INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/96

ANGOLA

FINANCIAL SECTOR ASSESSMENT PROGRAM

May 2026

FINANCIAL SYSTEM STABILITY ASSESSMENT

This paper on Angola was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in September 2025.

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International Monetary Fund
Washington, D.C.

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FINANCIAL SYSTEM STABILITY ASSESSMENT

April 3, 2026

KEY ISSUES

Context: The FSAP takes place as the economy shows signs of recovery, but lingering concerns remain over liquidity pressures, given the fragile fiscal position and looming sizable external debt service. Angola's oil-dependent economy recovered in 2024; yet sovereign and private financing conditions remained tight. The bank-dominated financial sector is small and appears adequately capitalized on average, but certain vulnerabilities persist, including high non-performing loans, a substantial sovereign-bank nexus, and exposure to foreign exchange and climate-related financial risks. Liquidity indicators are high, with the bulk of banks' funding coming from residents' deposits.

Findings: The FSAP noted the progress achieved by the authorities in recent years in strengthening regulatory and supervisory frameworks. However key deficiencies persist in areas such as human resources, corporate governance and risk management, data collection and reporting, as well as regulation and supervision of country and transfer risks, related-party exposures, and concentration risk. Stress test results show that banks may be vulnerable to economic downturns and an accelerated energy transition scenario: the capital adequacy ratio in aggregate would fall slightly below the required minimum under such adverse scenarios. Liquidity risks could be aggravated by concentrated large deposits, banks' reliance on sovereign bonds as a source of liquidity and shortages of FX liquidity.

Policy advice: The authorities should intensify efforts to strengthen systemic risk analysis and macroprudential policymaking, particularly by enhancing data quality and coverage, institutional arrangements, policy instruments, stress testing tools, and public communication. The regulatory and supervisory frameworks for banks require substantial enhancement, particularly to advance a risk-based and forward-looking supervisory approach by increasing supervisory capacity, intrusiveness, and data quality. Several components of the financial safety net and crisis management also need enhancement. These include aligning the legal framework more closely with the specific characteristics of the Angolan financial system, operationalizing early intervention and bank resolution mechanisms, extending the emergency liquidity assistance framework to cover resolution, and taking decisive actions to resolve or liquidate current problem banks. Identified vulnerabilities in the AML/CFT framework should also be addressed to support Angola's removal from the Financial Action Task Force (FATF) grey list.

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This report is based on the work of the Financial Sector Assessment Program (FSAP) mission that visited Angola in June and September 2025. The FSAP findings were discussed with the authorities during the Article IV consultation mission in December 2025.

- The FSAP team was led by Pierpaolo Grippa (IMF) and Carlos Leonardo Vicente (World Bank, WB), and included Knarik Ayvazyan (IMF deputy), Ruben Barreto (WB deputy), Carlos Acosta, Sonia Boulad, Tobias Lindqvist, Ke Wang, Sha Yu, and Xiaoxiao Zhang (all IMF), Fabiana Ladvocat Cintra Amaral Carvalho (IMF external expert), Rodrigo Porto, Sergio Muro, Fernando Dancausa, Pasquale Di Benedetta, Veronica Trujillo, Faruk Miguel, Anica Nerlich, and Delfim Mawete (all WB), and Gabriel Bernardino, Ivan Lima, Jacques Loubert, and Massimo Cirasino (WB external experts). Lilly Siblesz de Doldan, Jesse Steil (all IMF staff), and Vikki Taaka (WB) provided administrative support. Mátyás Farkas, Zoltan Jacab, Ruy Lama, Pavel Lukyantsau (all IMF) supported the analytical parts of this report.

- The mission met with senior officials from the National Bank of Angola (BNA), the Ministry of Finance (MINFIN), the Ministry of Planning, the Ministry of Environment, the Angolan Banking Association (ABANC), the Deposit Guarantee Fund (DGF), and the Financial Intelligence Unit (FIU), as well as private and public sector stakeholders, including financial and environmental institutions, UN agencies, and consulting and accounting firms.

- FSAPs assess the stability of the financial system as a whole and not that of individual institutions. They are intended to help countries identify key sources of systemic risk in the financial sector and implement policies to enhance its resilience to shocks and contagion. Certain categories of risk affecting financial institutions, such as operational or legal risk, or risk related to fraud, are not covered in FSAPs.

- This report was prepared by Pierpaolo Grippa and Knarik Ayvazyan, with contributions from the Angola FSAP team.

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Glossary

ABANC	Angolan Banking Association
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ARA	Assessing Reserve Adequacy
ARSEG	Insurance Supervisory Body
ATM	Automated Teller Machine
BAI	Banco Angolano de Investimentos
BCBS	Basel Committee on Banking Supervision
BCP	Basel Core Principle for Effective Banking Supervision (2024)
BNA	National Bank of Angola
BSA	Balance Sheet Approach
BSD	Banking Supervision Department
CAR	Capital Adequacy Ratio
CCyB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1
CIRC	Credit Risk Information Center
CMC	Capital Market Commission
COVID	Coronavirus Disease
CRO	Chief Risk Officer
CSSF	Council of Financial Sector Supervisors
DCF	Department of Financial Conduct
DGF	Deposit Guarantee Fund
DRO	Department of Regulation and Organization of the Financial Sector
D-SIBs	Domestic Systemically Important Banks
DSTI	Debt Service to Income
ELA	Emergency Liquidity Assistance
EMIS	Interbank Services Company
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FIP	Financial Institutions Portal
FSAP	Financial Sector Assessment Program
FSC	Financial Stability Committee
FSSA	Financial System Stability Assessment
FX	Foreign Exchange
GDP	Gross Domestic Product
G-RAM	Global Risk Assessment Matrix
HH	Household
ICAAP	Internal Capital Adequacy Assessment Process
IFRS 9	International Financial Reporting Standard 9
ILAAP	Internal Liquidity Adequacy Assessment Process
IMF	International Monetary Fund

IRRBB	Interest Rate Risk in the Banking Book
IT	Information Technology
JLRC	Justice and Law Reform Commission
LCR	Liquidity Coverage Ratio
LBNA	Law of the National Bank of Angola
LTD	Loan to Deposit
LRGIF	Law on the General Regime of Financial Institutions
LTV	Loan to Value
MCM	Monetary and Capital Markets Department
MFI	Microfinance Institution
MINFIN	Ministry of Finance
MJDH	Ministry of Justice and Human Rights
ML/FT/P	Money Laundering / Financing of Terrorism / Proliferation
MOA	Administrative Organization Handbook(s)
Multicaixa Express	Electronic payment channel operated via EMIS
NCFM	National Commission for Financial Markets
NFC	Non-financial Corporate
NII	Net Interest Income
NOP	Net Open Positions
NPL	Non-performing Loan
NPS	National Payment System
NSFR	Net Stable Funding Ratio
P2G	Pillar II Guidance
P2R	Pillar II Requirement
POS	Point-of-Sale terminal
PSP	Payment Service Provider
QIPF	Quantitative Integrated Policy Framework
QRM	Quality of Risk Management
RAM	Risk Assessment Matrix
ROSC	Report on the Observance of Standards and Codes
RWA	Risk Weighted Assets
SAS	Impairment Tool "SAS"
SME	Small and Medium Enterprise
SPTR	Real time gross settlement system (*Sistema de Pagamentos em Tempo Real*)
SREP	Supervisory Review and Evaluation Process
SSIF	Supervisory Reporting System
STeM	Stress Test Matrix
SupTech	Supervisory Technology
WEO	World Economic Outlook
WB	World Bank

EXECUTIVE SUMMARY

The FSSA was prepared by IMF staff for Executive Board's consideration on May 1, 2026. It reflects discussions with the authorities held in June and September 2025. The assessment was completed prior to the recent war in the Middle East and, therefore, does not reflect the potential implications of these developments and related policy priorities. The FSAP's findings and recommendations for strengthening policy and institutional frameworks remain pertinent nonetheless, given its focus on medium-term challenges and vulnerabilities.

Since the last Financial Sector Assessment Program (FSAP) in 2011, Angola's financial system has undergone significant changes and reforms. Between 2015 and 2020, a prolonged recession hurt the financial sector, leading to the closure of non-viable banks and the transfer of non-performing assets to a government-owned asset management company. During this period, financial intermediation and deepening deteriorated; dollarization remained high across banking assets and liabilities; foreign currency supply was unstable; and the sovereign-bank nexus increased. On the institutional front, this was a period of widespread reforms, including enhanced regulatory and supervisory frameworks broadly aligned with international standards, the designation of the National Bank of Angola (BNA) as resolution authority and the formalization of its financial stability mandate, the 2021 creation of the Council of Supervisors of the Financial System for inter-agency coordination, and the 2019 launch of the Deposit Guarantee Fund.

The financial system faces long-standing challenges and new risks. Problem assets from past crises are not fully resolved, with some banks continuing to generate substantial non-performing loans (NPLs). The banking sector dominates but remains small and heavily exposed to sovereign risk through large holdings of government securities. Against persistently high dollarization, banks face uneven access to primary foreign exchange (FX) flows. Credit to the private sector has continued to decline as a share of GDP, highlighting difficulties in financial deepening. Angola's high dependence on hydrocarbons exposes its financial system to the domestic implications of an accelerated transition to renewable energy and electrified transport at global level. Additionally, gaps in the anti-money laundering and combating the financing of terrorism (AML/CFT) framework risk further complicating banks' efforts to maintain correspondent banking relationships and conduct international transactions.

Stress tests reveal that banks may be vulnerable to severe macrofinancial shocks, and the war in the Middle East has significantly increased uncertainty of the results.

- The severity of the adverse scenario in the exercise is comparable to some of the most extreme scenarios currently discussed in terms of both depth and duration of the ongoing war and consequent disruptions to global economic activity and financial stability. However, at least in the short term, an oil exporter like Angola benefits from higher oil prices, as its export routes to its main customers (e.g., China and India) are not affected by the war. That said, given the evolving nature of the situation and the associated uncertainty, the assessment should be interpreted with caution.

- Under the adverse scenario of the solvency stress test, capital pressures arise mainly from higher provisions on rising NPLs and losses on a large trading book predominantly made up of domestic sovereign securities. As a result, the average capital adequacy ratio (CAR) for banks—mainly domestic systemically important banks (D-SIBs)—would fall just below the required minimum. A sensitivity analysis on the credit-spread risk of sovereign bond holdings reveals the intensity of the sovereign-bank nexus, with a hypothetical capital charge on the entire government bond portfolio consuming a large share of systemwide bank capital.

- Although liquidity at the system level is adequate, banks' heavy reliance on sovereign bonds as a source of liquidity, combined with depositor concentration, poses challenges for many institutions. Several banks are vulnerable to liquidity shortages in foreign currencies.

- Systemwide liquidity stress tests incorporating shock transmission across sectors point to FX gaps, but the central bank's international reserves appear sufficient to backstop liquidity needs.

- Climate risk analysis highlights elevated credit risks from an accelerated energy transition, with only moderate short-term exposure to physical risks.

- Staff will continue to monitor developments and assess their implications for Angola's macrofinancial stability.

The BNA should continue improving the macroprudential policy framework. Although systemic risk monitoring and the macroprudential toolkit have expanded, the formal framework is still under development. Priorities include establishing clear governance and improving interagency coordination. Enhancing data quality and analytical capacity is vital for accurate calibration of macroprudential tools and early vulnerability detection, supported by strengthened data infrastructure and advanced risk analysis. Recommendations focus on addressing sovereign risk concentration, FX risks, and household sector vulnerabilities by strengthening the macroprudential toolkit and institutional capacity for policy evaluation and compliance monitoring. Key measures include introducing a positive-neutral countercyclical capital buffer (CCyB) during normal times, strengthening liquidity tools to address risks from FX mismatches, and enhancing borrower-based measures.

Banking supervision has improved but would benefit from further material strengthening through a more risk-sensitive, forward-looking approach. While Angola has updated its legal and regulatory framework and broadly aligned it with international standards, significant gaps remain. These include insufficient adaptation of regulations to the local context, limited supervisory intrusiveness, and persistent human resource constraints—especially in risk expertise. Increasing supervisory capacity, raising the frequency and depth of on-site inspections, and leveraging technology for data quality and real-time risk monitoring are crucial. A more proportionate application of Basel standards, better governance, and stronger integration of qualitative assessments would enhance oversight effectiveness and resilience.

Recent financial safety net reforms and a new resolution regime are important but require further work to complete implementation. Angola has established a comprehensive crisis management and resolution legal framework broadly aligned with international standards. However, it remains complex, not fully tailored to Angola's financial system, and its operationalization is incomplete. Authorities should prioritize early intervention, entry in resolution, resolution tools, deposit insurance, Emergency Liquidity Assistance (ELA), strengthening interagency coordination, and policy documentation for extraordinary government funding. To maintain safety net credibility, BNA should resolve or liquidate current problem banks as needed, protecting small depositors and minimizing taxpayer costs.

Angola has made strides in its AML/CFT regime, but significant deficiencies remain. In 2024, Angola was placed on the Financial Action Task Force (FATF) grey list due to notable AML/CFT shortcomings and was also listed by the European Union (EU) as a high-risk third country for AML/CFT. These listings could impair correspondent banking relationships. Addressing these gaps is essential to meet international standards and strengthen financial system integrity and stability.

The World Bank provided recommendations on financial sector development. Key workstreams included NPL resolution, insurance and pension sector development, the state's role in financial sector growth, capital market development, small and medium enterprises (SME) access to finance, digital financial inclusion, and payments system enhancements.

Table 1. Angola: Key FSAP Recommendations

Recommendations	To be Adopted by	Time 1/
Cross-cutting Themes		
Strengthen reporting and validation of data to improve their quality for prudential purposes, the calibration of macro-prudential tools, and NPL reporting – including the adoption and consistent use of a single definition of NPLs. (¶27, ¶35)	BNA	ST
Increase staffing levels within supervision and establish a formal planning process to align recruitment and training with the required professional profiles. (¶32, ¶40)	BNA	ST
Systemic and Climate Risk Analysis		
Improve monitoring of banks' holdings of domestic and foreign government bonds from a market risk measurement perspective to gauge the intensity of the sovereign-bank nexus. (¶19)	BNA	ST
Improve scenario-based solvency stress testing and implement cashflow-based liquidity stress testing. (¶18, ¶20)	BNA	MT
Monitor the funding concentration risks; regularly conduct systemwide liquidity analysis. (¶20)	BNA	MT
Strengthen capacity on climate risk analysis among policymakers and regulators. (¶21)	BNA	ST
Banking Regulation and Supervision		
Adjust indicators in the SREP methodology, improve the assessment of qualitative aspects, and make meetings with relevant bank senior management mandatory. (¶29, ¶33, ¶35)	BNA	ST
Enhance on-site supervision of risks other than credit and increase its frequency and depth. (¶33, ¶34)	BNA	ST
Reflect recent enhancements in related-party regulations within supervisory practices, closely monitoring transactions with related parties. (¶31)	BNA	ST
Adjust regulatory framework to close gaps in corporate governance and risk management and introduce country and transfer risk regulation. (¶34)	BNA	ST
Adjust disclosure requirements to introduce main quantitative information on a quarterly basis and related parties and group structure information. (¶31)	BNA	ST

Table 1. Angola: Key FSAP Recommendations (concluded)		
Recommendations	**To be Adopted by**	**Time 1/**
Macroprudential Framework and Policies		
Prioritize the development of the macroprudential policy framework and improve institutional coordination, accountability, communication and the capacity to assess policy impacts. (¶26, ¶28)	BNA, CSSF	MT
Strengthen the macroprudential toolkit to address key vulnerabilities, including sovereign risk concentration, FX mismatches, and household sector risks. (¶28)	BNA, CSSF	MT
Financial Integrity		
Address AML/CFT deficiencies identified in the 2023 Mutual Evaluation Report, including by fully criminalizing money laundering; strengthening risk-based supervision of higher-risk financial institutions; ensuring timely, accurate, and verified beneficial ownership information with proportionate and dissuasive sanctions; and remedying gaps in the framework to implement targeted financial sanctions. (¶36)	FIU, BNA, CMC, ARSEG, MJDH	ST
Financial Safety Net and Crisis Management Framework		
Establish an interagency forum and memorandum of understanding to coordinate crisis management and contingency plans between all financial safety net authorities and document the policies for extraordinary government funding to the DGF and Resolution Fund. (¶42)	BNA, DGF, Resolution Fund, MINFIN	I
Take decisive actions to resolve or liquidate current problem banks. (¶43)	BNA	I
Strengthen the framework for early intervention and entry in resolution, with clear triggers that allow supervisors and the resolution authority to intervene much earlier. (¶41)	BNA	I
Operationalize the transfer and bridge bank tools and ensure the DGF is fully funded. (¶41)	BNA, DGF	MT
Ensure that ELA is accessible to banks that may need to be resolved or are in resolution (insolvent but viable), subject to a government guarantee if needed. (¶41)	BNA	ST
1/ I: Immediately; ST: short term= less than 1 year; MT: medium term= 1-5 years		

BACKGROUND

A. Macrofinancial Context

1. **Angola's macroeconomic challenges intensified in 2025, reflecting deepening imbalances amid a sustained decline in oil production.** Following five years of economic shocks triggered by the 2014–2016 oil price decline and the pandemic, Angola's economy began recovering in 2021 (Figure 1). Growth gained momentum towards 2024, reaching 5 percent—the highest since 2015. The acceleration was driven by a rebound in non-oil sectors.[1] Growth is, however, expected to slow down to 3.1 percent in 2025 due to lower global oil prices and a sustained decline in oil production. Medium-term growth is projected at around 3.1 percent annually, supported by the non-oil sector, with oil production expected to remain stable.

2. **Sustained credit growth offered only modest support to domestic demand.** While nominal credit growth has been strong, private sector credit accounted for only about 6 percent of GDP in 2024 and 2025, having nearly halved over the past five years—reflecting limited banking support to the private sector (Figure 1). Recent BNA measures to stimulate private sector lending[2]—include subsidized loans to target borrowers, with loan amounts reducing banks' cash reserve requirements —may pose financial stability risks, warranting close monitoring. Low financial intermediation remains a significant hurdle to private sector.[3]

3. **Inflationary pressures led the BNA to tighten monetary policy.** Inflation eased from a peak in July 2024 but remained high at about 15.7 percent in December 2025. To contain continued inflation pressures, the BNA raised its policy rate by 150 basis points in 2024 to 19.5 percent and removed excess liquidity from the interbank market, aligning interbank rates with its policy rate. With inflation moderating, the BNA reduced the policy rate on several occasions since late 2025, lowering it to 17.5 percent in January 2026, while continuing to signal a tightening bias.

4. **The FX market is segmented and marked by FX shortages.** To address severe liquidity shortages and reduce market concentration, BNA intervened in 2024.[4] The official exchange rate against the US dollar has remained unchanged since October 2024 and throughout 2025 and is misaligned with market conditions, as shown by parallel market rates trading 15–30 percent higher[5] and ongoing FX shortages. Uncertainty about FX access and allocation timing worsens shortages

[1] The oil sector accounts for over three-quarters of economic activity—directly and through linkages to the non-oil sector—and provides about 92 percent of exports and 57 percent of fiscal revenue in 2025.

[2] Notices 10/24 and 09/2023, BNA mandates banks to extend a minimum volume of subsidized loans to target borrowers. Loan amounts reduce banks' mandatory cash reserve requirements.

[3] See Angola 2024 Article IV SIP, *Harnessing Non-Oil Economic Growth: Economic Diversification in Angola* .

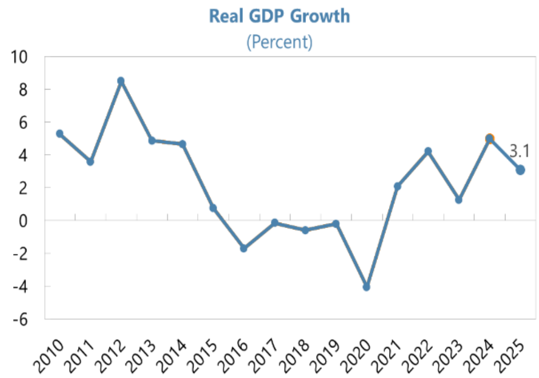
[4] In September 2024, a regulation required banks to resell 30 percent of FX bought from oil and diamond exporters to the interbank market. Due to compliance rules by international oil companies, not all banks have direct access to these FX inflows. These changes are reviewed under the IMF's Institutional View on Capital Flows.

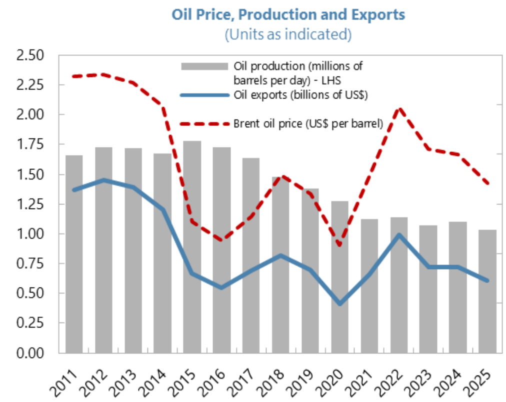
[5] Based on quotes at angocambio.ao.

and widens bid–ask spreads across market segments. Consequently, FX transactions became banks' second-largest income source, on average in 2024, after interest income.

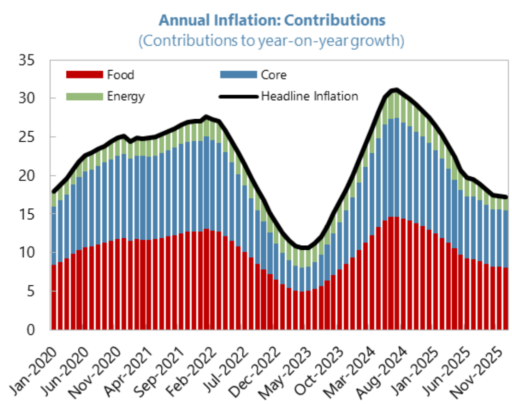
Figure 1. Angola: Real Sector Developments

Growth has resumed since 2021, following a prolonged recession driven by the 2014–2016 oil price decline and the COVID-19 pandemic. Growth recovery was, however, short lived: growth declined to 3.1 percent in 2025, reflecting lower oil production and moderate growth in the non-oil sector.

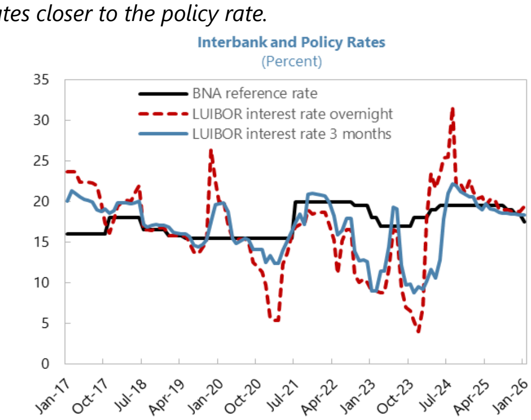




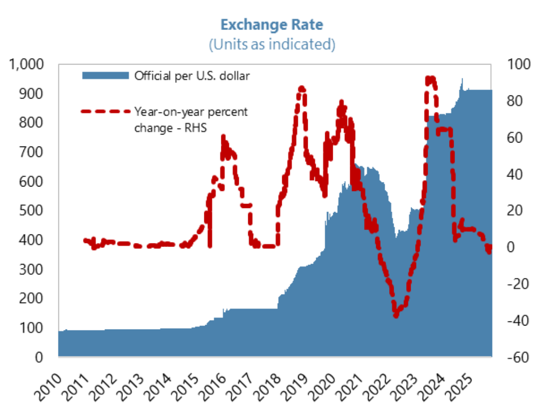
Inflation has eased since its July 2024 peak.



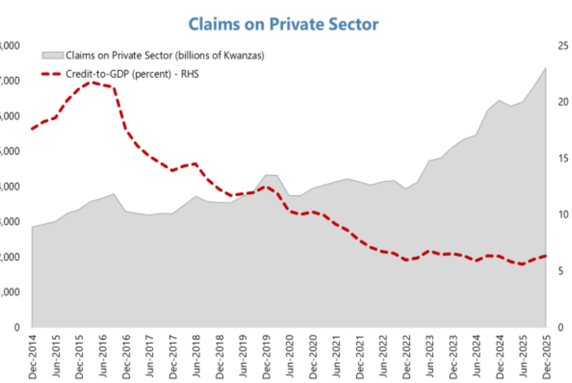
Monetary policy remained tight, helping bring interbank rates closer to the policy rate.



Following a sharp depreciation, the exchange rate stabilized last year, though pressures increased.



Credit to the private sector has increased in nominal terms, but remains low in real terms and continues to decline relative to GDP in 2024 and stayed at a low level in 2025.



Sources: BNA, National Statistics Office of Angola, Haver Analitics and IMF staff calculations.

5. Despite strong external buffers, substantial downside risks persist. A sharper-than-expected oil price drop could weaken Angola's external and fiscal positions and restrict access to global capital markets. Geopolitical tensions and shifts in global financial conditions could also adversely affect oil exports and external financing. Fiscal slippages and delayed reforms may hamper the outlook. Social tensions stemming from high inflation and real income losses may delay fiscal consolidation and reform efforts (RAM, Table 8).

FINANCIAL SYSTEM STRUCTURE

6. The financial system remains relatively small and dominated by banks. At the end of 2024, total financial system assets were 26.9 percent of GDP, down from 63.6 percent in August 2011. Banks held 87 percent of these assets. The decline in banks' assets reflects closures of non-viable banks and transfers of non-performing assets to the asset management company Recredit.

Table 2. Angola: Structure of the Financial System
(As of December 2024)

	Number	Assets (million USD)	Percent of total assets	Percent of GDP
Banks	22	26,020	87	23.3
Microcredit institutions	21	34	0	0
Payment service providers	17	99	0	0.1
Foreign exchange bureaus	24	25	0	0
State-owned funds	2	402	1	0.4
Insurance companies	22	895	4	0.8
Pension fund managers	9	1,287	4	1.2
Capital markets participants	69	1,383	5	1.2
Total	**186**	**30,055**	**100**	**26.9**

Sources: BNA; World Bank, and IMF staff calculations.

7. The banking sector is relatively concentrated and marked by a strong sovereign-bank nexus (Figure 2). The five largest banks hold over 60 percent of system-wide assets. Banks are heavily exposed to the sovereign, which accounts for about 29 percent of total bank assets at end-2024, mostly through holding of government securities and, to a lesser extent, direct loans. Private sector credit is the second-largest asset class, comprising 24.5 percent of bank assets.[6] Deposits are banks' main funding source, followed by equity.

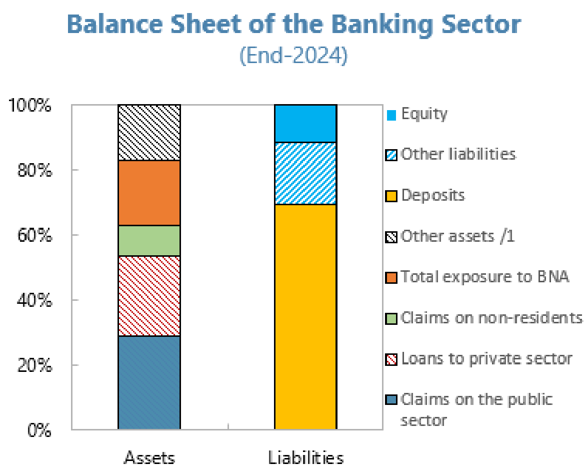
8. While aggregate capital adequacy and liquidity ratios exceed prudential requirements, they are on a declining path, and some banks still face legacy issues (Figure 3). The banking system's CAR was 21 percent in December 2024—above the 8 percent minimum—but has been

[6] The loan portfolio is comprised mostly of loans to non-financial corporations (80 percent) with one-third granted in FX. Though disaggregated statistics are not published, discussions with BNA suggest that loans to households are predominately payroll-backed consumer loans with very few mortgage loans.

declining since 2022. Two banks, including one insolvent, failed to meet the minimum CAR. One troubled bank is systemic, and the authorities have faced challenges restructuring it. Also, because of the elevated amount of legacy problem loans in those two and other banks the systemwide NPL ratio remains elevated at 19.2 percent.[7]

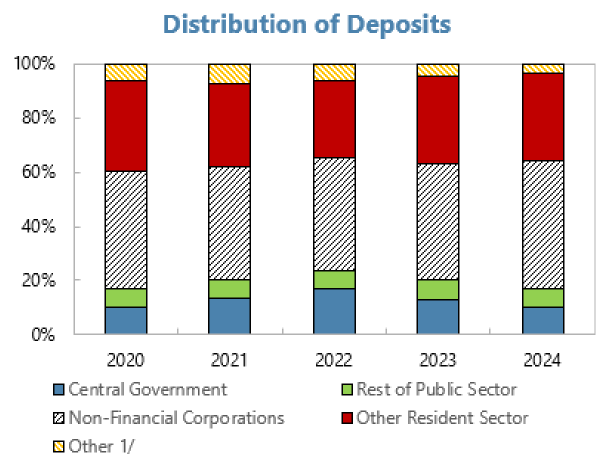
Figure 2. Angola: Banking Sector Characteristics

Banks rely mainly on deposits for funding and hold significant claims against the government.



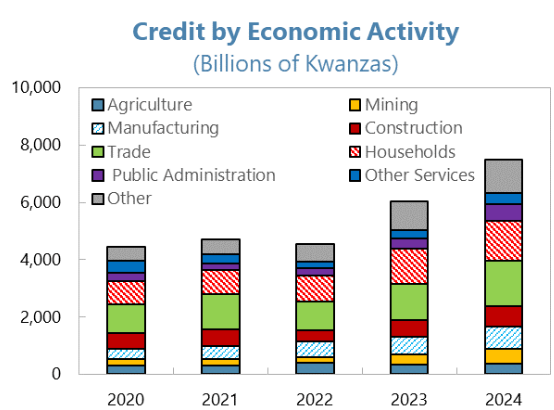
1/ Include deferred provisions reported by one bank currently undergoing restructuring.

Most bank deposits come from the domestic private sector.

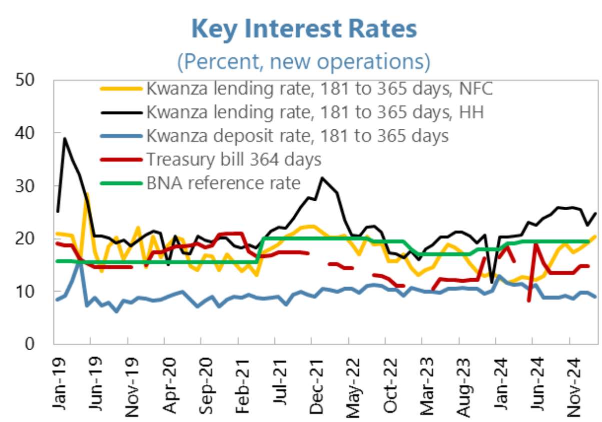


1/ Includes deposits by other financial corporations and non-residents.

Credit growth picked up in nominal terms since 2023, supported by robust increase of trade loans and loans to households.



Interest rates on both government bonds and loans to the private sector remain elevated.

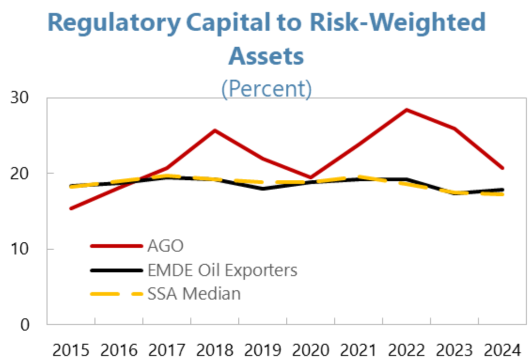


Sources: BNA; and IMF staff calculations.

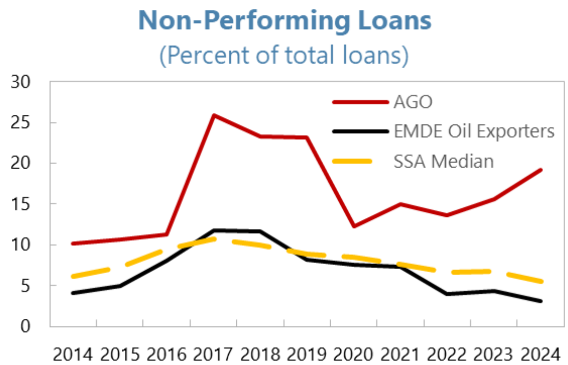
[7] Publicly reported NPLs are narrowly defined as 90-day past-due loans. Loans classified as stage 3 according to IFRS represent a more widely encompassing definition than past-due loans.

Figure 3. Angola: Financial Sector Indicators, Cross-Country Comparison

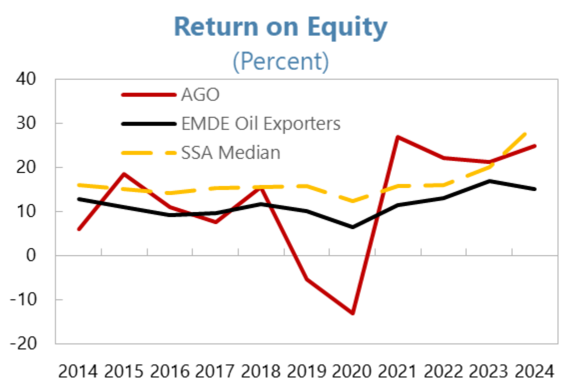
Banking system is well-capitalized relative to comparator economies, but on a declining path……



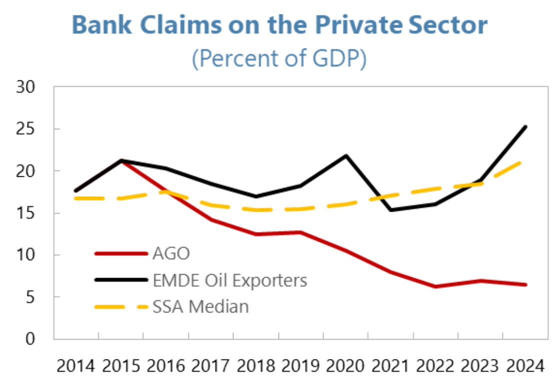
… and NPLs remain high.



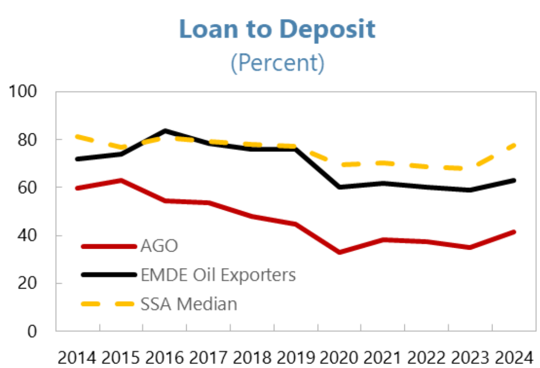
Despite a temporary deterioration during the pandemic, profitability indicators have improved since.



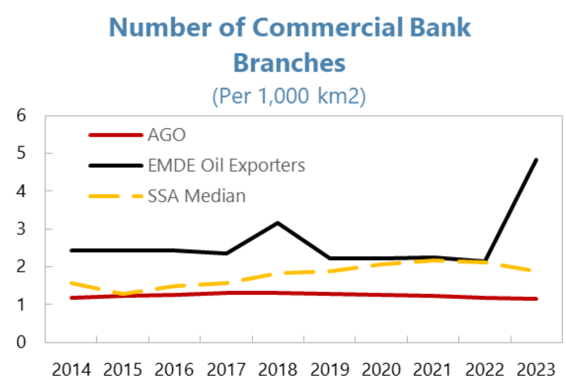
The private credit-to-GDP ratio is below comparators and on a declining path…



…so is the loan-to-deposit ratio.



Bank branches are relatively sparse compared to peers.



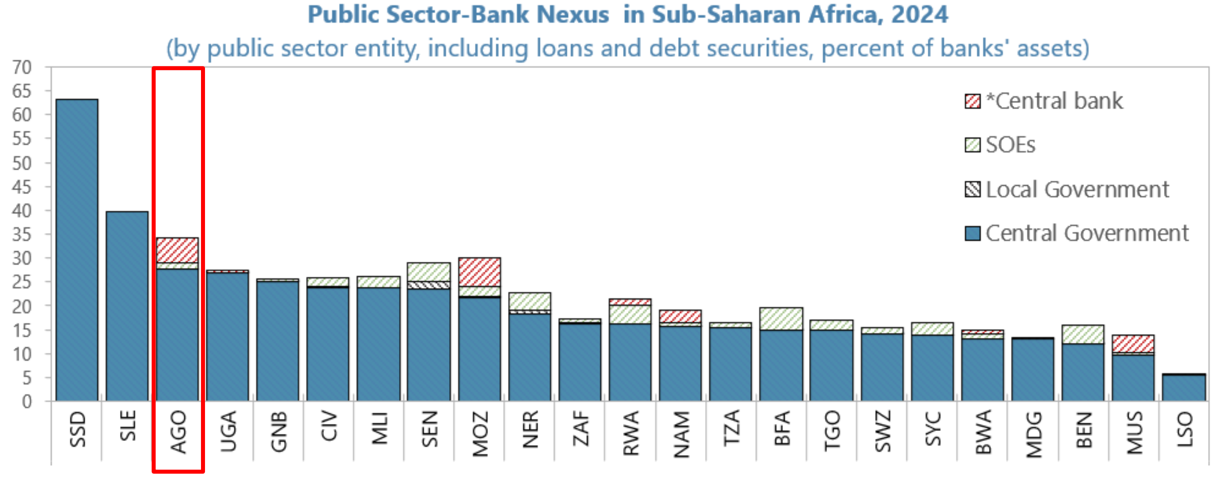
Sources: IMF Financial Soundness Indicators database; Monetary and Financial Statistics database; World Economic Outlook database; Financial Access Survey database; and IMF staff calculation.
Notes: EMDE refers to emeging markets and developing economies. SSA refers to Sub-Sahara Africa.

9. The banking sector is heavily exposed to the sovereign through its substantial holdings of government securities. Angola has one of the region's highest central government-bank nexuses (Figure 4), with banks exposed on both the asset and, to a lesser degree, liability sides. Government securities are viewed as safe domestic assets, offering a solid nominal return (16.5 percent for a one-year T-bill). Lending to the central government and public sector is modest, at just 3.4 percent of bank assets at end-2024. Several factors drive high sovereign exposure: zero regulatory risk weighting on sovereign debt,[8] perceived lower risk of public versus private assets, favorable tax treatment, and scarcity of alternative safe collateral and bankable private sector projects.

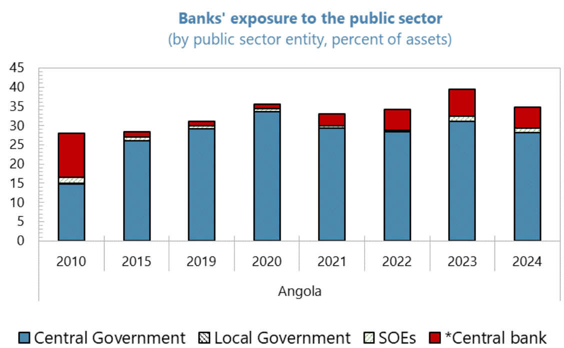
[8] Recent amendments to banking regulations aim to strengthen risk management by increasing risk weights to 100 percent for Angolan foreign-currency-denominated securities and investments in foreign-currency-denominated securities and for exposure to a single large counterparty above 25 percent of shareholders' equity. These new regulations will be phased in by January 1, 2027, allowing banks time to adjust, with the risk-weighs rising to 75 percent from 50 percent in 2025.

Figure 4. Angola: Sovereign-Bank Nexus

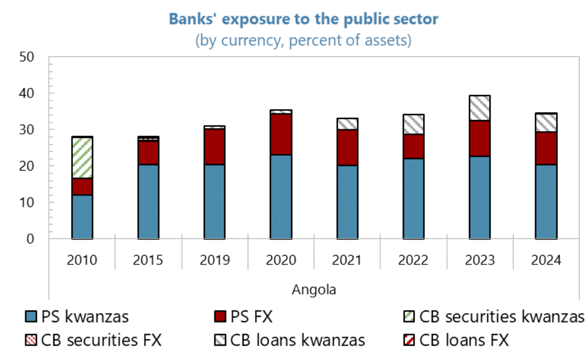
Angola's sovereign-bank nexus is among the highest in the region.



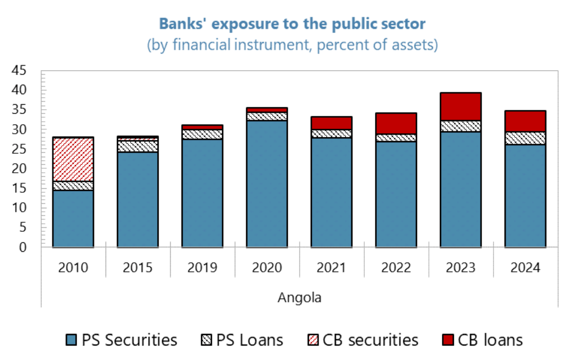
Exposure to the central government is the largest among exposures to the public sector



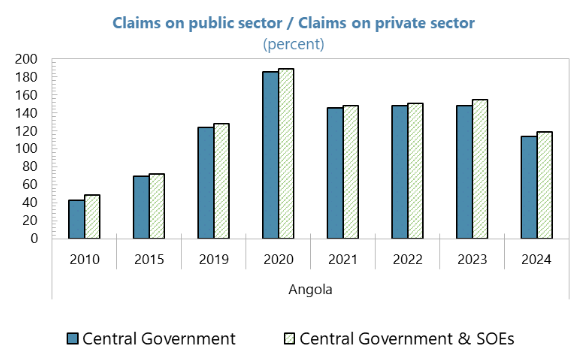
...and exposures are mainly denominated in kwanzas



...by banks holding public sector securities.

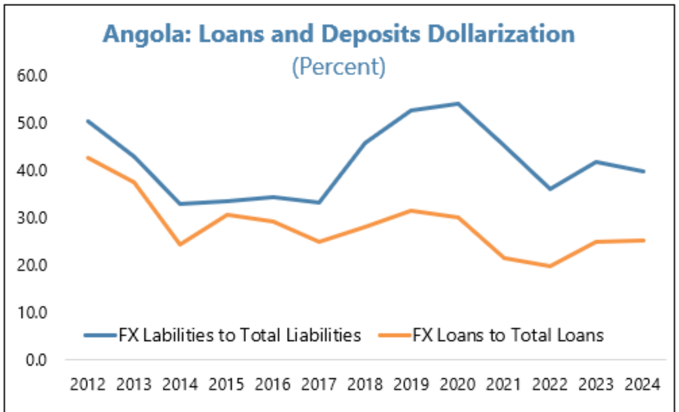


The ratio between claims on the public vs the private sector has declined.



Legend: PS=Public sector; *CB=Central bank (excluding deposits)
Sources: IMF MFS, Dehmej (2025); and IMF staff calculation.

10. Dollarization has declined but remains high on the funding side. Deposit dollarization peaked in 2020 and has fallen since, but FX loan share has increased since 2022 (Text Figure). FX deposits are mainly held by wealthy individuals and corporations for transactional purposes. Banks face uneven access to primary FX flows, and low interbank liquidity constrains some from meeting regulatory Net Open Position (NOP) limits. By end-2024, aggregate bank NOP was about 26 percent of regulatory capital, evidencing incomplete risk hedging.



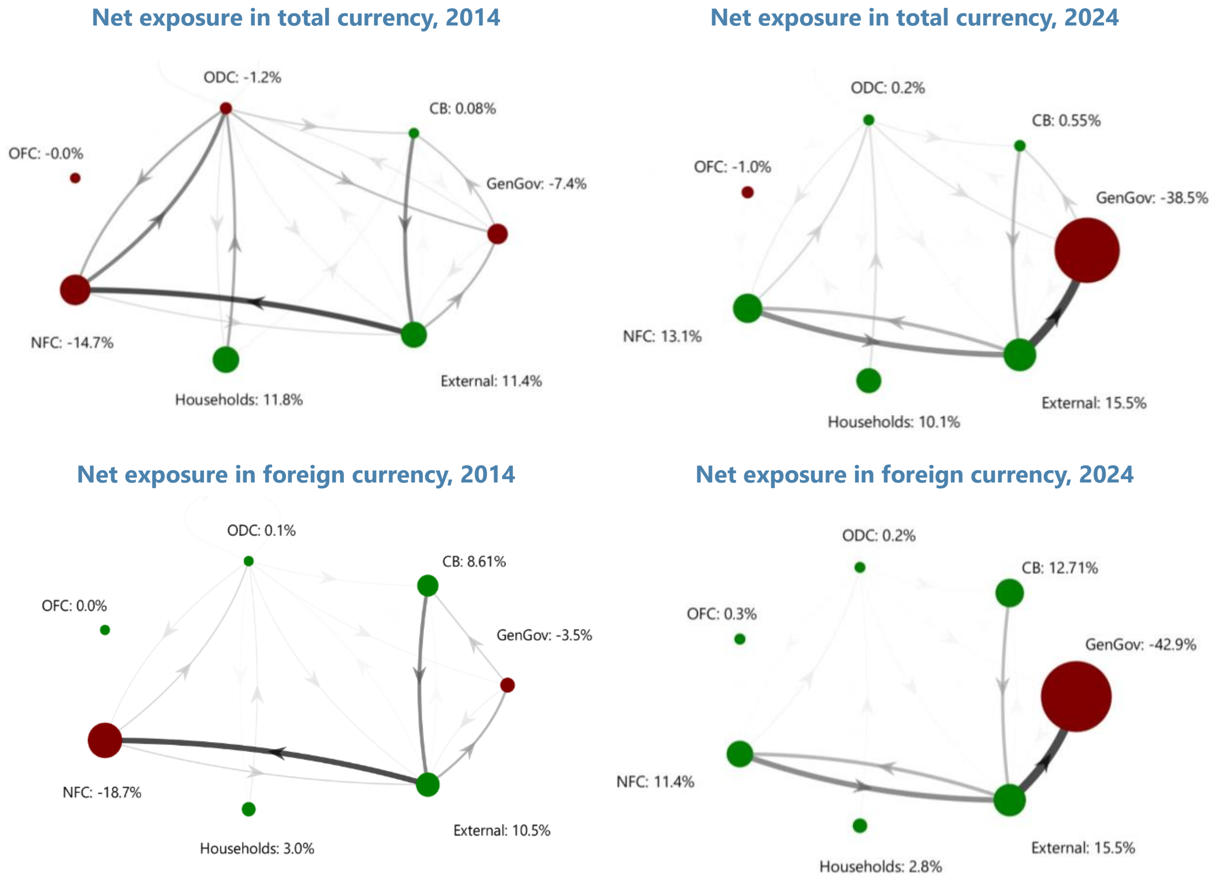
Sources: BNA; and IMF staff calculations.

11. Interconnections between key economic sectors through financial exposures can amplify vulnerabilities and spread liquidity shocks. Network maps (Figure 5) highlight the general government as the most exposed sector, especially in foreign currency, where net borrowing equals -42.9 percent of GDP. This underscores the sovereign's vulnerability to external shocks. Non-financial corporations (NFCs) are the second most exposed, with over half of their liabilities denominated in foreign currency. Households and other domestic sectors have a minor FX market role. As of December 2024, gross international reserves were stable at US$15.4 billion, covering 7.5 months of imports or 137 percent of the Assessing Reserve Adequacy (ARA) metric under a floating exchange rate.

12. Unaddressed strategic deficiencies in Angola's AML/CFT regime (not only in the financial sector) led to its inclusion on the FATF grey list in October 2024. This listing may also impact correspondent banking relationships. Based on the latest mutual evaluation by the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), the authorities are taking steps to address identified deficiencies for a timely removal from the grey list.

Figure 5. Angola: Network Map of Sectoral Linkages

(percent of GDP)



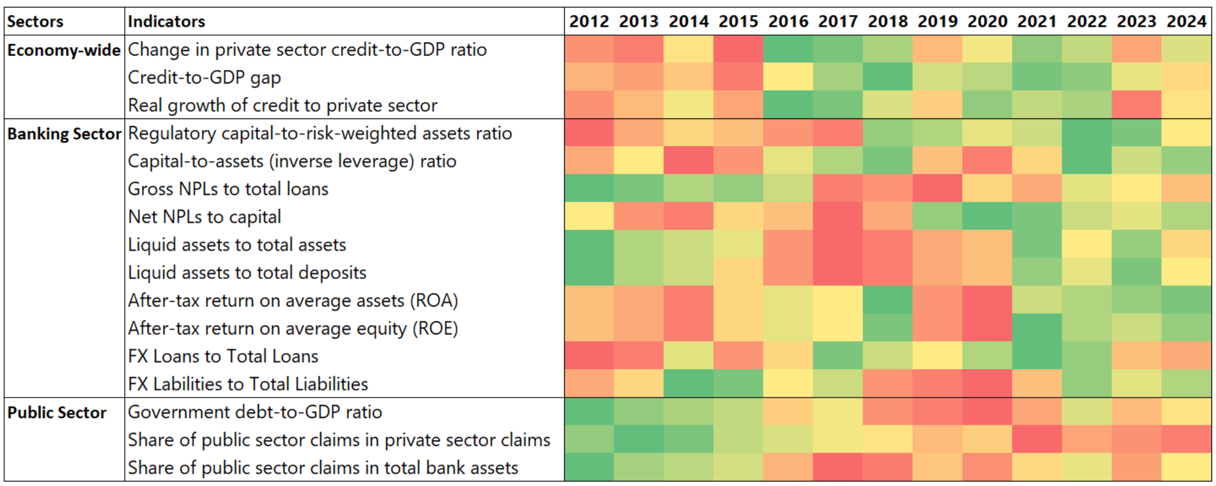
Sources: IMF Balance Sheet Approach (BSA) Matrix; and IMF Staff calculations.
Note: The red nodes represent net borrowers and green nodes net lenders. The direction of the arrows indicates flow of funds from lender to borrower. The diameter of the nodes and thickness of arrows show the relative size of imbalances and exposure, respectively. Central Bank (CB), Other Depository Corporations (ODCs), Other Non-depository Financial Corporations (OFCs), General Government (GenGov), and Non-financial Corporations (NFCs).

SYSTEMIC VULNERABILITIES AND SOURCES OF RISKS

A. Systemic Vulnerabilities

13. Despite the prolonged recession in recent years, banks' aggregate capital and liquidity buffers appear adequate though declining. Overall systemic vulnerabilities appear contained (Figure 6). However, persistent issues include the legacy stock of distressed assets (Appendix V), uncertain asset quality, a large sovereign-bank nexus, spillovers from fluctuating oil prices, and FX liquidity imbalances.

Figure 6. Angola: Systemic Vulnerability Heatmap, 2012–24



Sources: BNA, Haver Analitics; and IMF staff calculation.
Note: Darker red indicates higher vulnerability, darker green indicates lower vulnerability, and yellow represents moderate vulnerability, all relative to each indicator's historical performance since 2011. The calculation is based on the relative rank of a value within each indicator's performance over time, expressed as a percentile.

14. The main systemic vulnerabilities and risks to financial stability identified are:

- **Sovereign-bank nexus risk.** High sovereign debt exposure in banks raises financial stability risks. Besides direct exposure via government bonds, sovereign stress could quickly spill over to banks. Fiscal deterioration, triggered by tight financial conditions or by the approaching electoral season could increase credit risk as government payment arrears build up to suppliers who are also banks' clients. Although most deposits come from the private sector—32 percent of total deposits from households and 47 percent from non-financial corporations in 2024—banks still hold 10 percent of deposits from the government and 6.5 percent from other public sector entities, which could be withdrawn if public sector liquidity worsens.

- **Spillover from the oil sector.** Banks have limited direct exposure to the sector, which is dominated by international companies that fund themselves abroad. Oil sector shocks affect banks indirectly via macroeconomic channels—economic activity, FX availability, external and fiscal positions, exchange rate, inflation, and interest rates.

- **Elevated banking sector NPLs.** NPLs exceed peer averages but are concentrated in a few banks and partly reflect legacy loans from earlier crises. Macroeconomic factors largely drive NPL trends.
- **FX liquidity imbalances.** Uneven bank access to primary FX flows persists. Limited interbank liquidity and segmented FX markets complicate position management within the ±10 percent regulatory net open position limit.
- **Climate-related risks**. Angola faces major transition risks due to the dominance of the oil sector in its economy. Oil production dropped from 1.9 million barrels per day in 2008 to 1.1 mbpd in 2024 and is expected to decline further as reserves deplete and the global energy transition dampens new investments. Physical risks stem from increasingly frequent and severe floods and droughts due to climate change.
- **Other risks** include cybersecurity threats and AML/CFT weaknesses. The recent FATF grey listing amplifies banks' challenges in maintaining correspondent banking relationships and handling international transactions.

B. Stress Tests and Contagion Analysis

15. The FSAP's quantitative work focuses on banks, which dominate the financial system. This includes top-down solvency and liquidity stress tests and contagion analysis of bilateral domestic bank exposures to uncover spillover risks (Appendix I). All banks are covered, testing resilience under scenarios tailored to Angola.

Macrofinancial Scenarios

16. The solvency stress test includes a baseline and an adverse scenario over a three-year horizon. The baseline follows April 2025 World Economic Outlook (WEO) projections. The adverse scenario models a global downturn with a sharp oil price drop, kwanza depreciation, and a short-term spike in interest rates to combat inflation. Domestic real GDP is assumed to contract by 7.8 percent in year one and 7.4 percent in year two (Figure 7).[9] Satellite models project NPLs and interest income/expenses. Note that, given the high public debt, concentrated bank holdings of domestic sovereign bonds, and FX market segmentation, adverse shocks may trigger non-linear confidence effects, which are not considered here but could worsen the results.

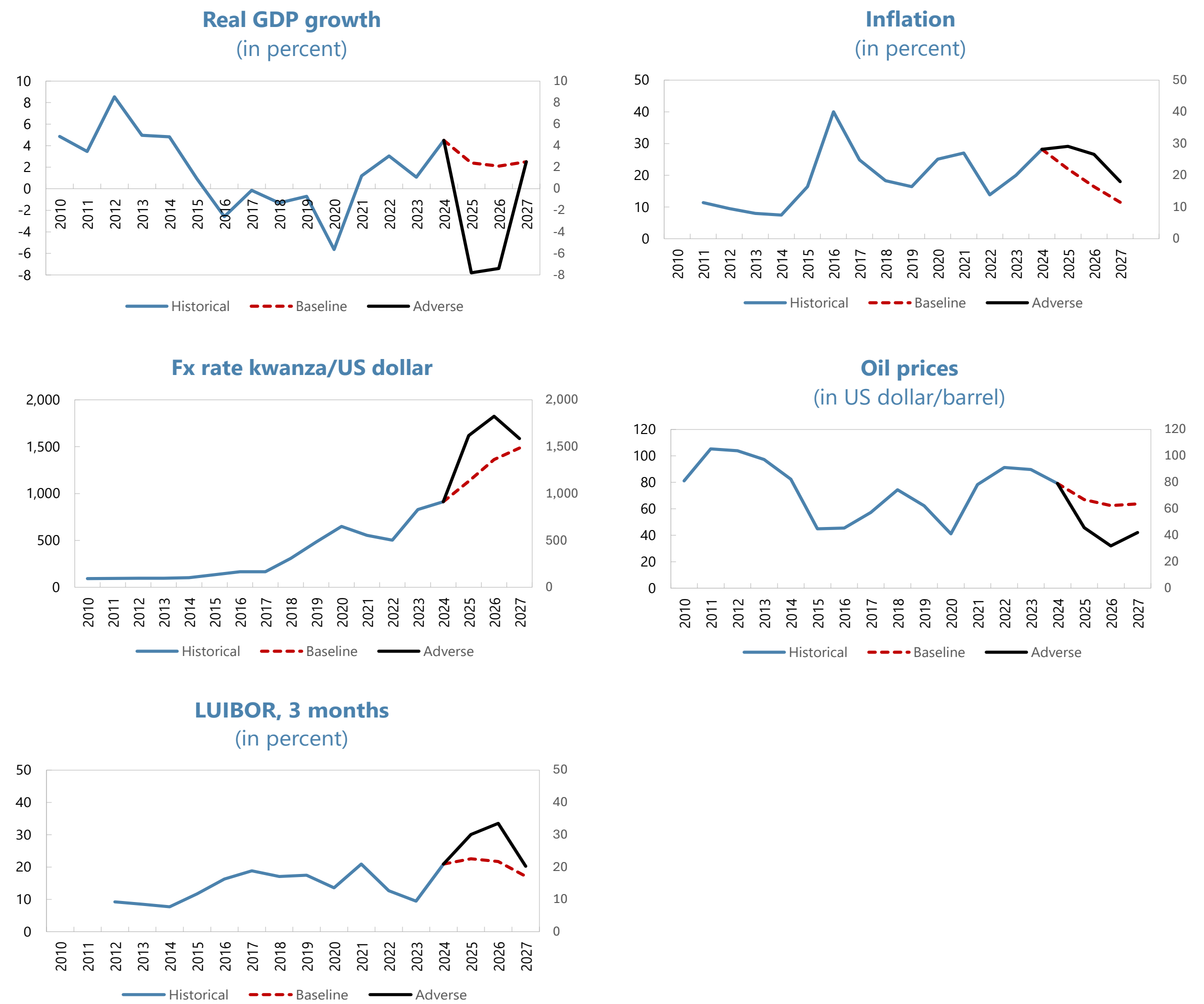
Bank Solvency Risk Analysis and Stress Test

17. In the adverse scenario, the aggregate CAR would drop slightly below the 8 percent Pillar I minimum, mainly due to some banks including D-SIBs (Figure 8). Under the baseline, the system is well capitalized. Under adverse scenario, the aggregate CAR would decline to 7.8 percent, corresponding to a shortfall of about 800 billion kwanzas (1.1 percent of GDP), with four banks, including three D-SIBs, falling below minimum CAR. Measured against combined buffer

[9] The output contraction severity matches two standard deviations of Angola's historical two-year GDP growth rate deviation, spread over the first two years of the scenario horizon.

requirements, six banks would have shortfalls totaling 1.8 percent of GDP, half concentrated in one bank. The capital deterioration in the adverse scenario is most severe in year one, caused by rising provisions linked to higher NPLs and losses in the trading book dominated by domestic sovereign bonds. NPLs rise inversely with GDP growth and directly with interest rates per empirical model. Trading book losses stem primarily from increased short-term interest rates in the first year of the stressed horizon (Figure 7, 3-month LUIBOR).[10] Authorities are encouraged to use satellite regression models to link macro variables with CAR components for risk assessment.

Figure 7. Angola: Macroeconomic Scenarios



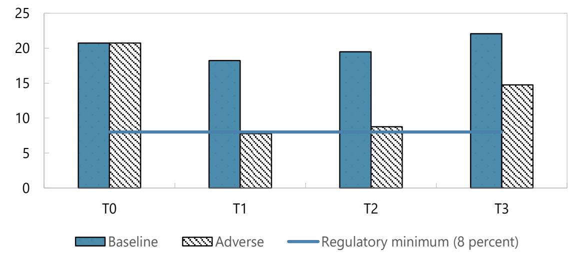
Source: IMF staff assumptions.
Note: The adverse scenario is simulated by MCM's macro-modeling unit via the Quantitative Integrated policy Framework (QIPF) model.

10 The results are based on historical data. The 2024 Article IV, for example, highlights high sovereign debt distress risk, including rising gross financing needs and reduced external market access, as well as a rapidly increasing reliance on domestic financing, which is likely to further raise banks' sovereign exposures and tighten liquidity conditions, which is not captured in this analysis.

Figure 8. Angola: Solvency Stress Test Results

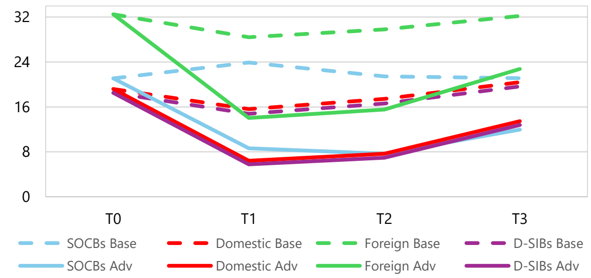
System CAR remains well above the minimum pillar I capital requirement under the baseline, while in the adverse scenario aggregate CAR falls slightly short of the minimum requirement in the first year.

CAR for all banks
(in percent)



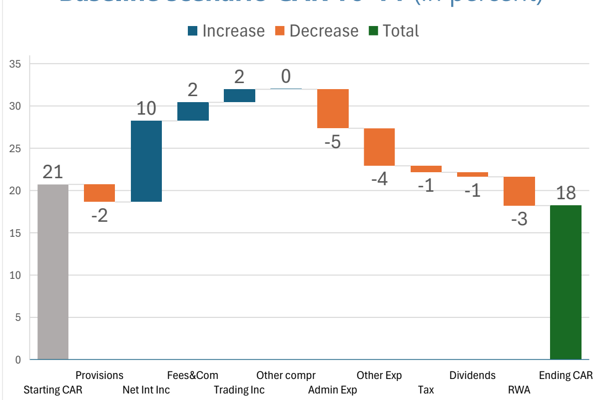
Domestic non-state-owned commercial banks (SOCBs) and D-SIBs fall below minimum requirement in the adverse scenario.

CAR per bank category
(in percent)

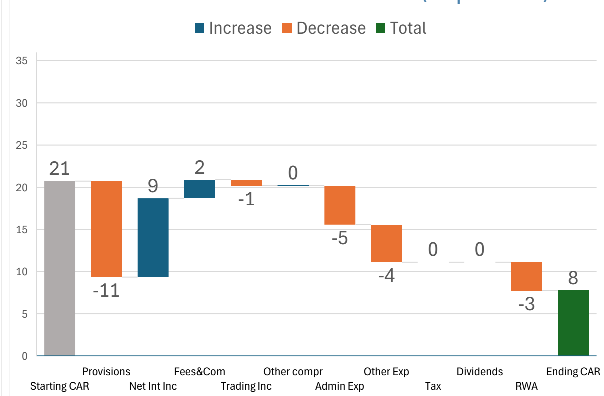


Compared to the baseline, higher provisions from NPLs' and lower trading income (from the losses in the trading portfolio due to higher interest rate) drive the CAR deterioration between T0 and T1 in the adverse scenario.

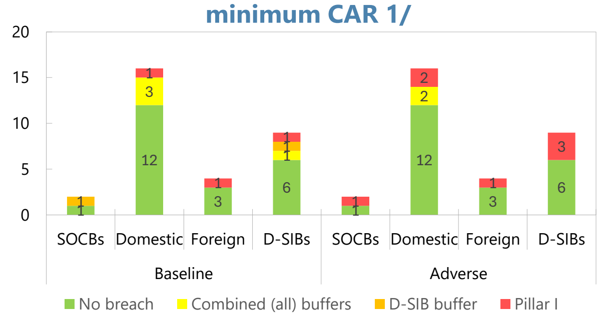
Baseline scenario CAR T0-T1 (in percent)



Adverse scenario CAR T0-T1 (in percent)



Number of banks not meeting minimum CAR 1/



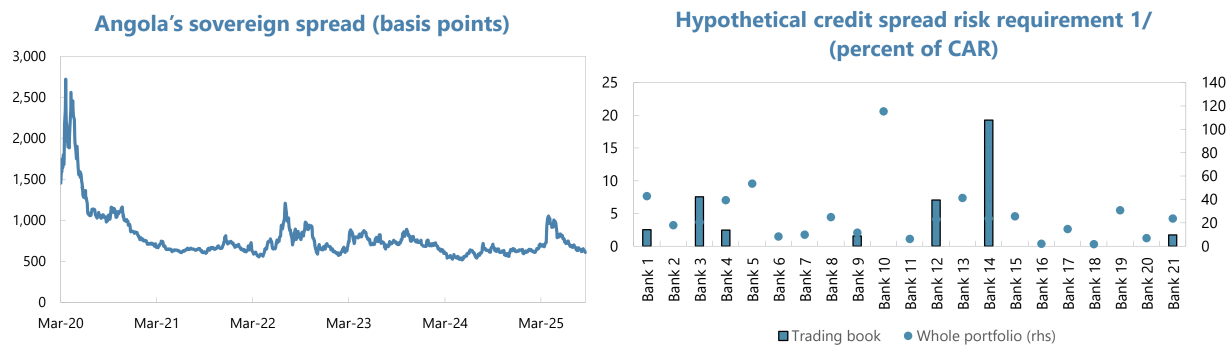
Source: IMF staff calculations.
Notes: D-SIBs are a subset of the other categories of banks. T0 is the end of 2024, and each time interval T1-T3 represents one year forward respectively.
1/ The red bars mean breaches in Pillar I, D-SIB, and combined buffer requirements, orange bars in D-SIB and combined buffer requirements, and yellow bars only in combined buffer requirements. Combined buffers consists of pillar I+II, D-SIB, conservation, and Pillar II Guidance buffers.

Sensitivity Analysis on Sovereign-bank Nexus

18. To assess sovereign-bank nexus intensity, a sensitivity test was done on banks' government bond portfolios. Results indicate that credit spread risk in banks' trading books are manageable, on average. However, a hypothetical capital charge on the entire government bond portfolio reveals the banks' excessive concentration, consuming nearly one-third of banks' systemwide capital (Figure 9).

Figure 9. Angola: Sovereign-bank Nexus Sensitivity Analysis

Angola's sovereign spread on international markets (basis points) | *Hypothetical credit spread risk requirement (based on Basel's Internal Models Approach; percent of CAR) 1/*



Source: IMF staff calculations.

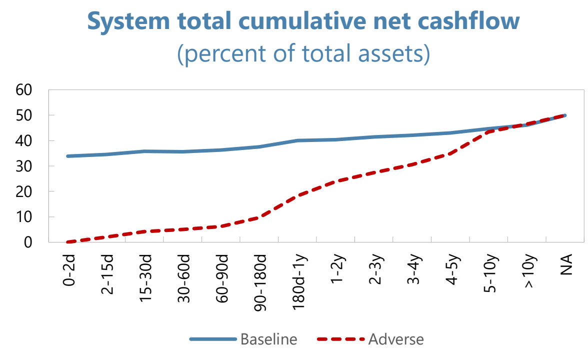
1/ This is based on a simulated credit spread risk requirement, with the size of the credit risk spread considered.

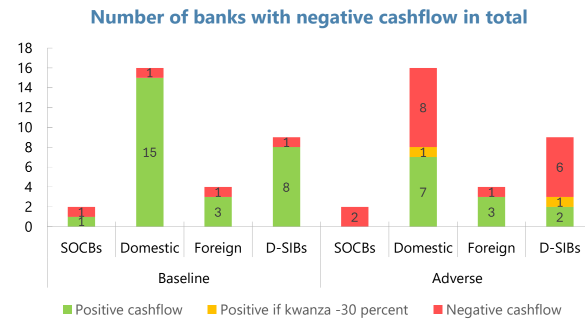
Bank Liquidity Stress Test and Interconnectedness Analysis

19. Liquidity stress tests reveal that banks depend heavily on sovereign securities for liquidity, and some could face significant foreign currency liquidity strains. The baseline liquidity test applies Liquidity Coverage Ratio (LCR) parameters over a "maturity ladder" of cash flows in different time bands, from overnight to one year, separately analyzing overall liquidity and kwanzas versus foreign currency. The adverse scenario hypothetically assumes that all sovereign securities (mostly domestic sovereign bonds) are illiquid—cash inflow occurs only at maturity, not immediately—highlighting the system's strong reliance on bond liquidity. According to Basel definition of LCR, these bonds would be treated as illiquid if held by a bank in a foreign country abroad. The exercise shows large positive cumulative, aggregate net cashflows under the baseline, while they shrink near zero in short-term maturity bands (up to 15 days) in the adverse scenario, where sovereign bonds are treated as illiquid, with over half the banks experiencing negative cashflow. Similarly, while foreign currency cashflow in baseline is positive in aggregate, more than a third of banks would face liquidity shortfalls at individual level. This uneven FX distribution stresses the system (Figure 10). High depositor concentration further challenges several banks via risk of losing significant funding. Interconnectedness analysis shows many interbank exposures are overnight and can be easily unwound, but a significant portion has longer maturity, potentially amplifying contagion during a crisis. Authorities are advised to incorporate this analysis into systemic risk toolkits.

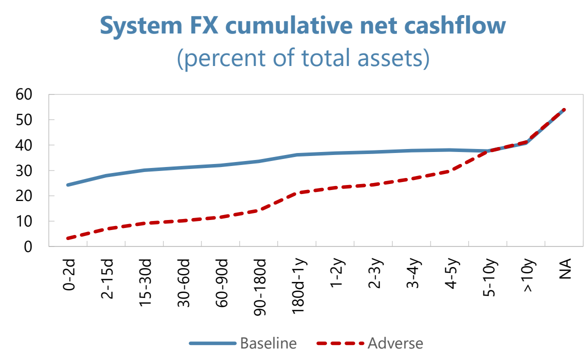
Figure 10. Angola: Liquidity Stress Test Results

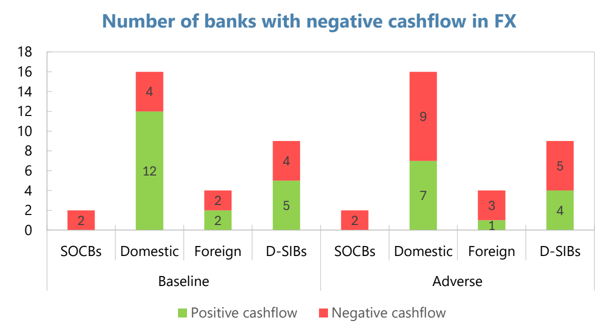
The banking system shows large positive cumulative net cashflow gaps in the baseline scenario, but falls close to zero in the adverse where sovereign bonds are treated as illiquid. More than half of the banks have negative cashflows in the adverse scenario.





The system also shows large cumulative net cashflows in the baseline scenario in FX, but more than a third of the banks in this scenario cannot uphold a positive cashflow, revealing a skewed distribution of FX between banks in Angola.





Source: IMF staff calculations.

C. Systemwide Liquidity Analysis

20. Systemwide liquidity stress tests indicate that the central bank can withstand severe liquidity shocks, with reserves sufficient to cover extreme outflows (Appendix III). The test simulates a loss of confidence in the domestic market triggered by a sharp oil price fall, triggering simultaneous outflows from banks' domestic household and corporate deposits, nonresident deposits, along with sovereign bond maturities. Banks' FX liquid buffers would deplete, requiring central bank liquidity support estimated to suffice. Authorities should monitor funding concentration risks and regularly conduct systemwide liquidity assessments.

D. Climate-Related Risk Analysis

21. Climate risk analysis covered transition and physical risks via three scenarios. The Accelerated Energy Transition scenario features rapid global electrification and advancements in transport, pressuring Angola's oil sector. Given the country's limited economic diversification, these effects reverberate across the broader economy. The Extreme Weather Event scenario anticipates more frequent and intense floods and droughts causing capital stock and infrastructure damage, crop yield losses, and reduced productivity. The Compound Risk scenario combines these effects. Given climate-related financial risks in Angola, the authorities should build capacity on climate scenario analysis among regulators and policymakers.

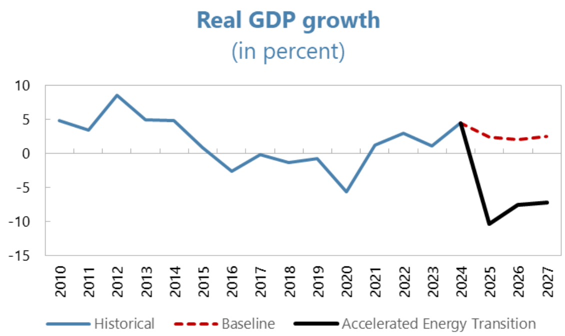
22. Angola faces notable transition risks from oil dependence and the strong sovereign-bank nexus. Declining global fossil fuel demand for fossil fuels declines, the country confronts reduced profitability and valuation of oil and gas assets, falling GDP, rising unemployment, and a significant drop in oil-related fiscal revenues—factors that intensify fiscal stress and push government bond yields higher. These mounting pressures ripple through the financial sector. Under the Accelerated Energy Transition scenario, aggregate CAR would decline to 7.8 percent, primarily driven by higher provisions and trading losses. Four banks breach the minimum capital threshold in year one, with a 780 billion kwanza shortfall (1 percent of GDP), mostly concentrated in one large D-SIB (Figure 11).

23. Physical climate risks have smaller banking sector impact than transition risks, but combined floods and droughts would still cause significant capital declines. The localized nature of such events limits nationwide physical damage relative to the country's total capital stock. However, the macro-level analysis might underestimate collateral damage at more localized and firm-specific levels. Looking ahead, physical risks could become more pronounced as Angola's economy diversifies and banks' agricultural exposure grows (Figure 12).

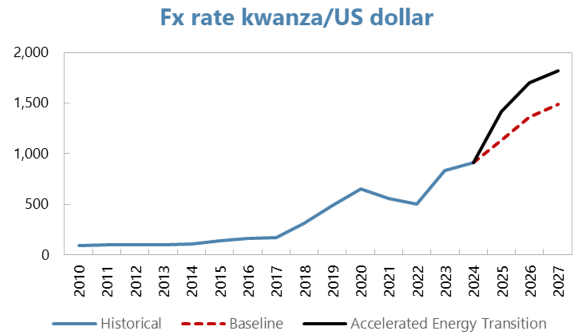
24. Simultaneous materialization of physical and transition risks can amplify overall impacts on the economy and financial system. Under the Compound Risk scenario, the banking system's total CAR falls below the regulatory requirement for two consecutive years, driven by decreasing output, rising inflation, and increasing credit risks and sovereign bond yields (Figure 13). It is important to note that significant uncertainties remain regarding energy transition, climate modeling, and risk realization. The Compound Risk scenario is intended solely to illustrate potential vulnerabilities arising from the simultaneous occurrence of multiple climate-related risks through various transmission channels and does not carry any policy implications.

Figure 11. Angola: Impact of Transition Risks

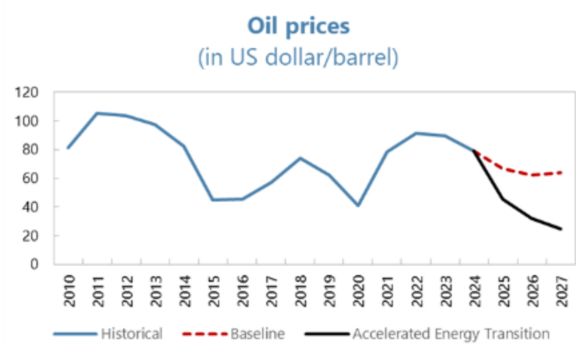
Global accelerated energy transition leads to declining GDP in Angola.



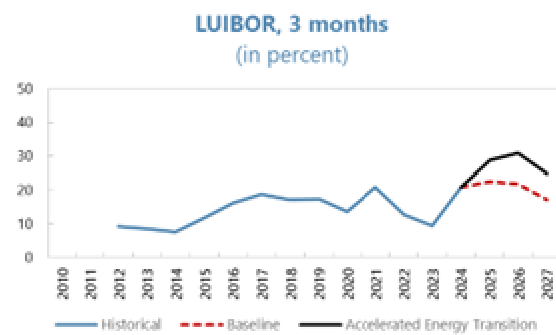
Decreasing oil production and revenue lead to capital outflows, resulting in currency depreciation.



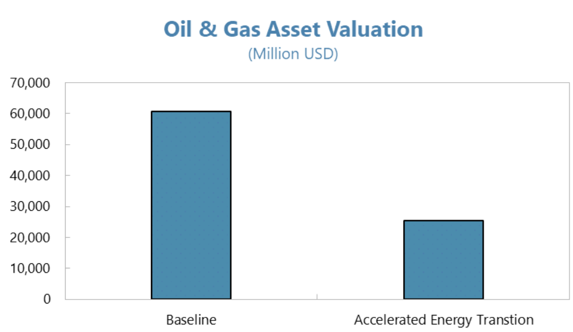
Oil prices continue to decline over a three-year period.



Policy rates increase in response to inflationary pressures and exchange rate depreciation.



Declining global oil demand and prices may create stranded assets in Angola's oil and gas sector.



Reduction in oil production increases unemployment in the oil sector and related service industries.

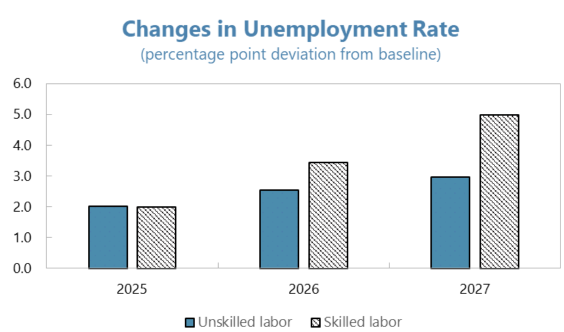
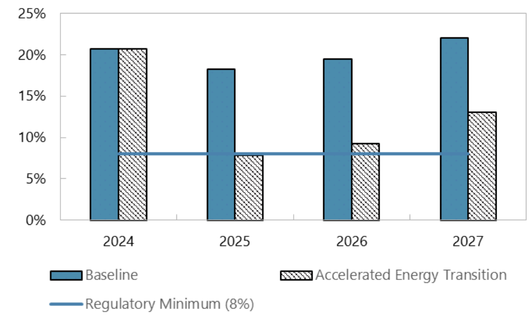


Figure 11. Angola: Impact of Transition Risks (concluded)

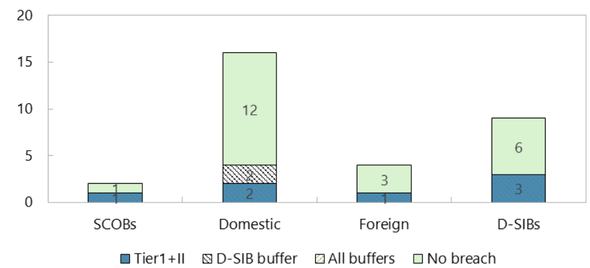
Total CAR in 2025 would fall slightly below the regulatory minimum.

CAR for All Banks
(Accelerated Energy Transition Scenario)



Three out of nine D-SIBs would be below minimum CAR in the Accelerated Energy Transition scenario.

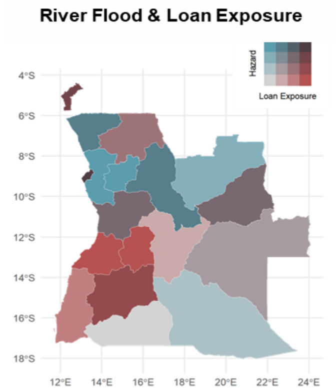
Number of Banks below All Buffers
(Accelerated Energy Transition Scenario)



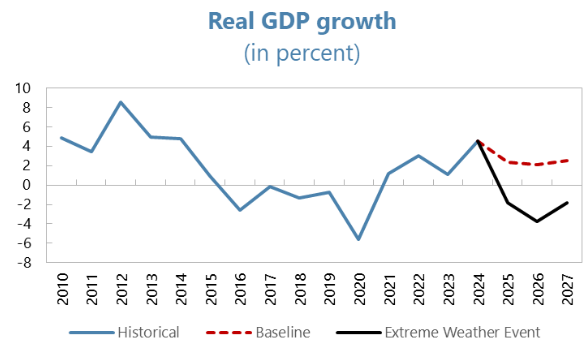
Source: IMF staff calculations.

Figure 12. Angola: Impact of Physical Risks

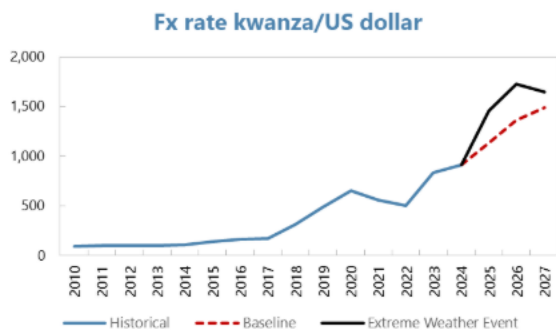
Loan and flood exposures vary by region and bank, and loan exposures increase with climate change for certain hazards.



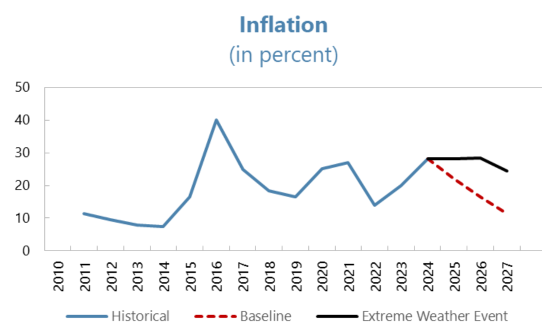
Extreme weather events cause capital damage and output decline.



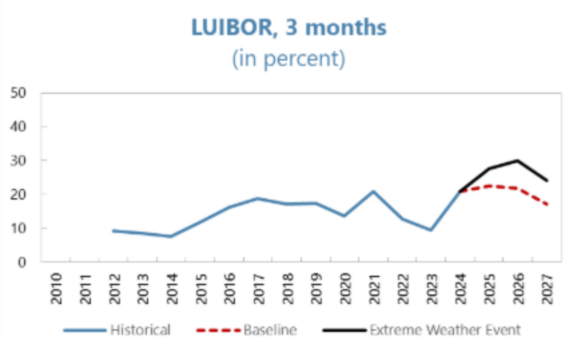
Capital outflows contribute to currency depreciation.



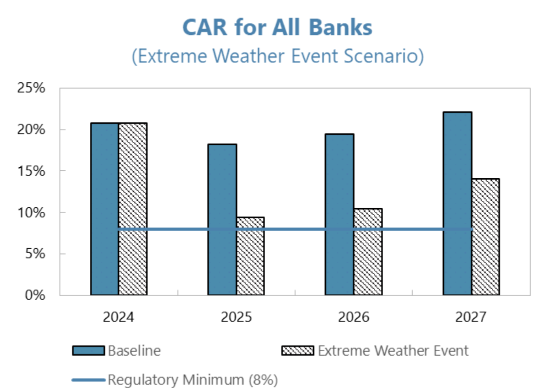
Inflation is driven by supply disruptions and currency depreciation.



Policy rate increases in response to rising inflation.



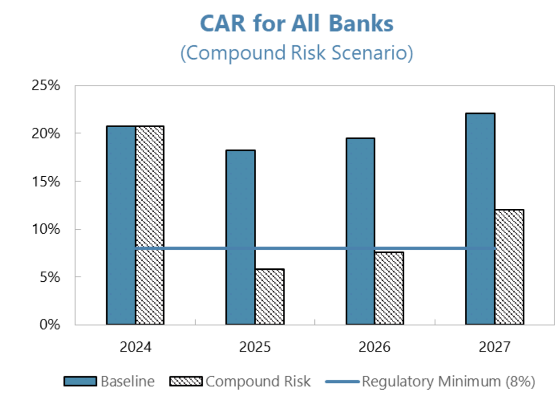
Total CAR is above regulatory minimum across the risk horizon.



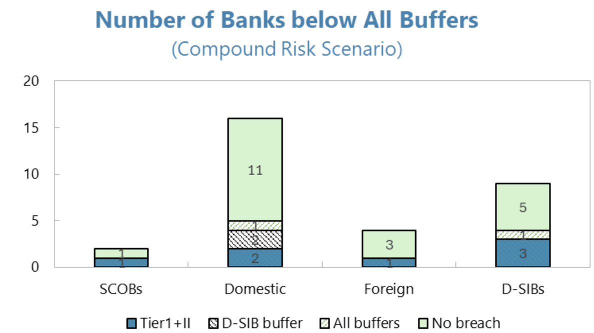
Source: IMF staff calculations.

Figure 13. Angola: Impact of Compound Risks[1/]

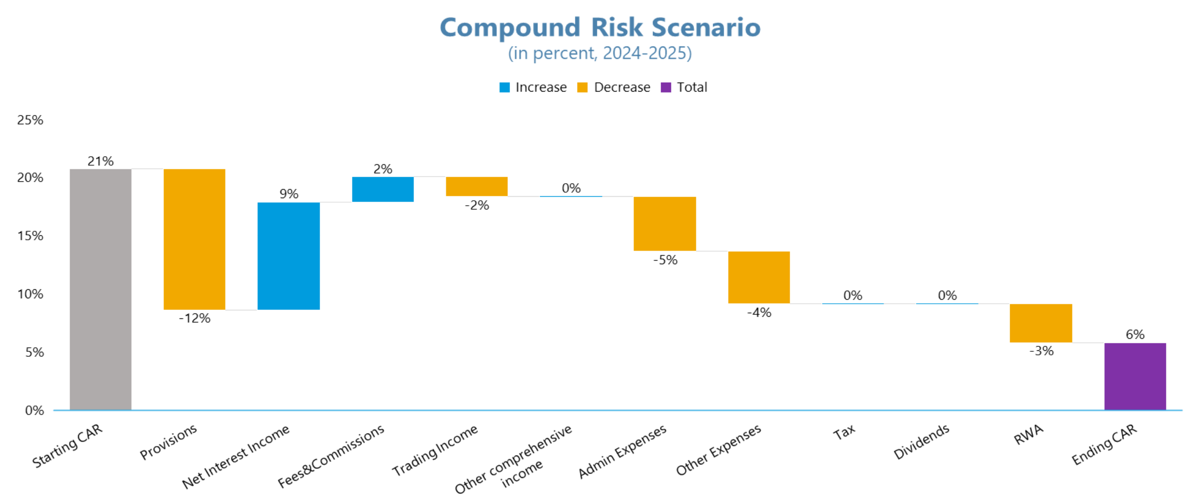
Total CAR would fall below regulatory minimum for two years.



Four out of nine D-SIBs would be below combined buffer requirements in the Compound Risk scenario.



Higher provisions and lower trading income drive the CAR deterioration in the Compound Risk scenario.



Source: IMF staff calculations.

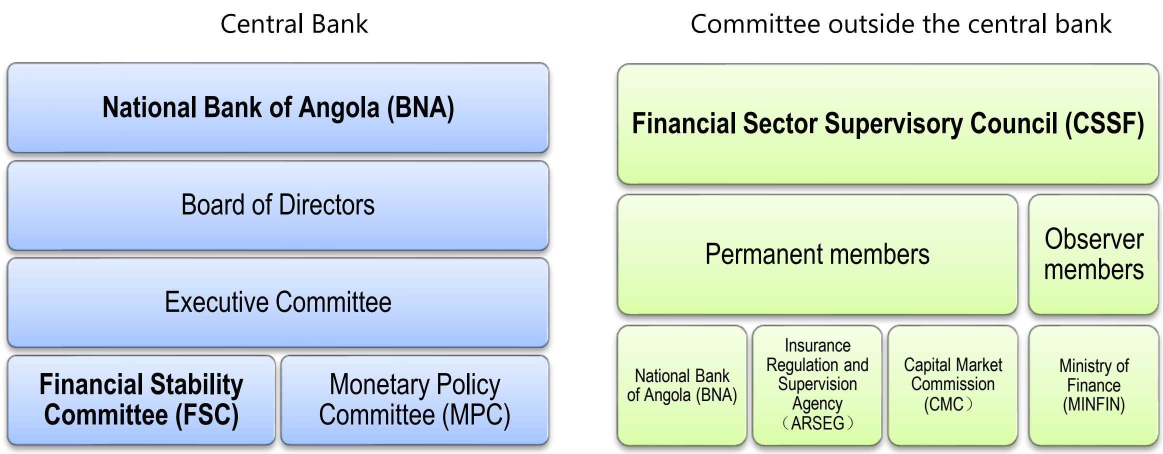
Note: 1/ The Compound Risk scenario explores the impact of the co-occurrence of global oil price declines and domestic extreme weather events**.**

FINANCIAL SECTOR OVERSIGHT

A. Systemic Risk Oversight and Macroprudential Framework

25. Institutional arrangements for macroprudential oversight are broadly defined, with BNA playing a leading role (Table 3). BNA is the designated macroprudential authority, responsible for identifying, monitoring, and mitigating systemic risks. It carries out this mandate through its Financial Stability Committee (FSC). It has legal authority to collect data from a broad range of entities, but improvements are needed in the scope and quality of data. BNA also signed bilateral memorandums with foreign supervisors to enhance macroprudential cooperation.

Table 3. Angola: Institutional Aspects of the Macroprudential Framework



Sources: BNA and IMF staff.
Note: Inter-agency coordination is facilitated by the Council of Supervisors of the Financial Sector (CSSF), which includes MINFIN as an observer.

26. **Establishing a comprehensive macroprudential framework with clear governance and stronger interagency coordination is crucial for effective systemic risk management.** BNA is enhancing systemic risk monitoring and expanding its macroprudential toolkit (Appendix IV) but has yet to finalize a formal framework. Completing this by end-2025 is a priority, alongside improving coordination and accountability through the Council of Supervisors of the Financial Sector (CSSF) strategic plan. Communication and transparency require strengthening via timely publication of Financial Stability Reports and meeting records, which currently experience delays.

27. **Improving data quality and analytical capacity is vital for accurate macroprudential tool calibration and timely vulnerability detection.** Robust systemic risk monitoring depends on comprehensive data infrastructure. BNA uses early warning indicators (e.g., credit-to-GDP gap), interconnectedness metrics, and solvency stress tests in its risk assessments.

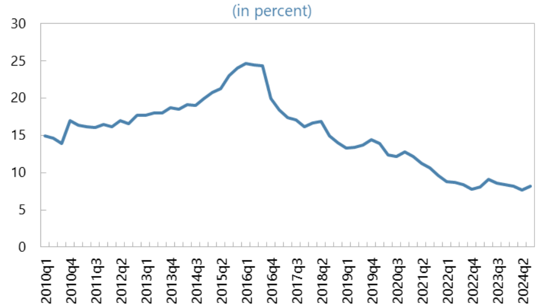
28. **Staff recommend targeted improvements to Angola's macroprudential framework.** While the BNA employs a broad range of macroprudential tools, it would benefit from enhancements addressing sovereign-bank linkages (including measures such as Pillar II measures or targeted macroprudential capital buffers), household vulnerabilities (through strengthened borrower-based measures), and foreign exchange risks (through additional FX liquidity tools and increased risk weights on FX exposures) given Angola's high dollarization and FX mismatches (Figure 14). Considering the country's vulnerability to shocks and bank capital depletion shown by stress tests, BNA should consider adopting a CCyB with a positive-neutral setting during normal times. Building institutional capacity to monitor compliance and evaluate policy impact is also advised.

Figure 14. Angola: Macro-financial Indicators

Angola's credit-to-GDP ratio peaked in 2016 and has since trended downward with fluctuations...

Credit to GDP, 2010Q1-2024Q3

(in percent)

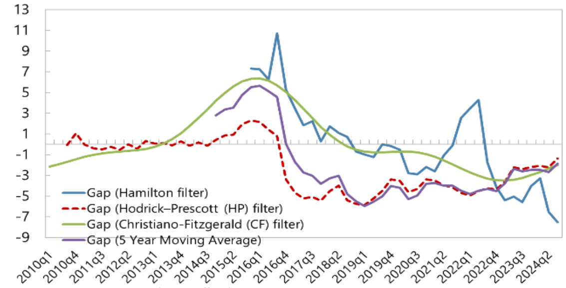


Source: HAVER, BNA; IMF staff calculations.

The credit-to-GDP gap has stayed negative in recent years, signaling prolonged credit contraction...

Quarterly Credit-to-GDP Gap Estimates for Angola 1/

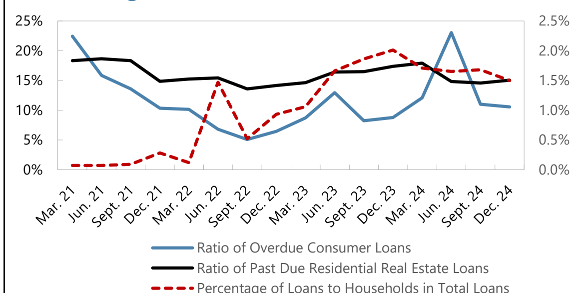
(in percent)



Sources: IFS, HAVER, WB and IMF staff estimates.
1/ The Hamilton filter used a 20-quarter horizon and a 4-period lag; the HP filter applied a one-sided filter with λ = 400,000; and the CF filter used a band between 5 and 25 years.

The Angola's persistently high rate of past-due residential real estate loans (around 15 percent) underscores risks in the household sector...

Angola: Household Sector Indicators

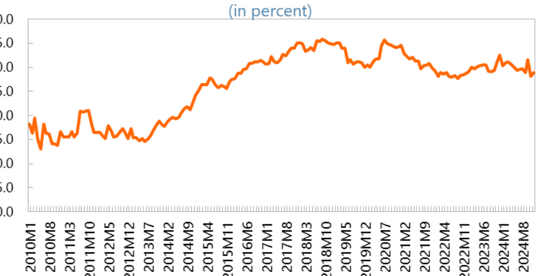


Source: BNA: IMF staff calculation.

The nexus ratio, defined as claims on the government over bank assets, signals high sovereign risk concentration, highlighting the need for close monitoring of sovereign-financial linkages.

Nexus Ratio, Angola, 2001-24

(in percent)



Source: BNA. IMF staff calculation.

B. Banking Supervision and Regulation

29. Significant progress has been made since the 2011–12 FSAP in strengthening banking supervision. New Central Bank and Banking Laws (2021) clarified BNA's financial stability role and formally designated it as the resolution authority. The regulatory framework has been enhanced via Basel III-aligned capital and liquidity requirements, IFRS 9 implementation, and steps toward risk-based supervision. Despite this, significant gaps remain and there is room to simplify and tailor the framework, such as in the D-SIB framework, which applies to an excessively wide range of banks, considering the banking system's size.

30. In recent years there has been a remarkable effort to broadly align financial sector legislation and regulation to international standards and best practices, but with insufficient adaptation to the Angolan context. This has led to burdensome and partial implementation of the regulatory framework. In introducing new rules, BNA should consider the specifics of the Angolan financial system (generally less complex and sophisticated than that of jurisdictions for which those standards have been originally designed), as well as the banks' capacity to adapt, and apply proportionality, especially for less sophisticated institutions.

31. Material progress is needed to enhance compliance with the Basel Core Principles (BCP) for Effective Banking Supervision. The regulatory and supervisory frameworks for the banking sector require substantial enhancement. The 2024 full-scope BCP[11] assessment identified: (i) weaknesses in supervisory intrusiveness and qualitative assessments; (ii) human resource constraints; (iii) corporate governance and risk management deficiencies; (iv) data and reporting issues; (v) lack of country and transfer risk regulation and supervision; (vi) related-party and concentration vulnerabilities; and (vii) AML/CFT supervision limitations. Key recommendations include (i) adjusting regulatory frameworks and better tailoring them to the Angolan context; (ii) improving supervisory capacity; (iii) advancing risk-based supervision; (iv) increasing intrusiveness of supervision; and (v) leveraging technology and investing in data quality.

32. Despite the presence of experienced and committed staff within the supervisory department, human resource constraints critically limit supervision effectiveness. The Banking Supervision Department (BSD) is under-resourced and lacks sufficient risk expertise to fulfill its mandate effectively. There are acute shortages in specialists across critical areas including corporate governance, liquidity, market, interest rate, operational, and IT risk. Recruiting risk specialists is essential to maintain supervisory standards amid increasing banking complexity. Recruitment processes and training programs should be strengthened, including via targeted training and secondment/staff exchange opportunities.

33. BNA should further implement a risk-based supervisory approach. The supervisory framework would benefit from a more forward-looking and risk-sensitive approach. Although the BSD conducts the annual evaluation process (SREP)[12] and monitors banks' conditions, supervision remains largely compliance-based and lacks sufficient depth, particularly in the assessment of qualitative aspects. The high number of D-SIBs (nine of twenty-two banks) may misrepresent systemic relevance and strain resources, signaling a need to review D-SIB designations and buffer settings to better reflect systemic risks.

34. Supervisory intrusiveness should be increased. Current reliance on off-site reviews with limited qualitative inputs (e.g., about strategies, risk tolerance, governance) and infrequent, limited on-site inspections impede thorough oversight. Increasing inspection frequency and scope would strengthen governance and risk assessment. Persistent data quality issues, like discrepancies between financial statements and prudential reports, also hinder effective supervision.

35. Leveraging technology and data is critical for modernizing supervision and improving risk monitoring. Implementing supervisory technology (SupTech), centralized data systems, and automated alerts will enhance BNA's capacity to conduct timely and effective supervision. These technologies can improve data governance, enable real-time monitoring of key risk indicators, and support more proactive supervisory interventions. To further enhance oversight—particularly in

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[11] The 2011 Angola BCP assessment used the 2006 BCP version, limiting comparability with this review.

[12] Although not internationally required, Angola and many countries adopted the SREP from the EU.

areas such as concentration risk, related-party exposures, transfer of ownership, and AML/CFT assessments—BNA should develop a centralized database aggregating bank and other information from multiple sources, including banks, and build dedicated software to analyze and challenge the identification of connected counterparties.

C. Financial Integrity (AML/CFT)

36. **Limited progress has been made to address AML/CFT weaknesses and ensure a timely exit from the FATF's grey list.** Removal will require improvements in, among other areas, (i) adequate criminalization of money laundering; (ii) strengthening AML/CFT risk-based supervision, notably among non-banking institutions; (iii) enforcement of timely access to beneficial ownership information, and (iv) an effective process to implement targeted financial sanctions. Following the grey listing in October 2024, Angola has been included in the EU's high-risk third countries list for AML/CFT deficiencies in June 2025 (and effective as of August 2025), which could create further impact on correspondent banking relationships.[13]

FINANCIAL SAFETY NET AND CRISIS MANAGEMENT FRAMEWORK

37. **Angola has established a comprehensive legal framework for crisis preparedness, management and bank resolution aligned broadly with international standards.** The 2021 reforms made BNA the Resolution Authority, providing it with extensive powers per the Financial Stability Board's Key Attributes on Effective Resolution Regimes. The framework includes clear objectives, legal powers, and creditor safeguards designed to support effective bank resolution and liquidation processes.

38. **In recent years, Angola has made notable progress implementing the framework and enhancing the financial safety net.** BNA created a dedicated Resolution Department, separate from the BSD, and issued regulations and guidance on recovery and resolution planning. In the first annual cycle, in 2024, most banks, including D-SIBs, submitted recovery plans, with BNA feedback to banks so far focused on compliance. D-SIBs submitted resolution planning information in a first annual cycle as well, which BNA has used to develop resolution plans and provide feedback to D-SIBs on potential impediments to resolvability. The establishment of the Deposit Guarantee Fund (DGF) aims to protect depositors, and efforts are underway to create a Resolution Fund, partly funded ex ante by industry levies, to fund systemic bank resolutions. Authorities have conducted crisis simulation exercises and established memoranda of understanding with foreign counterparts, reflecting commitment to strengthening the safety net.

39. **While comprehensive, the legal framework is complex and not fully tailored to the Angolan financial system.** It draws from international good practices but may not be entirely suited to Angola's less complex financial system, potentially hindering BNA's ability to act effectively.

[13] Relevant as some Angolan banks resumed USD clearing correspondent relationships with major US and EU banks.

Further streamlining of the existing framework via proportional implementation of the Key Attributes[14] could improve BNA's capacity for decisive and timely action.

40. Full operationalization and testing of the financial safety net remain incomplete. There is no interagency crisis coordination forum, and roles and responsibilities of financial safety net participants are not well defined. Triggers for early intervention and entry in resolution are unclear or set too close to insolvency. BNA lacks a comprehensive early intervention framework enabling prompt action. Recovery and resolution planning remain in early stages, and key resolution tools (transfer and bridge bank) are not yet fully operational. The DGF is underfunded at 0.4 percent of eligible deposits vs. a 2.75 percent target, with reimbursement processes under development. The ELA framework is not designed for resolution and there are several implementation issues on the collateral framework, haircut calibration and operationalization. Staff shortages further slow progress.

41. To complete framework implementation, authorities should focus on early intervention, entry in resolution, resolution tools, deposit insurance and ELA. First, BNA should strengthen its early intervention framework and entry in resolution, by improving early warning system and developing internal guidance with clear triggers allowing earlier supervisory and resolution authority action. Second, BNA should operationalize its key resolution tools (transfer and bridge bank) to ensure it can execute a resolution in practice. Third, efforts should accelerate to fully fund the DGF and ensure it can reimburse depositors within seven working days. Fourth, the ELA framework should be strengthened, to allow BNA to provide liquidity support to illiquid banks that are solvent on a forward-looking basis, including those undergoing resolution with the possibility of a government guarantee, when the solvency is doubtful and the exit uncertain.

42. In addition, the authorities should strengthen interagency coordination and formalize policies for extraordinary, temporary government funding. An interagency coordination forum including the Ministry of Finance (MINFIN) should be established. Given potential risks to public funds associated with the resolution of systemic banks, MINFIN should proactively participate in crisis preparedness in normal times. Arrangements for temporary back-up government credit lines for the DGF and the Resolution Fund should be established in advance, to address exceptional circumstances where they may be needed to stem a systemic crisis; such arrangements should define conditions for using public funds in resolution and the mechanism for recovering funds from the industry.

43. Finally, to maintain the credibility of Angola's financial safety net, BNA should resolve or liquidate current problem banks as necessary, while protecting small depositors and minimizing costs to taxpayers. BNA's experience in handling problem banks does not demonstrate prompt supervisory intervention and timely resolution. While intervention measures were used with several problem banks in the last 10 years, these occurred when the banks' CARs were well below minimum requirements. Moreover, the resolution framework remains untested, despite one large bank – with a 6 percent share in system assets – having failed to restructure and

[14] See, Using the FSB Key Attributes to Design Bank Resolution Frameworks for Non-FSB Members.

having been insolvent for several years, and other banks having experienced acute regulatory capital breaches or even accounting insolvency in recent years. Unwillingness to act could undermine the financial safety net's credibility. It is essential to remove impediments to early intervention and timely resolution actions, and prioritize the preparation and/or refinement of resolution plans for weak banks, to ensure the framework's effectiveness.

FINANCIAL SECTOR DEVELOPMENT[15]

44. A multipronged strategy, mindful of financial stability implications, should be developed to improve access to finance. The lack of adequate SME funding opportunities is a key impediment to inclusive growth. Financial access could be improved via: (i) recalibration of microfinance institutions capital and limits, enabling digital credit licensing, developing a movable collateral registry, and enhancing the private credit bureau; (ii) adopting risk-based pricing with subsidy transparency, linking fiscal transfers to measurable outcomes; and (iii) clarifying mandates and consolidating overlapping government initiatives. Digital financial inclusion should expand instant and government digital payments, broaden agent networks, adopt activity-based regulation, simplify regulation transaction account rules, improve national ID access, and establish a BNA innovation hub. All measures to promote financial inclusion and SME access to finance should be based on robust analysis, aligned with prudential standards, and consistent with financial stability objectives.

45. Angola's National Payment System (NPS) is sound and comprehensive but requires strengthening. The real-time gross settlement system (SPTR), the backbone of the NPS, remains inaccessible to non-bank payment service providers (PSP); there is no participation of non-bank PSP in the governance of the retail payment system operator (EMIS), which is owned by commercial banks; and there are concerns about operational and pricing issues associated with the instant payment system (KWIK). BNA's oversight is well-established but understaffed. Depository, clearing, and settlement systems lack regular international standard assessments.

46. While the government has reduced its presence in the financial sector and strengthened oversight of state-owned enterprises, further reforms are needed to solidify governance. The authorities should define a clear rationale for state ownership and institutional mandates and enhance the segregation of duties between boards and management in state-owned financial institutions.

47. The insurance and pension sectors have strengthened, but insurance penetration remains very low. Development opportunities exist through the enforcement of existing mandatory insurance products and the promotion of new ones for low-income households and agriculture, the launch of a well-managed, subsidized public parametric agricultural insurance program to protect small and medium producers from climate risks, and the expansion of affordable coverage for low-income populations, where insurance penetration remains very low.

[15] Further details available in WB technical notes from this FSAP.

48. Capital market growth is constrained by a weak macroeconomic environment and a small, concentrated investor base. Authorities should adjust insurance and pension investment regulations to promote asset-liability matching and risk diversification, discourage BNA overnight deposit facility overuse by liquidity-rich banks, boost auction competition. They should also define benchmark issuance schedules and target sizes supported by liability management operations to manage liquidity risk, ensure the government bond yield curve reflects only recent benchmark trades, and enhance transparency in financial intermediation, with targeted exceptions for banks dealing in government securities.

AUTHORITIES' VIEWS

49. The authorities appreciated the assessment of their financial system. They appreciated, in particular, its comprehensiveness and found the engagement useful to bring an additional perspective to their risk analysis, explore emerging issues, and discuss the evolution of their financial sector policy and regulatory frameworks.

50. The authorities acknowledged the FSAP findings and broadly agreed with the recommendations. Overall, the authorities plan to integrate FSAP recommendations into the financial sector reform strategy over the coming years, with the goal of making the financial system robust, inclusive, and resilient, and better aligned with international standards and best practices. They also expressed preliminary interest in capacity development, including technical assistance, to support the implementation of FSAP recommendations. In broadly supporting the recommendations, the authorities made the following observations:

- The report does not always adequately highlight the progress made on macrofinancial developments resulting from recent monetary, exchange rate, and financial sector policies aimed at achieving macrofinancial stability (such as the rapid reduction of the inflation rate from 28 percent in December 2024 to 16 percent in Q4 2025).
- To address data gaps and quality issues, the BNA has finalized a data enhancement program to strengthen data management at reporting banks and within the BNA, focusing on improved coverage, consistency, timeliness, and regular data quality checks. Implementation will proceed through institution-specific action plans with semi-annual monitoring and is expected to be completed by 2028, alongside the rollout of a SupTech tool to automate supervisory processes.
- Greater progress has been made in formalizing the macroprudential policy framework, approved by end-2025 and expected to be implemented in 2026, alongside the approval of the CSSF Strategic Plan and ongoing work on a CSSF communication portal.
- The methodology for the designation of D-SIBs was revised to more accurately reflect systemic relevance[16].

[16] Communiqué No. 110, "Revision of the Methodology for Identifying D-SIBs.

- Development of the liquidity stress testing framework has been completed, with operationalization expected to begin in 2026.
- Revisions to the NPL regulatory framework are ongoing and the revised Notice will require full write-offs of exposures in arrears for more than five years.
- To assess climate risks, the BNA is developing a climate scenario exercise and preparing a survey on non-financial companies' exposure to these risks.
- To enhance the financial safety net the MoU between MINFIN and the BNA is being updated to foster stronger coordination, in line with their law-established mandates.
- Revisions to the Notice on the Internal Governance Code are underway and expected to be published by end-Q1 2026.
- In general terms, within the scope of the assessment of the BCP, divergences can be observed between the evaluation conducted by the FSAP experts and the perspective of the national authorities on the licensing process, supervisory approach, techniques and instruments of prudential supervision, as well as consolidated supervision. That notwithstanding, the authorities acknowledge and accept the recommendations, which will be incorporated into a corresponding action plan within a broader reform process.

Table 4. Angola: Selected Economic Indicators (2024–2031)

	2024	2025	2026	2027	2028	2029	2030	2031
		Prel.			Proj.			
Real Economy (percent change, except where otherwise indicated)								
Real gross domestic product	5.0	3.1	2.3	2.6	2.8	3.0	3.0	3.1
Oil sector	3.3	-5.2	1.6	0.0	0.0	0.0	0.0	0.0
Non-oil sector	5.4	5.2	2.4	3.2	3.4	3.6	3.6	3.7
Consumer prices (annual average)	28.2	20.2	12.9	12.8	10.3	10.0	9.9	9.8
Consumer prices (end of period)	27.5	15.7	13.1	11.2	10.0	10.0	9.8	9.7
Gross domestic product per capita (U.S. dollars)	3,156	3,614	3,754	3,677	3,661	3,655	3,685	3,732
Investment and Savings (percent of GDP)								
National Savings	15.9	12.9	13.6	13.0	13.0	12.8	12.5	12.4
Government	-5.8	1.2	1.3	0.5	0.2	-0.1	-0.1	-0.1
Private	21.7	11.7	12.3	12.5	12.8	12.8	12.6	12.5
Gross Investment	10.6	12.5	11.4	12.0	12.1	11.9	11.9	11.9
Government	3.3	5.3	3.7	4.1	4.1	3.9	3.8	3.8
Private	7.3	7.2	7.6	7.9	8.0	8.0	8.1	8.1
Saving-Investment Balance	5.3	0.4	2.2	1.0	0.8	0.8	0.7	0.6
Budgetary Central Government (percent of GDP)								
Total revenue	17.8	14.8	14.4	13.6	13.6	13.6	13.5	13.4
Of which: Oil-related	12.2	8.5	7.6	6.7	6.4	6.2	6.1	5.9
Of which: Non-oil related	5.6	6.3	6.8	7.0	7.1	7.3	7.4	7.5
Total expenditure	19.0	18.9	16.8	17.2	17.5	17.5	17.4	17.3
Current expenditure	15.7	13.6	13.1	13.1	13.4	13.6	13.6	13.5
Of which: Subsidies	*2.6*	*1.7*	*1.1*	*1.0*	*1.0*	*1.0*	*0.9*	*0.8*
Capital spending	3.3	5.3	3.7	4.1	4.1	3.9	3.8	3.8
Overall fiscal balance	-1.2	-4.1	-2.4	-3.6	-3.9	-4.0	-3.8	-3.9
Primary balance	3.4	-0.4	1.3	0.2	0.0	0.1	0.3	0.3
Non-oil primary fiscal balance (NOPB)	-8.8	-8.9	-6.3	-6.5	-6.4	-6.1	-5.8	-5.6
Money and Credit (end of period, percent change)								
Broad money (M2)	5.0	8.5	14.0	14.5	14.8	15.0	15.1	15.1
Percent of GDP	15.8	13.8	14.2	14.6	15.0	15.2	15.5	15.8
Broad money - local currency (LC M2)	7.6	16.5	16.7	17.1	17.3	17.5	17.5	17.5
Velocity (GDP/M2)	6.3	7.3	7.1	6.9	6.7	6.6	6.5	6.3
Credit to the private sector (annual percent change)	25.4	13.8	11.6	11.3	11.1	11.1	10.8	10.7
Balance of Payments								
Trade balance (percent of GDP)	18.9	10.6	13.2	11.2	10.6	10.4	10.0	9.8
Exports of goods, f.o.b. (percent of GDP)	30.8	21.6	24.0	21.7	20.9	20.4	19.8	19.3
Of which : Oil and gas exports (percent of GDP)	29.0	19.9	22.4	20.0	19.1	18.5	17.8	17.3
Imports of goods, f.o.b. (percent of GDP)	11.9	10.9	10.8	10.5	10.2	10.0	9.7	9.5
Terms of trade (percent change)	-1.9	-17.4	10.6	-9.6	-2.6	-0.9	-1.0	-0.9
Current account balance (percent of GDP)	5.3	0.4	2.2	1.0	0.8	0.8	0.7	0.6
Gross international reserves								
End of period, millions of U.S. dollars	15,768	15,895	16,195	15,695	15,295	14,945	14,945	15,045
Months of next year's imports	7.9	7.4	7.7	7.4	7.2	6.9	6.8	6.4
Exchange Rate								
Official exchange rate (average, kwanzas per U.S. dollar)	870	912	…	…	…	…	…	…
Official exchange rate (end of period, kwanzas per U.S. dollar)	924	923	…	…	…	…	…	…
Public Debt (percent of GDP)								
Public sector debt (gross)	57.1	51.3	51.6	53.5	55.2	56.6	57.1	57.7
Of which : Central Government debt	54.8	48.8	49.8	53.7	55.2	55.3	56.5	57.1
Oil								
Oil production (millions of barrels per day)	1.10	1.03	1.05	1.05	1.05	1.05	1.05	1.05
Oil and gas exports (billions of U.S. dollars)	34.6	28.1	34.1	30.8	30.3	30.4	30.6	31.1
Angola oil price (average, U.S. dollars per barrel)	78.5	67.2	79.1	70.4	68.6	68.3	68.3	67.7
Brent oil price (average, U.S. dollars per barrel)	79.9	68.3	80.2	71.5	69.7	69.4	69.4	69.1

Sources: Angolan authorities; and IMF staff estimates and projections.

Table 5. Angola: Financial Soundness Indicators (2012–2024) [1, 2]

(Percent)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Capital Adequacy													
Regulatory Capital to Risk Weighted Assets	18.3	19.5	19.8	19.8	19.2	18.9	24.2	23.2	20.3	23.8	28.4	26.0	20.7
Regulatory Tier 1 Capital to Risk-Weighted Assets	13.6	14.3	13.9	13.8	14.3	17.6	21.7	19.1	17.7	20.6	21.3	24.6	19.7
Capital to Assets	9.6	10.2	8.9	9.4	10.8	12.4	14.2	9.9	9.0	10.0	15.6	12.4	12.6
Asset Quality													
Non-performing Loans to Total Gross Loans	6.8	9.8	11.7	11.6	13.1	28.8	28.3	32.4	18.4	20.3	14.4	15.6	19.2
Non-performing Loans Net of Provisions to Capital	11.6	22.3	32.8	19.6	27.4	35.0	19.9	28.4	38.3	32.9	14.1	13.6	18.5
Profitability													
Return on Assets (ROA)	1.6	1.4	0.6	1.7	2.2	2.1	4.4	-1.3	-2.9	2.2	2.7	2.9	3.0
Return on Equity (ROE)	12.5	10.9	4.9	12.9	15.6	14.5	26.6	-10.0	-29.8	26.7	22.1	21.2	24.8
Interest Margin to Gross Income	59.8	62.5	56.4	53.0	63.1	72.3	43.2	44.9	168.3	91.0	73.2	63.6	61.1
Liquidity													
Liquid Assets to Total Assets	26.3	30.1	33.9	39.7	46.3	33.8	22.2	26.6	30.1	35.8	30.9	35.3	31.1
Liquid Assets to Short Term Liabilities	33.7	36.9	43.2	50.6	59.2	43.2	28.6	32.6	35.8	43.6	38.9	41.8	37.7
Loan/deposits	65.5	63.3	59.9	50.6	51.6	49.3	44.2	42.0	32.7	35.9	34.4	34.9	43.6
Other													
Net Open Exchange Rate Position to Capital /1 [3]	7.0	16.4	23.7	34.3	42.9	46.1	36.5	2.1	32.6	39.6	17.2	-21.3	-25.9
FX Loans to Total Loans	42.7	37.8	24.4	30.8	29.5	25.1	28.1	31.6	30.3	21.7	20.0	25.2	25.4
FX Labilities to Total Liabilities	50.7	43.0	33.1	33.6	34.4	33.5	46.1	53.0	54.2	45.5	36.3	42.0	40.0

[1] This data is from the Department of Supervision of Financial Institutions of Banco Nacional de Angola and differs from the IMF's Financial Soundness Indicators.

[2] One bank, which is currently undergoing restructuring, reports deferred provisions (a regulatory forbearance measure) as "other assets". This accounting treatment results in an overstated banking sector regulatory capital but does not affect NPLs. The deferred provisions are to be recognized over the next several years (by reducing the value of "other assets").

[3] Positive numbers indicate a long position in U.S. dollars.

Table 6. Angola: Recent MCM Technical Assistance

Lead Division	Dates	TA Mission Title	Status
		FY25	
AFS/MCMFR	February 2025	Training on the core elements of risk-based supervision and the implementation of Basel II/III standards	Completed
AFS	March 2025	Monetary policy implementation and operations	Completed
AFS/MCMCO	December 2024	Emergency Liquidity Assistance and Collateral Framework	Completed
MCMFC	June 2024	Operationalizing Bank Resolution Framework, follow-up	Completed
AFS	May 2024	Strengthening the FPAS on the Transition to Inflation Targeting	Completed
		FY23–24	
AFS	July–August 2023	Diagnostic Mission for FMI & Fintech analysis	Completed
MCMCO	July–August 2023	In-depth Assessment of the Internal Audit Function	Completed
MCMFC	February–March 2023	Operationalizing the New Bank Resolution Framework and Improving Crisis Preparedness	Completed
MCMMP	May–June 2022	Modernizing the Monetary Policy Framework and Transition to Inflation Targeting	Completed
		FY21–22	
MCMFR	April 2022	Basel II/III - SREP Implementation	Completed
MCMFR	November–December 2021	Basel II/III - SREP Implementation	Completed
MCMCO	October 2021	Emergency Liquidity Assistance Framework FY22	Completed
MCMFR	July 2021	Basel II/III - SREP Implementation	Completed
MCMFC	February 2021	Financial Safety Net	Completed
MCMCO	February–March 2021	Financial Management	Completed

Table 7. Angola: Recent Article IV Recommendations Related to the Financial Sector	
2024 A-IV	Comply with existing central bank law, especially on the lending limit and the repayment schedule regarding BNA lending to the government. Continue to enhance financial stability through tackling legacy troubled banks, improving supervision, effectively operationalizing the financial safety net, and improve macroprudential policymaking. Improve access to credit to enable non-oil growth. Address lingering AML/CFT issues with the support from the Fund and other development partners.
2023 A-IV	Take a more comprehensive approach to bank restructuring and prepare for a decisive resolution or liquidation of problem banks, as necessary, while protecting only small depositors. Ensure effective implementation of new supervisory regulations, while accelerating efforts to operationalize the resolution framework. Make progress in AML/CFT measures to address the deficiencies identified in the recent ESAAMLG assessment.
2022 A-IV	Continue progress with operationalizing and implementing the new Financial Institution Law, including via developing the remaining secondary legislation and guidelines, giving top priority to the bank resolution framework. Improve the financial strength of the recently created Deposit Guarantee Fund. Advance the restructuring of the two troubled banks and exit from regulatory forbearance. Continue efforts with resolving the elevated NPLs.
2021 A-IV (6th Review under EFF)	Restructure the two troubled public banks. Operationalize the regulatory framework following the May 2021 Financial Institution Law. This involves advancing the microprudential and macroprudential frameworks, implementing the newly developed Supervisory Review and Evaluation Process (SREP) for banks, and timely implementing the resolution framework. Tackle remaining challenges facing the banking sector, including reducing high non-performing loans and carefully monitoring banks with weak profitability.

Table 8. Angola: Risk Assessment Matrix[1,2]		
Sources of risks	**Relative likelihood**	**Impact and transmission channels**
Commodity price volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	**High**	**High.** Angola is an oil-dependent economy with oil accounting for over 60 percent of fiscal revenues and more than 90 percent of exports. Oil companies are an important source of the foreign exchange (FX) supply. External and fiscal pressures in EMDE's would also negatively affect Angola's prospects to access global capital markets, which would be needed to meet large external debt coming due in the next few years. This instability could also affect local banks with higher deposit volatilities and funding difficulties due to lower credit ratings.
Geopolitical tensions. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	**High**	**Low.** The direct impact of geopolitical tensions is limited. While higher oil prices can strengthen Angola's external position, disrupted food supply chains and rising global inflation are expected to tighten global financial conditions. This will likely increase Angola's sovereign spreads and exert upward pressure on domestic inflation. If the policy rate is raised to fight inflation, banks with a long maturity profile in the loan portfolio may face capital shortcomings.
Sovereign debt distress. Domino effects from high global interest rates, deteriorating debt sustainability in some AEs, unfunded fiscal spending, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, amplified by sovereign-bank feedback, resulting in capital outflows, rising risk premia, loss of market access, and contraction of growth and social spending.	**High**	**Medium.** Contagion effects and swings in investor sentiment could drive Angola's sovereign spreads higher, exacerbating external financing pressures. This market risk for banks could imply extensive losses for banks holding a large amount of government bonds.
Social discontent. High inflation, real income loss, spillovers from conflicts (including migration), and worsening inequality stir social unrest, drive populist policies, and increase resistance to reforms, especially in the context of polarized or disputed elections. This exacerbates imbalances and weakens growth prospects, leading to policy uncertainty and market repricing.	**Medium**	**High.** Social unrest is likely to disrupt policy implementation, hampering the government's ability to execute fiscal consolidation measures and further undermining macroeconomic outcomes. Internal disorder may cause a lack of trust in domestic institutions and banks could experience large withdrawals from deposit accounts.
Climate change. Extreme climate events driven by rising temperatures cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability. A disorderly transition to net-zero emissions and regulatory uncertainty lead to stranded assets and low investment.	**Medium**	**Medium.** Angola is vulnerable to climate change, facing frequent shocks that impact agriculture, as well as transition risks stemming from reduced global demand for oil—on which the country heavily relies. This could translate into higher NPLs in bank lending portfolios, leading to increased losses and capital shortcomings.

Table 8. Angola: Risk Assessment Matrix (concluded)

[1] In line with the February 2026 G-RAM.

[2] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and the overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Appendix I. Banking Sector Stress Testing Matrix (STeM)

	Assumptions
Domain	Top-down by FSAP Team
Banking Sector: Solvency Stress Test	
Institutional perimeter	• All 22 banks in the country.
Data and starting position	• Bank-by-bank supervisory data on a solo basis. • Cut-off date: Year-end 2024.
Methodology and risk factors	• The main objective is to estimate the impact of a given macro scenario on regulatory capital through P&L for individual banks under a baseline (WEO) and an adverse (modelled) scenario. • P&L is estimated through three main risks: credit, interest rate, and market risks. • For credit risk, new flows of nonperforming exposures and loss provisions are estimated using satellite models, with NPLs as the dependent variable, linking macro financial variables with credit risk parameters. Publicly disclosed NPL ratios will be used in the analysis and there is no segmentation of the loan portfolio in the satellite model. Provisioning rates for NPLs are calculated by multiplying probability of default (PD) by loss given default (LGD). PDs and LGDs are to 14 and 50 percent for performing loans, and 83 and 60 percent for NPLs, respectively. • For interest rate, interest income and interest expenses are projected separately based on projections of macro financial variables, estimated using satellite models. There is no segmentation of income or expenses. • For market risk, projected interest rate is used to estimate security gains/losses on debt securities in trading and banking books separately, and projected exchange rates are used to estimate foreign currency gains/losses in open positions. • Other income statement items are projected using a simplified approach based on predicted credit growth. A growing balance sheet is assumed, following credit growth (from system loan portfolio size) but with some adjustments in the loan portfolio. Risk-weighted assets (RWA) follow a corresponding estimate, assuming performing and NPLs are the same as for end-2024 respectively. • Estimates are based on quarterly data from 2011.
Scenarios	• The baseline scenario is aligned with IMF April 2025 WEO forecasts. • The adverse scenario addresses the most relevant risks and vulnerabilities confronting the financial system, including a depreciation of the kwanzas and a decline in oil prices, triggered by a global economic downturn. • Horizon: 3 years.
Sensitivity analyses	• Sovereign-bank nexus risks on the banks' portfolio of government bonds by measuring the credit spread component of market risk.
Hurdle rates	• National minimum requirements on pillar I (8 percent), pillar I + D-SIB buffer (1-2 percent), and Pillar II (13.2-19 percent) respectively.
Output presentation	• Evolution of total capital over the horizon. • Number of banks below/above hurdle rate. • Aggregated shortfall in kwanzas and to GDP.

	• All output is presented in total and separately by banking category (SOCBs, domestic private banks, foreign private banks, and D-SIBs).
Banking Sector: Liquidity Stress Test	
Institutional perimeter	• All 22 banks in the country.
Data and starting position	• Bank-by-bank supervisory data on a solo basis. • Cut-off date: Year-end 2024 and 2023.
Methodology and risk factors	• A liquidity cash flow analyses aligned with the LCR framework is performed, in total and separately for kwanza and foreign currency.
Scenarios	• The baseline scenario is based on parameters from LCR. • One country specific adverse scenario is executed assuming that all sovereign bonds in Angola are illiquid. • Horizon: 1 year.
Sensitivity analyses	• Outcomes are recalculated, assuming a domestic currency depreciation of 30 percent. All foreign currency cashflows are revalued and added to domestic currency cashflows to evaluate the total impact on cashflows.
Hurdle rates	• Zero for the cumulated net cash flow position for all time buckets up to one year. A bank is not assumed to survive a scenario if it has at least one negative cumulative net cashflow in any time bucket below one year.
Output presentation	• Evolution of cumulative net cash flow positions. • Number of banks below/above hurdle rate. • Aggregated shortfall in kwanza and as a percentage of GDP. • All output is presented in total and separately by banking category (SOCBs, domestic private banks, foreign private banks, and D-SIBs).
Contagion analysis	
Institutional perimeter	• All 22 banks in the country.
Data and starting position	• Bilateral credit exposures among institutions on a solo basis. • Cut-off date: Year-end 2024 and 2023.
Methodology and risk factors	• Network model based on Espinosa-Vega and Solé (2010)[1], capturing credit and funding risks. • Solvency-contagion interaction is considered by projecting additional losses from interbank exposures.
Scenarios	• One adverse scenario is used assuming substantial spillover effects among domestic banks.
Sensitivity analyses	• NA
Hurdle rates	• NA

[1] Espinosa-Vega, M. A. and Solé, J. (2010), "Cross-Border Financial Surveillance: A Network Perspective", IMF Working Paper, WP/10/105.

Output presentation	• Network charts, contagion and vulnerability indices.
Systemwide Liquidity Analysis	
Institutional perimeter	• All 7 institutional sectors in the economy.
Data and starting position	• Sectoral assets and liabilities positions from Balance Sheet Analysis (BSA) Data.
Methodology and risk factors	• Balance Sheet Analysis: identify sectoral balance sheet vulnerabilities, financial interlinkages, and potential channels of contagion. • Stress testing: develop cash flow-based liquidity stress tests to estimate decline of liquid assets and their composition at sector level.
Scenarios	A medium and a severe stress scenario to capture FX liquidity outflows arising from: • Capital outflows from household and non-resident deposits. • Investors' demand for FX to repatriate sales of local currency investment.
Output presentation	• Network matrix and charts; in-depth balance sheets analysis. • Bank cash flow analysis and gross international reserves position under stress scenarios.
Transition Risk Analysis	
Institutional perimeter	• All 22 banks in the country.
Data and starting position	• Bank-by-bank supervisory data from BNA. • Oil field data from Rystad Energy. • Cut-off date: Year-end 2024.
Methodology and risk factors	• Transition risk analysis explores several interconnected models and transmission channels over a three-year horizon, focusing particularly on sovereign-bank nexus: • Global energy module: global oil prices based on IEA's World Energy Outlook 2024. Oil prices in the first two years match those used in the solvency stress test and decline to $25 per barrel in the third year, which corresponds to mid-century oil price projection under the accelerated global energy transition from the IEA study. • Oil sector module: potential oil sector stranded assets based on the cost and revenue of individual oil fields using the Rystad Energy Economic Model. Stranded assets arise from changing expectations of future profits on invested capital due to the accelerated global energy transition. We estimate stranded assets by assessing how changes in expectations affect the present value of discounted future profits, calculating profits per asset under the Accelerated Energy Transition scenario using detailed oil and gas data from Rystad Energy. If investor expectations for global oil and gas demand fall and prices fall below breakeven levels, some assets may become unprofitable. • Macro module: changes in unemployment estimated using the ENVISAGE model. The ENVISAGE is used to estimate the impact of the global energy transition on Angola and other countries. Unemployment levels are derived based on the corresponding oil price and production shocks. • Macrofinancial module: QIPF model with persistent oil price and endowment shocks.

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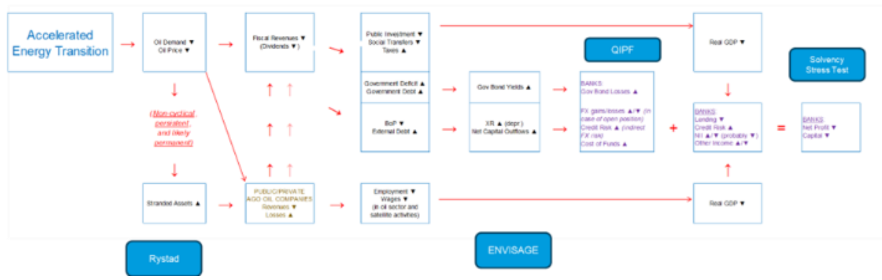
- Bank module: same satellite models developed for solvency stress test.

Transition risks propagate through multiple transmission channels, leading to lower GDP and currency depreciation from both supply and demand shocks.



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<tr><td>Scenarios</td><td>

- Three transition risk scenarios are used:
- Baseline: Angola and other countries continue current policies, with limited technological advancements. No transition or physical risk in the baseline, calibrated based on the WEO April 2025.
- Accelerated Energy Transition: accelerated electrification and advancements in transport technologies globally pose persistent downward pressure on the Angolan oil sector, while lack of diversification in Angola's economy exerts further downward pressure.
- Compound Risk: Angola faces both sustained pressure on the oil sector and heightened risks from extreme weather events. Transition risk assumptions in the Compound Risk scenario align with those used in the Accelerated Energy Transition scenario.

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<tr><td>Output presentation</td><td>

- Measures of credit risk at the system-wide level.
- Comparison between baselines and energy transition scenarios.

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<tr><td colspan="2">Physical Risk Analysis</td></tr>
<tr><td>Institutional perimeter</td><td>

- All 22 banks in the country.

</td></tr>
<tr><td>Data and starting position</td><td>

- Bank-by-bank supervisory data from BNA.
- Cut-off date: Year-end 2024.

</td></tr>
<tr><td>Methodology and risk factors</td><td>Physical risk analysis assesses the combined impacts of floods and droughts in Angola over a three-year horizon. Physical risk scenarios consider the co-occurrence of flood and drought events within the same year, recognizing that these hazards occur at different times, affect different regions, and have distinct transmission channels. Angola has two distinct seasons: a hot, humid rainy season and a cooler, drier season. Additionally, northern Angola experiences hot, humid tropical weather, while the southwestern region is arid. Droughts primarily affect agriculture, whereas floods cause direct damages to capital stock and infrastructure. Given the large impact of climate variability on weather events, the mid-century climate shocks are applied to the three-year horizon.</td></tr>
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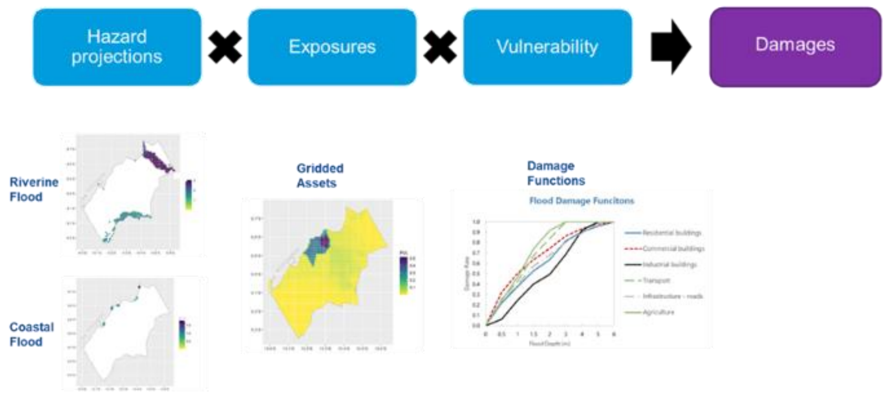
Direct damage estimation combines three modules: hazard, exposure, and vulnerability.



Direct damages from flood events are estimated using a catastrophe modeling approach that combines three modules: a hazard module based on the WRI Aqueduct Floods Hazard Maps, an exposure module using spatially disaggregated capital stock from Eberenz et al. (2020), and a vulnerability module using damage functions for Africa from Huizinga et al. (2017).

The impact of climate change on the agricultural sector is assessed using an empirical approach developed by Hultgren et al. (2025), which leverages extensive agricultural, historical and projected weather, income, and irrigation data to estimate how staple crop production responds to weather patterns while accounting for adaptation and economic development.

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<tr>
<td>Scenarios</td>
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- Baseline: No transition or physical risk in the baseline, calibrated based on the WEO April 2025.
- Extreme Weather Event: under the RCP 8.5 scenario, the increasing frequency and intensity of floods and droughts lead to direct damage to capital stock and infrastructure, a significant reduction in crop yields, and decreased productivity (see the table below).
- Compound Risk: Angola faces both sustained pressure on the oil sector and heightened risks from extreme weather events. Physical risk assumptions in the Compound Risk scenario align with those used in the Extreme Weather Event scenario.

<table>
<tr><th></th><th>2025</th><th>2026</th><th>2027</th></tr>
<tr><td>Flood (riverine)</td><td>1-in-10-year flood</td><td>1-in-100-year flood</td><td>1-in-500-year flood</td></tr>
<tr><td>Flood (coastal)</td><td></td><td>1-in-100-year flood</td><td></td></tr>
<tr><td>Drought</td><td>severe drought
(no adaptation)</td><td>severe drought
(no adaptation)</td><td>moderate drought
(with adaptation)</td></tr>
<tr><td>Capital damage</td><td>0.4% (riverine)</td><td>0.7% (riverine)
1.9% (coastal)</td><td>0.9% (riverine)</td></tr>
<tr><td>TFP shock</td><td>0.8%</td><td>1.4% (riverine)
3.8% (coastal)</td><td>1.8%</td></tr>
<tr><td>Agricultural output loss</td><td>14.6%</td><td>14.6%</td><td>8.7%</td></tr>
<tr><td>Recovery period</td><td>1 year</td><td>2 years</td><td>1 year</td></tr>
</table>

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<td>Output presentation</td>
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- Measures of credit risk at the system-wide level.
- Comparison between scenarios with and without climate change.

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Appendix II. Progress and Status of Key Recommendations from the 2011 FSAP

The authorities report significant progress in addressing the recommendations of the 2011 FSAP, particularly through legislative and regulatory reforms; however, the implementation of these reforms remains at an early stage, necessitating substantial efforts to achieve full operationalization:

- Considerable progress has been made in aligning the regulatory framework with best international practices and deciding on the adoption of a risk-based approach. Legislative and regulatory reforms since 2021 have expanded BNA’s supervisory powers, clarified its financial stability objective, formally designated BNA as the resolution authority, and established the Council of Supervisors of the Financial System. The new regulation has strengthened licensing requirements for new institutions; introduced principles of corporate governance and an internal control system for banks and selected non-bank financial institutions; and upgraded capital and liquidity requirements aligned with Basel III and implemented IFRS 9. However, improvements are still needed for the full implementation of risk-based approaches and for closing significant regulatory gaps, especially in risk management. The supervisory process on corporate governance remains compliance-based rather than intrusive, and supervisory capacity continues to be a critical bottleneck. Finally, material data quality issues in prudential reports persist and monitoring needs to be further developed.

- Notable progress has been made in enhancing the financial safety net and implementing the legal framework for crisis management and resolution. As the resolution authority, BNA has established a resolution department, conducted crisis-simulation exercises, concluded memoranda of understanding with foreign counterparts, and set up a DGF in 2019. However, there is no interagency forum for crisis-management coordination; recovery and resolution planning remain at an early stage; and key resolution tools and the DGF are not yet fully operational. Finally, the ELA framework is not designed for resolution, and there are implementation issues with the collateral framework, haircut calibration, and operationalization.

- A strategic sovereign asset–liability management framework, including an oil stabilization fund, has been established under the Public Finance Sustainability Law to help insulate the economy from volatile oil flows. Progress has been made on the government’s plan to bring Sonangol into the budgetary process, reduce quasi-fiscal activities, and divest non-oil-related activities. Public debt management has been reinforced through the adoption of medium-term debt instruments designed to ensure the sustainability of public finances and mitigate the risk of arrears. In parallel, reserve management guidelines have been fully implemented, supported by enhanced governance.

- Recent institutional reforms have clarified the respective roles and responsibilities of the macroprudential authority and the supervisory agency. However, deficiencies remain in institutional coordination, accountability and communication, data collection for monitoring systemic risks, risk assessment capacity, and the calibration of macroprudential policy tools. Macroprudential measures have been introduced to manage the impact of oil-related inflows—

namely dollarization pressures, net open FX positions, and high credit growth—by establishing a foreign-exchange regime for the petroleum sector, capping banks' daily net open FX position at the 10 percent regulatory limit and restricting foreign currency lending to the government and exporters.

- Financial sector development has also advanced. A new Payment Systems Law was passed in 2020, which together with new regulations, established the legal and regulatory framework for PSPs. BNA launched an instant payment system switch in 2023, ensuring interoperability among e-money wallets and bank accounts. Capital market developments have advanced through regulatory reforms, privatization, tax incentives, and diversification of instruments. Following the issuance of the enabling regulatory framework in 2020, the first credit bureau started operations in 2021, but its coverage and operations remain limited. BNA issued various regulations in 2023-24 to clarify the establishment and operations of microfinance institutions. Moreover, Angola introduced a new Insurance and Reinsurance Law in 2022, strengthening the independence, autonomy, and enforcement powers of the Angolan Agency for Insurance Regulation and Supervision (ARSEG), and introducing micro-insurance. In 2021, the country also passed laws on secured transactions and corporate restructuring and insolvency.

Appendix II. Table 1. Angola: Implementation of 2011 FSAP Recommendations—Assessment

Recommendations and Authority Responsible for Implementation	Time-frame	Status of Implementation
Macro-Financial Linkages		
Develop a strategic sovereign asset-liability framework including an oil stabilization fund to help insulate the economy from volatile oil flows. [Government/BNA/Sonangol]	NT	**Partially Implemented.** The Government institutionalized the Fiscal Stabilization Fund through Law No. 37/20 – Public Finance Sustainability Law. This legal framework sets out clear rules for the fund's capitalization, ensuring a structured and transparent approach to managing the volatility of oil revenues. The fund is managed by the Sovereign Fund of Angola (FSDEA), under the terms of the FSDEA Management Regulation, approved by Presidential Decree No. 214/19, of 19 July. The main objective of the fund is to support fiscal stabilization through the prudent allocation of revenues specifically earmarked for this purpose. However, while the oil stabilization fund has been institutionalized, it is not yet operational.
Begin implementation of the government's time-bound plan to bring Sonangol (the national oil company) within the budgetary process, curtail its autonomous quasi-fiscal role, and divest nonoil related activities over the medium term. [Government/BNA/Sonangol]	NT	**Partially Implemented.** The Government has been implementing a set of structural measures to align Sonangol with the fiscal framework and increase fiscal transparency and discipline. To reduce Sonangol's quasi-fiscal role and eliminate conflicts of interest, the Government separated its functions as operator and concessionaire through the creation of the National Oil and Gas Agency, to support financial restructuring in the oil sector. As part of the reduction of the State's presence in the economy, the Government is implementing a Privatization Program, approved by Presidential Decree No. 250/19, of 5 August and extended until 2026 by Presidential Decree No. 78/23, of 28 March. Through this program, Sonangol is divesting its non-oil activities. The Government has taken actions to normalize the State-Sonangol relationship, including initiating reforms in fuel subsidies, budgeting Sonangol's dividends and accelerating the Tax Compensation Mechanism to reduce outstanding debt. As a result of these reforms, Sonangol is already part of the budget process, however its tax contributions are not yet fully reflected in the State Budget.
Avoid arrears and strengthen the debt management unit. [Government/BNA/Sonangol]	MT	**Partially Implemented.** The Government has strengthened the role of the Public Debt Management Unit (UGD) through the approval of its Organic Statute, under Presidential Decree No. 227/16, of 17 November. This statute clarified its mandate and strengthened its institutional framework. The UGD is a public legal entity with the status of a Public Institute of the Administrative Sector. Its main mandate includes the negotiation and contracting of loans necessary for the financing of the State under the General State Budget, the management of credit availability and public debt, as well as the design and implementation of the public debt strategy. In addition, the UGD has a legal personality and enjoys administrative, financial and patrimonial autonomy. In addition, Law No 37/20—the Public Finance Sustainability Law—established

Appendix II. Table 1. Angola: Implementation of 2011 FSAP Recommendations—Assessment (continued)

		debt-related fiscal rules and introduced medium-term debt management tools. It mandates that fiscal policy be formulated and implemented to ensure the sustainability of public finances, with a clear objective of consistently reducing the public debt-to-GDP ratio to 60 percent or less in the long run. Every year, when updating and presenting the General State Budget and the Medium-Term Debt Strategy, the Executive is obliged to outline concrete measures and mechanisms aligned with this objective.
Implement appropriate macroprudential policies to deal with the impact of oil-related inflows including dollarization, net open positions, and high credit growth. [BNA]	NT	**Partially Implemented.** Published (i) New Foreign Exchange Regime for the Petroleum Sector, Foreign Exchange Law for the Petroleum Sector (Law No. 2/2012), to establish the foreign exchange regime for the settlement of capital, commodity and current intangible transactions resulting from the activity of research, evaluation, prospecting and development and production of crude oil and natural gas; (ii) Notice No. 13/2022, limiting the daily foreign exchange position to 10 percent of Own Funds, regardless of whether it is long or short; and (iii) Notice No. 11/2014, limiting credit operations only to the State and to exporting entities.
Fully implement the reserve management guidelines. [BNA]	I	**Implemented.** The governance model is implemented through a comprehensive governance structure involving the various bodies of BNA. The Board of Directors is the body responsible for BNA's policies and for the organization of its internal operations. The Reserves Management Committee, a body that supports the Board of Directors and meets quarterly, is responsible for analyzing the investment portfolio of foreign assets under BNA's management. The Management of International Reserves is based on the Investment Policy and Investment Guidelines, which define the reserve management process based on three fundamental pillars, namely: i) capital preservation, ii) liquidity guarantee and iii) profitability.
Financial Sector Stability		
Implement the recommendations of the BCP assessment for a more risk-based and forward-looking approach by issuing guidelines, minimizing forbearance, addressing regulatory gaps, and improving enforcement. Enhance supervisory capacity and expertise including through targeted training and recruitment. [BNA]	I	**Partially Implemented.** (i) Legislative and regulatory reforms with the publication of BNA Law (Law No. 24/21) and the General Regime of Financial Institutions (Law No. 14/21, of 19 May); improvement of the responsibilities, objective and powers of BNA; (ii) Strengthening of the regulatory framework, highlighting the strengthening of the requirement in the licensing process of new institutions, the introduction of the principles of Corporate Governance and internal control system, risk governance, capital adequacy, as well as the quantitative measurement of liquidity risk and adoption of IAS/IFRS; (iii) improvement of risk-based supervisory models and processes and prospective analysis (creation of the MAIF and currently in force the SREP model). Improvements are still needed for the full implementation of risk-based approaches and closing regulatory gaps, in particular the ones related to risk management. Supervisory capacity remains a critical bottleneck.

Appendix II. Table 1. Angola: Implementation of 2011 FSAP Recommendations—Assessment (continued)		
Improve the collection and analysis of data for offsite surveillance and risk analysis by fully implementing the new data reporting and analysis system. [BNA]	I	**Partially Implemented.** The collection and analysis of data for supervision and risk analysis were improved by implementing an optimized version of the Financial Institutions Supervision System, as well as the development of other technological solutions, aligned with the current regulatory framework. However, material data quality issues in prudential reports persist and monitoring needs to be further developed.
Undertake stress testing of commercial banks and work with them to improve their capacity in this area. [BNA]	I	**Implemented.** Creation and operationalization of BNA's Financial Stability Committee on May 12, 2012. A specific unit was created to monitor the stability of the financial system. However, in 2022 the Financial Stability Department was created, including a specific subunit for monitoring and handling stress tests. • Instruction No. 03/2022—Stress Tests, which establishes a set of determinations regarding the institutions' stress test program. • Directive "Standardized stress tests for supervisory purposes" which establishes a set of standardized stress tests to be carried out by all banking financial institutions in the financial system, to be reported on a regular basis.
Enhance cooperation with overseas counterparts. [BNA]	I	**Implemented.** BNA has established cooperation protocols with various international entities, namely the central banks of Cape Verde, Brazil, Portugal, Namibia and South Africa.
Undertake financial stability analysis and reporting of systemic risks with key recommendations and procedures for effective follow-up. [BNA]	MT	**Partially Implemented.** Formulation and operationalization of BNA's Financial Stability Committee in May 2012. Publication of the Financial Stability Report; with the revision of BNA's Financial Stability Committee regulations, since 2024, a summary statement on macroprudential policy decisions has also been published. BNA disclosure and reporting of information on the banking system is not comprehensive.
Adopt and enforce a regulation/code for the corporate governance of banks. Each bank should develop a corporate governance implementation plan, addressing how it will implement the new corporate governance regulations. [Government/BNA/Banks]	MT	**Partially implemented.** Revised the regulatory framework for Corporate Governance and Internal Control System. BNA issued a code of corporate governance (Aviso 1/22), and guidance on how to comply. Banks report on an annual basis using the suggested guidance. BNA has also set up a function to review and aggregate the governance reports. However, a few regulatory gaps persist. Aviso 1/22 (Article 13.1) allows board or shareholder to elect management, which is not good practice. Consideration should be given to allow only the board to nominate management. Supervisory process on corporate governance is still compliance based and not intrusive.
Ensure enhanced financial sector regulatory and supervisory capacity as a prerequisite for the implementation of the new foreign exchange (FX) law. [BNA]	I	**Implemented.** Published Law No. 2/12—on the Foreign Exchange Regime Applicable to the Petroleum Sector.

Appendix II. Table 1. Angola: Implementation of 2011 FSAP Recommendations—Assessment (continued)

Financial Safety Net		
Establish a financial stability committee (FSC) with well-defined reporting structures and powers. [BNA/Ministry of Finance (MINFIN)]	NT	**Partially Implemented.** Creation of the National Financial Stability Council—extinguished in 2021; Creation of the Council of Supervisors of the Financial System (CSSF), a body that exercises coordination functions between Angola's supervisory bodies and assumes advisory functions to the BNA, as a macroprudential authority (Law No. 14/21, of 19 May, Law on the General Regime of Financial Institutions. However, there is no structure that encompasses all financial safety net participants with a clear mandate for crisis management.
Develop comprehensive lender-of-last-resort (LOLR) policies, guidelines, and procedures. [BNA/Ministry of Finance (MINFIN)]	NT	**Partially Implemented.** Published Notice No. 10/23 on Procedures for Granting Credit by BNA to Solvent Banking Financial Institutions Facing Temporary Liquidity Problems, under the terms of Law No. 24/21—Law on the National Bank of Angola. However, the ELA framework is not designed for resolution.
Prepare contingency plans for liquidity or solvency problems. Shareholders should prepare contingency plans for recapitalization with explicit letters of support from overseas parents. [BNA/MINFIN/Banks]	I	**Partially Implemented.** The Crisis Simulation Exercise was conducted between March 26 and April 6, 2018. A new Crisis Simulation Exercise is being prepared to be carried out in 2025; published Notice No. 1/24 on Recovery Plan and banks have started preparing recovery plans on an annual basis. However, there are no authority-based or interagency contingency plans.
Develop a well-defined and explicit deposit insurance scheme alongside substantial improvement in supervisory systems. [Government/BNA/Banks]	NT	**Partially Implemented.** The Deposit Guarantee Fund was established and is in operation (2019). Presidential Decree No. 195/18, August 22. However, it is currently underfunded, the payout period specified in the regulation is too long and the payout process is not fully operationalized.
In the interim, use liquidity buffers through setting liquidity ratios. [Government/BNA/Banks]	I	**Implemented.** Institutions must maintain a liquidity conservation reserve of 10 percent above the minimum thresholds defined in Instruction No. 01/2024 – Liquidity Risk.
Financial Sector Development		
Clarify the mandate and mission of the Development Bank of Angola (BDA) with the full agreement of all stakeholders. Improve the governance of the BDA and develop incentive structures for better risk management. [Government/BNA/BDA]	NT	**Partially implemented.** BDA has evolved its legal status from a public company to a state-owned joint-stock limited company wholly owned by the Institute for the Management of Assets and Participation of the Government of Angola (IGAPE). While the bank has a new mandate (since July 2024) that aims to plan, promote and execute economic and social development activities through financing the domestic private sector (as established in Presidential Decree No. 142/24 of 2 July). it remains too broad and BDA's additionality remains unclear. A new Board and a new executive committee have been appointed with experienced professionals since July 2024.

Appendix II. Table 1. Angola: Implementation of 2011 FSAP Recommendations—Assessment (continued)

Focus on the safety of overseas placements. [Government/BNA/BDA]	I	**Implemented.** Since 2011, the BDA has implemented a risk management system with an independent department and processes, policies and procedures to identify, measure, mitigate and monitor its entire risk environment and has established internal prudential limits in addition to regulatory ones. As of end-2024, overseas placements represented only 2.3 percent of assets.
Adopt a focused and sequenced approach to capital market development based on needs and opportunities. Create incentives for the development of new products and improve regulatory and institutional structures. [Government/BNA]	MT	**Implemented.** In 2012, the first Board of Directors of the Capital Markets Commission (CMC) was appointed, and the following strategic plans were implemented within the scope of long-term development: (i) Action Strategy 2012–2017 (ii) Action Strategy 2017–2022 (iii) Action Strategy 2023–2027 (ongoing). BODIVA was launched in 2014. Reforms in the regulatory framework were promoted, with emphasis on: Law No. 11/19 of May 14 (Privatization Program Law—PROPRIV), which launched the privatization of companies and public assets, promoting greater participation of private investors. PROPRIV 2023-2026 (approved by Presidential Decree No. 28/23 of 28 March) is underway, covering 73 assets and companies, of which 21 are National Reference Companies and among these 9 are expected to be privatized via IPO and Stock Exchange Auction. The consolidation of the Capital Market continues with the introduction of various asset classes, including public and corporate debt securities, shares and Participation Units (PUs) of Collective Investment Undertakings (CIUs) admitted to the stock exchange, contributing to the diversification and deepening of the market. Improvement in the regulatory and institutional frameworks that support the capital market results in a more robust and regulated investment environment. The Tax Benefits Code applicable to CIUs was approved, contributing to the incentive for investment and the growth of the capital market, by providing more attractive tax conditions for investors. In addition, there are additional incentives in the form of a reduction in the Capital Investment Tax on securities traded in regulated markets, which favors competitiveness and the adhesion of new investors to the market. A significant increase in participation and interest from local investors, is reflected in successful share listings and growing corporate bond issuance. Successful transition to a more specialized market model, improving operational efficiency and the quality of services offered to investors. The issue of bonds by SONANGOL E.P., the public offering of shares in BAI, BCGA, ENSA and BODIVA. The separation between commercial and investment banking has promoted the development of a specialized financial intermediary industry, improving operational efficiency and the quality of services offered to investors.

Appendix II. Table 1. Angola: Implementation of 2011 FSAP Recommendations—Assessment (concluded)

Modernize the regulatory framework and the capabilities of the Insurance and Pension Sectors (ISS). Create incentives for the development of insurance and pension products and improve corporate governance in insurance and pension firms. [Government/BNA/ISS]	MT	**Partially Implemented.** The insurance framework has been modernized: an independent supervisor, ARSEG, was created in 2013, and a comprehensive insurance and reinsurance law was adopted in 2022. Defined criteria for the registration of those responsible for the relevant management function. Established Regulatory Standards on the Governance of Insurance Companies. Risk-based supervision began in 2025, with a Solvency II style regime targeted for 2028, but ARSEG needs greater independence, resources, technology, and stronger onsite oversight. The pension fund legal framework is outdated and under revision. The law should give ARSEG full authority over authorizations and tighten supervision of defined-benefit assumptions and related-party limits.
Evaluate and consolidate government microcredit programs and move toward market-based mechanisms of support. Lift the restrictions on microcredit institutions in tandem with better governance and supervision so that they can provide savings and other microfinance products. Develop an action plan to improve the regulatory environment for businesses. [Government/BNA]	MT	**Partially Implemented.** Published Presidential Decree No. 165/24 of 18 July, which establishes the requirements and procedures for the constitution, operation, supervision and monitoring of microfinance institutions (MFIs). Published Notice No. 10/2022, of April 6, on the Granting of Credit to the Real Sector of the Economy. Notice No. 06/2019, of 30 August, on Microcredit Companies; Amended the wording of articles 2 and 6 of Notice no. 08/12, of 30 March; Published Presidential Decree No. 165/24 of 18 July, which establishes the requirements and procedures for the constitution, operation, supervision and monitoring of MFIs. Government credit programs are yet to move towards market-based approach.
Improve secured transaction mechanisms and collateral registries. Implement the automated clearing house (ACH) for retail payment instruments. Expand the number of electronic payments per capita. [BNA/MINFIN/Ministry of Justice]	MT	**Partially Implemented.** Law No. 11/21, April 22—Legal Framework of Movable Securities, and Presidential Decree No. 114/21, April 29, on the Integration and Interoperability of the collateral registry. Revision and publication of the Payments Systems Law and the Law on the General Regime of Financial Institutions with provisions relating to bankruptcy, liquidation or dissolution proceedings; Insolvency Act; Notice on MFI regulation; Review and updating of the procedure's manual. Creation of the Automated Clearing House of Angola; Extinction of credit documents; Extinction of the Value Clearing Service; Introduction of the technical specifications of the standard cheque. Implementation of the first and second phases of a real-time payment system 24/7. Preparation and publication of BNA Oversight Policy for the national payment system; Oversight Policy Webinar for MFI operators. BNA introduced an instant payment scheme (Kwik). Number of electronic payments per capita has significantly grown in recent years, but still below potential.

Note: "I: Immediate" is within one year; "NT-near-term" is 1–3 years; "MT-medium-term" is 3–5 years.

Based on both IMF and WB staff assessments.

Appendix III. Systemwide Liquidity Analysis

1. The systemwide liquidity stress test evaluates financial linkages across key domestic sectors. It helps to assess vulnerabilities in the system and identify the channels through which FX liquidity outflow shocks may spill over from one sector to another. Rather than relying on institution-level information, the analysis is based on the sectoral Balance Sheet Analysis (BSA) dataset (Paragraph 11). The BSA matrices show that the general government is the most exposed sector, particularly in foreign currency, where it represents a large and growing share of net borrowing. NFCs hold the second-largest FX exposure and maintain strong links with overseas counterparts.

2. The cash-flow-based liquidity stress test shows that banks' FX liquid asset buffers remain sufficient to withstand the medium stress scenario; under the severe scenario, they exhaust the excess reserves and rely on liquidity support from the central bank (Figure 1). The exercise, which assumes a loss of confidence in the domestic market, features a joint realization of outflows from domestic household and corporate deposits, nonresident deposits as well as sovereign bond maturity. We compare bank FX cash flows across three different scenarios: a stress-free baseline scenario, a medium stress scenario based on LCR parameters, and a severe stress scenario. We find that both deposit outflows and sales of local currency sovereign bonds are key drivers reducing the FX liquidity of banks and the central bank. Overall, the central bank maintains a strong reserve position and has the capacity to cover extreme liquidity outflows.

Appendix III. Table 1. Angola: Systemic Liquidity Stress Test— Shock Parameters

Shock	Variable	Range (In percent)
Shock 1	HH FX deposit shock	[10, 20] based on LCR
Shock 2	NFC FX deposit shock	[40, 50] based on LCR
Shock 3	Nonresident deposit shock	[10, 20] based on LCR
Shock 4	Sovereign bond outflows	[70, 100]

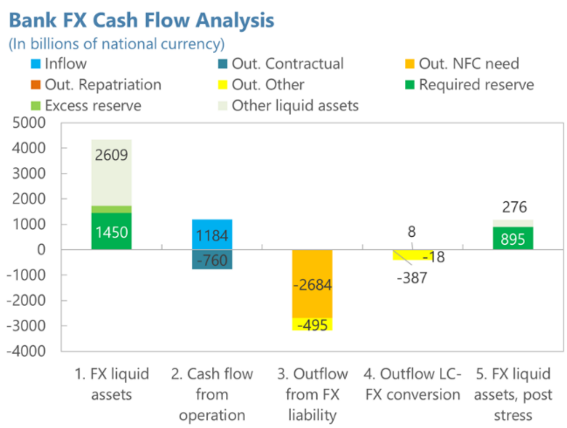
Source: IMF staff.

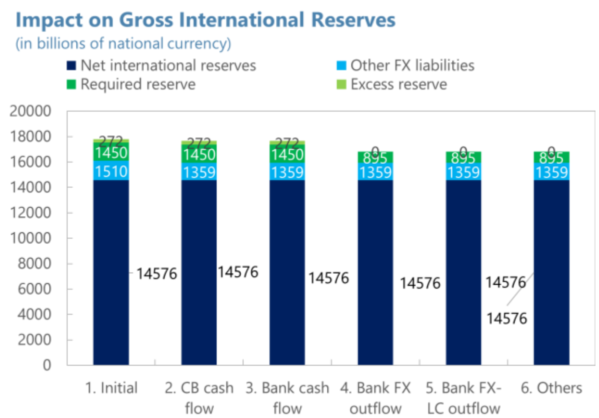
Appendix III. Figure 1. Stress Analysis: Impact on Bank and Central Bank FX Liquidity Buffers

Medium scenario *assumes a 10 percent outflow of household and nonresident FX deposits, a 40 percent run on non-financial corporations' FX deposits, and a 70 percent outflow of sovereign bonds.*

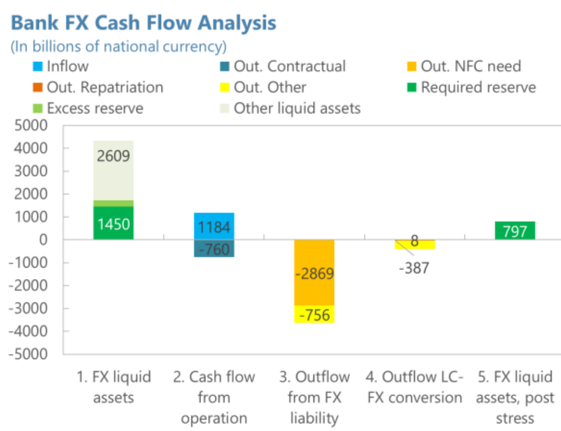
Severe scenario *assumes a 20 percent outflow of household and nonresident FX deposits, a 50 percent run on non-financial corporations' FX deposits, and a full (100 percent) outflow of sovereign bonds.*

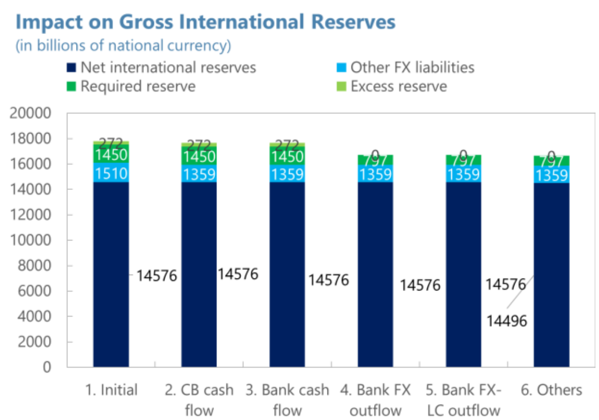
Medium scenario **Medium scenario**





Severe scenario **Severe scenario**





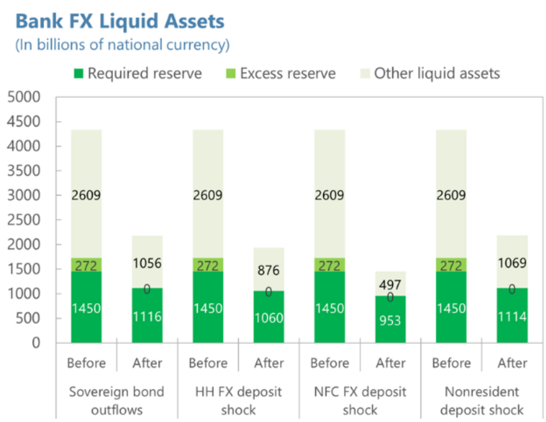
Sources: IMF Balance Sheet Approach (BSA) Matrix; and IMF Staff calculations.

3. **The scenario-based systemic liquidity analysis was complemented by single-factor sensitivity analysis to identify critical points of FX liquidity stress in banks.** We introduce individual FX liquidity outflow shocks one at a time to assess their respective impacts. Results show that NFC FX deposit outflow shock reduces banks' FX liquid assets the most — reflecting vulnerabilities from oil companies — followed by household FX deposit shocks, sovereign bond outflows, and non-resident FX deposit shocks. The impacts are stronger across all shocks under the severe scenario (Figure 2).

Appendix III. Figure 2. Single-factor Sensitivity Analysis

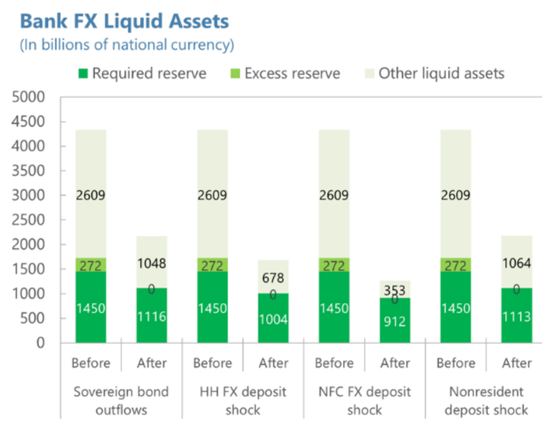
Medium Scenario

Banks use reserve first; Other sectors use local FX deposit first.



Severe Scenario

Banks use reserve first; Other sectors use local FX deposit first.



Sources: IMF Balance Sheet Approach (BSA) Matrix; and IMF Staff calculations.

4. **The FSAP recommends BNA to develop stress testing approaches to assess funding risks from non-financial corporations.** NFC deposits account for 47 percent of bank deposits, making them a key source of funding. Outflows from NFCs have the largest impact on banks' FX liquidity positions, and NFCs can rapidly change their investment behavior by relocating assets across borders. To mitigate these risks, the central bank should closely monitor the concentration risks of funding and regularly conduct systemwide liquidity stress tests to ensure that banks have sufficient capacity to provide the needed FX liquidity to support the financial system**.**

Appendix IV. Macroprudential Measures in Use

Measures	Description and Current Calibration
Broad-based instruments applied to the banking sector	
Countercyclical capital buffer	Institutions shall maintain a countercyclical buffer consisting of basic Tier 1 (CET1) capital, equivalent to weighted assets (risk-weighted assets), between 0 percent and 2.5 percent on an individual and consolidated basis.
Positive countercyclical capital buffer rate	Non-application of the countercyclical buffer, which is currently (0) zero.
Capital conservation buffer	Conservation reserve of 2.5 percent on an individual and consolidated basis.
Limit on leverage ratio	The minimum leverage ratio requirement of 3 percent by dividing an institution's Tier 1 capital measure by that institution's total exposure measure.
Provisioning requirement for respective loan losses	The banking sector has migrated to the full adoption of IAS/IFRS announced in 2016. However, there was a need to proceed with the standardization and harmonization of the accounting of the Angolan banking sector, including the forward-looking provisions of IFRS 9.
Household Sector Tools	
Household sector capital requirements	The domestic sector falls under the retail category with a 75 percent risk weight, and its capital requirement is calculated by multiplying the net exposure by this risk weight and then by the 10 percent solvency ratio.
Loan restrictions or borrower eligibility criteria	• Limit to loan-to-value ratio (LTV): 90 percent for owner-occupied housing, 80 percent for other uses, and 100 percent for bank-owned real estate or leasing contracts. • Limit for the debt-service/income ratio (DSTI): 40 percent • Limit on granting and borrowing loans denominated in foreign currency: only exporters and government allowed.
Exposure caps on household credit	Banks must limit large exposures to any counterparty or connected group to 25 percent of regulatory capital, reduced to 10 percent if related to qualifying shareholders, and the top 20 exposures cannot exceed 300 percent of regulatory capital; any excess must be included in capital ratio calculations with a 1250 percent risk weight.
Corporate Sector Tools	
Corporate sector capital requirements	Firms have risk weights between 20 percent and 150 percent based on credit ratings and whether the credit is overdue. Capital requirements are calculated by multiplying the net exposure by the risk weight to obtain the RWA, which is then multiplied by a 1250 percent solvency ratio.

Loan restrictions or borrower eligibility criteria	Limit on granting and borrowing loans denominated in foreign currency: only exporters and government allowed.
Exposure caps on corporate credit	Limits include a 25 percent cap on exposures to individual counterparties or groups, 10 percent for counterparties with qualified shareholdings, a 300 percent cap on the 20 largest exposures, and limits on equity holdings in non-financial companies: 15 percent individual, 40 percent aggregate, and 25 percent of the investee's capital.[1]
Liquidity Tools	
Liquidity buffer requirements	• Liquidity Coverage Ratio (LCR): Banks are required to maintain an LCR of 100 percent for domestic currency, 150 percent for foreign currencies, and 100 percent considering cash flows in all currencies. • Banks must also hold a 10 percent liquidity conservation reserve above these minimums
Stable funding requirements	• Net Stable Funding Ratio (NSFR): banks need to maintain NSFR of at least 100 percent for national and all currencies combined, and 150 percent for foreign currencies, measured over a 12-month horizon. • Loan-to-deposit ratio (LTD): Not used as a tool. But the LTD ratio is periodically monitored.
Tools on asset management industry	Minimum Regulatory Capital: Management companies of collective investment entities are required to hold a minimum capital of Kz 17,000,000.00.
Tools to Address Systemic Risks	
Capital surcharges for systemically important institutions	Capital surcharges for D-SIBs, ranging from 1 percent to 4 percent based on its identified cluster[2].
Other measures to mitigate structural systemic risks	Sensitivity analysis models; Financial Stability Index; and macro stress testing tools
Tools to address other sources of systemic risks	• Solvency Ratio Requirement: Brokerage and distribution companies must maintain a solvency ratio of at least 10 percent. • UCITS Exposure Limit: UCITS must not invest more than 20 percent of their net asset value in securities, money market instruments, deposits, or derivatives from the same regulated market entity.

[1] Based on December 2024 data shared by BNA and covering 10 sample banks, most institutions complied with exposure limits; however, two banks exceeded the 25 percent cap on exposures to individual counterparties or groups, and one bank breached the 10 percent cap on exposures to counterparties with qualifying participations.

[2] The latest capital surcharges announced in November 2024 range from 1 to 2 percent for the nine banks identified as D-SIBs based on their scores and clusters.

Appendix V. Resolution of Non-performing Loans[1]

1. **Overdue loans remain elevated and are on the rise, and Stage 3 loans show a deeper problem.** After a significant post-covid recovery, overdue loans (i.e. 90 days past due loans, considered NPLs in Angola) surged and reached 19 percent of total loans in Q4 of 2024. Using data covering 80 percent of banks, Stage 3 loans stood at 46 percent of the loan portfolio in March 2024, with the stage 3 ratio for corporate loans reaching 50 percent. Elevated NPL levels are, in part, a legacy of previous economic crises: as of 2024, half of Stage 3 loans had been in that category for five years or longer, most of them being denominated in foreign currency.

2. **Persistently high problem assets have prompted a response from the authorities.** In recent years, NPL resolution has been a priority for BNA, which has strengthened reporting and resolution of problem assets. In 2019, BNA aligned prudential asset-quality reporting with IFRS 9, and in 2020, it issued supervisory guidance on the application of IFRS 9, narrowing the gap with BCBS standards. BNA also built internal credit-risk mechanisms and made progress in acquiring modeling skills to ensure proper recognition and provisioning of problem assets. To bolster banks' capabilities in dealing with problem assets, BNA mandated all banks to set up workout units and adopt time-bound NPL resolution strategies. In parallel, MINFIN established and recently strengthened the governance of Recredit, a public asset management company.

3. **Data on problem assets remain unreliable.** The regulatory framework uses many overlapping and unclear definitions of problem assets. Public NPL reporting is based on loans overdue by more than 90 days, whereas BNA's supervisory metric is based on Stage 3 loans under IFRS 9, which is not disclosed publicly. Banks periodically report information on both indicators to BNA, but serious concerns exist on data quality and the levels of BNA's validation over the data received. Although BNA should have access to data on problem assets from all banks, extraction has proved challenging, and the FSAP mission received only limited data for a limited number of institutions.

4. **Despite recent progress, NPL resolution remains incomplete and multiple challenges remain.** IFRS 9 implementation remains work in progress, and BNA and banks must strengthen modeling and validation skills to properly assess credit risk. BNAs regulations are not fully aligned with international standards on problem assets, and key asset-quality reporting rules remain voluntary. Workout units are mandatory but vary widely among banks in effectiveness and efficiency. Despite required NPL reduction strategies, several banks' NPL ratios have substantially risen since 2020, suggesting deficiencies in their design and implementation. Given the average age of the NPL portfolio, write-offs should play a central role but are rarely used.

[1] Further details could be found in the technical note prepared by the World Bank in the context of this FSAP.

Appendix VI. Report on the Observance of Standards and Codes (ROSC)[1]: Basel Core Principles for Effective Banking Supervision[2]

Introduction

1. This assessment of the BCPs implementation in Angola is part of the 2025 FSAP. Conducted jointly by the IMF and WB during a mission from June 5 to June 23, 2025, it reflects the regulatory and supervisory framework at the time of assessment. This report does not analyze the banking sector's condition or crisis management framework, which are covered separately in the FSAP.

A. Methodology

2. Effective banking supervision assessment requires reviewing the legal framework and closely examining the policies and practices of the institutions responsible for banking regulation and supervision. This assessment follows the 2024 BCPs issued by the Basel Committee on Banking Supervision (BCBS);[3] it was thus performed according to a revised content and methodological basis as compared with the previous BCP assessment carried out in 2011.[4] It focuses exclusively on banking regulation and supervision in Angola, excluding other financial sectors. The assessors reviewed laws, regulations, procedures, recommendations, and various documents such as reports, studies, public statements, websites, unpublished guidelines, directives, supervisory reports, and assessments—primarily provided by the BNA. Extensive meetings were held with BNA officials, and additional consultations involved selected banks, the banking association, Financial Intelligence Unit, Ministry of Economy, and external audit firms.

3. The assessment team appreciated the BNA's cooperation. The authorities provided a BCP self-assessment, responded to additional questionnaires, and granted access to supervisory documents, files, and staff. The assessors recognize and value the efforts made to supply documentation and meet deadlines, even where full compliance was not achieved. They express sincere gratitude to the BNA staff who participated in and facilitated this exercise.

[1] ROSC summarizes the findings and recommendations of the BCP assessment.

[2] The BCP assessment team included Fabiana Ladvocat Cintra Amaral Carvalho (IMF external expert), Jacques Loubert (World Bank external expert) and Rodrigo Porto (World Bank).

[3] Basel Committee on Banking Supervision: Basel Core Principles for Effective Banking Supervision, April 2024: https://www.bis.org/bcbs/publ/d573.pdf.

[4] It is important to note, for completeness' sake, that the two assessments will not be directly comparable, as the BCP - firstly revised in 2012 and then in 2024 - have raised the bar to measure the effectiveness of supervisory framework, and assessments will inevitably be country-specific and time-dependent to varying degrees (see box for more information on the 2024 Revised BCP).

4. The standards were assessed considering the structure and complexity of Angola's banking system[5]. The BCP apply across diverse jurisdictions with varying banking sectors. To address this, a proportionate approach is adopted in both supervisory expectations and standards imposed on banks. Assessments recognize that supervisory practices should align with the complexity, interconnectedness, size, risk profile, and cross-border activities of the supervised banks. The evaluation accounts for contextual factors, grading only applicable criteria when others do not fit the country's system. Proportionality underpins all criteria, meaning assessments of different jurisdictions are not directly comparable.

5. Angola has opted to be assessed and graded only against the essential criteria. The BCP Methodology evaluates compliance using essential and additional criteria for each principle. Essential criteria (EC) define minimum baseline supervisory standards applicable globally. Additional criteria (AC) represent best practices for more complex systems, which authorities may voluntarily include. Compliance with each Core Principle (CP) is judged qualitatively using a five-part rating system explained below. Assessments require judgment on whether criteria are effectively met in practice, with evidence of law and regulation enforcement crucial for confirmation.

6. The assessment has made use of four categories to determine compliance: compliant; largely compliant, materially non-compliant, non-compliant. An assessment of "compliant" is given when all the essential and additional criteria are met without any significant deficiencies. A "largely compliant" assessment is given when only minor shortcomings are observed that do not raise any concerns about the authority's ability and clear intent to achieve full compliance with the principle within a prescribed period of time. A principle is considered to be "materially noncompliant" in case of severe shortcomings, despite the existence of formal rules and procedures and there is evidence that supervision has clearly been ineffective or that the shortcomings are sufficient to raise doubts about the authority's ability to achieve compliance. A principle is assessed as "non-compliant" if it is not substantially implemented, several essential criteria are not complied with, or supervision is manifestly ineffective. Finally, a category of "not-applicable" is reserved for those cases where the criteria do not relate to the country's circumstances.

7. An assessment of compliance with the BCP is not, and is not intended to be, an exact science. The criteria should not be viewed as a checklist but as a qualitative judgment by the assessment team. Compliance can be achieved in multiple ways, and some criteria may be more important for supervision effectiveness depending on the jurisdiction's context. Therefore, meeting more criteria does not always determine the overall compliance grade for a principle. Nonetheless, using a common methodology ensures Angola receives an internationally consistent measure of its banking supervision framework quality relative to the BCPs, recognized as minimum global standards. Emphasis should be placed on the commentary that accompanies the grade of each principle, rather than on the grade itself.

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[5] The assessment has been conducted with reference to the regulation and supervision of all banking financial institutions listed in the Banking Law (Law No. 14/27) which includes commercial banks, investment banks, development banks, mutual agricultural credit banks and other companies (as mentioned in the law).

Box 1. The 2024 Revised Core Principles

The revised Core Principles reflect regulatory and supervisory developments, structural changes in banking, and lessons learned from FSAP assessments since the last revision in 2012. The update took account of the lessons learned from: countries' implementation of the Core Principles as updated in 2012; the impact of , and policy responses to, the COVID-19 pandemic; and FSAP assessments completed since 2013. Several thematic topics also informed the revisions to the Core Principles, including evolving risk considerations related to: (i) financial risks; (ii) operational resilience, including cybersecurity risks; (iii) systemic risk and macroprudential supervision; (iv) risks from structural transformations driven by climate change and the digitalization of finance; (v) the sustained growth of nonbank financial intermediation; and (vi) evolving corporate governance and risk management practices, including sound risk culture and sustainable business models.

There is a greater emphasis on systemic risk and sound risk management practices. Supervisors continue to be required to assess the risk profile of the banks not only in terms of the risks they run and the efficacy of their risk management, but also the risks they pose to the banking and the financial systems. Expectations regarding supervisory assessment of risk have been raised to incorporate more clearly the analysis of banks business models, and risks brought by the wider group, as well as considerations on how the macroeconomic environment, business trends, and the build-up and concentration of risk inside and outside the banking sector may affect the risk to which banks are exposed. Amendments were introduced to reinforce the need for group-wide approach to supervision, and requirements regarding operational risk and operational resilience have been significantly updated to ensure that banks are better able to withstand, adapt to and recover from severe operational risk-related events, such as pandemics, cyber incidents, technology failures and natural disasters.

The revised BCP reinforce aspects that were already present in the previous methodology, highlighting their materiality for effective supervision. In particular, the BCPs continue to emphasize the powers that supervisors should have to address safety and soundness concerns, and the expectation on the actual use of the powers, in a forward-looking approach through early action. This includes a heightened focus on powers and independence, and expectations concerning capacity for timely, consistent, and conclusive supervisory actions; adequacy of liquidity arrangements; and the interface between daily supervisory practices and crisis management measures. As a reflection of the enhanced expectations, six additional criteria have been upgraded to essential criteria.

The BCP are universally applicable and accommodate a wide spectrum of banks and financial systems. The revised standard reinforces the concept of proportionality, in terms of both the expectations on supervisors for the discharge of their functions and the complexity of standards that supervisors impose on banks, and standards emphasize that proportionality should not be understood as dilution of standards, but as maintaining stringency of approach through proportionate methods and ensuring appropriate responses to the global diversity of banks and banking systems.

B. Overview of the Institutional and Market Structure

8. **The BNA is the sole regulator and supervisor for all banking financial institutions and for certain types of non-banking financial institutions** including nonbank payment service providers, currency exchange units, Savings and Loans Associations, and credit registry bureaus. The insurance and pension sector is supervised by the Insurance Supervisory Body (ARSEG), while capital markets fall under the Capital Market Commission (CMC). The National Commission for Financial Markets (NCFM) oversees consumer protection, capital markets, investment companies, and voluntary pension funds. Since July 2023, the BNA has participated in the CSSF alongside ARSEG and the CMC.

The CSSF, chaired by the BNA Governor, benefits from the BNA's role as Angola's macroprudential authority, providing administrative support and secretariat services. Beyond information sharing, the CSSF facilitates discussions and implementation of regulatory and prudential supervision measures, coordinating actions such as consolidated supervision of financial conglomerates and joint on-site inspections conducted by the three supervisors.

C. Preconditions for Effective Banking Supervision

9. Angola's economy has strengthened since 2021, but structural challenges and external risks persist. The recovery, discussed in Section Macrofinancial Context, Part A, is driven by gains in both oil and non-oil sectors. However, financial intermediation remains limited, providing only modest support to private-sector growth. Inflation is declining but remains elevated, leading to tighter monetary and fiscal policies aimed at controlling price pressures and stabilizing the exchange rate. Despite strong external buffers, risks to the outlook include lower oil prices, slower global growth, tighter external financing, possible fiscal slippages before upcoming elections, and social strains caused by high inflation and declining real incomes.

10. Macroprudential oversight is broadly defined, with the BNA designated as the authority responsible for systemic risk identification, monitoring, and mitigation via its Financial Stability Committee. As discussed in Section Financial Sector Oversight, Part A, coordination with other agencies is facilitated by the CSSF, which includes MINFIN as an observer. The BNA holds legal authority to collect data from diverse entities and maintains bilateral agreements with foreign supervisors to enhance macroprudential cooperation. Systemic risk monitoring is progressing alongside the expansion of the macroprudential toolkit, though the overall framework remains under development. Findings are published in biannual Financial Stability Reports, which are generally released with delays.

11. The BNA is responsible for ensuring the proper functioning of the payment system. Under the Payment System Law, the BNA regulates and supervises financial institutions providing payment services. The Payment System Superintendence Policy was updated to clarify the Bank's oversight rules and procedures. Key measures include: (i) licensing mobile operators to provide mobile payment services; (ii) enabling mobile operators to connect with the Interbank Services Company (EMIS) for Multicaixa Express channel access without using mobile data; and (iii) allowing cash withdrawals via automatic payment terminals (POS) installed at merchants, which were previously only possible through automated teller machines (ATMs).

12. Judicial reform in Angola has experienced a loss of momentum since 2022, despite earlier progress under the Justice and Law Reform Commission (JLRC).[6] Established in 2020, the JLRC facilitated adoption of key laws enhancing judicial independence, access, and efficiency, including a revised penal code and creation of regional and specialized courts. However, progress has stalled due to delays in court digitalization and the expiration of the JLRC's mandate. Its

[6] Angola: IMF Country Report No. 25/63.

reactivation in mid-2024, coupled with efforts to reorganize the judiciary and expand legal professional training, is expected to revive reforms and strengthen the judiciary's role in contract enforcement, property rights, and legal certainty.

13. Significant challenges exist in recovering collateral. These include difficulties in property registration and securitization, as well as limited mechanisms for pledging movable assets. Such obstacles hinder entrepreneurs' ability to provide adequate collateral, posing a major barrier to credit access. The use of georeferencing technology could enhance property registration and improve recovery processes.

14. BNA issues the accounting rules and establishes the structure of the financial statements that financial institutions must submit to the BNA and disclose to the public. Since 2016, the BNA has fully adopted IAS/IFRS, aligning with international standards to improve information quality, strengthen supervisory frameworks, and boost investor confidence. CSSF's Strategic Plan promotes gradual IAS/IFRS adoption by other regulators. External auditors must be licensed firms registered under Audit and Accounting Regulations, with specific auditor rules embedded in banking regulations and the General Regime of Financial Institutions. Angola benefits from a well-trained accounting, auditing, and legal profession operating under transparent technical and ethical standards aligned with international norms. These professionals face proper oversight, and where concerns arise about external auditors, the BNA intervenes by requesting replacement to maintain quality and integrity.

15. BNA has implemented the Credit Risk Information Center (CIRC). CIRC enables the BNA to monitor credit activity and serves as a crucial credit risk management tool for banks, improving analysis of individual borrower risk. It has undergone significant enhancements in reporting, data correction, and information access for both institutions and users. In 2024, BNA granted access to CIRC via its institutional website, allowing borrowers rapid information retrieval and reducing risks linked to fraudulent credit information or misrepresented credit liabilities.

16. Angola has established a comprehensive legal framework for crisis management and resolution broadly aligned with international standards. However, the framework is complex and not fully tailored to Angola's financial system. Significant work remains to fully operationalize and test the financial safety net. (See the Financial Safety Net and Crisis Management section in this report for details.)

17. Despite established disclosure rules, Angola's financial sector continues to face challenges in market transparency and consumer information. Angola's commercial companies' law mandates written notification when a company acquires 10 percent or more of another company's capital, with the obligation ending if holdings drop below this threshold. However, market and consumer information remains limited because financial institutions' prudential disclosures lack sufficient frequency and detail, restricting consumers in comparing products and weakening market discipline. The legal framework governing mergers, acquisitions, and foreign entry is underdeveloped. Although the BNA reviews shareholding changes based on suitability and financial capacity, the process lacks transparency and predictability. While the BNA has issued regulations on public disclosure of prudential information, further improvements in disclosure by both banks and BNA are needed to enhance market discipline.

D. Main Findings

Responsibility, Objectives, Powers, Independence, Accountability (CPs 1-2)

18. The responsibilities and objectives of the BNA for banking supervision are clear, but the safety and soundness mandate should be explicitly enshrined in law. While the BNA emphasizes financial institutions' safety and soundness in supervision and prudential compliance, its primary legislation assigns the BNA's main mission as ensuring price stability, with financial system stability as a secondary objective. Additionally, the Central Bank Law grants the BNA macroprudential and resolution authority. To reduce ambiguity and avoid conflicting objectives, the law should explicitly state the safety and soundness (S&S) mandate. In that regard, this mandate should be translated at the operational level, in determining the BNA's risk tolerance, and strengthening the supervisory process by explicitly reinforcing BNA's legal power to access the board's members, managers, and staff of banks. Both Central Bank and Banking laws recognize the BNA as the sole banking supervisory authority. Since 2022, cooperation among Angola's financial supervisors has been formalized within the scope of CSSF.

19. Although the legal framework empowers the BNA to apply prudential requirements individually, in practice these are uniformly applied across commercial banks. The principle of proportionality is not fully considered in regulatory implementation. Consequently, smaller banks and those without foreign parent support struggle to keep pace with prudential rules and new regulations due to limited staff capacity.

20. The BNA's independence is legally established, but clarity is needed on the nomination and removal processes for the Governor and Deputy Governors. Constitution declares the BNA an independent monetary and exchange authority. The LBNA reaffirms this independence, fully empowering the BNA to regulate, license, register, supervise, and resolve financial institutions. It prohibits any public or private entity from issuing directives affecting the BNA's activities, structure, operations, or decisions. However, since the Governor and Deputy Governors are appointed by the President of the Republic after parliamentary hearings, the selection process requires greater transparency. Similarly, the Governor's nomination of Board of Directors members lacks clarity. While the LBNA specifies conditions for removing Governors and Deputy Governors, the law does not mandate public disclosure of the reasons for their removal.

21. The BNA's banking supervision function needs strengthening. Its importance should be highlighted by ensuring sufficient budget and staffing. Human resource constraints pose a critical bottleneck. Department directors involved in supervision report to the Deputy Governor, who reports to the Governor. Enhancing the function's prominence through a dedicated board committee is recommended. Although the Administrative Organization Handbooks (MOA) define segregation of supervisory functions, streamlining the organization with clearer responsibility division across off-site, on-site, licensing, regulation, and AML/CFT roles would improve efficiency.

Ownership, Licensing, and Structure (CPs 4-7)

22. The permissible activities of institutions licensed and supervised as banks by the BNA are clearly defined, and the use of "bank" in names is restricted. Only banks and microfinance institutions—both licensed and supervised financial entities—may accept public deposits. The BNA publishes a list of licensed banks on its website and serves as the sole licensing authority for banking institutions. The BNA has established a licensing framework with defined criteria and procedures; however, important deficiencies remain in its implementation. The BNA is the sole licensing authority and consults the CMC or ARSEG when relevant, but the evidence provided did not demonstrate that it conducts comprehensive due-diligence on applicants' legal, managerial, operational, and ownership structures, including on a consolidated basis. While the BNA assesses transparency of ownership and sources of initial capital, it does not evaluate the capacity of major shareholders to support the institution under stress, and the review of financial projections and shareholder information is not performed in sufficient depth. Minimum capital requirements have been updated, but the suitability assessment framework remains insufficient: fit-and-proper determinations require further differentiation across roles, and ongoing reassessment is not systematically carried out when new information arises. Although business plans are required, the BNA does not adequately analyse or challenge the execution of these plans after licensing; in one case, the BNA requested a revised plan, but the documentation did not evidence a thorough review of the initial submission.

23. The banking law (LRGIF) defines significant ownership but lacks identification of ultimate beneficial owners. The LRGIF defines significant ownership not only as holding shares but also introduces control concepts, including voting rights, significant influence over management, or the power to appoint or remove management or supervisory members. However, while a framework exists to monitor ownership transfers, beneficial owner identification relies on self-declaration. This represents a limited compliance approach rather than a risk-based one, with ultimate beneficial ownership identification missing.

24. The legal framework for transfer of significant ownership exists but requires strengthening to reinforce the supervisory function. In the past five years, the BNA approved four transfers of significant ownership, rejected one request, and subsequently granted an appeal of the refusal. However, important gaps persist: the definition of control in the LGRIF remains constrained by the 20 percent threshold, which should be removed given that dominant influence—not percentage alone—is the determining factor. Although beneficial ownership is collected, it relies solely on self-declaration, limiting the ability to verify ultimate ownership structures. The current framework for monitoring ownership transfers is largely compliance-based rather than risk-based, and assessments focus mainly on fit-and-proper criteria without evaluating whether prospective significant shareholders would have the financial capacity to support the bank under stress.

25. BNA has the authority to approve qualified acquisitions within the banking sector; however, the regulatory framework requires significant review and strengthening. Prior approval by the BNA is foreseen for qualified acquisitions within the banking sector, of foreign financial subsidiaries and of non-financial companies, however it does not ensure full coverage, particularly for those involving domestic non-bank financial institutions such as insurance companies. Moreover, there are no provisions in the law or regulations requiring the BNA to review major acquisitions and investments by other entities in the banking group, which limits the scope of consolidated supervision and hinders BNA's power to promptly identify undue risks to banks.

26. Although regulation grants the BNA powers to intervene when banks' exposures to non-financial companies exceed regulatory thresholds, the broader supervisory framework governing acquisitions remains underdeveloped. BNA can impose capital requirements and demand compliance plans if operational limits are breached. However, existing requirements are mainly procedural and do not provide clear criteria or guidelines for assessing acquisition proposals from a prudential perspective.

Methods of Ongoing Supervision (CPs 8-10)

27. While the DSB has adopted a risk-based supervision framework, supervisory practice remains insufficiently risk-based. The supervisory approach combines off-site work using the SREP with on-site inspections. However, it lacks adequate risk focus and qualitative depth. Of 22 banks supervised, 9 are D-SIBs, which may strain supervisory capacity. The BNA is revising its D-SIB identification methodology and should apply stricter criteria reflecting systemic importance, considering risks more relevant to Angola. Although BNA regularly monitors an Aggregate Financial Stability Index to identify and assess the build-up of risks and vulnerabilities in Angola's financial system, efforts are still underway to improve the capacity of the supervisory function by integrating economic and macroprudential findings into the micro-prudential toolbox. The BNA should enhance its off-site supervision through more qualitative and risk-based approaches and further develop risk-based techniques.

28. The BNA should adopt a more forward-looking approach to banks' risk profiles. To enhance risk-based supervision, the BNA should assign a dedicated relationship manager or focal point for each bank. Currently, off-site supervisory tasks are fragmented across departments. The BNA should also develop tools to better assess banks' forward-looking risk profiles. Corporate governance reviews, both off-site and on-site, lack depth and remain mostly compliance-based. There is insufficient qualitative, on-the-ground assessment of risk management through regular core risk inspections. Additionally, assessments of banks' boards are insufficient regarding the effectiveness of governance frameworks, internal controls, risk management, and internal audit independence. Overall, there is a shortage of in-depth qualitative on-site inspections of core risk areas. BNA should work on a better integration of its off-site and on-site supervision with clearer responsibility of off-site supervision to all aspects, including the corporate governance issues.

29. Banks in Angola must report financial and prudential information to the BNA through mandatory reporting frameworks, but significant data quality issues persist. Most information is submitted via the SSIF system—an electronic platform called the Financial Institutions Portal (FIP) managed by the BNA. However, banks continue to submit substantial data (e.g., ICAAP and ILAAP) in unstructured formats such as emails or other insecure channels. Consequently, current validity checks are insufficient, leading to fragmented and decentralized supervisory information that is not readily accessible to many within the supervision area. To address this, the BNA has launched a Data Quality Assessment program to evaluate banks' capabilities in collecting, processing, and reporting risk management data according to international best practices. The next steps include deploying a new SupTech tool to keep pace with rapid financial sector changes, particularly digitalization and emerging risks.

Corrective and Sanctioning Powers (CP11)

30. The corrective and sanctioning powers lack a forward-looking approach to risks. Although sanctions follow a structured, documented process, most target material breaches under a compliance-based approach rather than addressing governance or risk management weaknesses central to risk-based supervision. Moreover, the early intervention process needs enhancement to be more proactive and forward-looking rather than reactive.

Cooperation, Consolidated and Cross-Border Banking Supervision (CPs 3, 12-13)

31. The BNA is advancing coordination with national authorities and international supervisors according to legal and regulatory frameworks. Domestically, coordination occurs through the CSSF and specific Memoranda of Understanding (MoUs) with other entities for information exchange and related activities. The BNA has been active in the presidency of the CSSF, and there is a dedicated sub-unit at the BNA for institutional relationships, which collaborates as a secretariat for the CSSF. However, the supervision of financial groups is not adequately covered in the supervision manual.

32. Consolidated supervision is a new area for BNA supervisors and requires significant enhancement. Although the CSSF exists and consolidated supervision is applied to a financial group under its patronage, identification of group structures remains incomplete. Beyond the entities supervised by the three CSSF member supervisors, non-financial holdings may not be considered within the broader conglomerate definition. Currently, only one bank is subject to consolidated supervision.

33. From an international perspective, BNA has established multiple cooperation agreements to exchange experiences and discuss supervisory matters. This international engagement strengthens home-host relationships with foreign supervisors to enhance cross-border supervision. The supervisory college acts as the main communication channel between the BNA and supervisory authorities of foreign-based banks. Branches of banking financial institutions headquartered abroad and operating in Angola are supervised by the BNA under the same terms as domestically headquartered banking institutions.

Corporate Governance and Internal Control and Audit (CPs 14, 26)

34. The corporate governance regulatory framework is comprehensive but not fully aligned with international standards. Board committee requirements differ from the Basel Committee's 2015 Corporate Governance Principles for Banks. Specifically, regulations allow combining audit and internal control committees and do not require full independence or separation of committee chair roles, as recommended by the BCBS. Furthermore, there is no regulatory requirement for banks to maintain board succession plans, or for a material part of the board to be independent.

35. Supervisory practices on corporate governance and internal controls remain largely compliance-based and lack intrusiveness. Off-site assessments rely heavily on self-reported checklists without systematic engagement with banks. On-site inspections are infrequent and limited in scope, with only 11 conducted over the past three years. These inspections focused primarily on formal compliance rather than assessing the effectiveness of governance and internal control practices.

36. Significant deficiencies in supervisory practices hinder effective assessment of internal control functions. Assessors' review of documentation found that in several banks, internal audit reporting lines and subordination may undermine their independence, potentially violating regulatory expectations. Additionally, there is no evidence that supervisors evaluate whether back-office staff have the necessary skills, resources, and expertise to perform their tasks effectively. Similarly, there is no indication that internal audit functions are evaluated for their authority to review outsourced or third-party activities. These shortcomings reflect a wider lack of intrusive supervision, limiting the BNA's ability to enforce robust internal control standards across the banking sector.

Capital (CP 16)

37. Angola's capital framework combines Basel II and III standards adapted to local conditions, maintaining strong capital levels. Regulatory capital requirements include Common Equity Tier 1 (CET1) at 4.5 percent, Tier 1 at 6 percent, and total capital at 8 percent of risk-weighted assets (RWA), supplemented by institution-specific Pillar II Requirements (P2R) and buffers for capital conservation, countercyclicality, and systemic importance. The ongoing development of the countercyclical buffer framework and absence of a market for loss-absorbing instruments suggest room for further refinement and proportionality. Supervisory practices include annual imposition of additional capital based on SREP outcomes, adjusting both Pillar I and Pillar II risks. Banks are also subject to Pillar II guidance (P2G) calculated from BNA's stress test outcomes. Although all banks conduct an Internal Capital Adequacy Assessment Process (ICAAP), supervisory challenge of ICAAP results and its integration into banks' strategic decisions remain limited.

Prudential Requirements, Regulatory Framework, Accounting and Disclosure (CPs 15 and 17-28)

38. Angola's regulatory framework for risk management has advanced but still lacks key elements for comprehensive, forward-looking supervision. Banks are not explicitly required to acknowledge limitations and uncertainties in risk measurement. There are no regulatory or supervisory mandates requiring banks to assess longer-term risks. Risk governance is weakened by the absence of requirements for supervisory notification or public disclosure when Chief Risk Officers (CROs) are removed, and there is no assurance that CROs possess the expected authority and independence.

39. Supervisory practices for risk management are in place but are constrained by limited resources and shallow qualitative assessments. Risk management is evaluated both off-site—mainly through structured questionnaires with minimal bank engagement—and on-site. A simplified SREP has become common, limiting analytical depth. On-site inspections offer greater insight into governance and risk culture via interviews and minute reviews but lack a systematic evaluation of risk culture integration across all staff levels. Key supervisory processes remain underdeveloped limiting the BNA's ability to ensure risk management frameworks are robust, forward-looking, and aligned with banks' strategic risk profiles.

40. The regulatory framework for credit risk lacks a comprehensive mandate for sound, bank-wide credit risk management. Although various provisions address credit risk, no specific regulation mandates integrated credit risk management processes that facilitate early identification and accurate measurement of credit losses. The repeal of an earlier regulation has created a gap, though the BNA plans to reintroduce a more comprehensive framework. Current regulations also do not require escalation of major credit exposures to senior management or the board.

41. Supervisory practices for credit risk exist but lack intrusiveness and consistency. Off-site supervision evaluates credit indicators, ICAAP results, and risk appetite statements but lacks tools like exception tracking or breach reporting, reducing continuous supervision effectiveness. On-site inspections, while offering deeper insights into governance, internal controls, and risk strategy alignment, are infrequent and have not covered all systemic banks recently. Credit file reviews are conducted; however, the undocumented sampling method may not adequately capture high-risk exposures, resulting in a supervisory approach that is not comprehensive or sufficiently risk-sensitive amid evolving credit portfolio complexities and the need for proactive oversight

42. Angola has made significant progress adopting International Accounting Standards and Financial Reporting (IFRS) 9 but needs further regulatory improvements. The current framework contains overlapping and unclear definitions of non-performing loans, with the "unlikely to pay" criterion not fully integrated into key classifications and supervisory monitoring. Although IFRS 9 has been adopted, its discretionary nature allows banks to delay write-offs, and existing non-binding guidance on non-performing exposures and write-offs limit enforcement. Recovery of overdue exposures remains challenging, with supervisory findings highlighting inefficiencies and weak collateral frameworks. Problems with collateral formalization have led to supervisory interventions requiring reclassifications and additional provisions. Risk mitigation is heavily focused on real estate and land, without systematic evaluation of effectiveness in reducing expected losses. These weaknesses undermine the reliability of reported asset quality and the efficiency of credit risk mitigation. The BNA's Impairment Tool (SAS) has identified under-provisioning in several institutions, leading to supervisory recommendations. Expanding its use to quarterly off-site assessments would strengthen early detection of provisioning gaps and support supervisory planning.

43. **Angola's regulatory framework for concentration risk partially aligns with international standards but lacks a comprehensive scope.** The regulation defines concentration risk mainly through large credit exposures, excluding broader sources such as market, funding, or sectoral concentrations recommended by international standards[7]. While the large exposure limit is broadly consistent with Basel III framework, it lacks detailed criteria for identifying economic interdependence among counterparties, weakening the connected party definition's effectiveness. Additionally, the reporting framework does not support a holistic view of concentration risk across banks' entire portfolios.

44. **Supervisory oversight of concentration risk is limited by weak enforcement and insufficient analytical tools.** There is no systematic supervisory process to assess aggregation to single or connected counterparties. The BNA neither exercises discretion nor possesses the capacity to challenge banks' identification of connected parties, nor systematic monitoring and reporting of concentrations beyond prudential limits. Recent data indicate that 7 of 18 banks exceed concentration limits. The absence of supervisory mechanisms to validate or override banks' connectedness assessments poses a material risk, especially in a system with high name concentration.

45. **The regulatory framework for related-party transactions has recently been updated but remains incomplete and lacks enforcement.** The updated regulation remains limited in scope, covering only credit-related transactions and excluding other significant exposures such as asset sales, services, and off-balance-sheet arrangements. As a result, there is no evidence that the BNA has assessed the completeness or accuracy of related-party lists submitted by banks, nor that it has evaluated the materiality of related-party exposures. Given the historical importance of related-party risks in Angola, the absence of a robust supervisory process poses a material vulnerability.

46. **Country and transfer risks are unaddressed in Angola's regulatory and supervisory frameworks, representing a significant gap.** These risks are undefined under national standards, with no regulatory requirements for banks to develop policies or mechanisms for their identification, monitoring, and management. Consequently, banks are not obliged to aggregate or report country exposures systematically or timely. While IFRS 9 provisioning models may implicitly capture some

[7] Concentration risk may result from credit, market and other risk where a bank is overly exposed to particular asset classes, products, collateral, currencies or funding sources, and is broader than exposures subject to large exposure requirements. Credit concentrations include exposures to: single counterparties (including collateral credit protection and other commitments provided); groups of connected counterparties; counterparties in the same industry, economic sector or geographic region; and counterparties whose financial performance is dependent on the same activity or commodity.

aspects of country and transfer risk, there are no specific prudential provisions or supervisory expectations in place.

47. Angola's regulatory framework for market risk is underdeveloped despite the risk's materiality. Market risk represents about 10 percent of RWA on average, exceeding 20 percent in four banks, including two systemic ones. FX risk dominates, with significant interest rate risk particularly in the largest bank. Angola lacks dedicated regulation for market risk management and distinguishes the trading and banking books based on accounting classifications instead of Basel framework principles (RBC25).

48. Supervisory oversight of market risk is limited to off-site reviews and lacks the depth and expertise required for effective risk monitoring. No on-site market risk inspections have been conducted, and the BNA lacks market risk specialists. Off-site supervision uses the SREP methodology, with indicators focusing mainly on portfolio size, inadequately capturing FX risk. Qualitative assessments of governance, strategy, and risk management rely on checklists and lack robustness. Valuations follow IFRS, but the BNA lacks expertise to challenge valuation adjustments or conduct independent verification.

49. Supervisory oversight of Interest Rate Risk in the Banking Book (IRRBB) is limited to off-site reviews and lacks the depth and technical capacity required for effective risk assessment. The BNA has not conducted on-site inspections focused on IRRBB. Off-site supervision relies on a checklist-based SREP that does not evaluate the robustness of banks' internal models or the validity of their assumptions. The absence of specialized experts further limits the BNA's ability to comprehensively assess IRRBB and challenge the underlying calculations to ensure adequate internal capital allocations. Leveraging bottom-up stress tests could enhance supervisory capacity and provide a more forward-looking assessment of interest rate risk across the financial system.

50. BNA enforces a strong liquidity risk framework but lacks dedicated regulation on liquidity risk management, limiting international standards alignment. Banks must meet minimum LCR thresholds—100 percent in local currency and 150 percent in foreign currency— as well as observation ratios for short-term maturity mismatches. The Net Stable Funding Ratio (NSFR) is not implemented. All banks are required to maintain an Internal Liquidity Adequacy Assessment Process (ILAAP); however, their supervision is still at an early stages and there is limited integration into banks' strategic decision-making.

51. Supervisory oversight of liquidity risk is constrained by limited resources, infrequent inspections, and insufficiently intrusive practices and risk monitoring. The supervisory team lacks dedicated liquidity risk specialists. Off-site supervision relies on four SREP indicators, including a transformation ratio that penalizes both excessive leverage and surplus liquidity. Qualitative assessments are compliance-based. On-site inspections are rare and not intrusive. The BNA lacks an automated real-time alert system to monitor liquidity indicators in real time.

52. Angola's regulatory framework for operational risk and resilience is fragmented and lacks enforceability, limiting its guidance effectiveness. Several laws, notices, and directives address operational risk, cybersecurity, and business continuity, but no comprehensive regulation aligns with BCBS Principles. While the regulation covers most of the best practices related to operational resilience, these are non-binding, raising enforceability concerns. The broad operational risk definition allows inconsistent interpretation. There is no standardized operational risk event classification, nor are banks required to maintain rights for accessing service providers' records or to ensure supervisory access to outsourced functions. Incident reporting is limited to ICT-related events via email, with no centralized system for broader operational risk events.

53. **Supervisory oversight of operational risk and resilience is limited by scarce resources, infrequent inspections, and immature methodologies.** SREP indicators are inadequate for capturing operational and resilience risks. Qualitative assessments rely on checklists, insufficiently evaluating governance, risk appetite, or internal controls. On-site inspections are infrequent, with only seven operational risk and two cyber risk on-site inspections having occurred over the past three years. Supervisory review of recovery and business continuity plans is still at an early stage, and there is no process to assess change management or the launch of new products and services. Outsourcing practices, including cloud services, are widespread, yet the supervisory framework for oversight remains underdeveloped.

54. **Staffing shortages are a major concern across the BNA, especially in market, liquidity, and operational risk supervision.** A single team with only two full-time employees (one section head) conducts non-credit risk on-site inspections, critically limiting BNA's capacity for effective, comprehensive supervision in these key risk areas.

55. **BNA has made significant progress in mandating that all banks prepare externally audited financial statements in accordance with IFRS and International Auditing Standards (ISA).** Bank boards are responsible for financial reporting compliance. The BNA lacks structured procedures and technical capacity to verify valuation processes or assess material differences between financial and regulatory valuations. External auditors must rotate every four years, with exceptions granted. The BNA holds authority to require auditor replacement and has exercised this when necessary. Auditors must report material issues to the BNA, with these reports aiding supervision.

56. **Angola's prudential disclosure framework is limited in scope, frequency, and enforceability, falling short of international standards.** Banks are required to disclose financial statements, corporate governance information, and Pillar III reports on an annual basis. Thus, there is no requirement for quarterly disclosure of key prudential metrics. There is no mandatory disclosure of related-party exposures and material entities within groups, weakening transparency given their historical importance in Angola. Moreover, no authority enforces disclosure compliance.

Abuse of Financial Services (CP 29)

57. **BNA recently issued regulations to consolidate the framework for preventing financial crimes in financial institutions.** The regulation requires banks to identify, mitigate, and control money laundering, financing of terrorism and proliferation (ML/FT/P) risks by implementing (i) a risk

management framework, (ii) effective Customer Due Diligence (CDD), and (iii) reporting requirements. Aligning with FATF recommendations, the BNA has segregated financial crime supervision by creating the Department of Financial Conduct (DCF), which uses an AML/CFT methodology to assess institutions' risk profiles. However, BNA still faces challenges in aligning its ML/FT/P supervision with BCBS' recommendations and adopting a fully risk-based approach. DCF findings during the SREP assessment and inspection planning and implementation lack a thorough assessment of Quality of Risk Management (QRM) to prevent ML/TF/PF issues at senior management, Board and internal controls/auditing level. Despite a 2013 information-exchange agreement, there is no evidence of programmatic and transparent cooperation between the BNA and FIU to improve banks' financial-crime controls.

E. Authorities' Response to the BCP Assessment

58. The authorities acknowledge the progress highlighted in the report and broadly agree with its conclusions and recommendations. They support the strengthening of the supervisory function, the adaptation of prudential regulation to the national financial system, and the adoption of a more robust risk-based approach. They reaffirm their commitment to consolidating the legal and regulatory framework, enhancing technical training for supervisory staff, and gradually aligning with international standards in financial stability and banking supervision.

59. In broadly supporting the recommendations, the authorities made the following observations:

- **BCP 1 – Responsibilities, Objectives, and Powers:** The CSSF cooperation framework has been in force since 2022 rather than being under development, as noted.
- **BCP 2 – Independence, Accountability, Resourcing, and Legal Protection:** Regarding transparency in the appointment of the Governor and Board members, the Governor's appointment by the President of the Republic is preceded by a hearing in the National Assembly, which issues an opinion. The Governor, Vice-Governors, and BNA Directors must be individuals of recognized good repute, management capacity, technical competence, and experience in economics, law, accounting, banking, finance, and management, with at least 10 years of relevant experience.
  Regarding legal protection, BNA employees are entitled to legal aid provided by the BNA.
- **BCP 3 – Cooperation and Collaboration:** The duties, responsibilities, and operating procedures of the CSSF are defined in legislation.
- **BCP 5 – Licensing Criteria:** On the recommendation to assess the need for new institutions before granting licenses, it is emphasized that the BNA cannot prohibit the opening of new banking financial institutions, as this would violate free private enterprise.
  Regarding the recommendation to ensure proposed legal, managerial, operational, and ownership structures do not hinder effective supervision, it is reiterated that such situations are grounds for refusal of authorization to establish a bank.
  Concerning the assessment of the licensing process, no evidence was presented due to the cut-off date of 31 December 2024 and the requirement to assess the preceding five-year period. At that time, the incorporation process of the African Bank of Oman had just been submitted,

and its review was conducted in accordance with the criteria set out in Article 51 of the LRGIF and Notice No. 11/24.
With respect to shareholder financial capacity, under Article 51(1)(d) of the LRGIF, qualifying shareholders are required to provide detailed information demonstrating their financial soundness, including their capacity to inject additional funds if necessary. The BNA therefore consistently requires evidence of financial capacity exceeding the level of subscribed capital.
Fit-and-proper requirements: Article 62 of the LRGIF defines these requirements objectively and applies them to members of management and supervisory bodies, as well as holders of key internal control functions.

- **BCP 7 – Major Acquisitions:** On the recommendation that only fit and proper persons should become significant shareholders, it is clarified that good repute is a crucial criterion for becoming a shareholder of a bank.
  Regarding the recommendation to ensure that prospective shareholders have the capacity to support the bank in times of stress, this requirement is already provided for in the regulatory framework.
- **BCP8 - Supervisory approach:** The BNA does not concur with the observation. The SREP already incorporates forward-looking analysis for capital, impairments, liquidity, and Pillar 2 capital (OP2) requirements based on macroprudential stress testing.
  The BNA maintains an Aggregate Financial Stability Index to monitor systemic risks and support mitigation strategies. Ongoing efforts aim to further integrate macroprudential and economic analysis into the microprudential framework. The macroprudential framework remains in an initial development stage, and full integration into supervisory assessments is still underway.
- **BCP 9 - Supervisory techniques and tools:** The BNA does not concur with the observation. Under the risk-based supervision methodology, the SREP is the primary driver of supervisory actions. Inspection planning begins with the SREP global risk assessment and considers both individual risk profiles and systemic importance. Whenever emerging risks warrant it, the BNA conducts ad hoc targeted inspections. Regarding the timeliness of communication, results are conveyed to banks immediately upon completion of the analysis. The perceived delay arises because the 2024 SREP uses 2023 audited data, which may give an incorrect impression of outdatedness to external observers. For accuracy, this comment should therefore be removed or appropriately adjusted. On the assignment of relationship managers, although some banks noted inconsistent contact points, the BNA clarifies that off-site inspectors already serve as permanent relationship managers. Despite the removal of functions such as licensing, regulation, sanctions, and AML from the supervision department, off-site staff continue to act as the primary liaison for all bank-related matters. This recommendation should therefore be removed as well.
- **BCP 12 - Consolidated supervision:** The BNA does not agree with this observation and requests its removal. Banks are required to comply with prudential ratios, including capital and liquidity requirements, on both a solo and consolidated basis. In addition, corporate governance regulations impose obligations for the oversight of group-wide activities, including the submission of a consolidated corporate governance report. These requirements demonstrate that the BNA already fulfills its responsibilities as home supervisor for banks with overseas operations.

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles	
Core Principle	**Comments**
1. Responsibilities, objectives and powers	• While, the primary mission of the BNA is to ensure price stability, and the secondary mission is to ensure the stability of the financial system, there is no explicit mention, either in the LBNA or in the LGRIF, that the primary objective of banking supervision is to "promote the safety and soundness of banks and the banking system." (i.e. the "S&S" mandate). • While the responsibilities and objectives of the banking supervisor are clearly established and the legal and regulatory framework for banking supervision is in place, the S&S mandate has not been translated at the operational level in determining BNA's risk tolerance. • The legal and regulatory framework is not explicit on BNA's full access to the boards, management, and staff of banks. However, based on conversations with BNA supervisors about their regular and ongoing supervisory process, they engage with board members, management, and staff. The law should explicitly state the power of the BNA to have full access to the board, management, and staff. • The assessors have not received evidence that the BNA is going beyond formal review of the information received and conduct forward-looking assessment of the capability of the boards and board members. • While the BNA's functions as macroprudential and resolution authority are operationally independent and do not conflict with the supervisory function, there is no provision either in the LBNA or in the LGRIF stating that these responsibilities are subordinate to the primary objective of banking supervision and do not conflict with it. In addition, the assessors noted that the creation of the two departments for Financial Conduct and Financial Stability resulted in the reduction in the staffing of the DSB. • A cooperation framework has been developed by the BNA through the CSSF with ARSEG and the CMC. • The Assessors observed during meetings held with banks operating in Angola that some of the banks, notably the smallest and those without the support of a foreign parent, are struggling with the pace of implementation of the prudential framework and new regulations, considering the lack of capacity of their staff and they need training and support from the BNA in that regard. • While the principle of proportionality is clearly stated in article 22 of the LRGIF, it is not fully taken into consideration in establishing the regulatory framework.
2. Independence, accountability, resourcing and legal protection for supervisors	• Independence established in the law. • Based on the 2024 BNA annual report, the emphasis is put on strengthening the BNA role as a macroprudential authority (Consolidation of macroprudential policy instruments, implementation of the operational framework and mechanisms for crisis resolution and management, etc.) and the chapter on the "Development of the Financial Sector" only shows that the BNA focused on the monitoring of banking financial institutions in terms of corporate governance and internal control through the analysis of reports submitted by commercial banks, as well as verification during on-site inspections. • While provisions of the LBNA outline circumstances under which the Governor and Deputy Governors can be removed from office, there is no provision in the law requiring that reason(s) for their removal be publicly disclosed.

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles (continued)	
	• With the increasing demand for more in-depth analysis required by the implementation of RBS, the quantitative and qualitative inadequacy of resources for supervisory activities needs to be addressed for the BNA to adequately deliver on its mandate. • Regarding the banking supervision staff, beyond the BNA current training process, specific inceptions program should be prepared for the supervisors, as well as investing in targeted training programs and promoting secondments and staff exchanges with other central banks and supervisory authorities. • There is a shortage of specialists to be addressed in corporate governance, risk management, liquidity, market, interest rate risk in banking book, operational and information technology (IT) risk supervision. • While legal aid exists in the LBNA, there is no provision that clearly states that the BNA will protect its staff against costs of defending their actions and/or omissions made while discharging their duties in good faith.
3. Cooperation and collaboration	• Laws and regulations provide a framework for cooperation and collaboration with relevant domestic and foreign authorities. • The BNA has been active in the presidency of the CSSF as well as in the international agenda with financial supervisors, through protocols and memorandums of understanding to exchange experiences and discuss supervisory matters. • Domestically, concrete actions derived from a coordination agenda have been taken in areas such as financial stability, financial inclusion and AML/CFT risk mitigation. MoUs have allowed BNA to share knowledge and information, in addition to gaining expertise through training and other capacity building initiatives. • BNA has progressed in several initiatives to foster domestic coordination on crisis management, in line with the legal Resolution Framework in place. That includes creating a new resolution unit, setting up information sharing mechanisms within the institution, and reinforcing discussion with key players (such as the MINFIN, Deposit Guarantee Fund and the Resolution Fund).
4. Permissible activities	• The law clearly defines the permissible activities of financial institutions, including both banking and non-banking, as well as the activities of taking deposits and granting credit. • The term "bank" or combinations with the word “bank” are only allowed for entities licensed to carry out banking activities. • The verification of the use of the term "bank" is carried out by the DRO (Department of Regulation and Organization of the Financial Sector) to avoid general public can be misled. • Credit Cooperatives are allowed to collect deposits, but only from their own registered members and not from the general public. • The DRO Division is understaffed. • Microfinance financial institutions are licensed under specific requirements and can also take deposits of small amounts. They are subject to the same regulation and oversight from BNA as commercial banks. However, there is no early warning system in place to monitor the level of deposits held by Microfinance Financial Institutions.
5. Licensing criteria	• In the past five years, the BNA has not received any application for commercial banking licenses from domestic entities and has received only two applications from foreign entities, of which one has been withdrawn by the applicant. • BNA is the only responsible authority for licensing banking financial institutions. • BNA is required to consult with the CMC when the purpose of the banking financial institution includes any activity of intermediation of financial instruments and with the

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles (continued)	
	• Insurance Supervisory Body when the applicant is the subsidiary of an insurance company or is controlled by the same persons that control an insurance company. • The evidence provided to the assessors did not allow them to verify that BNA conducts due assessment on the proposed legal, managerial, operational and ownership structures of the bank in order to prevent shortcomings for supervision on both a solo and a consolidated basis and implementation of corrective measures in the future. • When reviewing the application, the BNA assesses the transparency of the ownership structure and the sources of initial capital, but not whether the prospective shareholder would be able to support the bank in times of stress and need. • The evidence provided to the assessors did not allow them to verify that BNA is conducting an in-depth review of the financial projections and information on the main shareholders of the applicant. • While criteria and procedures are in place for licensing of banks, they should be enhanced regarding the suitability of the major shareholder. • BNA has updated the minimum capital requirement for commercial banks (Kz 15,000 million) and development banks (Kz 50,000 million). • Fit and proper tests should be enhanced for each category of candidates, with different approaches for board members, executive directors, senior management, and the functions belonging to the three lines of defense/control. • The BNA asked a newly licensed bank to submit a new business plan but the documentation provided did not allow the assessor to verify that the initial business plan was adequately analyzed.
6. Transfer of significant ownership	• Legal framework for transfer of significant ownership exists but requires strengthening to reinforce the supervisory function of the BNA and take into consideration the supervisor's point of view. • In the past five years, the BNA has approved four requests for transfer of significant ownership (either in 2024 or in 2025), rejected one and granted an appeal to a decision of refusal. • Regarding the notion of control, the most important criteria being the dominant influence over the bank, the BNA is recommended to remove, in paragraph 43 of article 3 of the LGRIF, the limitation to 20 percent. • There is no definition of the Ultimate Beneficial Owner (UBO) in the LRGIF. • While there is an identification of the beneficial owner, since it is based on self-declaration, the identification of ultimate ownership is lacking. • While there is a framework for monitoring the transfer of significant ownership, this framework appears to be based on a limited compliance approach rather than on a risk-based approach. • Beyond verifying that the prospective significant shareholder is fit and proper, BNA should base its assessment of the application on whether such shareholder would be able to support the bank in times of stress and need.
7. Major acquisitions	• BNA has the power to approve qualified acquisitions within the banking sector (art. 3 of Notice 10/13), of foreign financial subsidiaries (art. 6) and of non-financial companies (art. 7). However, the authorities should also ensure that all cases of banks' acquisitions and investments in the domestic financial sector are covered by the law or regulation to include non-bank financial institutions, such as insurance firms. • There is no provision in the banking legislation/regulation that obliges banks to inform the BNA about non-qualified acquisitions and investments. This limits BNA' scope of

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles (continued)	
	• action to identify undue risks to the banking sector. The lack of requirements for ex-post notification for non-qualified investments indicates to the assessors that BNA might have shortcomings in assessing potential risks from an individual or consolidated point of view. • The assessors found evidence that BNA conducts analysis of the economic/financial impact stemming from qualified acquisitions/investments. • Regulation gives power for BNA to review major acquisitions when they exceed, directly or indirectly, the regulatory threshold of risk exposure to non-financial companies. In such a case, BNA can impose capital requirements and require a plan for compliance with the operational limits. • There are no provisions in the law or regulations requiring the BNA to review major acquisitions and investments by other entities in the banking group. It Is not BNA's practice to approve such operations. This gap limits the scope of consolidated supervision and hinders BNA's power to promptly identify undue risks to banks.
8. Supervisory approach	• The supervisory approach is based on a well-designed and documented framework. • The supervisory activities focus more on monitoring quantitative data, but without sufficient focus on the analysis of core supervisory issues. • There is no forward-looking approach to the risk profile of the banks. • BNA had not provided evidence regarding methodologies and processes to address group-wide risks. However, this is a reflection of the lack of adequate consolidated supervision, see CP 12. • The assessors found evidence of resolvability assessment at BNA, although it is still work in progress. • There is insufficient assessment of the role and activity of the board of directors of the banks regarding the effectiveness of the internal control system and the independence of internal audit (See CP 14). • BNA (FSD) conducts regular assessments of emerging systemic risks, including interconnectedness analysis and regular stress testing to assess banks' resilience. However, efforts are still underway to improve the capacity of DSB by integrating economic and macroprudential findings into the microprudential toolbox. • Triggers for early intervention and entry in resolution are unclear or set too close to insolvency and the BNA lacks a comprehensive early intervention framework that would enable it to act promptly. • The BNA has designated 9 of its 22 banks as domestic systemically important banks (D-SIBs). This may represent a burden on the supervision and the BNA should review its definition of D-SIBs and adopt an operational approach to differentiating its supervision for systemic banks.
9. Supervisory techniques and tools	• While built following a RBS approach of supervision, the supervisory process followed by the BNA still appears largely compliance-based. Additionally, it seems to spread limited supervisory staff across too many units, with the risk of duplicated supervisory work. • While there is no-preferred organization of supervision, the BNA should work on a better integration of its off-site and on-site supervision with clearer responsibility of off-site supervision to all aspects, including the corporate governance issues. • BNA has adopted a SREP, inspired by the namesake process in the EU's Single Supervisory Mechanism.

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles (continued)	
	• Beyond the use of SREP, the BNA is not conducting sufficient comprehensive inspections to assess financial soundness, efficiency of internal controls and compliance with regulations and prudential norms. • The average supervision cycle for a bank is too long (about 7 years) and several DSIBs were not covered by an on-site inspection during the last five years. This calls for an urgent increase of the number of supervisory staff in the DSB. • Limited "on the ground" qualitative assessment review of risk management activities through core risk inspections (e.g. internal control and compliance, asset liability management, credit risk management, foreign exchange risk management, information and communication technology and anti-money laundering). • The BNA should convey its assessment to the bank without delay: as evidence of its supervisory work, the assessors received from the BNA a letter dated June 2025 that was communicating to a bank the result of the 2023 SREP exercise. • To improve communication with the banks and the supervisory process, it would be good practice to assign within the DSB a relationship manager for each bank. While some banks seem to have a contact point in the BNA, it does not seem to be systematic. In the absence of a focal point/relationship manager, the off-site supervisory contacts and activities for a given bank could be spread across departments and units.
10. Supervisory reporting	• Banks are required to report their financial results to the supervisory authority through mandatory reporting sets, as outlined in legal/regulatory framework. • The reports submitted by the banks through the SSIF system (FIP Financial Institutions Portal) and controlled by the BNA present instructions for inputs of financial institutions. • However, information reported still lacks reliability and consistency. The BNA has instituted the Data Quality Assessment program, composed of special audits of data quality and consistency and reporting of banking risk information. • Overlapping and unclear definitions of NPLs on regulatory reporting cause confusion for banks and could negatively affect supervision. • Despite regulatory framework on governance structures and control processes for methodologies that produce valuations, the supervisor faces shortcomings to determine whether valuations are sufficiently consistent and prudent. • BNA requests prudential information to be reported in an unstructured form, via emails or other less secure channels, due to deficiencies presented in its electronic platform (SSIF) designed to collect data for supervisory purposes, including quality validity checks. • Supervisory information is fragmented (prudential data reported by financial institutions, supervisory reports and other workpapers). BNA keeps and manages such information in decentralized folders not promptly accessible to many interested parties within the BNA. • Banks, despite their size and business model, are requested to provide the same data and the same number of data points. • The BNA does not collect information that allows for the assessment of the materiality of climate-related financial risks.
11. Corrective and sanctioning powers of supervisors	• The LBNA and the LRGIF grant powers to the BNA to take corrective action and impose sanctions. The measures taken by the BNA consider the seriousness of the infraction committed by the banking financial institution, which may be a registered warning, the imposition of a fine, suspension or disqualification from the exercise of a function and the revocation of the license. • The BNA adopts public intervention measures, including corrective intervention, provisional administration, under the terms of article 240 of the LRGIF.

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles (continued)	
	• In addition to those provided for, the BNA can revoke the license of a bank to operate in the financial system (there is evidence in this regard) and compulsory closure, under the terms of article 57 of the LRGIF. • However, the legal framework is not conducive to the BNA acting in a timely manner: there is no escalation mechanism and the trigger for supervisory intervention, although forward-looking, is set at minimum regulatory requirements. The legal and regulatory framework should be completed with an explicit early intervention framework. • The BNA is following a structured and documented process to sanction. • Most sanction procedures concern material breaches that fall within a material compliance approach rather than on risks related to weaknesses in the governance or risk management issues that should be at the heart of risk-based supervision. • Instead of an approach founded on fines and contravention for wrongdoing, the BNA should develop an RBS approach to sanctions. • Beyond the legislation, develop methodology for early intervention with defined triggers that would enable supervisors to act early.
12. Consolidated supervision	• Consolidated supervision is a new area for the BNA supervisors. • Due to gaps in the identification of banking groups, de facto banking groups could elude consolidated supervision. • There is no reference in the regulation about consolidation of information from non-financial companies for prudential reporting. • BNA has not issued specific guidelines for banks' operations abroad; such operations are subject to the requirements of the host supervisor in the country where the subsidiary operates, provided they comply with the rules in force in that country and in the parent company's (home) country. • Supervision doesn't extend to companies affiliated to the group's parent company. • BNA has the power to restrict or limit the activities, operations, or branch networks of financial institutions, or request divestment from activities (including outsourced activities) that pose excessive risks to banks' soundness. However, the assessors did not find evidence that BNA has imposed limits on the range of activities of a consolidated group.
13. Home-host relationships	• The Law establishes that the BNA cooperates with similar or equivalent institutions of other countries with the purpose of strengthening the security and stability of their respective national financial systems. • MoUs define, within their scope of actions, any initiatives of interest from supervisors to enhance their capacities to execute the legal mandates. • The BNA establishes specific supervisory colleges for banking groups with cross-border operations, aiming to reinforce supervision. The supervisory college is the main channel of communication between the BNA and the supervisory authorities of foreign-based banks. • Branches of Banking Financial Institutions headquartered abroad, established in Angola, are subject to the supervision of BNA, under the same terms as Banking Financial Institutions headquartered in the country. • No evidence of a structured and effective internal process at BNA to carry out activities under MoUs. • No evidence of a consistent and methodological process to define priorities and enhance consistency in supervisory activities, in line with provisions established by the MoUs and supervisory manuals.

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles (continued)	
14. Corporate governance	• Updated Legal Framework: Law No. 14/21 and Notice No. 1/22 provide a formal regulatory basis for corporate governance in the banking sector. • Board Member Approval Process: BNA has an established process for approving board members and key function holders, with documented cases of enforcement actions for non-compliance with fit and proper requirements. • Dedicated Supervisory Team: A specialized team within the BNA's horizontal division is responsible for corporate governance and internal control, enabling focused oversight. • Alignment with International Compensation Standards: The updated law reflects alignment with the FSB Principles and Standards on Sound Compensation Practices (2018), indicating progress toward international best practices. • Requirements on the number of independent directors might not be sufficient to guarantee independence. • Regulatory provisions on committees not in line with BCBS document on Corporate Governance principles for banks. • There is no regulatory requirement for the bank's board to maintain succession plans, to notify BNA or disclose bona fide information that may affect fitness and propriety of senior management or requiring understanding of opaque structures. • No intrusive supervision. • No supervision of compensation practices.
15. Risk management process	• Updated Regulatory Framework: The issuance of Notice No. 8/21 marks a significant step toward aligning Angola's risk management regulations with international best practices. • Board Involvement in Risk Management: Regulation requires active participation of the board in risk management processes, reinforcing governance accountability. • Structured Off-site Assessment: The SREP includes a detailed questionnaire covering governance, control functions, risk culture, and reporting, supported by key documents such as the Risk Appetite Statement and Annual Risk Management Report. • On-site Engagement with Control Functions: On-site inspections involve review of board and committee minutes, interviews with key function holders, and evaluation of alignment between decisions and risk appetite, enabling deeper supervisory insight. • Initial ICAAP Integration: Supervisory feedback has been provided on ICAAP reports, indicating early efforts to integrate capital adequacy assessments into bank management processes. • No requirement that banks consider risks that could materialize over longer time horizons, in particular, climate and digitalization. • No clear guidance on the requirement to appoint a CRO. • No requirement that the bank should discuss the reasons for head of risk management/CRO removal with its supervisor or that the removal is disclosed publicly. • Supervision is not yet able to challenge ICAAP, stress tests and risk management of new products.

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles (continued)	
16. Capital adequacy	• Strong Capitalization: Banks in Angola are highly capitalized. • Basel Alignment: The capital framework reflects a hybrid adoption of Basel II and III standards, adapted to local conditions, with definitions of capital components and deductions broadly aligned with Basel III. • Comprehensive Capital Requirements: Minimum capital requirements are clearly defined for CET1, Tier 1, and Total Capital, with institution-specific Pillar II Requirements (P2R) based on supervisory assessments. • Capital Buffers in Place: Banks are subject to conservation, countercyclical, and systemic importance buffers, with mechanisms for dividend restrictions in case of non-compliance. • Pillar II Guidance (P2G): Supervisory authorities apply P2G based on stress test results, requiring capital conservation plans in case of non-compliance, thereby enhancing forward-looking supervision. • SREP-Based Adjustments: BNA adjusts Pillar II and Pillar II requirements based on SREP ratings, demonstrating a risk-sensitive and dynamic supervisory approach. • Leverage Ratio Requirement: A leverage ratio of 3percent is in place, broadly aligned with Basel III, contributing to the overall resilience of the banking sector. • Annual ICAAP Requirement: ICAAPs are reviewed during both off-site and on-site supervision, with feedback provided to banks. All banks are required to prepare ICAAP, with no application of proportionality.
17. Credit risk	• Extensive Regulatory Provisions, except for risk management. • Structured Off-site Assessment: The SREP methodology evaluates intrinsic and control dimensions of credit risk, incorporating indicators such as NPLs, PD, LGD, and governance factors. • Board Oversight Verification: Supervisors assess whether credit risk policies and strategies are approved and periodically reviewed by the board, reinforcing governance accountability. • On-site Review: Inspections include analysis of board and committee minutes, risk management reports, and internal audit findings to evaluate alignment with risk strategy and appetite. • Credit File Sampling: BNA conducts credit file checks to verify compliance with policy criteria and approval limits, contributing to the integrity of credit operations. • Engagement with Banks: On-site inspections involve interaction with various levels of bank representatives, enhancing the understanding of credit risk practices and controls. • No regulation mandates a comprehensive credit risk management framework. • No requirement for board-level approval of major or risky exposures. • No formal tracking or reporting of breaches in internal credit limits to BNA. Exception monitoring processes lack robustness. • Off-site supervision is document-heavy but lacks depth in qualitative analysis. • On-site inspections are infrequent, including across systemic banks. • Sampling practices are not documented, standardized or fully risk sensitive.

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles (continued)	
18. Problem assets, provisions, and reserves	• Full Adoption of IFRS 9: Angola has fully implemented IFRS 9 since 2018, aligning its accounting practices with international standards. • Effective Supervisory Tool: The Impairment Tool – SAS developed by BNA has proven highly effective in identifying provisioning gaps during on-site inspections, leading to concrete supervisory actions such as additional provisioning requirements. • Supervisory Action Based on Tool Results: The use of the SAS tool has resulted in targeted recommendations to more than five institutions during the 2023–2024 cycle, demonstrating proactive supervision. • Potential for Expanded Use: The effectiveness of the SAS tool supports its expansion to quarterly off-site assessments, which could enhance early detection of provisioning issues and improve inspection prioritization. • Complex and unclear definitions related to problem assets. Unlikely to pay should be part of the main indicator. • BNA assesses trends and concentration based on 90 days past due loans, not problem loans. • Non-binding guidance on write-off policies. • Supervisory process on governance, board reporting and processes for reviewing classifications and write-offs is not sufficiently intrusive.
19. Concentration risk and large exposure limits	• Established Concentration Limits: Angola has implemented multiple concentration limits—including large exposures, aggregate exposures, holdings in non-financial companies, and net open positions in foreign currency—broadly aligned with international standards. • Conservative Treatment of Sovereign FX Exposure: The application of a 100% credit conversion factor (CCF) for foreign currency-denominated sovereign exposures adds a conservative layer to the large exposures framework. • Standardized Reporting: Banks submit detailed reports on their 20 largest exposures, enabling BNA to monitor concentration risk across institutions and jurisdictions. • Credit Bureau Data Utilization: The BNA has access to comprehensive data through the credit bureau (CIRC), allowing for monitoring of credit portfolios by sector, currency, and exposure quality that could be further used to study concentration risk. • Broad Alignment with BCBS Definitions: The definition of connected counterparties is broadly aligned with BCBS standards, providing a foundation for further refinement. • Recognition of Material Risk: Supervisory documentation acknowledges concentration risk as a material issue in Angola, prompting the need for enhanced oversight and regulatory development. • Regulation not in line with the Basel III large exposure framework (eg. deviations on calculations of exposure to real estate and to STF and simplified criteria for identifying connected counterparties). • Regulation does not consider sources of concentration other than credit and currency. • No systematic monitoring and reporting of concentrations beyond prudential limits. • No assessment of banks' aggregation to single or connected counterparties. • No supervisory exercise of discretion on connected parties. • Several banks have exposures exceeding regulatory limits, highlighting the need for stronger monitoring.

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles (continued)	
20. Transactions with related parties[8,9,10]	• Recent Regulatory Update: The issuance of Notice No. 1/2025 marks a significant step toward improving Angola's compliance with international best practices on related-party transactions. • Regulation not in line with the requirements in the CP: - does not include transactions other than credit exposures and therefore exposure is not calculated consistently with CP 19 (as explained in footnote 10), - "related parties" are not fully compliant to footnote 9, and - no provision that grants BNA the power to exercise discretion in applying the related party definition on a case-by-case basis. • No assessment of related parties list provided by banks. • No evidence of supervisory practices based on the recently issued regulation. • No evidence of materiality of related parties exposures.
21. Country and transfer risks	• No regulatory framework. • No supervisory framework.
22. Market risk	• Foreign Exchange Risk Controls: Regulatory measures have been implemented to limit foreign exchange risk, including restrictions on FX loans and a cap on net open FX positions (<10%). • Use of IFRS for Valuation: Valuation of market risk exposures is based on IFRS 13 standards, ensuring consistency with international accounting practices. • Quarterly Reporting: Banks submit quarterly market risk data to the BNA, including fair-valued information and daily FX net open positions, supporting ongoing monitoring. • Trading and banking book boundary is not in line with BCBS RBC25. • No specific regulation on market risk management. • No on-site supervision. • Off-site supervision not intrusive: qualitative assessments are not sufficiently robust. • SREP Methodology needs adjustments: current indicators fail to capture FX. • BNA lacks market risk experts. • Valuation follows IFRS, but BNA lacks capacity to challenge valuation adjustments and there is no independent verification.
23. Interest rate risk in the banking book	• Established Regulatory Framework: Angola has a formal regulatory structure for IRRBB, including provisions in Law No. 14/21, Notice No. 08/2021, and Instruction No. 22/2021, which collectively define requirements for risk identification, measurement, and reporting. However, the provisions do not encompass all IRRBB BCBS principles,

[8] Reference documents: BCBS, Corporate governance principles for banks, July 2015; BCBS, Principles for the management of credit risk, September 2000.

[9] Related parties can include: (a) the bank's subsidiaries and affiliates (including their subsidiaries, affiliates and special purpose entities) and any other party that the bank exerts control over or that exerts control over the bank; (b) the bank's major shareholders, including beneficial owners; (c) the bank's board members, senior management and key staff, corresponding persons in affiliated companies, and parties that can exert significant influence on board members or senior management; and (d) for the natural persons identified in (a) to (c), their direct and related interests and their close family members.

[10] Related party transactions include on-balance sheet and off-balance sheet credit exposures; dealings such as service contracts, asset purchases and sales, construction contracts and lease agreements; derivative transactions; borrowings; and write-offs. The term "transaction" should be interpreted broadly to incorporate not only transactions that are entered into with related parties but also situations in which an unrelated party (with whom a bank has an existing exposure) subsequently becomes a related party.

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles (continued)

	• particularly those related to having an appropriate interest rate risk strategy and interest rate risk management framework. • Quantitative Risk Assessment: Banks are required to assess IRRBB using a 200-bps parallel shock to estimate impacts on both EVE and NII, aligning with international practices. • Quarterly Reporting Requirements: Banks report two key IRRBB quarterly indicators, enabling both economic value and earnings-based assessments. Threshold breaches (e.g., >20% of own funds) trigger immediate reporting and potential supervisory action. • Integration into Pillar II Framework: IRRBB is incorporated into Pillar II capital requirements, with ICAAP-based calculations subject to supervisory adjustment via multipliers based on SREP ratings. • No on-site supervision. • Off-site supervision is not intrusive. • BNA does not challenge or assess whether banks' internal capital models adequately capture IRRBB.
24. Liquidity risk	• Alignment with International Standards: The LCR methodology is consistent with BCBS standards. • Clear Quantitative Requirements: Specific limits for LCR and observation ratios in both local and foreign currencies provide clarity and enforceability. • Proportionality in Supervision: The ILAAP regulation allows for differentiated reporting levels (complete, intermediary, simplified), accommodating institutions of varying systemic importance. • Use of Supplementary Indicators (soft – for supervisory purposes): Indicators like deposit concentration and transformation ratio help capture broader aspects of liquidity risk. • Data Validation Practices: Supervisors validate inflow and outflow data submitted by banks, helping identify inconsistencies and improve data quality. • No specific regulation on liquidity risk management which impacts banks' practices and supervisory processes. • Lack of monitoring of supplementary SSIF liquidity indicators. • All banks are required to prepare ILAAP, with no application of proportionality. • Account balance verification consumes significant on-site resources. • Off-site supervision is not intrusive. • Transformation indicator in SREP needs adjustment. • BNA lacks liquidity risk experts. • On-site inspections on liquidity are not frequent. • Liquidity stress testing and ILAAP assessment are at early stages.
25. Operational risk and operational resilience	• Multiple regulations and directives address operational risk, cybersecurity, cloud computing, capital requirements, incident reporting, ICT risk, and business continuity. • Cybersecurity Focus: Specific regulations (e.g., Notice No. 08/2020 and Directive No. 05/2022) and a dedicated cybersecurity team reflect growing attention to cyber risks. • Use of Self-Assessment Tools: Distribution of cybersecurity self-assessment questionnaires to banks helps gauge regulatory compliance and maturity. • Initial Steps in Business Continuity Evaluation: BNA has begun assessing banks' business continuity plans, aiming to identify critical operations beyond IT. • Recognition of Outsourcing Risks: Supervisory awareness of outsourcing practices (e.g., cloud services) and the need for stronger oversight is a positive step toward resilience.

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles (continued)	
	• Regulatory framework does not address all requirements of the CP, in particular the ones related to operational risk management and operational resilience, which also impact supervisory scope. • Identification/scope of operational risk events not clear. • Recent improvements in ICT and cloud services regulation are not yet reflected in supervisory practices. • Off-site supervision is not intrusive. • SREP indicators are inadequate for comprehensive risk evaluation of operational risk and operational resilience. • Supervision of recovery plans and business continuity plans at early stages. • Insufficient human resources. • Few on-site inspections, even less for cybersecurity. • Disruptions reports cover only ICT incidents. • No system for reporting incidents.
26. Internal control and audit	• Lack of independence of internal control functions (improper reporting/subordination despite regulation) in some banks points to inadequate supervisory oversight. • No evidence that supervisors determine that the staff of the back office and control functions have sufficient skills, resources and expertise, nor that internal audit has the authority to evaluate any third-party functions. • In-depth qualitative assessment of internal controls not sufficiently frequent.
27. Financial reporting and external audit	• Full Adoption of IFRS: Banks are required to follow IAS/IFRS standards. • Structured Accounting Framework: The PCIFB provides a standardized approach for accounting records, valuation practices, and disclosure, supporting consistency and transparency. • Scrutiny of Provisioning Practices: BNA pays particular attention to provisioning, which is often a key area of divergence between financial and regulatory reporting. • External Auditor Oversight: BNA has the authority to mandate auditor replacement based on suitability, independence, or performance concerns, reinforcing audit quality. • Mandatory Auditor Rotation: A four-year rotation rule promotes independence and reduces long-term bias, even though implementation challenges exist. • Auditor Reporting to Supervisor: External auditors are required to report material issues to BNA, and these reports have proven useful for supervisory purposes. • Supervision does not verify valuation practices and there is a lack of supervisory expertise to perform such assessments.
28. Disclosure and transparency	• Governance Transparency: Banks must disclose detailed information about board composition, recruitment policies, risk committees, and risk information flows, promoting accountability. • Risk Disclosure Obligations: Institutions are required to disclose material risks and their management processes, including forecasts of risk evolution. • Group-Level Reporting: Parent companies must ensure consolidated disclosure, enhancing transparency across financial groups. • External Auditor Reporting: Auditors are required to report material issues to BNA, supporting supervisory oversight. • Pillar III Reporting Mandate: Annual prudential disclosures under Pillar III are required, aligning with Basel principles, albeit with room for improvement in frequency. • Prudential Disclosure is only annual.

Appendix VI. Table 1. Angola: Summary Compliance with the Basel Core Principles (concluded)	
	• No requirement to disclose aggregate exposures and transactions with related parties and entities in groups structure. • No authority review and enforce disclosure compliance. • BNA disclosure of information on the banking system is not comprehensive.
29. Abuse of financial services	• BNA recently issued regulation for financial institutions to consolidate the regulatory framework on directives to prevent financial crimes. This regulation provides guidance in identifying, mitigating and controlling ML/FT/P risks in the organization by requiring, among other issues, (i) a risk management framework, (ii) effective Customer Due Diligence (CDD), and reporting requirements. In line with FATF recommendations, BNA segregates the function of financial crimes supervision through setting up a specifically dedicated supervisory unit (Department of Financial Conduct) and utilizes an AML/CFT methodology to allow assessing the institution's risk profile. • Although BNA segregates the function of financial crimes supervision, in line with FATF recommendations, the supervision is conducted in isolation by DCF team amid limited ad-hoc engagement with the prudential supervision. • DCF findings during the SREP assessment and inspections planning and implementation lack a thorough assessment of Quality of Risk Management (QRM) to prevent ML/TF/PF issues at senior management, Board and internal controls/auditing level on financial institutions. • There is a lack of coordination between the BNA and the FIU. There is no evidence of formal nor programmatic cooperation between BNA and FIU to strengthen the banks' control mechanisms against financial crimes, including capacity building.

Appendix VI. Table 2. Recommended Actions to Improve Compliance with the Basel Core Principles and the Effectiveness of Regulatory and Supervisory Frameworks

Reference Principle	Recommended Action
Principle 1	• Amend the legislation/regulation to: - explicitly state that the BNA 's primary objective is to promote safety and soundness and that other objectives are subordinated to that mandate, - explicitly empower BNA to have full access to the board members, management, and staff of banks. • Develop and issue a public statement explaining BNA's primary objective to promote the safety and soundness of individual banks and the banking system, and the BNA's risk tolerance. • In introducing new regulation, consider the capacity of banks to adapt to the new prudential regulatory framework and the need for proportionality, taking into account the Basel recommendations: High-level considerations on proportionality.
Principle 2	• Implement a clearer process to ensure accountability in relation to objectives (esp. the safety and soundness mandate), with an accountability framework for discharging the duties and responsibilities through periodic reports on supervisory activities and/or appearances before Parliament. • Strengthen the qualification and effectiveness of the Board to bring more diversity in background, skills, and experience on different topics of interest. • Ensure that supervision receives adequate budget and staffing, including governance, risk, and IT specialists. • While there is no preferred model to organize supervisory activities, the structure of the supervision of FIs and NBFIs could be further revised and streamlined for RBS-type of supervision. • Reinforce the recruitment procedure to get qualified staff and provide adequate training, tailored to the specific needs of supervision, after entry in the required areas, with local and foreign training, including secondment/staff exchange. • Introduce specific provisions on how BNA will protect its supervisors against costs of defending their actions and/or omissions made while discharging their duties in good faith.

Appendix VI. Table 2. Recommended Actions to Improve Compliance with the Basel Core Principles and the Effectiveness of Regulatory and Supervisory Frameworks (continued)	
Principle 3	• BNA should continuously work to exercise specific safeguards while sharing confidential information with other domestic and foreign supervisory authorities (e.g., clear internal policies on classification, handling, and storage of confidential information, etc). • BNA could develop formal interagency mechanisms to strengthen crisis management coordination and contingency planning with relevant players under the new Resolution Framework.
Principle 4	• The Division of the DRO in charge of monitoring potential frauds on the use of the term "bank" and derivation should be equipped with more resources. • Introduce an early warning system to monitor the level of deposits held by Microfinance Financial Institutions.
Principle 5	• Enhance the business plan requirements, analysis and monitoring regarding new banks. • Customize the fit and proper process to the category of applicant, with different approaches for board members, executive directors, senior management, and the functions belonging to the three lines of defense/control. • While criteria and procedures are in place for licensing of banks, they should be enhanced regarding the suitability of the major shareholder.
Principle 6	• Define the concept of a beneficial shareholder, distinguishing it from that of nominee shareholder. • Define process for identification of ultimate beneficial owner. • Develop a more long-term vision in a risk-based approach. • The B • NA should assess whether the prospective shareholder would be able to support the bank in times of stress and need. • Regarding the notion of control, the BNA is recommended to remove, in paragraph 43(a)(v) of article 3 of the LGRIF, the reference to 20 percent.
Principle 7	• Authorities should amend the legal/regulatory framework to require: - banks to inform the BNA about non-qualified acquisitions and investments, - BNA to review major acquisitions and investments by other entities in the banking group. • BNA should clarify the banks on requirements for managing risks stemming from investment in non-financial activities, whether qualified or non-qualified.
Principle 8	• Develop measures and triggers for early intervention on banks and entry in resolution to enable BNA to act promptly. • Finalize the revision of the methodology for the identification of D-SIBs (based on international standards regarding their size, scale, risk profile and systemic importance and adapted to the context of Angola) and adopt an operational approach to differentiating the supervision of systemic banks and other banks. • Give more emphasis to a risk-based and qualitative approach, including through assessing the forward-looking risk profile of the banks. • Improve the capacity of the DSB to integrate economic and macroprudential findings into the microprudential toolbox. • Focus on core supervisory issues rather than on compliance with quantitative requirements.

Appendix VI. Table 2. Recommended Actions to Improve Compliance with the Basel Core Principles and the Effectiveness of Regulatory and Supervisory Frameworks (continued)	
	• Conduct assessments of the role and activity of the board of directors of the banks regarding the effectiveness of the internal control system and the independence of internal audit.
Principle 9	• Conduct qualitative assessment review on the ground of the banks' risk management activities through regular core risk inspections (e.g. internal control and compliance, asset liability management, credit risk management, foreign exchange risk management, information and communication technology and anti-money laundering). • Reduce the average supervision cycle for banks (average seven years), mainly for D-SIBs. • BNA should work on a better integration of its off-site and on-site supervision with clearer responsibility of off-site supervision to all aspects, including the corporate governance issues. • Ensure that a focal point/relationship manager is established for each bank within off-site supervision.
Principle 10	• Develop a centralized data system at BNA to strengthen data governance and IT infrastructure. The implementation of the upcoming SupTech tool could help: - consolidate all reporting information (including prudential) and financial/ statistical reports required by the regulation, - improve the data quality, validity checks and data safety, including for the ad-hoc data transfers and structure ad-hoc data transfers with a secure channel, - embed the proportionality principle in the supervisory reporting, - support capacity building initiatives for the BNA staff and the financial sector on key guidelines of BCBS 239, including determining whether valuations provided by financial institutions are sufficiently consistent and prudent, taking advantage of findings from reports developed in the context of the AQD Program. • BNA should be able to collect data to introduce a supervision process toward assessing the banking sector's resilience to climate risk drivers. • Implement technical discussions on the CIRC (e.g., through an inter-sectoral working group to standardize information, expand coverage, increase accessibility etc.) to improve the quality and nature of data used in the supervision process and review the CIRC Technical Specifications Manual for reporting.
Principle 11	• Instead of an approach founded on fines and contravention for wrongdoing, the BNA should develop an RBS approach to sanctions. • Beyond the legislation, develop a methodology for early intervention with escalation mechanisms and defined triggers that would enable supervisors to act early.
Principle 12	• The supervision of financial groups must be adequately covered in the supervision manual (MSP). • The assessors recommend that BNA develop guidelines for banks on policies and processes to mitigate risks from foreign operations. • The assessors recommend that the BNA improve capacity in the DSB to map bank-wide groups in Angola, identifying information about, for example, legal structures, ownership, control links and material activities, including those related to subsidiaries and non-financial companies, intra-group exposures, transmission channels of risks and contagion potential for prudential matters. • BNA should adopt a policy to decide when on-site visits to foreign subsidiaries are needed.

Appendix VI. Table 2. Recommended Actions to Improve Compliance with the Basel Core Principles and the Effectiveness of Regulatory and Supervisory Frameworks (continued)	
Principle 13	• Assign internal roles and responsibilities to staff in the supervision department to engage in broad international discussions on behalf of the BNA, including technical issues. Set up more transparent roles and an effective coordination scheme. Maintain and enhance technical capabilities in this area for staff. • Set up terms of cooperation with all materially important foreign financial supervisors, if not done yet, and include new terms on asset recovery and resolution matters when the domestic framework is fully operational. • Conduct joint on-site inspections of BAI whenever possible, following agreements with host supervisors.
Principle 14	• Amend Notice No. 1/22 to: - align with BCBS Corporate Governance Principles (2015), - require at least one-third of the board to be independent, - require committees to be composed mainly of non-executive members, - require audit committee to be distinct from other committees, - require banks to maintain succession plans, - require banks to notify BNA or disclose bona fide information that may affect fitness and propriety of senior management, and - stress the importance of board understanding of opaque structures. • Enhance supervisory processes to improve qualitative assessments by increasing engagement (with corresponding documentation), analyzing meetings' minutes and internal reporting, among others. • Conduct supervision of compensation practices.
Principle 15	• Require banks to consider risks that could materialize over longer time horizons, in particular, climate and digitalization, taking into account proportionality. • Require systemically important banks to have a CRO, with a clear distinction of what constitutes a CRO, and to discuss the reasons for its removal with the BNA. • Continue enhancing supervisory capabilities to effectively assess ICAAP submissions, stress testing frameworks and boards' understanding of new products.
Principle 16	Introduce a simplified ICAAP for non-systemic banks.
Principle 17	• Introduce credit risk management regulation. • Introduce a requirement for board-level approval of major or risky exposures. • Introduce formal tracking and reporting of breaches in internal credit limits to BNA. • Enhance supervisory processes to improve qualitative assessments. • Increase on-site inspections on credit risk to guarantee minimum frequency, in particular on systemic banks. • Adjust sample criteria to guarantee that critical transactions (in terms of risk and mispricing of risk) are sampled. Document and standardize them.
Principle 18	• Clearly define problem assets and NPLs, which should include unlikely to pay in addition to 90 days past due, and simplify related definitions, including clarifying rules for re-classification of exposures. • Assess, report and disclose trends and concentrations based on problem loans or (redefined) NPLs.

Appendix VI. Table 2. Recommended Actions to Improve Compliance with the Basel Core Principles and the Effectiveness of Regulatory and Supervisory Frameworks (continued)	
	• Issue a stricter prudential approach to encourage banks to timely write off loans, and consider introducing mandatory NPL write-off rules based on the period an exposure has been classified as 'Loss' or after the exposure has been classified as NPL for a certain period. • Enhance supervisory processes to improve qualitative assessments, in particular for write-off policies. • Conduct off-site quarterly reviews of provisioning based on the in-house impairment model.
Principle 19	• Amend regulation to remove deviations from Basel III large exposures framework, improve identification of connected counterparties, and require banks to clearly identify other sources of concentration (beyond credit and currency risk.) • Develop a phased approach to identify the list of connected parties: first build a database from different sources (including banks) then develop software (that can be used for different purposes such as in related parties, transfer of ownership and AML/CFT assessment) to be able to fully challenge (and exercise discretion) the identified connected counterparties. • Improve BNA's monitoring capabilities, for instance by adding alerts to SSIF and expanding monitoring beyond prudential limits to other types of concentration. • Require banks exceeding the thresholds to develop an action plan to reduce concentration to counterparts.
Principle 20	• Amend regulation to remove deviations from this CP: align to footnotes 9 and 10 and explicitly grant BNA the power to exercise discretion in applying the related party definition on a case-by-case basis. • Develop a phased approach to identify the list of related parties: first build a database from different sources (including banks) then develop software (that can be used for different purposes such as concentration, transfer of ownership and AML/CFT assessment) to be able to fully challenge the identified related parties. • Reflect recent improvements in related parties regulation in supervisory practices.
Principle 21	Develop a regulatory and supervisory framework.
Principle 22	• Amend regulation to align trading and banking book boundary with BCBS RBC25, making simplifications to consider proportionality. • Introduce market risk management regulation. • Enhance the intrusiveness of off-site supervision, in particular on qualitative aspects • Conduct on-site supervision. • Hire/reassign/train market risk experts. • Tailor SREP indicators to the Angolan banking system to consider FX. • Enhance supervisory capabilities to effectively challenge valuation practices.
Principle 23	• Use in-house stress tests performed by the financial stability department to challenge banks' IRRBB. • Enhance the intrusiveness of off-site supervision, in particular on qualitative aspects. • Conduct on-site inspections on IRRBB.
Principle 24	• Introduce liquidity risk management regulation. • Implement an automatic alert system for breaches of liquidity indicators. • Introduce simplified ILAAP for non-systemic banks.

Appendix VI. Table 2. Recommended Actions to Improve Compliance with the Basel Core Principles and the Effectiveness of Regulatory and Supervisory Frameworks (continued)	
	• Optimize supervisory resources during on-site by automating accounting verification. Use the freed resources to assess liquidity risk. • Enhance the intrusiveness of off-site supervision, in particular on qualitative aspects. • Tailor SREP indicators to the Angolan banking system by, inter alia, removing the transformation ratio. • Hire/train liquidity risk experts. • Increase on-site inspections on liquidity risk to guarantee minimum frequency, in particular for systemic banks. • Enhance supervisory capabilities to effectively challenge ILAAP.
Principle 25	• Amend regulation to cover all requirements in the CP, in particular the ones related to operational risk management and operational resilience. • Introduce guidance on identification of operational risk events, including legal risk. • Reflect recent improvements in ICT and cloud services regulation in supervisory practices • Strengthen the depth and scope of supervisory assessment of operational risk. • Review SREP indicators to incorporate operational resilience and to increase sensitivity to operational risk. • Continue enhancing supervisory capabilities to effectively assess and challenge recovery plans and business continuity plans. • Increase staffing. • Conduct more on-site inspections, including for cyber risk. • Adjust disruptions reporting to include processes/persons/infrastructure types of incidents. • Use an appropriate IT channel for reporting incidents.
Principle 26	• Improve the assessment of internal control functions independence and require the internal audit function to report directly to the internal audit committee/board. • Enhance the intrusiveness of supervision of control functions, including back office and compliance. • Conduct assessment of the resources of internal control functions, including resources, skills, compensation. • Increase the frequency of in-depth qualitative assessment of internal controls.
Principle 27	Develop supervisory expertise to perform valuation assessments and engage more with external auditors for that purpose.
Principle 28	• Require banks to disclose: - main quantitative information quarterly (at least capital definition and requirements, RWA, leverage ratio and liquidity), - aggregate exposures and transactions with related parties; and entities in groups' structure. • Improve the BNA's Financial Soundness Indicators disclosure by adding balance sheet structure, income earning capacity, among others, and ensure data quality. Information on nonperforming should be adjusted to include all exposures that are credit-impaired.
Principle 29	• Reinforce cooperation between the financial conduct and prudential functions of BNA to improve the assessment of proper governance arrangements and the three lines of defense in banks to prevent financial crimes and facilitate better allocation of staff based on the risk-based approach.

Appendix VI. Table 2. Recommended Actions to Improve Compliance with the Basel Core Principles and the Effectiveness of Regulatory and Supervisory Frameworks (concluded)	
	• Develop detailed questionnaires for on-site inspections (joint DCF/DSB, for instance), in line with the directives of the Supervision Manual, to support supervisors in forming an early perspective of the bank's risk management and risk control quality assessment (QRM), including questions on Board and senior management's oversight of operational management, compliance and auditing services in banks. • Apply the upcoming SupTech tool to allow DCF offsite teams to conduct sample testing. In line with the risk-based approach, integrate standardized metrics into periodic risk assessments to facilitate horizontal analyses, on customer, sector and transaction risks. • Strengthen cooperation with the FIU on information exchange and capacity building for the financial sector, preferably by conducting joint training activities to make detecting and reporting suspicious activities more transparent for banks and enhancing communication mechanisms based on the current cooperation agreement.