FINANCIAL STABILITY REPORT

JUNE 2023

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LIST OF ACRONYMS

Acronym	Description
AACB	Association of African Central Banks
ACGS	Agricultural Credit Guarantee Scheme
AEs	Advanced Economies
AMCON	Asset Management Corporation of Nigeria
AML/CFT/CPF	Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing
ASI	All Share Index
AuM	Assets under Management
BCBS	Basel Committee on Banking Supervision
BDCs	Bureaux de Change
BOA	Bank of Agriculture
BOI	Bank of Industry
BRICS	Brazil, Russia, India, China, and South Africa
BVN	Bank Verification Number
CABS	Community of African Banking Supervisors
CACS	Commercial Agriculture Credit Scheme
CAR	Capital Adequacy Ratio
CBDC	Central Bank Digital Currency
CBN	Central Bank of Nigeria
CCP	Central Counterparties
CIBN	Chartered Institute of Bankers of Nigeria
CIC	Currency in Circulation
CIS	Collective Investment Scheme
CMNBs	Commercial, Merchant and Non-interest Banks
CMOs	Capital Market Operators
COB	Currency Outside Banks
CODC	Currency Outside Depository Corporations
CPI	Consumer Price Index
CPS	Contributory Pension Scheme

Acronym	Description
CRMS	Credit Risk Management System
CRR	Cash Reserve Requirement
CSE	Crisis Simulation Exercise
CSWAMZ	College of Supervisors of the West African Monetary Zone
DAX	Deutscher Aktienindex (German stock index of 30 major German companies)
DCs	Depository Corporations
DFIs	Development Finance Institutions
DIF	Deposit Insurance Fund
D-SIBs	Domestic Systemically Important Banks
DVP	Delivery Versus Payment
EBAs	Eligible Bank Assets
ECB	European Central Bank
EGX CASE 30	Egypt Stock Exchange (Cairo and Alexandria Stock Exchange) 30 Stock Index
EMDEs	Emerging Markets and Developing Economies
ESG	Environmental, Social & Governance
ETF	Exchange Traded Funds
EVD	Ebola Virus Disease
FAO	Food and Agriculture Organisation
FATF	Financial Action Task Force
FCs	Finance Companies
FGN	Federal Government of Nigeria
FMBN	Federal Mortgage Bank of Nigeria
FPI	Foreign Portfolio Investment
FRACE	Financial Regulation Advisory Council of Experts
FSIs	Financial Soundness Indicators
FSR	Financial Stability Report
FSRCC	Financial Services Regulation Co-ordinating Committee
GCMX	Gezawa Commodity Market and Exchange Limited

Acronym	Description
GDP	Gross Domestic Product
GIABA	Inter-Governmental Action Group Against Money Laundering in West Africa
GSE	Ghanaian Stock Exchange
GSI	Global Standing Instruction
HHI	Herfindahl-Hirschman Index
I&E	Investor & Exporter
ICAAP	Internal Capital Adequacy Assessment Process
ICE	Intercontinental Exchange
ICFA	Implied Cash Flow Analysis
IFOs	Illegal Fund Operators
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRRBB	Interest Rate Risk in the Banking Book
KOB	Knowledge of Business
KYC	Know Your Customer
LCFE	Lagos Commodities and Futures Exchange
LDR	Loan-Deposit Ratio
LR	Liquidity Ratio
M1	Narrow Money Supply
M2	Broad Money Supply
M3	M2 plus CBN Bills held by the money holding sectors
MC	Market Capitalization
MENA	Middle East and North African Countries
MFBs	Microfinance Banks
MHSs	Money Holding Sectors
MICEX	Moscow Interbank Currency Exchange
MMOs	Mobile Money Operators
MoUs	Memoranda of Understanding
MPR	Monetary Policy Rate

Acronym	Description
MSMEs	Micro, Small and Medium Enterprises
MTDS	Medium-Term Debt Strategy
NAICOM	National Insurance Commission
NAPGEP	National Peer Group Educator Programme
NASD	National Association of Securities Dealers
NAV	Net Asset Value
NBS	National Bureau of Statistics
NCR	National Collateral Registry
NDA	Net Domestic Assets
NDIC	Nigeria Deposit Insurance Corporation
NDPR	Nigerian Data Protection Regulation
NEXIM	Nigerian Export-Import Bank
NFA	Net Foreign Assets
NFIU	Nigerian Financial Intelligence Unit
NGX	Nigerian Exchange Limited
NIBSS	Nigeria Inter-Bank Settlement System
NICPAS	Nigeria Cheque Printers' Accreditation Scheme
NIDIF	Non-Interest Deposit Insurance Fund
NIMC	Nigeria Identity Management Commission
NIN	National Identity Number
NMRC	Nigeria Mortgage Re-finance Company Plc
NPLs	Non-Performing Loans
NSBPs	Nigeria Sustainable Banking Principles
NSE 20	Nairobi Stock Exchange 20-Share Index
NSE ASI	Nigerian Stock Exchange All-Share Index
NTBs	Nigerian Treasury Bills
NYSC	National Youth Service Corps
OAGF	Office of the Accountant General of the Federation
OBB	Open Buy Back
ODCs	Other Depository Corporations

Acronym	Description
OFIs	Other Financial Institutions
OPEC	Organisation of Petroleum Exporting Countries
ORB	OPEC Reference Basket
OTC	Over-the-Counter
PAIF	Power and Aviation Infrastructure Fund
PAR	Portfolio-At-Risk
PCX	Prime Commodity Exchange
PENCOM	National Pension Commission of Nigeria
PFAs	Pension Fund Administrators
PFCs	Pension Fund Custodians
PMBs	Primary Mortgage Banks
PoS	Point of Sale
PSBs	Payment Service Banks
PSDIF	Payment Service Deposit Insurance Fund
PSPs	Payments System Providers
PSV 2025	Payments System Vision 2025
QR	Quick Response
RAS	Risk Assessment Summary
RBS	Risk Based Supervision
RCAR	Root Cause Analysis Report
RCMMP	Revised Capital Market Master Plan
ROA	Return on Assets
ROE	Return on Equity
RRPs	Recovery and Resolution Plans
RTGS	Real-Time Gross Settlement
S&P/FMDQ	Standards and Poor's Financial Market Dealers Quotations
S&P/TSX	Standards and Poor's Composite Index of the Toronto Stock Exchange
SANEF	Shared Agent Network Expansion Facilities
SCV	Single Customer View

Acronym	Description
SDRs	Special Drawing Rights
SEC	Securities and Exchange Commission
SIF	Securities Issuers Forum
SMEs	Small and Medium Enterprises
SRE	Supervisory Review and Evaluation
SSA	Sub-Saharan Africa
TIN	Tax Identification Number
WAMZ	West African Monetary Zone
WEO	World Economic Outlook
WTI	West Texas Intermediate

GOVERNOR'S STATEMENT

The June 2023 edition of the Financial Stability Report (FSR) highlights developments in the financial system during the first half of 2023. Key headwinds that undermined global growth during the period include the impact of geopolitical tensions, high inflation, tight monetary and financial conditions, high debt levels and limited fiscal buffers in many economies. Consequently, global output was expected to slow down to 3.0 per cent in 2023, from 3.5 per cent in 2022.

Growth in the Advanced Economies (AEs) was estimated to decline to 1.5 per cent in 2023, from 2.7 per cent in 2022. However, growth in Emerging Markets and Developing Economies (EMDEs) was expected to remain unchanged at 4.0 per cent in 2023, same as in 2022. Growth in Sub-Saharan Africa (SSA) was estimated at 3.50 per cent, lower than the 3.90 per cent in 2022. Inflation in most regions remained high, but moderated relative to the levels in the preceding half year. In AEs, inflation decelerated in the first half of 2023, owing largely to tight monetary and financial conditions, and falling energy and commodity prices.

The Nigerian economy sustained its growth trajectory, albeit, at a slower pace, relative to the level in the second half of 2022. Output grew by 2.41 per cent, compared with 2.91 per cent in the preceding half year, driven by the non-oil sector, specifically, the Services and Agriculture sectors. Credit to the private sector also grew, reflecting government policies towards increased lending to the priority sectors of the economy.

Gross external reserves decreased to US$33.71 billion, from US$36.61billion at end-December 2022, reflecting high demand pressure and low capital inflows.

Notwithstanding the headwinds in the macroeconomic environment, the financial sector remained resilient and stable, supported by the sustained implementation of various regulatory and supervisory measures. Thus, the key financial soundness indicators remained within regulatory thresholds.

The outlook for global growth remained cautiously optimistic as a result of the decelerating inflationary pressures across several economies, increased growth momentum, lower energy prices and eased supply constraints due to the reopening of the Chinese economy. On the domestic front, the recently introduced economic reforms, particularly the petroleum subsidy removal and the changes in the operations of the foreign exchange market are expected to boost growth and enhance macroeconomic stability.

The Bank, in collaboration with the fiscal authorities and other regulators, will continue to implement policies and initiatives to promote a stable, sound, and resilient financial system.

Olayemi Michael Cardoso
Governor, Central Bank of Nigeria

FOREWORD

The global financial system remained weak in the review period, largely as a result of tight monetary and financial conditions, geopolitical tensions, particularly the protracted Russia-Ukraine crisis with its disruptive effects on global supply chains management. Other key factors that shaped the financial system included, high debt levels and limited fiscal buffers in several economies.

Despite these headwinds, the Nigerian financial system remained resilient and stable owing largely to effective regulatory oversight and innovative policy initiatives. Accordingly, the key financial soundness indicators were within the prudential thresholds. Further analysis of vulnerabilities and risks in the banking industry through top-down solvency and liquidity stress tests indicated the resilience of the banking system and its capacity to withstand macroeconomic shocks. Other subsectors in the financial system, including the capital market and pensions, also recorded improved performances.

The June 2023 edition of the FSR comprised nine sections. Section one discusses key developments in the global and domestic economies, while Section two examines financial system developments. Section three analyses the major issues shaping financial stability, including regulatory and supervisory activities. Section four highlights major developments in the payments system, while Section five focuses on the activities of the Nigeria Deposit Insurance Corporation. Developments in the pension and insurance subsectors are discussed in Sections six and seven respectively, while Sections eight and nine highlight the key risks and outlook for the financial system, respectively.

In general, the Report provides a critical analysis of the Nigerian financial system, within the review period. It also highlights the policy measures adopted by relevant regulators to sustain the continued safety, resilience, and soundness of Nigeria's financial system and provides the near-term outlook.

The Bank, in collaboration with other financial system regulators, would continue to assess emerging developments in the financial system to identify potential vulnerabilities and risks, with a view to implementing appropriate policy measures to sustain the stability of the financial system.

Mr. Philip Ikeazor
Deputy Governor, Financial System Stability

EXECUTIVE SUMMARY

Global growth was generally subdued in the first half of 2023, dampened by the lingering effects of the Russia-Ukraine crisis and increased global polarisations, heightened public debt levels and constrained fiscal buffers. Furthermore, the US banking industry turmoil, triggered by the tighter monetary and financial conditions, contributed to the build-up of vulnerabilities in the global financial markets.

The successive policy rate hikes by several central banks in response to elevated inflationary pressures resulted in a trade-off between tightened financial conditions and growth outcomes. Thus, expansion in global output was expected to slow down to 3.0 per cent in 2023, from 3.5 per cent at end-December 2022. Global inflation moderated across most economies in response to concerted rate hikes by most central banks in the first half of 2023.

The domestic economy grew by 3.20 per cent at end-June 2023, relative to 3.30 per cent at end-December 2022. Headline inflation (year-on-year) rose to 22.70 per cent, from 21.34 per cent at end-December 2022, driven largely by the rise in operational costs occasioned by removal of petroleum subsidy, global supply chain disruptions, and exchange rate pressures attributed to the operational changes in the domestic foreign exchange market. Gross external reserves further decreased by 6.51 per cent to $33.71 billion, from US$36.61 billion at end-December 2022.

The domestic financial system remained largely resilient, reflecting sustained investor confidence in the economy, following the successful political transition and long-run optimism based on the newly introduced economic reforms. Thus, key sub-sectors of the financial system, including banking, capital market and pension recorded positive performances, except the insurance sub-sector, which recorded a mixed performance. During the review period, the Bank sustained its implementation of various regulatory and supervisory measures, including onsite examinations, off-site surveillance, AML/CFT/CPF assessments, and the Global Standing Instruction (GSI) policy to promote the safety and soundness of the financial system. These measures enhanced the performance of financial soundness indicators, which remained largely within or above prudential benchmarks.

The banking industry recorded increased competition as the Herfindahl Hirschman Index (HHI) rose to 973.70 and 981.80, from 944.96 and 933.89 for deposits and assets, respectively. The industry capital adequacy ratio, at 11.23 per cent, was above the regulatory threshold of 10.00 per cent. Also, the result of the stress test showed the sustained resilience of the industry to solvency and liquidity shocks. Consumer confidence in the banking industry was further enhanced with the resolution or closure of 88.74 per cent of reported consumer complaints.

The Bank continued to moderate its targeted interventions in the priority sectors of the economy and intensified debt recovery drive. The adoption of eNaira, Africa's first Central Bank Digital Currency (CBDC), recorded a huge increase of 1,121.30 per cent to 27,971,460 wallets, driven largely by the deployment of new features, including Near Field Communication feature, eNaira Lite App and the eNaira card.

The key risks to financial system stability during the review period included elevated inflation, exchange rate pressures, lingering spill-over effects of the Russia-Ukraine crisis, cyber-risk from increased use of digital payment platforms, threats of cyber-attacks, as well as increased operating costs and operational risks. Consequently, the Bank and other financial system regulators implemented appropriate measures to extensively mitigate these risks.

Overall, the outlook for financial stability remained optimistic, given enhanced fiscal and monetary policy coordination as well as robust and proactive policy measures by the Bank, in collaboration with other financial sector regulators, towards enhancing the soundness and resilience of the financial system.

1. ECONOMIC AND FINANCIAL DEVELOPMENTS

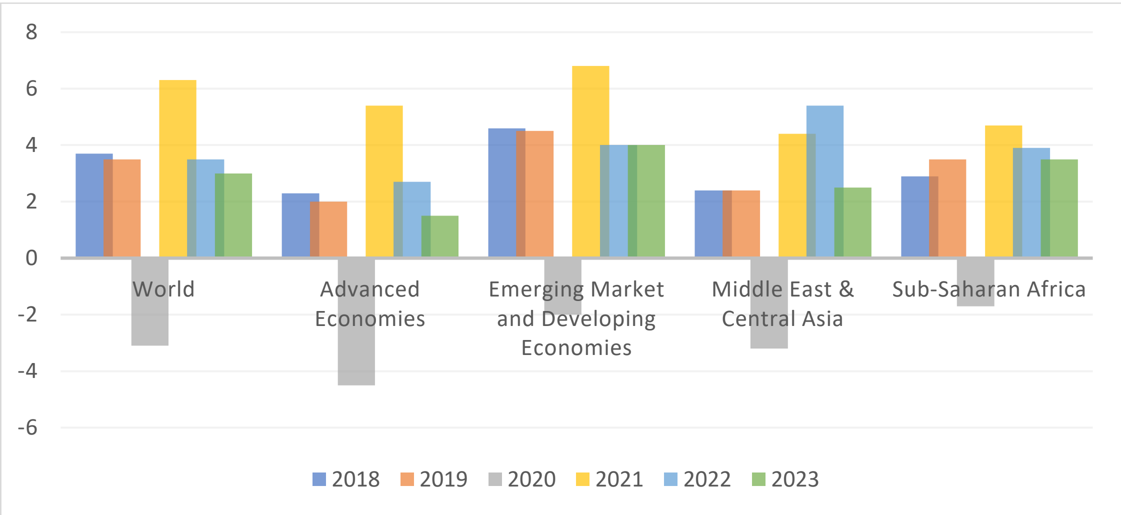
1.1 Global Developments

1.1.1 Output

Global economic activities slowed in the first half of 2023, reflecting the impact of head-winds including geopolitical tensions, particularly the Russia-Ukraine crisis which disrupted global supply chains, resulting in high food and energy prices. Also, the lingering effects of COVID-19 pandemic and the persistently high inflation which eroded household purchasing power and real returns on investments, exacerbated the weakness in growth. In addition, the tighter monetary and financial conditions contributed to the build-up of vulnerabilities, which triggered the banking crisis in the United States. Other factors, such as high debt levels and limited fiscal buffers, continued to constrain the fiscal space and impede growth recovery in many economies. Thus, global output was expected to decline to 3.0 per cent in 2023 from 3.5 per cent at end-December 2022. (IMF, WEO July 2023 Update).

Growth in the Advanced Economies (AEs) was estimated at 1.5 per cent, compared with 2.7 per cent in 2022. In the Emerging Markets and Developing Economies (EMDEs), growth was estimated at 4.0 per cent in 2023, the same as the level in 2022. This indicated a slight downgrade from the IMF's previous forecast of 4.1 per cent, due to the tightening global financial conditions. Growth in the sub-Saharan Africa (SSA) region was estimated at 3.5 per cent in 2023, compared with 3.9 per cent recorded in 2022.

Figure 1.1 Global Growth



Source: IMF's World Economic Outlook Update, July 2023, *National Bureau of Statistics (NBS)

Table 1.1: Global Growth

	2018	2019	2020	2021	End-Jun 2022	End-Dec 2022	End-June 2023
World	3.7	3.5	- 3.1	6.3	3.5	3.0	3.0
Advanced Economies	2.3	2.0	- 4.5	5.4	2.7	1.5	1.5
United States	2.9	2.5	- 3.4	5.9	2.1	1.8	1.8
Euro Area	1.8	1.6	- 6.4	5.3	3.5	0.9	0.9
Japan	0.9	1.1	- 4.5	2.2	1.0	1.4	1.4
United Kingdom	1.4	1.5	- 9.4	7.6	4.1	0.4	0.4
Canada	2.1	1.9	- 5.2	5.0	3.4	1.7	1.7
Emerging Market and Developing Economies	4.6	4.5	- 2.0	6.8	4.0	4.0	4.0
China	6.6	6.2	2.3	8.4	3.0	5.2	5.2
Middle East & Central Asia	2.4	2.4	- 3.2	4.4	5.4	2.5	2.6
Sub-Saharan Africa	2.9	3.5	- 1.7	4.7	3.9	3.5	3.5
Nigeria*	1.9	2.0	- 1.8	3.0	3.3	3.2	3.2

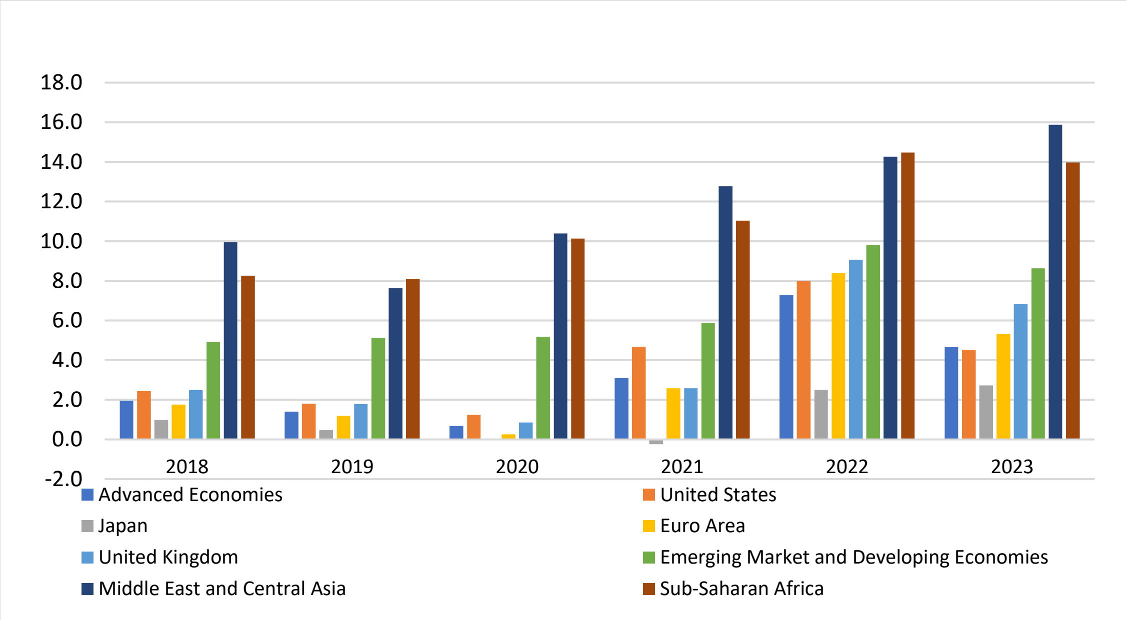
*Source: IMF's World Economic Outlook Update, July 2023, *National Bureau of Statistics (NBS)*

1.1.2 Inflation

Global inflation decelerated during the first half of 2023, mainly reflecting the tight monetary policy stance of most central banks, as well as the moderation in the prices of several commodities. Inflation in the AEs was expected to decline to 4.7 per cent, from 7.3 per cent in 2022, owing to the tight monetary and financial conditions as well as falling energy and commodity prices in these countries. Inflation in the US, UK and euro area was envisaged to trend downward in 2023. However, inflation in Japan was estimated to accelerate to 2.7 per cent in 2023, from 2.5 per cent in the preceding year, driven largely by the rising costs of food and raw materials, coupled with the weakening of the Japanese yen.

In the EMDEs, inflation was expected to decelerate to 8.6 per cent in 2023, from 9.8 per cent in 2022. However, inflation in the Middle East and Central Asia, was anticipated to accelerate to 15.9 per cent in 2023, from 14.3 per cent in 2022. Similarly, inflation in SSA was expected to be driven mainly by exchange rate pressures, rising energy and food prices, as well as infrastructural deficits, but estimated to moderate to 14.0 per cent in 2023, from 14.5 per cent in 2022.

Figure 1.2 Global Inflation



Source: WEO Update, July 2023

Table 1.2: Global Inflation

	2018	2019	2020	2021	2022	2023
Advanced Economies	2.0	1.4	0.7	3.1	7.3	4.7
United States	2.4	1.8	1.3	4.7	8.0	4.5
Euro Area	1.8	1.2	0.3	2.6	8.4	5.3
Japan	1.0	0.5	(0.0)	(0.2)	2.5	2.7
United Kingdom	2.5	1.8	0.9	2.6	9.1	6.8
Emerging Market and Developing Economies	4.9	5.1	5.2	5.9	9.8	8.6
Middle East and Central Asia	10.0	7.6	10.4	12.8	14.3	15.9
Sub-Saharan Africa	8.3	8.1	10.1	11.0	14.5	14.0

Source: WEO Update, July 2023

1.1.3 Oil Prices

Crude oil prices declined in the first half of 2023 owing, mainly to the weak macroeconomic outlook in key oil consuming countries and sustained oil production by Russia.

Figure 1.3: Oil Prices (US$ per barrel)

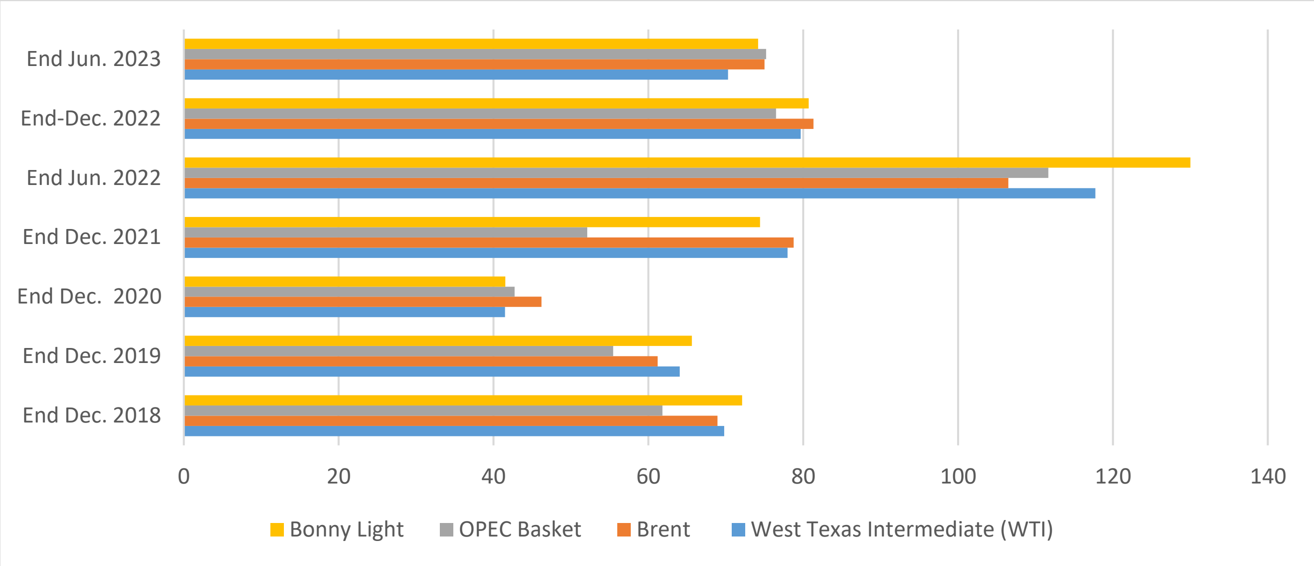


Table 1.3: Oil Prices (US$ Per Barrel)

Selected Crudes	End-Dec 2018	End-Dec 2019	End-Dec 2020	End-Dec 2021	End-Jun 2022	End-Dec 2022	End-Jun 2023
West Texas Intermediate (WTI)	**69.78**	**64.04**	**41.47**	**77.97**	**117.72**	**79.68**	**70.31**
Brent	68.94	61.19	46.2	78.76	106.5	81.34	74.98
OPEC Basket	**61.81**	**55.47**	**42.71**	**52.11**	**111.65**	**76.5**	**75.19**
Bonny Light	72.11	65.63	41.53	74.43	130.01	80.69	74.18

Source: OPEC and Reuters

1.1.4 International Stock Markets

The global stock market was generally bullish in the first half of 2023, driven largely by a more favourable outlook for economic data, anticipated peaking of policy rates and further moderation in headline inflation in most AEs. (Figure 1.4 and Appendix 1).

Figure 1.4 Indices of African Stock Markets

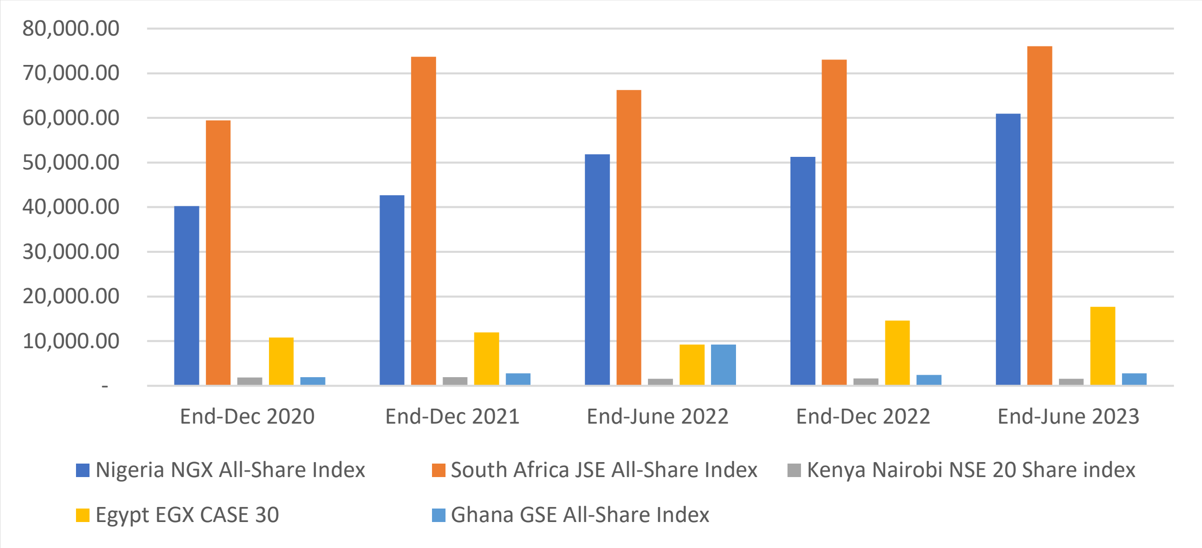


Figure 1.5 Indices of North American Stock Markets

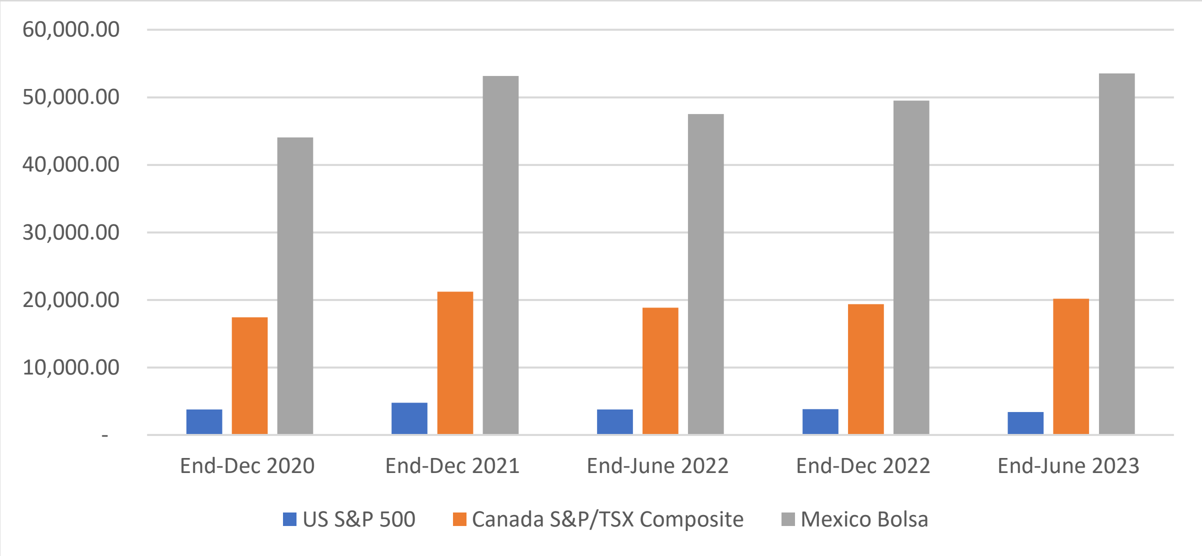


Figure 1.6 Indices of South America Stock Markets

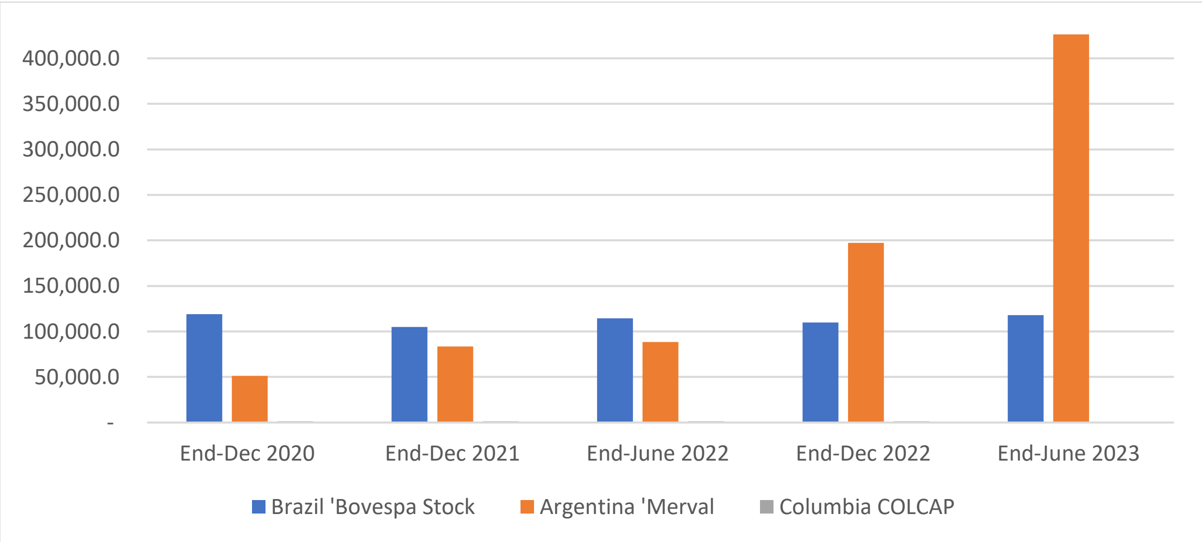


Figure 1.7 Indices of Europe Stock Markets

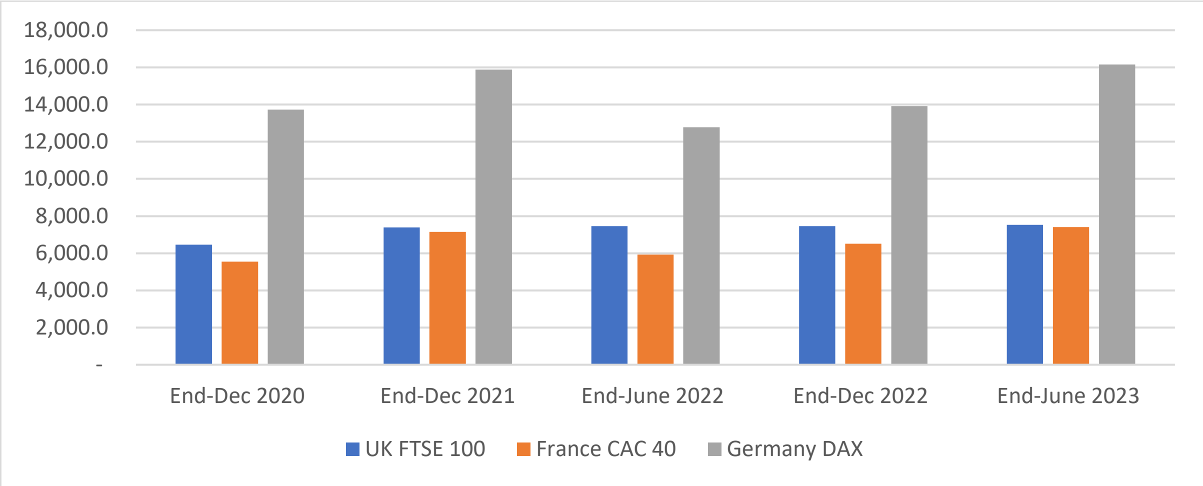
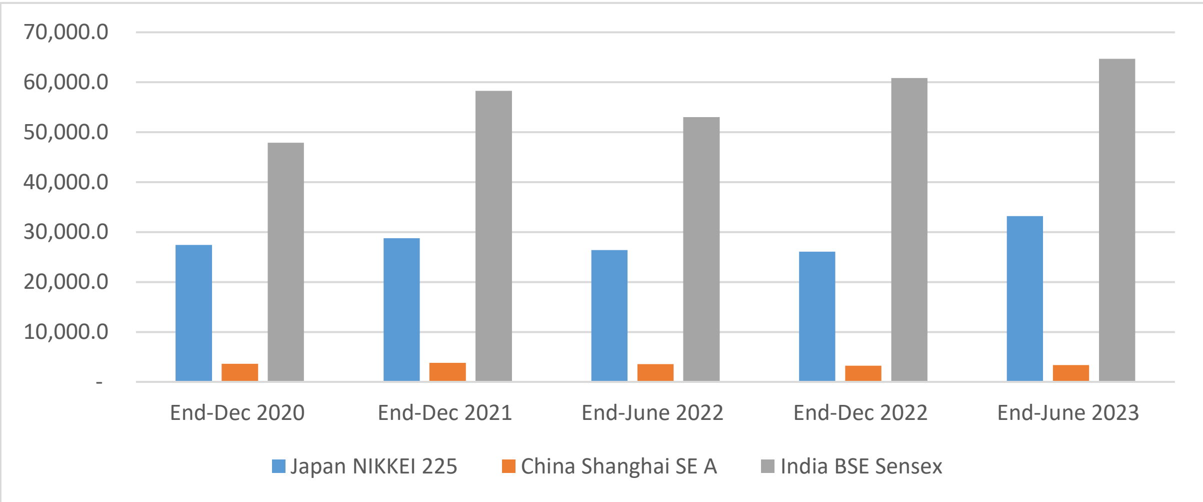


Figure 1.8 Indices of Asia Stock Markets



1.1.5 Foreign Exchange Markets

The foreign exchange markets recorded mixed developments in the first half of 2023. The US dollar appreciated against most currencies in Africa and Asia, due, largely to the persistent hike in policy rate by the Federal Reserve, as well as the negative investor sentiments induced by weak macroeconomic conditions in these regions. In Nigeria, the sharp depreciation was caused by the modification in the operations of the domestic foreign exchange market, particularly the removal of foreign exchange market segmentation. However, the US dollar depreciated against most currencies in North America, South America, and Europe following the stronger growth performance, cheaper cost of funds and improved trade balance in these regions.

Table 1.4: Performance of Selected Currencies against the US Dollar

Country	Currency	End-Dec 2021 (1)		End-December 2022 (2)	End-June 2023 (3)	% Change (3) & (2)
	Africa					
South Africa	**Rand**	15.97	16.28	17.01	18.84	-10.76
Kenya	**Shilling**	111.11	117.9	123.42	140.54	-13.87
Egypt	**Pound**	15.72	18.8	24.76	30.9	-24.80
Ghana	**Cedi**	6.14	8.06	10.16	11.36	-11.81
Nigeria	**Naira**	435	414	460	770.88	-67.58
North America						
Canada	**Dollar**	1.27	1.29	1.35	1.32	2.22
Mexico	**Peso**	20.34	20.11	19.49	17.13	12.11
South America						
Brazil	**Real**	5.57	5.26	5.29	4.79	9.45
Argentina	**Peso**	102.74	125.22	177.13	256.69	-44.92
Colombia	**Peso**	4071.48	4,153.19	4,850.65	4,171.49	14.00
Europe						
UK	**Pound**	0.74	0.82	0.83	0.79	4.82
Euro Area	**Euro**	0.88	0.95	0.93	0.92	1.08
Russia	**Ruble**	75.26	54.7	74.36	89.34	-20.15
Asia						
Japan	**Yen**	115.08	135.75	131.1	144.31	-10.08
China	**Renminbi**	6.36	6.7	6.9	7.25	-5.07
India	**Rupee**	74.34	79.01	82.72	82.04	0.82
PTP=Period to Period; YTD = Year to Date						

Source: Bloomberg

1.1.6 Monetary Policy Rates

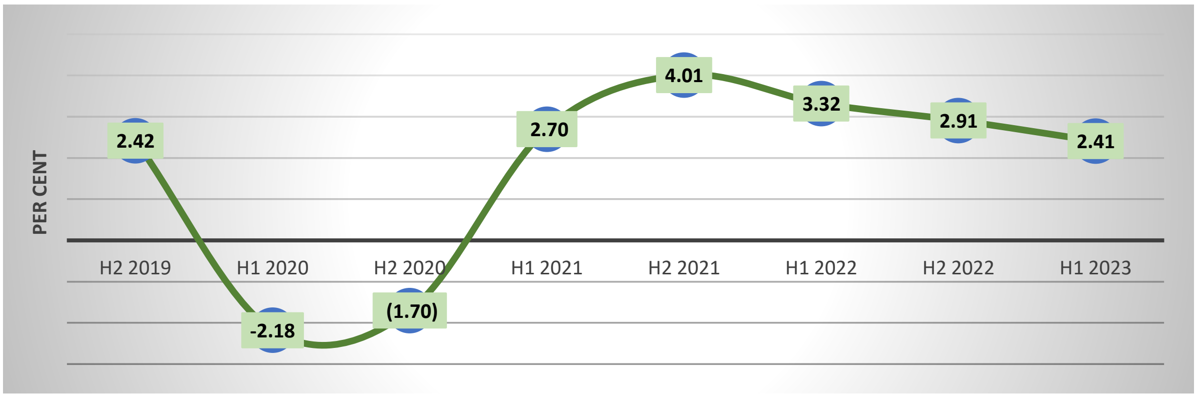
Monetary policy stance was mixed across various countries. In some economies, inflation moderated during the review period, while it remained well above targets for many others, thereby necessitating further tightening in policy rates. However, a few central banks maintained their policy rates (Appendix 2).

1.2 Domestic Macroeconomic Developments

1.2.1 Output

The domestic economy sustained its positive growth trajectory in the first half of 2023, though at a slower pace relative to the level in the preceding half year. Output grew by 2.41 per cent in the first half of 2023, compared with 2.91 per cent in the second half of 2022.

Figure 1.9 Gross Domestic Product (Growth %)



Source: National Bureau of Statistics

The non-oil sector remained the major driver of growth, contributing 2.97 percentage points in the first half of 2023, owing, largely to the performance of the Services and Agriculture sectors. The oil sector continued to be a drag on growth, notwithstanding its modest improvement in the review period. The sector contracted by 8.70 per cent, compared with 18.66 per cent in the preceding half year. Thus, the sector contributed negative 0.56 percentage point to the growth in real GDP, compared with 1.17 percentage points in the second half of 2022. The narrowed contraction was due to the renewed efforts to tackle vandalism and crude oil theft.

An analysis of the relative sectoral contributions to real GDP growth indicated that the Services sector maintained its lead over others, contributing 2.49 percentage points. This was, however, lower than the 3.30 percentage points recorded in the preceding half year. The sustained performance of the services sector was driven mainly by the growth in ICT and finance & insurance subsectors. The Agriculture sector contributed 0.07 percentage point to the real GDP growth, though lower than the 0.48 percentage point achieved in the preceding half year. The relative decline in the contribution of the Agriculture sector was attributed to weak performance in fishery and livestock activities. The Industry sector recorded negative contribution of 0.76 percentage point, compared with 4.52 percentage points, recorded in the preceding half year.

Table 1.5: Sectoral Contributions to real GDP

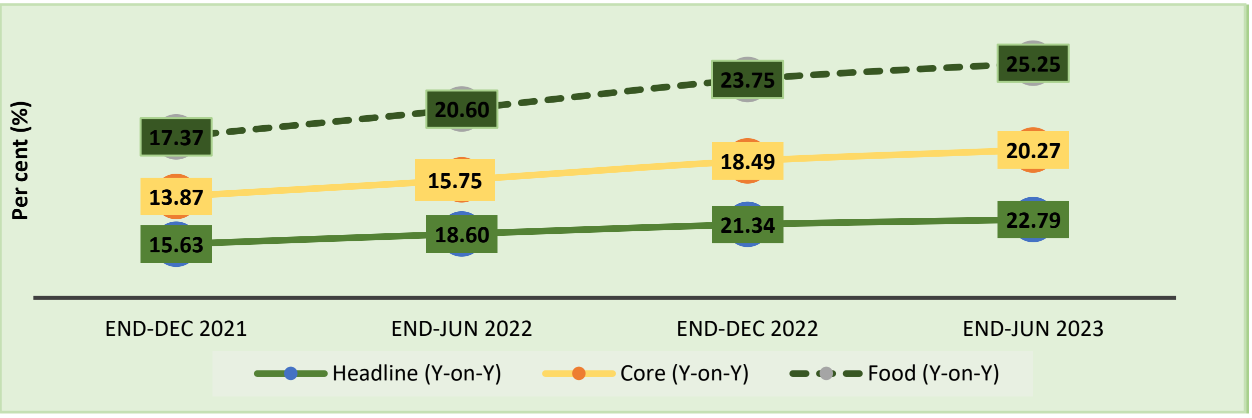
Sector	End-Jun 2022	End-Dec 2022	End-Jun 2023
Agriculture	**0.50**	**0.48**	**0.07**
Of which: Crop Production	0.45	0.48	0.38
Industry	**-1.05**	**-0.87**	**-0.15**
Of which: Oil	-1.64	-1.17	0.56
Manufacturing	**0.42**	**0.04**	**0.18**
Services	**3.87**	**3.30**	**2.49**
Of which: ICT	**1.49**	**1.54**	**1.63**
Finance & Insurance	**0.78**	**0.41**	**1.05**
Real GDP Growth	**3.32**	**2.91**	**2.41**

Source: National Bureau of Statistics

1.2.2 Inflation

Inflation maintained an uptrend in the first half of 2023, with increases in the indices of both food and non-food components of the Consumer Price Index (CPI) basket. Headline inflation (year-on-year) rose to 22.79 per cent at end-June 2023, above 21.34 per cent at end-December 2022. The increase was driven largely by the legacy structural factors, exacerbated by election-related spending in the first quarter of 2023 and the removal of fuel subsidy, as well as the recent reforms in the foreign exchange market.

Figure 1.10 Inflationary Trend (Year-on-Year)



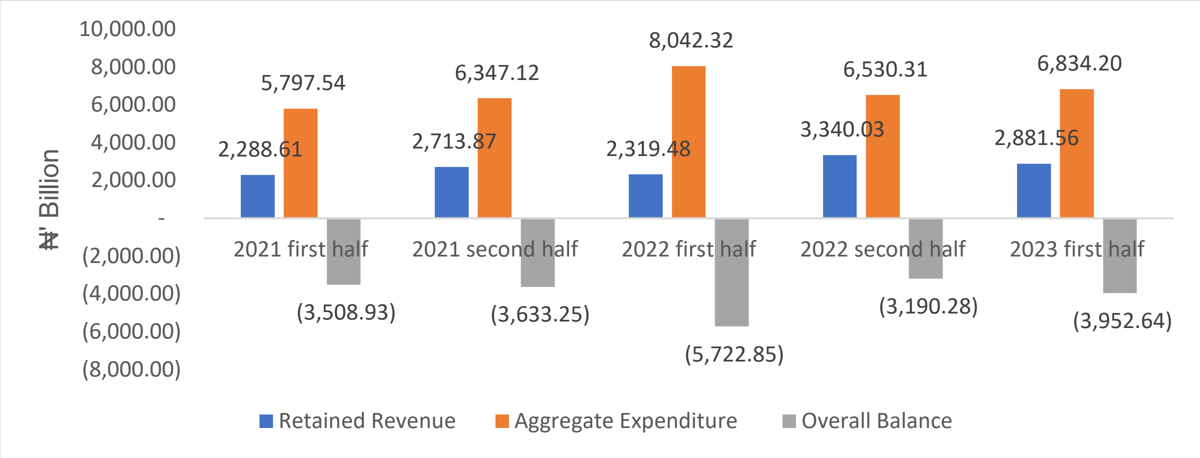
Source: National Bureau of Statistics

Food inflation (year-on-year) rose to 25.25 per cent, from 23.75 per cent in the second half of 2022, driven largely by the persistent security challenges and flooding that disrupted farming activities in some parts of the country as well as the increases in the prices of imported food items. Core inflation also rose to 20.27 per cent, compared with 18.49 per cent in the second half of 2022, which was due, mainly to elevated prices of imported items and other legacy structural factors.

1.2.3 Fiscal Operations of the Federal Government

Provisional data on the Federal Government retained revenue at ₦2,881.56 billion, in the first half of 2023, fell short of the prorated target by 47.82 per cent, reflecting protracted revenue challenges. Similarly, provisional aggregate expenditure at ₦6,834.20 billion fell below the prorated budget benchmark by 37.38 per cent. However, aggregate expenditure increased by ₦303.89 billion or 4.0 per cent, compared with the level in the preceding period, reflecting increased capital spending. Consequently, overall fiscal deficit increased to ₦3,952.64 billion, from ₦3,190.28 billion in the second half of 2022.

Figure 1.11 Federal Government Fiscal Operations (₦ Billion)



Source: OAGF & CBN Staff Estimates

The financing gap resulting from the mismatch between revenue and expenditure was bridged by borrowing from domestic and external sources. Thus, the consolidated public debt stock at end-June 2023 stood at ₦87,379.40 billion, an increase of 88.93 per cent over the level at end-December 2022, representing 39.50 per cent of GDP, which was within the Medium-Term Debt Management Strategy (MTDS) threshold of 40.00 per cent. A breakdown of the total debt indicated that domestic and external debt accounted for 61.95 per cent and 38.05 per cent, respectively.

1.2.4 External Reserves

Gross external reserves at end-June 2023 decreased to US$33.71 billion, from US$36.61 billion at end-December 2022. A breakdown of the reserves indicated that the CBN, FGN and Federation holdings were US$28.99 billion, US$4.72 billion and US$654,482.86, representing 85.98, 14.02 and 0.00 per cent, respectively. Further analysis showed that 74.49 per cent of the reserves was held in US dollars, 14.89 per cent in SDRs, 9.39 per cent in Renminbi and 1.24 per cent in other currencies.

Total inflow to the external reserves was US$12.58 billion at end-June 2023, reflecting a decrease of 6.75 per cent, compared with US$13.49 billion at end-December 2022. The decline in total inflow was attributed, largely to the decreases in receipts from third-party funds, inflow from crude oil-related taxes, and purchase of foreign exchange by the Bank.

Total outflow also decreased by 5.17 per cent to US$15.22 billion at end-June 2023, from US$16.05 billion at end-December 2022. This was driven largely by decreases in third-party payments and intervention at the Investors and Exporters (I&E) window.

Figure 1.12 External Reserves Position (US$ Billions)

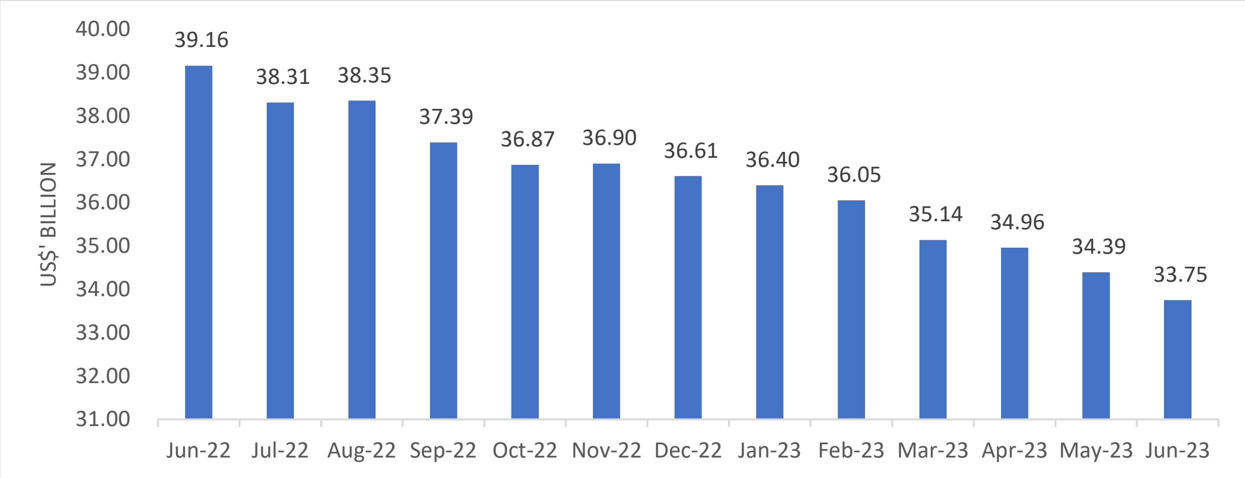


Table 1.6: Foreign Exchange Flows through the CBN (US$ Billion)

Period	Inflow	Outflow	Net flow
End-Jun 2022	16.40	16.89	(0.49)
End-Dec 2022	13.49	16.05	(2.56)
End-Jun 2023	12.58	15.22	(2.64)

2 DEVELOPMENTS IN THE FINANCIAL SYSTEM

2.1 Monetary and Credit Developments

Reserve money grew by 8.15 per cent at end-June 2023, driven by the increase in liabilities to Other Depository Corporations (ODCs). The rise in liabilities to ODCs was due to the 18.84 per cent increase in required reserves. Currency-in-circulation (CIC) contracted by 13.57 per cent. A disaggregation of CIC revealed a decline in the value of notes and coins by 13.74 per cent to ₦2,596.11 billion and a 180.80 per cent increase in eNaira transactions to ₦7.16 billion. The significant growth in eNaira transactions and the decline in notes and coins reflected increased shift towards digital transactions and adoption of electronic payment channels, attributed, largely to the implementation of the Naira Redesign Policy.

Table 2.1: Components of Reserve Money (₦ Billion)

	June-22	Dec-22	June-23
Reserve Money	**13,860.27**	**16,032.96**	**17,339.25**
Currency-In-Circulation	*3,255.56*	*3,012.06*	*2,603.27*
Of which Naira Notes & Coins	*3.254.21*	*3.009.51*	*2,596.11*
eNaira	*1.35*	*2.55*	*7.16*
Liabilities to ODCs	*10,604.71*	*13,020.91*	*14,735.98*
Reserve Money (% Growth over Preceding December)	*5.74*	*20.59*	*8.15*

Broad money (M3), at end-June 2023 grew by 24.39 per cent, implying an annualised growth of 48.78 per cent, compared with the provisional benchmark of 28.21 per cent. The growth in M3 was driven by the 59.58 per cent and 31.22 per cent increases in net foreign assets (NFA) and domestic claims, respectively. The growth in domestic claims resulted from the combined effect of the 39.82 per cent and 26.60 per cent rise in net claims on central government and claims on "Other sectors", respectively.

Table 2.2: Growth Rates of Monetary Aggregates

% Change (Over preceding December)	End-Dec 2021	End-Jun 2022	End-Dec 2022	End-Jun 2023
Net Foreign Assets	4.22	-34.68	-25.57	59.58
Net Domestic Assets	21.92	21.94	28.90	18.98
Domestic Claims	17.83	17.82	31.42	31.22
Net Claims on Central Government	20.42	31.61	61.61	39.82
Claims on Other Sectors	16.83	12.35	19.46	26.60
Other Items (Net)	6.79	7.92	58.11	56.86
Currency Outside Depository Corporations	17.74	-7.46	-12.57	-11.91
Transferable Deposits	13.30	16.61	20.34	22.20

Narrow Money Supply (M1)	14.00	12.69	14.57	17.98
Other Deposits	19.99	8.19	17.63	28.49
Monetary Liabilities (M2)	17.48	10.02	16.56	24.28
Total Monetary Liabilities (M3)	14.24	10.02	17.44	24.39

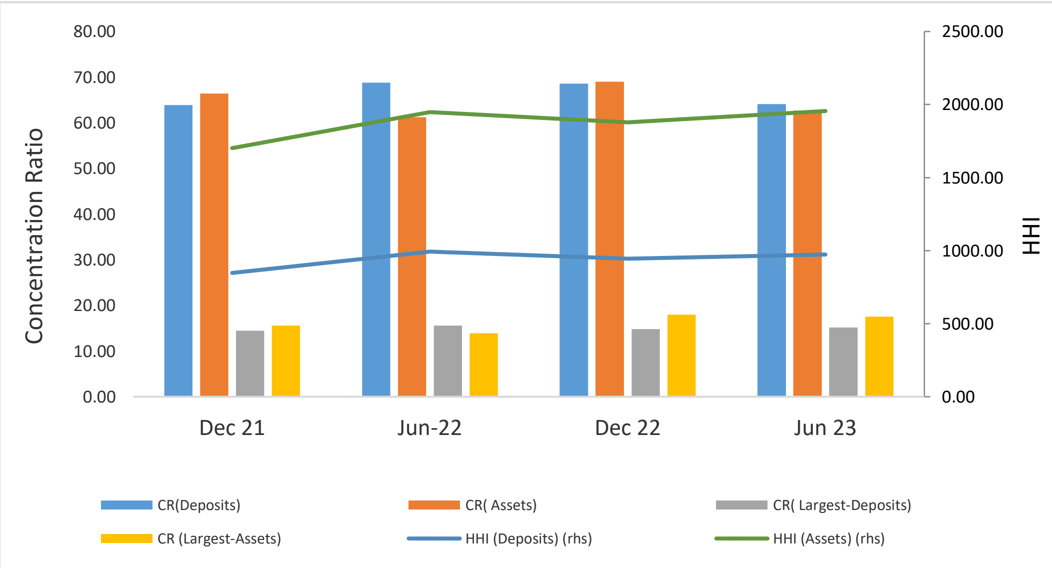
The growth in total monetary liabilities was traced to the 22.20 per cent and 28.49 per cent increases in transferable deposits and other deposits, respectively. The growth in 'other deposits' resulted from the rise in foreign currency deposits, which grew by 72.28 per cent, following the modifications in the operations of the foreign exchange market in June 2023. 'Other deposits' contributed 13.70 percentage points to the growth in broad money liabilities, while transferable deposits accounted for 7.74 percentage points. Currency outside depository corporations (CODC), on the other hand, declined by 11.91 per cent, reflecting increased adoption and usage of electronic payment channels in response to the Naira Redesign Policy of the Bank.

2.1.1 Market Structure of the Banking Industry

During the review period, the banking system remained competitive as the concentration in terms of deposits and assets of the five largest banks (CR5) moderated to 64.10 per cent and 62.68 per cent from 68.60 per cent and 69.00 per cent, respectively, in the preceding half year. In addition, the share of individual banks in total deposits and assets ranged from 0.13 per cent to 15.20 per cent and 0.44 per cent to 17.55 per cent, respectively.

Similarly, the Herfindahl-Hirschman Indices (HHI) of 973.70 in deposits and 981.80 in assets (on a scale of 100 to 10,000) suggested the existence of competition in the banking system.

Figure 2.1 Concentration Ratios of the Banking Industry Assets and Deposits



2.1.2 Sectoral Distribution of Credit

Credit allocation to the critical sectors of the economy increased considerably during the review period, largely on account of the Bank's initiatives, particularly the continued implementation of the Loan-to-Deposit Ratio (LDR) policy. Furthermore, the revaluation of foreign credit to critical sectors boosted credit growth in the review period. Total credit to key sectors of the economy increased by 27.28 per cent to ₦37,479.37 billion at end-June 2023, compared with ₦29,445.87 billion at end-December 2022. Credit utilisation across all the sectors increased, as credit to Agriculture, Industry and Services sectors rose by 1.49 per cent, 35.11 per cent and 24.21 per cent, respectively. A further disaggregation of the sectoral credit utilisation revealed that the Services sector, at ₦19,326.09 billion, accounted for the largest share (51.6 per cent), followed by Industry (₦16,313.85 billion) and Agriculture (₦1,812.47 billion), which accounted for 43.53 per cent and 4.91 per cent, respectively.

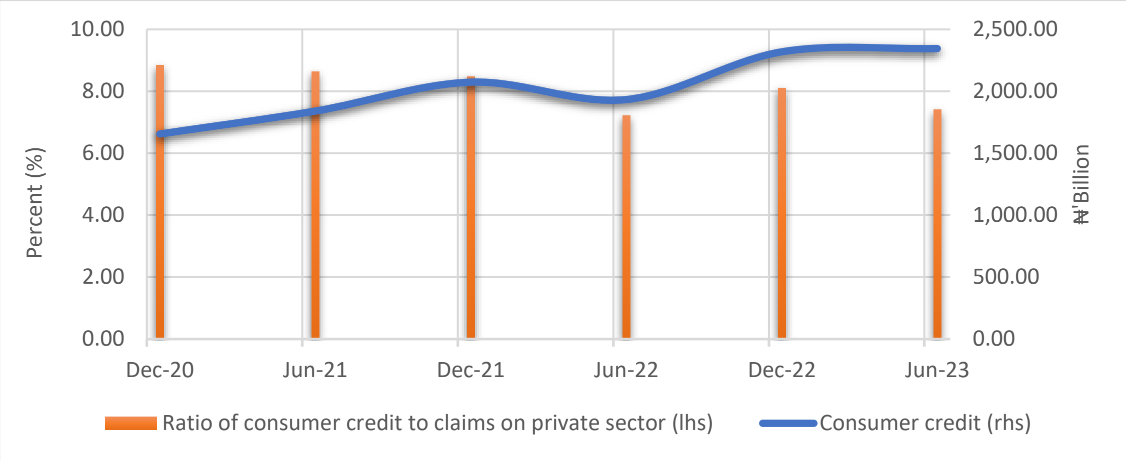
Table 2.3: Sectoral Credit Allocation

ITEM	Jun-22	Dec-22	Jun-23	Percentage Share in Total			% Change Between	
	₦''Billion	₦''Billion	₦''Billion	Jun-22	Dec-22	Jun-23	(1) & (2)	(2) & (3)
SECTORAL CREDIT ALLOCATION	(1)	(2)	(3)	(4)	(5)	(6)		
[a] Agriculture	**1,630.38**	**1,812.47**	**1,839.43**	**6.07**	**6.16**	**4.91**	**11.84**	**11.16**
[b] Industry	**10,591.87**	**12,074.31**	**16,313.85**	**39.45**	**41.01**	**43.53**	**6.87**	**14**
of which Manufacturing	4,535.19	5,566.43	6,982.02	**16.89**	**18.90**	18.63	10.90	22.74
[c] Services	**14,624.15**	**15,559.09**	**19,326.09**	**54.47**	**52.84**	**51.56**	**12.41**	**6.39**
of which Finance, Insurance & Capital Market	2,050.19	2,638.84	2,884.66	**7.64**	**8.96**	7.70	20.53	28.71
Trade/General Commerce	1,913.39	2,144.63	3,475.75	**7.13**	**7.28**	9.27	12.00	12.09
TOTAL PRIVATE SECTOR CREDIT	**26,846.40**	**29,445.87**	**37,479.37**	**100**	**100**	**100**	**10.12**	**9.68**

2.1.3 Consumer Credit

Consumer credit increased by 13.74 per cent to ₦2,637.32 billion above ₦2,318.63 billion in the preceding half year. This development could be attributed to the rising cost of goods and services. The total claims on the private sector stood at ₦37,479.37 billion at end-June 2023, of which consumer credit accounted for 7.04 per cent, relative to 7.87 per cent in the preceding half year. A disaggregation of consumer credit showed that personal and retail loans accounted for 71.78 and 28.22 per cent, compared with 75.56 and 24.44 per cent, respectively, at end-December 2022.

Figure 2.2 Consumer Credit



2.2 Other Financial Institutions

The total number of Other Financial Institutions (OFIs) decreased to 6,536 at end-June 2023, from 6,707 at end-December 2022. The Bank revoked 184 licenses of insolvent institutions, namely: 2 Primary Mortgage Banks (PMBs); 3 Finance Companies (FCs); and 179 Microfinance Banks (MFBs). However,13 new institutions, comprising 2 FCs and 11 MFBs were licensed, while 4 Unit Tier 2 MFBs were upgraded to Unit Tier 1.

Table 2.4: Composition of Other Financial Institutions

S/N	Type	End-Dec. 2022	End-Jun 2023
1	Microfinance Banks:		
	National	9	9
	State	134	123
	Tier 1 Unit	311	246
	Tier 2 Unit	426	334
		880	712
2	Bureaux De Change	5,675	5,675
3	Finance Companies	111	110
4	Development Finance Institutions	7	7
5	Primary Mortgage Banks	34	32
	Total	**6,707**	**6,536**

The total assets of OFIs, excluding BDCs, rose by 2.19 per cent to ₦6,377.01 billion at end-June 2023, due, mainly to increase in placements and net loans & advances by 16.24 per cent and 2.85 per cent, respectively. On the liability side, borrowings and 'due to other banks' increased by 25.54 per cent and 194.45 per cent, respectively, while shareholders' funds increased by 31.69 per cent to ₦976.98 billion at end-June 2023, owing, mainly to capital injection by DFIs and MFBs as well as accretion to the reserves of DFIs and PMBs.

Figure 2.3 OFIs Asset to GDP (Annualised)

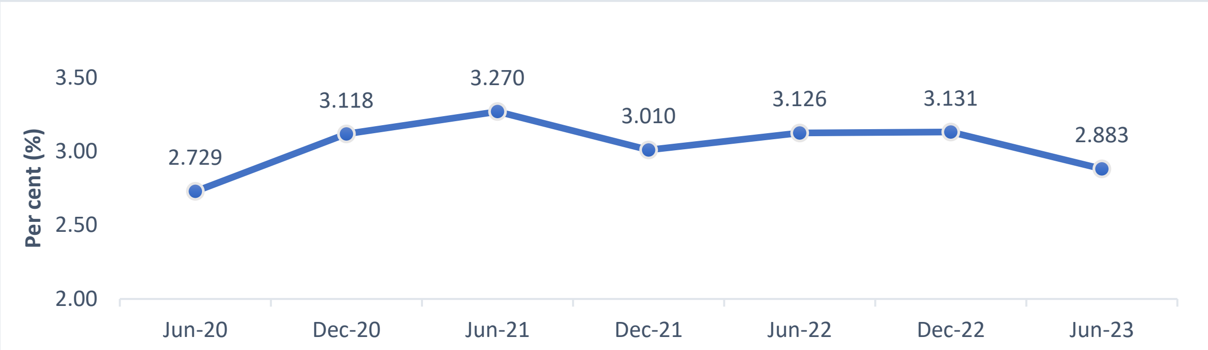


Figure 2.4 Consolidated Balance Sheet of OFIs

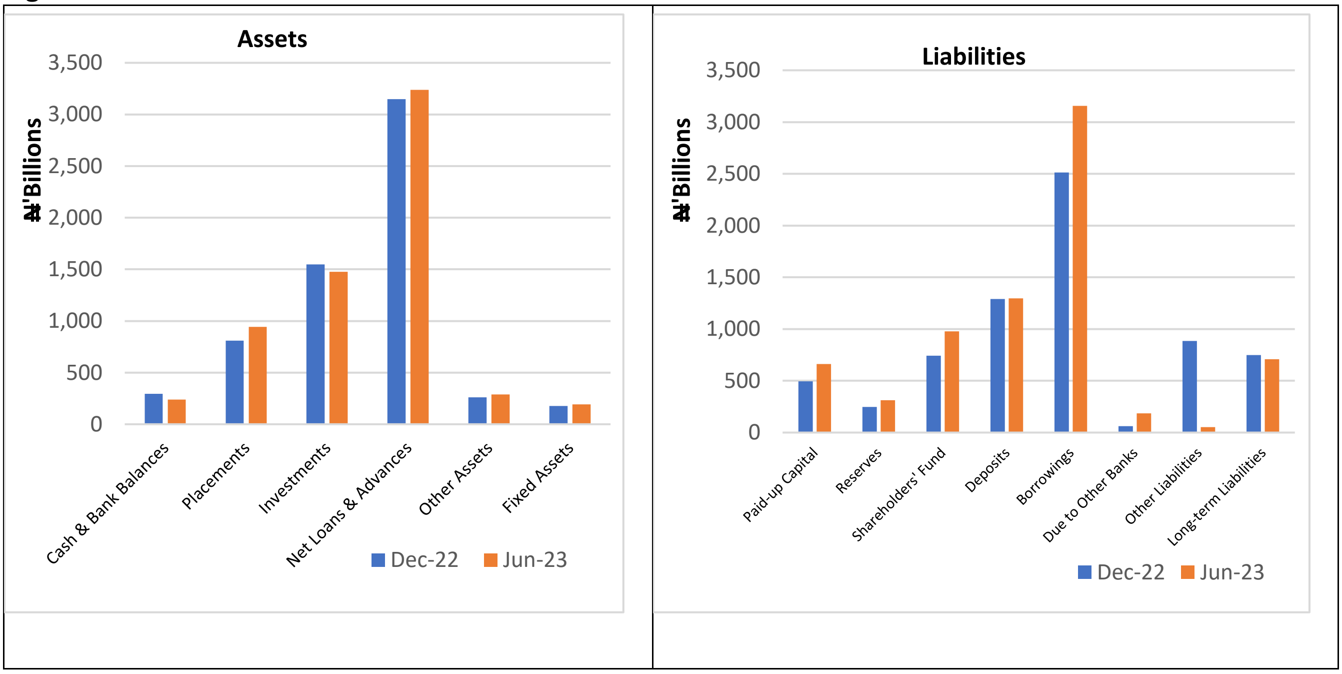
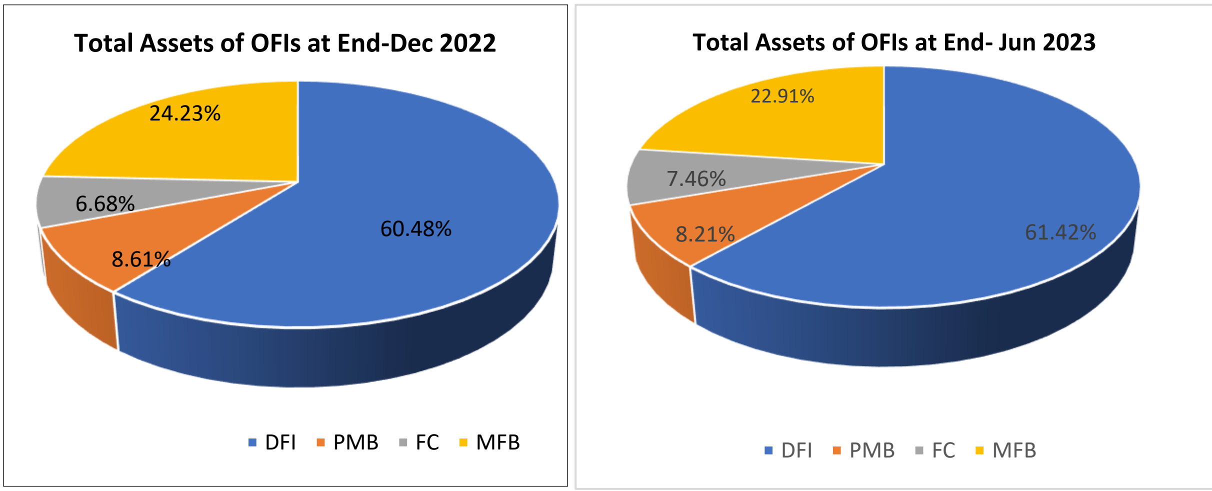


Figure 2.5 Total Assets Structure of OFIs



2.2.1 Development Finance Institutions

The total assets of the sub-sector increased by 3.77 per cent to ₦3,916.78 billion at end-June 2023, reflecting an increase of 16.13 per cent and 6.78 per cent in placements and net loans and advances, respectively. The growth in assets was driven largely by increase of 66.72 per cent, 28.86 per cent and 26.37 per cent in paid up capital, reserves, and borrowings, respectively. Three of the seven DFIs (Bank of Industry, Development Bank of Nigeria and Federal Mortgage Bank of Nigeria) accounted for 89.76 per cent of the total assets.

The shareholders' funds increased by 47.48 per cent to ₦716.45 billion at end-June 2023, compared with the level in the preceding period, arising from capital injection and accretion to reserves. Similarly, Capital Adequacy Ratio (CAR) increased to 17.83 per cent at end-June 2023, above 15.66 per cent at end-December 2022.

The Liquidity Ratio (LR) decreased to 183.74 per cent at end-June 2023, from 202.23 per cent at end-December 2022. Furthermore, the non-performing loans ratio improved by 2.41 percentage points to 23.51 per cent, from 25.92 per cent at end-December 2022.

Figure 2.6 Consolidated Balance Sheet of DFIs

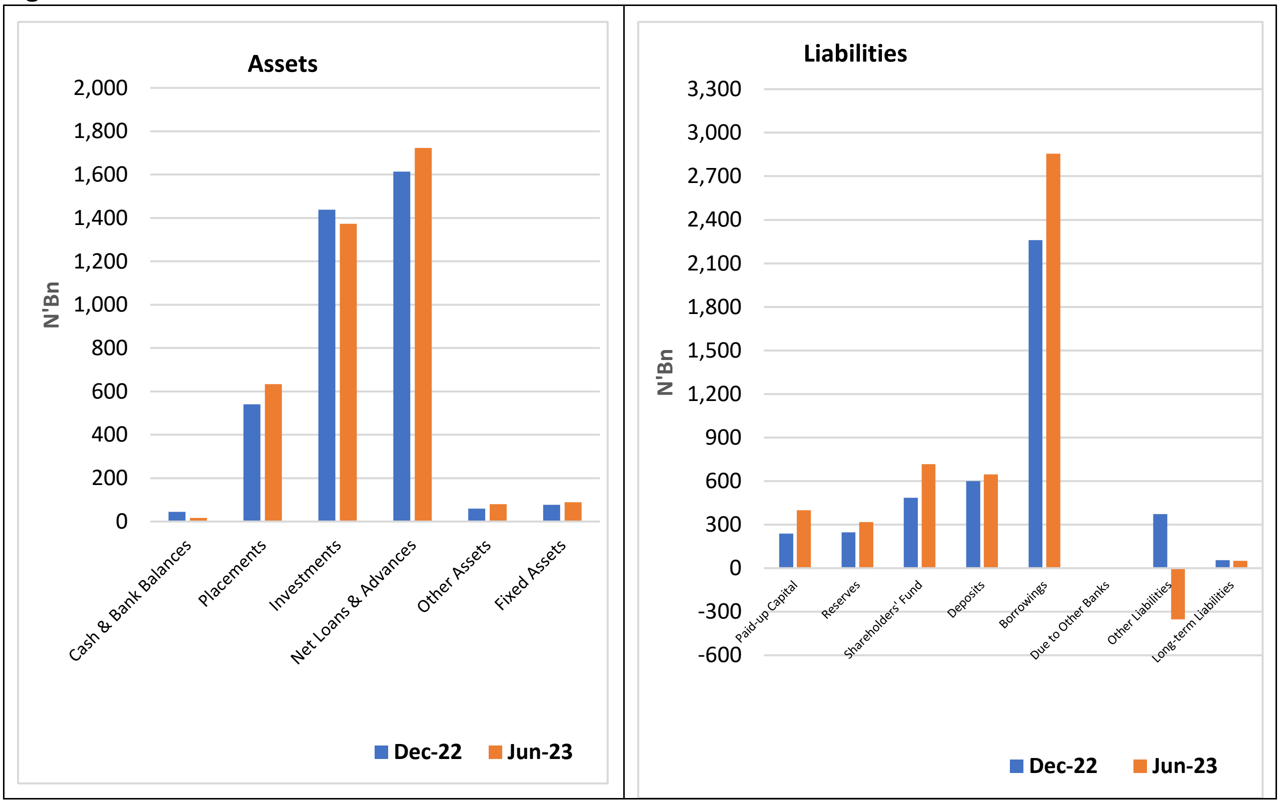


Figure 2.7 Total Assets of DFIs

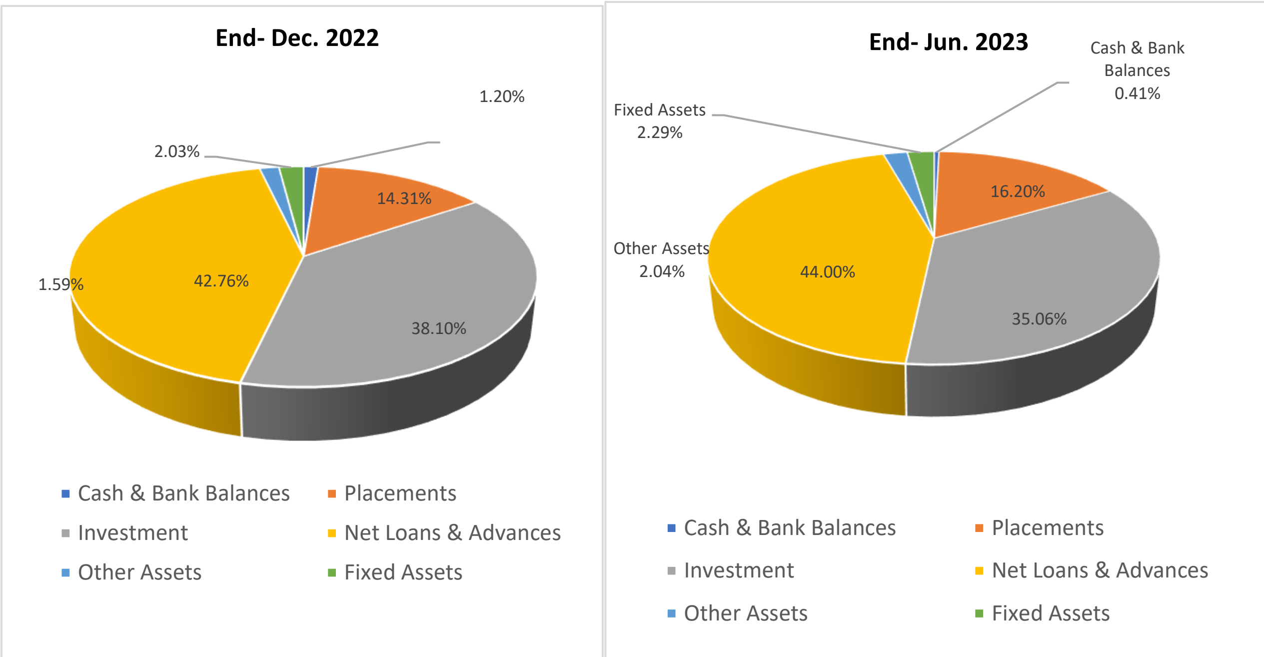
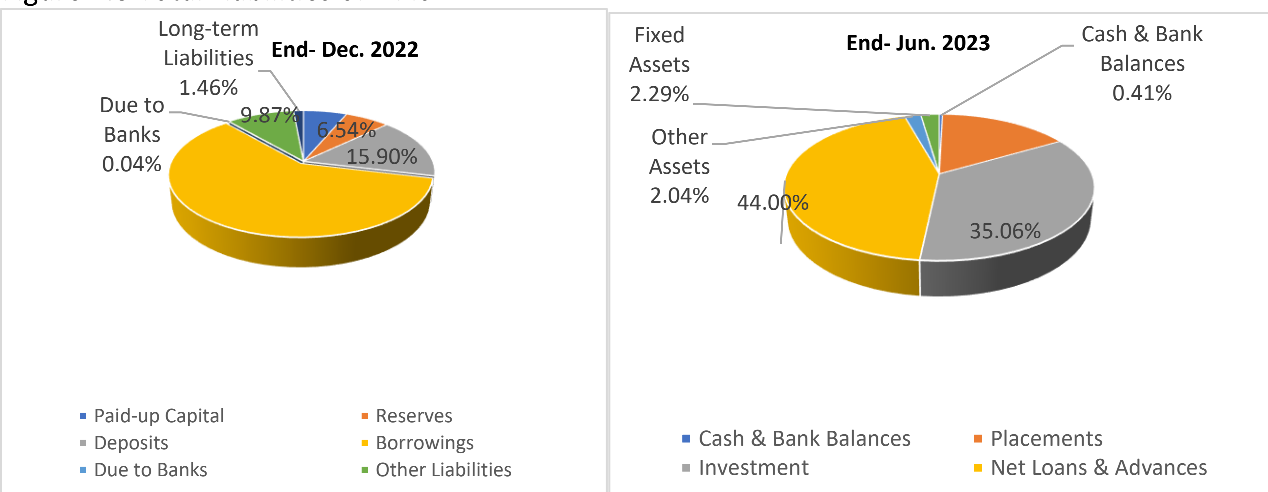


Figure 2.8 Total Liabilities of DFIs



2.2.2 Primary Mortgage Banks

The total assets of the sub-sector decreased by 2.53 per cent to ₦523.48 billion at end-June 2023, owing mainly to decreases in net loans & advances and investments.

However, the shareholders' funds increased by 18.93 per cent to ₦41.86 billion arising from accretion to reserves, while the paid-up capital decreased by 9.85 per cent to ₦101.18 billion due to the revocation of the licences of two PMBs.

Investible funds available to the PMB sub-sector at end-June 2023 amounted to ₦41.68 billion, sourced largely from recovery of investments and reduction in loans and advances. These funds were mainly utilised to repay "other liabilities" and long-term loans.

The LR increased to 51.06 per cent at end-June 2023, compared with 43.13 per cent in the preceding half year. The high LR was attributed to difficulties in creating mortgage loans owing to complex land title procedures and the weak foreclosure mechanism in Nigeria. However, NPL ratio decreased to 21.08 per cent at end-June 2023, following the intensive debt recovery drive.

Figure 2.9 Consolidated Balance Sheet of PMBs (N'BN)

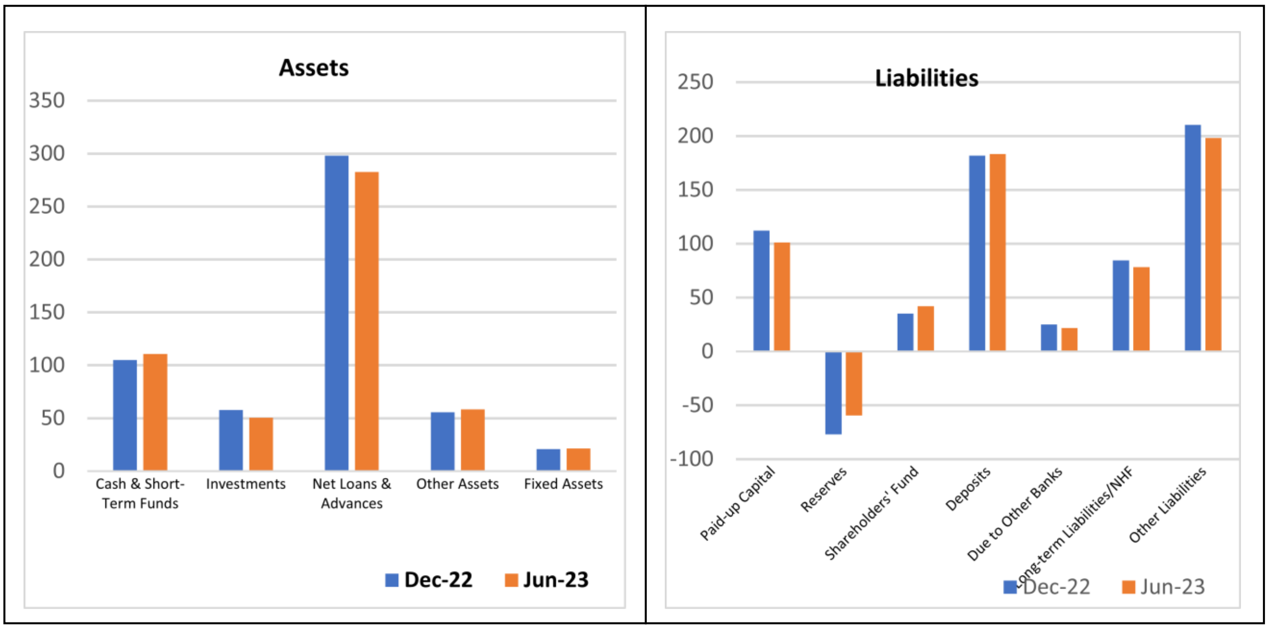


Figure 2.10 Composition of Assets of PMBs

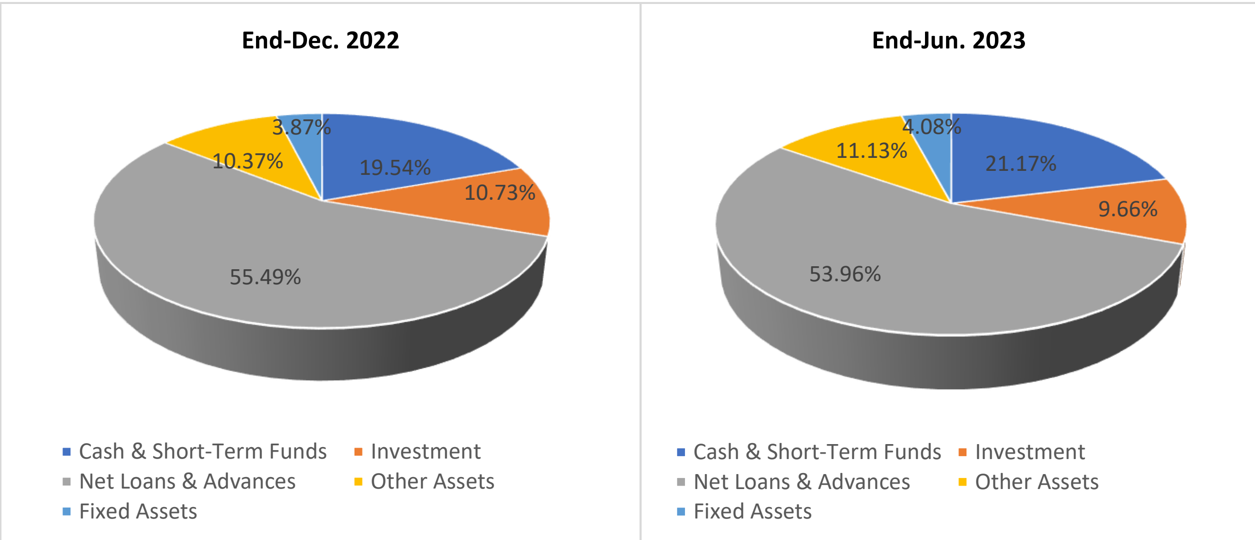


Figure 2.11 Composition of Liabilities of PMBS

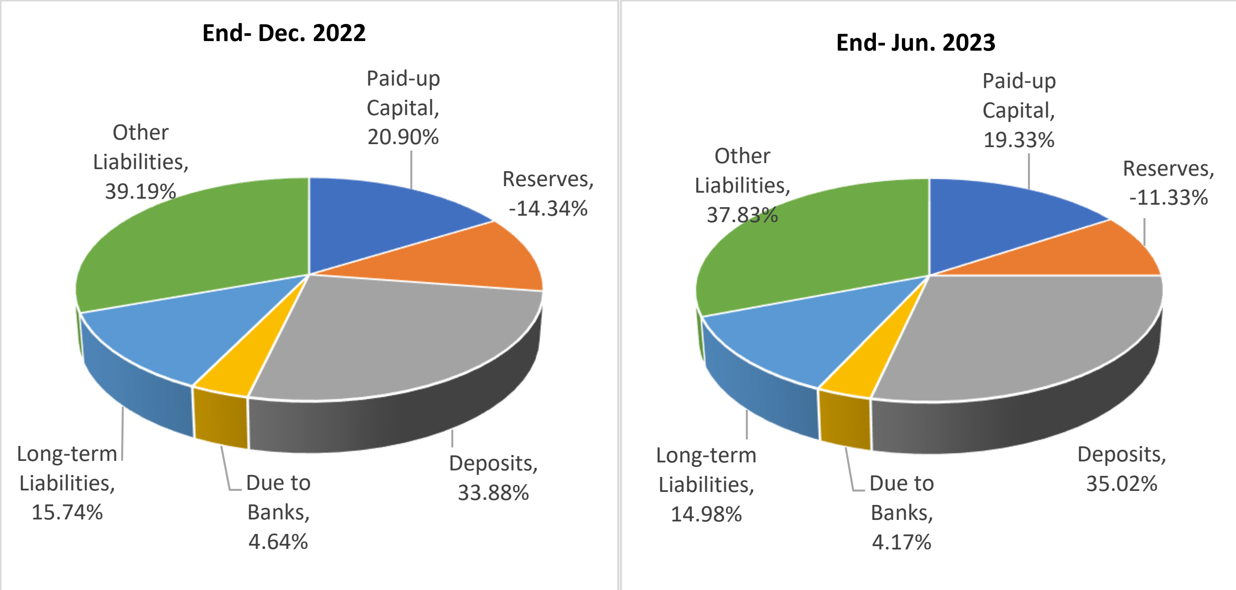


Table 2.5: Financial Highlights of PMBs

	End-Dec 2022 (₦' billion)	End-Jun 2023 (₦' billion)	Change (₦' billion)	% Change
Total Assets	537.07	523.48	(13.59)	(2.53)
Net Loans and Advances	298.05	282.52	(15.53)	(5.21)
Investments	57.61	50.55	(7.06)	(12.25)
Other Assets	55.68	58.27	2.59	4.65
Cash and Short-Term Funds	104.95	110.80	5.85	5.57
Reserves	(77.04)	(59.32)	17.72	(23.00)
Deposit liabilities	181.93	183.31	1.38	0.76
Other liabilities	210.45	198.05	(12.40)	(5.89)
Long-term Liabilities	84.55	78.41	(6.14)	(7.26)
Shareholders' funds	35.20	41.86	6.66	18.92
Capital Adequacy Ratio (%)	10.40	12.66	-	21.73
Liquidity Ratio (%)	43.13	51.06	-	18.39
Non-performing Loans (%)	22.07	21.08	-	(4.48)

Table 2.6: Sources and Applications of Investible Funds of PMBs

	₦'m	₦'m
	Source	**Utilization**
Cash		1,694
Bank Balances		4,141
Placements		10
Investments	7,058	
Loans And Advances	15,530	
Other Assets		2,588
Fixed Assets		561
Paid-Up Capital		11,056
Reserves	17,721	
Deposits	1,376	
Borrowings		
Due To Other Banks		3,087
Other Liabilities		12,405
Longterm Liabilities		6,142
Total	41,685	41,684

2.2.3 Finance Companies

The total assets of Finance Companies (FCs) increased by 14.08 per cent to ₦475.62 billion, at end-June 2023, due, largely to increases in net loans & advances and placements.

The shareholders' funds, decreased by 20.62 per cent to ₦30.61 billion, while CAR decreased to 5.79 per cent at end-June 2023, owing to operational losses.

Investible funds available to the sub-sector at end-June 2023 amounted to ₦69.80 billion, sourced predominantly from borrowings and other liabilities, which were utilised mainly for investments and creation of loans & advances.

The NPLs of the subsector decreased to 12.72 per cent at end-June 2023, which reflected an improvement in loan repayment and asset quality.

Table 2.7: Financial Position of FCs

	End-Dec 2022 (₦' billion)	End-June 2023 (₦' billion)	Change (₦' billion)	% Change
Total Assets	416.90	475.62	58.72	14.08
Cash in Vault	2.20	1.54	(0.66)	(30.00)
Balances with Banks	28.21	30.37	2.16	7.66
Net Loans and Advances	204.41	245.86	41.45	20.28
Investments	14.38	19.11	4.73	32.83
Placements	49.62	56.52	6.90	13.92
Fixed Assets	47.84	51.71	3.87	8.08
Borrowings	254.35	300.68	46.33	18.22
Other Liabilities	120.52	140.72	20.20	16.76
Shareholder's Funds	38.56	30.61	(7.95)	(20.62)

Paid-up Capital	26.52	28.99	2.47	9.30
Reserves	12.04	1.62	(10.42)	(86.56)
Capital Adequacy Ratio (%)	7.53	5.79	(1.74)	-
Non-performing Loans (%)	19.96	12.72	(7.24)	-

Figure 2.12 Consolidated Balance Sheet of FCs

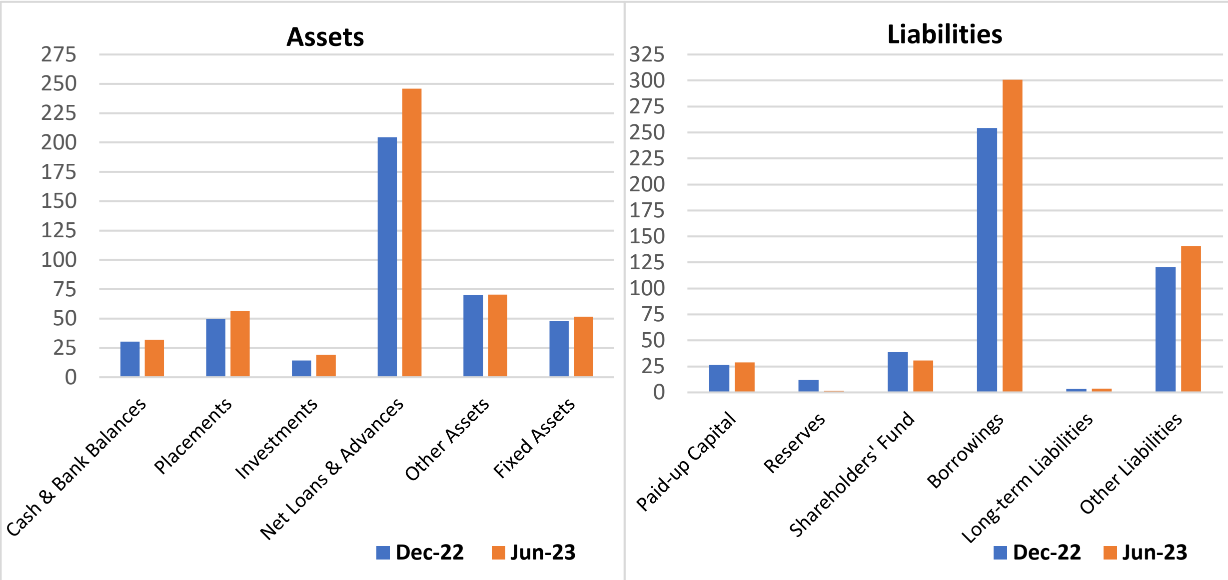


Figure 2.13 Composition of Assets of FCs

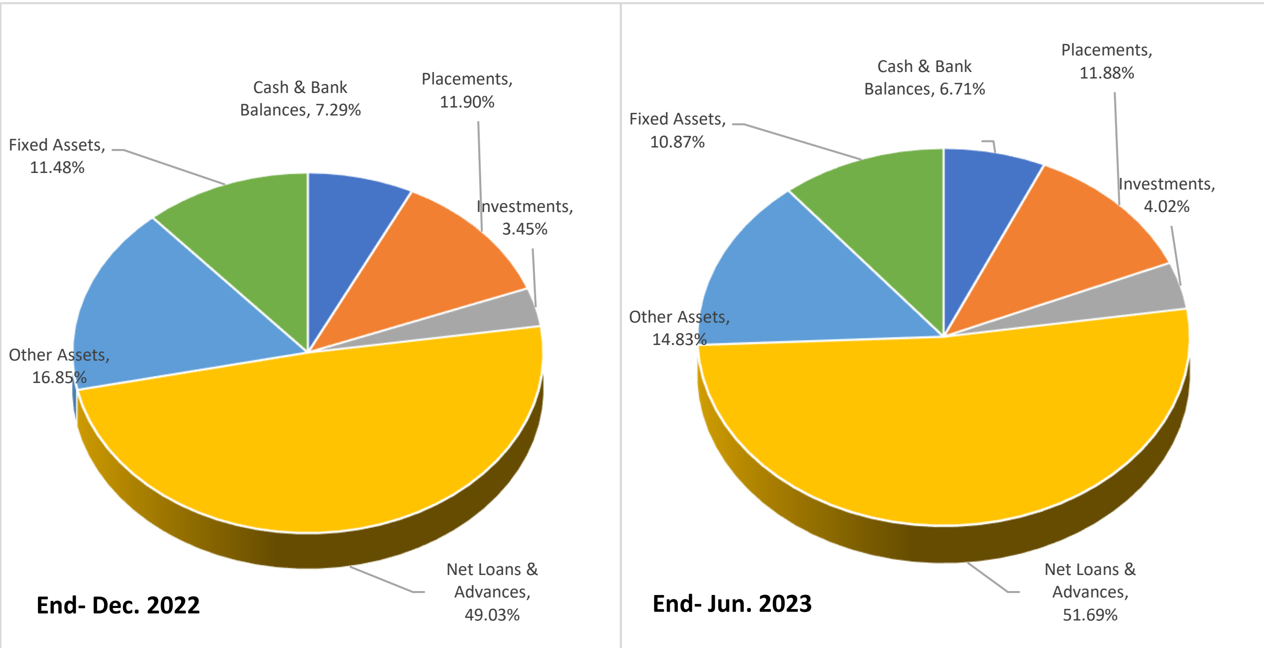


Figure 2.14 Composition of Liabilities of FCs

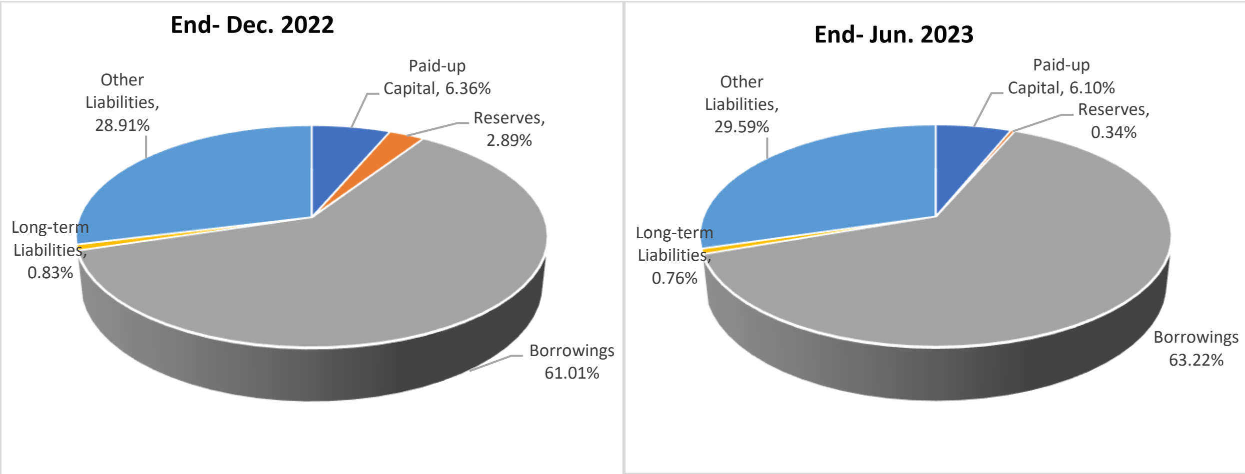


Table 2.8: Sources and Applications of Investible Funds of FCs

	₦'m	₦'m
	Source	**Utilization**
Cash	661	
Bank Balances		2,159
Placements		6,908
Investments		4,723
Loans And Advances		41,448
Other Assets		271
Fixed Assets		3,867
Paid-Up Capital	2,468	
Reserves		10,421
Deposits		
Borrowings	46,337	
Due To Other Banks		
Other Liabilities	20,199	
Long term Liabilities	133	
Total	**69,798**	**69,797**

2.2.4 Microfinance Banks

The total assets of MFBs decreased by 3.37 per cent to ₦1,461.14 billion, at end-June 2023, following the revocation of some licences, which reduced the value of net loans & advances, investments, cash and bank balances.

The shareholders' funds increased by 5.75 per cent to ₦188.05 billion at end-June 2023, due to capital injection to meet the new minimum capital requirements.

The CAR and LR of 16.09 and 76.51 per cent at end-June 2023 remained above the minimum regulatory requirements of 10 and 20 per cent, respectively. However, the Portfolio-At-Risk (PAR) increased marginally by 1.47 percentage points to 12.72 per cent at end-June 2023.

Investible funds available to the subsector at end-June 2023 amounted to ₦228.99 billion, sourced mainly from borrowings, repayment of loans & advances and capital injection. The funds were utilised mainly to redeem part of the long-term liabilities, reduce ‘other liabilities’, and meet customers’ deposit withdrawals.

Table 2.9: Highlights of Financial Position of MFBs

	End-December 2022 (₦’ Billion)	End-June 2023 (₦’ Billion)	Change (₦’ Billion)	% Change
Total Assets	1,512.09	1,461.14	(50.95)	(3.37)
Placements with Banks	140.43	171.01	30.58	21.78
Net Loans and Advances	1,031.01	985.40	(45.61)	(4.42)
Fixed Assets	31.55	29.27	(2.28)	(7.23)
Paid-up Capital	117.28	134.65	17.37	14.81
Reserves	65.02	53.40	(11.62)	(17.86)
Shareholders’ Funds	182.30	188.05	5.75	3.16
Deposits	507.63	466.89	(40.74)	(18.03)
Takings from Other Banks	36.45	166.99	125.54	344.37
Long-term Loans/On-lending	605.04	575.62	(29.42)	(4.86)
Other Liabilities	180.67	68.59	(112.08)	(62.04)
Capital Adequacy Ratio (%)	14.97	16.09	1.12	-
Liquidity Ratio (%)	70.92	76.51	5.59	-
Portfolio-at-Risk (PAR) (%)	11.25	12.72	1.47	-

Figure 2.15 Balance Sheet of MFBs

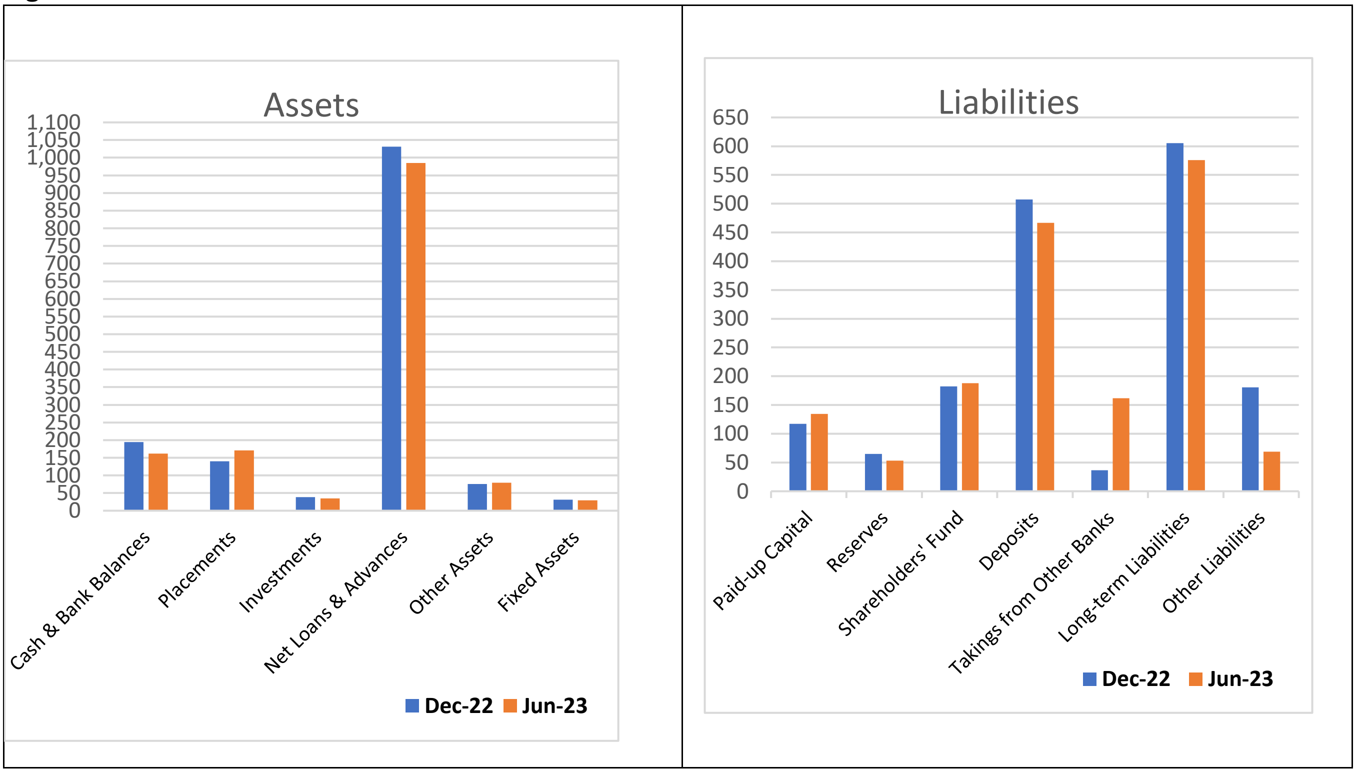


Figure 2.16 Composition of Assets of MFBs

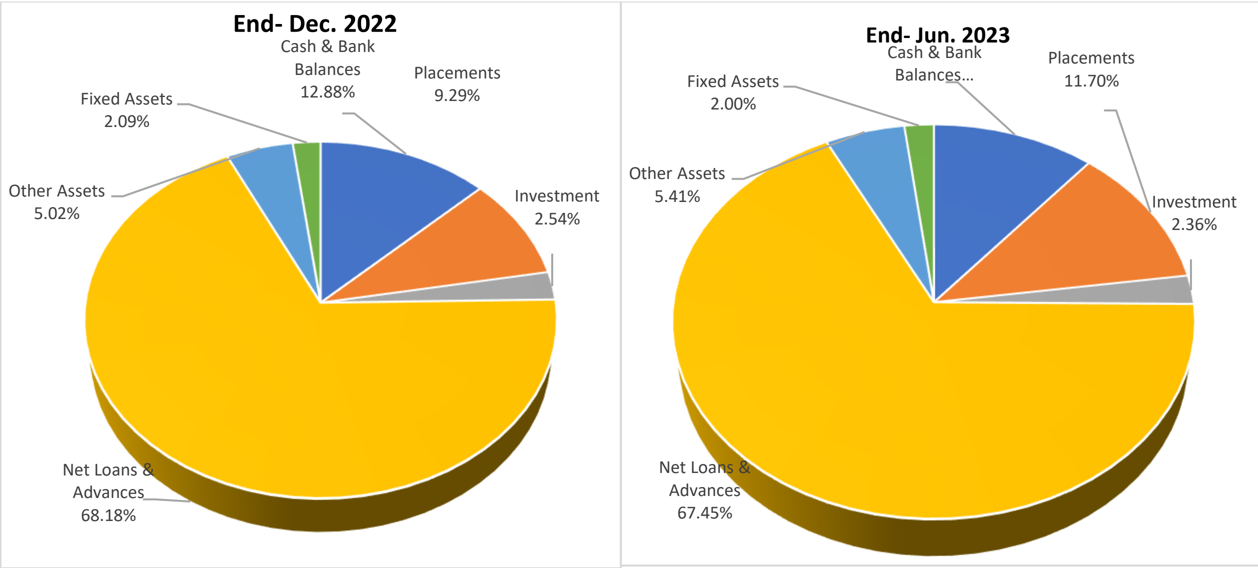


Figure 2.17 Composition of Liabilities of MFBs

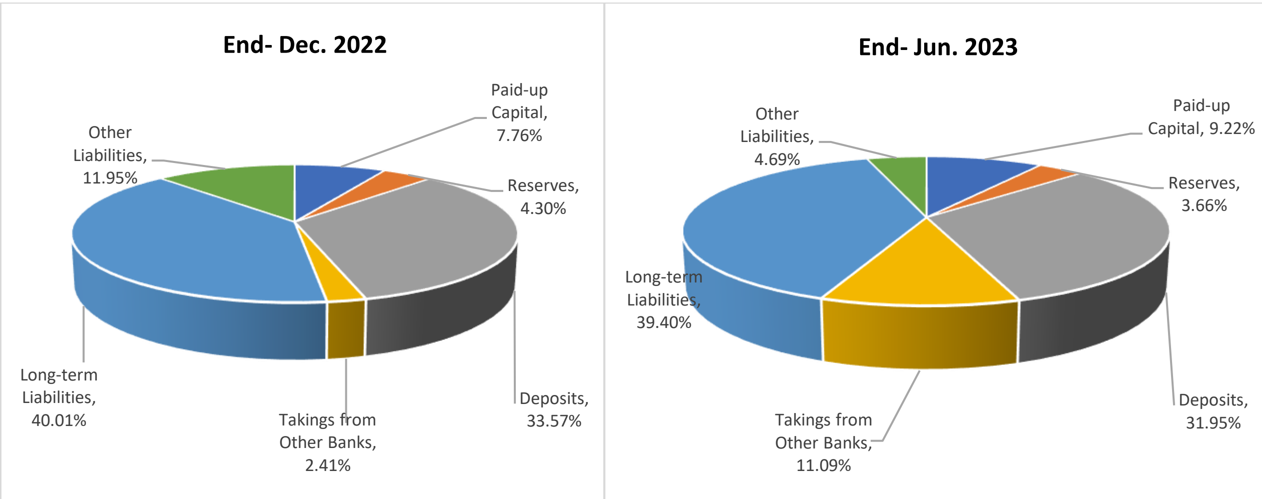


Table 2.10: Sources and Applications of Investible Funds of MFBs

	₦'m	**₦'m**
	Source	**Utilisation**
Cash		1,460
Bank Balances	34,293	
Placements		30,580
Investments	3,904	
Loans And Advances	45,616	
Other Assets		3,095
Fixed Assets	2,281	
Paid-up Capital	17,370	
Reserves		11,612
Deposits		40,747
Borrowings		
Due To Other Banks	125,533	
Other Liabilities		112,079
Long-term Liabilities		29,424
Total	**228,997**	**228,997**

2.2.4.1 Maturity Structure of Loans and Advances and Deposit Liabilities

The deposit structure of MFBs remained largely short-term, as deposits of less than one year maturity accounted for 84.51 per cent, while deposits of over one year maturity accounted for 15.49 per cent. However, the maturity profile of loans & advances at end-June 2023 showed that long-term credits dominated the microfinance market, accounting for 57.63 per cent, while short-term credits accounted for 42.37 per cent. Although, this indicated a mismatch of deposits and credits maturity, this has been mitigated by high liquidity ratio.

Table 2.11: Maturity Structure of MFBs Loans and Advances and Deposit Liabilities

	End-Dec 2022		End-Jun 2023	
Tenor/Period	**Loans and Advances (%)**	**Deposits (%)**	**Loans and Advances (%)**	**Deposits (%)**
0-30 Days	9.68	27.64	16.90	31.47
31-60 Days	3.54	9.86	4.72	6.75
61-90 Days	4.72	13.22	2.90	10.85
91-180 Days	10.82	14.61	9.16	21.34
181-360 Days	12.30	15.52	8.69	14.10
Short-Term	**41.06**	**80.84**	**42.37**	**84.51**
Above 360 Days	**58.94**	**19.16**	**57.63**	**15.49**
Total	**100**	**100**	**100**	**100**

2.3 Financial Markets

The global financial markets continued to face downside risks as reflected by high inflation, slower economic growth, global polarisations and the lingering effects of the Russia-Ukraine crisis. Despite the pass-through effects of these headwinds to the domestic economy, the Nigerian financial market maintained its resilience due to the various policies of the Bank towards ensuring price and financial system stability.

2.3.1 Money Market

2.3.1.1 Interbank Market Rates

The inter-bank money market remained active, dominated by collateralised transactions, with marginal growth in unsecured transactions. In general, inter-bank money market rates trended downward in the first half of 2023, compared with that of the preceding half of 2022. Factors that impacted the market included fiscal flows, cash reserve ratio (CRR) maintenance operations, implementation of LDR, settlement for foreign exchange interventions, maturities of central bank and treasury securities, open market operations, as well as operational changes to the foreign exchange market. In most parts of the review period, rates remained within the bounds of the policy rate corridor in line with the tightening stance of the Bank.

On January 3, 2023, the open-buy-back (OBB) weighted daily average rate opened at 9.74 per cent and closed at 1.38 per cent on June 30, 2023, compared with 13.54 per cent on July 4, 2022 and 10.74 per cent on December 30, 2022. During the review period, the daily OBB rate ranged between 1.38 and 18.50 per cent, compared with 7.08 and 17.01 per cent in the second half of 2022. In the unsecured segment of the market, the weighted daily average rate opened at 9.50 per cent on January 3, 2023, lower than the 13.00 per cent recorded on July 8, 2022. The unsecured inter-bank call rates ranged from 9.00 to 19.00 per cent in the review period, compared with 9.50 to 16.75 per cent, in the second half of 2023.

The monthly average OBB and inter-bank call rates closed at 9.12 per cent and 11.66 per cent at end-June 2023, compared with 11.61 per cent and 12.08 per cent at end-December 2022.

Figure 2.18 Volatility in Open-Buy-Back Interest Rates

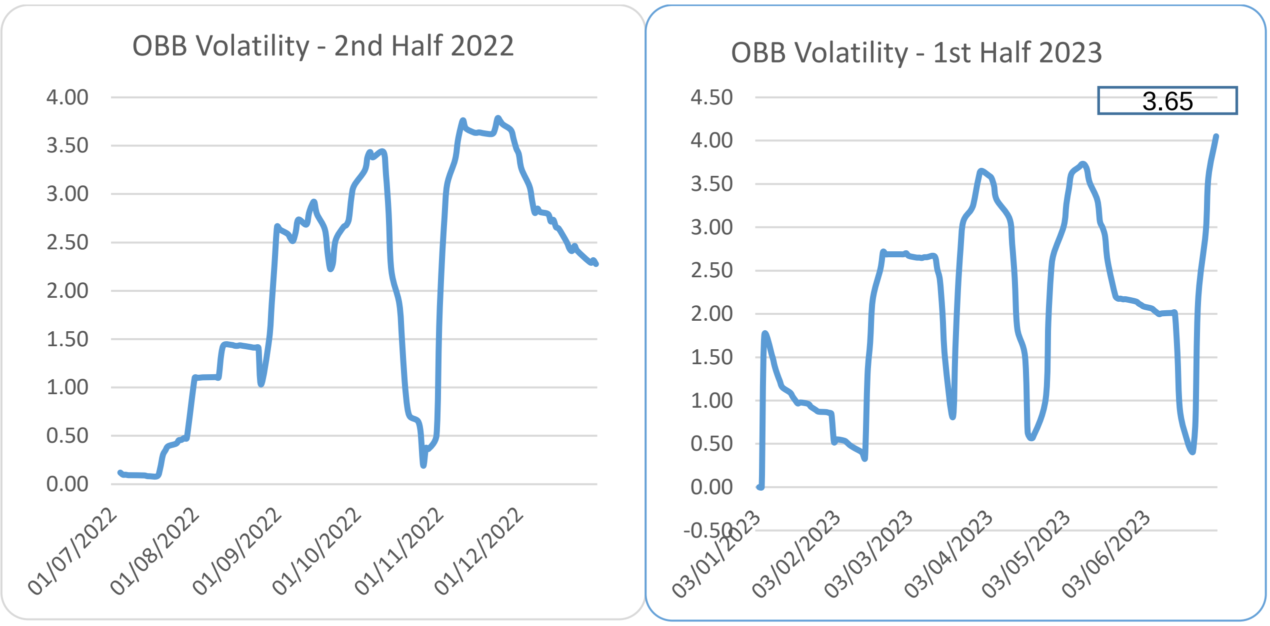


Figure 2.19 Volatility in Interbank Interest Rates

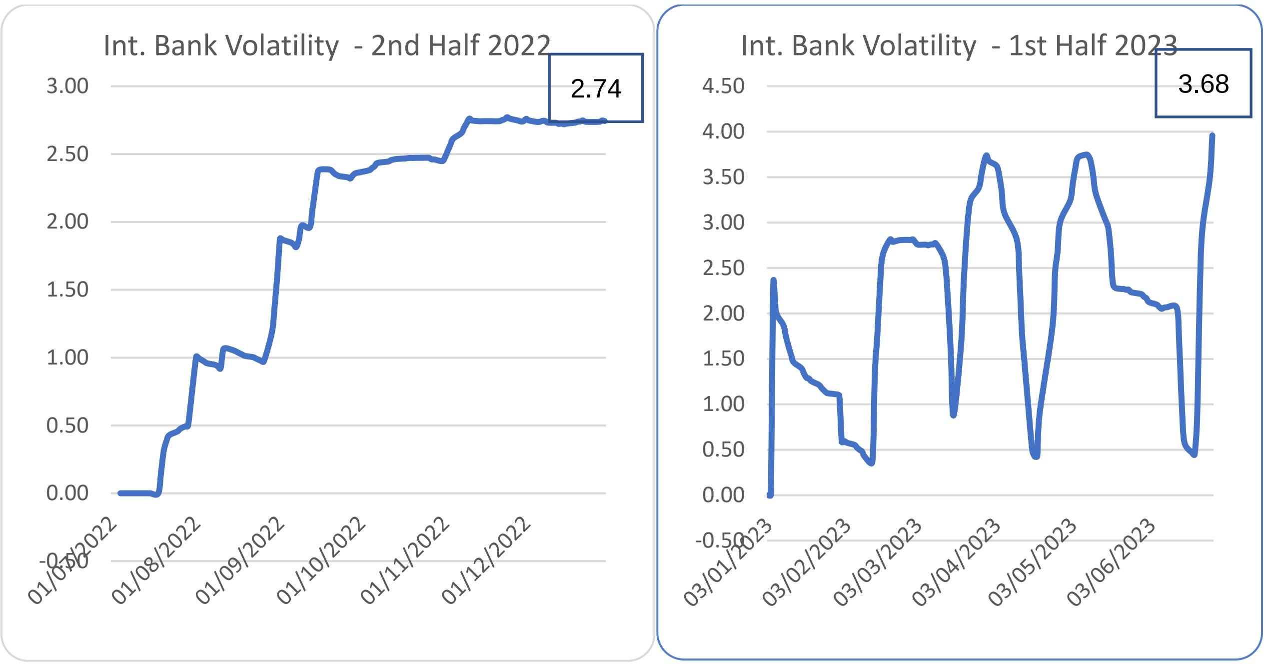
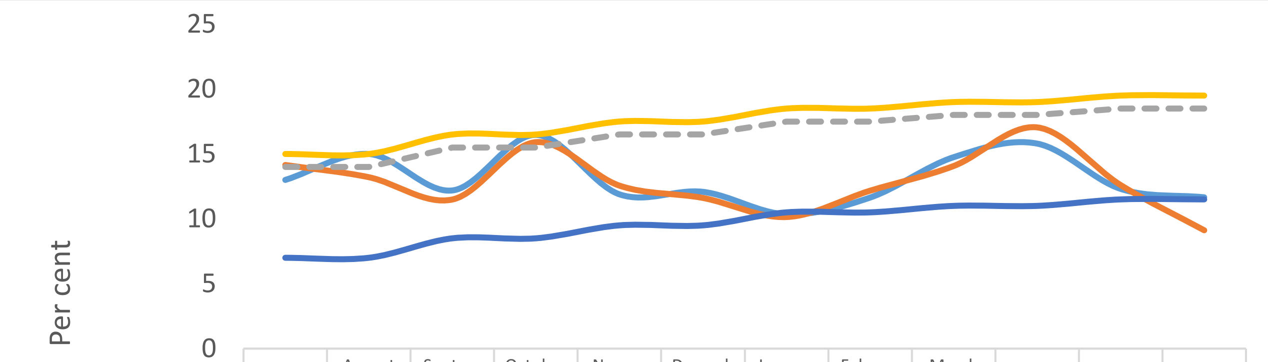


Figure 2.20 Money Market Rates



	July '22	August '22	September '22	October '22	November '22	December '22	January '23	February '23	March '23	April '23	May '23	June '23
Inter-Bank Call	13	15	12.19	16.47	11.89	12.08	10.35	11.64	14.75	15.8	12.31	11.66
Open Buy Back	14.15	13.21	11.49	15.91	12.56	11.61	10.14	12.17	14.07	17.05	12.6	9.12
MPR	14	14	15.5	15.5	16.5	16.5	17.5	17.5	18	18	18.5	18.5
SLF	15	15	16.5	16.5	17.5	17.5	18.5	18.5	19	19	19.5	19.5
SDF	7	7	8.5	8.5	9.5	9.5	10.5	10.5	11	11	11.5	11.5

Inter-Bank Call   Open Buy Back   MPR   SLF   SDF

2.3.1.2 Deposit and Lending Rates

The Bank continued its tightening policy stance in the first half of 2023, aimed at moderating the persistent uptick in inflation, resulting in higher interest rates. Thus, both deposit and lending rates trended upward in the review period as banks repriced rates in line with the policy rate hikes. The weighted average term deposit rate rose by 2.76 percentage points to 6.22 per cent. Similarly, the weighted average prime and maximum lending rates rose to 12.77 per cent and 28.26 per cent, respectively, compared with 11.90 per cent and 27.96 per cent in the preceding half-year.

However, the spread between the maximum lending rate and the weighted average term deposit rate narrowed by 0.63 percentage point to 21.41 per cent in the review period, from 22.04 per cent in the preceding half-year, implying an improvement in the competitiveness of the financial market.

Figure 2.21 Interest Rates Spread

2.3.1.3 Nigerian Treasury Bills

The value of the Nigerian Treasury Bills (NTBs) for 91-, 182- and 364-day tenors offered and allotted in the first half of 2023 was ₦2,599.91 billion, an increase of 15.03 per cent, above the level recorded in the preceding half-year. Total subscriptions increased by 113.53 per cent to ₦9,502.78 billion, reflecting the liquidity conditions in the market and investors' appetite for risk-free securities. The average stop rates were generally lower at 5.73, 9.10 and 15.64 per cent, compared with 9.20, 11.51 and 18.90 per cent for the 91-day, 182-day and the 364-day tenors, respectively, in the preceding half-year.

Figure 2.22 Primary Market: Nigerian Treasury Bills Allotment (%)

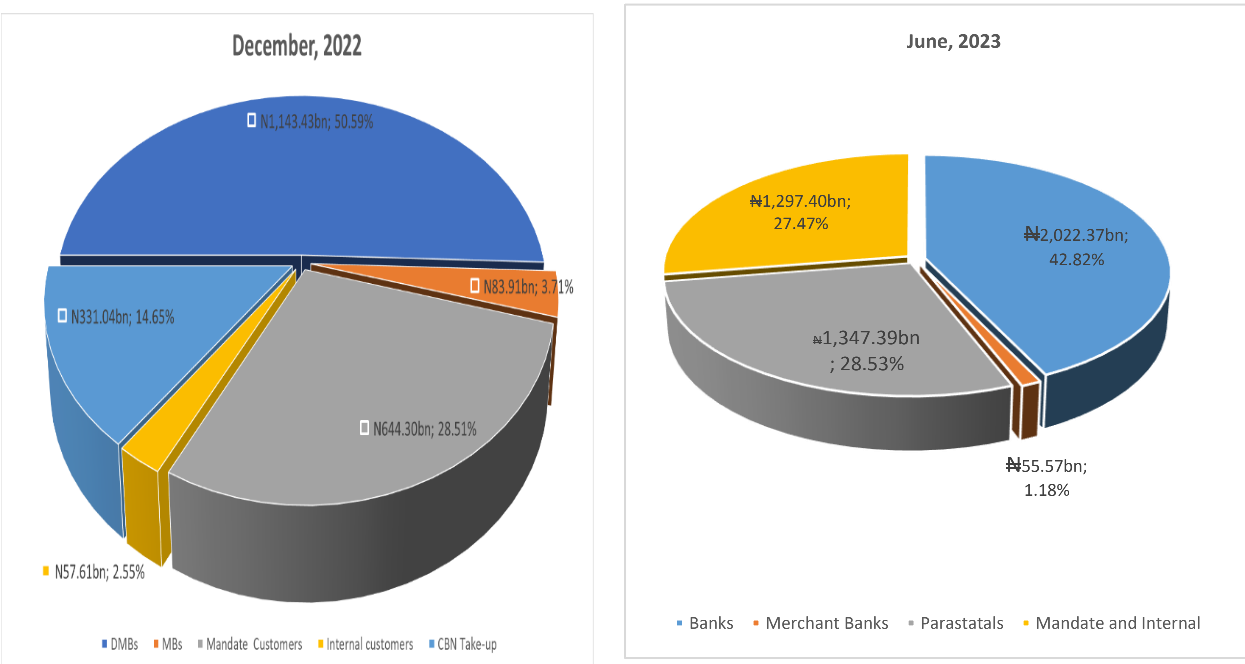
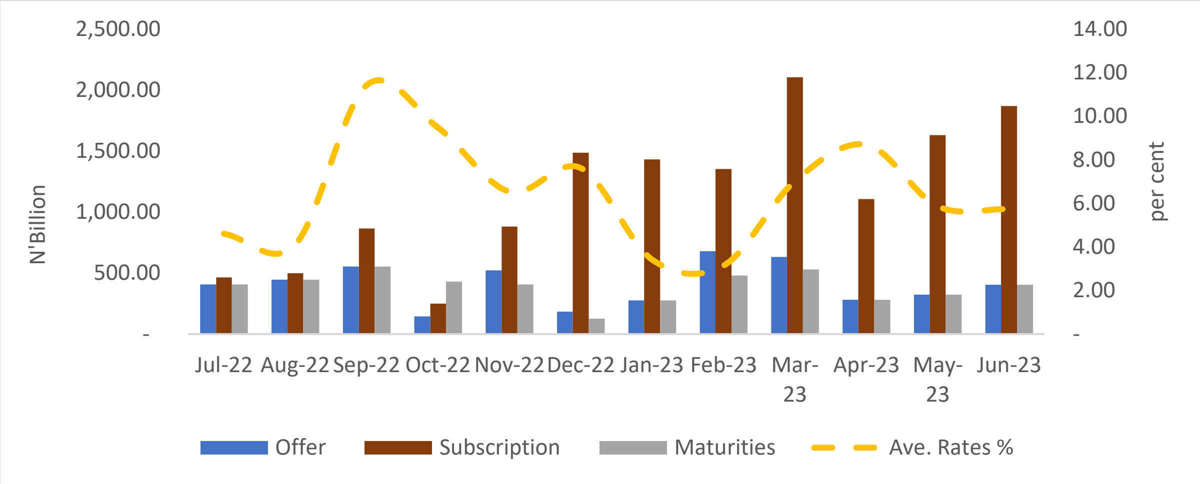
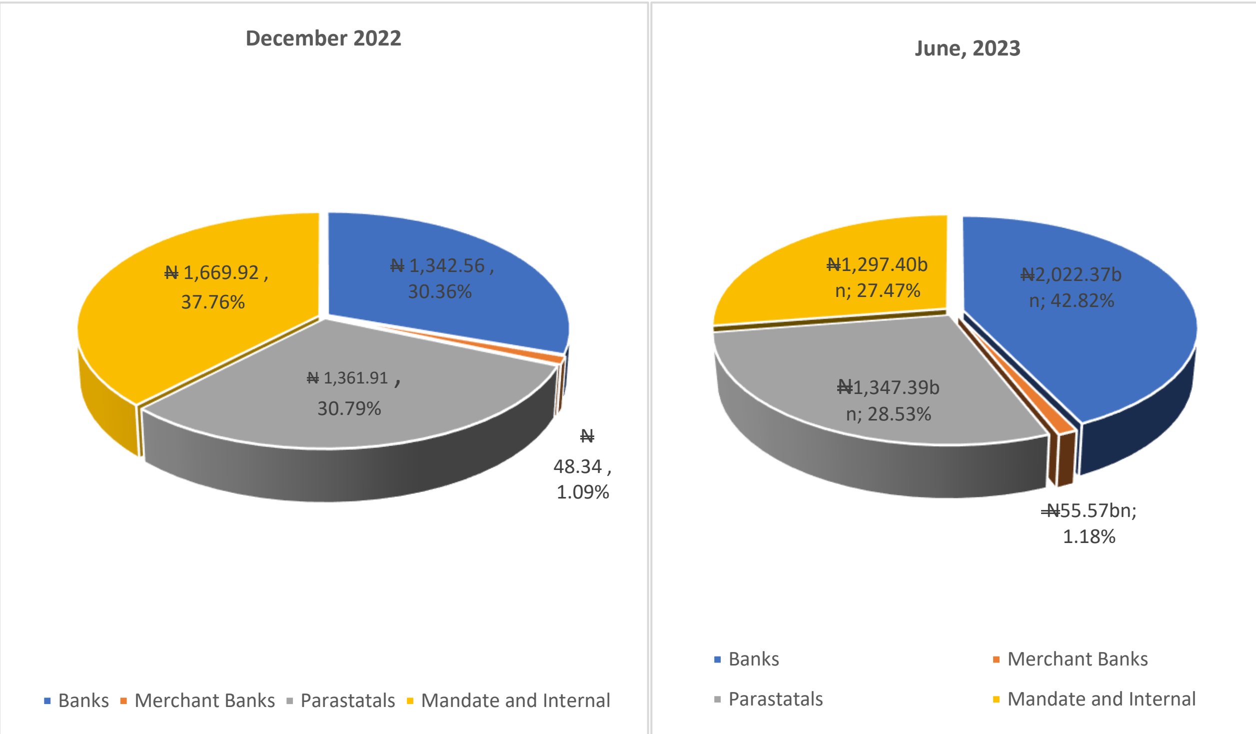


Figure 2.23 Primary Market: NTBs Transactions at end-December 2022 and end-June 2023



The NTBs outstanding at end-June 2023 was ₦4,722.72 billion, compared with ₦4,422.72 billion at end-December 2022.

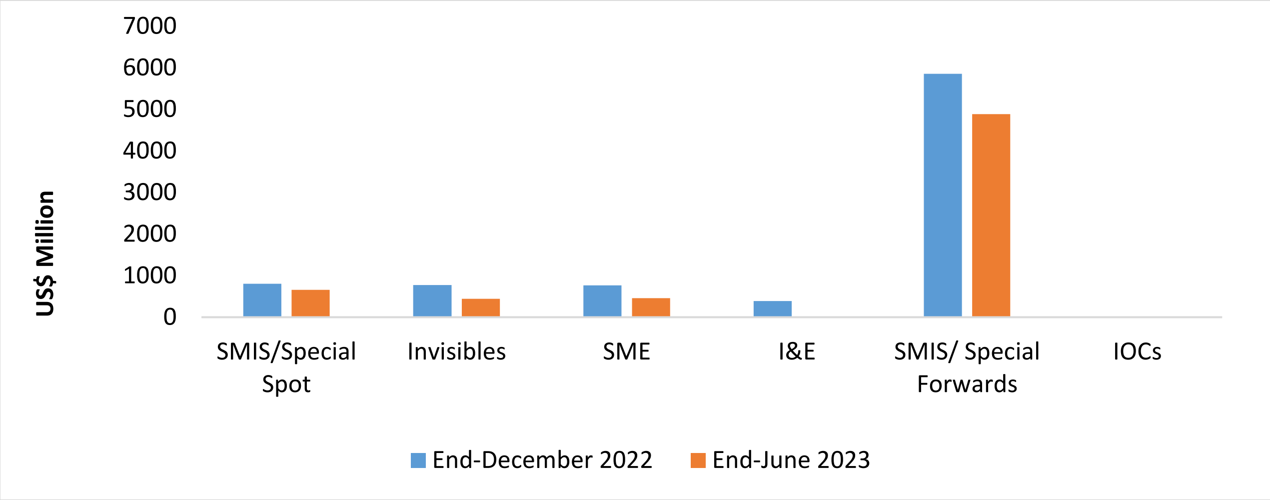
Figure 2.24 Holdings of NTBs Outstanding (Per cent and ₦'Billion)



2.3.2 Foreign Exchange Market

The total foreign exchange sales by the Bank in the first half of 2023 amounted to US$6.44 billion, compared with US$8.19 billion in the second half of 2022, reflecting a decrease of 20.92 per cent.

Figure 2.25 Sales at the Interbank Foreign Exchange Market



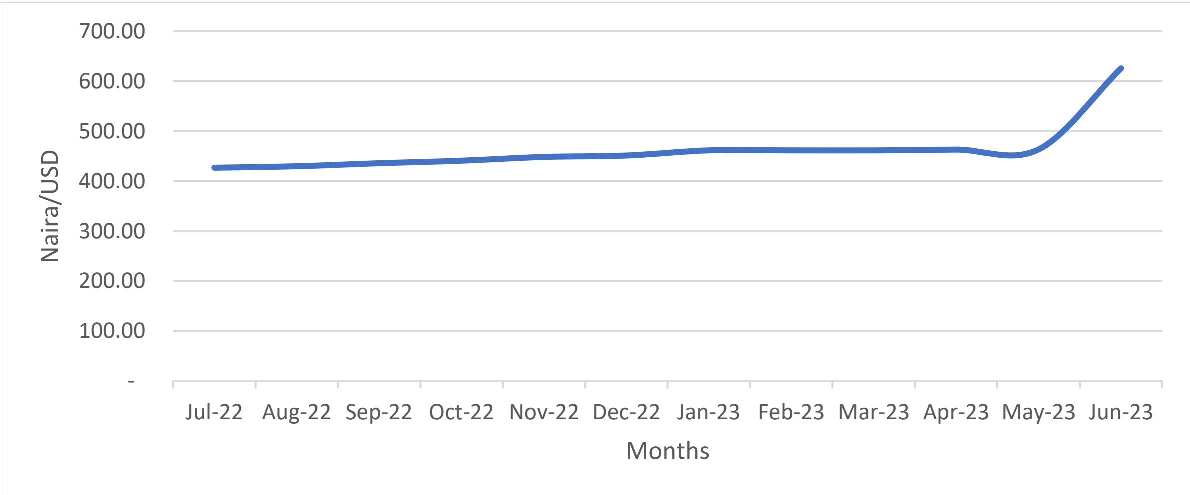
**Secondary Market Intervention Sales (SMIS). Small and Medium Enterprise (SME).*

Furthermore, the Bank purchased US$900.19 million, resulting in net sales of US$4.24 billion in the first half of 2023, compared with US$655.53 million and US$5.78 billion, respectively, in the second half of 2022. Forwards contracts valued at US$5.68 billion matured, while US$4.88 billion was outstanding at end-June 2023. Forwards contracts amounting to US$4.24 billion matured, while US$4.84 billion was outstanding in the preceding period.

2.3.2.1 Investors' & Exporters' Window

The rate at the Investors' & Exporters' (I&E) Window opened at ₦461.00/US$ on January 3, 2023 and closed at ₦769.25/US$ at end-June 2023, reflecting a depreciation of 66.87 per cent, compared with 7.91 per cent at end-December 2022. The huge depreciation during the review period was due largely to the reforms in the operations of the foreign exchange (FX) market, which included the collapse of all foreign exchange market segments into the I&E window.

Figure 2.26 Monthly Average Rates at the I&E Window



2.3.2.2 Over-the-Counter Foreign Exchange Futures

The notional amount of over-the-counter (OTC) FX Futures contracts executed and matured at end-June 2023 decreased to US$1.23 billion and US$0.17 billion, from US$2.61 billion and US$2.38 billion at end-December 2022, respectively. Thus, the outstanding contracts increased to US$6.79 billion at end-June 2023, from US$4.65 billion at end-December 2022.

2.3.2.3 Naira/Yuan Bilateral Currency Swap Agreement

A total of CNY0.76 billion was sold at end-June 2023, compared with CNY1.41 billion in the preceding half year, bringing the total sales to CNY9.38 billion from inception. The CNY market window has continued to facilitate business processes for Nigerian firms engaged in direct trade with their Chinese counterparts and improved access to the Yuan in the Nigerian foreign exchange market.

2.3.3 Capital Market

Activities in the Nigerian capital market were bullish in the first half of 2023 as indicated by the performance of the equities, bonds and exchange-traded products segments. The positive performance reflected sustained investor confidence in the economy following the successful political transition and optimism over economic reforms by the new government.

2.3.3.1 New Issues of Securities

During the review period, there were 10 new issues valued ₦262.32 billion, comprising two private placements (₦6.40 billion) and eight corporate bonds (₦255.92 billion), compared with eight issues that comprised an initial public offering (₦10 billion) and seven corporate bonds (₦267.73 billion), in the second half of 2022. Furthermore, 24 FGN Bonds were issued in the first half of 2023, compared with 18 in the second half of 2022.

Table 2.12: New Issues in the Capital Market

Type	Number of Issues			Value of Issues (N'Bn)		
	End-Dec 2022	End-June 2023	Change %	End-Dec 2022	End-Jun 2023	Change %
IPO	1	-	-100	10.00	-	-100
Public Offer/Offer for Sale	-	-	-	-	-	
Private Placements	-	2	-	-	6.40	
Rights Issue	-	-		-	-	
Total Equities	**1**	**2**	**100**	**10.00**	**6.40**	**-35.97**
Corporate Bonds	7	8	14.29	267.73	255.92	-4.41
Sub-national Bonds	-	-	-	-	-	
FGN Bonds	18	24	33.33	1,227.47	3,567.42	190.63
Eurobond (415.58/$)	-	-	-		-	
Total Debt	**25**	**32**	**28.00**	**1,495.20**	**3,823.34**	**155.71**
Total (Equities & Debt)	**26**	**34**	**30.77**	**1,505.20**	**3,829.74**	**154.43**

Source: SEC, DMO

2.3.3.2 Equities Market

The Nigerian Exchange Group All-Share Index (NGX ASI) and Market Capitalisation (MC) trended upward. The NGX ASI rose by18.96 per cent to 60,968.27 points at end-June 2023. Similarly, equity market capitalisation increased by 18.71 per cent to ₦33,203.45 billion at end-June 2023.

2.3.4 Bond Market

Government and corporate debt market capitalisation increased by 15.20 per cent and 10.71 per cent to ₦ 25,528.99 billion and ₦ 1,173.51 billion, respectively, at end-June 2023.

Table 2.13: NGX ASI, Equity and Debt Market Capitalisation

Markets (₦'Bn)	End-Jun 2022	End-Dec 2022	End-Jun 2023	Change (%)
NGX ASI	51,817.59	51,251.06	60,968.27	18.96
Equity Market Cap	27.94	27.97	33.20	18.71
Government Debt Market Cap	21.34	22.16	25.53	15.20
Corporate Debt Market Cap	0.74	1.06	1.17	10.71

Source: NGX Reports

Table 2.14: Nigerian Exchange Limited Indices

Description	End-Dec 2021	End-Jun 2022	End-Dec 2022	End-Jun 2023	Change %
NGX Main-Board Index	1,748.37	2,274.79	2,328.51	2,675.20	14.89
NGX 30 Index	1,722.30	1,887.62	1,842.50	2,201.23	19.47
NGX CG Index	1,278.00	1,319.70	1,276.51	1,788.36	40.10
NGX Premium Index	4,167.78	4,924.13	4,715.57	6,256.51	32.68
NGX Banking Index	406.07	397.79	417.50	645.42	54.59
NGX PENSION INDEX	1,624.09	1,823.58	1,792.58	2,581.82	44.03
NGX Insurance Index	198.11	178.33	174.36	277.07	58.91
NGX ASeM INDEX	670.65	658.99	659.42	659.42	0.00
NGX-AFR Bank Value Index	1,038.82	925.95	991.06	1570.77	58.49
NGX AFR Div Yield Index	2,559.43	3,191.06	3,321.49	5,064.38	52.47
NGX MERI GROWTH INDEX	1,805.02	2,364.94	2,297.30	3,396.92	47.87
NGX MERI VALUE INDEX	2,134.95	2,167.09	2,308.19	3,543.64	53.52
NGX Consumer Goods Index	589.28	623.99	588.93	894.76	51.93

NGX Oil/Gas Index	345.01	545.34	462.48	775.85	67.76
NGX Lotus Islamic Index	3,009.51	3,251.25	3,240.83	4,039.16	24.63
NGX Industrial Index	2,008.30	2,152.24	2,403.24	2,491.31	3.66
NGX Growth Index	1,269.66	1,487.20	1,798.28	2,493.13	38.64
NGX Sovereign Bond Index	860.95	854.22	818.27	762.86	-6.77

Source: NGX Reports

The total number of deals, volume and value of transactions on the NGX Exchange increased by 32.06 per cent, 170.75 per cent and 91.29 per cent, respectively, in the first half of 2023.

The significant increase in the performance of the equities market is attributed to improved investor confidence in anticipation of business-friendly policies by the new administration.

Table 2.15: NGX Deals, Volume and Value

	Deals (000)			Volume (Million)			Value (N'm)		
	End-Dec 2022	End-Jun 2023	Change (%)	End-Dec 2022	End-Jun 2023	Change (%)	End-Dec 2022	End-Jun 2023	Change (%)
Government Bonds-Federal	0.51	0.53	3.33	2.09	1.10	-47.44	2,156.82	1,100.80	-48.96
State & Local	-	-	-		-	-		-	
Corporate Bonds/Debentures*	-	-	-	-	0.04	-	-	42.46	
Equities	450.38	594.25	31.94	24,455.55	66,171.67	170.58	332,530.58	638,676.87	92.07
Exchange Traded Products (ETPs)	0.68	1.58	132.35	2.96	53.10	1693.91	76.23	551.73	623.77
Total	451.57	596.36	32.06	24,460.60	66,225.91	170.75	334,763.63	640,371.85	91.29

Source: NGX

2.3.4.1 Foreign and Domestic Portfolio Investments

Foreign Portfolio Investment (FPI) inflows totalled ₦95.04 billion, while divestments (outflows) stood at ₦123.00 billion, reflecting a net outflow of ₦27.96 billion in the first half of 2023. In comparison, inflows in the second half of 2022 amounted to ₦75.25 billion, while divestments stood at ₦60.50 billion, reflecting a net inflow of ₦14.75 billion. Of the total equity transactions, foreign portfolio transactions accounted for 15.03 per cent in the review period, compared with 20.50 per cent in the preceding half year. Domestic transactions accounted for the balance of 84.97 per cent, compared with 79.50 per cent in the preceding period. The net outflow recorded during the review period reflected the cautious approach adopted by foreign investors in anticipation of policy reforms by the new administration.

Table 2.16: Foreign and Domestic Portfolio Participation in Equities Trading

Period	End-June 2022	End-Dec 2022	End-June 2023	Change %
	(a)	(b)	(c)	(b&c)
Total Equities Transactions (₦'Billion)	1,505.53	662.22	1,451.11	119.13
Foreign Portfolio Transactions (₦'Billion)	201.32	135.75	218.04	60.62
Foreign %	13.37	20.50	15.03	(26.68)
Domestic Transactions (₦'Billion)	1,304.21	526.47	692.49	31.53
Domestic %	86.63	79.50	84.97	6.88
Foreign Inflow (₦'Billion)	95.88	75.25	95.04	26.30
Foreign Outflow (₦'Billion)	105.41	60.50	123.00	103.31
NSE ASI	51,817.59	51,251.06	60,968.27	18.96

2.3.4.2 National Association of Securities Dealers

The NASD Securities Index rose to 752.03 points at end-June 2023, compared with 709.66 points at end-December 2022. Similarly, the NASD over-the-counter (OTC) Market Capitalisation increased by 11.55 per cent to ₦1,040.26 billion in the first half of 2023.

Table 2.17: Transactions on the NASD OTC Market

OTC Market	End-Jun 2022	End-Dec 2022	End-Jun 2023	% Change (Dec 22/Jun 23)
Unlisted Index (Points)	763.24	709.66	752.03	5.97
Market Cap (₦'Bn)	1004.74	932.51	1040.26	11.55
Deals	1,474.00	1,232.00	1,733.00	40.67
Volume ('000)	3,185,019.34	713,154.19	2,853,131.65	300.07
Value (N'000)	21,275,895.12	6,746,124.67	29,112,146.99	331.54

Source: NASD

2.3.4.3 Commodities Market

Trading activities on the commodities exchanges were low as transactions occurred on only three out of the five exchanges in the review period.

2.3.4.4 AFEX Commodities Exchange

The volume and value of transactions on the AFEX Commodities Exchange increased by 138.71 per cent and 137.84 per cent to 339.97 million kilogram (kg) and ₦113.59 billion, respectively, compared with the levels at end-December 2022.

Table 2.18: Transactions on AFEX (N'M)

	H2 2022	H1 2023		H2 2022	H1 2023		H2 2022	H1 2023	
	Total No of Deals		% change	Total Volume Million (KG)		% change	Total Value ₦ ('M)		% change
Cashew Nut	537.00	666.00	24.02	2.36	1.39	-41.09	1,342.90	999.87	-25.54
Cocoa	579.00	231.00	-60.10	4.64	6.76	45.62	6,974.83	11,030.78	58.15
Ginger	3.00	70.00	2233.33	0.12	8.12	6664.58	125.51	7,240.63	5668.96
Maize	3,211.00	4,417.00	37.56	66.55	239.72	260.22	16,392.05	61,412.68	274.65
Paddy Rice	1,078.00	652.00	-39.52	33.29	6.66	-80.00	9,916.45	2,449.93	-75.29
Sesame	34.00	18.00	-47.06	2.06	4.70	127.97	1,652.20	4,777.82	189.18
Sorghum	1,447.00	986.00	-31.86	14.29	12.61	-11.72	4,133.36	3,697.91	-10.53
Soyabean	1,222.00	979.00	-19.89	19.11	60.01	214.02	7,222.38	21,980.30	204.34
Total	8,111.00	8,019.00	-1.13	142.42	339.97	138.71	47,759.68	113,589.91	137.84

2.3.4.5 Prime Commodity Exchange

There was no trading activity on this Exchange during the review period.

2.3.4.6 Gezawa Commodity Market and Exchange

There was no trading activity on this Exchange during the review period.

Table 2.19: Gezawa Commodity Market and Exchange (GCMX) Transactions

Product	Maize	Soybeans	Grand Total (N'm)	Total Volume (Kg)
End-Jun 2022	45,045.65	10,050.00	55,095.65	244,930
End-Dec 2022	3,552.00	-	3,772.00	3,600
End-Jun 2023	-	-	-	-

2.3.4.7 Lagos Commodities and Futures Exchange

The Lagos Commodities and Futures Exchange traded a total volume of 1,304.06 metric tonnes (MT) of Paddy Rice valued ₦438.41 million in the first half of the year.

A total of 43 grammes of "Eko Gold Coin" valued ₦1.97 million was traded in the first half of 2023 as shown in the table below. The gold coin was the only commodity traded on the exchange in 2022.

Table 2.20: Lagos Commodities and Futures Exchange (LCFE) Transactions

Commodity	Volume			Value ₦ ('M)		
	H2 2022	H1 2023	% change	H2 2022	H1 2023	% change
Eko Gold Coin (gms)	956	43	-95.50	43.04	1.97	-95.42
Paddy (MT)	-	1,304.06	-	-	438.41	-

2.3.4.8 Nigeria Commodity Exchange

The Nigeria Commodity Exchange traded a total volume of 12,887 MT of Maize valued ₦2.25 billion in the first half of 2023.

2.3.4.9 The Domestic Debt Market

The stock of domestic debt outstanding at end-June 2023 stood at ₦50.13 trillion, reflecting an increase of 108.82 per cent over the ₦24.05 trillion at end-December 2022. The increase was mainly attributed to the Federal Government of Nigeria (FGN) securitisation of pre-existing Ways and Means Advances, new issuances of FGN Promissory Notes, NTBs, and corporate bonds.

Table 2.21: Outstanding Debt Instruments (N' billion)

Instruments	End-Dec 2022	End-June 2023	% Change	Proportion of Total (Dec 2022)	Proportion of Total (June* 2023)
FGN Bonds	16,854.10	41,972.74	149.04	70.21	83.73
Nig. Treasury Bills	4,422.72	4,722.72	6.78	18.42	9.42
FGN Savings Bonds	27.51	30.70	11.63	0.11	0.06
FGN Sukuk	742.56	742.56	0.00	3.09	1.48
FGN Green Bond	15.00	15.00	0.00	0.06	0.03
Nig. Treasury Bonds	50.99	50.99	0.00	0.21	0.10
FGN Promissory Notes	530.03	780.04	47.17	2.21	1.56
Sub-National Bonds	144.30	135.02	-6.43	0.60	0.27
Corporate Bonds	1,403.72	1,650.34	17.57	5.85	3.29
Sukuk- Sub-National	-	-	-		
Green-Corporate Bond	28.88	28.56	-1.11	0.12	0.06
TOTAL	**24,005.15**	**50,128.66**	**108.82**	**100**	**100**

2.3.4.10 Bonds – Primary Market

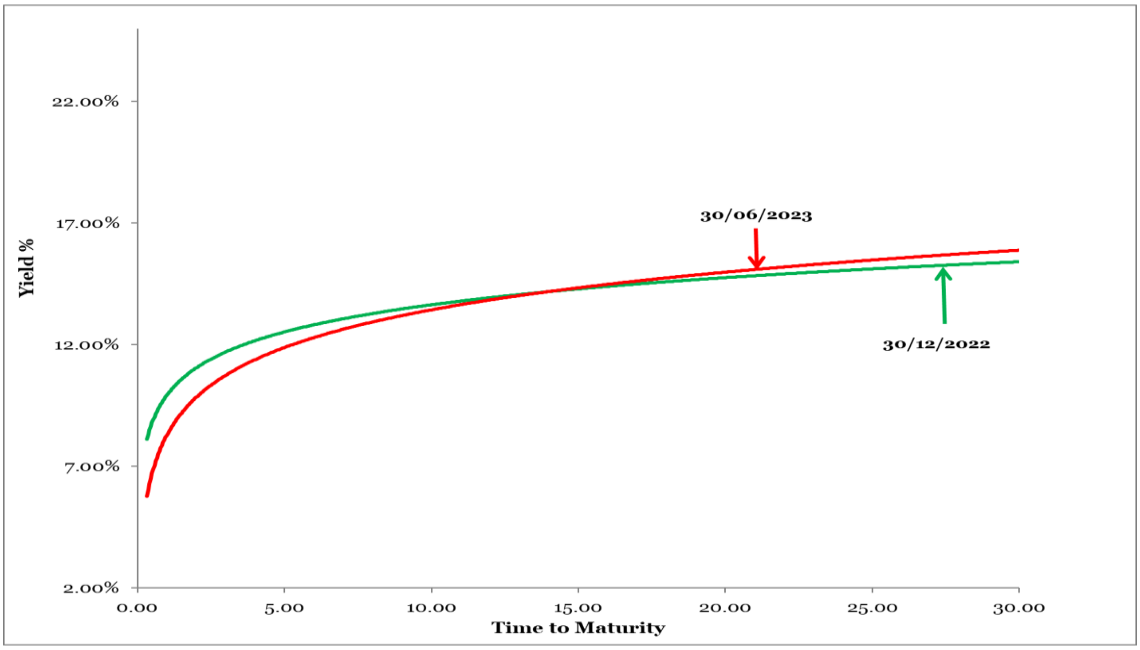
Total value of bonds outstanding at end-June 2023 stood at ₦44.63 trillion, reflecting an increase of 131.62 per cent, compared with ₦19.27 trillion at end-December 2022.

2.3.4.10.1 FGN Bonds

New issues and re-openings of FGN Bonds valued ₦2,160.00 billion were offered during the review period, indicating an increase of 60.00 per cent from ₦1,350.00 billion auctioned in the second half of 2022. Public subscriptions and sales increased to ₦4,163.94 billion and ₦3,567.42 billion, in the first half of 2023, compared with ₦1,631.21 billion and ₦1,195.18 billion, respectively, in the second half of 2022.

The yield curve remained normal, reflecting investors' expectations of increases in future interest rates.

Figure 2.27 Yield Curve



Source: FMDQ-OTC Plc

2.3.4.10.2 FGN Savings Bonds

FGN savings bonds worth ₦6.28 billion, comprising 2-year and 3-year tenors were offered and allotted in the review period, reflecting a decrease of 45.38 per cent from ₦9.13 billion in the preceding half-year. The coupon rates for the 2-year and 3-year tenors ranged from 9.4750 to 10.3910 per cent and 10.4650 to 11.3910 per cent, respectively, relative to ranges of 8.0750 to 12.4920 and 9.0750 to 13.4920 per cent in the preceding half-year. Bond maturities amounted to ₦3.08 billion. Thus, the FGN Savings Bonds outstanding stood at ₦30.70 billion at end-June 2023.

2.3.4.10.3 FGN Green Bonds

The outstanding stock of the bonds remained unchanged at ₦15.00 billion at end-June 2023, as in the preceding period.

2.3.4.10.4 FGN Sukuk

There was no issuance of FGN Sukuk in the review period. Thus, the value of FGN Sukuk remained unchanged at ₦742.56 billion at end-June 2023, as in the second half of 2022.

2.3.4.10.5 Sub-National Bonds

During the review period, sub-national bonds declined to ₦135.02 billion, from ₦144.30 billion at end-December 2022, following the redemption of ₦1.41 billion, and a partial re-demption of ₦7.87 billion by two state governments.

2.3.4.10.6 Corporate Bonds

Corporate bonds valued ₦1,650.34 billion were outstanding at end-June 2023, compared with ₦1,403.72 billion at end-December 2022. Corporate Bonds worth ₦14.52 billion were redeemed, ₦18.47 billion matured, while the sum of ₦279.61 billion was issued during the review period.

2.3.4.11 Bonds - Secondary Market

The S&P/FMDQ Nigeria Sovereign Bond Index and yield decreased by 1.12 per cent and 1.22 percentage points to 614.73 points and 7.78 per cent, respectively. The market capi-talisation increased by 8.26 per cent to ₦29.89 trillion in the second half of 2022.

Table 2.22: FMDQ Market Size

S/N	SECTOR	End-Dec 2021	End-Jun 2022	End-Dec 2022	End-Jun 2023	Change
		(₦'bn)	(₦'bn)	(₦'bn)	(₦'bn)	(%)
1	FGN Bonds	10,752.49	12,078.08	13,253.68	20,574.50	69.24
2	Agency Bonds	0	0	0	0.05	-
3	State/Municipal Bonds	146.02	144.11	96.14	0.00	-100.00
4	Corporate Bonds	767.84	811.45	1,037.20	0.00	-100.00
5	Supranational Bonds	0	0	46	0.00	-
6	Sukuk	362.56	362.56	521.61	109.94	-4.71
7	Green Bonds	55.52	54.88	28.88	0.00	-
8	Eurobonds	6,815.73	6,107.27	7,207.87	56.65	-89.99
9	Short-Term Bonds	2,198.82	2,219.92	2,548.09	1,681.18	122.89
10	Treasury Bills	3,643.78	4,504.79	4,422.72	14,195.25	-8.72
11	OMO Bills	2,051.79	810	480	17,717.60	-18.75
12	Commercial Papers	224.22	518.8	251.46	0.00	-100.00
	Total Market Size	**27,018.77**	**27,611.86**	**29,893.65**	**2,750.23**	**90.80**

2.3.4.12 Mutual Funds

The Net Asset Value (NAV) of registered funds stood at ₦1.98 trillion at end-June 2023, indicating an increase of 30.46 per cent over the level recorded during the preceding period. The increase was attributed to 104.76, 66.99, 33.81 and 27.72 per cent growth in Real Estate Funds, Dollar Funds, Money Market Funds and Equity Based Funds, respectively.

Table 2.23: Collective Investment Schemes (₦'Billion)

Fixed Income Funds	End-Jun 2022	End-Dec 2022	End-Jun 2023	Change (%)	Change (%)	Relative Contribu-tions (%)
	(a)	(b)	(c)	(a&b)	(b&c)	end-Jun 2023
Ethical Funds	2.94	2.95	3.48	0.34	18.02	0.03
Shariah Compliant Funds	18.9	22.84	26.01	20.85	13.88	0.21
Dollar Fund	279.91	331.53	553.62	18.44	66.99	14.63
Bond Funds	417.3	347.15	321.41	-16.81	-7.41	-1.70
Equity-Based Funds	16.68	16.11	20.58	-3.42	27.72	0.29
Real Estate Funds	45.37	45.66	93.49	0.64	104.76	3.15
Money Market Funds	586.96	614.7	822.53	4.73	33.81	13.69
Balanced-Based Funds	31.2	30.13	36.85	-3.43	22.31	0.44
Exchange Traded Funds	7.54	7.22	8.78	-4.24	21.64	0.10
Infrastructure Funds	85.09	100.08	94.12	17.62	-5.95	-0.39
Total	**1,491.88**	**1,518.34**	**1,980.88**	**1.77**	**30.46**	

2.3.5 Other Developments

Other developments in the capital market during the review period included:

- The issuance of new AML/CFT regulations and guidelines by SEC, which mandated Capital Market Operators (CMOs) to comply with more stringent reporting obligations to ensure the safety and security of the capital market, and to address the deficiencies in the Nigeria's Mutual Evaluation Report (MER). These included adoption of RBS by SEC, screening of clients against Nigeria's sanction list by CMOs before on-boarding, and continuous monitoring of clients, among others.

- The Supreme Court, on January 13, 2023, issued a judgement that affirmed the Investments and Securities Tribunal's (ISTs) jurisdiction over capital market disputes. The landmark judgement finally confirmed exclusive jurisdiction on the IST to determine all issues listed in Section 284 of the ISA, 2007.

- The revised National Investors Protection Fund Rule was approved, thus, providing a framework for payment of unclaimed monies paid into the Fund.

- The registration of five new FinTech companies as full-fledged market operators, comprising two crowdfunding intermediaries, two digital sub-brokers, and one robo-adviser.

- A total of 627 CMOs, representing 52.77 per cent of the total number of CMOs in the SEC database, renewed their registration status.

2.4 Real Sector Interventions

In line with its developmental mandate, the Bank sustained its interventions in the priority sectors of the economy, which include agriculture, manufacturing/industry, micro, small and medium enterprises, energy/infrastructure, health, and exports. The review period, however, recorded a slower pace in intervention as reflected by a 40.50 per cent reduction in total disbursements, while repayments increased by 7.11 per cent, compared with the levels at the preceding period.

2.4.1 Agricultural Policy Support

2.4.1.1 Agricultural Credit Guarantee Scheme

A total of 10,304 loans valued ₦0.03 billion were guaranteed under the Scheme in the first half of 2023, compared with 30,650 loans, valued ₦5.25 billion in the preceding period. Also, 16,504 guaranteed loans valued ₦3.30 billion were repaid during the period, compared with 18,219 guaranteed loans valued ₦3.14 billion at end-December 2022.

2.4.1.2 Commercial Agriculture Credit Scheme

The sum of ₦2.00 billion was disbursed to one agro-enterprise in the first half of 2023, an increase of 102.02 per cent, compared with the ₦0.99 billion disbursed to 11 beneficiaries, in the second half of 2022. However, repayments decreased by 6.67 per cent from ₦43.61 billion in the second half of 2022 to ₦40.70 billion.

2.4.1.3 Anchor Borrowers' Programme

In the first half of 2023, the sum of ₦37.90 billion was disbursed to 123,856 smallholder farmers across the country to cultivate rice, maize, and wheat, compared with ₦103.72 billion disbursed to 245,361 smallholder farmers in the second half of 2022. This reflected a decrease of 63.46 per cent in the amount disbursed. However, repayments increased by 20.16 per cent to ₦82.15 billion. Furthermore, a total of 175,282 hectares of land were cultivated in the first half of 2023, compared with 529,478 hectares in the second half of 2022, indicating a decrease of 66.89 per cent.

2.4.1.4 Accelerated Agriculture Development Scheme

There was no disbursement in the period under review. However, a total repayment of ₦1.92 billion was recorded, reflecting a 17.07 per cent increase, over the sum of ₦1.64 billion recorded in the second half of 2022.

2.4.1.5 Paddy Aggregation Scheme

The sum of ₦4.50 billion was repaid in the period under review, compared with the sum of ₦1.00 billion in the second half of 2022, indicating an increase of 350.00 per cent. However, no disbursement was made in the review period.

2.4.1.6 National Food Security Programme

The sum of ₦3.29 billion was repaid at end-June 2023, compared with ₦4.95 billion at end-December 2022. There was no disbursement during the review period.

2.4.2 Micro, Small and Medium Enterprises & Industrial Policy Support

2.4.2.1 Micro, Small and Medium Enterprises Development Fund

There was no disbursement in the period under review, compared with ₦0.01 billion disbursed to 130 beneficiaries at end-December 2022. Repayments declined by 75.98 per cent to ₦1.22 billion at end-June 2023, from ₦5.07 billion at end-December 2022.

2.4.2.2 Agribusiness/Small and Medium Enterprises Investment Scheme

The sum of ₦4.19 billion was disbursed in the period under review, compared with ₦1.32 billion disbursed in the second half of 2022, reflenting an increase of 215.04 per cent. There was no repayment in the first half of 2023, compared with ₦2.75 billion repaid in the preceding period.

2.4.2.3 Creative Industry Financing Initiative

There was no disbursement in the first half of 2023, compared with ₦0.17 billion disbursed in the second half of 2022. The sum of ₦0.40 billion was repaid during the review period, compared with ₦0.30 billion repaid in the preceding half-year.

2.4.2.4 Targeted Credit Facility

During the period under review, ₦0.03 billion was disbursed to 66 beneficiaries, compared with ₦1.21 billion disbursed to 2,863 during the second half of 2022. The sum of ₦1.05 billion was repaid during the review period, compared with ₦0.82 billion repaid in the preceding period.

2.4.2.5 Tertiary Institutions Entrepreneurship Scheme

In the review period, the sum of ₦0.16 billion was disbursed to 41 beneficiaries, compared with ₦0.06 billion to 20 beneficiaries in the preceding period.

2.4.3 Real Sector Policy Support

2.4.3.1 Real Sector Support Facility - Differentiated Cash Reserve Requirement

The sum of ₦114.12 billion was disbursed for 16 projects in the first half of 2023, compared with ₦73.20 billion for 16 projects in the second half of 2022. The sum of ₦43.24 billion was repaid during the review period, compared with ₦27.39 billion in the second half of 2022.

2.4.3.2 COVID-19 Intervention for the Manufacturing Sector

The sum of ₦83.65 billion was disbursed for 24 projects in the first half of 2023, compared with ₦131.26 billion for 29 projects in the second half of 2022. The sum of ₦30.03 billion was repaid during the period, compared with ₦7.95 billion in the second half of 2022.

2.4.3.3 Healthcare Sector Intervention Facility

There were no disbursements under this Facility in the period under review, compared with ₦12.28 billion disbursed for eight projects in the second half of 2022. The sum of ₦7.44

billion was repaid in the period under review, compared with ₦6.53 billion in the preceding period.

2.4.3.4 Textile Sector Intervention Facility

There was neither disbursement nor repayment in the first half of 2023, compared with ₦1.50 billion disbursed and ₦4.49 billion repaid in the preceding period.

2.4.3.5 CBN-BOI Industrial Facility

There was no release of funds under this Facility in the review period, compared with ₦50.00 billion released in the second half of 2022.

2.4.3.6 Presidential Fertilizer Initiative

There were no disbursements under this Initiative in the period under review. However, repayments declined to ₦3.00 billion from ₦4.00 billion in the second half of 2022.

2.4.3.7 Intervention Facility for the National Gas Expansion Programme

There was no disbursement in the period under review, while the sum of ₦9.30 billion was disbursed for two projects in the second half of 2022. No repayment was made in the period under review as the facilities were still under moratorium.

2.4.3.8 Shared Agent Network Expansion Facility

There was no disbursement under this initiative in the period under review. However, the sum of ₦0.85 billion was repaid in the first half of 2023, compared with ₦0.40 billion in the second half of 2022, indicating an increase of 112.5 per cent.

2.5 Export Policy Support

2.5.1 Non-oil Export Stimulation Facility

There were no disbursements under the initiative in the period under review. However, the sum of ₦4.08 billion was repaid in the first half of 2023, reflecting a decrease of 45.23 per cent from the ₦7.45 billion in the preceding period.

2.5.2 Export Facilitation Initiative

There was neither disbursement nor repayment in the period under review. However, the sum of ₦10.18 billion was released for three projects in the preceding period.

2.6 Energy Policy Support

2.6.1 Power and Airline Intervention Fund

The sum of ₦4.00 billion was disbursed under this initiative in the first half of 2023, while there was no disbursement in the preceding period. The sum of ₦5.87 billion was repaid in the review period, compared with ₦4.37 billion in the second half of 2022, reflecting an increase of 34.32 per cent.

2.6.2 Nigerian Electricity Market Stabilisation Facility

A total of ₦35.57 billion was disbursed compared with ₦63.64 billion in the second half of 2022. Also, the sum of ₦21.95 billion was repaid compared with ₦13.98 billion in the second half of 2022, indicating an increase of 57.01 per cent in repayments.

2.6.3 Nigeria Bulk Electricity Trading – Payment Assurance Facility

All outstanding amounts have been fully repaid and there were no new disbursements in the review period.

2.6.4 National Mass Metering Programme

The sum of ₦2.40 billion was disbursed in the first half of 2023, compared with ₦3.11 billion in the second half of 2022, while ₦1.87 billion was repaid in the first half of 2023 as against ₦0.36 billion in the preceding period.

2.7 Institutional Support and Financial Inclusion

2.7.1 National Collateral Registry

Most of the performance indicators of the National Collateral Registry (NCR) trended downwards, indicating decreased lending against movable assets offered as collateral.

The number and Naira value of registered financing statements decreased by 25.87 and 18.73 per cent to 30,327 and ₦833.49 billion, respectively. The financing statements denominated in USD increased by 1,144.89 per cent to US$0.61 billion, compared with the preceding period. The financing statements were registered by 49 financial institutions in respect of 31,734 borrowers. In addition, searches conducted increased by 2.75 per cent to 65,902.

Table 2.24: Transactions on the National Collateral Registry Portal

Debtor Type	Number of Financing Statements		Number of Borrowers		Currency	Value of Financing Statements (₦' Billion)	
	End-Dec 2022	End-Jun 2023	End-Dec 2022	End-Jun 2023		End-Dec 2022	End-Jun 2023
Individual	36,364	26,743	37,464	27,437	(₦' billion)	829.15	445.65
Large Business	271 271	271 205 205	480 480	480 357 357	($' million)	0.00	30.00
					(₦' billion)	95.34	168.07
					($' million)	46.00	571.84
Medium Business	2,120	1,498	2,355	1,781	(₦' billion)	73.74	179.49
					($' million)	3.19	2.00
Micro Business	295 1,859	279 1,602	335 2,061	320 1,839	(₦' billion)	2.50	2.07
					(₦' billion)	24.88	38.21
Small Business	1,859	1,859	2,061	2,061	($' million)	0.00	11.00

Total	**40,909** 36,364	**30,327** 26,743	**42,695** 37,464	**31,734** 27,437	(₦' billion)	1,025.61	833.49
					($' million)	49.19	614.84
					(₦' billion)	829.15	445.65

Furthermore, 14,799 of the financing statements registered in the review period were in respect of 15,171 women and women-owned enterprises, representing 47.81 per cent of the total number of borrowers.

Table 2.25: Women and Women-owned Enterprises Transactions on the National Collateral Registry

Debtor Type	Number of Financing Statements		Number of Women and Women-owned Enterprises		Currency	Value of Financing Statements (₦'billion)	
	End-Dec 2022	End-Jun 2023	End-Dec 2022	End-Jun 2023		End-Dec 2022	End-Jun 2023
Individual	20,393	14,360	20,776	14,568	NGN	763.21	73.39
Large Business	29	23	83	47	NGN	1.19	0.59
					USD	0.014	0.00
Medium Business	354	186	400	253	NGN	2.78	1.92
Small Business	36	38	43	47	NGN	0.19	0.30
Micro Business	226	192	289	256	NGN	2.23	1.44
Total	**21,038**	**14,799**	**21,591**	**15,171**	**NGN**	**769.60**	**77.64**
					USD	**0.01**	**0.00**

A total of 146 financial institutions registered 319,220 financing statements valued ₦17.24 trillion, US$3.09 billion, €11.03 million, and £27,352 from inception in 2016 to end-June 2023.

2.7.2 Financial Inclusion

The Bank sustained its initiatives towards improving financial inclusion, in collaboration with ODCs and other financial service access points. Bank Verification Number (BVN) enrolment increased to 1,476,805 in the first half of 2023, of which 797,055 were females. Also, 195,314 agents were onboarded under the SANEF agent expansion scheme, bringing the total number of agents to 1,669,487 and increasing access point per capita to 1,574 agents per 100,000 adults. Furthermore, the number of active Point-of-Sale (PoS) terminals increased to 1,682,647 at end-June 2023.

Table 2.26: Financial Inclusion Statistics

Indicator	End-Dec 2022	End-Jun 2023
New BVN Registration	1,555,293	1,476,805
New BVN Registration (Female)	996,179	797,055
Total Agents	1,474,173	1,669,487
No. of Onboarded (New) Agents	224,328	195,314
Nos of Agents Per 100,000 Adults	1,391	1,574
Active PoS Terminals	1,029,897	1,682,647

The significant increase in agent network to 1.67 million from 1.47 million at end-December 2022 enhances efforts towards the attainment of 95 per cent financial inclusion by 2024.

Total National Identity Number (NIN) enrolment increased by 7.45 per cent to 101 million in the review period, indicating increased opportunity for access to financial services. Also, there was the launch of the *SabiMoni e-Learning Platform* to facilitate self-paced online delivery of the financial literacy curriculum.

Overall, the Bank's development finance interventions continued to facilitate the flow of credit to catalyse and transform private sector investments in priority sectors and to generate sustainable jobs, support households' income and consumption, boost non-oil exports and sustain economic growth. Also, the Bank's enhanced loan recovery drive yielded positive outcome, leading to increased repayment.

Box 1: Impact of the Bank's Development Finance Interventions

The Bank's development finance interventions helped in addressing unemployment among the population and improved the productive capacity of the agricultural sector. They have also contributed in improving electricity generation, transmission and distribution while addressing the non-performing loans portfolios of banks. The interventions helped the country conserve its foreign reserves by reducing imports.

An estimated 13 million direct and indirect jobs have been created across the agriculture value chain. The Agricultural Credit Guarantee Scheme (ACGS) incentivized banks to lend to the agricultural sector. The risk mitigation strategy has helped to moderate the non-performing loans of banks by providing a safety net for the lenders and encouraging them to extend credit to the sector. Also, the Commodity Development Initiatives (CDI) of the Bank helped to scale up production and output, as virtually every component of the value chain was addressed. In 2022, the combined production of key cereals like maize, rice, and wheat was 19.23 million metric tonnes (MMT) of which 10.14 per cent was contributed by ABP.

The Bank's intervention in the power sector through the Nigeria Electricity Market Stabilisation Facility (phases 1, 2, and 3) improved liquidity as legacy debts in the sector reduced significantly. The revenue accrued to the Nigeria Bulk Electricity Trading Company (NBET) and Market Operators (MO) increased significantly over the years. Also, 414,000 meters were purchased and installed, with 2,226km of 11KV lines, and 130km of 0.45KV lines rehabilitated. The Bank's interventions in the power sector supported the procurement of 70,435 units of 500 KVA transformers and the construction of 34 new distribution substations.

The Bank supported households' income and consumption, especially during the gloomy days of the COVID-19 lockdown, through its Targeted Credit Facility (TCF) and Agribusiness/Small and Medium Enterprises Investment Scheme (AgSMEIS). The TCF supported 830,831 beneficiaries consisting of 684,441 households and 146,390 SMEs and positively affected 21.13 million lives in the process, while AgSMEIS supported 40,884 beneficiaries comprising of 14,721 females, and 26,163 males, preserving/creating 126,936 direct and indirect jobs.

Also, the Bank's enhanced loan recovery drive yielded positive outcomes, leading to significant increase in repayments.

3 REGULATORY AND SUPERVISORY ACTIVITIES

3.1 Financial Soundness Indicators

The Financial Soundness Indicators (FSIs) covers banks' capital adequacy, asset quality, liquidity, earnings & profitability, and market risk based on the International Monetary Fund (IMF) 2019 Financial Soundness Indicators Compilation Guide.

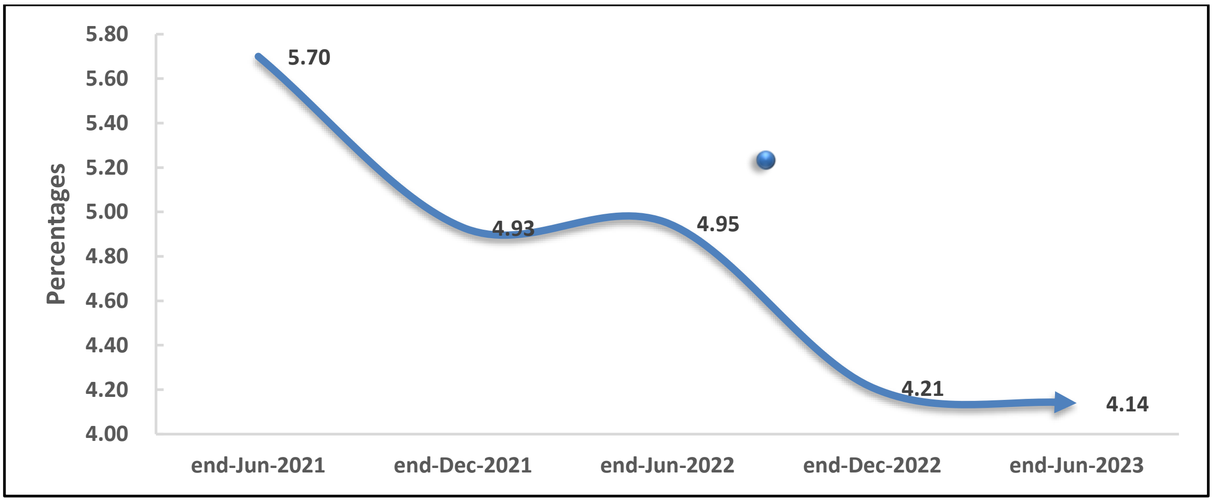
Total assets grew owing largely to the revaluation of foreign currency-denominated risk assets, while contributing largely to the decline in capital adequacy ratio. However, asset quality continued to improve as non-performing loans ratio declined.

3.1.1 Asset-Based Indicators

3.1.1.1 Non-Performing Loans Ratio

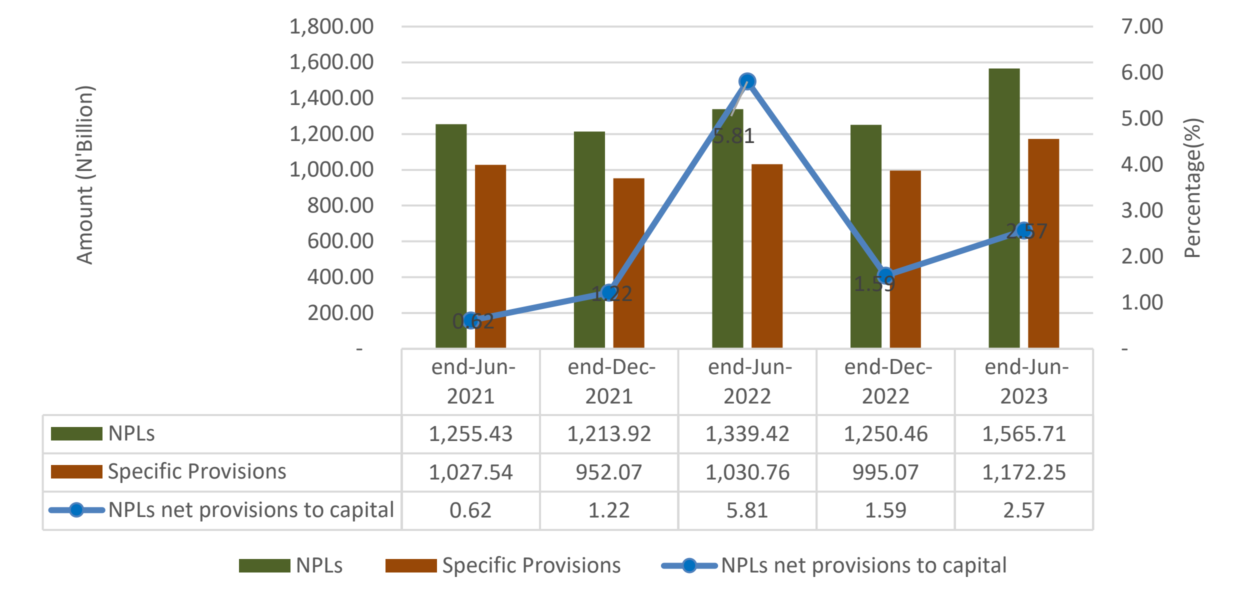
The quality of banks' assets improved during the review period as the non-performing loans (NPLs) ratio decreased marginally to 4.14 per cent from 4.21 per cent at end-June 2023, and remained below the 5.00 per cent benchmark. The improvement was due, mainly to enhanced credit risk management practices coupled with the continued implementation of the Global Standing Instruction (GSI) policy.

Figure 3.1 Banking Industry NPLs Ratio



The capacity of banks to withstand losses on NPLs not fully provisioned declined, as the ratio of non-performing loans net of provisions to capital increased to 2.57 per cent at end-June 2023, from 1.59 per cent at end-December 2022. The increase was attributed to the effect of policy changes governing the operations of the foreign exchange market, which resulted in a revaluation of FX denominated risk assets. This led to a significant growth in total risk weighted assets (TRWA) when compared with the change in total qualifying capital.

Figure 3.2 Non-Performing loans net of provisions to capital



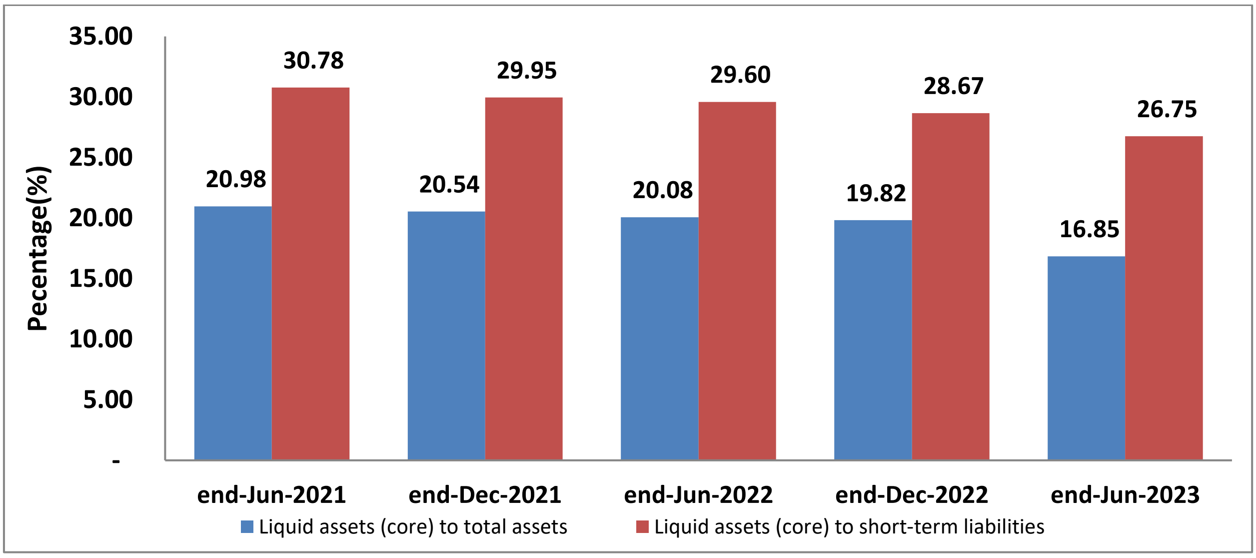
	end-Jun-2021	end-Dec-2021	end-Jun-2022	end-Dec-2022	end-Jun-2023
NPLs	1,255.43	1,213.92	1,339.42	1,250.46	1,565.71
Specific Provisions	1,027.54	952.07	1,030.76	995.07	1,172.25
NPLs net provisions to capital	0.62	1.22	5.81	1.59	2.57

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 2.97 percentage points to 16.85 per cent during the review period, owing to the significant increase in total assets of the banking sector, relative to the marginal increase in their core liquid assets. Similarly, the ratio of core liquid assets to short-term liabilities declined by 1.92 percentage points to 26.75 per cent at end-June 2023, which was due largely to significant increases in deposit liabilities.

Growth in liquid assets was mainly due to increase in banks' required reserves and treasury bills holdings, while the rise in deposit liabilities resulted from the revaluation of domiciliary account balances, following the operational reforms in the FX market. Other factors that contributed to the growth in total assets of banks included increased investments in corporate and other bonds, unquoted companies, other tangible assets, and property, plants & equipment.

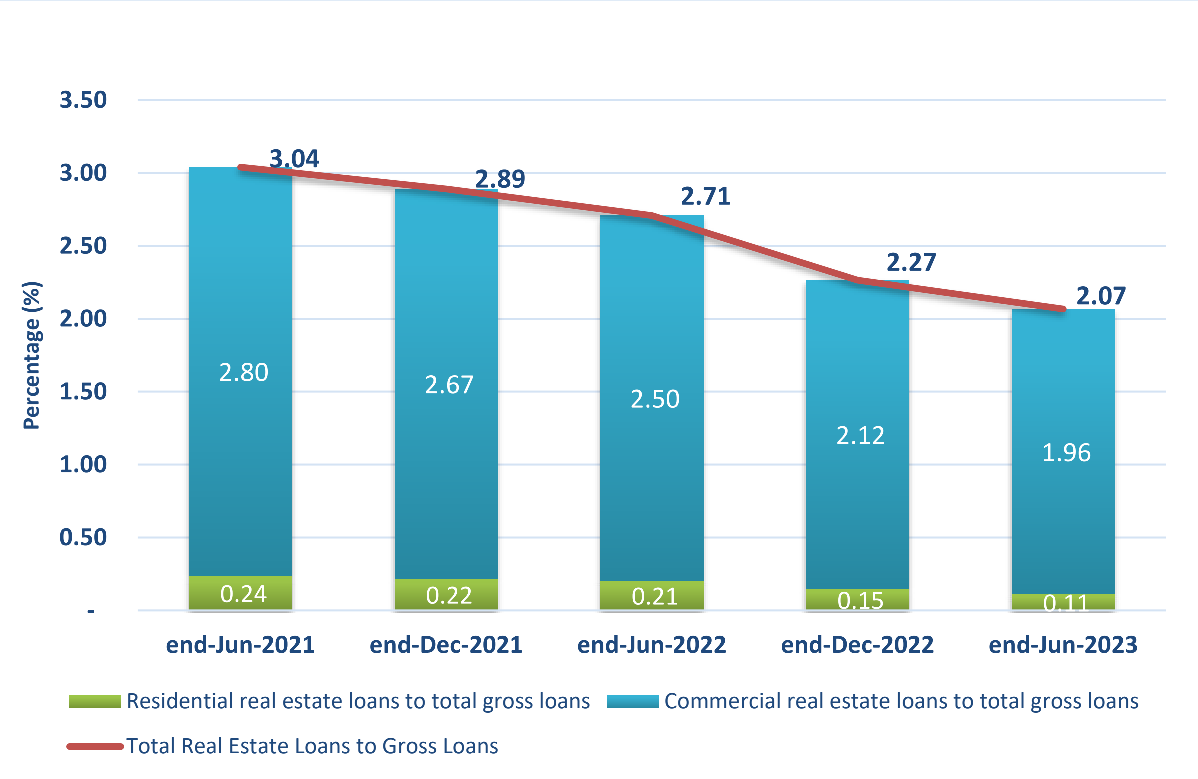
Figure 3.3 Banking Industry Liquidity Indicators (%)



3.1.1.3 Exposure to Real Estate Sector

The banks' exposure to the real estate sector (residential and commercial) declined marginally in the review period. The ratio of residential real estate loans to total gross loans decreased by 0.04 percentage point to 0.11 per cent, from 0.15 per cent at end-December 2022. Also, the ratio of commercial real estate loans to total gross loans declined by 0.16 percentage point to 1.96 per cent, compared with 2.12 per cent at end-December 2022.

Figure 3.4 Exposure to Real Estate Sector

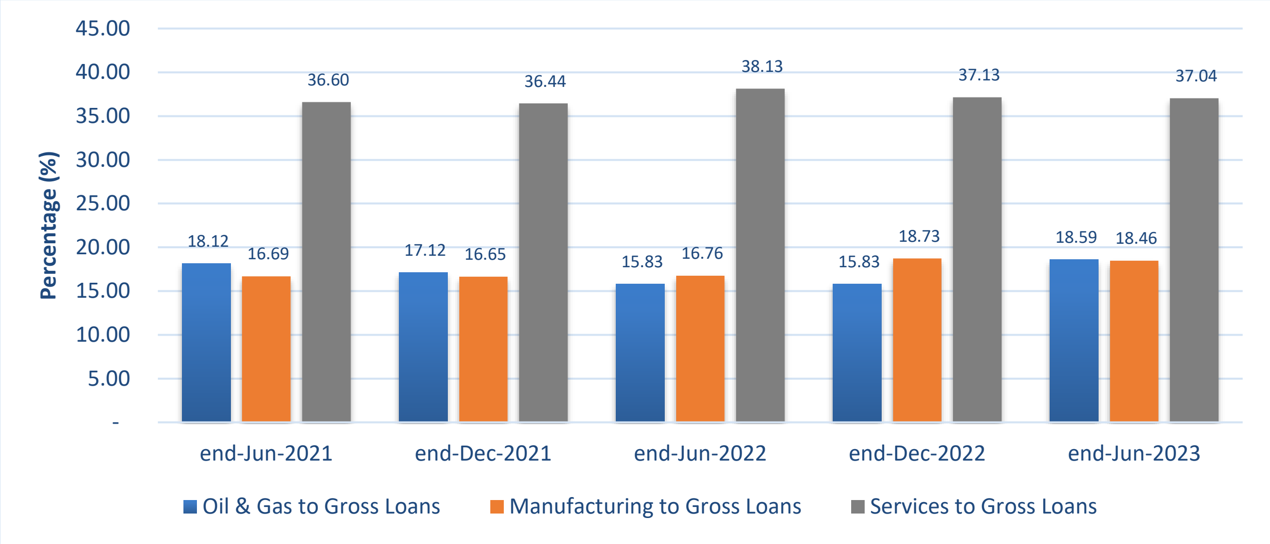


3.1.1.4 Exposures to Oil & Gas, Manufacturing and Services Sectors

Banks' exposure to the Oil & Gas sector increased, while exposures to Manufacturing and Services sectors declined. The ratio of Oil & Gas loans to gross loans increased by 2.76 percentage points to 18.59 per cent[1]. The increase was attributed to the rise in the cost of Oil & Gas sector importations and revaluation of foreign currency denominated loans. However, Manufacturing sector loans to gross loans decreased by 0.27 percentage point to 18.46 per cent. Similarly, the ratio of the Services sector loans to gross loans fell by 0.09 percentage point to 37.04 per cent. The decline in banks' exposure to the Manufacturing and Services sectors was attributed largely attributed to the relatively lower component of foreign currency denominated loans to the sector, and the consequent negligible impact of revaluation following the operational changes in the foreign currency market.

[1] The Oil and Gas exposures here refer solely to exposures under the "Industry" sector using the ISIC classification. This excludes Oil and Gas exposures under the "Services" sector which represents 7.10 per cent of the total gross loans.

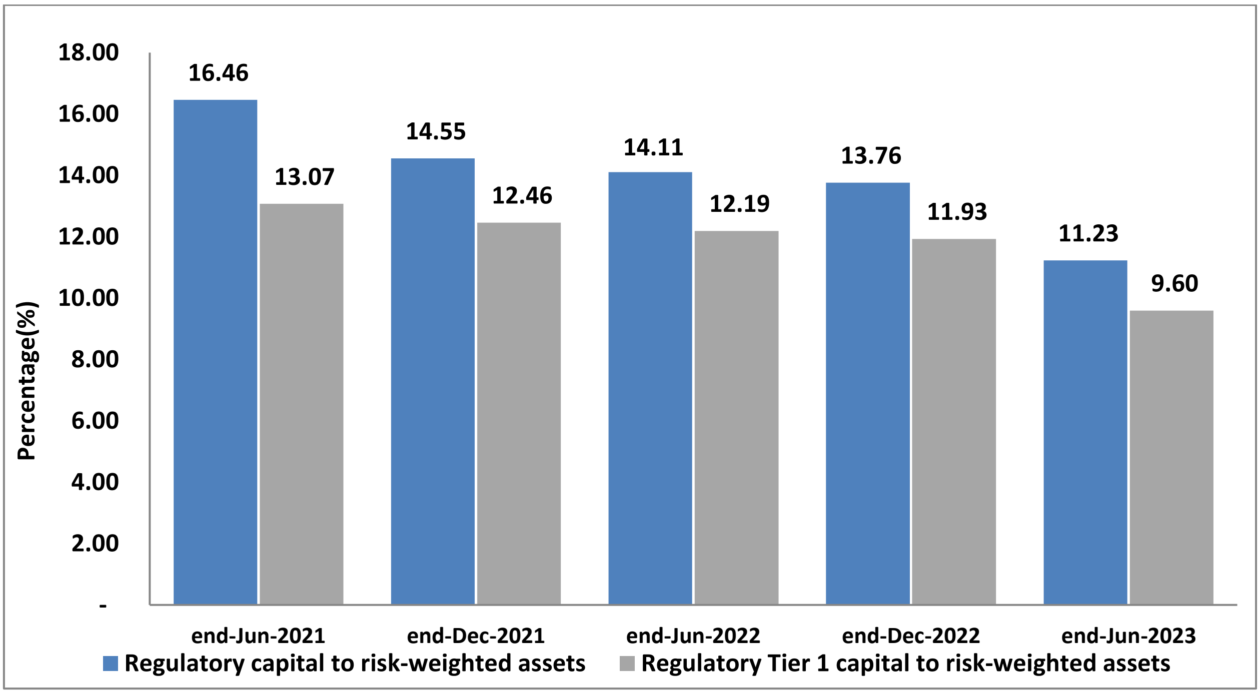
Figure 3.5: Exposures to Oil & Gas, Manufacturing and Services Sectors



3.1.2 Capital-Based Indicators

The banking industry's solvency, measured by regulatory capital to risk-weighted assets, declined to 11.23 per cent, from 13.76 per cent at end-December 2022, owing largely to growth in risk assets following the revaluation of foreign currency-denominated risk assets. However, it remained above the regulatory minimum. The regulatory tier-1 capital to risk-weighted assets also decreased to 9.60 per cent, from 11.93 per cent in the preceding period.

Figure 3.6 Banking Industry Capital Adequacy Ratio



**The ratios are computed based on IMF-FSI Manual*

3.1.3 Income and Expense Ratios

Compared to the preceding period, the ratio of interest margin to gross income decreased by 2.43 percentage points to 56.54 per cent. The ratio of non-interest expenses to gross income also declined by 1.5 percentage points to 67.81 per cent. Furthermore, the ratio of personnel expenses to non-interest expenses dropped to 24.63 per cent.

3.1.4 Non-Interest Banks

The total assets of non-Interest banks (NIBs) grew by 36.96 per cent to ₦978.68 billion, from ₦714.59 billion at end-December 2022. Similarly, total deposits and total credits grew by 41.90 per cent and 27. 96 per cent to ₦716.04 billion and ₦324.45 billion, respectively at end-June 2023.

The total assets, deposits and credits of the NIBs relative to the total banking industry at end-June 2023 stood at 1.02 per cent, 1.24 per cent and 0.86 per cent, respectively, compared with 0.97 per cent, 1.11 per cent and 0.85 per cent at end-December 2022.

3.2 The Banking Industry Stress Tests

The Bank continued to assess the soundness and stability of the financial system through top-down solvency and liquidity stress testing to identify and analyse Commercial, Merchant and Non-Interest Banks (CMNBs) vulnerabilities and risks, with a view to implementing appropriate regulatory measures.

Globally, most monetary authorities adopted contractionary monetary policy stance in the first half of 2023 to rein in inflation, resulting in tight financial markets. In Nigeria, the Monetary Policy Committee (MPC) raised MPR three times in the first half of 2023 from 16.50 in December 2022 to 17.50, 18.00 and 18.50 per cent in January, March and May 2023, respectively, to rein in inflation and stabilize the exchange rate.

The rise in interest rates impacts the value of banks' holdings of fixed income securities and could constitute a significant risk to banks' solvency and liquidity. At end-June 2023, fixed income securities holdings of banks stood at ₦4,712.87 billion, representing 101.41 per cent and 12.47 per cent of the banking industry total qualifying capital and total credit exposure, respectively.

Furthermore, following the inauguration of the new government in May 2023, major reforms were announced, including fuel subsidy removal and changes in the operations of the foreign exchange market. The reforms resulted in over 100. 00 per cent overnight increase in the pump price of fuel and over 60.00 per cent depreciation of the Naira against the dollar, thereby increasing inflationary pressures.

The June 2023 stress tests assessed the respective impacts of these reforms, the interest rate hikes, and other exogenous factors on the solvency and liquidity positions of the banking industry by end December 2023.

3.2.1 Solvency Stress Test

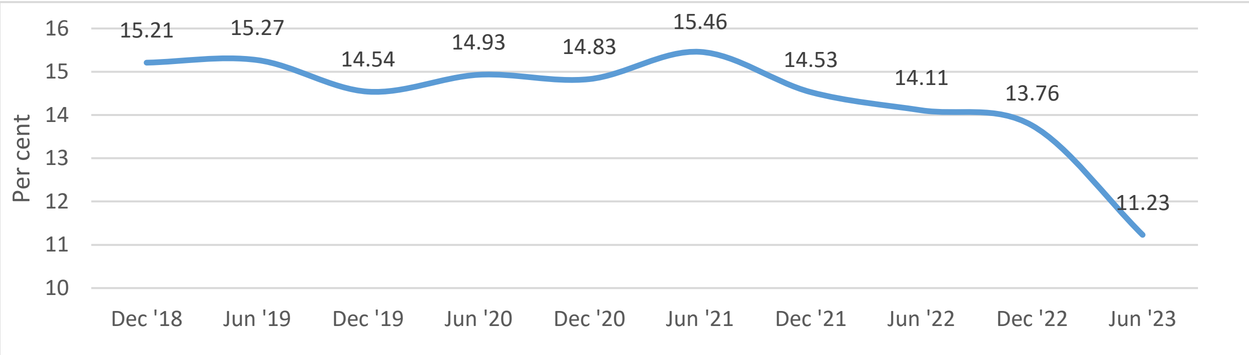
3.2.1.1 Baseline Position

The baseline CAR, LR and NPL ratios in the period under review were 11.23, 48.38 and 4.14 per cent, respectively; while Return on Assets (ROA) and Return on Equity (ROE) stood at 2.3 and 32.2 per cent, respectively.

Table 3.1: Banking Industry Baseline Indicators

	CAR (%)	LR (%)	NPLs (%)	ROA (%)	ROE (%)
a. Jun 2022	14.11	42.63	4.95	1.40	17.30
b. Dec 2022	13.76	44.12	4.21	1.86	23.82
c. Jun 2023	11.23	48.38	4.14	2.3	32.2
Percentage Points Change (c – b)	(2.53)	4.26	(0.07)	0.44	8.38

Figure 3.7 Banking Industry CAR



3.2.1.2 General Credit Default Stress Test

The stress test results show that the banking industry could withstand shocks of up to 30.00 per cent increase in the industry's NPLs, as CAR would remain above the regulatory requirement of 10.00 per cent. Increase in NPL of 15.00, 20.00, 30.00 and 50.00 per cent would result in CAR declining to 10.76, 10.61, 10.29 and 9.66 per cent, respectively, from the baseline of 11.23 per cent.

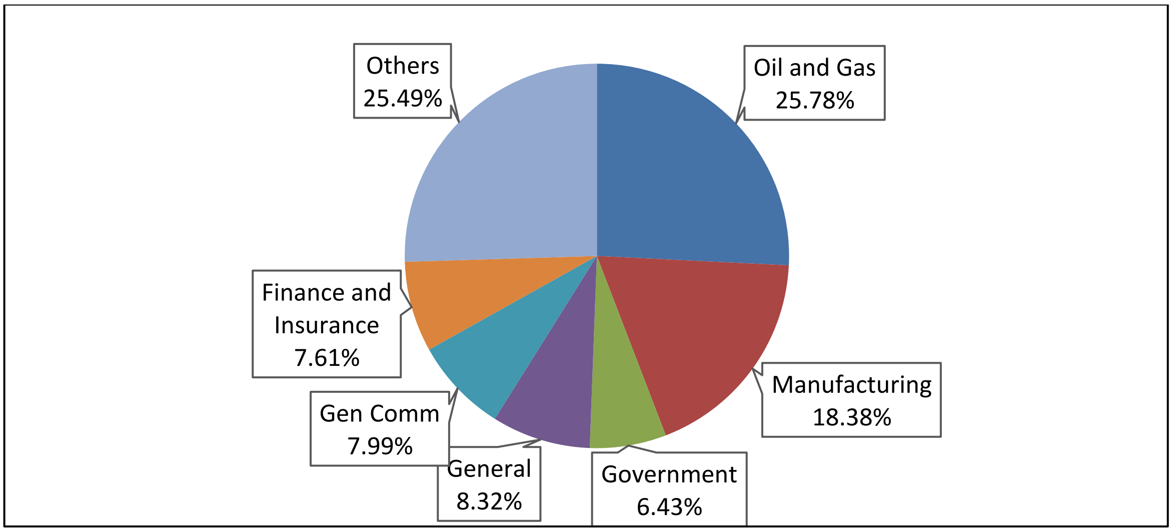
Table 3.2 General Credit Default Stress Test

Shocks	December 2022 CAR (%)	June 2023 CAR (%)
Baseline	13.76	11.23
10% increase in NPLs	13.44	10.92
15% increase in NPLs	13.28	10.76
20% increase in NPLs	13.12	10.61
30% increase in NPLs	12.81	10.29
50% increase in NPLs	12.16	9.66

3.2.1.3 Credit Concentration Stress Test

A breakdown of the CMNB's total credit by sector at end-June 2023 is depicted below, and it shows that the Oil and Gas sector has the highest proportion of industry credit with 25.78 per cent of total industry credit exposure.

Figure 3.8 Credit Exposure by Sectors



The stress tests of sectoral credit concentration shocks showed that a shock of "20.00 per cent of the Oil & Gas exposures classified as doubtful" could reduce CAR to 10.38 per cent, while a shock of "20.00 per cent classified as loss" could decrease CAR to 5.66 per cent.

Similarly, a test of obligor credit concentration shocks of the five largest corporate credit facilities shifting from "performing loans to sub-standard" (scenario 1), and "sub-standard to doubtful" (scenario 2) would result in banking industry CAR declining to 10.68 and 9.86 per cent, respectively.

These results show the relative resilience of the banking industry to risks arising solely from sectoral or obligor credit concentrations.

Table 3.3 Obligor Credit Concentration Stress Test

Scenarios	Dec 2022 CAR (%)	June 2023 CAR (%)
Baseline	13.76	11.23
Scenario 1 **Five largest corporate credit facilities shifted from performing loans to sub-standard (10% provision)**	13.43	10.68
Scenario 2 **Five largest corporate credit facilities shifted from sub-standard to doubtful (50% provision)**	12.09	9.86

3.2.1.4 Interest Rate Stress Test

Despite the contractionary monetary policy stance, the banking industry’s liquidity ratio remained robust at 48.38 per cent, significantly above the 30.00 per cent regulatory minimum.

Analysis of the impact of interest rate rise on long tenored fixed income securities based on IFRS 9 standards, showed that banks could withstand unrealised losses of up to 25.00 per cent fall in the value of fixed income securities classified as FVTPL and FVTOCI[2]. The industry CAR would decline to 9.67 per cent from 11.23 per cent.

Further analysis based on a scenario of 25 per cent fall in value of the entire fixed income securities holdings showed that industry CAR would decline to 8.38 per cent.

In all of the above scenarios, LR remained robust at above 44.00 per cent, significantly more than the regulatory minimum of 30.00 per cent.

Figure 3.9 Interest Rate Stress Test

[2] After initial recognition, all financial assets such as fixed income securities are measured at, and thus classified as (a) Amortised cost for assets held to maturity (HTM) (b) Fair Value through Profit and Loss (FVTPL) (c) Fair Value through Other Comprehensive Income (FVTOCI).

3.2.1.5 Scenarios Stress Test

A severe scenario stress test was conducted to determine the potential impact of the foreign exchange reforms, removal of fuel subsidy and the tightened financial markets arising from interest rate hikes on banks CAR and LR by end December 2023. See Box 2 below for stress test scenario and key assumptions.

The results showed that CAR and LR will moderate to 7.24 and 44.45 per cent, from 11.23 and 48.38 per cent, respectively. The results highlight the robust liquidity position and relative resilience of the industry to the current headwinds impacting the industry. The Bank will continue to monitor developments closely with greater attention paid to the most vulnerable institutions.

Box 2: Stress Test Scenarios and Assumptions

Scenarios

a) Removal of fuel subsidy resulting in increase in general credit risk with 7.5% of total credit reclassified as sub-standard from performing.

b) Reforms in the foreign exchange market with the free float of the Naira resulting in 100% depreciation against the US dollar leading to:

   i. 5% of foreign currency denominated loans reclassified as doubtful from performing.

   ii. Translation gains/losses based on net foreign assets holdings.

   iii. Increase in banks' Euro bonds services costs.

c) Tight financial markets owing to monetary policy rate hikes leading to 25% fall in value of fixed income securities.

Assumptions

a) These developments apply to the banking industry symmetrically.

b) There are no regulatory interventions, and no management action by the banks.

c) Capitalization under stress ($CAR_{(t+1)}$) is only mitigated by net income as follows:

$$CAR_{(t+1)} = \frac{Capitalization_{(t)} + Net\ Income_{(t+1)}}{RWA_{(t+1)}}$$

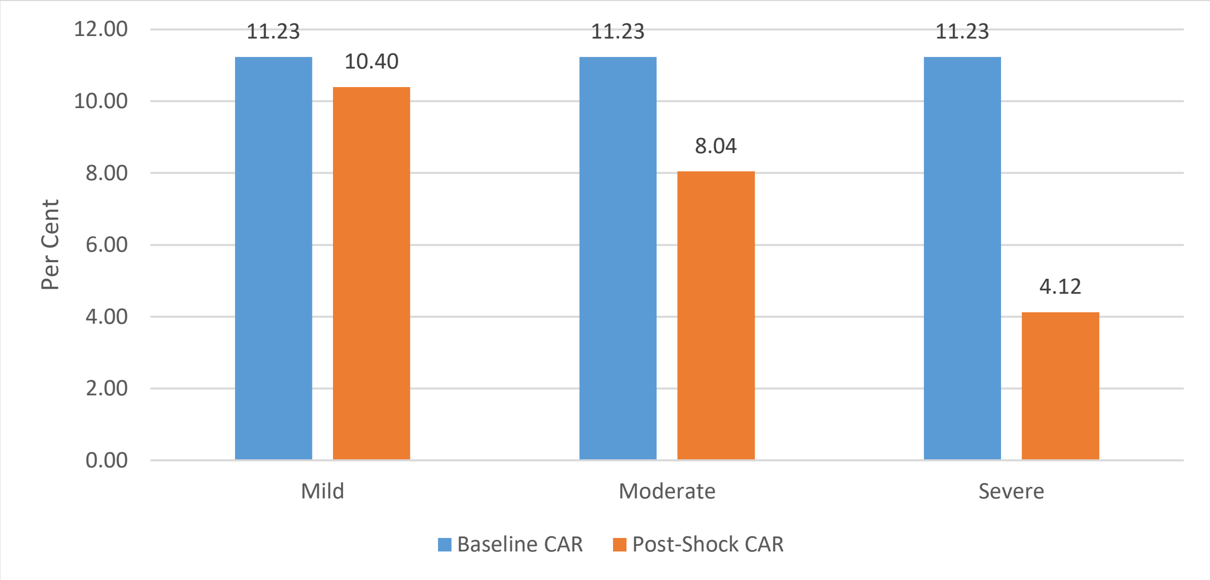
3.2.1.6 Climate Risk Stress Testing

The increasing threat posed by climate change to financial system stability necessitated the conduct of stress test to determine the resilience of the Nigerian banking system. Climate risk generally crystalizes as physical and transition risks. While physical risks involve floods, droughts, wildfire outbreaks, etc., transition risks pertain to changes in business methods toward environmentally friendly technologies and production as well as paced reduction in carbon emission, among others.

Climate risk stress test was conducted under a mild, moderate and severe scenarios as depicted in Box 3 below. The results of the stress test showed that the banking industry solvency was resilient under the mild scenario as the industry CAR remained above the regulatory threshold at 10.40. However, under the moderate and severe scenarios, the CAR fell below the 10.00 per cent threshold to 8.04 and 4.12 per cent, respectively.

The results highlight the potential impact of climate risks on the banking industry and the need to take proactive mitigating measures.

Figure 3.10 Climate Risk Stress Test: Impact on CAR



Box 3: Climate Risk Stress Test Scenario Assumptions

Scenarios	Mild	Moderate	Severe
Physical risk factors – Losses in credit exposures due to floods affecting businesses in flood prone areas.	i) 1% Loss in Total Credit Exposure ii) 10% Loss in Agric Credit Exposure	i) 2.5% Loss in total credit exposures ii) 25% Loss in Agric credit exposures	i) 5% Loss in total credit exposures ii) 50% Loss in Agric credit exposures
Transition risk factors - Losses in credit exposures due to shift to eco-friendly technologies.	i) 5% Loss in Exposure to Downstream Subs-sector ii) 5% Loss in Exposure to Power & Energy Sub-sector	i) 10% Loss in exposures to the Downstream Subs-sector ii) 10% Loss in exposures to the Power & Energy Sub-sector	i) 15% Loss in exposures to the Downstream Subs-sector ii) 15% Loss in exposures to the Power & Energy Sub-sector

3.2.2 Liquidity Stress Test

The stress test results revealed that after a one-day run scenario, the LR of the CMNBs could decline to 36.06 per cent from the 48.78 per cent baseline position. Similarly, under the 5- and 30-day run scenarios, the LR could decline to 15.80 and 9.40 per cent, implying liquidity shortfalls of ₦4,198.56 billion and ₦5,584.13 billion, respectively. However, the Bank had at its disposal significant CRR balances of ₦13,690.00 billion to backstop CMNBs' liquidity.

Figure 3.11 Liquidity Stress Test

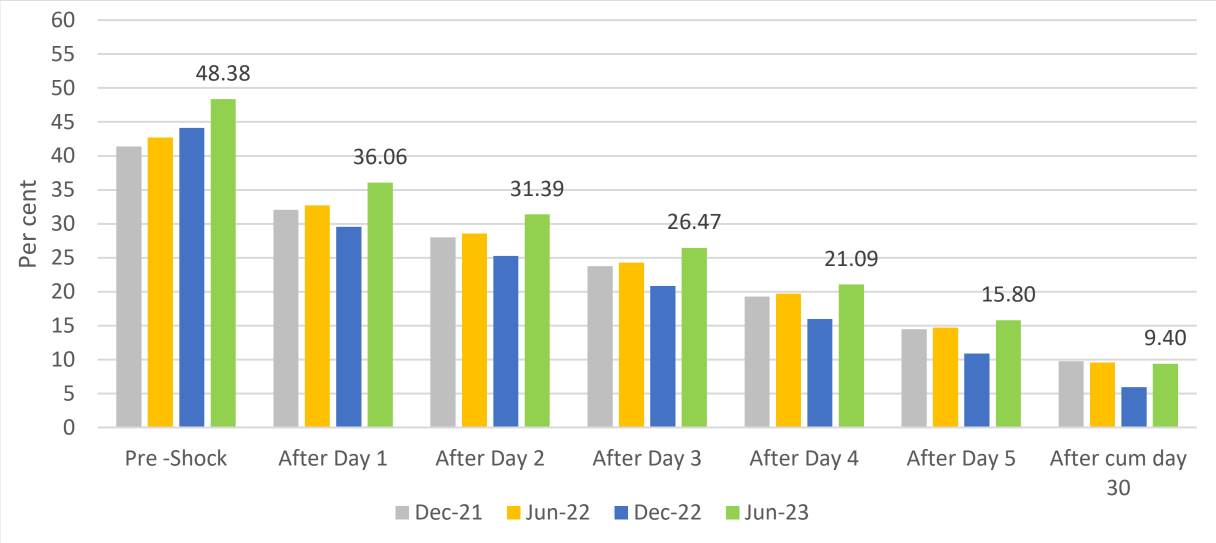


Table 3.4: Implied Cash Flow Liquidity Stress Test Results

	No of Banks with LR < 30%		LR (%)			
	Dec 2022	**Jun 2023**	**Dec 2022**	**Shortfall to 30% LR threshold (₦' billion)**	**Jun 2023**	**Shortfall to 30% LR threshold (₦' billion)**
Day 1	5	9	29.56	148.83	36.06	(2,351.13)
Day 2	13	16	25.29	1,519.57	31.39	(504.02)
Day 3	19	19	20.84	2,794.56	26.47	1,200.64
Day 4	23	21	16.00	4,042.96	21.09	2,841.14
Day 5	23	21	10.89	5,212.68	15.80	4,198.56
Day 30	27	24	5.95	6,165.73	9.40	5,584.13

3.2.3 Maturity Mismatch

The cumulative assets and liabilities baseline position showed a mismatch of ₦6,163.70 billion assets over liabilities, although the shorter end of the market (≤90-day bucket) was adequately funded.

The test result under Descriptive Maturity Mismatch (Test 2A) revealed that the CMNBs were adequately funded, except for the “above 3 years” bucket. Under Static Rollover Risk Analysis (Test 2B) and Dynamic Rollover risk (Test 2C), there were mismatches of ₦11,172.34 billion and ₦13,345.06 billion, respectively. Relative to the end-December 2022 tests, these reflected increases of ₦3,793.17 billion and ₦3,186.55 billion under the Test 2B and Test 2C, respectively.

Table 3.5: Maturity Profile of Assets and Liabilities at End-June 2023

Bucket	Liabilities	Assets	Mismatch	Cumulative Mismatch
	₦' billion			
≤30 days	49,723.15	30,316.69	19,406.46	19,406.46
31-90 days	4,615.25	5,024.65	(409.40)	18,997.06
91-180 days	2,101.23	4,206.46	(2,105.23)	16,891.83
181-365 days	2,008.29	7,283.89	(5,275.60)	11,616.23
1-3 years	3,147.34	7,512.10	(4,364.77)	7,251.46
>3 years	4,220.44	17,635.60	(13,415.16)	(6,163.70)
Total	65,815.69	71,979.39		

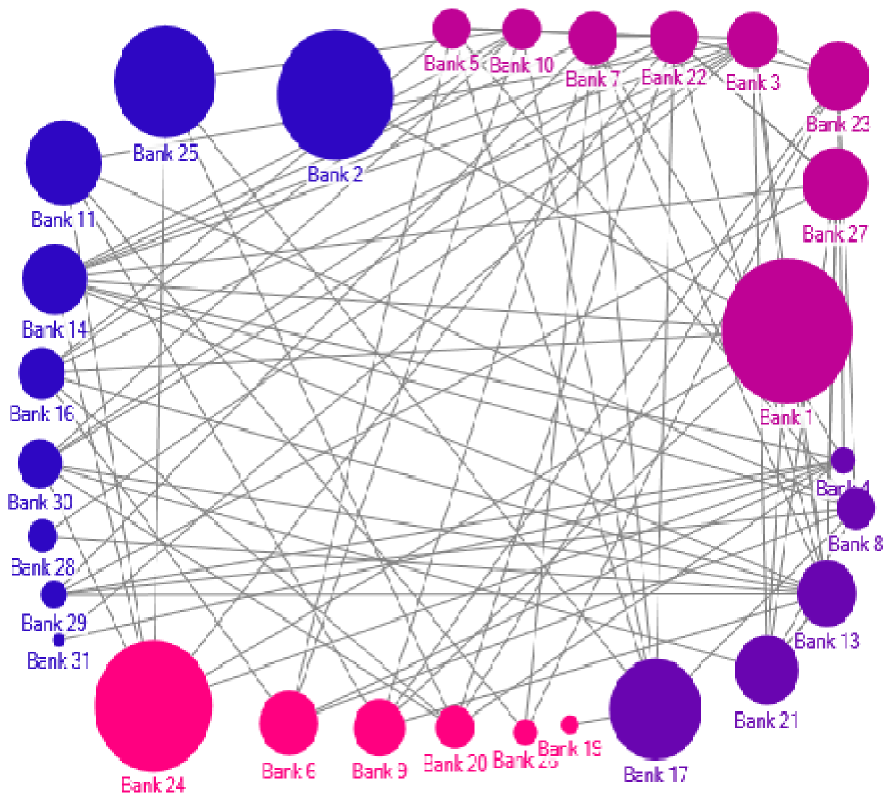
Table 3.6: Stress Test Results for Maturity Mismatch at End-June 2023

	Test 2A Descriptive Maturity Mis-match. (No consideration of rollover)		Test 2B Static Rollover risk Analysis. (No possibility to close liquid-ity 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 mis-match	₦' billion	No of banks with mismatch
≤30 days	27,601.65	5	17,657.02	8	688.32	8
31-90 days	7,706.92	9	(1,701.67)	19	(1,290.11)	9
91-180days	6,009.96	11	(2,525.48)	25	(1,307.00)	10
181-365days	2,919.59	17	(5,878.09)	30	(1,132.31)	10
1-3 Years	3,756.61	20	(5,308.97)	31	(1,828.53)	16
Above 3 years	(5,219.96)	28	(13,415.16)	31	(8,475.43)	20
Total	**42,774.77**		**(11,127.34)**		**(13,345.06)**	

3.2.4 Contagion Risk Analysis

The contagion risk via interbank placements and takings increased as total exposure from inter-bank placements and takings increased by 134.71 per cent to ₦1,228.92 billion, compared to the exposure at end-December 2022. Further analysis revealed that 12 out of 23 banks accounted for ₦1,108.94 billion of total placements, while six banks accounted for ₦874.43 billion of total takings. However, the exposures did not pose any significant threat to financial system stability, as all placements were collateralised.

Figure 3.12 Network Analysis based on Interbank Exposures



Node colour representation

Blue = Placement only

Purple = Net Placement

Pink = Takings only

Magenta = Net Takings

BOX 4: 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 3.7 PERCENTAGE OF ASSETS UNENCUMBERED AFTER FIRE SALES

Item No	***Assets***	***% Unencum-bered***
1.	*Cash and cash equivalents*	*100*
2.	*Current account with CBN*	*100*
3.	*Government bonds, treasury bills and other as-sets 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 sustained its supervisory role over the banking industry towards promoting a safe, stable, and sound financial system through issuance of relevant guidelines, offsite surveillance, onsite examinations, and special investigations.

3.3.1 Risk Assets Examination

The joint CBN/NDIC Risk Assets Examinations (RAE) of all CMNBs were carried out in February 2023 to assess their asset quality, adequacy of credit loss and other known loss provisions, liquidity/funds management, and the implementation of IFRS 9. It also included reviews of income and expenditure and the Internal Capital Adequacy Assessment Process (ICAAP). The recommendations from the exercise were communicated to the banks and implementation was being monitored.

3.3.2 Foreign Exchange Examination

The review of foreign exchange (FX) activities of 29 CMBs was undertaken to ascertain compliance with extant laws and regulations. The review covered FX operations for the period of April 1, 2022 to March 31, 2023. The reports of the FX examinations were being finalised.

3.3.3 Supervision of Domestic Systemically Important Banks

In accordance with the Framework for the Regulation and Supervision of Domestic Systemically Important Banks (D-SIBs), the biannual assessment of banks was carried out in June 2023. The result of the assessment showed no change in the number of D-SIBs as the same five commercial banks maintained their designation in the period under review. The D-SIBs were largely compliant with the Bank's prudential requirements.

The five D-SIBs accounted for 58.98 per cent (₦56,851.81 billion) of CMNBs assets, 60.94 per cent (₦35,313.41 billion) of CMNBs deposits, and 56.40 per cent (₦21,320.26 billion) of CMNBs credit. These changes reflected increases of 29 per cent (₦12,782 billion) in assets, 29.54 per cent (₦8,052.72 billion) in deposits, and 26.98 per cent (₦4,530 billion) in credit respectively, compared to the end-December 2022 position.

Given the significant impact of their activities on the financial system, the D-SIBs will continue to be subjected to enhanced supervision.

3.3.4 Asset Management Corporation of Nigeria

The Bank conducted a routine examination of the Asset Management Corporation of Nigeria (AMCON) covering the period October 1, 2021, to December 31, 2022. The key findings are highlighted below.

The Corporation made cash and non-cash recoveries of ₦45.83 billion and ₦15.16 billion in the review period, compared with ₦48.38 billion and ₦20.40 billion, respectively, in the preceding half year. Cumulatively, total recoveries stood at ₦1,801 billion, comprising ₦971.33 billion in cash and ₦829.73 billion non-cash items.

The carrying value of AMCON's liabilities rose by 4.75 per cent to ₦5,865 billion, compared with ₦5,599 billion at end-December 2022. The increase was due to accrued interest, legal expenses and other debt recovery costs. The carrying value of the AMCON Note remained at ₦3,859 billion and is scheduled for redemption on December 27, 2023. The ₦500 billion loan and the accrued interest of ₦15 billion were fully repaid by AMCON on January 31, 2023.

The Corporation's total assets net of impairment increased by 18.25 per cent to ₦1,170.51billion, above the ₦989.89 billion recorded at end-December 2022. The growth resulted from an increase in cash & bank balances and financial investments.

The banks' contribution to the Banking Sector Resolution Cost Fund (BSRCF) for the year 2023, based on the preceding year's audited financial statements, amounted to ₦416.99 billion.

3.3.5 Supervision of Other Financial Institutions

The Bank conducted special Money Laundering, Financing of Terrorism, and Proliferation Financing (ML/FT/PF) risk examination of 100 microfinance banks and 810 Bureaux De Change (BDCs). The Bank also participated in the national residual risk assessment of the

OFIs. The ML/FT/PF risk examination revealed various infractions of extant regulations and the erring institutions were penalised accordingly.

3.3.6 Cross Border Supervision of Nigerian Banks

The number of offshore entities of Nigerian banks remained 64, comprising 55 bank subsidiaries, four representative offices, one affiliate, three international branches and one agent banking arrangement.

The Bank conducted risk-based supervision (RBS) and Anti-Money Laundering, Countering Financing of Terrorism and Counter Proliferation Financing (AML/CFT/CPF) examinations of six offshore banking subsidiaries of Nigerian Banks in Kenya, Liberia, South Africa and United Kingdom. The examinations also addressed the supervisory concerns in the operations of the offshore subsidiaries and validated returns submitted by the parent banks.

The examinations noted concentration in both funding sources and credit portfolios across the subsidiaries. Consequently, supervisory letters were issued to the erring institutions to address the noted concerns within stipulated timelines.

3.3.7 Regulation of Representative Offices of Foreign Banks in Nigeria

The Bank issued the Guidelines for the Regulation of Representative Offices of Foreign Banks in Nigeria on May 3, 2023. The objective of the Guidelines is to facilitate the understanding of regulatory requirements for operations of representative offices of foreign banks in Nigeria and foster a more regulated and stable environment for foreign bank operations.

3.4 Supervisory Collaboration

During the review period, the Bank participated in various regional and international engagements on cyber-security, cross border supervision and other emerging issues.

3.4.1 Community of African Banking Supervisors

The Working Group on Crisis Management, Banking Resolution and Fintech, chaired by the CBN, finalised the Community of African Banking Supervisors (CABS) Framework on Crisis Management and Bank Resolution as well as the CABS Fintech Regulatory and Supervisory Framework and forwarded them to the Association of African Central Banks (AACB) Secretariat for approval. Furthermore, the Bank hosted a meeting of the Working Group to review the workplan for 2023.

The Bank also participated in the conference of the CABS held at Banjul, The Gambia, with 44 member-countries in attendance. The meeting reviewed reports from working groups and discussed other topical issues of concern to member countries, including AML/CFT/CPF, information exchange and key lessons from the collapse of the Silicon Valley Bank in the United States.

3.4.2 College of Supervisors of the West African Monetary Zone

The Bank participated in the 44th and 45th meetings of the College of Supervisors of the West African Monetary Zone (CSWAMZ), in The Gambia and Ghana, which reviewed developments in the banking system across the zone in the last quarter of 2022 and the first quarter of 2023, respectively. Cross-border supervision issues, joint examination exercises, Basel II/III capital requirements and IFRS 9 & 16 as well as other relevant financial stability concerns of the sub-region, were discussed.

3.4.3 Technical Support to Other Central Banks

The Bank continued its technical support to other central banks. In this connection, it hosted a delegation from the Bank of Tanzania on a study tour focused on Basel II implementation and Non-Interest banking in Nigeria. Also, it conducted a workshop for members of the CSWAMZ on Climate-Related Financial Risks in Banks.

3.5 Credit Risk Management System

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

The number of credit facilities on the CRMS database increased by 13.25 per cent to 49,060,977, compared with the level at end-December 2022. Similarly, the number of facilities with outstanding balances increased by 33.05 per cent to 12,744,856 at end-June 2023.

Table 3.8: Credit Risk Management System

Borrowers from the Banking Sector (Commercial, Merchant and Non-Interest Banks)				
Description	**End-Dec 2022**	**End-Jun 2023**	**Change**	**Change (%)**
*** Total No. of Credit facilities reported on the CRMS:**	43,320,180	49,060,977	5,740,797	13.25
Individuals	42,227,560	47,918,185	5,690,625	13.48
Non-Individuals	1,092,620	1,142,792	50,172	4.59
*** Total No. of Outstanding Credit facilities on the CRMS:**	9,579,073	12,744,856	3,165,783	33.05
Individuals	9,426,343	12,566,218	3,139,875	33.31
Non-Individuals	152,730	178,638	25,908	16.96

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

3.6 Credit Bureaux

The licensed credit bureaux remained three and the average number of uniquely identified credit records decreased by 26.70 per cent to 56.87 million. The development reflected lower patronage for credit which could largely be attributed to the high interest rate regime and the cautious attitude of customers towards borrowing due to election-related uncertainties. However, the average number of subscribers increased to 1,365 at end-June 2023.

Table 3.9: Credit Bureaux Statistics

S/N	Description	CRC Credit Bureau Ltd	CR Services Credit Bureau Plc	First Central Credit Bureau Ltd
1	Number of credit records	88,864,944	96,668,433	80,816,616
2	Value of Credit Facilities (₦'Tn)	50.35	64.6	40.76
3	Number of borrowers	34,937,835	17,989,074	23,389,390
4	Number of subscribers	1,793	739	1,564

3.7 Other Developments in the Financial System

3.7.1 Anti-Money Laundering, Combating the Financing of Terrorism and Countering Proliferation Financing

In continuation of its efforts to safeguard the banking system from ML/FT/PF, the Bank issued several guidelines, conducted capacity building activity, and collaborated with other stakeholders to implement the Mutual Evaluation Report (MER) Recommendations.

The Bank issued the following guidelines and regulations:

i. The CBN Customer Due Diligence Regulations, 2023 to provide additional customer due diligence measures for financial institutions.
ii. A circular to financial institutions to reflect changes to the United Nations Security Council ISIL (Da'esh) and Al-Qaida Sanctions List of Individuals and Entities.
iii. Guidance Notes on Politically Exposed Persons (PEPs) 2023.

Trainings on AML/CFT measures were conducted for 262 Bank Examiners and 256 officers of banks and payment service providers. Feedback sessions were also held with 34 Chief Compliance Officers (CCOs) of banks on regulatory expectations and to promote proactive approaches to AML/CFT compliance.

Furthermore, the Bank continued to collaborate, cooperate and share information with other domestic stakeholders in its quest to ensure full implementation of the MER recommended actions (RAs) as follows:

i. Participated in the conduct of AML/CFT residual risk assessment to update the 2022 National Inherent Risk Assessment (NIRA) Report.
ii. Attended the two meetings of the Inter-ministerial Committee (IMC) where progress made on implementation of the MER RAs by stakeholders and sub-committees were discussed, and additional deliverables assigned accordingly.
iii. Participated in the GIABA Plenary where mutual evaluation and follow up reports of some member countries in the West African Sub-region were discussed and approved.
iv. Participated in the Heads of Agencies meeting in London to assess progress made on the implementation of the MER RAs road map.

3.7.2 Financial Services Regulation Coordinating Committee

The Financial Services Regulation Coordinating Committee (FSRCC) held its 74th meeting during the review period. The Committee discussed the impact of high inflation, interest rates, regional fragmentation, lingering spillover effects of the Covid-19 Pandemic and the ongoing Russia-Ukraine crisis on Nigeria's financial system.

The Committee agreed on the need for enhanced alignment of fiscal and monetary policies to deliver price and financial stability and the implementation of the Pan-African Payment and Settlement System (PAPSS) to improve cross-border payments. Others included: the reporting and prompt treatment of cybersecurity and IT risks within member agencies, and the stress testing of all FIs by their respective regulatory agencies to ensure their safety and soundness.

Furthermore, the Committee agreed on steps to enhance collaboration to counter the increasing threat of Illegal Fund Operators (IFOs) and Ponzi schemes. To this end, the Legal and Enforcement Sub-Committee of the FSRCC enhanced its public awareness campaign to curb the activities of IFOs and Ponzi schemes through collaboration with the National Broadcasting Commission.

3.7.3 Non-Interest Financial Institutions

The Bank granted one non-interest bank licence with national authorisation and approved the upgrade to a national authorisation for one non-interest bank with regional authorisation. Thus, the number of licensed non-interest banks with national authorisation increased to four during the review period.

The Financial Regulation Advisory Council of Experts (FRACE) held two statutory meetings during the review period and approved the following new products:

i) Unrestricted Wakalah Investment Product for Liquidity Management.
ii) Ju'alah-based service product.
iii) Salam product.
iv) Education and Vocation Finance Products.
v) Deposit/Investment and Murabaha Facility products.

3.7.4 eNaira

During the review period, the Bank sustained efforts in enhancing the functionalities and adoption of the eNaira, including the integration of eNaira with more financial service providers, enabling eNaira payments on their platforms and the issuance of eNaira cards.

Other key developments included deployment of the eNaira Speed App Lite to enhance user experience through high speed and low-data requirements. The key features of the new app include bills payment, eNaira swap, eNaira Near Field Communication Tags/cards or wearables, Merchant Checkout service.

3.7.4.1 eNaira Statistics and Trends

The number of customers on-boarded on the eNaira platform increased by 1,121.30 per cent to 27,971,460 from 2,290,300 in the preceding half year. Similarly, the number of active wallets increased by 24.32 per cent to 180,448 from 145,146.

The significant increase in the adoption of the eNaira was largely driven by the enlistment of more partner agents involved in the on-boarding exercise.

The total eNaira minted increased by 300.00 per cent to ₦20.00 billion, while eNaira in circulation also increased by 164.31 per cent to ₦6.74 billion, at end-June 2023. Consumers and merchants held ₦5.75 billion of the ₦6.74 billion in circulation, while Financial Institutions held ₦0.99 billion. The huge increase in the minted eNaira and holdings of consumers and merchants reflected the high rate of adoption.

Table 3.10: Minting and Holdings of eNaira

	End-Dec -22 (₦'bn)	End-Jun -23 (₦'bn)	Change (%)
eNaira Minted	5.00	20.00	300.00
eNaira in Circulation:	2.55	6.74	164.31
- In FIs' wallets	1.65	0.99	-40.01
- In Consumers / Merchants' wallets	0.90	5.75	539.07
- In Stock with CBN	2.45	13.26	441.16

3.7.5 Nigeria Sustainable Banking Principles

The Bank reviewed the returns of 33 banks to assess the implementation of the Nigeria Sustainable Banking Principles (NSBPs). In general, the banking industry recorded considerable progress in the implementation of the NSBPs, including the assessment of Environmental and Social (E&S) risks in their business considerations, and adoption of measures to reduce environmental footprints of their operations, among others.

However, banks that failed to meet the prescribed requirements for the implementation of the NSBPs were directed to address the observed lapses, including the enhancement of environmental and social risk management practices, deployment of measures to reduce the footprints from their operations, E&S assessment of third-party vendors, and building the capacity of their employees, among others.

3.7.6 Implementation of Basel III

The implementation of Basel III commenced in a parallel run arrangement with Basel II standard. Following the conclusion of the nine months "Parallel Run" in September 2022, the Bank updated the relevant Basel III Guidelines and reviewed the Reporting Template based on feedback from the banks.

The key issues noted included:

- Eligibility criteria for additional tier 1 instrument.

- Application of Liquidity Coverage Ratio (LCR) rules at solo and consolidated levels.
- Definition of significant currency for LCR segregation.

The take-off date for the full implementation of Basel III standards in Nigeria is still under consideration.

3.8 Financial Literacy and Consumer Education

3.8.1 Global Money Week

The Bank, in collaboration with the Junior Achievers of Nigeria and Bankers Committee, commemorated the 2023 Global Money Week with over 600 secondary school students across the 6 geo-political zones mentored on the importance of savings, budgeting and investing, among others.

3.8.2 Launch of Financial Literacy E-Learning Platform (SabiMONI)

The Bank launched the SabiMONI financial literacy e-Learning platform in the review period. The platform provides access to general financial education and certification for Financial Literacy Trainers (CFLT) through self-paced learning programme.

A total of 2,368 users had been onboarded at end-June 2023, since the launch of the platform on May 15, 2023.

3.9 Market Conduct and Development

3.9.1 Validation of Compliance Claims and Conduct of Mystery Shopping Exercise

The Bank conducted a validation exercise on four banks to assess their level of their compliance with recommendations of its 2022 Consumer Protection Compliance Examination. The focus of the exercise included legibility of contractual documents, overdrawing of accounts with non-credit related fees and charges, as well as transaction narration in account statements. It also conducted a mystery shopping exercise on 17 commercial banks to determine their level of compliance with selected provisions of its Consumer Protection Regulations. Appropriate regulatory actions were taken against erring banks.

3.10 Complaints Management and Resolution

A total of 4,111 complaints were received against financial institutions regulated by the Bank, reflecting an increase of 50.15 per cent from 2,738 received in the second half of 2022. Of the complaints received, 91.41 per cent were against banks, 8.05 per cent against Other Financial Institutions (OFIs), while 0.54 per cent were miscellaneous complaints. Complaints on failed transactions accounted for 45.22 per cent, followed by fraud representing 17.85 per cent and account management with 17.42 per cent, while others accounted for 19.51 per cent.

A total of 3,648 complaints were resolved or closed, indicating an increase of 950 (35.21 per cent) over the 2,698 resolved or closed in the second half of 2022. The complaints resolved or closed in the first half of the year included 848 outstanding complaints brought forward from the second half of 2022. A total of 1,311 complaints were outstanding at end-June 2023.

Figure 3.13 Number of Complaints Received

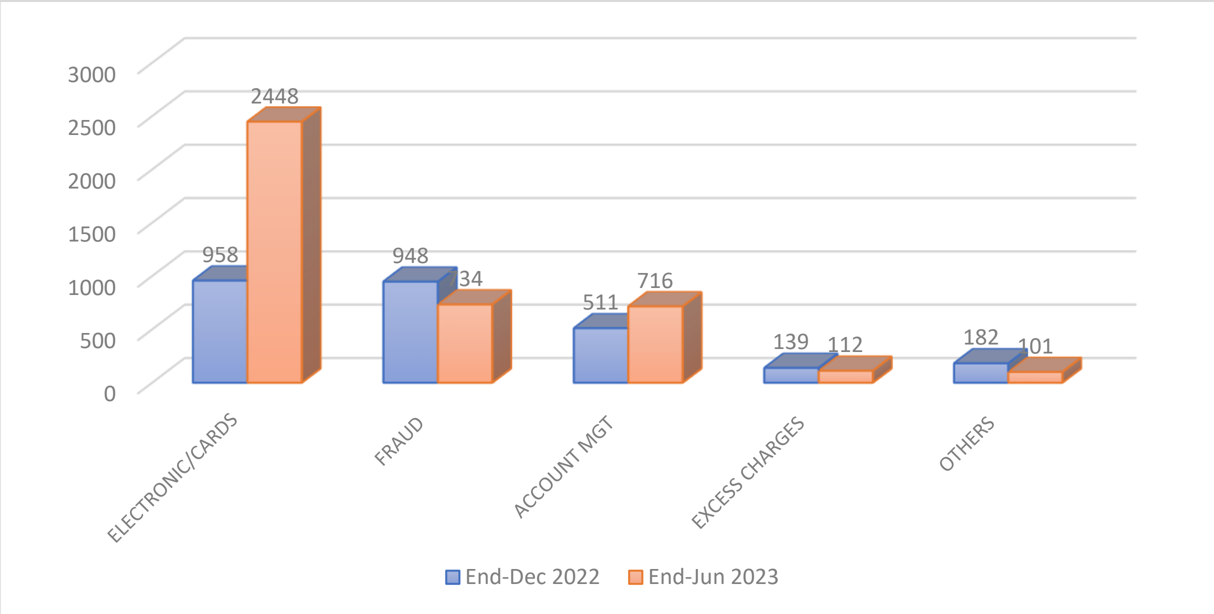


Figure 3.14 Complaints Resolved or Closed

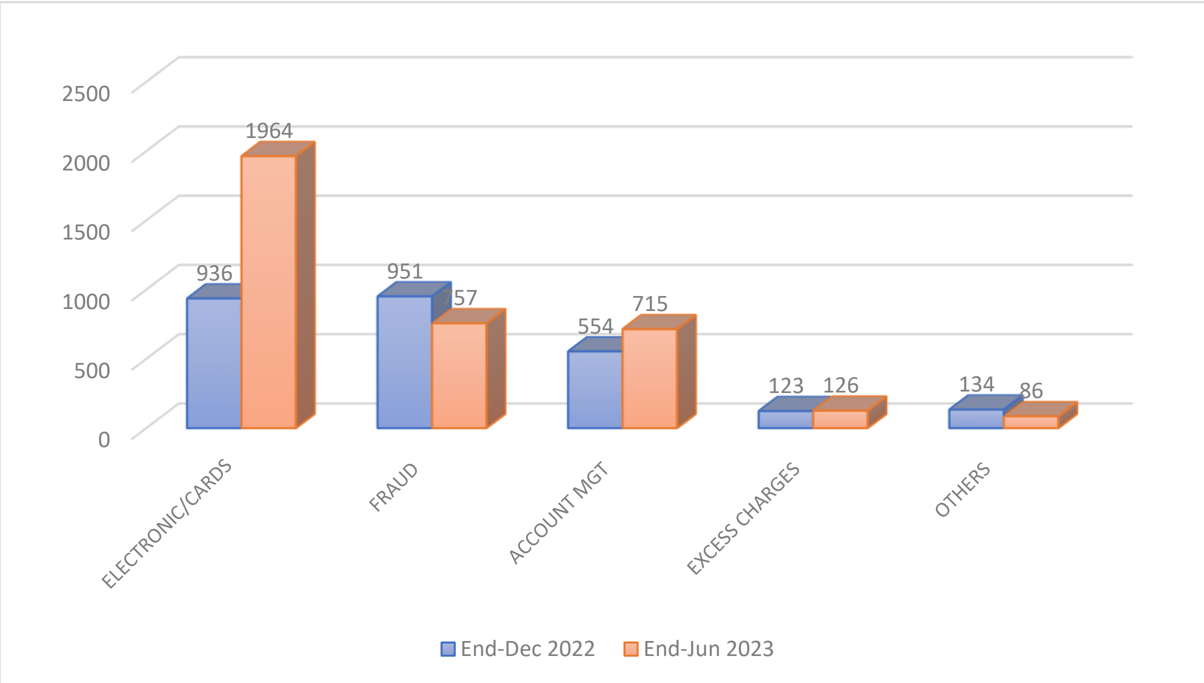


Figure 3.15 Complaints Resolved or Closed

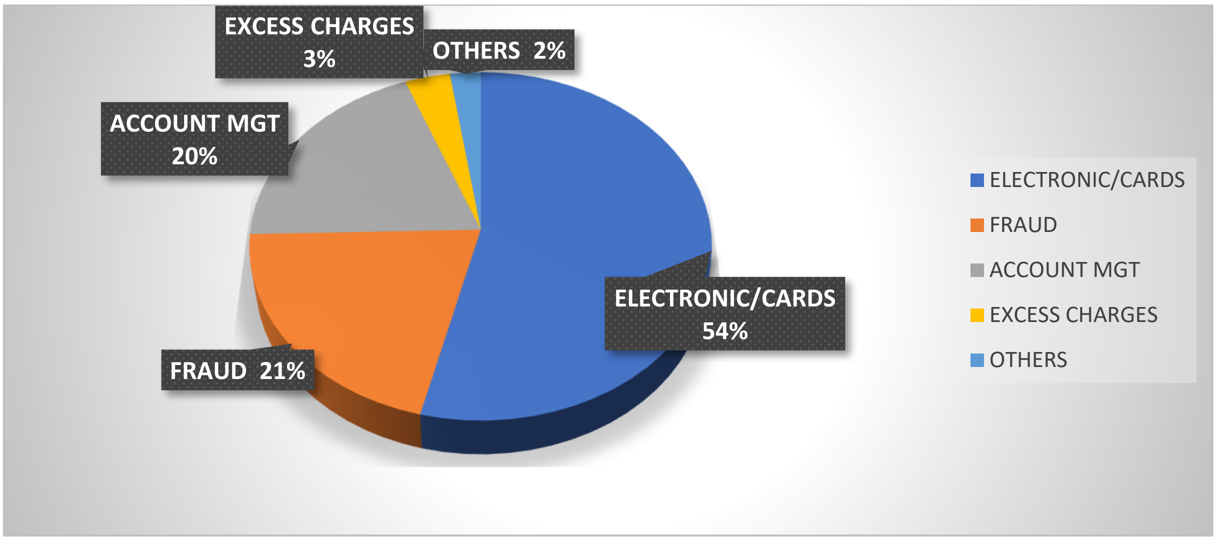
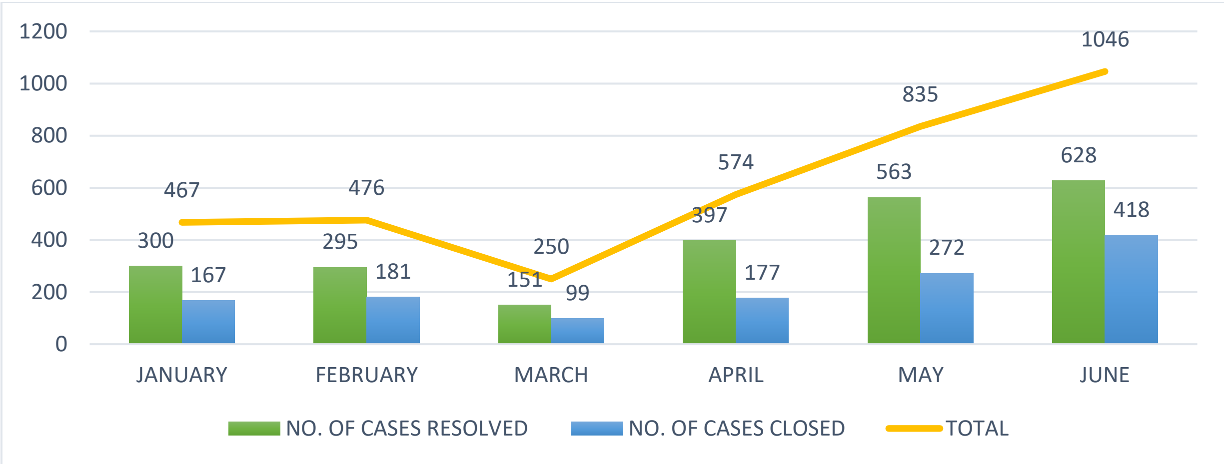


Figure 3.16 Distribution of Complaints Resolved or Closed



Total claims in local and foreign currencies amounted to ₦31.27 billion and US$24,992.05 respectively, as against ₦1.87 billion and US$105,830.49 respectively, in the preceding period, indicating an increase of 1,569.82 per cent in local currency claims and a decrease of 76.38 per cent in foreign currency claims. The sum of ₦15.63 billion and US$25,246.52 were refunded in the first half of 2023, compared with ₦1.49 billion and $18,691.50 in the second half of 2022, reflecting increase of 946.84 per cent and 25.07 per cent in local and foreign currency refunds. The large increases in the value of claims and refunds during the review period reflected the increased number of complaints arising from the implementation of the Naira redesign and cashless policies. The Bank continued to improve the effectiveness of its consumer complaints resolution mechanism.

3.10.1 Capacity Building Programme

As part of the capacity building efforts, 207 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 8,596, from 8,389 at end-December 2022.

The Bank also organized specialized training for examiners on AML/CFT/CPF, with focus on risk-based supervision, beneficial ownership, suspicious transaction reporting, targeted financial sanctions, and PEPs.

3.10.1.1 IFRS 9 – Financial Instruments

The Bank hosted the IMF Afritac II – technical assistance mission during the review period. The mission focused on IFRS 9 and Prudential Provisioning towards building examiners' capacity on Expected Credit Loss (ECL) model validation and evaluation.

3.10.1.2 Annual Symposium of Nigeria Microfinance Platform

The Nigeria Microfinance Platform (NMP) held its 8th Annual Symposium with the theme "Sustainable Finance: The Next Big Thing for Microfinance Institutions" during the review period. The symposium broadened the knowledge of member institutions on their roles, processes, and benefits of sustainable financing options to reposition the sector to embrace globally accepted and environmentally friendly operational standards.

4 DEVELOPMENTS IN THE PAYMENTS SYSTEM

Several policies and initiatives were implemented with the key objective of improving the safety and efficiency of the Nigerian payments system.

Stakeholders in Nigeran payments system continued to implement several policies and initiatives aimed at maintaining a high level of safety and efficiency in the system. Developments in the ecosystem included the issuance of regulatory guidelines for contactless payments, commencement of the first cohort of the Regulatory Sandbox and the initiation of the Open Bank Registry. The Bank maintained its regulatory oversight on the payments system.

4.1 Bank Verification Number

Bank Verification Number (BVN) enrolment increased by 2.61 per cent to 57,990,304 from 56,513,499 at end-December 2022. Of the 182,013,156 active customer accounts, 84.64 per cent were linked with BVNs, while 8,096 were on the watch-list at end-June 2023.

Table 4.1 BVN Statistics

	End-December 2022	End-June 2023	% Change
BVNs enrolled	56,513,499	57,990,304	2.61
Accounts linked with BVN	127,916,574	154,053,756	20.43
Active Accounts	159,421,664	182,013,156	14.17
Watch-listed BVNs	7,353	8,096	10.10

4.2 Licensing of Payments Service Providers

During the review period, commercial licences were issued to 78 Payments Service Providers (PSPs), consisting of: one Card Scheme, one Switching & Processing Company, 18 Payment Terminal Service Providers (PTSP), 35 Payment Solution Service Providers (PSSP), and 23 Super-Agents, bringing the total number of licensed PSPs to 207.

Table 4.2 Payments System Participants

Licence Type	Dec-2022	Jun-2023
Card Schemes	**7**	**8**
Mobile Money Operator	**17**	**17**
Switching/Processing Companies	**16**	**17**
Payment Solution Services		
Payment Terminal Services Providers	20	38
Payment Solution Service Providers	42	77
Super-Agents	27	50
Total	**129**	**207**

4.2.1 Oversight & Compliance Assessment of Payments Service Providers

The Bank conducted a routine examination of 6 licensed PSPs to ascertain their risk management practices and compliance with extant regulations. The examinations revealed some gaps in information security standards, cyber-security self-assessment, AML/CFT/CPF practices, corporate governance practices and fraud monitoring solutions. Appropriate regulatory measures were taken to address the observed gaps.

4.3 Cheque Standards and Cheque Printers' Accreditation Scheme

The Bank conducted accreditation and compliance exercises for cheque printers and personalizers in line with extant regulations. Consequently, three cheque printers' licences due for renewal were renewed, while two other cheque printers with valid licences were sustained. Similarly, the seven commercial bank licences to personalize cheques were sustained.

4.4 Trends in the Payments System

4.4.1 Large Value Payments

The volume and value of inter-bank fund transfers through the Real Time Gross Settlement (RTGS) System increased by 4.32 per cent and 39.54 per cent to 145,190 and ₦51,341.43 billion, compared with 139,179 and ₦36,792.58 billion, respectively, at end-December 2022[3]. The increases reflected largely users' enhanced confidence in the payments system and the use of RTGS for large value payments.

4.4.2 Retail Payments

4.4.2.1 Cheque Clearing

The volume and value of cheques cleared were 2,166,348 and ₦1,616.23 billion at end-June 2023, compared with 1,995,934 and ₦1,611.61 billion, in the preceding half. These indicated increases of 8.54 and 0.29 per cent in volume and value, respectively.

4.4.2.2 Electronic Transactions

The volume and value of electronic transactions increased by 102.43 per cent and 5.06 per cent to 24,661,450,659 and ₦974,681.74 billion, respectively, during the review period. The surge in the usage of electronic payments was due to the increased adoption of e-payment channels induced by the Naira redesign and cashless policies.

[3] The data are for wholesales transactions i.e. low volume and large value transactions. These are interbank transactions but do not reflect net settlement transactions which always have a net value of zero. Retail transactions are settled through the net settlement.

Table 4.3: Electronic Transactions

Payment Channel	Number of Connected Terminals		Volume of Transactions		% Change Volume	Value ₦' Billion		% Change Value
	Dec 2022	June 2023	End-Dec 2022	End-Jun 2023	Increase/ (decrease)	End-Dec 2022	End-Jun 2023	Increase/ (decrease) %
ATMs			793,304,052	519,520,325	-34.51	20,008.88	14,632.57	-26.87
POS	1,648,199	2,292,561	2,176,743,494	4,872,279,381	123.83	25,171.71	48,444.87	92.46
Mobile Money	-	-	1,280,742,953	5,128,032,225	300.40	18,501.40	42,256.15	128.39
Online Transfers (Internet/Web)	-	-	7,525,753,829	11,321,445,080	50.44	416,818.57	462,174.11	10.88
Mobile App	-	-	1,087,241,907	2,330,940,773	114.39	61,467.55	97,056.07	57.90
USSD	-	-	248,697,999	370,292,157	48.89	2,221.84	2,723.67	22.59
Direct Debit	-	-	95,167,804	72,109,513	-24.23	11,680.59	9,258.05	-20.74
ACH/NEFT	-	-	48,620,818	46,831,205	-3.68	216,305.76	298,136.25	37.83
Total			**13,256,272,856**	**24,661,450,659**	**86.04**	**772,176.30**	**974,681.74**	**26.23**

Figure 4.1 Volume of Electronic Transactions

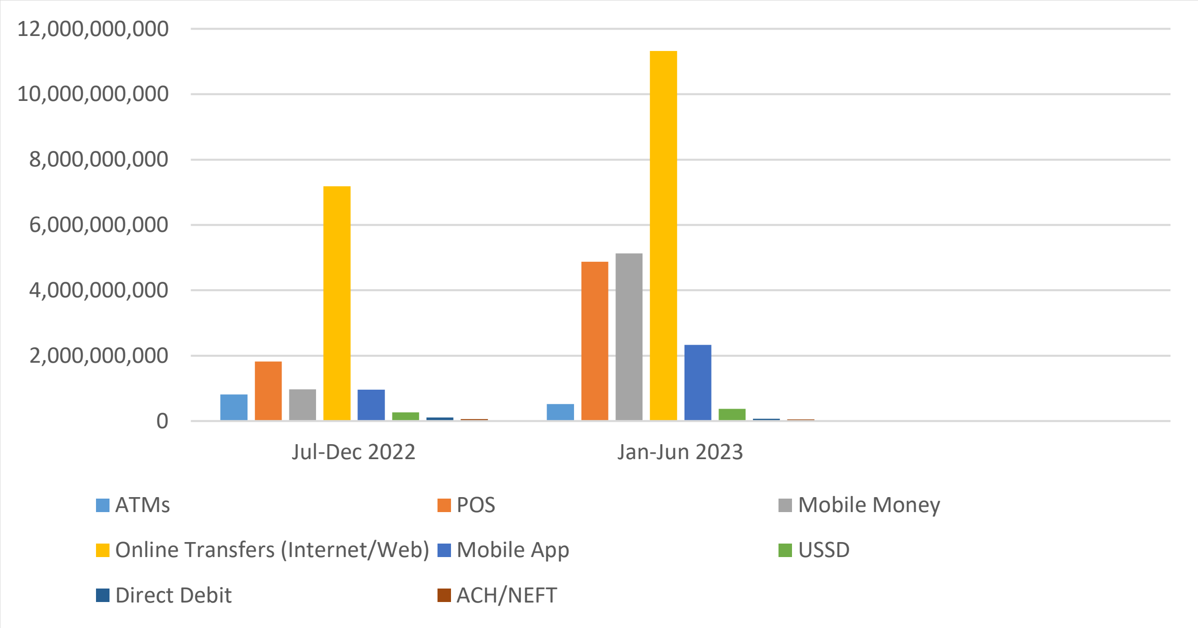
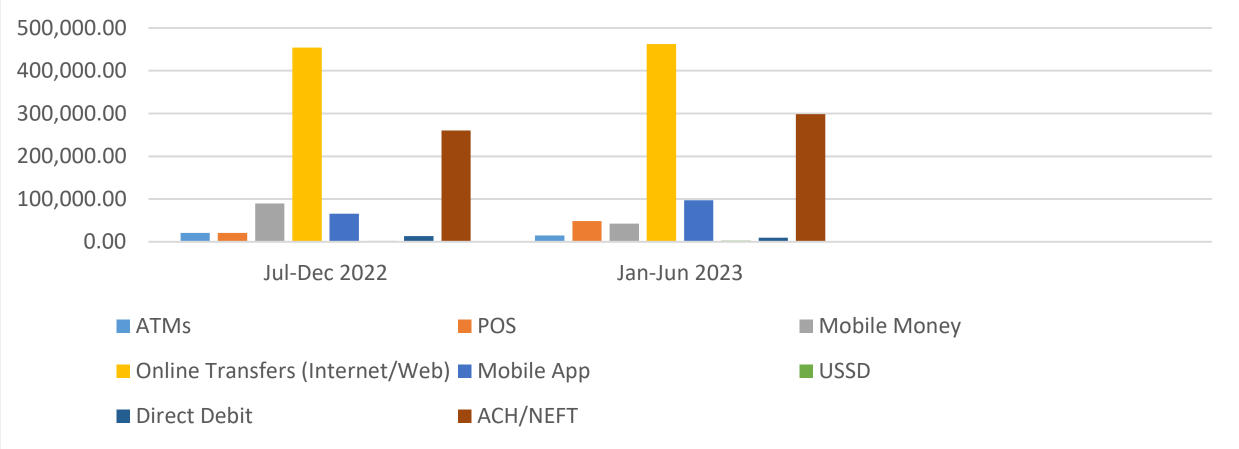


Figure 4.2 Value of Electronic Transactions (₦' Billion)



Box 4: THE CURRENCY REDESIGN POLICY

In October 2022, the Bank embarked on the redesign of the ₦1000, ₦500 and ₦200 currency notes. The new notes were launched on November 23, 2022, by former President, Muhammadu Buhari, GCFR. Subsequently, modalities for the exchange of currency notes, the channels and set timelines were appropriately communicated to the public.

The policy draws largely from best global practices to redesign, produce and circulate new legal tenders between five to eight years intervals. This practice enables the enhancement of the security features and aesthetics of the currency, and therefore mitigates the risk of counterfeiting. Prior to the policy, the last currency redesign in Nigeria in 2014 only changed the ₦100 currency note to commemorate the country's centenary.

The key objectives of the policy included maintaining more effective control of the stock of money supply, streamlining the volume of banknotes in circulation, minimising cost of cash management, promoting the adoption of e-payment channels; preventing illicit financial transactions; enhancing financial inclusion, and improving the effectiveness of monetary policy transmission mechanism.

Following the implementation of the policy, CIC reduced by 67.39 per cent to ₦982.10 billion in February 2023, compared with ₦3,012.06 billion in December 2022. Prior to the policy, CIC increased by 106.31 per cent to ₦3,012.06 billion in September 2022, compared with ₦1,460 billion in December 2015. In addition, the exercise resulted in significant adoption of e-payment channels, as the volume and value of electronic transactions rose by 102.43 per cent and 5.06 per cent to 24,661,450,659 and ₦974,681.74 billion, compared with that of the preceding half of 2022.

Despite the substantial positive outcomes, the implementation of the policy resulted in some unintended consequences. These included a nationwide cash crunch experienced during the *period, largely induced by hoarding, trading and hawking of new currency notes as well as speculative activities. Also, the payments system infrastructure was over stretched by the huge volume of electronic transactions resulting in transaction failures. These unintended consequences also negatively impacted economic activities.*

The Bank, however, responded by introducing several policy measures such as the cash swap programme in partnership with super agents and banks to facilitate the exchange of old for the new notes, especially among the underserved and rural communities. In addition, the Bank intensified its awareness campaigns and collaborated with law enforcement agencies such as the DSS, EFCC and ICPC to checkmate sharp practices observed in the course of the implementation.

Given the challenges encountered during the exercise vis-à-vis the need to provide adequate liquidity for economic activities, the implementation timeline was extended to December 2023.

4.4.3 Other Developments in the Payments System

4.4.3.1 Payment System Vision 2025

The Bank commenced the implementation of the recommendations contained in the Payments System Vision 2025 within the review period. The document, launched in November 2022, provides a strategy for ensuring that an enabling environment is created for new products, business models and technologies in the payments' ecosystem.

Implementation of some of the key recommendations relating to regulatory sandbox open banking, central bank digital currency, as well as quick response (QR) code and contactless payments commenced.

4.4.3.2 Contactless Payments

Towards increasing the payment options available to Nigerians, the Bank issued the Guidelines on Contactless Payments in Nigeria to standardize operation of contactless payment platforms. This initiative is expected to drive growth in low-value high-volume electronic payments in the country.

4.4.3.3 Open Banking

The Bank issued the Operational Guidelines for Open Banking in Nigeria in the review period which established the principles for data sharing across the banking and payments ecosystem by stipulating data and API access requirements, as well as design and information security specifications. Full implementation of open banking has commenced with the development of the Open Banking Registry, which will serve as a repository of APIs shared under the open banking arrangement.

4.4.3.4 Regulatory Sandbox

The Bank deployed a platform for the operation of the Regulatory Sandbox and initiated admission of participants into the first cohort of the CBN Regulatory Sandbox within the period. The Bank had opened the window for applications on December 6, 2022 and closed it on February 1, 2023. As at the closure of the window, over 1,000 applications were received. Applications were still being reviewed.

5 Deposit Insurance

During the period under review, the NDIC Act 2006 was repealed with the re-enactment of the NDIC Act 2023 to strengthen its functions and powers. The key changes in the 2023 Act include the introduction of payment of insured deposits pending action in court, reconstitution of the Board, introduction of Target Fund Size/Ratio, application of Global Standing Instruction Scheme in assets recovery, reduction of pay-out time of insured deposits and reduction of insured deposit transfer from 90 days to 30 days.

5.1 Deposit Guarantee

The NDIC maintained deposit insurance coverage to commercial banks, merchant banks, NIBs, MFBs, PMBs, PSBs and extended Pass-Through Deposit Insurance for MMOs. The maximum coverage limit remained ₦500,000 per depositor except for MFB depositors with ₦200,000 limit.

5.2 Deposit Insurance Coverage

The number of fully insured depositors accounts, exclusive of MFBs and PMBs depositors, at the coverage level of "₦500,000 and below" were 319,821,563 representing 98.10 per cent of 326,019,837 accounts, compared with 256,620,968 accounts or 97.93 per cent of 271,235,170 accounts at end December 2022.

Table 5.1: Deposit Insurance Coverage (For CMNBs, PSBs and MMOs)

Category of Depositors	End-Dec 2022	End-Jun 2023
	No. of Accts	No. of Accts
<=₦500,000	256,620,968	319,821,563
>₦500,000	5,614,255	6,198,341
Total	**271,235,170**	**326,019,837**
Fully insured to Total Accounts (%)	**97.93**	**98.10**

Thus, the percentage of fully insured accounts was above the range of 90 and 95 per cent recommended in the Deposit Insurance Coverage Guidance Paper (2013) by the International Association of Deposit Insurers (IADI).

5.3 Deposit Insurance Funds

The NDIC maintains separate funds for CMBs, NIBs, MFBs and PMBs, and PSBs viz Deposit Insurance Fund (DIF), Non-Interest Deposit Insurance Fund (NIDIF), Special Insured Institutions Fund (SIIF), and Payment Service Deposit Insurance Fund (PSDIF), respectively.

The balances in the DIF, NIDIF, SIIF, and PSDIF grew by 11.8 per cent, 20.89 per cent, 4.15 per cent and 5.5 per cent to ₦1.99 trillion; ₦23.73 billion; ₦177.85 billion and ₦226.15 million, compared with ₦1.78 trillion; ₦19.63 billion; ₦170.76 billion and ₦214.36 million at end-December 2022, respectively. The increase in each of the Funds resulted from year 2023 premium collections, contributions, and provision for deposit insurance.

Table 5.2: Balances of Insurance Funds

Fund Type	End-Dec 2022	End-Jun 2023
	₦' Billion	₦' Billion
DIF	1,783.04	1,995.75
NIDIF	19.63	23.73
SIIF	170.76	177.85
PSDIF	0.21	0.23

5.4 Bank Liquidation

The total number of insured financial institutions in-liquidation increased to 650, comprising 49 DMBs, 546 MFBs, and 55 PMBs. These included 179 MFBs and four PMBs, whose operating licences were revoked by the CBN in the review period. The NDIC commenced their liquidation process to ensure the payment of guaranteed sum, recovery of debts owed to closed banks, sales of physical assets and the distribution of liquidation dividends on the uninsured sums.

5.5 Payment of Insured Deposits and Liquidation Dividend

5.5.1 Payments to Insured Depositors of Closed Insured Banks

i. The NDIC paid ₦0.13 million as insured deposits to 51 depositors in the first half of 2023, compared with ₦450,204.03 paid to 10 depositors in the second half of 2022.

ii. The sum of ₦0.19 billion was paid to 6,005 insured depositors of MFBs in-liquidation in the first half of 2023, compared with ₦0.23 billion paid to 316 insured depositors at end-December 2022.

iii. At end-June 2023, 152 insured depositors of closed PMBs were paid ₦5,317,605.02, compared with ₦5,916,217.09 to 106 insured depositors in the preceding half year.

Table 5.3 Payments to Insured Depositors of Banks In-Liquidation

Table 1: Payments to Insured Depositors of Banks In-Liquidation				
	For the		Cumulative as at	
	End-Dec 2022	End-Jun 2023	End-Dec 2022	End-Jun 2023
	₦' Million	₦' Million	₦' Million	₦' Million
DMBs	0.45	1.262	8,267.99	8,269.24
MFBs	22.81	191.75	3,448.07	3,639.82
PMBs	5.92	5.32	119.45	124.76
Grand Total	**29.18**	**198.33**	**11,835.51**	**12,033.82**

5.5.2 Payments to Uninsured Depositors

i. The sum of ₦0.64 billion was paid to uninsured depositors of 49 DMBs In-Liquidation, compared with ₦0.15 billion in the second half of 2022.

ii. Payment of ₦0.01 billion was made to uninsured depositors of 546 closed MFBs, compared with nil payment at end-December 2022.

iii. Similarly, the NDIC paid ₦77,006.50 to uninsured depositors of 55 closed PMBs, compared with ₦0.20 billion to uninsured depositors of 51 closed PMBs at end-December 2022.

Table 5.4: Payments of Liquidation dividend to Uninsured Depositors of Banks In-Liquidation

Table 2: Payments to Uninsured Depositors of Banks In-Liquidation				
	For the		Cumulative as at	
	End-Dec 2022	End-Jun 2023	End-Dec 2022	End-Jun 2023
	₦' Million	₦' Million	₦' Million	₦' Million
DMBs	148.60	642.23	101,450.42	102,092.65
MFBs	0.00	7.53	12.68	20.21
PMBs	202.53	0.08	211.36	211.44
Grand Total	**351.13**	**649.84**	**101,674.45**	**102,324.29**

5.5.3 Payments to Creditors of Banks In-Liquidation

No payment was made to creditors of 49 DMBs In-Liquidation in the first half of 2023, compared with the sum of ₦0.006 billion paid to 34 creditors in the second half of 2022. The cumulative payment remained N1.28 billion to 1,027 creditors.

5.5.4 Payments to Shareholders of Banks In-Liquidation

The sum of ₦0.004 billion was paid to three shareholders of closed DMBs, compared with ₦0.002 billion paid to eight shareholders in the preceding half of 2022. The cumulative payments at end-June 2023 were ₦4.896 billion to 980 shareholders, as against ₦4.892 billion to 977 shareholders at end-December 2022.

5.6 Recovery of Failed Banks' Assets

5.6.1 Risk Assets Recovery

The sum of ₦0.05 billion was recovered from the assets of DMBs (₦0.02 billion), MFBs (₦0.01 billion) and PMBs (₦0.02 billion) In-Liquidation, compared with ₦0.25 billion recovered from DMBs (₦0.18 billion), MFBs (₦0.02 billion) and PMBs (₦0.05 billion) In-Liquidation in the second half of 2022.

Table 5.5: Risk Assets Recoveries from Banks In-Liquidation

			Cumulative as at	
	End-Dec 2022	End-Jun 2023	End-Dec 2022	End-Jun 2023
	₦' Million	₦' Million	₦' Million	₦' Million
DMBs	176.66	18.01	30,963.55	30,981.56
MFBs	20.92	12.99	306.86	319.84
PMBs	49.35	19.37	788.29	807.67
Grand Total	**246.93**	**50.37**	**32,058.71**	**32,109.07**

Cumulatively, the sum of ₦30.98 billion was recovered from DMBs In-Liquidation from 1994 to end-June 2023. Also, the sums of ₦0.32 billion and ₦0.81 billion were recovered from MFBs and PMBs In-Liquidation, respectively, from September 2010 to end-June 2023.

5.6.2 Disposal of Physical Assets of Banks In-liquidation

The sum of ₦306.62 million was realised from disposal of physical assets and payment of rent on properties of banks In-Liquidation. This comprised ₦215 million, ₦84.27 million and ₦7.35 million from DMBs, MFBs and PMBs In-Liquidation, respectively, compared with the sum of ₦71.26 million realised in the second half of 2022, comprising ₦0.57 million, ₦48.88 million and ₦21.81 million from DMBs, MFBs and PMBs, respectively.

Table 5.6: Physical Assets Realization for Banks In-Liquidation

	For the		Cumulative as at	
	End-Dec 2022	End-Jun 2023	End-Dec 2022	End-Jun 2023
	₦' Million	₦' Million	₦' Million	₦' Million
DMBs	0.57	215.00	22,306.73	22,521.73
MFBs	48.88	84.27	932.37	1,016.63
PMBs	21.81	7.35	225.67	233.02
Grand Total	71.26	306.62	23,464.77	23,771.39

5.6.3 Realisation of Investments of Banks In-Liquidation

The sum of ₦984.66 million was realized from investments of banks In-Liquidation, comprising ₦969.07 million and ₦15.59 million for DMBs and MFBs In-Liquidation, respectively, compared with the sum of ₦7.10 million realised from investments of MFBs In-Liquidation in the second half of 2022.

Table 5.7: Realization of Investments of Banks In-Liquidation

	For the		Cumulative as at	
	End-Dec 2022	End-Jun 2023	End-Dec 2022	End-Jun 2023
	₦' Million	₦' Million	₦' Million	₦' Million
DMBs	0.00	969.07	4,777.74	5,746.81
MFBs	7.09	15.59	88.38	103.98
PMBs	0.00	0.00	66.36	66.36
Grand Total	7.09	984.66	4,932.48	5,917.14

5.7 Other Developments

5.7.1 Fit and Proper Persons Enquiries

During the review period, the NDIC received 347 requests to conduct due diligence on prospective appointees of the financial institutions from the CBN, SEC, PENCOM and NAICOM. A total of 311 requests were treated.

5.7.2 Fidelity Insurance Coverage

In the first half of 2023, 34 out of 35 DMBs submitted Fidelity Insurance Coverage of their employees. Twenty-four of the 34 DMBs were in compliance with section 44 of the NDIC Act, 2023, while 10 had their cover below the 15.00 per cent threshold. Also, three of five PSBs submitted evidence of Fidelity Insurance Coverage and maintained adequate Fidelity Insurance Coverage of 15.00 per cent of the bank's Paid-up Capital.

5.7.3 Whistle Blowing

During the review period, 199 of 240 whistle-blowing cases received from DMBs, on service delivery inadequacies, theft and cash suppression, among others, were concluded, compared with 188 of 245 cases in the second half of 2022.

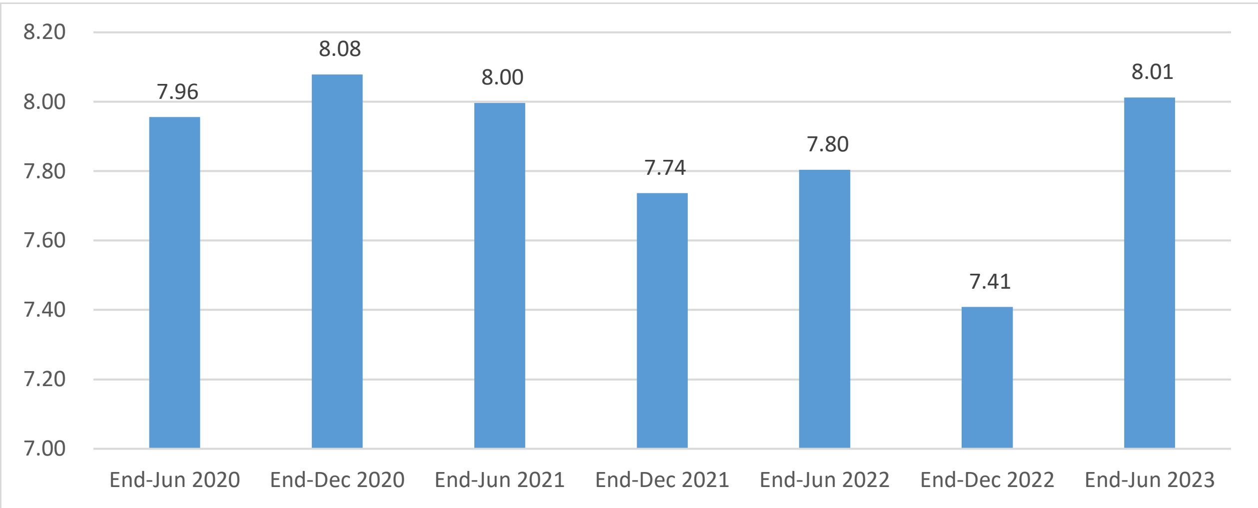
6 PENSIONS

The key focus of the pension industry strategy in 2023, driven by the National Pension Commission (PenCom), is to build on the gains of the past year and focus on a five-pronged approach that steadily pursues and addresses identified gaps while creating more agile institutions with a culture that supports innovation and continuous improvement. The approach includes increasing diversification of Pension Fund Assets, expanding coverage to States and the informal sector, continuation of the engagement with the Federal Government towards reducing pension liabilities, enhancing public awareness, and improving the capacity of the pension industry personnel.

Membership of pension schemes grew by 1.49 per cent to 10,009,049, driven largely by increased compliance by the private sector, steady uptake of the Micro Pension Plan by workers in the informal sector and State Government adoption of the Contributory Pension Scheme (CPS). Also, Net Pension Assets under Management (AuM) grew by 11.80 per cent to ₦16.76 trillion owing to a combination of returns on investments and contributions. The portfolio comprised FGN Securities (64.34 per cent), Corporate Debt Securities (11.17 per cent), Money Market Instruments (9.35 per cent), Ordinary Shares (8.66 per cent), State Government Securities (1.64 per cent), and 'Others' accounting for the balance of 4.84 per cent (APPENDIX 5).

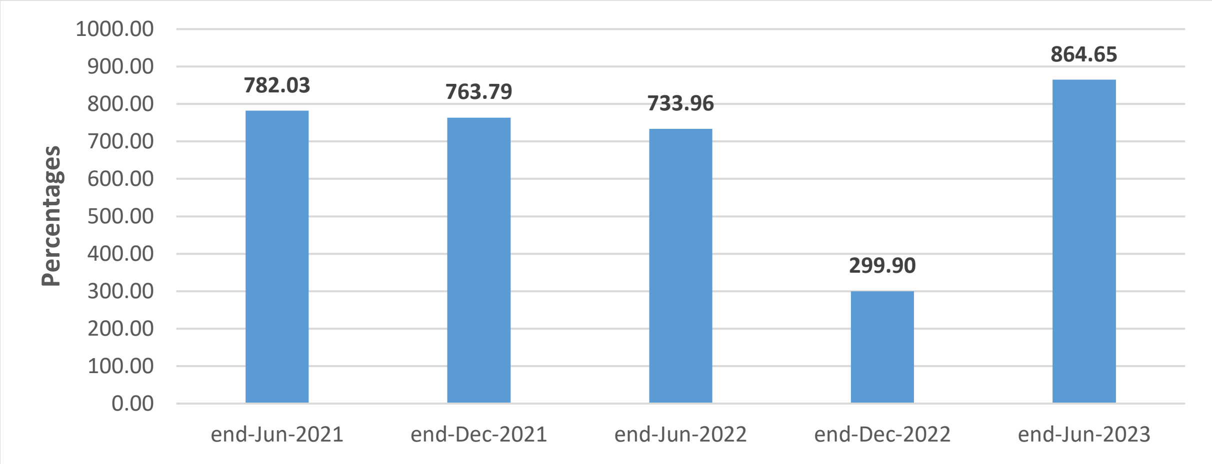
Similarly, the ratio of total pension assets to GDP grew to 8.01 per cent, compared with 7.41 per cent at end-December 2022, an indication of the increasing significance of contribution of the pension sub-sector to overall economic growth.

Figure 6.1: Total Pension Assets to GDP



Furthermore, the ratio of the pension industry's liquid assets to estimated pension payments in the next twelve months grew to 864.65 per cent, compared with 299.90 per cent at end-December 2022. The positive trend reflects the industry's resilience and capacity to meet anticipated obligations to contributors.

Figure 6.2: Pension Funds Liquid Assets to Estimated Payments



6.1 Other Developments in the Nigerian Pension Industry

6.1.1 Retirement Savings Account Transfer

During the review period, a total of 59,358 RSAs transfers valued ₦111.68 billion were concluded by the PenCom, compared with 45,794 transfers valued ₦274.88 billion in the preceding half year.

6.1.2 Accrued Rights Payments

The sum of ₦25.44 billion was paid as Accrued Pension Rights to 5,431 beneficiaries, resulting in a cumulative payment of ₦1,026.98 billion to 220,185 RSA holders, from inception in July 2007 to end-June 2023.

Table 6.1: Accrued Rights Payments

Payment Period	H2 2022	H1 2023
Number of Retirees	575	5,431
Accrued Rights Paid	₦1,168,329,000	₦25,439,968,000

Private Sector Compliance

Private sector remittances in compliance with the provisions of the PRA 2014 have remained a challenge. Consequently, PenCom deployed recovery agents to go after defaulters to recover unremitted pension contributions, resulting in the recovery of ₦0.28 billion principal contributions and ₦0.38 billion in penalties, compared with ₦1.15 billion and ₦0.87 billion, respectively, in the second half of 2022.

7 INSURANCE

The Nigerian Insurance sub-sector recorded mixed performance during the review period, as shown by the key indicators such as total assets, premium income and solvency position.

7.1 Assets and Premium Income

Total assets grew by 18.48 per cent to ₦2.75 trillion, compared with ₦2.32 trillion at end-December 2022. However, gross premium income declined by 20.59 per cent to ₦567.70 billion, from ₦714.9 billion in the preceding half year. Net premium income also declined by 38.19 per cent to ₦315.27 billion, from ₦510.10 billion at end-December 2022. These developments were due largely to the impact of the reforms in the industry.

Table 7.1: Assets and Premium Income

Period	End-Dec 2022 ₦ billions	End-June 2023 ₦ billions	% Change
Gross Premium Income	714.9	567.70	20.59
Net Premium Income	510.1	315.27	38.19
Total (Gross) Claims	315.4	258.93	17.90
Total Assets	**2.321**	**2.75**	**18.48**

Source: NAICOM

7.2 Key Industry Financial Soundness Indicators

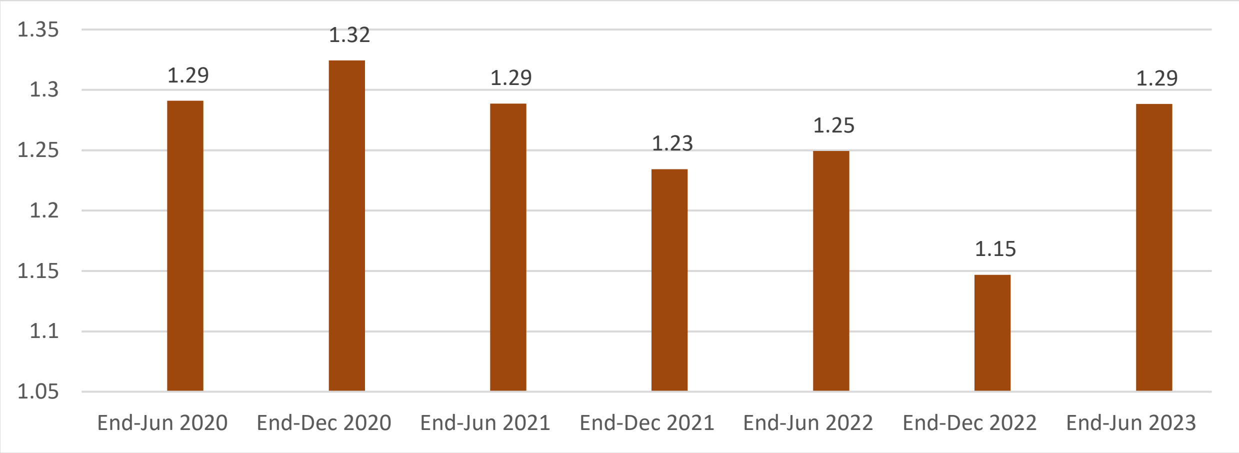
The key FSIs reflected mixed performance relative to the preceding half year. The highlights were as follows:

- The industry remained solvent with a 44.03 per cent CAR, measured as capital to total assets. Though, this reflected a marginal decline of 0.24 percentage point, compared with 44.27 per cent at end-December 2022, it remained above the regulatory threshold of 40 per cent.
- The ratio of liquid assets to current liabilities decreased by 6.2 percentage points to 122.70 per cent, compared with 128.90 per cent at end-December 2022. However, this was adequate to accommodate significant claims.
- Premium debtors, as a percentage of gross premium, significantly increased by 2.71 percentage points to 8.52 per cent, compared with 5.81 per cent at end-Dec 2022.
- The retention ratio measured as insurance premium retained to total premium generated, decreased by 0.27 percentage points to 71.86 per cent, from 72.13 per cent at end-December 2022. This reflected a slight decline in the industry's capacity to undertake big insurance policies.
- The combined ratio for the industry increased by 1.12 percentage points to 69.88 per cent, compared with 68.76 per cent at end-December 2022, reflecting improved profitability of the insurance sector.

7.3 Total Assets to Gross Domestic Product

The ratio of total assets to GDP declined by 0.96 percentage point to 3.13 per cent, from 4.09 per cent in the preceding period, reflecting the sector's diminished contribution to the economy.

Figure 7.1 Total Insurance Assets to GDP



7.4 Equity to total invested assets.

The ratio of owner's equity holdings to total invested assets, increased by 30.85 percentage points to 814.27 per cent, compared with 783.42 per cent at end-December 2022. This depicts the sufficiency of the industry's capital to absorb potential losses from its investments.

Figure 7.2: Equity to Total Invested Assets

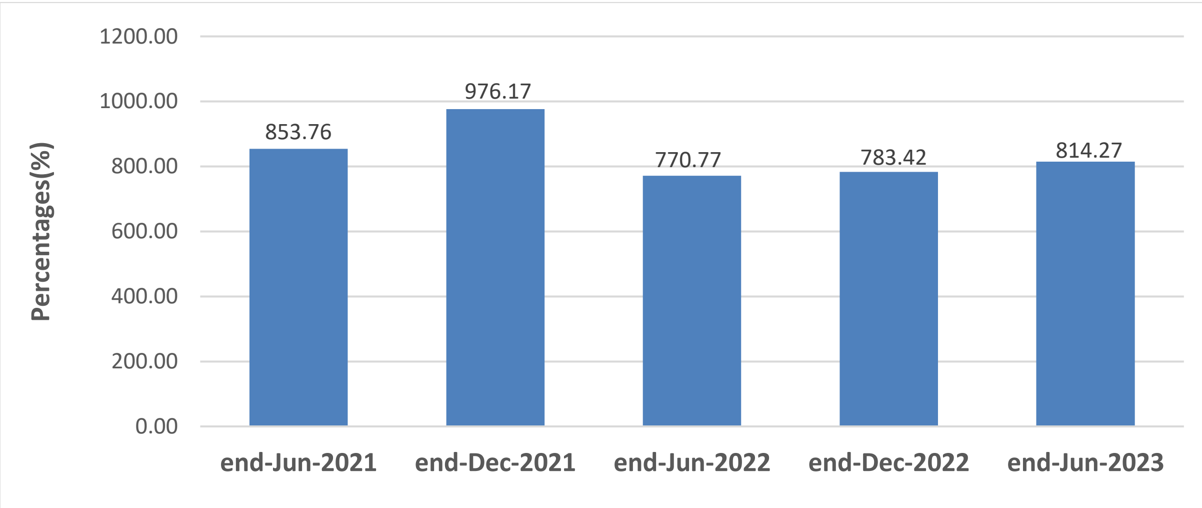


Table 7.2 Insurance Industry Dashboard

KEY INDICATORS	End-Dec 2022	End-Jun 2023	Change
CAR (Capital/Total Asset)	44.27	44.03	-0.24
Liquidity Ratio (liquid assets/current liabilities)	128.90	122.70	-6.2
Claims Ratio %	35.72	40.86	5.14
Expense Ratio %	33.04	29.13	-3.91
Combined Ratio %	68.76	69.88	1.12
Investment to Total Assets Ratio %	68.65	66.80	-1.85
Change in Gross Written Premium (in %)	35.30	39.28	3.98
Change in Net Written Premium (in %)	34.61	39.87	5.26
Change in Capital & Surplus (in %)	10.85	12.38	1.53
Premium Debtors as a % of Equity	5.69	5.44	-0.25
Premium Debtors as a % of Total Assets	2.30	2.88	0.58
Premium Debtors as a % of Gross Premium	5.81	8.52	2.71
Retention Ratio (in %)	72.13	71.86	-0.27
Return on Assets (in %)	2.19	3.18	0.99
Shareholder equity to total invested assets (Life insurance & nonlife insurance)	783.42	567.27	27.59
OFCs' assets to gross domestic product: Insurance Corporations	4.09	4.66	13.94
OFCs' assets to gross domestic product: Pension Funds	26.41	30.41	15.15
Liquid assets to estimated pension payments in the next 12 months	299.90	864.65	188.31

8 RISKS TO THE FINANCIAL SYSTEM

8.1 Credit Risk

Risk Rating (Medium Risk, Trending upward)	⇧

The PAR of MFBs remained above the regulatory thresholds, rising to 12.72 per cent from 11.25 per cent in the preceding half year. Similarly, the NPL of FCs remained above regulatory thresholds but decreased to 12.72 per cent from 19.96 per cent end-December 2022, reflecting improved loan repayments. However, the NPL ratios for CMNBs and PMBs remained within regulatory thresholds and declined to 4.14 and 21.08 per cent from 4.21 and 22.07 per cent, at end-December 2022, respectively.

Credit risk is expected to trend upwards in the short to medium-term owing to reduction in disposable income and obligors' earning capacity, resulting from the challenging business environment, largely induced by fuel subsidy removal and changes in the operations of the foreign exchange market. Additionally, the Bank's contractionary monetary policy stance and the associated hike in lending rates could tighten financial conditions and constrain loan repayments. However, improved credit risk management and enhanced implementation of the GSI are expected to moderate the trend.

8.2 Liquidity Risk

Risk Rating (Low Risk, Stable)	⇔

The banking industry recorded liquidity surfeit as the liquidity ratios of DMBs, PMBs, MFBs and DFIs were above their regulatory benchmarks. This development was due largely to the implementation of the Bank's Naira redesign policy which significantly reduced the volume of currency outside the banking system.

The liquidity position is expected to remain in the short to medium term, but the enforcement of the LDR policy will likely moderate the excess liquidity as banks lend more.

8.3 Market Risk

Risk Rating (Medium Risk, Trending up)	⇧

The domestic financial market remained largely resilient as reflected by the positive performance of the banking, capital market, pension and insurance sub-sectors during the period under review.

Although market risk remained elevated owing to the high global and domestic interest rates, tight market conditions, exchange rate pressure and downgrade in sovereign risk rating.

However, the market conditions are expected to ease in the medium to long term, following the sustained implementation of economic reforms, including the changes in the operations of the foreign exchange market, the removal of the petroleum subsidy and increased oil output. These measures are expected to improve capital inflow and accretion to reserves and moderate market risk.

8.4 Operational Risk

Risk Rating (Medium, Trending upward)	

The total number of reported fraud cases and amount involved declined, although the actual losses recorded during the review period increased. The frauds were predominantly committed via fake mobile applications, phony internet banking websites, fraudulent ATM withdrawals, pilfering of cash, cash suppression, conversion of customer's deposits and unauthorised funds transfer.

Operational risk during the period was elevated due mainly to increased pressure on the banks' IT infrastructure and the increased knowledge gap following high attrition of employees in the financial services sector, as well as challenging economic conditions driven by the upward review of electricity tariffs and removal of petroleum subsidy.

The risk is expected to remain high in the short to medium term. However, improved capacity building of employees, strengthened IT infrastructure, enhanced regulatory oversight, and adoption of efficient cost management practices, would continue to mitigate the risks.

8.5 Cybersecurity Risk

Risk Rating (High Risk, Trending upward)	

The high cybersecurity challenges were reflected in the increased sophistication in social engineering incidents, unauthorised access to confidential information, insider threats and third-party risks. Vulnerabilities introduced by third-party collaboration and integration, ransomware attacks as well as high turnover rate of Information Technology personnel contributed to the rising trend. The increased adoption of digitized financial channels, cloud services and remote work, also increased the risk of cyber-attacks.

Furthermore, third-party risks would remain elevated with the increasing integration of the financial system, sustained outsourcing of services, increased use of shared services, and technology interface between organisations.

However, enhanced implementation of risk-based cybersecurity framework and guidelines for banks and OFIs, utilisation of the industry cyber-incident reporting portal, robust third-party risk management, staff training and consumer education would continue to mitigate cyber-risks in the industry.

8.6 Macroeconomic Risk

Risk Rating (High Risk, Trending up)	

During the review period, the domestic economy experienced sharp rise in inflation due to the lingering effects of the Russia-Ukraine crisis, exchange rate pressure and removal of petroleum subsidy, among others.

The contractionary stance of the Bank to curb inflationary pressure could restrain access to credit and affect economic growth. Also, the country's inability to meet OPEC production quota due to declining oil output could reduce foreign exchange inflows and accretion to reserves. Furthermore, high debt levels, rising cost of debt service and low government revenue could constrain the fiscal space, with adverse impact on the implementation of the 2023 budget.

However, enhanced monetary and fiscal policy coordination in line with government economic reforms will engender macroeconomic stability.

9 Outlook

The global economic condition remained weak in the first half of 2023, largely driven by the impact of geopolitical tensions, disrupted supply chains, high food and energy prices, high inflation, tight monetary and financial conditions, high debt levels and limited fiscal buffers. Consequently, global output growth was expected to slow down to 3.0 per cent in 2023. Growth in AEs, EMDEs and SSAs are estimated at 1.5, 4.0 and 3.5 per cent, respectively in 2023.

Inflation in most economies is expected to continue its downward trend, owing to tight monetary policy stance and falling energy and commodity prices. In the EMDEs, inflation is expected to moderate, while in Nigeria, inflationary pressures are expected to maintain an uptrend, largely on account of petroleum subsidy removal, increased electricity tariff and operational changes in the foreign exchange market. However, enhanced monetary and fiscal policy coordination in tandem with government economic reforms would engender medium to long term macroeconomic stability.

External reserves are expected to improve, driven largely by the sustained implementation of economic reforms including changes in the operations of the foreign exchange market, the removal of petroleum subsidy and increased oil output.

Also, the domestic economy is expected to grow at 3.2 per cent in the second half of 2023, mainly driven by the Information and Communication Technology sub-sector. Furthermore, activities in the Nigerian financial market are expected to maintain positive performance driven by increased participation in commodities trading and custodial services.

The financial system regulators would continue to enhance supervisory oversight of financial institutions to ensure their soundness and stability. Collaborative efforts of relevant stakeholders would be enhanced to improve Nigeria's status with the Financial Action Task Force (FATF). Furthermore, the Bank would sustain its proactive supervisory effort, through regular stress testing exercises and the deployment of Early Warning System tools to assess risk and vulnerabilities in the banking system.

In addition, the Bank would explore the huge potentials provided by Fintechs in expanding the adoption of the eNaira through the introduction of more user-friendly features. The Bank would continue to collaborate with relevant institutions to enhance the payments system infrastructure to engender reliable and efficient payments system.

The pension industry is expected to sustain its performance as more private institutions and state governments continue to comply. Also, steady uptake of the Micro Pension Plan by workers in the informal sector is expected to contribute significantly to the growth of the industry. Similarly, the insurance industry is anticipated to grow with the continued implementation of the recapitalisation policy drive and other market development initiatives.

Generally, the outlook in the second half of 2023 for the financial system remains positive as the Bank and other regulatory agencies in collaboration with the fiscal authorities continue to adopt proactive policy measures to ensure a resilient and sound financial system.

1 APPENDIX 1: INDICES OF SELECTED STOCK MARKETS

Selected International Stock Market Indices as at June 30, 2023						
	End-Dec 2020 (1)	End-Dec 2021 (2)	End-June 2022 (3)	End-Dec 2022 (4)	End-June 2023 (5)	% Change (5) & (4)
Nigeria NGX All-Share Index	40,270.72	42,716.44	51,817.59	51,251.06	60,968.27	19.0
South Africa JSE All-Share Index	59,408.68	73,709.39	66,223.31	73,048.57	76,027.83	4.1
Kenya Nairobi NSE 20 Share index	1,868.39	1,902.57	1,612.89	1,676.10	1,574.92	-6.0
Egypt EGX CASE 30	10,845.26	11,949.18	9,225.61	14,598.53	17,665.29	21.0
Ghana GSE All-Share Index	1,939.14	2,793.24	9,225.61	2,444.25	2,808.36	14.9
US S&P 500	3,756.07	4,772.14	3,785.38	3,818.15	3,407.60	-10.8
Canada S&P/TSX Composite	17,433.36	21,198.03	18,861.36	19,371.87	20,155.29	4.0
Mexico Bolsa	44,066.88	53,150.36	47,524.45	49,517.86	53,526.10	8.1
Brazil 'Bovespa Stock	119,017.20	104,822.00	114,539.00	109,735.00	118,087.00	7.6
Argentina 'Merval	51,226.49	83,500.11	88,449.89	197,182.00	426,281.00	116.2
Columbia COLCAP	1,437.89	1,410.97	1,322.88	1,286.07	1,133.60	-11.9
UK FTSE 100	6,460.52	7,384.54	7,451.74	7,451.74	7,531.53	1.1
France CAC 40	5,551.41	7,153.03	5,922.86	6,507.50	7,400.06	13.7
Germany DAX	13,718.78	15,884.86	12,783.77	13,923.59	16,147.90	16.0
Japan NIKKEI 225	27,444.17	28,791.71	26,393.04	26,094.50	33,189.04	27.2
China Shanghai SE A	3,640.46	3,814.30	3,561.90	3,238.19	3,356.65	3.7
India BSE Sensex	47,905.84	58,253.82	53,018.94	60,840.74	64,718.56	6.4

Bloomberg: https://www.bloomberg.com

2 APPENDIX 2: POLICY RATES OF SELECTED COUNTRIES IN 2022

Country/Region	Jun-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Developed Economies								
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
Europe	0.00	2.50	2.50	3.00	3.50	3.50	3.75	4.00
UK	1.25	3.50	3.50	4.00	4.25	4.25	4.50	5.00
US	1.75	4.40	4.40	4.65	4.90	4.90	5.15	5.15
Canada	1.50	4.25	4.50	4.50	4.50	4.50	4.50	4.75
South Korea	1.75	3.25	3.50	3.50	3.50	3.50	3.50	3.50
New Zealand	2.00	4.25	4.25	4.75	4.75	5.25	5.50	5.50
Australia	0.85	3.10	3.35	3.60	3.60	3.85	4.10	4.10
Asia								
Indonesia	3.50	5.50	5.75	5.75	5.75	5.75	5.75	5.75
Malaysia	2.00	2.75	2.75	2.75	2.75	3.00	3.00	3.00
BRICS								
Brazil	13.50	13.75	13.75	13.75	13.75	13.75	13.75	13.75
Russia	6.50	7.50	7.50	7.50	7.50	7.50	7.50	7.50
India	4.90	6.25	6.25	6.50	6.50	6.50	6.50	6.50
China	4.70	2.75	2.75	2.75	2.75	2.75	2.75	2.65
South Africa	4.25	7.00	7.25	7.25	7.75	7.75	8.25	8.25
Other Emerging Economies & South America								
Mexico	7.75	10.50	10.50	11.00	11.25	11.25	11.25	11.25
Chile	9.00	11.25	11.25	11.25	11.25	11.25	11.25	11.25
Colombia	7.50	12.00	12.75	12.75	13.00	13.00	13.25	13.25
Africa								
Egypt	11.75	16.75	16.75	16.75	16.75	18.75	18.75	18.75
Ghana	19.00	27.00	28.00	28.00	29.50	29.50	29.50	29.50
Nigeria	13.00	16.50	17.00	17.00	18.00	18.00	18.50	18.50

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

3 APPENDIX 3: REAL SECTOR INTERVENTIONS: SUMMARY OF DISBURSEMENTS AND REPAYMENTS IN 2022

	ITEM	End-Dec 2022		End-Jun 2023	
S/N	Intervention	Disburse-ment (₦' Billion)	Repayment (₦' Billion)	Disburse-ment (₦ Billion)	Repayment (₦ Billion)
1	Power and Airline Intervention Fund (PAIF)	-	4.37	4.00	5.87
2	Nigerian Electricity Market Stabilization Fund (NEMSF)	6.46	13.97	-	12.44
3	Nigerian Electricity Market Stabilization Fund- 2 (NEMSF 2)	-	-	13.91	9.50
4	Nigerian Electricity Market Stabilization Fund-3 (NEMSF-3)	57.16	-	21.65	-
5	Nigerian Bulk Electricity Trading- Payment Assurance Fund (NBET-PAF)	-	-		-
6	Family Homes Intervention Facility (FHIF)		-	-	-
7	FGN BOND	-	-		
8	Solar Connection Facility (SCF)	-	-	-	-
9	National Mass Metering Programme (NMMP)	3.11	0.36	2.40	1.87
10	Intervention Facility for National Gas Expansion (IFNGEP)	9.30	-	-	-
11	CBN-Bank Of Industry Intervention Fund (CBIF)	50.00	-	-	-
12	Real Sector Support Facility (RSSF)	-	-	-	-
13	Textile Support Intervention Facility (TSIF)	1.50	4.49	-	-
14	Differentiated Cash Reserve Requirement (RSSF-DCRR)	73.20	27.39	114.12	43.24
15	Small & Medium Enterprise Restructuring & Refinancing Facility (SMERRF)	-	4.21	-	-
16	Health Sector Intervention Facility (HSIF)	12.28	6.53	-	7.44
17	Covid-19 Intervention for the Manufacturing Sector (CIMS)	131.26	7.95	83.65	30.03
18	Health Sector Research & Development Intervention Scheme (HSRDIS)	-	-	-	-
19	100 FOR 100 Policy for Production and Productivity	82.53	2.69	47.22	8.99
20	Youth Entrepreneurship Intervention Programme (YEDP)	-	-	-	-
21	Targeted Credit Facility (TCF)	1.21	0.82	0.03	1.05
22	Creative Industry Financing Initiative (CIFI)	0.17	0.30	-	0.40
23	National Youth Intervention Fund (NYIF)	-	-	-	-

S/N	ITEM Intervention	End-Dec 2022 Disburse-ment (₦' Billion)	Repayment (₦' Billion)	End-Jun 2023 Disburse-ment (₦ Billion)	Repayment (₦ Billion)
24	Agri-business Small&Medium Entreprise Intervention Scheme (AgS-MEIS)	1.32	2.75	4.19	-
25	TRADER MONI	-	-	-	-
26	Tertiary Institution Entrepreneurship Scheme (TIES)	0.06	-	0.16	-
27	Anchors Borrowers Programme (ABP)	103.72	68.36	37.90	82.15
28	Accelerated Agricultural Development Scheme (AADS)	-	1.92	-	-
29	Commercial Agriculture Credit Scheme (CACS)	0.99	43.61	2.00	40.70
30	Paddy Aggregated Scheme (PAS)	-	1.00	-	4.50
31	Maize Aggregated Scheme (MAS)	-	-	-	-
32	Rice Distribution Facility (RDF)	-	-	-	-
33	National Food Support Programme (NFSP)	-	4.95	-	3.29
34	NESF	-	7.45	-	4.08
35	Export Financing Initiative (EFI)	-	-	-	-
36	Presidential Fertilizer Initiative (PFI)	-	4.00	-	3.00
37	Export Development Fund (EDF)	22.38	-	-	-
39	Micro, Small and Medium Enterprise Development Fund (MSMEDF)	0.01	5.07	-	1.22
40	Shared Agency Network Expansion Facility (SANEF)	-	0.40	-	0.85
41	Salary Bail Out (SBF)	-	3.29	-	-
42	Excess Crude Account (ECA)	-	27.44	-	-
TOTAL		**556.66**	**243.32**	**331.23**	**260.62**

4 APPENDIX 4: SELECTED FINANCIAL SOUNDNESS INDICATORS OF THE NIGERIAN BANKING INDUSTRY

Indicators	2021		2022		2023
	End-Jun	End-Dec	End-Jun	End-Dec	End-Jun
1. Assets Based Indicators					
Nonperforming loans to total gross loans	5.7	4.93	4.95	4.21	4.14
Liquid assets (core) to total assets	20.98	20.54	20.08	19.82	16.85
Liquid assets (core) to short-term liabilities	30.78	29.95	29.6	28.67	26.75
Residential real estate loans to total gross loans	0.24	0.22	0.21	0.15	0.11
Commercial real estate loans to total gross loans	2.8	2.67	2.5	2.12	1.96
2. Capital Based Indicators					
Regulatory capital to risk-weighted assets	16.46	14.55	14.11	13.76	11.23
Regulatory Tier 1 capital to risk-weighted assets	13.07	12.46	12.19	11.93	9.60
Nonperforming loans net of provisions to capital	0.62	1.22	5.81	3.67	2.57
Return on assets	1.21	1.47	1.54	1.29	0.71
3. Income and Expense Based Indicators					
Interest margin to gross income	56.93	49.52	47.93	58.97	56.54
Noninterest expenses to gross income	70.39	66.39	65.04	69.31	67.81
Personnel expenses to noninterest expenses	28.1	29.38	25.47	30.18	24.63
4. Banks' Exposures to Oil & Gas, Manufacturing and Services					
Oil & Gas to Gross Loans	18.12	17.12	15.83	15.83	18.59
Manufacturing to Gross Loans	16.69	16.65	16.76	18.73	18.46
Services to Gross Loans	36.6	36.44	38.13	37.13	37.04
5. Other Financial Corporations Indicators					
Shareholder equity to total invested assets (Life insurance & nonlife insurance)	853.764	976.169	770.77	783.418	567.274
OFCs' assets to gross domestic product: Insurance Corporations	5.21	4.35	5.07	4.09	4.66
OFCs' assets to gross domestic product: Pension Funds	32.35	27.24	31.70	26.41	30.41
Liquid assets to estimated pension payments in the next 12 months	782.03	763.79	733.96	299.90	864.65

FSIs are computed based on IMF-FSI Manual

5 APPENDIX 5: PENSION INDUSTRY PORTFOLIO FOR THE PERIOD ENDED 31 DECEMBER 2022

Asset Classes	End-Dec 2022 (₦ 'Billion)	End-Jun 2023 (₦ 'Billion)
Domestic Ordinary Shares	908.02	1,268.76
Foreign Ordinary Shares	108.99	192.25
Total FGN Securities	9,644.19	10,858.08
* Fed. Govt Bonds (HTM)	9,220.12	10,404.44
* Treasury Bills	198.29	192.43
* Agency Bonds (NMRC)	11.01	12.15
* Sukuk Bonds	159.74	152.34
* Green Bonds	55.03	96.72
State Govt Securities	166.14	277.36
Corp. Debt Securities	1,660.20	1,885.66
* Corporate Bonds (HTM)	1,352.44	1,408.53
* Corporate Bonds (AFS)	275.09	451.84
* Corporate Infrastructure Bonds	24.37	16.15
* Corporate Green Bonds	8.30	9.15
Money Mkt Instr.	1,984.58	1,577.39
Fixed Deposit/ Bank Acceptance	1,944.01	1,369.42
Commercial Papers	21.97	170.60
Foreign Money Mkt Instr.	18.59	37.37
Mutual Funds	82.81	115.15

Open/Close Funds	66.54	93.97
REITs	16.27	21.18
Supra-National Bonds	10.47	9.60
Infrastructure Funds	112.96	127.44
Real Estate	217.60	218.60
Private Equities	48.38	57.43
Cash & Other Assets	48.27	173.84
Current Net Asset Value	**14,992.62**	**16,761.55**

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