Federal Government of Nigeria

Investor Update – October 2022

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1. Nigeria Overview

Federal Republic of Nigeria Snapshot

Land Area	923,768 sq. km
Capital	Abuja
Population Estimate (m, 2021)	211.4 (most populous country in Africa)
Population Growth Rate (2021)	2.5%
Nominal GDP (USD billion, 2021)	431.97 (largest economy in Africa)
GNI Per Capita (USD, 2021)	5,250.0
Oil Production (mbpd, June 2022)	1.27
Credit Ratings (S&P/Fitch/Moody's)	B- (stable) / B (stable) / B2 (stable)
Currency	Nigerian Naira (NGN)
Importer & Exporter Window Exchange Rate (30 Sep 2022)	USD/NGN: 437.74
System of Government	Multi-party democracy with four (4) year election cycles since 1999
Borders	Benin, Niger, Chad and Cameroon

Sources: Central Bank of Nigeria: Data & Statistics, World Bank, IMF, National Bureau of Statistics

Key Timelines

Q2 – Q3 2021
- Enactment of Petroleum Industry Act (PIA)
- USD 3.35 billion IMF SDR allocation to Nigeria to support external FX reserves
- FGN approves establishment of a N15 trillion world class Infrastructure Company (Infraco Plc) to boost revenue
- Issued USD4 billion Eurobond due 2028, 2033 and 2051

Q4 2021
- President Buhari signed the 2022 Appropriation Bill titled "Budget of Economic Growth and Sustainability" into law on 31 December '21
- Finance Bill 2021 passed into law on 31 December '21
- Moody's changes rating outlook from "Negative" to "Stable" in November 2021
- Q4 GDP prints at 3.98% and FY 2021 GDP at 3.40%

Q2 – Q3 2021 → Q4 2021 → Q1 2022 → Q2 – Q3 2022

Q1 2022
- On 25 January 2022, an 18 month extension of implementation of the removal of the fuel subsidy was announced
- Q1 GDP prints at 3.11%; Current account at USD 2.58billion surplus (2.4% of GDP)
- Issued USD 1.25 billion Eurobond due 2029 in March '22
- Fitch affirms ratings at B (Stable)

Q2 – Q3 2022
- Q2 GDP prints at 3.5%
- President Buhari signed the amended 2022 Appropriation Act into law in May 2022
- Federal Executive Council (FEC) approves 2023-25 Medium Term Expenditure Framework (MTEF) and Fiscal Strategy Paper (FSP) in July '22
- S&P affirms ratings at B- (Stable) in Aug '22
- President Buhari launches Nigeria's Integrated Financing Framework to improve funding for Sustainable Development Goals (SDGs)
- Presidential primaries held ahead of the 2023 presidential elections
- Inflation challenges similar to global peer

Nigeria's Highlights

Nigeria has demonstrated commitment to sound policy and improving governance, positioning the continent's largest economy and most populous nation at the forefront of the post-pandemic recovery

Africa's largest economy, firmly on the path to recovery

- At nominal GDP of USD 431.97billion (FY 2021), the Nigerian economy is the largest in Africa with vast natural resource and human capital
- The Nigerian economy has shown a steady improvement from the economic downturn in 2020, recording its sixth consecutive quarterly GDP growth in Q2 2022 of 3.54%

A sustainable debt profile, with relatively small foreign currency indebtedness, and a deep domestic financial system

- Debt stock levels remain contained as a percentage of GDP (23% as of June 30, 2022) which is materially below peers and comprises primarily of local currency debt.
- As of June 30, 2022, 60% of the total government debt stock was in local currency debt with maturities extending over 30years. Of the 40% external debt stock, ~60% was concessional

A strong external position

- While FX reserves have declined from USD 40.2billion (25 Jan '22) to USD 38.4billion(23 Sept '22), reserves continue to provide substantial buffers against external shocks
- Current account in Q1 '22 recorded a surplus of USD 2.58billion (2.4% of GDP), the fourth successive quarter of current account surplus
- Exposure to external refinancing risk remains contained given favourable maturity profile of outstanding securities in the international markets

Revenue generation remains the core focus

- Revenue generation remains the major fiscal focus of the Federal Government
- The Federal Government has instituted the Strategic Revenue Growth Initiatives (SRGI) to improve government revenue; measures include improving the tax administration framework, including tax filing and payment; as well as introduction of new and/or further increases in existing pro-heath taxes
- Improved partnership with government security agencies and better collaboration with the local communities to help reduce crude oil theft

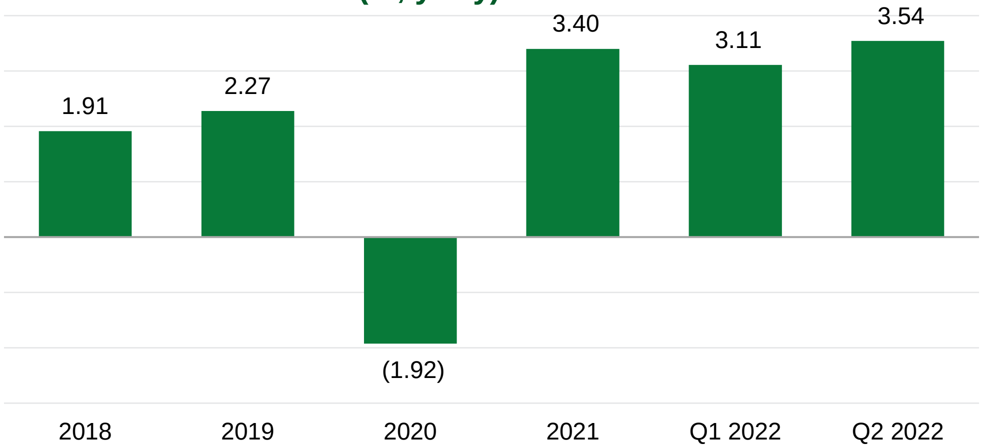
A resilient banking system

- Nigeria's banking system has remained well capitalised; policy measures introduced during the pandemic have mitigated the impact of the pandemic, and reduced economic activity
- The Capital Adequacy Ratio (CAR) and the Liquidity Ratio (LR) remained above their prudential limits at 13.4 and 40.1 per cent (Aug '22), with Non-Performing Loans at a healthy 4.8% (Aug '22), despite heightened macroeconomic uncertainties

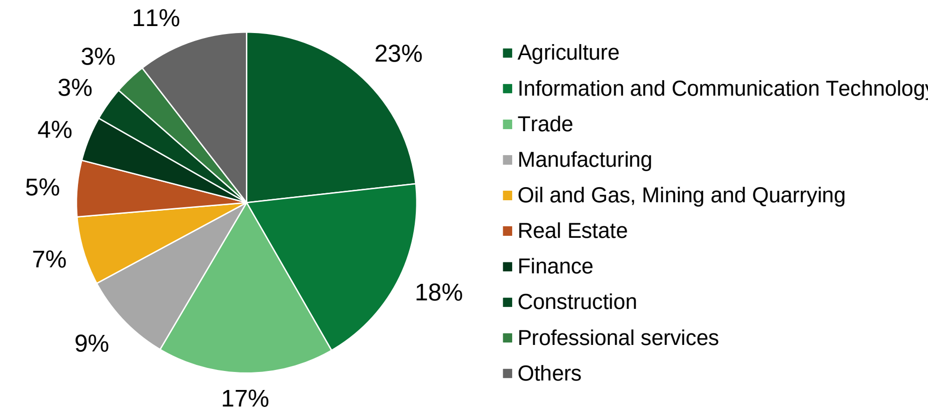
Well-Diversified Economy Recovering from COVID-19

Broad and diversified economy across sectors contributes to macroeconomic resiliency, with the oil sector contributing only 6.33% to real GDP in Q2 2022

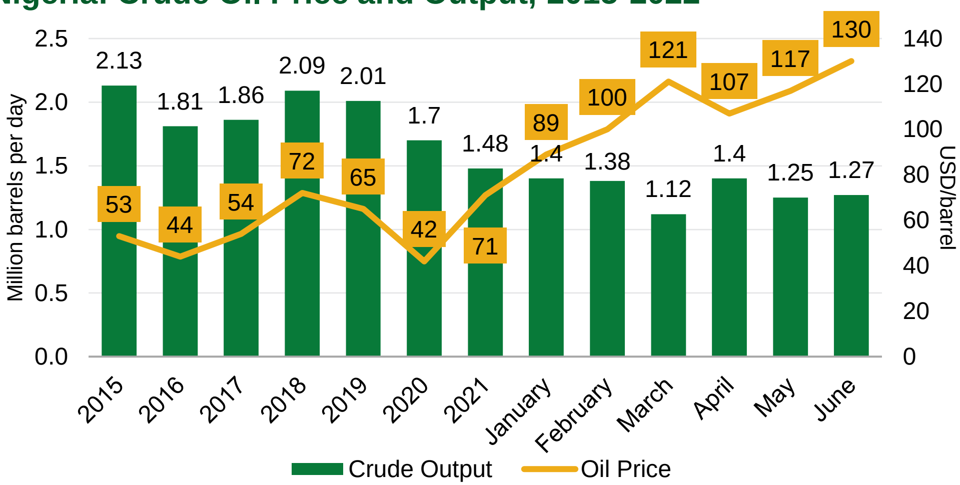
Real GDP Growth Rate (%, y-o-y)



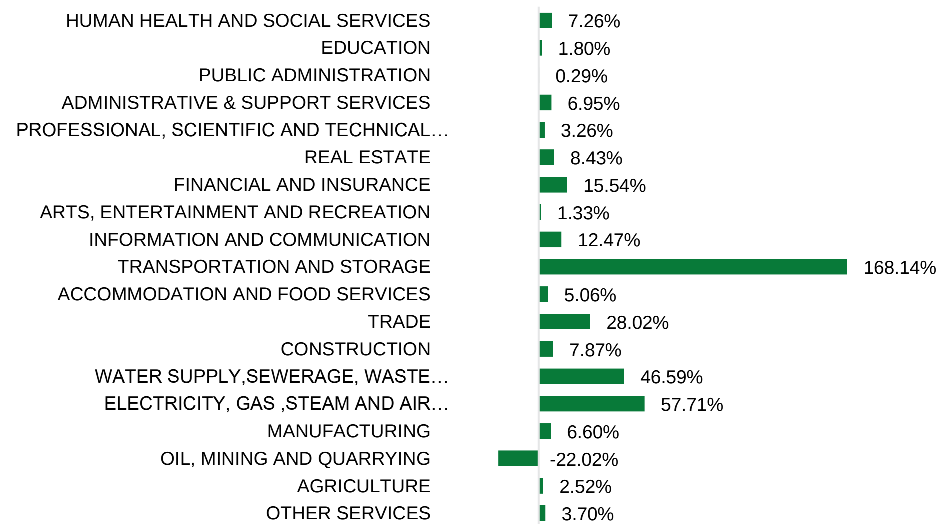
Q2 2022 GDP Composition (share by sector, 2010 prices)



Nigeria: Crude Oil Price and Output, 2015-2022



Recovery by Sector (Q2 2020 vs Q2 2022, %)



Source: National Bureau of Statistics, Central Bank of Nigeria

Medium Term National Development Plan, 2021 – 2025

Medium Term National Development Plan, 2021 – 2025 (MTNDP 2025) succeeds the Economic Recovery and Growth Plan (ERGP, 2017 – 2020) and is designed to drive broad-based economic development across the nation

Vision

Unlock the full potential of the public, private, and social sectors, enhance industrialisation, and improve Nigeria's inclusive development and competitiveness

Impact

Nigeria becoming a leading industrialising and reforming nation in Africa, that focuses on building its state capacity and capabilities, as well as fostering private-sector led growth to help address the critical issues of job creation and poverty eradication

Strategic Objectives

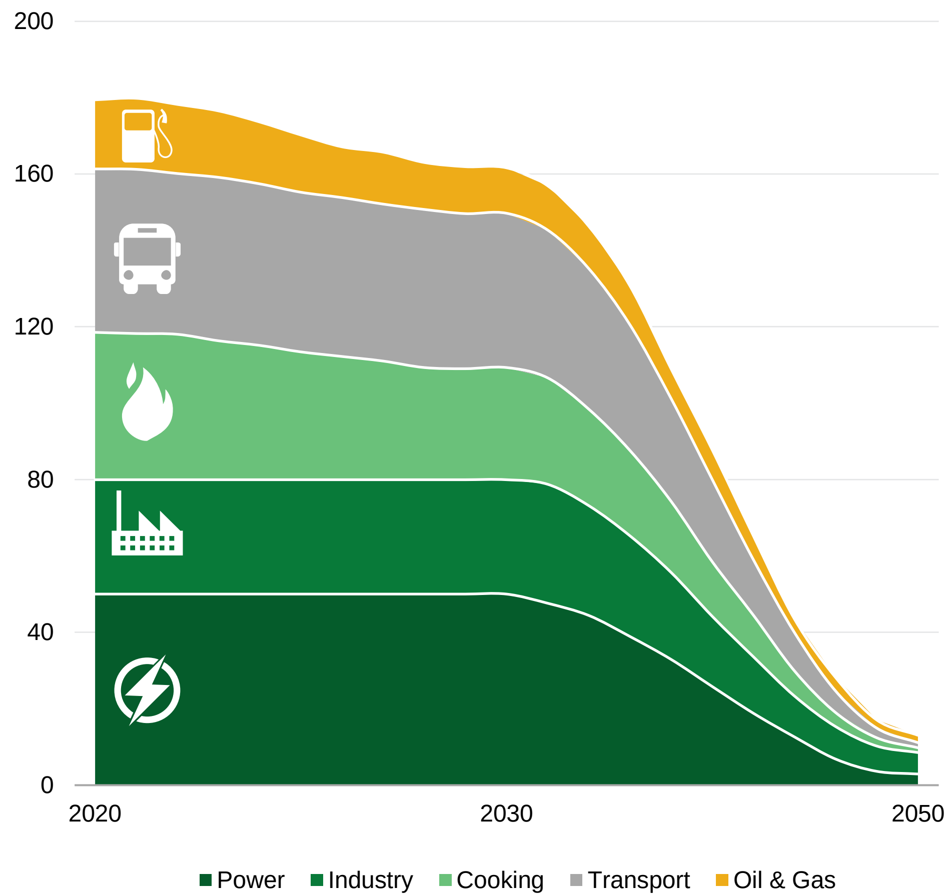
- Establish a strong foundation for a diversified economy
- Invest in critical physical, financial, digital and innovation infrastructure
- Build a solid framework and enhance capacities to strengthen security and ensure good governance
- Investing in the social infrastructure and services required to eradicate poverty and drive inclusive economic development

Sources: Ministry of Budget and National Planning

Nigeria Energy Transition Plan

The Nigeria Energy Transition Plan (ETP) outlines the strategy to achieve carbon neutrality by 2060 whilst also meeting the nation's energy needs

ETP Targets Emissions Reduction in 5 Key Sectors, Currently Accounting for 65% of Nigeria's Total Emissions



Nigeria Energy Transition Plan (ETP):

- ETP unveiled following the Nigeria's public commitment to carbon neutrality by 2060 unveiled during COP26
- ETP is a home-grown, data-backed strategy designed to achieve net-zero energy consumption, setting out a timeline and framework for emissions reductions across 5 key sectors:
  - **Power**
    - Transition away from diesel / petrol generators
    - Expansion of gas generation to establish baseload capacity
    - Ramp-up of renewables-backed electrification
  - **Transport**
    - Emissions decrease by c.97% due to deployment of biofuels and uptake of electric vehicles
  - **Oil & Gas**
    - Reduction in flaring and fugitive emissions
  - **Cooking**
    - Replacement of traditional firewood, kerosene, and charcoal by LPG to achieve SDG7 by 2030
    - Transition to electric cookstove and biogas post 2030
  - **Industry**
    - Decarbonization efforts in cement and ammonia production
    - Shift to zero emission fuels for industrial heating

Sources: Nigeria Energy Transition Plan (https://energytransition.gov.ng/)

2. Fiscal Position

Review of 2022 Budget Implementation

Public finances have been negatively impacted by the high cost of PMS subsidy resulting from an increase in the landing cost of Premium Motor Spirit (PMS)

FY 2021 and January to July 2022 Outturns

NGN billion	FY 2021 Budget	FY 2021 Actual	FY 2021 % Variance	FY 2022 2022 Budget	FY 2022 Pro Rata Jan - July 22	FY 2022 Actual Jan - July 22	FY 2022 % Variance
Revenues and Grants							
Oil Revenue	2,011	998	*-50%*	2,190	1,278	395	*-69%*
Non-Oil Tax Revenue	1,489	1,793	*20%*	2,258	1,317	1,347	*2%*
Other Non-Oil Revenue	4,621	3,308	*-28%*	5,520	3,220	1,916	*-40%*
Aggregate Revenue	**8,121**	**6,099**	**-25%**	**9,969**	**3,323**	**1,631**	**-51%**
Expenditures							
Statutory Transfers	497	497	-	818	477	485	*2%*
Recurrent Expenditure	5,765	4,923	*-15%*	7,109	4,147	3,237	*-22%*
Debt Service	3,324	4,222	*27%*	3,978	2,321	3,088	*33%*
Capital Expenditure	4,985	3,394	*-32%*	5,415	3,159	1,478	*-53%*
Total Expenditure	**14,571**	**13,056**	**-10%**	**17,320**	**10,103**	**8,287**	**-18%**
Fiscal Balance	**7,305**	**6,937**	**-5%**	**7,350**	**4,288**	**4,625**	**8%**

Source: Federal Ministry of Finance, Budget and National Planning

Revenue

- As of July 2022, FGN's retained revenue was N3.66 trillion, 63% of the prorata target of N5.82 trillion
- The FGN share of oil revenues was N394.95 billion (representing 30.9% performance), while non-oil tax revenues totalled N1,347.02 trillion – a performance of 102.2%. CIT and VAT collections were N733.89 billion and N180.22 billion, representing 138% and 98% of their respective targets
- Other revenues amounted to N1.92 trillion, of which Independent revenue was N748.98 billion

Expenditure

- The aggregate expenditure for 2022 is estimated at N17.32 trillion, with a prorata spending target of N10.10 at end of July
- The actual spending as of July 31 2022 was N8.29 trillion. Of this amount, N3.23 trillion was for recurrent expenditure of which about 80 percent was for Personnel costs, N3.09 trillion was for debt service and N1.48 billion was released for capital expenditure

Medium Term Fiscal Framework - 2023 to 2025

Projected fiscal outcomes for 2023 (revised budget amended in October 2022) and beyond

NGN billion	Amended 2022 Budget	2023 Budget (Revised Oct. 22)	2024	2025
Revenues				
Share Of Oil Revenues	2,190	1,862	3,706	3,619
Dividends	196	82	81	81
Share Of Non-oil Taxes	2,132	2,433	2,822	3,101
Revenue from GOEs	3,807	3,475	2,341	3,264
Others	1,644	1,874	1,922	2,046
Aggregate Revenues/Inflow	**9,969**	**9,726**	**10,872**	**12,111**
Expenditures				
Statutory Transfers	818	744	882	900
Debt Service / Sinking Fund	3,978	6,558	8,292	10,661
Recurrent (Non-debt) Expenditure	7,109	8,272	8,716	8,403
Capital Expenditure	5,415	4,934	2,890	3,088
Total Expenditure	**17,320**	**20,508**	**20,780**	**23,053**
Budget Deficit	**-7,351**	**-10,782**	**-9,909**	**-10,942**
Financing Items				
Privatization Proceeds	91	206	581	1
Multi-lateral / Bi-lateral Project-tied Loans	1,156	1,771	4899	319
New Borrowings	6,104	8,804	8,838	10,622
a. Domestic Borrowing	3,534	7,044	7,070	8,498
b. Foreign Borrowing	2,570	1,761	1,768	2,124

Parameters and Fiscal Assumptions

Description	2022	2023	2024	2025
Oil price benchmark (USD/b)	73.00	70.00	66.00	62.00
Oil production (mbpd)	1.60+	1.69	1.83	1.83

Source: Federal Ministry of Finance, Budget and National Planning.

Enhancing Government Revenue and Reducing Fiscal Pressures

Recent developments underscore the need to increase government non-oil revenue collection and diversify its revenue sources

Tax Revenues

- Non oil revenues remain more stable than oil revenue. To improve non oil revenue receipts tax administration will be improved and efforts will be sustained to expand the non oil revenue base will be expanded
- In addition, the tax system will be further strengthened over the medium term by improving collection efficiency, enhancing compliance, and reorganizing the business practices of revenue agencies as well as employing appropriate technology
- Furthermore, efforts will be made to bring more businesses in the informal sector into the tax net

Custom Revenues

- In the medium term, the NCS will introduce frameworks for recovering duties, taxes and appropriate fees from transactions conducted over electronic networks
- The Federal Government will also further enhance port efficiency, strengthen anti smuggling measures review tariffs and waivers and issue more licenses to build modern terminals in existing ports, especially outside Lagos

Independent Revenues

- The independent revenue of the Federal Government hit the N1 trillion mark in 2021. To further enhance independent revenue generation and collection, Government will continue to maximize the huge potentials and optimize the operational and collection efficiency of the GOEs. In many countries GOEs operate efficiently and generate significant revenue to fund government budget
- Extant laws limiting cost-to-revenue ratio of GOEs to maximum of 50 percent will be enforced
- Technology and ICT solutions will be effectively deployed to ensure compliance and enhance existing and new revenue streams
- The performance of GOEs will be further enhanced through the effective implementation of the approved Performance Management Framework

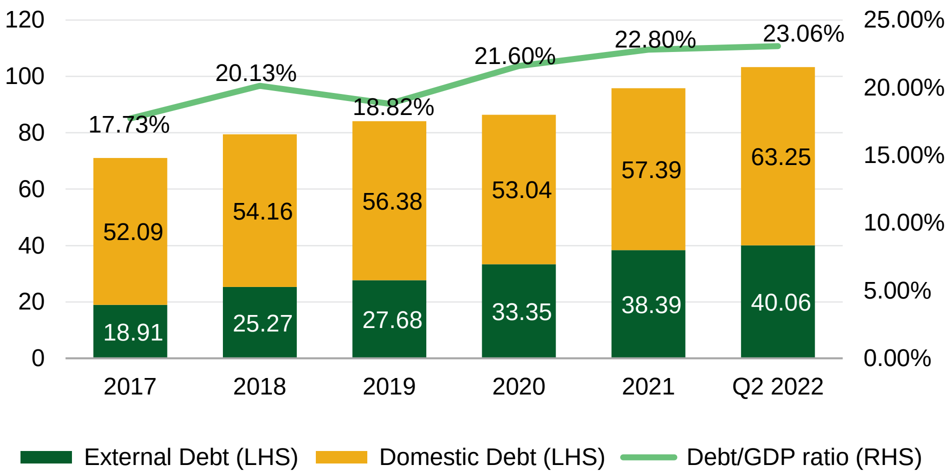
Sources: Federal Ministry of Finance, Budget and National Planning

3. Debt Management

Public Debt Maturity Profile

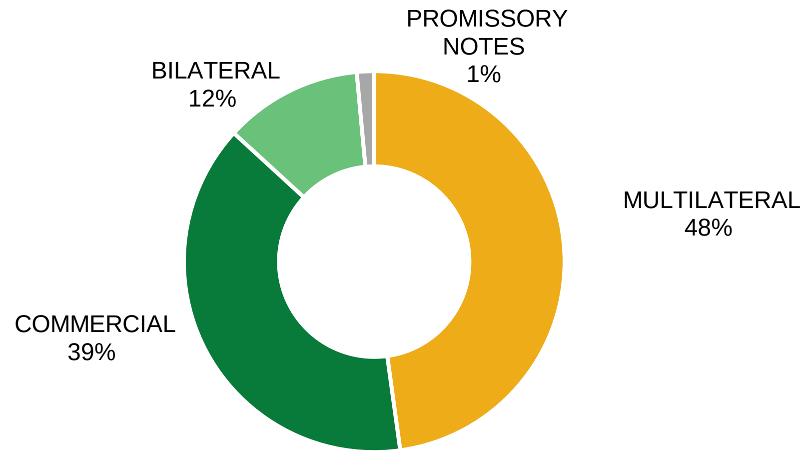
General Government Debt

Federal Government Debt (USD million) Debt/GDP ratio



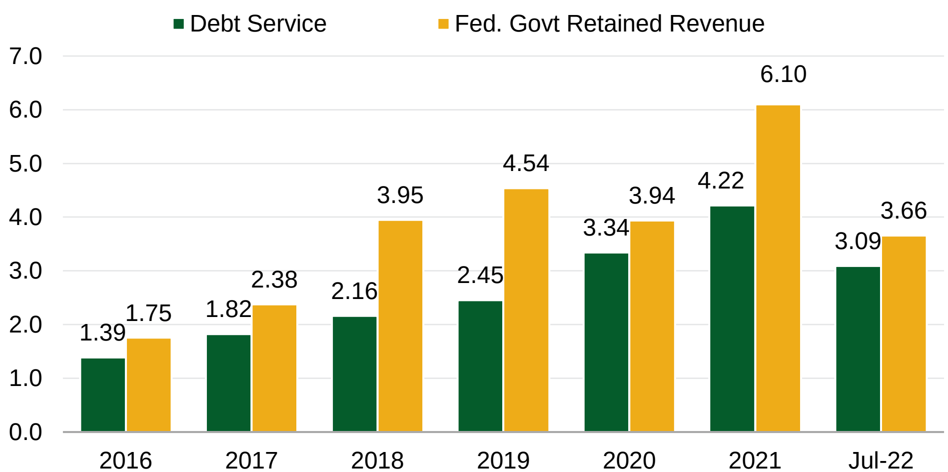
External Government Debt Composition By Creditor

External Government Debt (%)



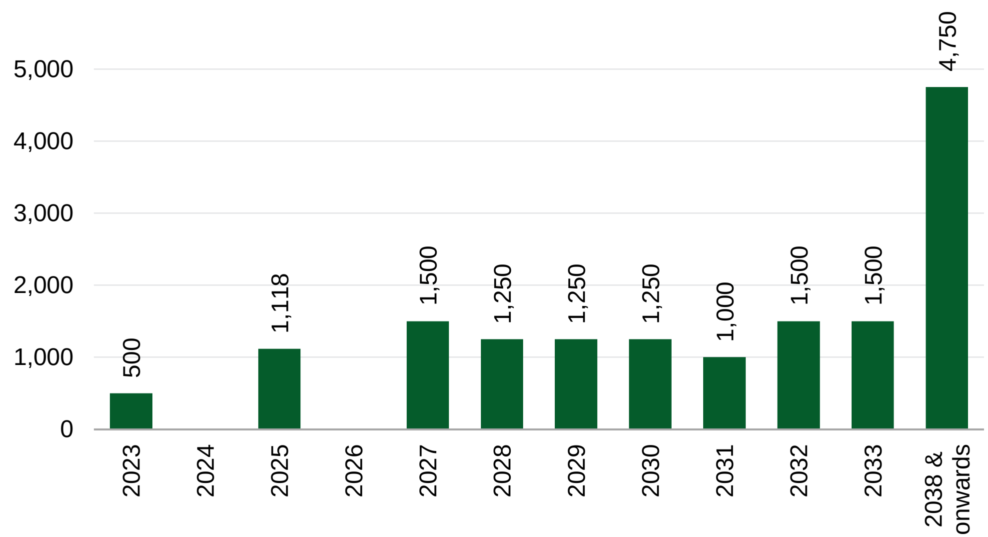
Government Debt Service

Debt Service and Revenue (₦ trillion)



External Debt Maturity Profile

FGN Eurobond Maturity (USD million)



Sources: Budget Office of the Federation, Debt Management Office

Medium Term Debt Management Strategy (MTDS) 2020 - 2023

The implementation of the MTDS 2020 2023 is expected to moderate the level of debt related risks, especially refinancing and exchange rate risk, and further improve the structure of the public debt portfolio

MTDS 2020 – 2023: Key Targets

S/N	Indicator	Targets 2020 – 2023	Actual 2020	Actual 2021
1	**Fiscal Sustainability**			
	Total Public Debt as % of GDP	**Max 40%**	**21.61%**	**22.80%**
2	**Portfolio Composition**			
	Domestic : External Debt Mix	**Max 70:Min 30**	**61:39**	**60:40**
3	**Refinancing Risk**			
	i. Average Tenor of Debt Portfolio	**Min 10 years**	**10.74 years**	**10.28 years**
	ii. Variable Rate Debt as % of Total Debt	**Less than 5%**	**2.75%**	**2.90%**
	ii. Debt maturing in 1 year as % of total debt	**Max. 20%**	**14.50%**	**14.60%**
4	**Guarantee**			
	Guarantees as % of GDP	**Max 5%**	**2.75%**	**2.64%**

Debt Management Strategy

- Total Public Debt as percentage of GDP stood at 23.06% as at June 30, 2022, within 55% threshold recommended by the International Monetary Fund (IMF) and World Bank (WB) as well as the Nigeria's self-imposed limit of 40% set in MTDS, 2020-2023
- The exposure of the Total Public Debt portfolio to exchange rate risk remains moderate, as the share of Domestic Debt in the Total Public Debt comprises 60%. Target Ratio under the MTDS 2020-2023 is 70:30, with the DMO expecting to achieve the target by end of the year 2023
- The exposure to refinancing risk remained stable as a result of the strategy of issuance of long dated securities in the domestic and international markets in addition to accessing long term funds from multilateral and bilateral lenders
- Meanwhile, the FGN's Contingent Liabilities as a percentage of GDP was 2.64% in 2021 compared to 2.75% in 2020

Source: Federal Ministry of Finance, Budget and National Planning.

4. Monetary Policy and Banking Sector

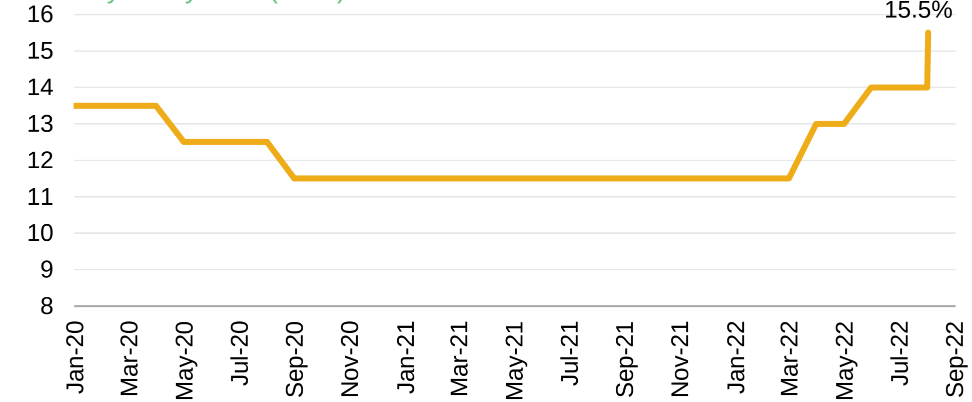
Proactive Monetary Policy

Prudent monetary policy decision-making in the face of global economic headwinds

- Monetary Policy Rate has been raised by 400 bps YTD. At the September 2022 MPC meeting there was a 150bps increase from 14.0% to 15.5% to narrow the negative real interest-rate gap and rein in inflation
- Inflation continues to be a key concern in Nigeria – similar to rest of world – exacerbated by supply chain bottlenecks
- Higher inflation in Nigeria driven by higher energy prices, electricity tariff, cost of transportation, and continued monetary policy tightening by the US Federal Reserve, resulting in a strengthening USD vis-à-vis local the Naira and other local currencies

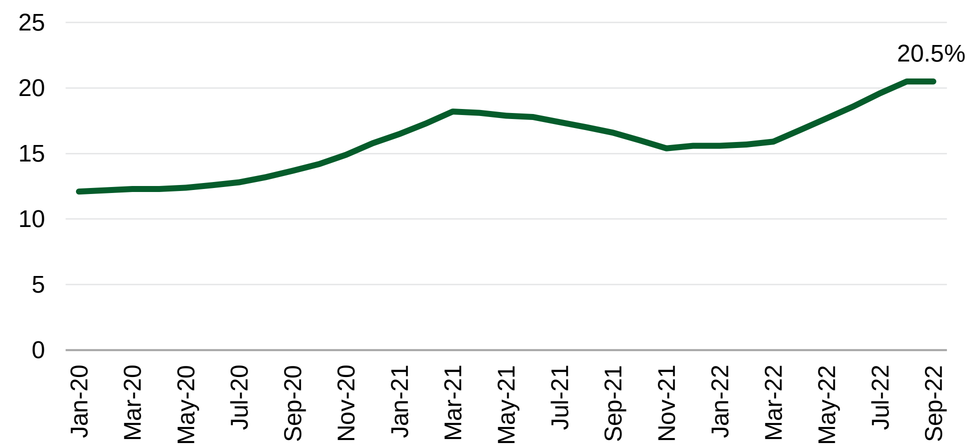
Central Bank Policy Rate

Monetary Policy Rate (MPR) %



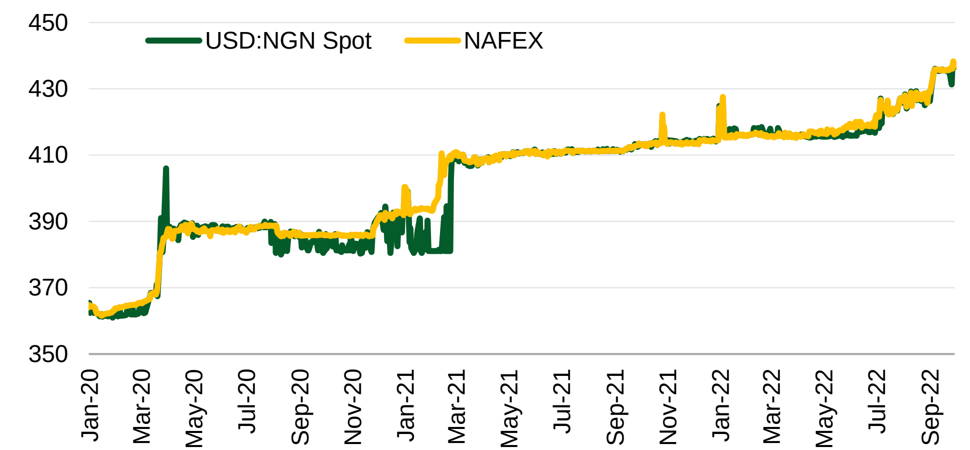
Nigeria Inflation Rate

CPI (%)



Evolution of the Exchange Rate

USD/NGN

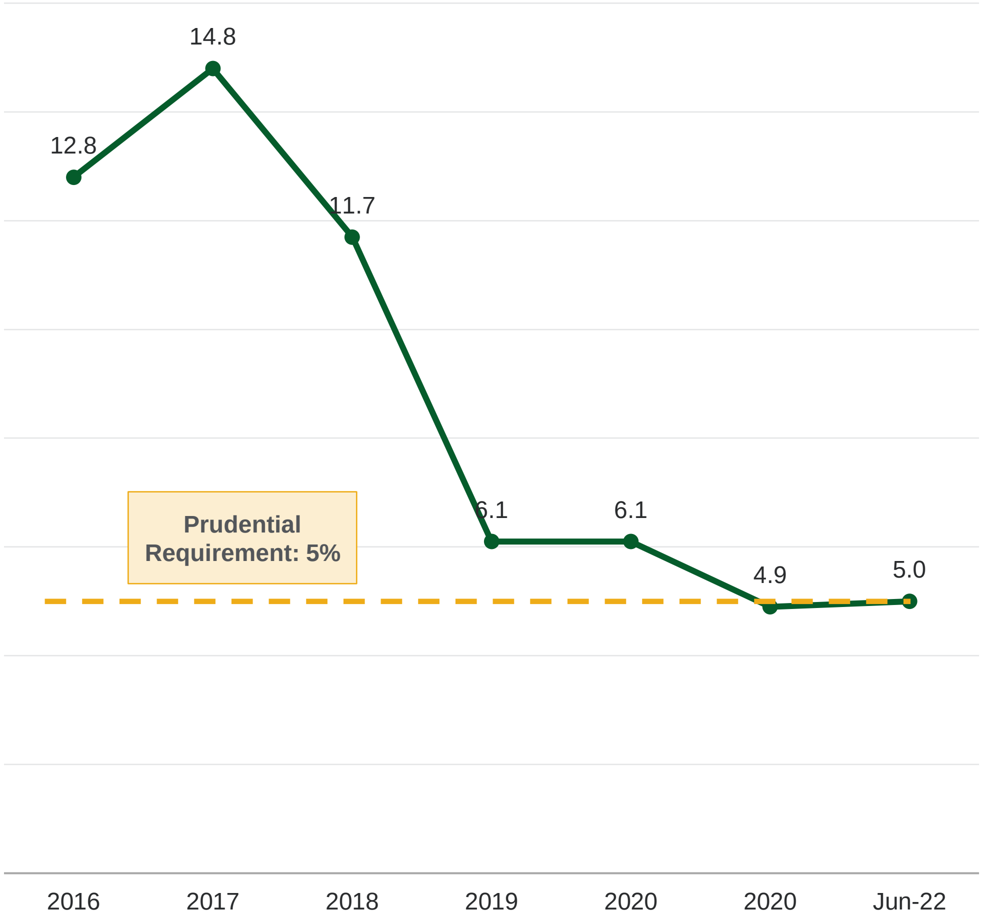


Sources: Bloomberg 30 September 2022, Central Bank of Nigeria

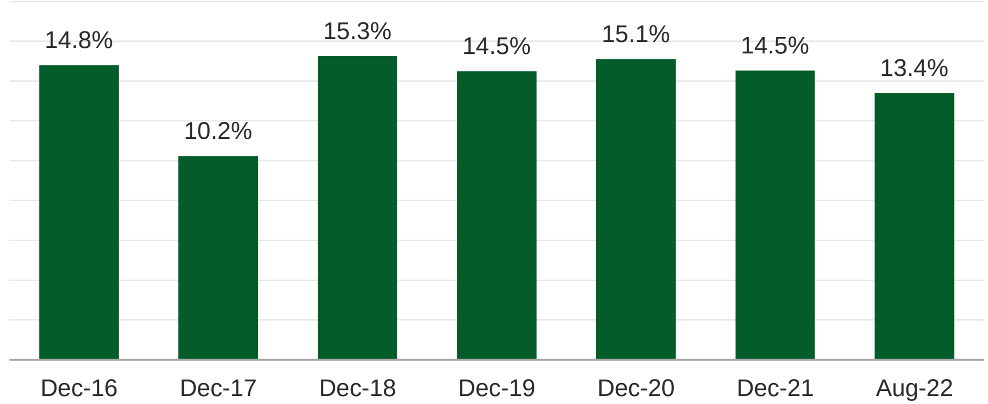
Resilient Banking System

Healthy banking sector in Nigeria with low sector NPLs and strong capitalization levels

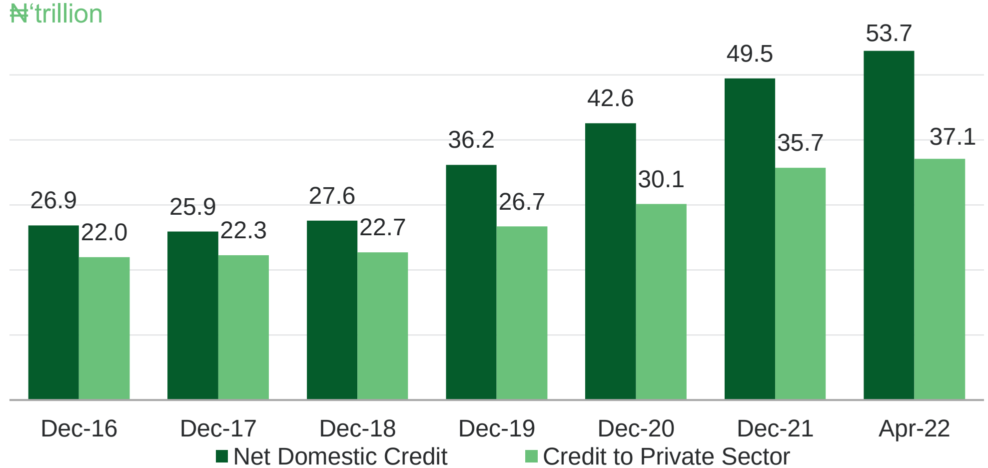
Non-Performing Loans Steadily Declining
NPL Ratio(%)



Banking System Remains Well Capitalized
Capital Adequacy Ratio (%)



Net Domestic Credit and Credit to Private Sector Continue to Rise
₦'trillion



Source: Central Bank of Nigeria

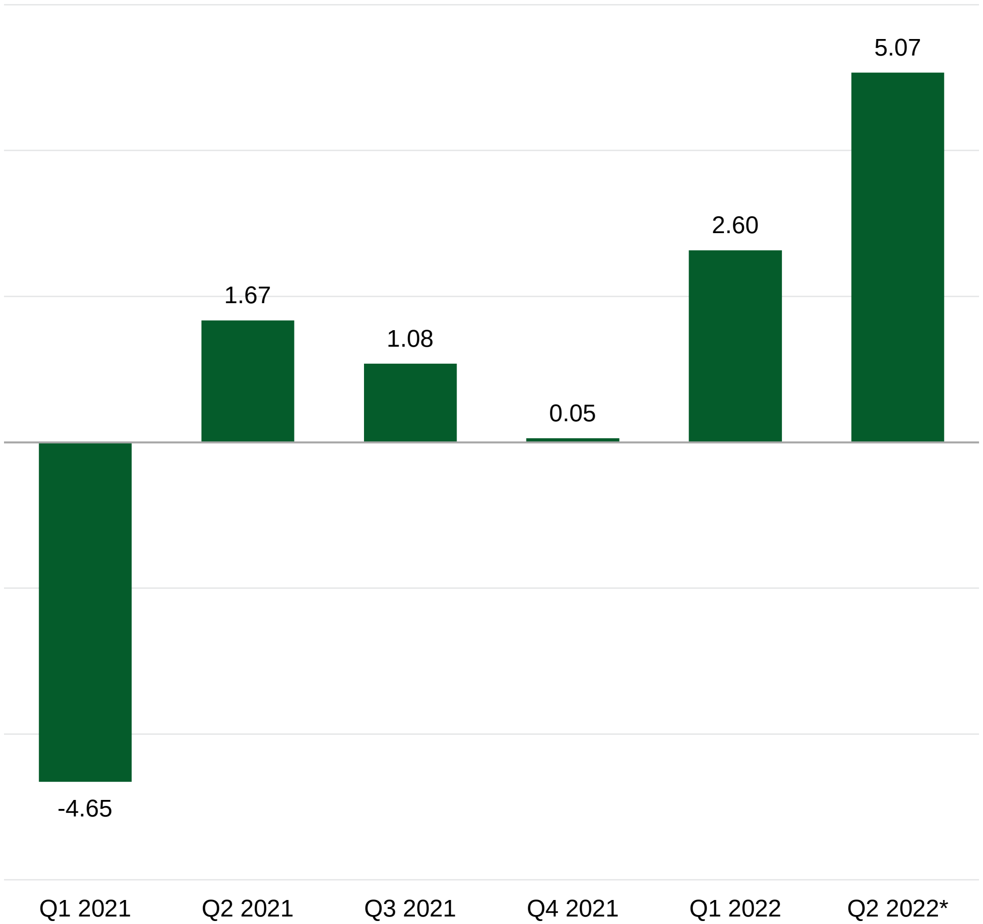
5. External Sector

Strong External Position Against Global Headwinds

Strong external position supported by current account surpluses and a prudent level of international reserves covering > 8 months of imports

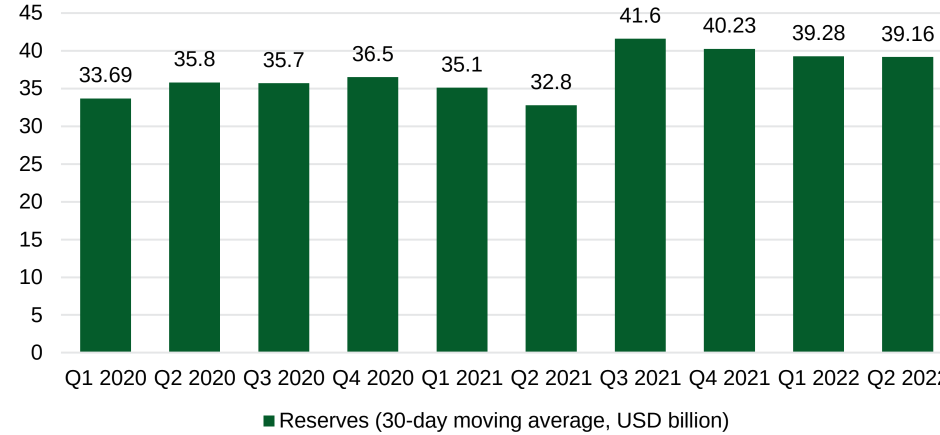
Current Account Surplus for Five Consecutive Quarters

Current Account Balance (USD billion)



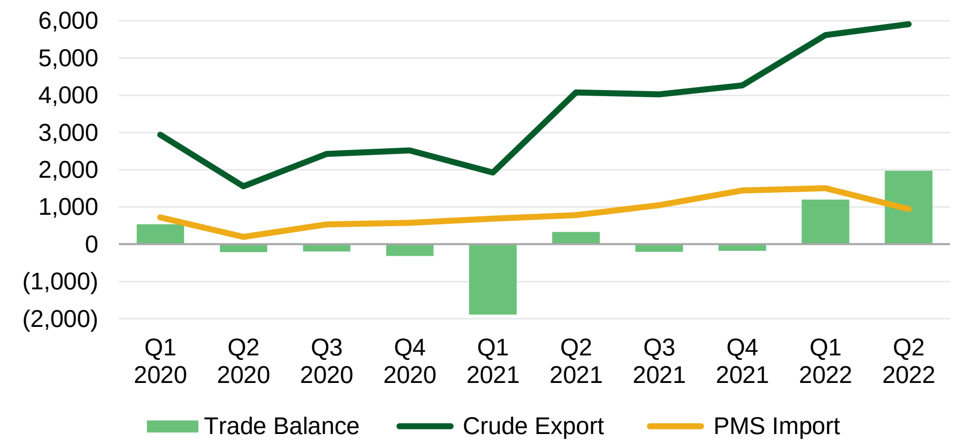
Prudent Levels of International Reserves

Gross External Reserves (USD billion), Months of Import Cover



Positive Trade Balance

Trade Balance, Crude Exports, PMS Imports (NGN billion)



Sources: Central Bank of Nigeria

*Note: Q2 2022 current account balance is a provisional figure

Thank you