

Banco de Fomento Angola Reports Full-Year 2022 Financial Results

BFA STRENGTHENS FINANCIAL SOUNDNESS AND STABILITY IN FY2022

- AOA 140.5 billion of **Net Profit** (-10.2 YoY).
- AOA 269.1 billion of **Operating Income** (+11.5% YoY).
- AOA 216.2 billion of **Net Financial Income** (+8.4% YoY).
- AOA 102.3 billion of **Overheads** (+1.1% YoY).
- AOA 2708.9 billion of **Total Assets** (+2.9% YoY).
- 38% **Cost-to-Income** (-3.9 p.p. YoY)
- 5.6% **ROA** (-0,1 p.p. YoY).
- 32% **ROE** (-4.4 p.p. YoY).

RISK MANAGEMENT REMAINS STRATEGIC AND THOROUGH

- 43.5% **Total Capital Ratio** (well above the 8% of regulatory capital requirement).
- AOA 404.8 billion **Total Capital** (vs. AOA 74.4 billion Regulatory Capital Requirement).
- 3.1% **90 Days Past Due Credit Ratio** (-0.7 p.p. YoY).

NATIONWIDE FOOTPRINT AND BREADTH OF SERVICES

- Nationwide Network.
- 194 Branches.
- 23,5% Debit Cards Market Share.
- 393 Active ATMs.
- +23,8% Active POSs.
- 223 496 BFA Net Subscribers (+3% YoY).

ADDITIONAL CUSTOMERS, EXPANDED BUSINESS, IMPROVED SUPPORT FOR THE ANGOLAN ECONOMY

- 2,616,535 **Customers** (+10.4% YoY).
- AOA 417.4 billion of **Loans to Customers** (+18.3 % YoY).
- AOA 2,040.2 billion of **Deposits from Customers and other Loans** (+1.7% YoY).
- 40,1% **Loan-to-Deposit Ratio** in Local Currency (+1.9 p.p. YoY).
- 44,9% **Public Debt Securities Market Share** (Market Leadership in the Secondary Market).

STRONG INVESTMENT IN THE ENHANCEMENT AND EMPOWERMENT OF THE HUMAN CAPITAL

- 2 709 Team Members.
- 1,319 Female Personnel, 347 in Leadership Positions.
- 84,2% of Staff Members hold a higher education qualification or are currently attending University.
- 107 001 Training hours (+75.7% training hours and +69% courses taught).

COMMITMENT TO FUTURE GENERATIONS

- +20 Projects implemented and aligned with the United Nations Sustainable Development Goals (SDGs).
- +44,000 children have benefited from BFA social activities and programmes.
- +6,000 Angolans have benefited from PSI's partnership to support the fight against malaria.
- +80,000 Angolans with access to drinking water.
- +AOA 22.6 billion in social investment (\equiv 55 million USD)¹.
- +AOA 1.64 billion in social investment FY2022 (\equiv 3.3 million USD)².

NATIONAL AND INTERNATIONAL ACKNOWLEDGEMENT

- Awarded "Bank of the year 2022" in Angola by "The Banker" magazine of the Financial Times Group.
- Awarded "Best Trade Finance Bank" in Angola by Global Finance Magazine.
- Best Customer Service accolade for Granting Loans by the Ministry of the Economy and Planning.
- Brand of Excellence Award - Superbrands 2022.

Luanda, 17th May 2023 - In FY2022, Net Profit of AOA 140.5 billion and a ROE of 32% (+6.27% higher than the 26.73% average recorded for the Angolan financial system), highlights BFA's strong annual financial performance in terms of its business operations' profitability.

Operating Income rose by +11.5% YoY amounting to AOA 269.1 billion. This positive performance was mainly driven by an increase in Net Financial Income (+8.4% YoY) and in Non-Interest Income (+26% YoY), with Income from financial assets and liabilities measured at fair value and foreign exchange Income accounting for 84.3% and 23.1% of the aforementioned growth, respectively.

Luís Gonçalves, BFA's Chief Executive Officer, highlights that: *Our vision "To be the No. 1 Bank for all Angolans and provide support for the sustainable development of Angola" remains as relevant today as it was 29 years ago.*

Our values ("closeness, transparency and innovation"), vision (described above) and mission (to develop financial solutions, products and services that enable a long-lasting relationship with our Customers and create value for our Shareholders) have led us to become this sound and strong financial stronghold. I am deeply proud of our institutional track record and endurance and all that our more than 2,700 team members have achieved collectively and individually. During these 29 years of history, we have never ceased to accomplish all that we can to better serve our Customers and our local communities."

HIGH-LEVELS OF FINANCIAL SOUNDNESS AND STRENGTH

Deposits from Customers and other Loans recorded a positive performance of +1.7% YoY, totalling AOA 2,040.2 billion.

Loans to Customers (net of impairments) amounted to AOA 417.4 billion (+18.3% YoY), offsetting the 13.9% decline recorded in the Securities Portfolio (AOA -169.5 billion). **Total Loans to Customers** (including Off- Balance Sheet Loans) stood at AOA 589.6 billion, up 11.4% YoY. This increase was mainly driven by the growth of Loans to Customers in Local Currency (LC), the leading component in the **Total Loans to Customers** which grew by 18.2% to AOA 428.4 billion, enabling to offset the negative exchange rate impact, as well as the actual decline in the Loan portfolio granted in Foreign Currency (FC).

The **Loan-to-Deposit Ratio** growth from 20.3%% to 23.1% in December 2022 (+2.8 % YoY) is in tune with BFA's strategy of granting more credit to the real economy. It is noteworthy the higher performance of the Loan-to-Deposit Ratio in local currency, which reached 40.1%, up 1.5 % YoY.

The **Credit Portfolio** quality improved during FY2022, with the recovery of Non-Performing Loans (NPL), as demonstrated by the decline in the **90 days Past Due Credit Ratio**, which stood at 3.1% (-0.7 p.p. YoY).

In acknowledgement of BFA commitment to grant more quality credit facilities to Households and Businesses, as well as for its efforts to foster a better business environment and the success of the activities developed under the Programme to Support Production, Diversify Exports and Replace Imports (PRODESI), BFA was awarded with the 'Best Customer Service for Granting Credit' accolade by the Ministry of the Economy and Planning.

Shareholders' **Equity** increased 14.7% YoY, amounting to AOA 484.3 billion in FY2022. This change was mainly driven by the increase in **Reserves and Retained Earnings** in the amount of AOA 78.2 billion (+31.2% YoY).

- The **Total Capital** amounted to AOA 404.8 billion (when compared to AOA 74.4 billion Regulatory Capital Requirements).
- The **Total Capital Ratio** stood at 43.5%, well above the minimum regulatory capital requirement (8%), and higher than the average of the Angolan financial system (28.41%). Hence, it highlights BFA's financial strength and soundness in terms of Liquidity and Capital Resources as well as its alignment with the business model.

Overheads also increased, by 1.1% YoY, amounting to AOA 102.3 billion in December 2022. Despite the 21.7% drop in Third-Party Supplies and Services, this increase was due to the 8.8% and 47.8% growth in **Staff Costs** and **Depreciation and Amortisation Costs**, respectively.

On the other hand, the **Cost-to-Income Ratio** rose from 41.9% to 38% (-3.9% YoY) as a result of a higher increase in Operating Income as compared to Overheads, outperforming once again the average of the Angolan Financial System (76.31%). Hence, the Cost-to-Income Ratio highlights BFA's cost-cutting programme positive results as well as the Bank's higher operating efficiency.

Nationwide Footprint and Breadth of Services

In 2022, BFA recorded a +10.4% growth in the number of Customers YoY, totalling 2,616,535 Customers. During 2022, over 246 842 new Customers restated their confidence in the BFA brand, thus publicly recognising the financial institution as a Brand of Excellence - Superbrands 2022.

With a nationwide footprint, BFA had by the end of 2022 a commercial network with a total of 194 outlets, as follows: Branches, Business Centres, Investment Centres and Private Banking. The Bank maintained its commitment to the comprehensive scope of its business, with a portfolio of products and services which enables BFA to meet its customers' needs and expectations. As a result, in 2022, BFA consolidated its market leadership position in the following business areas:

- In the **provision of means of payment**, BFA's debit cards market share stood at 23.3%, up +10.5% YoY, with a total of 1,592,795 debit cards. On the other hand, the POSs network recorded a sharp increase vis-à-vis 2021 reaching a 21.4% market share, with a total of 35,816 registered POS terminals. The improvements we have seen in the foreign exchange market enabled us to reinforce our international credit card network, reaching a total of 38,722 cards by year-end;

- Within the scope of the **Savings and Investment products** portfolio, which meet our Customers' and the market's needs. Through BFA Asset Management, the Bank provided 8 Securities Investment Funds, thus reaching a total of AOA 89,847 billion of assets under management;
- In the provision of **Public Debt Securities** (secondary market). Of the total number of deals performed in 2022, BFA attained a participation share of over 44.9% and a total share of 23.9% when analysing the turnover. At the end of 2022, BFA had 16 453 active accounts opened with the BODIVA Central Securities Depository (CEVAMA), representing a growth of 18.1% YoY, as well as a market share of 25.7% in the total number of CEVAMA accounts.

Strong Investment in the Enhancement and Empowerment of Human Capital

At the end of 2022, the Bank had 2,709 Employees, (-61 Staff members vs. 2021), this change is the result of voluntary departures and contract terminations for reasons of non-compliance with the Bank's Code of Conduct.

BFA maintains its commitment on the Personnel Development Programme, aiming to retain its talented Human Capital by fostering their professional growth in the different areas of the Bank. Hence, a total of 96 in-house mobilisations were successfully concluded.

Given the priority placed on empowering and upskilling employees' behavioural and technical skills, in 2022, over 40 courses were delivered, and more than 46,000 hours of training were provided when compared to the previous year, representing a positive increase of approximately 69% and 75.7%, respectively.

In October 2022, the Employee Office was launched, an in-house structure that provides support to the Team Members and offers them quality services with quick response times. This has led to an increase in productivity and dedication towards daily activities of each Team Member.

Commitment to the Next Generations

Since its inception in 1992, BFA has felt deeply committed to Angola's socio-economic development. Over the last 29 years it has financially supported numerous social programmes and projects, demonstrating a strong engagement and commitment to the Angolan society, its institutions and the people of Angola.

In 2022, as part of the BFA + Water + Life Project, it is worth highlighting the delivery of two newly built primary schools called Augusto Ngangula and Okaku, each consisting of three classrooms and with a capacity to accommodate over 100 children in the Xangongo and Okaku Communes, Ombadja Municipality, Cunene Province. In addition, over 200 books were delivered

to the Ombadja Municipal Council during the ceremony, which will be added to the Municipal Library's collection.

The Bank has strengthened its support for various social programmes and projects aligned with the United Nations Sustainable Development Goals (SDGs), with the aim of contributing to the eradication of poverty, promoting health, education, and improving the living conditions of Angolan children and their families. Among those social initiatives, the following stand out:

- AOA +22.6 billion social investment (\equiv 55 million USD)¹;
- AOA +1.64 billion social investment FY2022 (\equiv 3.3 million USD)²;
- +44,000 children have benefited from BFA social activities and programmes;
- +6,000 Angolans have benefited from PSI's partnership to support the fight against malaria;
- +80,000 Angolans with access to drinking water;
- +20 Projects implemented and aligned with the United Nations Sustainable Development Goals (SDGs).

In December 2022, BFA was awarded the "Bank of the Year 2022" accolade by the prestigious magazine "The Banker" of the Financial Times group, an acknowledgement of the significance and importance of our digital transformation project, for the sustainability of a 29-year-old financial institution with an unmistakable track record in the Angolan financial system. We are proud and motivated to continue doing even more and better.

In a nutshell:

The Bank feels better prepared to face the upcoming market challenges that will surely arise and to accelerate its process of delivering the most innovative solutions, with the purpose of raising to the highest professional standards the banking experience that it provides to all stakeholders who place their trust in the BFA brand.

We are confident that the decrease in market interest rates, the introduction of new regulations, among which we highlight the introduction of the ESG agenda, will create additional pressures on the capacity to generate revenues and control costs, and this new paradigm will force financial institutions to review their business model. Hence, we are convinced that BFA is well positioned to overcome the upcoming challenges and maintain a sustainable and profitable business model, taking advantage of our internal core strengths.