test (30 Days)	19	22	9.75	4,422.16

3.2.3 3.2.3 Maturity Mismatch

The industry's baseline assets and liabilities maturity profile at end-December 2021 showed an excess of ₦639.71 trillion in assets over liabilities. Further analysis revealed that only the short-end of the market (≤90 day bucket) was adequately funded. However, six and eight banks were not adequately funded in the ≤30-day and 31–90-day buckets, respectively.

TABLE 3:7 MATURITY PROFILE OF ASSETS AND LIABILITIES AT END-DECEMBER 2021

Bucket	Liabilities	Assets	Mismatch	Cumulative Mismatch
	N Billion			
≤30 days	30,757.67	18,834.15	11,923.52	11,923.52
31-90 days	4,614.31	3,151.23	1,463.07	13,386.59
91-180 days	1,553.15	2,890.38	(1,337.23)	12,049.36
181-365 days	1,164.23	4,935.50	(3,771.26)	8,278.10
1-3 years	1,890.15	4,923.11	(3,032.96)	5,245.14
>3 years	3,199.99	9,084.84	(5,884.85)	(639.71)
Total	43,179.50	43,819.21		

TABLE 3:8 TEST RESULTS FOR SYSTEM-WIDE MATURITY MISMATCH

	Test 2A Descriptive Maturity Mismatch. (No consideration of rollover)		Test 2B Static Rollover risk Analysis. (No possibility to close liquidity gaps in other buckets)		Test 2C Dynamic Rollover risk test. (Free assets used to close liquidity gaps in other buckets)	
	₦ 'billion	No of banks with mismatch	₦ 'billion	No of banks with mismatch	₦ 'billion	No of banks with mismatch
≤30 days	16,865.81	4	10,714.27	6	(342.44)	6
31-90 days	6,399.52	6	171.07	16	(31.08)	8
91-180days	3,599.22	10	(1,647.86)	22	(288.18)	9
181-365days	1,165.18	17	(4,120.53)	26	(844.35)	13
1-3 Years	1,903.48	19	(3,600.01)	27	(1,408.74)	16
Above 3 years	(948.41)	27	(5,884.85)	28	(4,785.90)	21
Total	28,984.80		(4,367.91)		(7,700.69)	

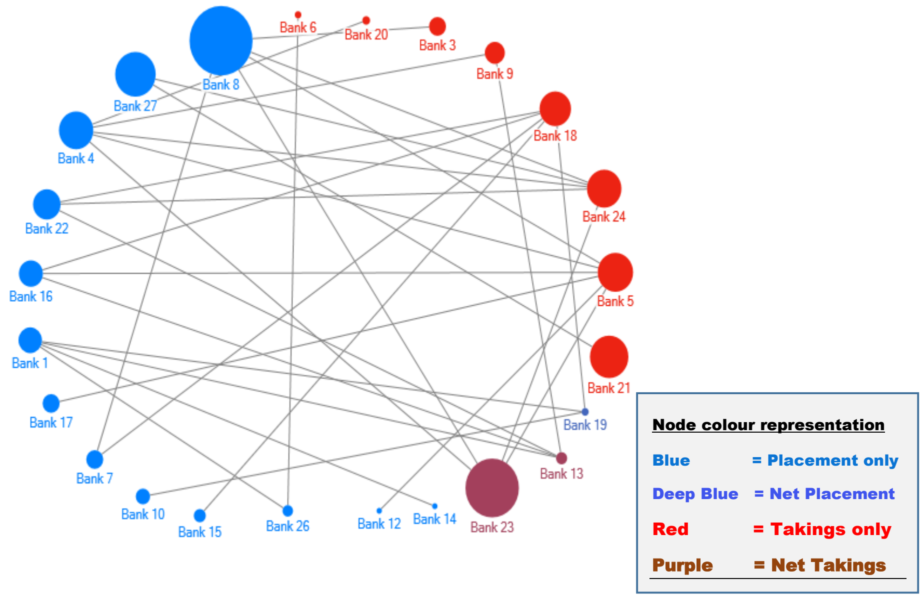
The test results under 2A revealed that the banking industry was adequately funded, while under Test 2B and 2C the industry had mismatches of ₦4.37 trillion and ₦7.70 trillion, respectively (Table 3.8). These indicated a decrease of ₦0.83 trillion under the Test 2B and an increase of ₦ 0.03 trillion under Test 2C, respectively, relative to end-June 2021 tests results.

3.2.4 3.2.4 Contagion Risk Analysis

The contagion risk analysis depicted an increase in interconnectedness through inter-bank placements and takings. However, the total exposure decreased by 35.92 per cent to ₦352.86 billion at end-December 2021, from ₦550.64 billion at end-June 2021.

Further analysis revealed that 6 banks accounted for ₦293.56 billion or 83.19 per cent of total placements, while another 6 banks accounted for ₦4,299.58 billion or 84.90 per cent of total takings. The analysis revealed that the exposures were within the safety corridor of the inter-bank market operations and therefore did not pose any significant threat to financial system stability as all placements were secured.

FIGURE 3.11 NETWORK ANALYSIS BASED ON INTERBANK EXPOSURES



BOX 2: LIQUIDITY STRESS TEST ASSUMPTIONS

Implied Cash Flow Analysis

The Implied Cash Flow Analysis (ICFA) assessed the ability of the banking system to withstand unanticipated substantial withdrawals of deposits, short-term wholesale and long-term funding over 5 days and cumulative 30 days, with specific assumptions on fire sale of assets.

The test assumed gradual average outflows of 3.8, 5.0 and 1.5 per cent of total deposits, short-term funding and long-term funding respectively, over a 5-day period and a cumulative average outflow of 22.0, 11.0 and 1.5 per cent of total deposits, short-term funding and long-term funding respectively, on a 30-day balance. It also assumed that the assets in Table 3.10 would remain unencumbered after a fire sale.

The Maturity Mismatch/Rollover Risk

This assessed funding maturity mismatch and rollover risk for assets and liabilities in the 1-30 and 31-90 day buckets, with assumptions of availability of funding from the CBN and intra-group as described below:

*i. **Test 2a: Descriptive Maturity Mismatch** assumed that the baseline mismatch remained, but 5 per cent of total deposits would be made available by the CBN and the intra-group;*

*ii. **Test 2b: Static Rollover Risk** assumed that 80.0 and 72.0 per cent of the funding in the 1-30 and 31-90 day buckets would be rolled over, with no possibility to close the funding gap from other buckets. However, 5 per cent of the total deposits would still be available from the CBN and the intra-group; and*

*iii. **Test 2c: Dynamic Rollover Risk** made the same assumption as in 2b above, but with the option of closing the liquidity gap from other buckets.*

TABLE 3:9 PERCENTAGE OF ASSETS UNENCUMBERED AFTER FIRE SALES

Item No	***Assets***	***% Unencumbered***
1.	*Cash and cash equivalents*	*100*
2.	*Current account with CBN*	*100*
3.	*Government bonds, treasury bills and other assets with 0% risk-weighting*	*66.5*
4.	*Certificates of deposit held*	*66.5*
5.	*Other short-term investments*	*49*
6.	*Collateralized placements and money at call*	*49*
7.	*CRR*	*100*

3.3 Supervision of Banks

The Bank's supervisory and surveillance activities on the banking sector, aimed at fostering a safe, stable and sound financial system was sustained in the review period. The activities included review of banks' periodic returns, routine monitoring and special investigations. The Bank relied on the provisions of the CBN Act 2007, Banks and Other Financial Institutions Act (BOFIA) 2020 and other extant regulations in performing these functions.

3.3.1 Examination

The CBN and NDIC joint Risk Based Examination of all banks was conducted virtually to accommodate the restrictions around the COVID-19 pandemic. The risk-based examination of banks with Composite Risk Rating of "High" and "Above Average" at end-September 2021 was conducted between October and November 2021; while the examination of banks with Composite Risk Rating of "Moderate" and "Low" for the period ended June 30, 2021 was conducted between July and August 2021.

A total of 7 examinations were carried out on four Non-interest Financial Institutions (NIFIs) in the review period. The examinations included two routine RBS and 2 Risk Asset Assessments carried out on the full-fledged NIFIs, two routine examinations of Non-Interest windows, and a special examination of the Ijarah service product requested by the Financial Regulation Advisory Council of Experts for Non-Interest Financial Institutions (FRACE). The most significant issue arising from the examinations was the adverse impact of the COVID-19 pandemic on the quality of risk assets.

The Bank also conducted risk-based supervision (RBS) examination of AMCON in October 2021. Following the various examinations, the banks were required to remediate identified lapses.

3.3.2 Foreign Exchange Examination

The foreign exchange activities of the 26 Authorised Dealers were examined through off-site reviews and spot checks to address observed lapses, customers' complaints and other emerging issues/challenges in the foreign exchange market.

At the conclusion of the examinations, the Authorised Dealers were required to address observed inadequacies in line with the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 1995.

3.3.3 Non-Interest Banks

A non-interest bank (NIB) with regional authorisation, which was licenced in the first half of 2021, commenced operations in the second half. This brings the total number of financial institutions authorised to offer non-interest financial products to 8, comprising 3 banks, 3 MFBs and 2 non-interest windows.

The total assets of non-Interest banks (NIBs) stood at ₦434.22 billion at end-December 2021, representing 0.73 per cent of total banking industry assets, while their total deposits and total credits, at ₦172.09 billion and ₦177.60 billion, represented 0.45 per cent and 0.80 per cent of the industry totals, respectively.

3.3.4 Supervision of Domestic Systemically Important Banks

Following the six-monthly assessment of banks in accordance with the Framework for the Regulation and Supervision of Domestic Systemically Important Banks (D-SIBs), 5 commercial banks maintained their designation as D-SIBs at end-December 2021. These banks' activities continued to be under enhanced supervision in view of the significant impact the distress of any of the institutions could have on the overall financial system.

At end-December 2021, the D-SIBs accounted for 57.73 per cent (₦34.20 trillion) of the industry's total assets of ₦59.24 trillion. The D-SIBs also accounted for 60.02 per cent (₦23.06 trillion) of total industry deposits of ₦38.42 trillion and 56.05 per cent (₦13.78 trillion) of the aggregate industry credit of ₦24.58 trillion. The D-SIBs were compliant with prudential requirements during the review period.

3.3.4.1 Recovery and Resolution Plans

The CBN continued to require banks to submit their Recovery and Resolution Plans (RRPs) annually. The purpose of the RRPs is to serve as a "playbook" for both the management of banks and the CBN in times of financial stress.

The outcome of the Bank's review of the RRPs was communicated to the D-SIBs with the directive to address observed lapses.

3.3.5 Asset Management Corporation of Nigeria

From inception to end-December 2021, the Corporation achieved total recoveries of ₦953.42 billion made up of cash recoveries of ₦532.81 billion and asset & shares forfeiture of ₦420.61 billion. Cash recoveries in the period under review, amounted to ₦23.60 billion resulting in total recovery of ₦92.80 billion at end-December 2021.

The carrying value of AMCON's liabilities decreased to ₦5.52 trillion at end-December 2021, from ₦5.67 trillion at end-June 2021 dowing to the reduction in the outstanding balance of the AMCON Note to ₦3.86 trillion at end-December 2021, from ₦3.97 trillion in the preceding period. The reduction arose from AMCON's repayment of ₦108.28 billion on the Note at end-December 2021. The carrying value of the Loan (Debenture) however remained at ₦500 billion.

The combined value of the AMCON notes and Loan represented 78.95 per cent of the total liabilities. The Note is due to mature on December 27, 2023, while the ₦500 billion Loan is due for redemption on December 30, 2022.

Meanwhile, the 3rd amendment of the AMCON Act 2010, which seeks to, among other things, extend the tenor of the Banking Sector Resolution Cost Fund, was enacted effective November 12, 2021. Consequently, the Banking Sector Resolution Cost Fund would, at the minimum, remain in operation for another five (5) years covering 2021 to 2025, to continue supporting AMCON's funding requirements. Following the passage of the Amendment Act, the sum of ₦307.97 billion was contributed by the CBN and participating banks for year 2021. This amount formed part of AMCON's funding in settling its obligations in December 2021.

3.3.6 Cross Border Supervision of Nigerian Banks

3.3.6.1 Foreign Subsidiaries of Nigerian Banks

The number of offshore subsidiaries of Nigerian banks at end-December 2021 was fifty-nine. The number of representative offices was 5 while the number of affiliates, international branches and agent banking remained 1, 3 and 1, respectively, bringing the total number of offshore entities to sixty-nine.

The RBS examination of 7 off-shore subsidiaries of Nigerian banks was conducted during the review period. The first virtual RBS examination of 8 offshore banking subsidiaries of a banking group was conducted as part of the consolidated supervision of all its components.

3.3.7 Credit Risk Management System

The CBN Credit Risk Management System (CRMS) database remained a veritable source of credit information and additional risk management tool in the banking industry.

At end-December 2021, the total number of credit facilities on the CRMS database stood at 29,213,129, comprising 28,338,562 individual and 874,567 non-individual borrowers and, representing an increase of 35.15 per cent. The total number of facilities with outstanding balances stood at 4,898,075, comprising 4,779,565 individuals and 118,510 non-individuals at end-December 2021, a decrease of 6.83 per cent from 5,233,014 at end-June 2021.

The strict enforcement of the CBN Regulatory Guidelines on CRMS has led to enhanced compliance by banks as signified by improved credit records.

TABLE 3:10 CREDIT RISK MANAGEMENT SYSTEM

Borrowers from the Banking Industry (Commercial, Merchant and Non-Interest Banks)				
Description	**June 2021**	**December 2021**	**Absolute Change: Increase/ (decrease)**	**% Change**
*** Total No. of Credit/facilities reported on the CRMS:**	26,292,020	29,213,129	2,921,109	11.11
Individuals	25,102,910	28,338,562	3,235,652	12.89
Non-Individuals	810,292	874,567	64,275	7.93
*** Total No. of Outstanding Credit facilities on the CRMS:**	5,233,014	4,898,075	-334,939	-6.83
Individuals	5,102,910	4,779,565	-323,345	-6.34
Non-Individuals	130,104	118,510	-11,594	-8.91

* The figures include borrowers with multiple loans and/or credit lines

3.3.8 Credit Bureaux

The Bank published the maiden edition of the Credit Market Statistical Update in line with Section 8 (1) (f) of the Credit Reporting Act 2017. The publication contains activities in the credit reporting subsector and the National Collateral Registry. In addition, it provided an overview of the credit market in Nigeria, highlighting trends over the previous years (2014 – 2020) in the: subscriber base; credit supply & categorisation; industry credit data; usage of the National Collateral Registry; among others.

Routine offsite and onsite supervisory activities of the 3 bureaux continued during the review period with offsite reviews of returns and the yearly onsite examination. The routine examinations indicated that the operations of the 3 bureaux remained in compliance with the applicable laws and regulations whilst growth in the credit statistics was recorded as at end of the year.

TABLE 3:11 CREDIT BUREAUX STATISTICS

	CRC Credit Bureau		CreditRegistry		First Central Credit Bureau	
	End-June 2021	**End-December 2021**	**End-June 2021**	**End-December 2021**	**End-June 2021**	**End-December 2021**
Number of Credit Record	52,866,509	56,619,269	44,514,456	55,021,176	45,391,801	49,598,526
Number of subscribers	1,535	1,603	646	675	1,242	1,306
Value of Credit Facilities (N'Trillion)	N32.99	N35.984	₦31.124	N37.043	N28.274	N29.729
Number of Data Subjects	23,470,947	25,746,811	16,486,223	22,747,929	17,499,141	18,611,275

3.4 Supervision of Other Financial Institutions

The Bank conducted on-site examination of 264 MFBs in the second half of 2021. The exercise covered target and RBS examination of 145 and 119 MFBs, respectively. The target examination showed that 136 were active, 3 inactive, 2 undergoing restructuring, while 4 had closed shop. Analysis of the active MFBs, showed that 4 were "Sound", 26 "Unsound" and 106 "Insolvent".

The average liquidity ratio of the institutions was 37.12 per cent, which was above the required benchmark of 20 per cent for MFBs, while average PAR of 37.12 per cent was above the regulatory limit of 5 per cent. Further analysis showed that 17 and 71 MFBs met the required CAR and LR benchmarks, respectively, while the PAR of two MFBs were within the regulatory limit.

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The RBS examination of 119 MFBs covered their corporate governance practices and risk management control functions deploy to mitigate the identified risks. An analysis of the composite risk rating of 2, thirty-four and eighty-three MFBs were categ0rised "Moderate", "Above Average" and "High", respectively.

The prudential analysis showed that the CAR and LR of ninety-eight and 113 MFBs were above the benchmarks of 10 per cent and 20 per cent, respectively, while ten MFBs operated within the 5 per cent regulatory PAR limit. Further analysis showed that average CAR, LR and PAR were 16.36, 44.63 and 15.31 per cent, respectively. The examination reports further revealed infractions of extant regulations and erring institutions were appropriately sanctioned.

3.5 Other Developments in the Financial System

3.5.1 AML/CFT

3.5.1.1 Nigeria's Mutual Evaluation Exercise

The Mutual Evaluation Exercise on Nigeria was conducted by the Inter-Governmental Action Group Against Money Laundering in West Africa (GIABA) and the Mutual Evaluation Report (MER) was released in October 2021. Nigeria was rated Moderate Effectiveness on Immediate Outcome (IO3) for Supervision and Immediate Outcome (IO6) for Financial Intelligence. The Nigerian Financial Intelligence Unit (NFIU) as the national coordinating agency for Anti-Money Laundering/Combating the Financing of Terrorism and Financing the Proliferation of Weapons of mass destruction (AML/CFT/PF) is working in collaboration with relevant agencies to address the deficiencies identified in the MER.

3.5.1.2 AML/CFT Examination

On-site Cross-border examination was conducted on 3 foreign subsidiaries of Nigerian banks to assess their compliance with home and host countries' AML/CFT laws and regulations. The examination results showed no significant issues of regulatory concerns.

The examination of thirty banks (24 Commercial and 6 Merchant banks) was conducted to assess their compliance with extant AML/CFT laws and regulations. This was to ensure that banks implement appropriate processes, systems and procedures to identify and mitigate Money Laundering and Terrorism Financing (ML/TF) risks. The increased usage of banks' delivery channels: Internet banking, USSD, PoS, among others has increased potential ML/TF risks in the banking industry.

The risk control functions – Corporate Governance/Board & Senior Management, Risk Management, AML Policies and Procedures, Internal/External Audit, Monitoring & Reporting of Suspicious transactions, Compliance function, and Training were rated as **Acceptable** in mitigating the identified ML/TF risks.

3.5.2 Corporate Governance Scorecard

In the review period, the CBN monitored banks to ensure strict adherence to the provisions of the Code of Corporate Governance Guidelines for Banks and Other Financial Institutions. Banks were required to provide quarterly returns to the CBN on their compliance with the Code of Corporate Governance and the Whistleblowing Guidelines which were appraised and regulatory measures taken on observed infractions.

3.5.3 Launch of the eNaira

Following the issuance of the governing framework for the administration of the eNaira in Nigeria, the Bank launched eNaira, a digital form of the Fiat currency (Naira), on October 25, 2021. The eNaira is a legal tender and forms part of the currency-in-circulation. It is created to complement cash as a less costly, more efficient, generally acceptable, safe and trusted means of payment and store of value. The introduction and use of the eNaira would potentially boost electronic payments in Nigeria and attract investments into the Fintech space.

3.5.4 Risk- Based Cybersecurity Assessment

The CBN and the NDIC conducted a Supervisory Review and Evaluation (SRE) of the annual cybersecurity self-assessment of financial institutions. The outcome of the SRE helped the financial institutions identify and address their inherent cyber risks and determine cybersecurity maturity level for improvement.

3.5.5 Nigeria Sustainable Banking Principles

The Bank continued to monitor the implementation of the Nigeria Sustainable Banking Principles (NSBP) at individual bank and industry levels to provide appropriate intervention. Assessment of implementation progress of the NSBP at end-December 2021 showed that out of the total 121,598 transactions approved, 96.54 per cent (117,393) were screened for environmental and social risk, and 94.02 per cent screened for human rights risk.

The banking industry financed projects for environmentally beneficial purposes worth ₦82.50 billion in 2021. The industry was also committed to efficient use of energy with 36.12 per cent or 1,872 out of 5,183 bank branches powered by solar energy, an alternative source of energy, in 2021.

At end-December 2021, the total number of women in the banking industry was 34,352 representing 36.90 per cent of the total employees in the entire industry. Similarly, women had a total of 662 or 32.00 per cent of top management positions, and 91 or 29.55 per cent of board positions in the industry.

TABLE 3:12 NSBP STATISTICS AT END-DECEMBER 2021

S/N	Item	Banking Industry	Female Representation	Percentage of Female Representation%
1	Total Employees	93,104	34,352	36.90
2	Staff in Management Position	2069	662	32.00
3	Board Members	308	91	29.55

The banking industry has made considerable progress in its response to the needs of the planet, human rights and support to the disadvantaged groups since the adoption of the NSBP. Banks have also continued to develop capacity of staff and board members on sustainability and collaborate in developing the right governance structure to implement the NSBP.

3.5.6 IFRS Implementation

IFRS 9 (Financial Instruments) was issued in July 2014 to replace IAS 39 (Financial Instruments: Recognition and Measurement) and became mandatorily effective in Nigeria on 1st January 2018. Given its wider focus and requirements, the new standard gave rise to huge under impairments in the books of banks upon adoption on 1st January 2018[4]. The CBN's impact assessment evaluated the aggregate industry wide under impairment at ₦300 billion as at 1st January 2018.

The Bank determined that the ₦300 billion Day-One impact would adversely impact banks' capital, threaten their safety and the stability of the industry, necessitating implementation of a transitional arrangement of amortization over a period of four years in five instalments. The transitional arrangement commenced on 1st January 2018 with banks required to make the first set of amortizations on that date, the second on 31st December 2018, and subsequently at financial year ends of 31st December 2019, 2020, and 2021. The transitional arrangement ended on December 31, 2021, with the Day-One impact fully amortized.

3.5.7 Impact of Covid-19 Pandemic

The CBN/NDIC continued to monitor and assess the impact of the COVID-19 pandemic in the industry. The assessment of facilities impacted by the COVID-19 pandemic, not granted CBN forbearance, showed a downward trend as many banks no longer reported new cases of significant impact on credit performance. This could be attributed to the CBN interventions and improved macroeconomic conditions.

Similarly, analysis of the facilities under the CBN approved forbearance shows improvement as some of the facilities exited the waiver within the initial forbearance expiry date of March 2021. All the regulatory forbearance measures are expected to expire by June 30, 2022, as the world recovers from the economic impact of the pandemic. Overall, 14.7 per cent of the total industry loans and advances remained under forbearance at end-December 2021.

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[4] IFRS 9 is a more forward-looking approach than the replaced IAS 39 as it requires banks to always recognize impairment for expected credit loss (ECL), taking into account past events, current conditions and forecast information; and to update the amount of ECLs recognized at each reporting date to reflect changes in credit risk valuation.

3.5.8 Implementation of Basel III

The implementation of Basel III commenced in November 2021 with the release of 6 Guidelines and Reporting Templates covering the following:

i. Regulatory Capital
ii. Leverage Ratio (LeR)
iii. Liquidity Coverage Ratio (LCR)
iv. Liquidity Monitoring Tools (LMT)
v. Large Exposures (LEX); and
vi. Liquidity Risk Management and Internal Liquidity Adequacy Assessment Process (ILAAP) for implementation.

The submission of returns in line with Basel III requirements was expected to run concurrently with that of Basel II for six months ending May 2022.

3.5.9 Supervision and Outlook for the First Half of 2022

Despite the persistence of the COVID-19 pandemic, the industry recorded improvement in most of the financial soundness indicators at end-December 2021, compared with the levels at end-June 2021. This was reflected in fewer banks failing to meet the minimum liquidity ratio and breaching non-performing loans limit than was the case in the previous periods. Furthermore, the NPL at end-December 2021 dropped below the regulatory maximum of 5 per cent for the first time in over 5 years.

The threats to the banking industry include the likelihood of a resurgence in the number of reported cases of COVID-19 infections and high number of facilities under regulatory forbearance transmuting to non-performing loans and attendant loan-losses. Other pressure points include the security challenges across the country and uncertainties in the price of crude oil.

The CBN would continue to monitor the industry very closely to ensure that vulnerabilities are identified early and addressed with appropriate supervisory actions. The proactive supervisory approach including stress testing and the Early Warning System will be sustained in complementing the risk-based supervision of the banking industry.

3.6 Complaints Management and Resolution

The total number of complaints received against financial institutions in the review period was 2,483, an increase of 510 complaints or 25.85 per cent from the total of 1,973 complaints received in the first half of the year. Of the total complaints received, 2,334 (94.0 per cent) were against banks, 143 (5.76 per cent) against OFIs, while six (0.24 per cent) were miscellaneous complaints.

Complaints on fraudulent transactions were the highest category with a total of 681 (27.43 per cent), followed by failed transactions of 597 (24.04 per cent) and account management with 547 (22.03 per cent) complaints. Other categories of complaints received include excess charges, 134 (5.40 per cent); failed transfers, 133 (5.36 per cent); erroneous transfers, 129

(5.20 per cent); dispense errors, 125 (5.03 per cent); loan related issues, 73 (2.94 per cent); tenured investments, 9 (0.36 per cent); unauthorised charges, 1 (0.04 per cent); and others, 54 (2.17 per cent).

During the second half of 2021, 1,336 complaints were resolved with refunds to the complainants, indicating an increase of 20 (1.52 per cent) over the first half of the year, while1,095 complaints were closed indicating an increase of 237 (27.62 per cent) over the first half of the year. The resolved cases included outstanding complaints from the first half of the year.

Total claims in respect of the complaints stood at ₦15.88 billion and US$50.89 million while total refunds amounted to ₦6.04 billion and US$0.94 million, compared with ₦8.42billion and US$0.05 million in the first half of 2021, respectively.

FIGURE 3.12 CATEGORY OF COMPLAINTS

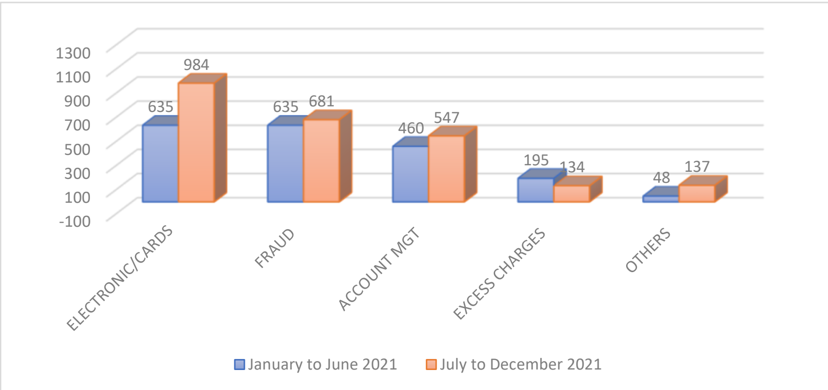


FIGURE 3.13 NUMBER AND PERCENTAGE OF COMPLAINTS BY CATEGORY: JULY TO DECEMBER 2021

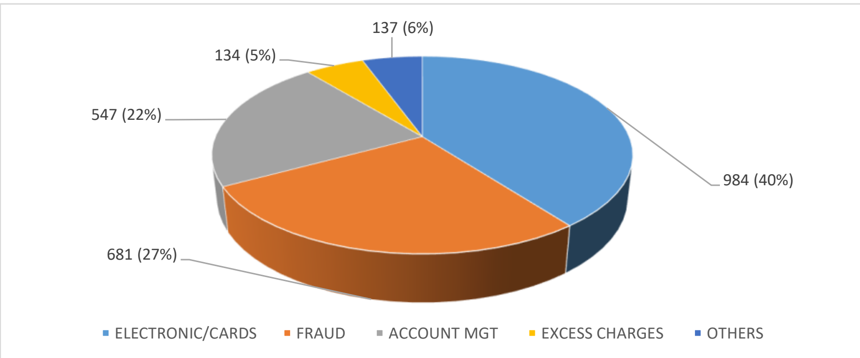
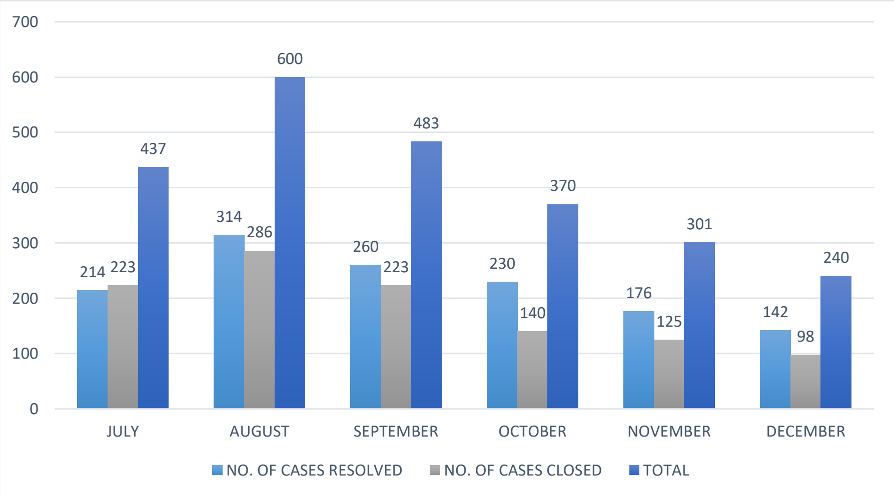


FIGURE 3.14 DISTRIBUTION OF COMPLAINTS RESOLVED AND CLOSED



3.7 Market Conduct & Development

Consumer protection compliance examination was conducted in September 2021 on twenty banks covering the period January 2021 to June 2021. Areas examined included compliance with payment of interest on savings deposits, sales of FX to retail customers, upload of complaints to the Consumer Complaints Management System, disclosures on credit repayment defaults, cooling-off period, insurance options and USSD fees. The examination revealed a generally satisfactory compliance level.

A total of 24 penalties were imposed on financial institutions for various infractions during the period under review, compared with 14 imposed in the preceding period.

4 DEVELOPMENTS IN THE PAYMENTS SYSTEM

The Bank continued to implement policies and initiatives to improve the safety and efficiency of the Nigerian Payments System.

4.1 Mobile Money and Bank Verification Number Operations

The Bank issued Revised Regulatory Framework and Guidelines for Mobile Money Services in Nigeria in July 2021. Highlights of the Framework include introduction of savings wallets, transaction limits, processes for resolution of failed Mobile Money Operators (MMO), permissible activities and annual reporting requirements.

At end-December 2021, the Bank Verification Number (BVN) count stood at 51.93 million, reflecting an increase of 6.53 per cent over 48.75 million at end-June 2021. The number of accounts linked with BVNs was 117.55 million out of 134.01 million active customer accounts while the number of watch-listed BVNs associated with fraud and deceased persons stood at 5,347 and 9,300, respectively at end-December 2021.

TABLE 4:1 BVN STATISTICS

	End-December 2021	End-June 2021	%
BVNs enrolled	51,928,568	48,745,518	6.53
Accounts linked with BVN	117,551,302	109,600,471	7.25
Active Accounts	134,007,725	124,753,126	7.42
Watchlisted BVNs (Fraudulent)	5,347.00	4,261.00	20.31
Watchlisted BVNs (Deceased)	9,300.00	8,168.00	12.17

4.2 Nigeria Electronic Fraud Forum

During the second half of 2021, the Steering Committee of the Nigeria Electronic Fraud Forum created three working groups, eFraud Information Management, Law Enforcement, and Knowledge Sharing Working Groups, to further drive its activities.

4.3 Licensing of Payments System Participants

In the review period, 37 companies were issued with Approvals-in-Principle, comprising 35 in the Payment Solution Services (PSS) and 2 in the Switching & Processing categories. In addition, 21 companies were issued with commercial licences, consisting of 17 in the PSS and 4 in the Switching & Processing categories.

Also, the Bank issued Approval-In-Principle to two Payment Service Banks.

TABLE 4:2 PAYMENTS SYSTEM PARTICIPANTS

Licence Type	June 2021	Dec 2021
Accredited Cheque Printers	8	8
Card Schemes	7	7
Mobile Money Operator Licence Category	16	16
Switching/Processing Licence Category	9	13
Payment Solution Services Licence Category		
Payment Terminal Services Provider (PTSP) Authorisation	15	19
Payment Solution Service Provider (PSSP) Authorisation	30	39
Super-Agent Authorisation	16	20
Total	**101**	**122**

4.3.1 Examination of Payments System Participants

As part of the Bank's efforts to promote a safe, reliable, and efficient payments system, it conducted onsite examination and spot check assessment of payments system participants in the review period. The Supervisory Framework for Payment Service Banks (PSBs) was also released in July 2021 to streamline the activities of PSBs and to ensure sound risk management practices, transparency in their operations as well as adequate customer protection.

4.3.1.1 Onsite Examination and Assessment

The maiden examination of 2 Payments Service Banks, using the Supervisory Framework for Payment Service Banks was conducted during the review period. The objective of the examination was to provide regulatory guidance to strengthen their operations.

Similarly, spot-check assessment of 16 banks and payments service providers was conducted to ascertain the institutions' compliance with the relevant framework, guidelines and policies guiding PoS implementation and usage within the banking industry.

4.3.1.2 AML/CFT Assessment of Payment Service Providers

With the designation of Payment Service Providers (PSPs) as Other Financial Institutions (OFIs) in BOFIA 2020 (as amended), they are required to amongst others, comply with the requirements of CBN AML/CFT regulations, policies and guidelines. Consequently, the assessment of 22 PSPs was conducted in the review period.

The assessment covered 8 Payment Solutions Service Providers (PSSPs), eleven Mobile Money Operators (MMOs) and 3 Payment Switches. Most of the institutions had a combination of licences. However, the focus was on institutions that onboard merchants, agents and customers through creation of e-wallets that could be channels for ML/TF.

4.3.1.3 BVN Assessment

The Bank continued its effort to ensure effectiveness of the Know Your Customer (KYC) principles and to promote a safe, reliable and efficient payments system. Consequently, the Bank conducted assessment of 28 banks and NIBSS to ascertain their compliance with the Regulatory Framework for BVN Operations and Watch-List for the Nigerian Banking Industry in the review period.

The assessment revealed some infractions which attracted appropriate sanctions and the affected banks were required to remediate the observed lapses.

4.4 Cheque Standards and Cheque Printers Accreditation Scheme

During the review period, the Bank monitored compliance with the new cheque standards implemented in April 2021. The issues observed were associated largely with rejection of non-compliant cheques.

The Bank accredited three additional cheque personalizers, bringing the total number to 7 while the number of accredited cheque printers remained 8.

4.5 Other Initiatives

The Guidelines for Licensing and Regulation of Payments Service Holding Companies in Nigeria was issued in August 2021. The Guidelines require companies desirous of offering switching and processing services, and mobile money services to set up a payment service holding company, to clearly delineate activities of the subsidiaries.

In addition, the Revised Regulatory Framework for Bank Verification Number (BVN) Operations and Watch-list for the Nigerian Banking Industry was released in October 2021. The highlights of the Framework were as follows:

- inclusion of MMO and payment service providers as participants in the revised Framework, following their designation as Other Financial Institutions in the BOFIA 2020 (as amended).

- categorisation of access to the BVN database into Tier 1 (direct Access) and Tier 2 (indirect Access).
- introduction of a sanctions regime, and
- introduction of the “Deceased” category under the watch-list, amongst others.

4.6 Payment System Statistics and Trend

4.6.1 Large Value Payment

The Real Time Gross Settlement (RTGS) system operations remained stable during the review period, contributing to the stability of the financial system. The volume of inter-bank fund transfers through the RTGS system increased by 3.05 per cent to 145,914, at end-December 2021, from 141,592 at end-June 2021. Conversely, the value of inter-bank fund transfers decreased to ₦32,329.86 billion at end-December 2021, from N35,695.95 billion at end-June 2021, a decline of 9.43 per cent.

4.6.2 Retail Payments

4.6.2.1 Cheque clearing

The value of cheques cleared increased to ₦1,623.60 billion at end-December 2021, from ₦1,596.82 billion at end-June 2021, reflecting an increase of 1.68 per cent. Conversely, the volume of cheques cleared, decreased from 2,253,064 at end-June 2021 to 2,201,288 at end-December 2021, reflecting a decrease of 2.30 per cent. The decrease in volume of cheques cleared reflected the growing customers’ preference for electronic transactions.

4.6.2.2 Electronic Transactions

The volume and value of electronic transactions increased by 31.10 per cent and 16.60 per cent to 7,581,064,406 and ₦506,765.66 billion, respectively, during the review period. The surge in the usage of electronic payments for banking transactions was due to the convenience of the channels and increased public confidence in the banking system.

TABLE 4:3 ELECTRONIC TRANSACTIONS

Payment Channel	Number of Connected Terminals		Volume of Transactions		% Change Volume	Value ₦' Billion		% Change Value
	Jun 2021	Dec 2021	Jan-Jun 2021	Jul-Dec 2021	Increase/ (decrease)	Jan-Jun 2021	Jul-Dec 2021	Increase/ (decrease)
ATMs	19,156	19,355	763,644,030	835,543,307	9.42	9,251.37	11,979.56	29.49
POS	638,983	915,519	1,137,879,474	1,605,676,367	41.11	9,958.19	14,497.23	45.58
Mobile Money	N/A	-	293,905,538	907,635,620	208.82	5,549.94	9,845.08	77.39
Online Transfers (Internet/Web)	N/A-	-	4,635,078,488	5,686,501,437	22.68	245,431.93	299,607.75	22.07
Mobile App	N/A	-	375,454,250	456,086,385	21.48	24,324.63	28,883.64	18.74
USSD	N/A-	-	278,970,198	273,941,359	(1.80)	2,689.45	2,490.45	(7.40)
Direct Debit	N/A	-	51,075,831	52,200,105	2.20	10,382.59	12,629.20	21.64
ACH/NEFT	N/A-	-	45,056,597	127,735,908	183,50	199,177.55	210,993.92	5.93
Total			**7,581,064,406**	**9,945,320,488**	**31.19**	**506,765.66**	**590,926.83**	**16.61**

5 PENSIONS

The focus of the pension industry during the 2021 Financial Year centered on enhancing the resolution of the challenges of outstanding pension liabilities of the Federal Government under the Contributory Pension Scheme (CPS). The industry also focused on the expansion of the coverage of the CPS to the informal sector and the sub-national governments and the diversification of Pension Fund Investment with a view to mitigating associated risks. Other focus areas included the drive to improve the quality of customer service delivery, enhancement of operational capacity of the regulator/operators' workforce and the re-invigoration of the public enlightenment and education initiatives of the National Pension Commission (PenCom) to address the knowledge gap about the CPS.

The Nigerian Pension Industry expanded in the review period as total membership of pension schemes increased by 1.59% to 9.59 million at end-December 2021, from 9.44 million at end-June 2021. The growth is expected to continue as many States and Local Governments adopt the CPS, as well as the steady uptake of the Micro Pension Plan by workers in the informal sector.

The net Pension Assets under Management (AuM) grew by ₦766.83 billion (6.06%) to ₦13.42 trillion at end-December 2021, from ₦12.66 trillion at end-June 2021. Investment in FGN securities accounted for the largest share of Pension fund assets. Investments were also made in other assets classes, such as States Government Securities, Ordinary Shares, Corporate Debt Securities, Local Money Market Instruments, Supranational Bonds, Mutual Funds, Infrastructure Funds and Private Equity Funds.

TABLE 5:1 PENSION ASSETS

UNAUDITED REPORT ON PENSION FUNDS INDUSTRY PORTFOLIO FOR THE PERIOD ENDED 31 DECEMBER 2021										
APPROVED EXISTING SCHEMES, CLOSED PENSION FUND ADMINISTRATORS AND RSA FUNDS (INCLUDING UNREMITTED CONTRIBUTIONS @CBN & LEGACY FUNDS)										
ASSET CLASSES										
	EXISTING SCHEMES	CPFAs	FUND I	FUND II	FUND III	FUND IV	FUND V	FUND VI ACTIVE	FUND VI RETIREE	TOTAL PENSION FUND ASSETS
	₦ 'Million	₦ 'Million	₦ 'Million	₦ 'Million	₦ 'Million	₦ 'Million	₦ 'Million	₦ 'Million	₦ 'Million	₦ 'Million
DOMESTIC ORDINARY SHARES	105,401.76	34,129.91	5,676.58	629,100.47	130,051.77	10,507.73	0.03	421.08	18.68	915,308.00
FOREIGN ORDINARY SHARES	62.38	122,431.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	122,494.24
TOTAL FGN SECURITIES	**740,804.54**	**846,664.62**	**21,784.52**	**3,816,580.65**	**2,592,105.63**	**747,616.92**	**56.84**	**7,445.53**	**582.76**	**8,773,642.02**
FGN BONDS HTM	709,099.36	779,866.36	17,696.61	3,634,071.53	2,483,293.63	697,772.90	16.90	3,809.37	376.66	8,326,003.33
TREASURY BILLS	25,137.13	22,476.05	3,916.39	99,326.43	68,042.23	36,486.24	37.43	280.30	0.00	255,702.19
AGENCY BONDS	347.01	596.29	40.18	9,640.62	1,840.57	1,232.48	0.00	545.30	59.49	14,301.92
SUKUK	5,510.90	600.61	130.31	68,748.49	31,627.55	11,693.56	2.51	0.00	0.00	118,313.92
GREEN	710.15	43,125.31	1.04	4,793.58	7,301.65	431.74	0.00	2,810.56	146.61	59,320.66
STATE GOVT. SECURITIES	16,161.86	18,721.98	732.95	70,327.79	49,532.18	14,860.75	0.00	0.00	0.00	170,337.51
CORPORATE DEBT SECURITIES	**82,587.62**	**206,661.26**	**6,379.81**	**343,268.50**	**222,620.94**	**81,075.14**	**0.51**	**671.03**	**73.44**	**943,338.26**
CORPORATE BONDS	73,724.08	203,149.13	6,359.68	325,568.62	216,475.80	80,420.42	0.51	671.03	73.44	906,442.71
CORPORATE INFRASTRUCTURE	8,863.54	3,512.13	20.13	7,204.05	2,944.23	493.75	0.00	0.00	0.00	23,037.83
CORPORATE GREEN BONDS	0.00	0.00	0.00	10,495.83	3,200.92	160.97	0.00	0.00	0.00	13,857.72
SUPRA-NATIONAL BONDS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LOCAL MONEY MARKET SECURITIES	**252,833.99**	**130,651.37**	**11,211.18**	**895,133.95**	**534,122.00**	**206,844.92**	**132.58**	**5,005.48**	**933.39**	**2,036,868.86**
BANK PLACEMENTS	242,130.02	130,651.37	11,083.88	866,920.84	519,745.24	200,894.21	132.58	4,971.04	931.50	1,977,460.67
COMMERCIAL PAPERS	10,703.97	0.00	127.31	28,213.11	14,376.76	5,950.72	0.00	34.44	1.89	59,408.19
FOREIGN MONEY MARKET SECURITIES	69.69	9,227.94	0.00	0.00	0.00	0.00	0.00	0.00	1.00	9,298.63
MUTUAL FUNDS	**84,039.57**	**14,234.90**	**601.17**	**18,864.34**	**2,353.47**	**462.56**	**0.00**	**172.75**	**1.00**	**120,729.77**
OPEN/CLOSE-END FUNDS	3,026.53	14,209.63	601.17	15,912.38	2,167.01	462.56	0.00	172.75	1.00	36,553.02
REITS	81,013.04	25.28	0.00	2,951.97	186.46	0.00	0.00	0.00	0.00	84,176.75
REAL ESTATE PROPERTIES	30,873.04	125,675.32	0.00	0.00	246.74	0.00	0.00	0.00	0.00	156,795.10
PRIVATE EQUITY FUNDS	51.60	14,790.05	0.00	23,797.34	290.59	0.00	0.00	31.53	0.00	38,961.12
INFRASTRUCTURE FUNDS	4,446.09	8,459.02	839.31	63,402.87	0.00	200.48	0.00	0.00	0.00	77,347.77
CASH & OTHER ASSETS	34,032.70	-8,892.70	1,181.77	17,882.57	9,546.76	5,137.17	31.22	700.41	74.78	59,694.67
NET ASSET VALUE AS @ 31 DECEMBER 2021	**1,351,364.84**	**1,522,755.54**	**48,407.29**	**5,878,358.49**	**3,540,870.08**	**1,066,705.67**	**221.18**	**14,447.81**	**1,685.06**	**13,424,815.96**

5.1 Other Developments in the Nigerian Pension Industry

5.1.1 Payment of Outstanding Pension Liabilities

The PenCom defrayed some aspects of outstanding pension liabilities of the Federal Government under the CPS. The sum of ₦40.55 billion being the outstanding accrued rights of 6,282 retirees and 2,329 deceased employees was paid. Similarly, the sum of ₦66.83 billion was remitted into the Retirement Savings Accounts (RSAs) of 85,743 retirees and 693,229 active employees, being the 2.5% shortfall in the rate of employer pension contributions at end-December 2021.

5.1.2 Investment of Pension Funds

At end-December 2021, ₦8.77 trillion representing 65.35 per cent of the total pension AuM, was invested in Federal Government Securities, of which ₦118.31 billion was invested in the FGN Sukuk Bond. Furthermore, pension funds investment in FGN Green Bond stood at ₦59.32 billion while ₦14.30 billion was invested in Agency Bonds issued by the Nigeria Mortgage Refinance Company.

5.1.3 Process Automation and Other ICT Initiatives

5.1.3.1 Enhanced Contributory Registration System

The PenCom developed the Enhanced Contributory Registration System (ECRS) to enhance the records of registered contributors by capturing their biometrics and linking RSAs to their respective National Identification Numbers.

5.1.3.2 Implementation of the RSA Transfer System

The PenCom deployed the RSA Transfer System (RTS) to coordinate all the processes relating to the transfer of RSAs from one PFA to another in line with Section 13 of the Pension Reform Act (PRA) 2014. The RTS is an electronic platform through which RSA transfers are initiated, processed, monitored and global net transfer positions for all affected PFAs are determined on an online and real-time basis.

5.1.3.3 Electronic Enrolment System

The PenCom deployed Online Enrolment Application on September 1, 2021. Since the deployment, a total of 357 Ministries, Departments and Agencies (MDAs) had uploaded the data of 10,584 retirees, while 6,937 retirees had successfully registered on the application. Similarly, 6,266 retirees had been verified and enrolled by various PFAs at end-December 2021.

PenCom automated the Pre-retirement Verification and Enrolment for prospective retirees of treasury-funded Ministries, Departments and Agencies (MDAs), by deploying an online Enrolment Application on its website, from 1 September 2021. The Application, which has capabilities to register, verify and enrol prospective retirees, effectively eliminates the need for a physical enrolment exercise. It also eliminates the convergence of a mass gathering, while enhancing comfort for the prospective retirees who are now enabled to participate in the exercise seamlessly through the Application. All retirees and prospective retirees for the year 2021 were required to register on the application and complete the verification and enrolment processes, to enable the computation of their accrued pension rights for their previous active service up to June 2004 when the Contributory Pension Scheme (CPS) commenced. Since deployment, a total of 357 Ministries, Departments and Agencies (MDAs) had uploaded the data of 10,584 retirees, while 6,937 retirees had successfully registered on the application. Similarly, 6,266 retirees had been verified and enrolled by various PFAs as at 31 December 2021. This will ensure the speedy processing of their retirement benefits.

6 INSURANCE

The Nigerian insurance market remained resilient in the second half of 2021 despite the effects of the COVID-19 pandemic, which impacted ongoing efforts to deepen insurance penetration. The various regulatory reforms implemented within the review period, including the recapitalisation exercise, have started to impact many facets of the industry especially market size.

6.1 Assets

The total assets of the industry have continued to increase, rising by 9.33 per cent to ₦2.23 trillion, at end-December 2021, from ₦2.03 trillion, at end-June 2021. Similarly, net premium income and total gross claims rose significantly by 101.86 and 92.99 per cent to ₦441.37 billion and ₦336.79 billion at end-December 2021, from ₦218.65 billion and ₦174.51 billion at end-June 2021, respectively. The developments were due largely to the market development initiatives and increased public awareness on insurance services.

TABLE 6:1 KEY INDICATORS

Period	End-June 2021	End-December 2021	%Change
Gross Premium Income	307,395,894,325.00	616,040,928,000.40	100.41
Net Premium Income	218,651,930,689.00	441,371,942,881.40	101.86
Total (Gross) Claims	174,514,908,745.00	336,789,189,287.00	92.99
Total Assets	2,039,809,809,965.00	2,230,165,942,794.00	9.33

The Gross Premium Income rose significantly by 100.41 per cent to ₦616.04 billion at end-December 2021, from ₦307.40 billion at end-June 2021, demonstrating the industry's strong capacity to withstand the adverse effect of the COVID-19 pandemic.

6.2 Selected Insurance Financial Soundness Indicators

6.2.1 Capital Adequacy Ratio

The industry remained solvent in the review period as the CAR, measured by capital to total assets, was above the regulatory threshold of 40 per cent. However, it declined by 12.84 percentage points to 42.90 per cent at end-December 2021 from 55.74 per cent at end-June 2021, driven largely by the recognition of the IFRS 9 impairment charges.

6.2.2 Liquidity Ratio

The ratio of liquid assets to current liabilities decreased by 6.05 percentage points to 115.00 per cent at end-December 2021, from 121.05 per cent at end-June 2021. This was however adequate to accommodate significant claims.

6.2.3 Combined Ratio

The combined ratio for the industry rose marginally by 0.06 percentage point to 73.34 per cent at end-December 2021, from 73.27 per cent at end-June 2021. This was due to the increase in expenses by 3.15 percentage points to 31.68 per cent at end-December 2021, from 28.53 per cent at end-June 2021. The increase in expenses outweighed the decrease in claims, which declined from 44.74 per cent at end-June 2021 to 44.65 per cent at end-December 2021.

6.2.4 Premium Debtors

Premium debtors, measured as a percentage of gross premium, significantly declined by 24.27 percentage points to 5.06 per cent at end-December 2021, from 29.33 per cent at end-June 2021. The significant decline was due largely to the strict enforcement of the "no-premium-no-cover" policy.

6.2.5 Retention Ratio

The retention ratio measured as insurance premium retained to total premium generated, rose by 10.67 percentage points to 72.14 per cent at end-December 2021, from 61.47 per cent at end-June 2021. This reflected a rise in the industry's capacity to undertake big insurance policies.

TABLE 6:2 INSURANCE INDUSTRY DASHBOARD

KEY INDICATORS	Jun-21	Dec-21
CAR (Capital/Total Asset)	55.74	42.90
Liquidity Ratio (liquid assets/current liabilities)	115.00	121.05
Claims Ratio %	44.74	41.65
Expense Ratio %	28.53	31.68
Combined Ratio %	73.27	73.34
investment to Total Assets Ratio %	70.86	70.19
Change in Gross Written Premium (in %)	20.18	23.82
Change in Net Written Premium (in %)	19.10	29.82
Change in Capital & Surplus (in %)	5.45	14.47
Premium Debtors as a % of Equity	4.56	2.34
Premium Debtors as a % of Total Assets	2.13	1.30
Premium Debtors as a % of Gross Premium	29.33	5.06
Retention Ratio (in %)	61.47	72.14
Return on Assets (in %)	1.46	1.09

6.3 Policy Development and Initiatives

During the review period, the Nigerian Insurance Commission (NAICOM) continued with the implementation of ongoing policy programmes and development of new initiatives intended to reposition the Nigerian insurance industry for enhanced contribution to the economy. The initiatives included the following:

i. The introduction of NAICOM Portal on 1st September 2021 which allows insurance agents, brokers, and underwriters to provide regulatory returns online and for the public to validate purchased insurance policies.
ii. Issuance of revised guidelines on Market Conduct and Business Practice for Insurance Institutions in Nigeria in October 2021; and the revised Guidelines and roadmap on the implementation of International Financial Reporting Standard (IFRS) 17 in December 2021.
iii. Introduction of microinsurance products with the grant of approval to 4 conventional insurance companies to offer such products to drive financial inclusion.
iv. Conduct of pilot onsite Risk Based examination on 5 insurance companies in the review period, focused on corporate governance, risk management and internal controls, solvency and liquidity of insurance institutions.

7 RISKS TO THE FINANCIAL SYSTEM

7.1 Credit Risk

Risk Rating (Medium Risk, Stable)	

Credit risk during the review period continued to be effectively managed through sustained implementation of regulatory and supervisory measures. The non-performing loans ratio reduced to 4.94 per cent in December 2021, from 5.70 per cent in June 2021.

The risk is expected to remain moderate and stable in 2022 even as banks manage the transition to a full interest rate regime on loans earlier granted forbearances in the wake of the Covid-19 pandemic.

7.2 Liquidity Risk

Risk Rating (Low Risk, Stable)	

The industry maintained a stable and sound liquidity position for the period from July to December 2021. The industry liquidity ratio which remained above the regulatory threshold of 30 per cent, increased to 41.33 per cent at end-December 2021, compared with 41.30 per cent at end-June 2021. Industry liquidity risk is expected to remain low and stable in 2022.

7.3 Market Risk

Risk Rating (Medium Risk, Stable)	

The weighted average of OBB and interbank call rates fell to 11.49 per cent and 12.48 per cent at end-December 2021, from 12.76 per cent and 12.53 per cent, respectively, at end-June 2021, reflecting higher banking system liquidity. Similarly, the average savings rate fell to 1.25 per cent from 1.81 per cent during the same period. The average maximum lending rate declined to 27.58 per cent at end-December 2021, from 29.05 per cent at end-June 2021.

The Covid-19 restrictions effect on the foreign exchange market is gradually abating, with the official exchange rate remaining relatively stable at ₦412.99/US$ at end-December 2021, compared with ₦409.16/US$ at end-June 2021, a depreciation of 0.81 per cent. The marginal depreciation was due to increased demand at the I&E window.

The NGX-ASI improved by 12.69 per cent between end-June 2021 and end-December 2021 to 42,716.44 points, showing renewed interest in the market by way of new public offerings.

Market risk is expected to remain stable in 2022 with the interplay of expected stability in foreign exchange market, increasing oil prices and improved economic activities owing to relaxed Covid-19 pandemic restrictions.

7.4 Operational Risk

Risk Rating (Medium Risk, Increasing)	

During the second half of 2021, operational risks in banks were driven mainly by the lingering impact of the restrictive COVID-19 protocols on operations, security challenges, the attendant risks from telecommuting, rising cybersecurity and insider threats.

Banks lost ₦613.40 million through fraud and forgeries at end December 2021, compared with ₦307.83 million at end June 2021, indicating an increase of 99.27 per cent in the corresponding period.

However, the number of reported cases of fraud and forgeries through conversion of customers' deposits, unauthorised fund transfers, ATM withdrawals and suppression of cheques declined by 10.66 per cent to 14,141 at end December 2021, from 15,829 at end June 2021.

Low compliance with the Pension Reforms Act 2014 by sub-national governments constitutes a risk to comprehensive coverage of the Contributory Pension Scheme.

Operational risk is expected to remain moderate and stable in 2022 as the various initiatives geared towards making the business environment more favourable take effect.

7.5 Cybersecurity Risk

Risk Rating (High Risk, Trending up)	

The Covid-19 lockdown accelerated an unprecedented digital transformation, which has been exploited by cyber-criminals, leading to an increase in the number of cybersecurity incidents. Threats witnessed in the period included: social engineering, especially for the vulnerable segment of the users of digital financial services; unauthorised access to confidential information; ransomware attacks; online ponzi schemes and mobile App fraud.

In response to the heightened cybersecurity risk, the Bank in conjunction with the Committee of Chief Information Security Officers of the Nigeria Financial Industry and CyberSafe Foundation launched the "NoGoFallMaga" campaign in July 2021. The campaign raised public awareness on the various tactics used by cyber-criminals and ways of avoiding them.

The risk from cybersecurity is expected to remain high and to increase in intensity as digital financial service adoption increases. However, the Nigerian financial system is well positioned to remain resilient to cyber-attacks and other threats.

7.6 Macroeconomic Risk

Risk Rating (High Risk, Stable)	↔

Inflation constitutes a risk to the financial system, with significant impact on the pension industry and other sectors. Despite efforts to diversify pension fund investments into other asset classes, the average returns on pension fund investments remained below the inflation rate, leading to negative real returns.

Headline and food inflation fell to 15.63 per cent and 17.37 per cent, at end-December 2021, respectively, from 17.75 per cent and 21.83 per cent, respectively at end-June 2021. Given the sustained efforts at curbing security challenges coupled with CBN interventions in the real sector, food production is expected to improve in 2022 with moderating impact on inflation rates.

Other macroeconomic risks include the increasing debt service to revenue ratio, exacerbated by the decline in crude oil revenue owing to under-recovery cost and drop in oil production.

Although high, macroeconomic risks are expected to remain stable in the coming year. The headwinds include monetary policy normalisation in advanced economies, lingering supply chain disruptions, capital flow reversals and the high cost of financing the 2023 general elections. However, these would be mitigated by sustained implementation of the monetary and fiscal interventions and other policy supports.

8 OUTLOOK

The domestic economy is expected to sustain an upward trajectory, driven by improvements in supply chains, manufacturing and agricultural output, continued recovery of oil prices, and increased diaspora remittances. In addition, inflationary pressures are expected to ease in the short-to-medium term in response to the positive impact of the various monetary and fiscal interventions in the real sector.

However, monetary policy normalisation in advanced economies, rising energy prices, lingering security challenges in the food-producing regions, delays in the full implementation of the Petroleum Industry Act, and persistent power supply shortages might subdue the growth prospects. Thus, monetary and fiscal stimuli will be sustained to support recovery until the downside risks to growth dissipate substantially.

The banking industry remained resilient in the review period, and the trend is expected to continue with the industry FSIs buoyed as economic activities improve in 2022. The key risks faced by the industry remain credit and credit concentration risks and emerging cybersecurity risks with the increased digitization of financial services. Nevertheless, regulatory and supervisory activities will continue to be proactive in identifying and managing potential vulnerabilities and risks to the banking industry.

Activities in the capital market are expected to sustain a positive trend in 2022 with the implementation of the Nigeria Capital Market Master plan. The optimistic outlook is reinforced by the expected increase in the number of listings as a result of the activities of the Securities Issuers Forum (SIF), and the upgraded capital market infrastructure from the demutualisation of the NGX. Similarly, activities in the commodity segment of the market are expected to increase substantially in 2022 owing to the increased number of commodity exchanges which would further improve price discovery and diversification of the economy. However, a high inflationary environment could lead to low yield on investments**.**

The insurance industry faces challenges arising from the prescriptive laws, bureaucracy, difficulties in accessing funds, and socio-cultural issues. Nonetheless, NAICOM's on- going recapitalization, process automation, and market development initiatives would facilitate the continued growth of the industry. Equally, implementation of a risk-based supervisory regime, introduction of a macroprudential framework, and deployment of group-wide supervision would improve the efficiency of regulatory activities, and further enhance the enabling environment for the industry to thrive.

Developments in both the global and domestic environment will continue to shape financial system stability in Nigeria. The CBN and other financial system regulators will sustain the deployment of proactive measures for early identification and management of systemic risks to ensure financial system stability. Overall, macroprudential risks to the financial system are expected to moderate in 2022 with prospects for improved financial system stability in the near-term.

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