



Angolan Banks

Banking Sector Remains Resilient in 1H2022

Research

October 2022

Activity in the oil sector is recovering in 2022

Economic activity in Angola improved in the first semester of 2022 relatively to the previous year. According to the National Statistics Institute (INE), real GDP growth reached 3.2% YoY in the period, which compares with a modest growth rate of 1.1% in 2021. This more favorable evolution was thanks to a recovery in the oil industry (2.2%), particularly after a contraction in each of the last six years (2016-21), and continued growth in the non-oil sector (3.5%). It also reflected an improvement in liquidity conditions in the foreign exchange market, as well as the favorable effects of the lower restrictions related to the Covid-19 pandemic. That said, activity in the non-oil sector decelerated relatively to 2021 following a contraction in retail (-1.2%) and financial services (-27.9%). Overall, the oil sector represented 27% of total GDP in the first semester of 2022, which is roughly the same as in the homologous period.

Banking

Tiago Bossa Dionísio

(+351) 964 643 530

tiago.dionisio@eaglestone.eu

Inflation is on a downward trajectory

The latest figures from INE also showed that annual inflation is decelerating in 2022 and looks to be well on target to reach the central bank's forecast of an inflation rate below 18% by the end of the year. Consumer prices rose a more modest 18.2% YoY in September from 27.0% YoY in December 2021. This evolution has been thanks to the slower increase in the cost of (1) food and non-alcoholic beverages, (2) hotels, cafes, and restaurants and (3) leisure and cultural events. The downward trajectory in the inflation rate allowed the BNA to lower its reference interest rate by 50bp to 19.5% in its latest meeting in September and could lead to further interest rate cuts in not-too-distant future.

The kwanza exchange rate appreciated in the first semester of 2022

Brent prices remained above US\$ 100 for a significant part of the first semester of 2022, supporting Angola's external sector and providing more foreign exchange liquidity to the domestic market. This allowed the kwanza exchange rate to continue to appreciate and reach 428.2 AKZ/US\$ at end-June from roughly 560 AKZ/US\$ in December 2021, which represents an appreciation of about 30% year-to-date. This more stable evolution of the kwanza has also helped to contain inflation, as Angola continues to import a significant part of the goods consumed in the country.

The combined net profit of the banking sector continued to improve

The available semester accounts reported by the Angolan banks showed that their combined net profit continued to improve in the first semester of 2022 relatively to the previous year. In particular, the total net profit of these 21 banks increased 36.6% YoY to AKZ 258,157 million in the period. Their balance sheet figures also showed that total assets reached AKZ 13,375 billion (-4.9% YoY), while net loans stood almost flat at AKZ 2,789 billion (0.9% YoY) and deposits fell by 5.7% YoY to AKZ 10,013 billion. This means that the combined loans-to-deposits ratio of these banks stood at 27.9% in June 2022, roughly the same level of 27.6% in December 2021. Meanwhile, figures disclosed by the BNA showed that the total solvency ratio of the sector stood at 20.49% in June 2022. This compares with 24.24% in December 2021 and 18.37% in the homologous period. Also, the NPL ratio stood relatively stable at 19.37% (from 19.46% in December 2021 and 18.22% in June 2021).

(Note: the table in the annex of this note includes the figures disclosed by the 21 banks that reported their semester accounts and does not include BPC, Banco Sol, Banco Económico and Banco Prestígio).

The year 2022 has seen important developments impacting the Angolan banking sector. First, the BNA approved the banking sector's Resolution Fund, which is included in Presidential Decree N: 111 of May 22nd. This fund will include contributions from the banking sector and the Angolan State and aims to ensure the stability of the whole financial industry and thus strengthen confidence in the banking sector.

The BNA approved the Angolan banking sector's resolution fund

Second, Banco Económico is now fully owned by private investors, namely by *Económico – Fundo de Capital de Risco de Subscrição Particular*. This is an entity that is under the supervision of Angola's Capital Markets Regulator (CMC) and reportedly includes Banco Económico's 40 depositors that voluntarily adhered to an agreement that allows them to utilize 65% of their deposits to recapitalize the bank. This recapitalization plan will allow Banco Económico to comply once again with the capital regulatory requirements following the bankruptcy of Banco Espírito Santo Angola (BESA) in 2014.

Banco Económico is now fully owned by private investors

Third, the BNA recently withdrew the banking license of Banco Prestígio to operate in Angola alleging that the bank repeatedly violated prudential requirements. These include maintaining regulatory own funds and solvency ratios below the legal minimum, failing to implement the corrective intervention measures determined by the central bank, and the unavailability of shareholders and the inexistence of a credible plan to recapitalize the bank. After this decision by the BNA, the Angolan banking sector is now composed of 24 banks.

The BNA withdraws the banking license of Banco Prestígio

And fourth, the BNA approved the names proposed by Banco de Poupança e Crédito (BPC) to be part of its new Board of Directors. Cláudio Pinheiro will be the new Chairman of the bank, while Luzolo de Carvalho will be the new CEO. These two names are not new to BPC, as they were already members of the previous Board of Directors.

The central bank approved the new board members of BPC

Meanwhile, the BNA also continued to introduce key regulatory legislation in 2022. Instruction N: 03/2022 of March 29th regards the processes and methodologies of the stress tests that must be carried out by financial institutions in terms of safeguarding an adequate capital level and risk management. Financial institutions must report information about these stress tests, on an individual and consolidated basis, on a semester and yearly basis.

Instruction N: 03/2022 defines the processes and methodologies of the stress tests to be carried out by the banking sector

Notice N: 10/2022 of April 6th sets the terms and conditions for the concession of loans to the real sector of the economy (i.e., mostly agriculture and fishing related items). It also sets the minimum requirements in terms of the number and amount of these loans as well as how they are treated for the calculation of mandatory reserves at the central bank. This Notice states that the total cost of the loan must not exceed (1) 7.5%/year for the loans related to investment and (2) 10.0%/year for the loans to acquire raw materials, inputs, and factoring.

Notice N: 10/2022 sets the terms and conditions for the concession of loans to the real sector of the economy

Notice N: 17/2022 of October 7th sees the central bank increasing the minimum required capital of financial institutions to AKZ 15 billion (from AKZ 7.5 billion previously). Those banks that do not comply with this requirement will have up to 12 months (from the date that this Notice was implemented) to comply with this new capital required level.

Notice N: 17/2022 sees the BNA increasing the minimum required capital of financial institutions

Instruction N: 12/2022 of October 19th sets the prudential limits on large risks and the shareholding stakes that domestic banks can have on non-financial institutions. This Instruction states that banks should not have an exposure to one counterparty, or counterparty group, that exceed 25% of its Core Tier 1. Every time that the large risks pertain to the holders of qualified stakes, or the group of related counterparts include the same shareholders, the limit is reduced to 10% of Core Tier 1, unless the large risk relates to one entity. The sum of the 20 largest risk exposures cannot exceed 300% of Core Tier 1. Those banks that exceed the above limits have one month to present a plan that will ensure the compliance of those limits within a timeframe of six months. The excessive exposure should be included in the calculation of the bank's risk-weighted assets with a weight of 1,250%.

Instruction N: 12/2022 sets the prudential limits on large risks and the shareholding stakes that domestic banks can have on non-financial institutions

In sum, the measures and the legislation implemented in 2022 are examples of how the BNA continues to have a more interventive approach in the supervision of the Angolan banking sector and how it is adopting the necessary measures to ensure its stability to strengthen confidence in the sector.

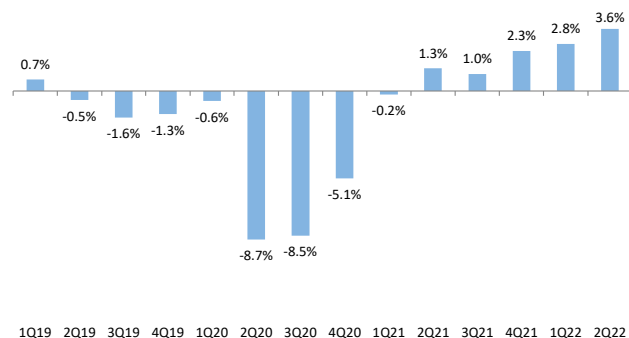
The BNA continues to adopt measures to ensure the stability of the banking sector

ANNEX – ANGOLAN BANK RESULTS AND MACROECONOMIC FIGURES

ANGOLAN BANKS	Assets				Loans				Deposits				Million AKZ		
	Jun 21	Dec 21	Jun 22	% YoY	Jun 21	Dec 21	Jun 22	% YoY	Jun 21	Dec 21	Jun 22	% YoY	1H 21	1H 22	% YoY
Banco Angolano de Investimentos	3,118,151	3,039,249	2,934,590	-5.9%	366,369	356,920	340,558	-7.0%	2,746,344	2,525,618	2,459,867	-10.4%	28,552	47,803	67.4%
Banco Comercial Angolano	91,241	94,199	103,983	14.0%	7,082	7,642	7,443	5.1%	35,769	45,208	48,113	34.5%	689	879	27.5%
Banco de Comércio e Indústria	538,611	398,917	626,966	16.4%	48,026	52,379	53,461	11.3%	481,100	335,707	584,500	21.5%	-631	15,764	n.m.
Banco de Fomento Angola	2,817,851	2,632,275	2,418,644	-14.2%	318,196	352,959	382,531	20.2%	2,142,349	2,005,319	1,841,004	-14.1%	75,189	67,227	-10.6%
Banco Caixa Geral de Angola	757,191	740,163	695,740	-8.1%	152,707	167,932	159,734	4.6%	660,322	610,761	573,703	-13.1%	10,926	18,217	66.7%
Banco Keve	142,583	331,292	435,636	205.5%	48,118	65,228	82,451	71.4%	105,812	243,879	352,723	233.3%	-4,356	5,561	n.m.
Banco BAI Micro Finanças	20,486	22,341	23,738	15.9%	744	531	513	-31.1%	10,648	11,202	12,703	19.3%	-517	-52	-89.9%
Banco BIC	2,050,839	1,997,040	1,807,123	-11.9%	649,455	585,166	554,983	-14.5%	1,344,856	1,301,873	1,199,472	-10.8%	16,430	55,041	235.0%
Banco Millennium Atlântico	1,879,436	1,714,018	1,533,149	-18.4%	466,076	440,985	432,842	-7.1%	1,548,524	1,422,950	1,312,404	-15.2%	477	1,516	217.6%
Banco de Negócios Internacional	403,785	387,524	359,969	-10.9%	132,860	137,201	134,520	1.2%	324,717	281,490	264,301	-18.6%	230	2,849	1138.0%
Banco VTB África	226,940	198,475	98,082	-56.8%	20,081	19,162	19,744	-1.7%	181,480	164,548	72,908	-59.8%	2,780	2,649	-4.7%
Banco de Desenvolvimento de Angola	472,638	436,345	461,670	-2.3%	224,940	214,618	197,267	-12.3%	0	0	0	-	5,682	-20,417	n.m.
Finibanco Angola	132,629	129,411	124,119	-6.4%	21,088	26,051	24,398	15.7%	95,258	88,492	85,648	-10.1%	1,431	1,009	-29.5%
Banco Comercial do Huambo	46,976	56,374	78,994	68.2%	1,329	2,100	1,997	50.3%	10,831	17,176	37,332	244.7%	3,814	3,272	-14.2%
Standard Bank Angola	895,037	968,274	1,064,289	18.9%	189,525	234,174	273,754	44.4%	672,654	678,258	779,818	15.9%	32,772	33,099	1.0%
Banco Valor	66,363	57,936	55,168	-16.9%	8,799	5,264	3,731	-57.6%	46,984	38,806	35,652	-24.1%	825	526	-36.3%
Standard Chartered Bank Angola	56,261	51,719	47,690	-15.2%	608	746	353	-41.9%	34,840	31,699	27,606	-20.8%	838	834	-0.4%
Banco Yetu	50,527	68,229	126,106	149.6%	3,957	11,054	15,740	297.8%	23,530	33,620	65,437	178.1%	3,613	10,383	187.4%
Banco de Investimento Rural	133,662	154,025	182,651	36.7%	47,141	48,304	51,652	9.6%	97,778	122,868	150,299	53.7%	6,031	4,522	-25.0%
Credisul - Banco de Crédito do Sul	115,489	130,888	161,346	39.7%	23,295	20,196	35,823	53.8%	50,236	76,172	106,148	111.3%	2,581	6,614	156.3%
Bank of China	52,837	48,808	35,079	-33.6%	34,525	25,223	15,737	-54.4%	2,803	3,522	3,399	-21.2%	1,588	860	-45.9%
Total	14,069,534	13,657,504	13,374,733	-4.9%	2,764,920	2,773,835	2,789,232	0.9%	10,616,835	10,039,167	10,013,037	-5.7%	188,945	258,157	36.6%

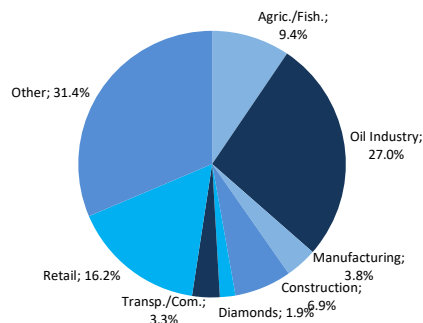
Sources: Semester Accounts and Eaglestone Securities.

REAL GDP GROWTH (YOY)



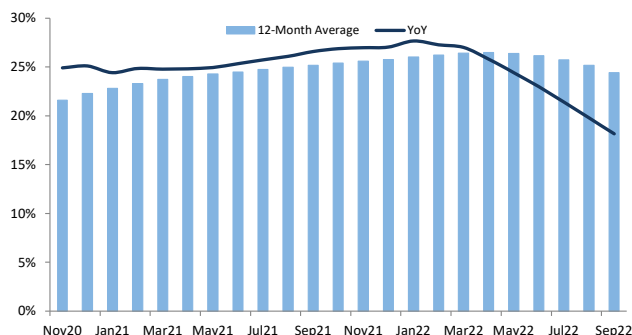
Source: INE.

GDP STRUCTURE (1H 2022)



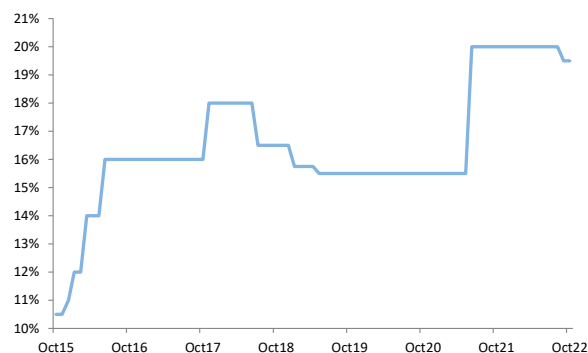
Source: INE.

ANNUAL AND AVERAGE INFLATION (YOY)



Source: INE.

BNA RATE



Source: BNA.

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AMSTERDAM - Herengracht 450-454 1017 CA - T: +31 20 240 31 60

CAPE TOWN - 22 Kildare Road Newlands 7700 - T: +27 21 674 0304

JOHANNESBURG -Unit 4, Upper Ground, Katherine & West 114 West Street, Sandton – T: +27 11 326 6644

LISBON - Av. da Liberdade, 105, 3rd Floor - T: +351 21 121 44 00

LONDON - 2 Portman Street T: +44 20 7038 6200

LUANDA - Rua Gamal Abdel Nasser, Loanda Towers, Torre B 20º Escritório 1, Ingombotas - T: +244 222 441 362

MAPUTO – Rua Lucas Elias Kumato No. 283 - T: +258 21 342 811

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The company has three business activities - financial advisory services, asset management and brokerage - and currently has offices in Amsterdam, Cape Town London, Lisbon, Luanda and Maputo

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EAGLESTONE SECURITIES

Research

Tiago Bossa Dionísio

(+351) 964 643 530

tiago.dionisio@eaglestone.eu