Banco Angolano de Investimentos

Growing retail presence

Edison themes

12 August 2025

Banco Angolano de Investimentos (BAI) is the largest Angolan bank by assets. It is a money centre, institutional-focused bank, with high investment and trading revenue, funded by a diversified deposit base. Its strong capital base and solvency position it for growth in an Angolan economic upswing. BAI's low loan-to-deposit ratio provides optionality in the long term to drive higher returns on assets and equity. It started to roll out credit more strongly during FY24, a trend that has continued in H125.

Year end	Revenue (Kzbn)	PBT (Kzbn)	EPS (Kz)	DPS (Kz)	P/E (x)	Dividend yield (%)
12/22	299.4	119.3	5,533	2,212	15.0	2.7
12/23	439.4	233.1	11,202	4,292	7.4	5.2
12/24	405.3	202.2	5,767	3,495	9.5	4.2

Source: BAI. Note: P/E and dividend yield based on last closing price.

Sustained recovery in the Angolan economy

Angolan GDP rose strongly in 2024 to 4.5%, with continued growth forecast for 2025 and beyond, despite recent tariff shocks and a lower oil price. Banco Nacional de Angola (BNA) has encouraged a stable currency, supported by healthy foreign reserves at 37% of external debt. While debt remains high, it is forecast to decline to 46.8% of GDP in the second part of 2025, with oil revenue sufficient to cover finance servicing costs. The Angolan government funded a US$200m margin call during the uncertainty earlier in the year. Inflation is on a downward trajectory, thanks to currency stability, and could drive an interest rate easing cycle from the latter part of 2025.

Strong client growth and credit potential

BAI has been successful in expanding its reach in recent years, with 27% per year average growth in distribution channels since FY20. This has helped the company to more than double its active customers to 2.7 million by H125. On a consolidated basis, BAI has increased its loan-to-deposit ratio from 18.6% in FY23 to 25.3% in FY24. For the Angolan company alone, the increase has been even more impressive: from 12.6% in FY23 to 24.5% H125. Credit quality has remained healthy despite the increased growth.

BODIVA strategy offers potential for BAI

The Angolan stock exchange increased its market capitalisation to 15.6% of GDP in 2024 and is targeting 50% over the next five years, supported by the launch of the Commodities Exchange, the Derivatives Market and a pipeline of initial public offerings (IPOs). BAI, as the largest listed equity on the exchange, is set to benefit from the increased volumes and liquidity that BODIVA's strategy may deliver.

Strong share price performance

BAI's share price has rallied by 48% year to date to Kz83,000/share, far outperforming local and regional peers. Its return on average equity (RoAE) of 26.4% (26% for the peer group), based on its consolidated financials, compares to a price-to-book multiple of 1.7x (peer group: 1.4x).

Price	**Kz83,000**
Market cap	**Kz1,614bn**
	Kz917.00/US$
Net cash at 31 December 2024	Kz1,058bn
Shares in issue	19.5m
Free float	60%
Code	BAI
Primary exchange	BODIVA

Business description

Banco Angolano de Investimentos (BAI) is a leading money centre bank in Angola. This thematic report assesses BAI in the context of Angola and its banking sector with reference to sub-Saharan peer countries and banking sectors. BAI is also compared to a subset of sub-Saharan peer banking companies in South Africa, Nigeria, Kenya and Botswana.

Edison themes

As one of the largest issuer-sponsored research firms, we are known for our bottom-up work on individual stocks. However, our thinking does not stop at the company level. Through our regular dialogue with management teams and investors, we consider the broad themes related to the companies we follow. Edison themes aims to identify the big issues likely to shape company strategy and portfolios in the years ahead.

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BAI: An exciting entry into Angolan banking

Introduction

Banco Angolano de Investimentos (BAI) is a leading full-service bank in Angola, with a presence in Portugal, Cape Verde and São Tomé and Príncipe. It was established in 1996 and has been listed on the Angolan stock exchange (Bolsa de Dívida e Valores de Angola or BODIVA) since 2022. It produces annual financial results on a consolidated basis, with quarterly disclosure from its Angolan subsidiary. Analysis of the listed entity ('consolidated') is supported by that of the Angolan 'company' where more recent data is available. BAI successfully grew its retail client base to almost 2.7 million Angolan customers in H125. Combined deposits on a consolidated basis were Kz4.2tn (US$4.68bn) in FY24, while deposits for the company grew by 5% to Kz3.8tn in H125.

Key growth themes

There are five key themes that support BAI's future growth: diversified funding, investment in distribution, upside for deposit-taking businesses, relatively low credit levels offering optionality and its competitive edge.

Money centre bank with diversified deposit funding

BAI has established itself as a leading money centre[1] type bank in Angola, earning most of its income from corporate, government, financial institutions and other clients through the provision of investment, trading and sales services (referred to as trading operations below), with a large focus on foreign exchange related services. It relies on an increasingly diversified deposit pool to fund its trading operations, which are the main driver of revenue (see Exhibit 6), with its other operations making a limited contribution. Deposits at approximately 80% of total assets are fairly evenly split by source between corporate and retail (including private banking) deposits. Only a modest proportion of deposits are deployed in credit extension. According to the FY24 company results (Angola only), 1.3% of private banking deposits were extended as credit, 13.4% of corporate banking deposits and 44.7% of retail banking deposits, with 19.3% for the combined book. This increased sharply over FY24 from 12.6% in FY23 and reached 24.5% in H125 (with retail banking likely being the main driver). The remainder of deposits are deployed in trading operations.

Significant investment in distribution

In Angola, BAI has invested heavily in its distribution, resulting in strong growth in customers and a ramp-up in deposits. Over the past four and a half years, BAI has grown distribution channels in its Angolan company from 313 in FY20 to 924 in H125 (a compound annual growth rate, or CAGR[2], of 27% pa), with active ATMs growing by 7% on average (see Exhibit 7). This has resulted in a strong increase in active customers (CAGR of 17% per year) and a more than doubling in active cards from 0.86 million to 1.85 million, with strong growth in direct users in the past three years.

This meaningful investment started to bear fruit in FY23, with 40% deposit growth (domestic deposits grew by 23% in the year, with the remainder benefiting from currency depreciation). Following the currency depreciation, the growth slowed in FY24 but has picked up in H125, with 9.9% annualised[3] growth in the half. With the kwanza stable since October 2024, we expect the

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1 A money centre bank is a large, internationally active bank located in major financial centres, facilitating large transactions for corporations, governments and banks, typically funded through money markets, with key activities such as corporate banking, investment banking and foreign exchange services.

2 CAGR (30% per year) = (end-value (924) ÷ start-value (313)) ^ (1 ÷ term (4½ years)).

3 Annualised growth (18.5%) = ((1 + half-yearly growth (4.8%)) ^ 2) – 1 (see page 9 for more context).

delayed effect of BAI's past investments, as well as continuing investment efforts, to position the company strongly for deposit growth in the coming years.

The bank's strategy (Strategic Plan 2022–27) is aimed at furthering its diversification (deposit-led, backed up by its investment in distribution), with a keen focus on developing its retail (deposit-led) and corporate banking operations and, we assume, reducing its reliance on trading revenue. The five strategic streams are: a) putting customer experience at the centre of the operation; b) boosting business profitability; c) actively promoting a culture of high performance and meritocracy; d) favouring digital transformation as the anchor of operational efficiency; and e) consolidating the financial group by implementing best practices in risk management and sustainability.

Upside potential for corporate, retail and private banking businesses

BAI's strong growth in deposits has been achieved at the expense of near-term profitability in its corporate, retail and private banking businesses (based on its disclosed company segmental allocations – see BAI's positioning and strategy section below). The healthy increases in these funding sources have negatively affected net interest income for corporate banking, retail banking and private banking as this funding was used for its sales and trading operations. Corporate banking deposits made up 54.3% of the total in FY24 (Kz1,986bn), with 26.4% from retail banking (Kz967bn) and 19.3% from private banking (Kz703bn), but these businesses produced negative total banking income over the period with sales and trading driving revenue in the year. Improved disclosure, allowing for transfer costing from sales and trading to corporate, retail and private banking segments, would be useful.

BAI's private banking business has been a loss leader over the past three years with consistent negative net interest income only partially offset by positive non-interest income. Its leadership position in this space has been important as a shop window for its other more profitable businesses. However, the company is intent on driving improved profitability in this business, with increased fee income an area of focus.

Net interest income for its corporate banking business had deteriorated over recent years due to a large uptick in deposits, attracting interest payments, while being deployed in its sales and trading operations (without commensurate transfer costing). This position reversed in FY24 and the division produces positive total banking income.

The retail bank had consistently produced positive net interest income (unlike other operations), although this reversed in FY24. With the meaningful increase in credit extension over FY24 and into H125, we expect a strong improvement in this position. This business is expected to be an important driver of the bank's credit provision growth (as conservative as its lending strategy is), which could meaningfully improve net interest income and share of total earnings.

Relatively low credit levels offer optionality

BAI has one of the lowest levels of credit extension in Angola (loan-to-deposit ratio of 19.3% for its Angolan operation and 25.3% for the consolidated group in FY24) and significantly below its sub-Saharan African peers. Credit extension started to pick up in FY24 and has accelerated further in H125 (Angolan company up to 24.5%).

The retail credit market is particularly underdeveloped, and long-duration collateralised loans are rare (with very few 20-year home loans and very few five-year vehicle finance arrangements). In FY24, 62% of BAI's Angolan company credit of Kz707.4tn was extended to retail bank and private bank customers, which is a sharp increase on 47% in FY23 (see Exhibits 5 and 7). This is a very positive trend and was achieved by growing loans related to consumptions and credit cards, while home loans offer untapped potential (less than 5% of total credit).

BAI's retail banking business usually produces healthy positive net interest income and has the potential to grow meaningfully from current levels. However, it would require the development of an expanded lending suite, with a keen focus on collateralised loans and longer-duration loans. Success in developing a more liberal credit model would provide optionality for BAI, with the potential of diversifying net interest income and reducing dependency on sales and trading.

Maintaining its competitive edge

An emerging theme for the Angolan banking sector (over the past two years and beyond) has been an acceleration in distribution across the board. However, increasing onboarding and system headaches have affected banks' ability to effectively service and entrench new clients. BAI has faced similar issues but has been more successful in addressing them through concerted investment in onboarding processes and systems. This has provided the bank with a competitive edge in the distribution drive. The bank is confident that it can use this competitive standing to entrench its position as the leading accumulator of Angolan deposits over the coming years.

Sensitive to deposit growth, FX and trading

As a money centre bank, BAI is sensitive to deposit growth, which allows it to bolster its investment activities and earnings from its main source of income. Deposit growth is affected by economic activity, which in turn is influenced by oil production and prices. Earnings in kwanzas are sensitive to the exchange rate due to BAI's exposure to foreign currency deposits and loans. However, while a weaker currency would increase local currency results, it would put' pressure on US dollar-based earnings. The company experienced strong trading profits in FY23, affected by currency depreciation, which delivered a spike in the Angolan company non-interest trading and sales contribution to Kz181bn (see Exhibit 6). While these profits moderated in FY24 amid a more stable currency environment, they remained sizeable at Kz81bn.

Entry point into growing economy and banking sector

Although Angola is very oil dependent, carries high levels of debt and is vulnerable to exchange rate fluctuations, it is politically stable and growing in fiscal maturity (it successfully managed external debt obligations, a decline in forecast debt/GDP, removed fuel subsidies and sustained a stable currency over the past year). Additionally, it has a youthful population and abundant natural resources and is a member of the Southern African Development Community. Angola potentially has opportunities for investment in its food production and manufacturing capabilities, the stimulation of its retail economy, increased participation in the regional economy and its natural resources (mainly oil and gas), which contribute c 10% of GDP and c 59% of government revenue.

The Angolan banking industry is very active and growing, with healthy balance sheets, strong oversight and increasing regulatory convergence with global standards. The industry has a large focus on banking infrastructure (payments system, network channels), increased participation (issuing bank cards, a growing ATM network, driving electronic pay point availability and supporting interbank transactions) and regulatory oversight (Financial System Assessment Program, sectoral risk assessment, Prevention of Money Laundering Act and ESG).

BAI is the largest of six listed Angolan banks, with leading positions in total assets, investments and deposits. It is strongly capitalised (H125 capital adequacy ratio of 22.8%), with healthy deposit-led growth momentum and meaningful upside optionality from a credit provision point of view. It has a strong track record of return on assets (3.7% on average over the past four years on a consolidated basis and 4.1% on average for the Angolan company alone) and equity (26.4% on average on a consolidated view and 31.2% on an Angolan company view). After a strong share price performance following its Q125 results, BAI trades at a price-to-book value of 1.7x versus the 1.4x average for our selected peer group and 1.8x for Banco Caixa Geral Angola (BCGA).

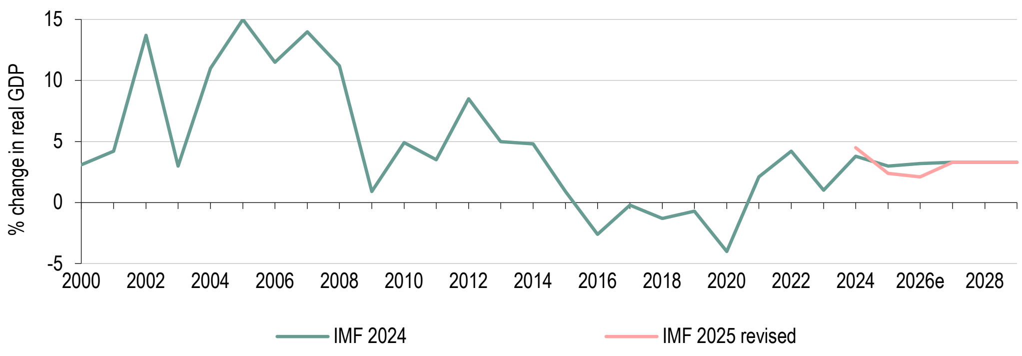
The Angolan economy

Angola is a developing economy with a large dependence on oil revenue, high levels of foreign debt and an exchange rate that is very sensitive to external influences.

Economic growth

Angola's GDP growth has been recovering steadily since falling to -4% (ie contraction) in 2020 due to COVID-19 and low oil prices. It experienced a strong recovery in 2021 (2.4%), which accelerated in 2022 (4.2%) thanks to higher oil prices (Brent Crude rose by 45% in 2021 and a further 11% in 2022). Real GDP growth moderated to only 1% in 2023 as the oil price fell by 6% and Angola was affected by a meaningful 39% depreciation in the kwanza versus the US dollar. Following the stabilisation of the kwanza at around Kz828 against the US dollar from July 2023 then at Kz915 from October 2024 and a stable oil price over 2024, economic growth picked up again and ended at 4.5% for the year. The International Monetary Fund (IMF) has recently moderated its Angolan GDP growth outlook for 2025 from 3% to 2.4% (April 2025 World Economic Outlook), due to global uncertainty around tariffs and a lower oil price (Brent Crude is 10% down year to date at US$68.5 per barrel).

Exhibit 1: Real GDP growth



Source: IMF

The Angolan economy remains highly dependent on oil production and exports, and the country is facing some pressure on oil revenues over the remainder of 2025 and into 2026, due to the lower oil prices and reduced oil production in 2025 (H125 production was down 7%) after a modest production increase in 2024. The country's decision to exit the Organization of the Petroleum Exporting Countries (OPEC) has freed it to grow oil production beyond OPEC's 1.1 million barrels per day quota it faced in 2024. However, it may take time for Angola to meaningfully achieve this, with some gas projects coming online during 2026, but several other key projects not expected to come online until after 2027. In the meantime, non-oil GDP continues to grow at a healthy pace, slowly increasing the diversification of the economy.

Currency stability returning

The depreciation of the kwanza against the US dollar was a key feature of 2023 and a focus of our 2024 report. The currency was effectively stabilised from August 2023 to April 2024 and, following a brief period of depreciation (losing 9% against the US dollar and moving to Kz910), the kwanza has been stable against the US dollar since October 2024. The Angolan central bank, BNA, appears to have been a supporter of currency stability. BNA's ability to play an active stabilising role (if it chooses to) would be supported by healthy foreign reserves of c US$15.3bn (c 37% of external debt), which received a c US$800m boost in December 2024 from external debt inflows. While the lower oil price and decline in oil production may place pressure on foreign reserve accumulation, the current high level of reserves bodes well for sustained currency stability.

Angolan inflation began rising in August 2023, coinciding with the kwanza depreciation, and rose from 10.6% to 20.1% over the year. It peaked at 31.1% in June 2024 and has been steadily declining since, reaching 23.8% in March 2025. Inflation is forecast to fall to c 19% by year end, according to the Angolan general state budget (OGE2025). The IMF forecasts a further reduction to 12.7% in 2026, which is reasonable considering the stable currency since October 2024.

Interest rates remain high but are expected to decline in 2025

In response to the high inflation, the basic interest rate, known as the BNA rate, was raised to 19.5% by the end of 2024, with the marginal lending facility at 20.5% and the marginal liquidity absorption facility at 18.5%. The BNA has not eased the rate in 2025. However, it cut the liquidity absorption facility by 100bp to 17.5%, as well as the reserve requirement ratio in kwanza from 21% to 18% and is expected to ease the BNA rate by a possible 100bp by December 2025, according to the FocusEconomics panel. The Luibor overnight rate has shown some signs of easing in 2025 and most recently traded at 20.3%, after ending 2024 at 22.5%. The one-month and three-month rates are both 18.9%. The yield curve remains elevated with two-year yields at 15% and the 10-year yield at 23%. If inflation continues to decline over the remainder of the year and an interest rate easing cycle begins, we expect yields to fall, although pressure on foreign oil revenues may act as an offsetting factor.

Lower external debt/GDP forecast

According to the public debt management unit of the Angolan finance ministry, total government debt is forecast to rise from Kz55.2tn at the end of 2024 to Kz57.5tn at the end of 2025, with net new issuance of Kz1.1tn in the domestic market and Kz1.2tn in the external market. Based on current GDP forecasts, this implies a reduction in the combined debt/GDP ratio from 68.9% in 2024 to 63.4% in 2025 (of which 46.8% is forecast to be external debt). The external debt servicing cost is forecast at 85% of oil revenue, while interest on total debt represents c 22% of tax revenue and total debt service c 92% of foreign reserves. Angola faced a US$200m margin call from JP Morgan in recent months, relating to a one-year total return swap deal collateralised by Angolan Eurobonds, after yields rose following tariff-related uncertainty. While the margin call was promptly paid, it adds pressure to state finances, especially in the light of lower oil production and crude prices.

Economic outlook

The IMF has recently moderated its 2025 Angolan GDP outlook, due to global uncertainty around tariffs and lower oil prices.

Exhibit 2: Selected economic indicators for Angola

	2023	2024p	2025e	2026e	2027e
Real GDP growth	1.00%	4.50%	2.40%	3.20%	3.30%
Oil sector	-2.40%	3.20%	0.30%	0.00%	0.00%
Non-oil sector	2.20%	3.90%	3.40%	3.80%	3.80%
CPI (period-end)	20.00%	27.50%	18.90%	12.70%	10.00%
GDP (US$bn)	109.5				
GDP per capita (US$)	2,967	2,991	2,782	2,676	2,734
Total revenue (% of GDP)	17.40%	16.60%	16.00%	15.80%	15.30%
Oil revenue (% of GDP)	10.30%	10.00%	9.70%	9.50%	8.90%
Total expenditure (% of GDP)	19.30%	17.60%	17.30%	17.70%	17.40%
Non-oil primary fiscal balance (% of GDP)	-6.40%	-5.70%	-7.20%	-7.10%	-6.70%
Trade balance (% of GDP)	19.90%	19.70%	17.00%	17.20%	16.70%
Current account balance (% of GDP)	3.80%	4.10%	2.40%	2.30%	2.20%
Gross international reserves (US$bn)	14.727	15.227	15.277	15.427	15.727
Exchange rate (vs US$)	829	907	917*		
Interest rate	17.30%		19.5%**		
Public debt/GDP	71.40%	62.40%	63.30%	61.80%	29.50%
Government debt/GDP	67.90%	60.40%	61.90%	61.10%	56.80%
Oil and gas production (millions of barrels/day)	1.205	1.262	1.266	1.266	1.267
Oil and gas exports (US$bn)	34.7	35.4	31.5	30.5	30.7

Source: IMF. Note: p, preliminary; e, expected. *Spot rate at 7 August 2025. **As at 7 August 2025.

BAI's positioning and strategy

Strategy in a nutshell

BAI operates a banking business in Angola that generates virtually all of its revenue from sales and trading but is funded via an increasingly diversified deposit pool. Deposits have made up approximately 78% of total assets on a consolidated reporting basis since FY21. On a company reporting basis (its Angolan-based business), the deposit share has declined from 89% in FY20 to 80% in H125, as BAI increased its own funds to support growth in credit provision. Since then, an increasing proportion of deposits has originated from retail (including private banking) clients as the company has successfully grown its retail client base.

In our 2024 report, we highlighted the small proportion of deposits that the bank deployed in credit extension. From FY21 to FY23, the loan-to-deposit ratio averaged 13.9% on an Angolan company reporting basis, with only 10% of corporate deposits, 27% of retail deposits and 4.4% of private banking deposits used for credit extension (on average). There was a meaningful upswing in FY24 for retail banking as the loan-to-deposit ratio increased from 22.3% to 44.7% (1.3% for private banking and 13.4% for corporate banking), with the total loan-to-deposit ratio growing from 12.6% to 19.3%. During H125, the ratio increased further to 24.5% and it appears to again have been retail-driven.

The proportion of total deposits deployed in trading and sales operations (on an Angolan company basis) has declined from 85% in FY23 to 79% in FY24, reducing from Kz3.9tn to Kz3.6tn as credit extension grew. These funds were committed to money and FX markets and the management of BAI's own securities, including investments and deposits in other credit institutions. Sales and trading were the main driver of net interest income over the past three years (see Exhibit 6), with its other operations generating negative net interest income on average over the period. Sales and trading similarly produce the bulk of non-interest income for BAI.

BAI's private banking business has been a loss leader, with consistent negative net interest income only partially offset by positive non-interest income (FY24 total banking income was a loss of

Kz14.9bn, 68% up from Kz8.9bn the prior year). Its leadership position in this space has been important as a shop window for its other, more profitable businesses. However, the company is intent on driving improved profitability in this business, with increased fee income an area of focus.

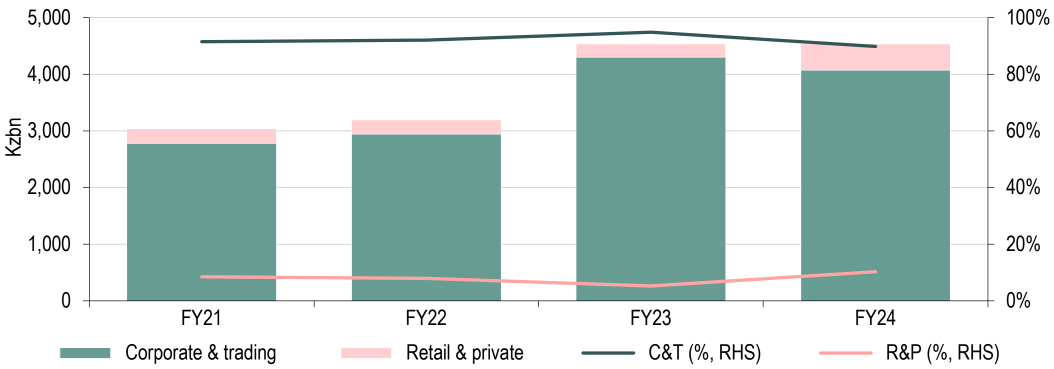
Net interest income in the corporate banking business has deteriorated over recent years (from a loss of Kz5.9bn in FY22 to a loss of Kz26.5bn in FY23) due to a large uptick in deposits, attracting interest payments, while being deployed in its sales and trading operations (without commensurate transfer costs). The corporate banking division still produced positive total banking income until FY22 (down to a loss of Kz14.2bn in FY23 from Kz16.2bn in FY22), thanks to healthy non-interest income. This situation reversed in FY24, with positive net interest income of Kz6.1bn, driving total banking income of Kz6.3bn.

The retail bank was the only segment (other than sales and trading) that consistently produced positive net interest income, but this position reversed in FY24 as net interest income became negative Kz17.2bn. This business is expected to be an important driver of the bank's credit provision growth (as conservative as its lending strategy is), which could meaningfully improve net interest income and share of total earnings in future years.

Strong corporate and trading focus

From an asset and revenue point of view, BAI is still very dependent on corporate banking and trading. After a consistent increase in the total assets of the Angolan banking operation related to corporate banking and trading from 91.5% in FY21 to 94.8% in FY23, we saw a decrease to 89.8% in FY24 as growth in retail and private banking started to pick up. In FY24, Kz3.6bn out of Kz4.5bn of total assets related to trading, but we anticipate the 8.5% increase in total assets to Kz4.9bn in H125 was likely related to further growth in retail deposits.

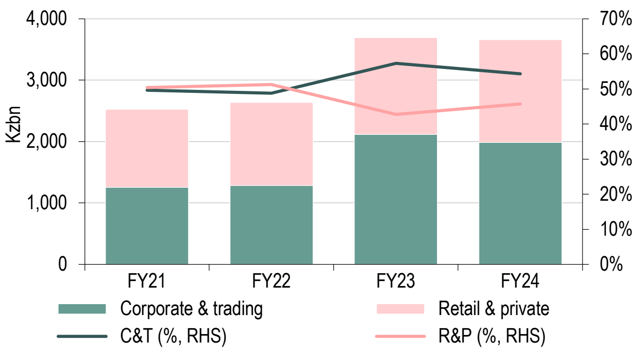
Exhibit 3: BAI Angolan company* asset split



Source: BAI, Edison Investment Research. Note: Asset split not available for H125. *Angolan company results (also translated as individual financial statements) as opposed to consolidated results.

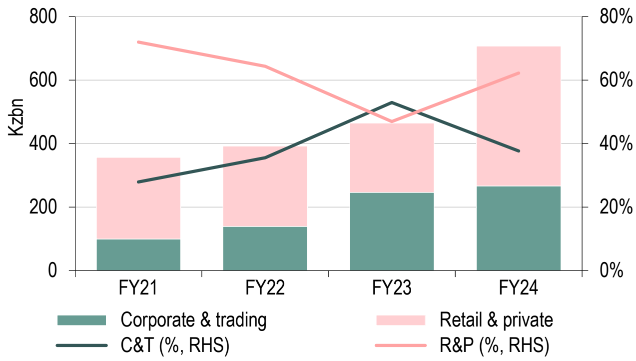
The bank funding split has been much more even, with a growing proportion of deposits originating from retail clients (Kz1.7tn out of a total of Kz3.7tn in FY24). The kwanza depreciation in FY23 reversed the recent trend (retail and private deposits reduced to 42.7% of the total after having increased to 41.2% in FY22). Thanks to modest retail deposit growth in FY24, the trend returned with retail and private deposits back up to 45.7%. We suspect that the 4.8% growth in H125 total deposits to Kz3.8bn (9.9% annualised growth) would have benefited retail deposits, further supporting this trend.

Exhibit 4: BAI Angolan company* deposit split



Source: BAI, Edison Investment Research. Note: Deposit split not available for H125. *Angolan company results (also translated as individual financial statements) as opposed to consolidated results.

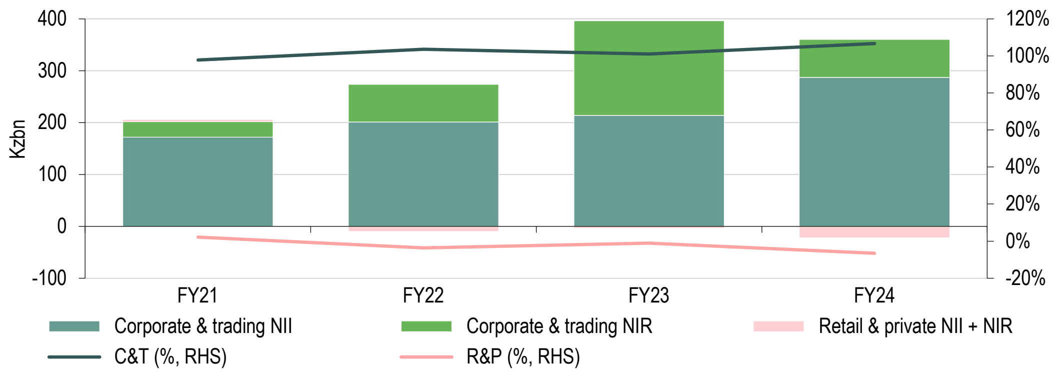
Exhibit 5: BAI Angolan company* credit split



Source: BAI, Edison Investment Research. Note: Credit split not available for H125. *Angolan company results (also translated as individual financial statements) as opposed to consolidated results.

After reducing as a proportion of total credit from 72% in FY21 to 47% in FY23, retail and private banking credit increased to 62.3% in FY24. We suspect that this proportion increased even more in H125, with a large proportion of the 25% increase in total credit from Kz737bn at FY24 to Kz938bn being as a result of retail credit extension.

Exhibit 6: BAI Angolan company* revenue split



Source: BAI, Edison Investment Research. Note: Revenue split not available for H125. *Angolan company results (also translated as individual financial statements) as opposed to consolidated results. NII, net interest income; NIR, non-interest revenue.

The bulk of banking revenue has been trading related over the past four years, contributing more than 100% of net interest income and between 76% and 97% of non-interest revenue. Non-interest income for corporate and trading spiked to Kz181.2bn in FY23, with increased activity associated with the depreciating currency environment. While these windfall profits moderated in FY24 amid a more stable currency environment, they remained sizeable at Kz81.9bn. While corporate banking and trading will likely continue to deliver the lion's share of banking revenue in the medium term (in line with BAI's money centre bank strategy), the position could start to shift over the next few years on the back of increased credit extension driving up net interest income for retail banking.

Strong distribution growth

In Angola, BAI has invested heavily in distribution growth, resulting in strong growth in customer numbers and a ramp-up in deposits. BAI has made meaningful investment over recent years towards further diversifying its funding base by growing its distribution. Over the four and a half years to 30 June 2025, BAI grew distribution channels (branches, agencies, bank agents and ATM centres) from 313 to 924 (CAGR of 27% per year) in its Angolan business. Year-on-year growth was 20.8% in H125.

Active ATMs have grown by a 7% CAGR (to 642), with another 34 added in H125. Active pay points have stabilised at 34,316 at 30 June 2025, down 1% on 31 December 2024. Active customers increased by 7.2% year-on-year to 2.7 million during H125, driving a more than doubling from 1.3 million in FY20. Active cards grew by 7.8% year-on-year in H125, an impressive 18.4% per year on average since FY20.

This meaningful investment in distribution helped to drive retail and private bank deposit growth of 16.8% in FY23, which slowed in FY24 to 5.8%. However, we expect this growth rate to have improved in H125 based on annualised total deposit growth of 9.9% in the half.

The strong growth in distribution and active customers was achieved with only a modest increase in employee count from 1,905 in FY22 to 1,981 in H125.

The bank's strategy (Strategic Plan 2022–2027) is aimed at furthering its diversification, with a keen focus on developing its retail and corporate banking operations and, we assume, reducing its reliance on sales and trading revenue. The five strategic streams are:

- putting customer experience at the centre of the operation;
- boosting business profitability;
- actively promoting a culture of high performance and meritocracy;
- favouring digital transformation as the anchor of operational efficiency; and
- consolidating the financial group by implementing best practices in risk management and sustainability.

Exhibit 7: BAI Angolan company* financials highlights

Kzbn	FY20	FY21	FY22	FY23	FY24	H125	FY21G	FY22G	FY23G	FY24G	H125G**	CAGR***
Balance sheet												
Total assets	3,057	3,055	3,195	4,537	4,536	4,920	0%	5%	42%	0%	8%	11%
Loans	367	357	392	465	707	938	-3%	10%	19%	52%	33%	23%
Deposits	2,705	2,526	2,637	3,692	3,656	3,833	-7%	4%	40%	-1%	5%	8%
Own funds	291	434	468	641	713	838	49%	8%	37%	11%	18%	26%
P&L												
Net interest income	132	169	189	201	254	182	28%	12%	6%	26%	64%	25%
Non-interest income	101	50	75	191	84	141	-50%	50%	155%	-56%	729%	26%
Administrative costs	(86)	(127)	(142)	(147)	(166)	-87	48%	12%	4%	13%	19%	17%
Net profit	29	142	100	200	151	189	390%	-30%	100%	-25%	278%	77%
Operation												
Employees	2,015	1,874	1,905	1,909	1,948	1,981	-7%	2%	0%	2%	4%	0%
Distribution channels	313	419	541	750	888	924	34%	29%	39%	18%	21%	27%
Active customers	1,335,259	1,608,483	1,966,667	2,375,365	2,548,140	2,680,712	20%	22%	21%	7%	7%	17%
Direct users	754,661	536,137	670,807	809,021	912,020	939,638	-29%	25%	21%	13%	7%	5%
Active ATMs	469	510	549	569	608	642	9%	8%	4%	7%	6%	7%
Active POS	25,181	29,514	34,056	36,998	34,691	34,316	17%	15%	9%	-6%	-5%	7%
Active cards	862,138	1,098,114	1,403,319	1,656,178	1,775,925	1,845,183	27%	28%	18%	7%	8%	18%
Ratios and metrics												
Cost/income ratio	36.9%	58.0%	54.0%	37.5%	49.2%	27.0%						
Cost/income (ex FX)	65.2%	75.1%	75.1%	73.1%	65.4%	47.8%						
Loans/deposits	13.6%	14.1%	14.9%	12.6%	19.3%	24.5%						

Source: BAI, Edison Investment Research. Note: G = percentage change; POS = points of sale. *Angolan company results (also translated as individual financial statements) as opposed to consolidated results. **H125 growth on FY24 for balance sheet items and year-on-year versus H124 for other items. ***Compound annual growth rate from FY20 to H125.

Loan growth had lagged deposit growth until FY23 (as flagged in our previous research), with the loan-to-deposit ratio moderating to a low 12.6% in FY23. However, since FY24, there has been a strong pick-up in growth with 52% loan book growth in FY24 and 33% growth in H125 to Kz938bn. This has pushed the loan-to-deposit ratio up to 19.3% at FY24 and 24.5% at H125.

The cost-to-income ratio excluding the effects of forex revaluation moderated from 75% in FY21 and FY22 to 73% in FY23, and improved even further to 65.4% in FY24. Staff costs grew by 8% in FY24 and third-party service costs increased by 30%, a reversal of the credit impairments in FY23 (from negative Kz21.9bn to Kz7.4bn in FY24).

Financial performance

On a consolidated basis, BAI's FY23 performance was bolstered by the devaluation of the kwanza, reflected in a 131% increase in non-interest income, which drove a 108% increase in net profit to Kz208bn. During FY23, non-interest income benefited from large trading-related income, boosted by increased activity related to the kwanza depreciation. This trading is conducted using the company's own balance sheet but is funded by deposits from its other operations. This situation reversed in FY24, with non-interest income down 56% from the high FY23 base (at Kz85bn, it was broadly in line with the FY22 level of Kz84bn). As a result, net profit moderated to Kz171bn in FY24, 18% lower than the elevated FY23 base and well ahead of the Kz100bn posted in FY22.

All major balance sheet items also benefited from the depreciation in FY23, with offshore deposits and loans increasing by 43% and 45%, respectively. However, we note that local currency deposits grew by 45% in FY23 and, despite the currency depreciation, still made up 55% of total deposits. During FY24, the kwanza was more stable, with deposit (+3%) and total asset (+4%) growth more muted. However, loans grew by an impressive 41% in a stable currency environment.

The company has benefited from healthy growth in net interest income over the past four years (averaging 20% per year), with the outlook positive considering the FY24 increase in the loan book.

The investment in distribution over recent years has had an impact on administrative cost growth, with the 18% increase in FY24 also affected by the spike in Angolan inflation. Net interest income growth of 26% in FY24 outstripped cost growth, resulting in a positive cost-to-income ratio trend (52.8% in FY24 compared to 55% in FY22, with FY23 distorted as a result of high one-off trading income).

Both RoAE and return on average assets (RoAA) were elevated in FY23 due to the strong trading-related income in the year. These metrics both returned to more normalised levels in FY24, albeit improved from FY22, with RoAE of 20.9% versus 19.5% and RoAA of 3.2% versus 2.8%. Over the past five years, average RoAE was 23.2% and RoAA was 3.2%, including the extraordinary performance in FY23.

Exhibit 8: BAI consolidated financial summary

Kzbn	FY20	FY21	FY22	FY23	FY24	FY21G	FY22G	FY23G	FY24G	CAGR*
Balance sheet										
Net assets	3495	3490	3658	5263	5477.2	0%	5%	44%	4%	12%
Loans	502	491	526	762	1075.5	-2%	7%	45%	41%	21%
Deposits	2941	2737	2863	4105	4245.5	-7%	5%	43%	3%	10%
Own funds	382	496	530	769	863.49	30%	7%	45%	12%	23%
Results										
Net interest income	143	181	205	231	291.8	27%	13%	13%	26%	20%
Non-interest income	109	43	84	194	85	-61%	95%	131%	-56%	-6%
Administrative costs	(100)	(145)	(165)	(182)	-214	45%	14%	10%	18%	21%
Net profit	34	148	100	208	171	335%	-32%	108%	-18%	50%
EPS (Kz)	N/A	N/A	5,533	11,202	8767					
DPS (Kz)	N/A	N/A	2,212	4,292	3,495					
Ratios and metrics										
Cost/income ratio	36.9%	62.1%	55.0%	41.5%	52.8%					
RoAE	9.7%	33.8%	19.5%	32.1%	20.9%					
RoAA	1.0%	4.2%	2.8%	4.7%	3.2%					
Loans/deposits	13.6%	17.9%	18.4%	18.6%	25.3%					
NPL ratio (+90 days)	14.2%	9.8%	11.3%	11.1%	8.0%					
Credit loss ratio	5.0%	0.0%	-0.6%	-2.5%	0.6%					
Loans/assets	21.4%	23.2%	19.8%	19.5%	24.3%					
Regulatory capital ratio	17.0%	14.0%	25.2%	26.4%	23.4%					

Source: BAI, Edison Investment Research. Note: G, percentage change. Consolidated H125 results not available at time of writing. *Compound annual growth rate from FY20 to FY24 (measured in local currency).

The loan-to-deposit ratio on a consolidated basis increased sharply in FY24 from 18.6% to 25.3% due to a strong pick-up in credit extended in Angola. The consolidated position of 25.3% compared to 19.3% for Angola alone at FY24 and 24.5% at H125. BAI's loan-to-deposit ratio has started to move closer to its Angolan peers (28.2% on average), but remains low compared to other African banking sectors and peers (55% on average).

Consolidated H125 results were not available at the time of writing this report.

Upside from rise in credit levels

At the time of our previous report, BAI had one of the lowest levels of credit extension in Angola, with a loan-to-deposit ratio of 15.3% for its Angolan operation at 30 June 2024 and 18.6% for the group at end-FY23, significantly below its Sub-Saharan African peers. This position started to reverse over the remainder of FY24 and into H125, with the Angolan loan-to-deposit ratio rising to 24.5% at H125 and the group improving its end-FY24 position to 24.3%. This improvement was almost exclusively driven by strong growth in the retail banking business, supported by healthy growth in distribution channels, active ATMs and direct users.

The company has exhibited an improved appetitive for credit since our previous report and has delivered growth without any noticeable deterioration in credit quality. The non-performing loan (NPL) ratio over 90 days fell from 11.1% on a consolidated basis in FY23 (18.6% in the Angolan company only) to 8.0% in FY24 (10.8% for the Angolan company), and further to 7.8% at H125 for the Angolan company. The credit loss ratio in FY24 of 0.6% represents a reversal from the -2.5% in FY23 as credit quality improved. This remains an area to monitor, given the continued strong credit growth in H125.

Net interest income from private banking has consistently been negative over the past four years, while corporate banking turned negative in FY22 and particularly in FY23 before becoming positive again in FY24.

BAI's retail banking business shifted into negative net interest income during FY24, but we expect this to improve over time, considering the meaningful growth in credit extension. Over the longer term, there is further upside through continued credit growth. However, this would require the development of an expanded lending suite, with a focus on collateralised loans and longer-duration loans.

BAI's business loan offering largely comprises short-duration products (12 months or less), including treasury, revolving credit and overdraft facilities. It offers longer-term products in the form of BAI Start-up (up to 96 months) and Credit More Investment (up to 144 months).

Most of BAI's retail loan offering is also short term (up to 12 months), including credit card, overdraft, current account loans, personal loans and salary advances, with interest rates varying from 19% to 23%. However, it offers home loan products (up to 25 years), vehicle finance (up to five years) and pensioner credit (up to 26 months), but these products are as expensive, or more expensive, than short-duration unsecured products (interest rates of 18.5% to 19.0%) and are currently underutilised.

Success in developing a more liberal credit model provides optionality for BAI, with the potential of meaningfully diversifying net interest income and reducing dependency on sales and trading.

Peer comparison

Operational metrics

Exhibit 9 below summarises several key financial and operational metrics for BAI and the peer companies we have selected.

By asset size, the two Angolan banks, BAI and BCGA, are of the smallest in the peer group, which is a factor of the Angolan banking sector being smaller than South Africa, Nigeria and Kenya. However, both Angolan companies have delivered positive four-year CAGRs on US dollar deposits despite meaningful local currency depreciation, especially in 2023. This positions them in line or ahead of their South African peers (but not Capitec) and many other peers (except for Equity Group in Kenya and FNB Botswana).

Exhibit 9: Key peer financial and operational metrics

	Size (US$bn assets)	Four-year deposit CAGR (US$)	Loan-to-deposit ratio	CET1	CAR	NIM/ deposits	NIR	NPL	Provisions /loans	Cost/income ratio
Standard Bank	178.5	0.6%	77%	13.7%	15.6%	5.0%	38%	6.3%	0.9%	51%
Absa	113.8	1.1%	91%	14.4%	15.8%	5.5%	35%	7.0%	1.2%	53%
Zenith	20.0	0.9%	44%	20.6%	25.6%	8.3%	39%	3.5%	6.9%	62%
Equity Group	14.0	12.5%	58%	17.3%	19.0%	8.6%	44%	5.4%	2.7%	71%
Capitec	12.8	4.2%	53%	37.2%	38.0%	12.6%	54%	27.3%	9.6%	39%
Guaranty	9.6	-7.3%	26%	36.0%	39.3%	8.7%	36%	5.2%	5.2%	26%
BAI	6.0	1.0%	25%	23.4%	23.4%	6.7%	28%	11.1%	-0.6%	41%
FNB Botswana	2.7	3.0%	61%	16.0%	18.8%	6.9%	46%	4.2%	-0.3%	50%
Banco Caixa Geral	1.2	5.6%	44%	24.0%	24.0%	6.8%	34%	7.1%	1.0%	32%
Average	39.9	2.4%	53%	22.5%	24.4%	7.7%	39%	8.6%	3.0%	47%
Average (ex-Capitec)	42.9	2.2%	53%	20.9%	22.9%	7.1%	38%	6.5%	2.2%	48%

Source: LSEG Data and Analytics, BAI, Edison Investment Research. Note: As at 31 December 2024. CAR, capital adequacy requirements; NIM, net interest margin; NIR, non-interest revenue; NPL, non-performing loans.

Despite delivering a strong increase in its loan-to-deposit ratio, BAI still ranks last in its peer group. There is meaningful upside for BAI considering notable peers like Zenith (44%), Equity Group (58%) and FNB Botswana (61%).

Valuation metrics

BAI's market capitalisation in US dollars is comparable to many peers, such as Guaranty and Equity Group, and higher than Zenith and FNB Botswana.

Exhibit 10: Key valuation metrics

	Market cap (US$m)	P/B (x)	P/E (x)	Dividend yield	Four-year average RoAA	Four-year average RoAE
Capitec	22,602	8.0	29.1	1.9%	5.4%	26.7%
Standard Bank	21,523	1.5	8.6	6.6%	1.6%	16.8%
Absa	8,942	0.9	6.7	8.2%	1.1%	14.9%
Guaranty	2,384	0.5	2.8	10.7%	5.3%	32.9%
Zenith	2,009	0.4	2.3	10.3%	3.3%	31.4%
BAI	1,684	1.7	9.5	4.2%	3.7%	26.4%
Equity Group	1,521	0.7	4.2	8.8%	3.0%	23.8%
FNB Botswana	932	3.1	9.0	8.7%	3.6%	27.9%
Banco Caixa Geral	340	1.8	6.2	0.0%	4.6%	34.1%
Average	6,882	2.1	8.7	6.6%	3.5%	26.1%
Average (ex-Capitec)	5,135	1.4	6.4	7.1%	3.3%	26.0%

Source: LSEG Data and Analytics, BAI, Edison Investment Research. Note: Prices as at 7 August 2025. *BAI book value for P/B valuation increased by 6% on FY24 based on H125 Angolan company results.

The company has delivered an RoAA at the upper end of the peer group over the past four years, with only Guaranty, Capitec and BCGA consistently outperforming it. BAI's average RoAA of 3.7% and BCGA's of 4.6% (over the past four years) are significantly higher than the 1.1% for Absa and 1.6% for Standard Bank. RoAE has also been strong, with an average of 34.1% over the past four years for BCGA and 26.4% for BAI, which is at the top end of the peer group, with only Guaranty, Zenith and FNB Botswana achieving a higher return.

Out of the peer group, Botswana has the lowest interest rate environment, with 10-year government bond yields at 7.9%. This makes FNB Botswana's high RoAE very attractive and is supportive of its high price-to-book valuation of 3.1x. South Africa has the next lowest interest rate environment with 10-year government bond yields at 10.6%. RoAE and price-to-book valuations for South African peers reflect this, with Capitec the exception with a superior RoAE and the highest price-to-book in the peer group at 8.0x.

Angolan capital market evolution should favour BAI

Market capitalisation of up to 15.6% of GDP

The Angolan stock exchange is called Bolsa de Dívida e Valores de Angola (BODIVA). At the end of 2024, it had an estimated market capitalisation of Kz75.7bn, equivalent to 15.6% of the Angolan GDP. Its market capitalisation has been rising steadily in recent years from Kz34.2bn in 2020, with the ratio to GDP rising consistently since 2022.

Since 2022, BODIVA has seen four IPOs and one bond issuance (Sonangol, the Angolan oil company). BAI and BCGA were first to market and, in 2024, were joined by ENSA (the state insurance company) and BODIVA itself. With the addition of two companies in 2024, the primary stock exchange market capitalisation rose to Kz1.39bn and has most recently traded at Kz1.66bn. BAI is the largest issuer, with a market capitalisation of Kz1.3bn, followed by BCGA at Kz0.3bn.

The largest part of the BODIVA's total market capitalisation is represented by public debt instruments issued by the Angolan Public Debt Management Unit. The remainder is made up of debt issuance in the form of private bonds, of which the largest is Sonangol, followed by Griner and Standard Bank Angola, participation units (BFA Asset Management, Standard Asset Management and BAIGEST) and fractional obligations issued by Banco YETU.

While BODIVA's trade value increased to Kz7.8bn in 2023, it declined to Kz6.1bn in 2024. However, trading volumes have increased, reaching 1,946 trades in December 2024.

Healthy growth outlook for BODIVA

While trade volumes are still modest on BODIVA, there is upside potential over the short to medium term as the exchange targets more IPOs. The BFA (Angolan Bank) IPO[4] is set for September 2025, in addition to ENSA Seguros and BODIVA, which have already had their IPOs. BODIVA has a stated goal to raise its market capitalisation from 15.6% to 50% of Angolan GDP over the next five years. This will be supported by the launch of the Commodities Exchange and a strong pipeline of IPOs. Other companies in the stated BODIVA pipeline include Sonangol (state oil company), Endiama (state diamond company), Unitel (Angolan state telecom company), TV Cabo (Angolan state TV company), TAAG and Aldeia Nova.

The exchange's near-term targets for 2025 include a market capitalisation of 17.5% of GDP, 12 listed companies, US$7.8m trade in corporate bonds, the launch of the Commodities Exchange with a targeted trading amount of US$434m and the launch of the Derivatives Market with a targeted trading amount of US$550m. While BODIVA may currently be behind schedule for its near-term targets, it is moving in the right direction and presents opportunities for both issuers and investors. BAI, as the largest listed equity on the exchange, is set to benefit from the increased volumes and liquidity that BODIVA's strategy offers.

[4] Portal Institucional IGAPE

BAI as an entry into Angolan investing

BAI is the largest bank by assets in Angola, with meaningful exposure to the Angolan economy via its large trading operations and growing retail footprint. It offers a unique entry point into Angolan investing as one of only four listed companies and one with an almost four-year history as a publicly quoted company. The improving outlook for the Angolan economy is supported by recent currency stability, healthy foreign reserves and an expected interest easing cycle, with medium-term upside from increased oil and gas production, despite recent pressure on energy prices. BAI offers exposure to this improving environment via its corporate relationships, while benefiting from a growing consumer base and the potential for increased retail lending. BAI's RoAE of 26.4% (26% for the peer group) compares to a price-to-book multiple of 1.7x (peer group: 1.4x), following a 59% rally in its share price year to date. This valuation should be seen in the context of BAI's recent strong growth (especially in H125) and the unique exposure the stock offers to long-term investors to an under-recognised part of the world.

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