FINANCIAL STABILITY REPORT

JUNE 2022

CONTENTS

CONTENTS.....1
LIST OF FIGURES.....5
LIST OF TABLES.....7
LIST OF BOXES.....9
LIST OF ACRONYMS.....10
GOVERNOR'S STATEMENT.....13
FOREWORD.....15
EXECUTIVE SUMMARY.....16
1 ECONOMIC AND FINANCIAL DEVELOPMENTS.....18
1.1 Global Developments.....18
1.1.1 Output.....18
1.1.2 Inflation.....19
1.1.3 Oil Prices.....20
1.1.4 Food Prices.....20
1.1.5 International Stock Markets.....21
1.1.6 Foreign Exchange Markets.....22
1.1.7 Monetary Policy Rates.....23
1.2 Domestic Macroeconomic Developments.....25
1.2.1 Output Growth.....25
1.2.2 Inflation.....26
1.2.3 Fiscal Operations of the Federal Government.....27
1.2.4 External Reserves.....29
1.2.5 Risks to the External Reserves.....30
2 DEVELOPMENTS IN THE FINANCIAL SYSTEM.....32
2.1 Monetary and Credit Developments.....32
2.1.1 Market Structure of the Banking Industry.....33
2.1.2 Consumer Credit.....33
2.1.3 Sectoral Distribution of Credit.....34
2.2 Other Financial Institutions.....34
2.2.1 Development Finance Institutions.....36
2.2.2 Primary Mortgage Banks.....38
2.2.3 Finance Companies.....41

2.2.4 Microfinance Banks 44
2.2.5 Capacity Building Programme 47
2.3 Financial Markets 48
2.3.1 Money Market 48
2.3.2 Capital Market 53
2.4 Real Sector Interventions 61
2.4.1 Agricultural Policy Support 62
2.4.2 Small and Medium Enterprises & Industrial Policy Support 63
2.4.3 Real Sector Policy Support 64
2.5 Export Policy Support 65
2.5.1 Non-oil Export Stimulation Facility 65
2.5.2 Export Facilitation Initiative 65
2.6 Energy Policy Support 65
2.6.1 Power and Airline Intervention Fund 65
2.6.2 Nigerian Electricity Market Stabilisation Facility 65
2.6.3 Nigeria Bulk Electricity Trading – Payment Assurance Facility 66
2.6.4 National Mass Metering Programme 66
2.7 Institutional Support and Financial Inclusion 66
2.7.1 National Collateral Registry 66
2.8 Financial Inclusion 67
3 REGULATORY AND SUPERVISORY ACTIVITIES 70
3.1 Financial Soundness Indicators 70
3.1.1 Asset-Based Indicators 70
3.1.2 Capital-Based Indicators 71
3.1.3 Income and Expense Based Indicators 72
3.2 The Banking Industry Stress Tests 73
3.2.1 Solvency Stress Test 73
3.2.2 Liquidity Stress Test 77
3.2.3 Maturity Mismatch 78
3.2.4 Contagion Risk Analysis 79
3.3 Supervision of Banks 81
3.3.1 Examination 81
3.3.2 Foreign Exchange Examination 82

3.3.3 Non-Interest Banks 82
3.3.4 Supervision of Domestic Systemically Important Banks 82
3.3.5 Asset Management Corporation of Nigeria 83
3.3.6 Cross Border Supervision of Nigerian Banks 83
3.3.7 Credit Risk Management System 83
3.3.8 Credit Bureaux 84
3.4 Supervision of Other Financial Institutions 85
3.5 Other Developments in the Financial System 85
3.5.1 Anti-Money Laundering, Combating the Financing of Terrorism 85
3.5.2 Capacity Building and Collaboration on AML/CFT/CPF 86
3.5.3 Activities of the Financial Services Regulation Coordinating Committee 86
3.5.4 eNaira 87
3.5.5 Risk- Based Cybersecurity Assessment 88
3.5.6 Nigeria Sustainable Banking Principles 88
3.5.7 Post IFRS Implementation 88
3.5.8 Implementation of Basel III 89
3.5.9 Internal Capital Adequacy Assessment Process 89
3.6 Financial Literacy and Consumer Education 89
3.7 Consumer Protection Compliance Examination of OFIs 89
3.8 Complaints Management and Resolution 89
4 DEVELOPMENTS IN THE PAYMENTS SYSTEM 93
4.1 Bank Verification Number Operations 93
4.2 Nigeria Electronic Fraud Forum 93
4.3 Licensing of Payments System Participants 93
4.3.1 Examination of Payments System Participants 94
4.4 Cheque Standards and Cheque Printers Accreditation Scheme 95
4.5 Other Payments System Initiatives 95
4.6 Payments System Statistics and Trend 95
4.6.1 Large Value Payments 95
4.6.2 Retail Payments 95
5 PENSIONS 97
5.1 Other Developments in the Nigerian Pension Industry 98
5.1.1 Revised Share Capital Requirement for Licensed Pension Fund Administrators 98

5.1.2 Revised Regulation for the Administration of Retirement and Terminal Benefits 99

5.1.3 Operational Framework for Co-Investment 99

6 INSURANCE 100

6.1 Assets and Premium Income 100

6.2 Key Insurance Industry Financial Soundness Indicators 100

6.2.1 Capital Adequacy Ratio 100

6.2.2 Liquidity Ratio 100

6.2.3 Combined Ratio of the Insurance Industry 101

6.2.4 Premium Debtors 101

6.2.5 Retention Ratio 101

6.3 Key Insurance Industry Regulatory/Supervisory Developments 102

7 RISKS TO THE FINANCIAL SYSTEM 103

7.1 Credit Risk 103

7.2 Liquidity Risk 103

7.3 Market Risk 104

7.4 Operational Risk 105

7.5 Macroeconomic Risk 105

8 OUTLOOK 106

LIST OF FIGURES

FIGURE 1.1 GROSS DOMESTIC PRODUCT (GROWTH %) 25
FIGURE 1.2 INFLATIONARY TREND (YEAR-ON-YEAR) 27
FIGURE 1.3 FEDERAL GOVERNMENT FISCAL OPERATIONS (₦ BILLION) 27
FIGURE 1.4 FGN EXTERNAL AND DOMESTIC DEBT COMPOSITION (₦ BILLION) 28
FIGURE 1.5 FEDERAL GOVERNMENT DOMESTIC DEBT STOCK 29
FIGURE 1.6 EXTERNAL RESERVES POSITION (US$ MILLIONS) 30
FIGURE 2.1 CONCENTRATION RATIOS OF THE BANKING INDUSTRY ASSETS AND DEPOSITS....................33
FIGURE 2.2 CONSUMER CREDIT 33
FIGURE 2.3 CONSOLIDATED BALANCE SHEET OF OFIS 36
FIGURE 2.4 CONSOLIDATED BALANCE SHEET OF DFIS....................37
FIGURE 2.5 TOTAL ASSETS AND LIABILITIES OF DFIS 37
FIGURE 2.6 CONSOLIDATED BALANCE SHEET OF PMBS (N'BN) 39
FIGURE 2.7 COMPOSITION OF ASSETS AND LIABILITIES OF PRIMARY MORTGAGE BANKS 39
FIGURE 2.8 CONSOLIDATED BALANCE SHEET OF FCS 42
FIGURE 2.9 COMPOSITION OF ASSETS AND LIABILITIES OF FCS 43
FIGURE 2.10 BALANCE SHEET OF MFBS 45
FIGURE 2.11 COMPOSITION OF ASSETS AND LIABILITIES OF MFBS....................46
FIGURE 2.12 MONEY MARKET RATES FOR FIRST HALF OF 2022....................48
FIGURE 2.13 INTEREST RATES SPREAD 49
FIGURE 2.14 PRIMARY MARKET: NIGERIAN TREASURY BILLS ALLOTMENT (%) 50
FIGURE 2.15 PRIMARY MARKET: NIGERIAN TREASURY BILLS TRANSACTIONS (N'BILLION) 50
FIGURE 2.16 NTBS OUTSTANDING AT END-JUNE 2022 (PER CENT AND IN N'BN) 51
FIGURE 2.17 INVESTORS' & EXPORTERS' RATE 52
FIGURE 2.18 YIELD CURVE 58
FIGURE 3.1 BANKING INDUSTRY NPLS TO GROSS LOANS 70
FIGURE 3.2 BANKING INDUSTRY LIQUIDITY INDICATORS (%) 70
FIGURE 3.3 BANKING INDUSTRY REAL ESTATE INDICATORS (%) 71
FIGURE 3.4 BANKING INDUSTRY CAPITAL ADEQUACY INDICATORS (%) 72
FIGURE 3.5 NON-PERFORMING LOANS NET OF PROVISION TO CAPITAL RATIO 72
FIGURE.3.6 BANKING INDUSTRY CAR (PER CENT) 74
FIGURE 3.7 CREDIT CONCENTRATION RISK 75

FIGURE 3.8 SECTORAL CONCENTRATION OF CREDIT....76
FIGURE 3.9 IMPACT OF INTEREST RATE SHOCKS ON CAR....77
FIGURE 3.10 INDUSTRY LIQUIDITY RATIOS AT PERIODS 1-5 AND CUMULATIVE 30-DAY SHOCKS....77
FIGURE 3.11 NETWORK ANALYSIS BASED ON INTERBANK EXPOSURES....80
FIGURE 3.12 NUMBER OF COMPLAINTS RECEIVED....90
FIGURE 3.13 DISTRIBUTION OF COMPLAINTS BY CATEGORY: JANUARY TO JUNE 2022....90
FIGURE 3.14 COMPLAINTS RESOLVED AND CLOSED....91
FIGURE 3.15 COMPLAINTS RESOLVED/CLOSED....91

LIST OF TABLES

TABLE 1:1 GLOBAL GROWTH........19
TABLE 1:2 GLOBAL INFLATION........20
TABLE 1:3 OIL PRICES (US$ PER BARREL)........20
TABLE 1:4 WORLD FOOD PRICE INDEX........21
TABLE 1:5 INDICES OF SELECTED STOCK MARKETS........22
TABLE 1:6 PERFORMANCE OF SELECTED CURRENCIES........23
TABLE 1:7 POLICY RATES OF SELECTED COUNTRIES........24
TABLE 1:8 SECTORAL CONTRIBUTIONS TO REAL GDP........26
TABLE 1:9 FOREIGN EXCHANGE FLOWS THROUGH THE CBN (US$ BILLION)........30
TABLE 2:1 GROWTH RATES OF MONETARY AGGREGATES........32
TABLE 2:2 SECTORAL ALLOCATION OF CREDIT........34
TABLE 2:3 COMPOSITION OF OTHER FINANCIAL INSTITUTIONS........35
TABLE 2:4 FINANCIAL HIGHLIGHTS OF PMBS........40
TABLE 2:5 FINANCIAL POSITION OF FCS........42
TABLE 2:6 HIGHLIGHTS OF FINANCIAL POSITION OF MFBS........45
TABLE 2:7 MATURITY STRUCTURE OF LOANS AND ADVANCES AND DEPOSIT LIABILITIES........47
TABLE 2:8 INTERVENTIONS AT THE INTERBANK FOREIGN EXCHANGE MARKET........51
TABLE 2:9 NGX ASI, EQUITY AND DEBT MARKET CAPITALISATION........53
TABLE 2:10 NEW ISSUES........54
TABLE 2:11 NIGERIAN EXCHANGE LIMITED INDICES........55
TABLE 2:12 DOMESTIC AND FOREIGN PORTFOLIO PARTICIPATION IN EQUITIES TRADING........56
TABLE 2:13 NATIONAL ASSOCIATION OF SECURITIES DEALERS TRANSACTIONS........56
TABLE 2:14 TRANSACTIONS ON AFEX (N’M)........57
TABLE 2:15 VOLUME AND VALUE OF TRANSACTIONS ON AFEX (N’M)........57
TABLE 2:16 GEZAWA COMMODITY MARKET AND EXCHANGE (GCMX) TRANSACTIONS........57
TABLE 2:17 LAGOS COMMODITIES AND FUTURES EXCHANGE (LCFE) TRANSACTIONS (N’M)........58
TABLE 2:18 S&P/FMDQ SOVEREIGN BOND INDEX........60
TABLE 2:19 CIS FUNDS........61
TABLE 2:20 TRANSACTIONS ON THE NATIONAL COLLATERAL REGISTRY PORTAL........66
TABLE 2:21 WOMEN AND WOMEN-OWNED BUSINESSES TRANSACTIONS ON THE NATIONAL COLLATERAL REGISTRY PORTAL........67

TABLE 2:22 FINANCIAL INCLUSION STATISTICS 69
TABLE 3:1 SELECTED FINANCIAL SOUNDNESS INDICATORS OF THE NIGERIAN BANKING INDUSTRY 73
TABLE 3:2 BANKING INDUSTRY BASELINE SELECTED KEY INDICATORS 73
TABLE 3:3 CREDIT DEFAULT SHOCKS....74
TABLE 3:4 CREDIT CONCENTRATION RISK....75
TABLE3:5 STRESS TEST ON OIL AND GAS EXPOSURES 76
TABLE 3:6 LIQUIDITY STRESS TEST RESULTS....78
TABLE 3:7 MATURITY PROFILE OF ASSETS AND LIABILITIES AT END-JUNE 2022....78
TABLE 3:8 TEST RESULTS FOR SYSTEM-WIDE MATURITY MISMATCH AT END-JUNE 2022 79
TABLE 3:9 PERCENTAGE OF ASSETS UNENCUMBERED AFTER FIRE SALES 81
TABLE 3:10 CREDIT RISK MANAGEMENT SYSTEM 84
TABLE 3:11 CREDIT BUREAUX STATISTICS....84
TABLE 3:12 ENAIRA WALLET HOLDERS 87
TABLE 3:13 MINTING AND HOLDINGS OF ENAIRA....87
TABLE 3:14 NSBP STATISTICS AT END-JUNE 2022....88
TABLE 4:1 BVN STATISTICS 93
TABLE 4:2 PAYMENTS SYSTEM PARTICIPANTS....94
TABLE 4:3 ELECTRONIC TRANSACTIONS 96
TABLE 5:1 PENSION ASSETS....98
TABLE 6:1 KEY INDICATORS....100
TABLE 6:2 INSURANCE INDUSTRY DASHBOARD 101

LIST OF BOXES

BOX 1: CBN COUNTER-MEASURES TO MITIGATE THE COVID-19 PANDEMIC.31

BOX 2: LIQUIDITY STRESS TEST ASSUMPTIONS..75

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
CMNBs	Commercial, Merchant and Non-interest Banks
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
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 Ratio
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	National 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	Nigeria 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
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 first half of 2022. The supply chain disruptions following the Russia-Ukraine conflict, the spillovers from sanctions imposed on Russia, as well as the lingering headwinds associated with the COVID-19 pandemic, resulted in a weakening of the global economy. Consequently, global output for 2022 was projected at 3.20 per cent, 2.9 percentage points lower than the 6.10 per cent recorded in 2021.

The GDP growth in advanced economies was projected to slow to 2.50 per cent in 2022, compared with 5.20 per cent in 2021. For the USA, Japan and the Euro Area, growth was estimated at 2.30, 1.70 and 2.60 per cent, respectively, compared with 5.70, 1.70 and 5.40 per cent recorded in 2021. Similarly, growth in Emerging Markets and Developing Economies (EMDEs) was projected at 3.60 per cent in 2022, compared with the 6.80 per cent recorded in 2021. Growth in sub-Saharan Africa (SSA) was projected at 3.80 per cent, lower than 4.60 per cent achieved in 2021.

Global inflationary pressures heightened during the review period, driven by the disruptions to supply chains, resulting in tightening global financial conditions as most central banks pursued aggressive monetary policy stance. Other ramifications include declining global trade and growing risks to financial stability.

In Nigeria, the economy continued its recovery, albeit at a slower pace, as GDP grew by 3.32 per cent in the first half of 2022, compared with 4.02 per cent in the second half of 2021. The growth was driven by the non-oil sector, specifically, the services and agriculture sub-sectors. The performance of these sub-sectors was due to the sustained and targeted interventions by the fiscal and monetary authorities. Total credit to the private sector continued to grow during the review period, with increased lending to the real sector and households, in line with the Bank's policies to encourage lending to key sectors of the economy. The exchange rate remained stable owing to improved foreign exchange liquidity in the system, particularly from non-oil sources.

The Bank continued the implementation of various regulatory and supervisory measures, including the Global Standing Instruction (GSI) and Guidelines for Credit Guarantee Companies, to moderate risks and promote the soundness and stability of the banking system in the short to medium term. These measures reinforced the health and resilience of the Nigerian banking system as it remained safe, sound and stable.

The Nigerian pension industry continued to improve its performance in the review period, with growth in total enrolment in pension schemes and assets under management. Furthermore, the recapitalisation exercise initiated to enhance the resilience of pension fund administrators was successfully concluded. Similarly, the Nigerian insurance industry continued to grow with the sustained implementation of ongoing policy programmes and development of new initiatives intended to reposition the industry for enhanced contribution to the economy. Insurance penetration was potentially deepened by the licensing of seven micro-insurance companies by the National Insurance Commission (NAICOM).

The overall economic outlook for both the global and domestic economies in the short- to medium-term remains uncertain. The effects of supply chain disruptions occasioned by the Russian-Ukraine crisis, elevated global inflation, the lingering impact of the Covid-19 pandemic, as well as the broad shocks to foreign capital flows following rate hikes by most advanced economies continue to dampen growth expectations. However, efforts to resolve the Russia-Ukraine crisis has resulted in partial lift on grain exports with positive impact in the short- to medium-term growth expectations. On the domestic front, the economy is expected to sustain its growth trajectory, owing to the continued rise in oil prices, rebound in manufacturing activities, and sustained policy support. However, persisting security challenges and infrastructure deficit are major headwinds that could undermine the outlook for growth. The Bank will continue to provide policy support to priority sectors to support growth.

Godwin I. Emefiele, CON

Governor, Central Bank of Nigeria

FOREWORD

The first half of 2022 witnessed a downward trend in global growth, with tight monetary policy stance of most monetary authorities in response to the unprecedented rising inflationary pressures, contributing to the general decline in output and constrained access to global capital. The attendant tighter financial conditions posed considerable risk to financial stability owing to their tendency to induce debt distress, especially in emerging markets and developing economies.

The Nigerian economy sustained the positive performance in the last six quarters, driven largely by the continuous growth in the non-oil sector. Nigeria's economic growth is projected to decline to 3.40 per cent, while inflation is expected to moderate to 16.10 per cent in 2022. However, the Nigerian NGX All-Share Index increased by 21.31 per cent in the first half of 2022.

Sustained implementation of the appropriate mix of monetary and, micro and macroprudential policies continued to yield positive results, as most financial soundness indicators were within the prudential requirements. Furthermore, results of stress tests showed the resilience of the banking system and its ability to cope with severe macroeconomic shocks. Other sub-sectors, including pension, capital market and insurance continued to contribute immensely to the resilience and stability of the financial system.

This edition of the FSR 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 the pension and insurance sub-sectors respectively. The key risks and the outlook for financial stability are presented in sections 7 and 8, respectively.

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 commitment of the Bank and other regulators in the financial system to ensuring a sound financial system that supports inclusive growth and sustainable economic development.

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

EXECUTIVE SUMMARY

The Russia-Ukraine crisis and the resurgence of Covid-19 in China disrupted the global supply chains, heightened commodity prices, and fuelled inflationary pressures. Furthermore, rising inflation prompted the adoption of tight monetary policy stance by most central banks which led to tightening financial conditions with attendant risk to financial stability. Consequently, growth of the global economy earlier projected at 4.40 per cent for 2022 was revised to 3.20 per cent, lower than 6.10 per cent recorded in 2021.

Growth in Sub-Saharan Africa was estimated at 3.80 per cent in 2022, a moderated from 4.60 per cent achieved in 2021. In Nigeria, growth for the first half of 2022 declined to 3.32 per cent, from 4.02 per cent in the second half of 2021. This was due mainly to the lingering effects of the Russia-Ukraine crisis, which disrupted supply chains and heightened prices of raw materials and operational costs. Consequently, annual growth was projected to moderate to 3.40 per cent in 2022, from 3.60 per cent in 2021.

Global prices continued its upward trend in the first half of 2022, reflecting supply-side constraints and lingering effects of an accommodative monetary policy stance adopted to ameliorate the impact of the Covid-19 pandemic. In line with global trends, Inflationary pressures in Nigeria rose in the first half of 2022, owing largely to domestic security challenges which continued to impact on crude oil production, agricultural output and food supply as well as spill over effects of Russia-Ukraine crisis, which increased freight costs and commodity prices. However, inflationary pressures are expected to moderate slightly from 17.00 per cent in 2021 to 16.10 per cent in 2022.

Gross external reserves at end-June 2022 decreased by 2.66 per cent to US$39.16 billion, from US$40.23 billion at end-December 2021. The low accretion to reserves was due mainly to reduction in crude oil production and high debt-service obligations.

The Bank sustained its implementation of various supervisory measures including virtual examinations, the Global Standing Instruction (GSI) policy, and also issued guidelines for credit guarantee companies. This boosted public confidence in the banking industry and enhanced safety and soundness of banks, as evidenced by the Financial Soundness Indicators (FSIs), which were within prudential requirements.

The ratio of non-performing loans net of provisions to capital for commercial, merchant and non-interest banks (CMNBs) increased marginally to 4.95 per cent at end-June 2022, from 4.85 per cent at end-December 2021. Similarly, the ratio of interest margin to gross income decreased marginally to 47.93 per cent during the review period, from 48.59 per cent at end-December 2021. Also, the ratio of non-interest expenses to gross income declined to 65.04 per cent at end-June 2022, from 65.14 per cent at end-December 2021. The ratio of personnel expenses to non-interest expenses declined to 25.47 per cent at end-June 2022, from 29.38 per cent at end-December 2021.

Results of the stress test showed that the banking industry could withstand a shock of "up to 100 per cent increase" in the industry NPLs, as the post-shock industry CAR would remain above the regulatory requirement of 10 per cent. The sector concentration stress test showed that the industry could withstand "up to 20.00 per cent shock" to oil and gas exposures as post-shock CAR would decline marginally below the regulatory requirement. The results also showed resilience to obligor credit concentration risk as the CAR remained above the regulatory threshold of 10.0 per cent.

The Bank sustained its interventions to households and businesses adversely impacted by the Covid-19 pandemic through the implementation of the Healthcare Sector Intervention Facility and Targeted Credit Facility, amongst others.

Similarly, the Bank continued its efforts to ensure that financial institutions comply with the redesigned Credit Risk Management System (CRMS) thereby strengthening credit administration as indicated by improved credit records. Thus the total number of credit records on the database increased by 10.00 per cent relative to the preceding period. Consumer confidence in the banking industry was enhanced with the resolution of 1,399 complaints entailing refunds to the complainants and closure of 1,321 customers' complaints against financial institutions during the review period. The total complaints resolved and closed increased by 4.7 and 20.64 per cents, respectively.

In the first half of 2022, the Bank sustained its efforts in the implementation of eNaira, Africa's first Central Bank Digital Currency (CBDC), extended the charges-free regime for eNaira transactions, and commenced the integration of the digital currency with Nigeria Inter-Bank Settlement System (NIBSS) instant payment platform. At end-June 2022, the number of eNaira wallet downloads, onboarded customers and activated wallets were 807,920; 244,340; and 182,790, respectively. These indicate increases of 32.45, 35.52, and 45.11 per cents, respectively, above the levels at end-December 2021.

The capital market recorded bullish performance as evidenced by an increase in aggregate market capitalisation by 21.31 per cent to ₦50.18 trillion, at end-June 2022, from ₦43.12 trillion, at end-December 2021. The pension industry also grew with total enrolment in pension schemes, increasing by 1.25 per cent to 9.71 million, from 9.59 million in the previous half year, largely driven by the increased adoption of the Contributory Pension Scheme (CPS) by States and Local Governments as well as the steady uptake of the Micro Pension Plan in the informal sector. The net pension Assets under Management (AuM) grew by 6.30 per cent to ₦14.27 trillion, from ₦13.42 trillion at end-December 2021. Similarly, the insurance industry recorded an increase in its total assets by 2.41 per cent to ₦2.28 trillion, from ₦2.23 trillion at end-December 2021. The net premium income and gross claims rose by 16.89 and 7.71 per cent to ₦260.34 billion and ₦174.78 billion at end-June 2022, from ₦222.72 billion and ₦162.27 billion at end-December 2021, respectively.

The key risks to financial system stability during the review period include elevated inflation, exchange rate pressures, spill-over effects of the Russia-Ukraine crisis, shortage of petroleum products, cyber-risk from increased use of digital financial services, as well as increased operating costs and operational risks. Consequently, the Bank and other financial sector regulators implemented appropriate measures to mitigate these risks. Overall, the outlook for financial stability remained optimistic, given the robust policy measures adopted by the Bank and other financial sector regulators towards enhancing the resilience of the financial system.

1 ECONOMIC AND FINANCIAL DEVELOPMENTS

1.1 Global Developments

1.1.1 Output

Global output weakened considerably in the first half of 2022, owing mainly to the Russia-Ukraine crisis, which disrupted demand and supply chains in many countries. This development resulted in increased commodities prices including food, oil and natural gas. Similarly, the economic downturn, in China, due largely to the resurgence of COVID-19 pandemic and the attendant lockdowns also exacerbated the global slowdown. In addition, the tight monetary policy stance of most central banks in response to rising inflationary pressures contributed significantly to the general decline in output growth. The attendant tighter financial conditions pose considerable risk to financial stability due to its tendency to induce debt distress, especially in emerging markets and developing economies. Consequently, global output growth in 2022 is projected at 3.20 per cent, lower than the 6.10 per cent recorded in 2021.

In the advanced economies, growth was projected to moderate to 2.50 per cent in 2022, compared with 5.20 per cent in 2021. In the United States (US), growth was estimated at 2.30 per cent in 2022, compared with 5.70 per cent in 2021, attributed largely to tighter monetary policy and lower-than-expected consumer spending. Similarly, in the Euro area, output was expected to soften to 2.60 per cent in 2 022, from 5.40 per cent in 2021, reflecting spill over from the Russia-Ukraine crisis and tight monetary conditions. In Japan, however, growth was projected to remain flat at 1.70 per cent in 2022.

In Emerging Market and Developing Economies (EMDEs), growth was projected at 3.60 per cent in 2022, compared with 6.80 per cent in 2021. This was largely a reflection of a slow growth in China which was projected at 3.30 per cent in view of Covid-19 induced lockdowns, compared with 8.10 per cent in 2021. Similarly, Middle East and North Africa (MENA) region was expected to grow by 4.90 per cent during the review period, compared with 5.80 per cent in 2021. Growth in Sub-Saharan Africa (SSA) was estimated at 3.80 per cent, compared with 4.60 per cent recorded in 2021. In line with the global trend, growth in Nigeria was projected to moderate to 3.40 per cent in 2022, from 3.60 per cent in 2021.

Table 1:1 Global Growth

Region/Country	Year-on-Year (%)				
	2017	2018	2019	2020	2021
World	3.75	3.57	2.84	−3.12	5.88
Advanced Economies	2.46	2.25	1.74	−4.54	5.20
United States	2.26	2.92	2.29	−3.41	5.97
Euro Area	2.63	1.85	1.50	−6.34	5.04
Japan	1.68	0.56	0.02	−4.59	2.36
United Kingdom	1.74	1.25	1.43	−9.85	6.76
Canada	3.04	2.43	1.86	−5.31	5.69
Emerging Market and Developing Economies	4.77	4.58	3.67	−2.07	6.38
China	6.95	6.75	5.95	2.34	8.02
Middle East and Central Asia	2.48	2.17	1.48	-2.79	4.11
Sub-Saharan Africa	2.95	3.28	3.13	−1.66	3.70
*Nigeria	0.82	1.91	2.27	−1.92	3.40

Source: IMF's World Economic Outlook Update, July, 2022, *National Bureau of Statistics (NBS)

1.1.2 Inflation

Global inflation remained elevated during the first half of 2022, mainly reflecting disruptions to supply value chains by the Russia-Ukraine crisis, resulting in the rising prices of food, energy and other commodities. The development induced many central banks to switch to tight monetary policy mode to tame inflation.

Inflation in Advanced Economies was expected to accelerate to 6.60 per cent in 2022, compared with 3.10 per cent in 2021. The United States, Japan and the United Kingdom were expected to record higher inflation rates of 7.70, 1.90 and 9.10 per cent in 2022, respectively, compared with 4.30, 0.80 and 2.20 per cent in 2021.

Similarly, inflation in EMDEs was projected to increase to 9.50 per cent in 2022, compared with 5.90 per cent in 2021. SSA was expected to experience inflation of 12.20 per cent in 2022, compared with 11.00 per cent in 2021. In Nigeria, however, inflation was expected to moderate slightly to 16.10 per cent in 2022, from 17.00 per cent in 2021.

Table 1:2 Global Inflation

Region/Country	2017	2018	2019	2020	2021	2022
Advanced Economies	1.70	2.00	1.40	0.70	3.10	6.60
United States	2.10	2.40	1.80	1.20	4.30	7.70
Euro Area	1.50	1.80	1.20	0.30	2.20	7.30
Japan	0.50	1.00	0.50	-1.20	0.80	1.90
United Kingdom	2.70	2.50	1.80	0.90	2.20	9.10
Emerging Markets and Developing Economies	4.40	4.90	5.10	5.20	5.90	9.50
Sub-Saharan Africa	10.60	8.30	8.10	10.20	11.00	12.20
Nigeria	16.50	12.10	11.40	13.20	17.00	16.10

Source: WEO Update, July 2022

1.1.3 Oil Prices

The prices of crude oil increased significantly in the review period, owing to the disruption in the supply chain following the Russia-Ukraine crisis, and rising global demand owning to sustained increase in economic activities. The OPEC Reference Basket (ORB) rose by 50.98 per cent to US$117.72 pb at end-June 2022, compared with US$77.97 pb at end-December 2021. The ICE Brent also increased by 52.08 per cent to US$119.78 pb at end-June 2022, over US$78.76 pb at end-December 2021. In the same vein, the West Texas Intermediate (WTI) rose by 120.38 per cent to US$114.84 pb at end-June 2022, compared with US$52.11 pb at end-December 2021. Similarly, the Bonny Light rose by 69.29 per cent to US$126.00 pb at end-June 2022, compared with US$74.43 pb at end-December 2021.

Table 1:3 Oil Prices (US$ per barrel)

CRUDE OIL TYPES\DATES	End-Dec. 2018	End-Dec. 2019	End-Dec. 2020	End-Dec. 2021	End-Jun. 2022
OPEC Reference Basket (ORB) (US$)	69.78	64.04	41.47	77.97	117.72
ICE Brent (US$)	68.94	61.19	46.20	78.76	119.78
West Texas Intermediate (WTI) (US$)	61.81	55.47	42.71	52.11	114.84
Bonny Light (US$)	72.11	65.63	41.53	74.43	126.00

Source: OPEC and Reuters

1.1.4 Food Prices

The Food and Agriculture Organization (FAO) Food Price Index increased by 15.41 per cent to 154.30 points at end-June 2022, compared with 133.70 points at end-December 2021. The above development was due, mainly to the rise in the prices of meat, dairy, cereals, vegetable oils, and sugar products.

The Meat Price Index increased by 12.25 per cent to 124.60 points at end-June 2022, compared with 111.00 points at end-December 2021; while the Dairy Price Index increased by 16.43 per cent to 150.20 points at end-June 2022, over the level of 129.00 at end-December 2021. Also, the Cereals Price Index increased by 18.36 per cent to 166.30 points at end-June 2022, compared with 140.50 points at end-December 2021, while the Vegetable Oil and Sugar Price Indices rose by 18.66 and 0.77 per cent, to 211.80 and 117.30 points at end-June 2022, compared with 178.50 and 116.40 points at end-December 2021, respectively. The upward trend in the various indices was attributed to supply constraint induced by the Russia-Ukraine crisis and low inventory levels for most items.

Table 1:4 World Food Price Index

	End-Dec. 2018	End-Dec. 2019	End-Dec. 2020	End-Dec. 2021	End-Jun. 2022
Food Price Index	92.20	101.00	108.60	133.70	154.30
Meat	92.90	106.60	94.80	111.00	124.60
Dairy	97.80	103.50	109.20	129.00	150.20
Cereals	101.1	97.40	116.40	140.50	166.30
Vegetable Oils	76.84	101.50	131.20	178.50	211.80
Sugar	78.30	83.00	87.10	116.40	117.30

Source: Food and Agriculture Organisation (FAO).

1.1.5 International Stock Markets

International stock markets generally recorded a bearish performance during the review period, reflecting a shift in investors' preference from equity market to fixed income securities in response to rising interest rates.

In North America, the United States S&P 500, the Canadian S&P/TSX Composite, and the Mexican Bolsa indices decreased by 21.36, 11.72, and 10.94 per cent, to 3,752.71, 18,713.62 and 47,337.65, from 4,772.14, 21,198.03 and 53,150.36, respectively. Similarly, in South America, the Brazilian Bovespa Stock and the Colombian COLCAP indices decreased by 6.69 and 4.60 per cent to 97,805.61 and 1,346.03, respectively, while the Argentine Merval index increased by 4.22 per cent to 87,023.10.

In the European stock markets, the UK FTSE 100, France CAC 40 and the Germany DAX indices decreased by 3.22, 17.54, and 19.89 per cent, respectively, relative to their levels at end-December 2021.

In Asia, the Japan NIKKEI 225, China Shanghai SEA, and India BSE Sensex decreased by 8.33, 6.62 and 8.99 per cent, respectively, compared with their levels at end-December 2021.

In Africa, the South African JSE All-Share Index, the Kenyan Nairobi NSE 20, Egyptian EGX CASE 30, and Ghanaian GSE All Share Index declined by 10.01, 15.23, 22.79, and 8.86 per cent, respectively, while the Nigerian NGX All-Share Index increased by 21.31 per cent.

Table 1:5 Indices of Selected Stock Markets

Country	Index	End-Dec 2019 (1)	End-Dec 2020 (2)	End-Dec 2021 (3)	End-June 2022 (4)	% Change (4) & (3)
AFRICA						
Nigeria	NGX All-Share Index	26,842.07	40,270.72	42,716.44	51,817.59	21.31
South Africa	JSE All-Share Index	57,084.10	59,408.68	73,709.39	66,334.42	-10.01
Kenya	Nairobi NSE 20 Share index	2,654.39	1,868.39	1,902.57	1,612.89	-15.23
Egypt	EGX CASE 30	13,961.56	10,845.26	11,949.18	9,225.61	-22.79
Ghana	GSE All-Share Index	2,257.15	1,939.14	2,793.24	2,545.79	-8.86
NORTH AMERICA						
US	S&P 500	3,230.78	3,756.07	4,772.14	3,752.71	-21.36
Canada	S&P/TSX Composite	17,063.43	17,433.36	21,198.03	18,713.62	-11.72
Mexico	Bolsa	43,541.02	44,066.88	53,150.36	47,337.65	-10.94
SOUTH AMERICA						
Brazil	Bovespa Stock	115,645.00	119,017.20	104,822.00	97,805.61	-6.69
Argentina	Merval	41,671.41	51,226.49	83,500.11	87,023.10	4.22
Columbia	COLCAP	1,662.42	1,437.89	1,410.97	1,346.03	-4.60
EUROPE						
UK	FTSE 100	7,542.44	6,460.52	7,384.54	7,146.66	-3.22
France	CAC 40	5,978.06	5,551.41	7,153.03	5,898.63	-17.54
Germany	DAX	13,249.01	13,718.78	15,884.86	12,724.61	-19.89
ASIA						
Japan	NIKKEI 225	23,656.62	27,444.17	28,791.71	26,393.04	-8.33
China	Shanghai SE A	3,195.98	3,640.46	3,814.30	3,561.90	-6.62
India	BSE Sensex	41,253.74	47,905.84	58,253.82	53,018.94	-8.99

Bloomberg: https://www.bloomberg.com

1.1.6 Foreign Exchange Markets

Major currencies depreciated against the US dollar during the first half of 2022, owing to the tight monetary policy stance of the US Federal Reserve (the Fed) during the period. In Europe, the British pound sterling and the Euro depreciated by 10.81 and 7.95 per cent, respectively while the Russian rubble appreciated by 27.32 per cent. The strong performance of the Russian rubble was underpinned by various capital control measures imposed by the government to mitigate the impact of sanctions imposed by the West.

In Asia, the Japanese yen, the Chinese renminbi, and the Indian rupee depreciated by 17.96, 5.35 and 6.28 per cent, respectively. In North America, the performance was mixed as the Mexican peso recorded an appreciation of 1.13 per cent during the review period, while the Canadian dollar depreciated by 1.57 per cent. In South America, the Brazilian real appreciated by 5.57 per cent, while the Argentine and the Colombian pesos depreciated by 21.88 and 2.01 per cent, respectively.

In Africa, the Nigerian naira, South African rand, Kenyan shilling, Egyptian pound and Ghanaian cedi depreciated against the US dollar by 0.42, 1.94, 6.11, 19.59 and 31.27 per cent, respectively.

The developments in the various foreign exchange markets heightened foreign exchange risk of the banks, particularly in the EMDEs.

Table 1:6 Performance of Selected Currencies

Country/Region	Currency	End-December 2019 (1)	End-December 2020 (2)	End-December 2021 (3)	End-June 2022 (4)	% Change (-App/+Dep) (4) & (3)
AFRICA						
Nigeria	Naira	364.51	390.35	412.99	414.72	0.42
South Africa	Rand	14.00	14.69	15.97	16.28	1.94
Kenya	Shilling	101.36	102.66	111.11	117.90	6.11
Egypt	Pound	16.04	15.73	15.72	18.80	19.59
Ghana	Cedi	5.75	5.87	6.14	8.06	31.27
NORTH AMERICA						
Canada	Dollar	1.30	1.27	1.27	1.29	1.57
Mexico	Peso	18.94	19.88	20.34	20.11	-1.13
SOUTH AMERICA						
Brazil	Real	4.02	5.19	5.57	5.26	-5.57
Argentina	Peso	59.87	84.15	102.74	125.22	21.88
Colombia	Peso	3286.84	3430.77	4071.48	4153.19	2.01
EUROPE						
UK	Pound	0.75	0.73	0.74	0.82	10.81
Euro Area	Euro	0.89	0.82	0.88	0.95	7.95
Russia	Ruble	62.00	74.05	75.26	54.70	-27.32
ASIA						
Japan	Yen	108.65	103.30	115.08	135.75	17.96
China	Renminbi	6.96	6.53	6.36	6.70	5.35
India	Rupee	71.35	73.07	74.34	79.01	6.28

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

1.1.7 Monetary Policy Rates

Developments in monetary policy were mixed during the review period. Most central banks commenced monetary policy normalisation in response to inflationary pressure that accompanied the prolonged period of monetary policy accommodation.

In the advanced economies, the Bank of England, the Fed, Bank of Canada, Bank of Korea, the Reserve Bank of New Zealand and the Reserve Bank of Australia increased policy rates, from 0.25, 0.25, 0.25, 1.00, 0.75 and 0.10 per cent, to 1.25, 1.75, 1.50, 2.00, 2.00 and 0.85

per cent, respectively. The Bank of Japan and the European Central Bank, however, maintained policy rates at -0.10 and 0.00 per cent, respectively.

In Asia, the Bank of Indonesia maintained its policy rate at 3.50 per cent, while Bank Negara Malaysia increased its rate to 2.00 per cent, from the level of 1.75 per cent at the end of the previous period. In the BRICS, the Central Bank of Brazil, Reserve Bank of India, and South African Reserve Bank increased policy rates to 13.50, 4.90 and 4.25 per cent, relative to 9.25, 4.00 and 3.75 per cent, respectively, while Bank of Russia and the Peoples' Bank of China reduced rates to 6.50 and 3.70 per cent, from 7.50 and 3.80 per cent, respectively.

All the emerging market economies reported upon during the period signalled a tight monetary policy stance. The Bank of Mexico, Central Bank of Chile and the Bank of the Republic (Colombia), increased their policy rates to 7.75, 9.00 and 7.50 per cent, relative to 4.00, 4.00 and 3.00 per cent, respectively. Similarly in Africa, the Central Bank of Egypt, Bank of Ghana, and Central Bank of Nigeria increased policy rates to 11.25, 19.00 and 13.00 per cent, compared with 8.25, 14.50 and 11.50 per cent, respectively.

Table 1:7 Policy Rates of Selected Countries

Country/Region	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jun-22
Developed Economies								
Japan	-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
UK	0.10	0.10	0.10	0.10	0.10	0.10	0.25	1.25
US	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1.75
Canada	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1.50
South Korea	0.50	0.50	0.75	0.75	1.00	1.00	1.00	1.75
New Zealand	0.25	0.25	0.25	0.25	0.5	0.75	0.75	2.00
Australia	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.85
Asia								
Indonesia	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Malaysia	1.70	1.70	1.70	1.70	1.70	1.70	1.75	2.00
BRICS								
Brazil	4.25	4.25	5.25	5.25	7.75	7.75	9.25	13.50
Russia	5.50	6.50	6.50	6.75	7.50	7.50	7.50	6.50
India	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.90
China	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.70
South Africa	3.75	3.75	3.75	3.75	3.75	3.75	3.75	4.25

Other Emerging Economies & South America								
Mexico	4.25	4.25	4.50	4.75	4.75	5.00	5.00	7.75
Chile	0.75	0.75	1.50	1.50	2.75	2.75	4.00	9.00
Colombia	2.00	2.00	2.00	2.00	2.50	2.50	3.00	7.50
Africa								
Egypt	8.25	8.25	8.25	8.25	8.25	8.25	8.25	11.25
Ghana	13.50	13.50	13.50	13.50	13.50	14.50	14.50	19.00
Nigeria	11.50	11.50	11.50	11.50	11.50	11.50	11.50	13.00

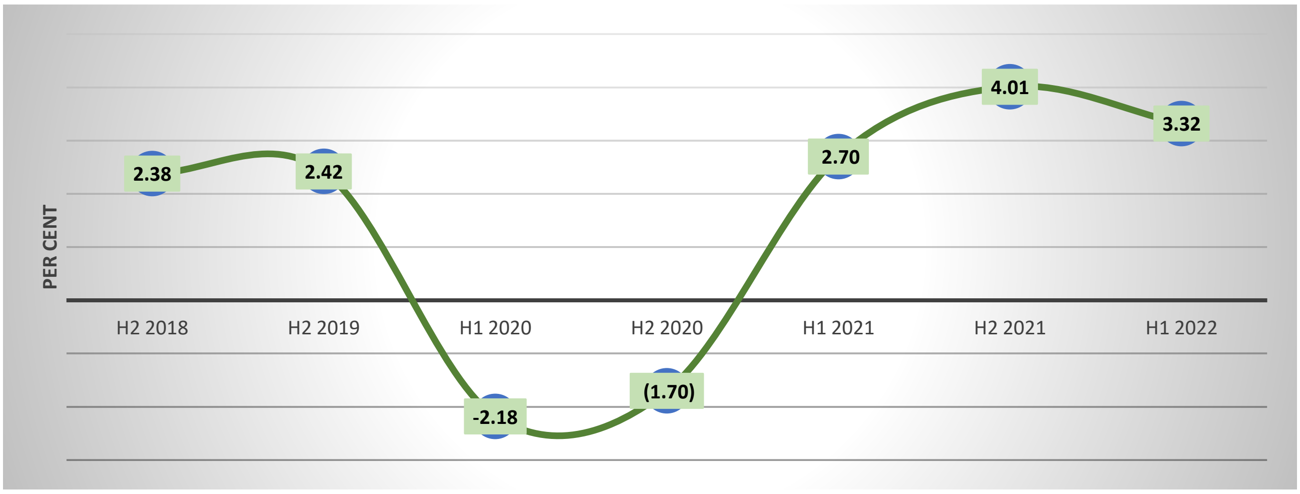
Source: www.cbrates.com, www.tradingeconomics.com, relevant central bank websites.

1.2 Domestic Macroeconomic Developments

1.2.1 Output Growth

The Nigerian economy continued its recovery in the first half of 2022, albeit at a slower pace relative to the level in the preceding half year. Output grew by 3.32 per cent in the first half of 2022, compared with 4.01 per cent in the second half of 2021.The moderation in growth was due to the negative impact of the Russia-Ukraine crisis and the lingering security challenges, particularly in the major food producing areas. These developments resulted in major economic and financial shocks which induced inflationary and exchange rate pressures.

Figure 1.1 Gross Domestic Product (Growth %)



Source: National Bureau of Statistics

The non-oil sector remained the major driver of growth, owing to the improved performance of the services sectors. The non-oil sector contributed 4.97 percentage points to output in the first half of 2022. However, the oil sector, however, contracted, contributing negative 1.64 percentage points to the growth in GDP.

Table 1:8 Sectoral Contributions to real GDP

Sector	H1 2021	H2 2021	H1 2022
Agriculture	**0.41**	**0.68**	**0.50**
Of which: Crop Production	0.38	0.68	0.45
Industry	**-0.02**	**-0.17**	**-1.05**
Of which: Oil	-0.66	-0.69	-1.64
Manufacturing	**0.32**	**0.29**	**0.42**
Services	**2.31**	**3.50**	**3.87**
Of which: ICT	**0.95**	**1.02**	**1.49**
GDP Growth	**2.70**	**4.01**	**3.32**

Source: National Bureau of Statistics

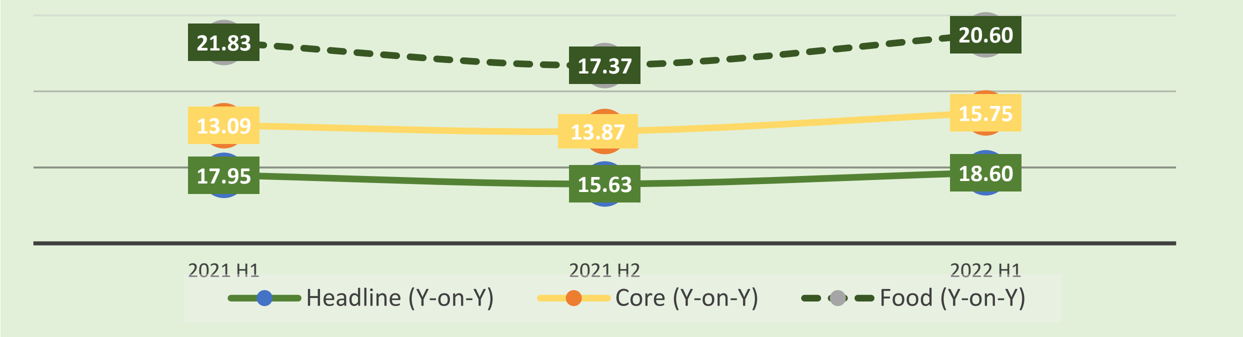
In terms of relative sectoral contribution to real GDP growth, the Services sector maintained its steady improvement, contributing 3.87 percentage points, compared with 3.50 percentage points in the preceding half year, while the contribution of the agriculture sector dropped marginally to 0.50 percentage point from 0.68 percentage point in the preceding half of 2021. The improvement in the Services sector was due to the growth in ICT, while the slow growth in agriculture sector was owing to a decline in crop production arising from the lingering security challenges in the food producing areas. The contribution of the industry sector, however, was negative (-0.05 percentage point).

1.2.2 Inflation

Inflationary pressures heightened in the first half of 2022, driven, largely by the continued increase in both core and food components. Headline inflation (year-on-year) rose to 18.60 per cent in June 2022, compared with 15.63 per cent in the second half of 2021. The 12-month-moving-average headline inflation, however, moderated slightly to 16.54 per cent at end-June 2022, compared with 16.95 per cent at end-December 2021.

Food inflation (year-on-year) increased to 20.60 per cent, compared with 17.37 per cent in the second half of 2021, largely driven by the lingering insecurity, particularly in the food producing areas and supply chain disruptions induced by the Russia-Ukraine crisis. Core inflation also rose to 15.75 per cent, compared with 13.87 per cent in the second half of 2021. The rise was due, mainly, to increased electricity tariffs, high price of Automotive Gas Oil (AGO) and scarcity of Premium Motor Spirit (PMS).

Figure 1.2 Inflationary Trend (Year-on-Year)

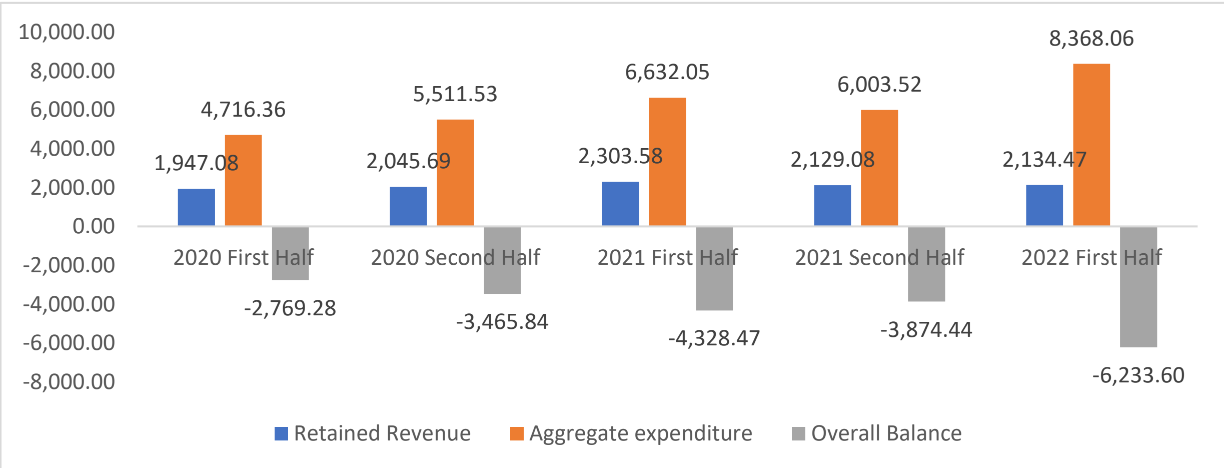


Source: National Bureau of Statistics

1.2.3 Fiscal Operations of the Federal Government

Provisional data on Federal Government Retained Revenue, at ₦2,134.47 billion in the first half of 2022, fell short of the budget benchmark by 60.30 per cent, reflecting the subsisting revenue challenges. Provisional aggregate expenditure, at ₦8,368.06 billion in the first half of 2022, was below the prorated budget by 2.30 per cent, owing to the shortfall in capital expenditure. Consequently, the fiscal operations of the Federal Government resulted in an overall deficit of ₦6,233.60 billion, indicative of an expansionary policy stance.

Figure 1.3 Federal Government Fiscal Operations (₦ Billion)



Source: OAGF & CBN Staff Estimate

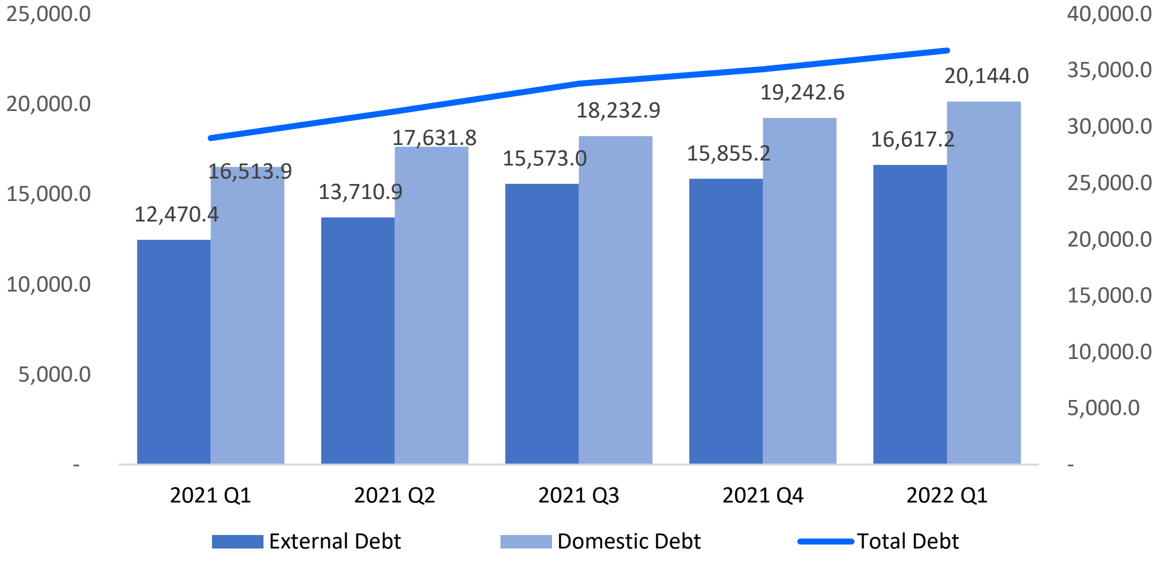
The gap between total revenue and expenditure was bridged by borrowing from domestic and external sources. The consolidated public debt stock at end-March 2022 stood at ₦41,604.06 billion, comprising 60.06 per cent and 39.94 per cent of domestic and external debt, respectively. The total public debt stock indicated an increase of 5.18 per cent over the level at end-December 2021. The debt stock represented 27.34 per cent of GDP, which was below the Medium-Term Debt Strategy (MTDS) threshold of 40.0 per cent.

The total domestic debt of ₦24,986.87 billion at end-March 2022, reflected an increase of ₦286.67 billion or 1.16 per cent, compared with ₦23,700.80 billion at end-December 2021. The increase was driven, largely, by Nigerian Treasury Bills, FGN Savings Bond and FGN Bonds issues. The FGN portion constituted 80.62 per cent, while states and FCT held 19.38 per cent.

At end-March 2022, the FGN domestic debt stood at ₦20,144.03 billion (54.80 per cent of total FGN debt), while the FGN external debt was ₦16,617.19 billion (45.20 per cent) (Fig 1.4). FGN Bond issues maintained its dominance, accounting for 70.70 per cent of the total domestic debt, followed by Treasury Bills (21.88 per cent), Promissory Notes (3.79 per cent), FGN Sukuk (3.03 per cent), and others[1] (0.60 per cent).

Nigeria's consolidated external debt comprised multilateral, commercial and bilateral loans, which accounted for 47.43, 39.83 and 11.25 per cent, respectively, while 'other'[2] loans constituted 1.50 per cent.

Figure 1.4 FGN External and Domestic Debt Composition (₦ Billion)



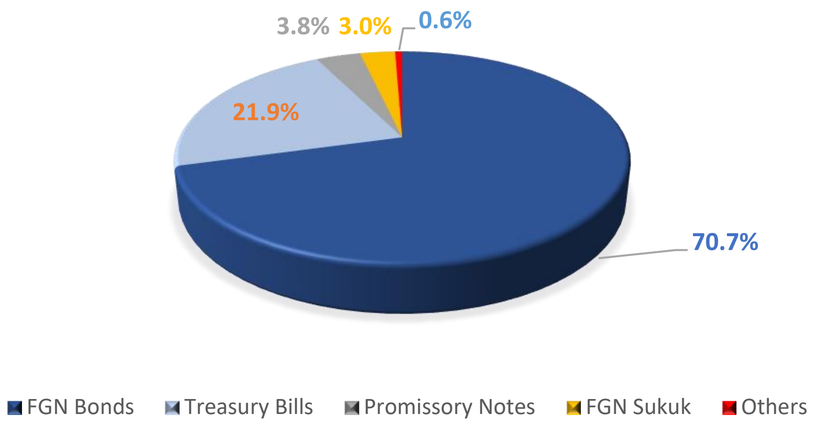
Source: Debt Management Office

---

[1] This includes Treasury bonds (0.38 per cent), Green bonds (0.13 per cent) and FGN Savings bonds (0.09 per cent).

[2] Promissory Notes.

Figure 1.5 Federal Government Domestic Debt Stock



Source: Debt Management Office

1.2.4 External Reserves

At end-June 2022, gross external reserves decreased by 2.66 per cent to US$39.16 billion, from US$40.23 billion at end-December 2021. A breakdown of the reserves indicated that the CBN, FGN and Federation holdings were 96.84, 3.07 and 0.09 per cent, respectively. The currency composition showed that 76.59 per cent of the reserves was held in US dollars, 12.88 per cent in SDRs, 9.32 per cent in Renminbi and 1.21 per cent in other currencies.

Total inflow to the external reserves was US$16.40 billion in the first half of 2022, compared with US$26.01 billion in the second half of 2021, reflecting a decrease of 36.95 per cent. The higher inflow in the preceding half was attributed largely to non-recurring inflows of US$3.34 billion (SDR allocation) and US$4.0 billion (proceeds of the FGN Euro bond issuance).

Total outflow decreased by 24.16 per cent to US$16.89 billion, compared with US$22.27 billion in the second half of 2021, owing largely to a decrease in the Bank's intervention at the foreign exchange market.

Figure 1.6 External Reserves Position (US$ Millions)

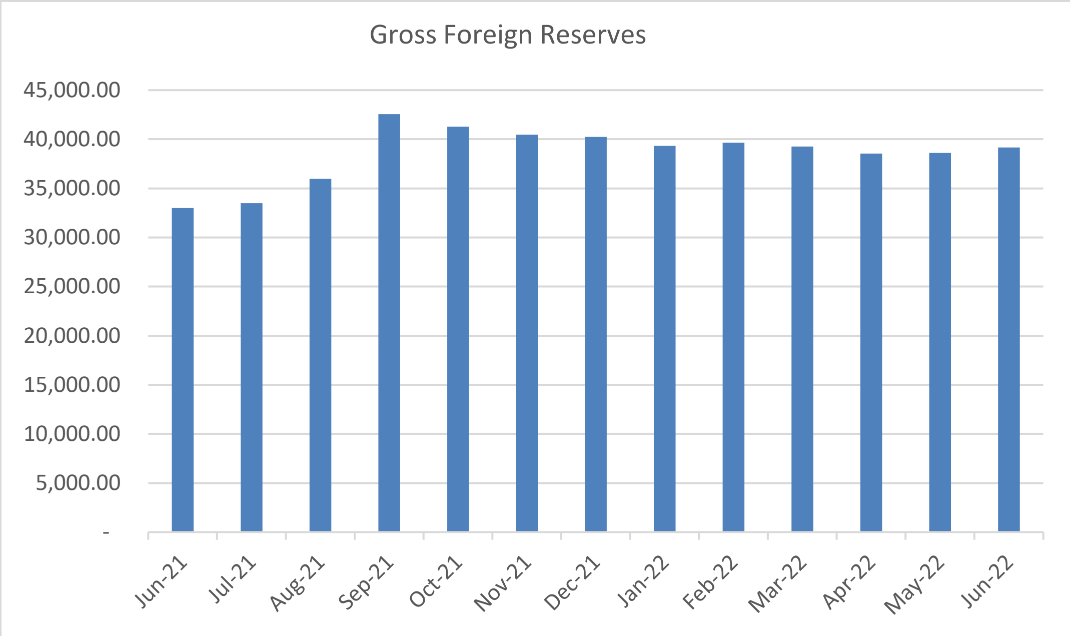


Table 1:9 Foreign Exchange Flows through the CBN (US$ billion)

Period	Inflow US$ billion	Outflow US$ billion	Net flow US$ billion
H1 – 2021	14.06	17.65	(3.59)
H2 – 2021	26.01	22.27	3.74
H1 – 2022	16.40	16.89	(0.49)

1.2.5 Risks to the External Reserves

The level of external reserves remained a key factor in the stability of the financial system. Downside risks to the external reserves include:

- Low inflows from crude oil & gas revenue. The non-receipt of inflows from crude oil and gas sales despite the rise in oil prices has continued to impact negatively on accretion to the reserves. This was attributed to reduction in crude oil production, among others.
- Rising foreign loan repayment obligations. The increase in the foreign debt profile is an indication that foreign debt service payments are likely to increase, and would negatively affect the level of reserves.
- Global inflationary pressures. Global inflation is expected to remain elevated a situation that was previously anticipated, necessitating the hike in interest rates by the

Fed and other major central banks. This scenario poses a threat to reserves accretion as foreign investors move assets from emerging economies to advanced economies for expected higher returns.

- Lead-up to the 2023 general elections. There is the expectation of increased foreign exchange demand pressure resulting from uncertainties surrounding the conduct of the 2023 general elections.

2 DEVELOPMENTS IN THE FINANCIAL SYSTEM

2.1 Monetary and Credit Developments

Broad money supply (M_3) grew by 10.00 per cent to ₦48,890.24 billion at end-June 2022. The development reflected an increase in domestic claims (17.88 per cent), arising from 31.61 and 12.44 per cent growth in net claims on the central government and claims on 'other' sectors, respectively. The increase in claims on 'other' sectors reflected improved credit delivery to the real economy.

The growth in total monetary liabilities was due, mainly, to the rise in transferable deposits (16.61 per cent) and other deposits (8.19 per cent). The growth in transferable deposit was due, largely, to the increase in transferable deposits of commercial and merchant banks, while the increase in other deposits was hinged on the 13.40 per cent rise in foreign currency deposits. Narrow money supply (M_1) rose by 12.69 per cent to ₦20,347.59 billion at end-June 2022, compared with ₦18,055.86 billion at end-December 2021. The growth in M_1 was due to rise in demand for cash as inflationary pressures persisted in the economy.

Table 2:1 Growth Rates of Monetary Aggregates

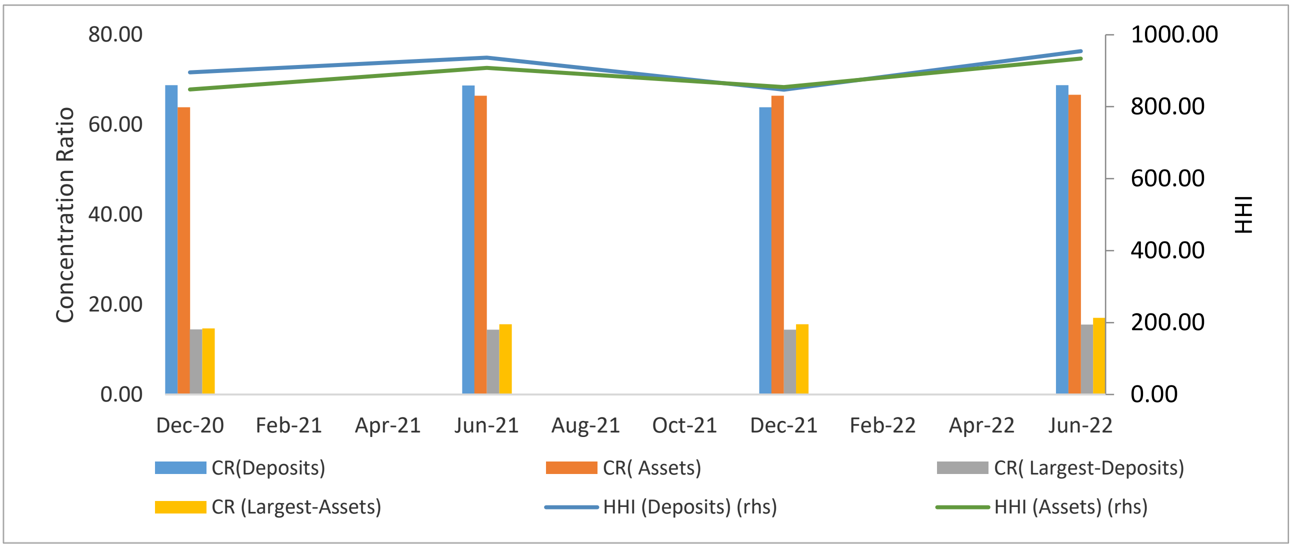
% Change (Over preceding December)	Dec 20	Jun 21	Dec 21	Jun 22
Foreign Assets (Net)	50.95	-18.73	-1.71	-34.73
Net Domestic Asset	3.55	7.64	16.95	21.93
Domestic Claims	12.71	6.85	17.25	17.88
Claims on Central Government (Net)	13.81	0.88	15.96	31.61
Claims on Other Sectors	12.30	9.15	17.75	12.44
Other Items (Net)	108.48	11.97	23.78	8.60
Currency Outside Depository Corporations	23.38	-9.91	17.74	-7.46
Transferable Deposits	54.69	3.25	14.15	16.61
Narrow Money Supply (M1)	48.74	1.17	14.72	12.69
Other Deposits	20.63	3.86	16.63	8.19
Monetary Liabilities (M2)	31.00	2.73	15.83	10.02
Securities Other than Shares	-81.98	-39.82	-99.92	-681.36
Total Monetary Liabilities (M3)	11.63	1.56	12.63	10.00

Source: Statistics Department, Central Bank of Nigeria

2.1.1 Market Structure of the Banking Industry

During the review period, six banks accounted for 68.79 and 66.69 per cent of total deposits and assets, compared with 63.88 and 63.79 per cent in the second half of 2021, respectively, reflecting an increase in concentration. This was consistent with the Herfindahl Hirschman Indices (HHI) of 954.53 and 933.89, for deposits and assets, respectively, compared with 847.43 for deposits and 854.24 for assets at end-December 2021. The shares of individual banks ranged from 0.07 to 15.56 per cent in deposits and 0.33 to 17.04 per cent in assets.

Figure 2.1 Concentration Ratios of the Banking Industry Assets and Deposits

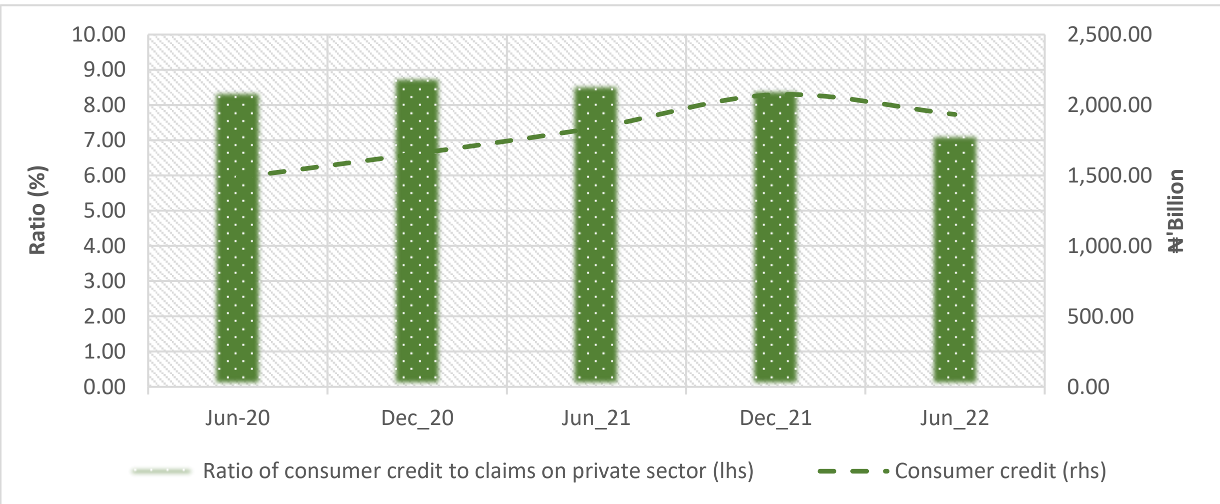


Source: Research Department, Central Bank of Nigeria

2.1.2 Consumer Credit

Consumer credit outstanding, which accounted for 7.22 per cent of total credit to the private sector, declined by 6.78 per cent to ₦1,933.18 billion at end-June 2022, compared with ₦2,073.76 billion at end-December 2021. The decrease was due, largely, to the reduction in personal loans, owing to the rise in lending rates.

Figure 2.2 Consumer Credit



2.1.3 Sectoral Distribution of Credit

Total credit to various sectors of the economy grew by 10.12 per cent to ₦26,846.40 billion at end-June 2022, owing, largely, to a 12.41 per cent increase in credit to ₦14,624.15 billion in the Services Sector. Also, credit to Agriculture and Industry increased by 11.84 and 6.87 per cent to ₦1,630.38 billion and ₦10,591.87 billion, respectively.

Services and Industry remained the dominant sectors, accounting for 54.47 and 39.45 per cent of the total credit, respectively, compared with 53.36 and 40.66 per cent at end-December 2021. The share of Agricultural Sector increased by 0.09 percentage point to 6.07 per cent, compared with 5.98 per cent, at end-December 2021.

The improved flow of credit to the real sector reflected the Bank's sustained effort in supporting productivity and, real output growth and employment generation in the economy.

Table 2:2 Sectoral Allocation of Credit

ITEM	Jun-21 (=N='m) (1)	Dec-21 (=N='m) (2)	Jun-22 (=N='m) (3)	Percentage Share in Total Jun-21 (4)	Dec-21 (5)	Jun-22 (6)	% Between (2) &(3)	Change (1) &(3)
SECTORAL CREDIT ALLOCATION								
[a] Agriculture	**1,154.69**	**1,457.82**	**1,630.381**	**5.27**	**5.98**	**6.07**	**11.84**	**41.20**
[b] Industry	**9,274.05**	**9,911.14**	**10,591.87**	**42.36**	**40.66**	**39.45**	**6.87**	**14.21**
of which Construction	1,096.19	1,069,500.7	1,177.24	5.00	4.40	4.39	10.07	7.39
[c] Services	**11,466.57**	**13,009.23**	**14,624.15**	**52.37**	**53.36**	**54.47**	**12.41**	**27.54**
of which Trade/General Commerce	1,376.32	1,708.38	1,913.39	6.30	7.00	7.13	12.00	39.02
TOTAL PRIVATE SECTOR CREDIT	**21,895.31**	**24,378.19**	**26,846.40**	**100.0**	**100.0**	**100.00**	**10.12**	**22.61**

Source: Central Bank of Nigeria

2.2 Other Financial Institutions

The total number of Other Financial Institutions (OFIs) increased by 15 to 6,697 at end-June 2022, compared with 6,682 at end-December 2021. The increase was due to the licensing of six Finance Companies (FCs) and nine Microfinance Banks (MFBs) in the review period. The 6,697 OFIs comprised Seven Development Finance Institutions (DFIs), 875 MFBs, 106 FCs, 34 Primary Mortgage Banks (PMBs) and 5,675 Bureaux-de-change (BDCs) (Table 2.31).

Table 2:3 Composition of Other Financial Institutions

S/N	Type	Number of Institutions at end-December, 2021	Number of Institutions at end-June, 2022
1	Microfinance Banks	866	875
2	Bureaux De Change	5,675	5,675
3	Finance Companies	100	106
4	Development Finance Institutions	7	7
5	Primary Mortgage Banks	34	34
	Total	**6,682**	**6,697**

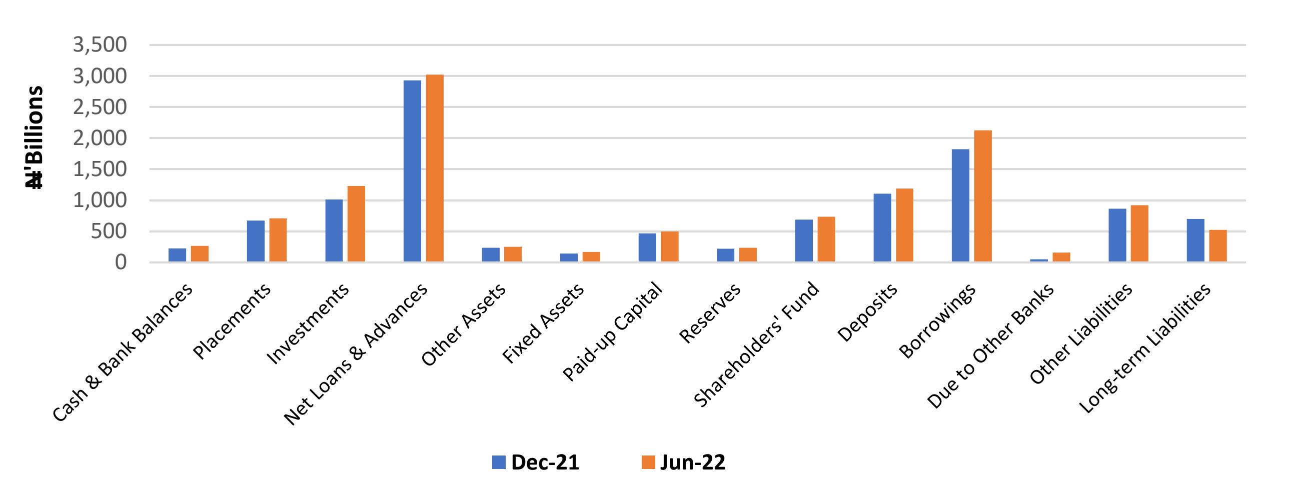
The total assets of OFIs, excluding BDCs, increased by 8.10 per cent to ₦5,646.65 billion at end-June 2022, from the level of ₦5,223.66 billion recorded at end-December 2021. This was due largely to increase in investments, cash and bank balances, net loans and advances and placements. Investments increased by 21.24 per cent to ₦1,231.45 billion, at end-June 2022, from ₦1,015.71 billion at end-December 2021, while cash and bank balances increased by 16.04 per cent to ₦263.82 billion, from ₦227.37 billion.

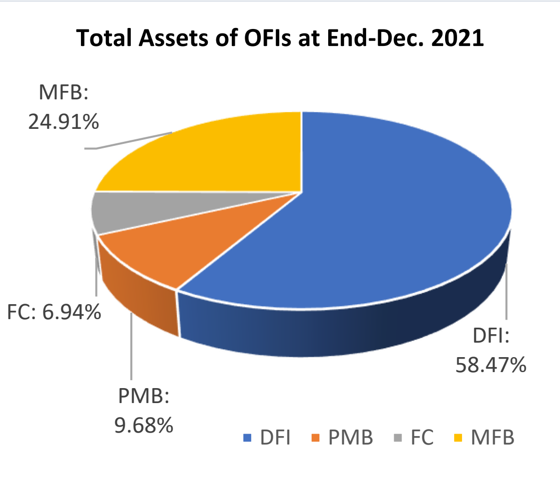
Similarly, net loans and advances and placements increased by 3.19 per cent and 5.58 per cent to ₦3,023.61 billion and ₦708.54 billion at end-June 2022, from ₦2,930.06 billion and ₦671.07 billion, respectively, at the end of the preceding period.

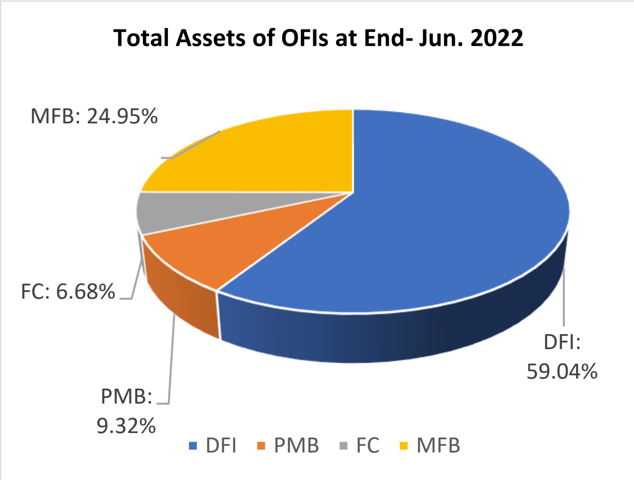
Aggregate shareholders' funds grew by 6.91 per cent to ₦733.92 billion at end-June 2022, compared with ₦686.47 billion at end-December 2021, owing to compliance with the new minimum capital requirement for MFBs and the accretion to reserves.

´Due to other banks' and borrowings increased by 218.64 per cent and 16.81 per cent to ₦157.94 billion and ₦2,125.76 billion, at end-June 2022, compared with ₦49.57 billion and ₦1,819.87 billion, respectively, at end-December 2021. Similarly, deposit liabilities increased by 7.21 per cent to ₦1,186.56 billion at end-June 2022, from ₦1,106.79 billion, at end-December 2021, while long-term liabilities decreased by 25.27 per cent to ₦521.94 billion from ₦698.45 billion.

Figure 2.3 Consolidated Balance Sheet of OFIs







2.2.1 Development Finance Institutions

The total assets of the development finance sub-sector grew by 9.16 per cent to ₦3,334.06 billion at end-June 2022, from the level of ₦3,054.33 billion at end-December 2021. The increase was due largely to investments and placements which grew by 23.37 per cent and 8.79 per cent to ₦1,121.46 billion and ₦466.51 billion at end-June 2022, from ₦909.04 billion and ₦428.81 billion, respectively, at end-December 2021. Net loans and advances increased by 0.83 per cent to ₦1,598.62 billion at end-June 2022, compared with ₦1,585.39 billion at end-December 2021.

The growth in assets was driven mainly by the 19.24 per cent increase in borrowings to ₦1,886.72 billion at end-June 2022, from ₦1,582.32 billion at end-December 2021.The aggregate shareholders' funds increased by 4.07 per cent to ₦471.67 billion at end-June 2022, from ₦453.24 billion at end-December 2021, due to accretion of ₦18.43 billion to reserves. Deposit liabilities also increased by 8.45 per cent to ₦558.36 billion at end-June 2022, from ₦514.85 billion at end-December 2021; while other liabilities decreased by 15.40 per cent to ₦371.03 billion from ₦438.60 billion.

The breakdown of the total assets by institutions, indicated that the Bank of Industry (BOI), Development Bank of Nigeria (DBN), Federal Mortgage Bank of Nigeria (FMBN), Nigerian Export-Import Bank (NEXIM) accounted for 59.83, 14.91, 14.46 and 6.49 per cent, respectively. Furthermore, Nigeria Mortgage Refinance Company (NMRC), Bank of Agriculture (BOA) and The Infrastructure Bank (TIB), accounted for 2.58, 1.66 and 0.07 per cent, respectively. The BOI, DBN, FMBN, NEXIM, BOA and NMRC accounted for 48.75, 20.06, 19.31, 8.53, 1.80 and 1.55 per cent of total net loans and advances, respectively.

Figure 2.4 Consolidated Balance Sheet of DFIs

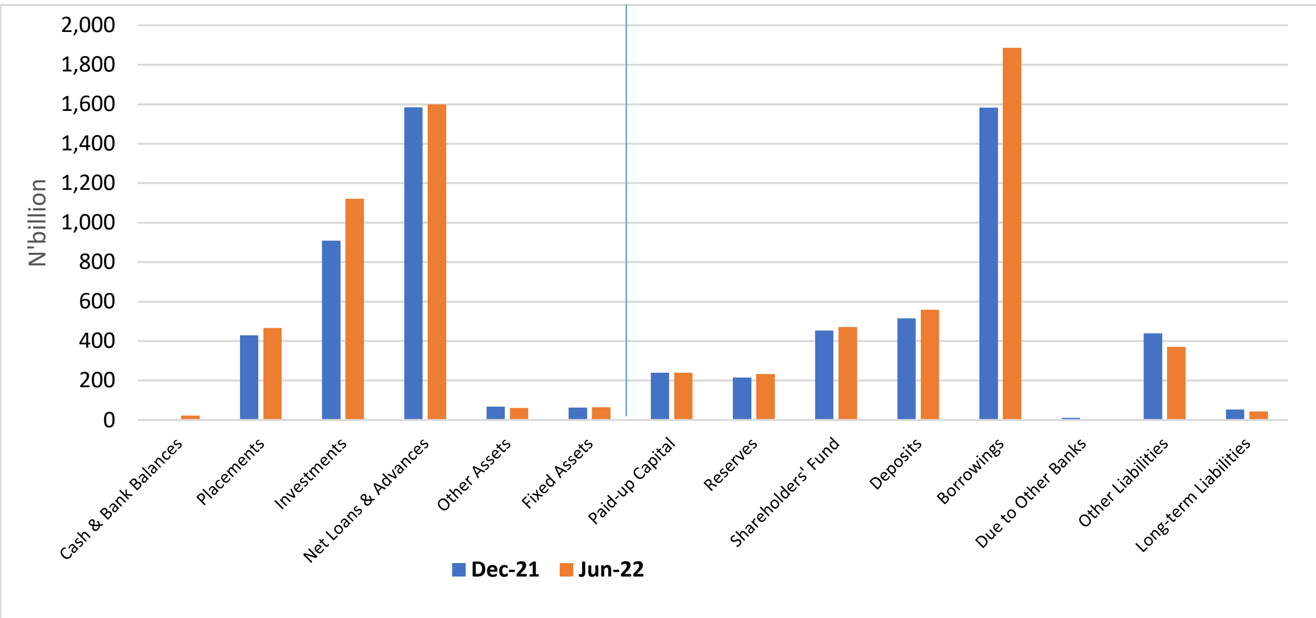
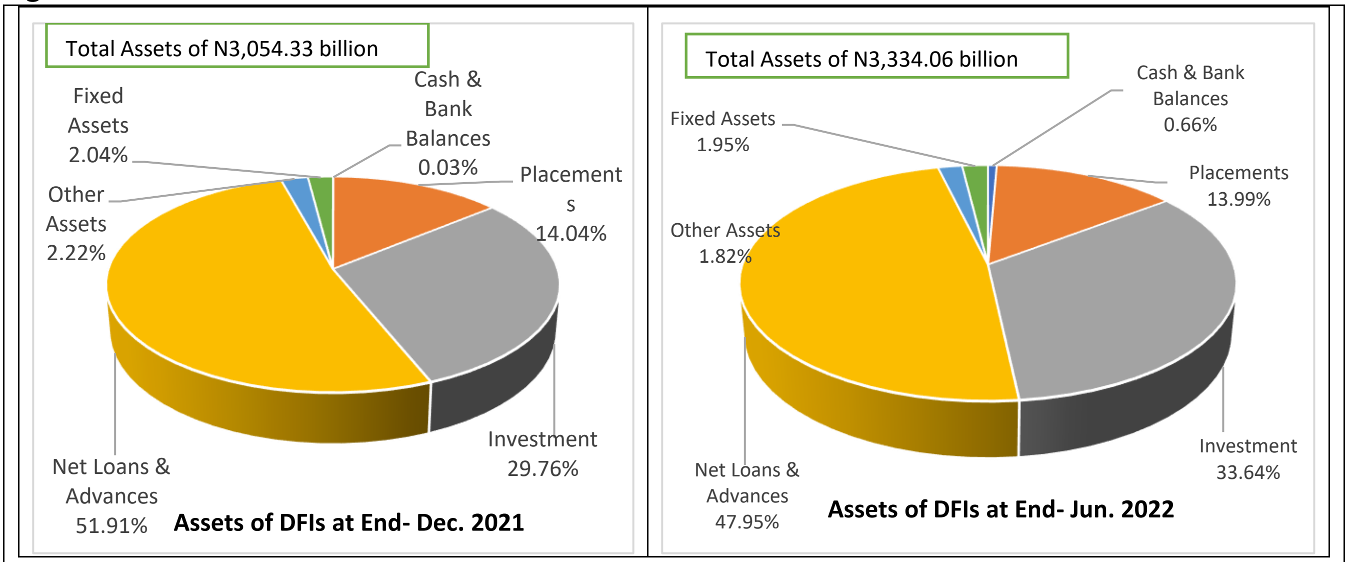
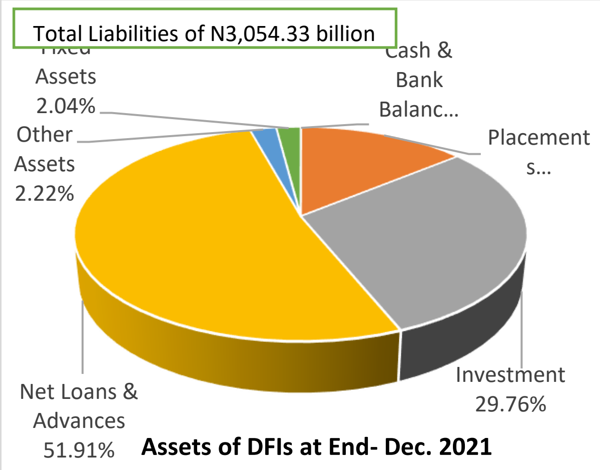
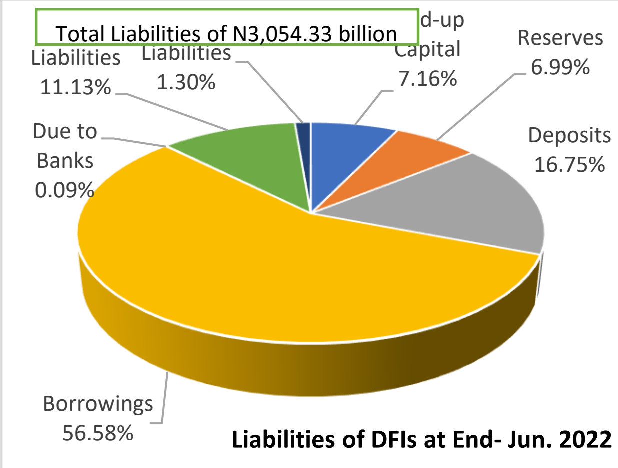


Figure 2.5 Total Assets and Liabilities of DFIs







2.2.2 Primary Mortgage Banks

The total assets of the sub-sector increased by 4.14 per cent to ₦526.53 billion, at end-June 2022, compared with ₦505.61 billion, at end-December 2021, owing largely to increases in net loans and advances, as well as balances with banks. Net loans and advances and balances with banks increased by 4.32 per cent and 31.77 per cent to ₦287.97 billion and ₦23.64 billion at end-June 2022, compared with ₦276.03 billion and ₦17.94 billion, respectively, at end-December 2021. Placements with banks increased by 4.63 per cent to ₦77.35 billion at end-June 2022, from the level of ₦73.93 billion at end-December 2021, while short-term investments declined by 36.26 per cent to ₦4.39 billion from ₦6.88 billion.

The shareholders' funds increased by 26.75 per cent to ₦41.23 billion at end-June 2022, from ₦32.53 billion at end-December 2021, owing to accretion to reserves. Long-term loans and other liabilities also increased to ₦86.30 billion and ₦203.71 billion at end-June 2022, from ₦77.06 billion and ₦194.26 billion at end-December 2021, indicating increases of 11.99 and 4.87 per cent, respectively.

Figure 2.6 Consolidated Balance Sheet of PMBs (N'BN)

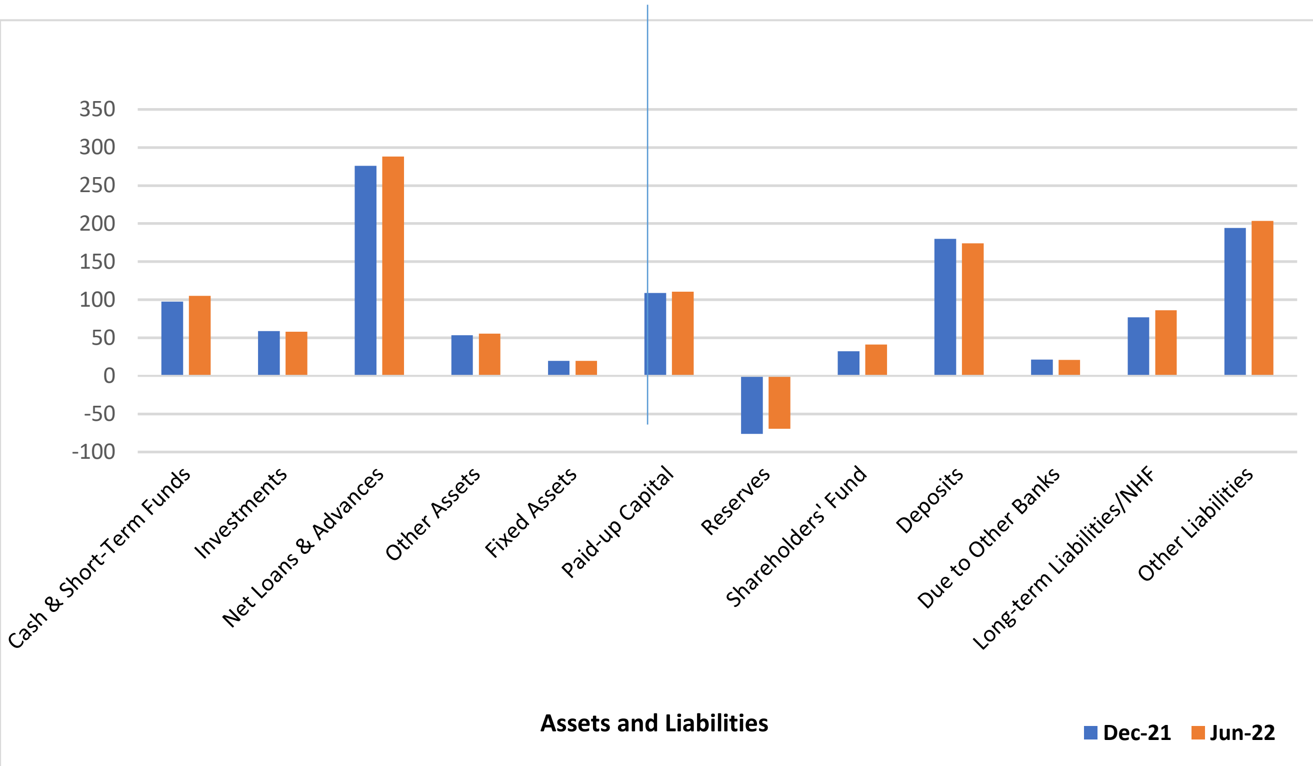
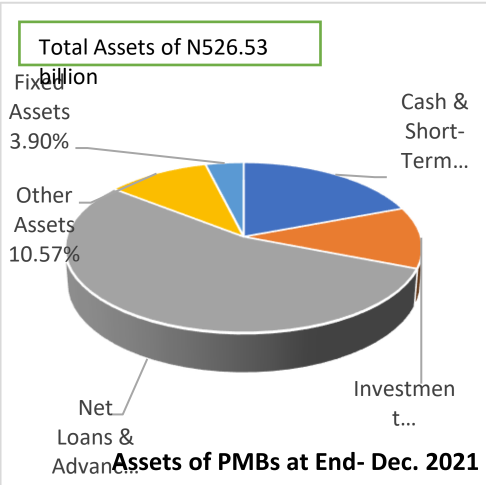
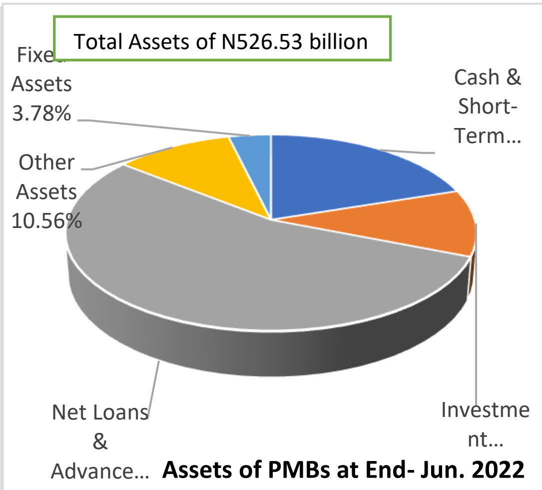
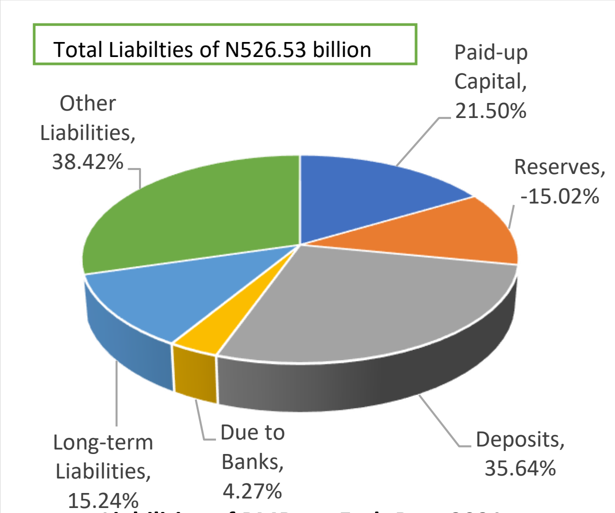


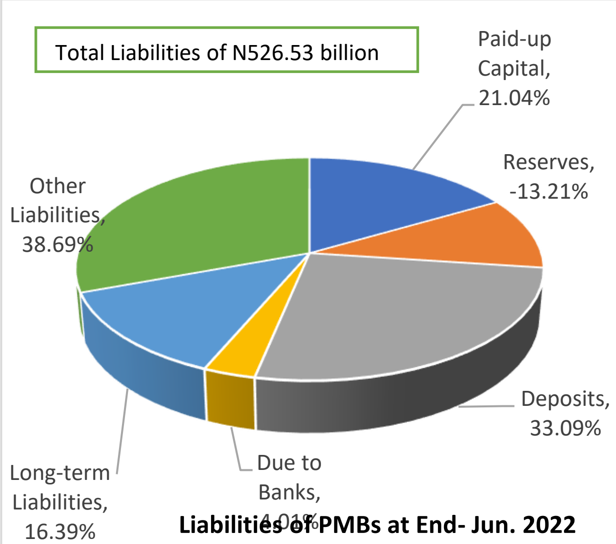
Figure 2.7 Composition of Assets and Liabilities of Primary Mortgage Banks







Liabilities of PMBs at End- Dec. 2021



Liabilities of PMBs at End- Jun. 2022

Table 2:4 Financial Highlights OF PMBs

	End-December 2021 (₦' billion)	End-June 2022 (₦' billion)	Change (₦' billion)	% Change
Total Assets	505.61	526.53	20.92	4.14
Net Loans and Advances	276.03	287.97	11.93	4.32
Investments	58.97	57.81	(1.15)	(1.95)
Other Assets	53.42	55.62	2.20	4.11
Cash and Short-Term Funds	97.45	105.24	7.79	8.00
Reserves	(76.18)	(69.55)	6.62	8.70
Deposit liabilities	180.20	174.20	(6.00)	(3.33)
Other liabilities	194.26	203.71	9.46	4.87
Long-term Liabilities	77.06	86.30	9.24	11.99
Shareholders' funds	32.53	41.23	8.70	26.75

Investible funds available to the PMB sub-sector at end-June 2022 amounted to ₦31.41 billion. The funds were sourced mainly from increases in long-term loans and other liabilities by ₦9.24 billion and ₦9.46 billion, respectively and were mainly utilised to increase loans and advances, as well as cash and short-term funds.

The capital adequacy ratio of the PMBs increased to 12.09 per cent at end-June 2022, compared with 9.95 per cent at end-December 2021 and was above the regulatory minimum of 10.00 per cent. The increase in the CAR was due to additional capital injection, which impacted positively on shareholders' funds. Also, the Liquidity Ratio increased to 49.34 per cent at end-June 2022, compared with 43.65 per cent at end-December 2021 and surpassed the prudential minimum of 20.00 per cent. Similarly, asset quality improved as non-performing loans (NPL) ratio reduced by 21.63 percentage points to 27.28 per cent at end-June 2022, compared with 48.91 per cent at end-December 2021. The NPL ratio, however, remained above the regulatory maximum of 10.00 per cent.

2.2.3 Finance Companies

During the review period, six new FCs were granted licences, bringing the total to 106 at end-June 2022, compared with 100 at end-December 2021. Similarly, the total assets of FCs increased by 4.10 per cent to ₦377.47 billion at end-June 2022, from ₦362.62 billion at end-December 2021. The development was attributed largely to the six newly licenced FCs and increases in net loans and advances and other assets.

At end-June 2022, net loans and advances increased by 8.88 per cent to ₦181.80 billion and other assets by 13.84 per cent to ₦66.20 billion; compared with ₦166.98 billion and ₦58.15 billion, respectively, at end-December 2021. Furthermore, fixed assets increased by 7.89 per cent to ₦49.79 billion at end-June 2022, from ₦46.15 billion at end-December 2021. Investments, however, decreased by 35.43 per cent to ₦12.76 billion at end-June 2022, from the level of ₦19.76 billion recorded at end-December 2021.

Total borrowings and other liabilities increased by 0.63 and 8.42 per cent to ₦239.04 billion and ₦89.31 billion at end-June 2022, compared with ₦237.55 billion and ₦82.38 billion at end-December 2021, respectively. Similarly, shareholders' funds increased by 15.54 per cent to ₦47.18 billion at end-June 2022, compared with ₦40.84 billion at end-December 2021, resulting from additional capital injection and accretion to reserves.

Table 2:5 Financial Position of FCs

	End-December 2021 (₦' billion)	End-June 2022 (₦' billion)	% Change
Total Assets	362.62	377.47	4.10
Cash in Vault	2.37	2.23	(5.94)
Balances with Banks	27.32	27.67	1.28
Net Loans and Advances	166.98	181.80	8.88
Investments	19.76	12.76	(35.43)
Placements	41.89	37.02	(11.62)
Fixed Assets	46.15	49.79	7.89
Borrowings	237.55	239.04	0.63
Other Liabilities	82.38	89.31	8.42
Shareholder's Funds	40.84	47.18	15.54
Paid up capital	25.65	29.40	14.62
Reserves	15.19	17.78	17.09

Figure 2.8 Consolidated Balance Sheet of FCs

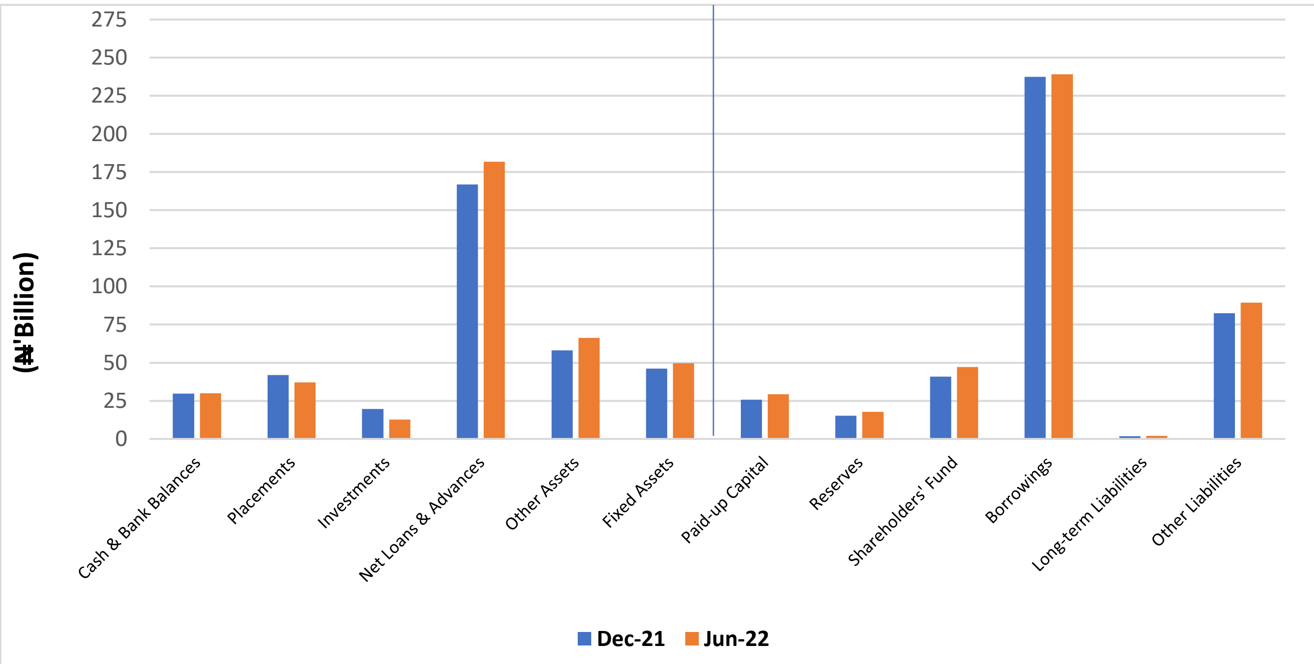
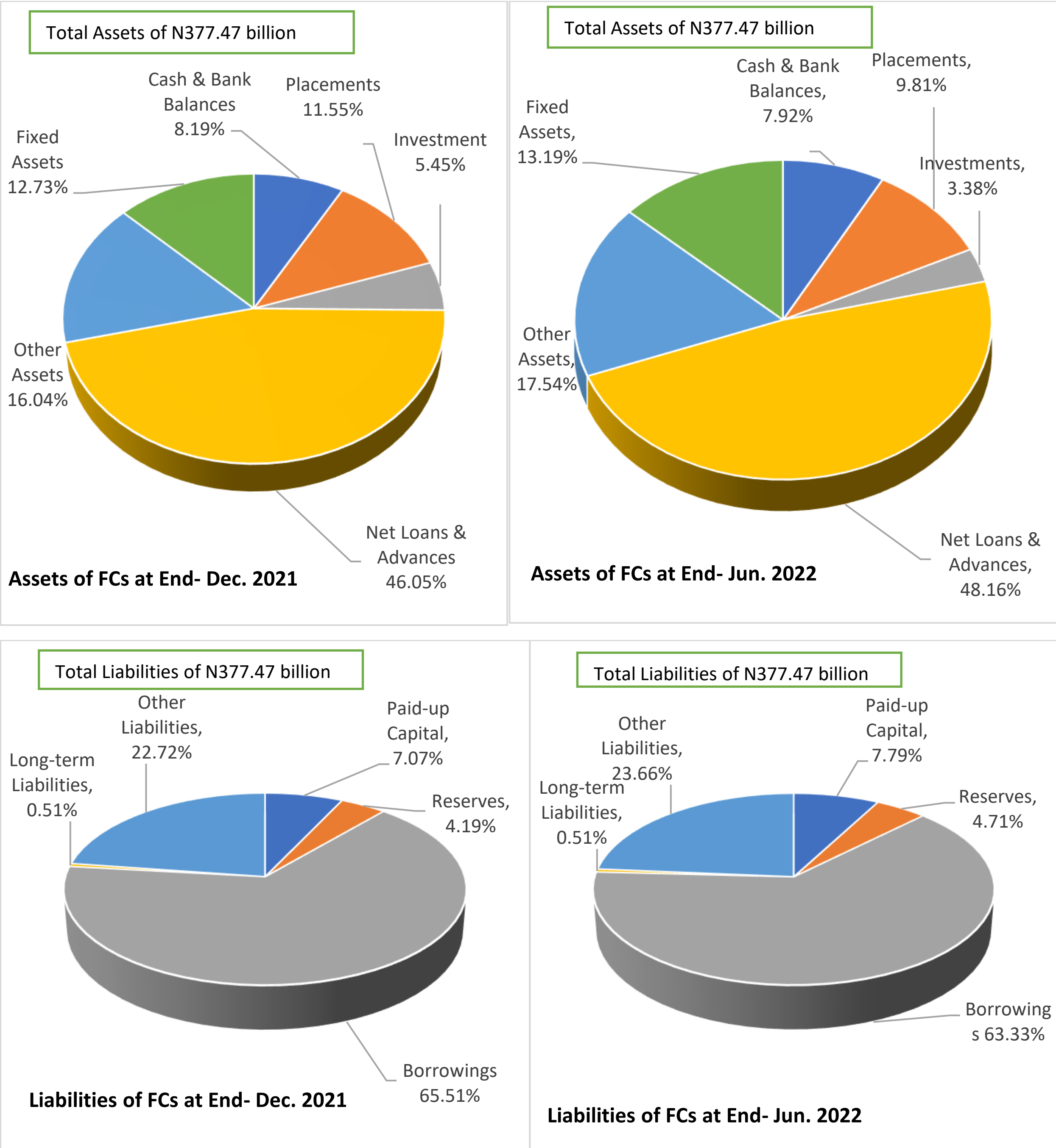


Figure 2.9 Composition of Assets and Liabilities of FCs



Investible funds at end-June 2022 amounted to ₦26.86 billion, compared with ₦42.17 billion at end-December 2021. The decline was mainly due to reduction in other liabilities and borrowings. The funds were sourced mainly from increases in paid-up capital and other liabilities by ₦3.75 billion and ₦6.93 billion, as well as decreases in placements and investments by ₦4.87 billion and ₦7.00 billion, respectively. The funds were utilised mainly to increase loans and advances, and other assets.

The CAR for the subsector was 11.24 per cent at end-June 2022, compared with 11.12 per cent at end-December 2021, while NPL ratio declined to 19.17 per cent from 19.91 per cent over the same period, reflecting an improvement in asset quality and loan repayment.

2.2.4 Microfinance Banks

During the review period, nine Unit MFBs were licensed, bringing the total to 875 (9 National, 134 State and 732 Unit MFBs), compared with 866 (9 National, 134 State and 723 Unit MFBs) at end-December 2021.

The total assets of the subsector increased by 8.26 per cent to ₦1,408.58 billion, at end-June 2022, from ₦1,301.11 billion, at end-December 2021. The increase was due to the newly licensed MFBs and growth in net loans and advances, cash and bank balances, and fixed assets. Similarly, net loans and advances increased by 5.94 per cent to ₦955.23 billion, at end-June 2022, compared with ₦901.66 billion, at end-December 2021, while fixed assets increased by 141.93 per cent to ₦35.45 billion, at end-June 2022, from ₦14.65 billion, at end-December 2021. Cash increased by 96.09 per cent to ₦32.74 billion, at end-June 2022, compared with ₦16.70 billion, at end-December 2021.

Shareholders' funds increased by 8.74 per cent to ₦173.83 billion at end-June 2022, compared with ₦159.86 billion at end-December 2021, owing largely to capital injection and retained earnings. Similarly, takings from other banks increased by 707.52 per cent to ₦133.93 billion at end-June 2022, from ₦16.58 billion at end-December 2021, while deposits increased by 10.26 per cent to ₦453.99 billion, from ₦411.74 billion. However, long-term loans declined by 12.95 per cent to ₦390.36 billion at end-June 2022, from ₦448.43 billion at end-December 2021.

Table 2:6 Highlights of Financial Position of MFBs

	End-December 2021 (₦' Billion)	End-June 2022 (₦' Billion)	Change (₦' Billion)	% Change
Total Assets	1,301.11	1,408.58	107.48	8.26
Placement with Banks	126.45	127.67	1.22	0.97
Net Loans and Advances	901.66	955.23	53.57	5.94
Fixed Assets	14.65	35.45	20.80	141.93
Paid up capital	93.73	119.26	25.53	27.23
Reserves	66.13	54.57	(11.55)	(17.74)
Shareholder's Funds	159.86	173.83	13.98	8.74
Deposits	411.74	453.99	42.25	10.26
Takings from Other Banks	16.58	133.93	117.34	707.52
Long Term Loans/On-lending	448.43	390.36	(58.08)	(12.95)
Other Liabilities	264.49	256.48	(8.01)	(3.03)

Figure 2.10 Balance Sheet of MFBs

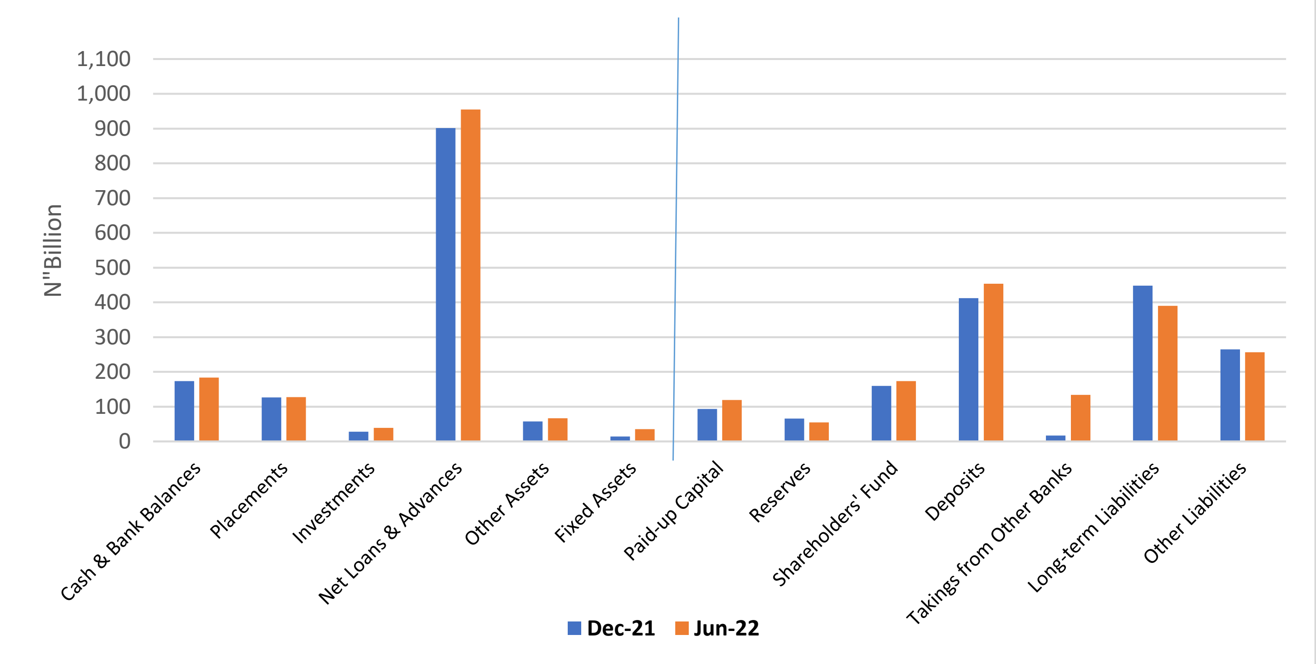
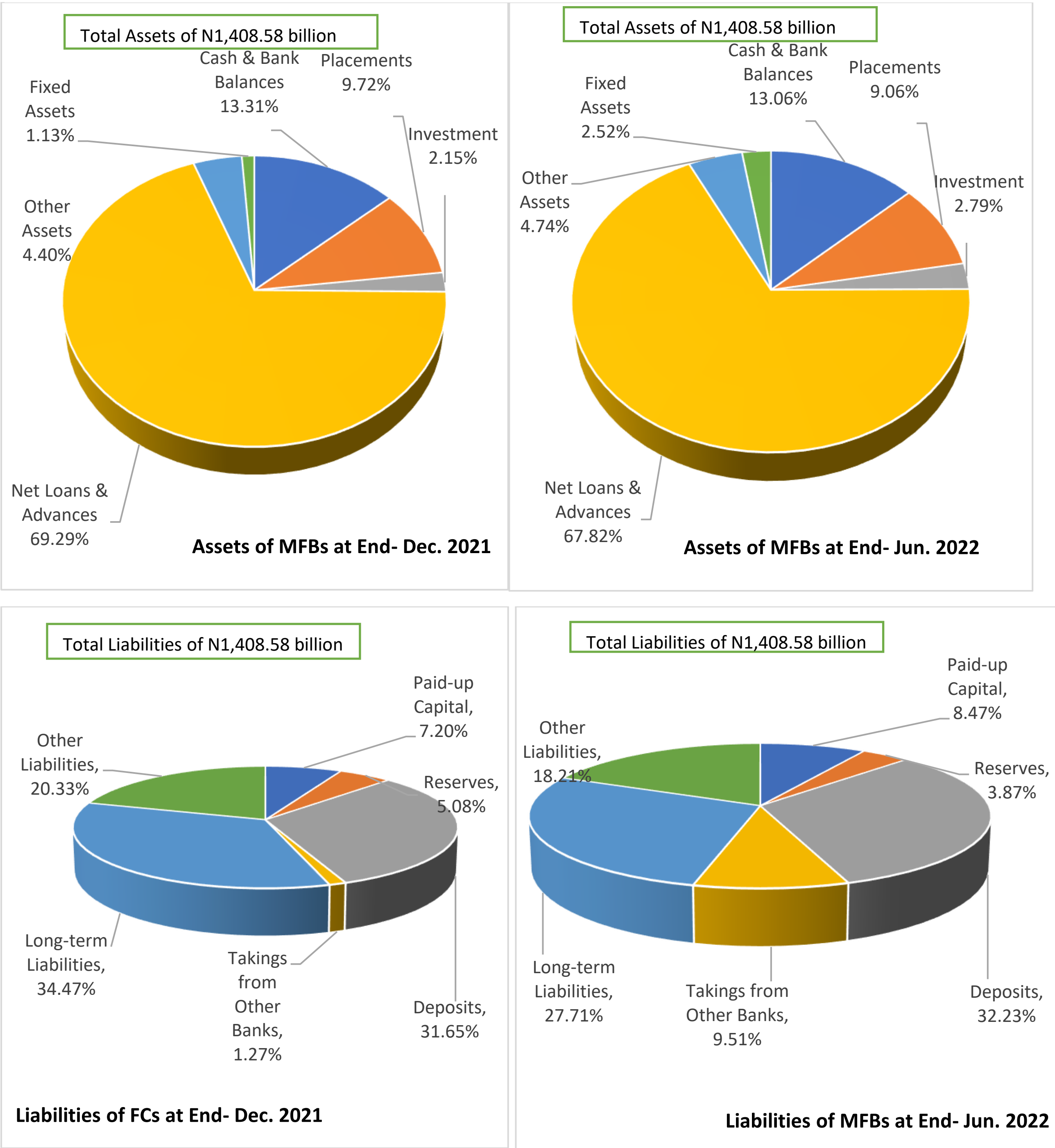


Figure 2.11 Composition of Assets and Liabilities of MFBs



Investible funds at end-June 2022 amounted to ₦190.32 billion, compared with ₦183.67 billion at end-December 2021. The funds were sourced mainly from additional paid-up capital (₦25.53 billion), deposits (₦42.25 billion) and takings from other banks (₦117.34 billion). The funds were utilised mainly to increase net loans and advances by ₦53.57 billion, fixed assets (₦20.80 billion), investments (₦11.47 billion) and cash and bank balances (₦10.84 billion) as well as reduction in long-term loans (₦58.08 billion).

The capital adequacy and liquidity ratios of the subsector improved to 15.51 and 75.71 per cent at end-June 2022, compared with 15.42 and 78.01 per cent, respectively, at end-December 2021. The ratios were above the minimum regulatory requirements of 10.00 and 20.00 per cent, respectively. Portfolio-At-Risk (PAR) rose to 8.68 per cent in the first half of 2022, from 5.94 per cent at end-December 2021.

2.2.4.1 Maturity Structure of Loans and Advances and Deposit Liabilities

Credits with maturity period of more than a year accounted for 58.90 per cent of the total loans and advances at end-June 2022, reflecting an increase of 37.79 percentage points, from the level of 21.11 per cent recorded at end-December 2021. Loans and advances with maturity periods of less than one year accounted for 41.10 per cent, compared with 78.89 per cent at end-December 2021.

The deposit structure remained largely short-term, as those of less than one-year maturity accounted for 81.33 per cent, a decrease of 5.03 percentage points, from the level of 86.36 per cent recorded at end-December 2021. Conversely, deposits of over one-year maturity accounted for 18.67 per cent, reflecting an increase of 5.03 percentage points, from the level of 13.64 per cent at end-December 2021.

Table 2:7 Maturity Structure of Loans and Advances and Deposit Liabilities

Dec-21			Jun-22		
Tenor/Period	**Loans and Advances**	**Deposits**	**Tenor/Period**	**Loans and Advances**	**Deposits**
	%	%		%	%
0-30 Days	21.69	40.38	**0-30 Days**	10.32	31.90
31-60 Days	7.59	7.58	**31-60 Days**	3.81	10.08
61-90 Days	7.86	11.99	**61-90 Days**	4.48	11.35
91-180 Days	22.48	15.03	**91-180 Days**	12.25	16.56
181-360 Days	19.27	11.38	**181-360 Days**	10.24	11.45
Short-Term	**78.89**	**86.36**	**Short-Term**	**41.10**	**81.33**
Above 360 Days	21.11	13.64	**Above 360 Days**	58.90	18.67
Total	**100**	**100**	**Total**	**100**	**100**

2.2.5 Capacity Building Programme

As part of capacity building efforts, 308 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 8,100 at end-June 2022, from 7,792 at end-December 2021.

2.3 Financial Markets

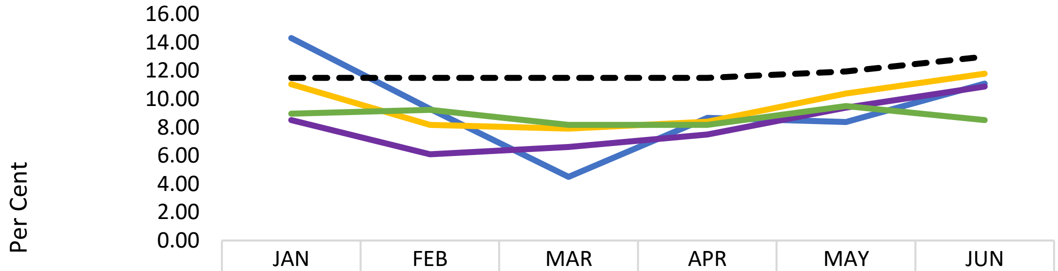
The Bank adopted a contractionary monetary policy stance, in response to the lingering inflationary and exchange rate pressures. Thus, the Monetary Policy Committee (MPC) increased the Monetary Policy Rate (MPR) from 11.50 per cent to 13.00 per cent while sustaining an asymmetric corridor of +100/-700 basis points for Standing Lending Facility (SLF) and Standing Deposit Facility (SDF). The Cash Reserve Ratio (CRR) and Liquidity Ratio (LR) were also maintained at 27.50 and 30.00 per cent, respectively.

2.3.1 Money Market

The major activities that impacted the money market included fiscal flows, conduct of open market and discount window operations and government securities auctions, foreign exchange interventions and cash reserve ratio operations. The open-buy-back (OBB) and unsecured interbank call weighted daily average opened at 5.50 and 13.00 per cent on January 4 and 11, 2022, respectively, compared with 11.69 per cent and 9.82 per cent on July 1 and 7, 2021, respectively. The rates peaked at 15.29 and 16.00 per cent for OBB and unsecured interbank call on January 17 and 21, 2022, respectively. The rates, thereafter, moderated to 13.63 per cent on June 30, 2022, for OBB, and 14.00 per cent on June 29, 2022 for unsecured interbank calls.

The monthly average OBB and inter-bank call rates closed at 10.89 and 11.10 per cent at end-June 2022, compared with 12.59 and 13.42 per cent, respectively, at end-December 2021. This reflected improved liquidity conditions occasioned by the maturing CBN and NTB bills. The OBB weighted daily average rates ranged between 0.57 and 15.29 per cent, compared with a range 3.52 and 21.34 per cent in the second half of 2021. Similarly, the inter-bank call rates ranged between 4.50 and 16.00 per cent, compared with 4.00 and 25.00 per cent in the second half of 2021.

Figure 2.12 Money Market Rates for First Half of 2022



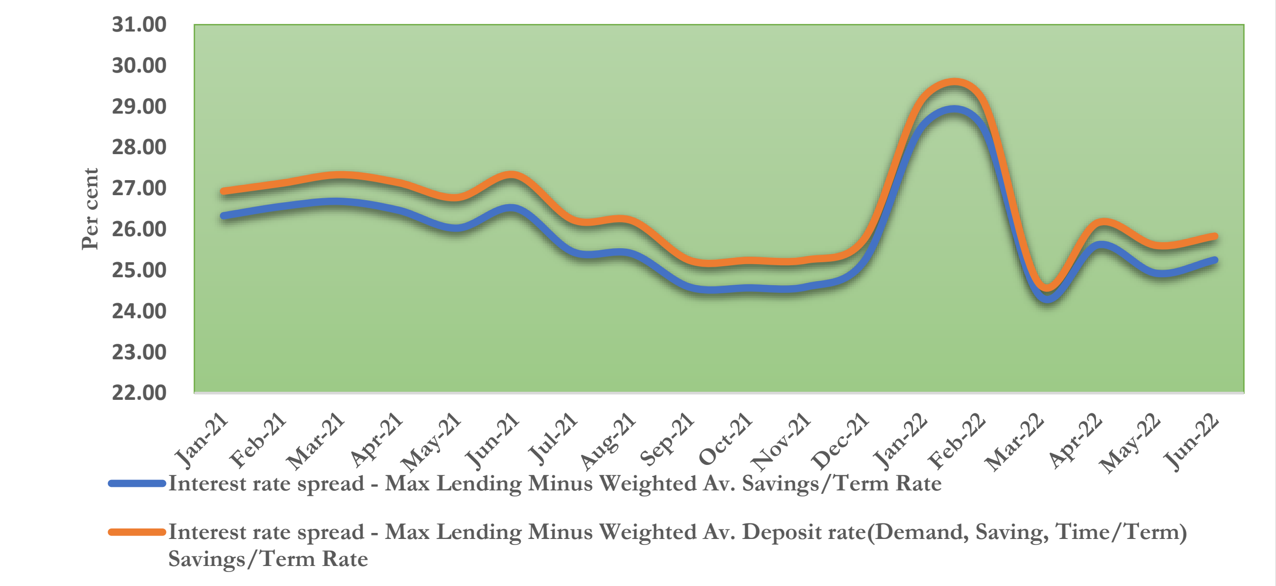
	JAN	FEB	MAR	APR	MAY	JUN
Inter-Bank Call (%)	14.31	9.30	4.50	8.67	8.38	11.10
Open-Buy-Back (OBB) (%)	8.51	6.10	6.62	7.49	9.39	10.89
MPR (%)	11.50	11.50	11.50	11.50	11.95	13.00
Call NIBOR (%)	11.05	8.17	7.91	8.40	10.40	11.80
30-day NIBOR	8.96	9.24	8.19	8.18	9.51	8.52

2.3.1.1 Developments in Interest Rates

Lending transactions increased by 9.56 per cent to ₦25,586.61 billion in the review period, compared with ₦23,354.01 billion in the second half of 2021. The average maximum lending rate rose marginally by 0.96 percentage point to 28.47 per cent from, 27.51 per cent in the second half of 2021. Similarly, the prime lending rate increased by 0.24 percentage point to 11.91 per cent from, 11.67 per cent in the second half of 2021. The maximum lending rate remained above the inflation rate of 18.60 per cent at end-June 2022, while the prime lending rate was negative in real terms.

The weighted average term-deposit rate dipped by 0.39 percentage point to 3.80 per cent, leading to a wider spread between the deposit and lending rates. The spread between the average term deposit and maximum lending rates widened to 26.78 percentage points in the first half of 2022 from, 25.66 percentage points in the second half of 2021.

Figure 2.13 Interest Rates Spread



2.3.1.2 Nigerian Treasury Bills

Nigerian Treasury Bills (NTBs) of 91-, 182- and 364-day tenors, totaling ₦2,415.58 billion, were issued and allotted in the first half of 2022. This indicated a decrease of ₦54.28 billion or 2.20 per cent, compared with the ₦2,469.86 billion issued in the preceding period. Similarly, total subscription was ₦4,663.18 billion during the first half of 2022, indicating a decrease of ₦453.55 billion or 8.86 per cent, compared with ₦5,116.73 billion recorded in the preceding period. Average marginal rates ranged between 1.7400– 2.5000 per cent for the 91-day, 3.0000 – 3.8900 per cent for the 182-day and 4.000 – 6.4900 per cent for the 364-day tenors, respectively.

Figure 2.14 Primary Market: Nigerian Treasury Bills Allotment (%)

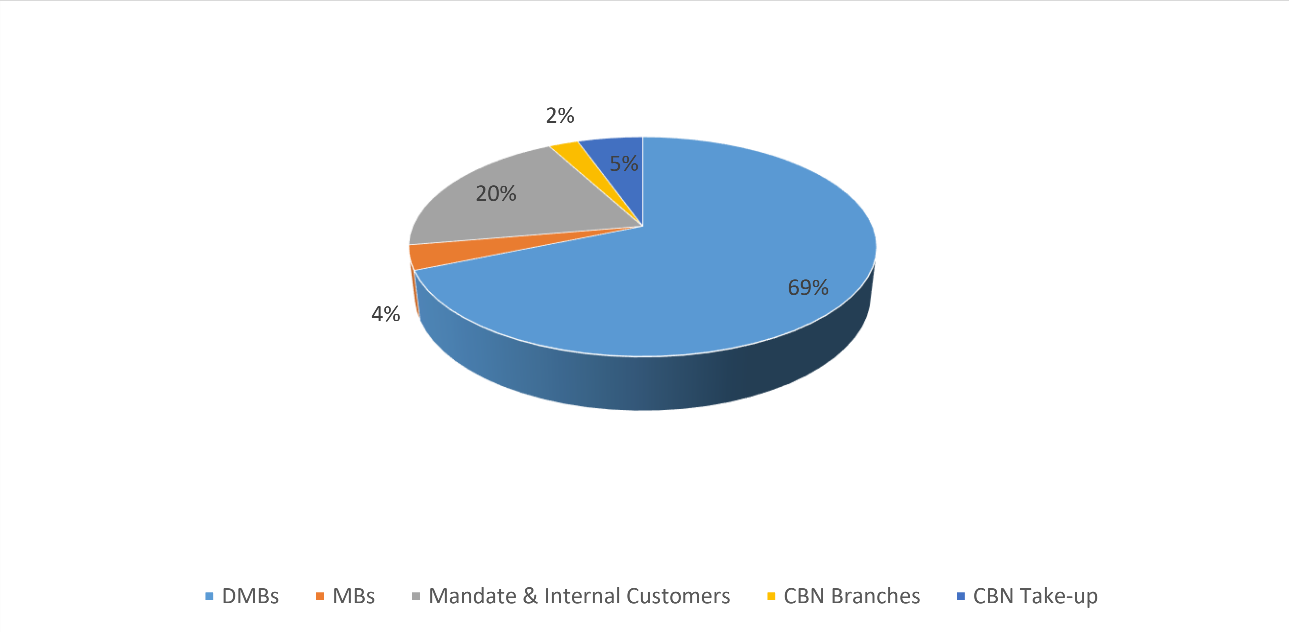
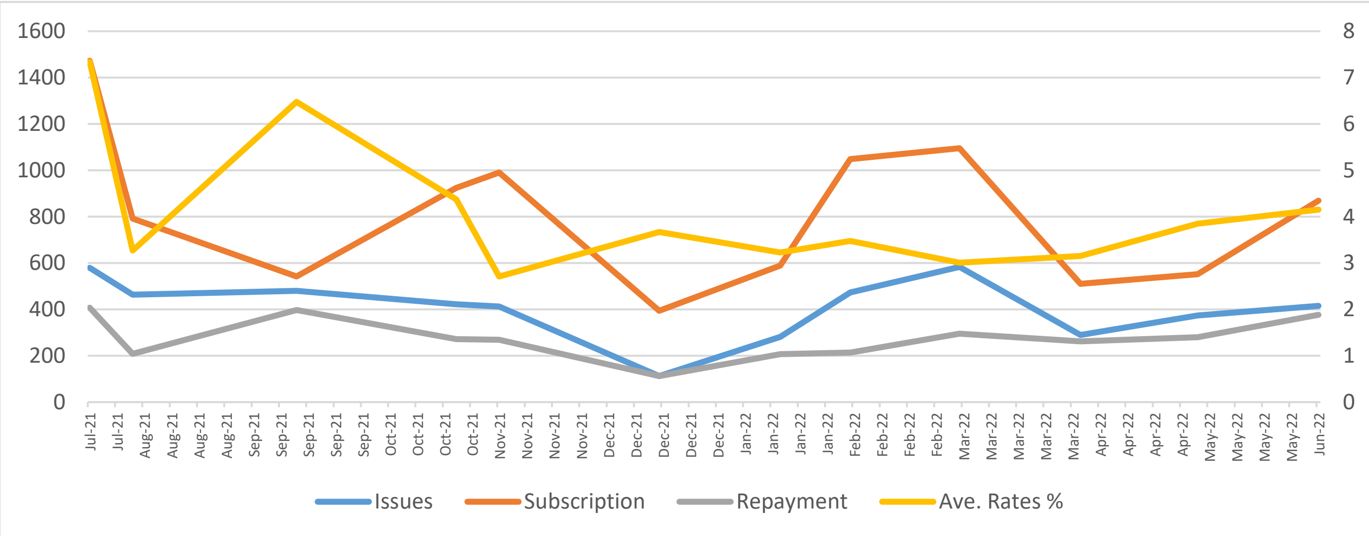


Figure 2.15 Primary Market: Nigerian Treasury Bills Transactions (N'Billion)

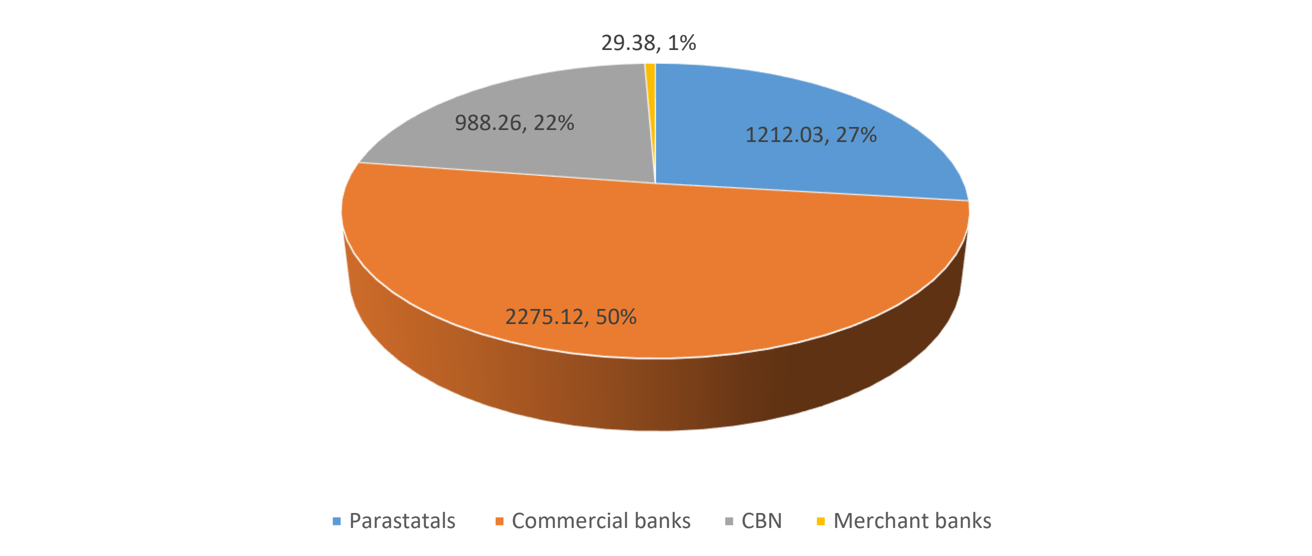


In the review period, commercial banks took up ₦1,782.22 billion or 73.78 per cent, compared with ₦1,696.13 billion or 68.67 per cent in the preceding period. Merchant banks accounted for ₦68.87 billion or 2.85 per cent, as against ₦89.10 billion or 3.61 per cent, in the preceding period, while mandate and internal funds customers of the CBN took up ₦564.50 billion or 23.37 per cent, compared with ₦551.38 billion or 22.32 per cent in the second half of 2021.

The NTBs outstanding at end-June 2022 stood at ₦4,504.80 billion. The holding structure indicated that parastatals accounted for ₦1,212.03 billion (26.91 per cent), commercial banks ₦2,275.12 billion (50.50 per cent), CBN mandate and internal fund customers accounted for

₦988.26 billion (21.94 per cent), while merchant banks accounted for ₦29.38 billion (0.65 per cent). In the preceding period, the NTBs outstanding amounted to ₦2,991.87 billion, comprising parastatals ₦1,566.31 billion (52.35 per cent), commercial banks holdings of ₦728.95 billion (24.36 per cent), CBN mandate and internal fund customers ₦682.58 billion (22.81 per cent) and merchant banks ₦14.03 billion (0.47 per cent).

Figure 2.16 NTBs Outstanding at End-June 2022 (Per cent and in N'BN)



2.3.1.3 Foreign Exchange Market: US Dollar Sales and Purchases

The total foreign exchange sales by the Bank in the first half of 2022 amounted to US$9,229.27 million, compared with US$10,543.52 million in the second half of 2021, reflecting a decrease of 12.47 per cent. A breakdown indicated that retail spot sales amounted to US$622.92 million; invisible trade sales, US$856.81 million; I&E window, US$2,075.45 million; SMEs, US$834.74 million; and Retail forwards sales, US$4,839.35 million. Furthermore, the Bank purchased US$1,325.43 million, resulting in net sales of US$7,903.83 million.

Forwards contracts, totaling US$7,008.27 million matured, while US$3,846.64 million was outstanding at end-June 2022.

Table 2:8 Interventions at the Interbank Foreign Exchange Market

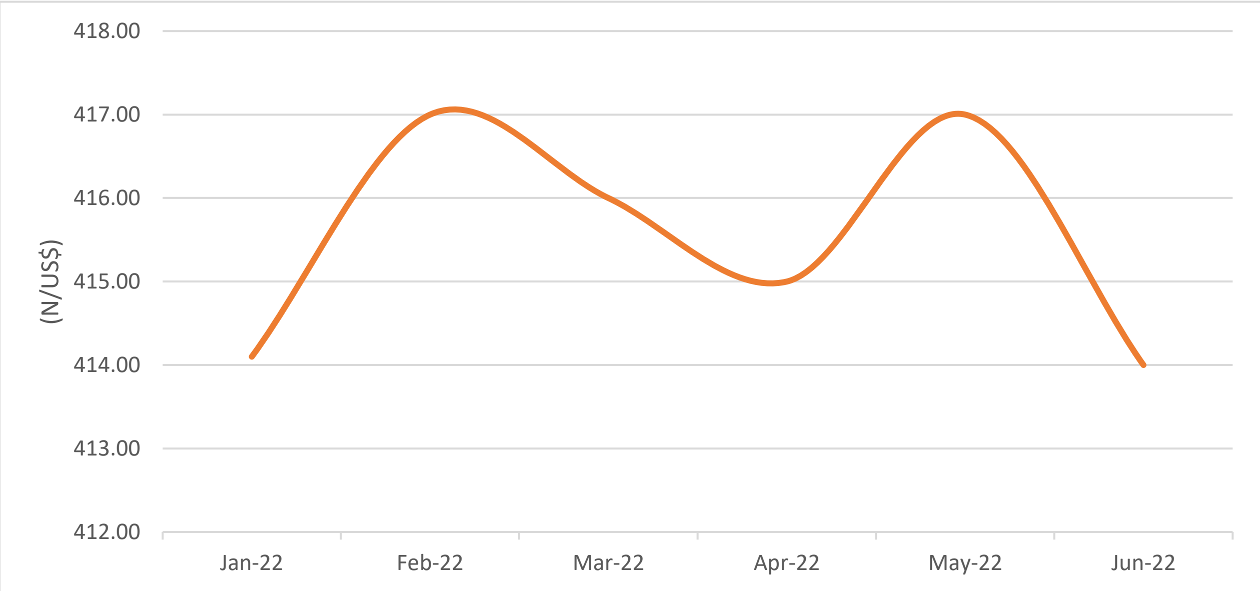
FX Transactions	End-Dec 21		End-June 22	
	Sales	Purchases	Sales	Purchases
	($ million)	($ million)	($ million)	($ million)

SMIS Spot	615.07		622.92	
Invisible Trade	1,041.00		856.81	
SME	793.13		834.74	
I&E	3,316.91		2,075.45	
SMIS Forwards	4,777.42		4,839.35	
IOCs		807.65		1,325.43
Total	**10,543.53**	**807.65**	**9,229.27**	**1,325.43**

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

The rate at the I&E window opened at ₦417.00/US$ on January 4, 2022 and closed at ₦414.00/US$ at end-June, 2022, reflecting 0.72 per cent appreciation.

Figure 2.17 Investors' & Exporters' Rate



2.3.1.5 Over-the-Counter Foreign Exchange Futures

The notional amount of over-the-counter foreign exchange (OTC FX) futures executed, matured and outstanding during the review period stood at US$1,437.90 million, US$3,001.44 million, and US$3,768.37 million, respectively, at end-June 2022, compared with US$3,577.39 million, US$2,496.85 million and US$5,331.89 million at end-December 2021.

2.3.1.6 Naira/Yuan Bilateral Currency Swap Agreement

A total of CNY1,263.51 million was sold at end-June 2022, compared with CNY 2,093.51 million sold in the second half of 2021. A total of CNY7,043.57 million was sold from inception to end-June 2022.

2.3.2 Capital Market

The Nigerian capital market was bullish as evidenced by the positive performance in the equities, debt and Exchange Traded Fund (ETF) segments. Consequently, aggregate Market Capitalisation increased by 21.31 per cent to close at ₦50.18 trillion, at end-June 2022, from ₦43.12 trillion at end-December 2021. The equities and debt segments increased by 25.29 and 25.31 per cent to ₦27.94 trillion and ₦22.23 trillion respectively, and the ETF component appreciated by 2.05 per cent to close at ₦7.45 billion.

Table 2:9 NGX ASI, Equity and Debt Market Capitalisation

	End-December 2020	End-June 2021	End-December 2021	End-June 2022	% Change
NGX ASI	40,270.72	37,907.28	42,716.44	51,817.59	21.31
Aggregate Market Cap (N'Trn)	39.73	38.19	43.12	50.18	16.37
Equity Market Cap (N'Trn)	21.06	19.76	22.30	27.94	25.29
Debt Market Cap (N'Trn)	17.50	17.39	17.74	22.23	25.31
Of which Government Debt		16.67	19.02	21.34	12.20
Corporate Debt	0.51	0.72	0.72	0.74	2.92
Exchange Traded Funds Market Cap (N' Bn)	**20.00**	**12.20**	**7.30**	**7.45**	**2.05**

Source: NGX

In the first half of 2022, 16 new issues valued ₦534.50 billion were approved and listed, comprising six equity issues (₦124.10 billion) and 10 corporate bonds (₦410.40 billion), compared with 9 issues which comprised two equity issues valued (₦7.44 billion) and 7 corporate bonds (₦291.65 billion) in the second half of 2021 (table 2.10). The six equity issues included one Initial Public Offering (IPO), three rights issues and two public offers. There were no supranational bonds issued in the review period. However, there were 17 FGN bonds issued at end-June 2022, compared with 15 FGN bonds issued in the preceding period reflecting a reduction of 13.33 per cent

Table 2:10 New Issues

Type	Number of Issues			Value of Issues (N'Bn)		
	Dec-21	Jun-22	Change %	Dec-21	Jun-22	Change %
IPO	-	1		-	111.8	-
Public Offer/Offer for Sale	-	2	-	-	9.9	-
Private Placement	1	-	-	3.3	-	
Rights	1	3	200.00	4.14	2.5	-39.61
Total Equities	***2***	***6***	200.00	***7.44***	***124.2***	1569.35
Corporate Bonds	7	10	42.86	291.65	410.4	40.72
Sub-national Bonds	-	-		-	-	
FGN Bonds	17	15	-11.76	1,192.01	1,555.70	30.51
Eurobond (415.58/$)	0	1		-	519.475	
Total Debt	***24***	***26***	8.33	***1,483.66***	***2,485.58***	67.53
Total (Equities & Debt)	***26***	***32***	23.08	***1,491.10***	***2,609.78***	75.02

Source: SEC, DMO

2.3.2.1 Equities Market

2.3.2.1.1 Nigerian Exchange Limited

The Nigerian Exchange Limited (NGX) All Share Index (ASI) and equities market capitalisation experienced a bullish trend in the first half of 2022. The NGX ASI rose to 51,817.59 points at end-June 2022, from 42,716.44 points at end-December 2021, attaining a level of 53,098.46 points on May 13, 2022, reflecting a 14-year high since 2008. The impressive performance reflected improved earnings, dividends reinvestment and the roll out of two exchange traded derivatives, the NGX 30 Index Futures and NGX Pension Index Futures. The NGX equities market capitalisation closed at ₦27.94 trillion, indicating an increase of 25.00 per cent compared with ₦22.3 trillion at end-December 2021.

Generally, sectoral performance was impressive during the review period as 14 out of 17 indices closed the half year on a positive note.

Table 2:11 Nigerian Exchange Limited Indices

Index	Dec-20	Jun-21	H1 YTD	Dec-21	Jun-22	Change %
NGX 30	1,640.11	1,594.87	-2.76	1,722.30	1,887.62	9.60
NGX AFR Div. Yield	2,017.91	2,329.50	15.44	2559.43	3,191.06	24.68
NGX ASeM	729.87	703.94	-3.55	670.65	658.99	-1.74
NGX Banking	393.02	366.47	-6.76	406.07	397.79	-2.04
NGX CG	1,220.61	1,199.29	-1.75	1,278.00	1,319.70	3.26
NGX Consumer Goods	573.35	600.88	4.80	589.28	623.99	5.89
NGX Growth	991.89	1,028.75	3.72	1,269.66	1,487.20	17.13
NGX Industrial	2,052.33	1,887.76	-8.02	2,008.30	2,152.24	7.17
NGX Insurance	189.50	203.84	7.57	198.11	178.33	-9.98
NGX Lotus Islamic	2,846.19	2,760.73	-3.00	3,009.51	3,251.25	8.03
NGX Main-Board	1,725.91	1,600.77	-7.25	1,748.37	2,274.79	30.11
NGX MERI GROWTH	1,654.15	1,789.98	8.21	1,805.02	2,364.94	31.02
NGX MERI VALUE	1,851.31	1,801.66	-2.68	2,134.95	2,167.09	1.51
NGX Oil/Gas	226.20	313.08	38.41	345.01	545.34	58.06
NGX Pension	1,388.64	1,479.77	6.56	1,624.09	1,823.58	12.28
NGX Premium	3,470.77	3,527.67	1.64	4,167.78	4,924.13	18.15
NGX-AFR Bank Value	1,113.18	1,057.09	-5.04	1,038.82	925.95	-10.87

Source: NGX Reports

Foreign Portfolio Investment (FPI) inflows totalled ₦120.51 billion, while divestments (outflows) stood at ₦122.97 billion, reflecting a net outflow of ₦2.46 billion in the first half of 2022. In comparison, inflows in the second half of 2021 amounted to ₦99.64 billion, while divestments stood at ₦112.90 billion, reflecting a net outflow of ₦13.26 billion.

Foreign Portfolio flows accounted for 14.65 per cent of total equity transactions in the review period, compared with 24.58 per cent in the preceding period. Domestic transactions accounted for the balance of 85.35 per cent in the equity market, compared with 75.42 per cent in the preceding period. The net capital outflow experienced during the period reflected the impact of interest rate hikes in advanced economies. Despite the FPI net outflows, the market was resilient owing to increased participation of domestic investors following low interest rates in the money market and government securities, as well as impressive performance by listed companies and expected dividend payout.

Table 2:12 Domestic and Foreign Portfolio Participation in Equities Trading

Period	H1 2021	H2 2021	H1 2022	% Change
Total Equities Transactions ₦'Billion	1,034.42	864.81	1,662.05	92.19
Foreign Portfolio Transactions ₦'Billion	221.96	212.54	243.48	14.56
Foreign %	21.46	24.58	14.65	-40.40
Domestic Transactions ₦'Billion	812.46	652.27	1,418.54	117.48
Domestic %	78.54	75.42	85.35	13.17
Foreign Inflow ₦'Billion	105.24	99.64	120.51	20.95
Foreign Outflow ₦'Billion	116.72	112.90	122.97	8.92
NSE ASI	37,907.28	42,716.44	51,817.59	21.31
Market Capitalization	19,760.39	22,296.84	27,935.36	25.29

2.3.2.1.2 National Association of Securities Dealers

The National Association of Securities Dealers (NASD) Unlisted Securities Index appreciated by 2.74 per cent, to 763.24 points at end-June 2022, from 742.85 points at end-December 2021. Similarly, the market capitalisation increased by 59.72 per cent to ₦1,004.74 billion at end-June 2022, from ₦629.03 billion at end-December 2021. Further analysis showed that 3,225 shares worth ₦21.30 billion were traded in the first half of 2022, compared with 12,483 shares valued ₦23.69 billion traded in the second half of 2021, reflecting a decrease of 599.75 and 10.09 per cent, respectively, compared with the level in the preceding period.

Table 2:13 National Association of Securities Dealers Transactions

	2020 Total	H1 2021	H2 2021	H1 2022	Change %
Unlisted Index (Points)	733.00	754.88	742.85	763.24	1.10
Market Cap (N'Bn)	525.94	536.58	629.03	1,004.74	87.25
Volume(N'000)	7,930	466,360	12,483	3,225	599.75
Value (N'000)	12,676	9,151	23,693	21,304.58	134.23

Source: NASD Reports

2.3.2.2 Commodities Market

Commodities exchanges are critical for enabling investment diversification, risk management, price discovery and transactional efficiency. The Exchanges provide facilities, regulations, and standards for orderly, efficient and transparent trading of designated commodities. At end-June 2022, five commodity exchanges were in operation, trading mostly in agricultural produce.

2.3.2.2.1 AFEX Commodities Exchange

The overall value and volume of commodity transactions at the AFEX Commodities Exchange increased by 97.42 per cent to ₦88,681.26 billion at end-June 2022, from

₦44,920.15 billion at end-December 2021. The value of cashews traded increased significantly by 256.98 per cent, while sorghum and sesame also increased by 586.53 and 649.39 per cent, respectively. The values of maize and cocoa traded increased by 72.02 and 47.70 per cent, respectively.

Table 2:14 Transactions on AFEX (N'M)

Product	Cashew	Ginger	Maize	Paddy Rice	Soybeans	Cocoa	Sesame	Sorghum	Grand Total
H1 2021	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 2021	480.42	445.71	35,676.73	1,263.95	2,722.30	3,405.04	429.84	496.35	44,920.15
H1 2022	1,710.21	1,496.95	61,372.18	3,532.79	8,911.11	5,029.26	3,221.16	3,407.59	88,681.26
% Change	256.98	235.86	72.02	179.50	227.34	47.70	649.39	586.53	97.42

Table 2:15 Volume and Value of Transactions on AFEX (N'M)

	2021H1	2021H2	2022H1
Total Volume (kg)	417,686,542	184,960,516	311,276,230
Value(N'M)	77,656.37	44,920.15	88,681.26

2.3.2.2.2 Gezawa Commodity Market and Exchange

Gezawa Commodity Market and Exchange Limited (GCMX) traded a total of 244,930 metric tonnes of maize and soybeans valued ₦55.09 million in the review period.

Table 2:16 Gezawa Commodity Market and Exchange (GCMX) Transactions

PRODUCT	MAIZE	SOYBEANS	GRAND TOTAL (N'M)	TOTAL VOLUME (KG)
2021H2	19,360.00	-	19,360.00	82,400
2022H1	45,045.65	10,050.00	55,095.65	244,930

2.3.2.2.3 Prime Commodity Exchange

Prime Commodity Exchange Limited (PCX) in the review period reported no trading activities.

2.3.2.2.4 Nigeria Commodity Exchange

There was no trading on the Nigeria Commodity Exchange (NCX) during the review period. However, the Bank's efforts in repositioning the NCX to a world-class commodity exchange was sustained.

2.3.2.2.5 Lagos Commodities and Futures Exchange

Trading activities on the Lagos Commodities and Futures Exchange (LCFE) commenced in the first half of 2021. However, there were no trades recorded in the second half of 2021 and first half of 2022. At end-June 2021, a total of 556 metric tonnes valued ₦98.26 million was traded in 36 deals.

Table 2:17 Lagos Commodities and Futures Exchange (LCFE) Transactions (N'M)

Product	Maize	Paddy Rice	Soybean	Grand Total	Total Volume (Kg)
H1 2021	41.46	49.02	7.77	98.26	556,000
H2 2021	-	-	-	-	-
H1 2022	-	-	-	-	-

2.3.2.3 Bonds

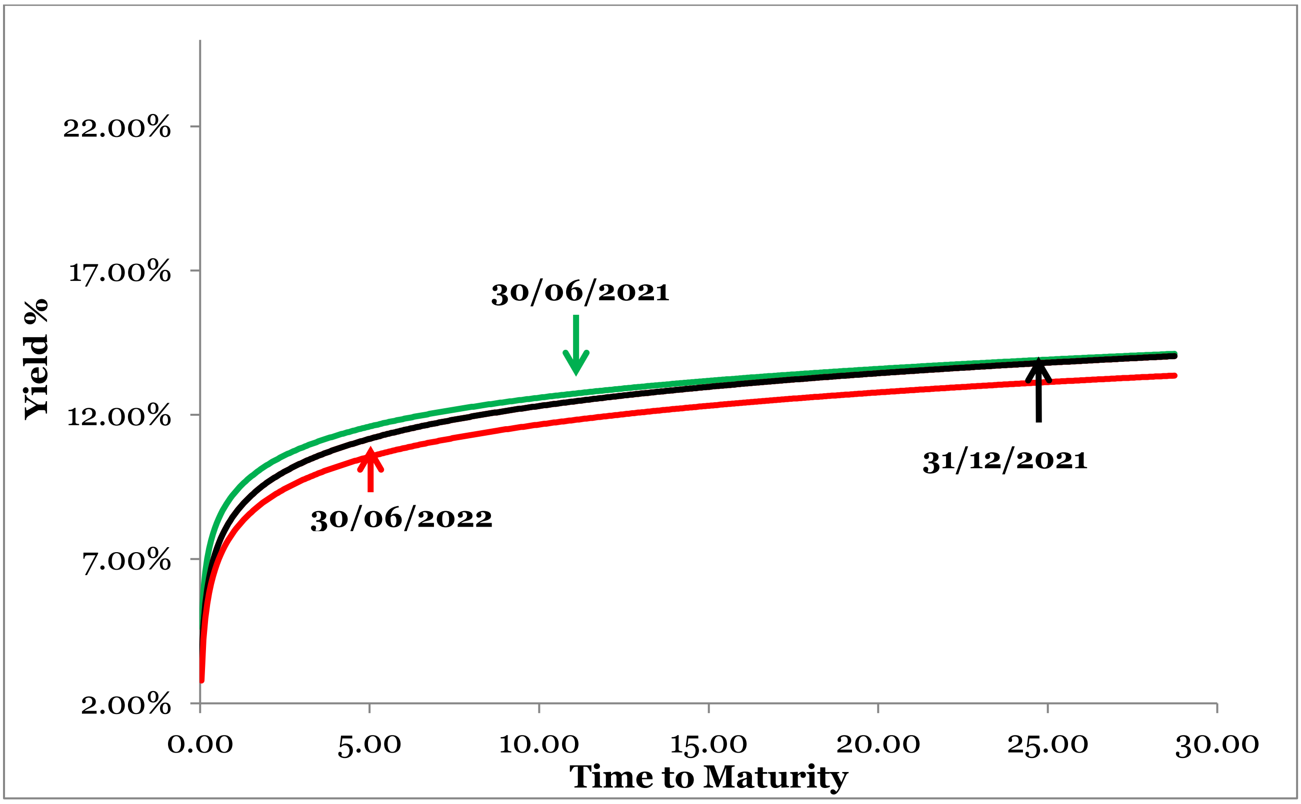
Total bonds outstanding at end-June 2022 stood at ₦16.72 trillion, reflecting an increase of 1.13 per cent, compared with ₦20.99 trillion recorded at end-December 2021. This comprised FGN Bonds (₦15.19 trillion or 90.87 per cent), FGN Saving Bonds (₦20.87 billion or 0.13 per cent), FGN Sukuk (₦612.56 billion or 3.66 per cent), FGN Green Bonds (₦25.69 billion or 0.15 per cent), FRN Treasury Bonds (₦75.99 billion or 0.46 per cent), FGN Promissory Notes (₦475.87 billion or 2.85 per cent), Sub-National Bonds (₦65.96 billion or 0.39 per cent), and Corporate Bonds (₦248.89 billion or 1.49 per cent).

2.3.2.4 FGN Bonds

FGN Bonds new issues and re-openings of ₦1,125.00 billion were offered during the review period, indicating an increase of 32.35 per cent above ₦850.00 billion auctioned in the second half of 2021. The public subscription and sales decreased to ₦2,852.56 billion and ₦1,805.45 billion in the first half of 2022, compared with ₦1,630.92 billion and ₦1,192.01 billion in the second half of 2021, respectively.

Although the yield curve for the review period was normal, however, there was a downward shift compared with the preceding period, which reflected improved investors' sentiments.

Figure 2.18 Yield Curve



Source: FMDQ-OTC Plc

2.3.2.4.1 FGN Savings Bonds

A total of ₦7.46 billion was allotted during the review period, indicating an increase of ₦3.92 billion or 111.00 per cent, compared with ₦3.53 billion at end-December 2021. The increase was attributed to a higher subscription from targeted investors. The range of coupon rates increased to 7.2200 to 9.4700 per cent and 8.2200 to 10.4700 per cent for the 2- and 3-year tenors, respectively, compared with 7.3220 to 8.8640 per cent and 7.8990 to 9.8640 per cent for the 2- and 3-year tenors respectively, in the preceding period. Consequently, total value of FGN Savings Bonds outstanding at end-June 2022 was ₦20.87 billion.

2.3.2.4.2 Green Bonds

There was no issue of Green Bonds and six (6) transactions during the review period compared with no transactions in the preceding period. The value of the transactions was ₦1.69 billion. Total Green bonds outstanding at end-June 2022 was ₦25.69 billion.

2.3.2.4.3 FGN Sukuk Bond

There was no issue of FGN Sukuk Bond during the review period, compared with ₦250 billion issued in the preceding period. Consequently, the total outstanding stood at ₦362.56 billion at end-June 2022. Also, Sukuk transactions on the FMDQ exchange were valued at ₦76.81 billion, in contrast to ₦115.37 billion traded in the preceding half year.

2.3.2.4.4 Sub-National Bonds

During the review period, one sub-national bond worth ₦27.19 billion was issued, six state bonds amounting to ₦8.40 billion matured, while ₦113.34 billion was redeemed by five states. The total outstanding balance stood at ₦65.96 billion at end-June 2022, compared with ₦160.51 billion at end-December 2021.

In the preceding period, three sub-national bonds amounting to ₦3.08 billion matured, while nine states redeemed bonds amounting to ₦40.15 billion.

During the review period, total value of transactions in Sub-national bonds on the FMDQ exchange amounted to ₦0.6 billion from ₦0.29 billion in the preceding half year, representing an increase of 107 per cent. However, the total number of deals decreased by 29 per cent to 5 from 7.

2.3.2.4.5 Corporate Bonds

Corporate bonds worth ₦811.45 billion were outstanding at end-June 2022, compared with ₦767.84 billion at end-December 2021. Corporate Bonds worth ₦185.80 billion listed, while ₦1.00 billion matured and ₦658.69 billion were redeemed in the review period.

In addition, total value of transactions in corporate bonds on the FMDQ exchange amounted to N258 billion up from N27.04 billion in the preceding half year, indicating an increase of 852.85 per cent. Also, the total number of deals increased by 146.00 per cent to 96 from 12.

2.3.2.4.6 Bonds - Secondary Market

The S&P FMDQ Sovereign Bond Index appreciated by 9.00 per cent to 621.69 points at end-June 2022, from 570.38 points at the end of the preceding period. The total debt market capitalisation on the FMDQ Securities Limited (FMDQ) was ₦28.07 trillion at end-June 2022, an increase of 7.10 per cent, compared with ₦26.21 trillion in the second half of 2021.

Table 2:18 S&P/FMDQ Sovereign Bond Index

S&P/FMDQ Nigeria Sovereign Bond Index	Index Points	% Change	Debt Market Capitalisation ₦'Trn)	% Change
2021 H1	532.98		24.18	
2021 H2	570.38	7.02	26.21	8.40
2022 H1	621.69	9.00	28.07	7.10

Source: FMDQ

During the review period, two new participants were admitted on the Exchange. The value of securities admitted was ₦175.05 billion and the value of securities settled was ₦16.16 billion, which were mainly corporate bonds and commercial paper.

2.3.2.5 Mutual Funds

The Net Asset Value (NAV) of the Collective Investment Schemes (CIS) rose by 15.45 per cent to ₦1.50 trillion at end-June 2022, compared to ₦1.30 trillion at end-December 2021, reflecting increased investment in the review period.

Table 2:19 CIS Funds

	CIS Net Asset Value (N'Trn)	Percentage change over preceding half year (%)
H2 2020	1.49	
H1 2021	1.25	-15.99
H2 2021	1.30	4.08
H1 2022	1.50	15.45

2.3.2.6 Other Key Developments in the Capital Market

During the review period:

i. The Securities and Exchange Commission (SEC)
   - mandated the application of Rule 95 on all Privately Managed Discretionary/Non-discretionary portfolios to ensure the protection of investor funds;
   - provided guidance on Rule 465, which amended the contents of Trust Deeds regarding the maximum allowable total expenses of a Collective Investment Schemes (CIS) from 5.00 per cent to 3.50 per cent of Net Asset Value; and
   - commenced the implementation of 100 per cent custody requirement in the CIS to protect investors. Consequently, all clients' assets are to be held under independent custodial agreements in custodial banks.

ii. The NGX introduced two exchange traded derivatives, the NGX 30 Index Futures and NGX Pension Index Futures during the review period.

2.4 Real Sector Interventions

The Bank's interventions continued to facilitate the flow of credit to projects with potential to catalyse and transform the productive base of the economy. The interventions are designed to stimulate private sector investment to priority sectors, promote the generation of sustainable jobs, support households' income and consumption, boost non-oil exports and sustain economic growth.

2.4.1 Agricultural Policy Support

2.4.1.1 Agricultural Credit Guarantee Scheme

In the first half of 2022, a total of 13,194 loans, valued ₦3.22 billion, were guaranteed under the Scheme, compared with 21,872 loans, valued ₦3.62 billion in the preceding period. This indicated decreases of 39.7 and 11.2 per cent in number and value of loans guaranteed, respectively. A total of 11,773 loans, valued ₦2.14 billion, were repaid at end-June 2022, compared with 13,349 loans, valued ₦2.01 billion, repaid at end-December 2021, reflecting a decrease of 11.81 per cent in number and an increase of 6.47 per cent in value of repaid loans.

2.4.1.2 Commercial Agriculture Credit Scheme

The sum of ₦28.30 billion was disbursed in the first half of 2022, reflecting an increase of 113.26 per cent, compared with ₦13.27 billion in the second half of 2021. A total of ₦32.86 billion was repaid in the review period, indicating a decrease of 31.51 per cent, compared with ₦48.14 billion in the second half of 2021.

2.4.1.3 Anchor Borrowers' Programme

The sum of ₦35.52 billion was disbursed in the first half of 2022 to 28,876 smallholder farmers for production of major agricultural commodities, compared with ₦246.67 billion disbursed to 679,776 farmers in the preceding period. A total of 128,579 hectares of land were cultivated, compared with 1,123,684 hectares in the second half of 2021, reflecting a decrease of 88.56 per cent. The sum of ₦42.99 billion was repaid in the review period, compared with ₦196.48 billion in the preceding period, reflecting a decrease of 78.12 per cent.

2.4.1.4 Accelerated Agriculture Development Scheme

The sum of ₦1.50 billion was disbursed in the first half of 2022, compared with ₦0.04 billion in the second half of 2021. Repayments under the Scheme amounted to ₦4.37 billion in the review period, compared with ₦5.31 billion in the preceding period.

2.4.1.5 Paddy Aggregation Scheme

The sum of ₦6.20 billion was released in the review period, while no disbursement was made in the second half of 2021. There was no repayment as it was not due in the period under review, while the sum of ₦4.66 billion was repaid in the second half of 2021.

2.4.1.6 National Food Security Programme

There were no disbursements in the review and preceding periods under the Programme. However, repayments of ₦2.03 billion were made in the first half of 2022, compared with ₦2.30 billion in the second half of 2021, indicating a decrease of 11.74 per cent.

2.4.2 Small and Medium Enterprises & Industrial Policy Support

2.4.2.1 Micro, Small and Medium Enterprises Development Fund

During the review period, there was no disbursement, compared with ₦0.69 billion disbursed in the second half of 2021. A total of ₦2.52 billion was repaid in the review period, compared with ₦2.81 billion in the second half of 2021, reflecting a decrease of 10.32 per cent.

2.4.2.2 Agribusiness/Small and Medium Enterprises Investment Scheme

In the review period, the sum of ₦1.60 billion was disbursed for 2,720 projects, compared with ₦22.92 billion disbursed for 8,538 projects in the second half of 2021. This indicated decreases of 93.02 and 68.14 per cent in value and number of projects, respectively. Repayments in the review period amounted to ₦7.65 billion, compared with ₦1.16 billion in the second half of 2021, indicating an increase of 559.48 per cent.

2.4.2.3 Creative Industry Financing Initiative

There was no disbursement in the first half of 2022, compared with ₦0.26 billion disbursed for 31 projects in the second half of 2021. The sum of ₦0.28 billion was repaid in the period under review, compared with ₦0.25 billion repaid in the second half of 2021, reflecting an increase of 11.98 per cent.

2.4.2.4 Targeted Credit Facility

During the review period, the sum of ₦24.37 billion was disbursed to 50,302 beneficiaries, compared with ₦69.90 billion disbursed to 136,532 beneficiaries in the second half of 2021, reflecting decreases of 65.14 and 63.16 per cent in value and number of beneficiaries, respectively. There was no repayment in the review period.

2.4.2.5 Nigeria Youth Investment Fund

During the period under review, there was no disbursement, compared with ₦0.88 billion disbursed in the second half of 2021. The sum of ₦0.28 billion was repaid in the period under review, compared with ₦2.61 billion in the preceding period.

2.4.2.6 Tertiary Institutions Entrepreneurship Scheme

The sum of ₦0.26 billion was disbursed to 53 beneficiaries, compared with ₦0.03 billion disbursed to 6 beneficiaries in the preceding period, indicating an increase of 806.42 per cent. There was no repayment as all the facilities were still under moratorium.

2.4.3 Real Sector Policy Support

2.4.3.1 Real Sector Support Facility

The Real Sector Support Facility (RSSF) had been discontinued since 2018. However, the sum of ₦21.65 billion was repaid from outstanding disbursements, compared with ₦6.62 billion in the preceding period.

2.4.3.2 RSSF - Differentiated Cash Reserve Requirement

The sum of ₦210.29 billion was disbursed to 34 projects in the first half of 2022, compared with ₦476.30 billion disbursed to 39 projects in the second half of 2021, reflecting decreases of 55.85 and 12.82 per cent in terms of total amount disbursed and number of projects financed, respectively. The sum of ₦18.49 billion was repaid in the review period, compared with ₦0.08 billion in the preceding period.

2.4.3.3 COVID-19 Intervention for the Manufacturing Sector

In the review period, the sum of ₦413.81 billion was disbursed for 50 projects, compared with no disbursement in the second half of 2021. The sum of ₦12.01 billion was repaid, while no repayment was made in the preceding period as the facilities were then under moratorium.

2.4.3.4 Healthcare Sector Intervention Facility

The sum of ₦17.21 billion was disbursed for 11 projects in the first half of 2022, compared with ₦11.05 billion in the second half of 2021, representing 55.75 per cent increase. The sum of ₦6.12 billion was repaid, while no repayment was made in the preceding period, as most facilities were then under moratorium.

2.4.3.5 Healthcare Sector Research and Development Intervention (Grant) Scheme

The sum of ₦0.02 billion was released in the first half of 2022, compared with ₦0.03 billion in the second half of 2021, reflecting a decrease of 46.36 per cent.

2.4.3.6 Textile Sector Intervention Facility

There was no disbursement in the review period, as against the sum of ₦0.90 billion was disbursed to two projects in the second half of 2021. The sum of ₦8.62 billion was repaid in the review period, compared with ₦3.27 billion in the second half of 2021.

2.4.3.7 CBN-BOI Industrial Facility

In the first half of 2022, ₦50.00 billion was released under this intervention to BOI, compared with zero disbursement in the second half of 2021.

2.4.3.8 Presidential Fertilizer Initiative

There were no disbursements in both the review and preceding periods. However, the sum of ₦3.00 billion was repaid in the first half of 2022, compared with ₦2.75 billion in the second half of 2021.

2.4.3.9 Intervention Facility for the National Gas Expansion Programme

In the review period, the sum of ₦26.00 billion was disbursed for four projects, compared with ₦24.00 billion for four projects in the second half of 2021. There was no repayment, as the facilities were under moratorium.

2.4.3.10 Shared Agent Network Expansion Facility

There was no disbursement under the Facility in both the review and preceding periods. The sum of ₦0.37 billion was repaid in the first half of 2022, compared with ₦0.14 billion in the second half of 2021.

2.5 Export Policy Support

2.5.1 Non-oil Export Stimulation Facility

There was no disbursement in the period under review, compared with ₦1.75 billion in the second half of 2021. The sum of ₦2.00 billion was repaid, compared with ₦3.88 billion in the preceding period.

2.5.2 Export Facilitation Initiative

The sum of ₦36.00 billion was disbursed for five projects in the review period, while there was no disbursement in the second half of 2021. There was no repayment as the facilities were under moratorium.

2.6 Energy Policy Support

2.6.1 Power and Airline Intervention Fund

The review period recorded no disbursement, as against ₦0.99 billion in the preceding period. However, the sum of ₦15.91 billion was repaid, compared with ₦6.56 billion in the second half of 2021.

2.6.2 Nigerian Electricity Market Stabilisation Facility

The sum of ₦34.36 billion was disbursed in the review period, under Phase 2 of the Nigerian Electricity Market Stabilisation Facility (NEMSF), compared with ₦96.71 billion in the second half of 2021. No repayment was made as the facilities were under moratorium.

Meanwhile, the sum of ₦10.91 billion, was repaid in the first half of 2022, under Phase 1 of the NEMSF, compared with ₦14.53 billion in the second half of 2021.

2.6.3 Nigeria Bulk Electricity Trading – Payment Assurance Facility

During the review period, ₦26.93 billion was disbursed, compared with ₦301.35 billion to Nigeria Bulk Electricity Trading Plc (NBET Plc), through BOI in the second half of 2021, reflecting a decrease of 91.06 per cent. The sum of ₦322.87 billion was repaid in the first half of 2022, while there was no repayment in the preceding period.

2.6.4 National Mass Metering Programme

In the first half of 2022, the sum of ₦199.90 million was disbursed, compared with ₦11.79 billion in the second half of 2021, reflecting a decrease of 98.31 per cent. There was no repayment as 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 downwards, indicating decreased lending against movable assets offered as collateral by individuals and MSME borrowers in the review period.

A total of 44 financial institutions registered 37,444 financing statements valued ₦221.20 billion and US$19.80 million in respect of 38,744 borrowers, compared with 52,085 financing statements valued ₦6.87 trillion and US$827.50 million in favour of 53,291 borrowers recorded in the second half of 2021. In addition, a total of 63,992 searches were conducted in the review period, compared with 67,215 in the second half of 2021, reflecting a decrease of 4.79 per cent.

Table 2:20 transactions on the National Collateral Registry Portal

Debtor Type	Number of Financing Statements		Number of Borrowers		Currency	Value of Financing Statements (' billion)	
	H2 2021	H1 2022	H2 2021	H1 2022		H2 2021	H1 2022
Individual	50,245	34,061	51,154	34,919	NGN	6,712.69	114.62
Large Business	194	201	249	294	NGN	130.13	25.70
					USD	0.76	0.004
					EUR	0.00	0.00011
Medium Business	919	1,669	1,047	1,884	NGN	21.63	61.99
					USD	0.07	0.02
Micro Business	58	159	70	172	NGN	1.11	1.51
					USD	0.0005	0.00

Small Business	669	1,354	771	1,475	NGN	10.90	17.39
Total	**52,085**	**37,444**	**53,291**	**38,744**	**NGN**	**6,876.46**	**221.20**
					USD	**0.83**	**0.03**
					EUR	0.00	**0.00011**

Further analysis showed that a total of 17,986 or 48.03 per cent of the total financing statements were in respect of 18,360 women and women-owned enterprises, representing 47.39 per cent of the total number of borrowers.

Table 2:21 Women and Women-owned Businesses transactions on the National Collateral Registry Portal

Debtor Type	Number of Financing Statements		Number of women and Women-owned Enterprises		Currency	Value of Financing Statements (‘ billions)	
	H2 2021	H1 2022	H2 2021	H1 2022		H2-2021	H1-2022
Individual	22,421	17,561	19,631	17,832	NGN	30.85	59.33
Large Business	22	12	28	32	NGN	0.37	0.22
Medium Business	211	260	214	302	NGN	1.74	3.50
Micro Business	5	17	4	23	NGN	0.06	0.05
Small Business	114	136	131	171	NGN	1.10	1.46
Total	**22,773**	**17,986**	**20,008**	**18,360**	**NGN**	**34.12**	**64.56**

From inception to end-June 2022, a total of 139 financial institutions had registered 248,036 financing statements valued ₦15,358.44 billion, US$2.43 billion, €0.11 billion, and £27,352.00. An analysis of these figures showed that 105,296, representing 42.45 per cent of the total financing statements valued ₦267.37 billion and US$4.62 million were registered in respect of women and women-owned enterprises by 98 financial institutions.

2.8 Financial Inclusion

The Bank sustained its efforts towards economic recovery post Covid-19 era, by embarking on initiatives towards building a more inclusive, equitable and resilient economy. In the review period, some bank branches remained closed to customers as a result of the Covid-19 containment measures. However, most bank branches and other financial service access points continued to provide in-person services to customers. Similarly, the delivery of services through alternative channels, such as ATMs, PoS, Agent locations and mobile applications, was maintained.

Using the Bank Verification Number (BVN) count as an estimate of the number of new entrants into the banking system, it was revealed that a total of 3,577,980 new BVNs were issued in the review period, compared with 3,173,274 in the first half of 2021. Out of this figure, 1,370,875 females were registered in the second half of 2022, compared with 1,461,132 females in the preceding period.

In the first half of 2022, the financial sector recorded an increase in the number of agent locations where financial services could be accessed. At end-June 2022, SANEF reported a total of 1,249,845 agents under its agent expansion scheme, compared with 1,002,514 agents onboarded at end-December 2021. In terms of access points per capita, 1,179 agents served 100,000 adults in the first half of 2022, compared with 946 agents per 100,000 adults in the second half of 2021. Furthermore, the number of active PoS and ATMs stood at 19,355 and 915,519, respectively, at end-June 2022, 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 CMBs and 8.05 million accounts in MFBs) at end-December 2021, from 11.60 million accounts (made up of 4.33 million in CMBs and 7.27 million accounts in MFBs) at end-June 2021.

A total of 247,331 new agents were onboarded during the review period, compared with 225,854 in the preceding period. A total of 1,249,845 agents were registered under the SANEF agent expansion scheme. In terms of access point per capita, 1,179 agents were serving 100,000 adults in the first half of 2022, compared with 946 agents per 100,000 adults recorded in the second half of 2021. Furthermore, the number of active PoS at end-March 2022 stood at 737,502. During the period under review, the number of deposit and credit accounts increased to 229.87 million and 15.72 million, from 198.82 million and 12.33 million at end-December 2021, respectively.

Table 2:22 Financial Inclusion Statistics

INDICATOR	END-DECEMBER 2021	END-JUNE 2022
New BVN Registration	3,173,274	3,577,980
New BVN Registration (Female)	1,461,132	1,370,875
Total Agents	1,002,514	1,249,845
Nos Of Onboarded (New) Agents	225,854	247,331
Nos Of Agents Per 100,000 Adults	946	1,179
Active PoS Deployed	645,500	871,591
Nos Of Deposit Accounts (Million)	198.82	229.87
Nos Of Credit Accounts (Million)	12.33	15.72

3 REGULATORY AND SUPERVISORY ACTIVITIES

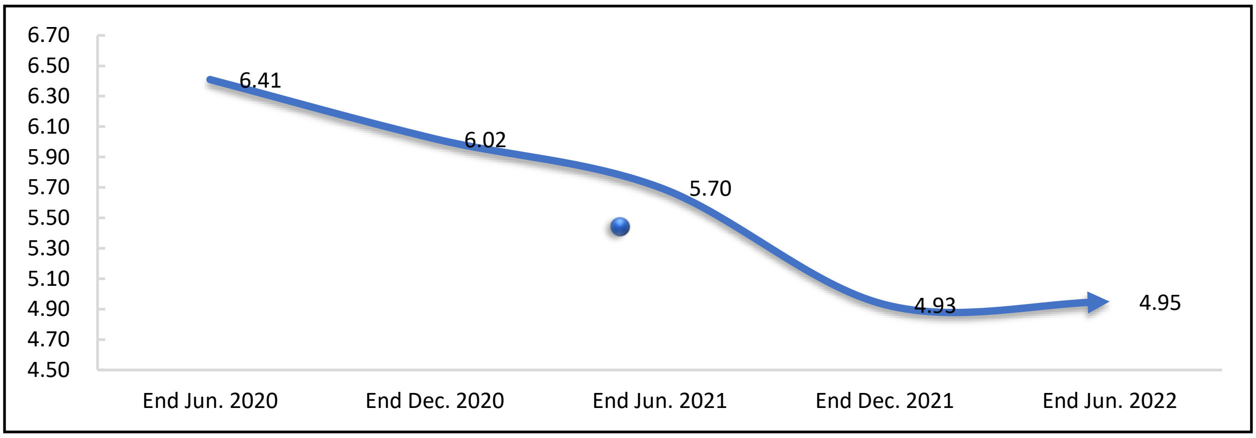
3.1 Financial Soundness Indicators

3.1.1 Asset-Based Indicators

3.1.1.1 Non-Performing Loans Ratio

The quality of banks' assets, measured by the ratio of non-performing loans (NPLs) to gross loans, was 4.95 per cent at end-June 2022, compared with 4.93 per cent at end-December 2021.

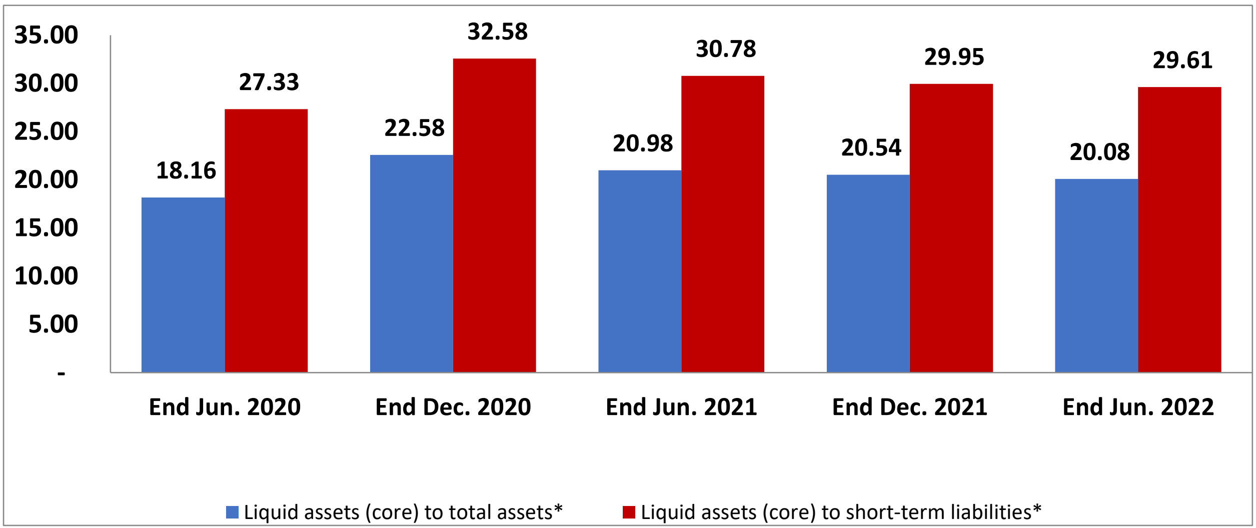
Figure 3.1 Banking Industry NPLs to Gross Loans



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 0.46 percentage point to 20.08 per cent at end-June 2022, from 20.54 per cent at end-December 2021. Similarly, the ratio of core liquid assets to short-term liabilities declined by 0.34 percentage point to 29.61 per cent at end-June 2022, compared with 29.95 per cent at end-December 2021. The decline was due to increased lending to the real sector and households, in line with the Bank's policies to encourage lending to key sectors of the economy.

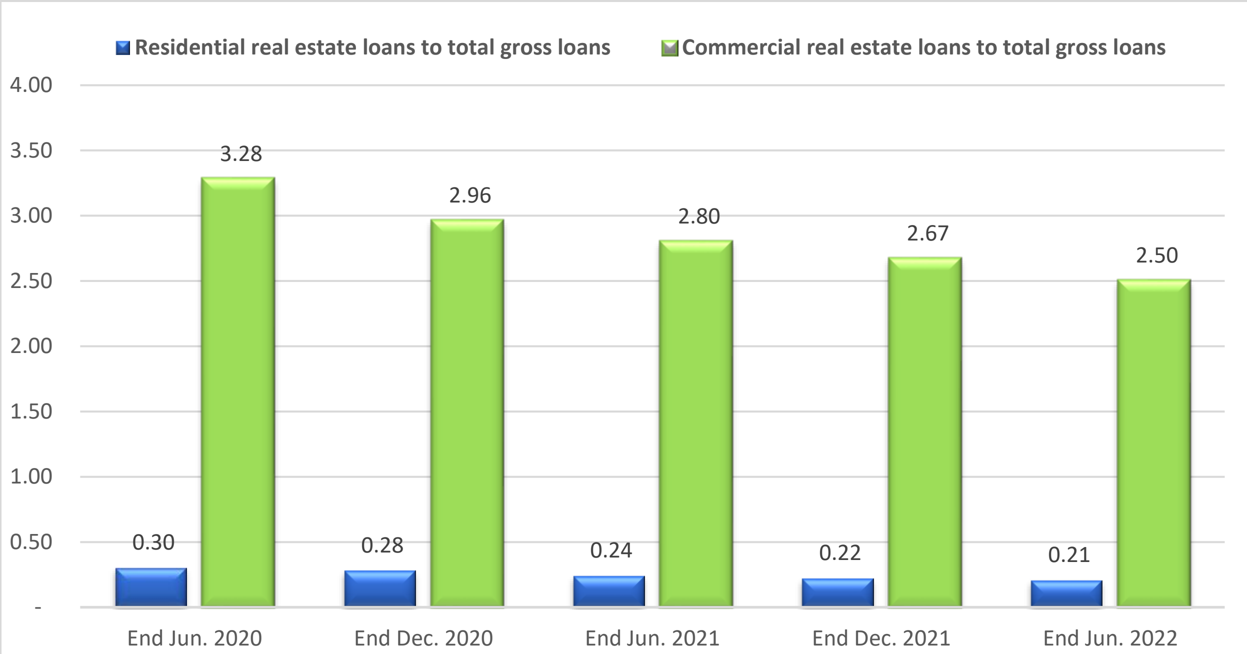
Figure 3.2 Banking Industry Liquidity Indicators (%)



3.1.1.3 Exposure of Banking System to Real Estate Subsector

The banks' exposure to the real estate sub-sector (residential and commercial) declined marginally in the review period. The ratio of residential real estate loans to total gross loans decreased by 0.01 percentage point to 0.21 per cent at end-June 2022, from 0.22 per cent at end-December 2021. Similarly, the ratio of commercial real estate loans to total gross loans declined by 0.17 percentage point to 2.50 per cent at end-June 2022, compared with 2.67 per cent at end-December 2021.

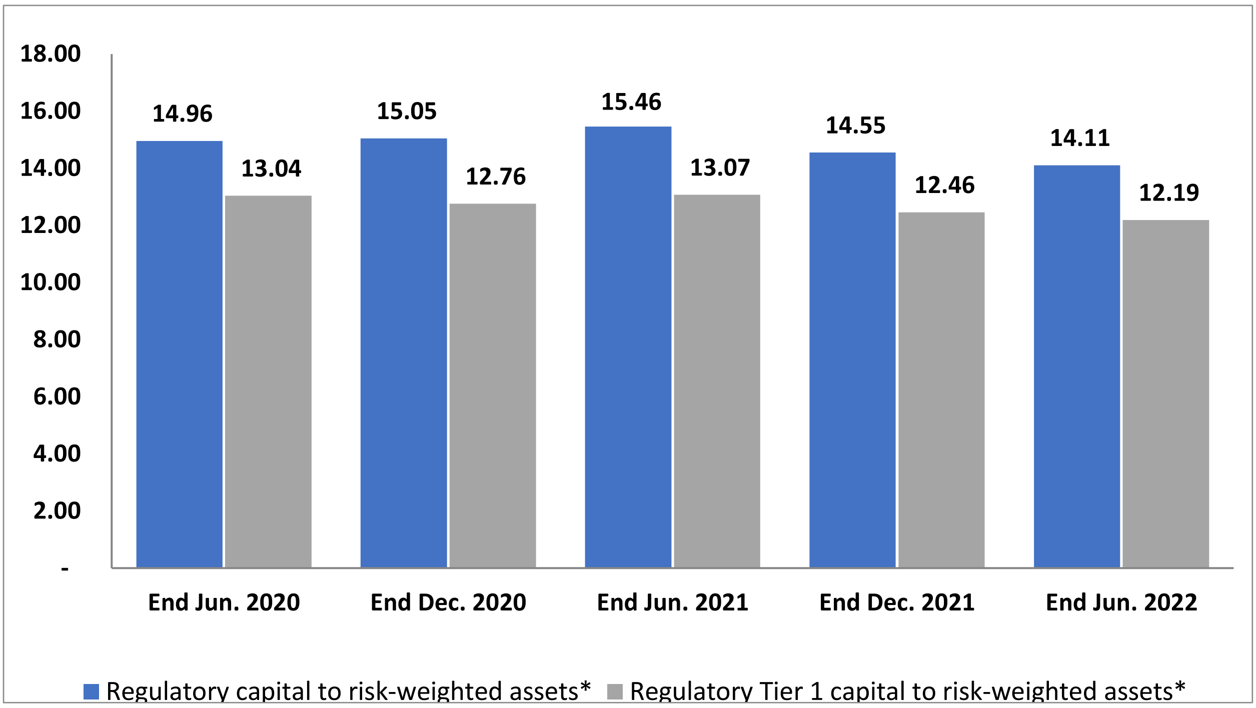
Figure 3.3 Banking Industry Real Estate Indicators (%)



3.1.2 Capital-Based Indicators

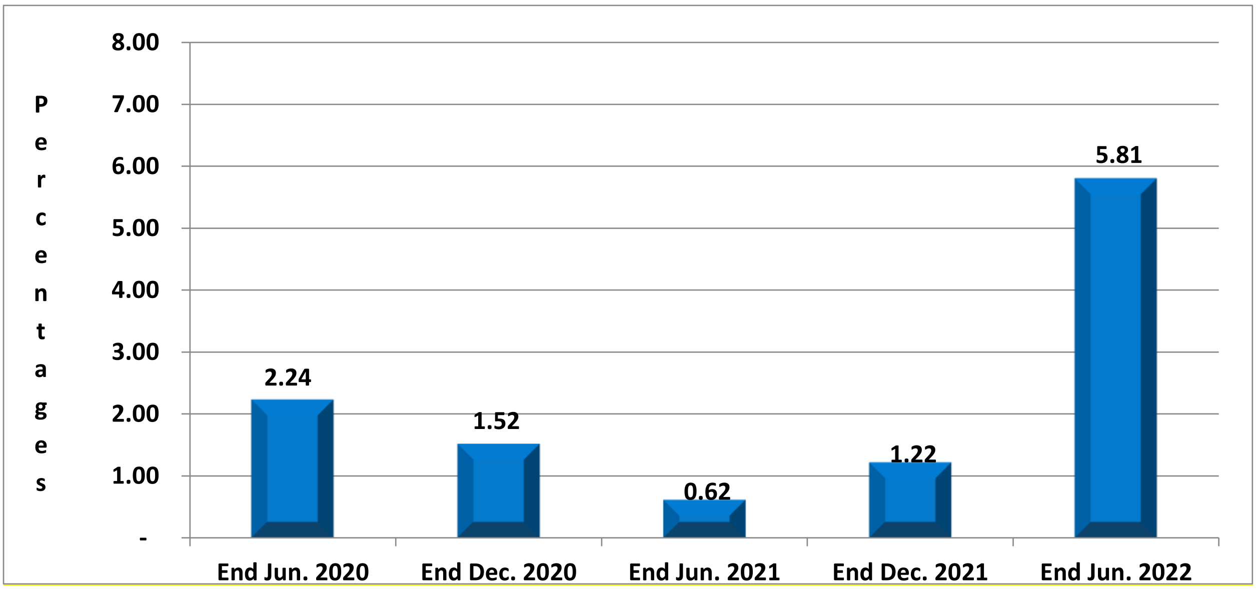
The banking industry's solvency, measured by qualifying capital to risk-weighted assets, declined to 14.11 per cent at end-June 2022, compared with 14.55 per cent at end-December 2021, owing largely to growth in risk assets and loan loss provisions. Similarly, the regulatory tier-1 capital to risk-weighted assets decreased to 12.19 per cent at end-June 2022, from 12.46 per cent at end-December 2021.

Figure 3.4 Banking Industry Capital Adequacy Indicators (%)



The capacity of the banks' capital to withstand losses declined as the ratio of non-performing loans net of provisions to capital increased to 5.18 per cent at end-June 2022, from 1.22 per cent at end-December 2021. This was due mainly to some NPLs being written-off against provisions, hence, reducing the quantum of provisions which resulted in a higher indicator at end-June 2022.

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 marginally by 0.66 percentage point to 47.93 per cent during the review period, compared with 48.59 per cent at end-June 2022. Similarly, the ratio of non-interest expenses to gross income declined by 0.10 percentage point to 65.04 per cent at end-June 2022, relative to 65.14 per cent at end-December 2021.

The ratio of personnel expenses to non-interest expenses declined to 25.47 per cent at end-June 2022, from 29.38 per cent at end-December 2021.

Table 3:1 Selected Financial Soundness Indicators of the Nigerian Banking Industry

	2020		2021		2022
	End Jun	End Dec	End Jun	End Dec	End June
Assets Based Indicators					
Non-performing loans to total gross loans *	6.41	6.02	5.70	4.93	4.95
Liquid assets (core) to total assets*	18.16	22.58	20.98	20.54	20.08
Liquid assets (core) to short-term liabilities*	27.33	32.58	30.78	29.95	29.61
Residential real estate loans to total gross loans	0.30	0.28	0.24	0.22	0.21
Commercial real estate loans to total gross loans	3.28	2.96	2.80	2.67	2.50
Capital Based Indicators					
Regulatory capital to risk-weighted assets*	14.96	15.05	16.46	14.55	14.11
Regulatory Tier 1 capital to risk-weighted assets*	13.04	12.76	13.07	12.46	12.19
Nonperforming loans net of provisions to capital *	2.24	1.52	0.62	1.22	5.81
Return on assets*	2.50	2.17	1.21	2.31	2.01
Income and Expense Based Indicators					
Interest margin to gross income*	56.79	56.43	58.71	48.59	47.93
Noninterest expenses to gross income*	55.26	61.59	72.57	65.14	65.04
Personnel expenses to noninterest expenses	32.68	29.37	28.09	29.38	25.47

**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

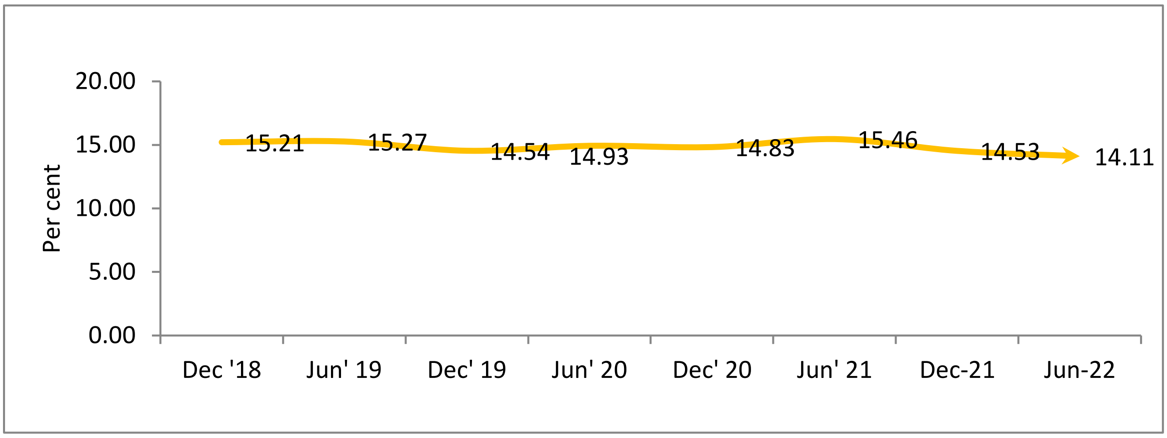
3.2.1.1 Baseline Position

The baseline CAR, LR and NPL ratio were 14.11, 42.63 and 4.95 per cent, respectively. Also, Return on Assets (ROA) and Return on Equity (ROE) stood at 1.40 and 17.30 per cent, respectively, at end-June 2022.

Table 3:2 Banking Industry Baseline Selected Key Indicators

	CAR	LR	NPLs	ROA	ROE
Dec 2021 (%)	14.53	41.33	4.80	2.31	27.47
Jun 2022 (%)	14.11	42.63	4.95	1.40	17.30
Percentage Points Change	-0.42	1.30	0.15	-1.10	-13.20

Figure.3.6 Banking Industry CAR (per cent)



3.2.1.2 Credit Risk

Analysis of general credit risk revealed that shocks of 15, 20, 30 and 50 per cent increases in NPLs would result in the banking industry CAR declining to 13.80, 13.64, 13.49 and 13.17 per cent, respectively, from the baseline of 14.11 per cent. Similarly, a shock of 100 per cent increase in NPLs would lead to a decrease of banking industry CAR to 10.88 per cent.

The stress test revealed that the banking industry could withstand a shock of "up to 100 per cent increase" in the industry NPLs, as the industry CAR would remain above the regulatory requirement of 10 per cent.

Table 3:3 Credit Default Shocks

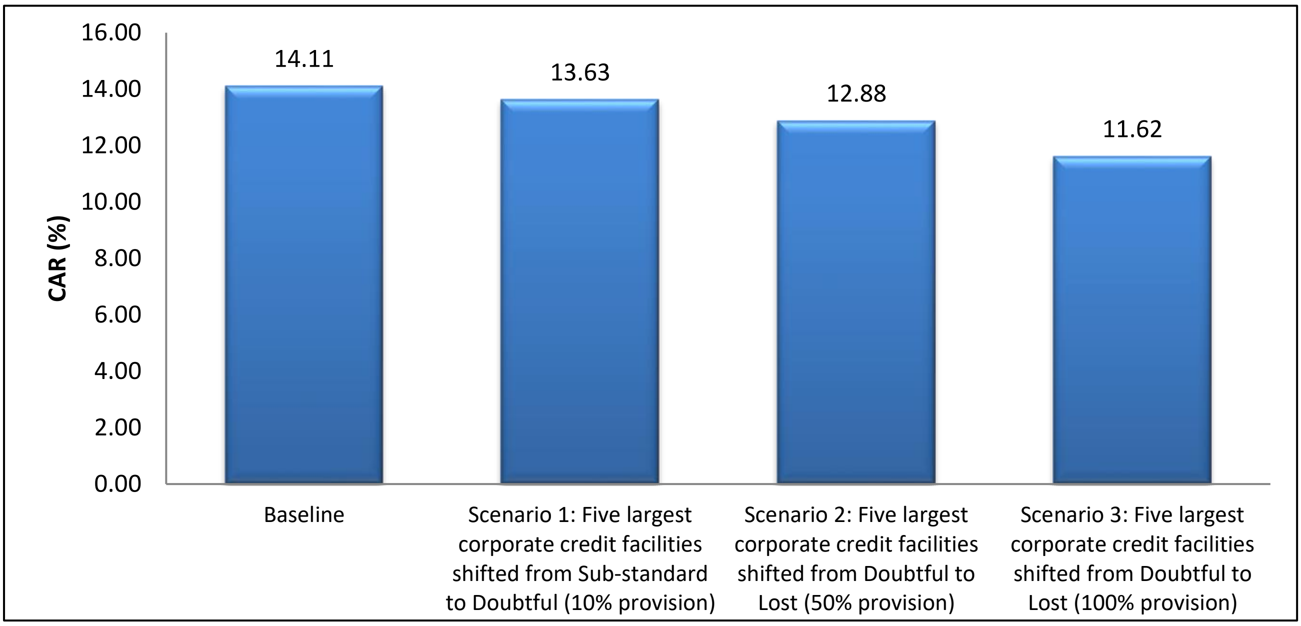
Single Factor Shocks	December 2021	June 2022
Baseline CAR (%)	14.53	14.11
10% NPLs increase	14.19	13.80
15% NPLs increase	14.03	13.64
20% NPLs increase	13.86	13.49
30% NPLs increase	13.53	13.17
50% NPLs increase	12.86	12.53
100% NPLs increase	11.13	10.88

Similarly, analysis of obligor credit concentration shocks of five largest corporate credit facilities shifting from performing loans to sub-standard and sub-standard to doubtful would result in banking industry CAR declining to 13.63 and 12.88 per cent, respectively, from 14.11 per cent. In addition, a shock of five largest corporate credit facilities shifting from doubtful to lost would result in banking industry CAR declining to 11.52 per cent. The result of the tests showed resilience to obligor credit concentration risk as the CAR would remain above the 10.00 per cent regulatory threshold under stress test scenarios 1, 2 and 3.

Table 3:4 Credit Concentration Risk

	December 2021	June 2022
Baseline CAR (%)	14.53	14.11
Single Factor Credit Concentration Shocks		
Scenario 1 **Five largest corporate credit facilities shifted from performing loans to sub-standard (10% provision)**	14.04	13.63
Scenario 2 **Five largest corporate credit facilities shifted from sub-standard to doubtful (50% provision)**	13.31	12.88
Scenario 3 **Five largest corporate credit facilities shifted from doubtful to lost (100% provision)**	12.05	11.62

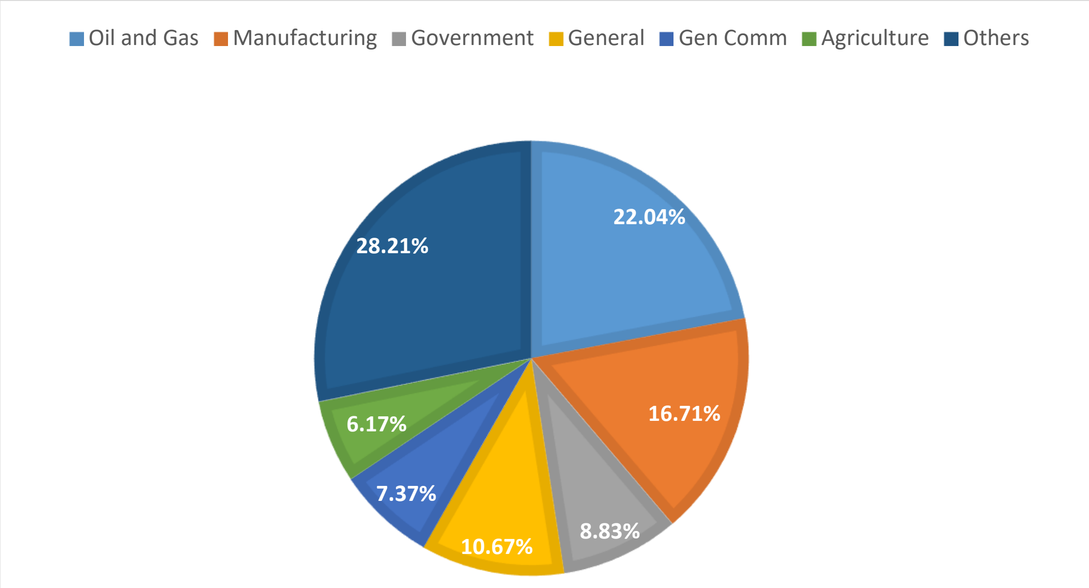
Figure 3.7 Credit Concentration Risk



3.2.1.3 Sectoral Credit Concentration Risk

A breakdown of banking industry total credit by sector at end-June 2022 showed that the Oil & Gas sector accounted for 22.04; Manufacturing 16.71; General 10.67; Government 8.83; General Commerce 7.37; Agriculture 6.17 and Others 28.21 per cent.

Figure 3.8 Sectoral Concentration of Credit



The results of sectoral credit concentration risks showed that 20.00 per cent default on total exposure to Oil & Gas could result in CAR decreasing to 13.44 per cent, while a 50.00 per cent default on total exposure to Oil & Gas could lead to the industry CAR declining to 9.73 per cent. Thus, the sector concentration stress test showed that the banking industry could withstand "up to 20.00 per cent shock" to Oil and Gas exposures.

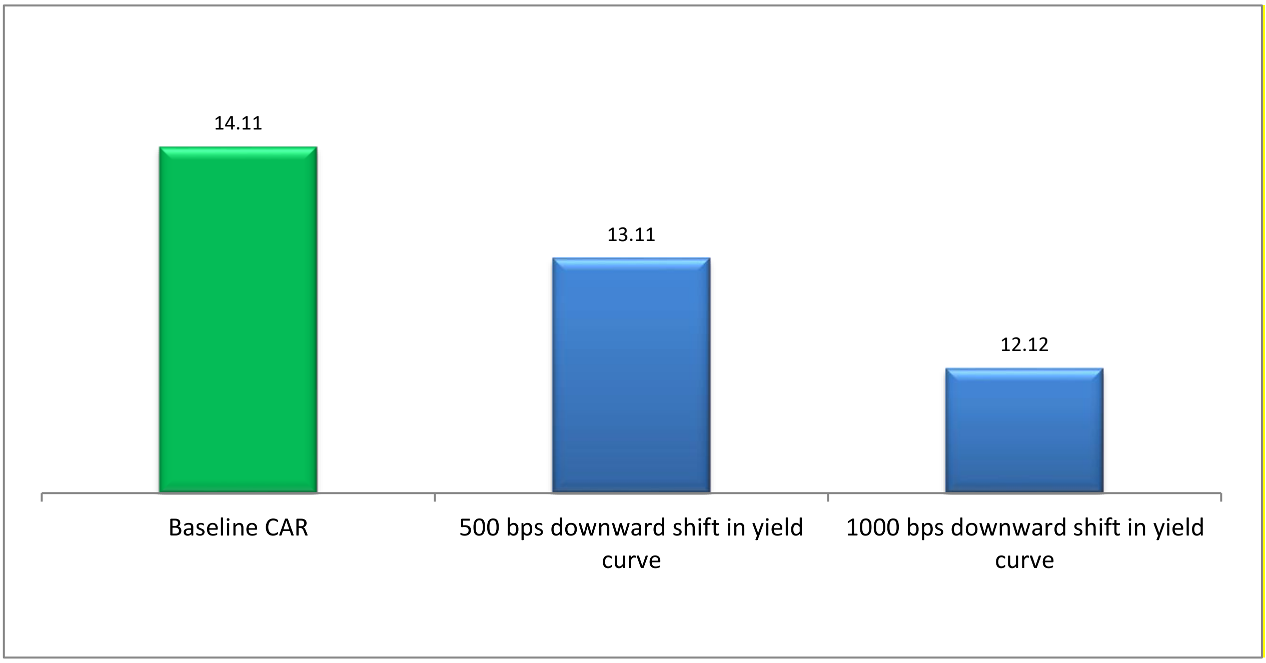
Table3:5 Stress Test on Oil and Gas Exposures

	Industry CAR (%)
Baseline CAR	14.11
20% Default on total exposure to Oil and Gas	13.44
50% Default on total exposure to Oil and Gas	9.73

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 12.12 per cent remained above the regulatory threshold of 10.00 per cent.

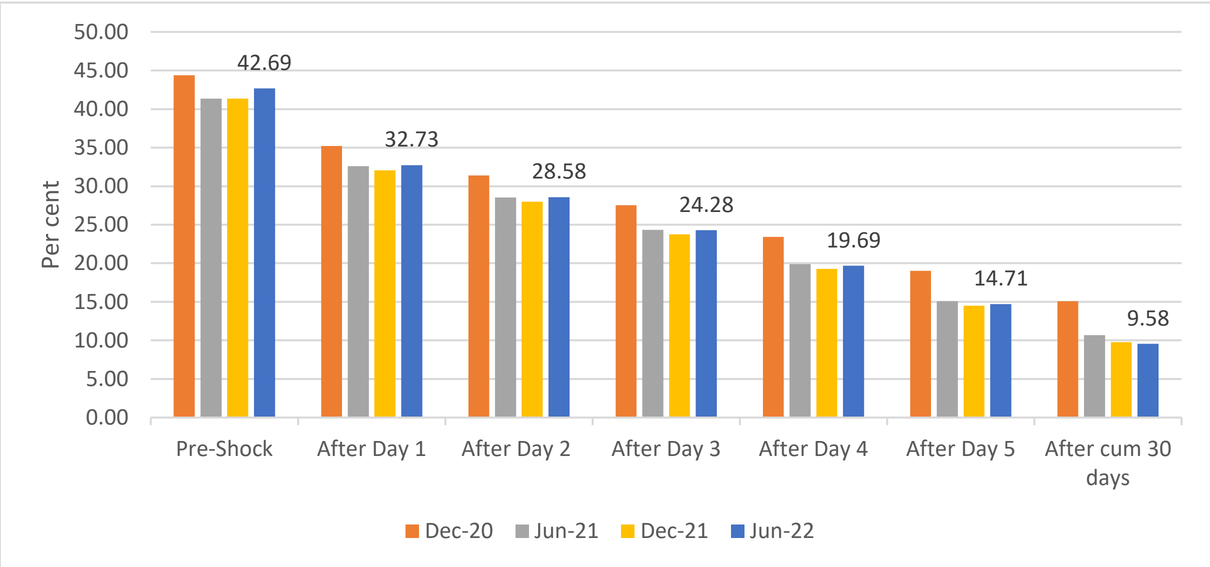
Figure 3.9 Impact of Interest Rate Shocks on CAR



3.2.2 Liquidity Stress Test[3]

The stress test results revealed that after a one-day run scenario, the LR of the industry could decline from the 42.69 per cent baseline position to 32.73 per cent. However, under the 5-day and 30-day scenarios, the LR for the industry could decline to 14.71 and 9.58 per cent, which could result in liquidity shortfalls of ₦3.87 trillion and ₦4.84 trillion, respectively.

Figure 3.10 Industry Liquidity Ratios at Periods 1-5 and cumulative 30-day Shocks



[3] Liquidity stress tests were conducted at end-June 2022 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.

Table 3:6 Liquidity Stress Test Results

Scenario	Banks with Liquidity Ratios (LR) < 30%		December 2021	
	December 2021	June 2022	Industry LR (%)	Shortfall to 30% LR threshold (₦' billion)
Test 1.1: Implied Cash Flow Test				Test 1.1: Implied Cash Flow Test
Day 1	9	13	32.73	Nil
Day 2	14	19	28.58	431.96
Day 3	19	21	24.28	1,623.78
Day 4	20	21	19.69	2,760.48
Day 5	21	23	14.71	3,865.63
Implied Cash Flow Test (30 Days)	22	24	9.58	4,836.98

3.2.3 Maturity Mismatch

The industry's baseline assets and liabilities maturity profile at end-June 2022 showed an excess of ₦1,427.74 trillion in assets over liabilities. Further analysis revealed that the short-end of the market (≤90 day bucket) was adequately funded.

Table 3:7 Maturity Profile of Assets and Liabilities at End-June 2022

Bucket	Liabilities	Assets	Mismatch	Cumulative Mismatch
	N Billion			
≤30 days	33,948.91	20,530.76	13,428.21	13,428.21
31-90 days	4,933.13	3,839.70	1,099.74	14,527.95
91-180 days	1,584.54	3,904.52	(2,296.94)	12,231.01
181-365 days	1,168.38	4,099.75	(2,912.36)	9,318.65
1-3 years	2,200.01	5,529.72	(3,310.55)	6,008.11
>3 years	3,185.51	10,543.78	(7,320.42)	(1,312.31)
Total	47,020.48	48,448.23	(1,427.74)	

Table 3:8 Test Results for System-wide Maturity Mismatch at End-June 2022

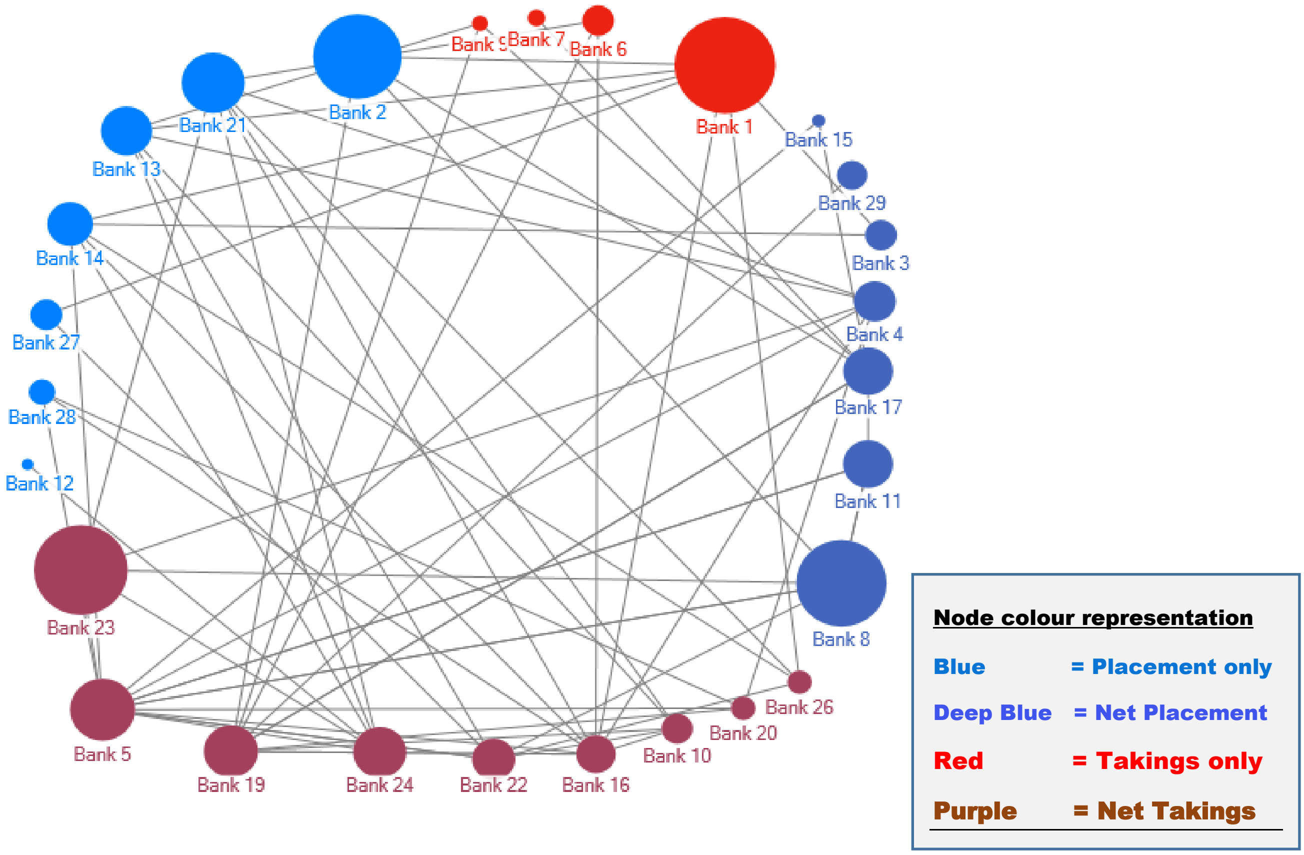
	Test 2A Descriptive Maturity Mismatch. (No consideration of rollover)		Test 2B Static Rollover risk Analysis. (No possibility to close liquidity gaps in other buckets)		Test 2C Dynamic Rollover risk test. (Free assets used to close liquidity gaps in other buckets)	
	₦ 'billion	No of banks with mismatch	₦ 'billion	No of banks with mismatch	₦ 'billion	No of banks with mismatch
≤30 days	18,704.88	4	11,915.10	4	(36.96)	4
31-90 days	6,380.16	5	(287.84)	15	(175.46)	6
91-180days	2,966.75	10	(2,636.89)	26	(495.59)	9
181-365days	2,355.37	14	(3,281.88)	28	(484.58)	10
1-3 Years	1,957.03	18	(3,989.71)	29	(1,248.85)	14
Above 3 years	(2,071.54)	29	(7,358.27)	29	(5,392.04)	23
Total	30,292.64		(5,639.50)		(7,833.49)	

The test results under 2A revealed that the banking industry was adequately funded except for the "above 3 years" bucket, while under Tests 2B and 2C the industry had mismatches of ₦5.64 trillion and ₦7.83 trillion, respectively. These indicated increases of ₦1.27 trillion and ₦0.13 trillion under the Test 2B and Test 2C, respectively, relative to end-December 2021 test result.

3.2.4 Contagion Risk Analysis

The contagion risk analysis depicted an increase in interconnectedness through inter-bank placements and takings. The total exposure increased by 49.04 per cent to ₦597.49 billion at end-June 2022, from ₦352.86 billion at end-December 2021. Further analysis revealed that six banks accounted for ₦387.30 billion or 64.82 per cent of total placements, while another six banks accounted for ₦432.14 billion or 72.33 per cent of total takings. 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 maintained its supervisory and surveillance activities in the banking sector towards promoting a safe, stable and sound financial system. These activities included offsite appraisal of banks' requests and periodic returns, regular onsite assessments and issuance of guidance notes to banks.

3.3.1 Examination

The joint CBN and NDIC Risk Asset Examination (RAE) of 31 banks (commercial, merchant and non-interest) was carried out in the review period to evaluate the quality of the banks' assets and ensure the adequacy of loan loss provisioning. The banks were generally compliant with extant regulations. However, some infractions were observed and regulatory actions taken.

The CBN also monitored the banks' implementation of the recommendations from the previous risk-based supervision reports during the period. The findings showed that banks had largely implemented the recommendations.

3.3.2 Foreign Exchange Examination

A routine examination of 29 Authorised Dealers (ADs), consisting of 25 commercial and four merchant banks, was carried out on banks' foreign exchange activities to assess compliance with extant regulations, identify and address anomalies, customer complaints, and other emerging issues.

In addition, spot checks on customers' applications under the RT200 scheme and utilisation of Invisibles were conducted. In line with extant regulations, appropriate regulatory actions were taken where infractions were observed.

3.3.3 Non-Interest Banks

During the review period, a non-interest microfinance bank (MFB) was licensed, bringing the total number of Non-interest Financial Institutions (NIFIs) in operation to nine, comprising three banks, two non-interest windows and four MFBs.

A compendium of the Resolutions of the Financial Regulation Advisory Council of Experts (FRACE) Series 1 was published during the review period to engender comprehensive understanding of NIFIs products and services.

The total assets of non-interest banks (NIBs) stood at ₦547.08 billion at end-June 2022, representing 0.84 per cent of total banking industry assets. Additionally, their total deposits and total credits of ₦199.35 billion and ₦208.20 billion represented 0.47 and 0.77 per cent of the industry deposit and credit, respectively.

3.3.4 Supervision of Domestic Systemically Important Banks

In the review period, the Bank conducted a bi-annual assessment of banks in accordance with the Framework for the Regulation and Supervision of Domestic Systemically Important Banks (D-SIBs). Five banks maintained the designation as D-SIBs and continue to be subjected to enhanced supervision in view of the significant impact of the failure of any of the institutions on the financial system.

At end-June 2022, the five D-SIBs accounted for ₦37.73 trillion (57.62 per cent) of the industry's total assets of ₦65.48 trillion, compared with ₦34.20 trillion (57.73 per cent) in the preceding period. Similarly, D-SIBs held ₦25.41 trillion (60.45 per cent) of total industry deposits of ₦42.03 trillion, as against ₦23.06 trillion (60.02 per cent) of total industry deposits in the preceding period. Also, D-SIBs accounted for ₦15.22 trillion (56.25 per cent) of the aggregate industry credit of ₦27.06 trillion, compared with ₦13.78 trillion (56.05 per cent) of the aggregate industry credit in the preceding period. The D-SIBs were compliant with the prudential requirements during the review period.

3.3.4.1 Recovery and Resolution Plans

The D-SIBs submitted their Recovery and Resolution Plans (RRPs) in compliance with the D-SIB Supervisory Framework. Some lapses were observed in the RRPs, and the affected D-SIBs were required to address them in their subsequent submissions.

3.3.5 Asset Management Corporation of Nigeria

The value of AMCON's liabilities increased marginally to ₦5.72 trillion at end-June 2022, from ₦5.54 trillion at end-December 2021. Of this amount, the combined value of the AMCON Note of ₦3.86 trillion and Loan of ₦500.00 billion represented 76.26 per cent of the total liabilities. The Note would mature on December 27, 2023, while the ₦500.00 billion Loan is due for redemption on December 30, 2022. The Corporation's total assets, net of impairment, stood at ₦896.49 billion at end-June 2022, representing 15.58 per cent of the total liabilities.

During the review period, cash recoveries stood at ₦17.08 billion, while total assets forfeited in settlement of loans was ₦633.22 million. These brought the cumulative recoveries to ₦971.13 billion, comprising cash of ₦549.89 billion, and asset and shares forfeiture of ₦421.24 billion.

3.3.6 Cross Border Supervision of Nigerian Banks

3.3.6.1 Foreign Subsidiaries of Nigerian Banks

At end-June 2022, the number of offshore entities of Nigerian banks was 64, comprising 55 subsidiaries, four representative offices, one affiliate, three international branches and one agent banking arrangement.

The virtual risk-based supervision (RBS) examination of four offshore banking subsidiaries of a bank was conducted during the review period. The examination of the entities was a means of assessing the financial soundness of the banks and their compliance with extant laws and regulations, validating the returns submitted by the parent bank and addressing supervisory concerns noted in the operations of the offshore subsidiaries.

3.3.7 Credit Risk Management System

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

At end-June 2022, total number of credit facilities on the CRMS database stood at 34,344,280 reflecting an increase of 17.56 per cent over the end-December 2021 position of 29,213,129. The number comprised 33,491,862 credit facilities to individuals and 852,418 to non-individuals.

However, the total number of facilities with outstanding balances on the CRMS database, increased by 9.12 per cent to 5,344,602 at end-June 2022, from 4,898,075 at end-December

2021. The former number was made up of 5,260,750 credit facilities to individuals and 83,852 to non-individuals.

Table 3:10 Credit Risk Management System

Borrowers from the Banking Industry (Commercial, Merchant and Non-Interest Banks)				
Description	**December 2021**	**June 2022**	**Absolute Change: Increase/ (decrease)**	**% Change**
* Total No. of Credit/facilities reported on the CRMS:	29,213,129	34,344,280	5,131,151	17.56
Individuals	28,338,562	33,491,862	5,153,300	18.18
Non-Individuals	874,567	852,418	-22,149	-2.53
* Total No. of Outstanding Credit facilities on the CRMS:	4,898,075	5,344,602	446,527	9.12
Individuals	4,779,565	5,260,750	481,185	10.07
Non-Individuals	118,510	83,852	-34,658	-29.24

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

3.3.8 Credit Bureaux

The number of licensed credit bureaux remained three at end-June 2022. The aggregate credit records in the databases of the credit bureaux stood at 186.51 million, reflecting an increase of 25.27 million (15.67 per cent) from 161.24 million at end-December 2021. Also, there was a 6.44 per cent increase in the average number of subscribers which was attributed mainly to credit growth, increased coverage of the credit reporting system and improved awareness of the role of credit bureaux in the management of credit risk. The Bank continued to conduct routine offsite and onsite supervisory activities of the bureaux in the review period.

Table 3:11 Credit Bureaux Statistics

S/N		CRC Credit Bureau Ltd	CR Services Credit Bureau Plc	First Central Credit Bureau Ltd	Total
1	Number of credit records	66,732,752	64,100,565	55,681,214	186,514,531
2	Value of Credit Facilities (₦'Tn)	36.84	27.65	33.63	98.12

3	Number of borrowers	27,892,377	17,842,523	20,323,840	66,058,740
4	Number of subscribers	1,667	691	1,394	3,752

3.4 Supervision of Other Financial Institutions

During the review period, the Bank conducted target examination and Anti-Money Laundering, Combating the Financing of Terrorism (AML/CFT) examination of 204 OFIs. The target examination was conducted on 114 MFBs to ascertain their capital in line with the re-capitalisation deadline of April 2022.

The onsite AML/CFT examination of 90 OFIs, comprising 48 MFBs, four DFIs, 26 FCs and 12 PMBs, was conducted to ascertain their compliance with the extant AML/CFT regulations. Furthermore, the Money Laundering and Financing of Terrorism (ML/FT) risks of the OFIs were evaluated in line with the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) assessment requirements. The examination revealed some infractions and appropriate regulatory actions were taken on the affected institutions.

3.5 Other Developments in the Financial System

3.5.1 Anti-Money Laundering, Combating the Financing of Terrorism

The Bank, in collaboration with relevant agencies, sustained efforts aimed at maintaining a robust and effective Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing (AML/CFT/CPF) regime equipped to respond to evolving risks and vulnerabilities in the financial system.

During the review period, the following laws and regulations came into effect to strengthen AML/CFT/CPF regime in Nigeria:

- The Money Laundering (Prevention and Prohibition) Act (MLPPA), 2022;
- The Terrorism (Prevention and Prohibition) Act (TPPA), 2022;
- The Proceed of Crimes Act (POCA), 2022;
- Regulations for the Implementation of Targeted Financial Sanctions on Terrorism Financing; and
- Regulations for the Implementation of Targeted Financial Sanctions on Proliferation Financing.

The Bank also issued the "CBN Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing of Weapons of Mass Destruction in Financial Institutions Regulations 2022", which replaced the CBN AML/CFT Regulations 2013. The new regulation aims to safeguard financial institutions from being used for financial crimes through: adoption of appropriate policies to comply with AML/CFT/CPF regulations; formulation and implementation of internal controls and procedures to deter criminals; and adoption of risk-based approach in identification, assessment and management of money laundering, terrorist financing and proliferation financing risks, among others.

In addition, the Bank issued a guidance note on the CBN AML/CFT/CPF Regulations 2022 to OFIs to address challenges in the sub-sector and enable OFIs develop and implement effective risk-based AML/CFT/CPF programmes in line with the provisions of extant AML/CFT/CPF laws and regulations.

3.5.2 Capacity Building and Collaboration on AML/CFT/CPF

In the first half of 2022, the Bank conducted AML/CFT/CPF training for 630 staff of CMBs, MFBs, PMBs, DFIs, FCs and BDCs, and participated in the Financial Action Task Force (FATF) Standard Training to promote and deepen implementation of AML/CFT/CPF measures.

The Bank also participated in the 37th Plenary organised by the GIABA held in Saly, Senegal, as part of its collaborative effort with domestic and international stakeholders.

3.5.2.1 Anti-Money Laundering, Combating the Financing of Terrorism Cross-Border Examination

During the review period, on-site cross-border examination was conducted on two foreign subsidiaries of Nigerian banks to assess their compliance with home and host countries' AML/CFT laws and regulations. The examination revealed no issues of regulatory concern.

3.5.3 Activities of the Financial Services Regulation Coordinating Committee

The Financial Services Regulation Coordinating Committee (FSRCC) is an inter-agency body set-up by the CBN Act 2007 to promote financial system stability. Section 44 of the Act mandates the FSRCC, amongst others, to co-ordinate the supervision of financial institutions especially conglomerates; reduce arbitrage opportunities usually created by differing regulation and supervision standards amongst supervisory authorities; and eliminate any information gap encountered by any regulatory agency in its relationship with any group of financial intermediaries.

The FSRCC comprises of the CBN, SEC, Nigeria Deposit Insurance Corporation (NDIC), National Insurance Commission (NAICOM), Corporate Affairs Commission (CAC), National Pension Commission (PenCom), Federal Ministry of Finance, Budget and National Planning, and other observer members.

During the review period, the FSRCC continued its sensitisation against the activities of Ponzi schemes and illegal fund operators (IFOs). It published notices on the websites of all member agencies, and in ten National Dailies including one television station, cautioning the general public against patronising IFOs.

3.5.4 eNaira

3.5.4.1 Developments on eNaira Implementation

In the first half of 2022, the Bank sustained the implementation of eNaira, Africa's first Central Bank Digital Currency (CBDC). The Bank extended the charges-free regime for transactions to promote eNaira adoption, and embarked on "Project Jaeger" aimed at upgrading the eNaira technology stack for efficiency, robustness, scalability, in-house control, and cyber and operational resilience.

A combo version of eNaira speed wallet app was developed for flexibility and ease of accessibility. Web merchant wallet was also developed with functionalities that meet users' requirements, including dashboard analytics, centralised account management, payment approval workflows, and sub-wallets for big merchants. Furthermore, the Bank developed an in-house Compliance & Anti-Money Laundering (CAML) solution for eNaira operations, and referral functionality with incentives to encourage eNaira wallet holders to onboard potential users and drive adoption of the digital currency.

The Bank sustained its collaboration with domestic and international organisations towards continuous improvement of the eNaira services, and hosted delegates from the Bank of Uganda and Central Bank of Zimbabwe on eNaira study tour.

3.5.4.2 eNaira Statistics and Trends

The number of eNaira wallet downloads, onboarded customers and activated wallets were 807,920; 244,340; and 182,790, respectively at end-June 2022, reflecting increases of 32.45, 35.52, and 45.11 per cent over the preceding period figures.

Table 3:12 eNaira Wallet Holders

	Dec-21	Jun-22	% Change
eNaira Wallets Downloads	610,000	807,920	32.45
Onboarded Customers	180,300	244,340	35.52
Activated Wallets	125,970	182,790	45.11

The total eNaira minted remained ₦2 billion, while eNaira in circulation stood at ₦1.55 billion, leaving the balance of ₦0.45 billion with the CBN at end-June 2022. Of the total eNaira in circulation, ₦0.86 billion was held by financial institutions while ₦0.68 billion was with consumers and merchants.

Table 3:13 Minting and Holdings of eNaira

	Dec-21	Jun-22	% Change

eNaira Minted	N2 Billion	N2 Billion	
eNaira in Circulation:	940,450,000	1,545,350,000	64.32
In FIs' wallets	866,080,000	861,570,000	-0.52
In Consumers / Merchants' wallets	74,370,000	683,780,000	819.43
- In Stock with CBN	1,059,550,000	454,650,000	-57.09

3.5.5 Risk- Based Cybersecurity Assessment

The report of the CBN/NDIC Supervisory Review and Evaluation (SRE) of the annual cybersecurity self-assessment of the relevant Financial Institutions as stipulated in the CBN Risk-based Cybersecurity Framework and Guidelines was issued during the review period. Banks were required to correct observed lapses and provide appropriate updates.

3.5.6 Nigeria Sustainable Banking Principles

At end-June 2022, the total number of women in the banking industry was 25,997, representing 43.69 per cent of the total employees in the industry. Similarly, women had a total of 892 (34.76 per cent) top management positions, and 82 (23.63 per cent) board positions in the industry, compared with total female representation of 34,352 (36.90 per cent) in the industry, with 662 (32.00 per cent) at senior management and 91 (29.55 per cent) at board at end-December 2021.

Table 3:14 NSBP Statistics at end-June 2022

FEMALE REPRESENTATION IN THE BANKING INDUSTRY AS AT END-JUNE 2022				
S/N	**Item**	**Banking Industry**	**Female Representation**	**Percentage of Female Representation (%)**
1	Total Employees	59,505	25,997	43.69
2	Staff in Management Position	2,566	892	34.76
3	Board Members	347	82	23.63

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.

3.5.7 Post IFRS Implementation

The Bank wound down the four-year IFRS 9 transitional arrangement on December 31, 2021. The transitional programme mitigated the day-one impact of the implementation of the

Expected Credit Loss (ECL) model of credit impairment, thereby engendering financial system stability. Consequently, audited financial statements of banks at end-June 2022 did not contain the IFRS 9 day-one impact on capital adequacy ratio (CAR).

3.5.8 Implementation of Basel III

The parallel run for the implementation of Basel III continued in the review period. The parallel run entails the rendition of returns by banks on the Basel III requirements alongside the Basel II returns. The feedback from the banks and other stakeholders recommended for further review of the Guidelines and reporting templates to enhance clarity and regulatory expectations.

3.5.9 Internal Capital Adequacy Assessment Process

The CMBs submitted their 2022 Internal Capital Adequacy Assessment Process (ICAAP) reports during the review period for the annual Supervisory Review and Evaluation Process (SREP). The SREP was completed and the outcome would be integrated in the respective banks' Risk Based Supervisory Reports for 2022. The SREP revealed increased significance and complexity of cyber security, climate and sustainability risks in banks. The analysis of the reports also revealed that banks deployed various techniques for risk identification and materiality assessment; including stress testing methodologies to ensure capital adequacy. In all, the ICAAP documents substantially met the regulatory expectations.

3.6 Financial Literacy and Consumer Education

The Bank sustained the implementation of several initiatives in its efforts to deepen financial literacy and consumer education during the review period, including: Financial Literacy Awareness Workshops in collaboration with the Shared Agent Network Expansion Facility (SANEF); Global Money Week in collaboration with Bankers' Committee; Training of Trainers Programmes for various segments of the society such as faith-based organisations, youth groups and market associations.

3.7 Consumer Protection Compliance Examination of OFIs

The Bank conducted on-site Consumer Protection Compliance Examination of 18 OFIs to assess compliance with the provisions of the 2020 Guide to Charges by Banks, Other Financial Institutions and Non-Bank Financial Institutions, and the Consumer Protection Regulations (CPR). Non-compliant banks were notified of the violations and directed to make refunds to all affected customers as well as adopt measures to prevent reoccurrence.

3.8 Complaints Management and Resolution

The total number of complaints received against financial institutions in the period under review were 2,432, indicating a 2.05 per cent decrease from 2,483 in the second half of 2021. Out of the complaints received, 2,261 (93.00 per cent) were against banks and 171 (7.00 per cent) were against OFIs.

Further analysis indicated that Electronic/Cards related complaints constituted the highest at 845 (34.75 per cent), followed by Fraud with 697 (28.66 per cent), Account Management 644 (26.48 per cent), Excess Charges 115 (4.73 per cent), while Others accounted for 131 (5.38 per cent).

Figure 3.12 Number of Complaints Received

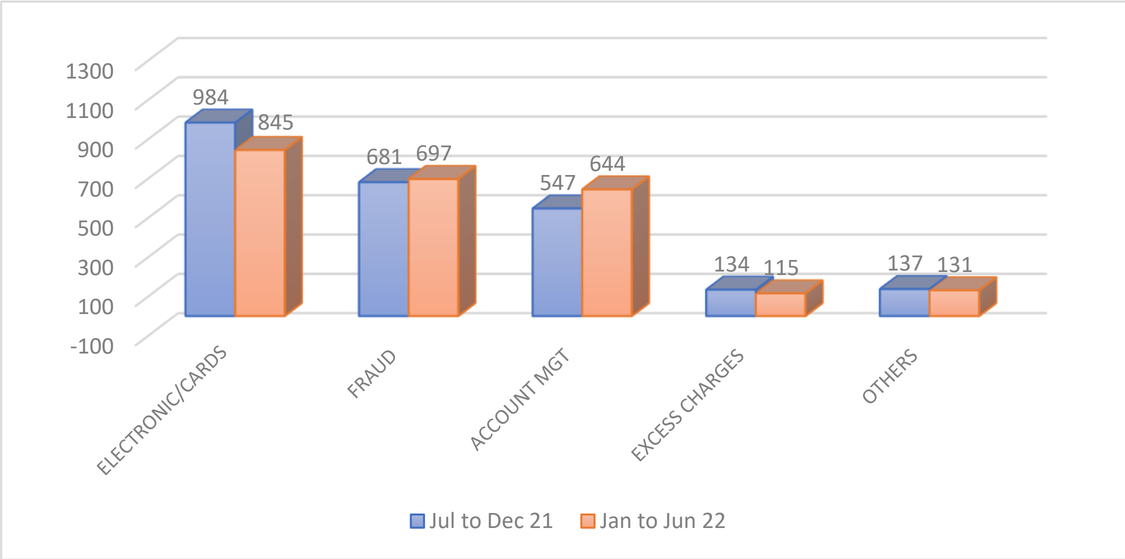
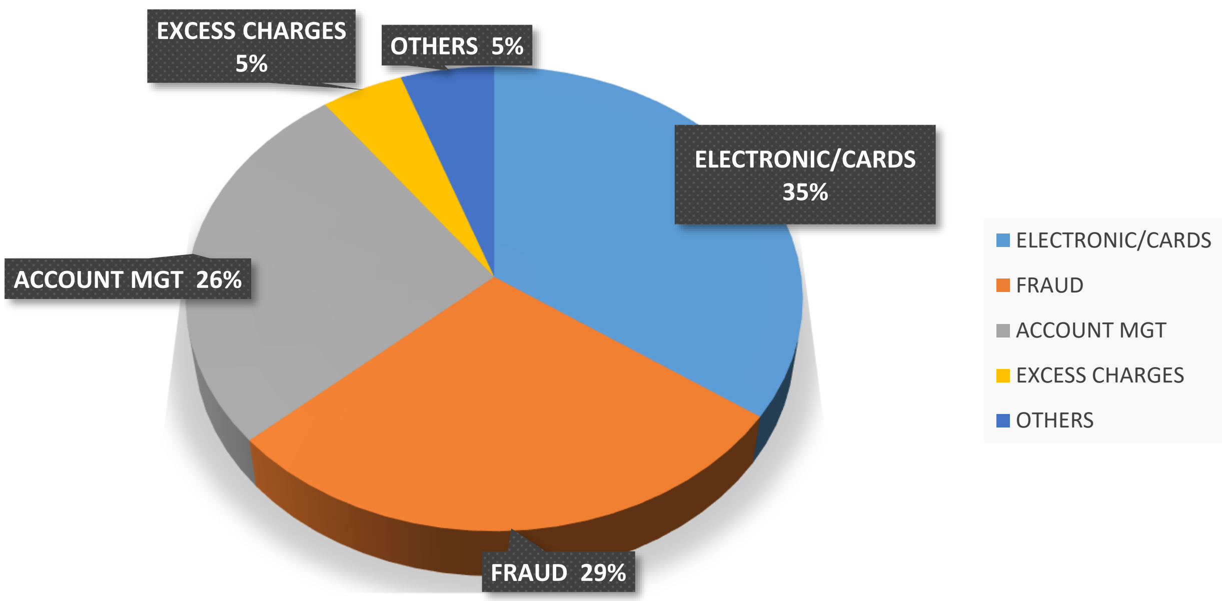


Figure 3.13 Distribution of Complaints by Category: January to June 2022



During the review period, a total of 1,399 complaints were resolved with refunds to the complainants, an increase of 63 (4.71 per cent) over the 1,336 recorded in the preceding period. Also, complaints closed increased by 226 (20.64 per cent) to 1,321, as against the

1,095 recorded in the preceding period. The resolved cases included outstanding complaints from the preceding period.

Figure 3.14 Complaints Resolved and Closed

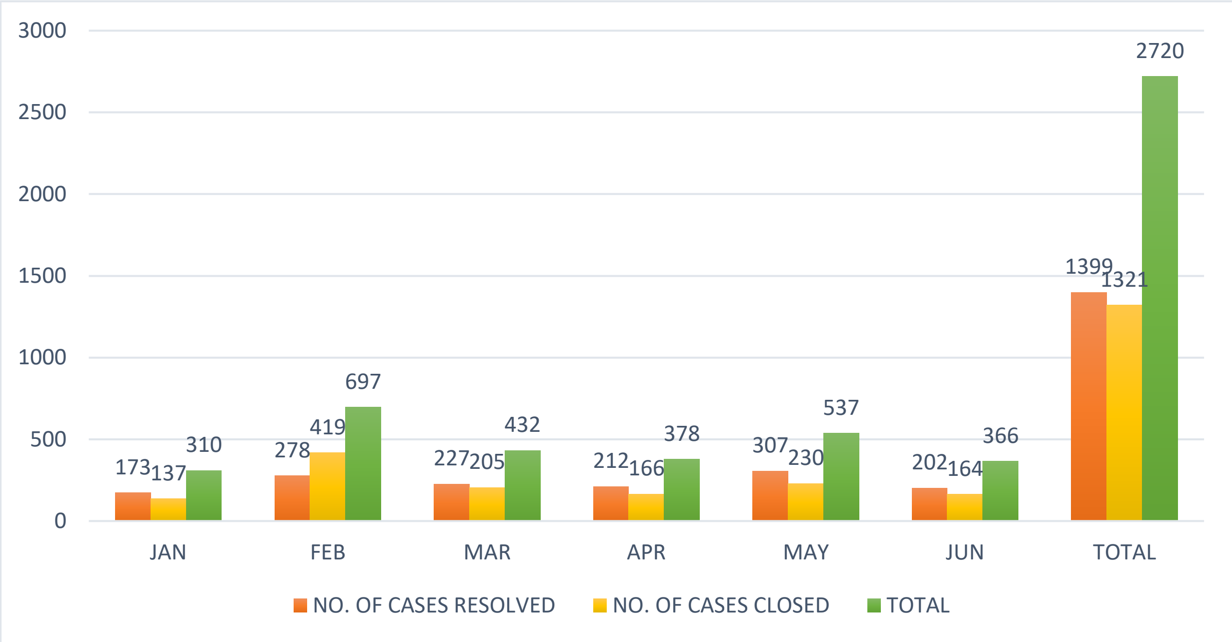
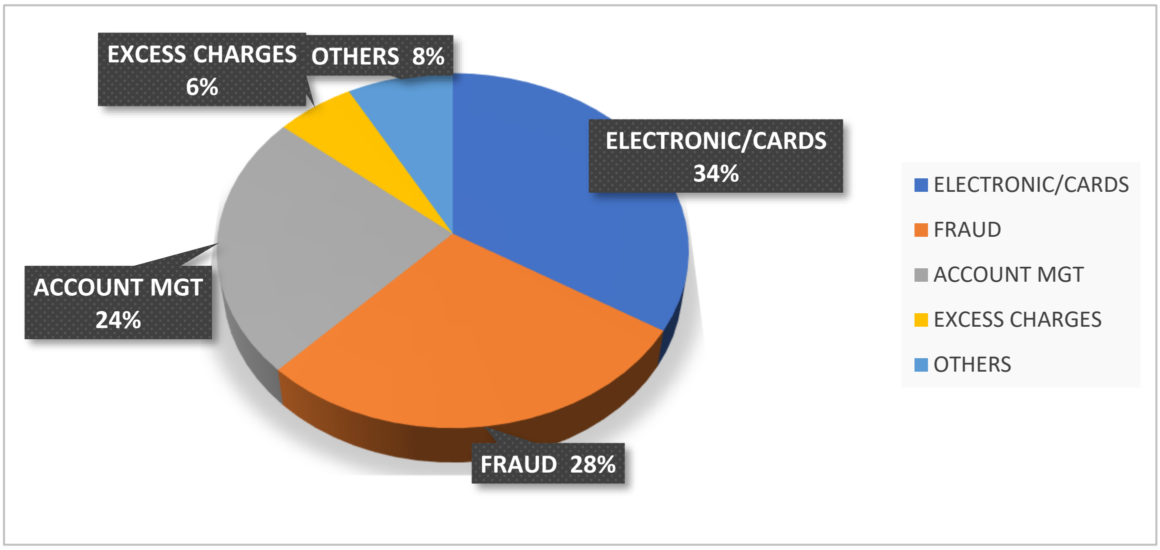


Figure 3.15 Complaints Resolved/Closed



Total claims in respect of the complaints stood at ₦8.13 billion and US$0.01 million in the first half of 2022, compared with ₦15.88 billion and US$50.89 million in the second half of 2021, while total refunds amounted to ₦3.36 billion and US$0.03 million, compared with ₦6.04 billion and US$0.94 million in the second half of 2021.

A total of 10 penalties were imposed on 5 financial institutions for various infractions during the period under review, compared with 24 imposed on 11 financial institutions 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 Bank Verification Number Operations

The Bank conducted an assessment of 28 banks and the Nigerian Interbank Settlement System (NIBSS) to ascertain 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 and regulatory actions were taken.

Also, 2,722,518 BVNs were enrolled, bringing total BVN enrolment to 54,651,086, reflecting an increase of 5.24 per cent over 51,928,568 enrolments at end-December 2021. The number of accounts linked with BVNs was 130,569,656 out of 148,462,947 active customer accounts, while the number of watch-listed BVNs associated with fraud and deceased persons stood at 6,047 and 11,871, respectively.

Table 4:1 BVN Statistics

	End-December 2021	End-June 2022	%
BVN enrolment	51,928,568	54,651,086	5.24
Accounts linked with BVN	117,551,302	130,569,656	11.07
Active Accounts	134,007,725	148,462,947	10.79
Watch-listed BVNs (Fraudulent)	5,347	6,047	13.09
Watch-listed BVNs (Deceased)	9,300	11,871	27.65

4.2 Nigeria Electronic Fraud Forum

During the first half of 2022, the Steering Committee of the Nigeria Electronic Fraud Forum met once. The Forum sustained its efforts at reducing the incidence of fraud, enriching the quality of regulatory reporting by banks and Payments Service Providers (PSPs), as well as improving time taken to conclude investigations, prosecution and adjudication of reported e-fraud cases.

4.3 Licensing of Payments System Participants

In the review period, 47 companies were issued with Approvals-in-Principle, comprising 43 in Payment Solution Services (PSS), two in Switching & Processing, and two in Mobile Money Operator (MMO) categories. In addition, 21 companies were issued with commercial licences, consisting of 17 in the PSS and four in the Switching & Processing categories.

Furthermore, two new Payment Service Banks (PSBs) were issued commercial licences, bringing the total number of licensed PSBs to five.

Table 4:2 Payments System Participants

Licence Type	Dec 2021	Jun 2022
Accredited Cheque Printers	8	8
Card Schemes	8	[4]7
Mobile Money Operator Licence Category	15	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 efforts to sustain a safe, reliable and efficient payments system, the Bank assessed payments service providers to ascertain the institutions' compliance with the relevant framework and guidelines for the payments system.

Also, during the review period, onsite assessments were carried out on one Switch, one MMO and two PSSPs, while off-site assessments were conducted on six PSPs. Furthermore, the Bank facilitated the resolution of disputes among banks, government agencies and PSPs.

[4] Reduction in the number of card scheme participant is as a result of re-categorisation of one of the scheme – leading to removal of Genesis Card

4.4 Cheque Standards and Cheque Printers Accreditation Scheme

In line with the provisions of the Nigeria Cheque Printers' Accreditation Scheme (NICPAS), the Bank conducted accreditation of the Nigeria cheque printers. At the end of the exercise, five security printing companies were re-accredited, while the number of cheque personalisers remained seven.

4.5 Other Payments System Initiatives

During the review period, the Bank issued the following two circulars:

- Review of Operations of the NIBSS Instant Payment and Other Electronic Payment Options with Similar Features, to increase allowable limit subject to enhanced security; and
- Review of the Industry Quick Response (QR) Code Presentment Options to clarify that QR code for payment shall be based on merchant or consumer presented mode.

The Pan African Payments and Settlement System (PAPSS) was also launched to facilitate cross border transactions in local currency, reduce cost and enhance efficiency of cross border payments within Africa. The Bank completed integration with the system and issued Guidelines for the operation of PAPSS in Nigeria.

4.6 Payments System Statistics and Trend

4.6.1 Large Value Payments

The volume of inter-bank fund transfers through the RTGS system increased to 149,035 at end-June 2022, from 145,919 at end-December 2021, reflecting an increase of 2.14 per cent. Also, the value of inter-bank fund transfers increased to ₦36,913.90 billion at end-June 2022, from ₦32,329.86 billion at end-December 2021, reflecting an increase of 14.18 per cent. The increase was due largely to bulk upload of government payments through the system.

4.6.2 Retail Payments

4.6.2.1 Cheque Clearing

The volume and value of cheques cleared, decreased to 2,077,679 and ₦1,593.43 billion at end-June 2022, from 2,201,288 and ₦1,623.60 billion at end-December 2021, respectively. These outcomes indicated decreases of 5.62 and 1.86 per cent in volume and value, respectively, reflecting customers' preference for electronic transactions.

4.6.2.2 Electronic Transactions

The volume and value of electronic transactions increased by 7.40 per cent and 21.83 per cent to 10,680,942,112 and ₦719,936.06 billion, respectively, during the review period. The increased usage of electronic payments for banking transactions was due to the convenience provided by 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
	Dec 2021	Jun 2022	Jul-Dec 2021	Jan-Jun 2022	Increase/ (decrease)	Jul-Dec 2021	Jan-Jun 2022	Increase/ (decrease)
ATMs	19,355	19,355	835,543,307	711,706,025	-14.82	11,979.56	12,638.70	5.50
POS	915,519	1,299,738	1,605,676,367	1,710,287,421	6.52	14,497.23	15,757.58	8.69
Mobile Money	N/A	N/A	907,635,620	610,140,165	-32.78	9,845.08	13,955.42	41.75
Online Transfers (Internet/Web)	N/A	N/A	5,686,501,437	6,487,165,303	14.08	299,607.75	348,298.64	16.25
Mobile App	N/A	N/A	456,086,385	803,155,047	76.10	28,883.64	51,405.12	77.97
USSD	N/A	N/A	273,941,359	267,040,368	-2.52	2,490.45	2,270.28	-8.84
Direct Debit	N/A	N/A	52,200,105	51,924,429	-0.53	12,629.20	14,583.09	15.47
ACH/NEFT	N/A	N/A	127,735,908	39,523,354	-69.06	210,993.92	261,027.23	23.71
Total			**9,945,320,488**	**10,680,942,112**	**7.40**	**590,926.83**	**719,936.06**	**21.83**

5 PENSIONS

During the review period, the National Pension Commission (PenCom) sustained its efforts at promoting the adoption of the Contributory Pension Scheme (CPS) by sub-national governments and the informal sector. Pension fund assets were diversified to include investments in infrastructure and other alternative asset classes. Also, PenCom continued its drive to improve operational efficiency, effectiveness and quality of service delivery of the Pension Funds Administrators (PFAs) as well as enhance public enlightenment.

Total membership of the Scheme grew by 0.12 million to 9.71 million at end-June 2022, from 9.59 million at end-December 2021. The growth was largely driven by the increased adoption of the CPS by States and Local Governments as well as the steady uptake of the Micro Pension Plan in the informal sector.

The net Pension Assets under Management (AuM) grew by 6.30 per cent to ₦14.27 trillion at end-June 2022, from ₦13.42 trillion at end-December 2021. The growth in AuM resulted from returns on Investment and contributions received during the review period. The assets were predominantly invested in FGN securities, while the balance was invested in other asset classes such as State 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 30 JUNE 2022										
APPROVED EXISTING SCHEMES, CLOSED PENSION FUND ADMINISTRATORS AND RSA FUNDS (INCLUDING UNREMITTED CONTRIBUTIONS @CBN & LEGACY FUNDS)										
ASSET CLASSES										
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	110,336.64	32,459.37	6,231.47	668,327.43	138,842.38	12,002.05	0.03	915.20	40.35	826,358.91
FOREIGN ORDINARY SHARES	0.00	99,905.99	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL FGN SECURITES	**795,408.08**	**761,352.21**	**25,672.04**	**3,991,622.80**	**2,657,565.81**	**761,515.71**	**96.94**	**13,120.96**	**1,540.25**	**7,451,134.52**
* FED. GOVT BONDS	748,487.73	414,793.74	18,535.30	3,823,854.31	2,575,044.18	729,917.91	23.78	7,513.98	1,235.20	7,156,124.66
* TREASURY BILLS	39,835.54	300,796.28	6,847.37	68,841.41	40,159.55	18,660.03	70.05	297.31	128.83	135,004.56
* AGENCY BONDS (NMRC)	0.00	583.86	30.01	8,542.84	3,507.64	1,161.16	0.00	0.00	0.00	13,241.65
* SUKUK BONDS	6,402.24	630.28	258.32	76,061.81	31,322.90	10,767.40	3.11	5,309.67	176.22	123,899.42
* GREEN BONDS	682.57	44,548.05	1.04	14,322.43	7,531.54	1,009.22	0.00	0.00	0.00	22,864.23
STATE GOVT SECURITIES	16,531.62	18,959.52	731.04	60,153.32	49,694.42	14,895.32	0.00	0.00	0.00	160,965.25
CORP. DEBT SECURITIES	**108,436.96**	**238,143.11**	**9,263.22**	**428,932.42**	**296,716.74**	**107,352.34**	**3.04**	**696.91**	**69.79**	**1,189,614.52**
* CORPORATE BONDS (HTM)	95,202.33	13,087.92	9,243.46	397,301.86	285,498.15	105,930.25	3.04	696.91	69.79	907,033.70
* CORPORATE BONDS (AFS)	11,646.44	221,738.55	0.00	11,423.90	4,174.47	806.03	0.00	0.00	0.00	249,789.39
* CORPORATE INFRASTRUCTURE BONDS	1,588.19	3,316.64	19.76	15,794.90	4,687.29	616.06	0.00	0.00	0.00	26,022.85
* CORPORATE GREEN BONDS	0.00	0.00	0.00	4,411.75	2,356.83	0.00	0.00	0.00	0.00	6,768.58
MONEY MKT INSTR.	**254,431.83**	**193,946.85**	**11,981.68**	**843,083.86**	**631,509.32**	**205,435.81**	**137.37**	**7,684.68**	**1,283.39**	**1,701,116.11**
FIXED DEPOSIT/ BANK ACCEPTANCE	224,325.03	174,622.82	11,050.64	730,283.01	564,372.30	185,416.40	121.86	7,610.35	1,277.89	1,899,080.32
COMMERCIAL PAPERS	29,223.65	6,075.64	931.04	112,800.85	67,137.02	20,019.40	15.51	74.33	5.49	236,282.93
FOREIGN MONEY MKT INSTR.	883.15	13,248.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14,131.54
MUTUAL FUNDS	**2,619.98**	**21,305.88**	**782.72**	**27,392.94**	**3,021.30**	**507.41**	**0.00**	**411.11**	**90.41**	56,131.74
OPEN/CLOSE FUNDS	2,500.77	20,960.88	782.72	25,740.51	2,860.27	507.41	0.00	411.11	90.41	53,854.07
REITs	119.21	345.00	0.00	1,652.43	161.03	0.00	0.00	0.00	0.00	2,277.67
SUPRA-NATIONAL BONDS	512.99	0.00	39.13	3,207.33	3,540.88	766.28	0.00	0.00	0.00	8,066.61
INFRASTRUCTURE FUNDS	5,222.02	10,600.87	990.08	71,067.68	290.59	200.48	0.00	0.00	0.00	88,371.71
REAL ESTATE	111,398.44	124,195.75	0.00	620.00	6.01	0.00	0.00	0.00	0.00	236,220.19
PRIVATE EQUITIES	338.78	13,608.25	1.13	24,626.79	291.10	0.00	0.00	0.00	0.00	38,866.05
CASH & OTHER ASSETS	31,910.90	10,053.87	2,885.75	118,482.39	75,464.18	21,689.13	47.92	1,985.50	342.56	262,862.19
CURRENT NET ASSET VALUE	**1,437,148.24**	**1,524,531.67**	**58,578.24**	**6,237,516.96**	**3,856,942.72**	**1,124,364.53**	**285.31**	**24,814.36**	**3,366.74**	**14,267,548.79**

5.1 Other Developments in the Nigerian Pension Industry

5.1.1 Revised Share Capital Requirement for Licensed Pension Fund Administrators

At the expiration of the deadline of April 2022 for the implementation of the new Minimum Regulatory Capital (Shareholders' Funds), requirement of ₦5.00 billion for Pension Fund Administrators (PFAs), all the PFAs had complied. However, the number of the PFAs reduced to 20 from 22 owing to mergers and acquisitions.

5.1.2 Revised Regulation for the Administration of Retirement and Terminal Benefits

During the review period, the PenCom issued revised Regulation for the Administration of Retirement and Terminal Benefits, which is aimed at enhancing the efficiency of pension administration in the Country.

5.1.3 Operational Framework for Co-Investment

During the review period, the PenCom also issued the Operational Framework for Co-Investment by PFAs aimed at establishing standards and procedures, enhancing diversification of AuM and improving returns on investment.

6 INSURANCE

Developments in the insurance industry sector were mixed in the review period as total assets grew, while premium income declined. The industry, however, remained stable as solvency, liquidity and other key indicators were in healthy position.

6.1 Assets and Premium Income

The total assets of the insurance industry increased by 2.41 per cent to ₦2.28 trillion at end-June 2022, from ₦2.23 trillion at end-December 2021. Also, gross premium income increased by 19.62 per cent to ₦369.21 billion in the first half of 2022, above the ₦308.65 billion recorded in the second half of 2021. Furthermore, net premium income grew by 16.89 per cent to ₦260.34 billion at end-June 2022, from ₦222.72 billion at end-December 2021, while gross claims rose by 7.71 per cent to ₦174.78 billion in the review period, from ₦162.27 billion in the preceding period. The growth in assets and premium income was due to increased uptake of insurance policies.

Table 6:1 Key indicators

Period	Second Half of 2021	First Half of 2022	% Change
Gross Premium Income	308,645,033,675.40	369,210,079,717.00	19.62
Net Premium Income	222,720,012,192.40	260,335,407,430.00	16.89
Total (Gross) Claims	162,274,280,542.00	174,782,571,381.00	7.71
Total Assets	2,230,165,942,794.00	2,283,895,468,476.00	2.41

6.2 Key Insurance Industry 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, the CAR declined by 0.69 percentage points to 42.21 per cent at end-June 2022, from 42.90 per cent at end-December 2021, driven largely by the recognition of the IFRS 9 impairment charges.

6.2.2 Liquidity Ratio

The industry maintained adequate liquidity position in the review period, with liquidity ratio staying above the regulatory benchmark of 100.00 per cent. The liquidity ratio, measured by ratio of liquid assets to current liabilities, was 116.65 per cent at end-June 2022, a decrease of 4.40 percentage points from the level of 121.05 per cent at end-December 2021.

6.2.3 Combined Ratio of the Insurance Industry

The combined ratio of the industry, expressed as the sum of claims and expenses divided by the earned premium, was within the regulatory limit of 75.00 per cent. It decreased by 6.89 percentage points to 66.38 per cent at end-June 2022, from 73.34 per cent at end-December 2021, indicating improved profitability of the industry.

6.2.4 Premium Debtors

Premium debtors, measured as a percentage of gross premium, deteriorated by 3.63 percentage points to 8.69 per cent at end-June 2022, from 5.06 per cent at end-December 2021. The increase was due largely to the higher volume of insurance cover in the first half of the year.

6.2.5 Retention Ratio

The retention ratio, measured as the percentage of insurance premium retained to total premium generated, declined marginally by 0.27 percentage points to 71.87 per cent at end-June 2022, from 72.14 per cent at end-December 2021.

Table 6:2 Insurance Industry Dashboard

KEY INDICATORS	Dec-21	Jun-22
CAR (Capital/Total Asset)	42.90	42.21
Liquidity Ratio (liquid assets/current liabilities)	121.05	116.65
Claims Ratio %	41.65	33.59
Expense Ratio %	31.68	32.79
Combined Ratio %	73.34	66.38
investment to Total Assets Ratio %	70.19	64.82
Change in Gross Written Premium (in %)	23.82	36.96
Change in Net Written Premium (in %)	29.82	35.57
Change in Capital & Surplus (in %)	14.47	3.03
Premium Debtors as a % of Equity	2.34	5.74
Premium Debtors as a % of Total Assets	1.30	2.93
Premium Debtors as a % of Gross Premium	5.06	8.69
Retention Ratio (in %)	72.14	71.87
Return on Assets (in %)	1.09	1.33

6.3 Key Insurance Industry Regulatory/Supervisory Developments

During the review period, key development in the Nigerian insurance industry included:

i. The commissioning of the National Insurance Commission (NAICOM) reporting portal (portal.naicom.gov.ng) by the Honourable Minister of Finance, Budget and National Planning in May 2022;
ii. The notification for the cancellation of certificates of registration of two insurance companies by NAICOM;
iii. Grant of licences by NAICOM to seven micro-insurance companies to boost insurance penetration; and
iv. Conduct of onsite Risk Based examination by NAICOM on seven insurance companies. The examinations focused on corporate governance, risk management and internal controls, solvency and liquidity of insurance institutions.

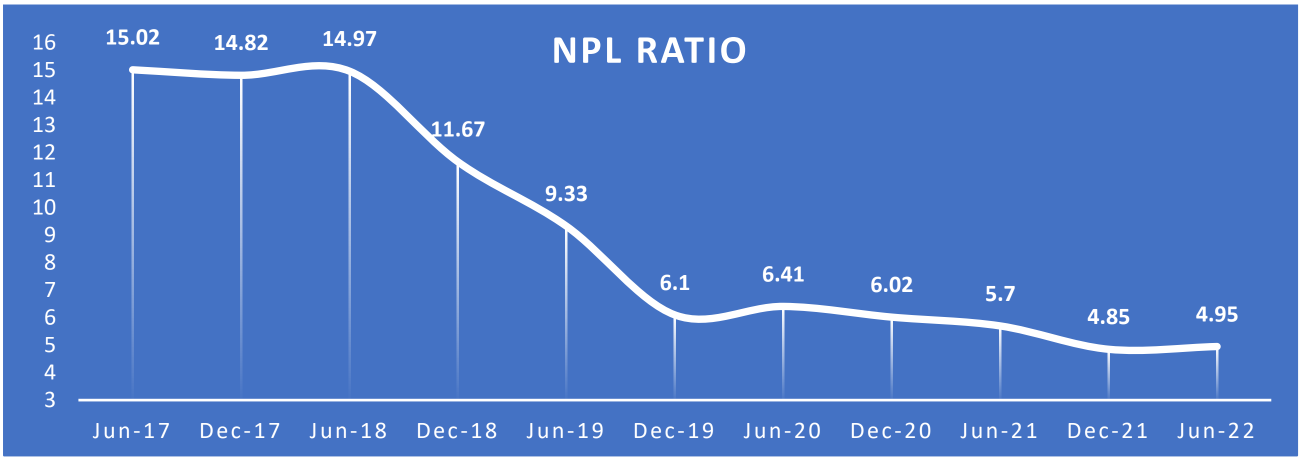
7 RISKS TO THE FINANCIAL SYSTEM

7.1 Credit Risk

Risk Rating (Medium Risk, Stable)	

Banking industry credit risk remained stable during the review period. Although the non-performing loans ratio remained below the regulatory limit of 5 per cent, there was a marginal increase to 4.95 per cent at end-June 2022, from 4.85 per cent at end-December 2021.

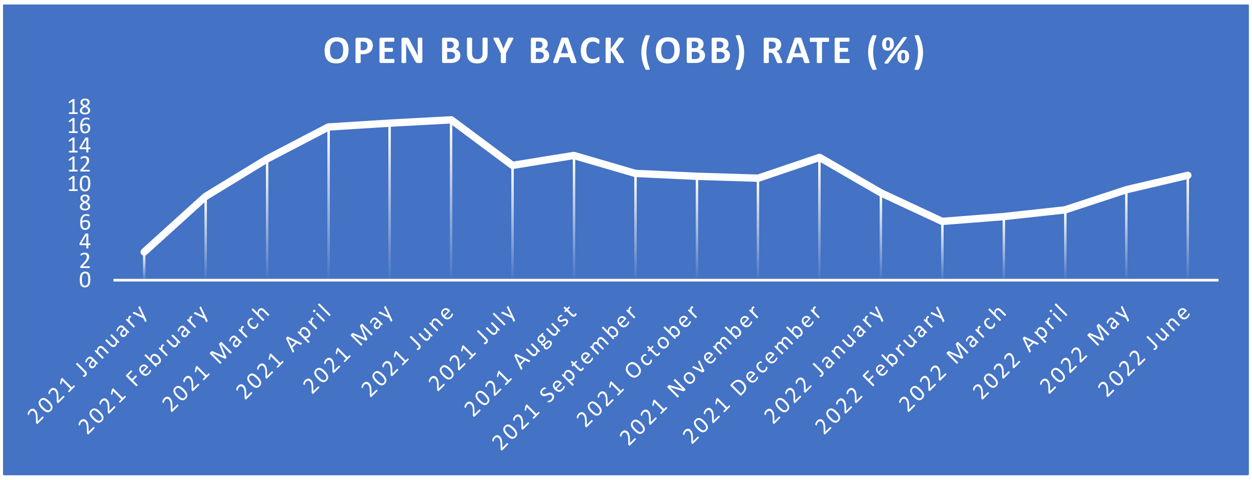
Credit risks is expected to remain stable in the second half of 2022. However, there are downside risks due to the lingering challenges in the business environment and the imminent transition to a full interest rate regime on loans that were granted forbearance in the wake of the Covid-19 pandemic. Sustained implementation of various regulatory and supervisory measures, including the Global Standing Instruction (GSI) and Guidelines for Regulation and Supervision of Credit Guarantee Companies in Nigeria, is expected to moderate the risks in the short to medium-term.



7.2 Liquidity Risk

Risk Rating (Low Risk, Stable)	

Industry liquidity remained healthy and stable during the review period and was above the regulatory threshold of 30.00 per cent. Banking industry liquidity ratio increased to 42.6 per cent at end-June 2022, compared with 41.33 per cent at end-December 2021. The liquidity coverage ratio for the industry stood at 42.60 per cent at end-June 2022, compared with 41.30 per cent at end-December 2021, driven by the increase in high quality liquid assets during the period. The weighted average Open Buy Back rate stood at 10.89 per cent at end-June 2022, compared with 12.75 per cent at end-December 2021, reflecting higher liquidity in the banking system.

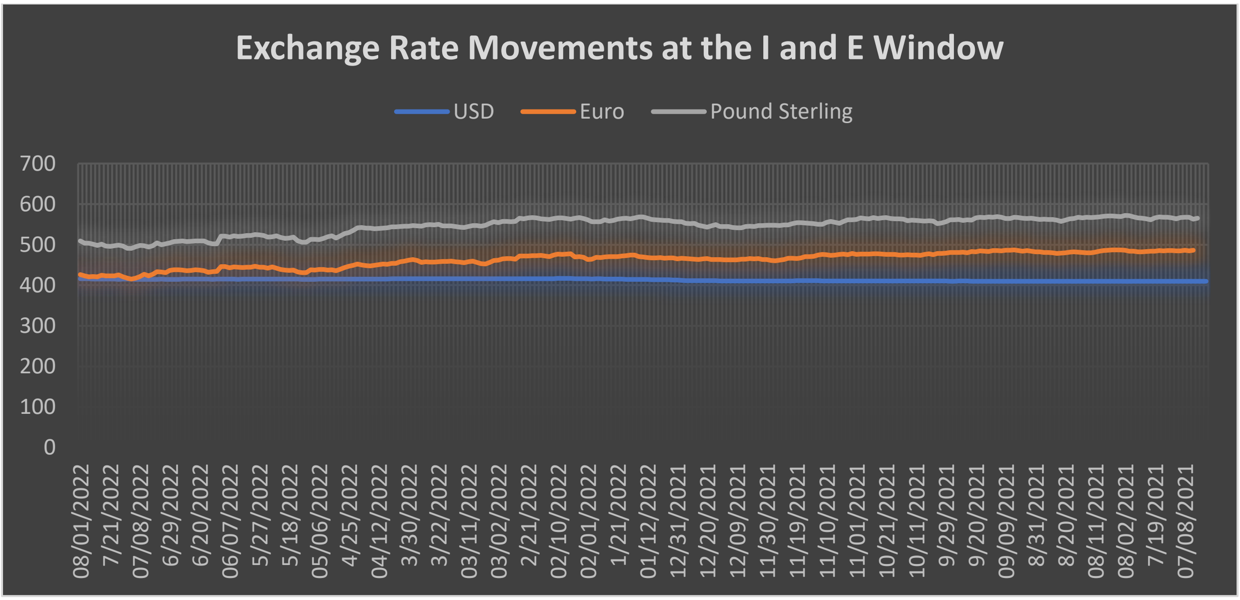


Liquidity risk is expected to remain low and stable in the short to medium-term and the banking industry is expected to maintain a robust liquidity position and resilience to short-term liquidity shocks. However, downside risks persisted, including rollover risk, asset and liability mismatches and funding gaps at the short-term maturity buckets.

7.3 Market Risk

Risk Rating (Medium Risk, Trending up)	⇧

Exchange rates remained generally stable at the Investors and Exporters (I&E) window during the period under review. The naira depreciated slightly against the United States dollar to ₦414.72/US$1 at end-June 2022, compared with ₦412.99/US$1 at end-December 2021.



Although the Nigerian capital market recorded significant gains during the period under review, market risk could trend upwards in the short term, owing to the risk of continued capital reversal, oil price shocks, rising inflation and the steepening of the yield curve driven by the hike in policy rates. The regulatory measures put in place would moderate this trend in the short-to medium term.

7.4 Operational Risk

Risk Rating (High, Trending up)	⇧

Lingering structural rigidities continued to pose threats in the review period. The rise in operating cost as a result of security and power challenges, as well as high energy prices heightened operational risks. Cybersecurity challenges also remained elevated during the period, with incidents of social engineering, unauthorised access to confidential information, insider threats and third-party risks. Reported losses from cases of fraud and forgeries in banks increased to ₦2.71 billion in the first half of 2022, from ₦1.64 billion in the second half of 2021. The banks reported 67,878 cases of fraud and forgeries in the first half of 2022, compared with 46,761 cases in the preceding period.

Operational risk could remain high with an upward trend in the short to medium term.

7.5 Macroeconomic Risk

Risk Rating (High Risk, Trending up)	⇧

During the review period, the global economy witnessed an unprecedented rise in inflation following sustained increases in the prices of food, energy, and other commodities. These conditions were exacerbated by the Russian-Ukraine crisis, which resulted in supply chain disruptions and the lingering headwinds associated with the Covid-19 pandemic. The outbreak of the Marburg virus disease (MVD) and Monkey Pox virus, as declared by the World Health Organisation (WHO), posed additional risk to the global macroeconomic environment.

Available data indicated that global investors rebalanced their portfolios away from gold and equities to fixed income securities, to take advantage of rising yields in the advanced economies, with adverse implications for access to global capital by developing economies. This would further slow global economic recovery and increase the risk of tightened global financial conditions.

Macroeconomic risks remained elevated in the short to medium-term, with heightened debt default risks in EMDEs and increasing risk of broad economic slowdown or global recession.

8 OUTLOOK

The medium-term economic outlook for the global and domestic economies is uncertain owing to the effects of the Russian-Ukraine crisis, elevated global inflation and the lingering impact of the Covid-19 pandemic and the threat of Marburg and Monkey Pox virus diseases. Also, rising levels of corporate and public debt in most economies as well as the broad shocks to foreign capital flows following the sustained interest rate hike by most central banks continued to depress the outlook. Though aggregate global demand remained robust, the supply-side constraints continued to undermine the recovery effort, at least in the short to medium-term. Global growth is thus confronted with significant headwinds which could further derail current growth projections.

On the domestic front, the Nigerian economy is expected to sustain its growth trajectory, owing largely to the increasing contribution of the non-oil sector, and the sustained policy support. However, the trend in key macroeconomic variables indicate the likelihood of subdued output growth in 2022 owing to strong headwinds, including the shocks from the external environment, persisting security challenges, and infrastructure deficit. Furthermore, inflationary pressures are expected to continue in the build-up to the 2023 general elections, given to the likelihood of increased spending. However, appropriate policy measures put in place by the monetary and fiscal authorities are expected to moderate the risks.

To contain inflationary pressures many central banks will continue with tighter monetary policy stance. This will reduce credit origination and increase non-performing loans, with increasing financial system vulnerability in the short-to medium term. Financial regulators need to continuously assess and monitor existing and emerging risks, and vulnerabilities to the financial system with a view to deploying appropriate macro and micro prudential tools to mitigate them.

ACKNOWLEDGEMENTS

LIST OF MAJOR CONTRIBUTORS

1.	V.O. Ururuka (PhD.)	Financial Policy and Regulation Department
2.	J. A. Mohammed	Ditto
3.	M.L. Garo	Ditto
4.	A. Sylvanus-Dannana	Ditto
5.	L. Mohammed	Ditto
6.	O. Abraham	Development Finance Department
7.	V.U Oboh	Monetary Policy Department
8.	J. Yakubu	Research Department
9.	N.A. Akwashiki	Banking Supervision Department
10.	A. Gambo	Statistics Department
11.	I. P. Akinbolaji	Risk Management Department
12.	E.O. Shonibare	Ditto
13.	Phebian N. Bewaji	Financial Markets Department
14.	V. A. Martins	Other Financial Institutions Supervision Department
15.	L.A. Sawa	Reserve Management Department
16.	M.K. Muazu	Consumer Protection Department
17.	H. Abdullahi	Banking Services Department
18.	A. A. Isa-Olatinwo	Payments System Management Department
19.	O. Umeano	Securities and Exchange Commission
20.	M. Mammada	Nigerian Insurance Commission
21.	P. Aghahowa	National Pension Commission

The *Report* is produced and supervised by the Financial Policy and Regulation Department

CHIBUZO A. EFOBI
Director, Financial Policy and Regulation Department